



team
FINLAND

TEAM FINLAND CHINA BUSINESS CONFIDENCE SURVEY 2024

Between April 10th-30th Team Finland China conducted a Business Confidence Survey of Finnish companies about their confidence and expectations on the China market.

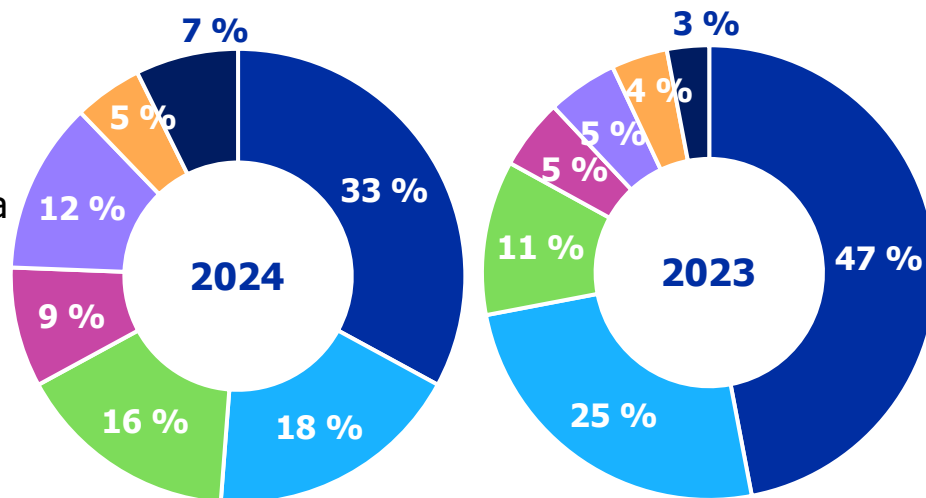
Survey received 82 responses.

RESPONDENTS WERE MORE EQUALLY SPREAD ACROSS CHINA COMPARED TO 2023

WHAT IS YOUR COMPANY LOCATION IN MAINLAND CHINA AND/OR HONG KONG ?

LOCATION IN CHINA

- Shanghai
- Beijing
- Yangtze River Delta Area
- Hong Kong
- Other local locations
- Guangdong
- No local presence



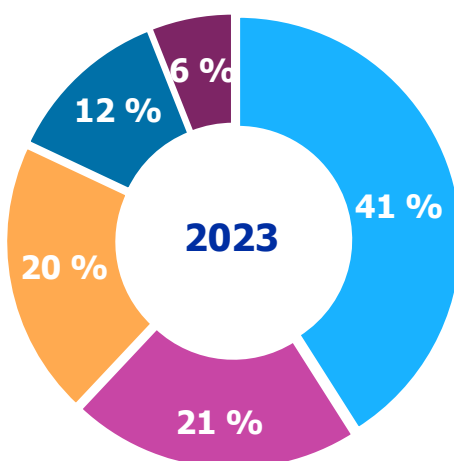
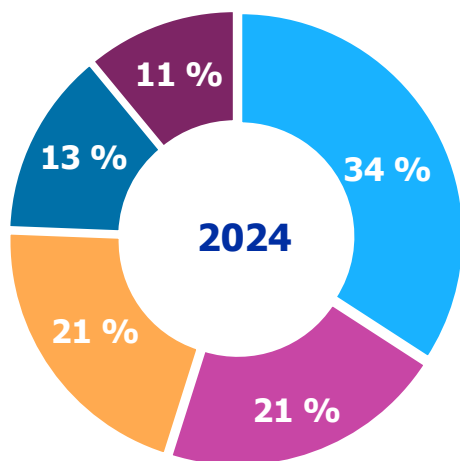
- Share of East China responses reduced from 58% in 2023 down to 49% in 2024.
- South China (incl Hong Kong) based companies increased their share from 9% in 2023 to 14% in 2024. More responses came also more from other locations (12% in 2024 vs. 5% in 2023)
- Beijing based companies' response rate dropped 7ppt vs 2023.

SHARE OF MIDCAP COMPANIES INCREASED AND LARGE DECLINED COMPARED TO 2023

WHAT IS YOUR COMPANY SIZE ?

COMPANY SIZE

- Large
- Micro
- Medium
- Small
- Midcap

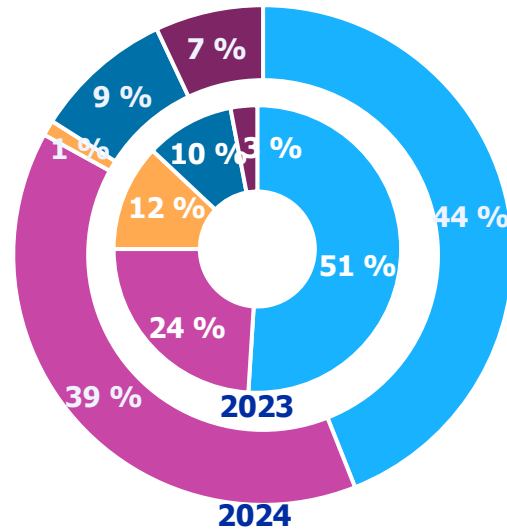


- Large > 250 employees and global sales >300M€
- Micro <10 employees globally and global sales < 2M€
- Medium <250 employees globally and global sales < 50M€
- Small <50 employees globally and global sales <10M€
- Midcap large with global sales < 300M€

MORE RESPONSES FROM FINLAND, UPPER AND TOP MANAGEMENT SHARE INCREASED VS. 2023

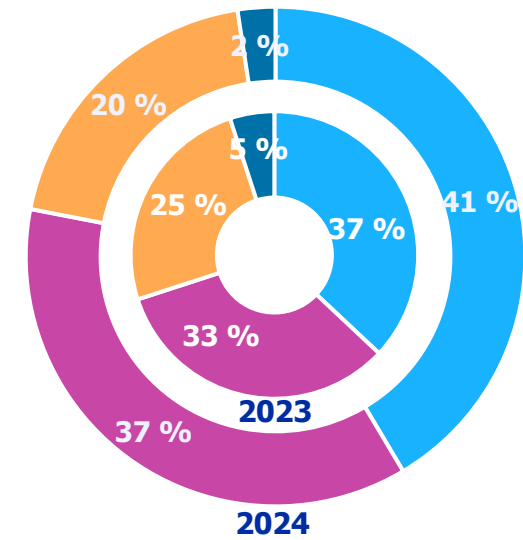
WHAT IS THE COMPANY YOU REPRESENT?

- A subsidiary of a Finnish company in China
- A company based in Finland
- Non-Finnish owned company
- Other Finnish owned company
- An agent of a distributor of a Finnish company in China



WHAT IS YOUR POSTISION IN THE COMPANY ?

