



BenCham

BENELUX CHAMBER OF COMMERCE IN CHINA

荷 比 卢 商 会

In partnership with:

MOORE STEPHENS

Sino Benelux Business Survey 2019

In collaboration with the official trade- and diplomatic representations of Belgium, The Netherlands and Luxembourg in China:



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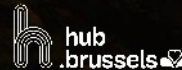
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布鲁塞尔投资出口局



Trade
FLANDERS INVESTMENT & TRADE
法兰德斯贸易投资促进局

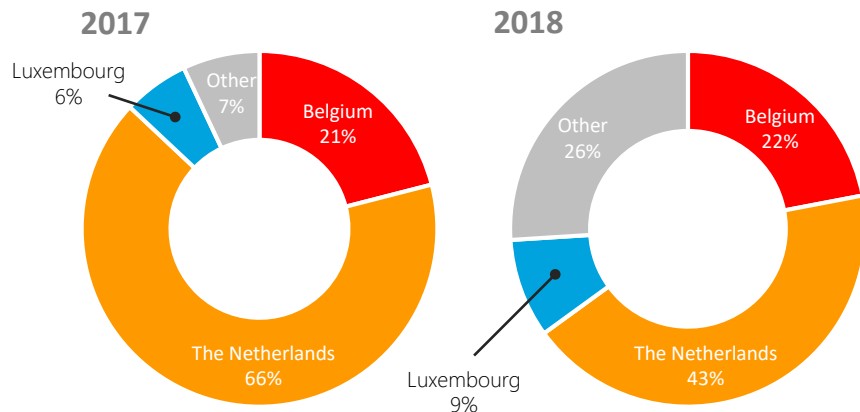
The background of the slide is a blue-tinted image of a large group of terracotta warrior statues, likely from the Qin Dynasty. The statues are arranged in rows, and the central focus is on a few figures in the foreground. The overall tone is historical and formal.

Introduction

Sino-Benelux Business Survey

- The 2019 Sino Benelux Business Survey is organized by the Benelux Chamber of Commerce in Beijing, Shanghai and Guangzhou, supported by the official trade- and diplomatic representations of Belgium, The Netherlands and Luxembourg in China and in partnership with MS Advisory.

Parent Company



2019 Survey



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Survey Demographics

Location – by Province

Location of Benelux Companies in China



- Most respondents have offices in **Shanghai** (50.36%), **Guangdong** (31.65%) and **Beijing** (27.34%).
- The majority of Benelux businesses are concentrated around China's main economic clusters in the **Yangtze River Delta** (97 offices), **Beijing-Tianjin-Hebei** (49) and the **Pearl River Delta** (44).

Note: Multiple provinces per respondent could be selected.

Location – per Country

The Netherlands



Belgium



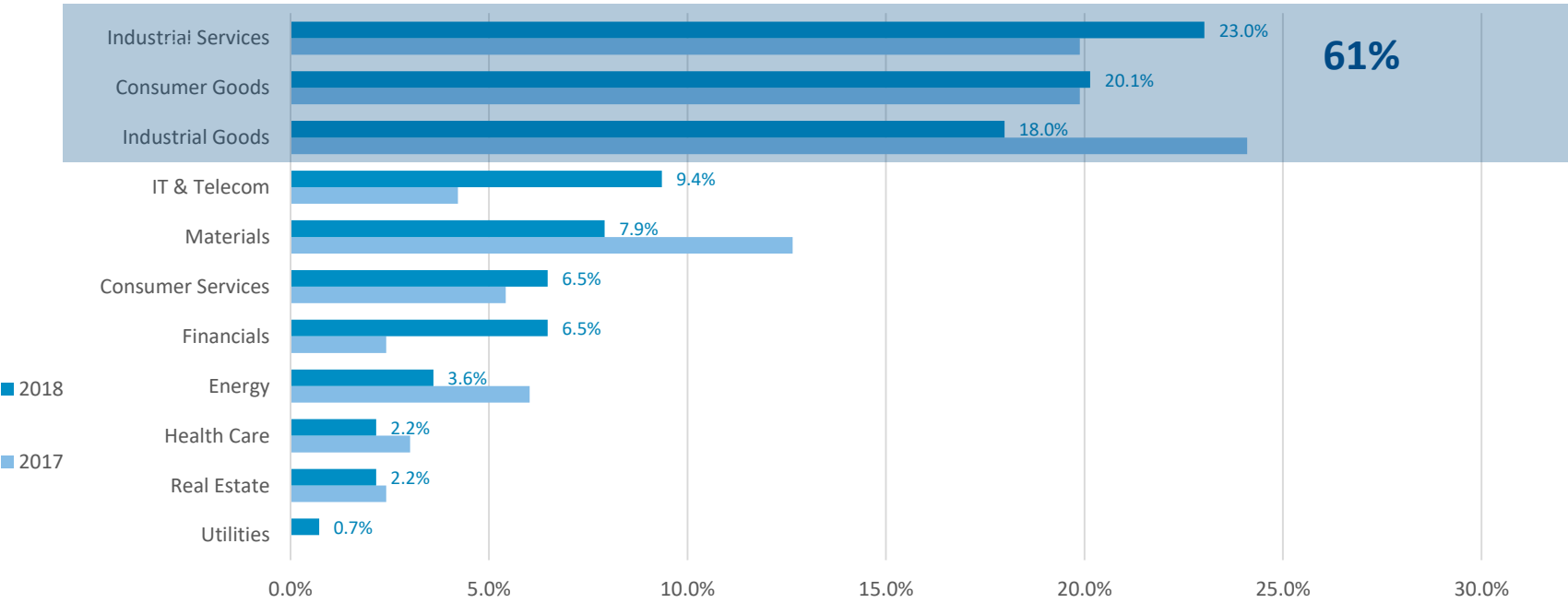
Luxembourg



- When we examine the locations of respondents by country, we see most activities are along the coastal regions in China:
 - A total of 41.67% and 38.33% of Dutch companies have offices in Shanghai and Guangdong respectively, followed by 23.33% whom have an office in Beijing. **At least 10% of companies from The Netherlands indicated to have an office in Sichuan.**
 - **63% of companies from Belgium have offices in Shanghai.** Further, 20% have an office in Guangdong and 16.67% in Beijing.
 - Companies from Luxembourg mostly have offices in Shanghai (69.23%) and Beijing (46.15%).

