

VDMA Business Climate Survey China Spring 2024

Survey Results

May 2024



About the Survey



- » Survey duration: April 10 -26, 2024
- » 220 companies participated in the survey

Survey Summary



Current Business Situation:

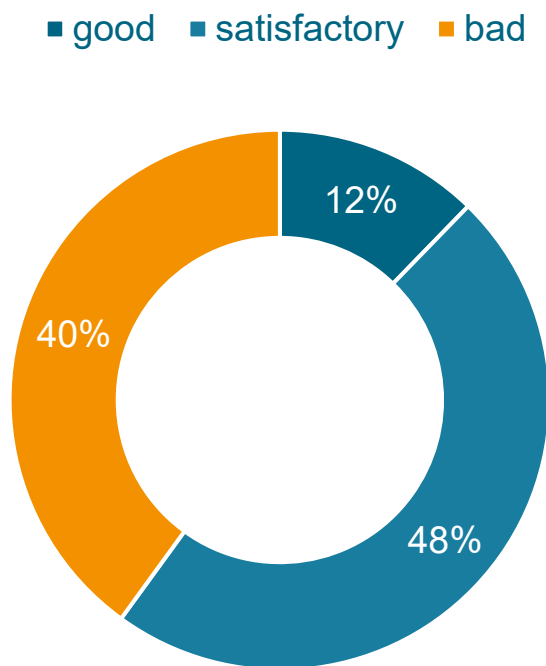
- » Concerns about the **current business** climate persist, with 40% of respondents expressing apprehension. However, positive momentum has increased slightly, with 12% of companies reporting favourable conditions, up from 10% in the previous survey six months ago.
- » **Capacity utilization** remains subdued, with 13% of respondents operating above normal levels, 41% at normal, but the majority (46%) still below normal.
- » **Order books** evaluations show slight improvements. 13% of companies report above-normal order books, up from 11% previously, while those below normal have decreased to 48% from 51% in Autumn 2023. Orders from outside of China are marginally better, with 15% above normal and 45% below normal.
- » **Business Hindrances:** 40% of businesses report obstacles, with the primary challenge being a lack of orders, cited by 35% of companies. Financial constraints and purchasing restrictions due to local content requirements are also increasingly prominent, each accounting for 6.8% of feedbacks.

Expectations for the coming months:

- » **Incoming orders:** Companies are showing surprising optimism about their order intake for the next three months. 39% of respondents expect an increase in incoming orders, far exceeding the 15% who foresee a decrease, while 46% predict orders will remain unchanged.
- » **Further Business Development:** 40% of respondents anticipate an improvement in the business situation over the next six months, a significant rise from the 30% in the previous survey, indicating positive prospect for the rest of 2024.
- » **Revenue Growth:** On average, VDMA member companies experienced stagnant sales in China for 2023, demonstrated in no growth. However, there's a renewed sense of optimism for 2024, with forecasts predicting an average revenue growth of 4%.

Q: How do you evaluate your company's current business situation?

