

# Overview of China outbound investment of Q1 2023

*China outward direct investment made a positive start, while overseas M&A activities remain sluggish*

**EY China Overseas Investment Network**

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## Loletta Chow

### Global Leader of EY China Overseas Investment Network

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Amid the volatile international financial market in Q1 2023, the global economy was projected to increase 2.8%<sup>1</sup>. Inflation pressure appeared to have eased from previous heights among advanced economies. Yet, the gap from the target level is still there and, therefore, interest rates among key economies might be kept relatively higher in the near term and the global economic downward pressure might continue. In addition, the fragmented impact of geopolitical risks on investment and economic output is expanding, posing challenges for Chinese enterprises going abroad. On the other hand, China's economy has shown signs of recovery this year, with consumption growth turning positive, foreign trade improving month by month, and ODI recording a significant YOY growth in Q1. With the steady economic development of China in Q1 and the promotion of high-level opening-up, the momentum of China outbound investment is expected to further increase. Moreover, the high-level interactions between China and many countries in the early 2023 may also provide increased direction and opportunities for Chinese enterprises seeking overseas development.

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Source: 1. *World Economic Outlook*, IMF, January 2023

# Summary

## ODI<sup>2</sup>

China overall outward direct investment (ODI) was US\$40.5 billion in the first quarter of (Q1) 2023, representing a significant year-on-year (YOY) increase of 18%. The non-financial ODI was US\$31.5 billion, up 17.2% YOY. The Belt and Road (B&R) non-financial ODI increased 9.5% YOY to US\$5.8 billion.

## Overseas M&As<sup>3</sup>

The value of announced China overseas mergers and acquisitions (M&As) was only US\$3.5 billion, down 26% YOY to a recent quarterly low. The number of announced deals decreased by 4% to 116.

- ▶ Sector-wise by deal value, 73% of the total took place in the top three sectors, namely advanced manufacturing & mobility, real estate, hospitality & construction, and TMT\*. The advanced manufacturing & mobility sector saw an unexpected growth of 87%, becoming the most popular sector for the first time in five years. By deal volume, 61% of the total took place in the top three sectors, namely TMT, advanced manufacturing & mobility, and financial services.
- ▶ From a regional perspective, Asia remains the most popular, with both deal value and volume ranking first among all continents. Of the top 10 destinations for Chinese enterprises, four were from Asia, including Vietnam, Oman, Japan and South Korea.

## Overseas EPC<sup>2</sup>

Newly-signed China overseas engineering, procurement & construction (EPC) projects decreased 9% YOY to US\$43.2 billion. However, the proportion of newly signed B&R EPC projects increased considerably, up 7.2 percentage points YOY. Completed turnover of China overseas EPC projects totaled US\$31.7 billion, up 9.2% YOY.



\*The TMT sector refers to technology, media & entertainment and telecommunications

Sources: 2. China MOFCOM. 3. Refinitiv; Mergermarket, including data from Hong Kong, Macau and Taiwan, and deals that have been announced but not yet completed, data was downloaded on 3 April 2023; EY analysis

# ODI

ODI made a positive start, recording double-digit increase

Statistics shows that in Q1 2023,

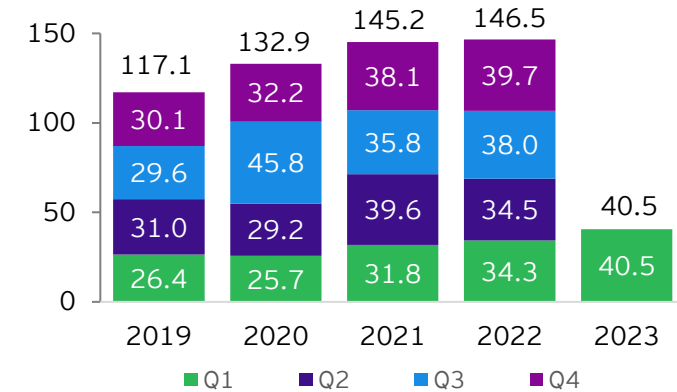
China overall ODI reached **US\$40.5b**, up **18% ▲** YOY.

- ▶ China non-financial ODI reached **US\$31.5b**, up **17.2% ▲** YOY.
- ▶ Some industries saw faster growth in ODI, with investments in wholesale & retail industry and transportation, warehousing and postal services increasing by 31.4% and 24.4%, respectively.

