2021
SINO BENELUX BUSINESS SURVEY

An initiative by:

benelux 荷比卢商会
chamber of commerce in china

Supported by:

MOORE

Contents

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Foreword

The 2020 edition of the Sino Benelux Business Survey reported the unprecedented challenges the Benelux businesses in China were facing in the wake up of the COVID-19 outbreak, which had until then, an unseen impact on the Chinese domestic economy and on the entire global economy and its ecosystem. At the time, it was also anticipated that the pandemic would negatively impact the business outlook in China for the coming years.

Nevertheless, China's national economy made a strong post-COVID comeback in the first quarter of 2021, where a record increase of 18.3% was reported compared to the same quarter in 2020. The rollout of vaccine programs has played a positive role in stabilizing the global economy, including increases in employment and consumer confidence. However, the pandemic's influence on the economy is still present and high uncertainties and instabilities in the international landscape remain. We need to keep in mind the figures for 2021 are expected to be high in comparison to the weak performance of the economy the year before. On the other hand, the economy's sharp rebound already started slowing down in the second quarter of 2021.

In previous years, we reported not only on the COVID-19 impact but also on important economic developments impacting foreign invested companies in China. These developments include the US-China Trade War and geopolitical tensions, as well as national reforms such as the implementation of the Corporate Social Credit System and the Foreign Investment Law. In this year's edition, numerous new factors are reported.

Considering the above, this survey was conducted between February and April of 2021, which provides extensive and reliable data on the period where China's economy had been bouncing back. This allows us to identify how the recovery of the domestic economy influenced the Benelux business community's perception and confidence in the Chinese market, while simultaneously investigating underlying challenges that remain and emerging opportunities for future growth.

Raoul Schweicher
Managing Partner
Moore - MS Advisory

Introduction

The Sino Benelux Business Survey is an initiative by the Benelux Chamber of Commerce and its 3 chapters across China - North China, East China, South China, and is supported by the official trade and diplomatic representation of Belgium, the Netherlands, and Luxembourg in China. The survey is published for the sixth consecutive year in partnership with Moore – MS Advisory and remains a fundamental piece for the Benelux business community.

The objective of the Sino Benelux Business Survey is to provide Benelux companies – from entrepreneurs, start-ups, and SMEs to multinationals – already operating in the Chinese market as well as newcomers and stakeholders such as governmental institutions, with comparative information about the business climate and emerging trends. Throughout the report, a comprehensive analysis is provided about the common experiences, growth opportunities and challenges Benelux companies are facing throughout China. Extensive cross-comparisons, to different questions over time, are made to derive meaningful conclusions.

While the Sino Benelux Business Survey Edition 2020 focused on the dramatic impact the COVID-19 pandemic had on China's domestic economy and on the operations of foreign companies in China, a unique perspective is given this year on how Benelux companies are performing in the post pandemic era. China's rapidly growing economy, emerging market trends and constantly changing regulations require a comprehensive understanding from local decision makers.

We trust that this survey and corresponding report will equip the readers with detailed insights about the Chinese business climate Benelux companies are navigating in, and will contribute to improving the market position and overall success of Benelux companies operating in China.

Methodology

The Sino Benelux Business Survey 2021 was published in September 2021 for the sixth consecutive year and remains a fundamental source of information about the Benelux business community in China. The questionnaire is fully anonymous and is conducted through an online survey that was distributed in a joint effort by the Benelux Chamber of Commerce, the official economic and diplomatic trade representation of the Benelux community and the MS Advisory network.

The respondents could take part in the survey over a six-week period starting from March 2021 until the end of April 2021. During this period, approximately 2000 Benelux companies were contacted, and it resulted in 197 completed responses – a 41,7% increase compared to previous years.

To achieve a high response rate, the survey remained concise at 31 qualitative and quantitative questions, while maintaining appropriate questions to ensure comparability over time, and is historically divided into 4 key themes.

- Business Demographics
- Business Performance
- Business Sentiment
- Onward Expectations

Similar to last year, we added one additional category to analyse the impact of COVID-19.

The information presented in this publication was assembled by Moore - MS Advisory.

Shanghai, October 2021

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Executive Summary

Most respondents represented companies from Belgium (29%), The Netherlands (44%) and Luxembourg (6%), whereas the remaining 19% have either strong relations with- or management from the Benelux. Geographically, the majority of the respondents are located in the key economic areas in China with the largest GDP: Shanghai, Beijing, and the Greater Bay Area.

The survey represents the views of Benelux companies from a range of industries. The main industries that the Benelux companies operate in are Consumer and Industrial Goods and Services. 60% of companies reported revenues of up to RMB 100 million and 55% of companies have up to 49 employees.

Whereas in previous years companies from the Benelux in China experienced a continuing negative trend of decreased revenue growth, which we see again this year, we do notice a shift in this year's survey with a significant number of Benelux companies reporting confidence in the Chinese economy and their performance.

This is undoubtly a result from the post-COVID comeback where China's economy grew a record 18.3% in the first quarter of 2021 compared to the same quarter last year. While the figures are less indicative as they are being compared to the previous year's huge economic contradiction it does restore confidence in the Chinese market. Strategically, the main motivation for Benelux companies this year remains the size of the domestic market and the demand from existing clients to operate in China.

While we have seen the continuing negative trend of Benelux companies reporting lower revenues, we observe a more volatile market this year with certain companies performing better than others. The proportion of companies with negative revenue growth is much lower than expected last year, despite an actual increase of 6%. On the other hand, the profit margin remained relatively stable and was better than expected. The main negative driver impacting the performance remains the salary cost, followed by import & export difficulties and logistics costs.

Both the business sentiment and expectations for 2021 improved, where a larger number of respondents perceived the market as "at least somewhat favorable" (51% compared to 31%). It also appears that the regulatory environment is improving, according to our respondents.

COVID-19 still had a profound impact but less profound than expected. The main impact is, as expected, caused by travel restrictions and decreased demand. 52% of the respondents indicated that the impact was most profound for the group's operations abroad. Benelux companies avoided laying off employees and took the opportunity to "learn" and improve their organization by implementing new technology, and expirementing with flexible working methods amongst others.

The most significant result of this year's survey is demonstrated by the future expectiations of companies with the revenue expectations being significantly higher compared to 2020 and the outlook for profit margins considerably improved as well.

We conlude there is a positive outlook for 2021, mainly driven by the expected increase in revenues. Benelux businesses have shown remarkable resilience considering the global challenges COVID-19 has brought with it, and are confident that business will improve again in 2021.

Key Facts

Survey Demographics

Top industries consistent with previous years

- Top industries are Industrial and Consumer Goods and Services.
- Increased proportion of Industrial Goods, with comparable decrease of Consumer Goods.

Majority of companies classify as SMEs, consistent no. of expats

- 60% of companies reported revenues of up to RMB 100 million.
- 55% of companies have up to 49 employees.
- Average no. of expats decreased from 2.24 to 2.19.

China is an important market in global strategy

- For 62% of respondents China is a Top 3 market in global strategy.
- Main strategic motivation for being active in China remains the Size of Domestic Market.

Business Performance

Revenue growth better than expected, despite increased shrinking

- Proportion of companies with negative revenue growth much lower than expected last year, despite actual increase of 6%.
- Strong increase of companies with high revenue growth (>10%).

Profit margin remained relatively stable, better than expected

- Proportion of respondents reporting a loss only increased from 16% to 17%, whereas expectation was 21%.
- Increase of profits >15% from 18% to 23% (10% expected).

Increased importance of technology as positive driver

- Most important positive driver was Use of Technology (2nd in 2020).
- Innovation/R&D and eCommerce have become more important over the past years.

Salary Costs remain as main negative driver

- Salary Costs are the main negative driver, although it's importance has been consistently decreasing for the past three years.
- Other negative drivers: Import/Export Difficulties and Logistic Costs.

Business Sentiment

Business Sentiment and Restrictiveness improved during 2020

- 51% of respondents perceived the markets as at least somewhat favourable, compared to 31% last year.
- Restrictiveness of business factors improved for all except one.

China operations become more important in group strategy

- 45% of respondents expect the importance of the China operations to increase in the upcoming two years, versus 35% last year.
- Only 13% of respondents considered leaving China.

COVID-19 Impact

Significant impact of COVID-19, but less profound than expected

- Almost 66% were negatively impacted, compared to the expected 92%, while 20% were positively impacted by COVID-19.
- Travel Restrictions and Decreased Demand are the main negative factors.

Impact most profound for group operations abroad

- 52% of respondents indicated that the impact of COVID-19 was most profound for the group's operations abroad.
- 70% of companies will not change their investment strategy.

Most companies avoided layoffs and took the opportunity to learn

- 84% of companies saw no change in or decreased their layoff rate.
- Majority of companies implemented new technologies, flexible working measures, more healthcare measures and more use of online meetings.

Onward Expectations

Revenue expectations significantly higher compared to 2020

- Proportion of companies expecting revenue shrinkage halved compared to results in 2020, from 24% to 12%.
- Proportion expecting revenue growth >10% increased from 37% to 44%.

Outlook for profit margins significantly improved as well.

- Proportion of companies expecting losses decreased from 17% experiencing losses in 2020, to only 9% expecting the same for 2021.
- Results will likely be achieved by revenue growth.

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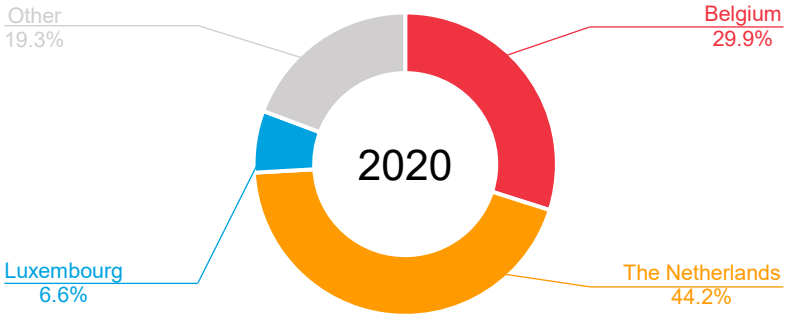
1 Demographics

Parent Company Nationality
What is the nationality of the Parent Company or the Beneficial Owners?



Approximately 2000 Benelux companies were contacted during the months of March and April, which resulted in 197 completed responses. The majority of the companies that took part in the questionnaire came from the Netherlands, Belgium, and Luxembourg, with the percentages respectively corresponding to 44%, 30% and 6%. The other participants with 19% have either strong relations with- or higher management from the Benelux.

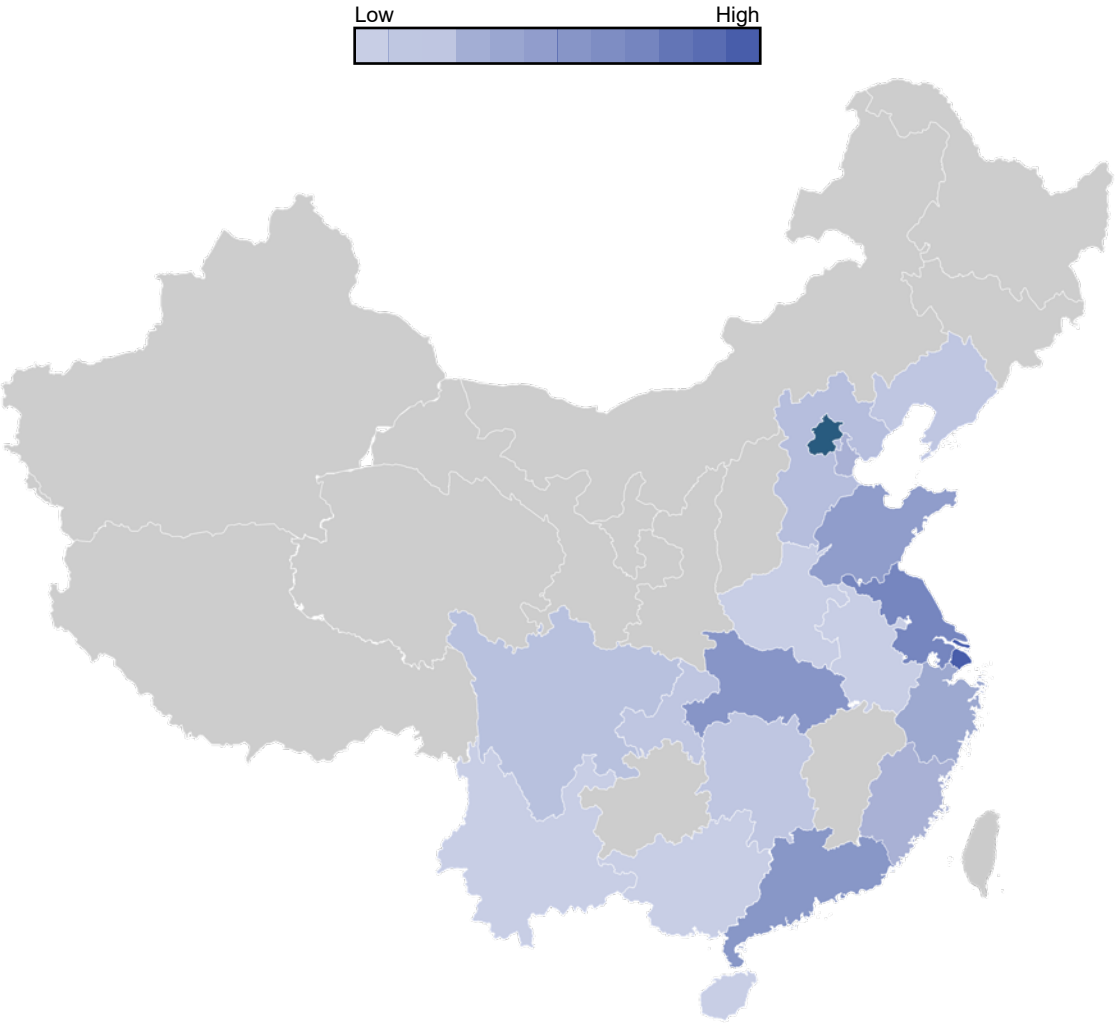
Graph illustrated above

In line with previous years, the companies are best represented in the coastal regions. Most respondents have offices in Shanghai (57%), Beijing (29%) and Guangdong (26%). Other well represented areas are the other coastal provinces of Jiangsu (11%), Shandong (9%) and Zhejiang (8%). Outside of the coastal regions Benelux companies are quite evenly spread, apart from a concentration of businesses in Sichuan (4%).

