

THE CPA AUSTRALIA ASIA-PACIFIC SMALL BUSINESS SURVEY 2016

GENERAL REPORT FOR AUSTRALIA,
CHINA, HONG KONG, INDONESIA,
MALAYSIA, NEW ZEALAND,
SINGAPORE AND VIETNAM

BE HEARD.
BE RECOGNISED.



Legal notice

CPA Australia Ltd ('CPA Australia') is one of the world's largest accounting bodies, representing more than 160,000 members of the financial, accounting and business profession in 118 countries.

ISBN: 978-1-921742-82-8

For information about CPA Australia, visit our website cpaaustralia.com.au

First published 2017 CPA Australia Ltd

CAN 008 392 452

Level 20, 28 Freshwater Place

Southbank Vic 3006

Australia

Copyright © CPA Australia Ltd (ABN 64 008 392 452) ('CPA Australia'), 2017. All rights reserved.

CPA Australia owns all copyright in these materials or uses it under licence or applicable law. For permission to reproduce any material, a request in writing is to be made to the Legal Business Unit, CPA Australia Ltd, Level 20, 28 Freshwater Place, Southbank, Victoria 3006 Australia.

Disclaimer

CPA Australia has used reasonable care and skill in compiling the content of these materials. However, CPA Australia makes no warranty that the materials are accurate and up to date. These materials do not constitute the provision of professional advice whether legal or otherwise. Users should seek their own independent advice prior to relying on or entering into any commitment based on the materials. The materials are purely published for reference purposes alone. CPA Australia, their employees, agents and consultants exclude completely all liability to any person for loss or damage of any kind including but not limited to legal costs, indirect, special or consequential loss or damage (however caused, including by negligence) arising from or relating in any way to the materials and/or any use of the materials. Where any law prohibits the exclusion of such liability, then to the maximum extent permitted by law, CPA Australia's liability for breach of the warranty will, at CPA Australia's option, be limited to the supply of the materials again, or the payment of the cost of having them supplied again.

BE HEARD.
BE RECOGNISED.



OVERVIEW

CPA Australia Asia-Pacific Small Business Survey 2016 is the seventh in a series of annual surveys measuring small business confidence, the drivers of confidence, technology uptake and access to finance by small businesses. The data is compared across the eight economies included in this survey and over time.

In total, 2971 participants completed the survey, including 508 from Australia, 621 from Mainland China, 311 from Hong Kong, 303 from Indonesia, 307 from Malaysia, 301 from New Zealand, 310 from Singapore and 310 from Vietnam.

Of the 621 participants from Mainland China, 158 were from Beijing, 153 were from Chongqing, 154 were from Guangzhou and 156 were from Shanghai.

The online survey was conducted with a random sample of small business owners/managers between 6 October 2016 and 26 October 2016. The sample was obtained through panel providers. To qualify for the survey, participants were required to be an owner, a senior manager (defined as being a director, a principal, a CEO, a CFO, a senior manager or a managing director) or a qualified accountant of a business with fewer than 20 employees.

EXECUTIVE SUMMARY

CPA Australia's seventh annual Asia-Pacific Small Business Survey¹ found that small businesses that are focusing on innovation, e-commerce, social media and exporting are significantly more likely to be growing and creating jobs than those that are not.

The survey results highlight that small businesses that grew and expect to grow are significantly more likely to:

- expect to increase employee numbers in the next 12 months (54.9 per cent of those that expect to grow compared with 7.0 per cent of those that do not expect to grow)
- expect to definitely undertake innovation in the next 12 months through the introduction of a totally new product, service or process to their market or the world (28.0 per cent of those that expect to grow compared with 5.0 per cent of those that do not expect to grow)
- intend to grow their e-commerce presence to a large extent over the next 12 months (43.4 per cent of those that expect to grow compared with 10.4 per cent that do not)
- expect revenue from overseas markets to grow strongly over the coming 12 months (21.3 per cent of those that expect to grow compared with 3.1 per cent that do not)
- have used social media in their businesses (86.2 per cent of businesses that reported growing in the past 12 months compared with 66.9 per cent that did not grow in the past 12 months)
- have found that 'improved customer satisfaction' had a major positive impact on their business (38.3 per cent of those that grew in the past 12 months compared with 18.9 per cent that did not)
- expect to increase their focus on training over the next 12 months (48.6 per cent of those that expect to grow compared with 14.1 per cent of those that do not).

Growing businesses are also significantly more likely to:

- have between 5 and 19 staff rather than fewer than five
- have been established for less than 11 years than have been established for over 20 years
- expect their local economy to grow in the next 12 months
- expect to grow their investments in assets strongly in the coming 12 months
- expect to seek external finance
- be from Indonesia, Vietnam or Mainland China than from Australia or Singapore.

Businesses where the respondent was under 40 were also significantly more likely to report that they were growing than businesses where the respondent was 50 or over.

Small businesses from Asia are significantly more likely than Australian and New Zealand small businesses to have a focus on innovation, e-commerce, social media and exporting. The profile of small businesses in Australia and New Zealand are contributing to this difference – in comparison with small businesses from Asia, they are:

- significantly less likely to have been established for 10 years or less
- significantly less likely to have between five to 19 employees.

Further, respondents from Australia and New Zealand are significantly less likely to be aged under 40.

¹ The survey was of 2971 businesses with fewer than 20 employees from Australia, Mainland China, Hong Kong, Indonesia, Malaysia, New Zealand, Singapore and Vietnam. All data for China excludes Hong Kong, which is shown separately. The survey was conducted online from 6 to 26 October 2016.

The data from the survey shows that, regardless of market, small businesses that have more employees, have been established for less than 10 years and the respondent is under 40 are more likely to be focusing on innovation, e-commerce, social media and exporting than other businesses.

The main factors that had a positive impact on businesses over the past 12 months were 'customer loyalty', 'good staff' and 'improved customer satisfaction', whether or not the business grew. Businesses that grew strongly however, were significantly more likely to say that 'improved customer satisfaction', 'improved business strategy' and 'improved business management' had a major positive impact on their business than those that did not grow.

The main factors that had a detrimental impact on businesses in the past 12 months were 'increasing costs' (with staff costs and rent again being identified as the costs most detrimental to business) and 'increasing competition', regardless of whether the business grew or not. Businesses from Asia were more likely to nominate increasing competition as having a major detrimental impact on their business than businesses from Australia and New Zealand – this together with stronger business confidence may help to explain the stronger focus on innovation in Asia, particularly amongst businesses from developing Asian economies.

The percentage of small businesses that expect their business to grow in 2017 remains relatively flat compared with the results of the previous survey. This may help to demonstrate the resilience of small business given the challenging global economic environment.

