

Team
FINLAND

TEAM FINLAND CHINA 2nd FLASH SURVEY

IMPACTS OF THE COVID-19 OUTBREAK AND THE WAR IN UKRAINE

**BUSINESS
FINLAND**



Embassy of Finland
Beijing



Consulate General of Finland
Shanghai

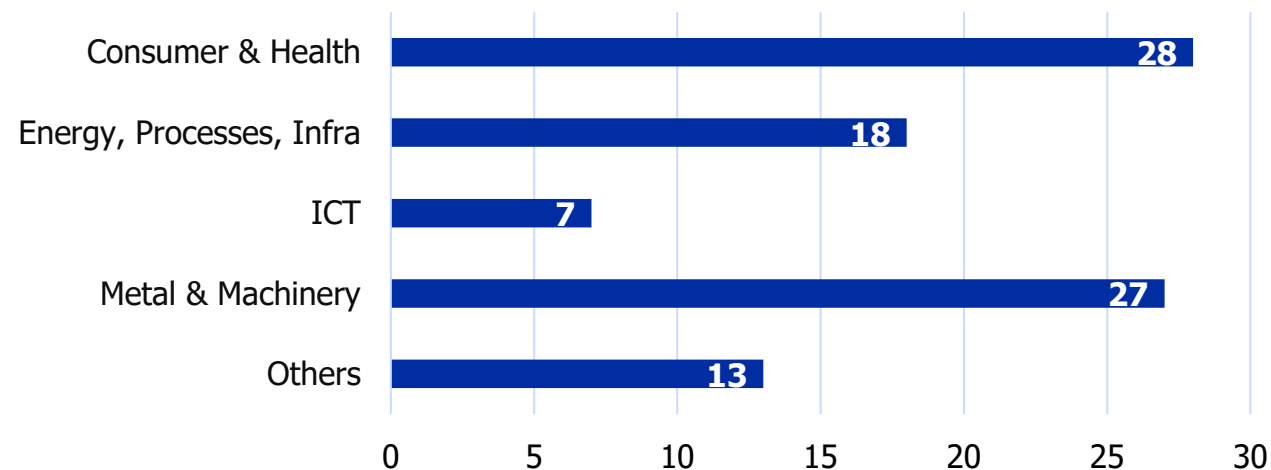
FINNCHAM
BEIJING

FINNCHAM
SHANGHAI

FINNCHAM
GUANGDONG

SURVEY DEMOGRAPHICS & BACKGROUND

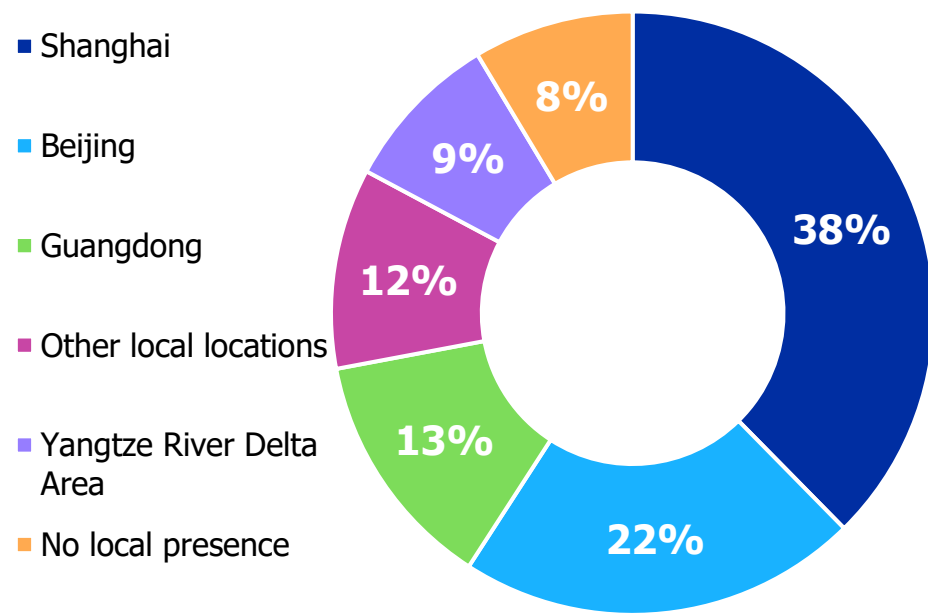
INDUSTRY SECTORS OF RESPONDENTS COMPANY



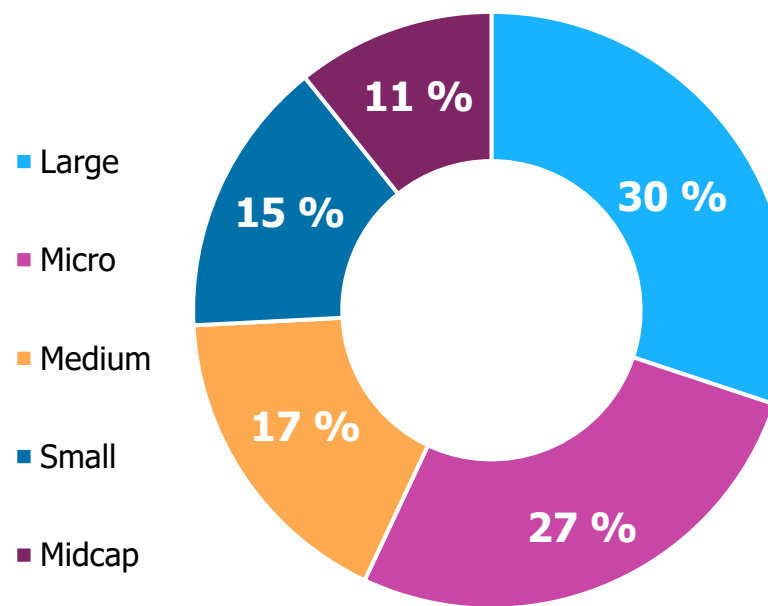
- Team Finland survey is a joint survey led by Embassy of Finland in Beijing, Consulate General of Finland in Shanghai, Business Finland and FinnChams Beijing, Shanghai and Guangdong
- Survey was conducted between 20th-27th of May 2022
- This is a follow-up flash survey to the original one that took place at the middle of April 2022
- We received 93 responses for the survey
- Companies were asked about the business impacts in China related to the local Covid-19 and Russian War against Ukraine

