

Team
FINLAND

TEAM FINLAND CHINA BUSINESS CONFIDENCE SURVEY 2026

18th of May 2026

Summary

The survey reveals a cautious short-term outlook with modest revenue growth and signs of stabilizing profitability. While long-term expectations have deteriorated significantly compared to last year - with 56% of respondents anticipating less favorable developments - Finnish companies remain committed to the Chinese market.

Reflecting increased caution, investment focus is shifting from market expansion toward enhancing local capabilities. Business conditions are increasingly defined by regulatory challenges and local favoritism, yet companies continue to strengthen local supply chains and are hiring. Ultimately, China's massive market scale and operational strengths continue to offset geopolitical risks underpinning long-term engagement.

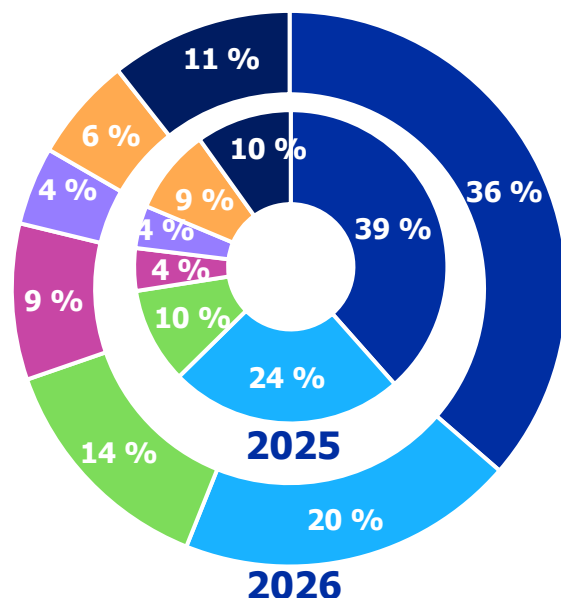
Team Finland China's 2026 Business Confidence Survey was conducted between March 5th to 30th and received 66 responses.

SHANGHAI AREA DOMINANCE IN RESPONSES CONTINUES, HONG KONG INCREASED, BEIJING DECLINED SLIGHTLY

WHAT IS YOUR COMPANY LOCATION IN MAINLAND CHINA AND/OR HONG KONG ?

LOCATION IN CHINA

- Shanghai
- Beijing
- Yangtze River Delta Area
- Hong Kong
- Guangdong
- Other local locations
- No local presence



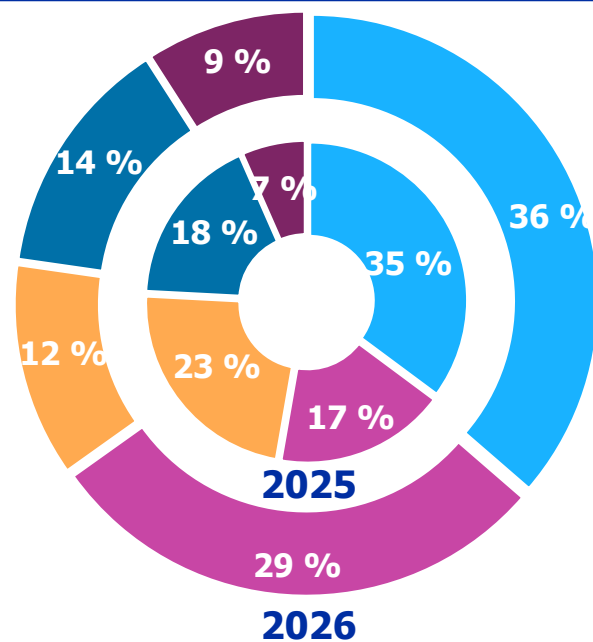
- Responses from Jangtze rivier and Shanghai continue to represent about the half of companies participating the survey.
- More responses from Hong Kong (4% in 2025 vs. 9% in 2026)
- Responses from Beijing decreased delivering one fifth of all responses

MORE COMPANIES WITH LESS THAN 10 EMPLOYEES RESPONDED TO THE SURVEY

WHAT IS YOUR COMPANY SIZE ?

COMPANY SIZE

- Large
- Micro
- Medium
- Small
- Midcap

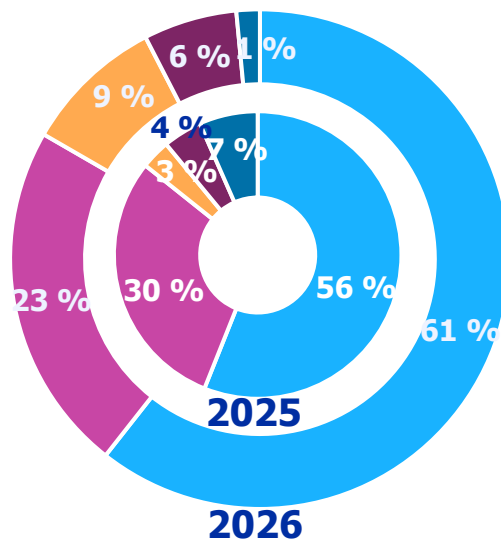


- Large > 250 employees globally and global sales >300M€
- Micro <10 employees globally and global sales < 2M€
- Medium <250 employees globally and global sales < 50M€
- Small <50 employees globally and global sales <10M€
- Midcap large with global sales < 300M€

MORE RESPONSES BY TOP MANAGEMENT AND FROM LOCAL FINNISH SUBSIDIARIES IN THE REGION

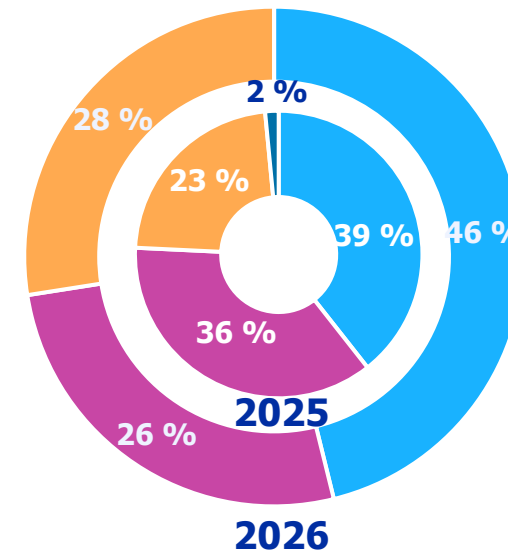
WHAT IS THE COMPANY YOU REPRESENT?

- A subsidiary of a Finnish company in China
- A company based in Finland
- Another Mainland Chinese or Hong Kong company
- An agent of a distributor of a Finnish company in China
- Other



WHAT IS YOUR POSITION IN THE COMPANY ?

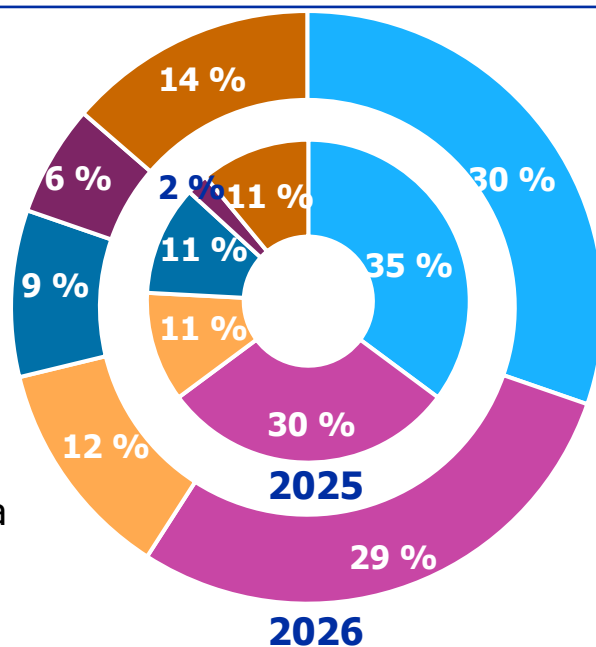
- Top Management (President, CEO, MD, Member of the Board, etc.)
- Upper management (GM, SVP, VP)
- Middle management (Marketing, Sales, etc.)
- Others