Small businesses from Indonesia and Vietnam were by far the most likely to have reported that their business grew in 2016 and expect their business to grow in 2017 – which has been the case for a number of years. New Zealand small businesses recorded the largest jump in confidence, while Singapore joins Australia as the market where small businesses are the least likely to expect to grow in 2017.

Access to finance became less easy in all the markets surveyed, especially Malaysia, Hong Kong and Vietnam. Despite this, demand for external finance in Asia remains very strong and small businesses were most likely to access finance for growth in the past 12 months, with banks being the main source of that finance. Sources of finance were the most diffuse in Mainland China and Hong Kong.

MAJOR FINDINGS

- 1** Small business confidence in Asia and New Zealand is significantly higher than in Australia, with confidence up strongly in New Zealand and down in Australia and Singapore.
- 2** Small business confidence in the growth prospects for their local economy in 2017 highest in Indonesia, Vietnam and China and lowest in Australia and Singapore.
- 3** Small businesses from developing markets are significantly more likely to have reported growing in 2016 however, the percentage of businesses that reported growing was largely unchanged from 2015.
- 4** Growing small businesses are significantly more likely to be focusing on innovation, e-commerce, social media, training and exporting.
- 5** Small businesses from Australia are less likely than small businesses from New Zealand and significantly less likely than small businesses from Asia to be growing, creating jobs and focusing on innovation, e-commerce and exporting.
- 6** Access to finance became less easy in all markets in 2016, especially in Malaysia, Hong Kong and Vietnam.
- 7** Small businesses with younger owners are significantly more likely to be growing, creating jobs and focusing on innovation, exporting, social media and training.

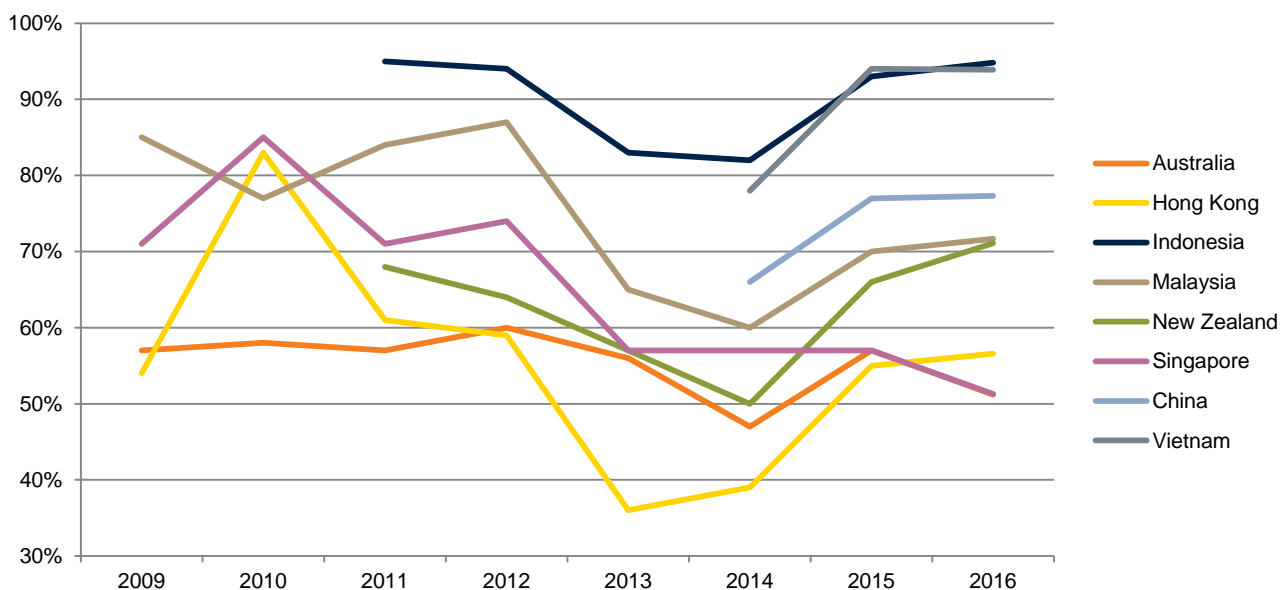
MAJOR FINDING #1

Small business confidence in Asia and New Zealand is significantly higher than in Australia, with confidence up strongly in New Zealand and down in Australia and Singapore

Comparison between the growth expectations small businesses have for their business and their local economy in 2017

	Australia	New Zealand	Asia average
Expect to grow in the next 12 months	51.2%	71.1%	74.6%
Expect their local economy to grow in the next 12 months	38.3%	61.5%	65.2%

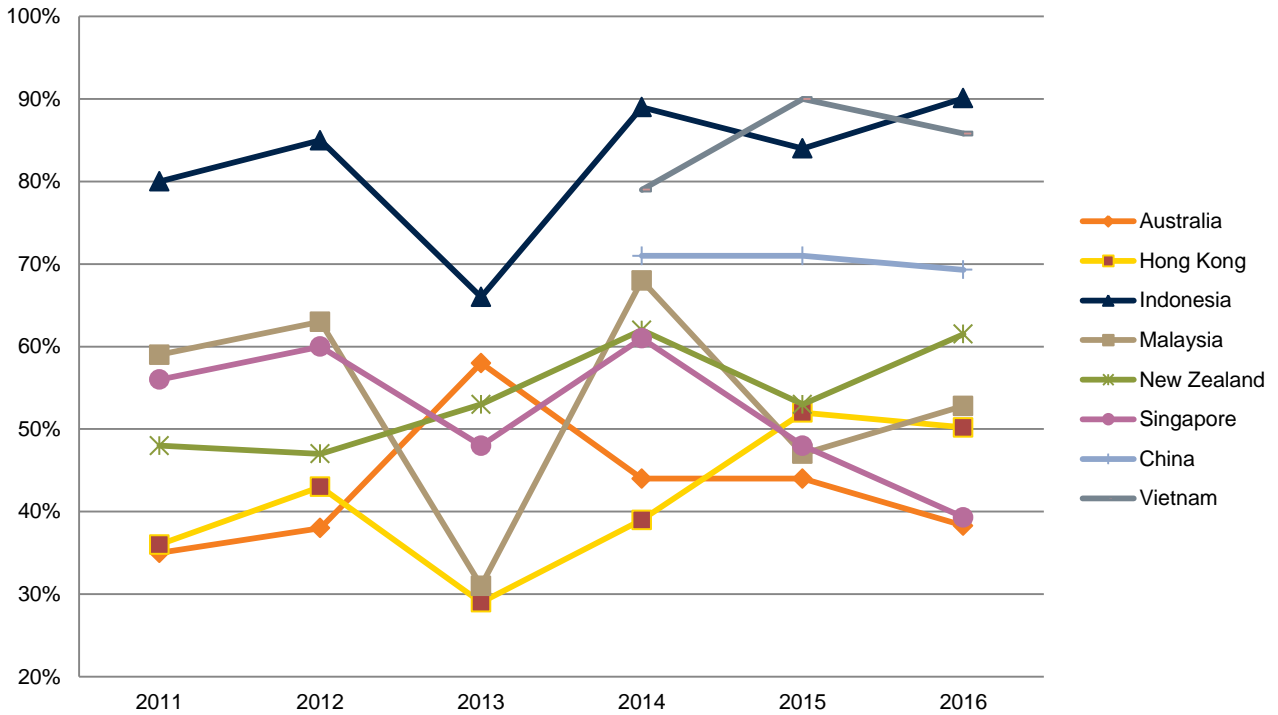
Comparison between the growth expectations small businesses have for their business – by market and over time