PROFILES OF THE SURVEYED COMPANIES

LOCATION IN CHINA



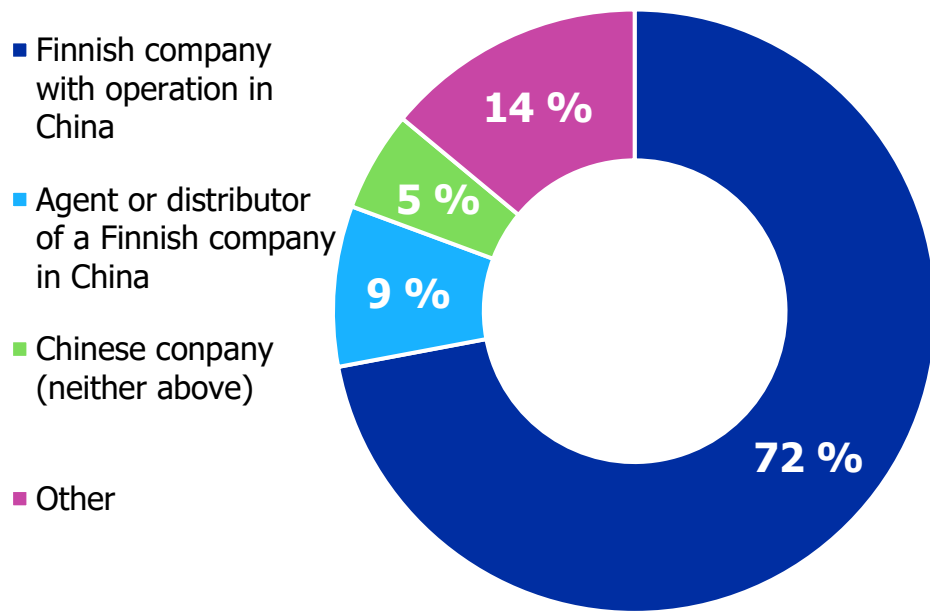
COMPANY SIZE



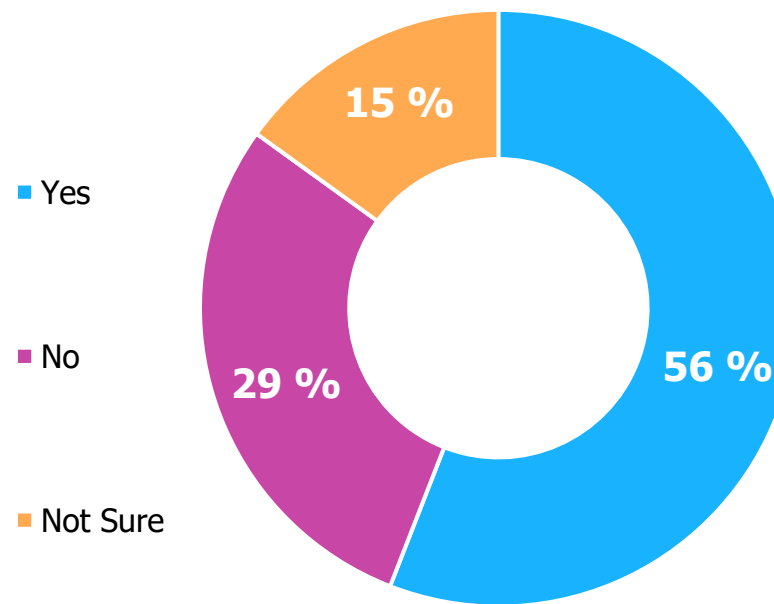
- Large > 250 employees and global sales >300M€
- Micro <10 employees globally and global sales < 2M€
- Medium <250 employees globally and global sales < 50M€
- Small <50 employees globally and global sales <10M€
- Midcap large with global sales < 300M€

PROFILES OF THE SURVEYED COMPANIES

COMPANY REPRESENTING



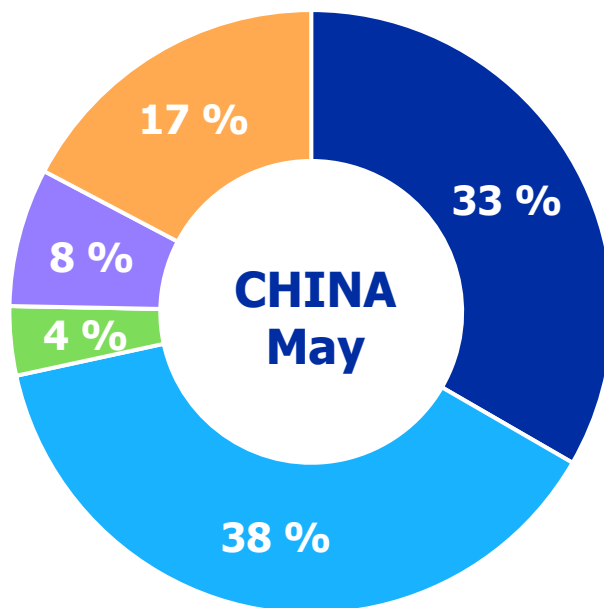
DID THE COMPANY PARTICIPATE EARLIER SURVEY



