

US Business Confidence in China Shaken Amid Growing Impact of COVID-19 Outbreaks

- *More than half of companies have already delayed or decreased investments*
- *Foreign talent significantly less likely – or outright refusing – to relocate to China*

Beijing, May 9, 2022 – US companies reported a dire economic picture in China, following COVID-19 outbreaks that have spread across the country in recent weeks, according to a new Flash Survey from the American Chamber of Commerce in China (“AmCham China”). The foreign business community’s confidence in doing business in China continues to decrease, with all 121 company respondents to the survey saying they had been negatively impacted by China’s policies concerning the recent outbreak, citing a range of factors.

Companies with operations in Shanghai have been among the hardest hit, with more than 15% of respondents reporting their company’s operations in the eastern port city remain fully shut in the wake of the March COVID-19 outbreak. But the impact is also widespread elsewhere: 59% of respondents report slowed or reduced production capabilities due to a lack of employees, an inability to get supplies, or government-ordered lockdowns.

Quote from AmCham China Chairman Colm Rafferty:

“An already challenging situation continues to worsen for many of our member companies here in China,” said AmCham China Chairman Colm Rafferty. “Every single respondent to this survey told us they had suffered some sort of impact from the recent COVID-19 outbreaks that have spread around the country. Revenue forecasts for this year are down, but, more worryingly, members don’t see any light at the end of the tunnel. The Chamber’s history in China dates back to 1919 and many of our largest member companies have been here for decades; American companies have played an integral part in China’s economic rise in a way that has benefited both the US and Chinese economies. However, as long as the current pandemic-related restrictions remain in place, multinational companies will continue to evaluate other options globally: more than half of our companies have already either delayed or decreased investments in China.”

“For two years, we have strongly advocated for an easing to business travel restrictions,” Rafferty continued. “There have been some improvements, but, today, it’s still as hard as ever to travel to China. We are bracing for a mass exodus of foreign talent this summer, with fewer employees overseas willing to take up open positions here in China. Those who can travel here pay many times the usual cost for tickets due to a scarcity in flights, navigate incredibly challenging pre-flight testing procedures, and endure the world’s most extensive and unpredictable quarantine requirements on arrival. Two of our former AmCham China Chairmen recently traveled from the US to China, and their experiences illustrate the practical challenges faced by our member companies. One has only just been released after first completing 22 days of quarantine in Shanghai and then another 15 days of quarantine in Beijing; the other has just finished 43 days of quarantine and lockdown in Shanghai, before opting to fly directly back to

the US because his travel to Beijing was still being restricted. We understand China choosing to prioritize health and safety above all else, but the current measures are throttling US business confidence in China. Our member companies urge the government to achieve a more optimal balance between pandemic prevention, economic development, and opening-up of the country. AmCham China will continue to closely monitor sentiment from the American business community in China and share insights with decision makers to facilitate a fast recovery from the disruptions.”

58% of survey respondents said they have decreased their 2022 revenue projections, up from 54% in a similar survey a month ago. Meanwhile, 49% said that foreign talent is either significantly less likely or refusing to relocate to China. Uncertainty around the length of quarantine or lockdown was the primary reason reported behind this trend, as selected by 82% of respondents.

In terms of supply chains, 61% of respondents cited related issues, primarily due to disruptions to transportation and shipping networks. 12% said recent policy measures designed to stabilize supply chains and unify and ease transportation requirements have had a positive impact on their ability to operate, while another 56% report ongoing negative business impacts from supply chain disruptions. Among the 68% of respondents who have been able to partially restart operations, ongoing supply chain disruptions remain the top challenge, selected by 50% of respondents.

Elsewhere, 46% of respondents said they were satisfied with China’s efforts at effective contact tracing. However, when asked with which aspects of China’s COVID-19 management companies were dissatisfied, 82% cited the length of quarantines, while 77% cited restrictions on travel to China.

AmCham China conducted a Flash Survey of members on the impact of COVID-19 regulations on the American business community from April 29 to May 5. Some 121 companies with operations throughout China responded to the survey. This survey is a follow up assessment, based on the joint Flash Survey conducted in late March together with AmCham Shanghai.

About AmCham China – US-China Business: The Next 100 Years

The American Chamber of Commerce in the People’s Republic of China (AmCham China) is a non-profit, non-governmental organization whose membership comprises tens of thousands of individuals from nearly 1,000 companies operating across China.

The Chamber’s nationwide mission is to help American companies succeed in China through advocacy, networking, insights, and business support services. AmCham China is officially registered as a foreign chamber of commerce in China and is licensed by China’s government to represent American business in mainland China. In addition to our headquarters in Beijing, AmCham China serves Tianjin, Central China, and Northeast China through our Chapters in Tianjin, Dalian, Shenyang, and Wuhan. Across the five offices, AmCham China has more than 30 Committees, and holds more than 150 events each year. Visit the Chamber’s website at www.amchamchina.org

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