MAJOR FINDING #2

Small business confidence in the growth prospects for their local economy in 2017 highest in Indonesia, Vietnam and China and lowest in Australia and Singapore

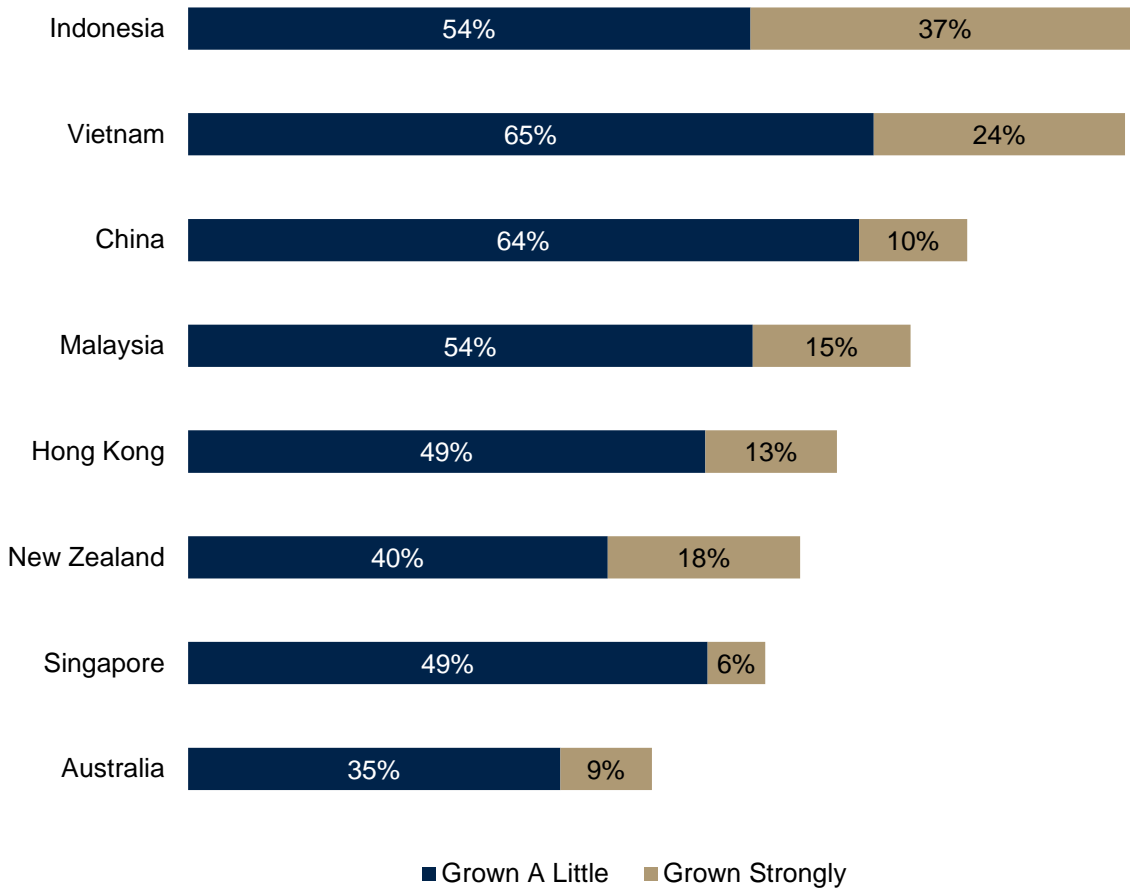
Comparison between the growth expectations small businesses have for their local economy – by market and over time



MAJOR FINDING #3

Small businesses from developing markets are significantly more likely to have reported growing in 2016, however the percentage of businesses that reported growing was largely unchanged from 2015

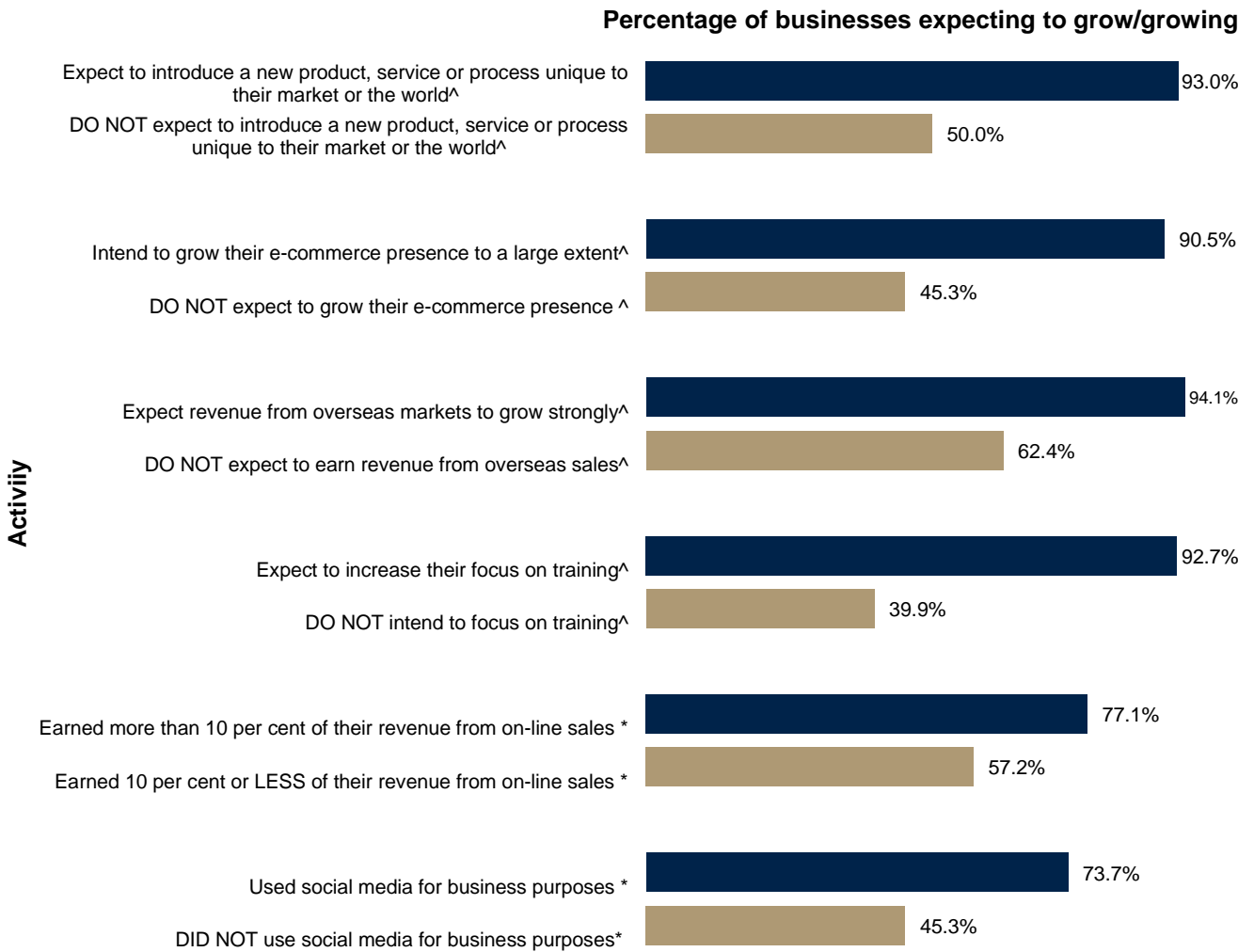
Comparison between businesses that experienced growth in the past 12 months by market