Illustrated on the next page

Location of Benelux Companies in China

In which provinces of Mainland China do you have an office/entity?



Note: Respondents were asked in which provinces of Mainland China they have an office. As a result, multiple provinces per respondent could be selected.

Shanghai Municipality 56.9%	Beijing Municipality 29.4%	Guangdong Province 25.6%	Jiangsu Province 10.6%
Shandong Province 8.8%	Zhejiang Province 8.1%	Hebei Province 5.6%	Fujian Province 5.0%
Tianjin Municipality 5.0%	Sichuan Province 4.4%	Hubei Province 3.1%	Chongqing Municipality 1.9%
Hunan Province 1.9%	Liaoning Province 1.9%	Yunnan Province 0.6%	Hainan Province 0.6%
Henan Province 0.6%	Guangxi 0.6%	Anhui Province 0.6%	

The majority of Benelux business
around the main economic c

Benelux businesses with offices
(Other regions of China)
48 offices

The majority of Benelux businesses are concentrated around the main economic clusters of China. The Yangtze River Delta (Shanghai, Zhejiang, Jiangsu) saw the largest concentration of Benelux businesses, with a total of 121 offices in this region. In the Beijing-Tianjin-Hebei region (Beijing, Tianjin, Fujian, Hebei) there are 64 offices of Benelux businesses and in the Pearl River Delta (Guangdong) there are 41 offices of Benelux businesses. There is a strong concentration of businesses in these three regions, as outside of these regions, there is a total of 55 offices of Benelux businesses in other regions of China.

Note: Respondents were asked in which provinces of Mainland China they have an office. As a result, multiple provinces per respondent could be selected.

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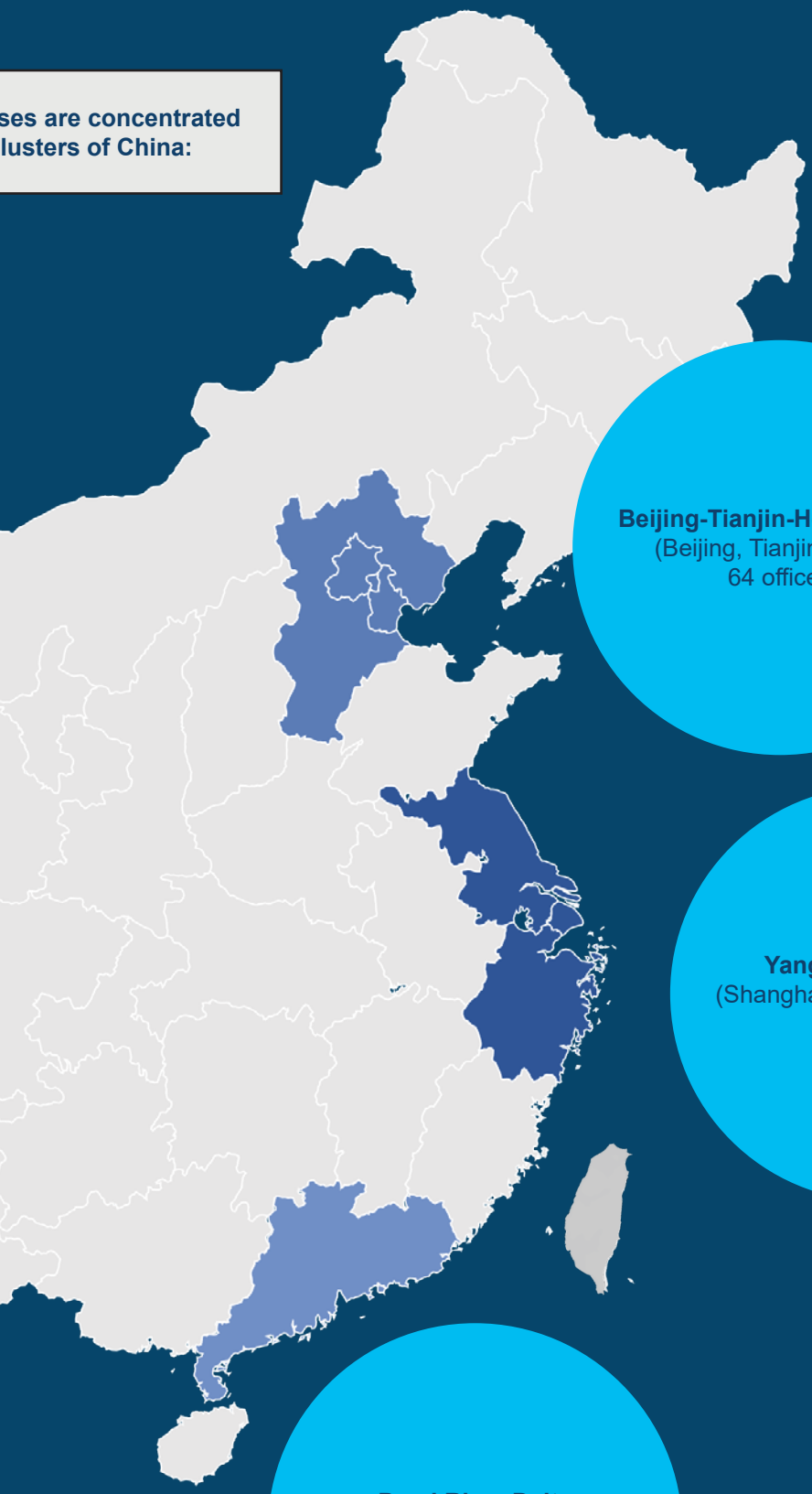
lusters of China:



Beijing-Tianjin-Hebei region
(Beijing, Tianjin, Hebei)
64 offices

Yangtze River Delta
(Shanghai, Zhejiang, Jiangsu)
121 offices

Pearl River Delta
(Guangdong)
41 offices

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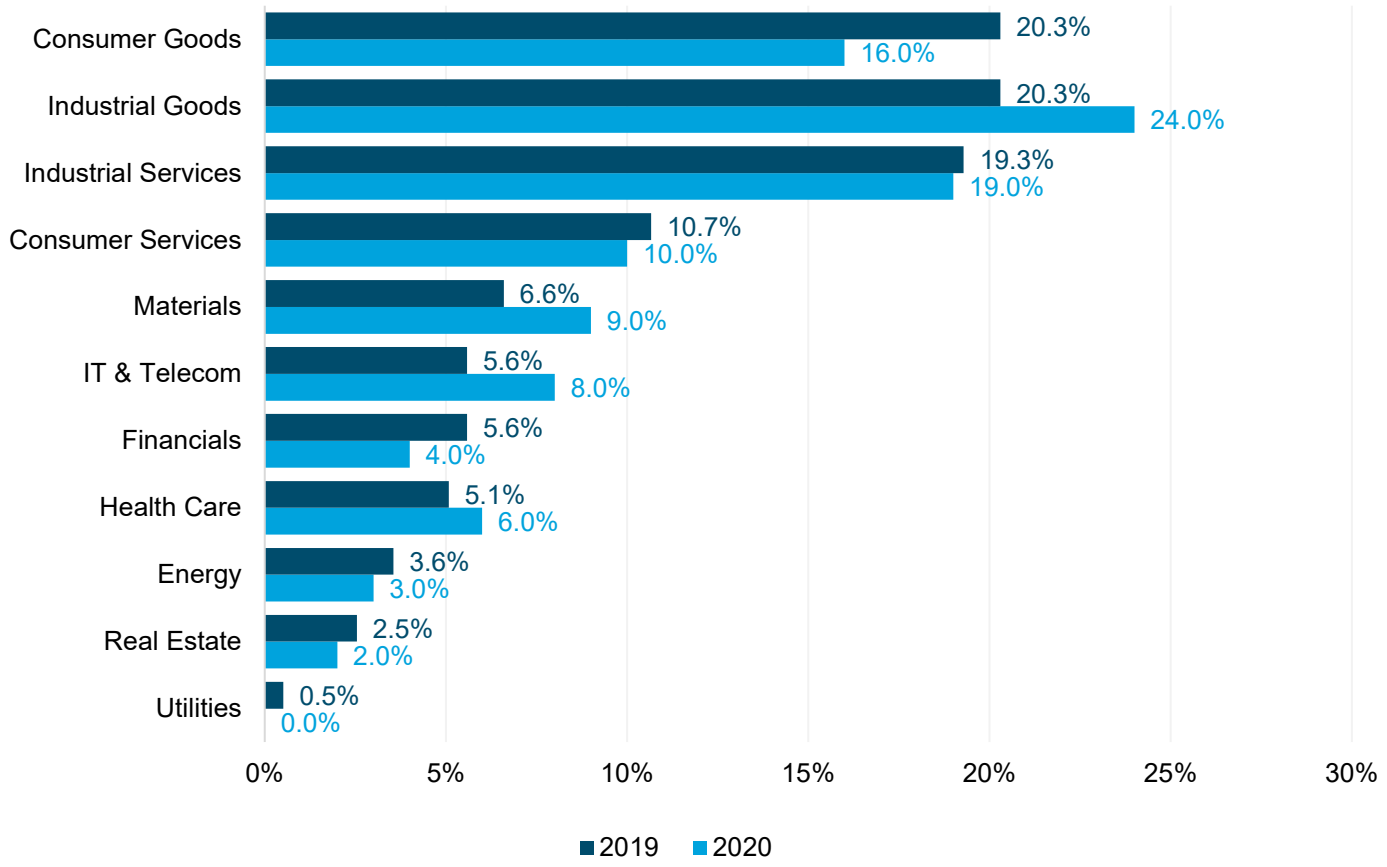
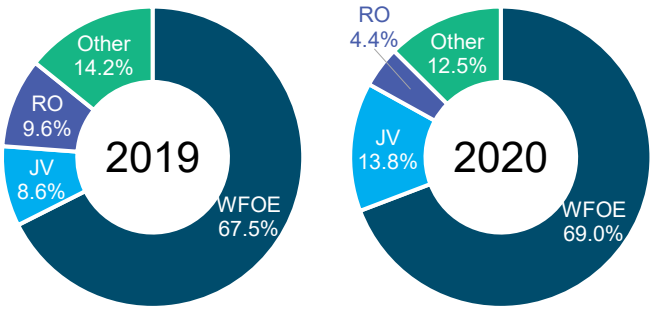
Industry sectors in which Benelux companies are active
Business Classifcation/Sector



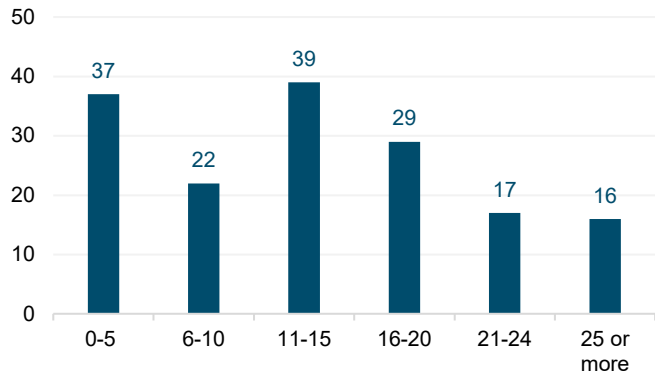
The survey represents the views of Benelux companies from a range of industries. The main industries that the Benelux companies operate in are Consumer and Industrial Goods and Services. The results generally show a similar spread across industries as in previous editions, with the industries in the top 4, taking up over 65% of the Benelux businesses in the sample. Compared to last year, we observe a stark decrease in businesses active in the Consumer Goods industry, which may be a consequence of the decline in global consumer demand. On the other hand, we observe a comparable increase in the representation of businesses active in the Industrial Goods industry, indicating that Benelux companies swiftly adapted their businesses to the global climate by providing Industrial Goods.

Entry modes in China
Company Structure in China



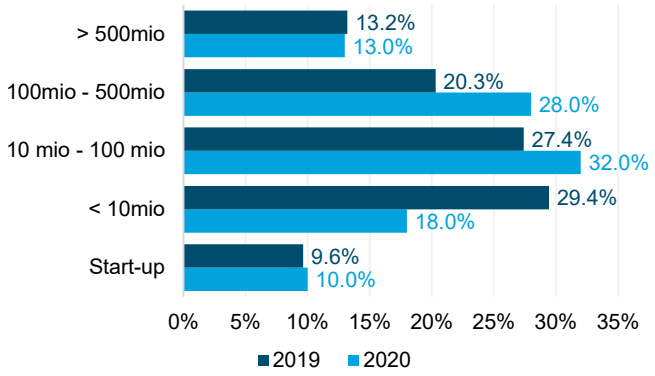
The majority of the companies (69.4%) are set up as a Wholly Foreign Owned Enterprises (WFOE), followed by Joint Ventures (13.8%), Representative Offices (4.4%) and other company structures (12.5). We particularly observe an increase of Joint Ventures and a strong decrease in Representative Offices. The slight increase of WFOEs shows that more companies choose to set up a company structure with ownership in China. The increase in Joint Ventures can be explained by the opening up of certain industries to foreign entities through Joint Ventures, where in the past foreign companies were not permitted.

Company years active in China
How many years has your company been active in China?



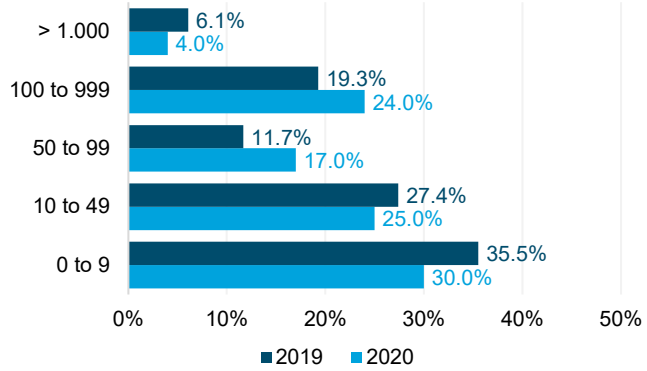
On average, the corresponding companies have had operations in China over an average of 13.2 years, an increase of 0.4 years compared to the previous year. This indicates that in general the Benelux companies active in China are relatively mature. On the other hand, this also shows there is a slowdown on new companies entering the Chinese market.

