

The Conference Board Measure of CEO Confidence™ for China

# Confidence Among CEOs of Multinational Corporations Wanes as Economic Weakness Persists

2023 H2 RESULTS



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## Insights for What's Ahead: The Conference Board Measure of CEO Confidence™ for China

- **The Measure of CEO Confidence™ for China remains in positive territory, at 54, but dropped markedly from a record-high of 72 just six months ago.** Back in April, confidence levels surged on the heels of China lifting all COVID restrictions and strong Q1 economic results. Now that slower growth has resumed, and amidst continued geopolitical volatility, CEO sentiment has become much more somber. This moderation was to be expected, and is in line with expectations for a prolonged period of economic stress. The Measure of CEO Confidence ranges from 0 to 100, with a reading below 50 points reflecting more negative than positive responses.<sup>1</sup>
- **CEO views of current economic conditions have clearly downshifted in lockstep with market realities and their outlook remains cautious.** In H2, just 31 percent of CEOs surveyed said general economic conditions were better compared to six months ago, down substantially from 88 percent in H1. Over two thirds of CEOs (71 percent) say demand has not returned to pre-COVID levels. Consistent with this, optimism about the short-term outlook has decreased: 51 percent of CEOs expect economic conditions to improve over the next six months, but this is down from 79 percent in H1.
- **CEO expectations about the sales outlook also dimmed markedly, while the outlook for capital investment and hiring both dropped into negative territory.** Less than half of CEOs (46 percent) expect their sales in China to increase over the next six months, compared to 76 percent in H1; but only 17 percent expect sales to actually decrease. Views are more sobering on investment and hiring, with 40 percent of CEOs expecting a decrease in capital investments and 37 percent a reduction in headcount over the next six months, both up notably from just 9 percent in H1.
- **CEOs' views are clear on the most pressing risks for their business in China: geopolitical tensions and China's economic slowdown.** Managing geopolitical issues is also creating an additional drag on cost and efficiency for businesses: 51 percent of CEOs say negative costs and efficiency impacts are high, 37 percent moderate, and only 9 regard them as insignificant.
- **Views are mixed about the longer-term outlook.** 60 percent of CEOs say their level of concern is high regarding the 2-year growth outlook, only 9 percent say it is low or they aren't concerned. But more than half believe Chinese demand will be above the global average five years from now, and nearly half say a prolonged period of low growth may provoke a course change by Chinese policy makers towards increased marketization, private sector liberalization, and/or a broader opening to foreign investors, while the other half are on the fence.

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<sup>1</sup> The Measure surveys China-based CEOs of major, mostly US and European multinational companies operating in China. A total of 35 CEOs participated in the H2 survey, which was fielded from October 17 to 31.

# CEO Confidence in China Loses Momentum, but Holds Above the 50-Mark

- The Measure of CEO Confidence™ for China remains in positive territory, at 54, but shifted down markedly from a record-high of 72 six months ago. All three drivers - current business conditions, future business conditions, and future industry conditions - contributed to the drop in confidence, but perceptions about current business conditions deteriorated most, stopping just short of hitting the 50-mark that divides positive from negative territory.

## About The Conference Board Measure of CEO Confidence™ for China

The Conference Board Measure of CEO Confidence™ for China is a biannual barometer of the health of the Chinese economy from the perspective of China-based chief executives of mostly US and European MNCs operating in China, based on CEOs' perceptions of current and expected business and industry conditions. It has a scale from 0 to 100, with a reading below 50 points reflecting more negative than positive responses. The survey also gauges CEOs' expectations about future expectations on sales, capital investments, and employment, as well as questions of current significance impacting the business operating environment in China. This iteration of the Measure is based on the responses from 35 CEOs.

Chart 1

### CEO Confidence Fell Sharply in H1, But Remained in Positive Territory

The Conference Board Measure of CEO Confidence™ for China and its Sub-components



Note: A reading above 50 indicates more positive than negative responses. CEOs in China were surveyed between October 17 and 31, 2023. 35 CEOs responded to the survey. See Methodology for details on how this aggregate measure is calculated.  
 Source: The Conference Board Measure of CEO Confidence™ for China 2023 H2

## Current Business Conditions

CEO assessment of current business conditions deteriorated significantly.