MAJOR FINDING #4

Growing small businesses are significantly more likely to be focusing on innovation, e-commerce, social media, training and exporting.

Comparison of the growth expectation of respondents undertaking certain activities and those not undertaking that activity



[^] Expect their business to grow in next 12 months

* Reported their business grew in the past 12 months

MAJOR FINDING #5

Small businesses from Australia are less likely than small businesses from New Zealand and significantly less likely than small businesses from Asia to be creating jobs and focusing on innovation, e-commerce, exporting, training and social media

Small businesses from Australia compared with New Zealand and the survey average from Asia

	Australia	New Zealand	Asia average
Increased employee numbers in the past 12 months	11.2%	19.6%	38.2%
Definitely expect to introduce a new product, service or process unique to their market or the world	4.7%	10.6%	26.5%
Intend to grow their e-commerce presence to a large extent	9.1%	11.0%	42.6%
Expect revenue from overseas markets to grow strongly	3.1%	6.0%	20.3%
DID NOT use social media for business purposes	50.6%	40.2%	10.4%
Expect to increase their focus on training	13.6%	23.6%	44.6%

MAJOR FINDING #6

Small businesses with younger owners are significantly more likely to be growing, creating jobs and focusing on innovation, exporting, social media and training

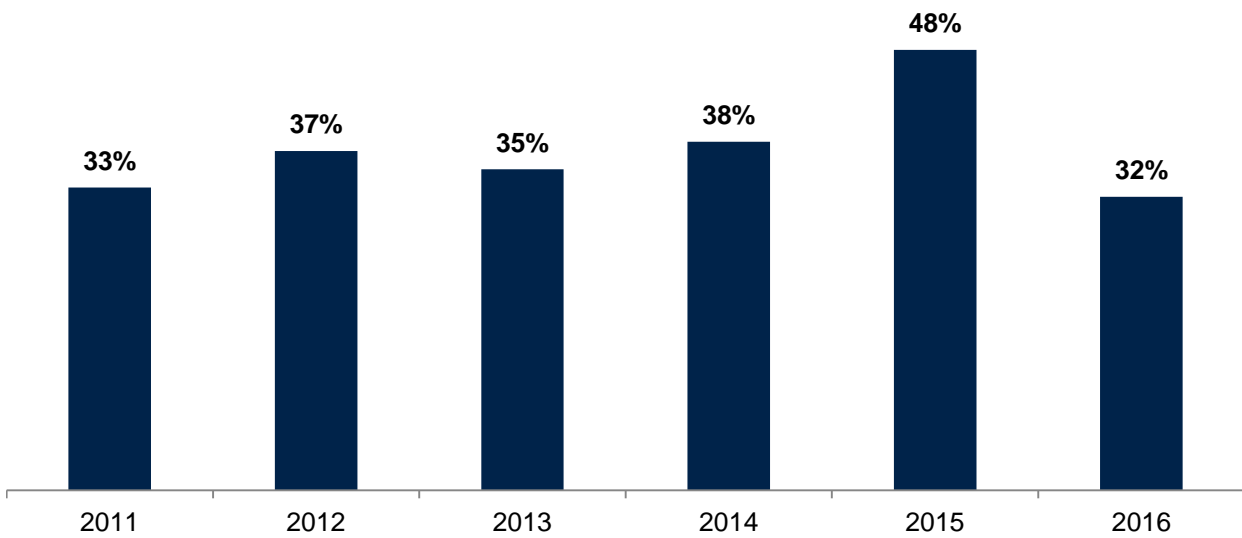
Businesses where the respondent is aged under 40 compared with those that are aged 40 or over

	Percentage of respondents under 40 (n=1502)	Percentage of respondents 40 or over (n=1469)
Reported growing in the past 12 months	78.8%	54.3%
Expect to grow in the next 12 months	80.3%	60.0%
Expect their local economy to grow in the next 12 months	69.6%	50.6%
Increased employee numbers in the past 12 months	42.7%	20.4%
Definitely expect to introduce a new product, service or process unique to their market or the world	29.9%	12.3%
Intend to grow their e-commerce presence to a large extent	46.5%	20.6%
Expect revenue from overseas markets to grow strongly	23.0%	8.6%
DID NOT use social media for business purposes	9.8%	31.0%
Expect to increase their focus on training	49.3%	24.7%
Stated that their business internet connection speed is fast enough for their needs	46.5%	45.9%
Improved customer satisfaction had the most positive impact on their business in the past 12 months	36.8%	26.6%
Improved business strategy had the most positive impact on their business in the past 12 months	31.4%	21.9%

MAJOR FINDING #7

Access to finance became less easy in all markets in 2016, especially in Malaysia, Hong Kong and Vietnam