Industry Sectors Represented

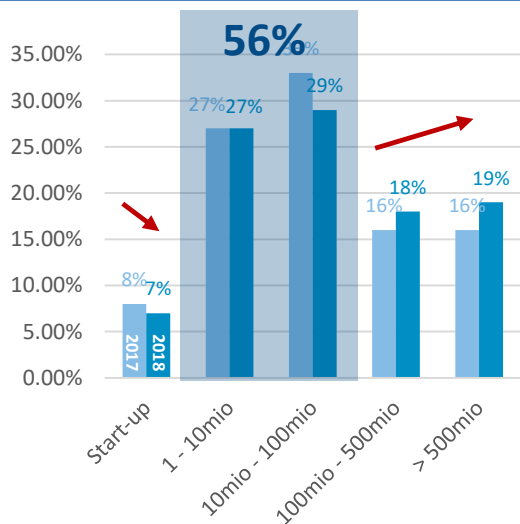
Industry Categories



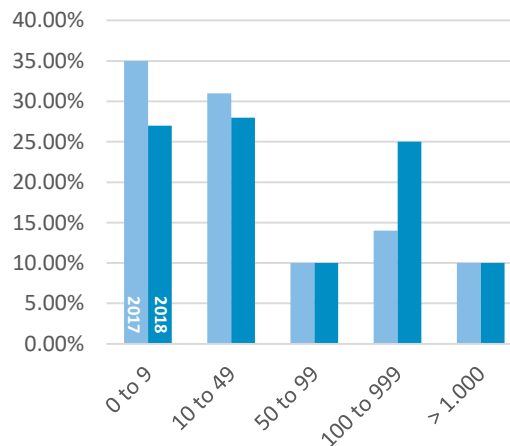
61%

Company Size & Employees

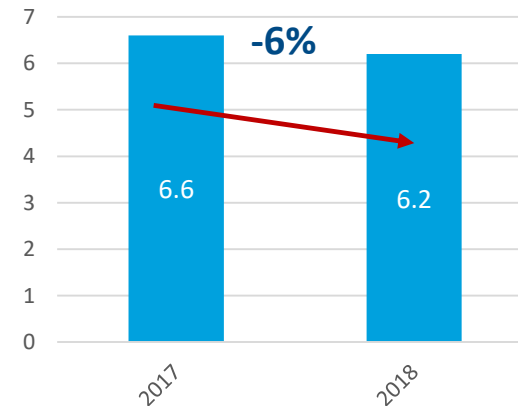
Size by Revenue (RMB)



Size by Employees in China



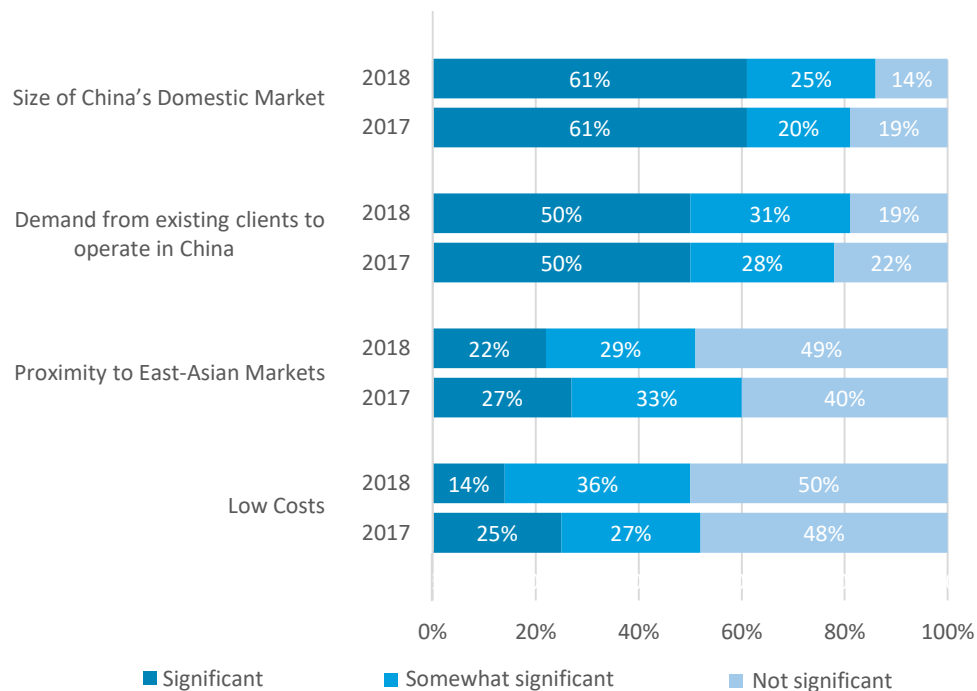
Average No. Expats per Company



- Based on revenues and employees, around **56%** respondents are SMEs in China.
- On average, **the number of expatriates per firm has decreased** from 2017 to 2018 – which we see is in line with the general trend experienced with foreign companies in China.

Reasons for being active in China

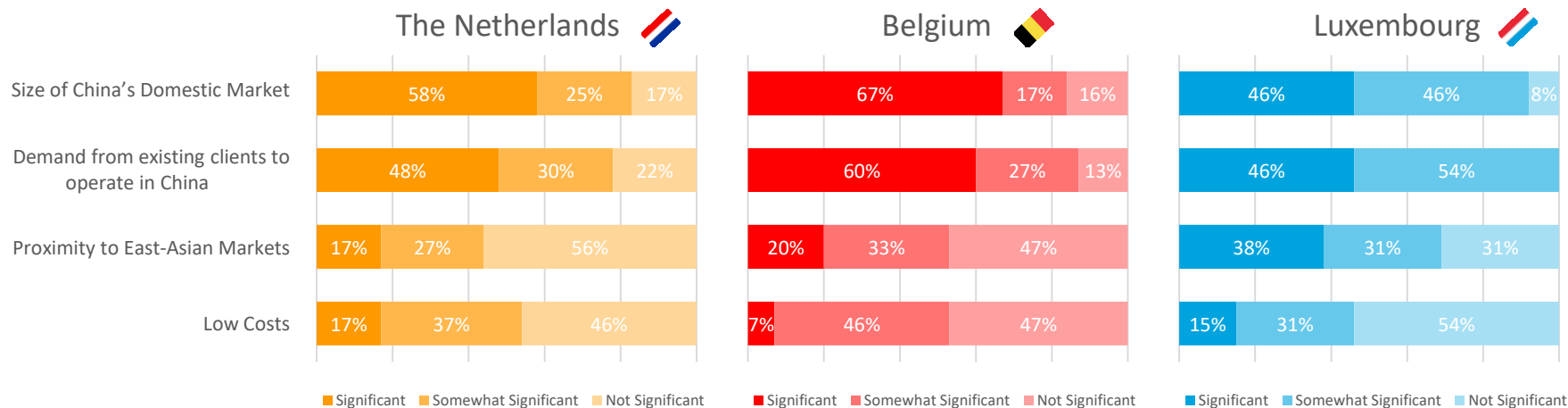
Strategic Motivations for being active in China



- Importance of the **size of the domestic market**, particularly in Sichuan (83%) and Beijing (79%)
- **Proximity to East-Asian Markets** and more important in coastal areas such as Jiangsu (38%), Zhejiang (45%) and Shandong (55%).
- **Low Costs** remains less important for Benelux businesses
- When looking at the results per economic cluster, this shows a similar trend. **Only 12% sees it significant to be active in the Yangtze River Delta.**

Reasons for being active in China

Strategic Motivations for being active in China – by Country



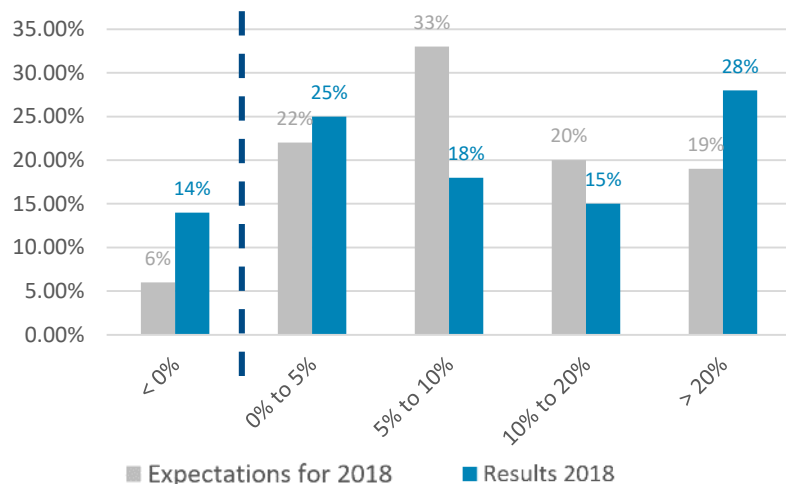
- The **Size of China's domestic market** is the main motivation for all Benelux businesses to be active in China.
 - According to the European Chamber Business Confidence Survey, the size of the Chinese market is among other European businesses to be active in China.