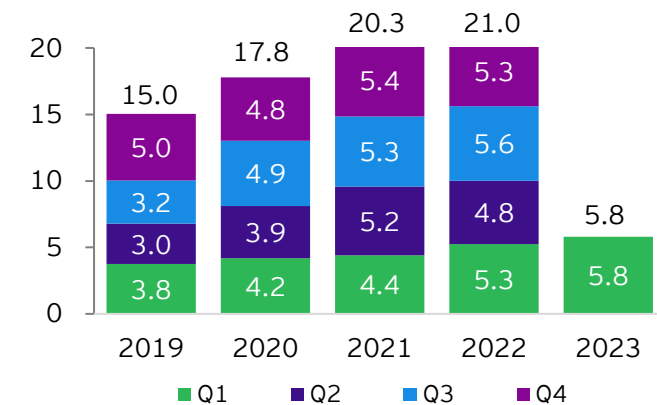
The B&R non-financial ODI reached **US\$5.8b**, up **9.5% ▲** YOY.

- ▶ Representing 18.3% of the total.
- ▶ Mainly invested in countries and regions such as ASEAN, Serbia, the United Arab Emirates and Kazakhstan.

## China overall ODI (US\$ billion)



## China non-financial ODI along the B&R (US\$ billion)



Note: Due to rounding, the total may not be equal to the sum of individual quarters.  
Sources: Monthly Statistics in Brief, China MOFCOM; China MOFCOM

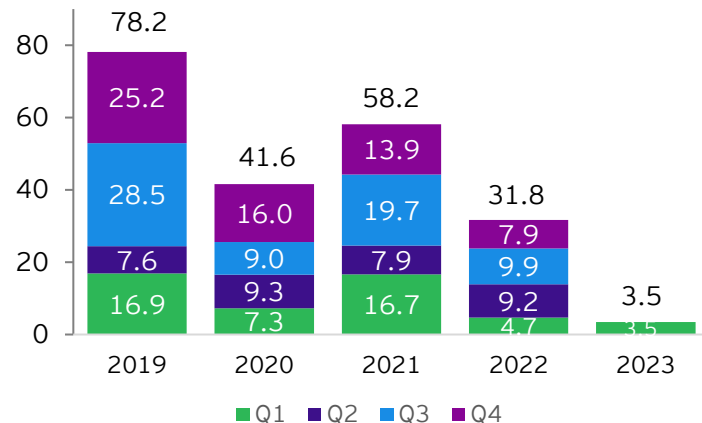
# Overseas M&As

China overseas M&As continued to decrease with advanced manufacturing & mobility as the most popular sector

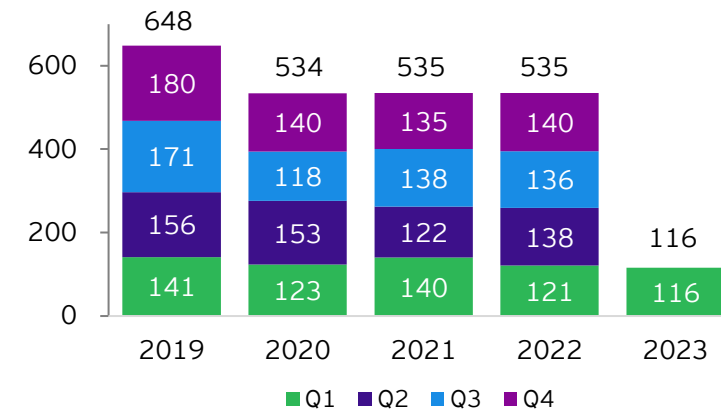
In Q1 2023

- ▶ The value of announced China overseas M&As was only **US\$3.5b**, down **26%** ▼ YOY to a recent quarterly low. The number of announced deals decreased by **4%** ▼ to **116**.

Value of announced China overseas M&As (US\$ billion)



Volume of announced China overseas M&As



Note: Due to rounding, the total may not be equal to the sum of individual quarters.

