



Canada-China Business Survey 2022/2023: Highlights

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MISSION: At the Canada China Business Council (CCBC), our mission is to create more and better business between Canada and China by identifying obstacles and pursuing strategies to reduce their impact.



Executive Summary

Despite China's emergence from COVID-19 in early 2023, things are not back to business as usual. Events of the past five years have had a striking impact on Canada-China business.

While the Western world has a complicated relationship with China, and many competitor country surveys demonstrate downward trends, Canada's results lag our competitors and are far worse than the "good old days" of 2018.

This year's survey resulted in three big takeaways:

I.

Deterioration of sentiment and performance is a slow burn, with a gradual worsening in many areas. As evident from major trendlines that have emerged over the course of our last several surveys, public and corporate sentiment on China remains a tremendous obstacle; and the direction remains stagnant, if not negative.

2.

It's all about politics. The geopolitical and bilateral situations serve as a wet blanket on business, taking precedence over other more business-oriented obstacles. Travel challenges are another impediment squarely in government hands, with routes still at a small percentage of pre-pandemic levels. Companies prefer to focus on economics, but right now politics dominate the scene.

3.

Bad for all, but worse for Canada. While the news is bad across the board for foreign companies in China, the situation for Canadian companies is far worse. Despite China's economic challenges, its consumer market and demand for Canadian products and services continue to represent an opportunity for Canada, a country that relies on trade for nearly two thirds of its GDP each year. Companies' decreased reliance on China as a market may be logical, but for some sectors it is a forced choice, undermining Canada's global competitiveness.





Introduction

CCBC conducts a large-scale survey of the Canada-China trade and investment community every two years in order to explore the community's commercial performance, challenges faced, and future outlook.

The 2021 survey was inordinately focused on the impact of COVID-19. This survey round assesses sentiment in a post-COVID environment. We again surveyed both Canadian and Chinese companies, but the number of Chinese company respondents remains very small, so this report will focus primarily on Canadian responses.

Key findings in 2021 indicated that:

1. Challenges have become more political
2. External pressures are being more acutely felt
3. Profitability is down
4. Optimism and expansion plans remain, but companies are finding ways to diversify beyond China

Those sentiments all continue this time, with political pressures not being significantly alleviated despite the resolution of Michael Spavor, Michael Kovrig, and MENG Wanzhou detentions, and the lifting of commercially-oppressive COVID-zero restrictions in China.

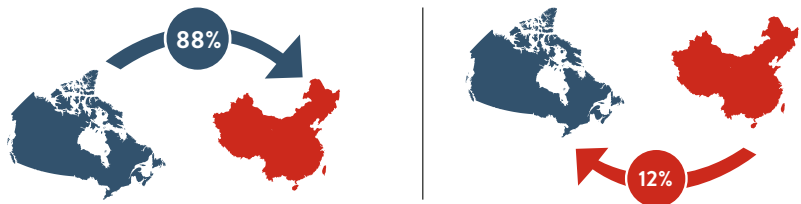
We Report Key Findings of the Survey in Five Sections:

- 1. BUSINESS PERFORMANCE**
(Revenue and Profitability)
- 2. CHINA'S PLACE IN CURRENT AND FUTURE PLANS**
(Strategy, Optimism, Expansion)
- 3. THE CHALLENGES**
(Business Obstacles; Issues, Laws, Regulation and Policy Challenges; and Regulatory Obstacles)
- 4. THE POLITICS**
(Sources of Pressure, The Canadian Government's China Strategy, Indo-Pacific Strategy, Travel Challenges)
- 5. OTHER ISSUES**
(Brand Canada and Supply Chain)

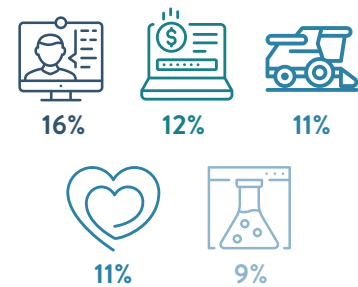


Survey Respondents

This year, a total of 163 companies participated in the survey. Of these respondents, 143 (or 88%) identified as Canadian companies, organizations, or entrepreneurs doing business in/with China, including sourcing from China, and 20 (or 12%) as Chinese companies, organizations, or entrepreneurs doing business in Canada. Due to the very small Chinese company sample size, this report will focus primarily on Canadian responses. Although the Chinese company sample size is identical to 2021, the Canadian company sample size is significantly lower than 2021's size of 236.



Among the 143 Canadian respondents, the most represented sectors include Educational Services (16%), Finance and Insurance (12%), Agri-foods and Agri-business (11%), Government and Not-For-Profit (11%), and Professional, Scientific and Technical Services (9%), a notable shift from the population surveyed two years ago, where Professional, Scientific and Technical Services was the top sector at 15%.



A hundred and twenty-two Canadian companies reported a wide range of global gross revenue in 2022. The highest percentage of Canadian respondents (25%) have global revenue greater than CAD 1 billion. Companies with less than CAD 1 million global revenue and companies with revenue between CAD 1 million and CAD 4.9 million represent 15% each. A significant percentage (10%) of Canadian companies recorded global revenue between CAD 10 million and CAD 49.9 million.