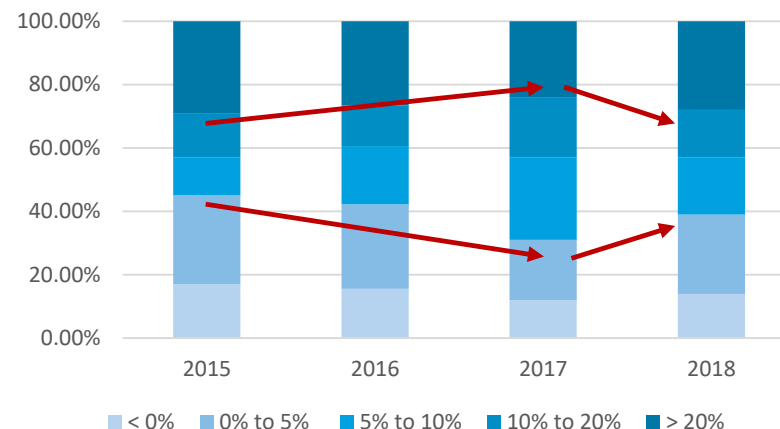
Business Performance

Revenue Growth

% Revenue Growth for 2018



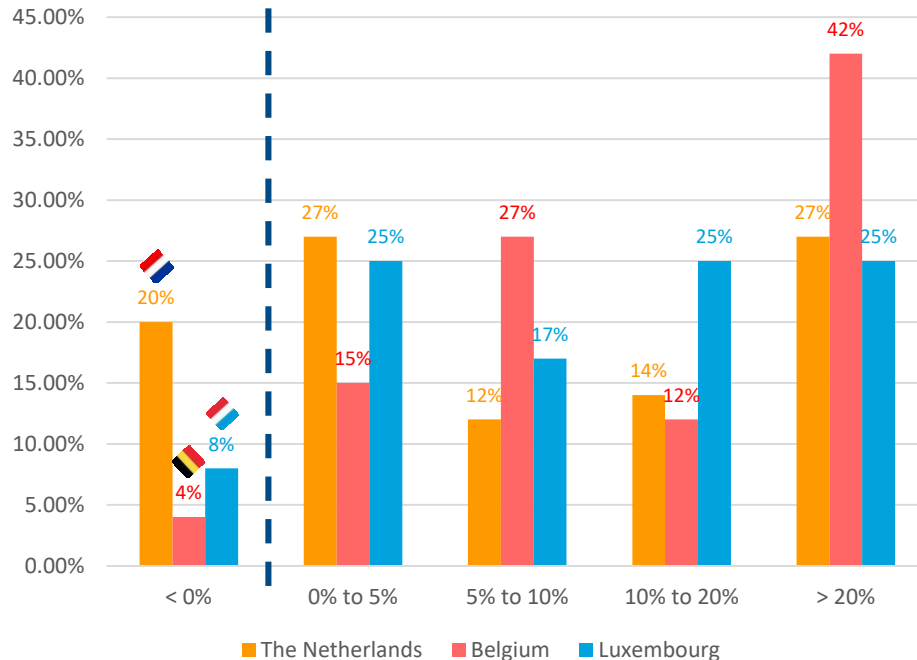
% Revenue Growth from 2015 to 2018



- **86%** of respondents achieved **revenue growth** in 2018 (2017 = 88%)
- Over **60%** achieved **revenue growth of over 5%** (2017 = 69%)
- Respondents from the Consumer Goods, Materials and Industrial Services report strong revenue growth.

Revenue Growth – by Country

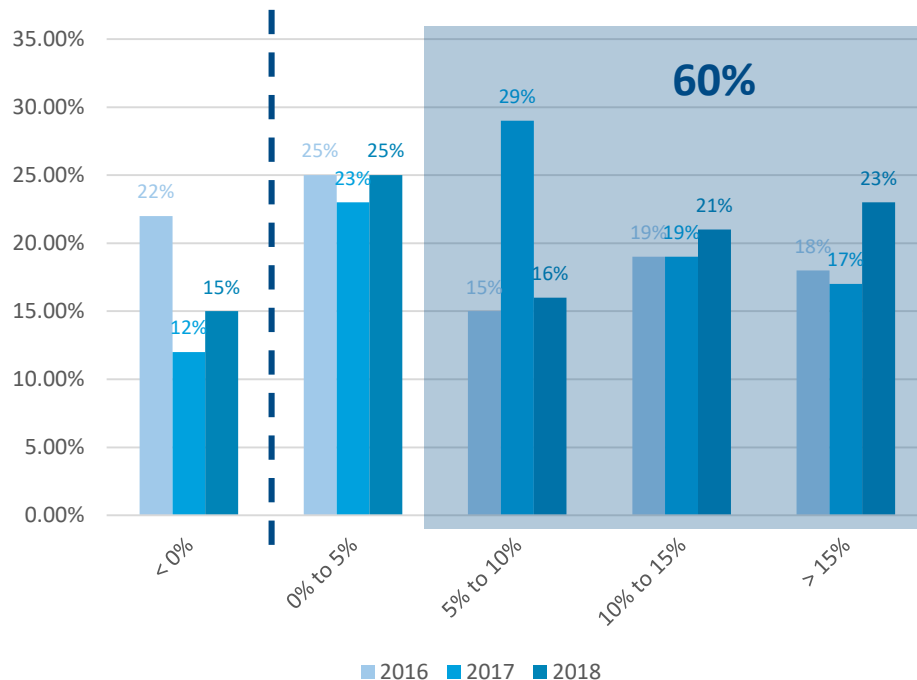
Revenue Growth % by Country



- According to the European Chamber Business Confidence Survey 2019, 56% of European businesses in China reported revenue growth over 5%, whereas 61% of Benelux businesses reported similar revenue growth.
- However, 70% of German businesses in China reported revenue growth over 5%; only Belgian companies outperform their German counterparts.

Profit Margin

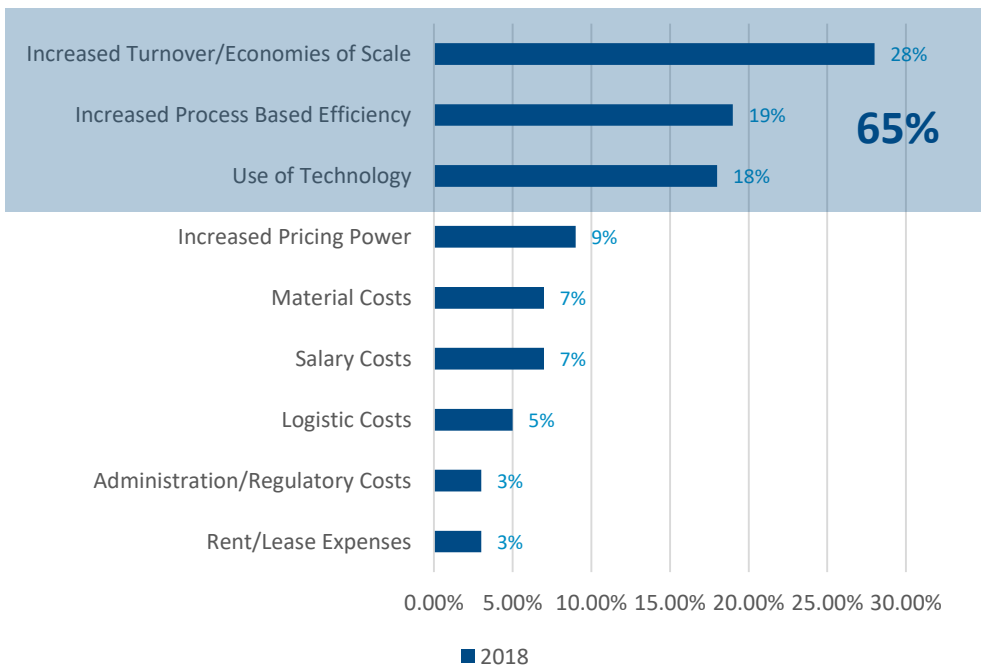
Profit as a % of Revenue



- Only 15% of companies report a loss in 2018
- Over 60% of the respondents achieved a profit margin of over 5%.
 - Previous year = 65%
- Highest profits in Health Care sector (over 65% of these companies reported a profit margin of over 15%).
- Consumer Services with profits over 15% increased from 25% last year to 40% in 2018.