Company size in China (in RMB)
What is your company's revenue size in China?



We observe a shift in the middle categories (up to RMB 500 mio), whereas the proportion of companies classified as either start-ups or large enterprises remained the same as in 2020. The starkest difference can be observed in the decline for businesses that generate up to RMB 10 million in revenue. The proportion of companies with revenues between RMB 10 million and RMB 500 million have increased at the expense of the smaller companies.

Size by Employees in China
What is your company's employee count in China



In terms of company size measured by the number of employees in China, a similar trend can be recognized. We observe a shift from smaller companies to medium and large sized companies. This is most likely due to SMEs being hit harder by the economic downturn in 2020, as we saw an increase in SMEs in last year's edition.

Expat count per company in China
What is the expat(s) count in your company?

We observe a slight decrease in the number of expats working for Benelux businesses, continuing the trend from past years. However, the decrease this year was less profound compared to previous years, despite the impact of Covid-19. The decrease in expats can be explained by the rising cost of living as well as fierce competition that now exist with local employees and business in the wake of China's economic downturn.

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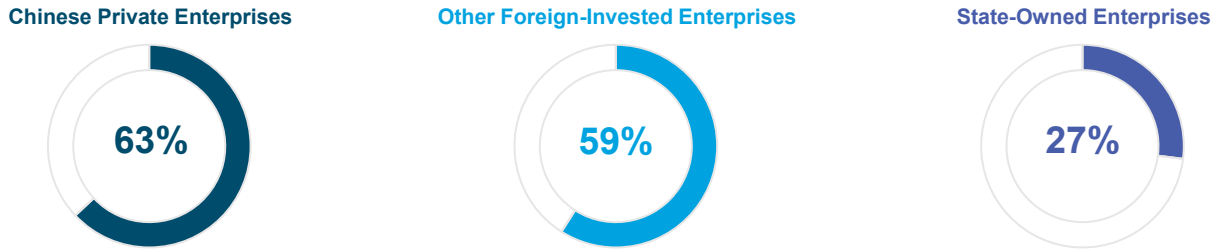
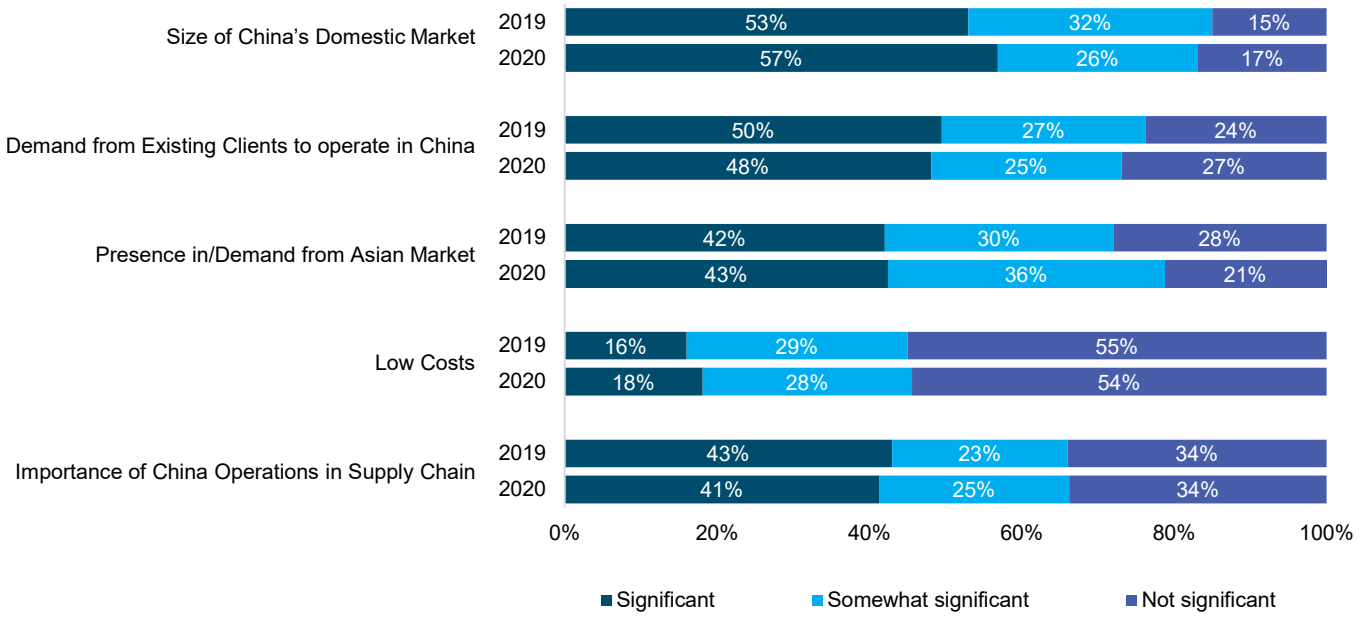
Major Competitors
What are your main competitors in the Chinese market?



In line with previous surveys, Chinese Private and Foreign Invested Enterprises remain the most significant competitors for Benelux businesses in China. Chinese Private Enterprises have been identified as the main competitors, seeing a jump of 10% in the past year, closely followed by Foreign-Invested Enterprises, whose proportion has remained the same.

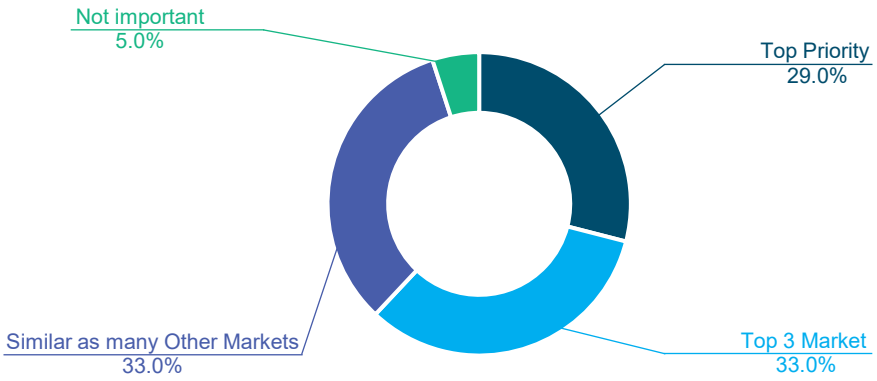
Chinese Private Enterprises are the main competitors of Benelux businesses in the Consumer Goods, Materials, Health Care and Energy industries, whereas Other Foreign Invested Enterprises are the most important competitors in the Industrial Services and Goods, Financial and Real Estate industries.

Reasons for being active in China
What are the strategic reasons to operate in China?



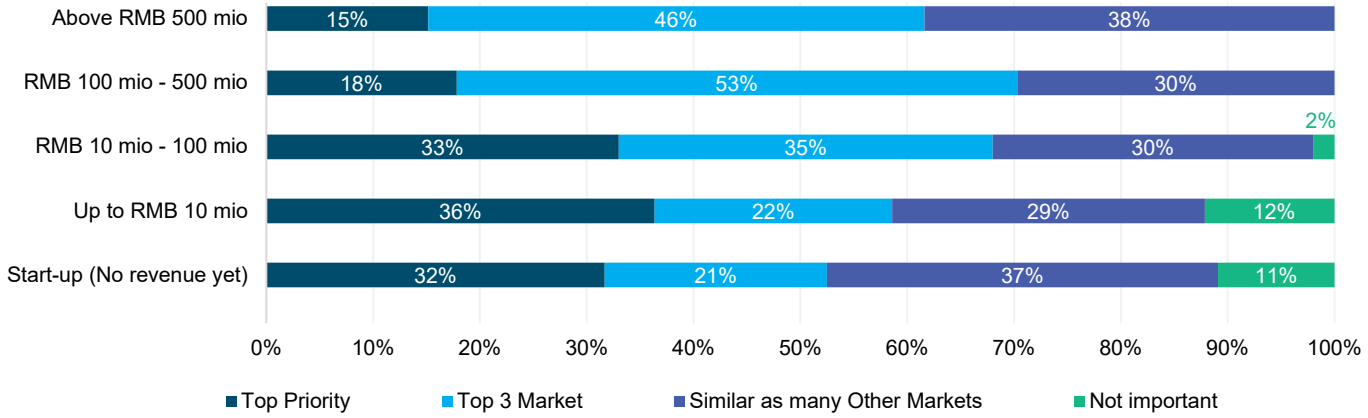
The strategic motivations of Benelux businesses for being active in China have remained similar over the past year. The main motivation for being active in China remains the Size of the Domestic Market followed closely by Demand from Existing Clients to operate in China. Low Costs continues to be the least relevant motivation, with 55% of respondents indicating it is not a significant motivation for being active in China. Only for businesses active in the Industrial Goods industry it is truly relevant with 74% of respondents indicating it is at least somewhat significant.

Importance in Group Strategy
How important is your Chinese entity for your global strategy?



For 62% of the respondents the Chinese subsidiary is among the top three markets in the global strategy. This highlights the essential role of China on the world stage. China is a particularly important market for businesses active in the Consumer Goods industry, with 88% of the respondents indicating China is among the top three markets in the global strategy.

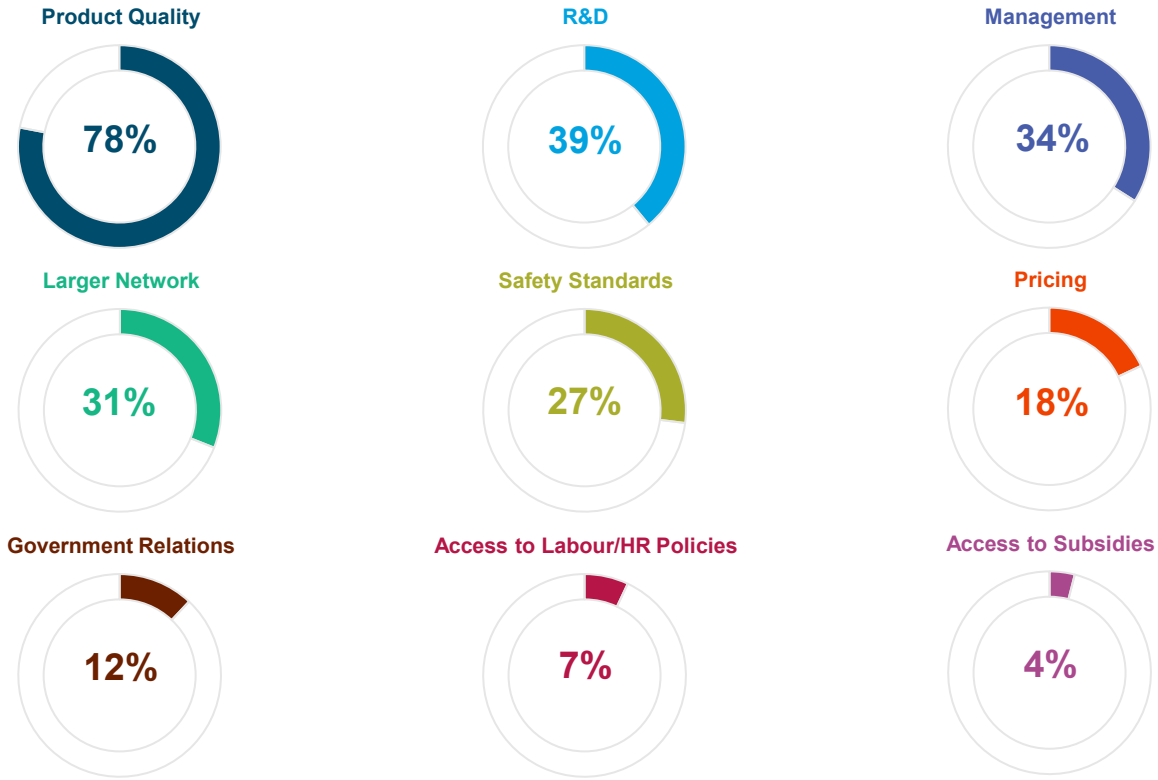
Importance in Group Strategy - by Revenue Size
How important is your Chinese entity for your global strategy?



For the larger companies, China is a location of great importance (the majority identify China as being within the top three markets to focus their strategies on), however, larger companies do not as often report it as the single number 1 market. Alternatively, for the smaller companies (Start-ups and companies with up to RMB 10 million in revenue), China is not important in the global strategy for 11% and 12% of the respondents, or similar as many other markets (37% and 29%), which indicates these companies' operations in China are still relatively small compared to the global operations.

2 Business Performance

Competitive Advantage
What makes you competitive in the Chinese market?



Over the past four years, Product Quality has grown further as the strongest competitive advantage of Benelux businesses in China. This year, Management, R&D and large network follow as the other valued advantages for Benelux businesses. We furthermore observe an increase in the importance of R&D, Safety Standards and Government Relations, whereas Pricing and Management have become less important over the past years, despite a small increase in Management in 2020.

Positive Drivers
Most significant positive drivers for your company in the past year

	2018	2019	2020
1	Increased Turnover / Economies of Scale	Increased Process Based Efficiency	Use of Technology
2	Increased Process Based Efficiency	Increased Turnover / Economies of Scale	Increased Turnover / Economies of Scale
3	Use of Technology	Use of Technology	Innovation / R&D
4	Increased Pricing Power	Innovation / R&D	Increased Process Based Efficiency
5	Material Costs	Increased Pricing Power	eCommerce
6	Salary Costs	Material Costs	Salary Costs

In 2020 the most significant positive driver for Benelux businesses in China was the Use of Technology. This shows that many Benelux companies turned to technology in response to the challenges caused by Covid-19. As well, we observe the rise of Innovation/ R&D and eCommerce as significant positive drivers. Simultaneously, we see a continued decrease in the importance of Increased Turnover/Economies of Scale and Increased Process Based Efficiency. Surprisingly, Salary Costs has been an increasingly significant positive driver for Benelux businesses, whereas it has been highlighted as the main negative driver for many years. This may be explained by the fact that, even though labour costs for low skilled labour continue to increase, more companies find that salary costs for high skilled labour in China are still relatively low.

