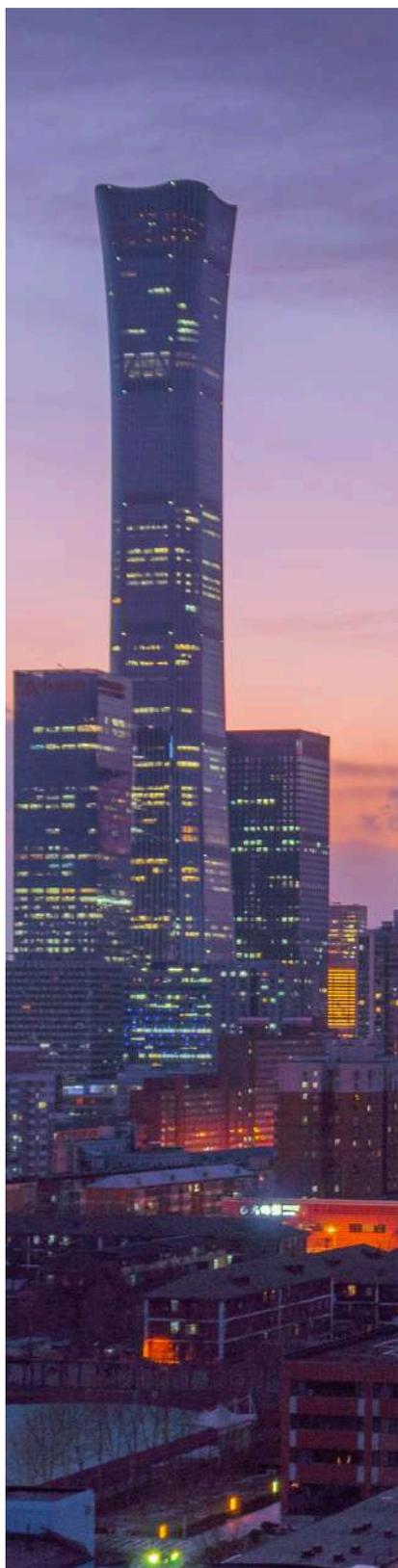




CAMERA DI COMMERCIO ITALIANA IN CINA

中国意大利商会 CCIC dal 1903

CAMERE DI COMMERCIO ITALIANE ALL'ESTERO



CCIC ANNUAL REPORT 2025



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LETTER FROM CCIC CHAIRMAN LORENZO RICCARDI

Dear Members and Friends,

As we navigate a period of profound economic transition, understanding the evolving landscape for Italian companies in China remains central to the mission of the Italian Chamber. The global environment is increasingly shaped by structural shifts in China's economy, changing trade patterns, and geopolitical complexity—yet it continues to offer significant prospects for those equipped with innovation, resilience, and strategic foresight.

This year has seen a meaningful phase in Italy–China relations, marked by high-level institutional engagement and strengthened collaboration among our business community, the Embassy of Italy, the consular network, ITA, and IIC.

Institutional dialogue remained a priority, particularly within the framework of the 50th anniversary of EU–China relations and the 55th anniversary of Italy–China diplomatic ties. The Chamber contributed to several initiatives and facilitated dialogue with European and Chinese partners, including through the EUSME Centre, a project of the European Commission led by the Italian Chamber. We also took part in an official parliamentary hearing in Rome, representing the interests of our members, and co-organized a business conference with Italian enterprises and the Ministry of Commerce of China.

Throughout 2025, we reinforced our presence across China by participating in major exhibitions and bilateral events, actively promoting Made in Italy at forums including the Canton Fair, China Food & Drink Fair, CIIE, China Medical Equipment Fair, China-EU Fair, CISCE, MarineTec, Offshore Wind Asia, Sichuan Agri-Expo, Tianjin Heli-Expo, Vinitaly, World Clean Energy Conference, and Xiamen CIFIT. Key partnerships were also established, such as an agreement with ENIT to represent the Italian Tourism Board in three Chinese cities, an MOU with Confindustria, and the hosting of multiple business missions for industry associations.

Our members engaged extensively through seminars, meetings, and roundtables across numerous provinces and municipalities: Anhui, Beijing, Chongqing, Fujian, Guangdong, Hainan, Hebei, Heilongjiang, Hunan, Jiangsu, Shaanxi, Shandong, Shanghai, Shanxi, Sichuan, Tianjin, Xizang, and Zhejiang.

Flagship national events drew record participation, enriched by high-level seminars among political, academic, and business leaders. We increased the number of activities, including roundtables, working groups, and visits to major industrial sites.

In the Asia-Pacific region, the Chamber enhanced its role through business roundtables and cross-border collaborations with fellow chambers of commerce.

CCIC further strengthened its institutional identity with a new logo incorporating Unioncamere and Assocamere elements, increased international media engagement, and completed a research project tracing the origins of the Italian business community and the Chamber's establishment in China in 1903.

We also advanced long-term governance proposals to ensure inclusive participation of Italian companies of all sizes, sectors, and locations, with special recognition of strategic hubs such as Suzhou.

Our Business Sentiment Survey, with regular flash updates, provided timely insights into the operating environment in China. The country's ongoing economic transformation—driven by real estate adjustments, local debt dynamics, demographic shifts, and the forthcoming 15th Five-Year Plan (2026–2030)—is redefining its growth model. An emphasis on technological self-reliance, green transition, and quality consumption is promoting engagement in high-value sectors such as advanced manufacturing, sustainable energy, healthcare, lifestyle, and digital innovation.

Nevertheless, challenges including regulatory complexity, pricing pressure, and localization requirements call for strategic adaptation. Italian businesses are responding by strengthening local supply chains, investing in R&D, expanding digital channels, and aligning with China's sustainability priorities.

Advocacy efforts continued to focus on market access, logistics, intellectual property, and compliance. A major development is the forthcoming Italy–China Double Taxation Agreement, effective 1 January 2026, which will halve withholding tax on dividends and improve bilateral investment conditions. Progress is also anticipated on social security coordination, supporting companies with expatriate personnel.

Mobility and talent development remained key priorities. The Chamber supported visa facilitation for Italian citizens entering China and smoother Schengen visa processes for Chinese executives. We expanded university partnerships, Career Days, and training programmes to foster opportunities for young professionals.

We remain committed to promoting Made in Italy, enhancing economic and commercial ties between our two countries, and strengthening the value of our business community in China.

Lorenzo Riccardi

Chairman of China-Italy Chamber of Commerce



“ITALIAN ENTREPRENEURIAL PRESENCE IN CHINA: VISION, STRATEGIES, OPPORTUNITIES”

Hearing of the President of the Italian Chamber of Commerce in China Lorenzo Riccardi before the Foreign Affairs Committee of the Italian Chamber of Deputies Rome 7 May 2025, Italian Parliament, Palazzo Montecitorio

The Italian Chamber of Commerce in China (CICC), whose Honorary President is the Ambassador of Italy to China, Massimo Ambrosetti, is an association of Italian entrepreneurs and professionals officially recognised by the competent ministries of both the Italian Republic and the People’s Republic of China. Its mandate is to support the internationalisation of Italian enterprises and to promote Made in Italy in China.

The Chamber is part of Assocamerestero, the network of Italian Chambers of Commerce Abroad, which includes 86 Chambers operating in 63 countries. Together with the Italian Trade Agency (ICE) and the National Tourism Agency (ENIT), CICC is one of the three official bodies responsible for promoting Italy abroad.

Re-established in Beijing in 1991, the Chamber is currently undertaking research into the historical roots of bilateral economic relations, as the first Italian Chamber of Commerce in China dates back to 1903. That organisation, formally recognised by the Ministry of Agriculture, Industry and Commerce of the Kingdom of Italy, demonstrates that a community of merchants and entrepreneurs with interests in China was already active more than 120 years ago.

Over time, the Chamber has expanded significantly. It now counts more than 800 member companies and is recognised by the Italian Ministry for Enterprises and Made in Italy, as well as by the Ministry of Civil Affairs in China. Its activities are carried out in coordination with other Ita-

lian Chambers abroad and within the broader Assocamerestero system. An example of this cooperation is the agreement with the Italian Chamber of Commerce in Hong Kong and Macao, through which more than one thousand companies take part in the Assocamerestero network.

The Chamber works in close coordination with the Embassy of Italy, the consular network and ICE. It maintains offices in Beijing, Shanghai, Suzhou, Guangzhou and Chongqing, reflecting the areas where Italy has the strongest commercial and investment presence. Within the Far East region, it is the largest Italian Chamber of Commerce in terms of membership, value of investments, trade flows, market size, geographical coverage and historical presence.

At present, the Chamber represents Italian investments in China amounting to EUR 15 billion in capital stock, employing approximately 130,000 staff and generating EUR 30 billion in turnover.

China remains a strategic market. It is Italy’s leading trading partner in Asia and the second largest globally outside Europe. It is also Italy’s largest non-EU supplier. During the opening session of the 2025 “Two Sessions”, Premier Li Qiang confirmed the country’s economic objectives for the year, including GDP growth of 5 per cent. Additional government targets include maintaining unemployment at 5.5 per cent, creating 12 million new urban jobs and keeping inflation at 2 per cent.

In 2024, according to Chinese customs data (USD), bilateral trade reached USD 72 billion, with Italian exports of USD 26 billion and imports of USD 46 billion. Italian exports declined by 3 per cent due to slower economic activity, reduced investment and weaker consumption in China. However, this decrease was less pronounced than the performance of overall EU exports, Germany and France. Export data identify several product categories as predominant in Italy's trade flows towards China: machinery, apparel, chemicals and pharmaceuticals. According to ISTAT data, some of the sectors that have registered the strongest export growth include fashion and apparel, with a +15 per cent increase, and agri-food products, with +17 per cent.

The main import sectors from China are chemicals, electronics and machinery.

The year 2024 marked a significant phase for bilateral relations, coinciding with the twentieth anniversary of the Global Strategic Partnership and the 700th anniversary of Marco Polo's death. These commemorations were accompanied by several official missions, including the visit of Minister Adolfo Urso and the subsequent mission led by Prime Minister Giorgia Meloni. During the latter, an action plan for the period 2024–2027 was signed, outlining cooperation in strategic areas such as trade, investment, innovation, finance, health, sustainability and culture. The Chamber contributes directly to the implementation of this plan. The State Visit of the President of the Italian Republic, Sergio Mattarella—who met President Xi Jinping in Beijing and visited the Italian business communities in Hangzhou and Guangzhou—further strengthened bilateral cooperation.

In 2025, the fiftieth anniversary of EU-China relations and the fifty-fifth anniversary of Italy-China relations are being celebrated. Additional official visits are scheduled, including the mission of

Senate President Ignazio La Russa to Beijing and Shanghai in March, and other institutional missions in both countries. These visits are especially relevant for the business community, as political direction in China continues to shape economic dynamics.

Culture also plays a central role in 2025 with major events combining business meetings with cultural initiatives, including art exhibitions and the commemoration of Treccani's centenary. Italian cinema will also be represented at the Shanghai International Film Festival.

The Chamber regularly maps the presence of Italian investments in China, with the majority located in Eastern China, followed by Northern China, Southern China, and Southwestern China. The cities with the largest Italian presence are Shanghai, Beijing, Suzhou, Shenzhen, Guangzhou and Chongqing.

The area surrounding Shanghai hosts the highest concentration of Italian investments and accounts for the largest share of bilateral trade, due in part to the presence of the world's largest container port. Suzhou, adjacent to Shanghai, has the highest number of Italian manufacturing investments outside Europe. In northern China, Beijing maintains a substantial share of investment, while in the south, Guangdong Province—population 120 million and one of Asia's largest economies—remains a key destination, especially in Guangzhou and Shenzhen.

The sectors with the strongest Italian presence include machinery and automotive, followed by services and agri-food. Mechanical engineering, trade, apparel, electronics, architecture, logistics and pharmaceuticals also represent significant areas of activity.

The Chamber conducts an annual business survey, and the majority of respondents confirmed that China remains a priority in their global strate-

gies. Key advantages include market size, strategic location within the Asia–Pacific region, competitive sourcing costs and access to free trade agreements, particularly through the Regional Comprehensive Economic Partnership (RCEP).

The main challenges identified include the economic slowdown, declining consumption, intensifying competition, geopolitical risks, logistics constraints and intellectual property protection. While discussions on reshoring and re-shaping global value chains began during the Trump administration, it is clear that large-scale shifts require long and complex timelines. Many Italian companies in China have therefore adopted “China Plus One” strategies, adding complementary jurisdictions without undertaking a full decoupling, as China remains central to regional supply chains.

Regarding investment plans, over 45 per cent of companies plan to expand their local presence, 31 per cent plan to invest in research and development, and 22 per cent intend to invest in digital transformation. These investments are predominantly long-term, with horizons exceeding ten years.

The data for 2025 shows improvement compared with the previous year. The turnover among Italian companies in China remained stable overall. Machinery, retail and automotive experienced declines, whereas food and energy recorded increased performance.

With respect to US–China tariffs, 19 per cent of Italian companies reported direct or indirect impacts, particularly in automotive and apparel. In the automotive sector, export controls on rare earths—essential for magnet production—have affected not only shipments to the United States but also the European market, which faces increasing complexity in export licensing procedures.

Despite these challenges, most Italian companies remain confident in their medium-term ability to manage their operations.

The Chamber participated in a dedicated discussion on US–China tariffs in Suzhou, together with European chambers and the President of the American Chamber. During the meeting, it was proposed to identify sectors in which Italian companies cannot replace US-origin materials with Chinese or other foreign sources, and to explore mitigation mechanisms along the value chain.

A key priority for companies in dialogue with institutions is the new agreement on the avoidance of double taxation. The treaty between Italy and China will enter into force on 1 January 2026 and will halve withholding tax on dividends, enhancing the attractiveness of bilateral investment. It will then be necessary to initiate negotiations for a social security agreement—already in place between China and Germany, France and Spain—which represents an important protection for employees of Italian companies.

Cooperation with Chinese institutions is essential in promoting Made in Italy and supporting Italian enterprises. Regular engagement takes place with local authorities, industrial parks and trade associations, especially in Suzhou, which hosts the largest number of Italian industrial investments.

The facilitation of mobility and visa procedures has played a significant role in strengthening bilateral relations. The Chamber actively supports agreements with local authorities to simplify visa issuance, particularly for young people undertaking internships or early career experiences. China’s current visa-free policy for short visits by Italian citizens has been positively received. Likewise, easing access to long-term Schengen work visas for Chinese executives employed by Italian companies is strategically important.

At the European level, the Chamber coordinates the European Union SME Centre (EUSME Centre) and will continue to promote initiatives in cooperation with Brussels. A shift toward visa models comparable to those adopted by countries such as the United States, which grants multi-year visas of up to ten years, would be beneficial.

Local enforcement in China regarding intellectual property protection has improved. It is important to assess the effectiveness of China's patent system, particularly for small and medium-sized enterprises, which often lack ongoing legal support in the country. This is especially relevant in light of China's increasingly assertive patent strategies in sectors of strategic importance for Italy.

The Chamber has long dedicated a working group to intellectual and industrial property, composed of professionals and companies operating in China. This platform shares experiences, regulatory updates and best practices, and disseminates information through newsletters. It also contributed to the preparation of the section on intellectual property in the report presented to the Foreign Affairs Committee.

The work carried out highlights two trends: a progressive strengthening of China's legal and procedural framework

for IP protection, and the country's transformation from a user of foreign technology to an increasingly active producer of intellectual property.

These developments have also influenced cooperation between Italian and Chinese companies, generating opportunities for innovation and value creation. While challenges remain, significant opportunities exist for Italian enterprises, provided that they approach the market with careful and informed oversight. The Chamber continues to focus on these issues with the objective of supporting SMEs and enabling them to navigate an increasingly complex yet dynamic environment. The strength of Made in Italy is reflected in the industrial fabric and in the quality of Italian business presence in China.

Economic Overview of the Italian Companies in China

The following tables provide an overview of the distribution of Italian companies in China according to the official classifications of the State Administration for Market Regulation (SAMR), and Chinese economic data and the China-Italy Business Map including data of Italian companies in the network of the Italian Chamber of Commerce in China, Italian institutions and academia.

Top 10 SAMR Industry Groups by Number of Italian Companies
(Total groups: 21)

#	SAMR Industry Group	Number of companies	Share of total (%)
1	Manufacturing Industry	606	39,9
2	Wholesale and Retail Industry	497	32,7
3	Leasing and Business Services	152	10
4	Scientific Research and Technical Services	128	8,4
5	Transportation, Warehousing and Postal Services	42	2,7
6	Information Transmission, Software and Information Technology Services	22	1,4
7	Finance Industry	19	1,2
8	Accommodation and Catering Industry	14	0,9
9	Culture, Sports and Entertainment Industry	12	0,8
10	Construction Industry	10	0,7

Source: CICC Business Map, 2025

Top 10 SAMR Categories by Number of Italian Companies
(Total categories: 82)

#	SAMR Category	Number of companies	Share of total (%)
1	Wholesale	433	28,5
2	Business Service	152	10
3	General Equipment Manufacturing	130	8,6
4	Automotive Manufacturing	72	4,7
5	Electrical Machinery and Equipment Manufacturing	67	4,4
6	Special Equipment Manufacturing	66	4,3
7	Professional Technical Service	54	3,6
8	Retail	43	2,8
9	Technology Promotion and Application Services	37	2,4
10	Computer, Communications and Other Electronic Equipment Manufacturing	36	2,3

Source: CICC Business Map, 2025

Top 10 SAMR Sub-Categories by Number of Italian Companies
(Total sub-categories: 230)

#	SAMR Sub-Categories	Number of companies	Share of total (%)
1	Wholesale of Machinery and Equipment, Hardware and Electronic Products	131	8,6
2	Wholesale of Textiles, Clothing and Household Goods	102	6,7
3	Other Wholesale	79	5,2
4	Consulting and Investigation	73	4,8
5	Trade Brokers and Agents	57	3,7
6	Wholesale of Food, Beverage and Tobacco Products	39	2,6
7	Pumps, Valves, Compressors and Similar Machinery Manufacturing	35	2,3
8	Other General Equipment Manufacturing	34	2,2
9	Automobile Parts and Accessories Manufacturing	31	2
10	Other Electrical Machinery and Equipment Manufacturing	26	1,7

Source: CICC Business Map, 2025

Top 10 Chinese Cities by Number of Italian Companies

#	City	Number of companies	Share of total (%)
1	Shanghai	662	43.6
2	Beijing	112	7.4
3	Suzhou	106	6.9
4	Shenzhen	49	3.2
5	Guangzhou	47	3.1
6	Hangzhou	31	2
7	Tianjin	31	2
8	Wuxi	29	1.9
9	Ningbo	29	1.9
10	Foshan	26	1.7

Source: CICC Business Map, 2025

Top 10 Chinese Provinces by Number of Italian Companies

#	Province	Number of companies	Share of total (%)
1	Shanghai	662	43.6
2	Jiangsu	253	16.7
3	Guangdong	183	12.1
4	Beijing	112	7.4
5	Zhejiang	109	7.2
6	Shandong	52	3.4
7	Tianjin	31	2
8	Chongqing	13	0.9
9	Liaoning	12	0.8
10	Sichuan	12	0.8

Source: CICC Business Map, 2025

China – Economic Indicators 2025

GDP 1st Quarter	5,4%
GDP 2nd Quarter	5,2%
GDP 1st Half	5,3%
GDP 3rd Quarter	4,8%

Source: National Bureau of Statistics of China

Manufacturing PMI (Nov 2025)	49,2
Non-Manufacturing PMI (Nov 2025)	49,5
Composite PMI (Nov 2025)	49,7
Industrial Production (Oct 2025)	4,9%
Inflation (Oct 2025)	-0,2%
Retail Sales (Oct 2025)	2,9%
Unemployment Rate (Oct 2025)	5,1%
Foreign Direct Investment (Oct 2025)	-10,3%

Source: National Bureau of Statistics of China 2025

China's Trade, January–October 2025 (percentage changes)

Region	Total Trade	Exports	Imports
Total	2,7	5,3	-0,9
ASEAN	8,2	14,3	-0,8
European Union	4	7,5	-2,5
United States	-16,6	-17,8	-12,6
Latin America	3,5	6,4	0,2
Africa	17,3	26,1	4,3

Source: Chinese Customs, values in US dollars 2025



THE CHINA-ITALY BUSINESS CONFERENCE: A NEW STRATEGIC PLATFORM FOR STRUCTURED ECONOMIC DIALOGUE

The China-Italy Business Conference, held in Beijing on 21 November 2025, marked a significant milestone for the China-Italy Chamber of Commerce (CICC) in its role of developing bilateral economic relations. The event stood out not only for the seniority of the institutions and corporate leaders involved, but above all for its substantive contribution to fostering a renewed, structured, and forward-looking platform for dialogue between the two countries. In a period characterized by profound global transformations and growing geo-economic complexities, the conference reaffirmed the importance of maintaining an institutional channel capable of addressing emerging priorities and supporting the long-term development of economic cooperation.

Recent economic indicators confirm the strategic relevance of the bilateral relationship. In 2024, trade flows between Italy and China exceeded €67.4 billion, supported by €15.3 billion of Italian exports and €52.1 billion of imports. Italian direct investments in China remain substantial, amounting to over €15 billion and encompassing approximately 1,300 local operations employing around 130,000 staff, with an estimated aggregated turnover of €33 billion. These figures attest to the stability, depth, and economic weight of Italy's industrial presence in the Chinese market.

