

Team
FINLAND

TEAM FINLAND CHINA THIRD PULSE SURVEY

Impacts of China's Continued Zero-COVID
Policy and Russia's Ongoing War of
Aggression Against Ukraine

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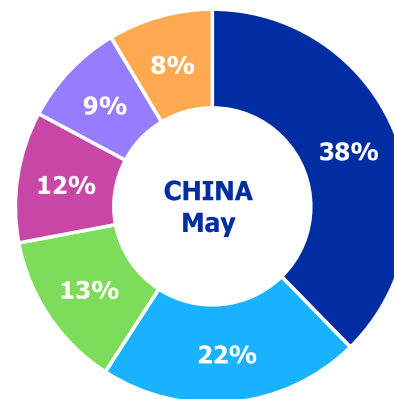
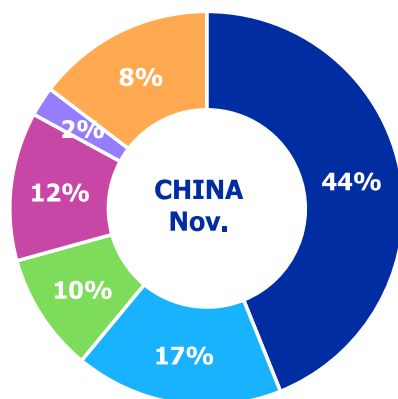
Team Finland China conducted its third pulse survey between 27 October and 7 November 2022 to study Finnish companies' Chinese market business impacts of China's continued zero-Covid policy and Russia's ongoing war of aggression against Ukraine. We sent out 241 questionnaires and received 41 responses.

PROFILES OF RESPONDENT COMPANIES

NO BIG CHANGES IN SURVEY DEMOGRAPHICS

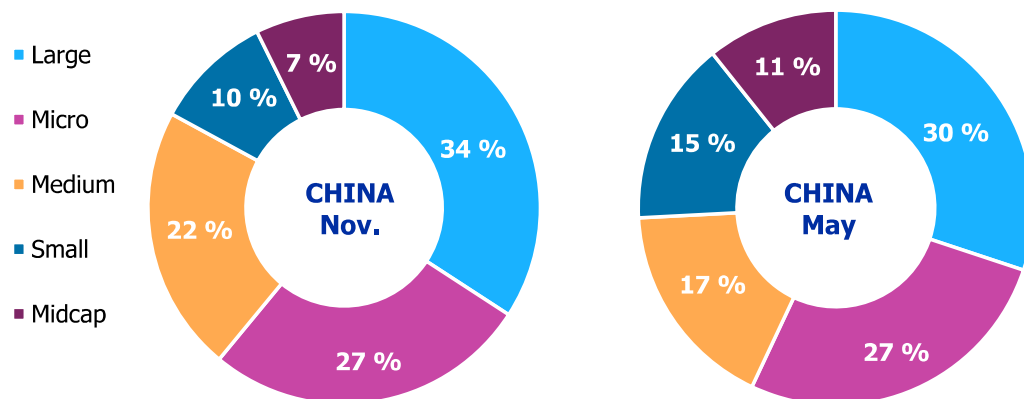
- The number of companies that responded to the survey dropped from approx. 100 in May to 40 in November 2022
- In part, the change in response rate can be attributed to changes in response collection methods