40% of companies facing challenges despite slight uptick in momentum

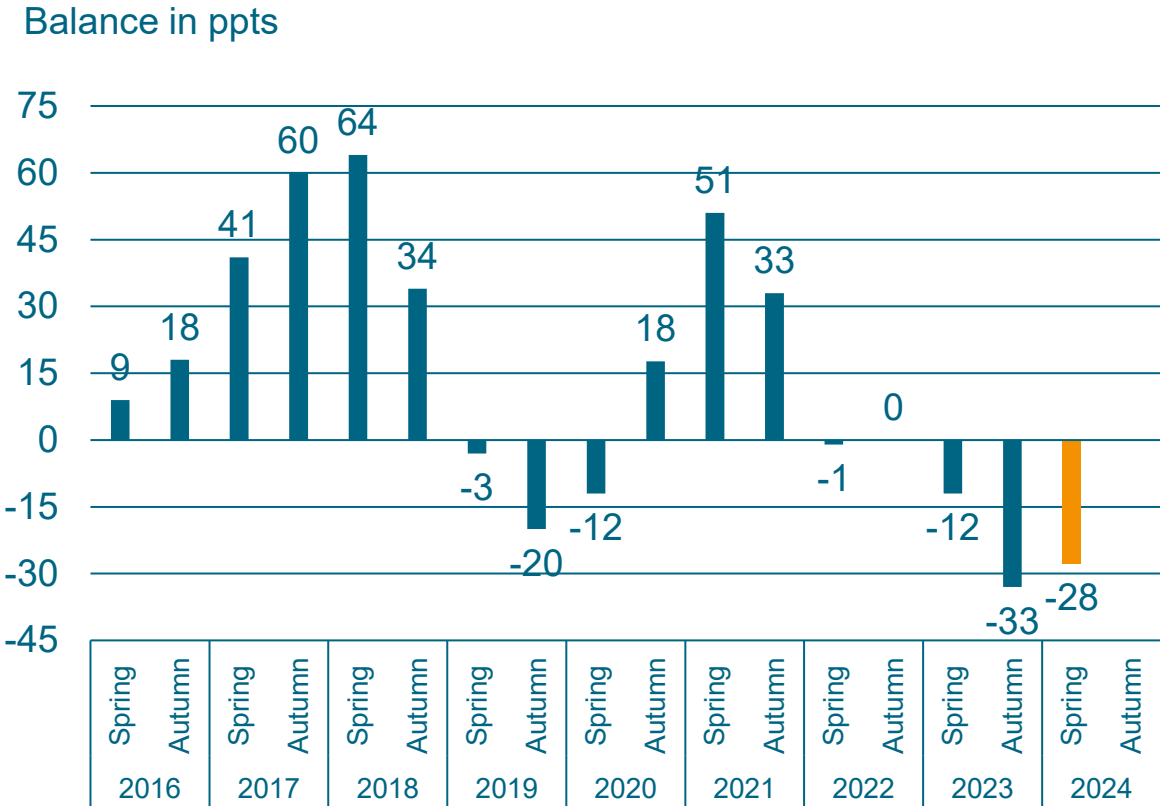


N = 220
Source: VDMA

- » Positive momentum has increased slightly, with 12% of companies now feeling optimistic, up from 10% six months ago.
- » But despite a slight uptick in momentum, 40% of companies still face significant challenges. This is a modest improvement from the 43% reported in the Autumn 2023 survey.
- » The majority of companies (48%) remain content, indicating stability despite the ongoing challenges.

Development of the current business situation

It appears that the lowest point has been reached and it could go further uphill now.