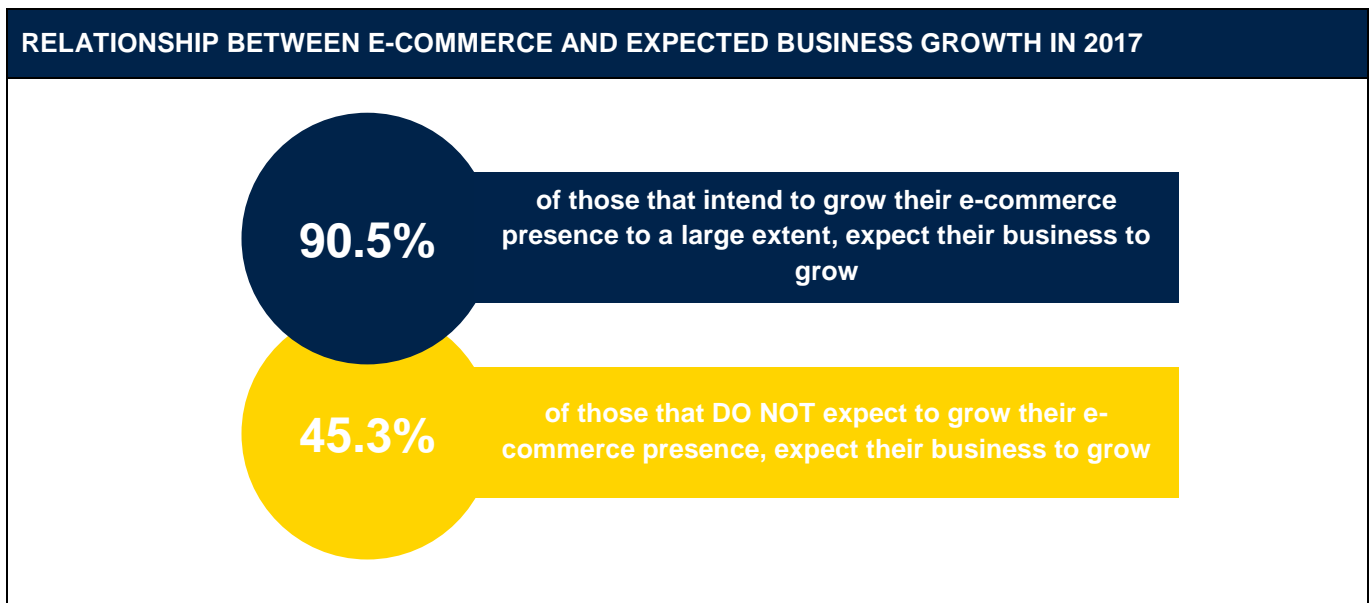
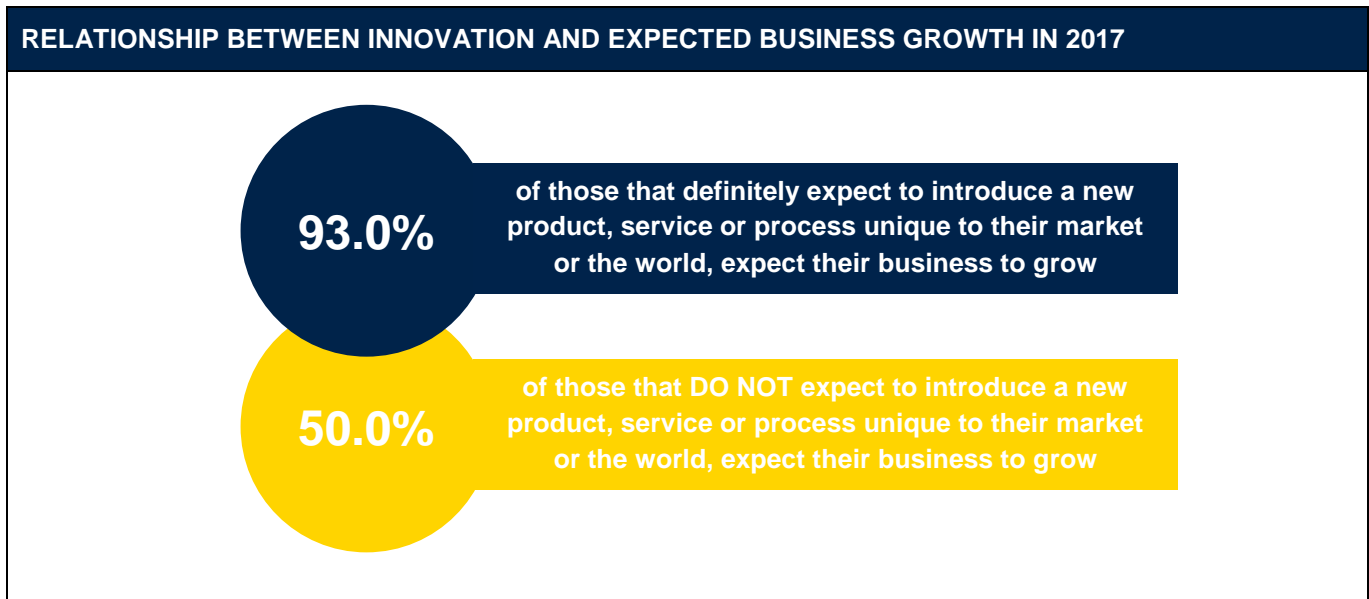
Small businesses that experienced easy to very easy access to finance in the past 12 months – all markets averaged



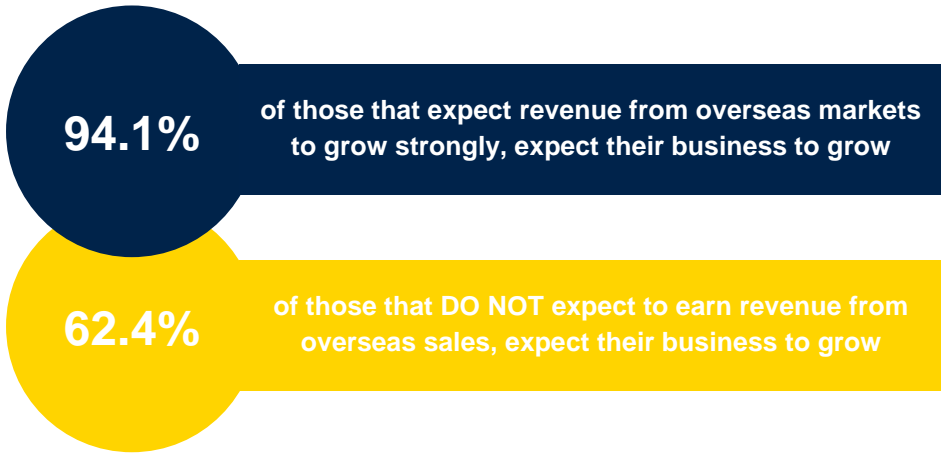
SURVEY RESULTS

WHAT DO GROWING BUSINESSES DO DIFFERENTLY?