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



PROFILES OF RESPONDENT COMPANIES

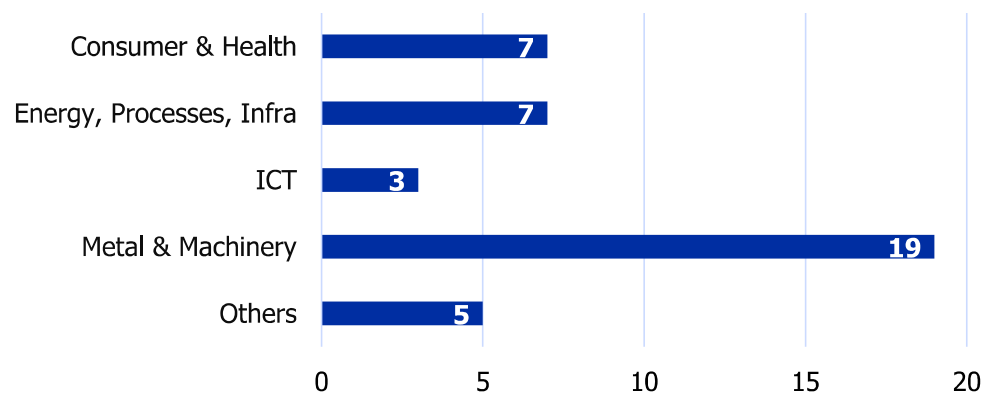
COMPANY SIZE



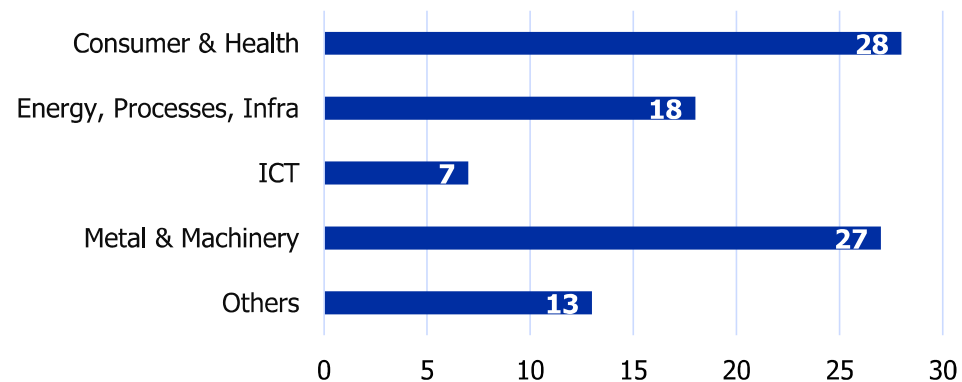
- Large > 250 employees and global sales >300M€
- Micro <10 employees globally and global sales < 2M€
- Medium <250 employees globally and global sales < 50M€
- Small <50 employees globally and global sales <10M€
- Midcap large with global sales < 300M€

RESPONDENT COMPANY DEMOGRAPHICS & BACKGROUND

INDUSTRY SECTORS OF RESPONDENTS IN NOVEMBER

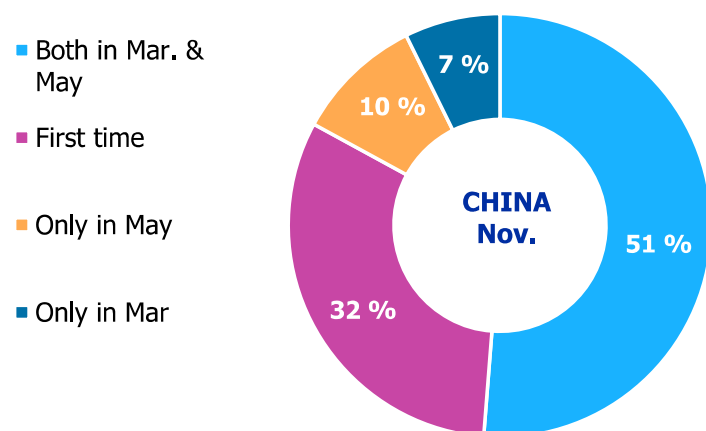


INDUSTRY SECTORS OF RESPONDENTS IN MAY



PROFILES OF RESPONDENT COMPANIES

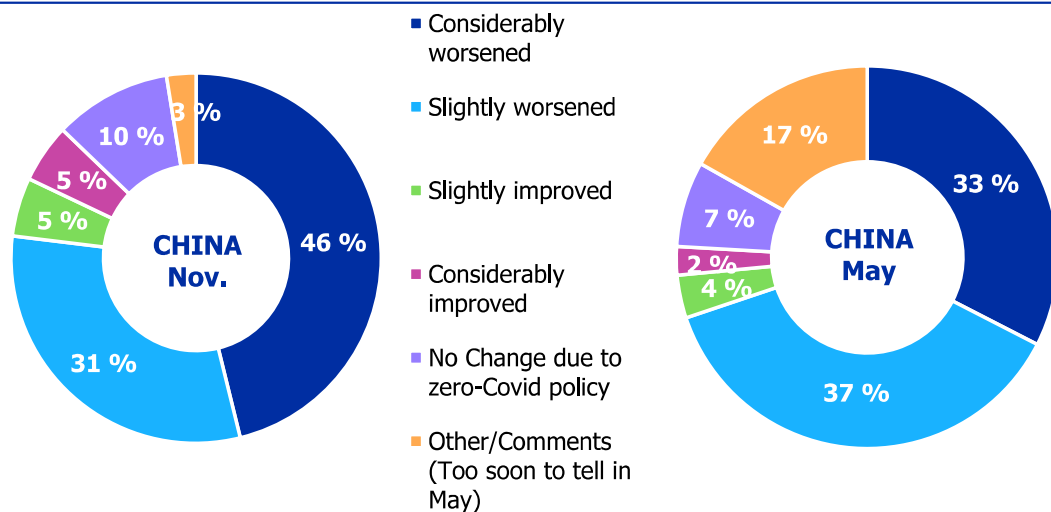
DID THE COMPANY PARTICIPATE THE EARLIER SURVEY



