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Press release

For immediate release

German companies in China feel impact of crisis, but show confidence in market

China Business Confidence Survey: German companies benefit from growing domestic market – Drop in profits greater than drop in revenues – Inability to reduce fixed cost and low payment morale biggest challenges – Chinese economy expected to rebound in 2010 – Stimulus package to contribute to recovery

Shanghai, China (August 5th, 2009) – Although China has had its share of the worldwide financial crisis, German companies in China are generally positive about business in the country and confident the Chinese economy will pick up in the first half of 2010. Compared with last year's survey results, German companies look more optimistic towards the future. These are two of the results of the "Greater China Business Confidence Survey" which is released today by the Delegation of German Industry (AHK) in Greater China and its partner Fiducia Management Consultants. The survey was conducted with all member companies of the German Chambers of Commerce in Greater China with a focus on small- and medium-sized enterprises.

Crisis has moderate impact

While a quarter of respondents are heavily affected, the majority indicated that the crisis had only moderately impacted their business. Of those companies affected by the crisis, 82% confirmed fewer new orders and 31% suffer from cancellations of existing orders. At the same time, half of the respondents posted same or higher revenues over the past 12 months compared with the year before.

"We are currently seeing a shift in revenue streams", says Stefan Kracht, Director of the China Consulting Department at Fiducia Management Consultants. "Many German companies in China have been able to compensate the loss in export business by increasing sales in the domestic market."

While the drop in revenues may not have been significant, companies' profits have suffered, with 61% of the respondents indicating lower profits, explained by declining revenues combined with the limited ability to reduce major fixed cost. Therefore maintaining liquidity was the biggest challenge for German companies in the first quarter of 2009. Yet despite the perception of worsening payment morale, only 26% were able to tighten their payment terms to customers.

The path forward

Nearly three quarters of respondents expect the Chinese economy to recover in the first half of 2010, which represents an increase in confidence compared with the 2008 survey. Yet probably the most important finding is that 60% have put investment plans on hold. While half of respondents listed growing revenues in the next 12 months as the major goal, the other half will focus on conserving cash by reducing costs in personnel and marketing. Those focused on growth plan to realise it via pro-active business development in new customer groups, and on further localisation of products and services.

“Times of crisis are always a chance to come out even stronger once the economy picks up again”, says Bernd Reitmeier, General Manager of German Industry and Commerce Greater China. “Successful companies tend to use difficult times to invest in the work force and put an extra effort to keep core teams. Those companies also focus on developing new products and services to be on the frontline once the crisis is over.”

Government initiatives to contribute to turnaround

China's EUR 460 billion (USD 586 billion) economic stimulus package has led to its' GDP rebound, and more than half of the surveyed German companies expect to benefit from it in some way, mostly through indirect spill over effects on industries such as automotive.

About the survey

The current survey by AHK Greater China and Fiducia Management Consultants is the third of its kind and was carried out in June and July 2009 based on the changes in the business environment since the first survey in May 2008. To develop deeper insight, the scope was extended to include questions about the economic downturn. The survey findings contain nearly 200 responses (10% return rate), and were further supported by qualitative interviews which were carried out to supplement or clarify specific conclusions.

About the German Chamber of Commerce

Delegations of the German Industry (AHK) have been promoting the interests of the German economy for more than 100 years worldwide. AHKs combine up to three major functions: they are the official Delegation of the German Industry, service provider for companies (German Industry and Commerce) and member organization (German Chamber of Commerce). Since 1987, the German Chamber network and its 250 employees in Greater China (Beijing, Shanghai, Guangzhou, Hong Kong, Taipei) and Germany have supported German companies' market entries, searches for business partners, training & development as well as business events.

About Fiducia Management Consultants

Fiducia Management Consultants was established in 1982 as a professional service provider focused on Greater China. With four offices strategically located in Beijing, Hong Kong, Shanghai and Shenzhen, and a multinational team of more than 70 experienced staff, Fiducia combines international expertise and local know-how based on extensive project experience in exploring market opportunities for foreign companies, advising suitable business models and assisting the realisation of clients' China investment plans across a variety of industries.

For more information and to receive a copy of the study please contact:

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