

EMBARGOED UNTIL 1:00PM BEIJING TIME, 3 NOVEMBER 2023

China-Australia Chamber of Commerce Business Sentiment Flash Survey Results 2023

Beijing, 3 November 2023

With Australian Prime Minister Anthony Albanese arriving in China this weekend, China-Australia Chamber of Commerce (AustCham China) today released the findings of its latest Flash Survey which was conducted over a two-week period up until 31 October 2023 and represents the perspectives of 91 Australian and other foreign-owned companies engaged in business between Australia and China.

1. Satisfaction with the Australian Government's efforts to Stabilise the Bilateral Relationship is Greatly Improved

Over 70% of respondents are satisfied or very satisfied with the Australian government's management of the bilateral relationship with China. This represents a 180-degree turnaround since May 2022 when 70% of the respondents were not satisfied with the handling of the relationship under the previous Federal Government.

2. Chinese Economy

Half of respondents are benefiting from growth in China's economy while the other half say they are concerned about uncertainty and volatility or are already being negatively affected by the current state of China's economy. There has been a notable shift towards a more cautious outlook compared to last year with increased concerns about uncertainty.

3. Perceived Risks and Uncertainties

The top three factors impacting decisions about and operation of respondents' businesses in China are the politicization of the business environment in China, the predictability of China's regulatory environment and the Australia-China relationship. Significant impacts are also felt due to concerns about the US-China relationship, the state of the Chinese economy and overall global economic conditions.

4. China's Significance in Global Investment Plans

Notwithstanding the concerns, for 33% of respondents China is their top investment priority, with an additional 25% ranking it among their top three priorities. This shows a slight increase in businesses considering China as a top priority since May 2022.

5. Investment Intentions for the Next 12 Months

Almost 90% of respondents plan to maintain or increase their current investment levels in China. Of the 41% of respondents planning to increase their investment in China, for 65% this is primarily due to strategic prioritisation of the China market. Other reasons include expectations of faster growth in China (19%) and improved market access (8%). This represents a shift towards increasing investment since May 2022.

6. Diversification is Not An “Either Or” Choice

31% of respondents have already initiated or increased diversification efforts while 23% are actively exploring diversification options. While there is a noticeable increase in businesses considering diversification as a risk management response, the results show a balanced approach, with diversification of business activities or supply chains and commitment to the China market both playing roles in the business strategies of respondent companies.

7. Geopolitical Uncertainties and Regulatory Challenges

Understanding and planning for the potential impacts of geopolitics is the “new normal” for companies. Maintaining open communication with Chinese stakeholders is the action cited by almost 60% of respondents as a response to geopolitical uncertainties. While 57% of respondents find the regulatory environment favourable to their business, 43% find it challenging. Forming partnerships or joint ventures with Chinese entities is cited as a strategy to navigate regulatory challenges (68%) and to respond to geopolitical uncertainties (32%). Only two respondents said they have ceased or will cease their China business in response to geopolitical uncertainties.

8. Strategies to Drive Recovery and Growth

30% of respondents are focusing on innovation and product development, 20% on expanding into new cities and regions in China, and 16% on increasing use of e-commerce and digital platforms. These strategies show an adaptive approach to overcoming challenges and seizing growth opportunities in the dynamic Chinese market.

9. 70% of Respondents are Optimistic about the Long-term Outlook

In the long-term, just under 20% of respondents are highly optimistic about their China business, while just over 50% are cautiously optimistic.

Vaughn Barber, Chair of AustCham China, commented on the survey: “There’s a renewed sense of cautious optimism in the Australia-China relationship thanks to the ongoing efforts on both sides since the election of the Albanese Government in May last year. Despite global uncertainties and a challenging business environment, Australian companies remain committed to the China market. They’re adapting their strategies to defend and grow their China business, navigate regulatory challenges, and manage risks effectively. These survey results are a testament to the importance and future potential of Australia’s economic relationship with China and the resilience and adaptability of the hardy cohort of companies and institutions delivering record export volumes and other milestones which contribute materially to the prosperity of our nation.”

As Prime Minister Albanese’s visit unfolds, these insights offer a valuable context for understanding the evolving landscape of China-Australia business relations.

About AustCham China:

China-Australia Chamber of Commerce (AustCham China) is a key player in fostering and enhancing the bilateral business relationship between China and Australia. It provides a powerful voice and platform for Australian businesses and professionals in China.

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