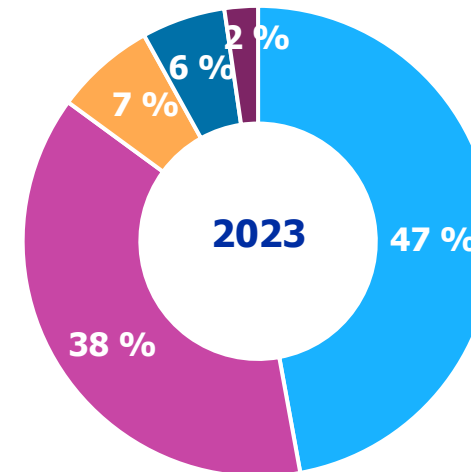
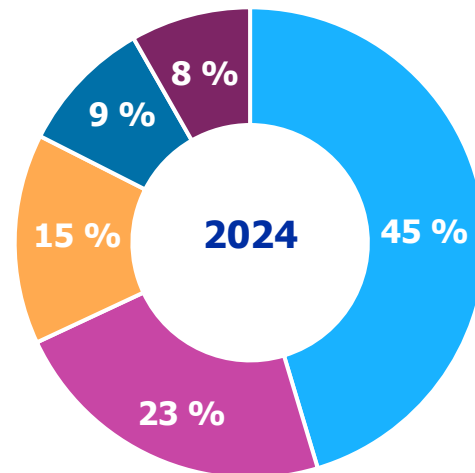
- Top management (President, CEO, MD, Member of Board, etc.)
- Upper management (GM, SVP, VP)
- Middle management (Marketing, Sales, etc.)
- Others



RESPONDENTS ARE MORE EVENLY DISTRIBUTED ACROSS FINNCHAMS IN CHINA IN 2024 VS 2023

WHICH FINNCHAM ARE YOU A MEMBER OF ?

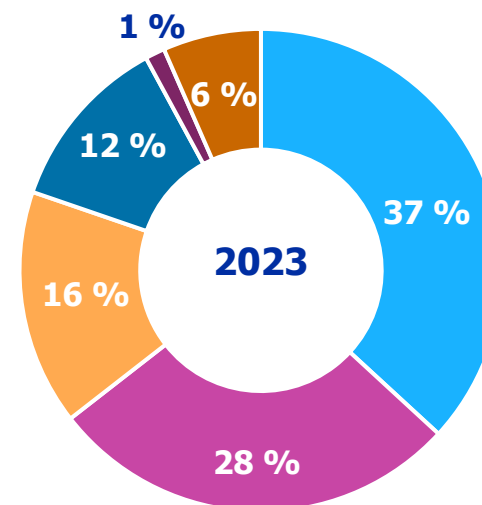
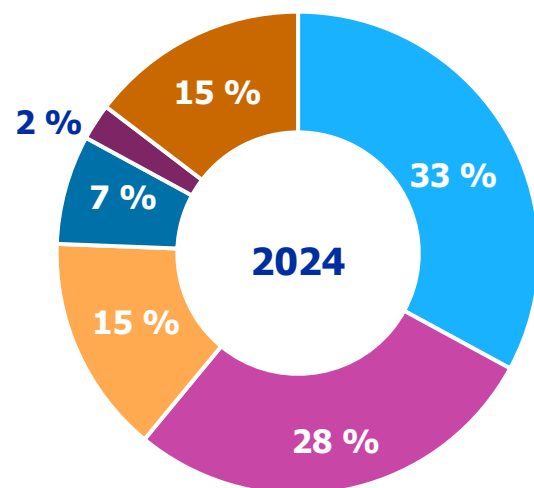
- Shanghai
- Beijing
- Not a member in any of above
- Guangdong
- Hong Kong



MORE RESPONSES FROM COMPANIES WITHOUT A LEGAL ENTITY IN CHINA

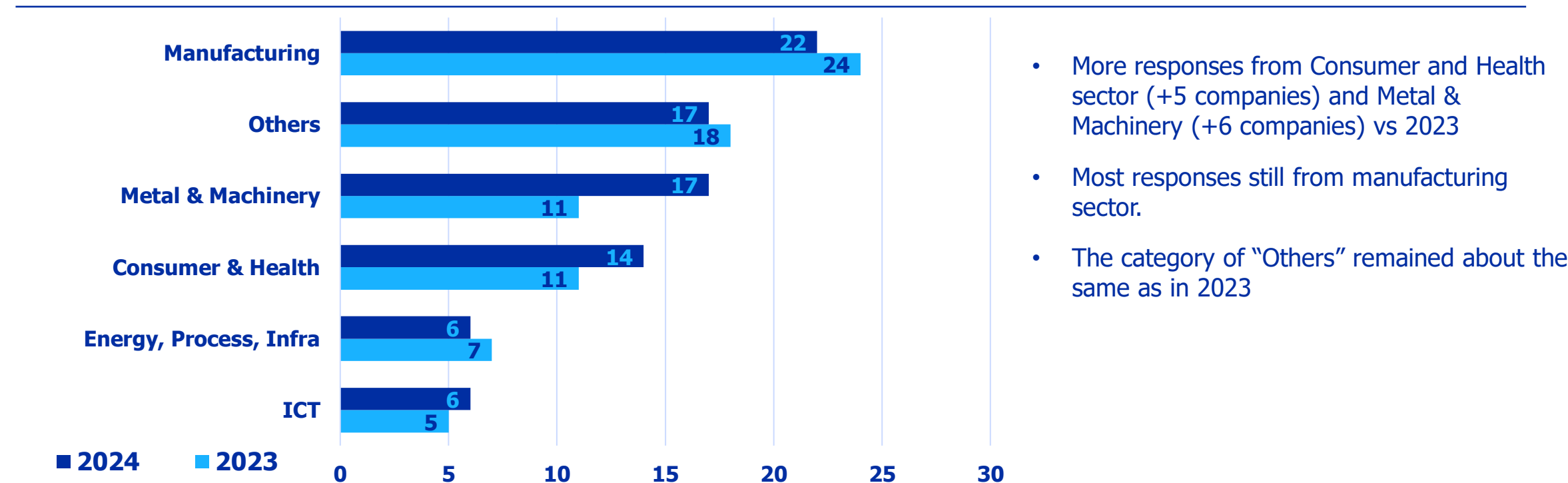
HOW MANY YEARS OF YOUR COMPANY HAVING LEGAL ENTITY IN CHINA ?

- 20+ years
- 10-20 years
- 5-10 years
- 2-5 years
- 0-2 years
- No legal entity in China



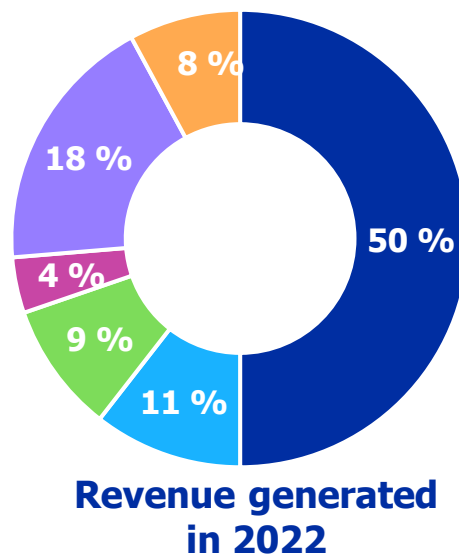
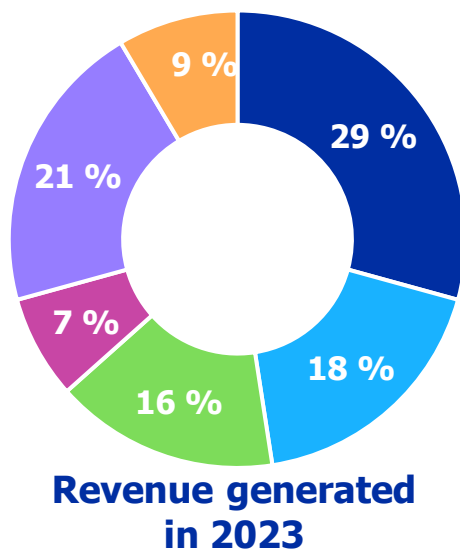
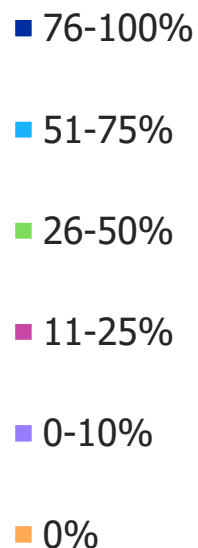
INDUSTRIES OF RESPONDENTS ARE COMPARABLE TO 2023

WHICH INDUSTRY DOES YOUR COMPANY REPRESENT ?