- 51% of respondents participated both in March and May surveys
- 68% of respondents have participated in at least one of the three surveys
- 32% of respondents participated in the survey for the first time

IMPACTS OF CHINA'S ZERO-COVID POLICY

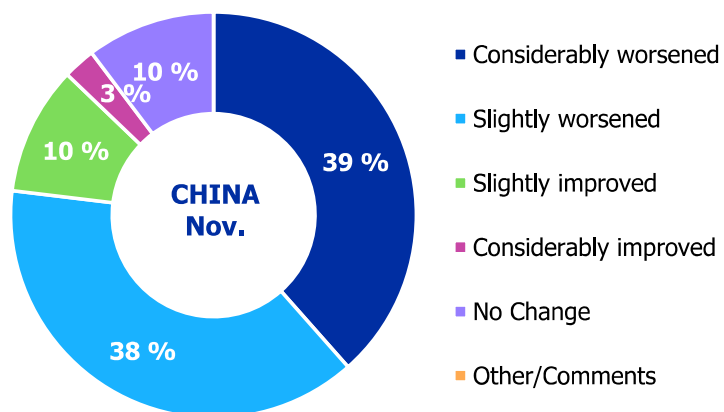
REVENUE EXPECTATION FOR THE FULL YEAR 2022



- 77% of respondents expect their revenues in 2022 to be considerably or slightly worse than planned (vs. 70% in May)

IMPACTS OF CHINA'S ZERO-COVID POLICY

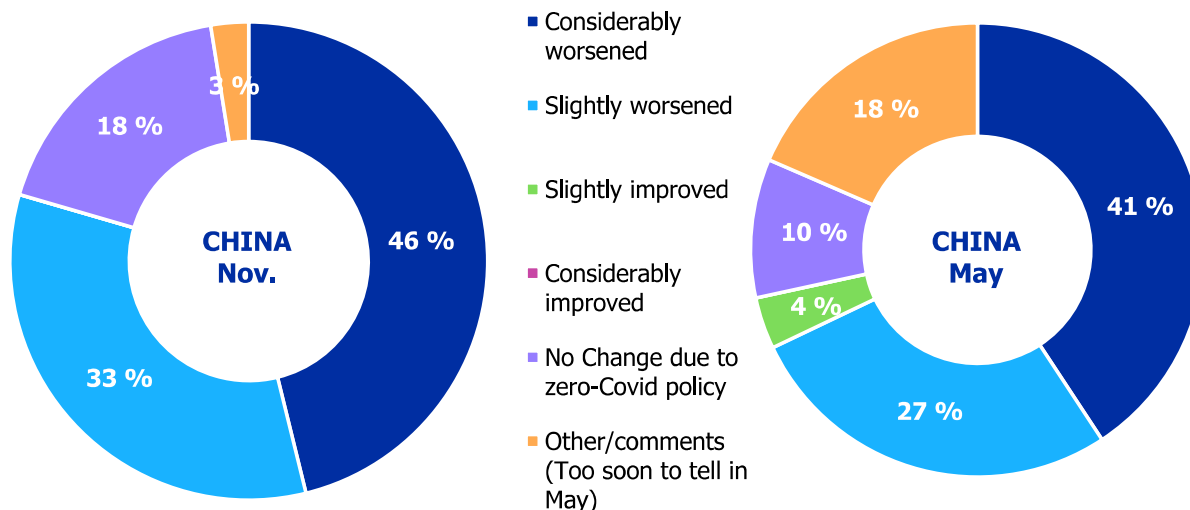
PROFIT EXPECTATION FOR THE FULL YEAR 2022



