

Pessimism Creeps In as Willingness of US Companies to Invest in China Eases

- *For the first time in the Business Climate Survey's 25-year history, China is no longer seen as a top-three market for the majority of member companies.*
- *US-China relations seen as critical to the commercial relationship, but expectations for improved ties remain low.*
- *Despite that, large majority of companies say they have no plans to relocate operations elsewhere, due to market opportunities.*

Beijing, March 1, 2023 – US companies in China reported a slightly more pessimistic financial outlook compared to recent years, though a large majority of companies say they have no plans to relocate operations elsewhere, according to a new survey released by the American Chamber of Commerce in China (“AmCham China”). Estimated performance results for 2022 showed a decline in the portion of member companies that saw increased revenue, profitability, and Earnings Before Interest and Taxes (EBIT) margins compared to last year, with figures declining to 2020 levels.

Taken overall, China is no longer regarded by American companies as the primary investment destination it once was. This year – for the first time in the report’s history – less than half of respondents to the Chamber’s 25th annual *China Business Climate Survey* (BCS) ranked China as a top three investment priority. Meanwhile, 45% of members noted that China’s investment environment is deteriorating, up 31 percentage points (pp) from a year ago and the highest percentage of members to respond this way in the last five years. However, despite growing pessimism, the importance of China’s market remains clear, with the wealth of opportunities presented by China’s 1.4 billion consumers continuing to attract member companies.

“While US-China trade has continued to grow throughout the pandemic, bilateral relations have become increasingly complex for the American business community in China to navigate,” said AmCham China Chairman Colm Rafferty. “Last year was particularly challenging for our member companies, as they dealt with China’s economic slowdown, COVID control measures, and ongoing efforts to ensure compliance with various new US and China-related regulations. As a member-driven organization our aim is to improve the business environment for US companies in China and to promote constructive and sustainable US-China economic relations. Both parts of that goal are needed today more than ever.”

The majority of members say they are not considering relocating their supply chain, emphasizing a long-term commitment to the China market. However, there is a 10pp increase in the number of companies considering or already starting to relocate their manufacturing and

sourcing outside of China. Risk management and US-China trade tensions were two of the top three reasons cited by members for doing so.

Meanwhile, a tense bilateral relationship continues to stoke uncertainty in business decision making. Half of the Chamber's member companies say they are pessimistic about the future of US-China relations in the coming year, with three-quarters of members reporting that their companies have been impacted by trade tensions, underscoring just how important a positive bilateral relationship is to member company businesses in China.

In a newly added section of this year's report, eight of ten companies report that they have an Environmental, Social, and Governance (ESG) strategy in China. In addition to increasing brand value and aligning with headquarters' initiatives, 42% of members believe that implementing ESG programs can help talent acquisition and retention.

This is the 25th consecutive year that AmCham China has surveyed its members on China's business climate, with the results providing invaluable insight into the longer-term trajectory of China's corporate environment. The BCS results represent around half of the Chamber's member companies and highlight the impact of COVID-19, regulatory developments, and US-China tensions on member companies. While the bulk of the data was collected prior to China's removal of its COVID control measures, subsequent membership surveys and engagements have reinforced the key themes of the report.

The survey also found:

- 65% of members say they are unsure or uncertain that China will further open to foreign investment.
- 49% of member companies feel less welcome than a year ago, rising to 56% in the Consumer sector.
- The top three areas of unfair treatment for foreign companies in China, identified by members, are market access, licensing, and regulatory enforcement.
- Rising US-China tensions remains the top business challenge, cited by 66% of respondents.
- For a second year, US-China tensions were also cited as top factor contributing to HR challenges.

About AmCham China – *US-China Business: The Next 100 Years*

Founded in 1919, the American Chamber of Commerce in the People's Republic of China (AmCham China) is a non-profit, non-governmental organization representing nearly 1,000 companies operating across China.

The Chamber's nationwide mission is to help American companies succeed in China through advocacy, networking, insights, and business support services. In addition to our headquarters in Beijing, AmCham China serves Tianjin, Central China, and Northeast China through our

AmCham China
中国美国商会



Chapters in Tianjin, Dalian, Shenyang, and Wuhan. Across the five offices, AmCham China has more than 30 working groups, and holds more than 150 events each year. Visit the Chamber's website at www.amchamchina.org

For more information, please contact:

Mark Dreyer, Marketing & Communications Senior Director, AmCham China

mdreyer@amchamchina.org