

Weekly China Insight

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Signs of stabilization emerge after years of declining business confidence from EU companies in China

On 27 May, the European Union Chamber of Commerce in China (EUCCC) released its *2026 Business Confidence Survey*, showing the first meaningful improvement in sentiment among European firms since 2022. While 68% of respondents still reported doing business in China had become more difficult over the previous year, this was down from a record 73% in 2025. The share of companies viewing China's business environment as increasingly politicized also fell below 50% for the first time in several years.

The survey suggests that, amid growing geopolitical and economic uncertainty elsewhere, many European firms now view China as a comparatively stable market and supply-chain hub in an increasingly volatile global environment.

China remains indispensable for supply chains and innovation for EU firms

The EUCCC survey highlights China's enduring importance to European companies' global operations. A striking 94% of respondents identified China as an important sourcing destination, while 75% said their China-based production is more efficient than operations elsewhere. At the same time, perceptions of Chinese competitiveness continue to rise, with 48% of respondents reporting Chinese firms in their sector are now more innovative than European competitors, compared to only 24% who favored European companies.

For European businesses, China is increasingly valued not only as a manufacturing base but also as an innovation ecosystem, making selective decoupling more difficult for many multinational companies.

European investment sentiment continues to drag despite improving outlook

Despite modest improvements in profitability and growth expectations, European companies remain hesitant about expanding investment in China. Only 53% of the EUCCC survey respondents ranked China among their top three investment destinations – the lowest level on record. Meanwhile 14% of the respondents reported having no investment plans in China, the highest share since the survey began in 2004. Regulatory barriers, market-access restrictions, and geopolitical concerns remain significant challenges cited by the surveyed EU companies, particularly in sectors such as medical devices and pharmaceuticals. At the same time, 32% of the respondents said they or their supply-chain partners had been affected by China's export-control measures.

Although operating conditions appear to be stabilizing for EU companies in China, sustained recovery in foreign business confidence will depend on concrete progress in market access, regulatory transparency, and policy predictability.

Swedish firms in China report improving performance despite mounting challenges

On 26 May, Business Sweden released its *Mainland China Business Climate Survey 2026*, finding that Swedish companies in China have become more optimistic after several difficult years. Based on responses from 106 Swedish firms, the survey showed improved financial performance, with 68% of the respondents remaining profitable, and 47% reporting revenue growth and 44% reporting profit growth, up from 41% and 35% respectively in 2024. Business expectations improved for 2026, with 59% of respondents forecasting revenue growth and 54% expecting higher profits. However, only 49% expect overall industry turnover to increase, unchanged from the previous year. The business climate index rebounded from 2.8 to 3.2 out of 5 in 2026, its highest level since 2023, reflecting improved sentiment among Swedish companies in China.

While Swedish companies continued to rate China's market conditions favorably, perceptions of transparency and equal treatment deteriorated further. According to the survey respondents, the main external challenges facing Swedish companies were China's economic slowdown (58%), global geopolitical risks (43%), and a slowing global economy (37%).

The survey results suggest that Swedish companies are adapting to China's more challenging business environment rather than retreating from it. Swedish companies continue to view China as an essential market for manufacturing, innovation, and business development.