A hundred and twenty-two Canadian companies provided information on the percentage of their company's global gross revenue in 2022 attributable to China business. For 45% of the respondents, the 2022 gross revenue attributable to China business was below 10%, while 13% of the Canadian respondents reported a range between 11-25%.

Top business activities of Canadian companies in/with China include having operations in China [e.g., representative office, JV, plant, factory, subsidiary, sales, branch] (43%), exporting products to China (30%), exporting services to China [includes education, tourism, consultancy] (25%), and importing products from China (19%).

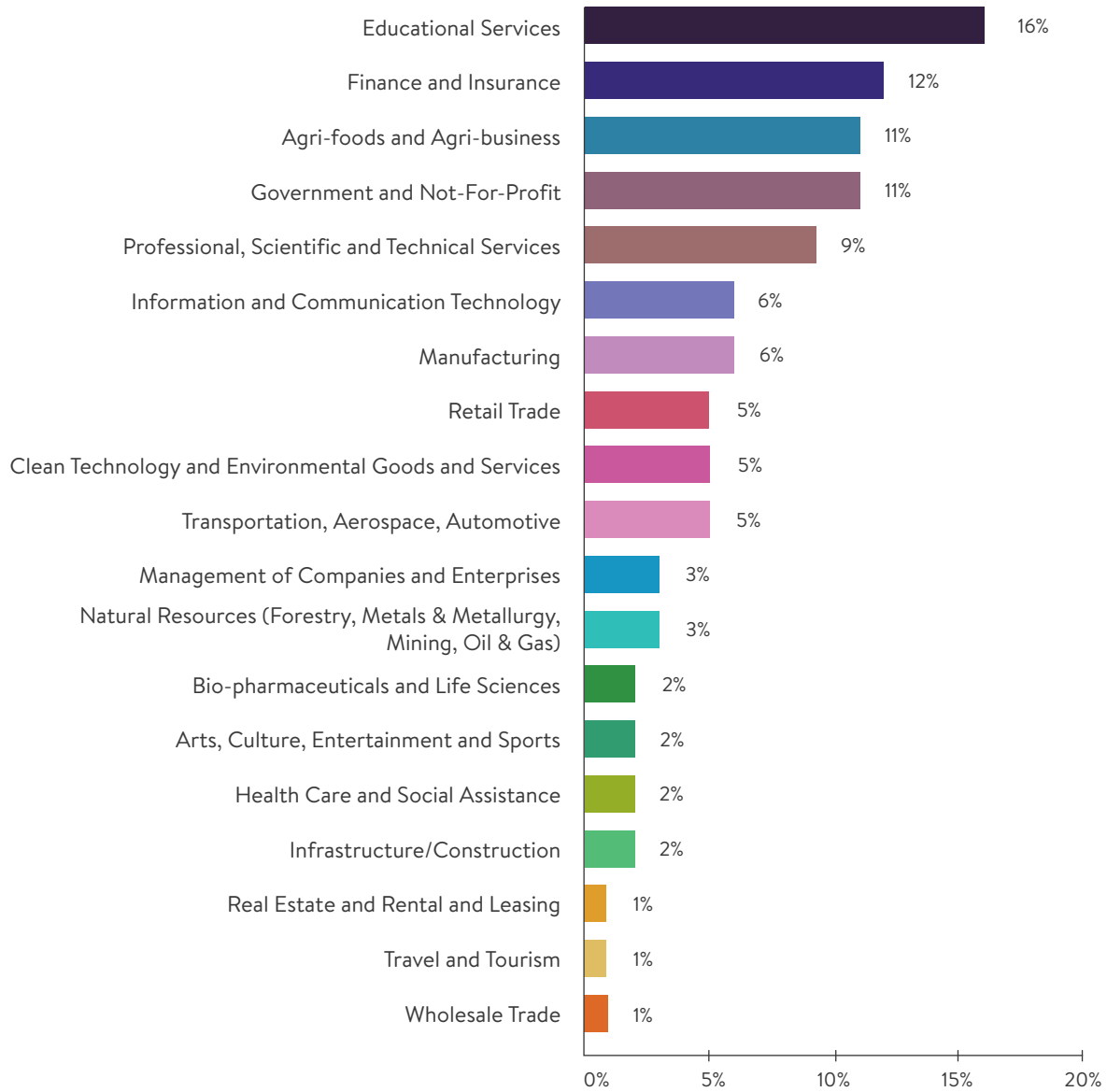
We include a special section at the end of this report on sourcing issues.