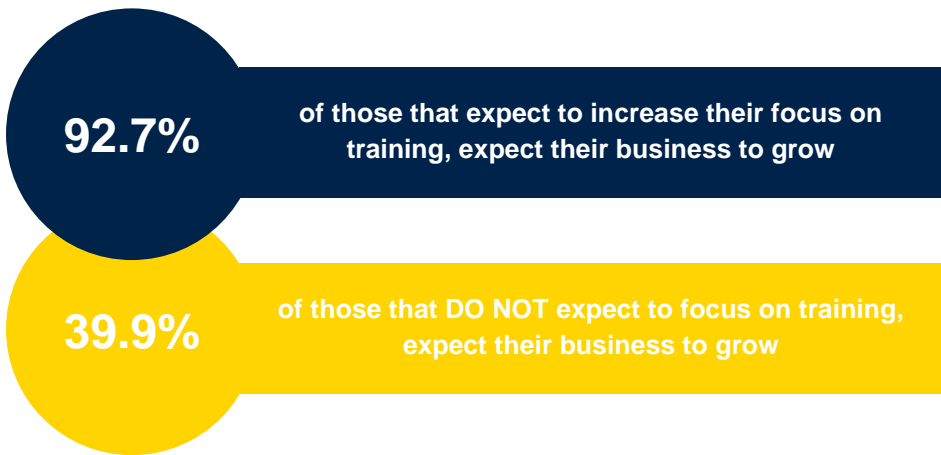
Comparison of the growth expectations of those who expect to undertake certain planned activity in 2017 and those that do not expect to undertake that activity



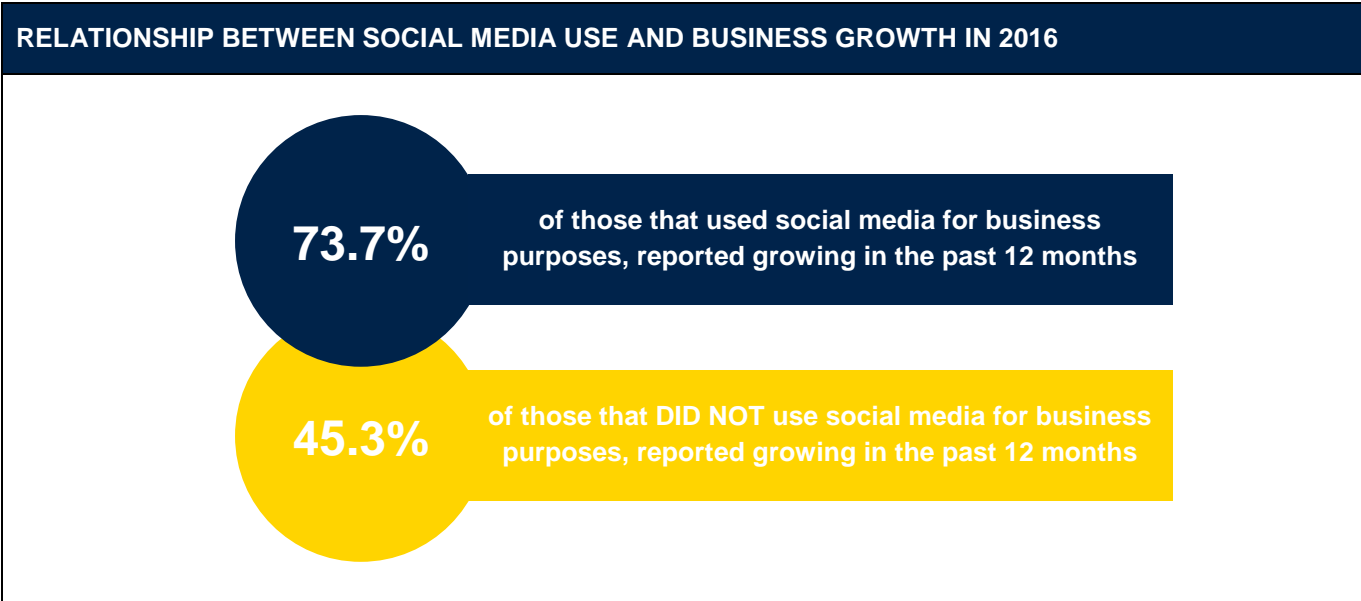
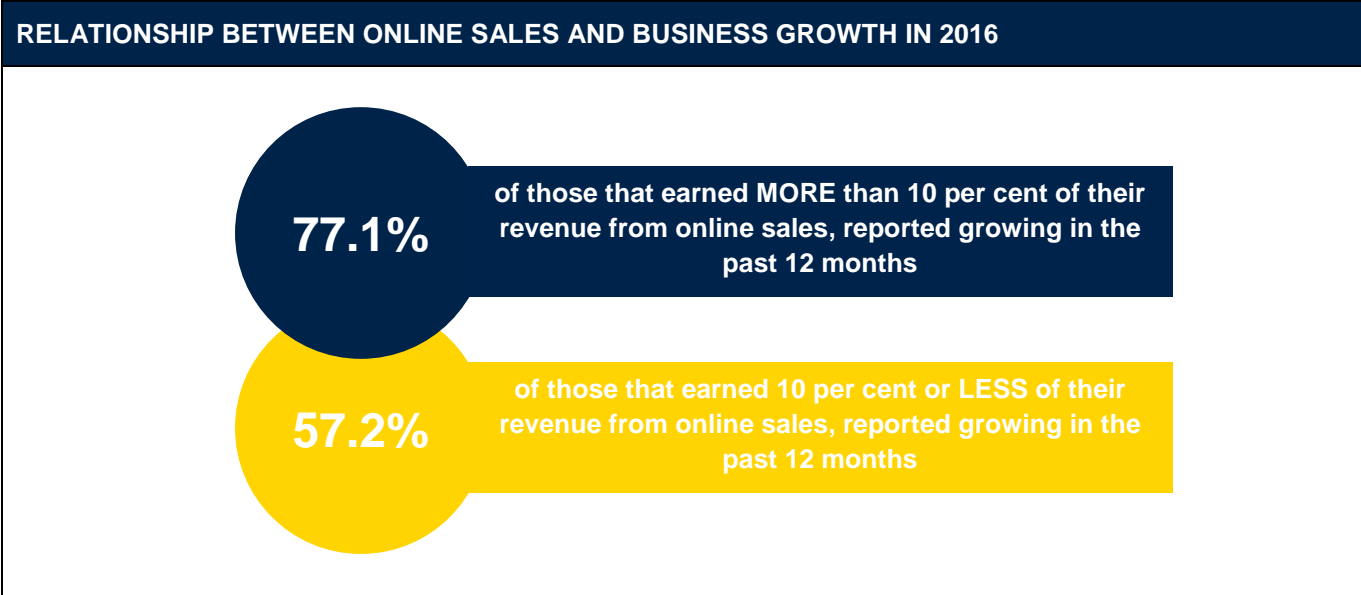
RELATIONSHIP BETWEEN EXPORTING AND EXPECTED BUSINESS GROWTH IN 2017