Organized by the China-Italy Chamber of Commerce (CICC) with the support of the Embassy of Italy in Beijing, the conference convened senior officials from

the Ministry of Commerce of the People's Republic of China (MOFCOM) together with representatives of Italy's leading business groups operating in China. The participation of 95 executives from 50 Italian companies reflected both the scale and the high-level engagement of the Italian business community, underscoring the strategic relevance attributed to the initiative as a platform for consultation and coordinated action.

In the opening session, CICC and Embassy of Italy institutional representatives underlined how the bilateral economic dialogue is experiencing a phase of renewed vitality, as evidenced by more frequent institutional exchanges, expanding cooperation in high value-added sectors, and a shared commitment to ensuring open, functional, and predictable channels of engagement. This orientation is particularly relevant in light of a global environment where continuity, transparency, and collaboration represent essential conditions for stable economic development.

A distinctive element of the 2025 conference was that it constituted the first formal occasion in which MOFCOM engaged in a dedicated dialogue with the business community of a single country within a structured institutional framework. This development signals China's recognition of Italy as a key economic partner in Europe and reflects the value that Italian enterprises bring to the Chinese market in terms of technology, industrial capabilities, product excellence, and managerial culture.

The institutional address delivered by a senior representative of MOFCOM's Department of European Affairs provided a comprehensive overview of the current status of bilateral economic relations. The remarks confirmed the resilience and strategic importance of commercial and industrial ties and identified significant potential for further cooperation in priority sectors such as energy transition, advanced manufacturing, green technologies, agri-food, premium consumer goods, and innovative services. Emphasis was also placed on the need to continue improving transparency, predictability, and regulatory clarity for businesses operating across both markets.

MOFCOM representatives also outlined the main policy priorities shaping the evolution of China's business environment ahead of the launch of the 15th Five-Year Plan (2026–2030). Among these priorities are the gradual reduction of the Negative List for foreign investment, the expanding purchasing power of the middle class, and the growing centrality of major international trade fairs—such as the China International Import Expo and the Canton Fair—as strategic gateways for foreign enterprises seeking visibility, market access, and long-term consolidation.

The institutional perspectives were complemented by the contributions of leading Italian companies active across key industrial and technological sectors. Their interventions highlighted investment strategies grounded in long-term vision, local integration, research collaboration, and high standards of technological innovation. These experiences showcased a business community increasingly engaged in industrial partnerships, technological co-development, and shared value creation—an approach aligned with China's evolving industrial landscape and its emphasis on sustainability, innovation, and product quality.

During the evening Gala Dinner, senior MOFCOM officials reaffirmed the positive outcome of the Conference and expressed strong interest in pursuing, through dedicated operational channels, the themes identified throughout the day. In this regard, the China-Italy Chamber of Commerce was confirmed as the principal platform for continued coordination, entrusted with facilitating structured dialogue between Italian enterprises and the competent Chinese authorities so as to transform institutional exchanges into concrete cooperation pathways.

In its entirety, the China-Italy Business Conference demonstrated that, even within an increasingly complex global environment, it is possible to build constructive, pragmatic, and forward-looking spaces for institutional and business engagement. The initiative strengthened the cohesion of the Italian business community in China and reinforced Italy's positioning as a credible, qualified, and forward-looking economic partner in the European and international arenas.

Following the event, follow-up discussions have already been activated with the relevant MOFCOM departments, including the scheduling of an initial operational meeting with CIPA. These developments confirm the shared intention to ensure continuity, deepen the dialogue, and translate the priorities identified into initiatives that directly support enterprises.

Looking ahead, the China-Italy Chamber of Commerce will continue to fulfill its institutional mandate as a bridge between the two economic systems, further enhancing its role as a platform for structured, constructive, and forward-oriented dialogue. Beyond supporting member companies in their operational and strategic development, the Chamber will intensify its efforts to identify new areas of cooperation, anticipate emerging trends, and provide early intelligence on policy developments relevant to Italian

enterprises operating in China. In this perspective, the Chamber aims to strengthen the work of its thematic platforms, enabling more focused exchanges among companies, institutions, and industry counterparts in sectors such as advanced manufacturing, green technologies, consumer goods, and financial services. It will also reinforce an evidence-based approach to institutional engagement, developing periodic policy briefs, regulatory updates, and analytical reports to support dialogue with substantiated proposals and contribute to a more predictable, transparent, and business-friendly operating environment.

At the same time, the Chamber will facilitate regular institutional and business missions between the two countries, helping companies access emerging opportunities and ensuring continued visibility for Italian industrial and technological capabilities. It will also expand cooperation within major Chinese trade fairs—including platforms such as the China International Import Expo and the Canton Fair—to support market access, enhance brand positioning, and encourage collaborative initiatives with Chinese partners. Furthermore, the Chamber will promote deeper collaboration in areas of innovation and technological development, ranging from digital transformation to energy transition, advanced mobility, and life sciences. By facilitating access to research ecosystems, pilot projects, and joint development pathways, the Chamber intends to stimulate the creation of new synergies between Italian and Chinese stakeholders. Alongside this, particular attention will be devoted to supporting the internationalization of small and medium-sized enterprises through dedicated services, matchmaking activities, regulatory guidance, and capacity-building programs designed to strengthen competitiveness and market readiness.

Through these initiatives, the China-Italy

Chamber of Commerce aims to translate the outcomes of the China-Italy Business Conference into a coherent and sustained program of cooperation that generates tangible benefits for the Italian business community and contributes to the long-term consolidation of bilateral economic relations. The Chamber remains firmly committed to fostering an ecosystem grounded in reciprocity, sustainability, and shared value creation—principles that will continue to guide its actions as Italy and China navigate the opportunities and challenges of the years ahead.

CICC WORKING GROUPS MARKET OPPORTUNITIES AND CHALLENGES

Italian companies in China face a dynamic and complex landscape, characterized by significant opportunities as well as specific challenges related to local culture, the market, and regulations. The working groups of the China-Italy Chamber of Commerce have analyzed the main industry sectors, identifying strengths that foster growth and challenges to overcome in order to strengthen the presence of Italian businesses in the Chinese market.



INNOVATION AND TECHNOLOGY WORKING GROUP (ITWG)

OPPORTUNITIES	CHALLENGES
China's industrial system for innovation is expanding rapidly, creating a dynamic environment for B2B collaborations with Italian companies in cutting-edge sectors.	Geopolitical Context and International Relations: The evolving geopolitical landscape and complex international relations pose challenges to exchanges in high-tech and cutting-edge sectors.
Significant investments in innovation and advanced technologies present opportunities for Italian industries in niche areas such as equipment supply, components, consulting, and engineering.	Data Management and Privacy: Strict data privacy regulations, including China's Personal Information Protection Law (PIPL), impact the hi-tech ecosystem, increasing compliance costs and operational complexity.
Collaboration with research institutes and universities fosters technology transfer and industrial applications of research outcomes.	Intellectual Property (IP) Protection and Industrial Secrets: IP protection and safeguarding industrial secrets remain critical concerns for innovation-driven companies.



INTELLECTUAL PROPERTY WORKING GROUP (IPWG)

OPPORTUNITIES	CHALLENGES
<p>China's transition from IP user to creator presents collaboration opportunities for Italian firms in distributing high-value IP-intensive Chinese products globally.</p>	<p>Online Trademark and Patent Infringements: Counterfeit products remain a challenge, particularly on Chinese e-commerce platforms.</p>
<p>China's improved legal framework enhances IP protection.</p>	<p>IP Violations in Third Countries: Chinese products increasingly infringe on IP rights in global markets, particularly in the Middle East.</p>
<p>Partnering on non-sensitive technologies fosters mutually beneficial exchanges.</p>	<p>Sophisticated IP Utilization by Local Players: Chinese companies are becoming more adept at leveraging and protecting IP, intensifying competition for foreign firms.</p>



LOGISTICS WORKING GROUP (LWG)

OPPORTUNITIES	CHALLENGES
<p>E-commerce growth drives demand for logistics services, with major players like Alibaba and JD.com investing heavily.</p>	<p>Freight Forwarder Dumping: Chinese shipping giants like COSCO undercut international competitors with lower rates.</p>
<p>China's modern transportation network enhances logistical efficiency.</p>	<p>Complex Regulations: Varying national and local policies complicate import and customs procedures.</p>
<p>AI and blockchain improve supply chain management and transparency.</p>	<p>Cost Fluctuations: Rising fuel and labor costs impact logistics profitability.</p>



MECHANICAL ENGINEERING WORKING GROUP (MEWG)

OPPORTUNITIES	CHALLENGES
<p>Italian mechanical firms with high-value offerings benefit from partnerships with Chinese clients and suppliers.</p>	<p>Increasing Chinese Competitiveness: Rapid innovation and cost efficiency make competition more difficult for foreign firms.</p>
<p>Research-driven partnerships help develop global products with strong IP protection.</p>	<p>Market Access Barriers: Restrictions on foreign participation in strategic sectors pose challenges.</p>
<p>Engaging with local trade associations provides access to new business opportunities.</p>	<p>Regulatory Compliance: ESG and safety regulations may create additional burdens for foreign companies.</p>



ENERGY AND ENVIRONMENT PROTECTION WORKING GROUP (EEPWG)

OPPORTUNITIES	CHALLENGES
<p>China's leadership in photovoltaic technology offers cost-effective and advanced solutions.</p>	<p>Global Market Competition: Chinese firms are expanding into international markets, becoming direct competitors.</p>
<p>Collaboration on battery storage and green hydrogen projects with Chinese counterparts.</p>	<p>Price Volatility: Overproduction and fluctuating costs create instability in renewables.</p>
<p>Assisting Chinese manufacturers in obtaining EU certification to enhance trade partnerships.</p>	<p>Regulatory Uncertainty: Evolving policies often favor domestic firms over foreign players.</p>



ITALIAN QUALITY AND LIFESTYLE COUNCIL (IQLC)

OPPORTUNITIES	CHALLENGES
<p>Growing Chinese demand for high-quality, authentic Italian lifestyle products in fashion, design, food, and wellness.</p>	<p>Cultural and Communication Barriers: Understanding local preferences is essential, as seen in past brand failures.</p>
<p>Online platforms provide vast market access, with digital strategies like live streaming and influencer marketing proving effective.</p>	<p>Competitive Pressure: Local and international brands, particularly from France, are intensifying competition in the premium sector.</p>
<p>China's easing of foreign investment restrictions in key sectors presents new growth opportunities.</p>	<p>Complex Regulations and Logistics: Compliance with Chinese market requirements and ensuring seamless logistics operations remain challenges.</p>



FOOD & BEVERAGE WORKING GROUP (FBWG)

OPPORTUNITIES	CHALLENGES
<p>Growing demand for imported products; wealthy consumers seek high-quality, safe food, creating opportunities for premium Italian products.</p>	<p>Complex regulations on China's import and food safety that are detailed and constantly evolving, with restrictions on several products (e.g., beef, sheep meat, pork).</p>
<p>E-commerce opportunities related to platforms like Tmall, JD.com, and WeChat offer vast opportunities for direct sales and live-streaming commerce.</p>	<p>Cultural and consumption barriers cause differences in taste and eating habits and require product adaptation and localized market strategies.</p>
<p>Favorable trade agreements and EU-China negotiations aim to reduce trade barriers and streamline market access.</p>	<p>Intense competition in the market; both local and international brands need innovation and targeted marketing to stand out.</p>



HEALTHCARE WORKING GROUP (HCWG)

OPPORTUNITIES	CHALLENGES
<p>Significant investments in digital healthcare create demand for advanced diagnostic and AI-driven solutions.</p>	<p>The Chinese government promotes local production, limiting access for foreign suppliers.</p>
<p>Italian companies collaborating with Chinese manufacturers can provide regulatory support and co-develop products for global markets.</p>	<p>Strict and constantly evolving regulations make market entry difficult for foreign companies.</p>
<p>Hospitals and diagnostic centers seek advanced technologies and innovative solutions to enhance efficiency and care quality.</p>	<p>Emerging Chinese firms, backed by state investments, increase market competition.</p>

***CHINA IN TRANSITION:
Structural Pressures, the
Real Estate Crisis, and the
15th Five-Year Plan
(2026–2030)***

***Implications for Italian
Companies***

*By Fabrizio Costa, Secretary General, China-Italy
Chamber of Commerce*



CHINA IN TRANSITION: STRUCTURAL PRESSURES, THE REAL ESTATE CRISIS, AND THE 15TH FIVE-YEAR PLAN (2026–2030) - IMPLICATIONS FOR ITALIAN COMPANIES

INTRODUCTION: A GROWTH MODEL UNDER STRESS

China's development model—built on large-scale investments, financial leverage, and export-led growth—is undergoing a profound transition. The post-pandemic recovery, initially supported by substantial credit stimulus and a temporary surge in domestic demand, has given way to a persistent slowdown that appears increasingly structural rather than cyclical. Internal weaknesses—including weak demand, stagnant productivity, and sizable local debt—converge with a more fragmented and competitive external environment, marked by de-risking strategies and technological restrictions.

Over the past year, these fragilities have produced weak cyclical indicators that point to a deeper, structural deceleration. Beijing's stimulus and support packages in 2024 and 2025 provided temporary relief but failed to reignite sustained domestic demand. Retail sales slowed, industrial production lost momentum, and aggregate Fixed Asset Investment (FAI) rose only modestly (+0.5% year-on-year for January–August 2025). Although investment in high-tech sectors remains resilient, the aggregate performance is heavily constrained by the collapse of the property sector and subdued spending on traditional infrastructure. Consequently, excess productive capacity persists, with negative effects on output, employment, and corporate profits.

Surplus capacity in sectors such as electric vehicles, solar panels, and batteries—which cannot be fully absor-

bed domestically—is increasingly redirected abroad, exacerbating trade tensions with advanced economies. China's overcapacity, the outcome of sustained manufacturing stimulus that fuels "involution" and domestic price pressures, coincides with persistent market access concerns and an uneven playing field for foreign firms. These issues remain central worries for the international business community.

The European response has been calibrated and targeted, for instance, with countervailing duties on imports of battery electric vehicles (BEVs) from China or addressing distortions in the European internal market from China's subsidies—measures that have drawn sharp reactions from Chinese authorities. The EU has also taken steps to curb discriminatory procurement practices, notably in medical devices, which China has reciprocated by further restricting access to its procurement market.

China has responded with anti-dumping and an anti-subsidy investigation into selected European exports for agri-food products. New domestic rules granting a 20% price-evaluation advantage to local products aim to bolster local manufacturing and technological self-reliance, while proposed export controls on rare earth elements and related technologies strain global supply chains across the automotive, defense, and clean-tech industries.

The proliferation of restrictive measures among trading partners raises the risk that goods diverted from non-EU markets

will flow into the EU internal market and increasingly depress prices. In April 2025, the European Commission established an import surveillance task force to inform protective actions. Major international institutions concur on a deceleration outlook: the IMF projects GDP growth near 4.8% for 2025 but warns that potential growth could slide to about 3.5% by 2029 due to structural imbalances. The World Bank notes a sharp fall in the return on investment—from averages above 20% in the early 2000s to below 10% in the last decade—signaling chronic inefficiencies in capital allocation.

These factors suggest that the growth moderation is not transitory. Policy responses must therefore go beyond short-term stimulus to tackle structural constraints on demand, efficiency, over-production and financial sustainability.

With its innovation-focused industrial policy (e.g. Made in China 2025), the country has developed a remarkable pool of talent and research investment with local governments competing to attract advanced industries and create experimental innovation ecosystems. While China remains stronger in applied research but less on basic research, production and application remain closely coordinated under national policy.

China's industrial innovation drive can create opportunities for Italian companies in advanced industrial machinery, aerospace and other innovative sectors.

THE REAL ESTATE CRISIS AND CHINA'S EXTERNAL REORIENTATION

The property sector—once contributing an estimated 25–30% of GDP—sits at the heart of the current crisis. The 2020 "three red lines" policy precipitated a liquidity squeeze, dramatic defaults (including Evergrande), and a collapse in sales. The most pernicious consequence has been the strain on local government finances, which are heavily reliant on land

sales and Local Government Financing Vehicles (LGFVs). The IMF estimates that consolidated general government gross debt (including LGFVs) exceeded 110% of GDP in 2024; LGFV liabilities, at roughly 55–60 trillion RMB (50–55% of GDP), represent a systemic vulnerability. Falling property sales and prices erode collateral values and extra-budgetary revenues, undermining the debt-servicing capacity of LGFVs and creating a vicious macro-financial loop.

International Financial Institutions (IFIs) recommend an orderly stabilization, potentially involving a "bad bank" to isolate non-performing assets, fiscal reform for local governments (including a stable property tax to reduce dependence on land sales), and a transparent recapitalization of the most fragile local authorities—combined with strict budgetary discipline to limit moral hazard. The deterioration of the property market is tightly linked to weakened consumption and confidence: in August 2025, new home sales fell further and prices for new and existing homes contracted, prolonging a four-year cycle of overcapacity and developer defaults, with immediate fiscal and employment consequences at the local level.

Rising unemployment and uncertainty have depressed household spending, reinforcing the demand shortfall. As domestic demand falters, China's economy is leaning more on external demand: exports are expanding even as imports contract, reflecting a weak internal market. With China-US trade constrained by tariffs, Southeast Asia and Africa have become important alternative destinations for Chinese exports. According to China customs data, global export growth accelerated year-on-year in September 2025, with exports to the EU up nearly 15% year-on-year. This contributes to an EU trade deficit with China that exceeded €300 billion in 2024.

This external reorientation is also evident

in investment patterns. EU foreign direct investment (FDI) into China fell sharply to \$6.79 billion in 2024 (just 5.8% of the national total), down roughly 34% from 2023, according to China MofCom data. Hong Kong, Singapore, and a handful of offshore jurisdictions remained the primary sources. FDI is concentrated in the Yangtze River Economic Belt and in sectors like manufacturing, leasing and business services, and R&D; areas such as education, healthcare, and agriculture attract far less investment.

Simultaneously, Chinese outward direct investment is rising as firms seek new markets and reorganize supply chains amid escalating tariffs. In 2024, overseas investment drove \$211 billion of exports—a 13% increase. ASEAN has been a prominent destination, alongside the EU and BRICS markets. However, the share of China's exports accounted for by foreign-invested enterprises (FIEs) has fallen sharply, to 27.4% in 2024 from 47.2% in 2013, signaling their diminishing role in the domestic economic model.

While exports remain a partial outlet for excess manufacturing, this channel is also showing signs of strain, with shipments to the United States declining by double-digit percentages for several consecutive months, underscoring broader fragilities.

THE 15TH FIVE-YEAR PLAN (2026–2030): EXPECTED DIRECTIONS AND TOOLS

The 15th Five-Year Plan (2026–2030) will be the strategic framework for managing these transitions. Early indications point to several priorities: technological self-reliance and innovation, with major R&D investments in semiconductors, AI, and biotech, and a reinforced role for state-owned enterprises (SOEs); boosting domestic demand and achieving "Common Prosperity" through income support and expanded social services to reduce precautionary savings; advancing the green transition and Industry 4.0 via stri-

cter environmental standards, expanded renewables, and automation; and ensuring financial stability through calibrated policies for property debt restructuring and stronger supervision.

The bolstered role for SOEs in leading strategic innovation, however, conflicts with IFI recommendations on efficiency and competitive neutrality. While stronger SOEs may serve national security objectives, they risk perpetuating capital misallocation and hindering private-sector-led productivity gains. A policy framework that steers credit and subsidies based on merit and productivity—rather than ownership—is essential for raising productivity and improving capital allocation.

Given recent economic indicators, the 15th Plan will need to operate in a context where conventional stimulus is less effective and carries greater financial risks. Measures implemented so far—moderate rate cuts, targeted consumption subsidies, and regulatory steps to limit price declines and excess production—have not structurally solved the underlying demand problem. The Plan is therefore likely to combine: (i) stronger social protection to curb precautionary savings and sustain consumption; (ii) targeted measures to stabilize the property market without creating new local indebtedness; (iii) industrial policies to realign production capacity with domestic demand and support higher margins in strategic supply chains; and (iv) financial instruments for the orderly restructuring of local debt, grounded in transparency and a clear differentiation between viable projects and unsustainable activities. In practice, the Plan must balance short-term stimulus with structural reforms that address fragile local budgets and the need to boost final demand. Whether it will actually succeed in addressing these structural inefficiencies it remains to be seen.



DEMOGRAPHY, LABOUR, AND PRODUCTIVITY: STRUCTURAL CONSTRAINTS

Population ageing (over 297 million people aged 60 and above in 2023, representing 21.1% of the total) and high youth unemployment (18.9% for the 16–24 age group in August 2025) are compressing China's growth potential. The youth unemployment rate, which rose from 17.8% in July to 18.9% in August 2025 under a revised calculation that excludes students, marks a historic high. Ageing primarily constrains supply—by shrinking the labour force and increasing welfare spending—while youth unemployment, and eroding confidence in social mobility, constrain demand by reducing disposable income and boosting precautionary savings. This dual pressure complicates efforts to rebalance growth toward consumption.

The IMF estimates that ageing could reduce potential growth by roughly one percentage point annually over the next decade. IFIs and the OECD recommend a package of reforms, including a gradual rise in the retirement age, large-scale investment in human capital with education reoriented toward STEM and digital skills, and improved capital allocation that channels credit to productive private firms rather than inefficient SOEs to lift Total Factor Productivity (TFP). Current cyclical dynamics further hinder labour reabsorption: high youth unemployment, the proliferation of gig work, and falling job quality depress consumption capacity. These trends, combined with weakened perceptions of social mobility, reduce the

efficacy of consumption-led recovery strategies.