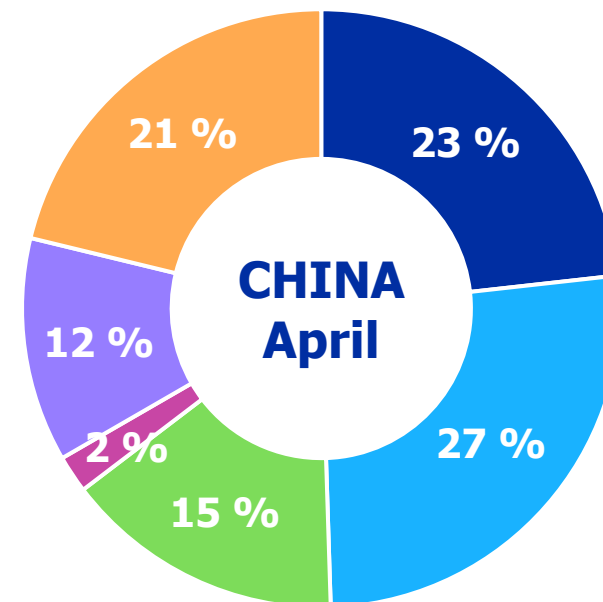
IMPACT OF THE RECENT COVID-19 OUTBREAK IN CHINA

REVENUE EXPECTATION FOR THE FULL YEAR 2022

- Revenue expectations dropped further since April. 71% of respondents foresee worsened revenue outlook in China (vs 50%)
- Very few companies (4% of respondents) considered improved outlook compared with the April survey (17%)



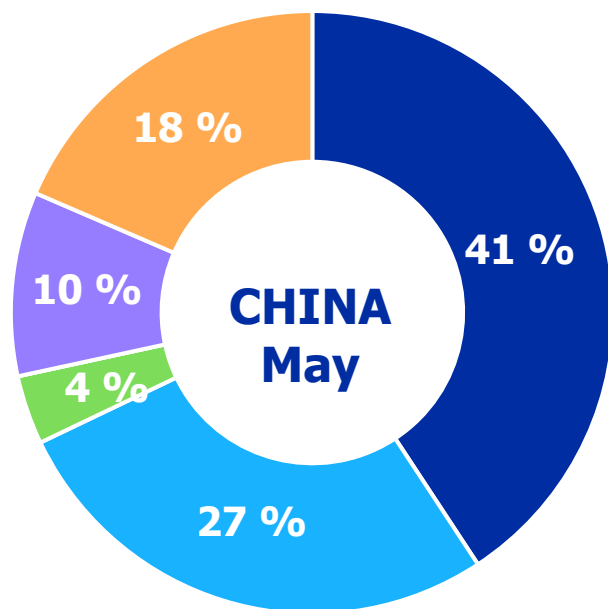
- Considerably worsened
- Slightly worsened
- Slightly improved
- Considerably improved
- No Change due to COVID-19
- Too soon to tell



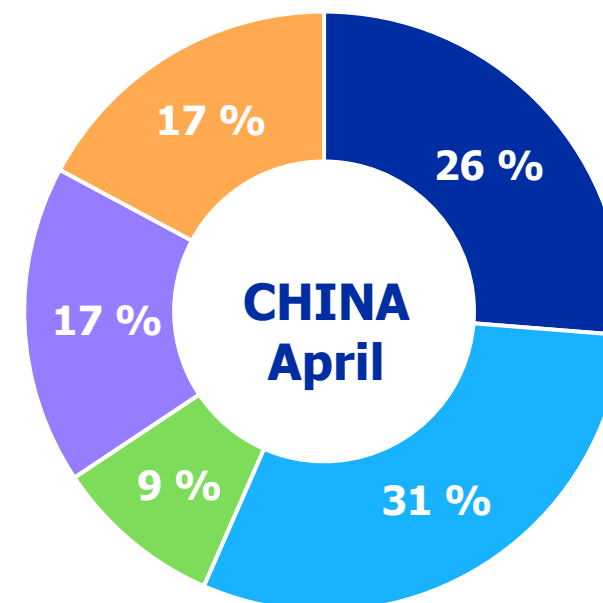
IMPACT OF THE RECENT COVID-19 OUTBREAK IN CHINA

INVESTMENT OUTLOOK FOR CHINA

- Similarity to the revenue outlook, investment outlook worsened after continued Covid-19 restrictions in China
- Only 10% consider no impact (vs 17%). 18% consider it is too soon to tell (vs 17%)