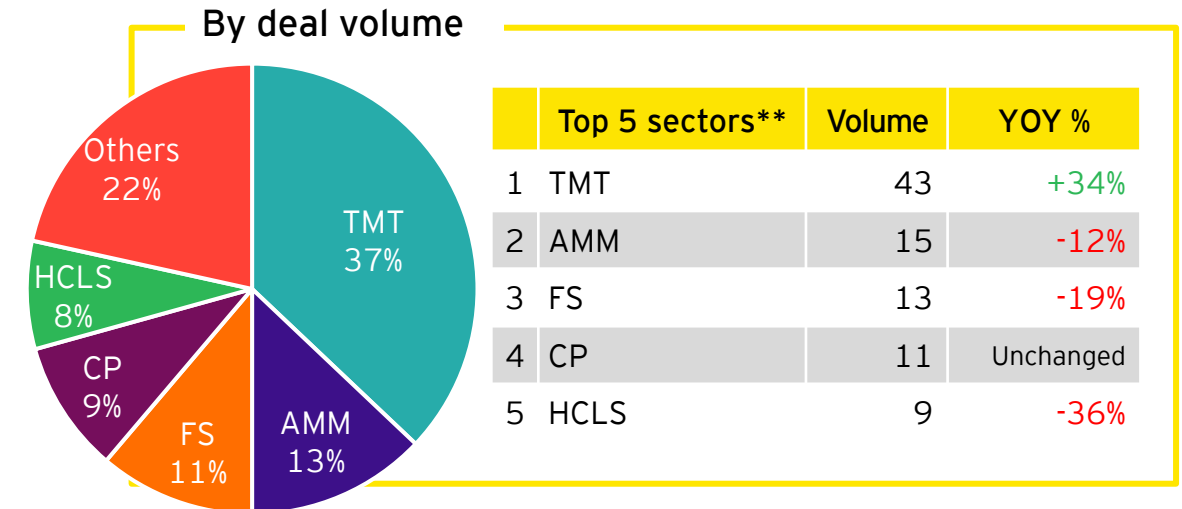
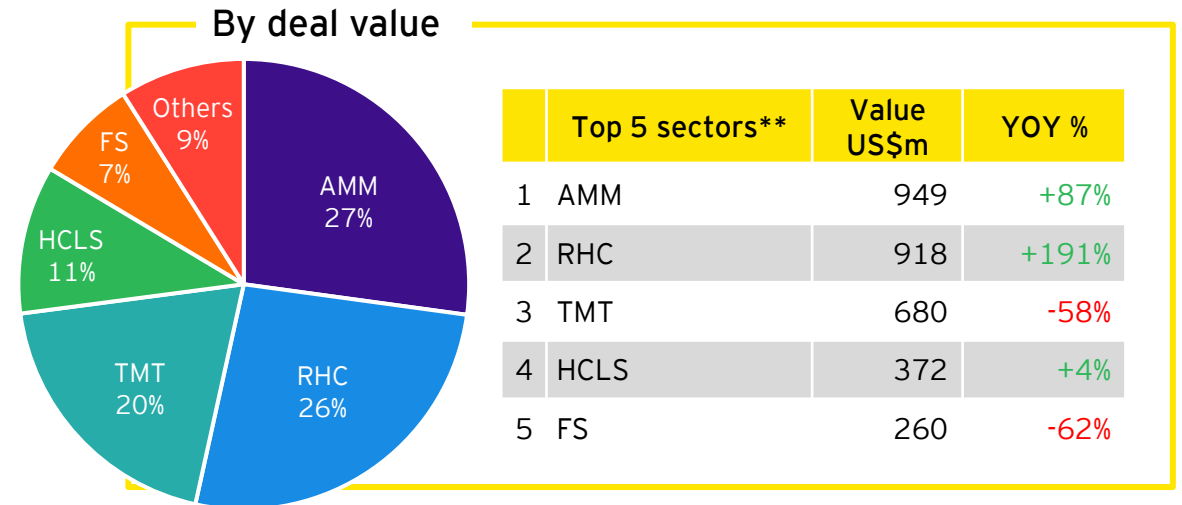
Sources: Refinitiv; Mergermarket, including data from Hong Kong, Macau and Taiwan, and deals that have been announced but not yet completed, data was downloaded on 3 April 2023; EY analysis