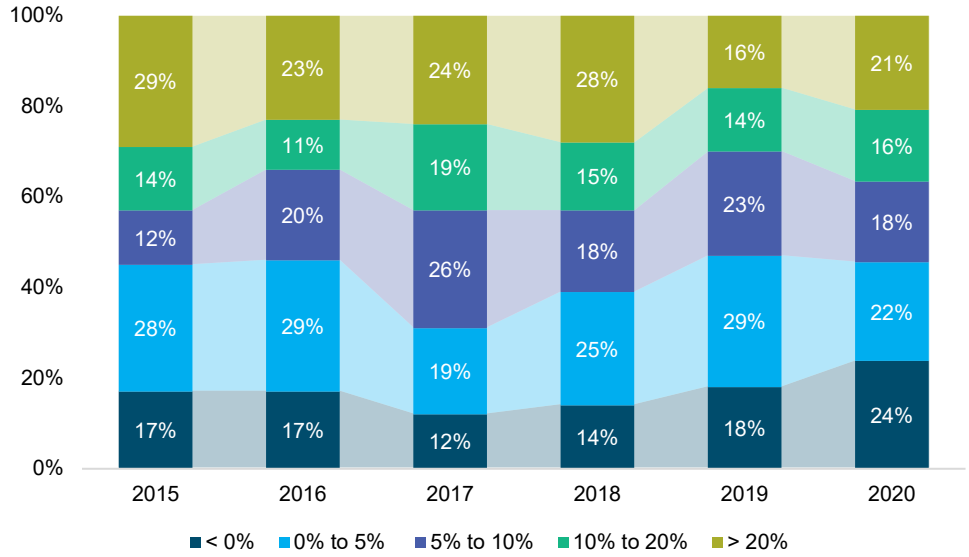
Negative Drivers
Most significant negative drivers for your company in the past year

	2018	2019	2020
1	Salary Costs	Salary Costs	Salary Costs
2	Administration/ Regulatory Costs	Decreased Pricing Power	Import/Export Difficulties or Limitations
3	Unleveled Playing Field	Administration/ Regulatory Costs	Logistic Costs
4	Material Costs	Unleveled Playing Field	Material Costs
5	Rent/Lease Expenses	Import/Export Difficulties or Limitations	Employee Turnover/Retention
6	Cost of Implementing New Technology	Material Costs	Administration/ Regulatory Costs

For the sixth consecutive year, salary costs are the most significant negative driver for Benelux companies in China. However, in line with the increase of salary costs as a positive driver, we find that the significance of salary costs as a negative driver has been strongly decreasing over time. The top 3 is completed by Import/Export Difficulties or Limitations and Logistic Costs, which both have seen a strong increase in 2020, likely caused by the impact of Covid-19. Simultaneously, it appears the regulatory environment is improving in the eyes of Benelux businesses in China, as both Administration/ Regulatory Costs and Unlevelled Playing Field have decreased in significance in the past three years.

Revenue growth

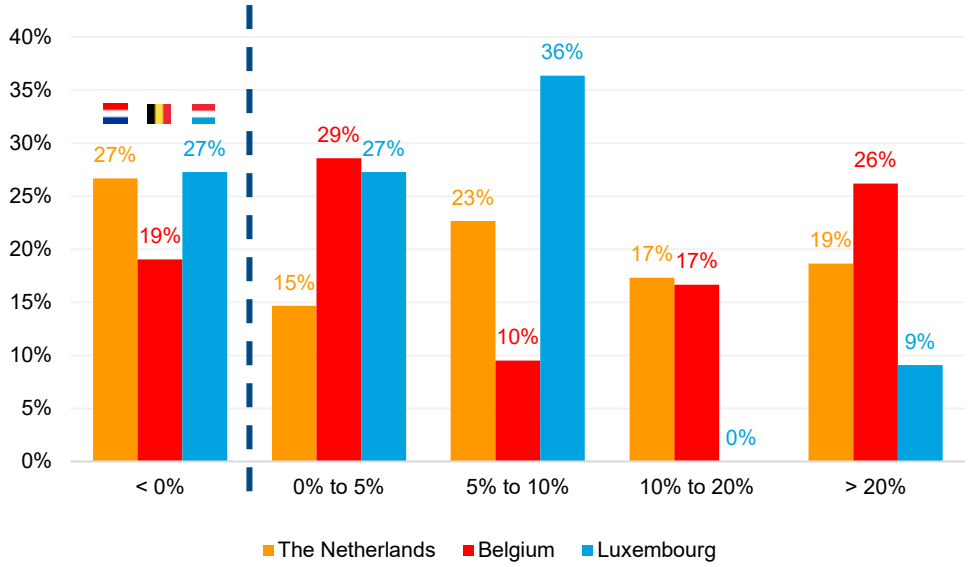
What was your company's revenue growth rate in the past year?



When looking at the revenue growth in 2020, we observe a more volatile market with winners and losers compared to 2019. Unsurprisingly, we see an increase in companies showing negative revenue growth from 18% to 24%. This is a continuation of the negative trend starting in 2017. However, on the other side of the spectrum, we note an increase of companies with revenue growth above 10%, from 30% to 37%. When looking at the revenue growth development over the past six years, it appears that 2019 was in fact a worse year for above average growth, and in 2020 this returned to the pre-2019 levels. Fewer companies are experiencing only modest revenue growth, whereas more companies are experiencing either revenue shrinking, or above average revenue growth compared to 2019.

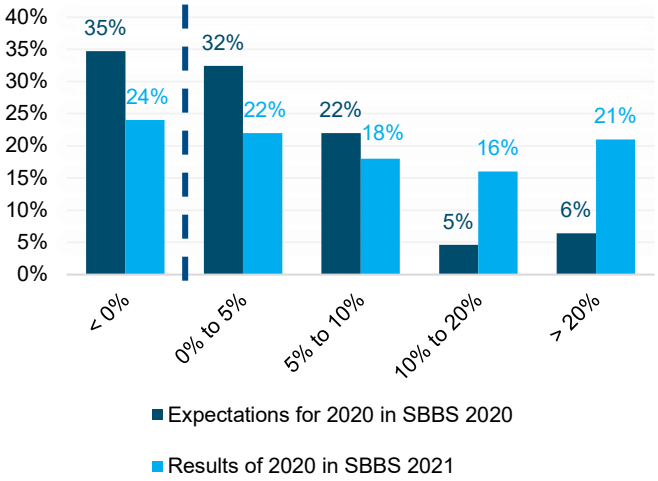
Revenue Growth – by Country

Revenue growth rate in 2020 in percentages



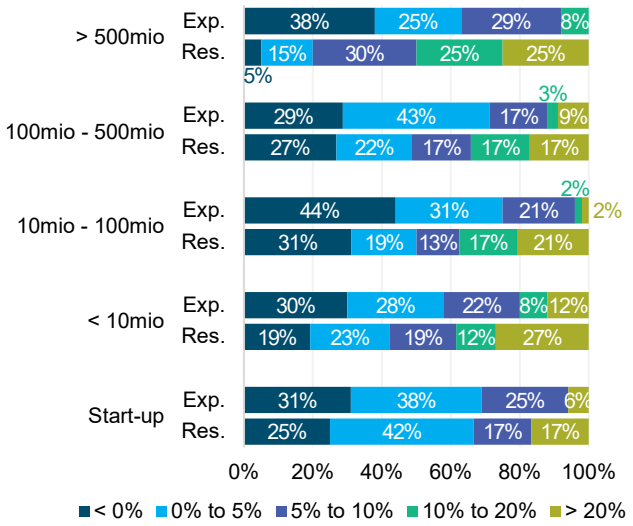
The most noticeable revenue growth has been in the IT & Telecom sector, with over 50% of correspondents reporting revenue growth of over 20% in the past year. The recent global challenges have made technological solutions and transitions paramount to adapting to the current economic climate and may explain the exponential spike in this sector. Apart from the IT & Telecom sector, respondents from the Consumer Goods and Industrial Services sector had the strongest revenue growth, with over 80% having increased revenue and 45% within the Consumer Goods sector indicating revenue growth greater than 20% in the past year.

Revenue growth compared to expectations
Revenue growth rate in 2020 in percentages



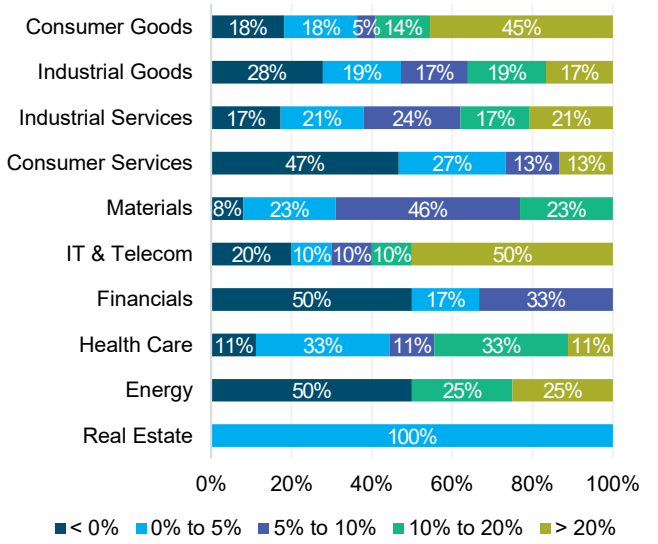
In 2020, 35% of respondents expected their revenue to shrink, whereas only 24% of respondents actually saw their revenue decrease. Additionally, another 32% expected to only see 0% to 5% growth, whereas only 22% achieved such modest revenue growth. On the other side of the spectrum, the outlook in 2020 was rather gloomy as well. Only 11% of respondents expected to achieve over 10% revenue growth. In fact, 37% of the respondents experienced such high revenue growth. Particularly the group of respondents achieving above 20% revenue growth is much larger (21%) than expected (6%). This shows Benelux companies have been resilient against the challenges faced in 2020.

Revenue Growth – by Size
Revenue growth rate in 2020 in percentages



When comparing revenue growth by revenue size and no. of employees, we observe that especially the large enterprises performed much better than expected. Last year none of these companies expected revenue growth of more than 20%, whereas a significant proportion of the large enterprises did achieve above average revenue growth. Simultaneously, last year most large companies expected to be severely impacted, but in reality, only a small proportion of large enterprises experienced shrinking revenues or growth below 5%. Across all sizes, companies performed better than expected, whereas last year the opposite was true.

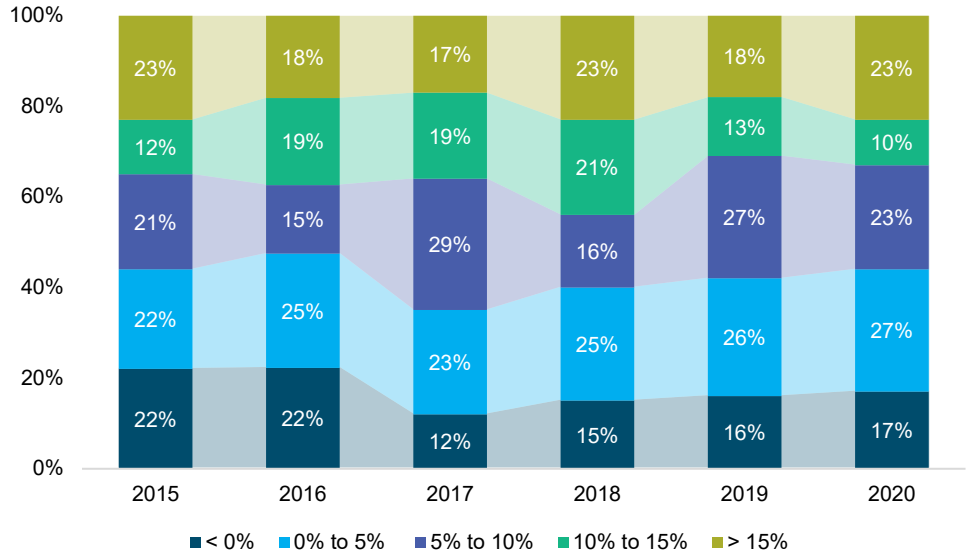
Revenue Growth – per Sector
Revenue growth rate in 2020 in percentages



The most noticeable revenue growth has been in the IT & Telecom sector, with over 50% of correspondents reporting revenue growth of over 20% in the past year. The recent global challenges have made technological solutions and transitions paramount to adapting to the current economic climate and may explain the exponential spike in this sector. Apart from the IT & Telecom sector, respondents from the Consumer Goods and Industrial Services sector had the strongest revenue growth, with over 80% having increased revenue and 45% within the Consumer Goods sector indicating revenue growth greater than 20% in the past year.

Profit Margin

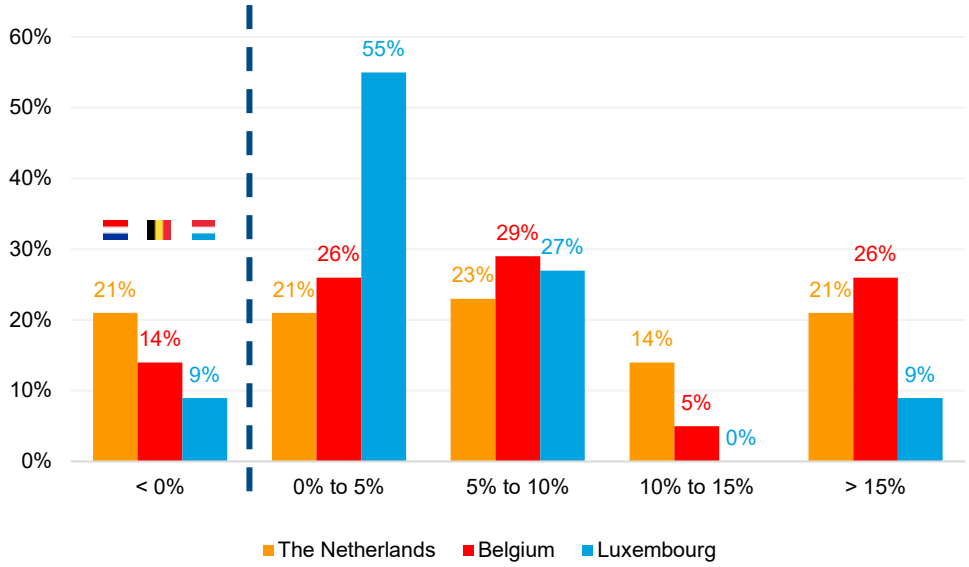
Profit as a percentage (%) of revenue in the past year



In 2020 we observed that the negative trend in profit margins continued. In the past four years, the proportion of Benelux companies making a loss increased from 12% in 2017 to 17% in 2020. However, considering the global challenges in 2020, Benelux companies showed to be relatively resilient, with 83% of companies making a profit and even 56% of respondents achieving a profit margin of over 5%. We furthermore note a shift away from the 10% to 15% category towards the >15% category, suggesting the companies that do achieve good profit margins, continue to improve these margins.