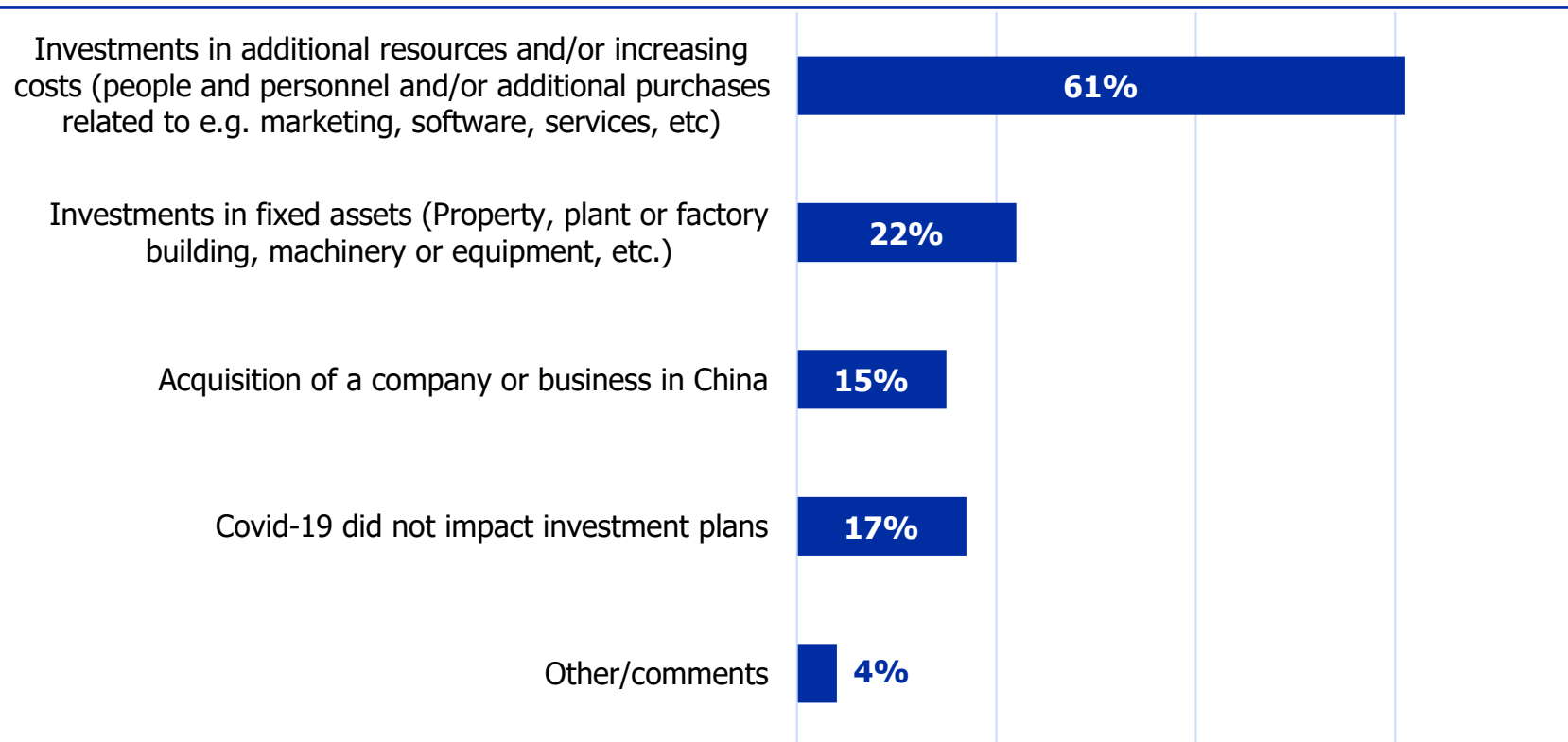


- Considerably worsened
- Slightly worsened
- Slightly improved
- Considerably improved
- COVID-19 will not impact investment outlook
- Too soon to tell



WHAT AREAS OF PLANNED INVESTMENTS ARE IMPACTED BY COVID-19

CHINA ALL REGIONS

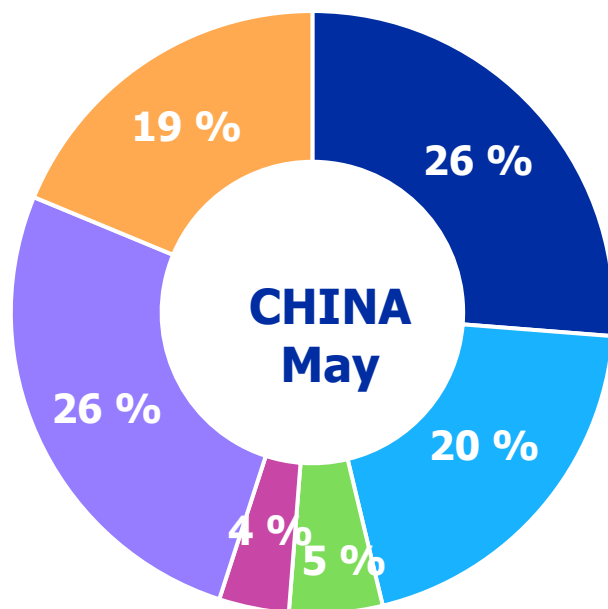


- Based on multiple selection question (companies were asked to choose from several options)
- Majority of investments impacted by Covid-19 restrictions are in plans of adding resources and/or increasing costs (61% of responses)
- 22% of respondents saw fixed asset investments being impacted and 15% are reconsidering planned M&A in China

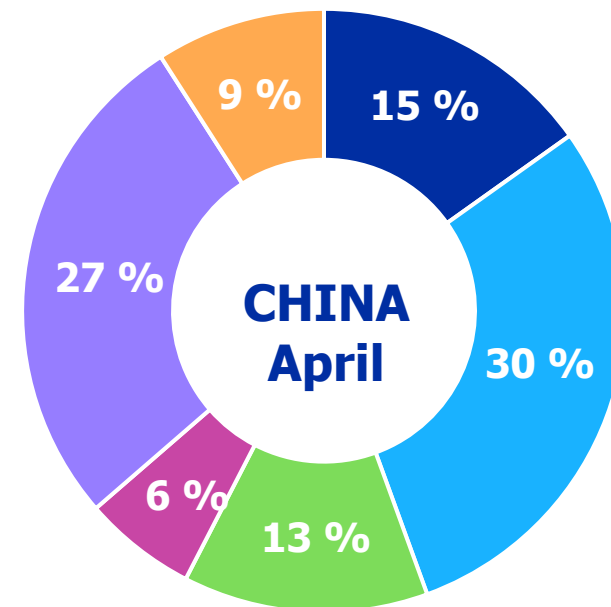
IMPACT OF THE RECENT COVID-19 OUTBREAK IN CHINA

READINESS TO INITIATE NEW R&D/INNOVATION ACTIVITIES IN CHINA

- Impacts on R&D/innovation activities was less significant as the case was with revenue and investments
- Considerable worsened situation grew by 10 per centage points though. Similarly improved outlook responses fell from 19% to 9%