# Overseas M&As (cont'd)

## Sector analysis

In Q1 2023

- By deal value, the top three sectors were **advanced manufacturing & mobility**, **real estate, hospitality & construction**, and **TMT**, accounting for 73% of the total deal value. Larger increases were recorded in the sectors of **advanced manufacturing & mobility**, and **real estate, hospitality & construction**, up 87% and 191% YOY, respectively. Some major deals during this period include: 1) a Chinese enterprise acquired the power conversion division of a known Swiss company located in the US to improve its product portfolio, accelerate its development in the power industry and North American market; 2) a Chinese real estate management enterprise acquired a minority stake of a logistics and industrial new economic real estate platform in Vietnam; 3) a Chinese enterprise acquired partial shares of a container terminal in Egypt, to further strengthen its terminal portfolio; 4) a Chinese company acquired a German automotive parts company to promote its industrial chain integration and consolidate its development advantages in the field of electric vehicles.
- By deal volume, 61% of the total took place in the top three sectors, namely **TMT**, **advanced manufacturing & mobility**, and **financial services**. The number of **TMT** deals increased 34% YOY, but the proportion of undisclosed transactions increased by seven percentage points compared to the same period last year, which is also part of the reason for the decrease in value of TMT deals.

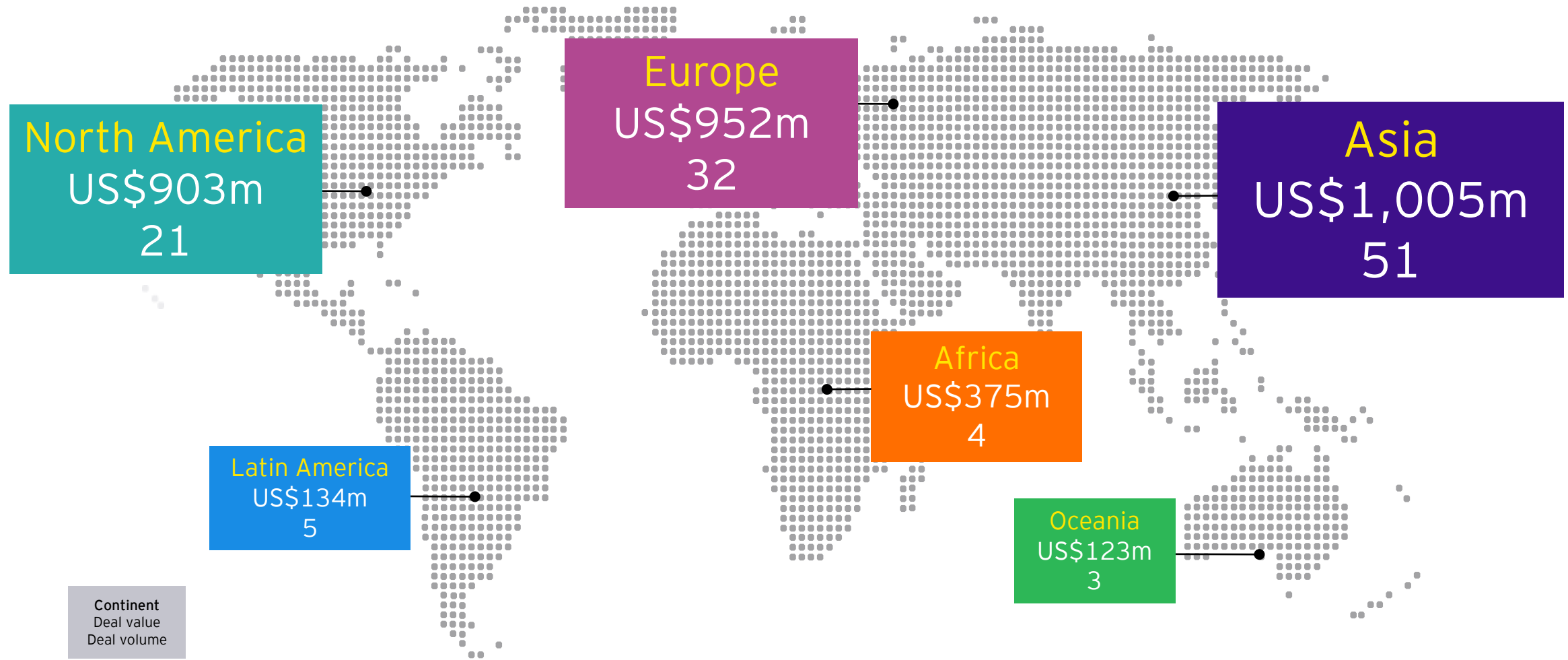


\*\*AMM refers to advanced manufacturing & mobility; RHC refers to real estate, hospitality & construction; HCLS refers to health care & life sciences; FS refers to financial services; CP refers to consumer products.