LAST YEAR COMPANIES DID LESS BUSINESS WITH LOCAL CUSTOMERS IN CHINA VS 2022

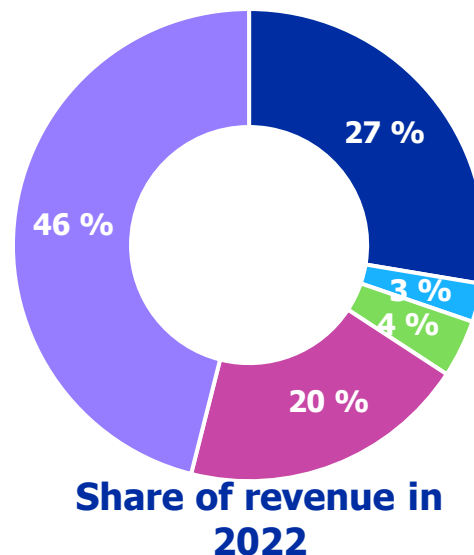
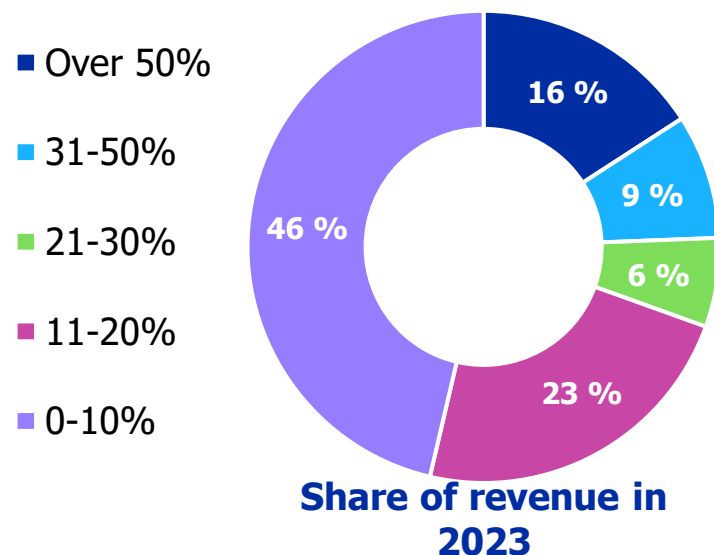
HOW MUCH OF THE REVENUES WAS GENERATED BY LOCAL CUSTOMER IN 2023 ?



- The share of Finnish companies in China generating over 50% of revenue from local customers dropped from 61% in 2022 down to 47% in 2023
- Companies generating over 90% of revenue from non-local customers increased from 26% in 2022 to 30% in 2023.

CHINA SHARE OF COMPANIES' GLOBAL REVENUE GENERATION REDUCED IN 2023

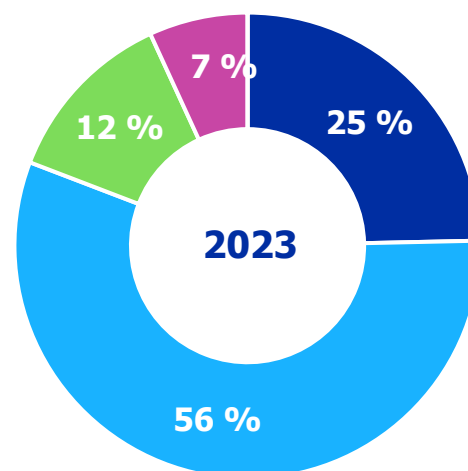
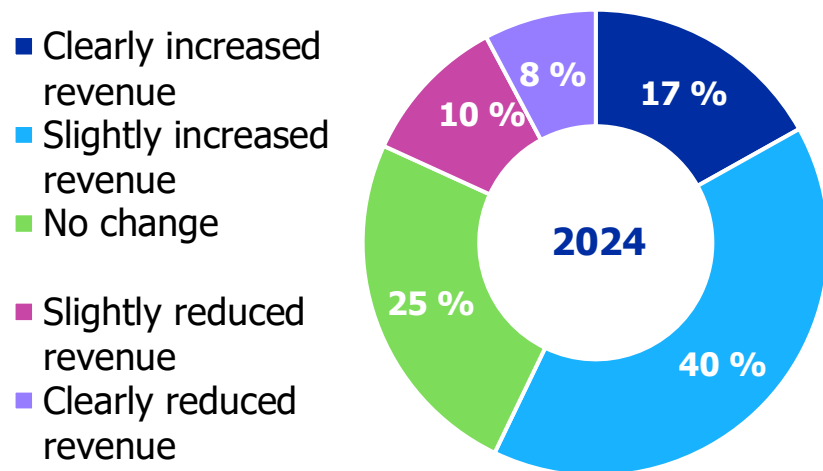
WHAT WAS THE SHARE OF MAINLAND CHINA AND/OR HONG KONG MARKET REVENUE OF THE COMPANY'S TOTAL REVENUE ?



- Companies generating over 50% of their global revenue from China market dropped from 27% in 2022 to 16% in 2023.
- Companies generating less than 20% of their global revenue in China increased from 66% to 69%

FINNISH COMPANIES' REVENUE OUTLOOK IN CHINA HAS TURNED SLIGHTLY MORE NEGATIVE

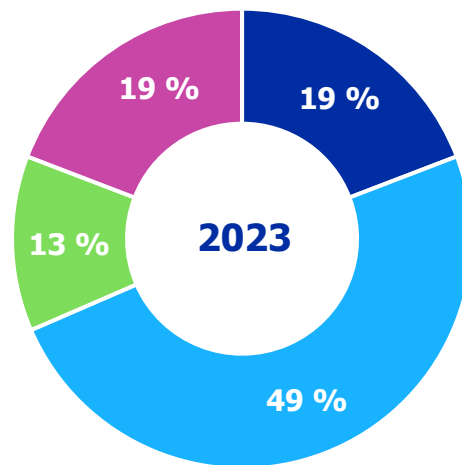
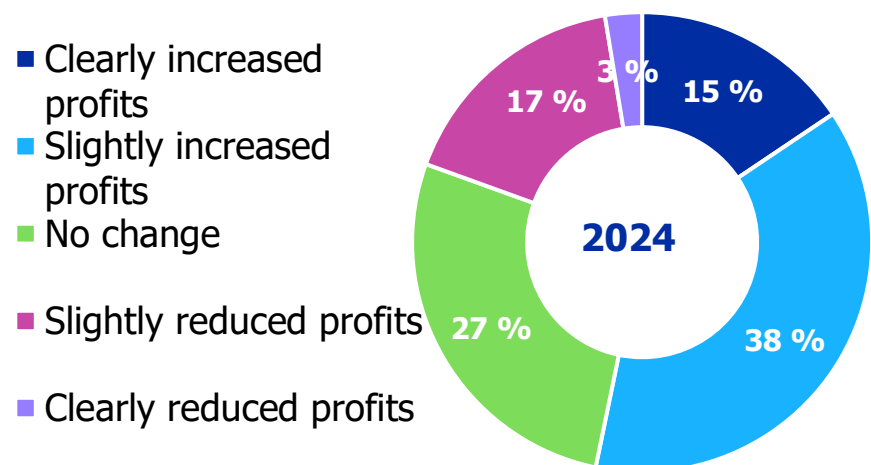
HOW DO YOU EXPECT THE CHANGE ON REVENUE IN 2024 COMPARED TO 2023 ?



