

Information to media

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SEB's China Financial Index: northern European companies in China more bullish than ever

Both new investments and recruitment plans are up significantly but concerns over a shortage of skilled labour, high raw material costs and competition are reported among northern European companies operating in China. Despite the Chinese government's measures to cool down the economy, senior managers of northern European subsidiaries foresee a continued improvement in business prospects in the Chinese market. Earlier optimism has been transformed into action and more than half the companies surveyed as part of SEB's latest China Financial Index plan further investments in the next six months with another third planning significant investments. Nine out of 10 companies plan further recruitments, with 20 per cent of them gearing up for a significant addition in staff numbers.

The Chinese economy continues to outperform all other major markets growing 10.3 per cent in 2010. However, exceptionally high credit growth, record high property prices and increasing inflation have led the Chinese government to take measures to cool down the economy. In the last four months banks have been asked to slow down new lending, interest rates have been raised three times and new rules have been implemented in the property market. The view of northern European companies, however, does not reflect the government's concerns – more than 80 per cent have a positive or very positive view on market prospects in the coming six months and two out of three companies anticipate increased profits.

“We see in our own business how client flows and demand for financing is increasing significantly right now. The need for working capital financing is up and companies also need financing for larger investments than previously,” says Fredrik Hähnel, General Manager of SEB in Shanghai.

The survey was carried out between March 1-7, and shows that northern European companies are more bullish in China than other companies right now.

“Although we know that our clients are expanding significantly right now, we are actually a bit surprised by the overwhelming optimism among northern European companies as several important indicators point to a slight slow down in economic activity. The Purchasing Manager's index, for example, fell in February and we know that loan growth from Chinese banks has decelerated,” continues Hähnel. “The biggest concerns, now that companies are expanding so much, are the challenge of attracting and retaining skilled staff, higher raw material costs and fierce competition on the Chinese market.”

This is the fifth time SEB has published the twice-yearly China Financial Index. The unique report aims to reflect expectations of northern European companies in China to facilitate understanding of economic and financial development in the country. The survey comprises 12 questions related to the business climate, investment plans, recruitment plans and the view of currencies and interest rates. The full report can be downloaded from: www.sebgroup.com.

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