



From the European business
community in Korea

Business Confidence Survey

2022-2023



Business Confidence Survey

2022-2023

| Participating Chambers



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Survey Motivation and Design

The purpose of the European Business in Korea: Business Confidence Survey is to take an annual snapshot of European companies' perceptions, successes, and challenges in Korea, the first survey of which was conducted in 2014.

With consistency was one of the key factors that guided the questionnaire's design and data analysis, an online survey platform akin to that of the previous years was set up for participating companies. This year's survey took place from January 16 to 27, 2023. The gathering of such replicable data was done in order to trace and understand the development of company strategies and perceptions year-on-year. However, as not all of the participants answered all of the questions, the total number of respondents are noted above each graph. A detailed breakdown of the survey's participants' profile can be found in the appendix.

ECCK and KGCCI along with 9 other European chambers in Korea partnered up to publish this survey. With the European Chamber of Commerce in Korea as the initiator, the Korean-German Chamber of Commerce and Industry, the British Chamber of Commerce in Korea, the Belgian-Korean Business Forum, French Korean Chamber of Commerce and Industry, the Finland Chamber of Commerce and Industry in Korea, the Italian Chamber of Commerce in Korea, the Norwegian Business Association, the Spanish Chamber of Commerce in Korea, the Swedish Chamber of Commerce in Korea, and the Swiss-Korean Business Council in partnership with the Seoul office of Roland Berger worked together to publish this report.

Participating Chambers of Commerce



European Chamber of Commerce in Korea (ECCK)

Tel: +82 (0)2-6261-2700, Fax: +82 (0)2-6261-2730

Email: ecck@ecck.or.kr, Web: www.ecck.or.kr

Address: 5F, Seoul Square, 416 Hangang-daero, Jung-gu, Seoul, Korea 04637



Korean-German Chamber
of Commerce and Industry
한독상공회의소

Korean-German Chamber of Commerce and Industry (KGCCI)

Tel: +82 (0)2-3780-4600, Fax: +82 (0)2-3780-4637

Email: info@kgcci.com, Web: korea.ahk.de

Address: 8F, Shinwon Plaza, 85, Dokseodang-ro, Yongsan-gu, Seoul, Korea 04419



British Chamber of Commerce in Korea (BCCK)

Tel: +82 (0)2-6365-2300

Email: marketing@bcck.or.kr, Web: bcck.or.kr

Address: 4th Floor, The-K Twin Towers, B-dong, 50, Jong-ro 1-gil, Jongno-gu, Seoul, Korea 03142



Belgian-Korean Business Forum (BKBF)

Email: committee@bkbfseoul.com, Web: www.bkbfseoul.com



Finland Chamber of Commerce and Industry in Korea (FINNCHAM)

Tel: +82 (0)31-283-0900, Fax: +82 (0)31-283-0899

Email: finnchamkorea@naver.com, Web: www.finncham.or.kr

Address: Cargotec Korea Ltd, Cargotec MCC Bldg., 371-2 Singal-Dong, Giheung-Gu, Yongin, Gyeonggi-Do, Korea 17093

Participating Chambers of Commerce



French-Korean Chamber of Commerce and Industry (FKCCI)

Tel: +82 (0)2-2268-9505/ Fax: +82 (0)2-2268 9508

Email: welcome@fkcci.com, Web: www.fkcci.com

Address: Nobel B/D, 5th floor, 16, Teheran-ro 78-gil, Gangnam-gu, Seoul, Korea 06194



Italian Chamber of Commerce in Korea (ITCCK)

Tel: +82 (0)2-556-4379/ 82-(0)10-6529-1520

Email: itcck@itcck.org/ itcck@naver.com, Web: www.itcck.org

Address: 2F, Yurim Bldg, 17, Nonhyeon-ro 71-gil, Gangnam-gu, Seoul, Korea 06248



Norwegian Business Association, Korea (NBA)

Tel: +82 (0)2-727-7100, Fax: +82 (0)2-727-7199

Email: yky@mfa.no, Web: www.nbakorea.org

Address: 13F, Jeong-dong Building, 21-15 Jeongdong-gil, Jung-gu, Seoul, Korea 04518



Spanish Chamber of Commerce in Korea (ESCCK)

Tel: +82 (0)10-2440-1480

Email: info@escck.com, Web: www.escck.com

Address: #153, Floor L, 17, Seocho-daero55-gil, Seocho-gu, Seoul, Korea 06604



Swedish Chamber of Commerce in Korea (SCCK)

Tel: +82 (0)10-3755-0423

Email: scckinseoul@gmail.com, Web: www.scckkorea.com

Address: C/O Embassy of Sweden, Danam Building 8th FL, 10 Sowol-ro, Jung-gu, Seoul, Korea 04527



Swiss-Korean Business Council (SKBC)

Tel: +82 (0)10-7369-7393

Email: info@skbckorea.com, Web: www.skbckorea.com

Address: 101-1805, Byeoksan Live Park159, Solsaem-ro, Gangbuk-gu, Seoul, Korea 01191

About Roland Berger

Roland Berger, founded in 1967, is the only leading global consultancy of German heritage and European origin. With 3,000 employees, we have successful operations in all major international markets. Our 50 offices are located in the key global business hubs. Roland Berger Seoul office was founded in August 2012. The Seoul office is serving both Korean and international companies based in Korea for domestic and global strategic issues in cooperation with other Roland Berger offices around the world.

Roland Berger advises major international industry and service companies as well as public institutions. Our services cover the entire range of management consulting from strategic advice to successful implementation: e.g. new leadership and business models; innovative processes and services; M&A, private equity, and restructuring; and management support on large infrastructure projects.

Our firm is owned solely by a group of partners. We share the conviction that the firm's independence provides the basis for unbiased advice to our clients.

At Roland Berger, we combine sound analyses with creative strategies that generate real and sustainable value for the client. We develop and consolidate our expertise in global Competence Centres that focus on specific industries and functional issues. We handpick interdisciplinary teams from these Competence Centres to develop the best solutions.

Roland Berger Ltd

6th Floor, Tower 8, Building 7, Jong-ro 5-gil, Jongno, Jongno-gu Seoul, Korea 03157

Tel.: +82 (0)2-2288-0000

Fax: +82 (0)2-2288-0010

Web: www.rolandberger.com

Executive Summary

The economic development of the year 2022 has been impacted by inflation and the countermeasures, the Russian war against Ukraine, global trade tensions and once again by the pandemic and supply chain stress. Despite all these, trade between the European Union, the European Free Trade Association (EFTA) and the United Kingdom on the one hand and Korea on the other hand increased slightly.

Exports from the respective European countries¹ to Korea amounted to USD 79.2 billion, around 1.5% more than the year before. Goods exported from Korea to these countries even grew by about 5.4% to USD 75.1 billion. These positive trends are reflected in this year's Business Confidence Survey, in which 184 European companies participated, representing in Korea around 60,000 employees and a turnover of about EUR 61 billion or KRW 82 trillion.

Overall, the large majority of European companies operating in Korea were once again satisfied with the business performance in 2022. However, the satisfaction score often decreased compared to the year before. The numbers of companies being either very content or content is at 68%, a slight drop from 71% in 2021. 27% of the companies reported an increase of sales between 5% and 10% while almost four out of ten companies saw their sales growing by even 10% or more. Profitability remained high with 84% of companies recording a positive EBIT (Earnings Before Interest and Tax) like in 2021; the number of companies reporting increased EBIT margins is at 54%, compared to 58% in 2021.

When it comes to the business outlook for the companies' respective sector in Korea within the next two years, the numbers show a mixed picture: 24% of the companies are highly optimistic or optimistic while 28% have a highly pessimistic or pessimistic forecast. 55% of the companies still plan to increase their investment or operational expenses. Confident business expectations are also depicted by the intention of 53% of the respondents to increase their workforce.

The Korean market continues to gain importance for European companies' global strategy. Almost six out of ten companies reported the growing significance of the Korean business operation.

Besides the overall rather positive business development in the past year and the mixed expectations, the responses of the European companies also show areas of concerns and numerous fields for improvements.

The number of companies reporting that doing business in Korea has become more difficult in the past two years stays high with 53%. 14% of the company representatives state that the reforms implemented in 2022 have helped their business, while 29% disagree. The expectations have improved overall with almost every fifth company forecasting that the government will implement meaningful reforms – compared to only 13% in 2021 – and the number of businesses expecting no significant reforms dropping from 44% in 2021 to 28%.

1. Member States of the European Union, Member States of the European Free Trade Association and United Kingdom (<https://stat.kita.net/stat/cstat/peri/ctr/CtrTotalList.screen>)

Executive Summary (continued)

The economic growth and the capacity for innovation are perceived as positive market parameters with satisfaction scores higher than the percentage of non-satisfaction. In contrast, the scores showing the dissatisfaction regarding the legislative environment, the discretionary enforcement of regulations as well as the transparency of policy-making and implementation remain high. While about every fifth company reports that within the past two years government policies relevant to foreign companies have become less fair or more discriminatory, this number decreased compared to last year by 11%. However, 28% of European companies expect a worsening of the situation. The satisfaction of companies regarding labour costs and labour relations has improved compared to last year.

In 2022, the Korean-European business relations have prospered despite the globally difficult economic circumstances. In 2023, while the European Union and Korea will celebrate 60 years of diplomatic relations, the European business community continues to see the large potential to foster the bilateral economic links even more. For this, addressing the described shortcoming adequately and timely is key.

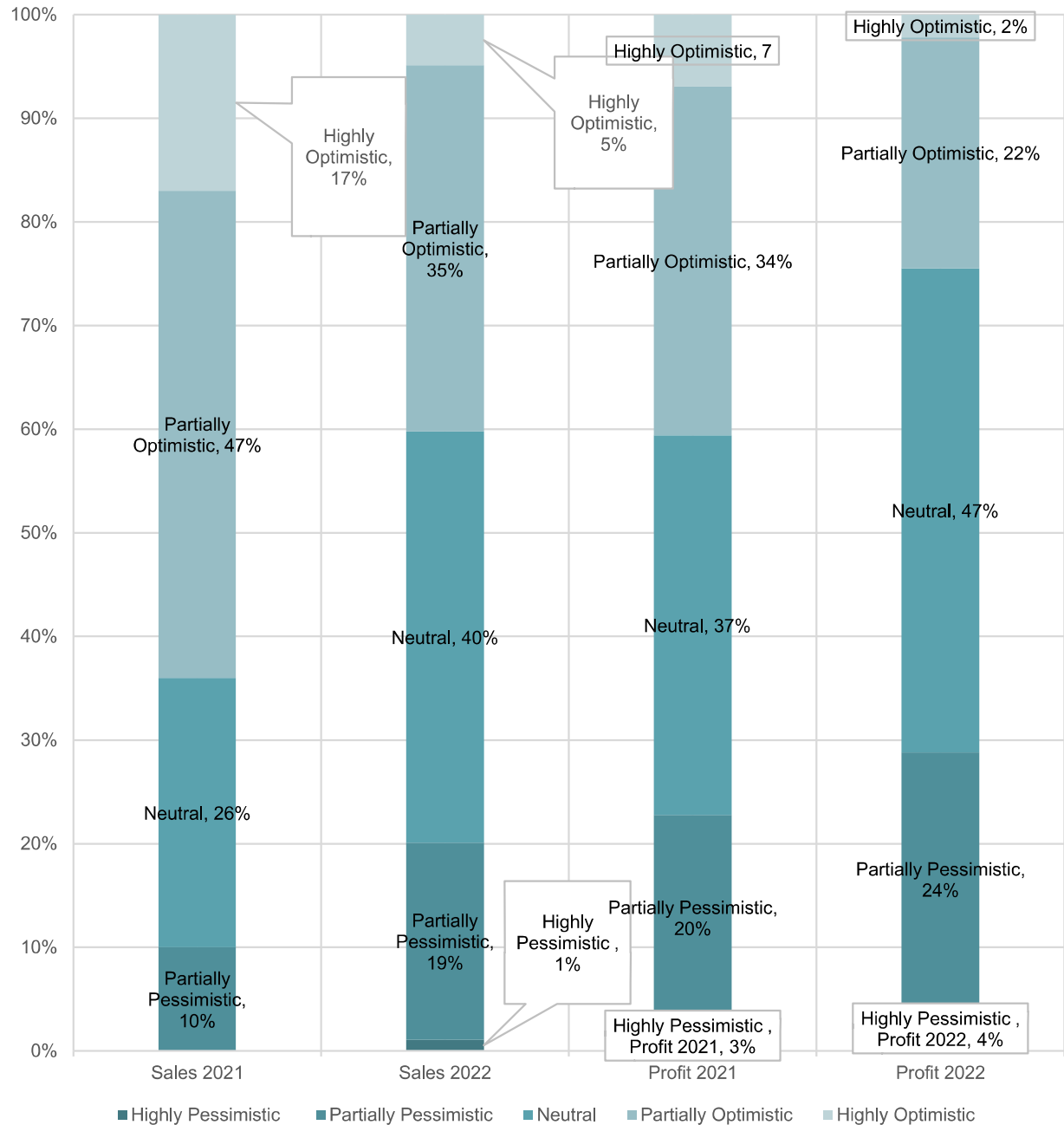
The Business Confidence Survey is a useful tool for managers and policy makers to make future-oriented decisions for the mutual benefits of the Korean society and economy, and European and Korean businesses.