- CEO confidence about current business conditions (as compared to six months ago) fell to 52 in H2, a significant drop from 77 in H1.
- Just 31 percent of CEOs surveyed said current conditions were better compared to six months ago, versus 88 percent in H1.
- 29 percent said conditions were worse, compared with just 9 percent in H1.

The majority of CEOs say demand has not returned to pre-COVID levels.

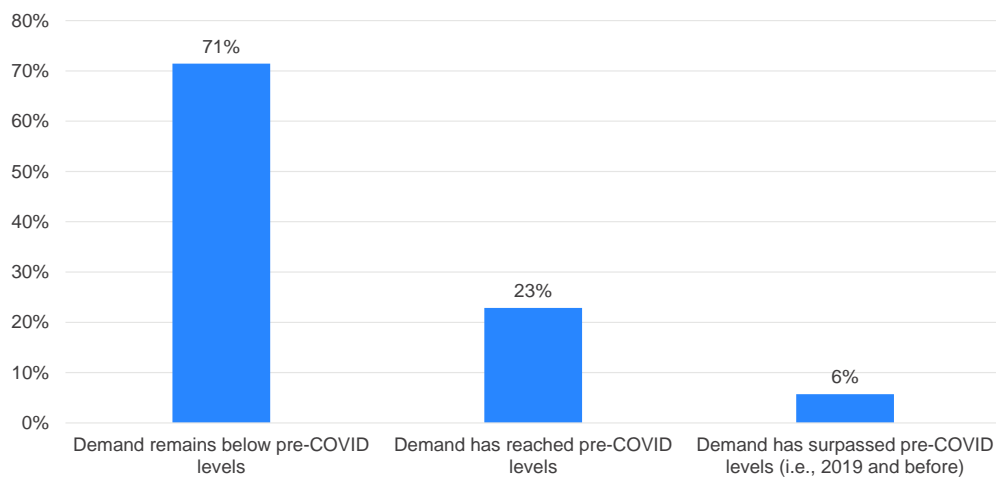
- 71 percent said demand in their own industry remains below pre-COVID levels, while 23 percent stated demand had reached pre-COVID level.

Chart 2

### Demand Remains Largely Below Pre-COVID Levels

Compared with pre-COVID levels, current demand in your sector is:

Note: CEOs in China were surveyed between October 17 and 31, 2023. 35 CEOs responded to the survey.



Source: The Conference Board Measure of CEO Confidence™ for China 2023 H2

## Future Business Conditions

Sentiment about the near-term outlook remained in positive territory, but optimism dimmed markedly compared to earlier this year.

- Overall, CEO sentiment about business conditions for the Chinese economy six months from now, dropped from 71 in H1 to 56 in H2.
- 51 percent of CEOs said they expect economic conditions to improve over the next six months, down from 79 percent in H1.
- 23 percent expect conditions to worsen, versus just 9 percent in H1.

CEO expectations regarding short-term prospects in their own industry also moderated.

- Overall, CEO sentiment about business conditions in their own industries over the next six months remained in positive territory, but dropped to 54 in H2, down from 68 in H1.
- 31 percent of CEOs expected conditions in their own industries to improve over the next six months, down from 68 percent in H1.
- 26 percent expect conditions in their own industry to worsen, compared with just 3 percent six months ago.

## International Comparison

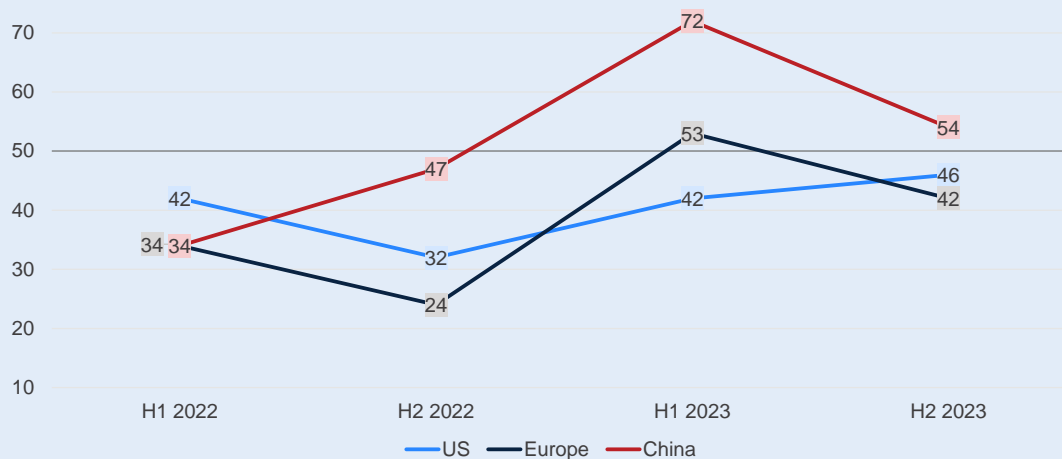
CEO Confidence remains largely pessimistic in the US, and turned negative in Europe.