- 77% of respondents expect that the profitability will follow the revenue decline
- 13% of respondents expect the profits to improve
- 10% see no impact on profitability

IMPACTS OF CHINA'S ZERO-COVID POLICY

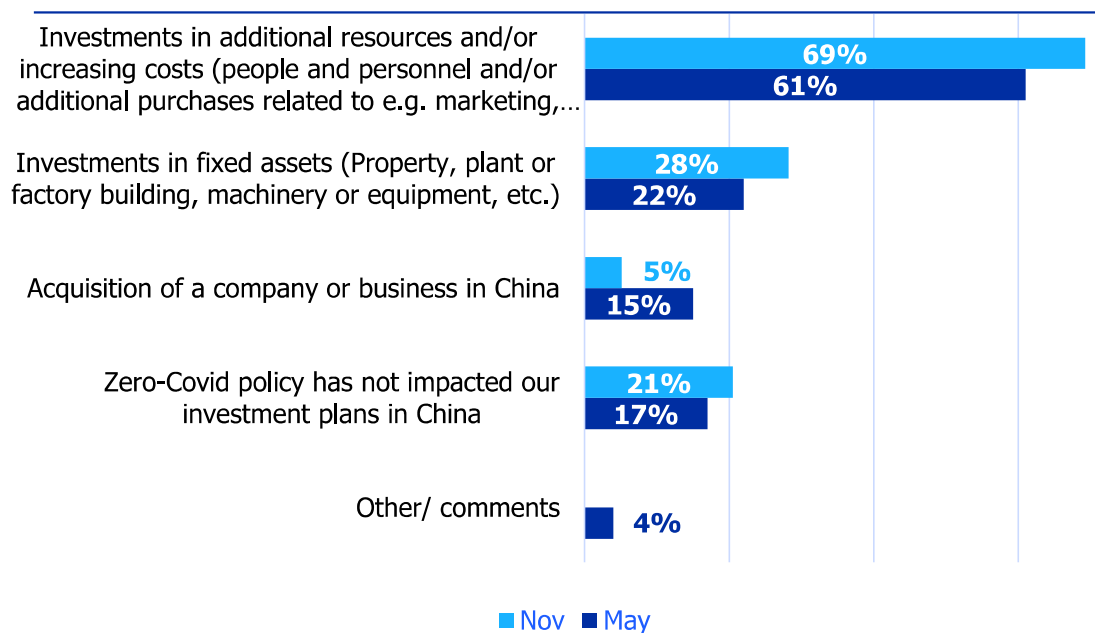
INVESTMENT OUTLOOK FOR CHINA



- 79% of companies surveyed in November expected investment outlook in China to get worse (vs. 68% in May)
- 18% consider Covid to have no impact on investments in China (vs. 10%)
- No respondent considers investment outlook to improve (vs. 4% in May)