Business Development

Business Development

How would you describe the business outlook for your industry in Korea within the next 2 years?

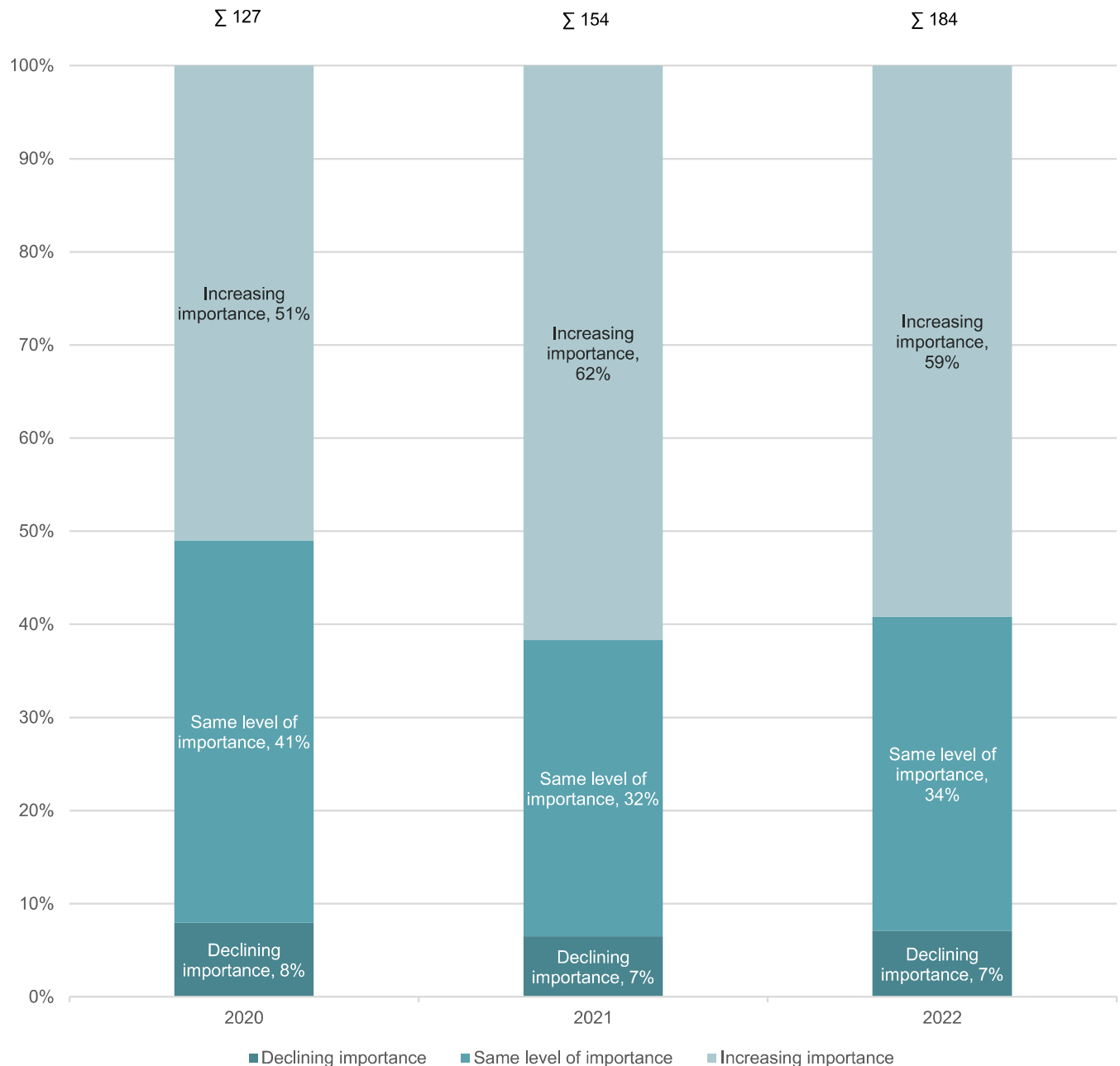
Σ 184



Only 40% (65% in 2021) of companies evaluate the future sales prospects rather positive. In respect to the outlook of profitability, 24% (41% in 2021) of responding companies have a positive view. In the meantime, for both sales and profit, pessimistic prospects increased: sales from 10 to 20%, profit from 23 to 28%.

Business Development

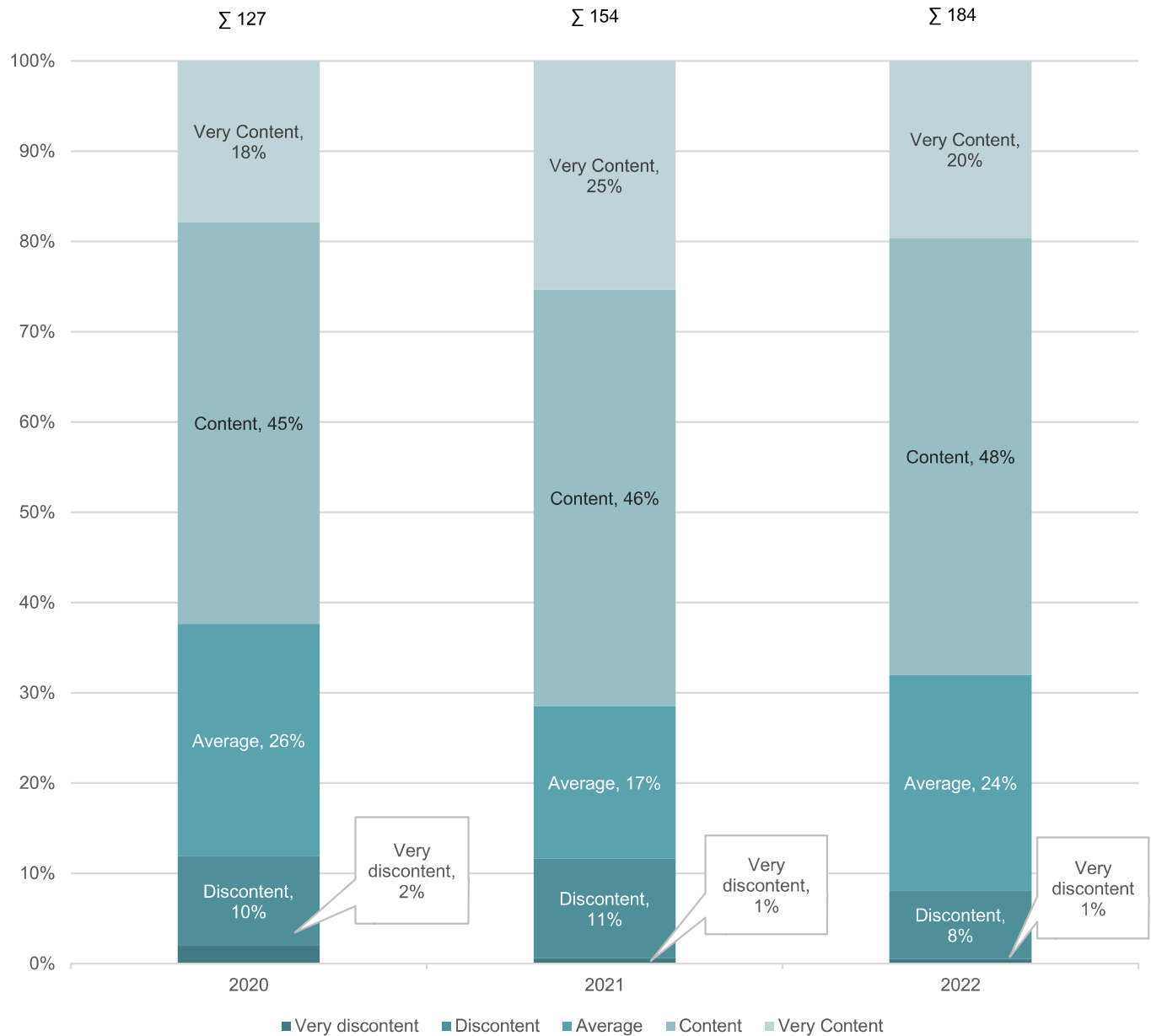
How would you characterize the importance of Korea in your company's overall global strategy?



Korea has been playing an important role in the European companies' overall global strategy. In 2022, 59% responded that Korea will play an even more important role in their company's strategy (62% in 2021).

Business Development

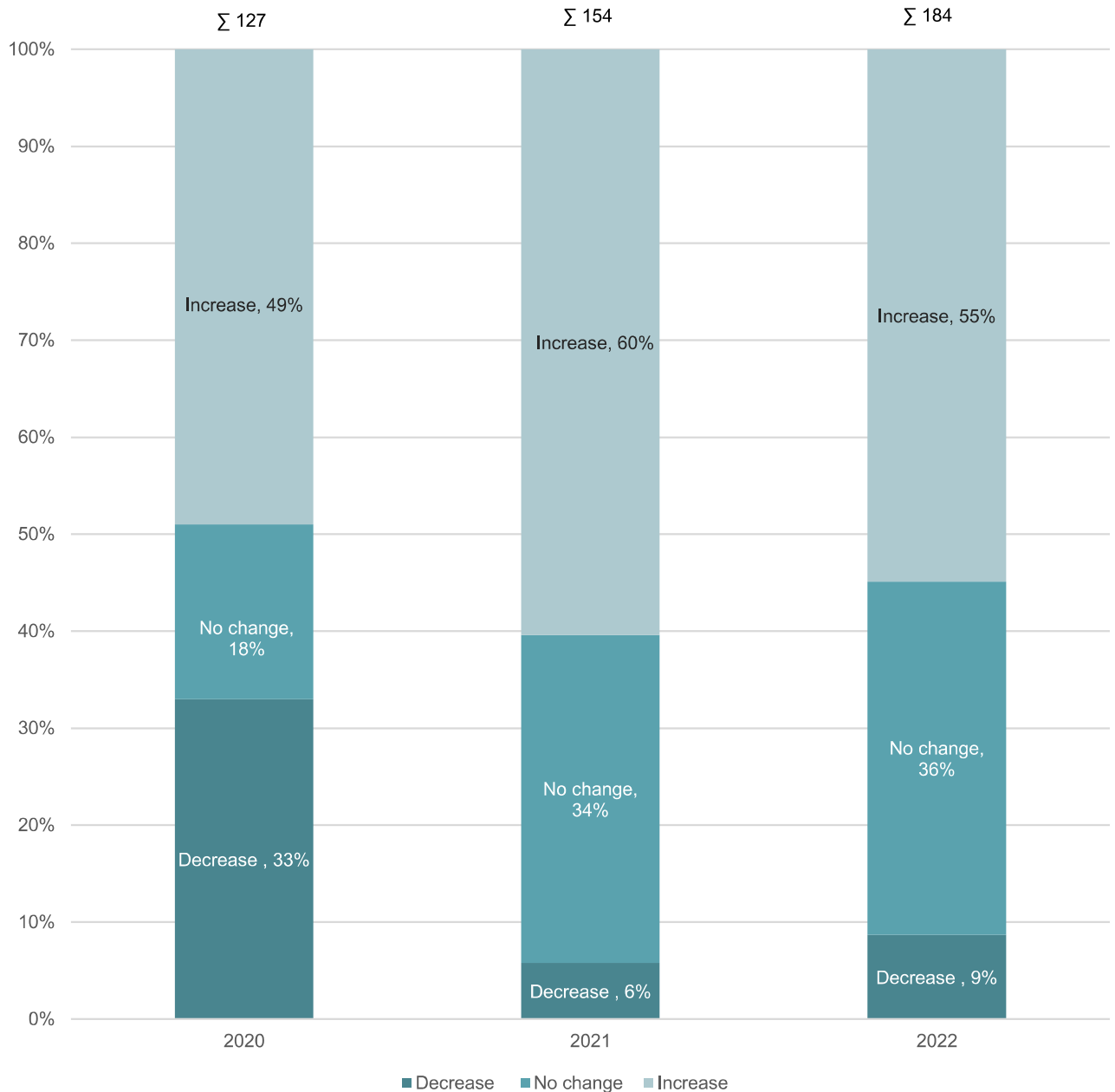
How do you view your company's performance in Korea?