Positive Drivers

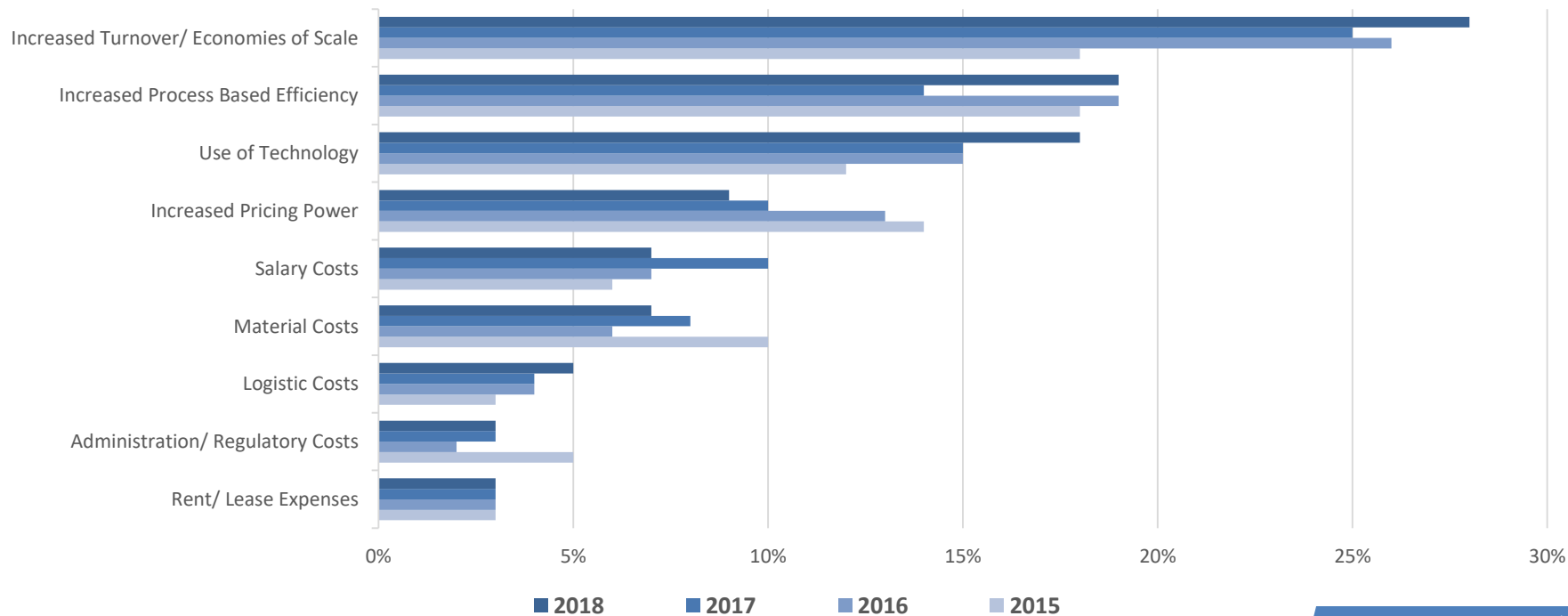
Most Significant Positive Drivers



- The top three positive drivers are again completed by Increased Process Based Efficiency and Use of Technology.
- The top three Positive Drivers are recognized by 65% of the respondents to be significant in 2018, compared to 54% in 2017.
- Other topics mentioned included beneficial changes to "Laws and Regulation".