RECOMMENDATIONS AND IMPLICATIONS FOR EUROPEAN AND ITALIAN COMPANIES

In China's "new normal," European firms—and especially Italian SMEs—must rethink their strategic approach. Opportunities linked to premium consumption, the green transition, healthcare and the silver economy remain sizable but require a selective, protected, and institutionally-supported market positioning. Protecting intellectual capital, specializing in high value-added niches, and adopting calibrated "local-for-local" models are essential operational levers for navigating a volatile regulatory and geopolitical landscape.

Opportunities: China's shift toward industrial innovation, quality consumption and services favors high-end "Made in Italy" products across selected agri-food, fashion, design, and luxury segments, where brand value can sustain margins. The green transition (renewables, energy efficiency, waste management), the silver economy, industrial automation / upgrade and demand for advanced medical devices open niches for specialized Italian technologies and services. Non-sensitive R&D and scientific collaboration remain feasible areas for European know-how.

Risks: State-backed national champions, procurement preferences for domestic suppliers, and direct or indirect pressures and restrictions to technology transfer constrain foreign actors.

The tension between national security and self-reliance priorities and competitive neutrality is a central concern for the foreign business community. The European Chamber's 2025/2026 Position Paper highlights how an oversupply orientation drives excess capacity that spills abroad, producing trade frictions. It also documents how stricter cybersecurity and data regulations raise barriers and costs, particularly in the ICT sector, where European market share has fallen during the transition to 5G.

Regulatory volatility—in data security, ESG requirements, investment and export controls—coupled with geopolitical de-risking, is pushing firms to diversify their value chains. Operationally, Italian SMEs should pursue a multi-layered strategy to protect know-how, maximize brand value, and limit exposure.

Practical measures include:

- Reinforcing IP protection and contractual governance through patents, trademarks, trade secrets, robust local IP counsel, and stringent contractual clauses, especially on R&D cooperation and IP management.
- Adopting an "evolved local-for-local" and possibly "local-for-global" models with calibrated footprints (e.g., after-sales centers, showrooms, small non-strategic R&D hubs, commercial offices with compliance teams) that serve local markets without transferring core technologies.
- Promoting aggregation and scale through consortia, virtual districts, and export platforms to share costs and compliance burdens.
- Specializing in premium niches and high value-added services that are difficult to replicate locally.
- Aligning offerings with the green transition and silver economy via integrated product-service-financing packages.

Risk management necessitates diversification: maintain China as a mar-

ket and production base where advantageous, but reduce critical dependencies through alternative partners, regional suppliers, and strategic inventories.

Public institutions play a decisive role in translating these recommendations into practice. Support should focus on three lines: enhanced specialist advisory services; tailored financial and insurance instruments; and coordinated diplomatic and commercial action to reduce non-tariff barriers, promote reciprocity in market access, and protect intellectual property rights. This should be complemented by support for collective initiatives—such as trade fairs, matchmaking platforms, and joint missions—to strengthen Italian companies' visibility and negotiating power.

In short, the Italian presence in China must become more selective, better protected, and more integrated with collective institutional tools. Success will depend on firms' ability to deliver distinctive excellence, safeguard intellectual capital, and operate with the backing of coordinated institutional support.

IFIs RECOMMENDATIONS: A ROADMAP FOR SUSTAINABLE GROWTH

The recommendations from the IMF and the World Bank constitute not merely a checklist but a programmatic roadmap to reconcile China's national development goals with global imperatives. The transition from an investment- and export-led growth model to one driven by innovation and consumption requires managing macro-financial imbalances and integrating climate objectives into the core growth strategy.

The IFI roadmap rests on four interlinked pillars:

- Rebalance demand by strengthening social safety nets to reduce precautionary savings and stimulate consumption.

- Raise productivity by reforming SOEs and enforcing competitive neutrality to reallocate capital to more efficient private firms.
- Ensure financial stability through the transparent and orderly restructuring of local government debt (LGFVs).
- Advance the green transition by aligning industrial policy with climate goals and using market instruments, such as an Emissions Trading Scheme (ETS), to steer investment.

Rebalancing demand addresses a core distortion: historically high investment rates (over 40% of GDP) have yielded declining marginal returns and falling TFP. IFIs argue that shifting the composition of demand toward private consumption is necessary for resilient growth in a less favorable external environment. This requires structurally reinforcing social protection—through broader pensions, universal healthcare, and better unemployment benefits—to reduce precautionary saving and support stable demand expansion.

Pro-market reforms and competitive neutrality are central to productivity gains. This entails SOE reform to improve governance and profitability, removing implicit advantages that distort competition, and directing credit based on creditworthiness and growth potential rather than ownership.

The management of local debt is a binding constraint. The accumulation of off-budget LGFV liabilities poses a systemic risk and demands decisive central action: a transparent restructuring

that separates solvent projects from unsustainable ones (via debt swaps, controlled central assumption, or other mechanisms), coupled with strengthened financial supervision, early-warning systems, and greater local budget transparency to prevent new uncontrolled indebtedness.

The green transition represents an opportunity for endogenous development. Ambitious climate policy, an expanded ETS, and the reorientation of investment toward low-carbon technologies can transform an environmental necessity into a competitive advantage. Aligning public and private capital with carbon-neutral objectives will channel resources from energy-intensive sectors toward renewables, efficiency, and green technologies.

CONCLUSIONS: REAL RISKS, SELECTIVE OPPORTUNITIES

China is in the midst of a major economic transition. Structural vulnerabilities—from the property crisis and demographic shifts to opaque local finances—make the path to recovery complex and uncertain. The signals from recent Party meetings provide strong indications of the 15th Five-Year Plan's likely priorities and the policy mix that will shape the operating environment for foreign investors. The emerging model appears less dependent on property, investment, and debt, and more oriented toward advanced industry and technological innovation.

IFI recommendations outline a demanding but coherent pathway: strengthen social protection, enhance transparency and



discipline in local public accounts, promote competitive neutrality, and steer investments toward green and innovative sectors. Success hinges on Beijing's capacity to convert short-term fixes into credible, sustained structural reforms. Concurrently, the leadership's unwavering emphasis on self-reliance and economic security means that support for domestic champions will remain a dominant policy priority.

For innovative foreign firms, particularly those able to identify and lead in niche technologies, meaningful opportunities will persist. However, their long-term competitiveness will depend on an ability to stay ahead of the innovation curve while rigorously protecting their core intellectual assets and competitive edges.

If temporary measures are not translated into deeper structural reform, growth will likely stabilize at lower and more volatile levels. Addressing root causes requires a fundamental rethinking of the local-level incentives that have historically rewarded GDP growth and infrastructure expansion, replacing them with criteria that value the quality of growth, environmental sustainability, and the provision of social services.

The green transition, when properly aligned with industrial policy, can be a powerful driver of technological advantage. Beijing's considerable progress in renewables, electric vehicles, and batteries demonstrates how environmental objectives can generate economies of scale, foster new value chains, and boost exports of green goods. Long-term success, however, will also be measured by the integration of these green goals within a stable and predictable framework for international economic cooperation.

For international operators, and for Italian SMEs in particular, the new environment demands a selective, proactive, and institutionally supported approach.

China is no longer merely a large market; it is a complex ecosystem requiring strategic vision, a sustained institutional presence, and targeted investment. Firms that combine technical excellence, robust IP protection, and operational resilience—buttressed by a strong institutional network—will have the best prospects for success.

In conclusion, China's challenge is profoundly structural but not devoid of opportunity. The difference between a decade of prolonged stagnation and a successfully managed transition will be determined by the political choices made in the immediate term and their technical credibility. For foreign players, the guiding principle must be selectivity: to accurately identify where China is generating sustainable demand, to tenaciously protect their competitive advantages, and to engage with the market through a coordinated, strategic, and resilient institutional presence.

FIRST SECTION

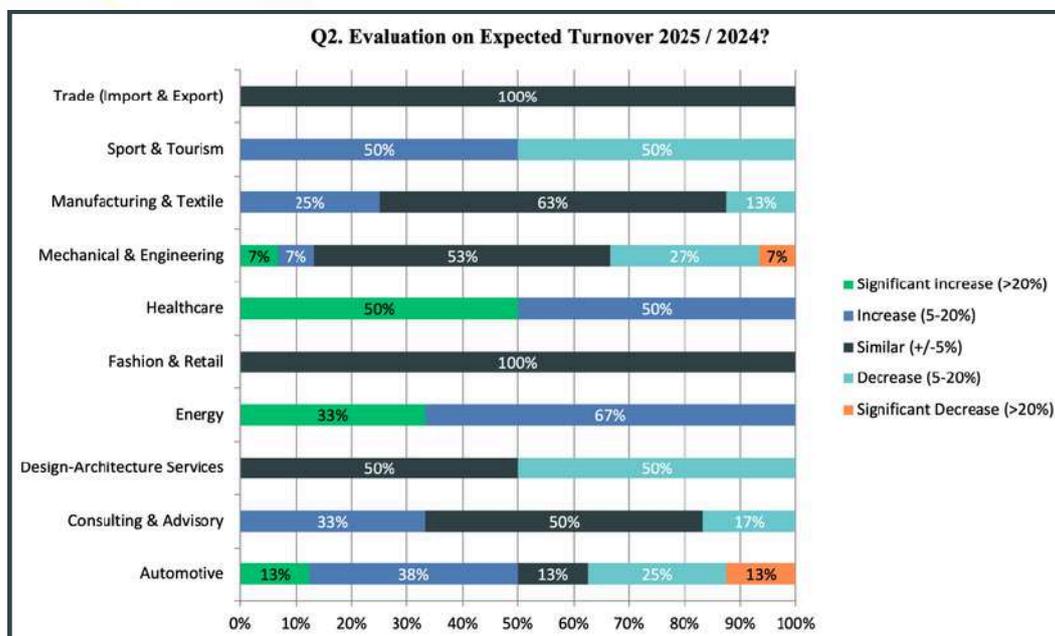
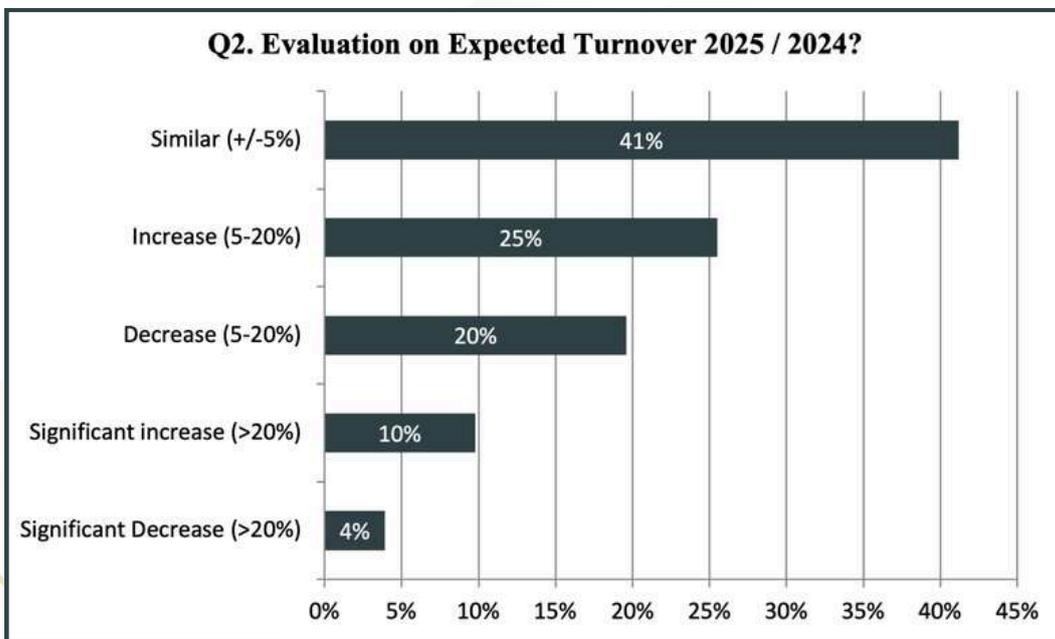
***FLASH SURVEY ON
BUSINESS SENTIMENT
SECOND HALF 2025***

October 2025

FLASH SURVEY ON BUSINESS SENTIMENT SECOND HALF 2025

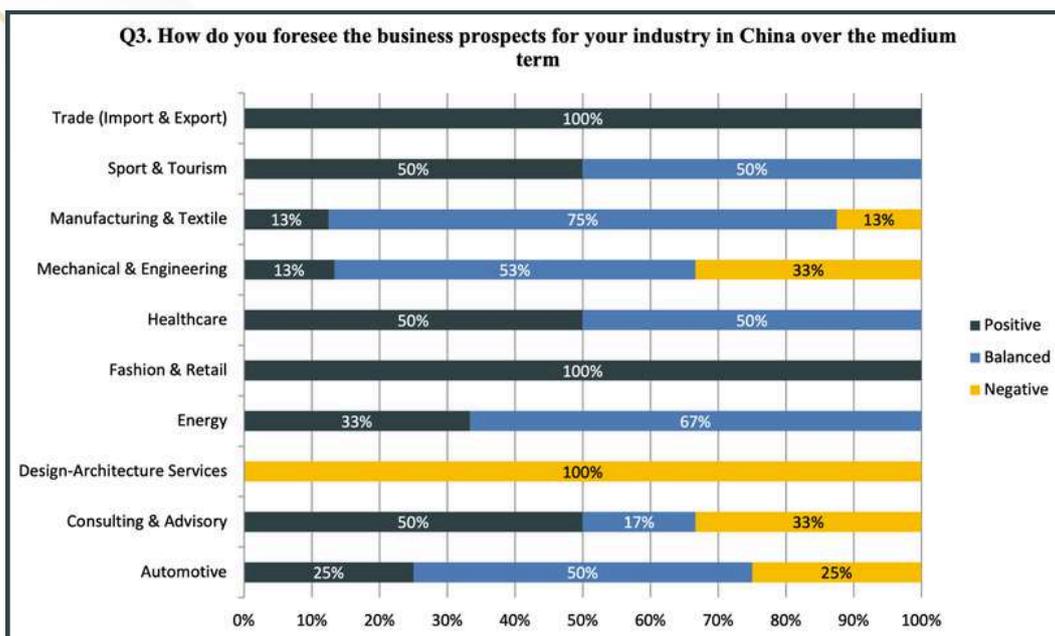
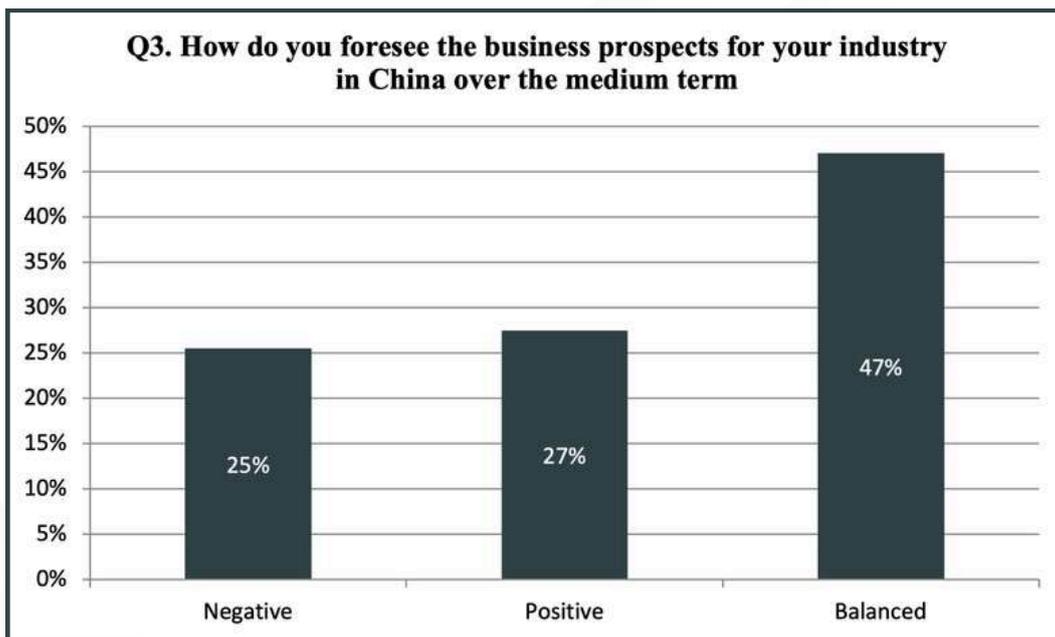
Forecasts and performance vary across different economic sectors, with each sector showing distinct trends and outcomes.

Expected Turnover H2 2025 / 2024



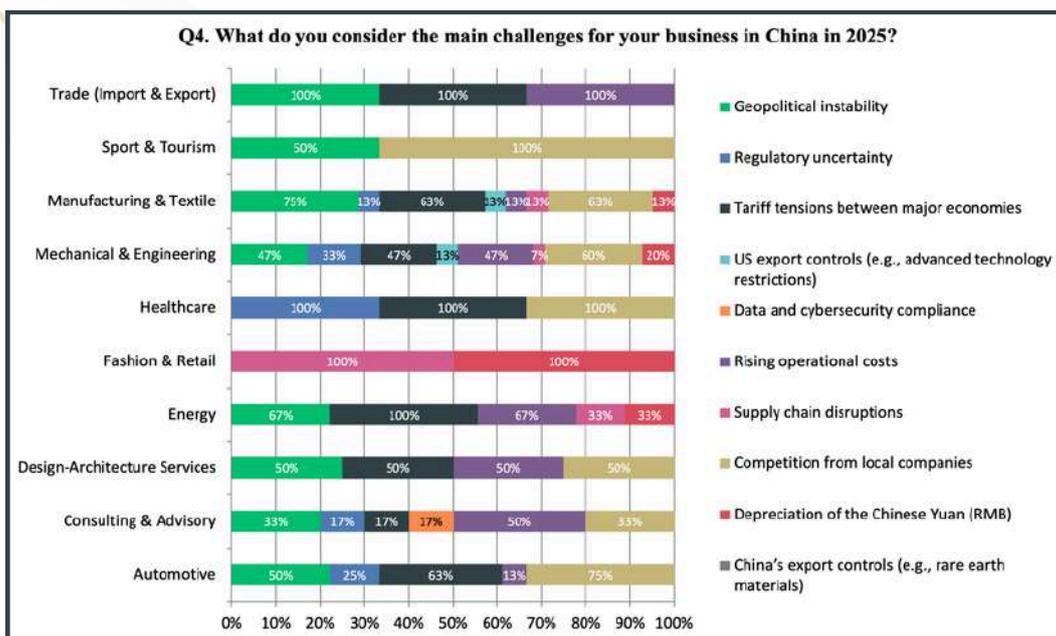
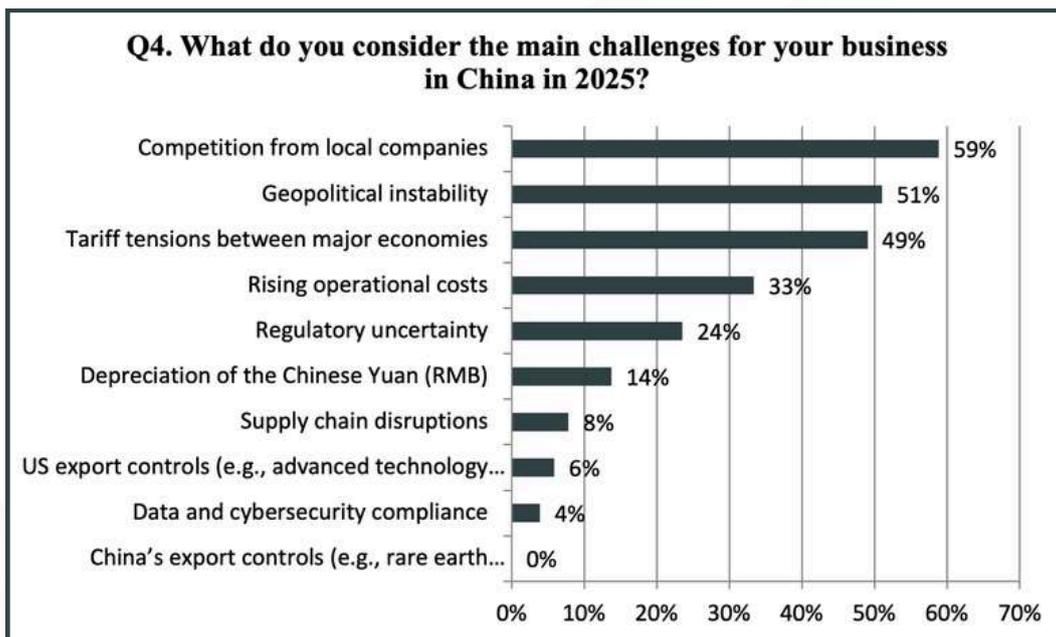
FLASH SURVEY ON BUSINESS SENTIMENT SECOND HALF 2025