- In [Europe](#), CEO Confidence dropped back into negative territory in H2 2023. The Conference Board Measure of CEO Confidence™ for Europe by ERT fell to 42 in H2, from a barely positive 53 six months ago. Views about current economic conditions plunged, while CEOs remain pessimistic about the prospects for the economy over the next six months.
- In the [US](#), CEO Confidence remained in negative territory. The Conference Board Measure of CEO Confidence™, in collaboration with the Business Council now stands at 46, compared with 48 in Q3 and 42 in Q2 (the survey is run quarterly in the US, but only bi-annually in Europe and China). Although recession fears receded somewhat, more than two-thirds of US CEOs (69 percent) continue to expect a shallow and brief US recession with limited global spillover over the next 12-18 months.

Chart 3

### CEO Confidence Remains Negative in the US, Falls into Negative Territory in Europe

The Conference Board Measure of CEO Confidence™



Note: A reading above 50 indicates more positive than negative responses. In the United States, 136 CEOs were surveyed between September 18 and October 2. In China, 35 CEOs were surveyed between October 17 and 31. In Europe, 54 CEOs were surveyed between September 26 and October 11. Surveys in China and Europe are run bi-annually, while the survey in the US is conducted quarterly. For the US, Q2 results are shown for reasons of comparability across the three regions.  
Source: The Conference Board Measure of CEO Confidence™

# Sales, Investment, and Employment Expectations

## Sales Outlook

CEOs' expectations about the sales outlook dropped significantly but remains positive.

- CEO sentiment regarding sales over the next six months stood at 57 in H2, down significantly from 73 in H1.
- 46 percent expect their sales in China to increase over the next six months, down from 76 percent in H1. 17 percent expect sales to decrease, while none expected a decrease six months ago.

## Investment Outlook

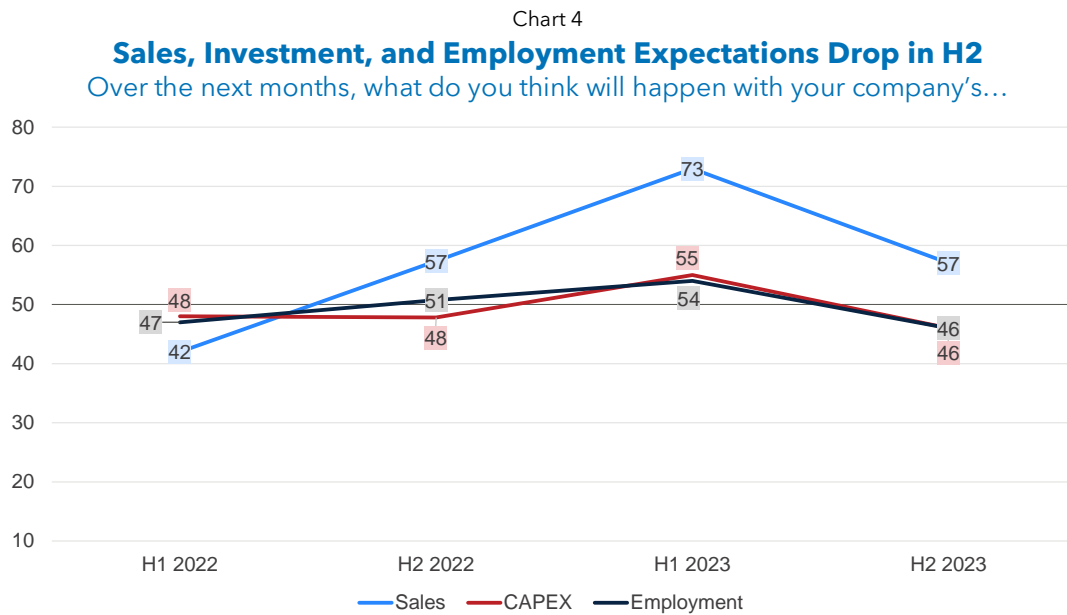
CEO sentiment on the outlook for capital investments dropped into negative territory.