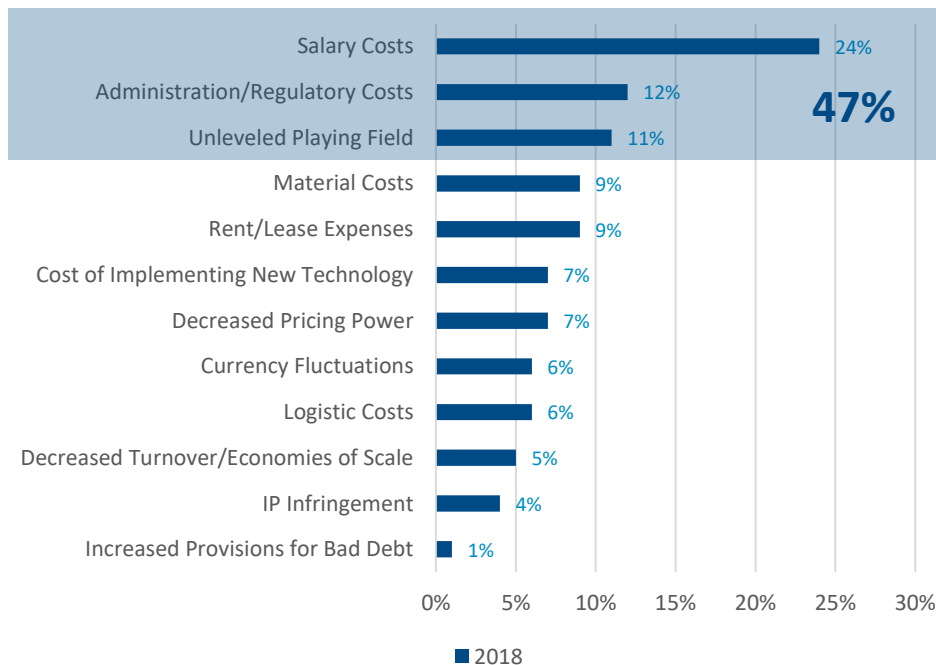
Positive Drivers

Most Significant Positive Drivers



Negative Drivers

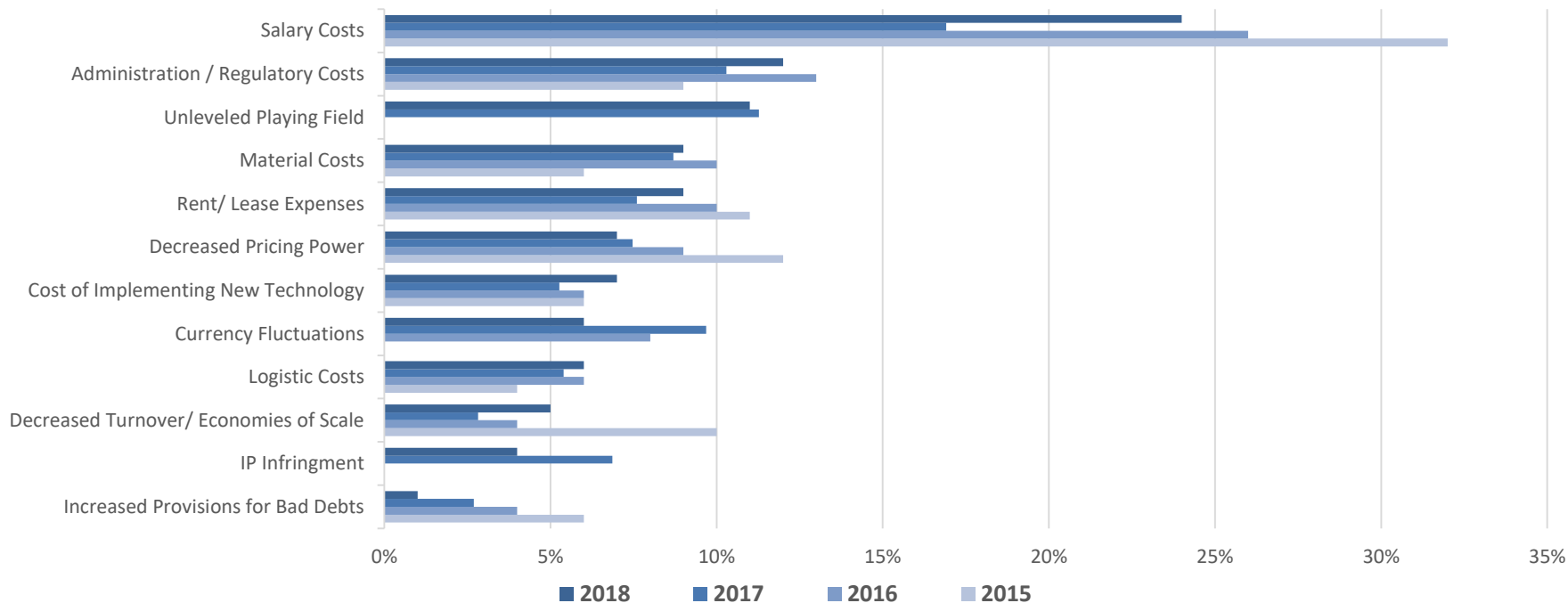
Most Significant Negative Drivers



- Increasing Salary Costs has remained the most significant negative driver for Benelux companies.
 - An increasing number of respondents have indicated this to be significant (24%) as compared to last year (17%).
- Salary Costs was followed by Administration/Regulatory Costs (12%) and the Unleveled Playing Field (11%).
- Within the category “Other”, a recurring topic was competition from local firms, both private State Owned Enterprises (SOEs).

Negative Drivers

Most Significant Negative Drivers



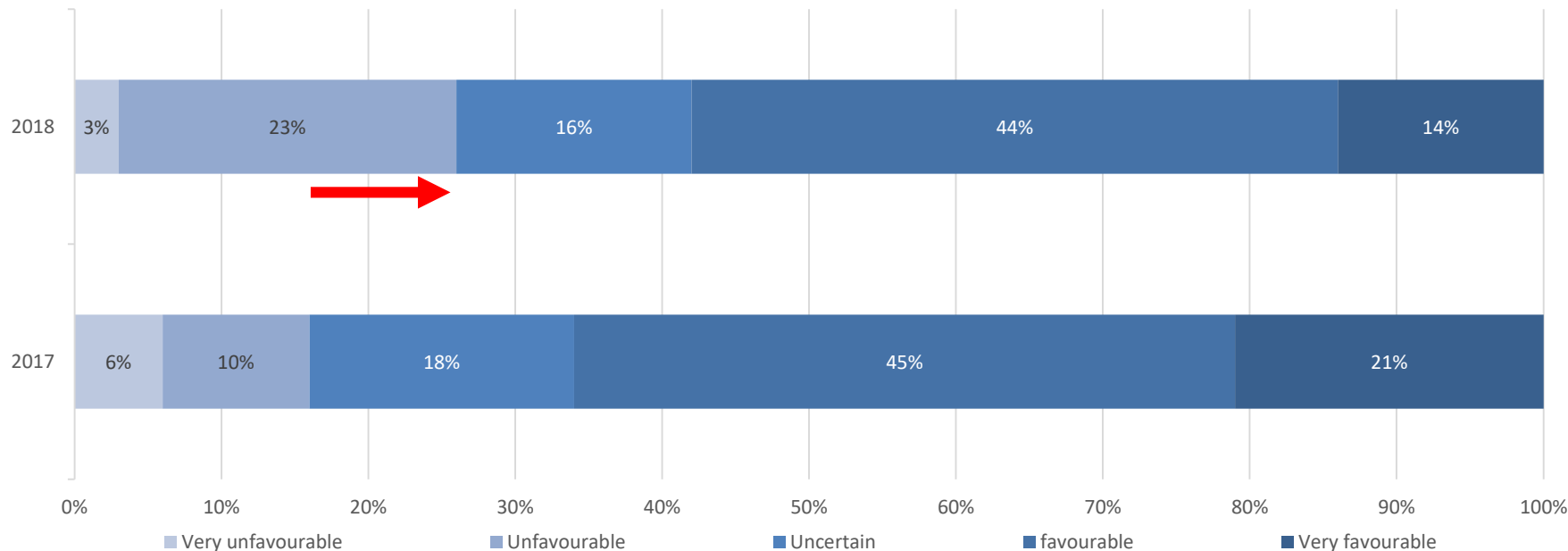


Business Sentiment

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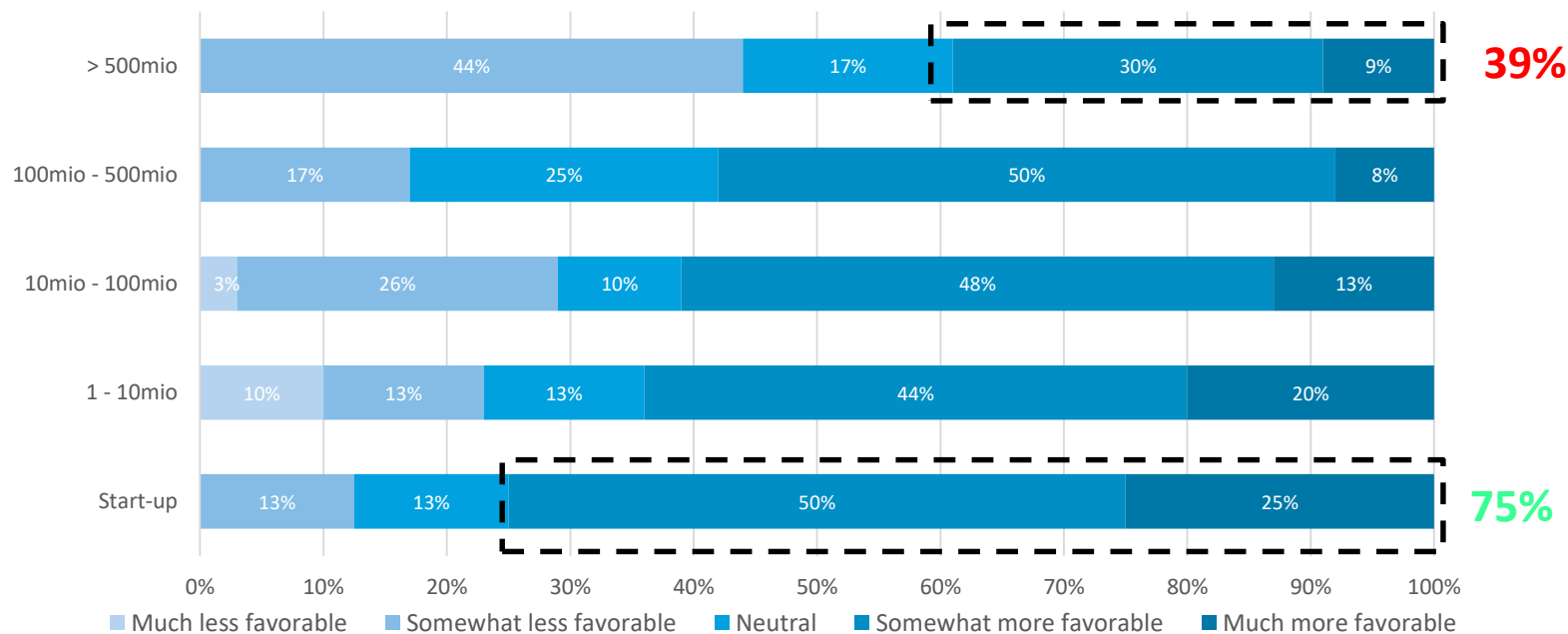
Perception of the Chinese Market