Sources: Refinitiv; Mergermarket, including data from Hong Kong, Macau and Taiwan, and deals that have been announced but not yet completed, data was downloaded on 3 April 2023; EY analysis

# Overseas M&As (cont'd)

## Regional analysis



Sources: Refinitiv; Mergermarket, including data from Hong Kong, Macau and Taiwan, and deals that have been announced but not yet completed, data was downloaded on 3 April 2023; EY analysis

# Overseas M&As (cont'd)

## Regional analysis

### Asia

US\$1b ▼ down 34% YOY  
 51 deals ▲ up 38% YOY

- ▶ In Q1 2023, the deal value and volume announced by Chinese enterprises in Asia both ranked first. Asia is the only continent to record an increase in deal volume.
- ▶ Among the top 10 destinations favored by Chinese enterprises, four were from Asia, namely Vietnam, Oman, Japan and South Korea, collectively accounting for 87% of the total value in Asia.
- ▶ In this quarter, the cooperation between China and ASEAN further deepened, with the President of the Philippines, the Prime Minister of Cambodia, the Secretary-General of ASEAN, as well as the Prime Ministers of Singapore and Malaysia visiting China respectively. Each party explored cooperation intentions in multiple fields. Against this backdrop, ASEAN is expected to remain a key region for the international development of Chinese enterprises in the future, pointing to positive prospect and development opportunities in infrastructure, green and digital economies, and finance.

### Europe

US\$952m ▼ down 39% YOY  
 32 deals ▼ down 24% YOY

- ▶ Investment to the UK (the real estate, hospitality & construction sector) and Germany (the advanced manufacturing & mobility sector) collectively took up 86% of the total value.
- ▶ In Q1 2023, inflation in Europe has eased, and the IMF forecast a growth of 0.8% for the Eurozone in 2023<sup>1</sup>, 0.1 percentage point higher than its forecast made in January 2023.
- ▶ Recent frequent interactions of China and Europe brought positivity in the economic and trade areas. These included the visits made by the Prime Minister of Spain, the President of the European Commission and the President of France to China. Bilateral cooperation documents were signed between China and Spain on areas such as education, customs and sports. China and France have agreed to deepen cooperation in traditional areas such as agri-food, aerospace, civil nuclear energy, and cultivate new cooperation in green, technology and innovation.



# Overseas M&As (cont'd)

## Regional analysis

### North America

US\$903m

▼ down 6% YOY

21 deals

▼ down 9% YOY

- ▶ Chinese investment in North America was mainly in the sectors of TMT and health care & life sciences, collectively accounting for 94% of the total in the continent. Though the decrease of the China M&As in the US narrowed during the period, geopolitics remained a restrictive impact amid the current Sino-US relations.

### Africa

US\$375m

▼ down 11% YOY

4 deals

Unchanged

- ▶ A major deal was the Chinese equity acquisition of a container terminal in Egypt.

### Latin America

US\$134m

▲ up 13% YOY

5 deals

▼ down 29% YOY

- ▶ The only continent that achieved a deal value increase in this quarter.
- ▶ During the recent visit by the newly elected Brazilian President to China, the two countries agreed to deepen their comprehensive strategic partnership, and strengthen investment and cooperation in areas such as infrastructure, energy transformation, logistics, energy, mining, agriculture, industry and high technologies.
- ▶ Being the largest economy and most populous country in Latin America, Brazil's deepening economic and trade cooperation with China is encouraging and can have a demonstrative effect for further cooperation between China and other Latin American countries.

### Oceania

US\$123m

▼ down 28% YOY

3 deals

▼ down 63% YOY

- ▶ The investment mainly went to the mining & metals sector in Australia.