THE SHARE OF COMPANIES WITH MORE THAN 5 YEARS CHINA OPERATIONS SLIGHTLY REDUCED

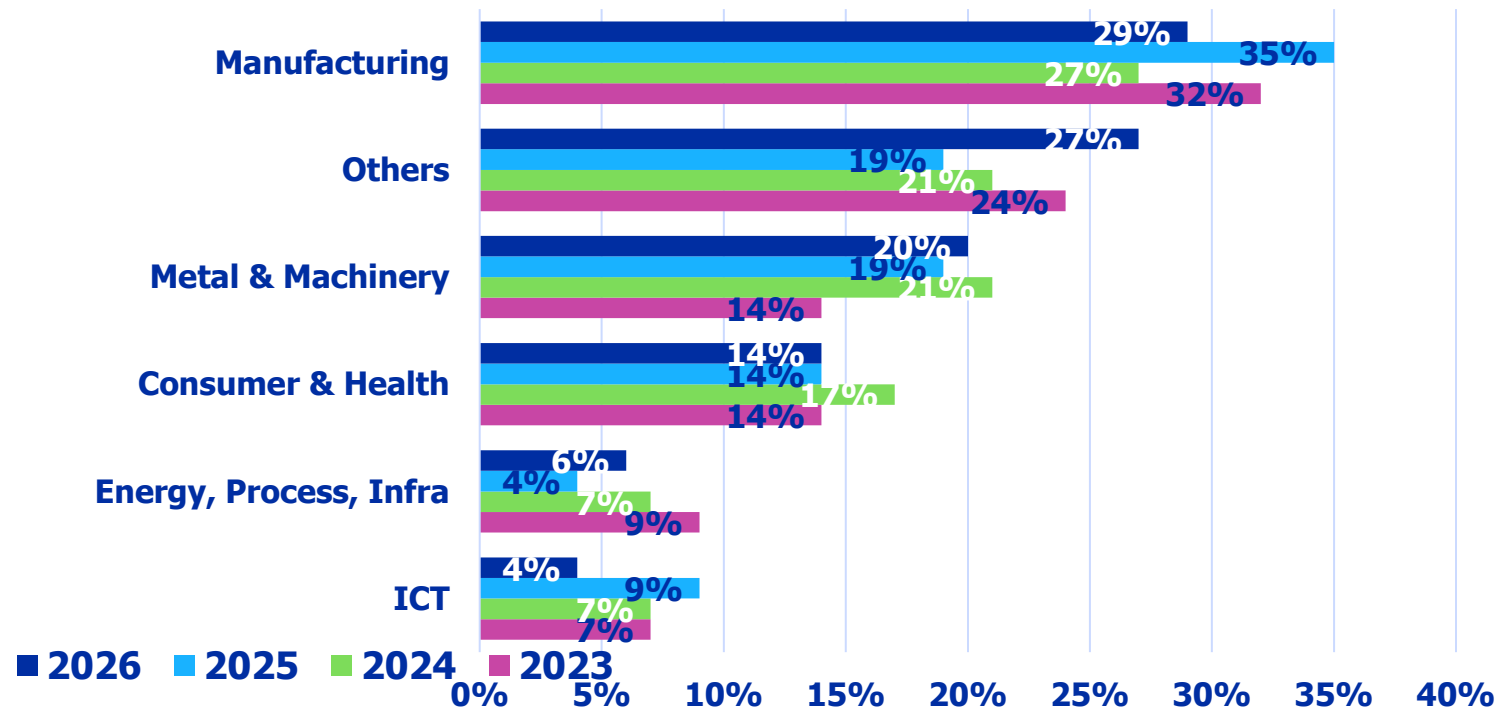
HOW MANY YEARS OF YOUR COMPANY HAVING LEGAL ENTITY IN CHINA ?

- 20+ years
- 10-20 years
- 5-10 years
- 2-5 years
- 0-2 years
- No legal entity in China



MANUFACTURING REMAINS DOMINANT SECTOR, OTHER SECTORS INCREASING

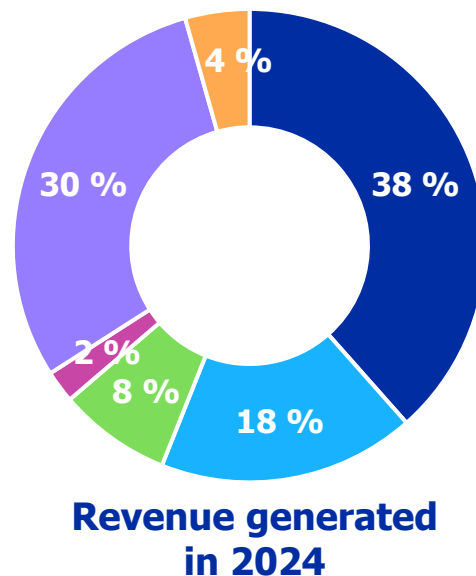
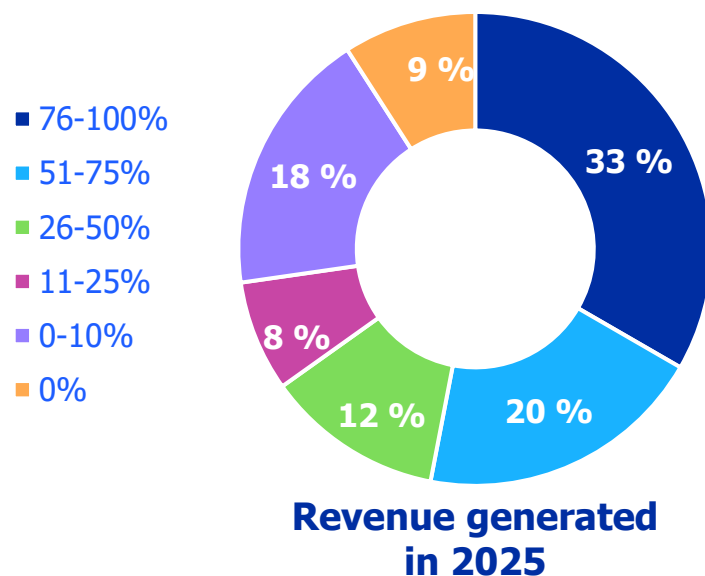
WHICH INDUSTRY DOES YOUR COMPANY REPRESENT ?



“Others” -industry segment include 18 responses as follows: professional services (4) education (3), financial services (2) , hospitality (food service) (1), Media & Creative (2), and not specified (6)

SLIGHT REDUCTION IN REVENUE GENERATION FROM LOCAL CHINESE CUSTOMERS

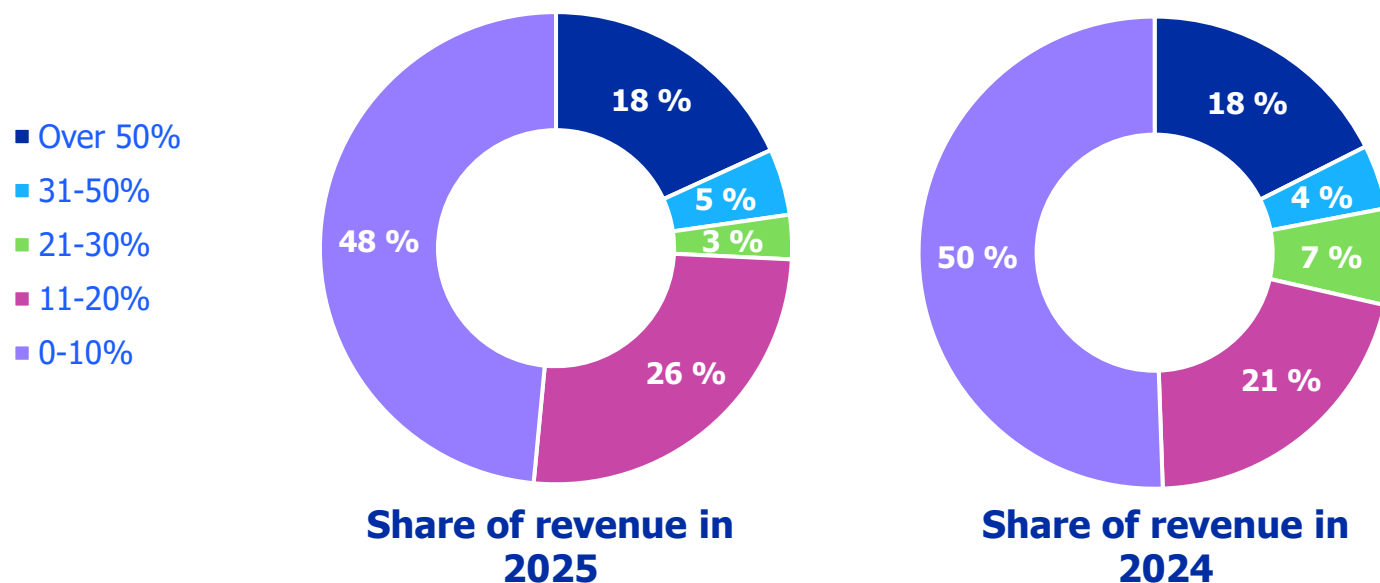
HOW MUCH OF THE REVENUES WAS GENERATED BY LOCAL CUSTOMERS IN 2025 ?