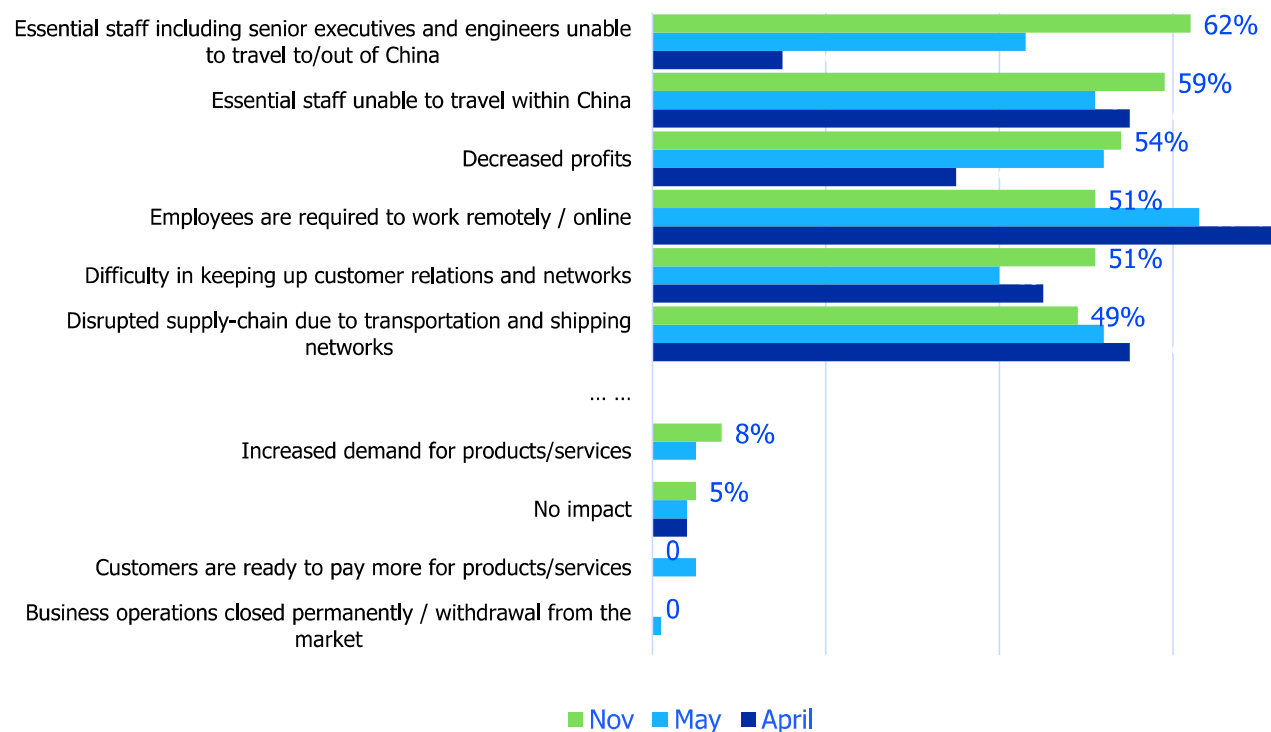
IMPACTS OF CHINA'S ZERO-COVID POLICY ON PLANNED INVESTMENTS (MCQ)

CHINA ALL REGIONS



- 69% of respondents expect not to add resources or increase other costs of operations in China (vs. 61% in May)
- Fewer companies consider that the zero-Covid policy is impacting M&A (from 15% in May down to 5% in November)
- 21% of respondents consider that the zero-Covid policy has not impacted investment plans in China (vs. 17% in May increase)

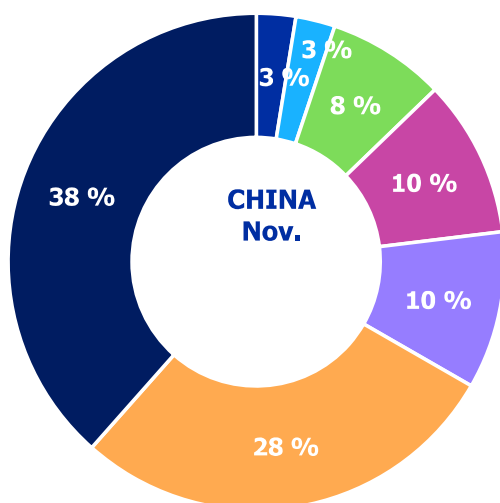
BUSINESS IMPACTS OF CHINA'S ZERO-COVID POLICY (MCQ)



- Travel restrictions affecting essential staff and senior management have become the main concern for companies
- In earlier surveys ,challenges of remote working were considered the main concern
- 8% of respondents have experienced increased demand for products/services due to the zero-Covid policy

IMPACT OF CHINA'S INTERNATIONAL TRAVEL CONTROLS AND STRICT ZERO-COVID POLICIES (MCQ)