# Overseas M&As (cont'd)

## Regional analysis

### Top 10 destinations of China overseas M&As in Q1 2023 (By deal value: US\$ million)

|    | Destination | Q1 2023 | Q1 2022 | YOY %    |
|----|-------------|---------|---------|----------|
| 1  | US          | 899     | 941     | -4%      |
| 2  | UK          | 488     | 138     | +254%    |
| 3  | Vietnam     | 452     | -       | /        |
| 4  | Egypt       | 375     | 3       | +13,789% |
| 5  | Germany     | 327     | 124     | +163%    |
| 6  | Oman        | 193     | -       | /        |
| 7  | Japan       | 139     | 61      | +127%    |
| 8  | Peru        | 133     | -       | /        |
| 9  | Australia   | 123     | 160     | -23%     |
| 10 | South Korea | 86      | 599     | -86%     |

### Top 10 destinations of China overseas M&As in Q1 2023 (By deal volume)

|    | Destination | Q1 2023 | Q1 2022 | YOY % |
|----|-------------|---------|---------|-------|
| 1  | US          | 17      | 19      | -11%  |
| 2  | Singapore   | 15      | 3       | +400% |
| 3  | Japan       | 9       | 12      | -25%  |
| 4  | Germany     | 8       | 7       | +14%  |
| 5  | South Korea | 6       | 11      | -45%  |
| 6  | Malaysia    | 6       | 3       | +100% |
| 7  | France      | 5       | 3       | +67%  |
| 8  | UK          | 5       | 6       | -17%  |
| 9  | India       | 5       | 2       | +150% |
| 10 | Canada      | 4       | 4       | -     |
| 10 | Switzerland | 4       | 1       | +300% |

Sources: Refinitiv; Mergermarket, including data from Hong Kong, Macau and Taiwan, and deals that have been announced but not yet completed, data was downloaded on 3 April 2023; EY analysis

# EPC

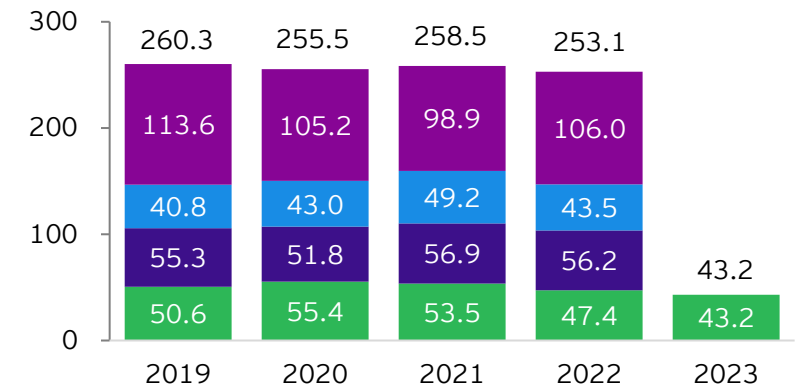
## Turnover of overseas EPC projects increased relatively quickly and percentage of newly-signed B&R projects rose considerably

In Q1 2023

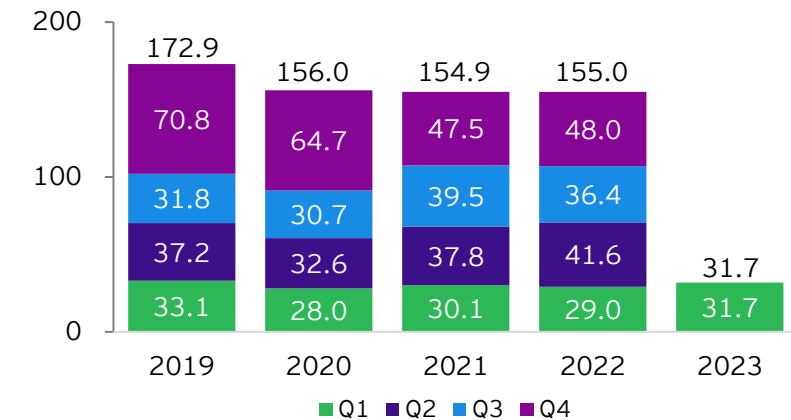
- Newly-signed China overseas EPC projects reached **US\$43.2b**, down **9%** ▼ YOY.
  - In the B&R countries and regions, Chinese enterprises newly-signed EPC projects reached **US\$25.5b**, up **3.7%** ▲ YOY, which represented 59.2% of the total during the period, up 7.2 percentage points YOY.
- Completed turnover of Chinese overseas EPC projects was **US\$31.7b**, up **9.2%** ▲ YOY.
  - Completed turnover in the B&R countries and regions was **US\$17b**, up **6.5%** ▲ YOY, accounting for 53.7% of the total.
- Examples of new mega-scale projects in this quarter include: 1) an investment agreement signed for solar photovoltaic power production in Uzbekistan with an investment of about US\$2 billion; 2) an urban railway project in the Democratic Republic of the Congo (Congo-Kinshasa) worth about US\$970 million; 3) a seawater desalination project and a camp project in Saudi Arabia with a combined contract value of about US\$650 million; 4) a contract signed for building a cement production line in Nigeria worth about US\$580 million<sup>4</sup>.