The number of companies being content with their business performance has been on a similar level as in the year 2021. In 2022, 68% of respondents (71% in 2021) were either content or very content. The number of companies being either discontent or very discontent was at 9%.

Business Development

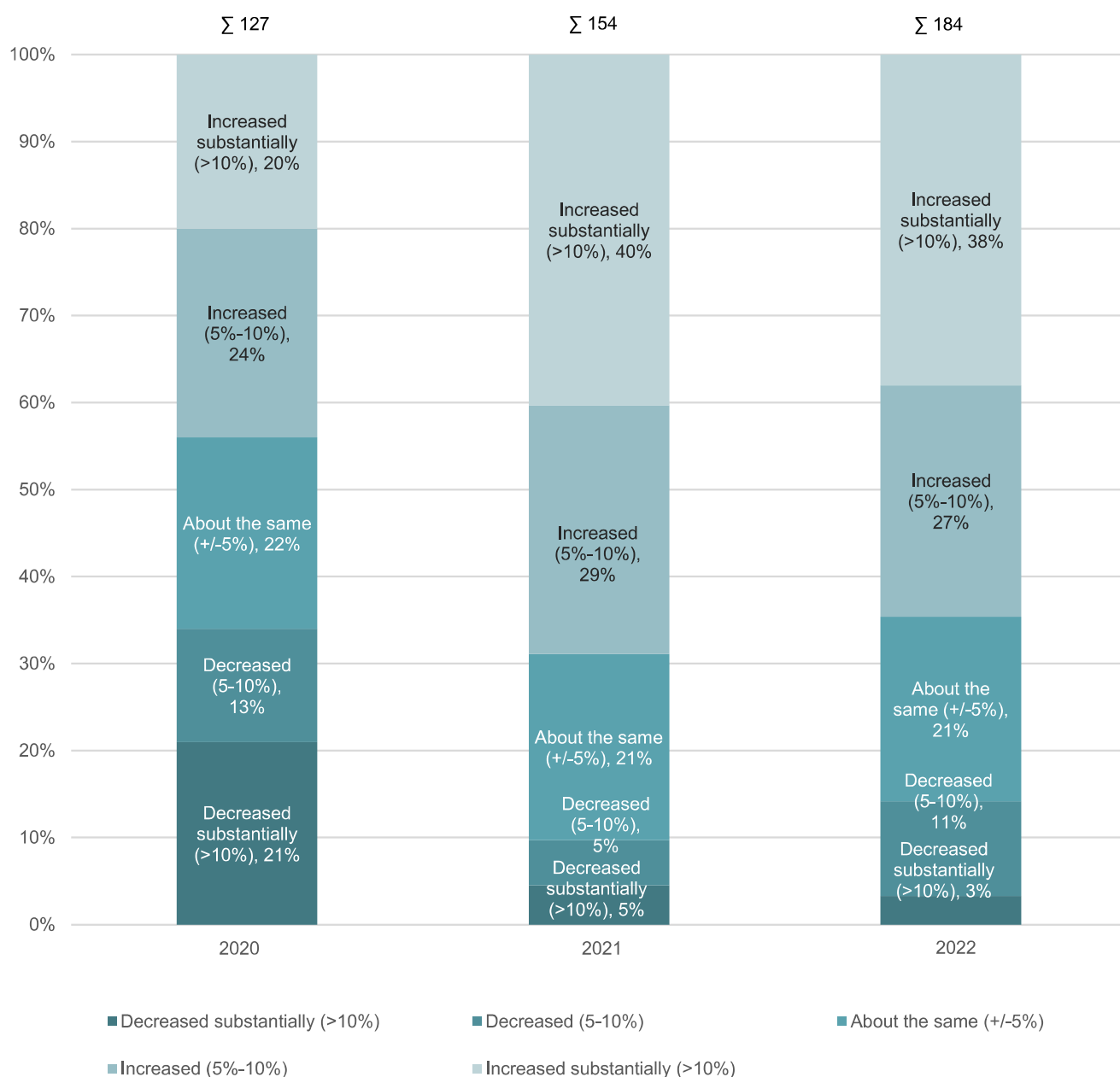
Do you plan either to increase or to decrease investment / operational expenses?



The majority of the companies, namely, 91% of respondents, are planning to either increase their investment and/or operational expenses or at least maintain those.

Business Development

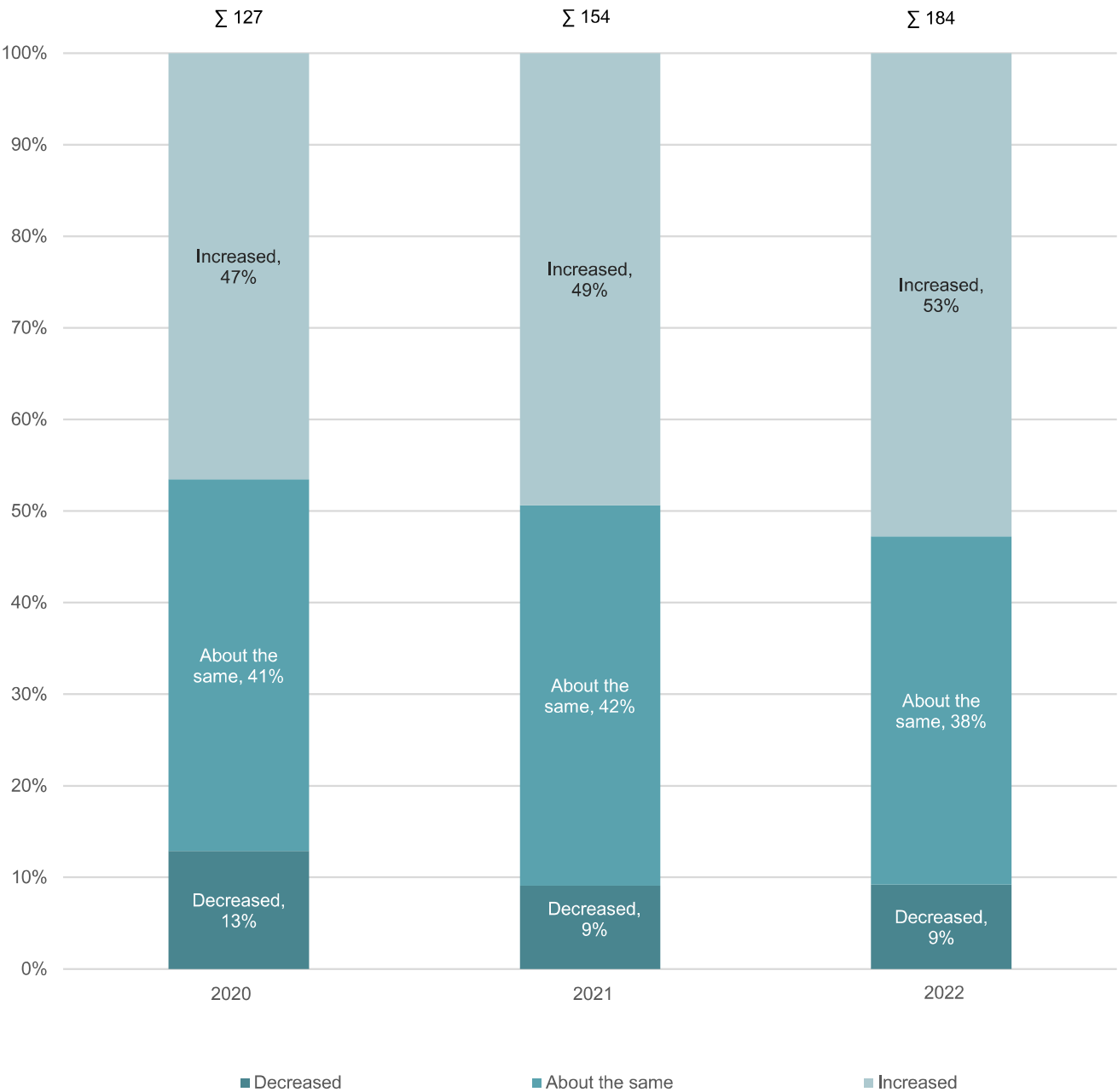
How did your company's revenue in Korea change in 2022 compared to that of 2021?



65% of European companies operating in Korea reported a higher turnover than previous year, 21% a turnover more in line with the preceding year and 13% a decrease in revenue.

Business Development

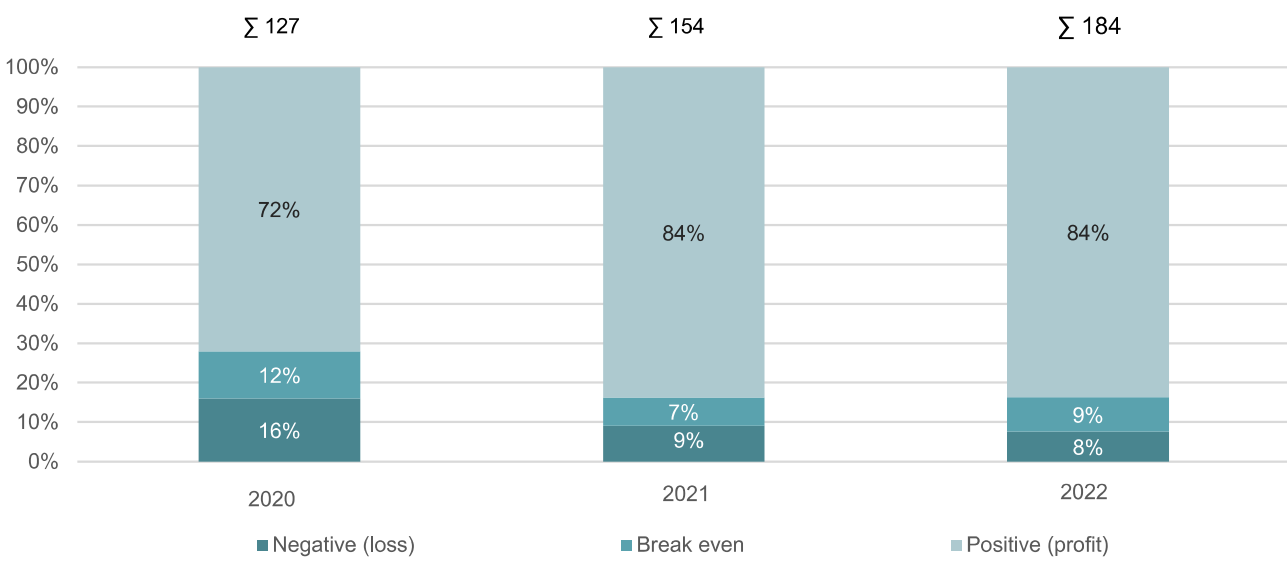
How did your market share evolve in 2022 versus 2021?



Almost half, namely 53% of European companies increased their market share in 2022. 38% replied that they maintained their market position in 2022, but 9% of participating companies saw their market share dropping compared to the year before.

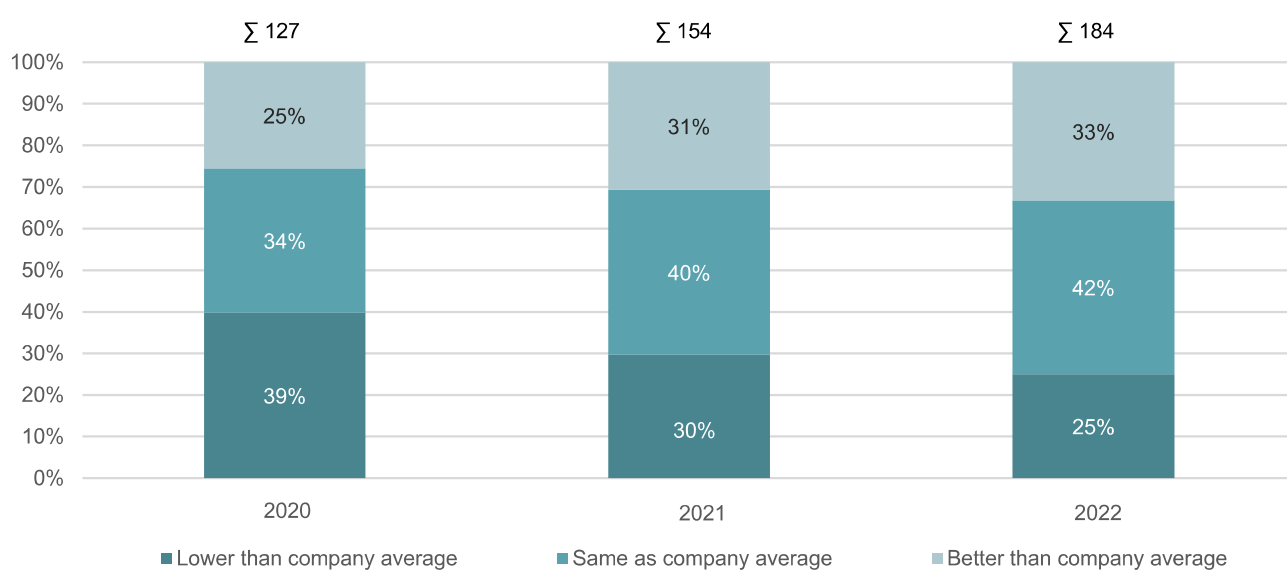
Business Development

Please characterize the EBIT (Earnings before interest and tax) of your company in Korea in 2022



84% of European companies generated a positive EBIT, 9% broke even and 8% reported a negative EBIT.