OPERATIONS AND PLANS

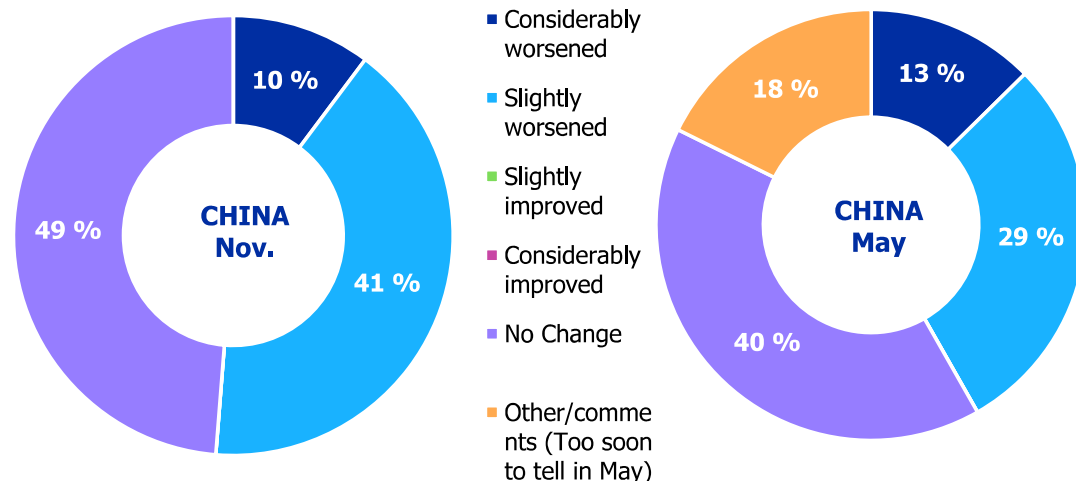


- We have decided not to continue investments in China
- We have decided to move all or part of our manufacturing out of China
- We have decided to close all or some of our China operations
- We have decided to find new sites outside of China to increase our global manufacturing capacity
- We have decided to reduce our sourcing in China
- Investments in China are put on hold until the current situation changes
- The continued China zero-Covid policy has not impacted our plans on operations in China

- 38% of respondents consider that continued zero-Covid policies have not impacted planned operations in China
- 28% of respondents are waiting to see how the situation develops
- About 30% of respondents have decided to start taking measures towards decoupling some of their operations in China
- One company decided not to continue investments in China

IMPACT OF RUSSIA'S CONTINUED WAR OF AGGRESSION ON BUSINESS IN CHINA

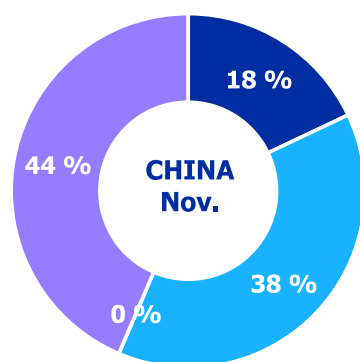
REVENUE EXPECTATION FOR THE FULL YEAR 2022



- 51% of respondents expect either slight or considerable decrease in revenue due to Russia's continued war of aggression (vs. 42% in May)
- 49% of respondents do not see impact (9% increase from May)

IMPACT OF RUSSIA'S CONTINUED WAR OF AGGRESSION ON BUSINESS IN CHINA

PROFIT EXPECTATION FOR THE FULL YEAR 2022

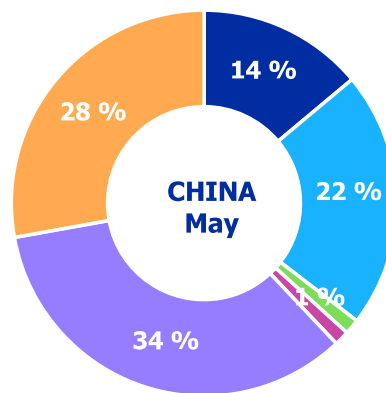
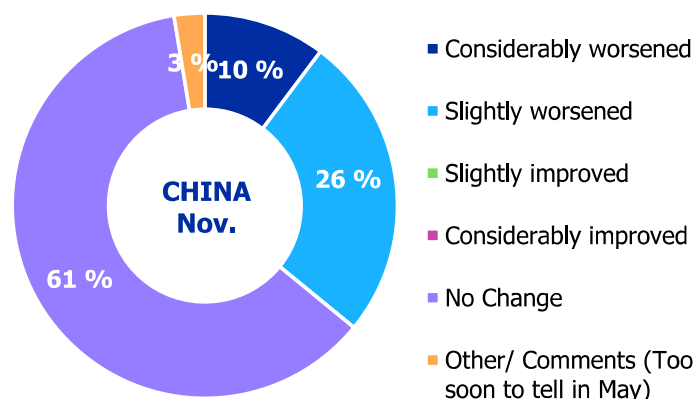


- Considerably worsened
- Slightly worsened
- Slightly improved
- Considerably improved
- No Change
- Other/Comments

- 44% of respondents show no change in 2022 profit expectations
- 56% of respondents consider the war will worsen expectations on the profitability in 2022