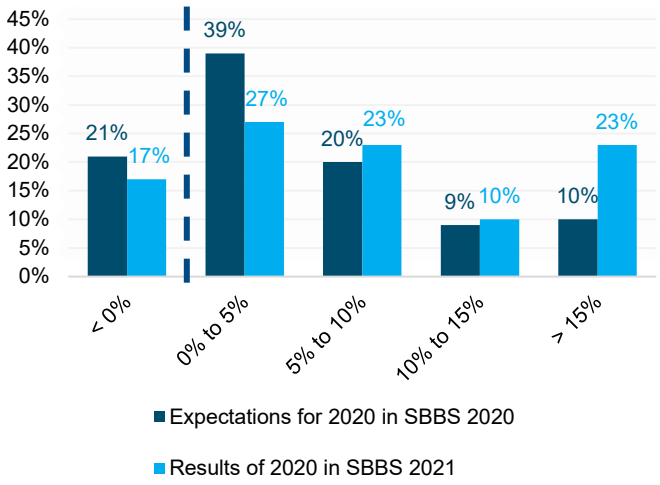
Profit Margin – per Country

Profit as a percentage (%) of revenue in 2020



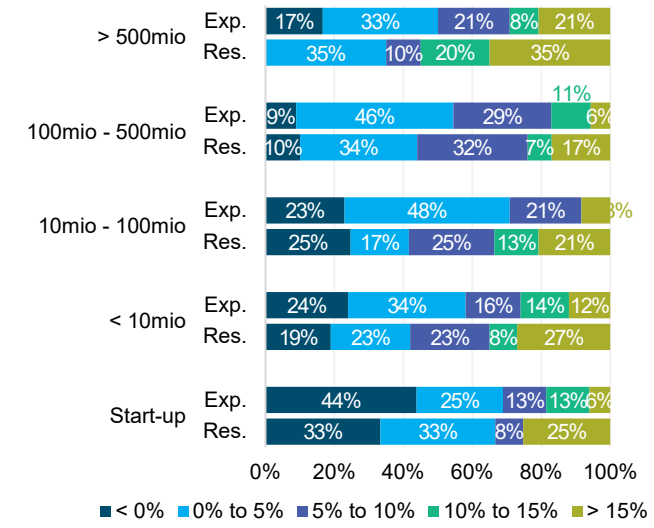
When comparing the profit margins by country we do observe differences between the three Benelux countries. Whereas 21% of the Dutch companies experienced losses in 2020, only 14% of Belgian companies and 9% of Luxembourgish companies reported losses. Alternatively, the majority of Luxembourgish companies reported a low positive margin between 0% and 5%, with none of the companies reporting profit margins between 10% and 15% and 9% of companies reporting profit margins of over 15%. In line with revenue growth, we also observe the highest proportion of profit margins for Belgian companies, with 26% of companies reporting exceptional profits, compared to 21% of Dutch companies, and 9% of Luxembourgish companies.

Profit Margin compared to expectations
Profit as a percentage (%) of revenue in 2020



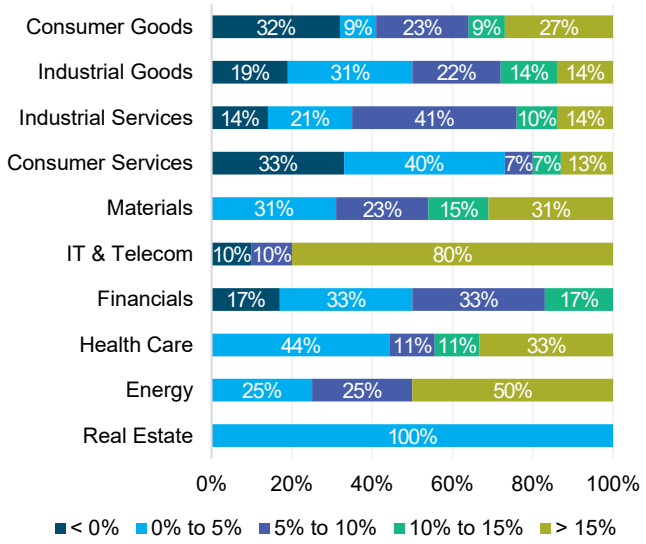
In line with the results for revenue growth, profit margins in 2020 for Benelux companies in China were better than expected last year. Only 17% made losses, compared to 21% who expected to make losses last year. There is also a large difference in the "break-even category" (profit margin between 0% to 5%), with 39% expecting to achieve a relatively low profit margin, whereas only 27% experienced this. On the other side of the spectrum we observe a particularly strong difference in the proportion of respondents achieving a profit margin of over 20%, with 23% achieving this, whereas only 10% expected this last year.

Profit Margin – by Size
Profit as a percentage (%) of revenue in 2020



Similar to revenue growth, when comparing the profit margin of Benelux companies by revenue size and no. of employees, we observe that especially the large enterprises performed much better than expected. Around one fifth of the respondents last year expected to make losses, but none of the respondents this year experienced losses. At the same time, we observe a strong increase of large companies with profit margins over 20%. Alternatively, we also observe a strong increase in companies with profit margins of over 20% for smaller companies, even though still a large part of the respondents experienced losses or minimal profits.

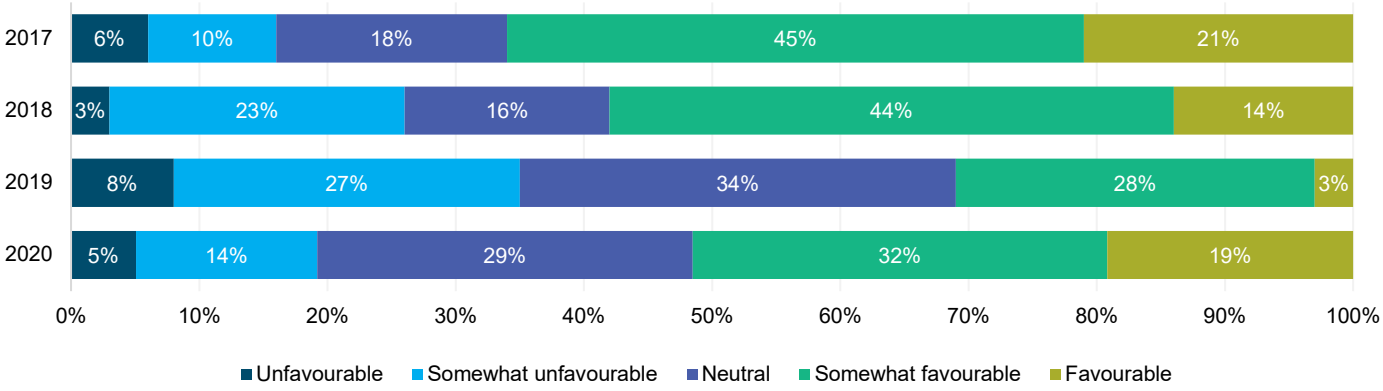
Profit Margin – per Sector
Profit as a percentage (%) of revenue in 2020



In line with revenue growth, the IT & Telecom sector has performed best, with 80% of the respondents in the sector reporting profit margins over 15%. Simultaneously, we observe that companies active in the Materials, Health Care, Energy and Real Estate industries all had positive profit margins in 2020.

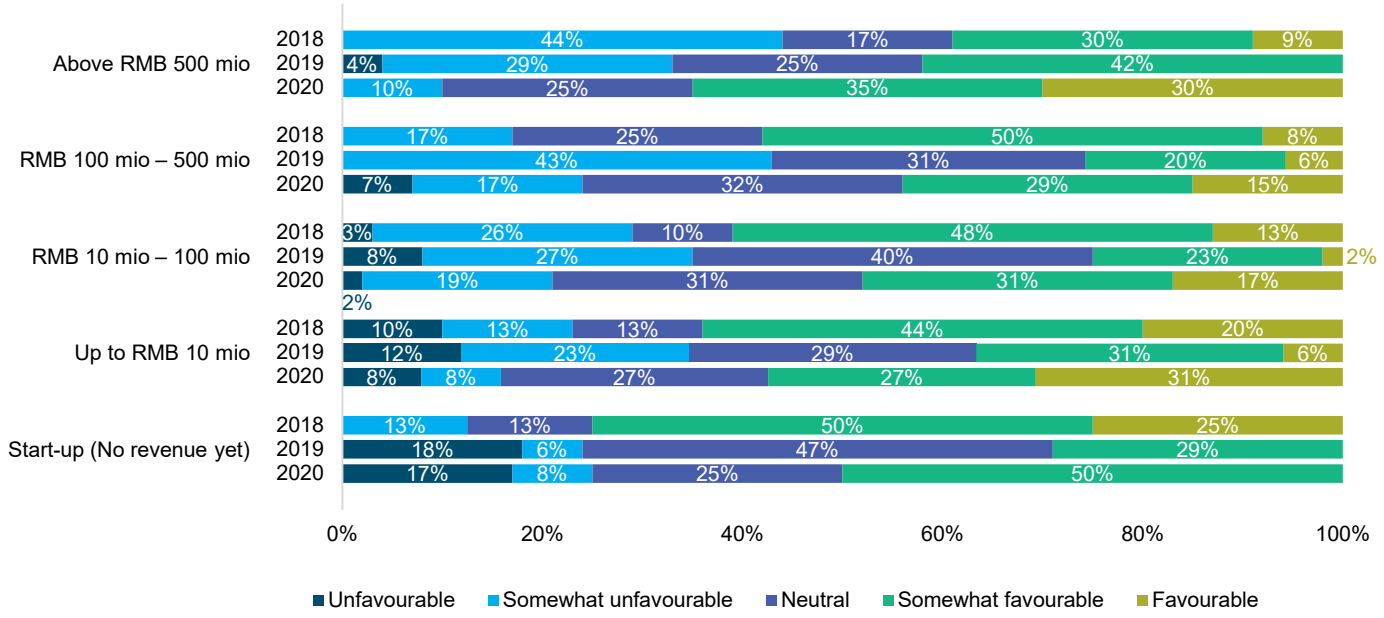
3 Business Sentiment

Perception of the Chinese market
How did you perceive the Chinese market in the past year?



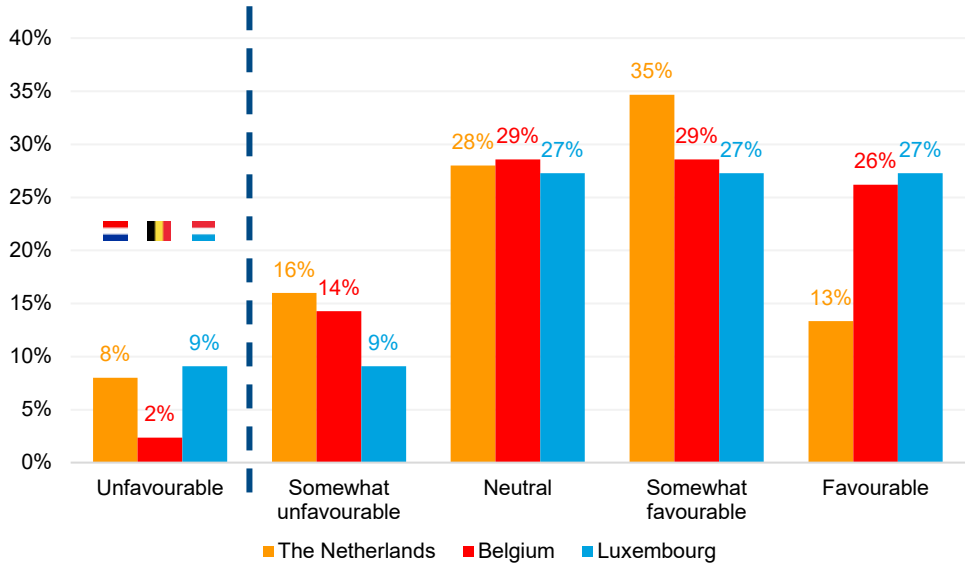
After a strong negative shift of perception in 2019, the business sentiment among Benelux companies in China has significantly improved in 2020. Whereas in 2019 only 31% of respondents viewed the Chinese market as at least somewhat favourable, in 2020 this increased to 51%, with a shift particularly in respondents viewing the market as favourable (from 3% to 19%). Simultaneously, the proportion of business viewing the Chinese market as at least somewhat unfavourable, decreased from 35% to 19%. This observation is a break in the trend that had prevailed in the past 3 years. While the economy is recovering from COVID-19, major regulatory challenges remain and most foreign companies face market access barriers in their respective industries. Regulatory barriers that often are mentioned include cybersecurity and IT restrictions, access to finance and competition with local companies.

Perception of the Chinese market – by Size
How did you perceive the Chinese market in the past year?



When comparing the business sentiment among different sizes of companies, as measured by revenue size in China, there was a unanimous shift towards a more negative perception of the Chinese Market in 2019. In 2020, we generally see a strong shift towards a positive perception, even better than 2018 for some of the group sizes. The most positive group are the large enterprises, with revenue above RMB 500 million. 65% of the respondents viewed the Chinese market as at least somewhat favourable, whereas 30% of the respondents viewed the market as favourable. This is a strong improvement from none of the respondents viewing the market as favorable and 42% as somewhat favourable in 2019. Simultaneously, no respondents viewed the market as unfavorable, whereas in 2019 4% did and only 10% viewed the market as at least somewhat unfavourable, compared to 31% in 2019.