- Slightly less respondents generated more than half of their revenue from local Chinese customers in 2025 compared to 2024 (33% vs 36%)
- The share of companies, which received between 10% and 50% of their revenue from local customers doubled from the last survey (increase 10% -> 20%)
- The share of companies with significant sales dependency on foreign company customers (over 90% of revenue) decreased by 7 percentage points.

CHINA'S SHARE OF FINNISH COMPANIES' GLOBAL REVENUE HAS REMAINED LARGELY THE SAME

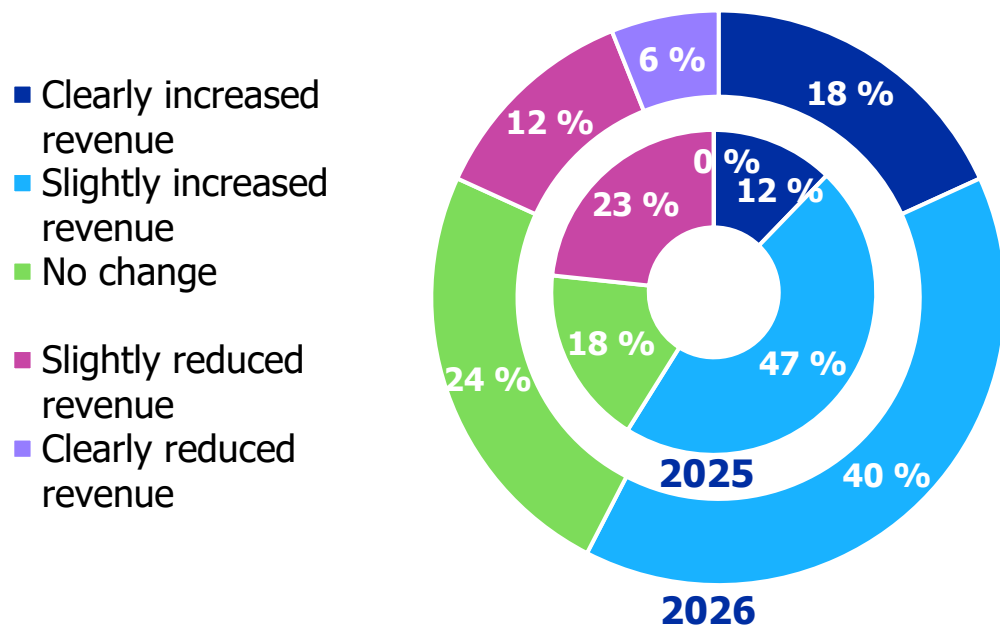
WHAT WAS THE SHARE OF MAINLAND CHINA AND/OR HONG KONG MARKET REVENUE OF THE COMPANY'S TOTAL REVENUE ?



- Most companies generate less than 20% of their global revenue from China (change from 71% in 2024 to 74% in 2025)

SLIGHT IMPROVEMENT IN REVENUE EXPECTATIONS, BUT GROWTH PROSPECTS REMAIN MODERATE

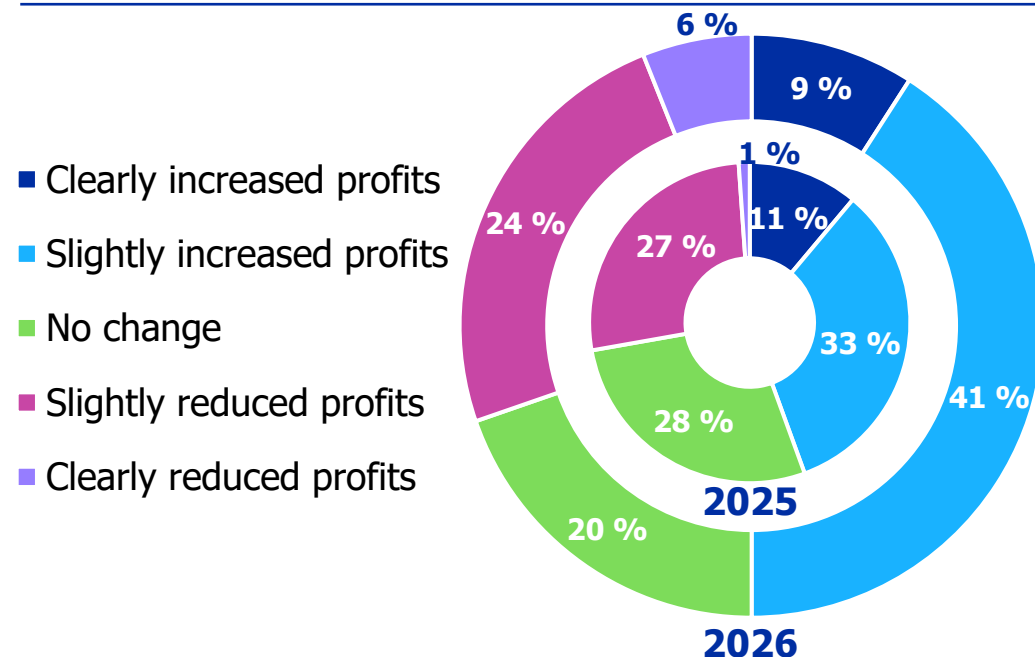
HOW DO YOU EXPECT THE CHANGE ON REVENUE IN 2026 COMPARED TO 2025 ?



- Overall sentiment has improved slightly, with most companies expecting some level of growth or no change
- The share of companies expecting both clear increase and clear reduction in revenue have both increased by ~6 percentage points

PROFITABILITY OUTLOOK IS STABILIZING, BUT NOT YET CLEARLY IMPROVING

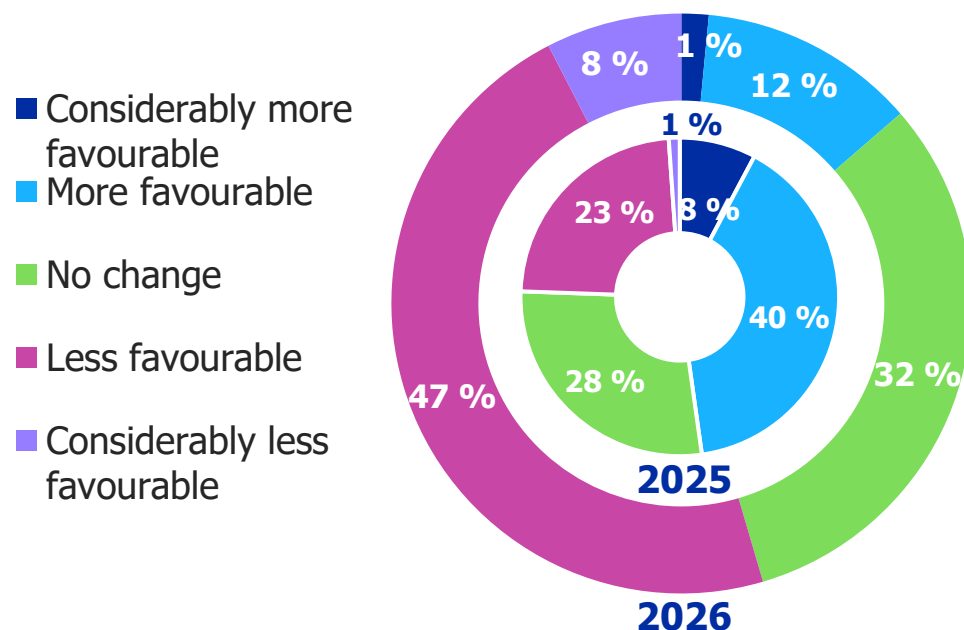
HOW DO YOU EXPECT THE NET PROFIT CHANGE IN 2026 COMPARED TO 2025 ?