IMPACT OF RUSSIA'S CONTINUED WAR OF AGGRESSION ON BUSINESS IN CHINA

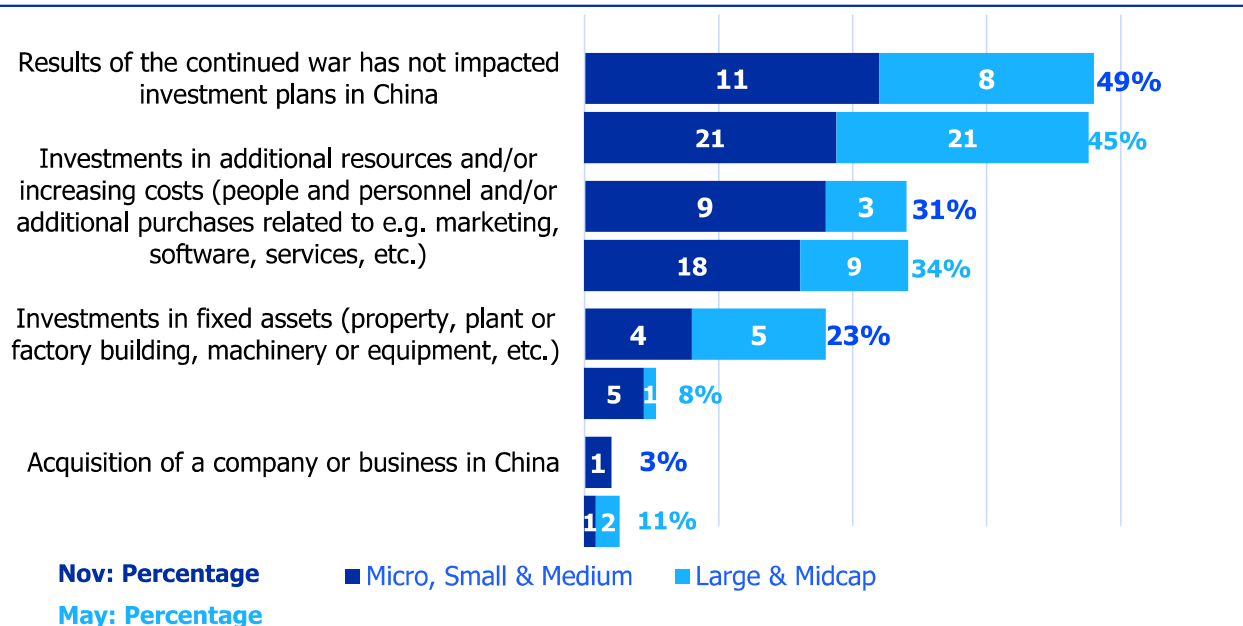
INVESTMENT OUTLOOK FOR CHINA



- 61% of respondents say their investment outlook has not changed due to Russia's war of aggression (vs. 34% in May)
- 36% of respondents continue to see the investment outlook having been worsened due to the war
- One company considers it too early to say

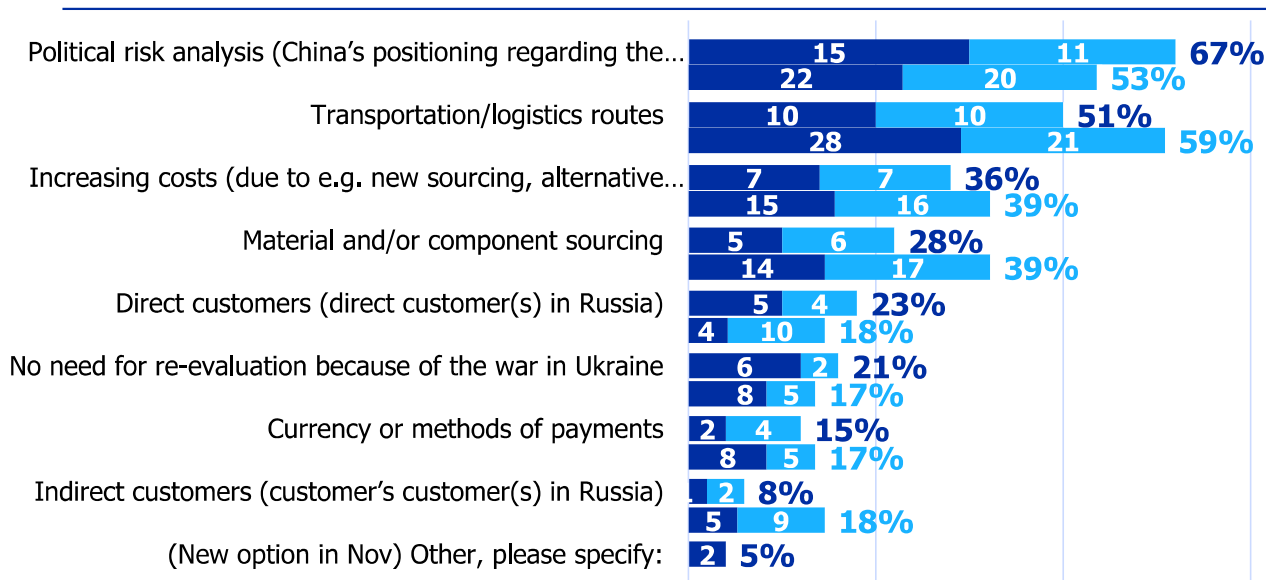
IMPACTS OF RUSSIA'S CONTINUED WAR OF AGGRESSION ON PLANNED INVESTMENTS (MCQ)