- Considerably worsened
- Slightly worsened
- Slightly improved
- Considerably improved
- No Change due to COVID-19
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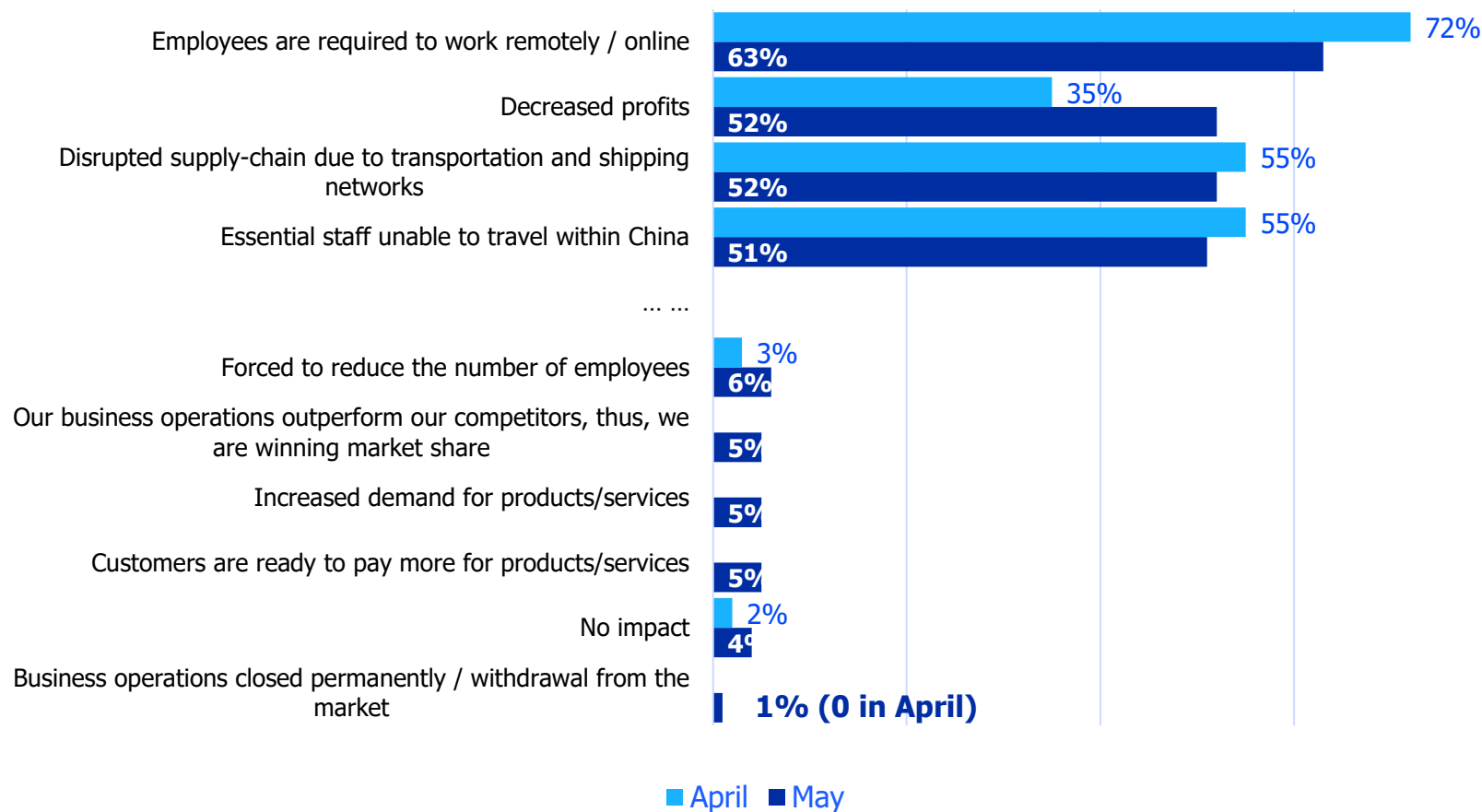
HOW HAS THE RECENT COVID-19 OUTBREAK IN CHINA IMPACTED BUSINESS?

CHINA ALL REGIONS



- Multiple selection question (companies were asked to choose from several options)
- Travelling restrictions and remote work-related challenges were mostly mentioned
- Half of companies also highlighted the issue of supply chain and logistics
- Only 1% of companies reported planning permanent closing / withdrawal from the market
- Only 5% of respondents considered business is benefitting from Covid-19 restrictions

HOW HAS THE RECENT COVID-19 OUTBREAK IN CHINA IMPACTED BUSINESS?

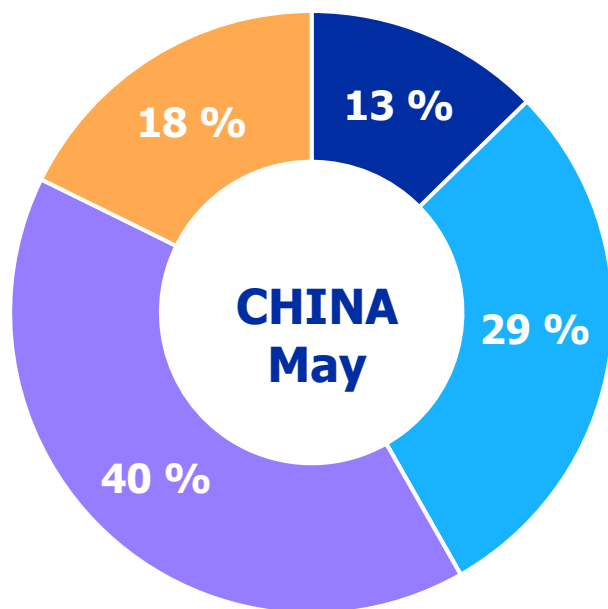


- Multiple selection question (companies were asked to choose from several options)
- Profit decline has become an issue for most companies (vs 35% in April)
- Companies forced to reduce employees due to Covid restrictions has doubled (from 3% to 6%), but is still at a rather low level
- Only 1% of companies reported planning permanent closing / withdrawal from the market
- 5% of responses saw benefits for their business due to Covid-19 (*note: these are new questions in May!*)