- Slightly higher share of companies expect reduced profits in 2026 (30%) compared to expectations for 2025 (28%). The share expecting a clear decline has increased by 5 percentage points.
- Expectations are becoming more polarized, with fewer companies anticipating stable performance and more reporting either clear improvement or decline
- The overall outlook remains cautious, reflecting continued market uncertainty rather than a broad-based deterioration.

OUTLOOK FOR CHINA BUSINESS DETERIORATES, WITH INCREASED CAUTION AMONG COMPANIES

HOW DO YOU PREDICT YOUR BUSINESS DEVELOP IN THE COMING 3 YEARS?

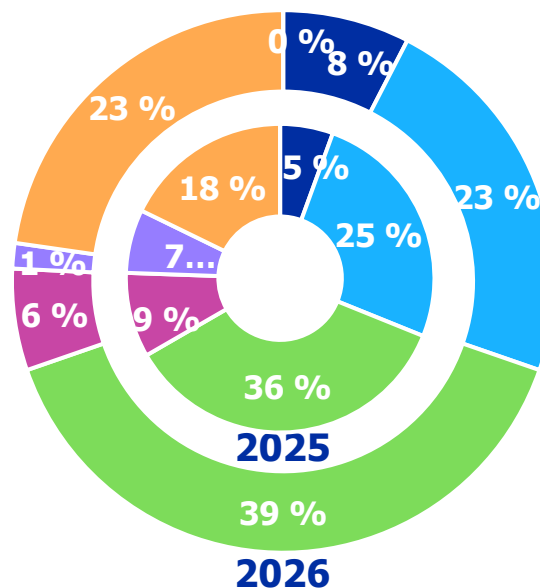


- The share of companies expecting less favorable development has increased significantly, rising from around one-quarter in 2025 to over half of respondents in 2026
- At the same time, expectations of more favorable development have declined markedly, indicating a clear weakening in the sentiment
- The results point to a more cautious and selective approach to the China market over the coming years

WEAKER MARKET OUTLOOK IS REFLECTED IN MORE CAUTIOUS INVESTMENT PLANS

HOW DO YOU EXPECT YOUR COMPANY'S INVESTMENTS TO CHANGE IN CHINA IN 2026 COMPARED TO INVESTMENTS IN 2025 ?

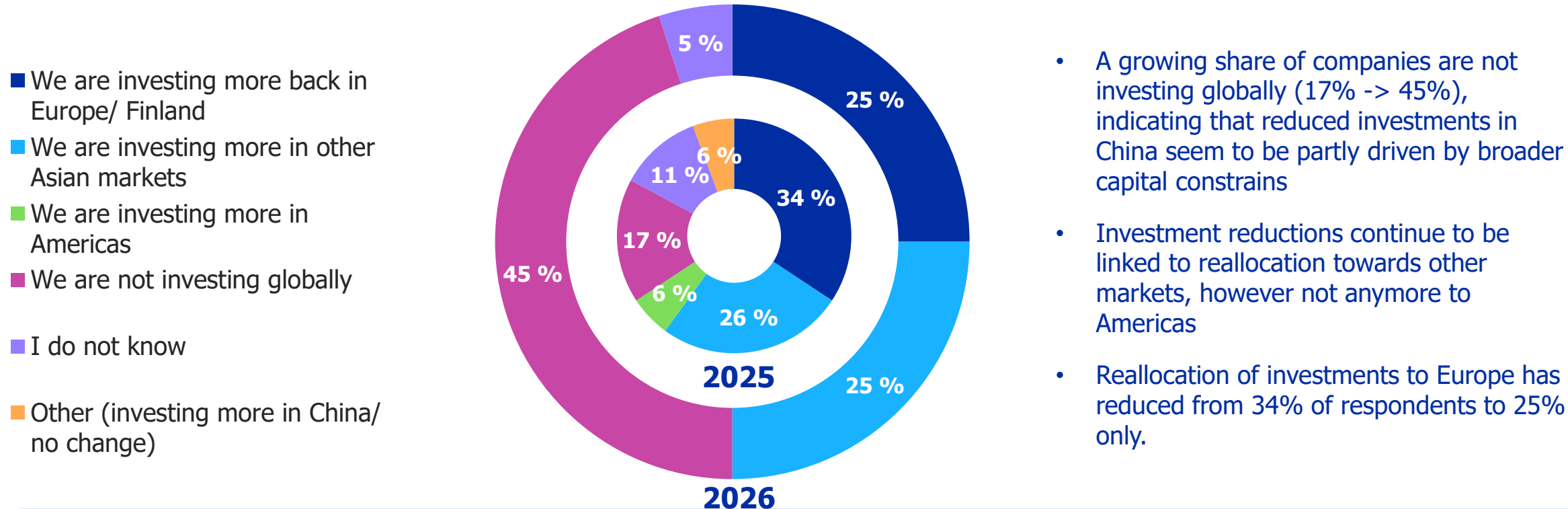
- Significant increase of investments
- Slightly increase of investments
- Maintain same level of investments as in 2025
- Slight reduction of investments
- Significant reduction of investments
- We are not planning to invest in China during 2026
- Other (please specify)



- The weakening business outlook is reflected in investment plans. The share of companies not planning investments has increased notably (18% -> 23%) indicating a pause in new commitments
- While some companies continue to invest, the overall pattern suggests careful investment approach to China market remains.

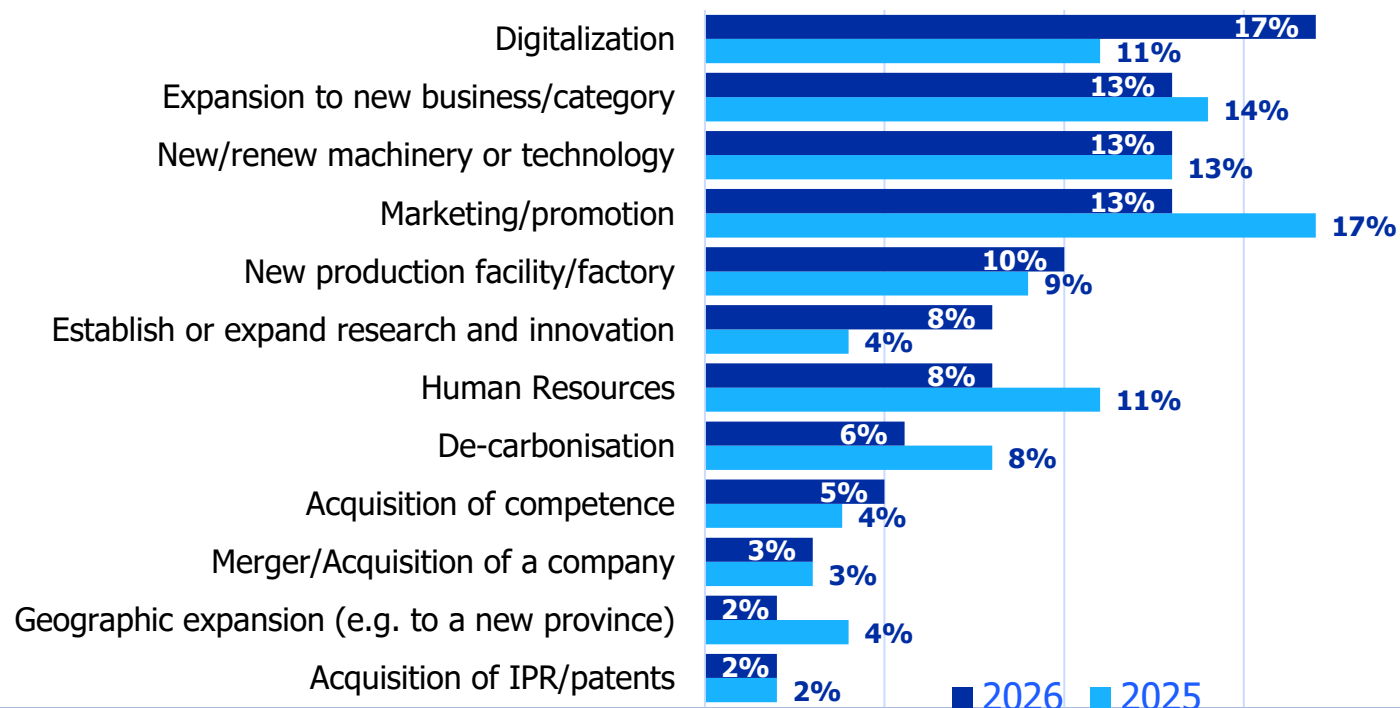
INVESTMENT CUTS IN CHINA ARE DRIVEN BY GLOBAL PRIORITIES, NOT ONLY CHINA-SPECIFIC FACTORS

WHAT ARE THE REASONS YOU PLAN TO REDUCE INVESTMENT IN CHINA / HONG KONG ?