- A total of 57% respondents expect their revenue to increase in China (vs 81% in 2023)
- 40% of respondents (vs. 56%) expecting a moderate increase and 17% (vs. 25%) expecting a significant increase.
- More respondents expect no change vs 2023.
- 8% of companies reported an expected significant decline in revenue in 2024 (vs 0% in 2023).

OUTLOOK FOR PROFITABILITY IN CHINA IS MORE NEGATIVE VS 2023

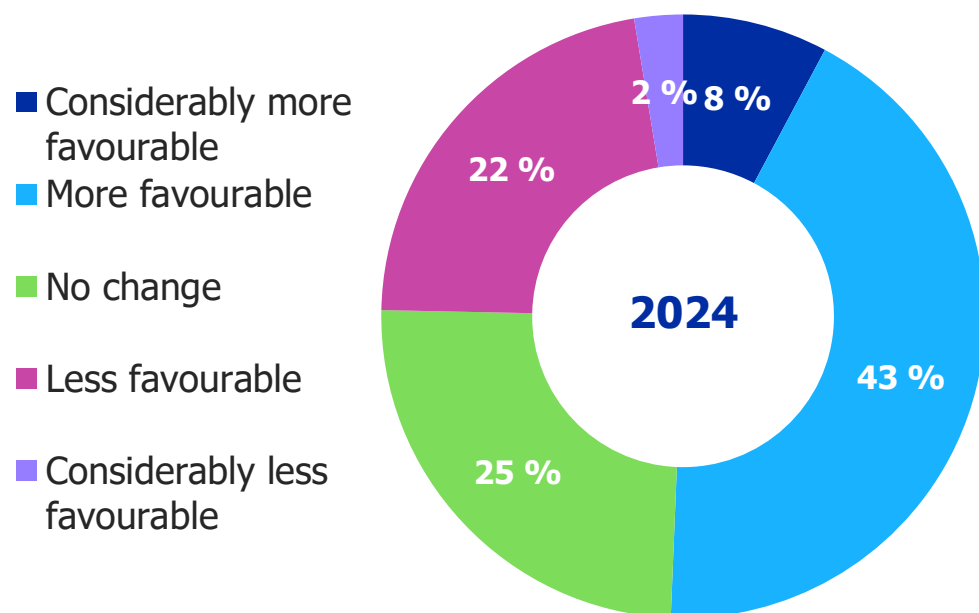
HOW DO YOU EXPECT THE NET PROFIT CHANGE IN 2024 COMPARED TO 2023 ?



- The share of companies expecting profits in China to increase has dropped from 68% in 2023 down to 53% in 2024.
- Nearly one third (27%) of Finnish companies expect the profitability to remain stable in 2024 (vs 13% in 2023)
- 20% of respondents expect profits to reduce, which is roughly on the same level as in 2023, but 3% feel significant profit pressure (vs 0% in 2023)

HOWEVER THE LONG TERM OUTLOOK FOR CHINA MARKET REMAINS ROBUST

HOW DO YOU PREDICT YOUR BUSINESS DEVELOP IN THE COMING 3 YEARS?

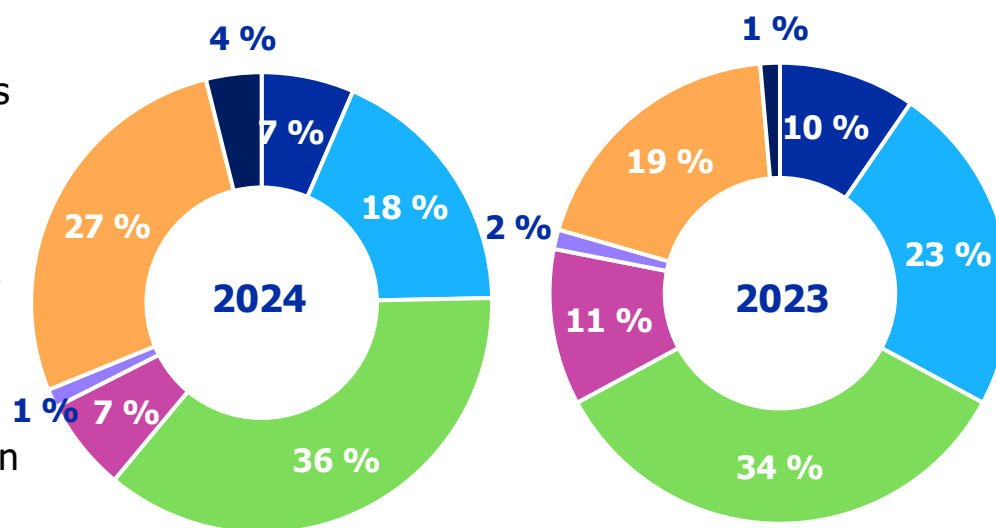


- Most Finnish companies (76%) expect their businesses in China to remain on the same level or improve over the next 3 years
- Only 2% of the respondents expect their businesses to develop considerably less favourable in the coming 3 years

COMPANIES PLAN TO INVEST SLIGHTLY LESS IN CHINA COMPARED TO 2023

HOW DO YOU EXPECT YOUR COMPANY'S INVESTMENT TO CHANGE IN CHINA IN 2024 COMPARED TO INVESTMENT IN 2023 ?

- Significant increase of investments
- Slightly increase of investments
- Maintain same level of investments as in 2023
- Slight reduction of investments
- Significant reduction of investments
- We are not planning to invest in China during 2024
- Other (please specify)

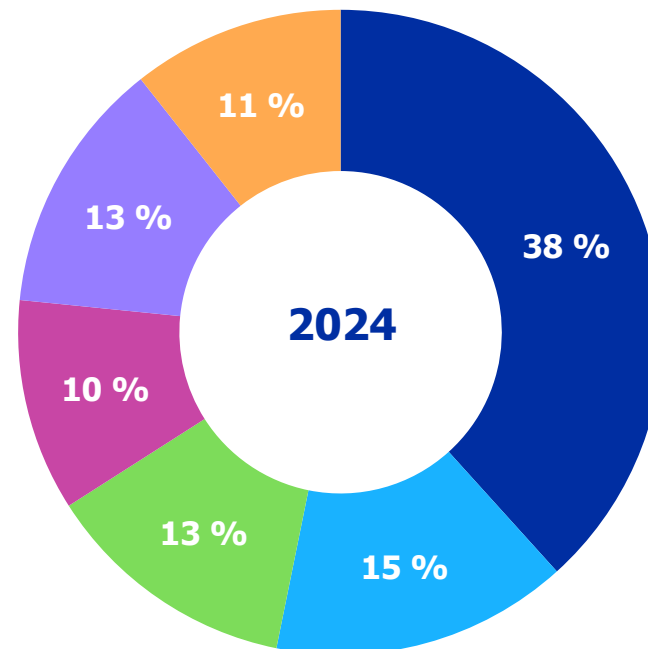


- Share of companies not planning to invest in China has increased from 19% in 2023 to 27% in 2024
- Most respondents (36%) plan to maintain investment levels, which represents a slight increase to 2023.
- 25% of companies are reporting planning to increase investments in China in 2024 vs. 33% in 2023 vs. 39% in 2022.