Perception of the Chinese Market 2017-2018



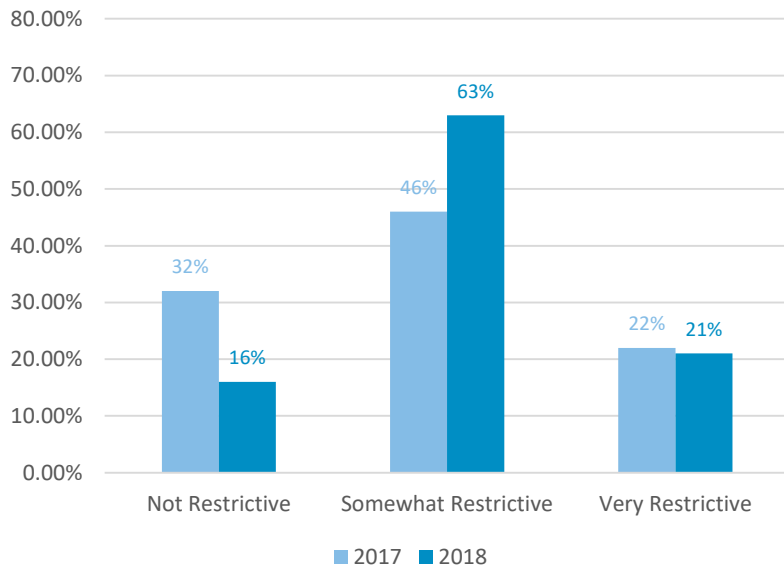
Perception of the Chinese Market

Perception of the Chinese Market – by Size

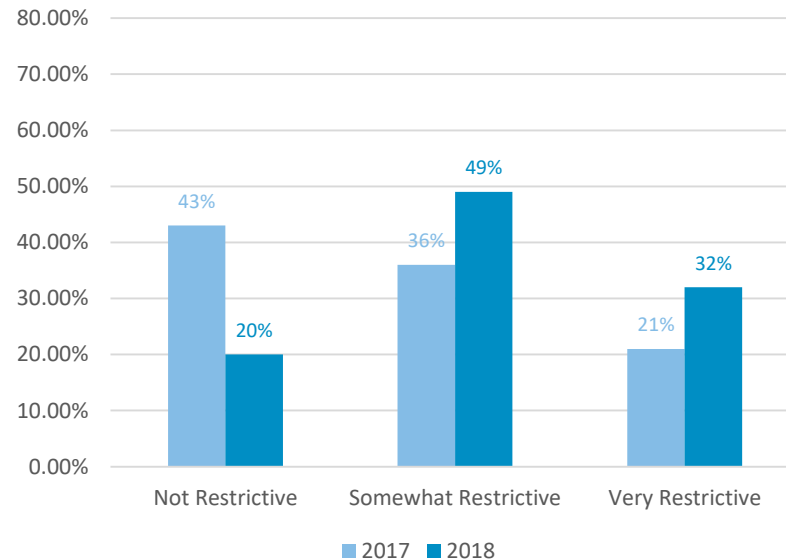


Restrictiveness of the Chinese Market (1/2)

Perception of Every-day Business

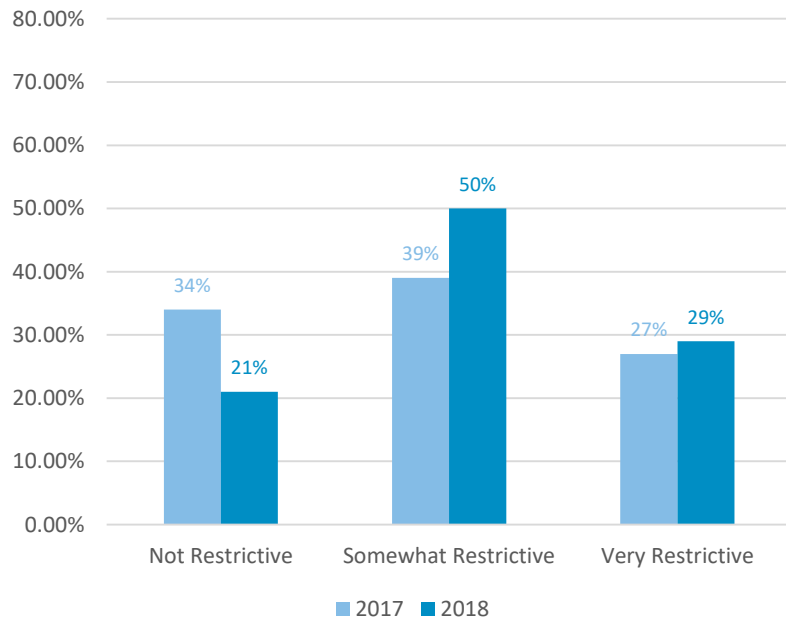


Perception of the Level Playing Field

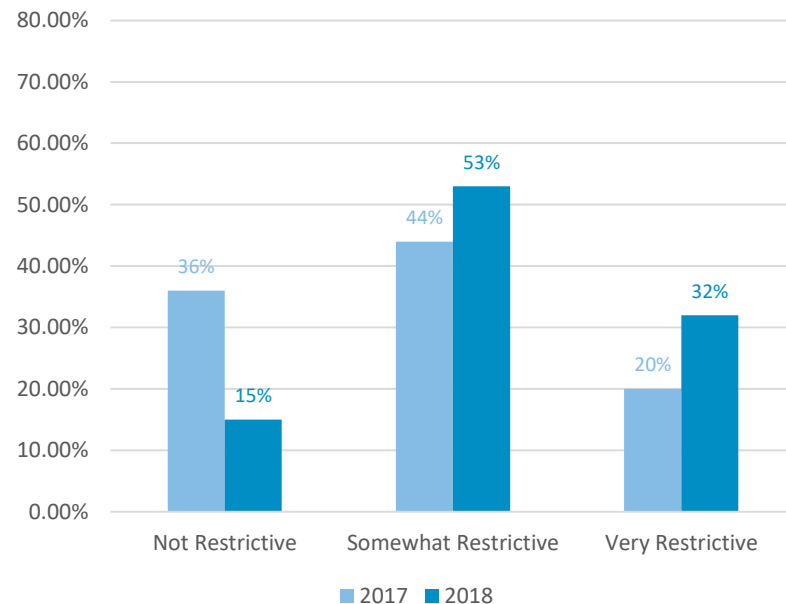


Restrictiveness of the Chinese Market (2/2)

Perception of Government Relations

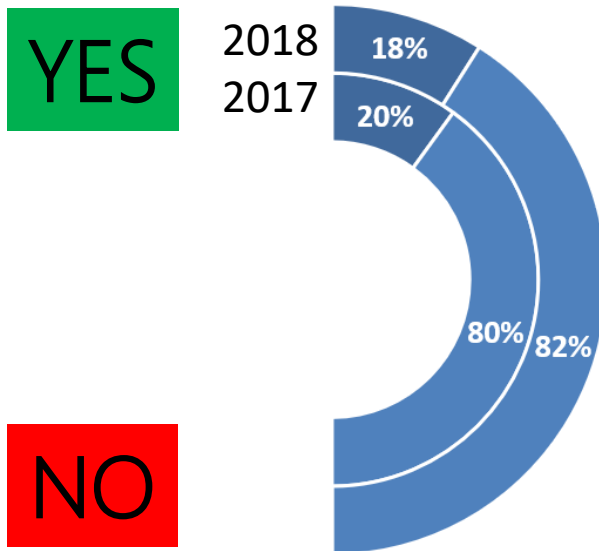


Perception of the Regulatory Environment



Belt & Road Initiative (BRI)

Did you encounter projects in the framework of the Belt & Road Initiative?



