

U.S. firms in China delay investments

BY MEI FONG

BEIJING—Over a third of U.S. companies in China say they expect their revenues to drop this year and will postpone planned investments, according to a survey by the American Chamber of Commerce in China, reflecting the slowdown in the Chinese economy.

The annual survey to be released Tuesday shows that 35% of Amcham members expect revenues to decrease this year, up sharply from 13% who saw a fall last year.

In all, 37% of respondents

are postponing planned investments this year, while 21% expect to shrink their China work force. Amcham didn't survey members about their investment and hiring plans last year, so no comparative figures are available.

"A third of the members have hit the pause button," said Amcham chairman John Watkins, who said that over half the respondents are still optimistic about China's long-term, or five years on, outlook. "China continues to be a place of investment, and we need to just get through

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Survey shows U.S. firms in China will delay investments

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this year," Mr. Watkins said.

On Monday, Chinese think tank State Information Center predicted China's economy in the first quarter will expand by 6.5% from a year earlier, according to the official China Securities Journal. That compares with first-quarter growth last year of 10.6%, according to Xinhua.

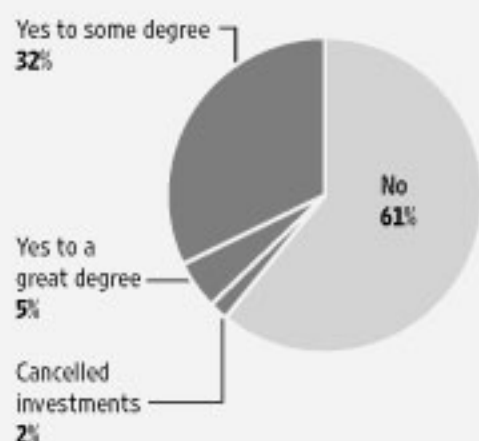
Almost half the companies surveyed are pessimistic about this year's business prospects, and only 5% are optimistic. The Amcham investment numbers are in line with official Chinese data, which show that foreign-direct investment plunged 33% to US\$7.5 billion in January from a year ago.

Amcham's annual survey, an important barometer of the health and concerns of U.S. companies in China, drew 400 respondents during a November-December data collection period.

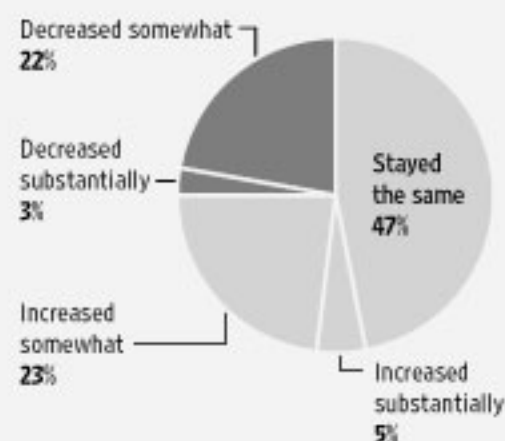
Due to the deteriorating economy, follow-up questions on hiring were asked in February, drawing 200 respondents. A total of 32% of those respondents said they expected to hire more work-

Holding off | Results of the annual members survey of the American Chamber of Commerce in China

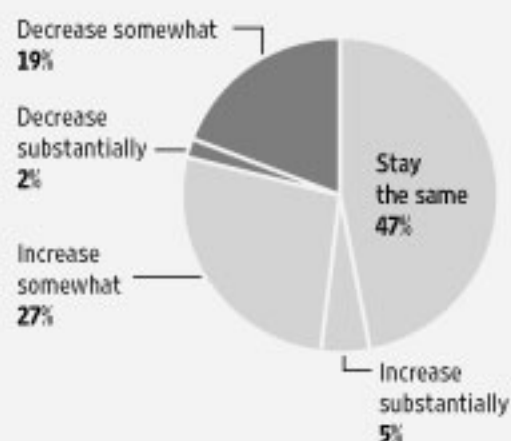
Has your company postponed any planned investment into China?



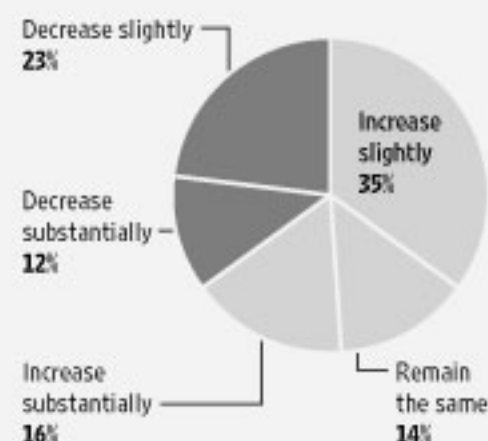
In the last four months (since Nov. 2008) how has the size of your China-based workforce changed?



In 2009, how do you project the size of your China-based workforce to change?



How will revenue in 2009 compare with revenue last year?



ers this year, while 21% said they would cut staff. In the earlier survey, 27% said they had reduced staff in the four months prior to November.

Similar to last year, the issue of "management-level human-resources constraints" was cited as the top business challenge for American companies in China,

ahead of issues such as China's bureaucracy and intellectual-property violations. U.S. businesses frequently complain about the difficulty of finding qualified senior local managers.

Foreign companies are now grappling with tougher labor laws, implemented last year, that have led to an increase in lawsuits filed

by laid-off workers and, in some cases, higher compensation for dismissed workers. This year's Amcham survey showed that 84% of U.S. companies felt China is losing some of its competitive edge due to rising labor and regulatory costs, compared with 72% last year.

The study also showed the in-

creasing importance of China's markets to U.S. companies, with 63% producing or sourcing goods and services in China expressly for the Chinese markets, up from less than half in 2007. In contrast, only 9% of U.S. companies in China are producing or sourcing in China for the American market, down from 16% in 2008 and 2007.