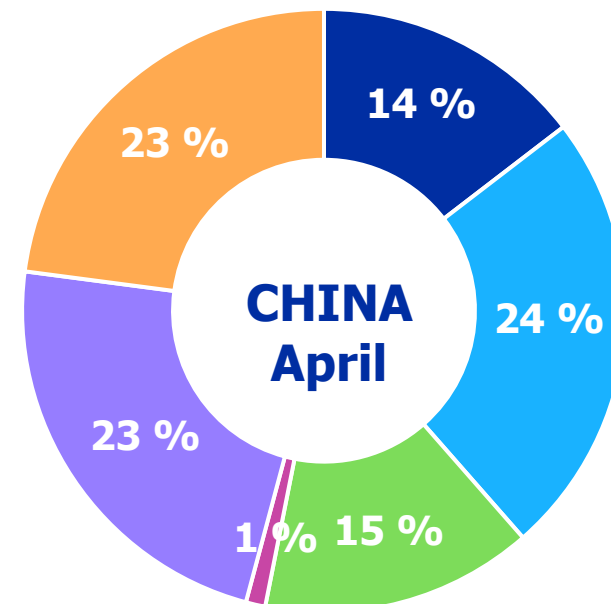
IMPACT OF THE RUSSIAN ATTACK ON UKRAINE ON CHINA BUSINESS OUTLOOK

REVENUE EXPECTATION FOR THE FULL YEAR 2022

- Uncertainty of the impacts of the war in Ukraine reduced from April. 42% consider negative revenue outlook and 40% see no change. 18% still say its too early to tell. No company reported about business upside in May any more.



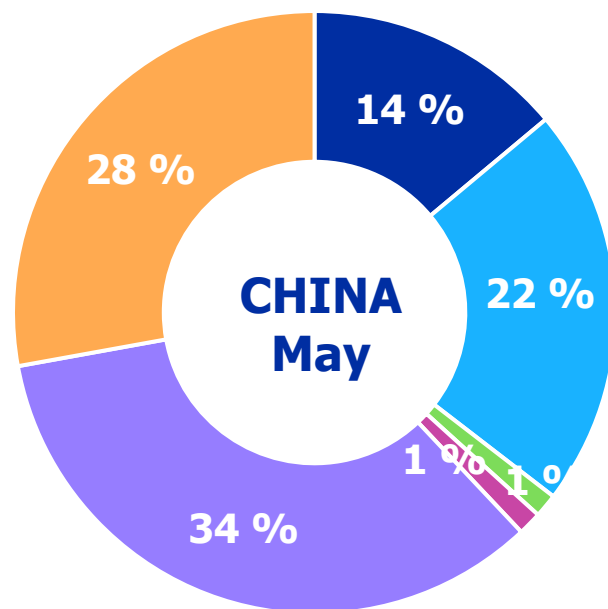
- Considerably worsened
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- No Change
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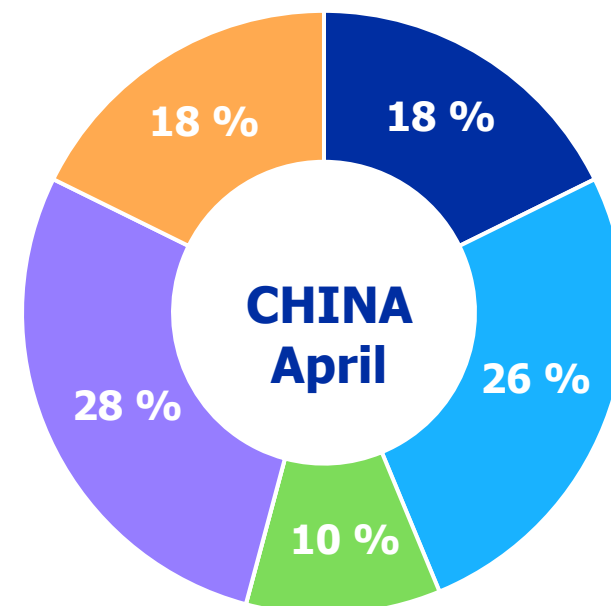
IMPACT OF THE RUSSIAN ATTACK ON UKRAINE ON CHINA BUSINESS OUTLOOK