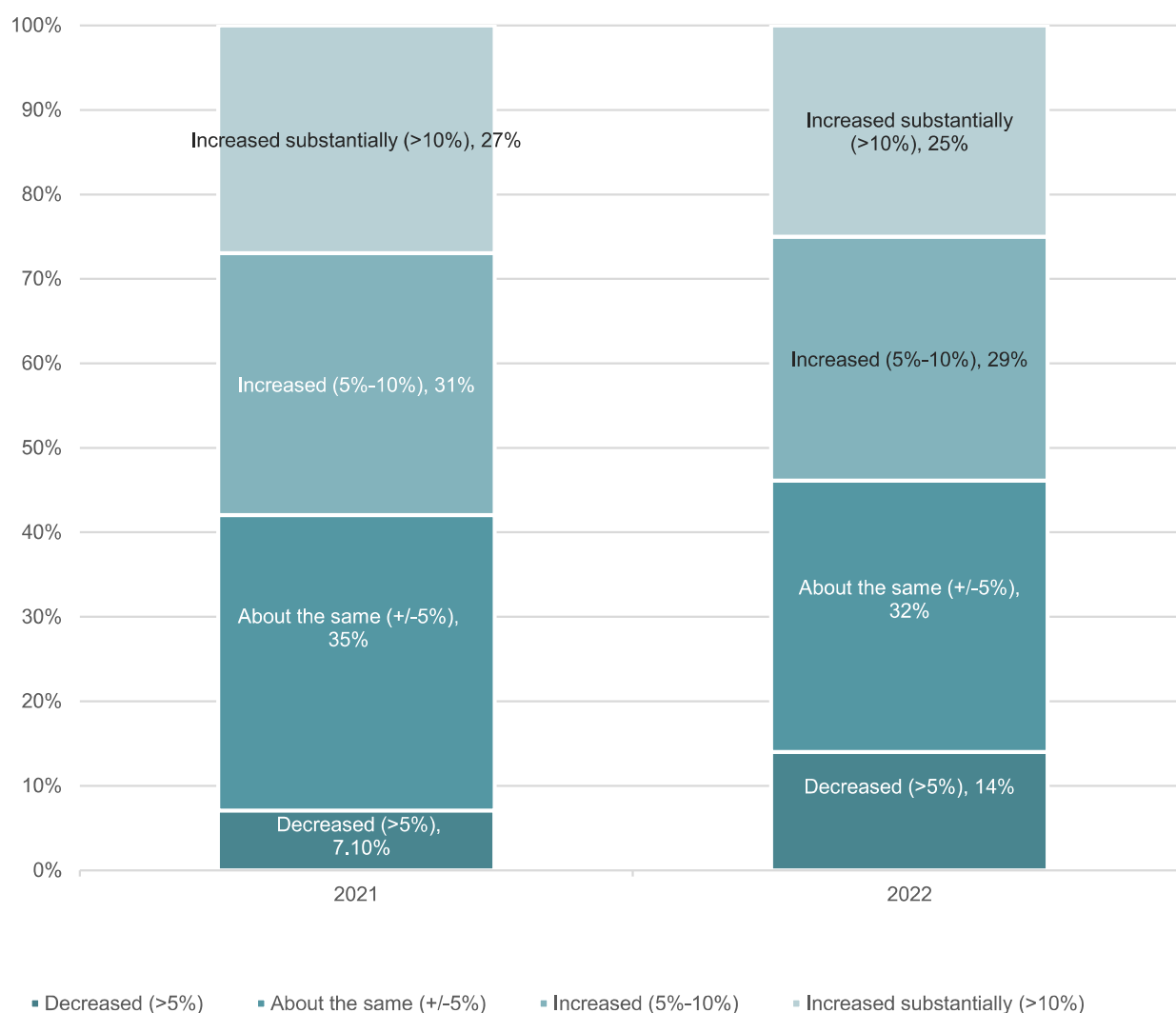
How did the EBIT margin Korea compare to your company's worldwide margins in 2022?



33% of participating companies did better in terms of profitability than their group average, 42% were in line with their peers, and 25% failed to reach the group's profitability average.

Business Development

How was your company's EBIT margin in Korea for 2022 compared to 2021 results?

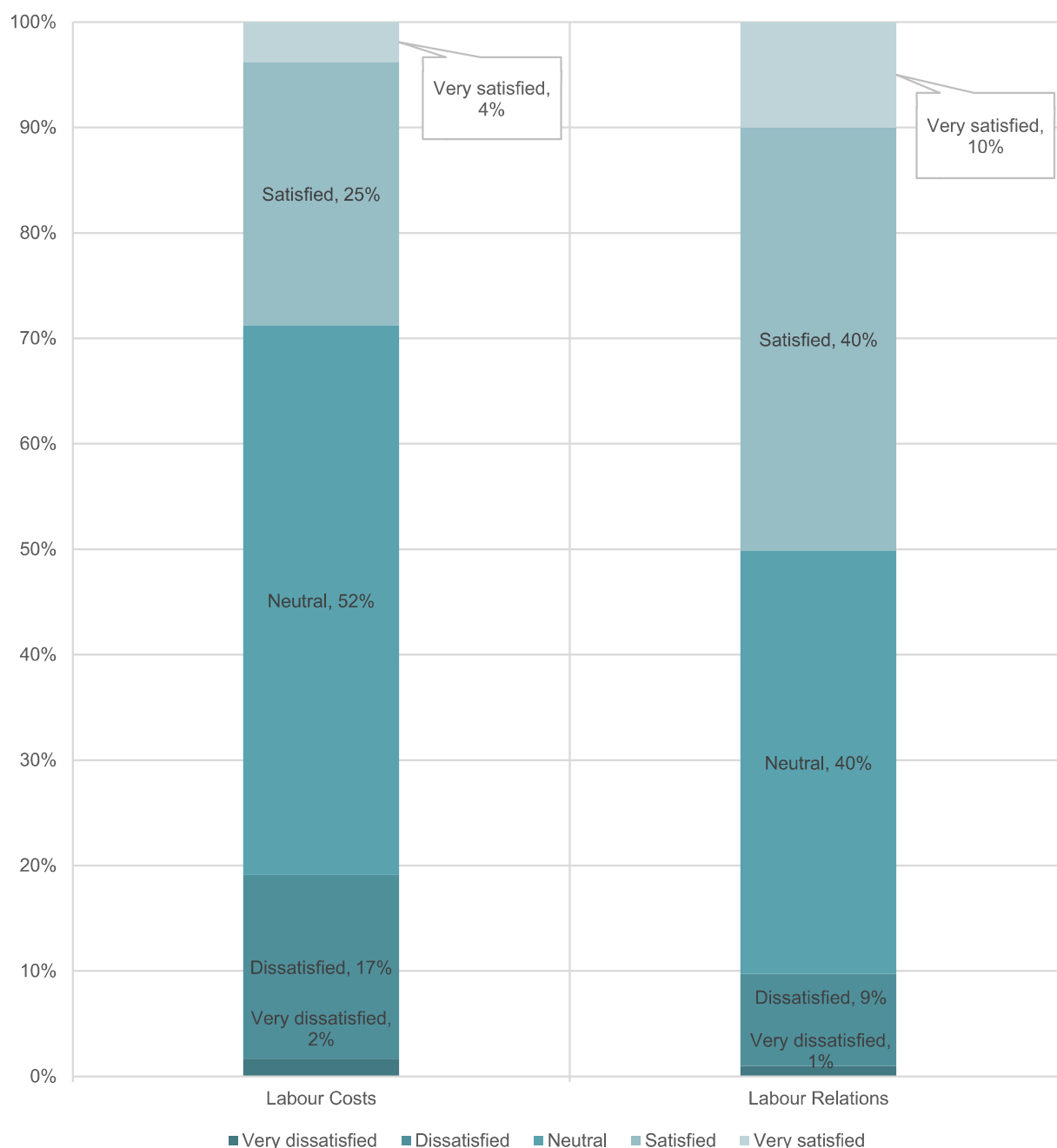


The EBIT margin in 2022 improved versus 2021 for 54% of European companies. 32% said EBIT margin remained about the same whereas, 14% replied they experienced a decrease in EBIT margin. The companies with decreased EBIT margin doubled from 7% in 2021.

HR / Labour



How satisfied are you with Labour Management – Labour Costs and Labour Relations – at your company in 2022?

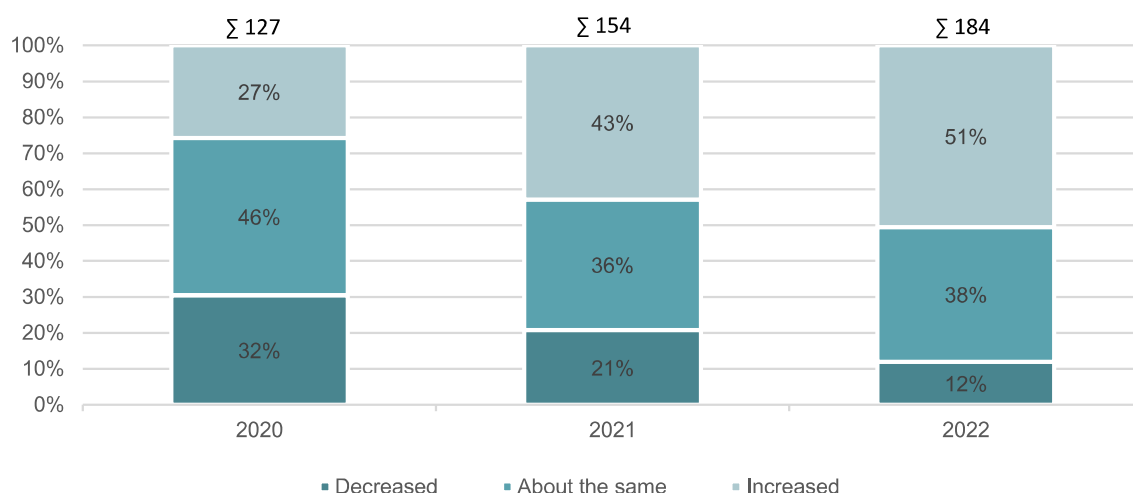


Opinions on the labour costs and labour relations have slightly improved compared to the previous year. Labour costs were perceived positive of 29% of responding companies (23% in 2021), 52% saw it neutral (54% in 2021) and 19% assessed them as negative (23% in 2021). When it comes to labour relations, 50% (42% in 2021) of company representatives are rather satisfied, 40% (35% in 2021) neutral and 10% (23% in 2021) dissatisfied.

HR/Labour

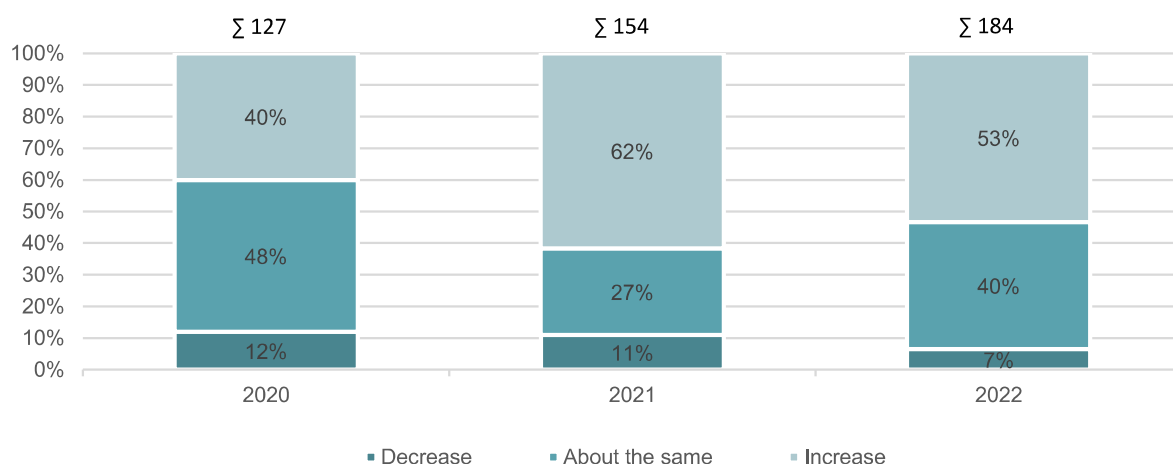
What has happened to the number of permanent positions in your company in Korea in 2022?