FINNISH COMPANIES IN CHINA ARE SHIFTING THEIR INVESTMENTS INTO OTHER MARKETS

WHAT ARE THE REASONS YOU PLAN TO REDUCE INVESTMENT IN CHINA / HONG KONG ?

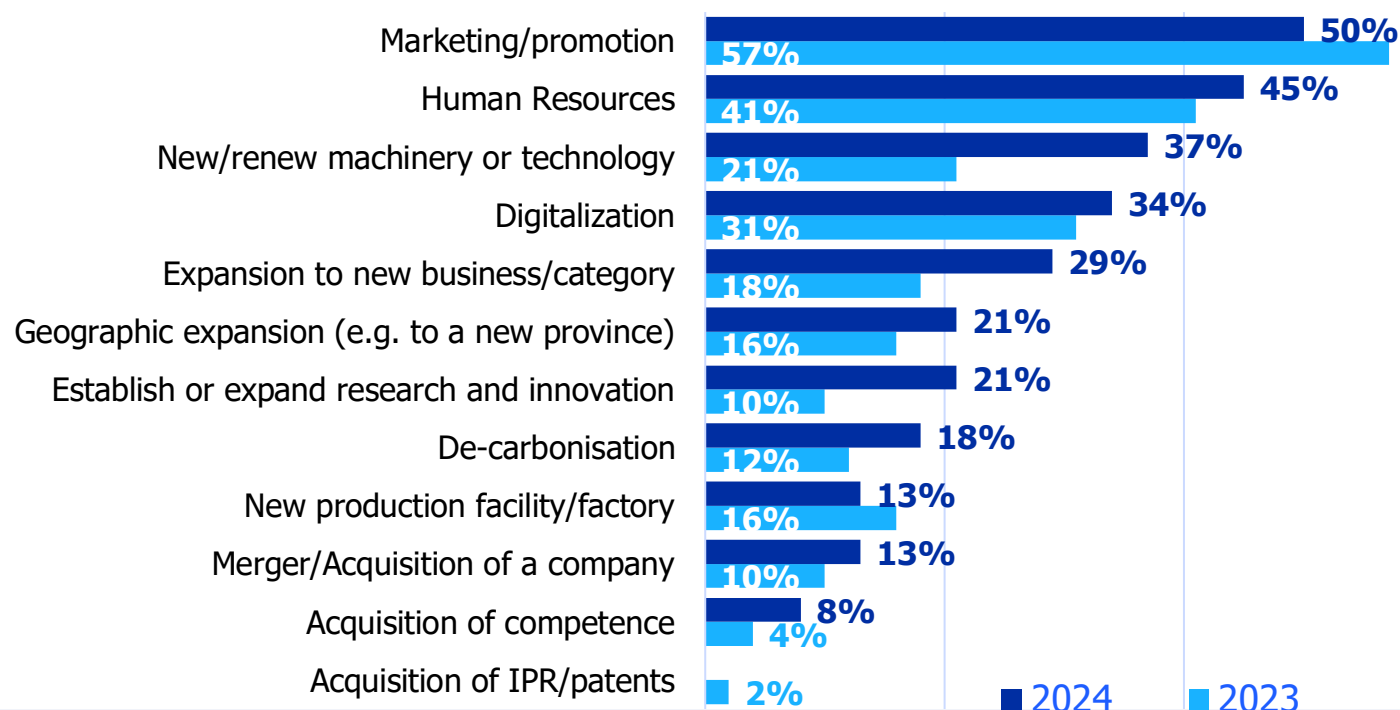
- We are investing more back in Europe/ Finland
- We are investing more in other Asian markets
- We are investing more in Americas
- We are not investing globally
- I do not know
- Other (investing more in China/ no change)



- Biggest reason for reducing investments in China (38% of respondents) is expected shift of investments into Finland or other EU countries.
- Investments are also shifting from China to other Asian markets and Americas, however much less than in Europe.

INVESTMENTS SHIFTING TOWARDS R&D, MACHINERY RENEWAL AND DIGITALIZATION

WHICH AREAS WILL YOUR COMPANY FOCUS OF INVESTMENT ?



- Marketing/promotion and HR remain top two areas of investment for Finnish companies
- Biggest increases vs 2023 are however in renewal of machinery of technology and R&D, each more than 10 ppt.
- Companies are increasingly looking into expanding their businesses into new categories and/or geographic areas
- Investment in digitalization remains on a high level

YANGTZE RIVER DELTA AND GUANGDONG REMAIN TOP LOCATIONS FOR BUSINESS EXPANSION

WHICH GEOGRAPHICAL AREAS IN MAINLAND CHINA AND/OR HONG KONG YOU WOULD EXPAND INTO?

2024 vs. 2023 Responses

Eastern and Central China **56 vs. 59**
☐ 71% in Yangtze River Delta
☐ SH is more attractive
☐ 4 mentioned Shandong
☐ Hubei, Hunan, Anhui & Henan also mentioned
-3

Beijing, Tianjin & Hebei **+4** **20 vs. 16**
☐ Mainly in Beijing

South West **17 vs. 31**
☐ Most in Chengdu, Sichuan Province
☐ Incl. Guangxi, and Chongqing
-4

North East **+6** **10 vs. 4**

North West **-3** **6 vs. 9**

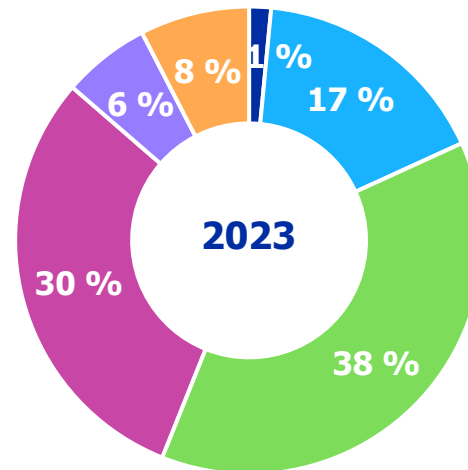
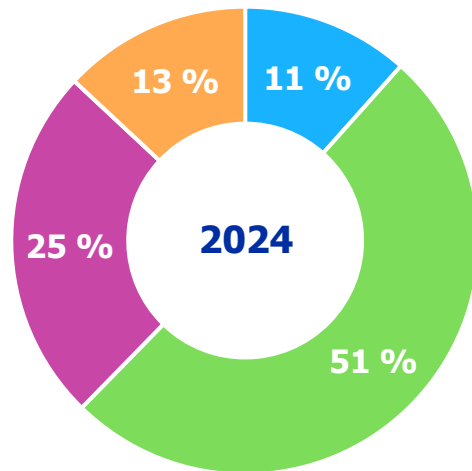
South East, HK & Hainan **37 vs. 39**
☐ Mostly in Guangdong Province
☐ 5 in HK
☐ 4 in Hainan
☐ Fujian also mentioned
-2

- Eastern and Central China, South East, HK and Hainan as well as South West are still the most popular areas for Finnish companies to expand into
- However, the number of companies interested in expanding in Central China and South East declined in 2024.
- North China (incl Beijing) has increased its attractiveness for expansion vs 2023

MOST COMPANIES EXPECT TO MAINTAIN CURRENT LOCAL WORKFORCE

DO YOU PLAN TO CHANGE THE NUMBER OF LOCAL EMPLOYEES ?