Medium-Term Business Prospects



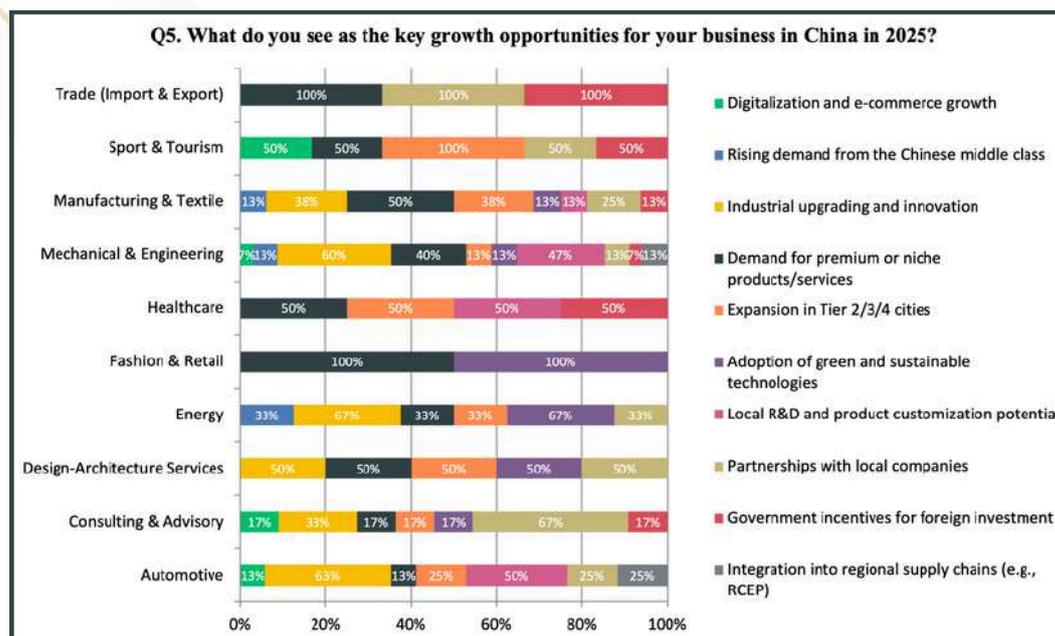
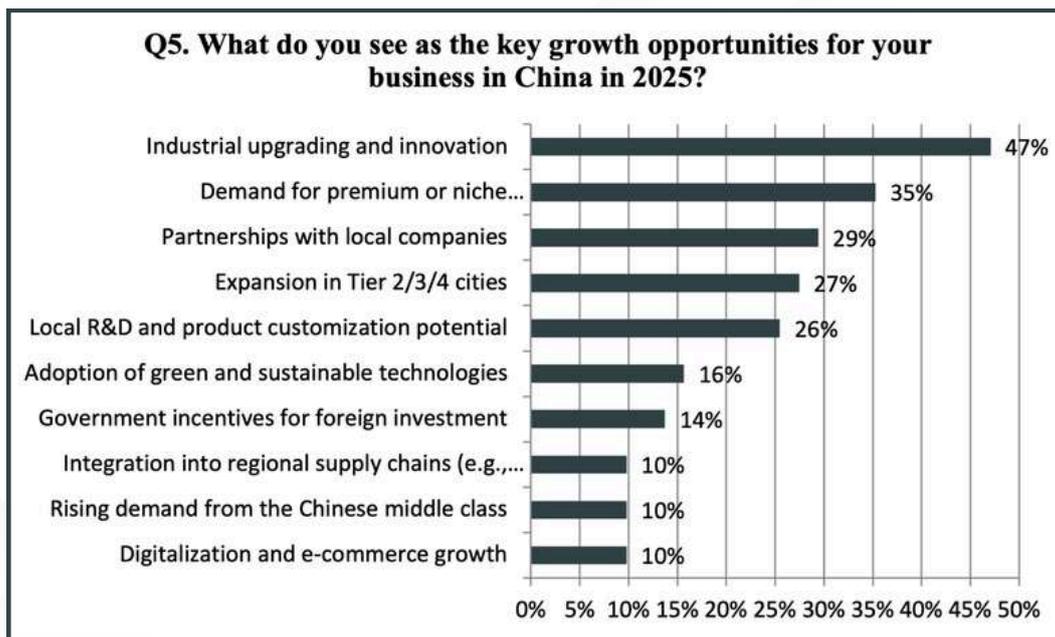
FLASH SURVEY ON BUSINESS SENTIMENT SECOND HALF 2025

Main Challenges for Business in 2025



FLASH SURVEY ON BUSINESS SENTIMENT SECOND HALF 2025

Key Growth Opportunities in 2025



SECOND SECTION

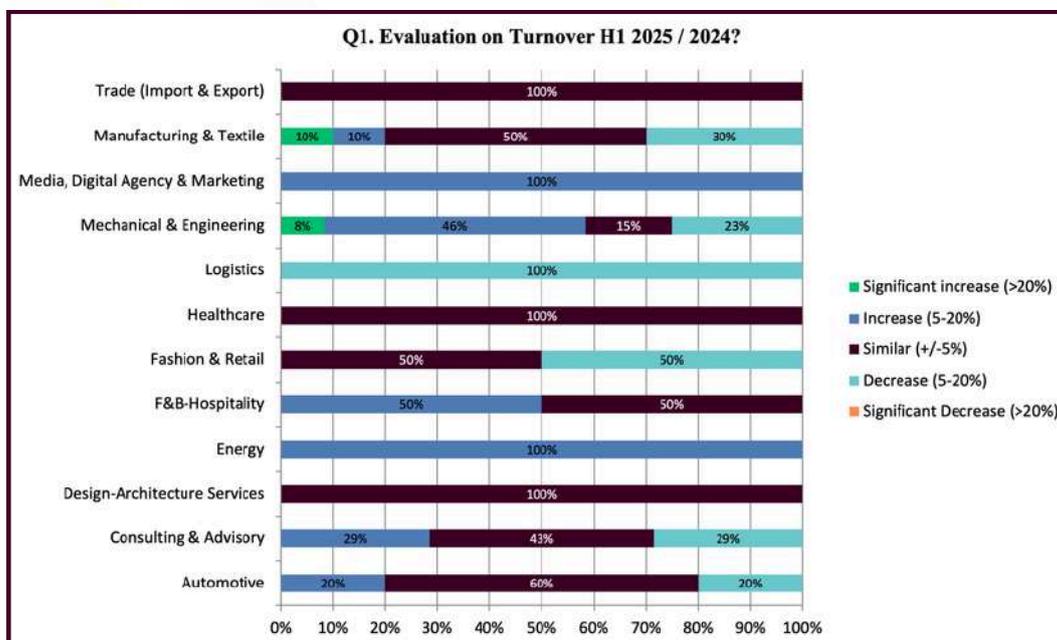
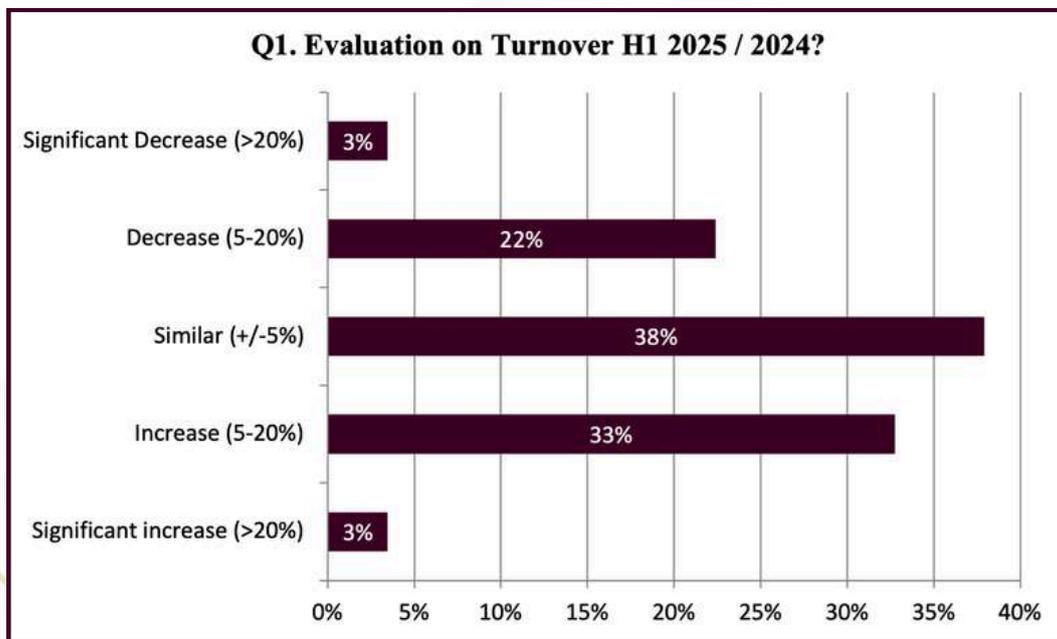
***FLASH SURVEY ON
BUSINESS SENTIMENT
FIRST HALF 2025***

July 2025

FLASH SURVEY ON BUSINESS SENTIMENT FIRST HALF 2025

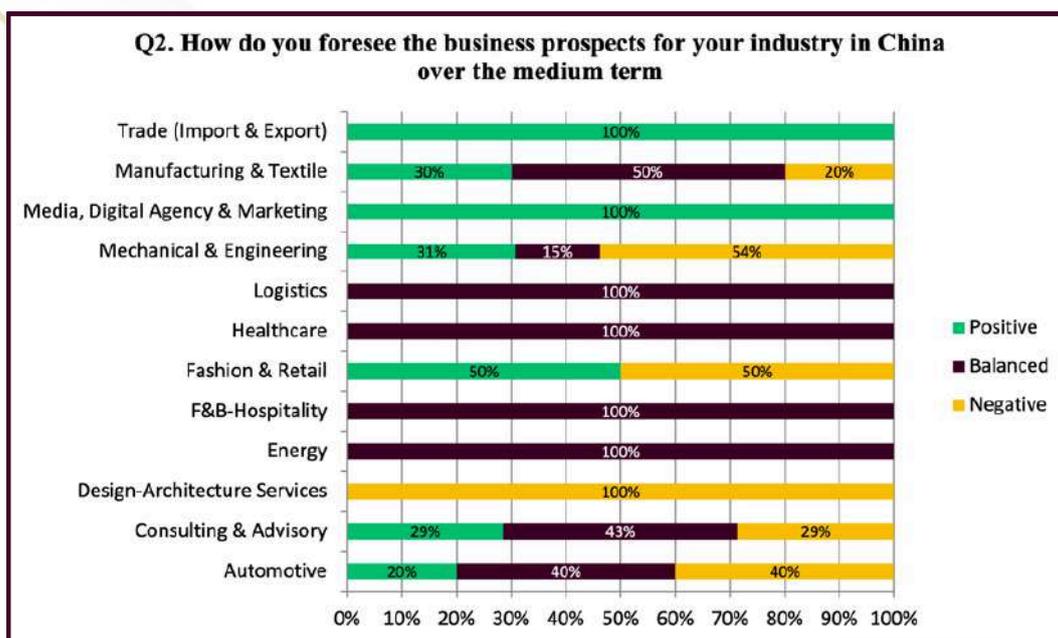
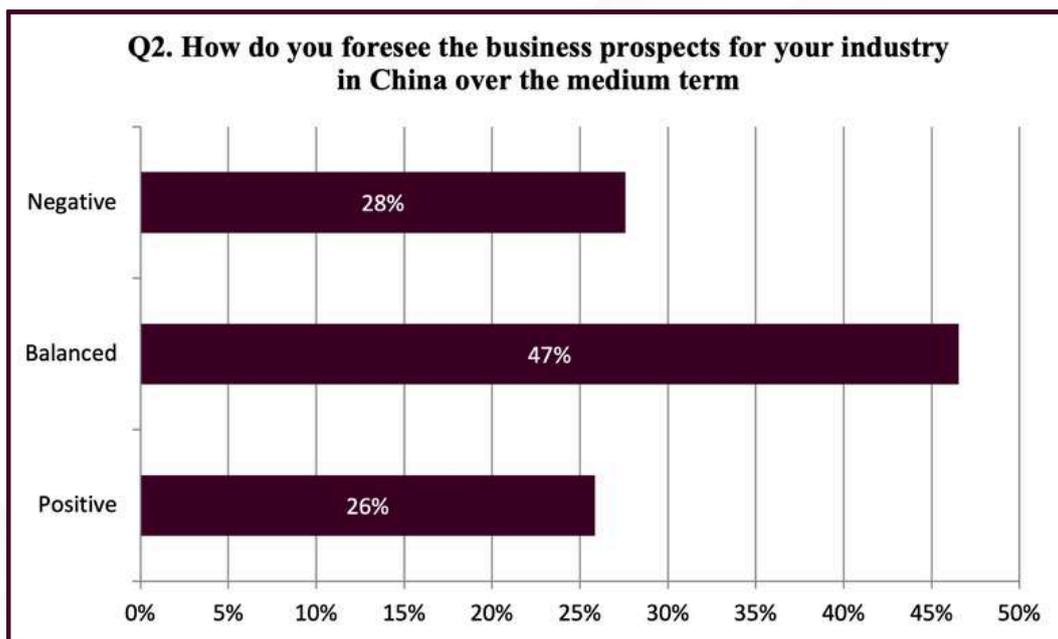
Forecasts and performance vary across different economic sectors, with each sector showing distinct trends and outcomes.

Turnover H1 2025 / 2024



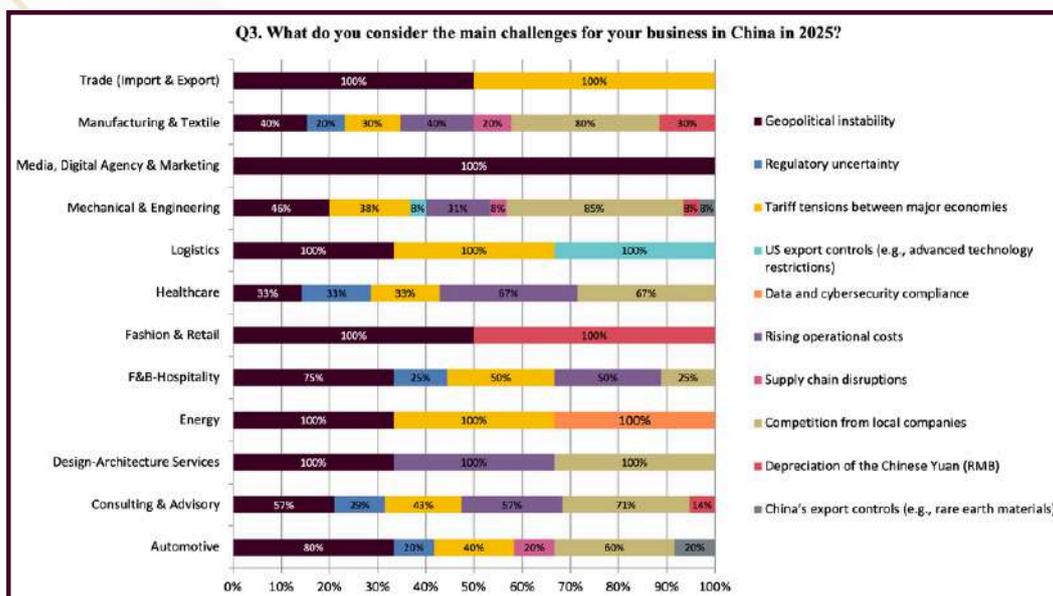
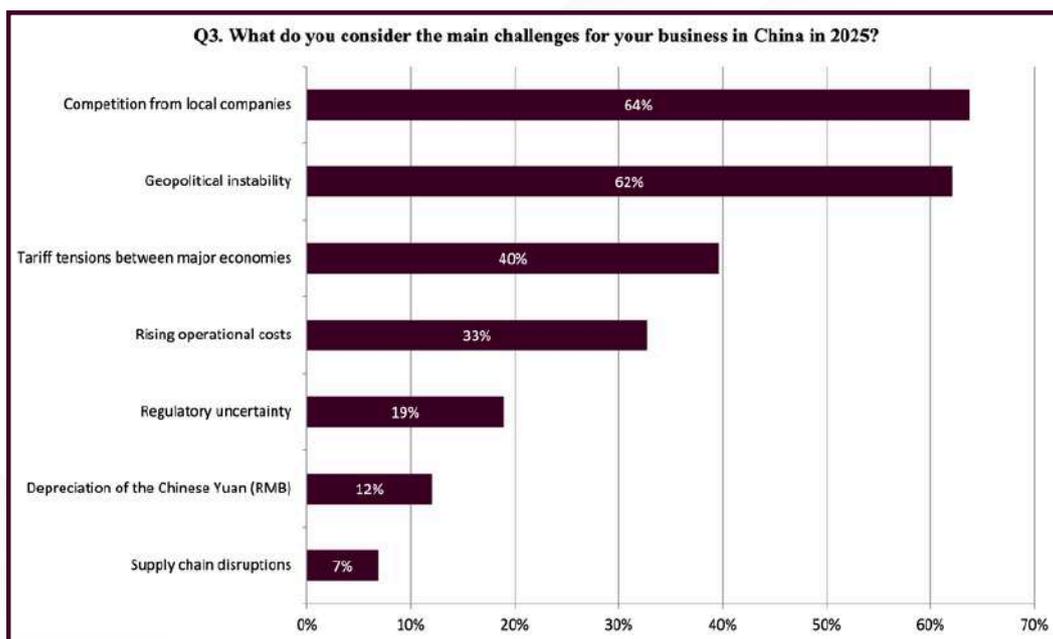
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Medium-Term Business Prospects



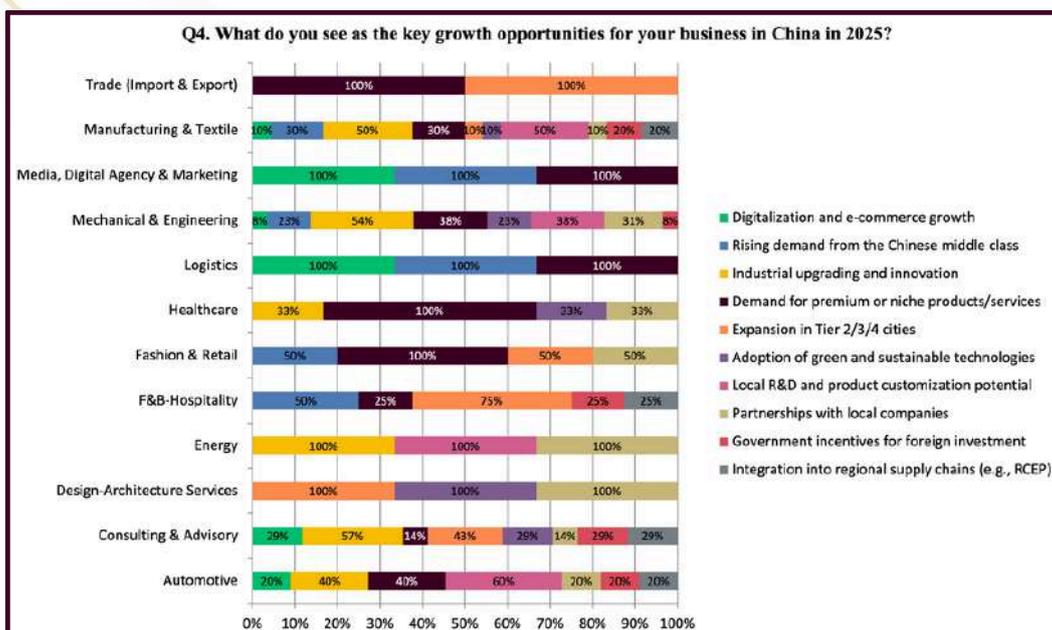
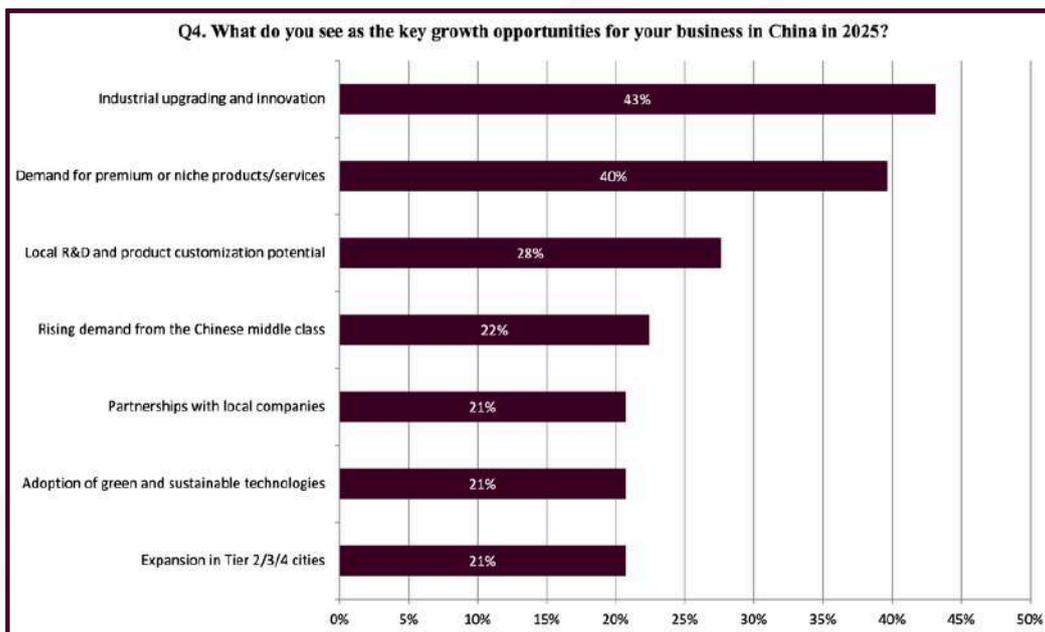
FLASH SURVEY ON BUSINESS SENTIMENT FIRST HALF 2025