51% of responding companies increased their permanent positions while 38% employed a similar number



of people and 12% of companies reduced head count.

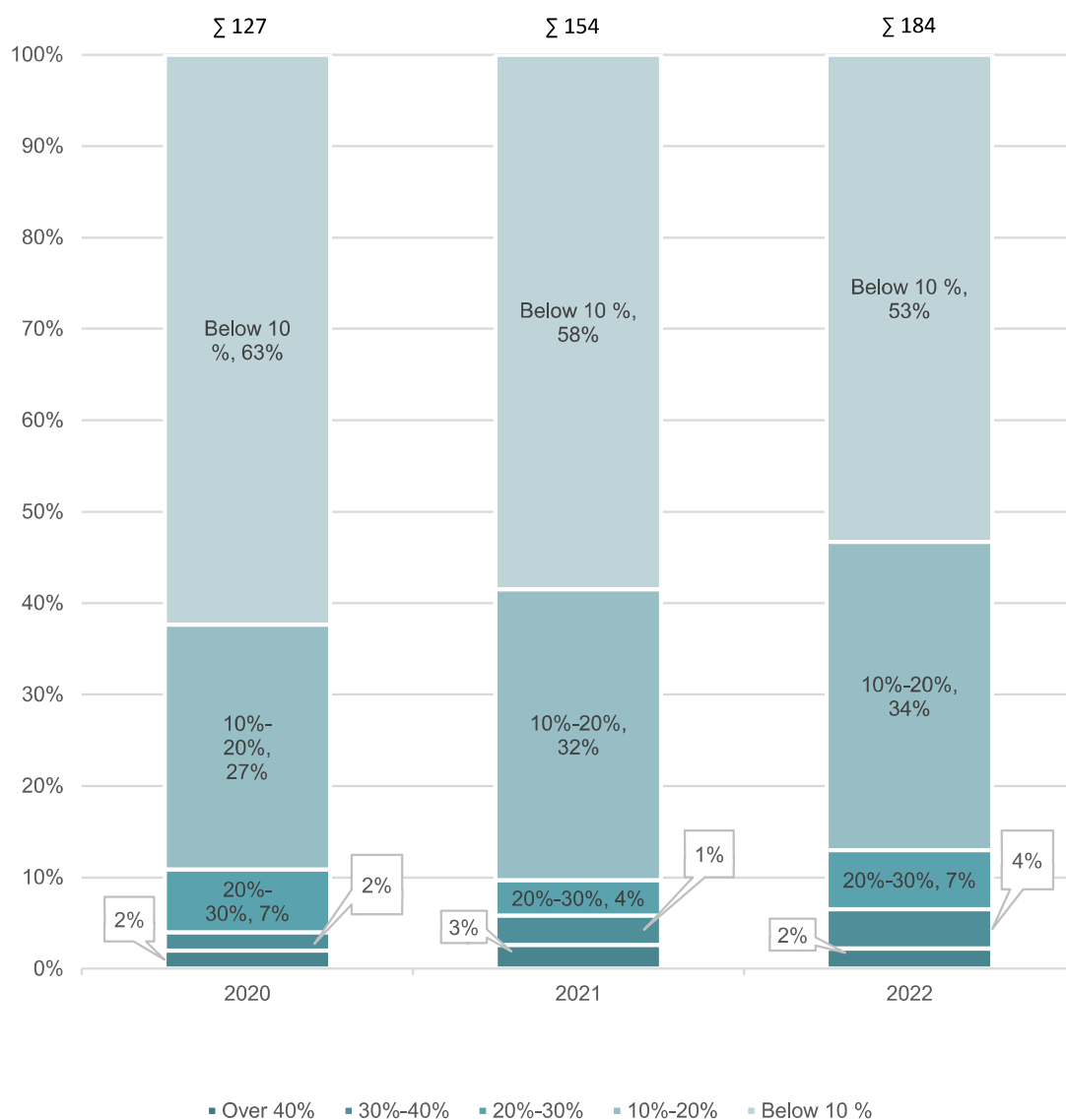
How do you expect the number of permanent positions in Korea to evolve over the next two years?



The majority of European companies is planning to increase its workforce (53%) or to maintain it (40%) as only 7% foresee a reduction of employees.

HR/Labour

What was the level of your staff turnover in Korea in 2022?



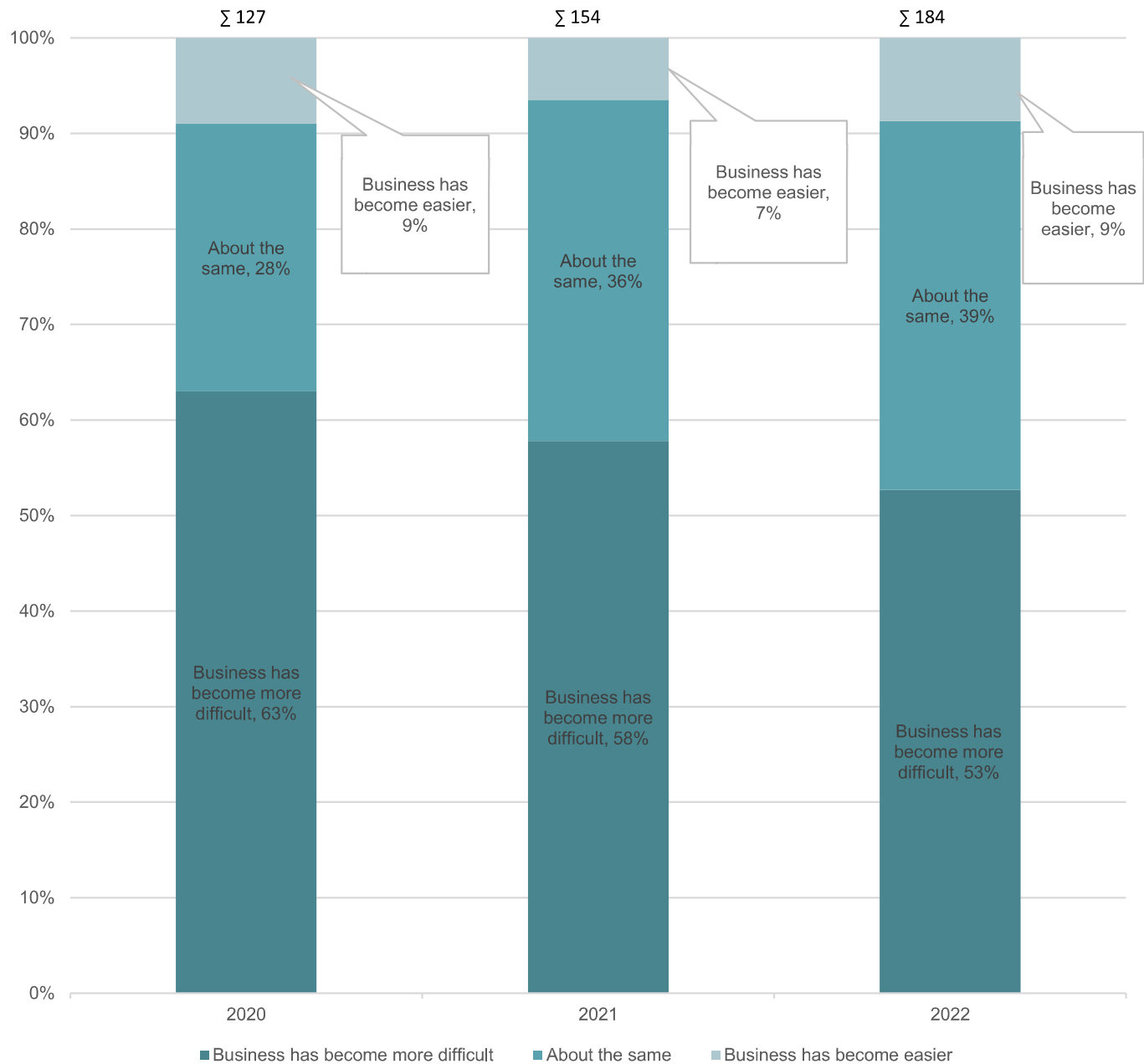
The level of staff turnover has been very low; 87% of companies reported a staff turnover of less than 20%.

Business Environment



Business Environment

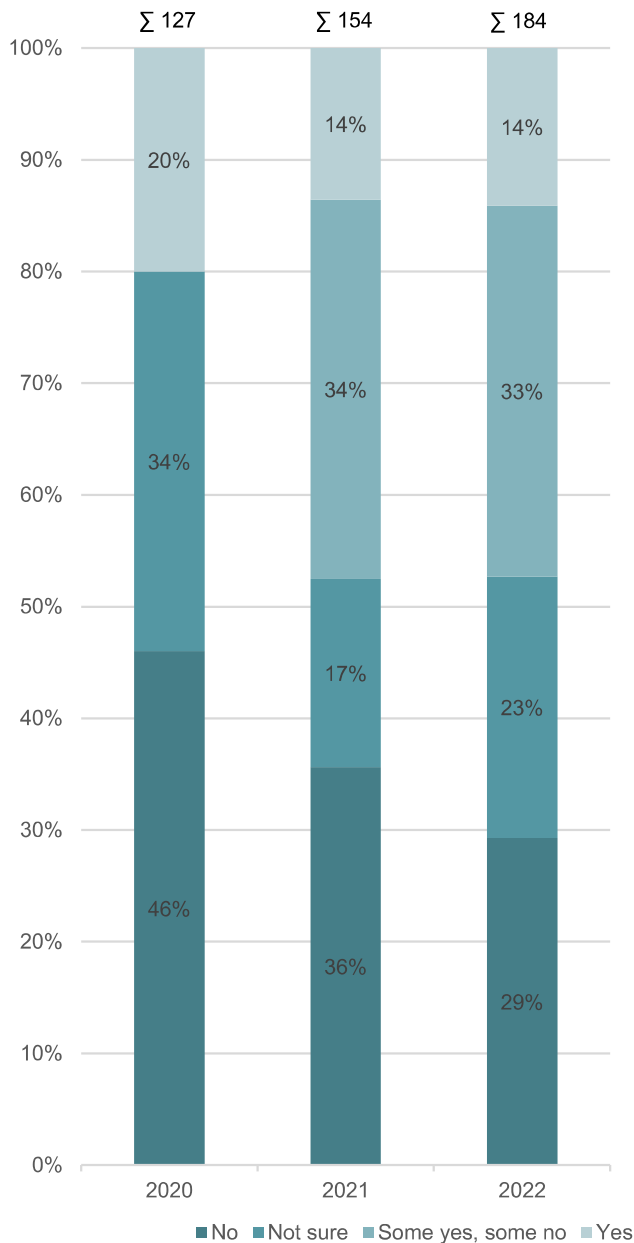
How has doing business in Korea for your company developed over the last 2 years?



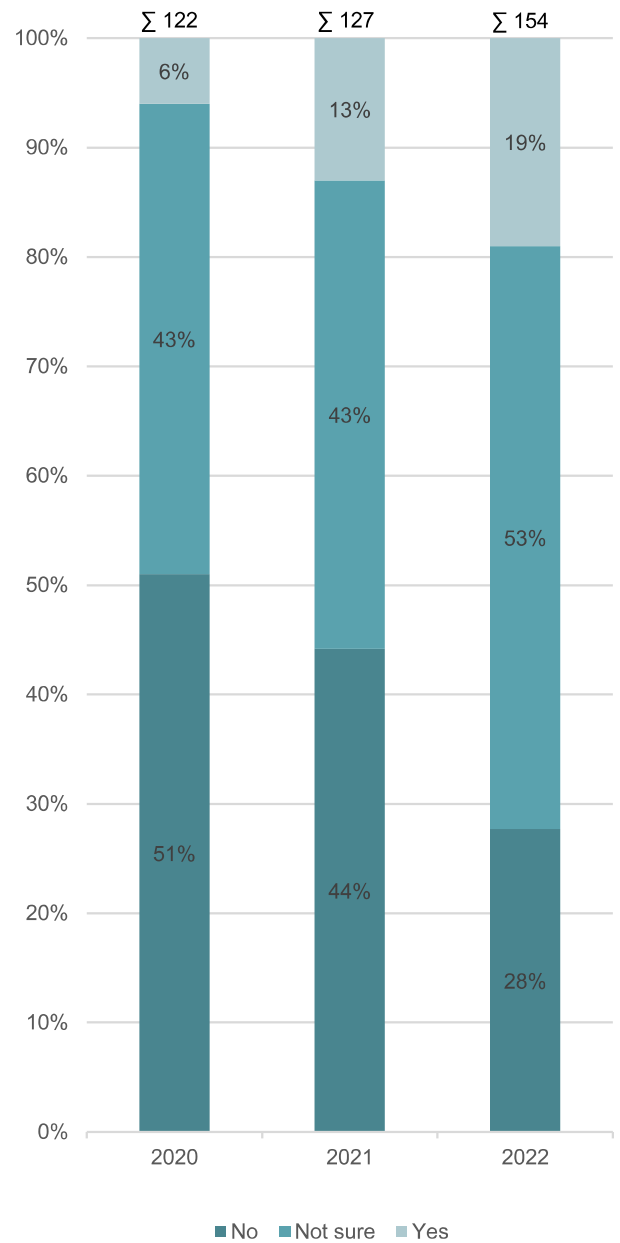
The majority of respondents (53%) replied that the business situation has become more difficult over the past two years, as 39% view the situation more neutral and 9% have a positive stance.