- CEO sentiment regarding capital investments over the next six months dropped to 46 in H2, down from 55 in H1.
- 40 percent of CEOs now expect a decrease in capital investments, up from just 9 percent six months ago.

## Employment Outlook

CEOs' outlook on hiring intentions also turned negative.

- CEO sentiment regarding hiring intentions over the next six months stood at 46 in H2, down from 54 in H1.
- 37 percent of CEOs now expect to reduce headcount over the next six months, up from just 9 percent in H1.



Note: A reading above 50 indicates more positive than negative responses. CEOs in China were surveyed between October 17 and 31, 2023. 35 CEOs responded to the survey. See Methodology for details on how this aggregate measure is calculated.  
Source: The Conference Board Measure of CEO Confidence™ for China 2023 H2

## Top Risks Affecting Business in China

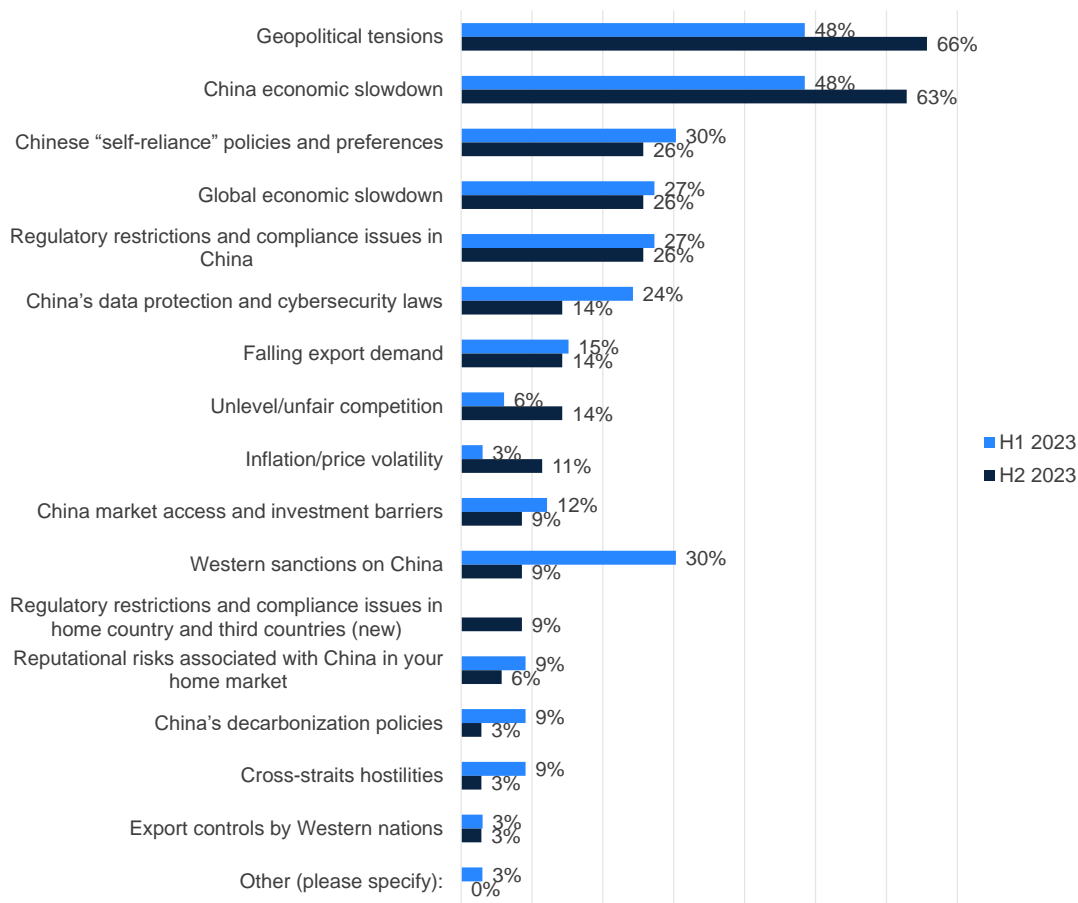
CEOs views are clear on the two most pressing risks impacting their business operations in China.