CHINA ALL REGIONS NOV



- Roughly half of the respondents do not consider that the continuing war has impacts on investment plans in China
- One third sees impacts on investments in additional resources or increasing costs in China
- 23% of respondents say the continued war will affect their fixed assets investment (vs. only 8% in May)

RE-EVALUATED OR CHANGED BUSINESS ASPECTS DUE TO THE WAR (MCQ)



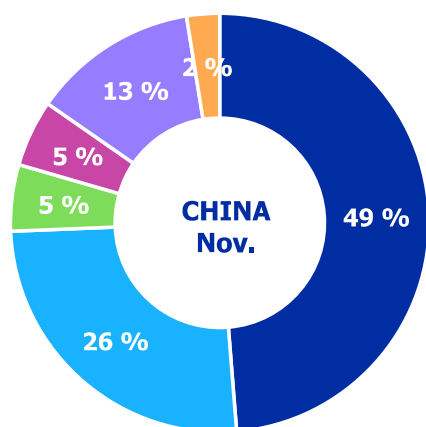
Nov: Percentage

May: Percentage

■ Micro, Small & Medium Size ■ Large & Midcap

- Political risk analysis of the continued war has become biggest area of consideration for companies
- Slightly lower number of respondents re-evaluate transport/logistics routes (51% vs. 59%)
- Less respondents continue to re-evaluate options of material and/or component sourcing due to continued war
- More companies pay attention to business with direct customers in Russia (23% vs 18%), but focus on indirect customers has declined (from 18% to 8%)

POTENTIAL IMPACTS OF THE US DEPARTMENT OF COMMERCE CHIP EXPORT CONTROL MEASURES ON YOUR BUSINESS IN CHINA



- No impact
- Some/small impact
- Significant, but manageable impact
- Serious impact
- Too early to say/No view
- Other comments:

- Roughly half of the companies (49%) see no impact of recent chip restriction measures by US
- 26% think there is some impact but small
- 13% of companies consider its still too early to say
- One in ten companies (10%) considers there is an impact, couple of companies considering this impact to be serious (5%)

SUMMARY & CONCLUSIONS

- Response rate dropped from previous ones by about 50%, but company profile mix remained largely the same.
- Proportionally more responses from Metal and Machinery segment. 32% of respondents participated for the first time.
- Negative impacts on continued zero-Covid policy on revenue, profit and investment expectations in 2022 became evident: Close to 80% of respondents expect slightly or considerably worse outcome for the year.
- Only 10% consider that their 2022 business performance has improved owing to the Covid-19 pandemic.
- Companies have improved supply-chain management during the pandemic.
- 38% of respondents consider that the continued zero-Covid policies have not impacted planned operations in China and 28% of respondents are waiting to see how the situation develops.
- About 30% of respondents start taking measures towards decoupling parts of their operations out of China due to continued zero-Covid.
- 51% of respondents see negative impacts on revenue or investments in China in 2022 due to Russia's continued war of aggression in Ukraine. Political risk analysis of the continued war has become the biggest area of consideration for companies.
- Only 10% of respondents acknowledge the potential negative impact of the US State Department China Chip Act on their business in China.



Thank you!

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