RELATIONSHIP BETWEEN TRAINING AND EXPECTED BUSINESS GROWTH IN 2017



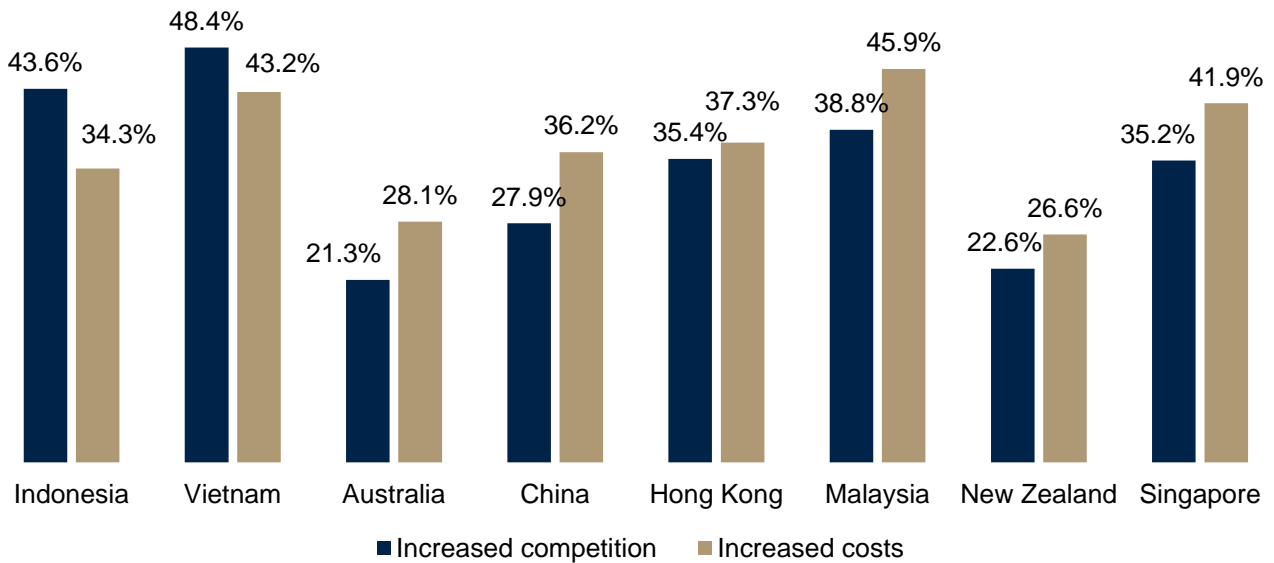
Comparison of the percentage of businesses that reported growing who undertook certain activity in 2016 and those that did not undertake that activity



Factors that had the most positive impact on business in 2016 – overall top 11 – the percentage of businesses that selected those factors that grew compared with the percentage of businesses that selected that factor that did not grow



Barriers to growth – increased competition versus increased costs – by market



Growth, jobs and innovation go hand-in-hand in the small business sector as it does in other sectors. Businesses that are growing or expecting to grow are significantly more likely to be creating new jobs and expect to innovate than businesses that are not growing, regardless of the market.

For businesses that expect to grow strongly in the coming 12 months, 78 per cent expect to increase employee numbers, while of those that do not expect to grow, only 7 per cent expect to add to their staff numbers.

Businesses that reported growing in the past 12 months were significantly more likely than businesses that did not grow to have:

- increased staff numbers
- used social media for business purposes
- sold their products or services online
- accessed external finance
- reported that improved customer satisfaction and improved business strategy were major factors that had a positive influence on their business.

In addition to the above data, businesses that forecast they will grow in the next 12 months are also significantly more likely to expect they will increase their investment in assets and expect to access external finance. Businesses that expect to grow strongly in 2017 are also more likely to state that the speed of their internet connection is fast enough for their needs.

Unsurprisingly, businesses that expect their local economy to grow and reported growing in the past 12 months are significantly more likely to expect to grow in the coming 12 months. Those that reported they grew strongly were significantly more likely to expect their local economy to grow strongly than those who grew slightly.

Of course, some of the differences between the actions of growing and not growing businesses are due to sound business decisions by non-growing business. For example, businesses that do not expect to grow should be cautious before proceeding with asset purchases and adding to staff numbers where there is not a strong business case. They should also look to reduce their demand for external finance and increasingly fund their business from better cash flow. However, by being significantly less likely to undertake activities such as investing in innovation and e-commerce, seeking new export markets, focusing on improving customer satisfaction, business strategy and training, they are allowing those that are to build a competitive advantage over them. Good businesses, whether or not they are growing, will always be looking to undertake and invest in these types of activities, even if in a limited way.

The profile of a small business also influences whether a business is growing or not. Other data from the survey shows that younger respondents, younger businesses and those with 5 to 19 staff are significantly more likely to expect their business to grow in 2017, increase employee numbers, innovate, grow their e-commerce presence, use social media for business purposes and export over the coming 12 months.

For governments wanting to encourage an innovative, tech-savvy and export-orientated small business sector, an important consideration is how to encourage and support more young people to start their own small businesses.

The main barriers to growth in 2016 were increasing costs, increasing competition and a poor overall economic environment, with businesses reporting that they shrank in 2016 being significantly more likely to identify these as barriers to growth than businesses that reported growing. These were also the top three barriers to growth in 2015.

In short, confident businesses are significantly more likely to undertake the activity that will help them grow over the long term. For governments, creating the right environment that supports higher levels of business confidence should contribute to a more innovative, entrepreneurial and outward-looking small business sector. Helping businesses build their management capacity and technology know-how should also have a positive influence on business growth and jobs creation.

SIX LESSONS FROM GROWING SMALL BUSINESSES

- 1 Innovate by introducing products, services or processes that are new to your market or the world.
- 2 Sell online and strongly grow your e-commerce presence.
- 3 Seek to grow your revenue from exports.
- 4 Use social media for business purposes.
- 5 Significantly increase your focus on training.
- 6 Focus on improving customer satisfaction.