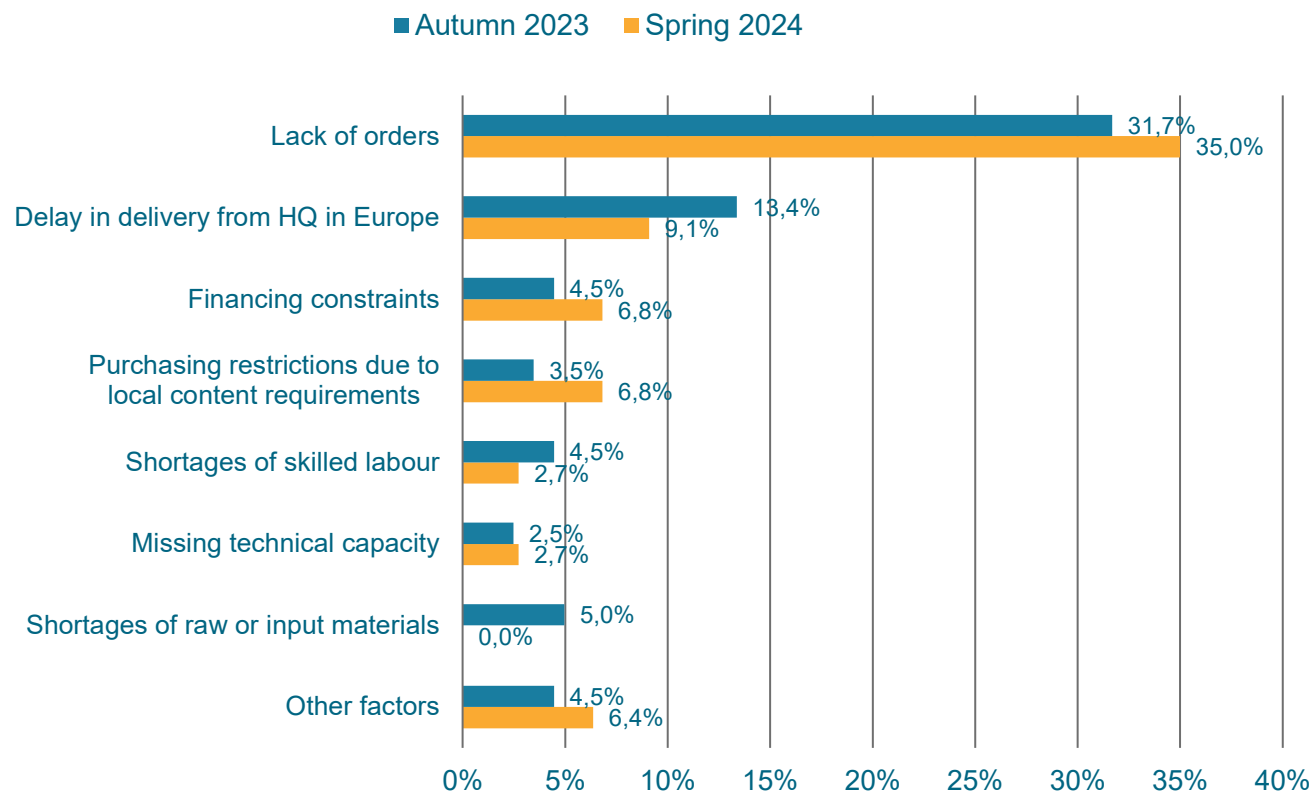


- » The present business situation reflects a deficit of 28 percentage points (pp), slowly improving compared to Autumn 2023. This is derived by contrasting the 40% of firms indicating an unfavourable situation with the 12% that signal favourable conditions.
- » Business is showing gradual improvement, albeit at a slow pace. It seems that the bottom has been reached and sentiment could now turn more positive.

N = 220
Source: VDMA

Q: Which factors are currently hindering your business?

Bottleneck Persists: Lack of orders continues to hinder growth.

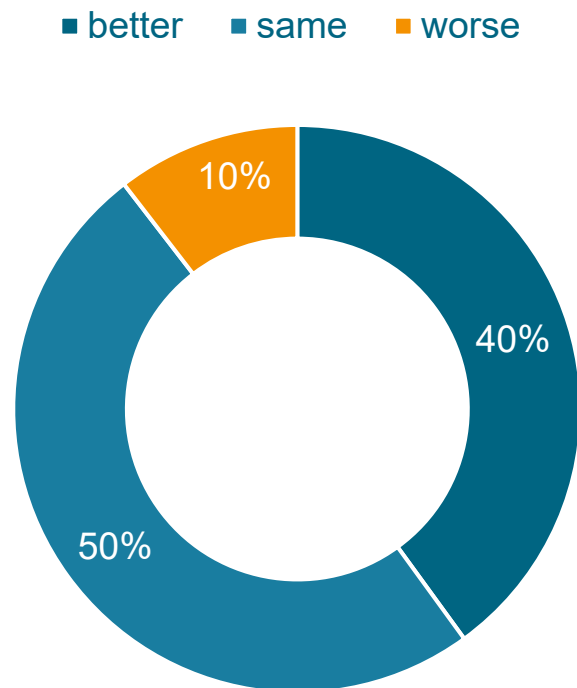


- » 40% of the companies are currently reporting hindrances in their business operations.
- » The predominant challenge is a lack of orders, with a significant 35% of companies identifying this as their main concern.
- » Financial constraints are also becoming more pressing (+2.3pp), as are purchasing restrictions due to local content requirements (+3.3pp).
- » On a positive note, the shortage of raw or input materials no longer seems to be a concern.

N = 202, 220
Source: VDMA

Q: Do you expect that the business situation of your company during the next 6 months will be...

Optimism Grows: 40% expect business improvement



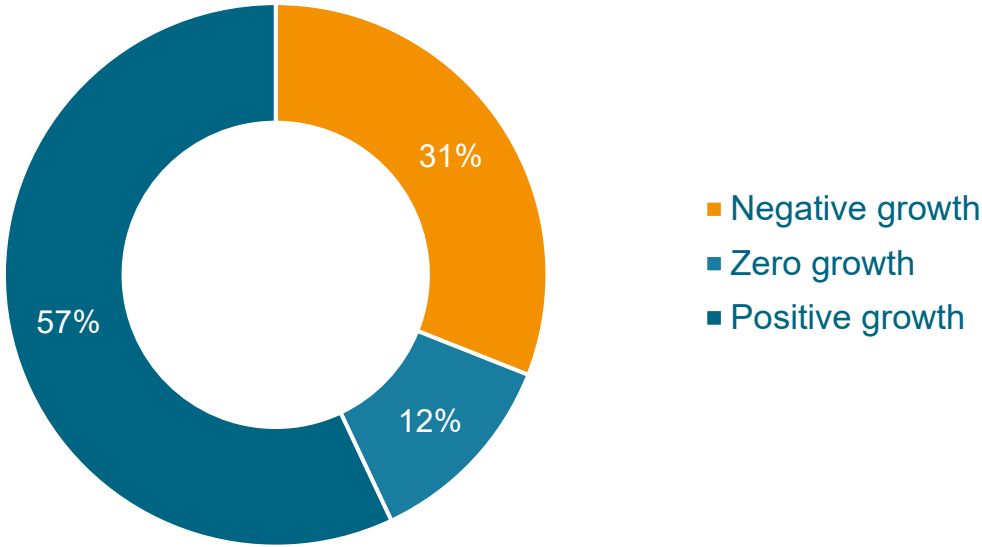
N = 220
Source: VDMA

- » 40% of respondents are optimistic about an improvement in the business situation over the next six months, indicating a notable sense of positive expectation about the market and business dynamic. This marks an increase from the previous survey's 30% and indicating light at the end of the tunnel.
- » However, the majority (50%) anticipate the status quo to prevail.
- » There has been a notable decrease in the proportion of respondents foreseeing a downturn, with 10% expressing this sentiment, compared to 20% in the last survey.