Business Environment

Do you believe that reforms implemented this year (2022) have helped your business?



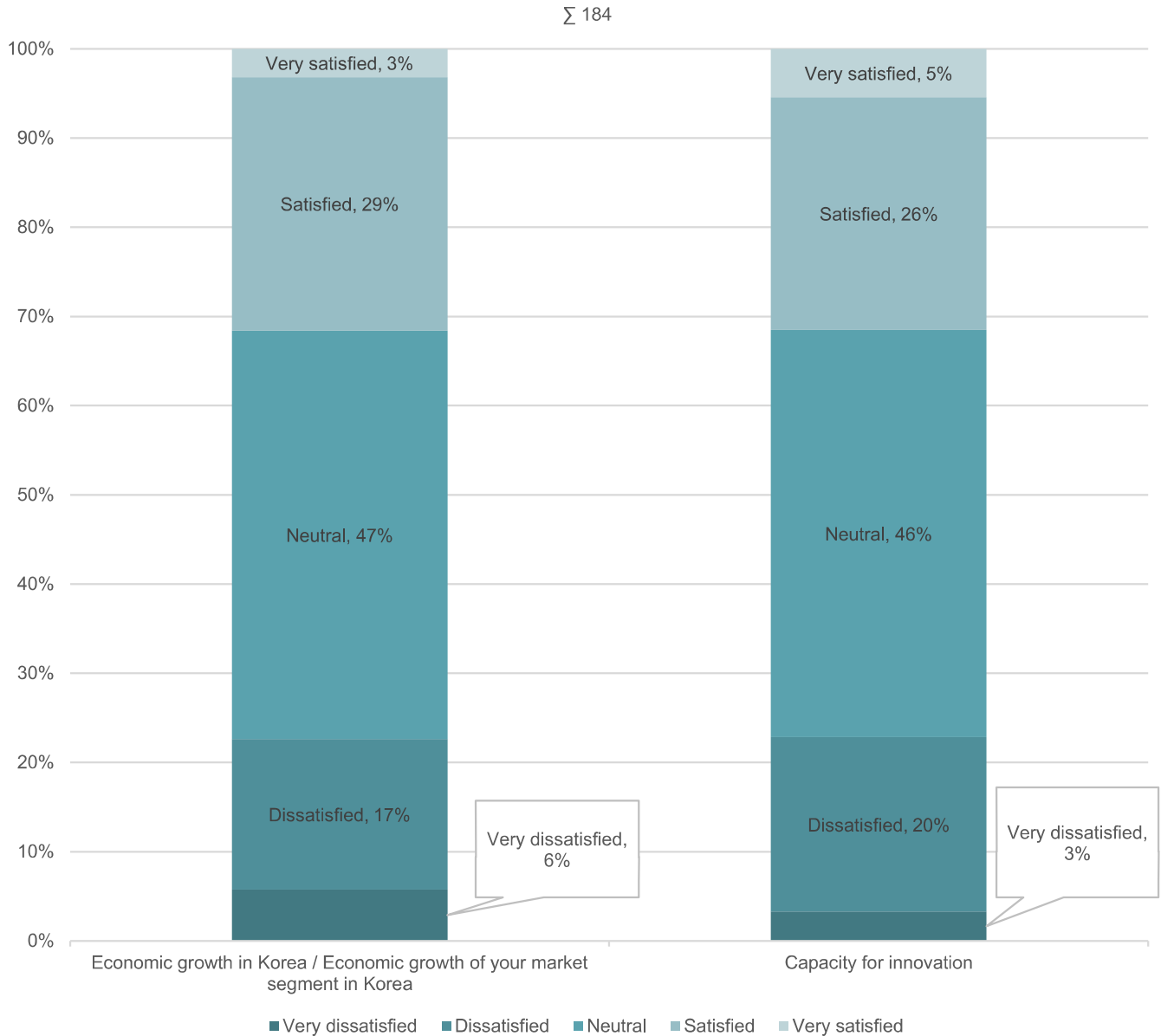
Do you believe that the Korean government will implement meaningful reforms next year?



14% of responding CEOs are of the opinion that reforms implemented in 2022 have been helpful for their business, 33% see that some of the reforms were helpful and some were not, 29% feedback that reforms have not supported their business positively. The outlook for reforms to be implemented displays a similar picture, 19% of respondents are hopeful, 28% are not and 53% are uncertain about the impact of those reforms.

Business Environment

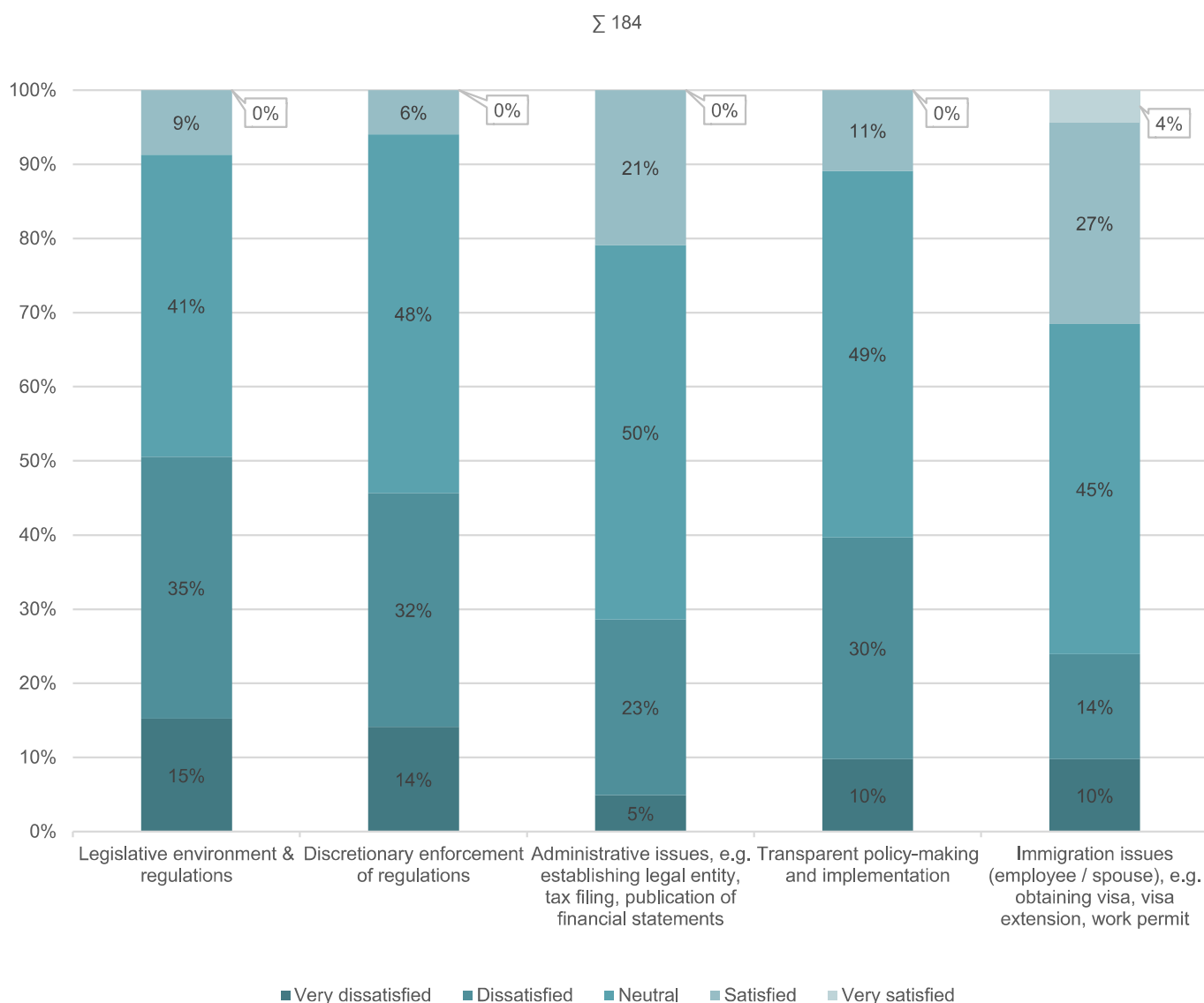
How do you perceive the following market parameters in your specific business in Korea (I)?



Assessing the economic growth in their respective market segment, 47% of the respondents are neutral while 32% see it positive and 23% of company executives are dissatisfied. Innovation is valued in a comparable way: 31% of company representatives are satisfied, 46% neutral and 23% dissatisfied.

Business Environment

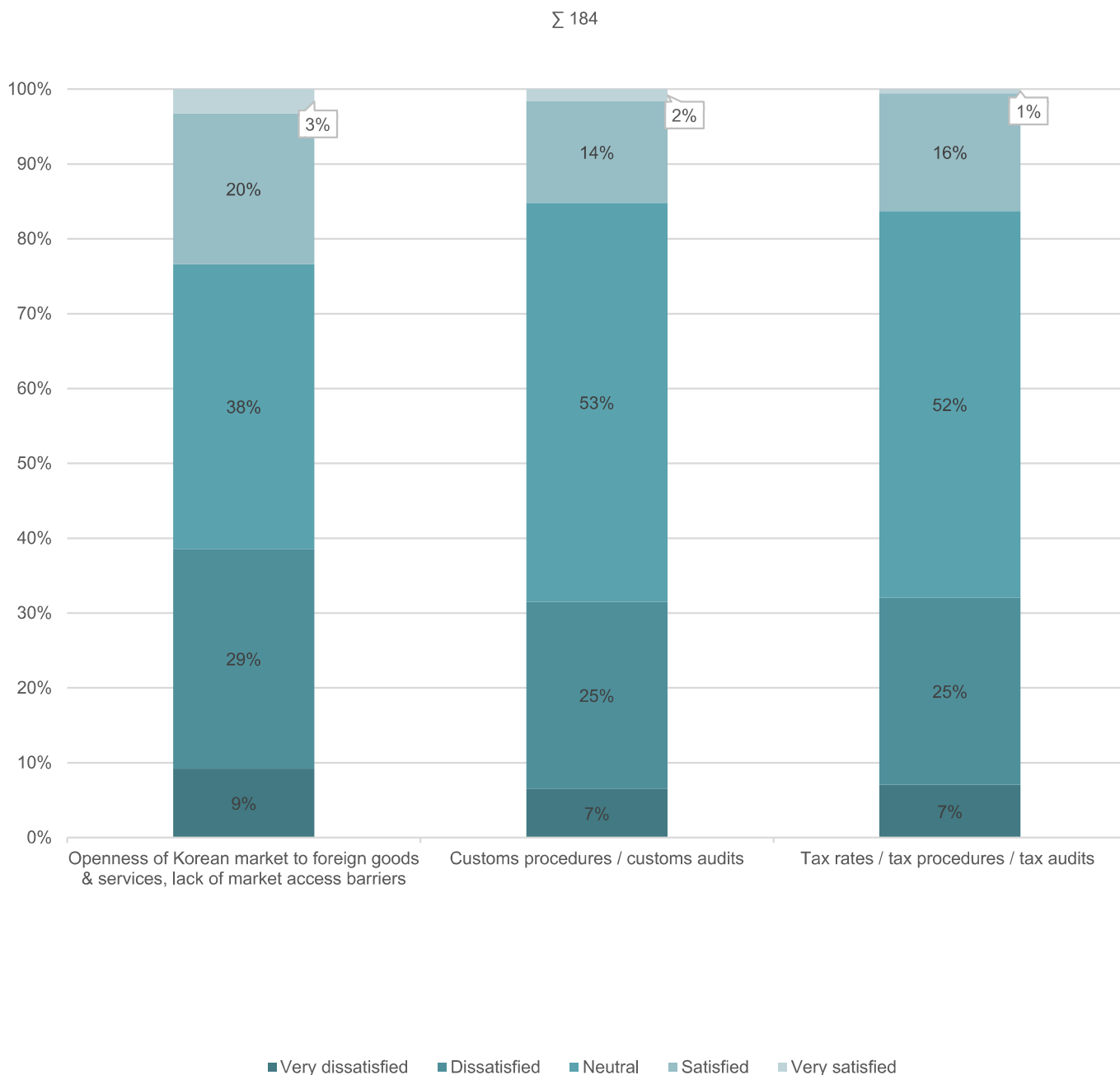
How do you perceive the following market parameters in your specific business in Korea (II)?