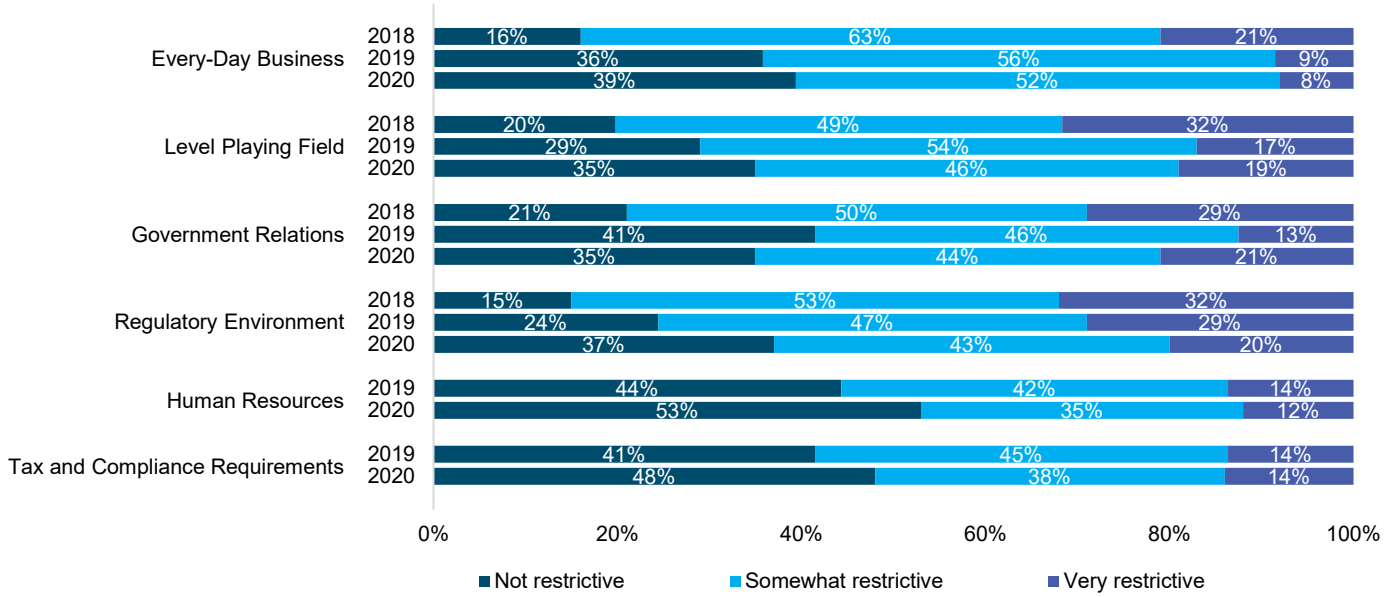
Perception of the Chinese Market – by Country
How did you perceive the Chinese market in the past year?



When comparing the perception of the market by country, we observe that generally the Belgian companies perceive the market as more favourable. Only 2% of the Belgian respondents views the market as unfavourable, whereas 8% of the Dutch respondents and 9% of Luxembourgish respondents perceived the market as such. Alternatively, only 13% of Dutch companies perceive the market as favourable, with 26% of Belgian companies and 27% of Luxembourgish companies perceiving the market as favourable.

Restrictiveness of the Business Environment

How restrictive did you perceive the following aspects in China in the past year:

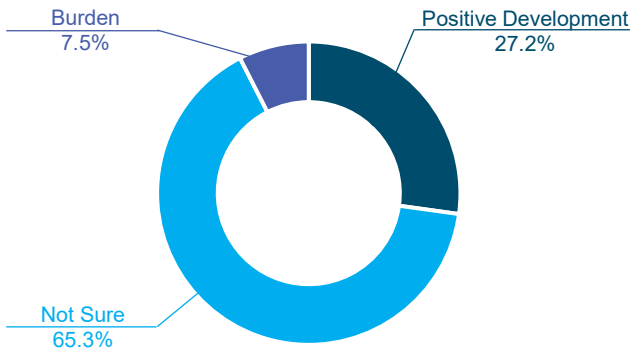


In 2020 the perception on the restrictiveness of business environment improved for all factors, except Government Relations. Whereas in 2019 it had the 2nd lowest proportion of respondents viewing it as very restrictive at 13%, in 2020 it had the highest proportion at 21%.

Apart from the deterioration in the restrictiveness of Government Relations, the other factors either stayed the same or improved, where we observe that the Regulatory Environment improved the most.

Perception of China's Corporate Social Credit System

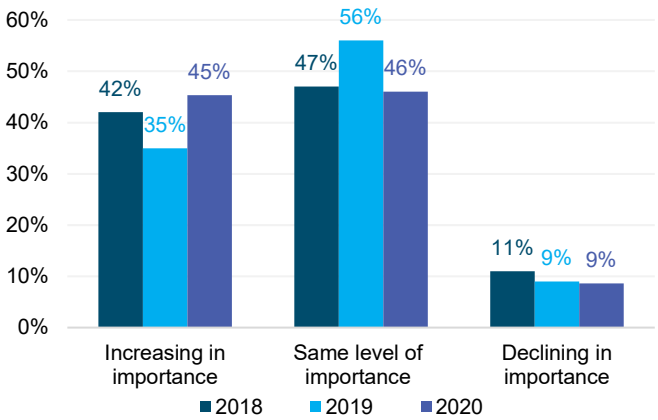
Do you see the implementation of the Corporate Social Credit System as a burden or a positive development for your business?



Almost two-thirds of the respondents are uncertain whether the implementation of the Corporate Social Credit System will be a positive development or a burden. However, of the respondents that have formed an opinion, almost 80% perceive the system as a positive development.

Importance of China in group strategy going forward

How important will China be in your group's strategy in the coming two years?



In terms of the importance of the China operations in the group's strategy for the next 2 years, we observe that only 9% of the respondents expect to see a decline in importance for the China operations, which has remained the same as in 2019. Simultaneously, we see a shift in that the proportion of respondents expecting the same level of importance has decreased by 10%, whereas companies expecting the China operations to increase in importance has increased by 10%.

Companies considering leaving China

Would you consider / are you moving some of your Chinese activities to other Asian countries/regions?

In line with previous years, the percentage of Benelux companies considering moving some or all of their Chinese activities to other Asian countries/regions has further decreased to 13%. In particular we found that companies active in the Materials (0%), Information Technology & Telecom (0%) and Industrial Services (4%) are not considering leaving Mainland China.

Destinations of companies leaving Mainland China

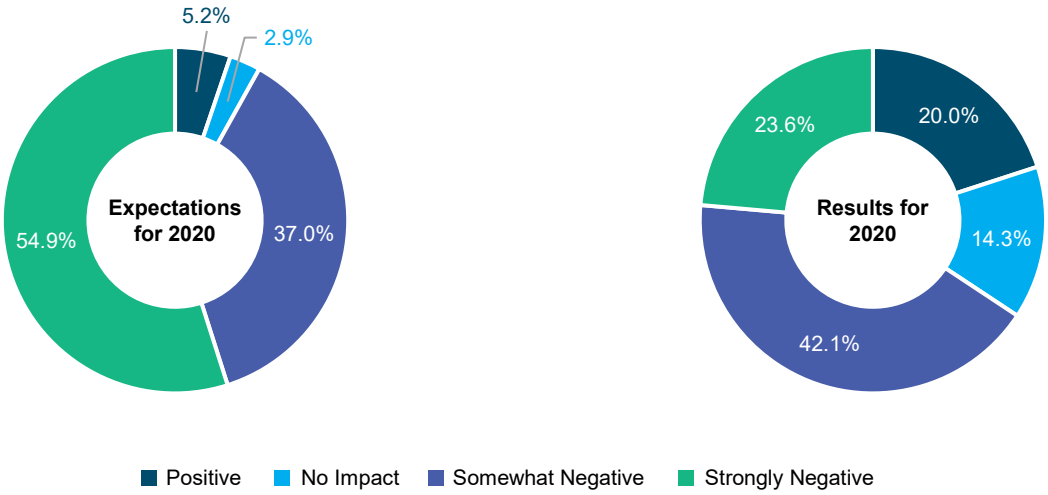
To what regions do you consider / are you moving some Chinese activities?

Of the portion of respondents that consider moving some of their operations away from Mainland China, most of them consider moving to the southern part of Asia. Vietnam remains the most important destination with 33.3%, of which the majority are active in the Industrial Goods and Services industries. Other popular destinations include Thailand (27.8%), India (22.2%), Malaysia (22.2%) and Singapore (22.2%). Especially Thailand has seen an increase of interest, as last year only 10% of the respondents that consider moving highlighted Thailand as a possible destination.

Vietnam 33.3%	Thailand 27.8%	India 22.2%
Malaysia 22.2%	Singapore 22.2%	Indonesia 16.7%
Philippines 16.7%	Japan 5.6%	Taiwan 5.6%

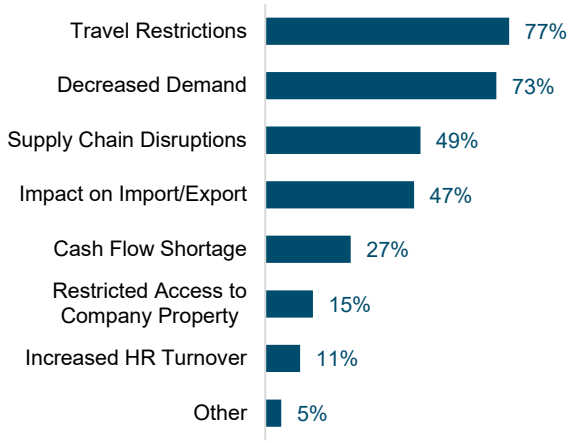
4 COVID-19 Impact

Impact of COVID-19 on 2020 performance
How did the outbreak of COVID-19 impact your business' performance throughout the year 2020?



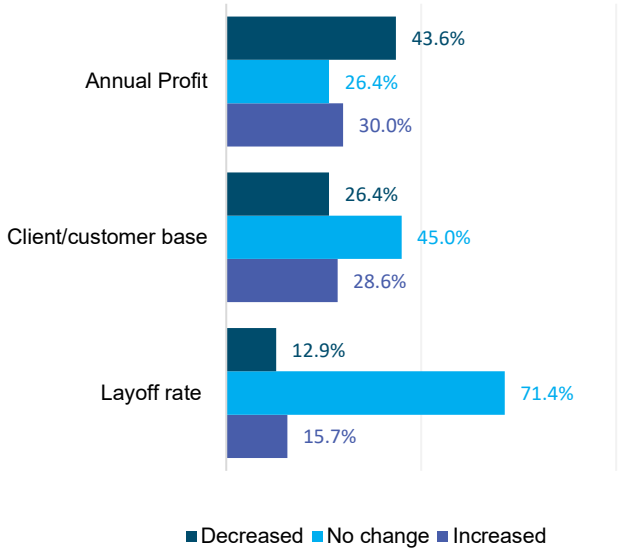
In last year's survey, which took place in March and April 2020, we asked respondents how they expected the outbreak of the virus to impact their performance in 2020. At that moment almost 93% of respondents expected the virus to negatively impact their performance, of which 54.9% even expected a strongly negative impact. However, when looking at the results of 2020, we observe that Benelux companies in China were not as severely negatively impacted as expected, with roughly two-thirds of the companies being negatively impacted, but only 23.6% were strongly negatively impacted. Another 14.3% saw no impact from the virus on performance and the performance of 20% of the respondents was, in fact, positively impacted by the virus. These respondents mainly highlighted the lack of competition and increased demand as the main positive factors. This shows a significant portion of the Benelux companies operate in industries that were well positioned for the effects of the virus, such as health products, technology, and eCommerce.

COVID-19 Impact – Main Negative Factors
What factors related to COVID-19 negatively impacted your business?



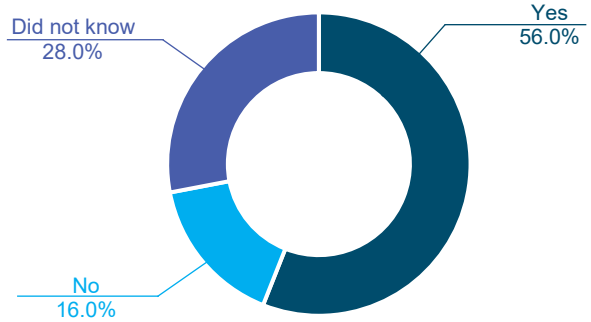
Of all companies that indicated they were negatively impacted by COVID-19, around three quarters indicated that Decreased Demand and Travel Restrictions were significant factors negatively impacting their business. Additionally, Supply Chain Disruptions and Impact on Import/Export were significant negative factors for almost half of the respondents, particularly for companies operating in the Materials, Consumer Goods, and Industrial Goods industries. Overall, it appears that the main factors that impacted businesses in 2020 are the same challenges that respondents expected to negatively impact their performance last year.

COVID-19 impact on key company metrics
How did COVID-19 impact your company's annual profit, client/customer base and layoff rate?



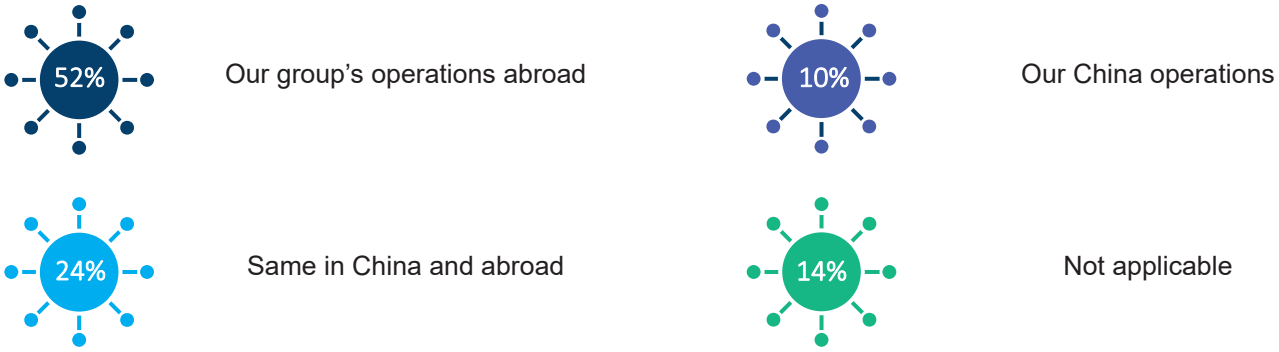
In terms of the direct impact of COVID-19 on key company indicators, we also observe that Benelux business have shown resilience to the challenges in 2020. Despite 43.6% of respondents experiencing a decrease in annual profit directly related to COVID-19, 26.4% of respondents did not experience a change in annual profit, with 30% seeing an increase in annual profit related to COVID-19. At the same time, 45% of respondents experienced no change in their client/ customer base and even 28.6% of respondents saw an increase in their portfolio. The most positive indicator is the layoff rate, where 84.3% of Benelux businesses saw no change or a decrease in their layoff rate for this year. This shows the confidence Benelux businesses have in the Chinese market and its speedy recovery.