INVESTMENT FOCUS SHIFTS FROM MARKET EXPANSION TO CAPABILITY BUILDING

WHICH AREAS WILL YOUR COMPANY FOCUS ON INVESTING ?



- Investment priorities are increasingly oriented toward internal capabilities, with digitalization
- Investment to research and innovation is increasing in China.
- The decline in marketing compared to 2025 suggests reduced emphasis on demand expansion

EXPANSION STRATEGY REMAINS CONCENTRATED AND LARGELY UNCHANGED FROM 2025

WHICH GEOGRAPHICAL AREAS IN MAINLAND CHINA AND/OR HONG KONG YOU WOULD EXPAND INTO?

2026 vs. 2025 Survey Responses

Eastern and Central China **39% vs. 43%**

- 71% in Yangtze River Delta
- Additionally Shanghai and Shandong

Southeast, HK & Hainan **28% vs. 26%**

- Mostly in Guangdong Province

Beijing, Tianjin & Hebei **9% vs. 10%**

Southwest **16% vs. 13%**

- Mostly in Sichuan Province

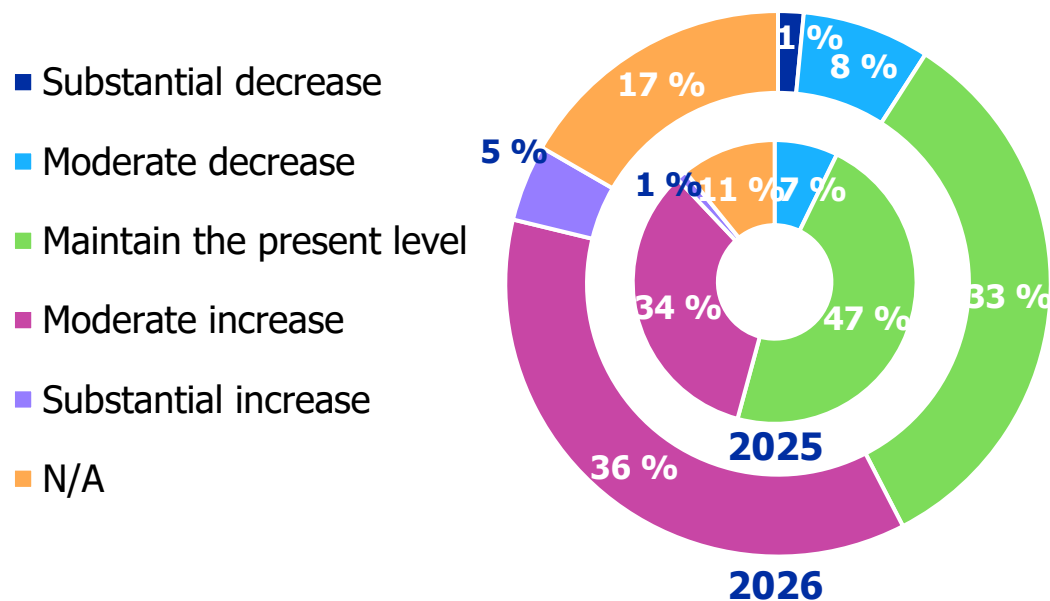
Northeast **4% vs. 4%**

Northwest **3% vs. 4%**

- Expansion continues to focus on established hubs, with Yangtze River Delta (~39% vs. 43% in 2025) and Guangdong (~28% vs. 26%) clearly dominating
- The limited year-on-year change indicates a preference for familiar and proven markets
- Inland regions remain marginal (e.g. Southwest ~16%, Beijing region ~9%) despite policies

LOCAL WORKFORCE GROWTH CONTINUES DESPITE CAUTIOUS BUSINESS OUTLOOK

DO YOU PLAN TO CHANGE THE NUMBER OF LOCAL EMPLOYEES ?

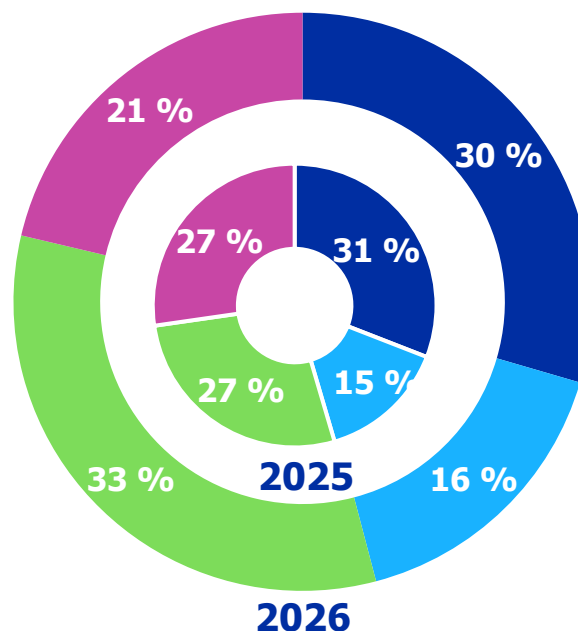


- 41% of companies plan to increase local headcount, with growth mainly moderate (36%) rather than aggressive (5%)
- Around one-third (~33%) expect no change, reinforcing stability in operations
- Only a small share (~9%) foresee reductions, indicating no broad restructuring trend
- Hiring trends remain aligned with gradual, controlled business expansion

GLOBAL OPERATIONS STRATEGY IS INCREASINGLY DRIVING RESOURCING IN CHINA

WHAT IS THE MAIN REASON IF YOU PLAN TO CHANGE THE NUMBER OF LOCAL EMPLOYEES ?

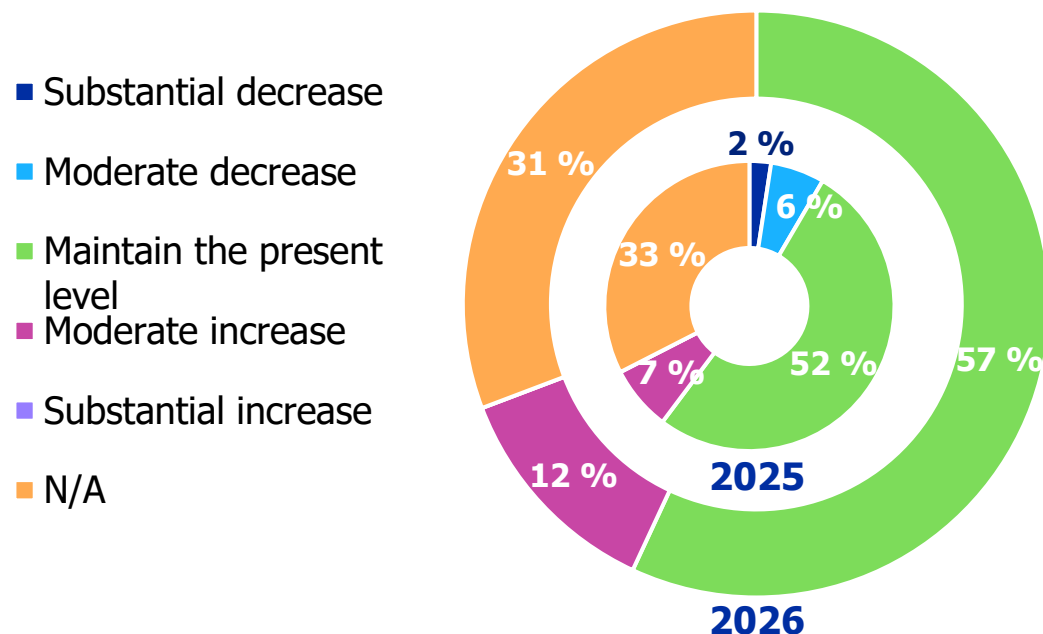
- market outlook (improving/deteriorating)
- competitive position (company competitive position improving/declining)
- company strategy in global operations
- your company productivity (e.g. cost control, improving the efficiency,...)