- Substantial decrease
- Moderate decrease
- Maintain the present level
- Moderate increase
- Substantial increase
- N/A



- Finnish companies do not plan substantial changes in their local workforce in 2024.
- More than half (51%) of the companies plan to maintain the present level of local workforce.
- Less companies plan to reduce local workforce in 2024 (11%) vs in 2023 (18%).

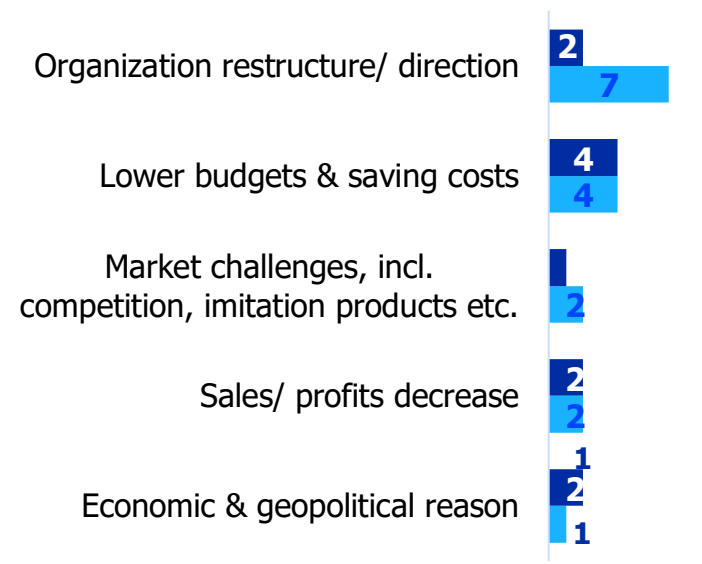
LOCAL EMPLOYEES ARE RECRUITED MORE FOR R&D AND LESS ON BUSINESS VS 2023

WHAT IS MAIN REASON IF YOU PLAN TO CHANGE THE NUMBER OF LOCAL EMPLOYEES ?

Increase



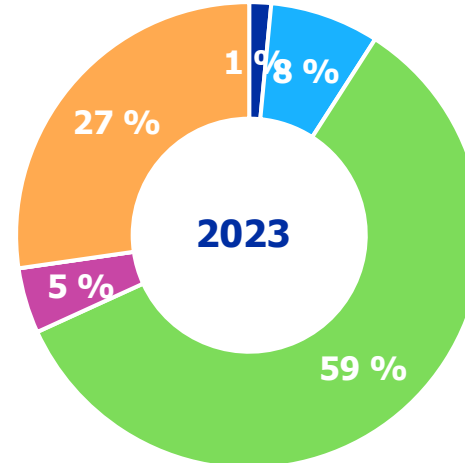
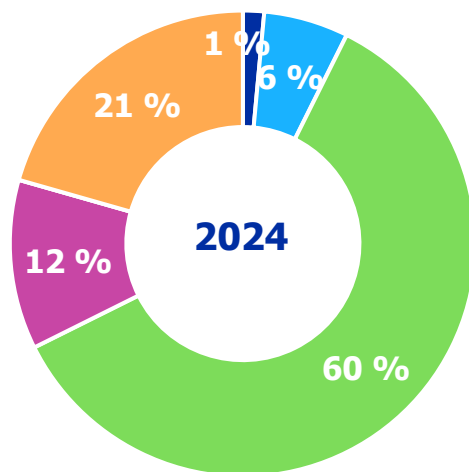
Decrease



COMPANIES PLAN TO INCREASE FOREIGN EMPLOYEES MORE THAN REDUCE THEM IN CHINA

DO YOU PLAN TO CHANGE THE NUMBER OF FOREIGN EMPLOYEES IN 2024 ?

- Substantial decrease
- Moderate decrease
- Maintain the present level
- Moderate increase
- Substantial increase
- N/A



- Clear majority of Finnish companies plan to maintain the number of foreign employees in China, as they did also in 2023
- Companies planning to moderately increase foreign employees has increased from 5% in 2023 to 12% in 2024
- 12% of companies are likely to employ moderately more foreigners in 2024 (vs. 5% in 2023).

ADDING TALENT AND KEEPING THE CULTURE MAIN DRIVERS FOR INCREASING FOREIGN EMPLOYEES

WHAT IS MAIN REASON IF YOU PLAN TO CHANGE THE NUMBER OF FOREIGN EMPLOYEES ?

2024

Increase

- Need Finnish talent & competence (4 responses)
- Keeping international culture (2)
- To increase sales (2)

Decrease

- Company has been localized (2)
- Saving cost (2)

2023

Increase

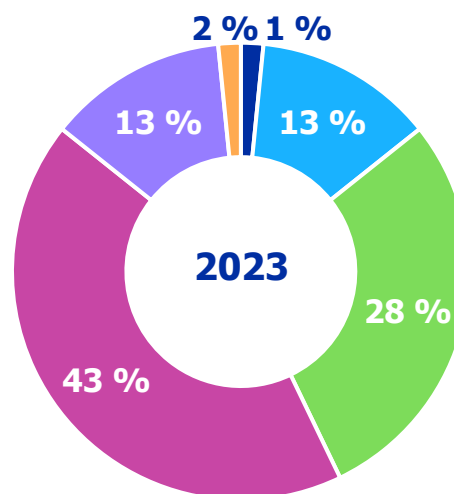
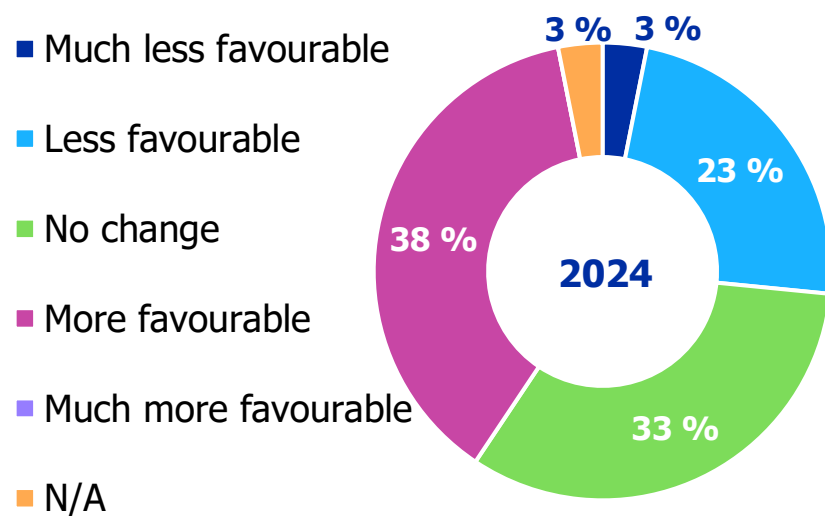
- Business development
- Keeping company culture
- Management level
- Easy communication to HQ/ EU