- The top two risks identified by the MNC CEO group remain geopolitical tensions (66 percent) and China’s economic slowdown (63 percent) The gap between these top two risks and the rest was even more pronounced than six months ago.
- While risk perception regarding Western sanctions on China dropped notably, other important risks identified by the group remained largely unchanged: “Self-reliance” policies (26 percent), global economic slowdown (26 percent), and regulatory restrictions (26 percent).
- Managing geopolitical issues is negatively impacting business. 51 percent of CEOs say the costs and efficiency impact is high, 37 percent moderate, and only 9 percent say the impact of managing geopolitical issues is insignificant.

Chart 5

### Top Risks Are Geopolitics and China’s Economic Slowdown

What top three risks from the below are most affecting your business in China?

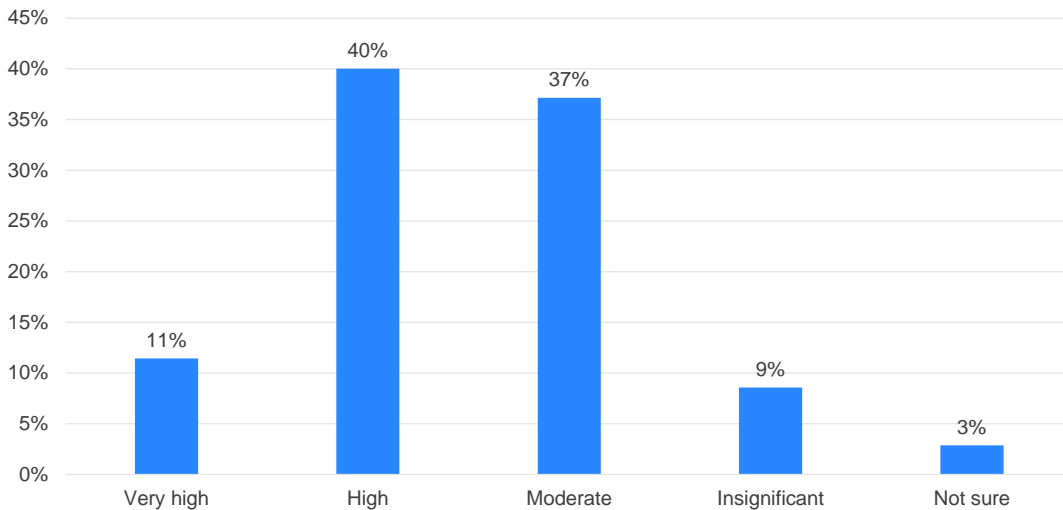


Note: Respondents were asked to select the top three risks. Final rankings were derived based on the total sum of respondents selecting each option. CEOs in China were surveyed between October 17 and 31, 2023. 35 CEOs responded to the survey.  
Source: The Conference Board Measure of CEO Confidence™ for China 2023 H2

Chart 6

## Managing Geopolitical Issues Creates Drags on Cost and Efficiency

Managing geopolitical issues is having what level of impact on your costs and efficiency?



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Source: The Conference Board Measure of CEO Confidence™ for China 2023 H2

## Long View on Chinese Growth

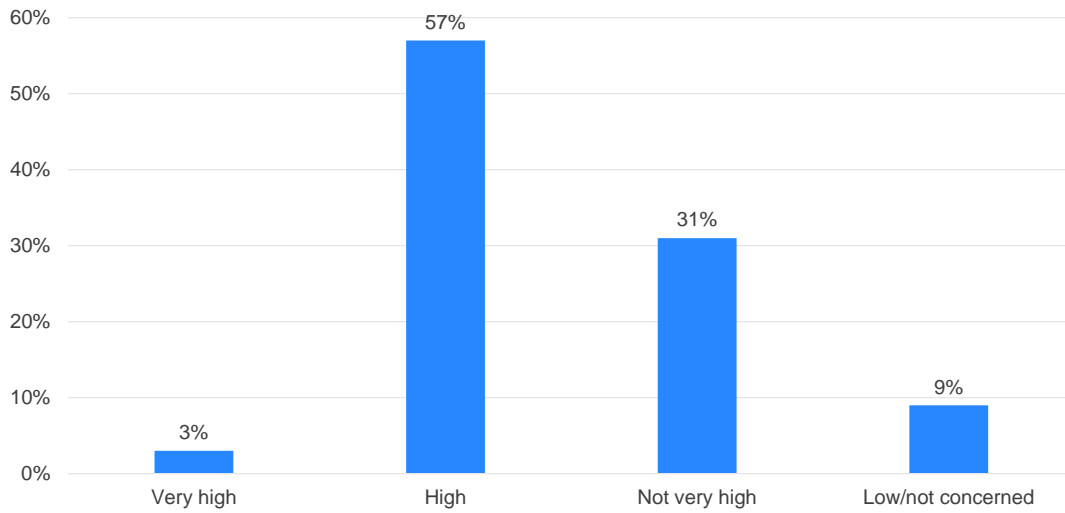
The majority of CEOs are concerned about the longer-term outlook; views are mixed on whether to expect market reforms should China enter into a prolonged low-growth period.