- The influence of global strategy is increasing (from 27% -> 33%)
- Local hiring decisions remain closely tied to market outlook (30%) and competitive position (16%)
- Focus on efficiency rather than expansion somewhat reduced from 27% in 2025 to 21%
- Overall driver structure remains stable, indicating no structural shift in decision-making

PAST YEARS' TREND OF LOCALIZING WORKFORCE IN CHINA SHOWS SIGNS OF REVERSING

DO YOU PLAN TO CHANGE THE NUMBER OF FOREIGN EMPLOYEES IN 2026 ?



- Most companies (~57%) continue to plan maintaining foreign headcount, indicating stability in key functions
- No respondent plans to reduce foreign headcount
- More respondents plan to increase foreign employees in 2026 (12%) vs 2025 (7%).
- Overall trend supports a shift toward locally anchored organizations

COST AND EFFICIENCY INCREASINGLY DRIVE FOREIGN WORKFORCE DECISIONS

WHAT IS THE MAIN REASON IF YOU PLAN TO CHANGE THE NUMBER OF FOREIGN EMPLOYEES ?

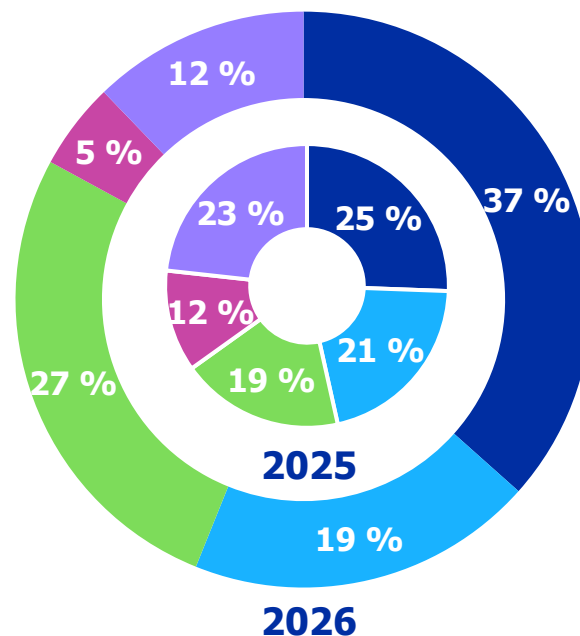
■ Focus on better cost control

■ Aiming to increase team diversity to meet market needs

■ Striving to improve competence and knowledge transfer between headquarters and local teams

■ Facing challenges attracting foreign talent to China

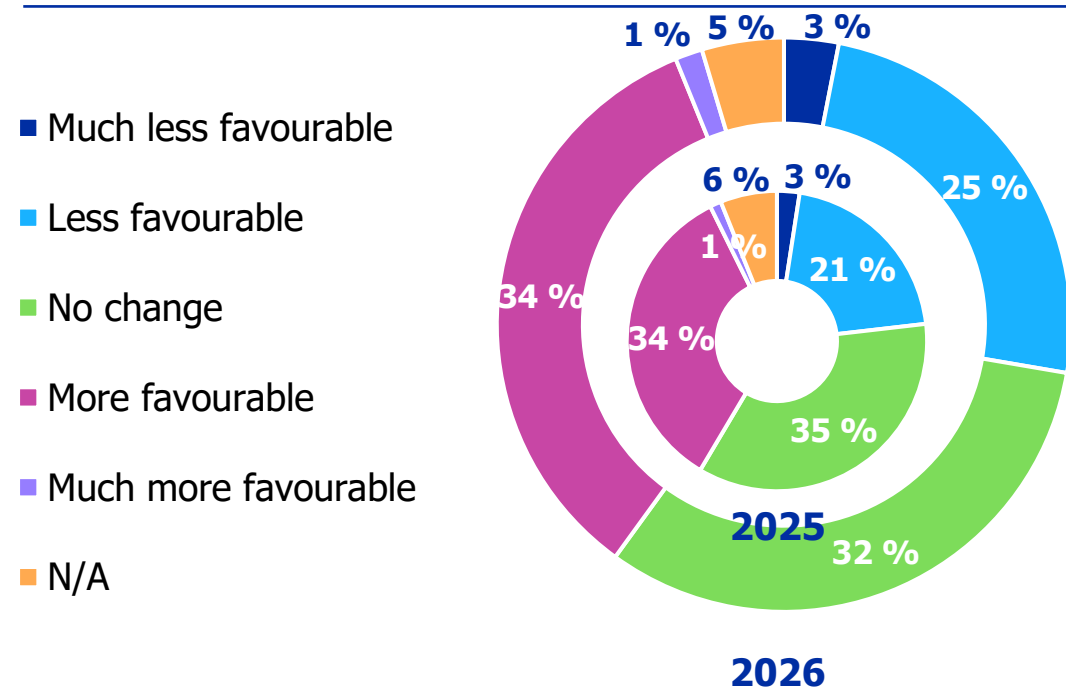
■ Other reasons



- Cost control has become the primary driver (~37%, up from ~25% in 2025), indicating increased financial discipline
- Knowledge transfer remains relevant (~19–21%) but less dominant than before
- Talent attraction challenges have decreased from 12% -> 5%
- Workforce adjustments reflect optimization rather than expansion

BUSINESS CLIMATE IS DETERIORATING, BUT MUCH LESS THAN BUSINESS OUTLOOK

HOW DO YOU EXPECT THE BUSINESS CLIMATE IN CHINA TO DEVELOP IN 2026 COMPARED TO 2025?

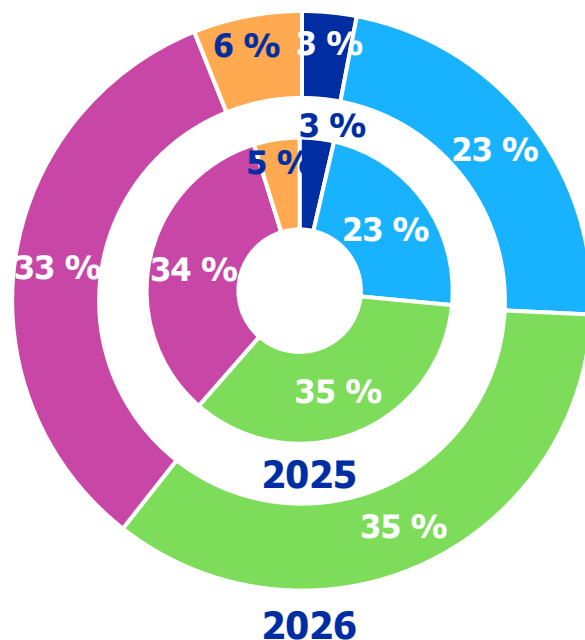


- The expectation of the development of business climate in China is largely unchanged, although less favorable responses have increase from 24% in 2025 up to 28% in 2026
- Polarization continues. One third of respondents still expect favorable development of business climate in short term, but majority expects less favorable (28%) or no change (32%)

VIEWS ON INVESTMENT ENVIRONMENT REMAIN UNCHANGED

HOW DO YOU EXPECT THE INVESTMENT CLIMATE IN CHINA TO DEVELOP IN 2026 COMPARED TO 2025 ?

- Much less favourable
- Less favourable
- No change
- More favourable
- Much more favourable
- N/A



- Year-on-year changes are minimal, reinforcing a view of continuity
- The investment climate is seen as stable, with ~35% expecting no change and ~33% improvement
- 26% expect deterioration, broadly in line with business climate perceptions
- Stability does not translate into increased investment appetite

REGULATORY ENVIRONMENT CONTINUES TO DEFINE OPERATING CONDITIONS

WHICH EXTERNAL FACTORS DO YOU CONSIDER MOST CHALLENGING FOR YOUR BUSINESS IN CHINA ?