Growth expectations.

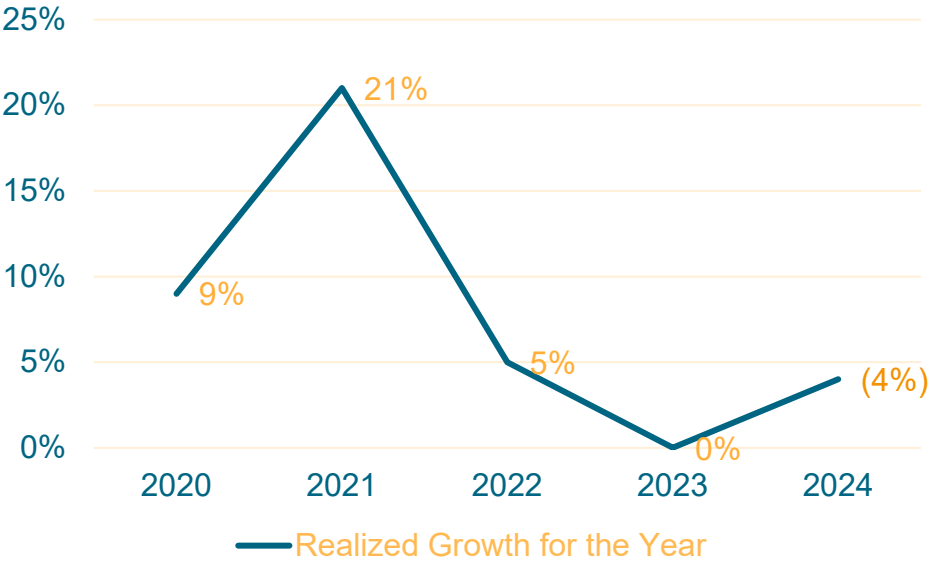


Growth Expectation for 2024

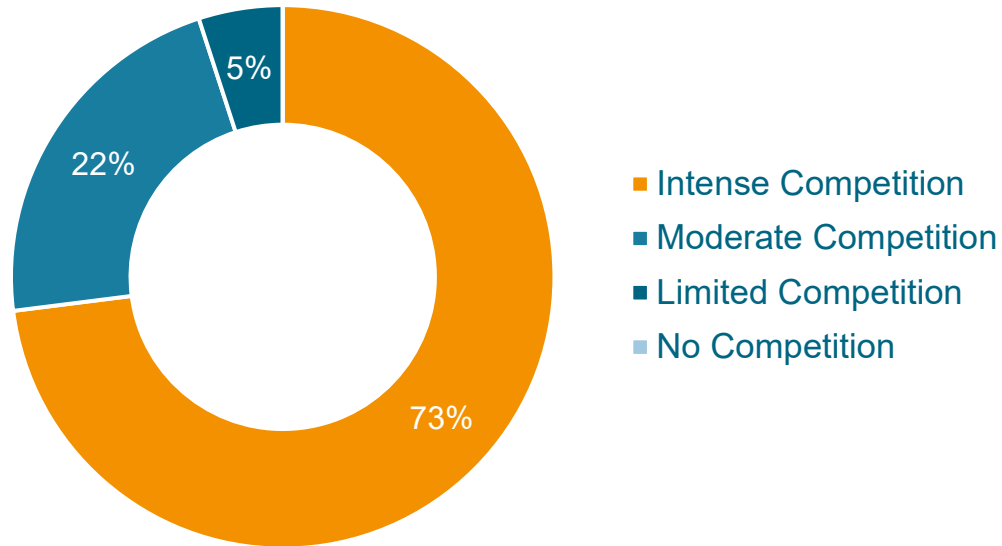


N = 220
Source: VDMA

Realized Growth in the period 2020-2024



Q: How would you assess the intensity of **competition** in your industry sector in China?



- » The clear majority of companies (73%) feel intense competition in their industry in China.
- » 22% of respondents perceive the competition as moderate, meaning there are several players competing for market shares but at a moderate level.
- » Only 5% of respondents report limited competition, which was defined as only a few competitors present, resulting in lower competitive pressure.
- » No company indicated the absence of competition.

N = 220
Source: VDMA

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