COVID-19 support measures
"Did your company receive COVID-19 support measures in China?"



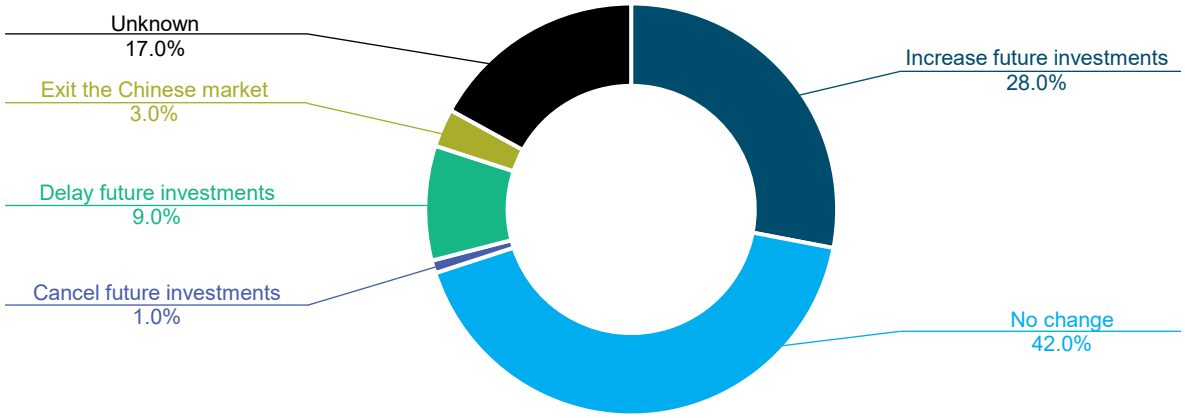
The majority of Benelux businesses received COVID-19 support measures in China. 56% of the respondents indicated some form of support was received during the COVID-19 outbreak or its aftermath, whereas 16% of the respondents did not receive support measures. Surprisingly, 28% of the respondents were not aware of any support measures being offered by the Chinese authorities.

COVID-19 impact from the global company perspective
Where was the impact of COVID-19 most significant for your company?



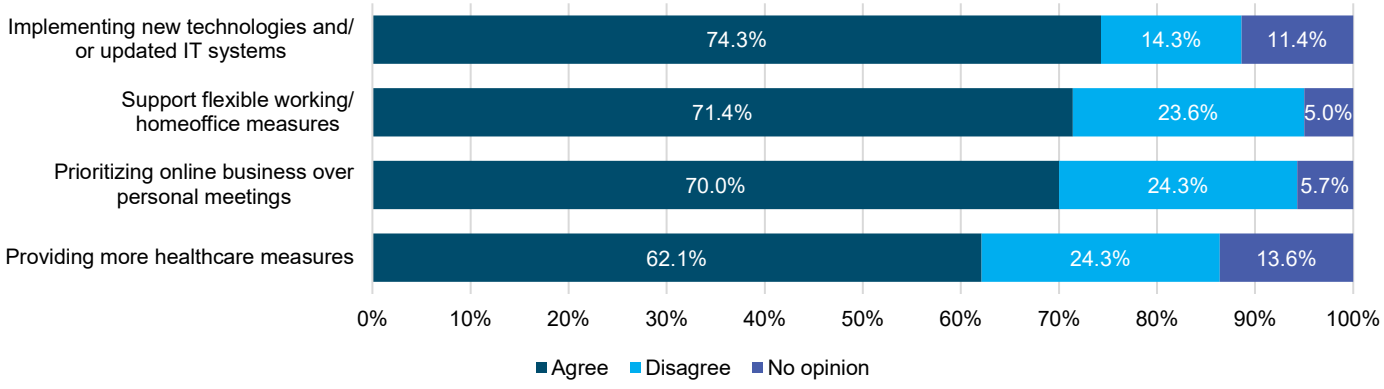
For slightly more than half of the respondents the impact of COVID-19 was largest for the group's operations abroad. For only 10% of Benelux businesses the perceived impact of COVID-19 was largest in China. The remaining 38% of Benelux businesses perceived there to have either been no impact or an equal impact on their group's operations. Based on the expectations and perceptions of last year, the results suggest a far more positive outcome than initially projected for businesses operating in China. The fast recovery of the Chinese economy has ensured that Benelux businesses have not suffered as much of an impact on their operations within China, compared to their operations abroad.

COVID-19 impact on investment strategy in China
How is the COVID-19 epidemic impacting your current China investment strategy?



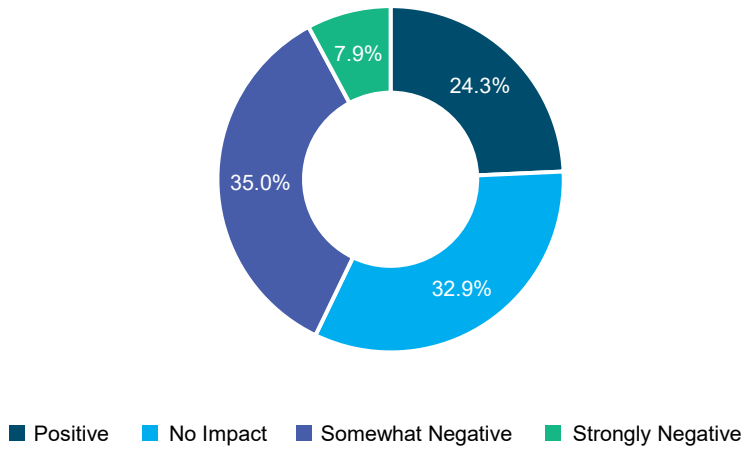
The impact of COVID-19 on firms has been widely varied. Some sectors have reported losses, others have had exponential growth, and some have adapted their business to match the current economic climate. Each of the Benelux businesses have had their own challenges to overcome in order to get back to a rate of consistent growth and have them surpass pre-COVID-19 levels. The 70% of Benelux businesses that will not be amending their investment strategies or increasing their investments in response to COVID-19, demonstrates how secure and confident investors continue to be about China's economic development and growth. The economic challenges during the COVID-19 period have only further increased the confidence of Benelux businesses' decision to invest and operate in China - only 1% of businesses have indicated that they will cancel future investment, and 3% indicated they will be taking steps to exit the Chinese market.

What companies learned from COVID-19
What has your company learned during the COVID-19 outbreak?



This year's survey has shown the adaptability of Benelux businesses in China. With an unexpectedly high proportion of respondents reporting positive feedback in terms of revenue growth, profit margins and restrictions. By asking our respondents what lessons their corporations learned during this period, an overwhelming number (74.3%) reported that new technologies or updated IT systems were paramount to adapting to the new way businesses were able to run. The lowest disagreement came in the categories "support flexible working/ home office measures" and "online business over personal meetings". This overwhelming consensus shows that these IT and flexibility measures were the biggest lessons learned by Benelux businesses during the COVID-19 period, and shows the significance of these aspects to being able to adapt quickly and efficiently to the new working environment and business climate.

COVID-19 expected impact in 2021
How do you expect COVID-19 will impact your performance in 2021?

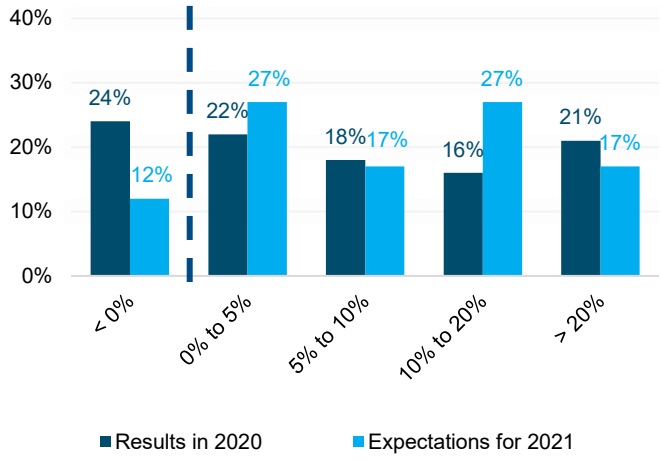


As the 2020 survey was set during the worst period of the COVID-19 outbreak in China, the outlook was very pessimistic, with 92% of the respondents expecting the outbreak of COVID-19 to negatively impact performance. A year later Benelux companies can look back at a performance much better than expected, and the respondents are more confident about the year 2021. Now, only 7.9% of Benelux businesses believe COVID-19 will have a strong negative impact on their performance in 2021. Almost a quarter of businesses now believe COVID-19 will positively affect their 2021 performance, as compared to the 5.2% in 2020. These businesses manage to take advantage of the possibilities arising because of the outbreak, such as digitalization, supply chain localization, supplying products in need and government stimulation measures.

5 Onward Expectations

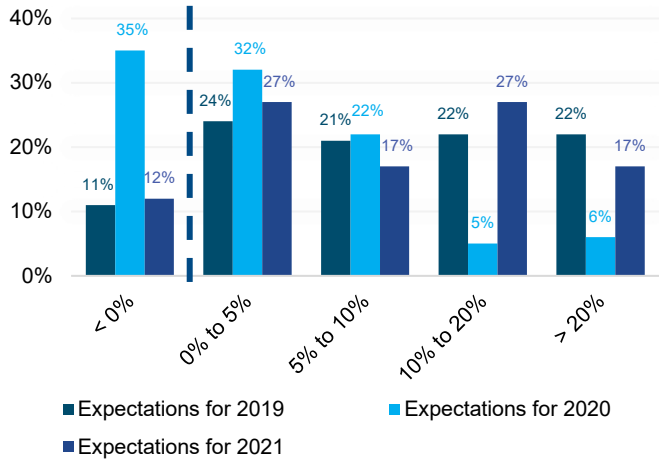
Revenue Growth Expectations
What is your company's expected revenue growth for 2021?

Following last year's pessimism and grim outlook on revenue growth, Benelux companies are quite optimistic compared to their actual results in 2020, and this can likely be attributed to the recovery of the market and new adaptations that Benelux businesses have implemented in order to ensure revenue growth. The proportion of respondents expecting a shrinking in revenue growth has halved from 24% during 2020, to only 12% expecting lower revenues for 2021.

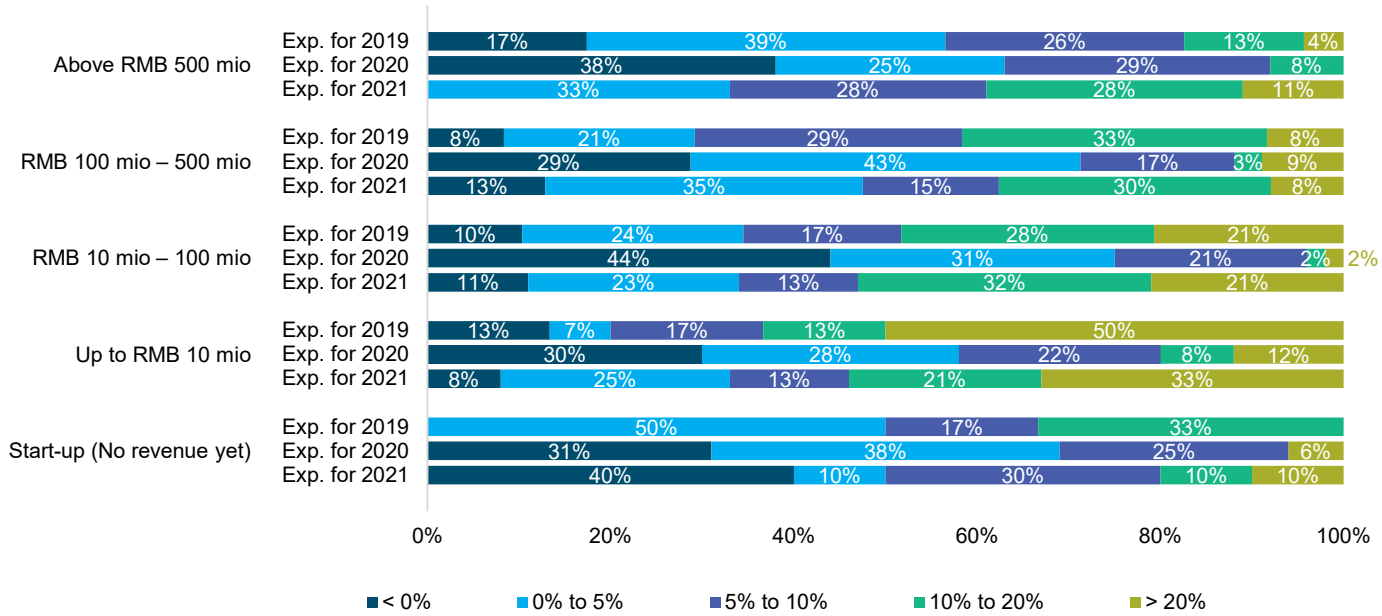


Revenue Growth Expectations over time
What is your company's expected revenue growth for this year?

When comparing the revenue growth expectations over the past three years, we note that after the strong negative shift last year, the expectations of the respondents have returned to pre-covid levels. After the proportion of respondents expecting negative revenue growth increased from 11% to 35% last year, it returned to 12% this year. The same holds for the other side of the spectrum, where we observe strong decreases in respondents expecting revenue growth over 10% last year, but a strong return to pre-covid levels this year.