Main Challenges for Business in 2025



FLASH SURVEY ON BUSINESS SENTIMENT FIRST HALF 2025

Key Growth Opportunities in 2025



THIRD SECTION

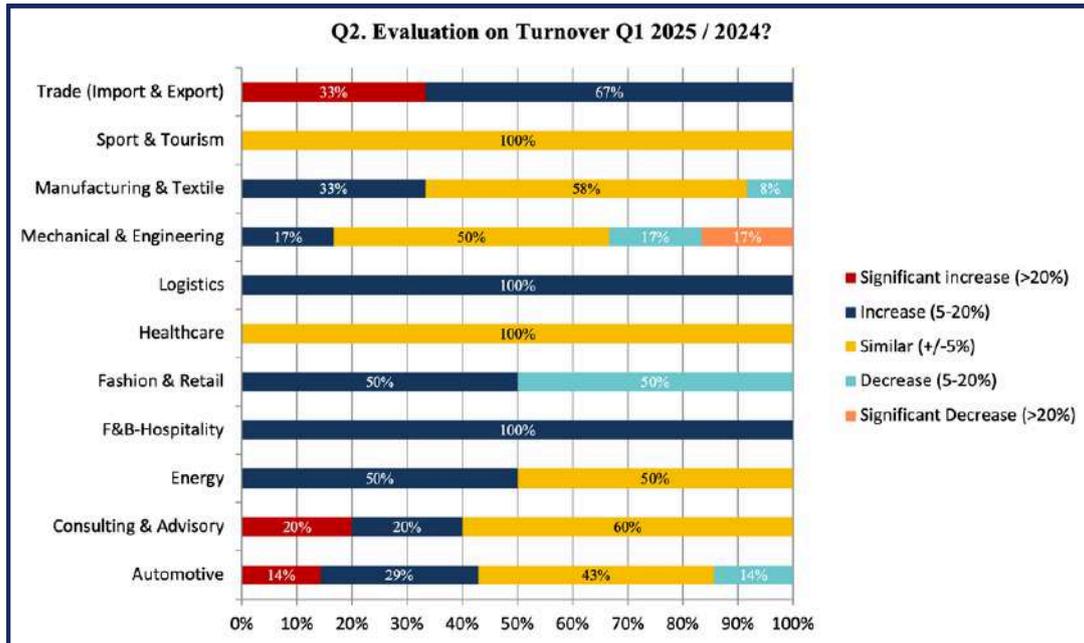
FLASH SURVEY ON BUSINESS SENTIMENT AND TARIFF TENSIONS

May 2025

FLASH SURVEY ON BUSINESS SENTIMENT AND TARIFF TENSIONS

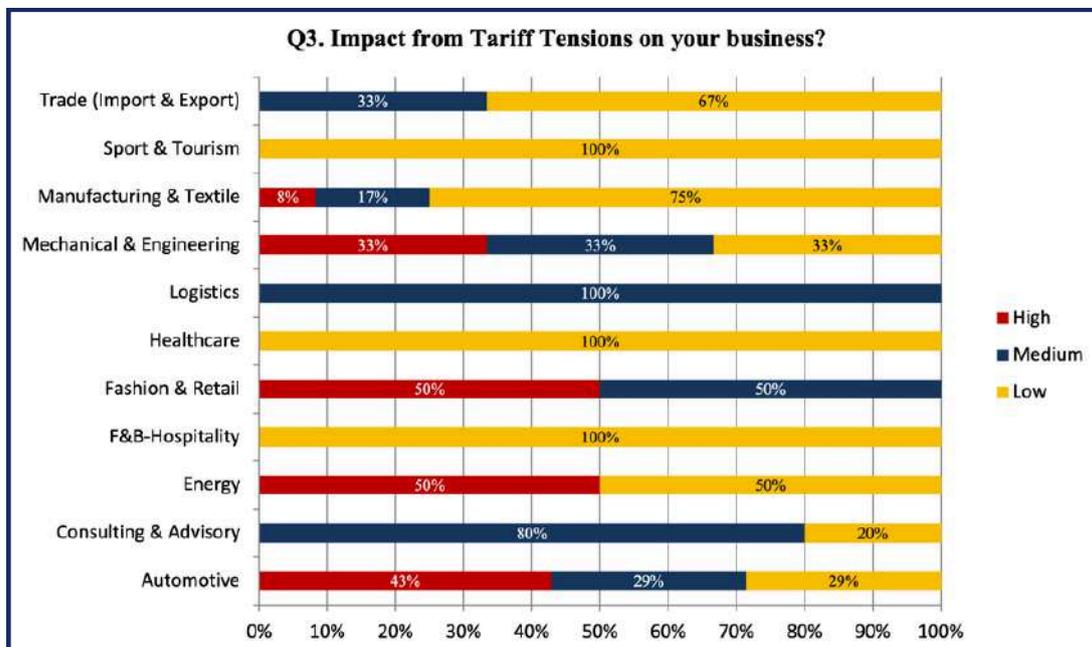
Turnover Q1 2025 vs 2024

- Most of the Italian companies are facing a **similar turnover** in the first quarter of 2025 comparing to the same period in 2024, while over the 30% see a **moderate increase**.
- **Trade, consulting, automotive, F&B, logistics, energy** and **fashion** are the industry sectors which are facing a significant increase of turnover in the first quarter of 2025 comparing to the first quarter of 2024.



Impact of tariff tensions

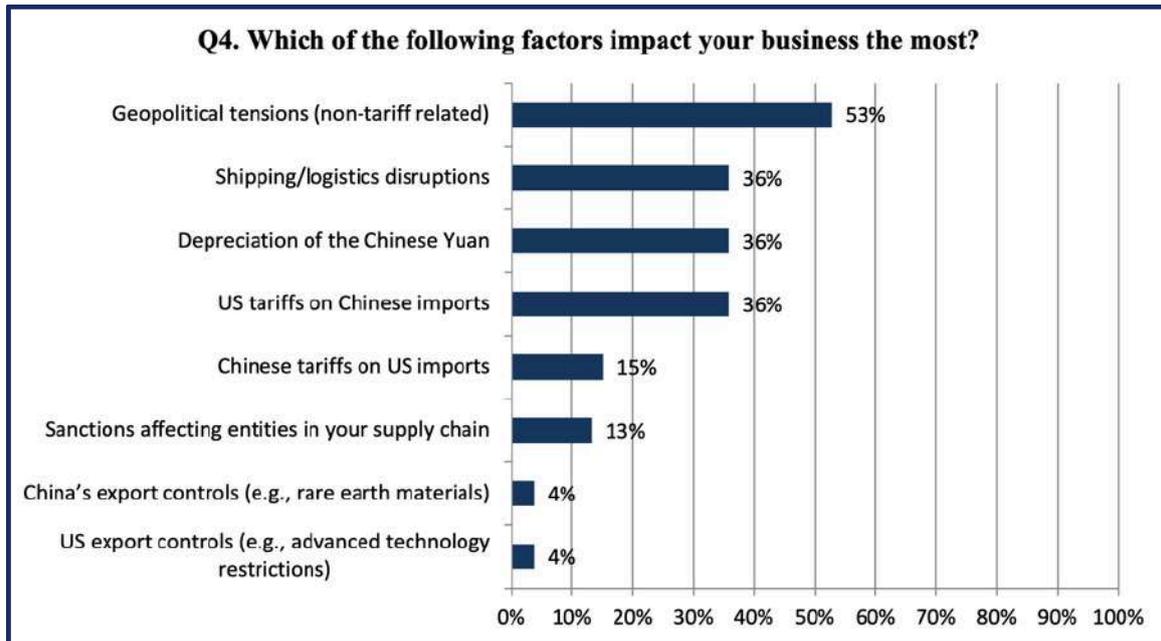
- Only 18,87% of Italian companies have been HIGH affected by tariff tensions.
- **Energy, Automotive and Fashion & Retail** are the most affected sectors.



FLASH SURVEY ON BUSINESS SENTIMENT AND TARIFF TENSIONS

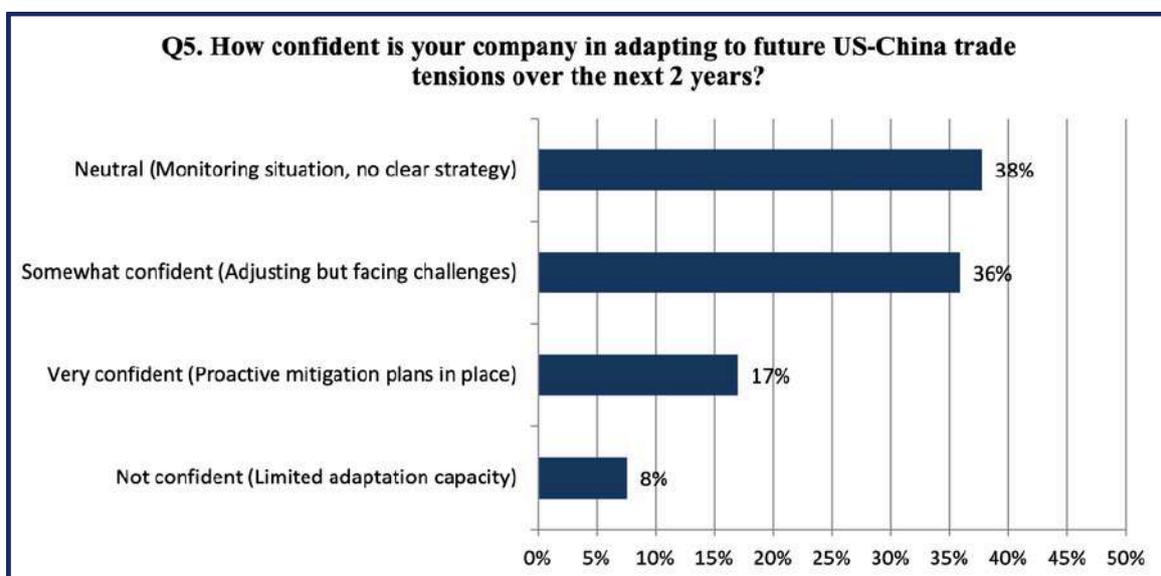
Factors of impact

- The current geopolitical situation is main factor of impact affecting the Italian Business in China.
- More than 35% of the Italian companies see logistics disruptions, depreciation of the Chinese Yuan and US tariffs on Chinese imports as other key factors of influence.



Business confidence in the short term

- Over 35% of the Italian companies are confident in a future adaptation to the current trade tensions over the next two years



FOURTH SECTION

***BUSINESS SENTIMENT
SURVEY***

2024-2025



1

INTRODUCTION AND METHODOLOGY

The **China-Italy Chamber of Commerce (CICC)** conducted its 6th survey aimed at monitoring the performance of Italian companies operating in the Chinese market, their "state of health" and their business confidence in the short and medium term. Through this survey, we intend to monitor the status of our business and evaluate possible actions in their support. It is also essential for us to understand how our companies are positioning themselves today in the Chinese market and their strategic lines for the future.

A large part of the China-Italy Chamber of Commerce membership base participated in the survey (**356 responses**), demonstrating the Italian business community's strong focus on their performance in China. Its results, together with the surveys conducted during previous years and the Survey on Advocacy and Services 2024, are an accurate indication of the challenges that the Italian business community has faced and is still facing in China.

The results of the survey will be presented in Rome at the Italian Parliament during CICC's hearing with the Foreign Affairs Committee of the Chamber of Deputies, and in Beijing at the Ministry of Commerce of the People's Republic of China during an official meeting with the China-Italy Chamber of Commerce.

The survey includes multiple questions divided into three sections:

1. "**Profile of participating companies**", aimed at obtaining information about the positioning of the interviewees in terms of company size and structure, product sector, location, number of Italian employees and years of presence in China.
2. "**Current state of health of the company**", with a focus on the results 2024 compared to the budget forecasts and on the trend in turnover and profit compared to 2023, as well as expectations for 2025 and the following years.
3. "**Business climate of confidence**", is the third and final section, focused on the sentiment of the business performance of the company and the sector in which it operates, touching on important aspects of their strategies such as investment plan, localization and diversification, human resources management, as well as advantages and challenges for those operating in the Chinese market.

Two open questions have been added to address topics and issues from CICC Members companies that will be presented to both Italian and Chinese institutions.

We thank all our Members who took part in the survey and gave voice to their company through this report.

Responses are strictly anonymous and no identifiable data about an individual or company has been published or made available to other organizations.



2

EXECUTIVE SUMMARY

China continues to prioritize economic stability while reinforcing its commitment to attracting foreign capital, as evidenced by a series of policy measures designed to address investor concerns. These efforts aim to ease operational challenges for foreign enterprises, particularly by streamlining cross-border data transfer compliance and reducing regulatory ambiguity.

However, persistent domestic headwinds, such as rising local debt, a prolonged property sector crisis, and stubbornly high youth unemployment, pose significant risks to economic revitalization and threaten to undermine foreign investor confidence. These ongoing challenges complicate China's growth, demanding strategies that balance the momentum of reform with effective mitigation of risks.

The 2024-2025 edition of the China-Italy Chamber of Commerce (CICC) Business Sentiment Survey provides valuable insights into the evolving strategies, challenges, and opportunities facing Italian companies in China. **Based on responses from 356 firms — representing over 50% of the CICC's membership— the survey, completed in March 2025 reveals a market characterized by cautious optimism, structural headwinds, and ongoing strategic recalibration.**

KEY FINDINGS

Market Presence and Profile

- **Geographic Focus:** 46% of Italian companies operate in East China (Shanghai, Jiangsu, Zhejiang) with li-

imited penetration in emerging regions like Southwest China.

- **Sectoral Strengths:** Dominance in Manufacturing (16%), Trade, and Consulting, with underrepresentation in high-tech and digital sectors.
- **Business Structure:** 60% operate as Wholly Foreign-Owned Enterprises (WFOEs), prioritizing autonomy over joint ventures.
- **SME-Centric:** Majority of entities reflect Italy's niche-oriented, agile business model.
- **Financial Performance:** Stability Amid Pressure
- **2024 Outlook:** 38% recognize stable revenue, while 26% moderate growth. Sectors like Trade, Manufacturing, and Automotive remain resilient.
- **2025 Projections:** 40% forecast revenue growth, driven by new policy, change in consumer demand and innovation.
- **Profitability Strains:** Rising operational costs and competition may reduce margins, particularly in Energy, Logistics, and F&B-Hospitality.

Business Sentiment: Strategic Caution

Priority Market: Despite the economic slowdown and increasing local competition, 54% still consider China a high-priority market

Adaptation Strategies

- **Innovation:** 31% plan R&D investments, focusing on digital transformation and sustainability.
- **Localization:** 30% aim to strengthen local supply chains; 45% prioritize expanding distribution channels, including e-commerce.

- **Workforce Stability:** 44% will maintain current staffing levels, while 25% plan hiring, emphasizing local talent development.

Challenges and Risks

- **Structural Pressures:** Price volatility, regulatory ambiguity, and geopolitical tensions hinder predictability for SMEs.
- **Sectoral Vulnerabilities:** Energy and Logistics face downturns due to supply chain shifts and compliance costs.

Growth Opportunities

- **Digital Acceleration:** 22% of firms target AI-driven efficiency and smart manufacturing.
- **Sustainability Push:** 11% invest in green supply chains, aligning with China's decarbonization agenda.
- **Geographic Diversification:** Untapped potential in emerging regions of China and selective ASEAN/EU diversification.

Institutional Priorities

Italian firms urge enhanced bilateral support:

- **Regulatory Clarity:** Simplified market access, IP protection, and streamlined visa processes.
- **Financial Incentives:** Tax benefits, credit access, and SME-focused trade promotion.
- **"Made in Italy" Advocacy:** Strengthened branding and cultural diplomacy to leverage premium positioning.

HIGHLIGHTS

The 2024–2025 CICC survey underscores China's dual role as both a powerful driver of global growth and a market that is becoming increasingly complex and nuanced. **While economic uncertainties—ranging from fluctuations in global demand and regulatory shifts to geopolitical tensions—demand a cautious and well-calibrated approach,**

Italian firms continue to demonstrate strategic confidence. They effectively balance the need for localization with a strong focus on innovation, ensuring that their offerings not only meet local market demands but also align with the global sustainability trends shaping China's economy.

Success in this environment hinges on several key factors. First, agility is crucial; Italian businesses must be prepared to adapt quickly to shifting market conditions, evolving consumer behaviors, and changing policies. **A sector specific approach is also essential. Tailoring strategies to the unique dynamics of each industry, whether in luxury goods, manufacturing, or technology, will enable firms to remain competitive and effectively mitigate risk.** As China transitions toward a more sustainable, high-quality growth model, Italian companies must align their strategies with the country's evolving environmental and regulatory frameworks, ensuring compliance while seizing the opportunities this transition presents.

Institutional collaboration remains another vital element for long-term success. Building strong partnerships with local governments, industry bodies, and key stakeholders will help Italian firms navigate regulatory complexities and strengthen their market positioning. Furthermore, fostering relationships with Chinese businesses and aligning with China's push toward innovation and sustainability will deepen their integration into the local economy, enhancing both resilience and competitiveness.

In essence, the survey highlights that the future of Italian firms in China will be shaped by their ability to adapt to an ever-evolving market landscape. By staying ahead of emerging trends, embracing localized innovation, and fostering strong institutional ties,

Italian companies can not only manage risks but also capitalize on China's transformative shift toward high-quality, sustainable growth. This proactive, long-term approach will allow them to thrive in a market that, while challenging, offers immense potential for those willing to invest in sustained success.

INSIGHTS AT A GLANCE

A comprehensive snapshot of the companies participating in the survey, showcasing their diversity in terms of industry, size, and market presence in China.

Geographical Distribution

The companies are mainly based in the following regions of China:

- 46% in East China (Shanghai, Jiangsu, Zhejiang)
- 24% in North China (Beijing, Tianjin)
- 21% in South China (Guangdong, Fujian)
- 6% in Southwest China (Chongqing, Sichuan)
- 3% operate outside of China but have business ties to the country

Industry Sectors

The participating companies operate in a variety of industries, including:

- Manufacturing and Engineering
- Healthcare
- Services
- Information Technology
- Food & Beverage
- Energy
- Fashion and Retail

Business Structure in China

Among the companies present in China:

- 60% are Wholly Foreign-Owned Enterprises (WFOEs)
- 17% operate as Joint Ventures
- 8% are Representative Offices
- 7% are subsidiaries of foreign companies

Company Size

- 58% have fewer than 50 employees
- 26% have between 50 and 250 employees
- 10% have between 250 and 1,000 employees
- 6% have more than 1,000 employees

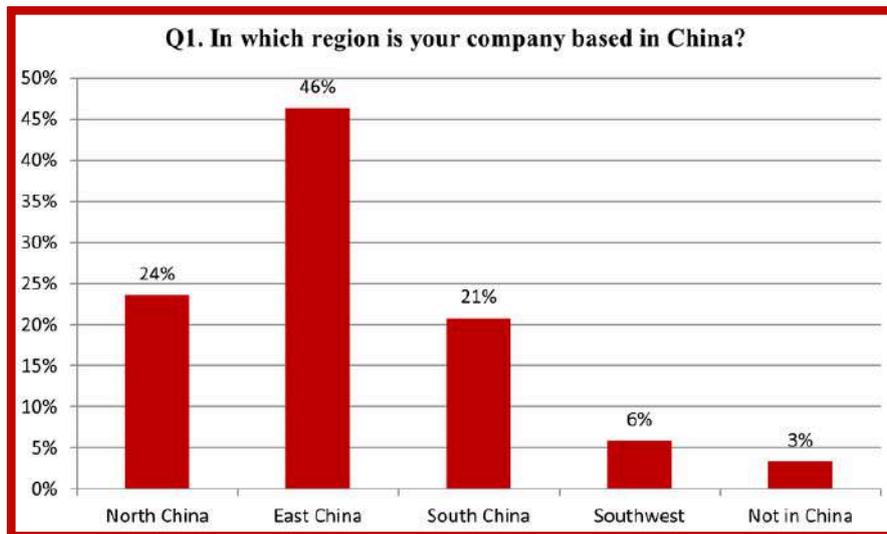
Market Presence in China

- 28% have been operating in China for over 20 years
- 39% for 10 to 20 years
- 19% for 5 to 10 years
- 15% for less than 5 years

Revenue in China

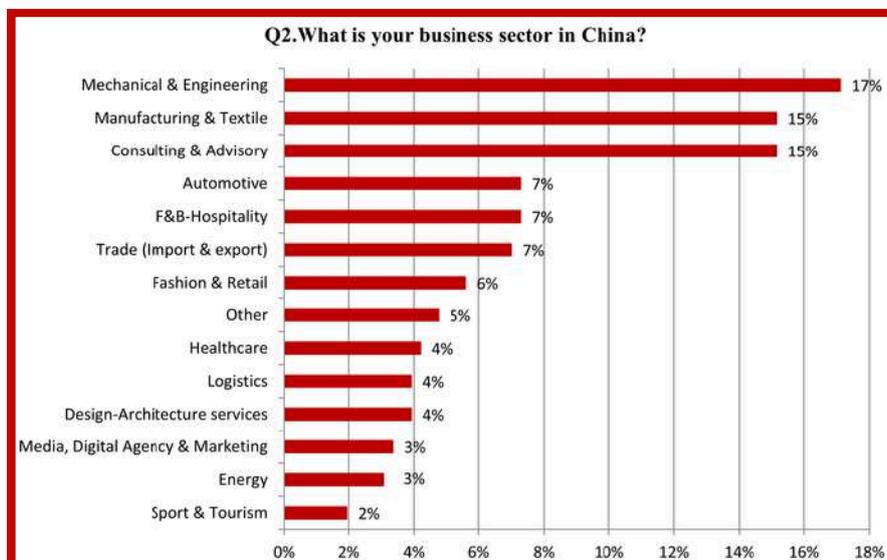
- 38% reported a turnover of less than €2 million
- 29% had a turnover between €2 million and €10 million
- The remaining companies reported higher revenue brackets

Geographically, Italian companies are heavily concentrated in the more economically developed areas of **Eastern China**, with Shanghai, Jiangsu, and Zhejiang hosting almost half of the participating companies (46%). The presence in the North (Beijing, Tianjin) and South (Guangdong, Fujian) is also significant, while Southwestern China appears less explored. This indicates a consolidated strategy of positioning in more mature regions but also suggests the potential for expansion into emerging markets, where new opportunities could be seized with targeted planning.