- The majority of CEOs (60 percent) say their level of concern regarding the growth outlook for the coming 24 months is high or very high, while only 9 percent say it is low or they aren't concerned.
- When asked to look at the China market five years from now, 55 percent of CEOs see Chinese demand will be at least above average globally, while 29 percent say it will likely be on par with other major markets.
- When asked whether they ascribe to the view that if a prolonged period of low growth manifests, it will eventually provoke course change by Chinese policy makers toward increased marketization, private sector liberalization, and/or wider opening to foreign investors, 49 percent of CEOs said "yes", 23 percent "no", and 29 percent were undecided.

Chart 7

### Majority of CEOs are Concerned About the 2-year Outlook

Looking ahead at the next 24 months, your level of concern regarding China's growth outlook for your sector is...

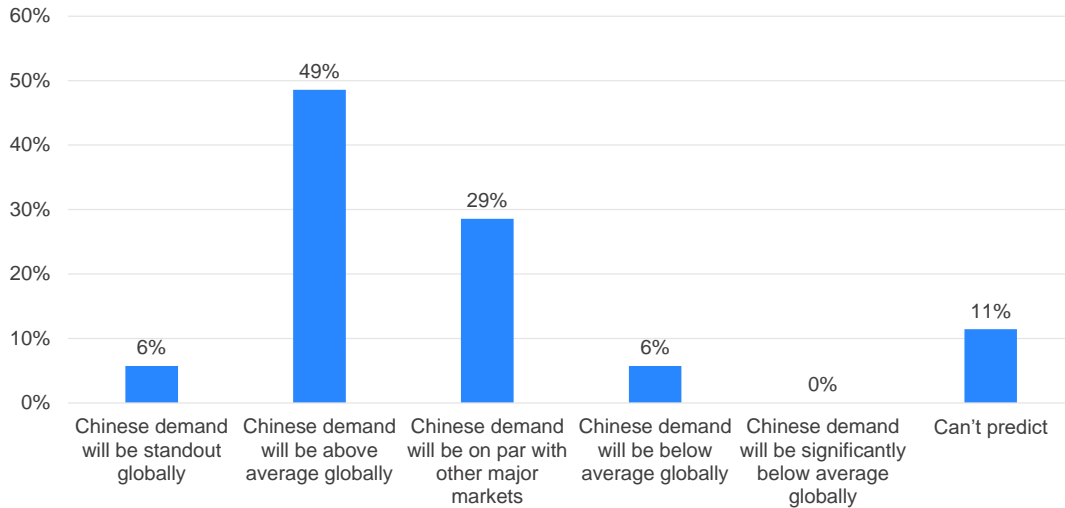


Note: CEOs in China were surveyed between October 17 and 31, 2023. 35 CEOs responded to the survey.  
Source: The Conference Board Measure of CEO Confidence™ for China 2023 H2

Chart 8

### How Will Chinese Demand Compare Globally 5 Years from Now?

Looking at the China market five years from now in your sector, the assumption to which you would ascribe the highest probability is...