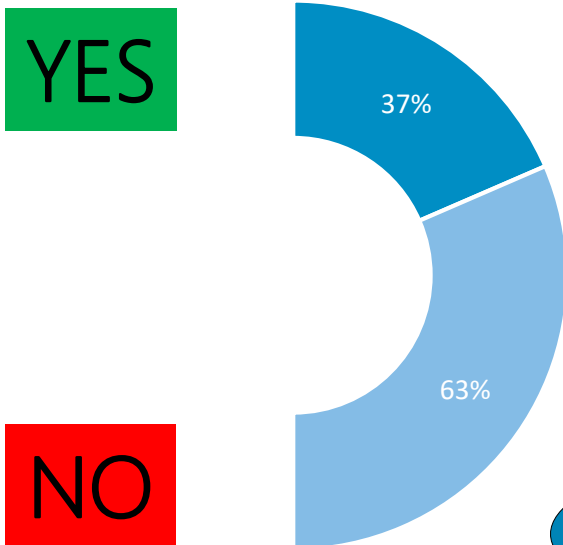
- Of the 18%:
 - 45% of these companies are from the **Industrial Services industry** (including businesses in consulting, transport/logistics and the maritime sector).
 - Over **60%** are SMEs.
 - The majority have office locations in First-tier cities and coastal regions.

Encountered potential clients whose interest in China started because of the BRI.

Logistics: respondents reported they either provided logistical services in the framework of the Belt & Road Initiative or customers have been using BRI infrastructure.

China-US Trade War

Did the China-US Trade War impact your Business?



- 37% of the respondents reported that the China-US Trade War impacted their business.
 - Chinese coastal regions mostly impacted.
 - 40% from Industrial Goods & Services and
 - 45% from the Materials sector.

Import/Export: several respondents indicated they were directly affected by the increase in price of materials due to the tariffs

US Competition: a number of respondents indicated they experienced a positive effect because of fewer competition from companies from the United States.

Leave China?

Would you consider to move some of your Chinese activities to other Asian countries?

YES

2018

22%

2017

31%

69%

78%

NO

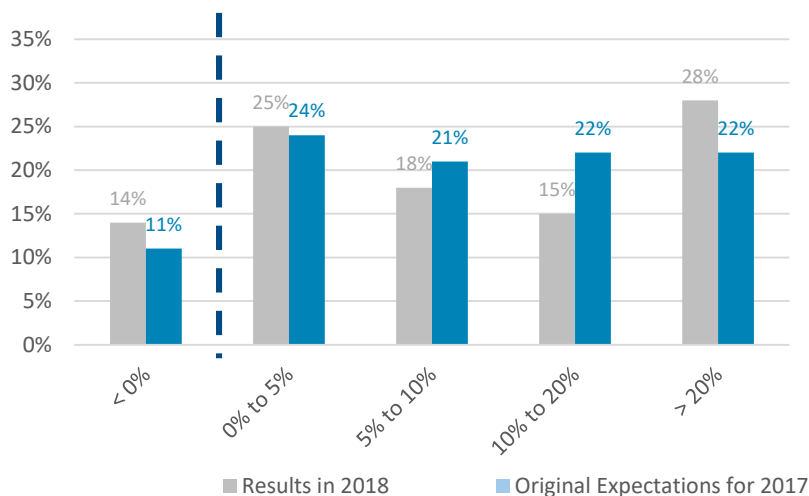
- 22% of the respondents consider to move:
 - Salary Costs is an important negative driver for 52% respondents who indicated they consider to move activities from China.
 - 48% of these companies indicated they were impacted by the China-US Trade War.
- Stay in China – Chinese market size and opportunity
- Leave China – Costs (material, labor etc.) is too high.
- Only 7% of companies with offices in the Beijing-Tianjin-Hebei region consider to move activities, compared to 17% of companies in the Yangtze River Delta and 22.5% in the PRD.



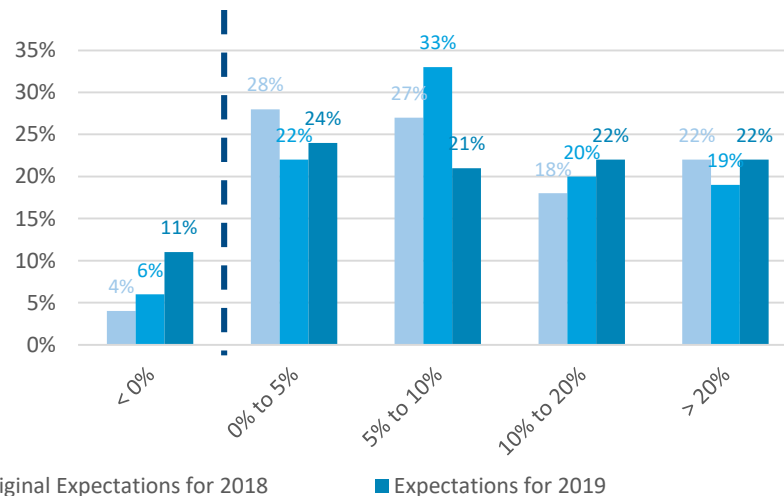
Onward Expectations

Revenue Growth Expectations

Expected Revenue Growth for 2019



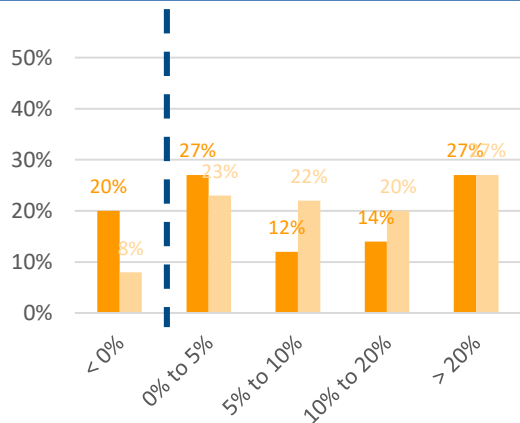
Expected Revenue Growth from 2017 to 2019



- We see that **Benelux companies** are more optimistic compared to their actual results in 2018.
 - Where 65% expect revenue growth greater than 5%, whereas 61% achieved this result in 2018.
- Overall, we observe that revenue growth expectations above 5% and higher have decreased to 65% (down from 72% in 2018).