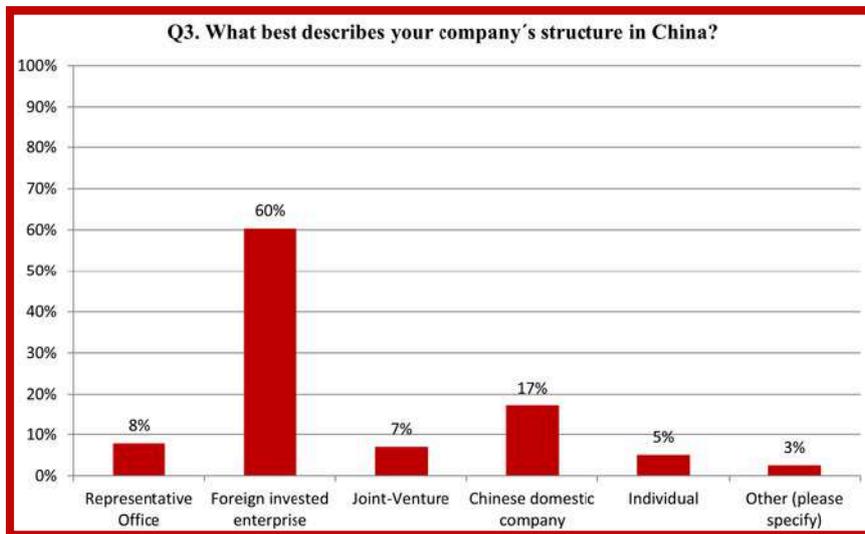
The most represented industries include **Mechanical & Engineering** (16%), Trade, and Consulting. Manufacturing and Automotive also have strong participation, reflecting Italy's industrial strengths in China. The **Manufacturing and Mechanical sectors** has a significant presence, with

companies involved in the production of electronics, construction materials, and industrial machinery. However, there is a lower presence of businesses in emerging sectors related to digital innovation and advanced technology, an area that could represent a great growth opportunity for Italian companies.



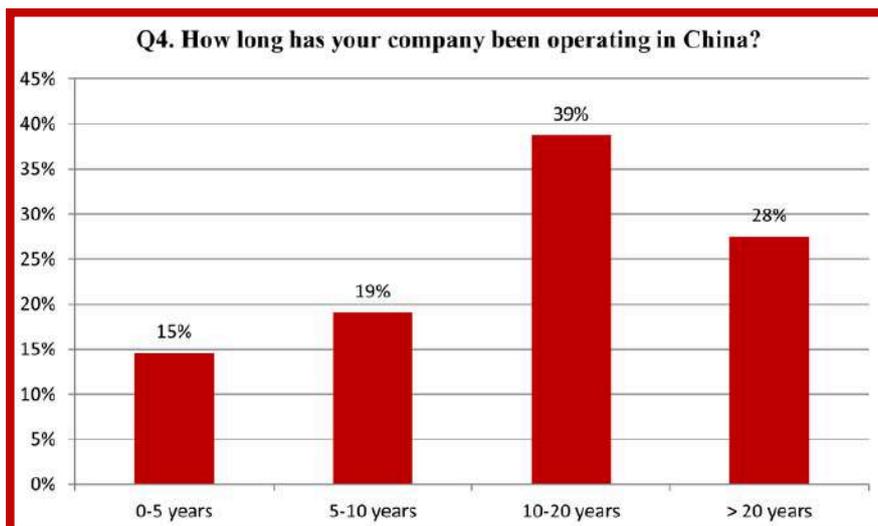
Foreign-Invested Enterprises (FIEs) dominate (60%), showing that Italian companies prefer full ownership over joint ventures. Representative offices are also common, indicating a focus on market research and business development rather than direct operations.

The choice of operating as WFOE ensures management autonomy and strategic control. However, the relatively low percentage of joint ventures suggests that there are still opportunities to strengthen collaborations with Chinese partners, an aspect that could facilitate access to new market opportunities and deeper integration into the local economic context.



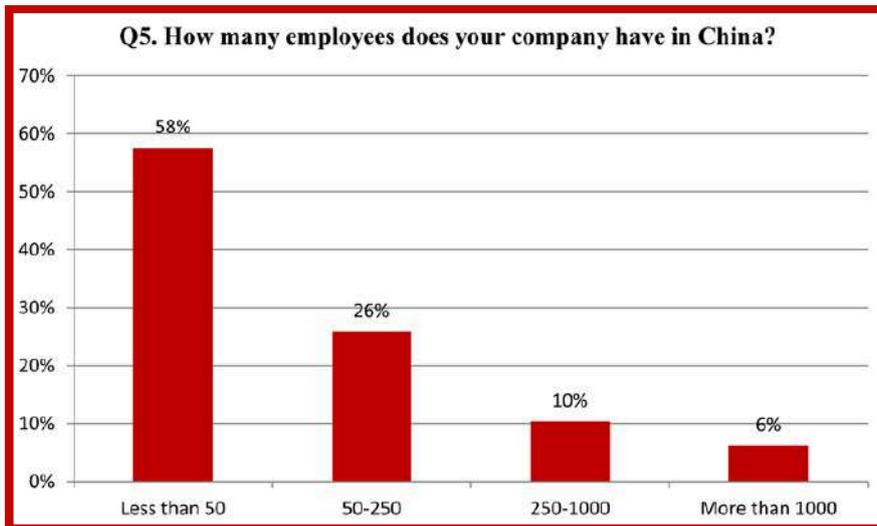
A significant number of businesses (67%) have operated in China for over 10 years, with a **strong presence of companies exceeding 20 years (28%)**. This suggests long-term commitment despite economic fluctuations.

Among the companies that have recently entered China, most are trading or retail businesses rather than manufacturers with production facilities established many years ago.

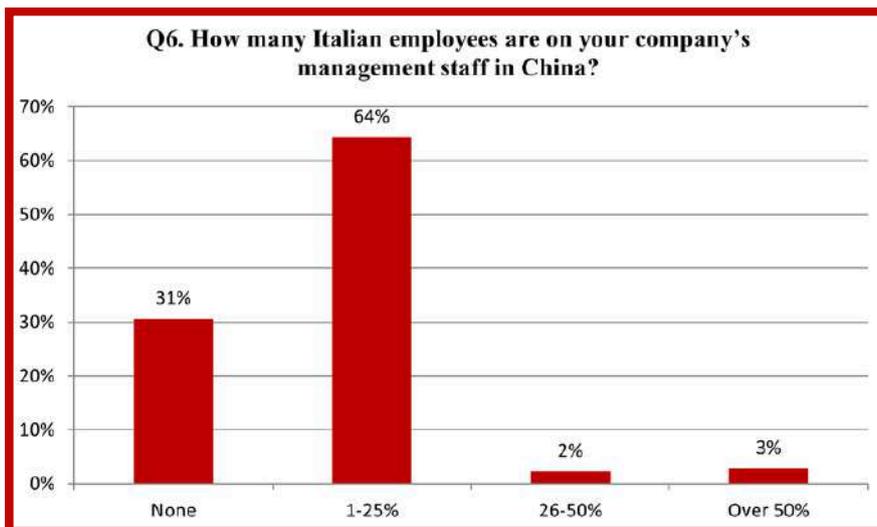


Most businesses are small (under 50 employees), while mid-sized companies (50-250 employees) also have a notable presence. Larger firms (1,000+ employees) are less represented, reflecting that Italian businesses tend to operate in niche markets or specialized sectors. The size structure of the compa-

nies confirms this **predominance of SMEs**, with over **57% of companies employing fewer than 50 employees**. This demonstrates the central role of small and medium-sized Italian businesses in the Chinese market, while also suggesting the need for growth strategies that allow them to scale and consolidate their position.



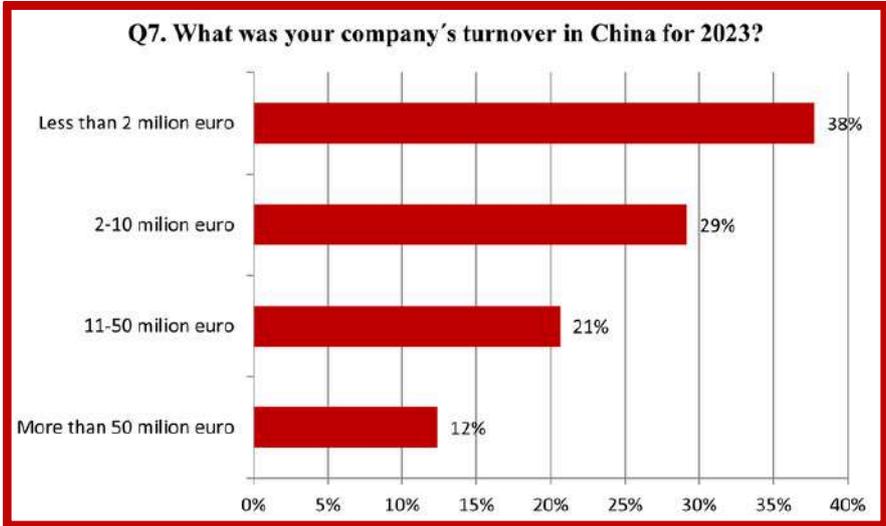
Over 60% of companies have some Italian management, mainly within the 1-25% range. However, only a small percentage has a majority-Italian leadership, highlighting reliance on local workforce.



Most companies generate less than 10 million euros annually, with a smaller portion exceeding 50 million euros. This indicates a mix of SMEs and larger enterprises in the survey.

Revenue data shows considerable diversity among the participating companies. Nearly 38% of the companies have a turnover of less than 2 million euros, but a significant percentage falls within the range of 2 to 10 million euros.

Although the presence of large companies is more limited, this structure reflects the typical composition of the Italian business landscape, characterized by a strong presence of SMEs. This scenario represents both a challenge and an opportunity: on the one hand, SMEs may face difficulties competing with larger local companies, but on the other, their flexibility and specialization can be strategic advantages in niche sectors and in Made in Italy products.



Overall, the survey highlights the strength of Italy's presence in China, confirming the strong positioning of Italian companies in key sectors of the Chinese economy, such as manufacturing and services. However, several areas emerge where Italian companies could find new growth opportunities, further enhancing their competitiveness in a highly dynamic and rapidly evolving market.

In particular, there is potential for **greater geographical diversification**. Although Italian companies are heavily concentrated in the more economically developed areas of Eastern China, there is significant expansion potential in less explored regions. These fast-growing areas could represent new market opportunities for Italian businesses seeking to tap into expanding consumer bases and take advantage of favorable

regional policies. A strategic focus on these territories could facilitate entry into emerging sectors and strengthen Italian companies' position at the national level.

Additionally, **collaborations with local partners** could serve as another avenue for growth. Despite the predominance of Wholly Foreign-Owned Enterprises (WFOEs), the survey suggests that joint ventures might be an opportunity not yet fully exploited by Italian companies. Collaborations with Chinese firms could not only ease access to new markets and well-established distribution channels but also allow for deeper integration into the local ecosystem, improving companies' ability to adapt to local regulations and market demands.

Finally, expanding into **high-tech and innovation sectors** could be a crucial opportunity for Italian businesses.

While the digital and advanced technology sectors are not yet dominated by Italian companies, the growing demand for innovation in China offers vast potential for entry into these fields. Italian SMEs, known for their flexibility and specialization, could leverage their expertise to develop tailored solutions in areas such as technology, robotics, artificial intelligence, and sustainability, with the support of targeted investments.

In summary, while maintaining a **solid position in traditional areas**, Italian companies could benefit from a more diversified and dynamic strategy, focusing on targeted geographical expansion, deeper collaborations with local partners, and increased involvement in advanced technology sectors. This would not only help Italian companies consolidate their presence in China but also make them even more competitive in a market that continues to transform rapidly.

INSIGHTS AT A GLANCE

Revenue Performance and Expectations for 2024-2025

- 38% recognize a stable revenue in 2024, 26% moderate growth, while around 20% decline, indicating that while optimism is prevalent, there are significant challenges.
- Moderate Optimism for Growth in 2025, greater compared to the previous year: 55% expect revenue growth in 2025.

Sector-Specific Insights:

Optimistic Sectors:

- **Manufacturing & Textile, Energy:** These sectors are the most optimistic, expecting revenue increases.
- **The Fashion and Retail:** Cautiously optimistic outlook, with over half of respondents expecting a turnover similar to the previous year. New policies on consumer demand, export opportunities, and China's role as a key production hub drive growth.
- **Automotive & Healthcare:** Both sectors show positive trends. The rise of electric vehicles and medical innovations are major growth factors.

Challenges in Certain Sectors:

- **Logistics:** These are facing downturns, with more than 25% of companies expecting revenue declines due to regulatory challenges, rising costs, and shifts in global supply chains.

- **F&B-Hospitality:** This sector is more cautious, with many companies predicting stable revenue but grappling with market saturation and intense competition.

Outlook for 2025:

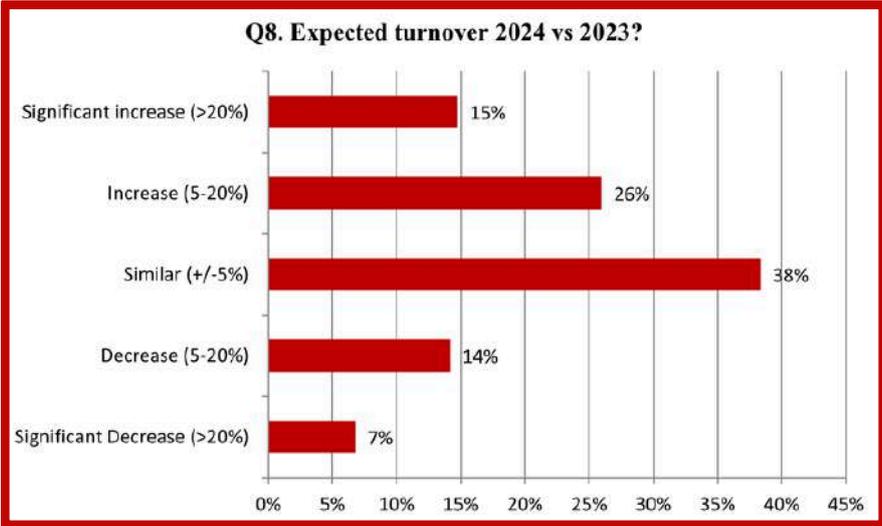
Overall, most companies are cautiously optimistic, forecasting stability or moderate growth, though a few expect downturns due to external market uncertainties.

- **Fashion & Retail:** Likely a period of consolidation, with modest growth.
- **Healthcare:** Positive outlook, with growth expected due to ongoing demand for medical services and products.
- **Automotive:** Moderate growth expected, with slight increases anticipated.
- **Energy:** Positive trends driven by sustainability and renewable energy projects.
- **F&B & Hospitality:** Mixed outlook, reflecting uncertainty in consumer demand.
- **Logistics:** Mixed sentiments due to global trade fluctuations.

38% consider 2024 turnover to remain roughly in line with 2023.

However, about 26% increase and 22% decline, reflecting cautious optimism amid economic challenges.



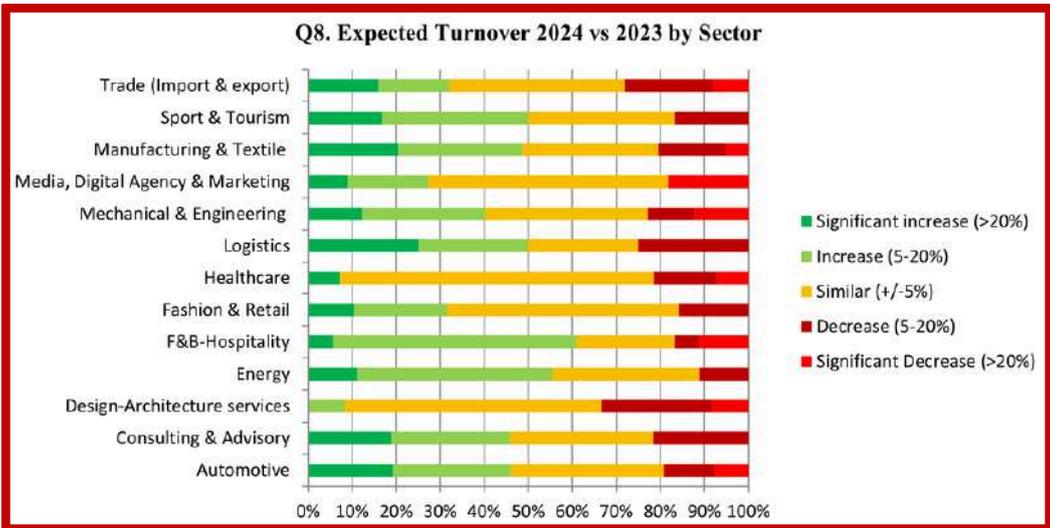


The **majority of businesses confirm stable revenues in 2024**, though expectations vary by sector.

Manufacturing & Textile, Food and Beverage, and Energy are the most optimistic, **expecting revenue increases of 5-20%**. **Automotive and Healthcare** also show stable trends, reflecting demand for **electric vehicles and medical innovations**.

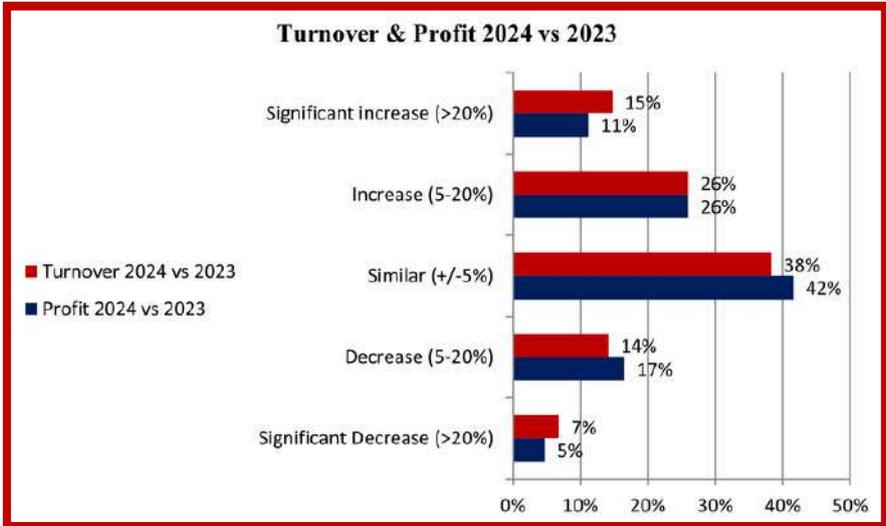
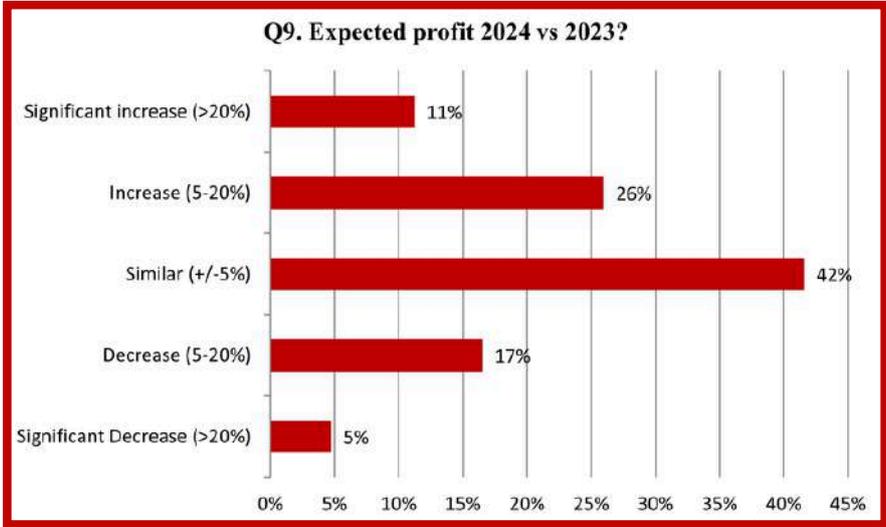
The **Fashion and Retail** sector maintains a cautiously **optimistic outlook**, with over half of respondents expecting a **turnover similar to the previous year**, while **31% anticipate a turnover increase**.