Decrease

- Company has been localized
- No/decline on budget
- Expats own reason

EXPECTATIONS ON CHINA'S BUSINESS CLIMATE HAVE DECLINED

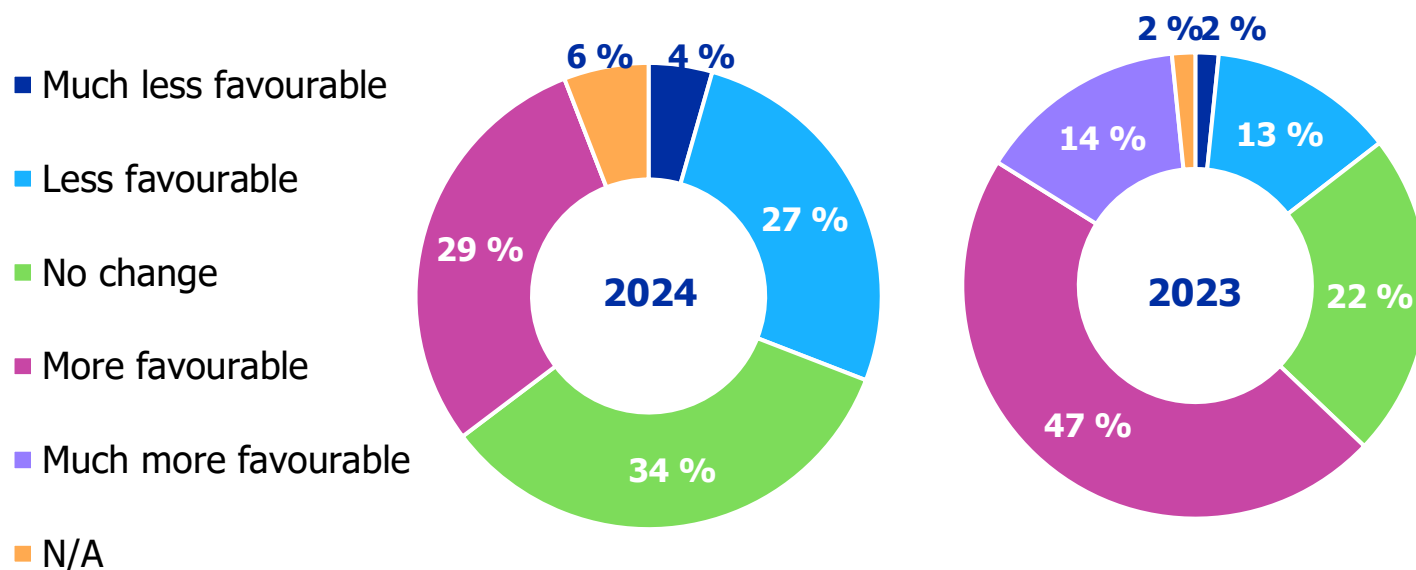
HOW DO YOU EXPECT THE BUSINESS CLIMATE IN CHINA TO DEVELOP IN 2024 COMPARED TO 2023?



- More respondents (26%) expect business climate to be less or much less favorable. In 2023 only 14% expected the same.
- More respondents (33%) expect no change in business climate in 2024 compared to 28% in 2023.
- However, over one third of companies (38%) still expect the business climate to improve in China.

EXPECTATIONS ON INVESTMENT CLIMATE HAVE TURNED SIGNIFICANTLY LESS FAVORABLE

HOW DO YOU EXPECT THE INVESTMENT CLIMATE IN CHINA TO DEVELOP IN 2024 COMPARED TO 2023 ?



- The share of companies expecting the investment climate in China to be less or much less favorable has more than doubled from 15% in 2023 vs 31% in 2024.
- Less than one third of companies expect the climate to improve in 2024 vs 61% in 2023
- Respondents (34%) expecting no change in investment climate in China has increased from 22% in 2023 to 34% in 2024.

GOVERNMENT POLICIES CREATE AN UNEVEN BUSINESS ENVIRONMENT FOR FINNISH COMPANIES

WHICH EXTERNAL FACTORS DO YOU CONSIDER MOST CHALLENGING FOR YOUR BUSINESS IN CHINA ?

China government policies that disadvantage foreign companies in your sector

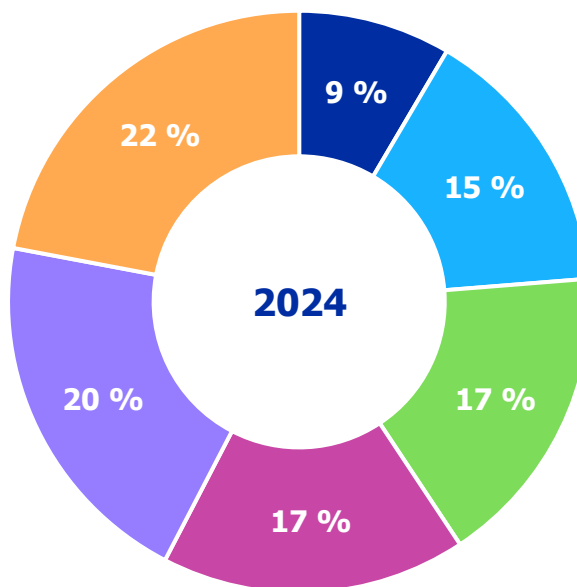


- Other reasons mostly refer to increased local competition and concerns of overcapacity.
- In some industries / sectors government policies are disadvantaging foreign companies' business in China.
- Access to skilled labor is second mostly mentioned challenge for doing business in China.
- IPR Protection is still on top 3 of issues challenging businesses in China.

SUPPLY CHAIN PLANS OF COMPANIES IN CHINA INDICATE NO CLEAR TREND OF “DE-RISKING”

WHICH SUPPLY CHAIN CHANGES – IF ANY – ARE YOU CONSIDERING WITH RESPECT TO YOUR OPERATIONS IN CHINA/HK ?

- Shifting suppliers from mainland China/ Hong Kong to abroad
- Reducing / consolidating the supplier base
- Shifting suppliers from abroad to mainland China/ Hong Kong
- Increasing / diversifying supplier base outside of mainland China/ Hong Kong
- Increasing / diversifying supplier based in mainland China / Hong Kong
- Others (mainly N/A or no change)

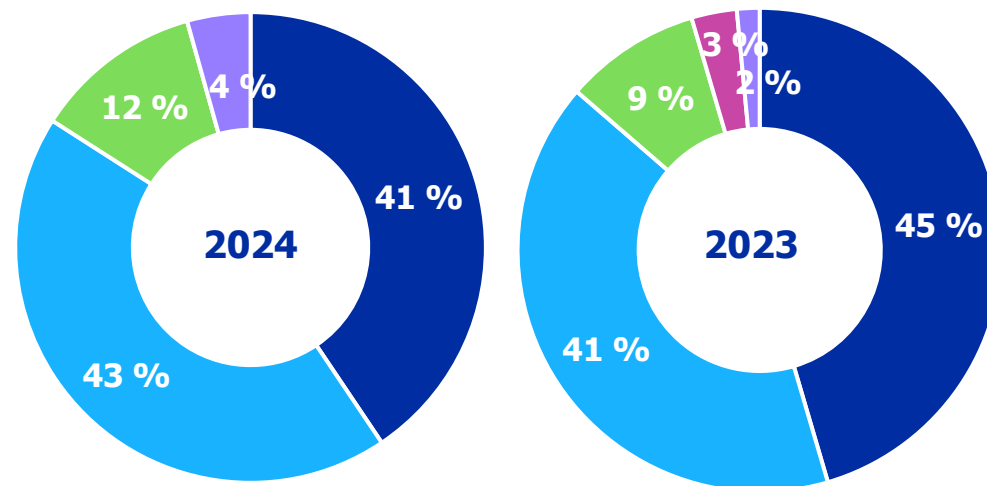


- More companies plan to increase/diversify supplier base in mainland / Hong Kong (20%) vs. outside (17%)
- 17% of companies plan to shift suppliers to mainland China /Hong Kong from global markets
- Majority (22%) plan no changes to supply chain

GLOBAL TRADE DISPUTES CONTINUE TO DIVIDE THE EXPECTED BUSINESS IMPACT IN CHINA

HOW DO YOU ASSESS THE IMPACT OF THE INCREASING GLOBAL TRADE DISPUTES AND TECHNOLOGY PROTECTION MEASURES ?