INVESTMENT OUTLOOK FOR CHINA

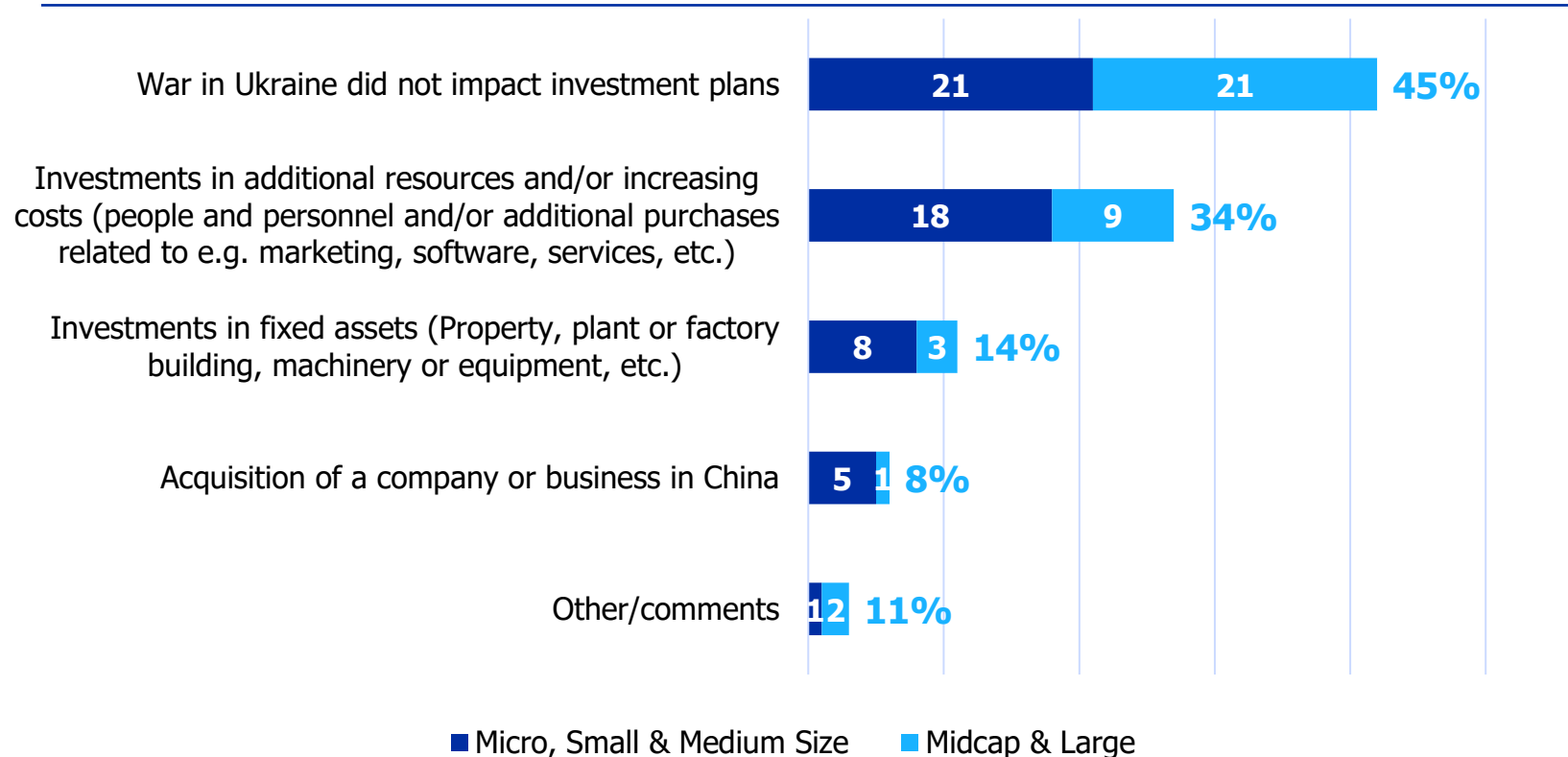
- Investment outlook improved from April when 45% of responses considered considerably or slightly worsening outlook (vs 36% in May)
- A couple of companies (2%) still consider the war may have positive impact on their China business (vs 10% in April)



- Considerably worsened
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- Slightly improved
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- No Change
- Too soon to tell



WHAT AREAS OF COMPANY'S PLANNED INVESTMENTS ARE IMPACTED BY THE WAR IN UKRAINE?

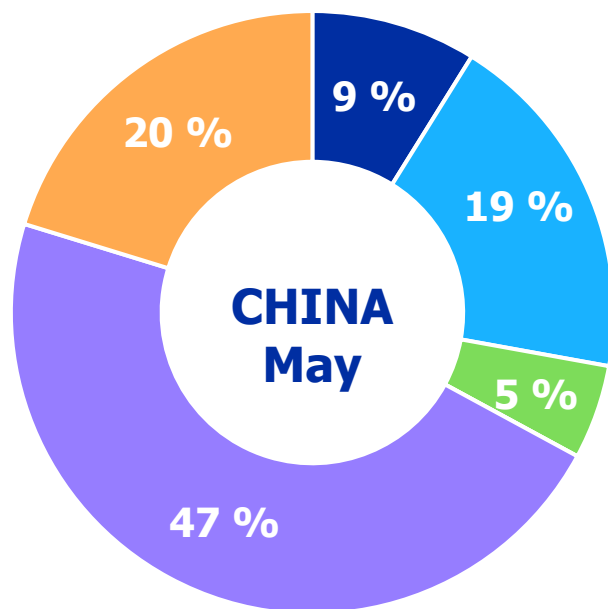


- This was a multi-selection question
- 45% of respondents did not see the war in Ukraine impacting investment plans in China. The result was not a subject to the size of the company
- Cost increase is especially felt by smaller and medium sized companies
- More small companies considered their fixed assets and/or M&A plans are impacted by the war