Logistics, Media, Digital Agency and Marketing expect downturns, with more than 25% anticipating revenue declines, likely due to **regulatory challenges, rising costs, and shifts in global supply chain strategies**.



Similar to turnover, **most companies confirm stable trends in profits 2024-2023**. A minority expects a decline, signaling concerns over rising costs and market conditions.

While turnover expectations are mostly stable or growing, **profitability presents a more challenging picture for several industries**.



Energy and Automotive sectors maintain a positive profit outlook 2024, the **energy sector presents an especially positive outlook**, with majority reporting a profit increase compared to the previous year. These industries benefit from **scale efficiencies, cost optimizations, and strong market positioning**.

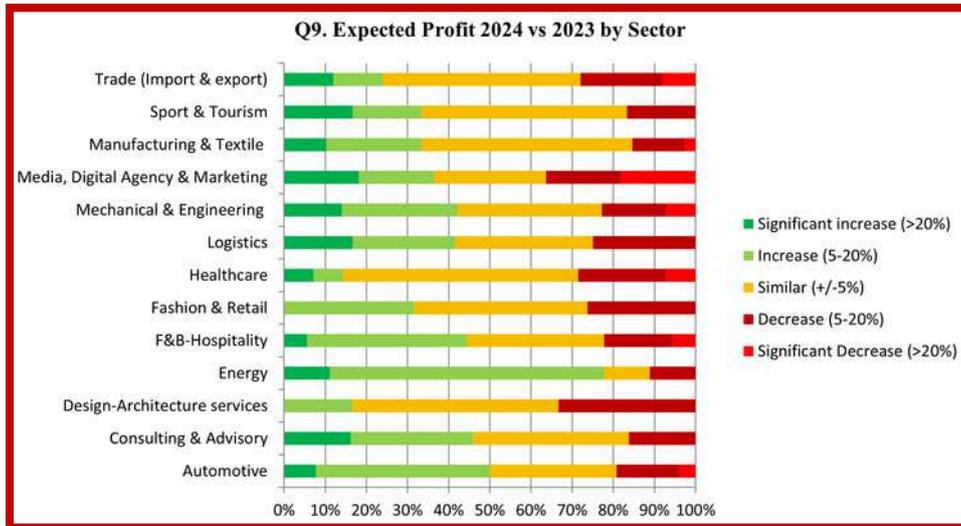
Fashion & Retail also maintains good pro-

profitability, with expected gains from **digital transformation and luxury consumer spending**.

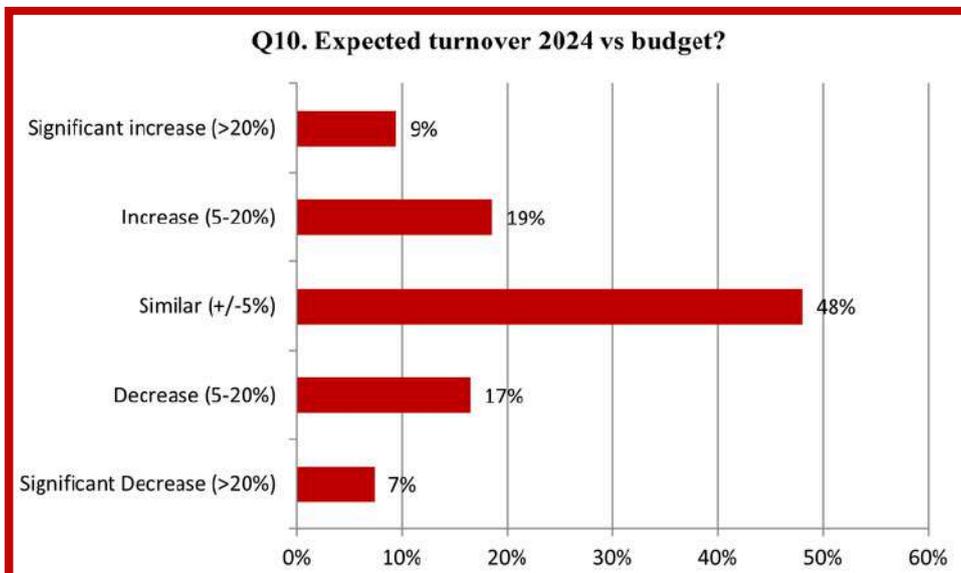
Logistics, Media, Digital Agency and Marketing are showing signs of financial strain, with **more than 30% of businesses in these sectors anticipating declining profits**. These industries are impacted by **higher operational costs, regulatory bur-**

dens, and increased competition. Healthcare presents a mixed picture, with some firms recording profit growth, while others struggle with rising compliance costs.

Despite stable or growing revenues in many industries, profit margins remain a key concern due to rising costs and shifting market conditions.

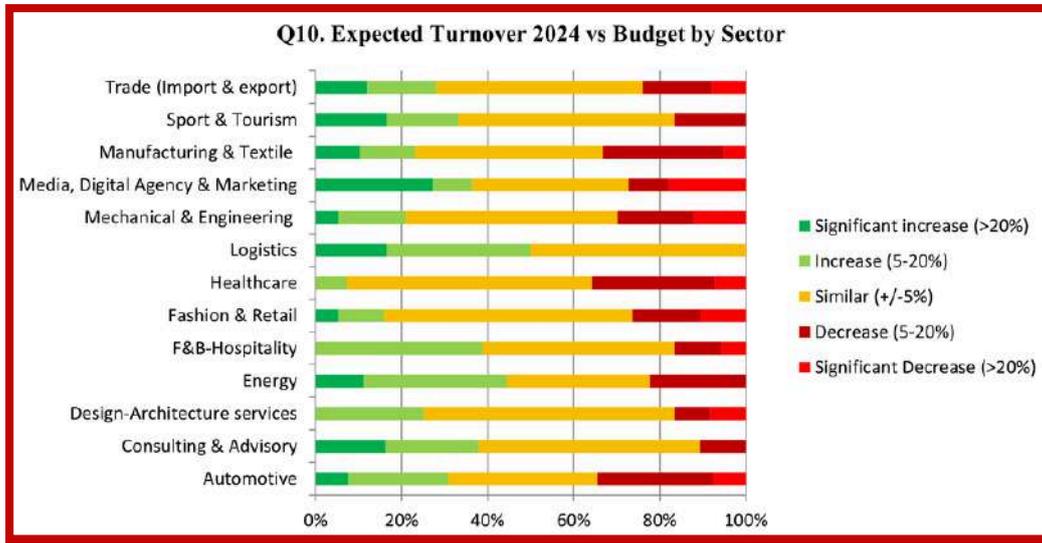


Nearly half consider their actual turnover 2024 to align with their budget projections. A sizable portion foresees better-than-expected results, while others anticipate shortfalls.

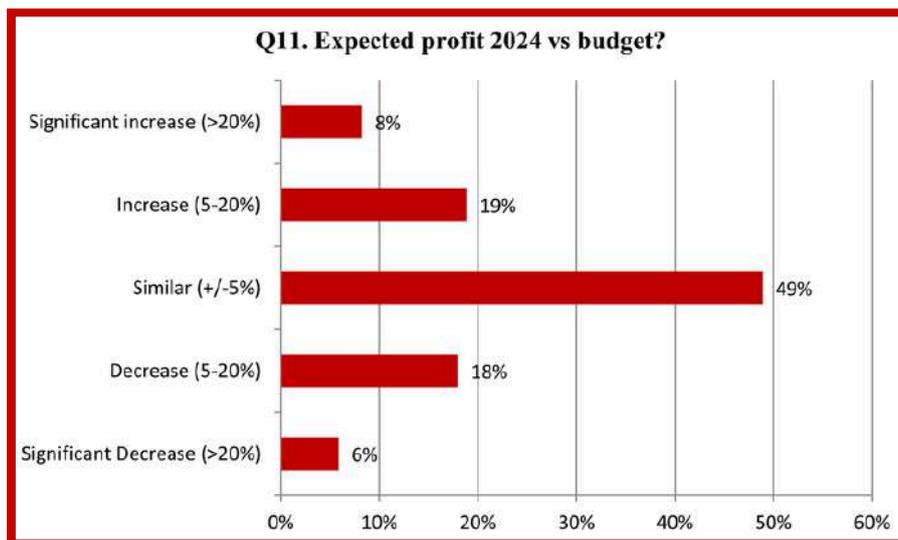


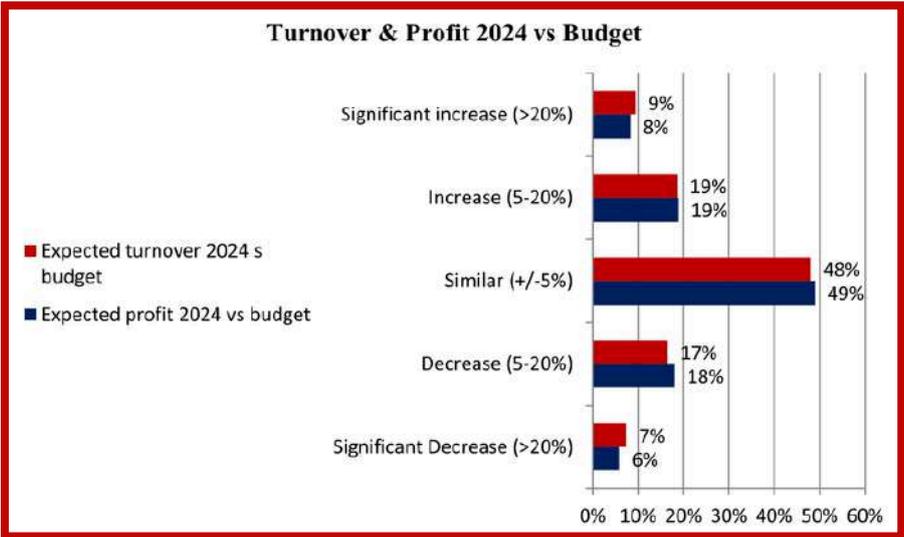
Companies are split between **meeting, exceeding, or falling short of their 2024 budget targets. Trade, Fashion & Retail, and Manufacturing & Textile** are the most confident, with **more than 40% of firms to meet their revenue targets.** These industries have shown **strong adaptability and demand resilience,** making them well-positioned to **capture new market opportunities.**

Overall, 2024 appears to be a year of modest revenue alignment with expectations, with certain industries facing downward adjustments due to external pressures.



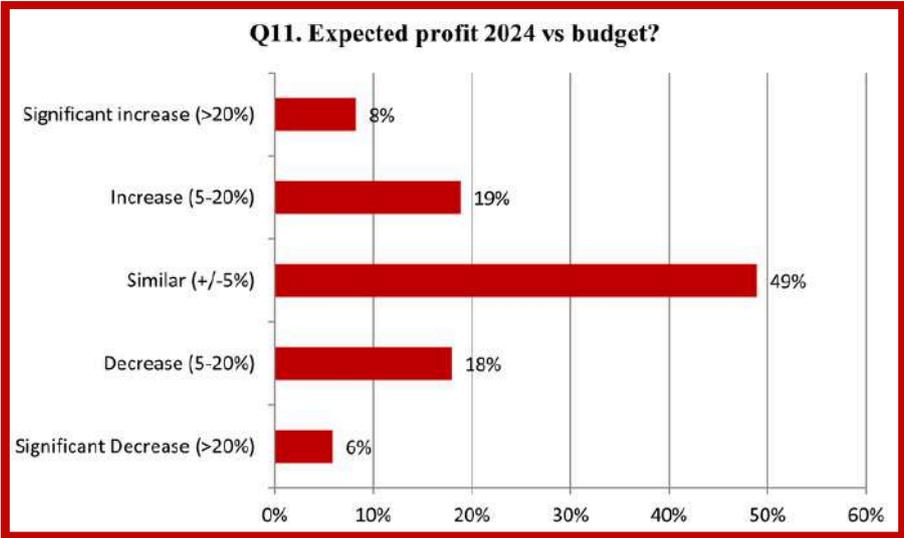
Most companies expect their profits to match budget forecasts, though some anticipate higher-than-expected earnings, showing confidence in operational efficiency.





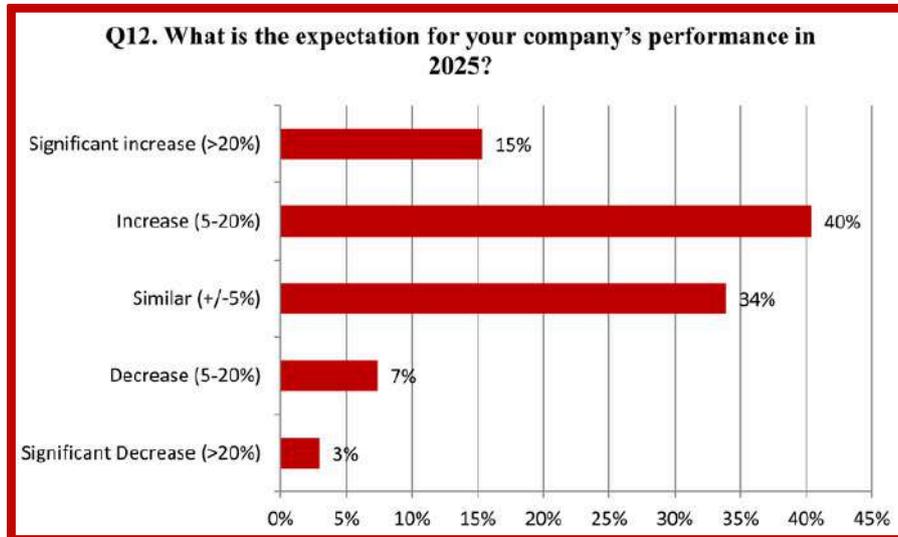
Profit show a **clear divide between thriving and struggling industries. Trade, Fashion & Retail, and Manufacturing & Textile exceeding budgeted profit levels.**

Automotive also maintains a positive profit outlook. However, **Energy, Logistics, and F&B-Hospitality are the biggest underperformers, with more than 30% of respondents in these sectors recording profits below budget.**



What is the expectation for companies performance in 2025? Optimism remains, with most companies forecasting stability or moderate growth.

A small fraction expects a downturn, likely due to external market uncertainties.

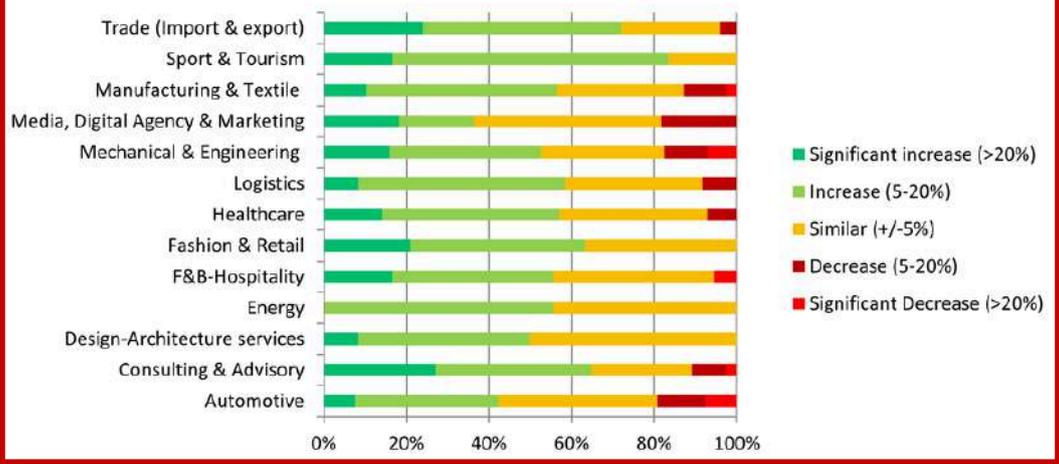


The expectations for company performance in 2025 vary significantly across sectors. In the **automotive sector**, projections are mostly moderate, with a majority expecting performance to remain similar to 2024, though some companies anticipate slight increases.

Consulting and advisory firms show mixed expectations, with some foreseeing growth while others predict declines due to market uncertainties. The **design and architecture sector** remains cautious, with most firms expecting stable performance, though a few foresee significant improvements. **Energy companies** show optimism, with nearly half expecting growth, likely driven by the push for sustainability and renewable energy projects. **F&B and hospitality businesses** have a more varied outlook, with a balance of companies expecting increases and stagnation, reflecting uncertainties in consumer demand. **The fashion and retail sector** appears to be in a consolidation phase, with expectations largely centered around stability and modest growth.

Healthcare firms are optimistic, with a majority predicting increased performance due to ongoing demand for medical products and services. **Logistics firms** have mixed sentiments, with some predicting growth while others foresee a downturn due to global trade fluctuations. **Mechanical and engineering companies** are slightly pessimistic, with several firms expecting declines, possibly due to challenges in supply chains and production costs. **Media, digital agencies, and marketing firms** anticipate stable or slightly positive growth, reflecting the increasing importance of digital transformation. **Manufacturing and textile companies** show a balanced perspective, with firms divided between growth and stability. **Sport and tourism businesses**, still recovering from past challenges, expect growth, driven by renewed travel activity. Finally, **import and export trade firms** display a cautiously optimistic outlook, with many expecting stable or moderate growth, contingent on trade policies and market conditions.

Q12. Expectation for the Company's Performance in 2025 by Sector



INSIGHTS AT A GLANCE

Selective Recovery and Strategic Investments: 2024-2025 marks a phase of controlled recovery, where Italian companies still see value in the Chinese market but are managing their resources more selectively.

Keywords for 2025: Adaptation, Innovation, Efficiency.

More Confidence Compared to 2023. While challenges remain, overall sentiment is less negative than last year: 54% still consider China a high priority, with 31% planning investments in Research & Development (R&D).

Slight improvement in Business Environment sentiment, but still cautious: 28% saw deterioration in 2024, compared to 30% in 2023.

More companies plan to hire (25%), a sign of growing market confidence.

Main Concerns: What Are the Critical Factors?

Despite moderate optimism, Italian companies in China face significant structural challenges:

Economic Slowdown and Lower Domestic Demand

- Majority of companies cite economic slowdown as their main concern.
- Declining consumer confidence and reduced local investments are impacting various industries, particularly manufacturing, engineering, and consumer goods.

Price Pressure and Increasing Local Competition

- 49% of companies face price pressure, reducing profit margins.

- 40% are concerned about growing competition from Chinese firms, which benefit from lower costs and greater adaptability.

Rising Operating Costs (Energy, Labor, Compliance)

- 20% of companies report increased costs in production and regulatory compliance.
- Stricter environmental and cybersecurity regulations in China are creating additional challenges for foreign businesses.

The competitiveness of the Chinese market is evolving: simply being present is no longer enough; a clear strategic advantage (innovation, localization, operational efficiency) is required.

Adaptation Strategies: How Are Companies Responding?

To navigate these challenges and maintain competitiveness, Italian companies in China are adopting more targeted strategies.

Focus on R&D and Innovation

- 31% of companies will invest in Research & Development, highlighting innovation as a key growth driver.
- Increased collaboration with local partners to develop tailored products for the Chinese market.

Strengthening Local Supply Chains

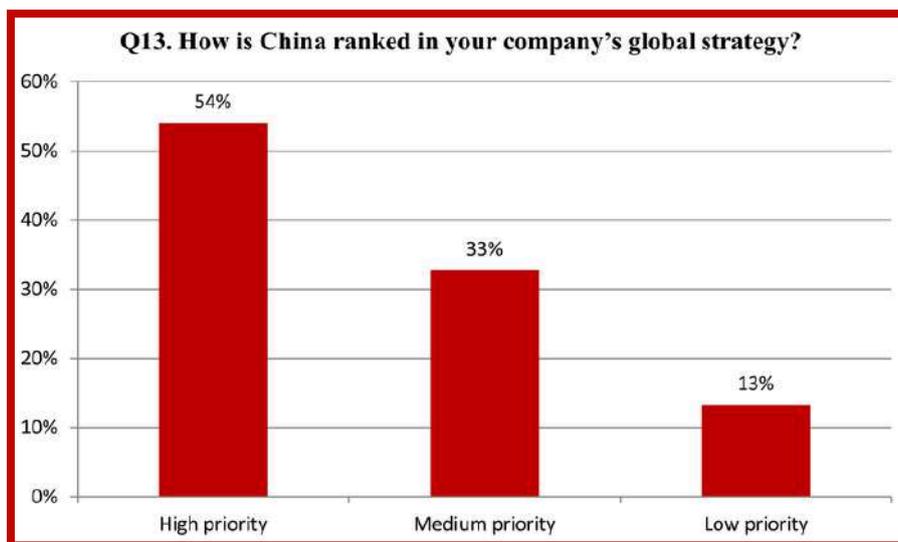
- 46% of companies do not plan to change their supply chain, while 29% will strengthen local partnerships.
- Only 14% are considering diversification towards ASEAN/EU, indicating that China remains a crucial production hub.

Workforce Management: Stability and Selective Growth

- 44% will maintain their workforce, while 25% plan to expand.
- Companies are increasingly investing in local talent development and reducing dependence on Italian expatriates.

