

COMPANY



CONUNDRUM

Although the actual number of foreign firms operating in China is relatively stable, future sentiment of these firms is trending down.

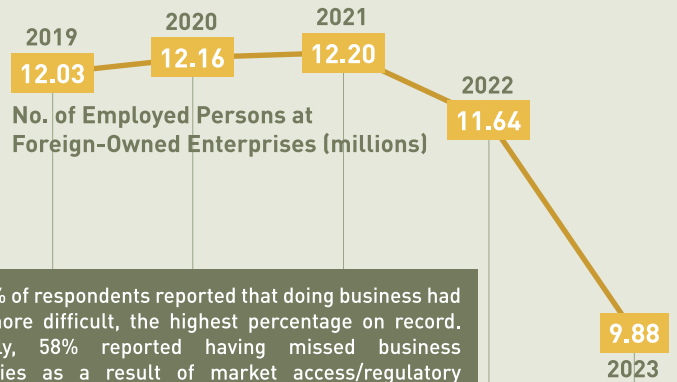
For many years after China's accession to the WTO in 2001 there was a general upward trend in the number of foreign firms operating in the country.

However, while there was a 14.2% increase in newly registered foreign-invested enterprises (FIEs) in H1 2024, there are increasing headwinds. The increase took the number of newly minted FIEs to 26,870 for that period, but it is unclear as to what extent these numbers reflect round-tripping, whereby Chinese money is invested back into the market through Hong Kong.

Foreign Direct Investment into China dropped by 29.1% year-on-year in the same period.



Another notable change has been the downward trend in the number of employees at foreign-owned enterprises, suggesting a downsizing of operations.



Sentiment toward the future in the China market for international firms is also experiencing something of a negative trend. According to the European Chamber of Commerce Business Confidence Survey, 55% of European businesses see China's economic slowdown as a top-three business challenge, up 19 percentage points year-on-year.

A total 68% of respondents reported that doing business had become more difficult, the highest percentage on record. Additionally, 58% reported having missed business opportunities as a result of market access/regulatory barriers.

There are similar views coming from US businesses, with the US-China Business Council reporting that Geopolitics is the largest issue impacting the five-year business outlook of foreign firms.

Issues Impacting Five-Year Business Outlook