2024	2025	2026
China government policies that disadvantage foreign companies (e.g. encouraging domestic buy)	China government policies that disadvantage foreign companies (e.g. encouraging domestic buy)	China government policies that disadvantage foreign companies (e.g. encouraging domestic buy)
Access to skilled labour in China	Protection of intellectual property rights in China	Protection of intellectual property rights in China
Protection of intellectual property rights in China	Access to skilled labour in China	Import regulations, customs duties, levies, and additional charges
Bureaucracy in China	Import regulations, customs duties, levies, and additional charges	Increasing EU regulations on ESG or trade
Increasing EU regulations on ESG or trade	Bureaucracy in China	Chinese Cyber security / data legislation

- Government policies remain the most cited challenge for the second consecutive year
- EU regulatory complexity starts increasingly to shape operational conditions
- Trade-related barriers (customs, duties) have risen into top-tier concerns
- The overall challenging landscape remains structurally consistent rather than evolving

POLICY, REGULATION AND COMPLIANCE DOMINATE THE RISK LANDSCAPE

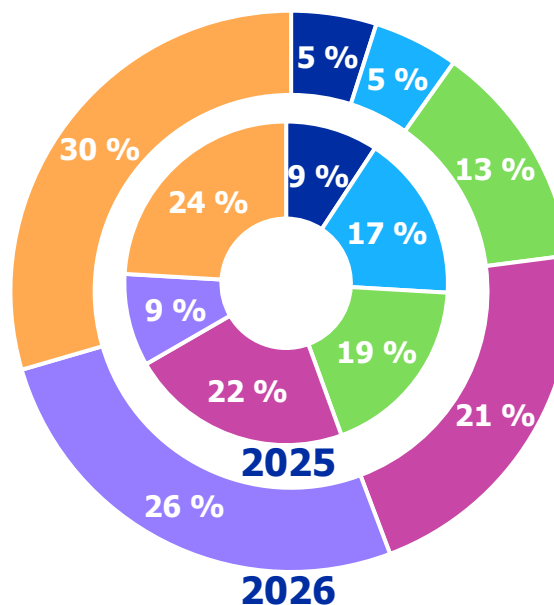
WHICH EXTERNAL FACTORS DO YOU CONSIDER MOST CHALLENGING FOR YOUR BUSINESS IN CHINA ?



SUPPLY CHAIN STRATEGIES SHOW INCREASING FOCUS IN CHINA

WHICH SUPPLY CHAIN CHANGES – IF ANY – ARE YOU CONSIDERING WITH RESPECT TO YOUR OPERATIONS IN CHINA/HK ?

- Shifting suppliers from mainland China/ Hong Kong to abroad
- Reducing / consolidating the supplier base
- Increasing / diversifying supplier base outside of mainland China/ Hong Kong
- Increasing / diversifying supplier based in mainland China / Hong Kong
- Shifting suppliers from abroad to mainland China/ Hong Kong
- Others (mainly N/A or no change)

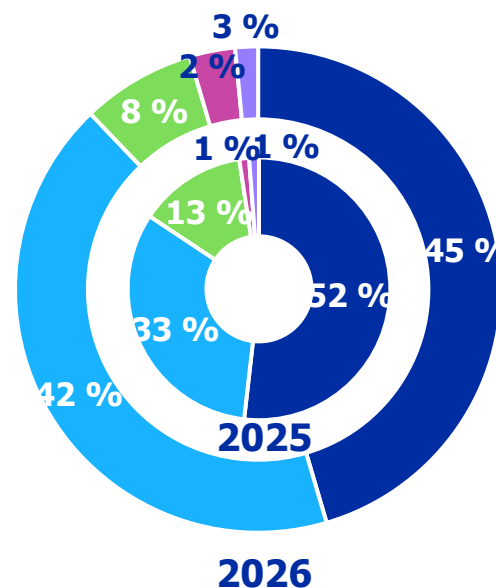


- Companies planning to shift suppliers from China or reducing the supplier base is 10% in 2026, clear reduction of 28% in 2025.
- Shifting or increasing supplier base to China has increased from 27% in 2025 to 47% in 2026.
- Results are a strong indication, that China remains a competitive and integral base for Finnish companies

GEOPOLITICAL RISKS PERSIST BUT ARE INCREASINGLY ABSORBED

HOW DO YOU ASSESS THE IMPACT OF INCREASING GLOBAL TRADE DISPUTES AND TECHNOLOGY PROTECTION MEASURES ?

- Worsened business opportunities
- No impact
- Somewhat improved business opportunities
- Strongly worsened business opportunities
- Strongly improved business opportunities

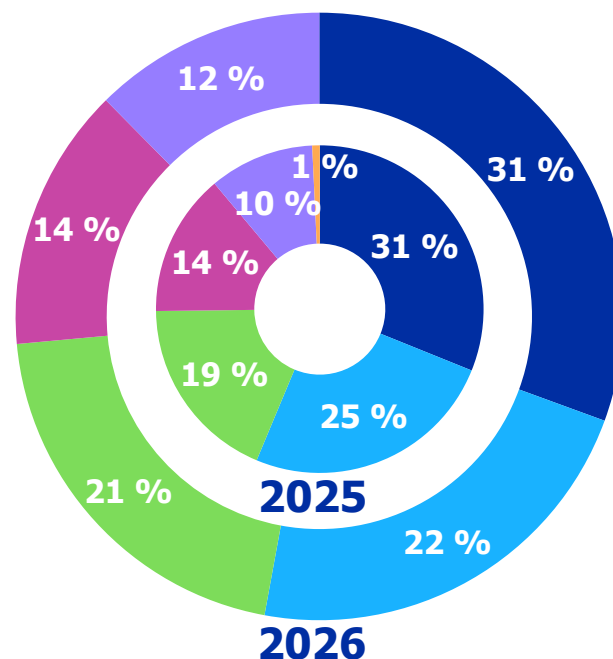


- A large share (42%) reports no impact from trade tensions, indicating adaptation. This is nearly 10 percentage points increase from 2025.
- Negative impacts (47%) still outweigh positive (11%), but are slightly reduced vs. 2025
- Companies appear to be adjusting operations rather than fundamentally changing strategy

COMPETITIVE LANDSCAPE REMAINS BROADLY UNCHANGED

WHO ARE THE MAIN COMPETITORS IN MAINLAND CHINA AND/OR HONG KONG ?

- Chinese SME's
- Chinese large private enterprises
- Foreign large private enterprises
- Foreign SME's
- Chinese SOE's
- Foreign SOE's

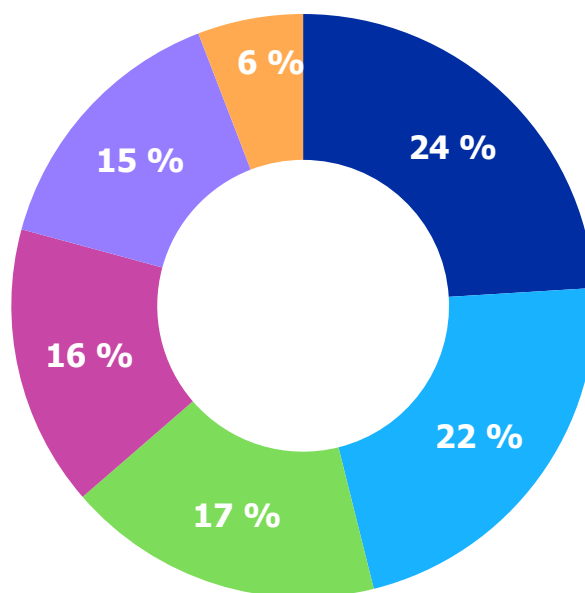


- Chinese private enterprises remain the main competitors (31%)
- Foreign competitors (large + SME) together account for roughly one-third (34%)
- State-owned enterprises play a more limited role (12%)
- Overall structure shows minimal change compared to 2025

BUSINESS APPEARS TO BE ANCHORED IN LOCAL CHINESE CUSTOMERS

WHO ARE THE MAIN CUSTOMERS IN MAINLAND CHINA AND/OR HONG KONG ?