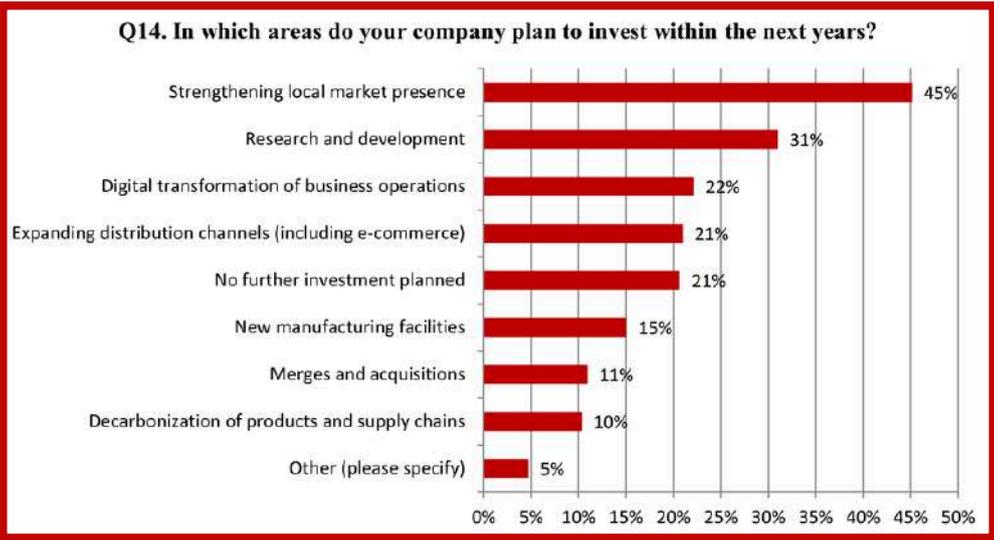
Companies are not exiting China but are optimizing operations to be more competitive and resilient. Compared to the past more pragmatic and selective strategies, with less focus on relocation and more on strengthening local operations.

Over half of respondents consider China a high-priority market, though a notable portion ranks it as medium-priority. No company ranked China as non-essential. Looking at the Business Sentiment Survey 2023, an important insight emerges: the perception of China's strategic priority remains stable. **54% still consider China a high priority** (compared to 52% in 2023).



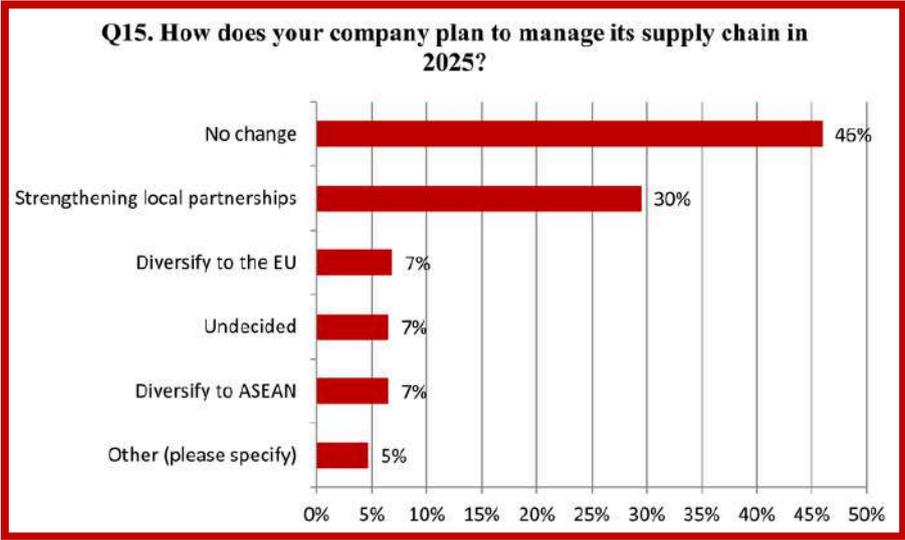
Many companies plan to invest in **local market** expansion (more than 45%), **research and development (31%)**, and **digital transformation (22%)**.

However, some are holding back on investments, likely due to economic uncertainties (21%).

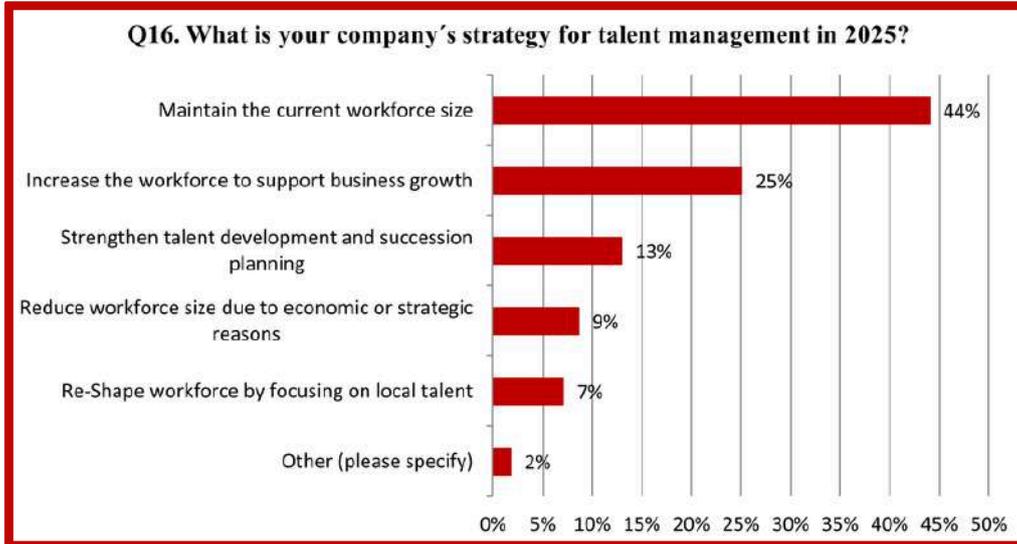


While most companies plan to maintain their current supply chains, diversification is gaining traction, suggesting a shift in risk management strategies.

An increasing number of companies are maintaining a stable supply chain. While diversification remains a strategy to mitigate risks, it is a declining trend.

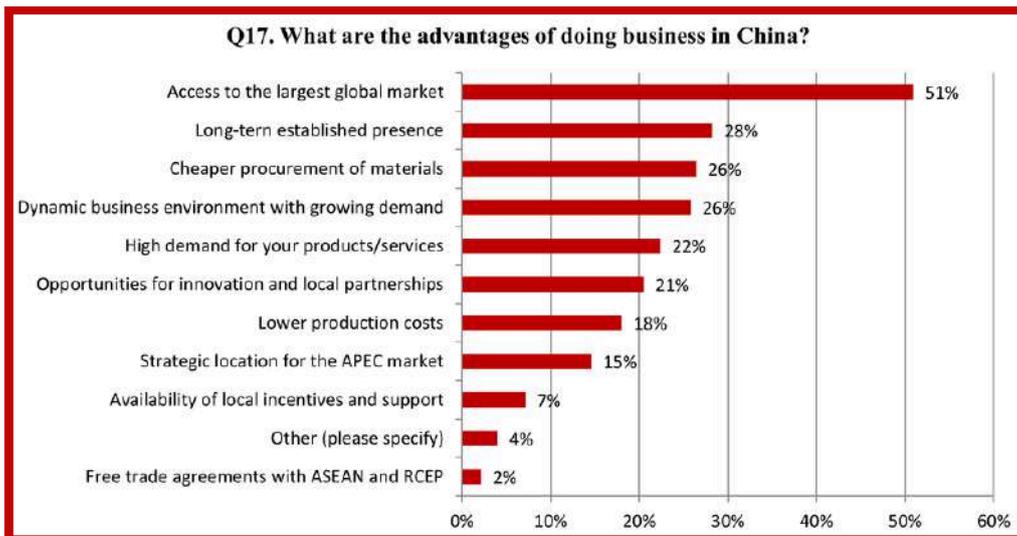


Companies largely plan to maintain their workforce, but some will expand. There is also a focus on local talent development, highlighting adaptation to China's evolving labor market.



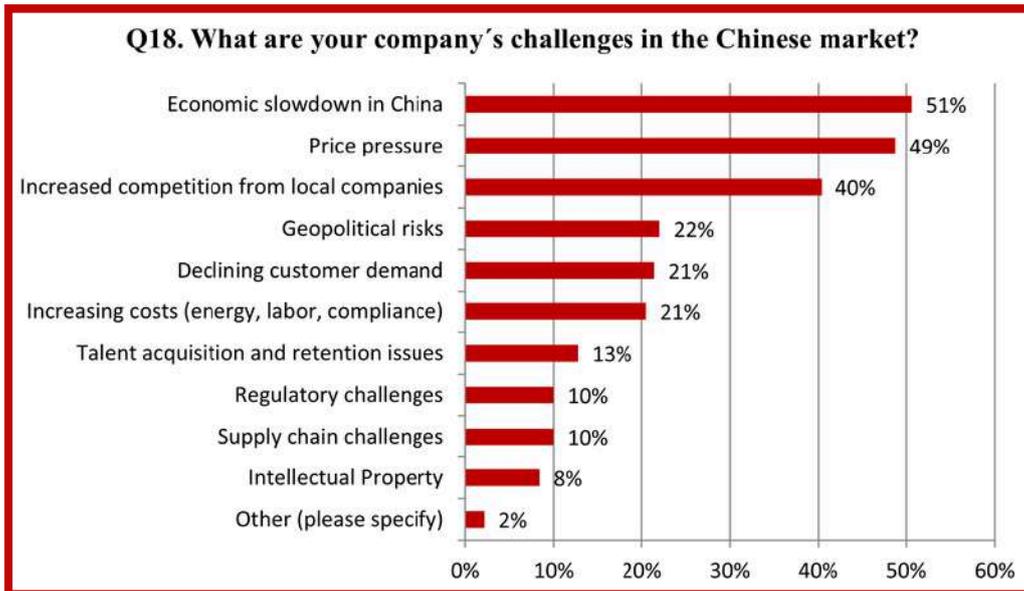
What are the advantages of doing business in China? Market size, high demand, and strategic location are the top advantages.

Cost-related benefits like lower production and material procurement costs rank lower.



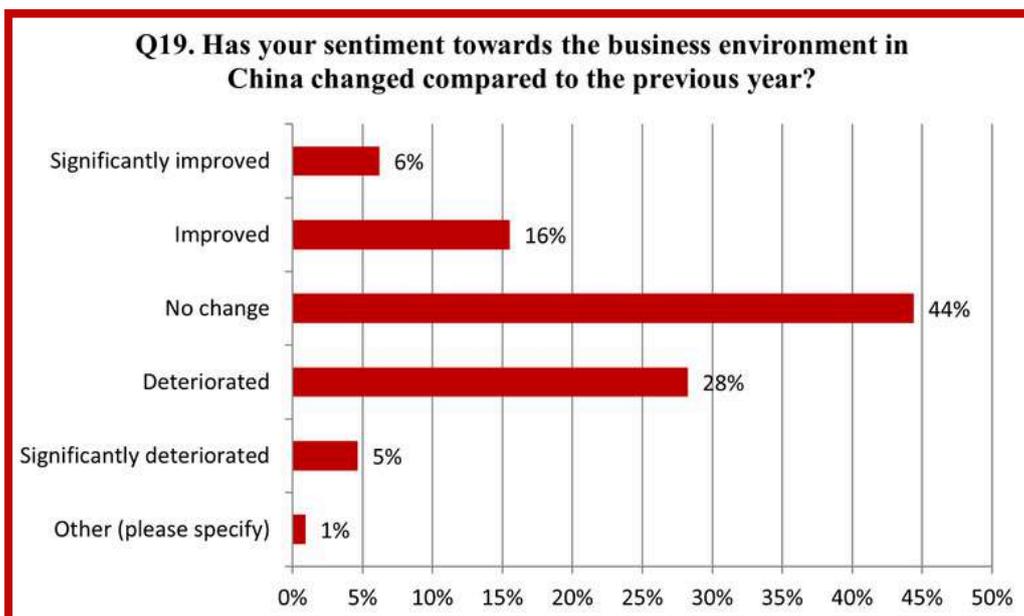
What are your company's challenges in the Chinese market? The economic slowdown, price pressure, and local competition are the biggest concerns.

Rising costs, regulatory barriers, and geopolitical risks also impact business sentiment.



44% confirm no change in the business environment, 28% deteriorated and 16% improved.

This mixed sentiment reflects both opportunities and ongoing challenges in the market.



Seven main topics have been addressed by the companies that need to be brought to the attention of Italian institutions:

1. Tax Treaty and Social Welfare Treaty

A significant number of responses highlight the importance of the fiscal treaty between China and Italy ratified in 2024, and effective from 2026 and require the start of negotiation for a social welfare treaty considering that Germany, France and Spain have previously signed a social welfare treaty with China.

2. Market Access and Trade Barriers

A significant number of responses highlight challenges in entering the Chinese market, such as restrictive regulations, difficulties in obtaining financial support, and complex approval processes for foreign businesses. Additionally, some responses mention issues like customs duties, government procurement access, and compliance hurdles.

3. Support for Italian Businesses and SMEs

Several responses call for increased government and institutional support for Italian companies in China, particularly SMEs. This includes financial incentives, improved business matchmaking opportunities, and assistance with navigating local regulations.

4. Intellectual Property (IP) Protection and Fair Competition

Many respondents express concerns about IP infringement and unfair competition, including issues like counterfeit goods and the need for stronger legal frameworks to protect Italian brands and innovations.

5. Human Resources and Mobility

Many responses mention the importance of international mobility for personnel, with key advantage the visa free policy for Italian business travels to China, requiring support for faster procedures on Schengen visas for Chinese employees

and complexity on work permits for young and senior Italians in China.

6. Bilateral Trade and Investment Relations

There is a strong focus on strengthening economic ties between Italy and China, including more favorable trade agreements, incentives for investment, and deeper collaboration between businesses from both countries.

7. Promotion of Made in Italy and Italian Culture

Many respondents emphasize the need for greater promotion of Italian products, culture, and industries in China. Suggestions include increased media exposure, more trade exhibitions, and stronger national branding efforts.

HIGHLIGHTS

The CICC Business Sentiment Survey 2024-2025 reveals a mixed business sentiment, balancing concerns and opportunities. While Italian companies in China face significant challenges, the market still offers growth potential for those who can adapt to evolving economic and regulatory dynamics.

Structural Challenges and Growing Uncertainty

The operating environment in China is becoming increasingly complex: 28% of companies report a deterioration in business conditions, while many cite declining demand and intensifying competition with local firms. Price pressures, supply chain disruptions, and regulatory uncertainty are major. Additionally, rising production costs and geopolitical tensions make China a less predictable market for Italian SMEs.

Adaptation and Diversification Strategies

In response to these challenges, companies are adopting different strategies. Many are strengthening their local presence (29% are investing in new partnerships), while others are exploring geographical diversification, with growing interest in Southeast Asia and Europe. Furthermore, 13% of companies are considering workforce restructuring, signaling a shift in operational strategies. However, the fact that over 53% of companies still view China as a strategic priority indicates that the market remains central.

Opportunities Still Exist

Despite the difficulties, the Chinese market remains one of the most dynamic globally, providing opportunities for those who can innovate and adapt. Key areas of growth identified by Italian companies include:

- **Digital transformation and innovation:** 22% of companies will invest in digitizing processes and improving operational efficiency.

- **Commercial expansion:** 45% plan to strengthen their distribution channels, including e-commerce and new marketing strategies.
- **Sustainability and decarbonization:** 11% will invest in more sustainable supply chains, aligning with global regulatory trends and market demands.

The Crucial Role of Institutional Support

To fully capitalize on opportunities and mitigate risks, stronger institutional support is essential. Italian companies call for greater investment protection, easier access to credit, and a clearer regulatory framework. Promoting Made in Italy in China, combined with tax and financial incentives, could be key to securing the position of Italian businesses in this competitive market.

The overall business sentiment among Italian companies in China for 2024-2025 reflects a delicate balance between challenges and opportunities. While economic and regulatory uncertainties persist, the market still offers room for growth for those who invest in innovation, and stronger local positioning. The real challenge will be to find the right balance between risk mitigation and opportunity exploitation, in a market that remains strategically important but continues to evolve.

ABOUT CHINA-ITALY CHAMBER OF COMMERCE

The China-Italy Chamber of Commerce (CICC) was founded in 1903, when a group of Italian entrepreneurs established the association to strengthen Italy's economic presence in China. Today, the Chamber is recognized by both the Italian Ministry of Enterprises and the Ministry of Civil Affairs of the People's Republic of China as a leading business organization.

CICC coordinates the EU SME Centre, providing support to European small and medium-sized enterprises entering the Chinese market. It represents the network of Italian companies operating in China and is the largest Italian Chamber of Commerce in Asia in terms of trade, investment, and economic value, within the global network of 86 Chambers of Commerce that make up Assocamerestero.

The Chamber hosts twelve working groups and chapters that foster collaboration across industries and professional communities. The Aviation and Aerospace Working Group (AAWG) advances sector development, while the China-Italy Young Professionals Network (中Y意) connects emerging talents. The Energy and Environmental Protection Working Group (EEPWG) promotes sustainability, and the Food and Beverage Working Group (FBWG) supports industry development. The Healthcare Working Group (HCWG) strengthens medical cooperation, while the Innovation and Technology Working Group (ITWG) drives technological exchange. The Intellectual Property Working Group (IPWG) safeguards IP rights, and the Italian Quality & Lifestyle Council (IQLC) highlights excellence in Italian products. The Logistics Working Group (LWG) enhances supply chain efficiency, and the Mechanical Engineering Working Group (MEWG) reinforces manufacturing ties.

The Sport and Tourism Working Group (STWG) promotes industry engagement, while the Suzhou Chapter (SCH) supports local business initiatives.

With more than 800 members—including multinational corporations, SMEs, and service providers—CICC offers information, training, and networking opportunities, serving as a platform for advocacy and dialogue with Italian and Chinese institutions.

In recent years, the Chamber has significantly expanded its activities, organizing over 300 events annually and strengthening its media presence, reaching more than 100,000 contacts across social networks to promote Made in Italy and support the Italian business community. Engagements with Italian and Chinese officials have intensified, involving leaders from the Ministry of Economy, Ministry of Enterprises, and Ministry of Foreign Affairs, as well as participation in official missions of the Italian Head of Government and Head of State. At the same time, CICC has deepened cooperation with Chinese counterparts, including CCPIT, municipal Party Secretaries and Commerce Commissions, the Secretary General of the Boao Forum, MOFCOM, and the CPC's economic leadership.

Throughout the year, CICC has actively participated in major exhibitions such as the Hainan Consumer Expo, Zhuhai Airshow, Grand Canal Expo, China Food and Drink Fair, China International Supply Chain Expo, and the World Design Cities Conference, where it curated a temporary museum dedicated to Italian Champions. Strengthening its partnership with Confindustria, the Chamber co-organized an investment roundtable during the Italian Prime Minister's visit to China.

CICC has also achieved record participation at flagship events including the Panda d'Oro Awards in Shanghai, the Festa dell'Amicizia in Suzhou, and the Notte Italiana in Beijing. Company visits have increased, involving major Italian industrial investors in China. Member companies have also taken part in seminars, meetings, and roundtables across eleven provinces and municipalities: Anhui, Beijing, Chongqing, Guangdong, Hainan, Jiangsu, Shandong, Shanghai, Sichuan, Tianjin, and Zhejiang. The Chamber has played a pivotal role in discussions with the Italian government during official missions to China and is included in the bilateral Action Plan, which focuses on six strategic areas: trade and investment, finance, innovation, sustainability, healthcare, and culture.

Findings from CICC's advocacy and service survey highlight persistent challenges faced by Italian companies in China, including intense competition, barriers to market access, bureaucratic complexity, and the effects of the broader economic slowdown. These issues reflect the evolving dynamics of the Chinese market, where regulatory frameworks and local competition require constant adaptation. Nevertheless, China remains a strategic priority for Italian investors, being the largest economy in Asia and a hub for innovation, manufacturing, and consumer demand. In this context, CICC has reinforced its commitment to supporting members by strengthening channels of interaction, enhancing governance structures, and expanding the scope of activities carried out through its working groups. Particular attention is devoted to small and medium-sized enterprises, which often face greater challenges in navigating the Chinese market, ensuring they receive tailored guidance, advocacy, and operational support to sustain their growth and competitiveness.

CICC also places strong emphasis on the involvement of young professionals, recognizing their role as future leaders in

the bilateral economic relationship. Initiatives such as Career Days, mentorship programs, and collaborations with leading academic institutions are designed to bridge the gap between education and professional opportunities, offering young talents exposure to international business practices and networks. By fostering this new generation of professionals, the Chamber not only strengthens its membership base but also contributes to the long-term sustainability of Italy's economic presence in China. At the same time, CICC continues to enhance the quality and relevance of its institutional content through the EU SME Centre—an EU project coordinated by the Chamber in China—which provides authoritative resources, training, and advisory services to European enterprises seeking to establish or expand their footprint in the Chinese market.

Looking ahead, the Chamber is intensifying its engagement with local and national leaders across all consular districts, with concrete plans to extend its presence into new provinces and prefectures. This expansion reflects a strategic vision to ensure that Italian businesses are represented and supported in every major economic hub of China. Advocacy remains at the core of CICC's mission, as the Chamber continues to act as a bridge between Italian and Chinese institutions, while also collaborating with other chambers of commerce and international organizations in the region. By consolidating partnerships, promoting dialogue, and creating new opportunities for its members, CICC reaffirms its role as a central actor in the bilateral relationship, committed to advancing trade, investment, and cultural exchange between Italy and China.

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