European companies evaluate especially the legislative environment and regulations (50% of respondents not satisfied) the discretionary enforcement of regulations (46% not satisfied) and the transparent policy-making and implementation (40% not satisfied) as non-satisfactory. Administrative issues and the transparent policymaking are seen a bit better but are still far from being evaluated positively. The only parameter here with a certain positive perception (31%) where the satisfaction level increased versus 2021 was immigration issues when it was 25%.

Business Environment

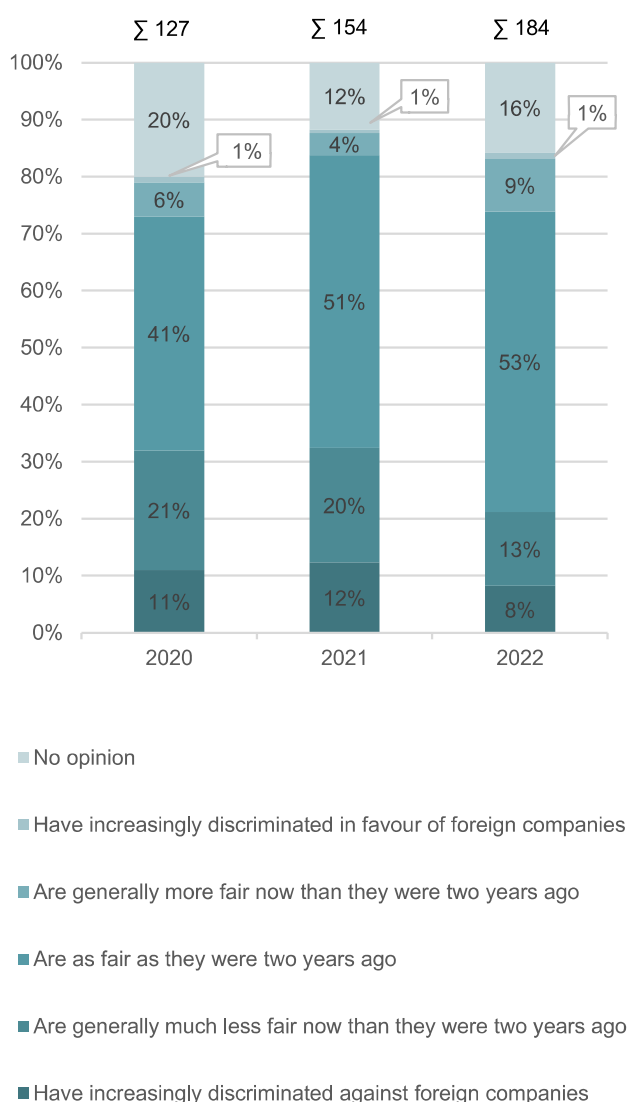
How do you perceive the following market parameters in your specific business in Korea (III)?



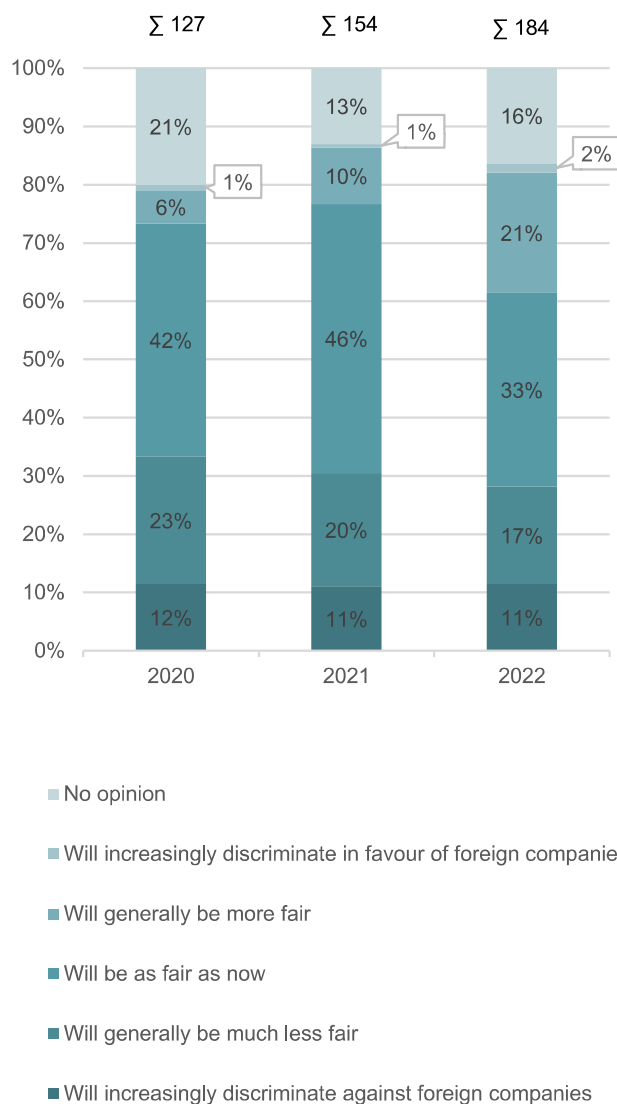
Concerns about free market access for foreign products was reduced compared to 2021 with 35% expressing a non-positive view versus 47% last year. Regarding customs procedures / customs audits and tax rates/ tax procedures / tax audits, a bigger share of responding companies expressed a more neutral or even positive view.

Business Environment

Within your business sector, how have government policies relevant to foreign companies' business environment changed over the past two years?



How do you perceive government policies relevant to foreign companies' business environment will change over the next two years?

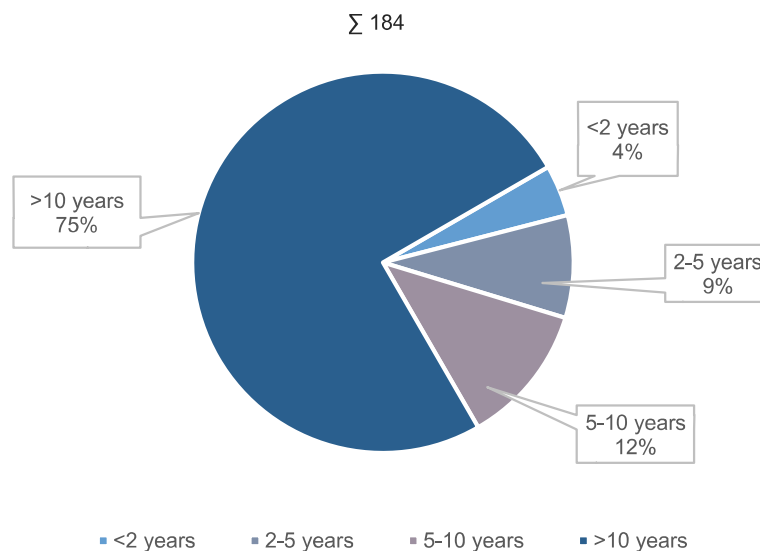


The majority of European companies stated that government policies have been as fair as they were two years ago and 33% perceive that it will be as fair as now over the next two years. 28% companies believe that Korean government policies regarding foreign companies' business environment will be increasingly discriminatory against foreign companies.

Respondent Profile

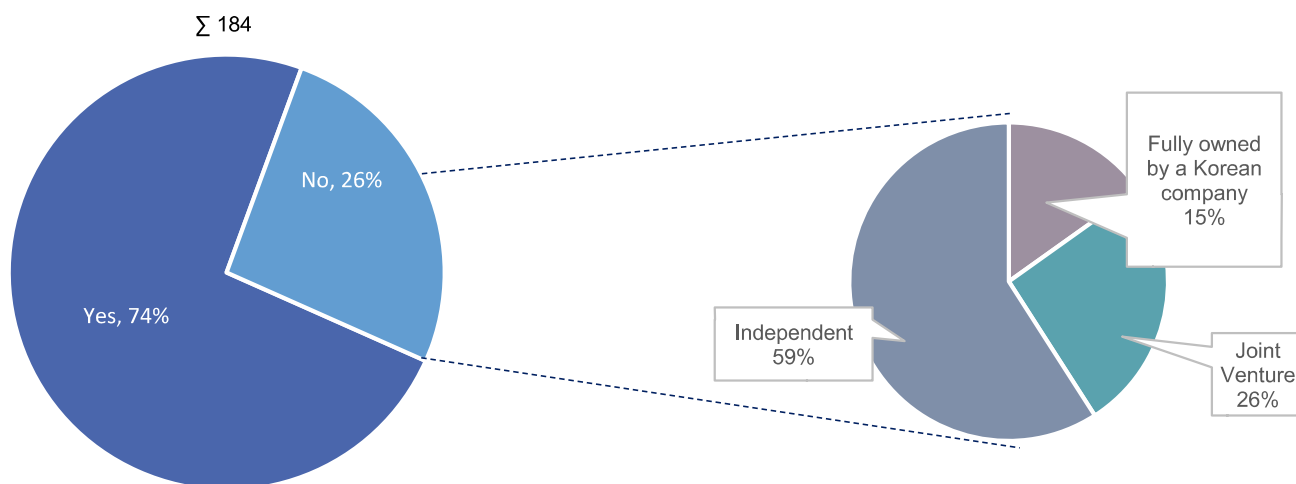
Respondent Profile

How long has your company been operating in Korea?



The majority of companies responding to the survey has been in Korea for a considerable period of time. 75% of the respondents replied that they have been operating in Korea more than 10 years and another 12% of the companies have been operating in Korea for more than 5 years.

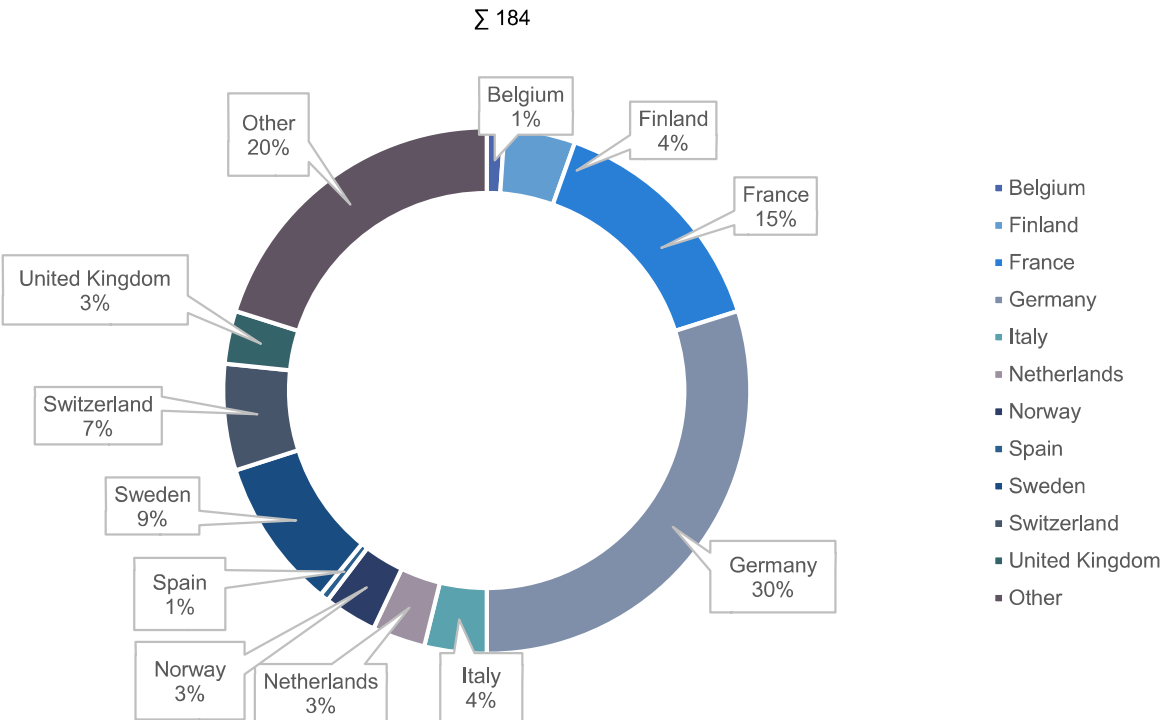
Is your company fully owned by a European company?