Which one of the following best reflects your company's sector? N* = 132

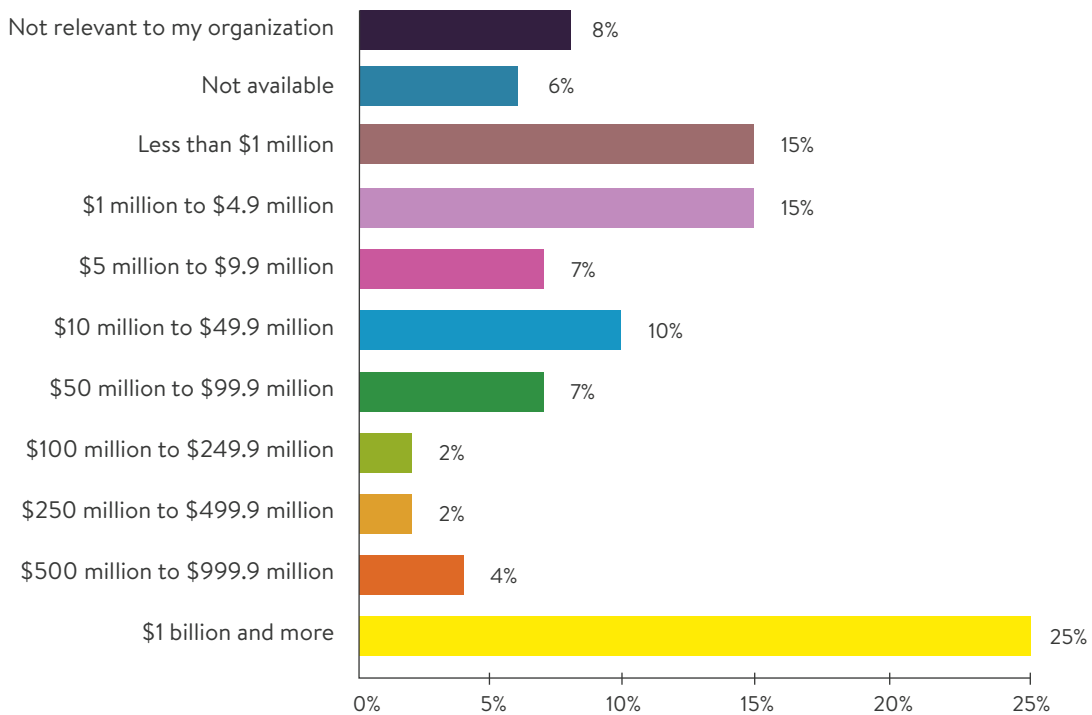
Figure 1: Canadian companies—Sectoral distribution

*N represents the number of responses received for each question.



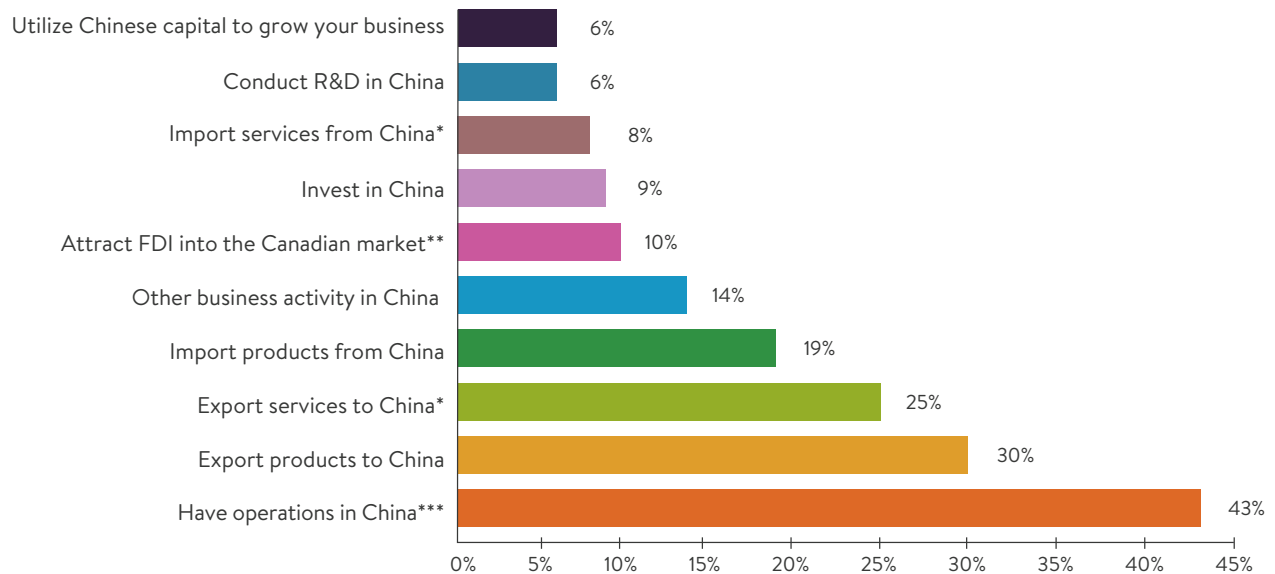
What was the range of your company’s global gross revenue in 2022? (in \$CAD, assuming approximately 5RMB/CAD) N = 122

Figure 2: Company’s global gross revenue, 2022



Which of the following describes your company’s current business activity with China? N = 120


Figure 3: Current business activity with China



* (includes education, tourism, consultancy, etc.)

** (not into your company)

*** (e.g. representative office, JV, plant, factory, subsidiary, sales, branch)



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