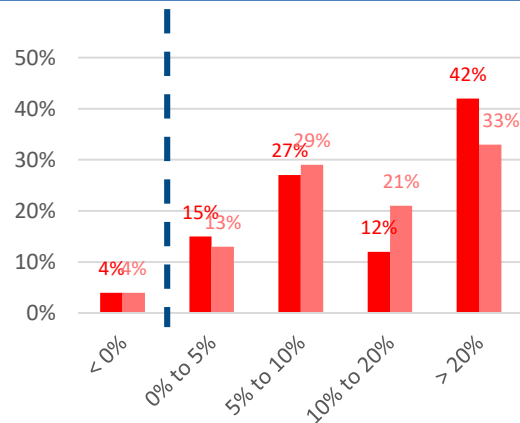
Revenue Growth in 2018 vs Expectations for 2019

The Netherlands



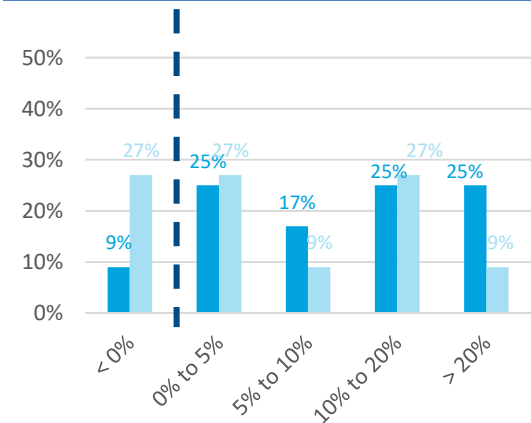
Actual revenue in 2018 Expectations for 2019

Belgium



Actual revenue in 2018 Expectations for 2019

Luxembourg

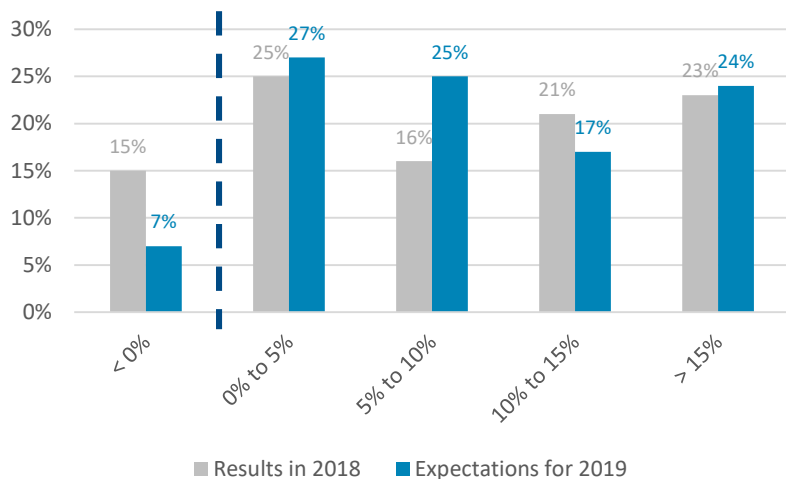


Actual revenue in 2018 Expectations for 2019

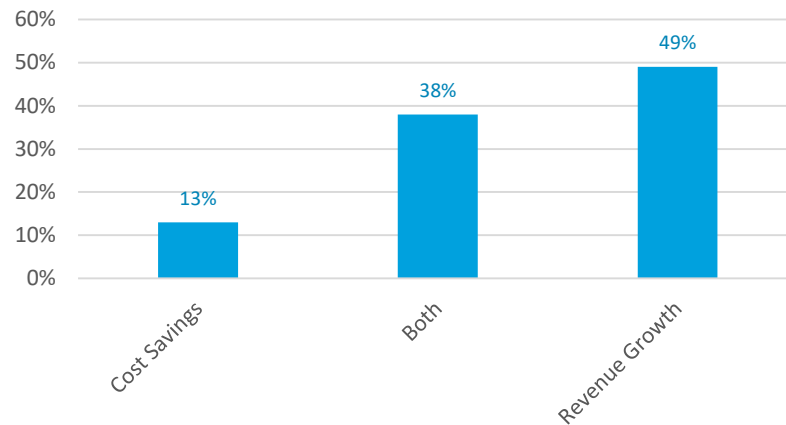
- Both Belgian and Dutch companies are expecting an increase in revenue growth compared to the actual results in 2018.
 - Where 83% of businesses from Belgium expect revenue growth greater than 5%, compared to 69% of Dutch businesses.
- Although the Luxembourg companies exceeded their expectations for 2018, they are less optimistic for the year 2019.

Profit Expectations

Profit Expectations for 2019



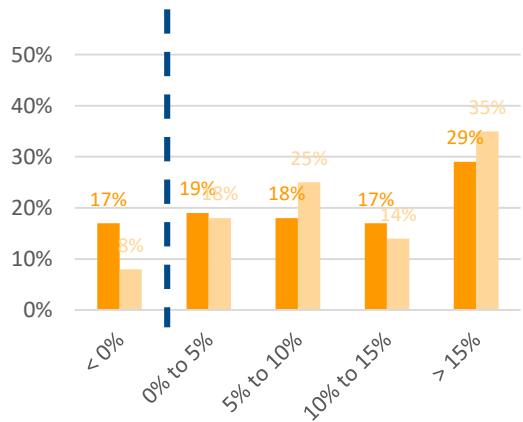
Driver of Profitability for 2019



- Compared to the results in 2018, **companies which expect to make profits in 2019 have increased with 8%**. Confidence of the Benelux companies has increased.
- The majority of these companies expects to make profits because of revenue growth (49%), whereas a further 38% attributes these expectations to both revenue growth and costs savings.

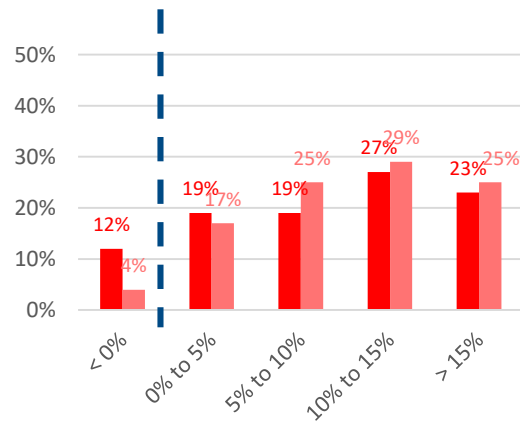
Profit Expectations by Country

The Netherlands



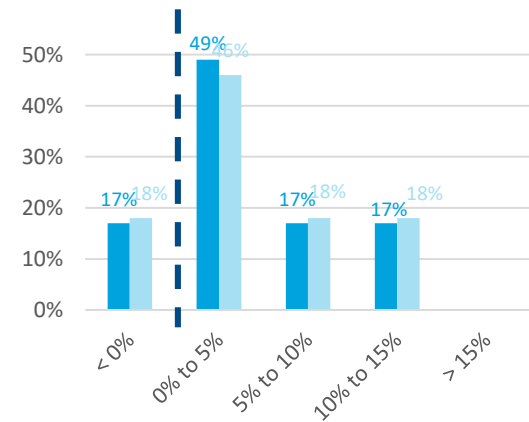
Actual profit in 2018 Expectations for 2019

Belgium



Actual profit in 2018 Expectations for 2019

Luxembourg



Actual profit in 2018 Expectations for 2019

- Dutch and Belgian companies are expecting a greater profit margins in 2019.
 - Where 79% of businesses from Belgium expect profit growth greater than 5%, compared to 74% of Dutch businesses.
- The Expectations for 2019 and Actual Profit in 2018 for Luxembourg companies in China is very much in line with each other.



Closing remarks

Closing remarks

- Despite recent reforms, continuous more negative perception of the business environment, more negative than previous years.
- Salary costs and administration costs are again a major concern this year.
- Impact felt from China-US trade war.
- In 2018 again business has been profitable for Benelux companies in China.
- Positive expectations for growth in 2019 driven by the continuous use of technology and increased turnover due to a receptive market.



Negative perception but good results!

Thank you for your attention!

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