The majority of firms responding to the survey, namely, 74% of the respondents are fully owned by a European company.

Respondent Profile

Where is your company headquarters registered?

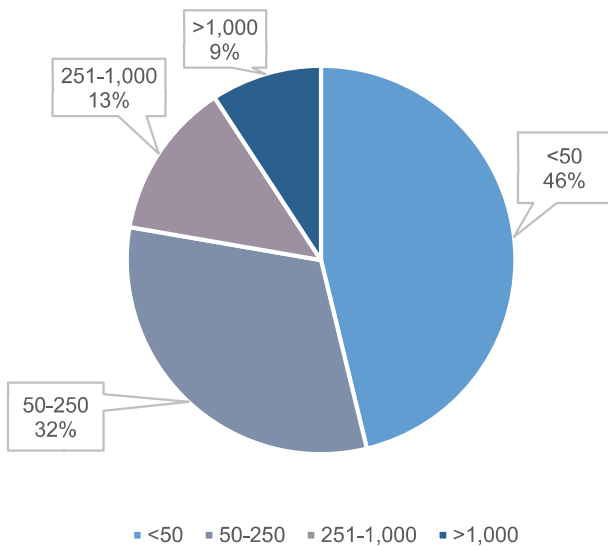


The largest number of companies participating in the survey has the headquarter in Germany (30%); other company nationalities with a strong representation are France (15%), Sweden (9%), Switzerland (7%) and to a certain extent Finland and Italy (4%), Norway, the Netherlands, and the United Kingdom (3%).

Respondent Profile

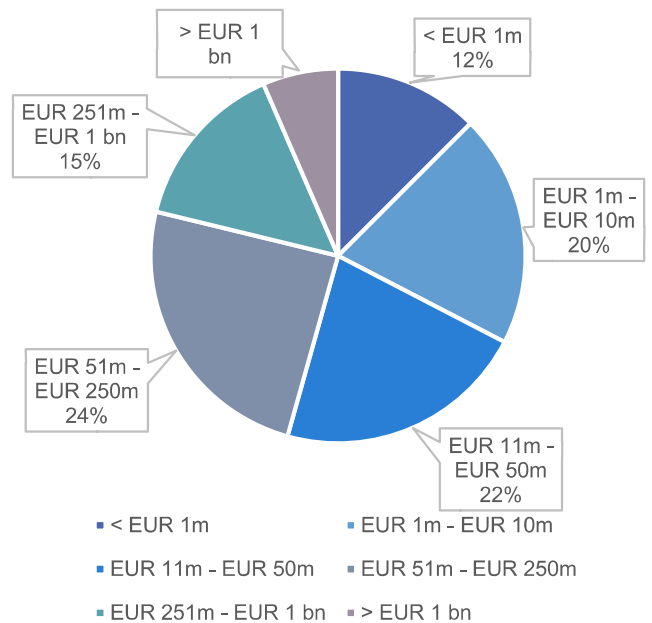
How many employees do you have in Korea in 2022?

Σ 184



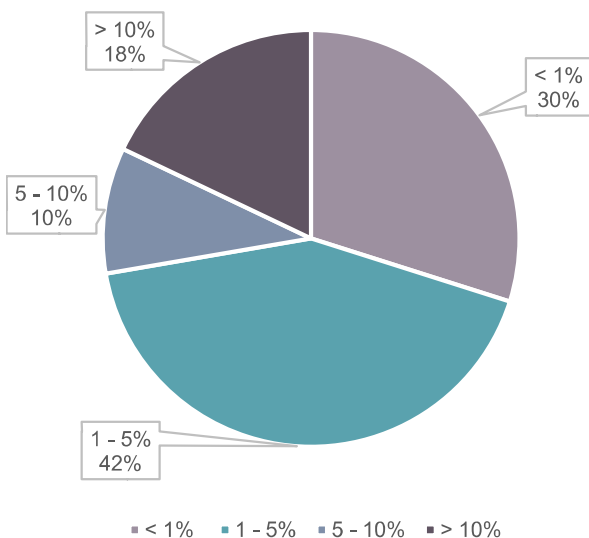
What is the total revenue of your company in Korea in 2022?

Σ 184



What proportion of global revenues is generated in Korea in 2022?

Σ 184

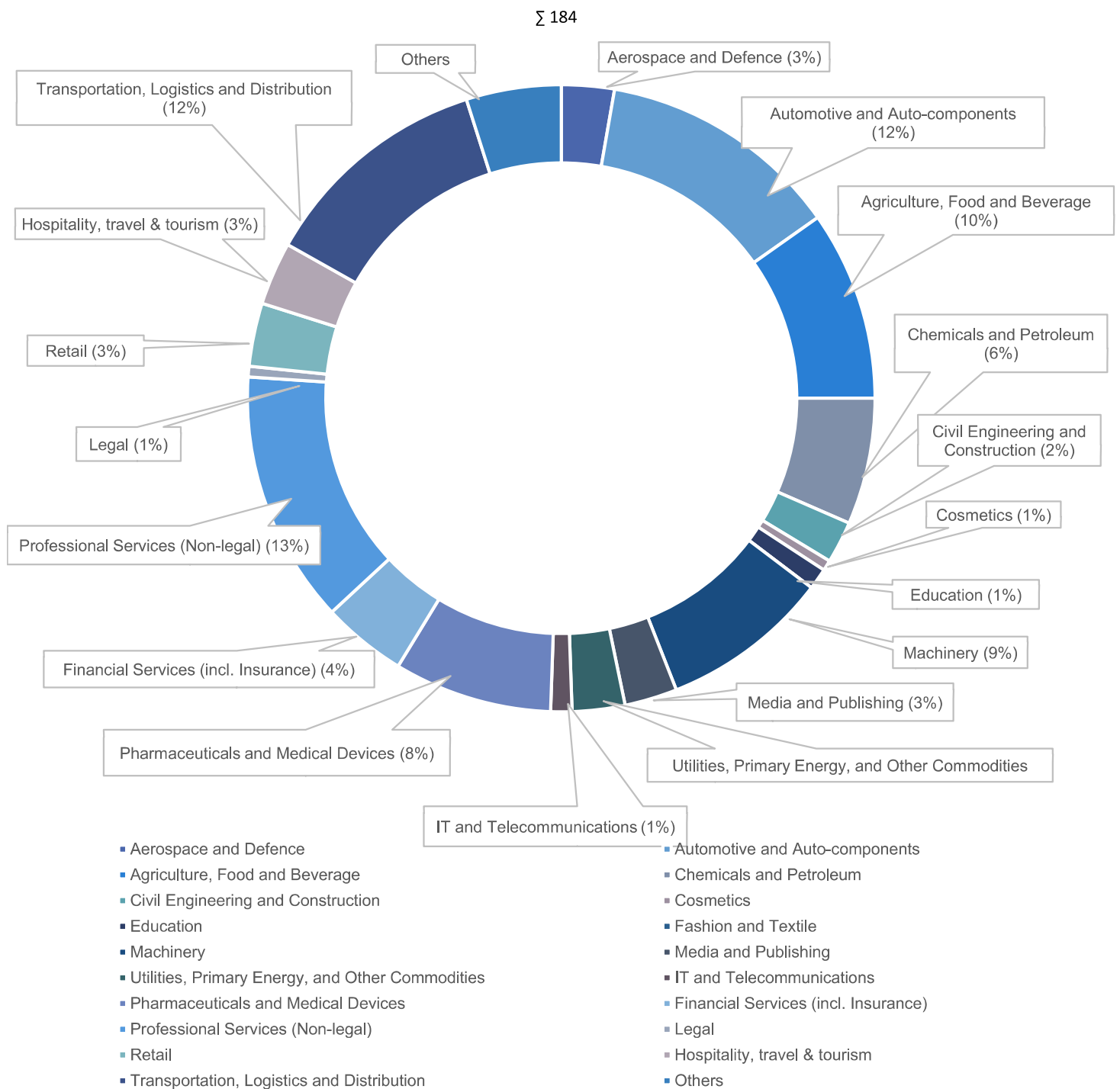


Employee number, revenue size and proportion

Companies with less than 50 employees and a turnover of less than 50 million EUR account for 46% and 54% respectively as companies with more than 1,000 employees and a turnover above 1 billion EUR account for 9% and 7%, respectively. 42% of companies generate up to 5% of their global revenue in Korea and 18% more than 10% of their global revenue.

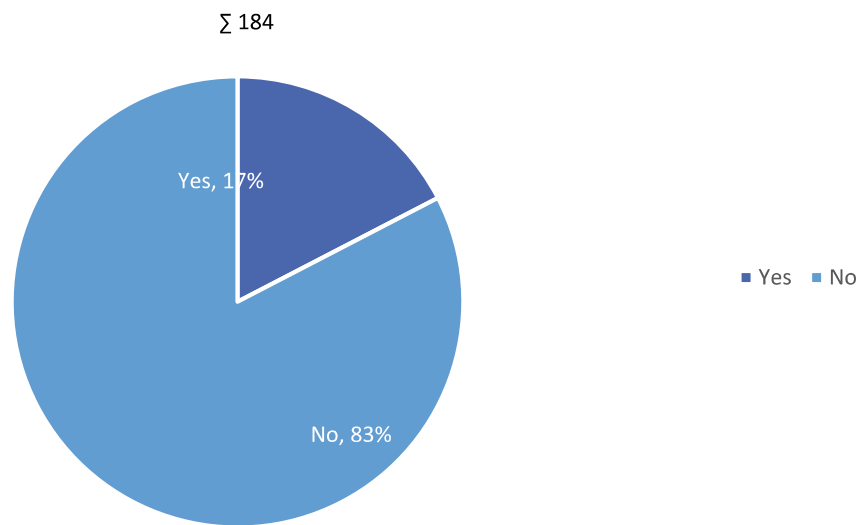
Respondent Profile

In what industry is your company mainly active?



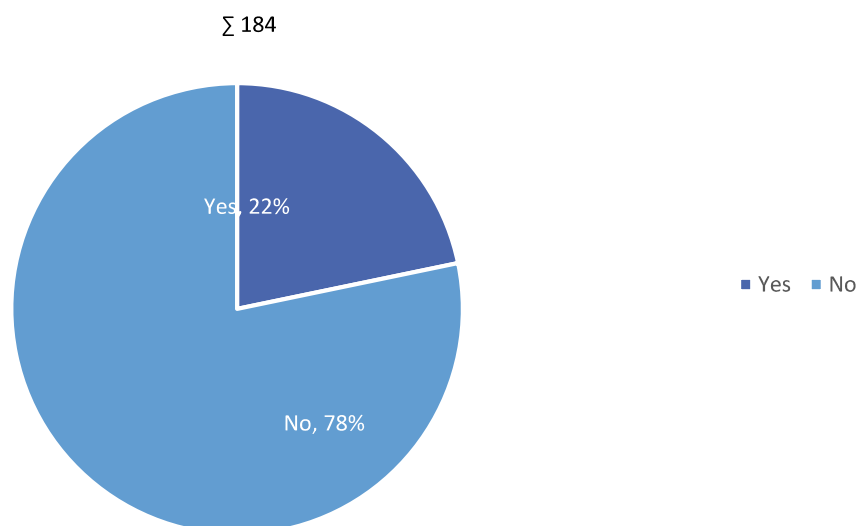
The highest number of replies came from Professional Services (Non-legal) (13%) followed by Automotive and Auto Components & Transportation, Logistics and Distribution (12%), Agriculture, Food and Beverage (10%), Machinery (9%), and Pharmaceuticals and Medical Devices (8%).

Does your company have R&D facilities in Korea?



The majority of responding companies (83%) run their operations relying on overseas R&D activities as only 17% have R&D facilities in Korea.

Does your company have production facilities in Korea?



A similar picture can be seen for production, where 78% of European corporations import their products to the Korean market, whereas 22% produce goods either partially or fully in Korea.



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Contact

European Chamber of Commerce in Korea (ECCK)

5F, Seoul Square, 416 Hangang-daero, Jung-gu
Seoul, Korea 04637
+82 (0)2-6261-2700
www.ecck.or.kr

Roland Berger Ltd.

6th Floor, Tower 8, Building 7, Jong-ro 5-gil, Jongno, Jongno-gu
Seoul, Korea 03157

+82 (0)2-2288-0000
www.rolandberger.com

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