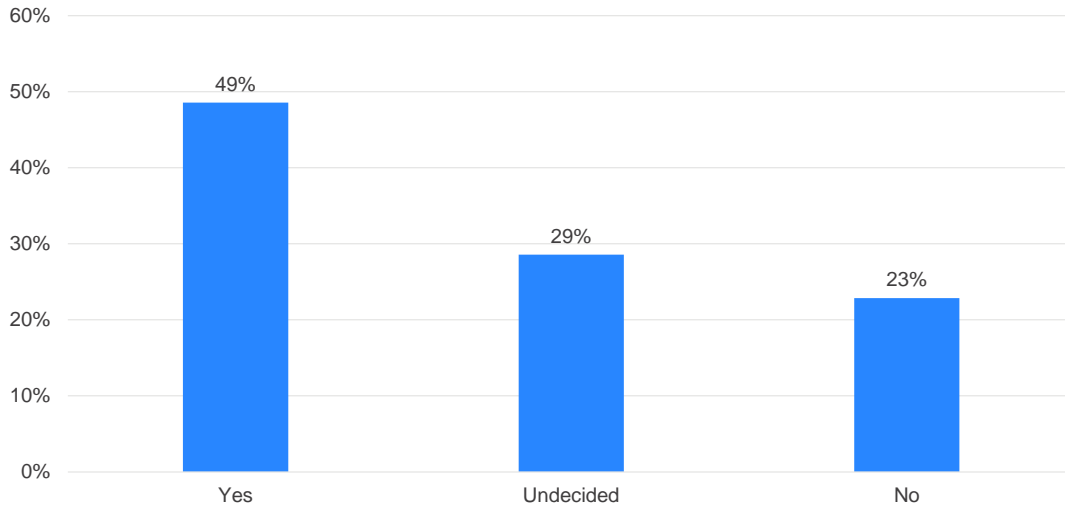


Note: CEOs in China were surveyed between October 17 and 31, 2023. 35 CEOs responded to the survey.  
Source: The Conference Board Measure of CEO Confidence™ for China 2023 H2

Chart 9

### Views Are Mixed on Market Reform Prospects

Do you ascribe to the view that a prolonged period of low growth, if it manifests, will eventually provoke course change by Chinese policy makers toward increased marketization, private sector liberalization, and/or wider opening to foreign investors?



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Source: The Conference Board Measure of CEO Confidence™ for China 2023 H2

## About The Conference Board Measure of CEO Confidence™ for China

The Conference Board launched in April 2022 a Measure of CEO Confidence survey for China. The Measure is based on responses of China-based CEOs of mostly US and European multinational companies operating in China.

The measure ranges from 0 to 100. A reading of less than 50 reflects more negative than positive responses. The measure is based on results from three survey questions about: 1) business and economic conditions now; 2) conditions in six months; and 3) prospects for respondents' own industries.

In addition to the confidence measure, CEOs also assess the outlook for their own company through questions about employment, sales, and capital investment in China. Special questions of current significance are included in each survey.

The latest China survey was fielded between October 17 and 31, 2023, to 48 China Center member CEOs and Executives. 35 responded, resulting in a response rate of 73 percent.

### Measures of CEO Confidence™ in the US and Europe

The Measure of CEO Confidence for Europe by ERT survey was circulated between September 26 and October 11, 2023, to 56 ERT members. 54 replied to the regular questions, resulting in a response rate of 95 percent. More than 50 replied to the special questions. In the US, 136 CEOs participated in the survey, which is conducted in collaboration with The Business Council; the US survey was fielded between September 18 and October 2, 2023.

The US survey is conducted on a quarterly basis, whereas the surveys in Europe and China are conducted bi-annually. For additional information regarding the methodology for The Conference Board Measure of CEO Confidence™ see [Surging Confidence Among European Business Leaders Despite Strains on Supply Chains](#). To access and download the historical data, please visit Data Central at <https://data-central.conference-board.org/>



## About The Conference Board

The Conference Board is the member-driven think tank that delivers trusted insights for what's ahead. Its membership includes over 1,200 companies in both the established and emerging markets of the world. Its global community of leadership experts, which includes representatives from The Conference Board and a number of prominent companies, works to ensure members receive the practical knowledge they need to navigate the biggest issues impacting business and better serve society. Founded in 1916, we are a nonpartisan, not-for-profit entity holding 501(c)(3) tax-exempt status in the United States. For more info, visit [www.conferenceboard.org](http://www.conferenceboard.org).

## About The China Center

To be durably successful in China, you need continuous and reliable foresights on China's economic trends, political economy influences, consumer market shifts, trade and geopolitical factors, and business environment dynamics specific to MNCs in this market. Our independence, deep China experience, and hardnosed data work yield unique insights that inform and improve your business planning. In joining our China Center, you gain access to an unmatched market intelligence platform and an exclusive peer network for exchanging perspectives on your highest priority issues.

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