- Chinese large private enterprises
- Chinese SOE's
- Chinese SME's
- Foreign large private enterprises
- Foreign SME's
- Foreign SOE's

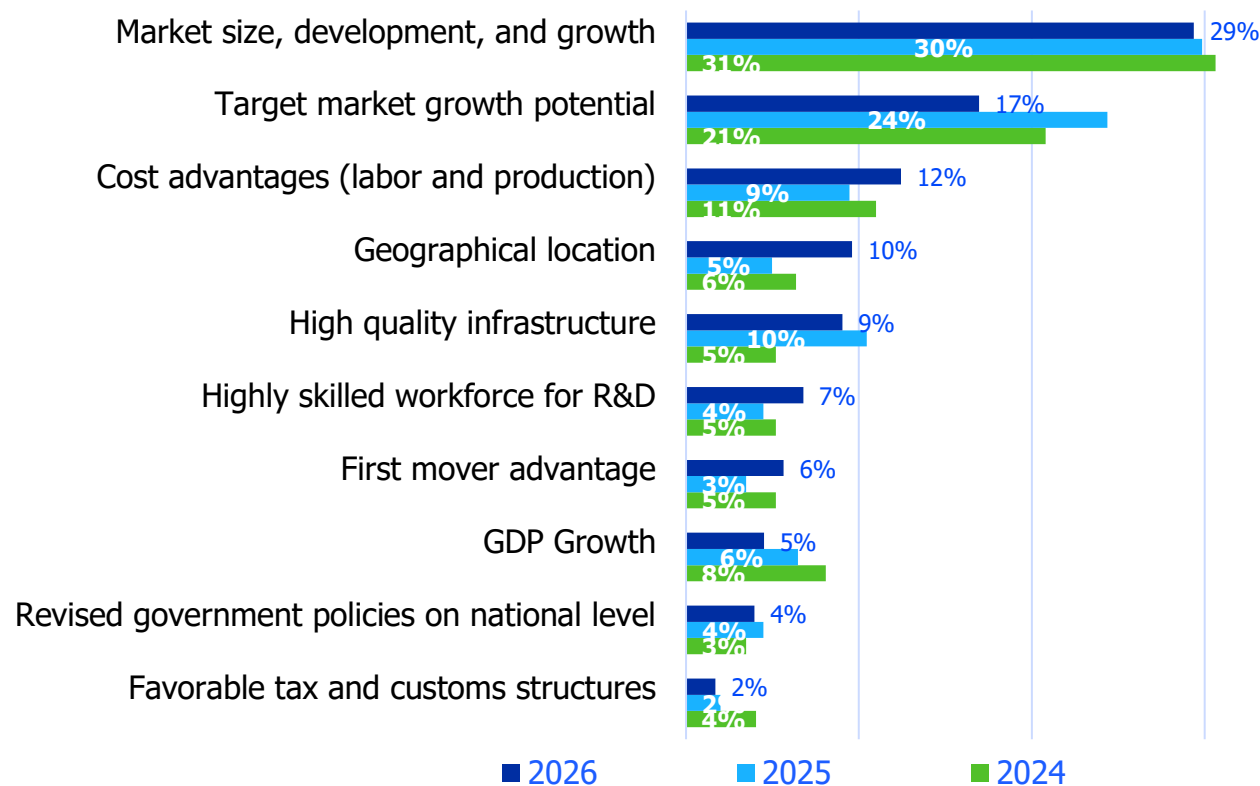


2026

- Local Chinese companies account for the majority of customers (>60% combined)
- Foreign customers remain secondary (30%+), but still relevant
- This reflects deeper integration into the domestic market
- The results challenge assumptions of companies' business models being based on serving foreign companies' China operations.

PERCEIVED OPPORTUNITY PROFILE SHIFTS FROM GROWTH TO MARKET SCALE

WHAT EXTERNAL FACTORS CONTRIBUTE TO OPPORTUNITIES IN CHINA ?

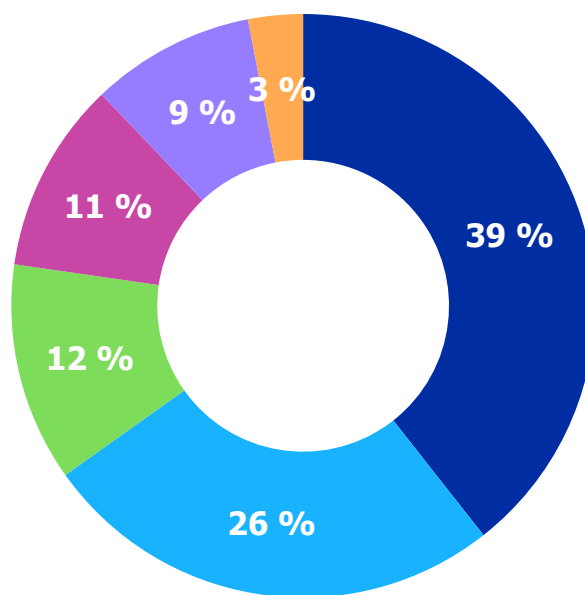


- Market size remains the primary opportunity driver (~29–31%), unchanged in importance
- Growth potential (17%) has declined compared to earlier years (~21-24%)
- Geographical location has clearly become more important factor in driving new opportunities.
- Structural advantages such as infrastructure and cost efficiency (~9–12%) remain relevant

14TH FIVE-YEAR PLAN (FYP) HAD MODERATE, OR OTHERWISE POSITIVE IMPACT ON BUSINESS

HOW DO YOU CONSIDER THE EXECUTION OF 14TH FYP IMPACTED AND PLAYED A ROLE IN YOUR BUSINESS AND/ OR BUSINESS ENVIRONMENT IN CHINA?

- only minor or no impact
- some positive impact
- I do not know
- some negative impact
- a clear positive impact
- a clear negative impact



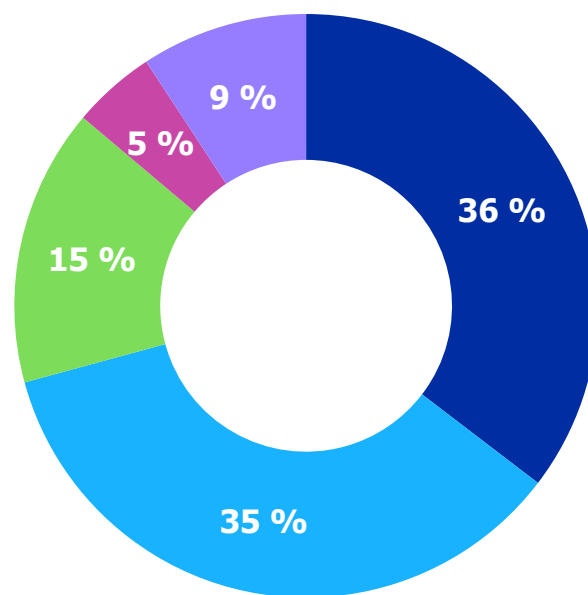
2026

- 35% report positive level of impact, mostly moderately positive
- A largest share of respondents (~39%) indicate only minor or no impact
- Negative impact is considered by 14% of companies
- Overall, the plan is seen as a background framework rather than a direct business driver

EXPECTATIONS LEAN POSITIVE FOR 15TH FYP IMPACT ON BUSINESS ENVIRONMENT

WHAT ARE YOUR EXPECTATIONS ON THE 15TH FYP IN TERMS OF HOW IT WILL CONTRIBUTE TO YOUR BUSINESS AND/OR BUSINESS ENVIRONMENT IN CHINA?

- only minor or no impact
- some positive impact
- I do not know
- some negative impact
- a clear positive impact
- a clear negative impact



2026

- 44% expect a positive impact, primarily moderate rather than strong.
- A significant share (36%) expects only limited or no impact
- 15% of respondents remain unclear about the impacts of 15th FYP on business and/or business environment

SUMMARY & CONCLUSIONS

- **Revenue Contribution:** Local customer contribution and China's share of global revenue remain broadly stable compared to 2025
- **Revenue and Profitability Outlook:** Short-term revenue outlook has slightly improved, though growth and profitability remain modest or stabilizing.
- **Long-term Sentiment:** Long-term outlook has clearly deteriorated, with 56% of companies (vs. 24% in 2025) expecting less favorable development over the next three years.
- **Investments:** More respondents stating no investment plans to China in 2026 (18% -> 23%). Investment focus shifting from expansion toward digitalization and R&D.
- **Geographic focus:** Geographic expansion remains concentrated in established hubs (Yangtze River Delta, Guangdong), with little change compared to last year.
- **Workforce:** Global strategies drive local hiring, which is increasing despite business caution, while the reduction of foreign workforce shows signs of reversing.
- **Business Climate:** Companies expect the business climate to deteriorate slightly more than they anticipated a year ago. Expectations for the investment climate remain similar to 2025; however, the general climate is not the primary driver of the weakened outlook.
- **Regulation:** Local favoritism remains the top concern, while tightening EU (ESG and trade) and Chinese regulations create increasing operational challenges.
- **Supply Chains** are expanding and strengthening in China as the operational strengths of the market continue to offset persisting geopolitical risks.
- **Competition:** Local competition remains stable, with companies' revenues strongly anchored in local customers. Market scale is replacing growth as the main attraction.
- **Five-Year Plans:** 14th Five-Year Plan (2021–2025) was perceived to have a minor-to-moderate positive impact in business. Expectations for the next five-year plan are slightly more optimistic

Thank you!

Kiitos!