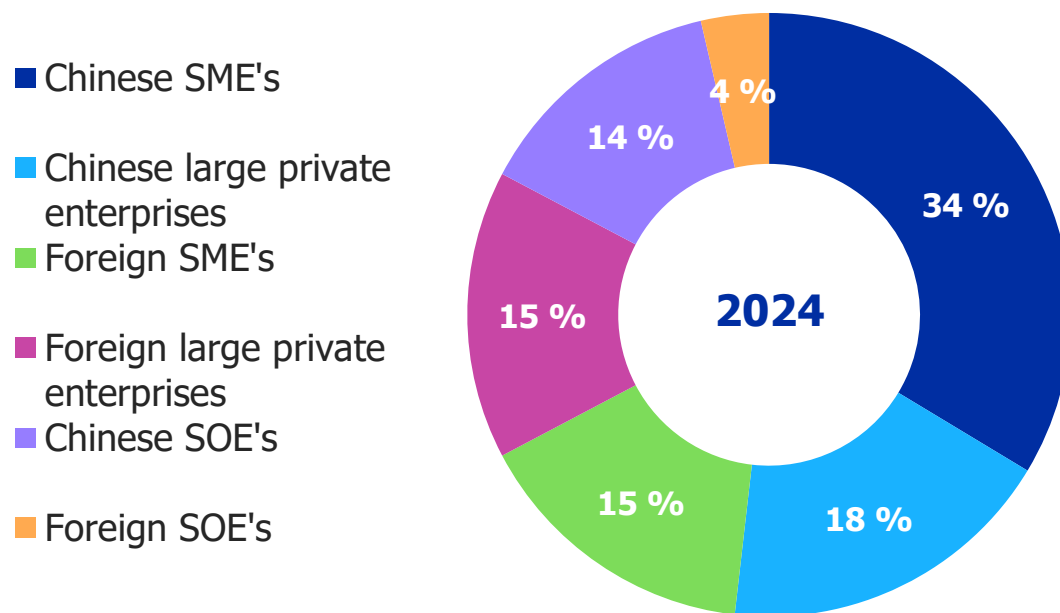
- Worsened business opportunities
- No impact
- Somewhat improved business opportunities
- Strongly improved business opportunities
- Strongly worsened business opportunities



- Slightly less companies expect global trade disputes to have a negative impact on business in 2024 (45%) vs 2023 (47%)
- Share of companies expecting global trade disputes to have a positive impact has remained at the same level 12%

MAIN COMPETITORS ARE CHINESE SME'S AND LARGE PRIVATE ENTERPRISES

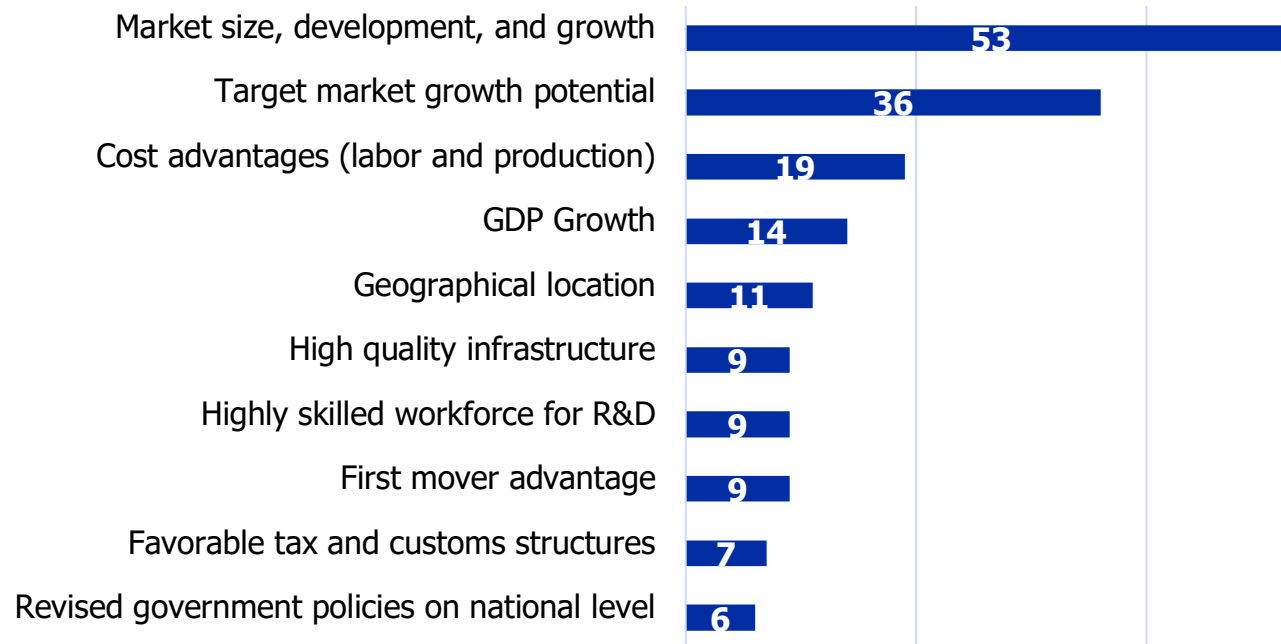
WHO ARE THE MAIN COMPETITORS IN MAINLAND CHINA AND/OR HONG KONG ?



- In China local companies are main competitors for 66% of Finnish companies responding to the survey.
- 34% of respondents mentioned foreign companies in China as their main competitors
- Chinese SME's are mentioned by most Finnish companies (34%) as their main competitors

THE SIZE AND GROWTH POTENTIAL OF CHINA MARKET CONTINUES TO ATTRACT FINNISH COMPANIES

WHAT ARE KEY EXTERNAL FACTORS CONTRIBUTING TO OPPORTUNITIES IN CHINA ?



- Market size and market growth potential are the key factors.

SUMMARY & CONCLUSIONS

- There are over 250 active Finnish companies operating in China, most of whom are headquartered in East China region. Metal and machinery industry is the biggest sector.
- The share of Finnish companies expecting revenues to increase in China has dropped from 81% in 2023 down to 57% and the share of sales to local companies decreased in 2023 (vs 2022).
- Competition is intensifying in some sectors. Less companies expect profits to increase (53% in 2024 vs 68% in 2023) and 3% expect significant drop in profits (vs 0% in 2023). Local companies are main competitors for 66% of respondents.
- In short term business outlook has dropped. 26% of respondents expect business climate to be less favorable vs 14% in 2023. However, 76% expect their businesses in China to remain on the same level or improve over the next 3 years.
- The investment climate is getting worse. Share of companies not planning to invest in China has increased from 19% in 2023 to 27%. Companies are shifting investments mainly to EU and Finland.
- Companies are increasing investments in renewal of machinery of technology and R&D, each show increase of 10ppt vs 2023.
- Supply chain development does not indicate Finnish companies would be planning significant de-risking of China operations.
- 76% plan to maintain or slightly increase their local workforce in China. Access to skilled labor is second mostly mentioned challenge for doing business in China.
- Slightly less companies expect global trade disputes to have a negative impact on business in 2024 (45%) vs 2023 (47%).
- Beijing and North China have increased their attractiveness for companies to expand the business compared to 2023.

Thank you!

Kiitos!