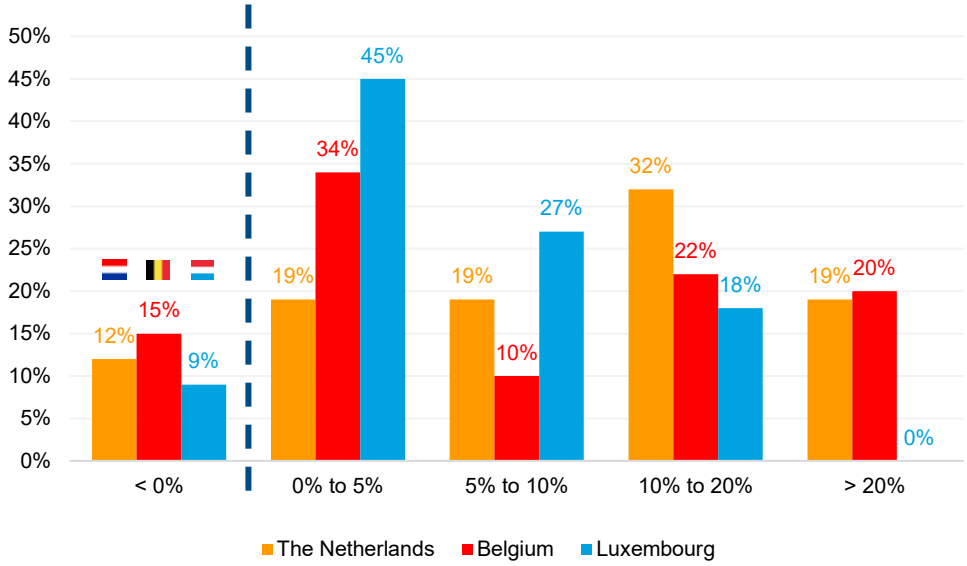


Revenue Growth Expectations – by Size
What is your company's expected revenue growth for this year?



Compared to previous year where 38% of the large enterprises with revenue above RMB 500 million expected a negative revenue growth, all respondents expect a positive revenue growth this year. Most notable is that 28% of the large enterprises expect their revenue to growth between 10% and 20%. The revenue growth expaction for companies for up to RMB 10 million and between RMB 10 - 500 million show a similar trend. Considerably more companies are positive and fewer expect a decrease in revenue growth. 9% more start-ups expect a negative revenue growth compared to previous years. Overall, companies expect to achieve higher revenue growth compared to previous years.

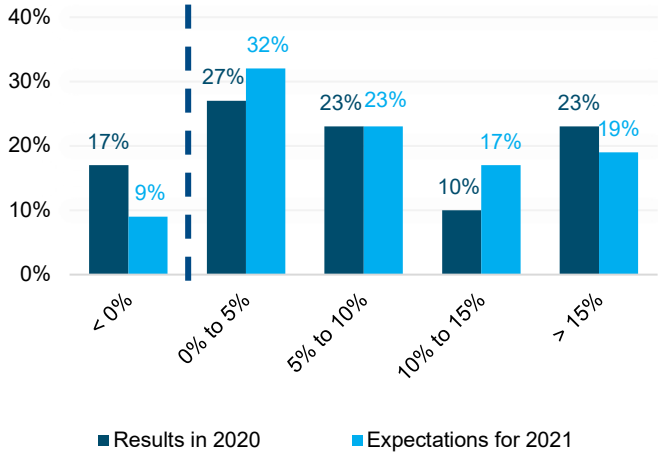
Revenue Growth Expectations - by Country
What is your company's expected revenue growth for 2021?



In 2020 both Belgian and Dutch companies shared a pessimistic outlook with 39% of Dutch and 37% of Belgian companies expecting their revenues to decrease. For 2021, only 12% of Dutch and 15% of Belgian companies are expecting their revenue to decrease. The majority of companies from Luxembourg expect their revenue to grow between 0 and 5%. 51% of the Dutch companies expect their revenue to grow by more than 10%. Belgian companies on the other hand are more cautious, with 44% of the companies expecting their revenue to grow between 0 and 10%.

Profit Expectations

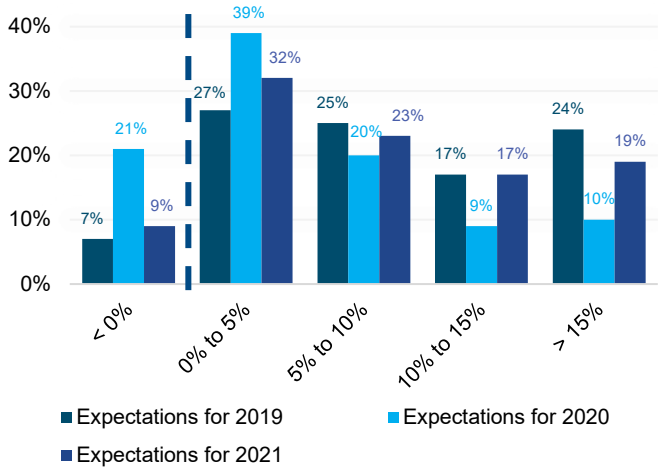
What is your company's expected profit margin for 2021?



The profit margin is an important indicator for how companies perform in the market. The negative margin expectations decreased by 8% and the 0% to 5% category increased by 5%. The category 5% to 10% remained stable and there was a 7% increase for the 10% to 15% category. Compared to last year , we can conclude that the outlook for Profit Margins for 2021 is more positive.

Profit Expectations over time

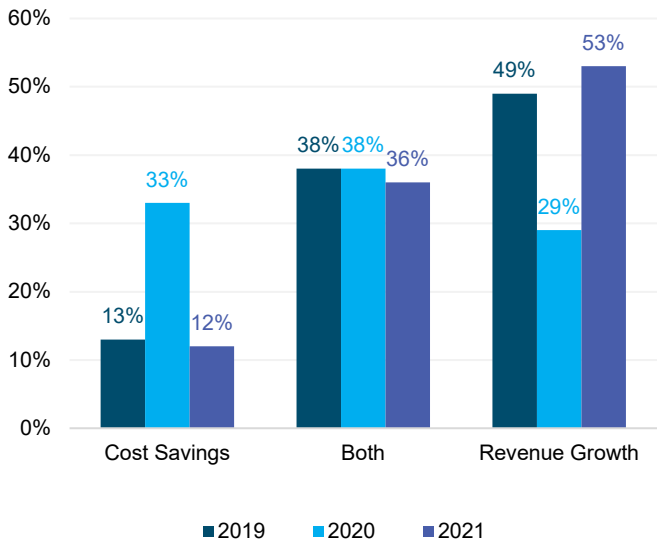
What is your company's expected profit margin for this year?



The company's expected profit margin for this year show a similar trend. Overall the sentiment among the respondents is more positive with the three categories from 5% to 10%, 10% to 15%, and more than 15% all performing better than the previous year. Most notable is that 12% less respondents expect a negative profit margin for this year and 9% more respondents expect a profit margin above 15% (19% compares to 10% previous year).

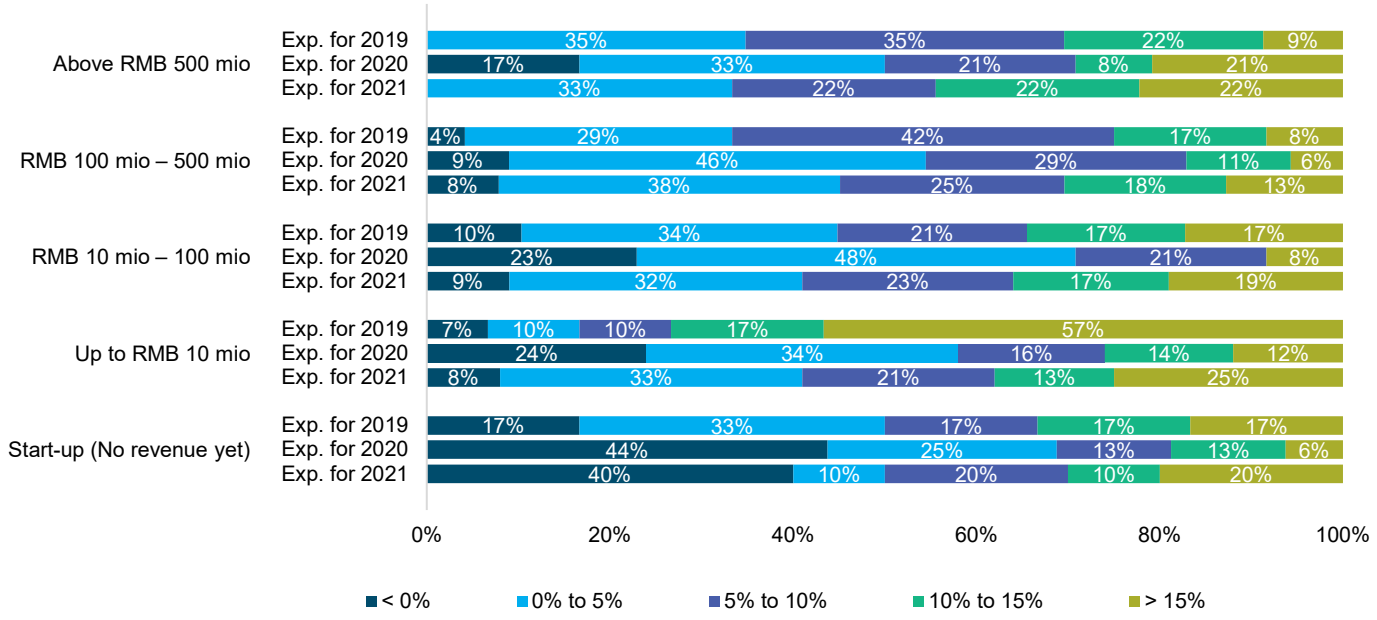
Driver of profitability

Profitability this year will be driven more by:



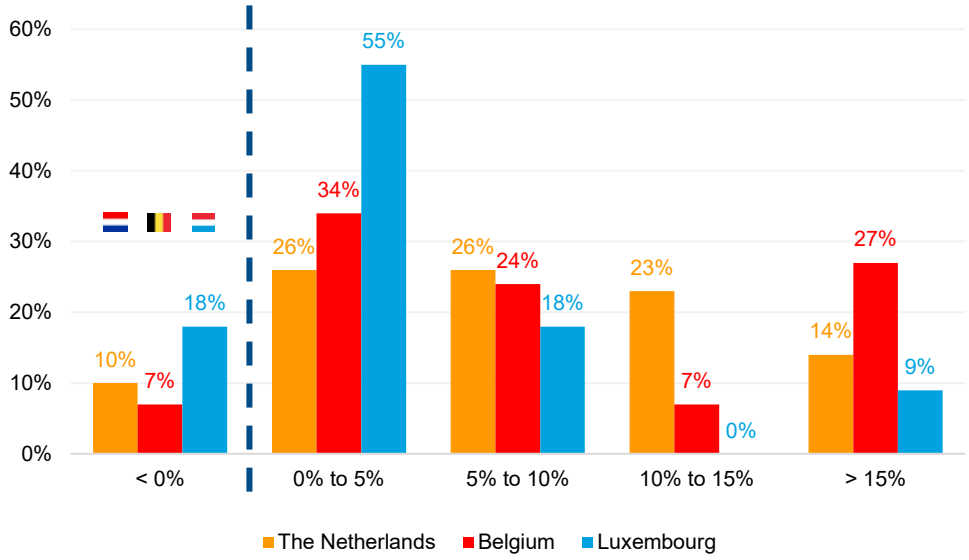
With an increase of 24%, this year many more respondents expect profitability to come from Revenue Growth. Also 11% less respondents indicated cost savings as a driver of profitability.This is in line with the previous survey questions where we concluded small and large companies are expecting to achieve a higher revenue growth.

Profit Expectations by Size
What is your company's expected profit margin for this year?



Compared to 17% last year where large companies above RMB 500 million expected a negative profit margin, no large companies expect to have a negative profit margin this year. This trend also can be seen at small to medium sized companies where there is a sharp decrease in companies expecting negative profit margins. For all categories, the companies expect to acheive higher profit margin's this year, which again indicated a more positive business sentinement.

Profit Margin Expectations – by Country
What is your company's expected profit margin for this year?



The expectations for the Dutch respondents are more positive than last year's results with less respondents expecting a negative profit margin (24% in 2020 compared to 10% this year). 58% of the Belgian companies expect their profit margin to increase between 0 and 10%. The companies from Luxembourg are more pessimistic with 18% expecting a negative profit margin and 55% of the respondents expecting their profit margin to grow between 0 % and 5%.

About - Benelux Chamber of Commerce

The Benelux Chamber of Commerce is the most active Benelux business platform in China. It is the only Chamber of Commerce that is officially recognized and supported by the Embassy of the Kingdom of Belgium, the Embassy of the Kingdom of the Netherlands, and the Embassy of the Grand Duchy of Luxembourg in China. The chamber has been growing at a steady pace since it was established in 2001.

It currently contains 3 chapters, North China, East China and South China. The Benelux Chamber of Commerce has a constantly expanding network of member companies, consisting of leading enterprises and individuals from Belgium, The Netherlands and Luxembourg with an active interest in developing their business in China, and collaborates closely with 10 Benelux chambers throughout Asia.

As an independent, non-profit organization, the chamber is managed by a full-time secretariat of both Benelux and Chinese staff and all practices are guided by its Board of Directors.

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benelux 荷比卢商会
chamber of commerce in china

About - Moore - MS Advisory

Moore - MS Advisory is a financial advisory firm based in Shanghai, which is part of Moore Belgium and a member of the Moore Global Network. Since 2011, we have supported foreign enterprises across all provinces of Mainland China and in Hong Kong with Accounting, Tax and Corporate Services.

We have served foreign companies active in a wide range of industries. Among others, this includes enterprises from the agriculture-, food & beverage-, TMT-, manufacturing-, professional services- and trading sectors.

Moore focuses on delivering Transparency, Compliance and Sustainability to foreign businesses. Moore is committed to providing its clients with a thorough understanding of administrative- and reporting requirements in China and ensures they have full control over their administration. Moore's services include:

Moore's services include:

- Accounting & Tax Filing;
- Assurance;
- ERP Implementation;
- Corporate Services;
- Financial Advisory;
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In collaboration with the official trade- and diplomatic representations of

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