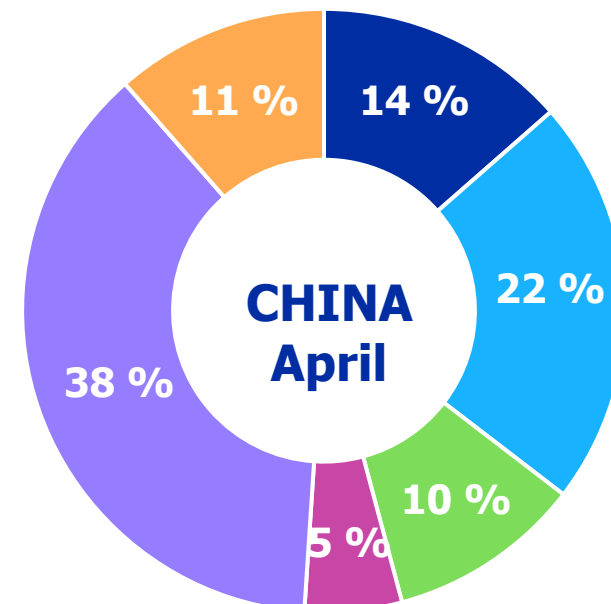
IMPACT OF THE RUSSIAN ATTACK ON UKRAINE ON CHINA BUSINESS OUTLOOK

READINESS TO INITIATE NEW R&D/INNOVATION ACTIVITIES IN CHINA

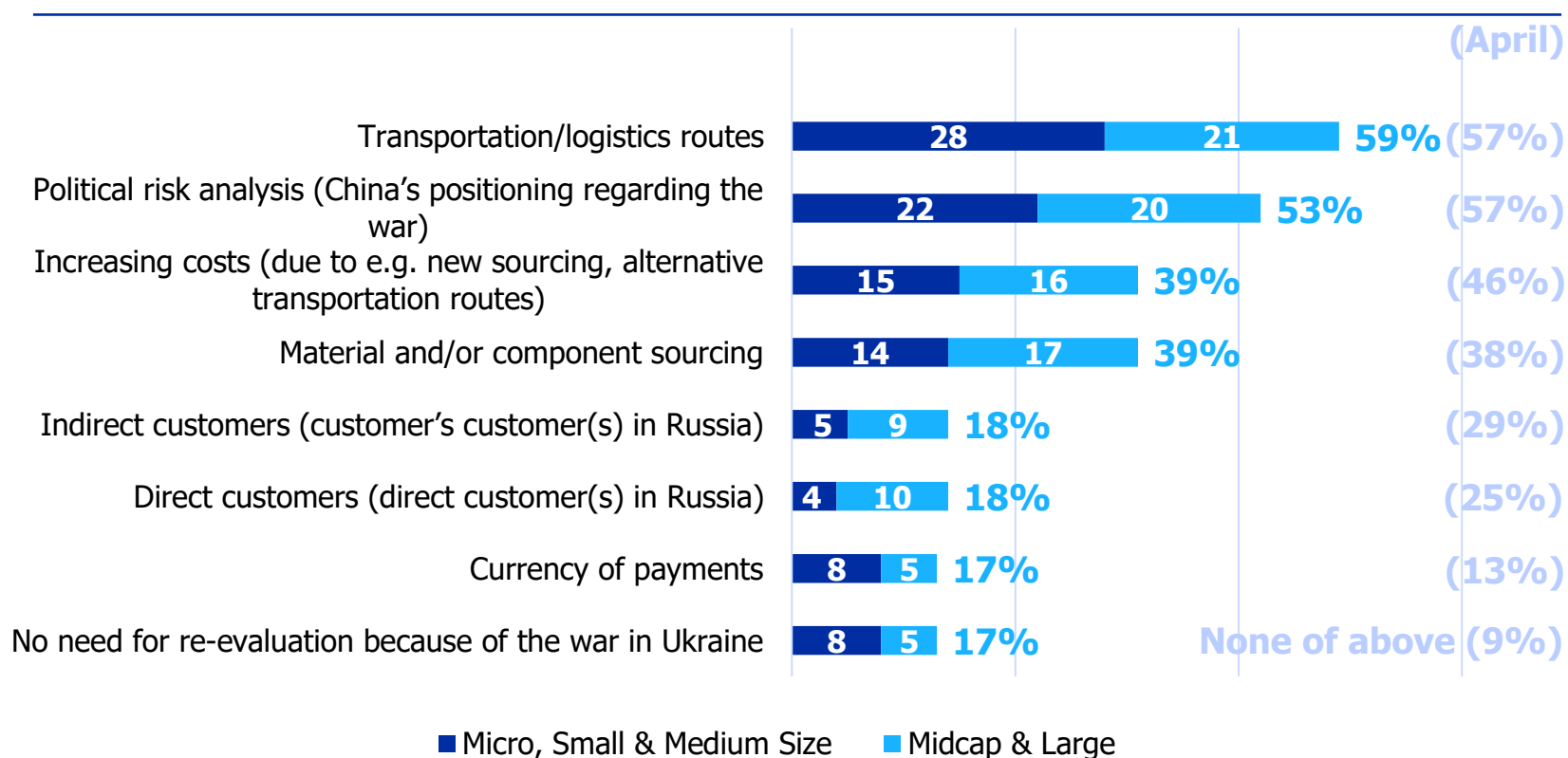
- R&D/innovation activities were considered to be least impacted due to the war in Ukraine
- Only 5% considered better outlook vs 15% in April



- Considerably worsened
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WHICH BUSINESS ASPECTS HAVE BEEN RE-EVALUATED OR CHANGED DUE TO THE RUSSIAN ATTACK ON UKRAINE?



- This was a multi-selection question
- Most companies are required to do re-routing of transportation and plan alternative logistics
- Many companies are still re-evaluating China political risk with reference to the war regardless of company size
- Less respondents consider the war is increasing the costs of doing business
- Customer risk in Russia (indirect and/or direct) has decreased from the April survey

SUMMARY & CONCLUSIONS

- The impacts of Covid-19 restrictions in China is becoming clear to surveyed companies: situation is worse in all areas of business
- The war in Ukraine has a smaller impact on Finnish companies' business in China, than the Covid-19 restrictions
- Respondents can better separate different business impacts expected from either Covid-19 restrictions, or the war
- The short-term impacts of the war in Ukraine have become clearer to the companies, but the long-term uncertainty has increased instead
- Despite the amounting challenges, we see no companies exiting China market
- 71% of respondents consider decline in revenue vs 50% in previous survey. Investment outlook turned more negative from 57% to 68%. Expectations on R&D/innovation changed less
- Investment outlook decline relates mainly to companies' business operations. However, 22% and 15% of respondents expect decrease of investments in fixed assets or M&A, respectively
- The war is dividing companies into two groups; ones with negative impacts on revenue (42%) and others without any impact (40%). No company saw revenue benefits from the war (vs 16% in April)
- Still over 50% of companies are re-evaluating the political risk of China related to the war in Ukraine



Thank you!

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