4. Source: Public domain information

Value of newly-signed China overseas EPC contracts (US\$ billion)



Value of completed turnover of China overseas EPC contracts (US\$ billion)



Note: Due to rounding, the total may not be equal to the sum of individual quarters.  
Source: Monthly Statistics in Brief, China MOFCOM

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Global reach and local expertise

Multilingual seamless service teams

Extensive cross-border transaction experience and full coverage of services



**70+**  
Countries and territories in the EY global service network

**90%**  
Countries and regions along the B&R

**3,200+**  
Clients assisted globally

**1,600+**  
Clients assisted in B&R countries

**74,000+**  
Overseas engagements

**34,000+**  
Projects assisted in B&R countries

\*Data from the last 3 years

# China Overseas Investment Network (COIN) global contacts

For more information about EY COIN, please visit the website at [www.ey.com/en\\_cn/coin](http://www.ey.com/en_cn/coin) or contact:

## China



**Jack Chan**  
Chairman, China  
Regional Managing Partner, Greater China  
Member of The Global Executive  
+86 10 5815 4057  
jack.chan@hk.ey.com  
Beijing



**Loletta Chow**  
Global COIN Leader  
+852 2629 3133  
loletta.chow@hk.ey.com  
Hong Kong



**Jesse Lv**  
Global COIN Tax Leader  
+86 21 2228 2798  
jesse.lv@cn.ey.com  
Shanghai



**Erica Su**  
Strategy and Transaction Services  
Leader, Greater China  
+86 21 2228 2205  
erica.su@cn.ey.com  
Shanghai



**Alex Zhu**  
Energy & Resources Co-leader, Greater China  
Strategy and Transaction Services Leader,  
China North  
+86 10 5815 3891  
alex.zhu@cn.ey.com  
Beijing



**Andrew Choy**  
International Tax and Transaction  
Services Leader, Greater China  
+86 10 5815 3230  
andrew.choy@cn.ey.com  
Beijing



**Julie Hao**  
Co-Leader  
China Tax Outbound Center  
+86 10 5815 2805  
julie.hao@cn.ey.com  
Beijing



**Soon Yen Chong**  
International Tax and Transaction  
Services Partner  
Ernst & Young (China) Advisory Limited  
+86 21 22288789  
soonyen.chong@cn.ey.com  
Shanghai



**Eric Chia**  
Greater China Consulting Markets Leader  
+86 21 2228 3388  
eric.chia@hk.ey.com  
Shanghai



**Lawrence Lau**  
Financial Accounting Advisory  
Services Leader, Greater China  
+86 21 2228 2816  
lawrence.lau@cn.ey.com  
Shanghai



**Wood Zhang**  
Audit Partner  
Ernst & Young Hua Ming LLP  
+86 10 5815 2086  
wood.zhang@cn.ey.com  
Beijing

## Areas/Regions

### ► Americas



**Shau Zhang**  
Americas Area COIN Leader  
+1 617 375 3792  
xiaqing.zhang@ey.com  
Boston, USA



**Eric Xiao**  
Canada COIN Leader  
+1 416 943 2943  
eric.c.xiao@ca.ey.com  
Toronto, Canada



**Fernanda Chang**  
South America COIN Leader  
+55 11 9625 2084  
fernanda.chang@br.ey.com  
San Paulo, Brazil

### ► Asia-Pacific



**John Li**  
Oceania COIN Leader  
+61 2 9248 5008  
john.li@au.ey.com  
Sydney, Australia

### ► EMEIA



**Qinghua Xu-pionchon**  
EMEIA Area COIN Leader  
+33 1 4693 4363  
qinghua.xu-pionchon@fr.ey.com  
Paris, France



**Yi Sun**  
Europe West COIN Leader  
+49 211 9352 20153  
yi.sun@de.ey.com  
Dusseldorf, Germany



**Suwin Lee**  
The United Kingdom and  
Ireland COIN Leader  
+44 20 7951 7952  
slee1@uk.ey.com  
London, UK



**Adrian Koh**  
ASEAN COIN Leader  
+65 6309 6275  
adrian.koh@sg.ey.com  
Singapore

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