WHAT DEMOGRAPHICS SAY ABOUT SMALL BUSINESSES

Respondents aged under 40 are more confident in their business and significantly more likely to undertake activity that growing small businesses undertake

Comparison between respondents aged under 40 and respondents aged 40 or over

	Respondent aged UNDER 40 (n=1502)	Respondent aged 40 or over (n=1469)
Reported growing in past 12 months	78.8%	54.3%
Expecting to grow in next 12 months	80.3%	60.0%
Expecting local economy to grow in next 12 months	69.6%	50.6%
Increased employee numbers in the past 12 months	42.7%	20.4%
Definitely expect to introduce a new product, service or process unique to their market or the world	29.9%	12.3%
Intend to grow their e-commerce presence to a large extent	46.5%	20.6%
Expect revenue from overseas markets to grow strongly	23.0%	8.6%
DID NOT use social media for business purposes	9.8%	31.0%
Expect business's focus on training to increase	49.3%	24.7%
Earned more than 10 per cent of their revenue from online sales	60.5%	35.9%

Younger businesses are more confident in their business and somewhat more likely to undertake activity that growing small businesses undertake

Comparison between businesses that have been established for 10 years or less and those that have been established for more than 10 years

	Business established for 10 years or less (n=1911)	Business established for greater than 10 years (n=1045)
Increased employee numbers in the past 12 months	34.5%	26.9%
Reported growing in the past 12 months	73.0%	55.7%
Expect to grow in the next 12 months	76.0%	60.1%
Expect their local economy to grow in next 12 months	63.6%	54.4%
Definitely expect to introduce a new product, service or process unique to their market or the world	23.0%	18.1%
Intend to grow their e-commerce presence to a large extent	40.1%	22.2%
Expect revenue from overseas markets to grow strongly	16.2%	15.6%
DID NOT use social media for business purposes	13.9%	31.9%
Expect business's focus on training to increase	41.7%	29.3%
Earned more than 10 per cent of their revenue from online sales	52.4%	41.4%

Businesses with more staff are more confident in their business and significantly more likely to undertake activities that growing small businesses undertake

Comparison between businesses with fewer than 5 employees compared with those with 5 to 19 employees

	Percentage of respondents with fewer than 5 employees (n=1009)	Percentage of respondents with 5 to 19 employees (n=1962)
Reported growing in the past 12 months	49.1%	75.8%
Expect to grow in the next 12 months	56.6%	77.3%
Expect their local economy to grow in next 12 months	46.3%	67.4%
Increased employee numbers in the past 12 months	11.7%	41.9%
Definitely expect to introduce a new product, service or process unique to their market or the world	10.3%	26.8%
Intend to grow their e-commerce presence to a large extent	20.1%	40.6%
Expect revenue from overseas markets to grow strongly	7.1%	20.4%
DID NOT use social media for business purposes	40.0%	10.1%
Expect business's focus on training to increase	20.4%	45.8%

Small businesses from developing economies are significantly more likely to be confident in their business and undertake activities that growing small businesses undertake

Small businesses from developing economies compared with small businesses from developed economies

	Respondents from developed economies ² (n=1430)	Respondents from developing economies ³ (n=1541)
Reported growing in the past 12 months	53.2%	79.2%
Expect to grow in the next 12 months	56.6%	82.9%
Increased employee numbers in the past 12 months	16.6%	45.6%
Definitely expect to introduce a new product, service or process unique to their market or the world	9.0%	32.4%
Intend to grow their e-commerce presence to a large extent	19.1%	47.2%
Expect revenue from overseas markets to grow strongly	7.8%	23.5%
DID NOT use social media for business purposes	33.8%	7.7%
Expect to increase their focus on training	19.7%	53.3%

As in previous surveys, the profile of a business played a large part in shaping the results. For example, younger respondents (those under 40) were significantly more likely to report that their business grew and expect to continue growing than those over 40.

The length of time a business has been established also influenced the results of the survey. Businesses that have been established for shorter periods of time are more likely to be growing and undertaking actions that facilitate growth than older businesses, however the difference between the results is typically not as great as the difference based on the age of the respondents.

Respondents under 40 remain significantly more likely to expect to innovate in the coming 12 months and undertake other actions that the survey clearly shows are synonymous with growth including focusing on e-commerce, exporting and improving customer satisfaction. Businesses established for 20 years or less are also significantly more likely to definitely expect to innovate than those that have been established for over 20 years.

² Australia, Hong Kong, New Zealand and Singapore

³ Mainland China, Indonesia, Malaysia and Vietnam

Respondents aged under 40 are also significantly more likely to report that their business increased staff numbers in 2016 than respondents aged 50 and over. This trend is expected to continue in 2017 with respondents aged under 40 being significantly more likely than those aged 50 or over to expect their business to increase staff numbers in 2017. Respondents aged under 40 are also significantly more likely to expect their local economy to grow than respondents aged 50 and over.

Respondents aged under 50 were significantly more likely to have sought external finance in 2016 than older respondents. This trend is likely to continue in 2017 with respondents under 50 being significantly more likely to expect to have to access external finance in 2017 than older respondents.

Other data from the survey shows:

- Respondents aged under 50 were significantly more likely to state that they used social media for business purposes than older respondents
- In a similar vein, respondents aged under 50 were significantly more likely to indicate that their business generated revenue from online sales than older respondents. This trend is likely to continue into 2017 with respondents aged under 50 being significantly more likely to intend to grow their e-commerce presence than older respondents
- Improving customer satisfaction is a more important positive influence on business for respondents aged under 50 than those aged over 50, while customer loyalty is a more important positive influence on business for those aged 50 and over
- Respondents aged under 50 are significantly more likely to expect to generate revenue from overseas sales than older respondents. Younger businesses are also more likely to expect to generate increased revenue from overseas sales than businesses that have been established for more than 20 years
- Respondents aged under 40 are significantly more likely than those aged 50 and above to expect to increase their focus on training in 2017. Businesses that have been around for 10 years or less are also significantly more likely to expect to increase their focus on training than businesses that have been established for more than 20 years
- Respondents aged under 50 are more likely to have sourced external finance for business growth than older respondents
- Increasing rent is less of a barrier to growth for respondents aged 50 or over than for younger respondents

Respondents from Australian and New Zealand remain significantly more likely to be over 50 than their counterparts from Asia. In fact, respondents from Australia in particular are significantly more likely than the average to be 50 or over (nearly three in four are over 50 compared to the survey average of less than one in four). Further, businesses from Australia and New Zealand are also significantly more likely to be established for longer periods than businesses from Asia.

These results demonstrate that creating the right environment that encourages younger people to start (or buy an existing business) and run their own small business is important to creating more jobs, and encouraging economic growth and innovation. Creating the right environment includes governments making it as easy as possible to start and run a business and encouraging a culture of entrepreneurship, including through school curricula.

Industry analysis

There were also differences in the results based on the industry the respondent was from. Small businesses from the manufacturing sector (80 per cent) were the most likely to report that their business grew in the past 12 months, while businesses from the health care (55 per cent), transport and warehousing (57 per cent) and agricultural sectors (59 per cent) were the least likely to have reported growing over the same period. These results are reflected in growth expectations for 2017 with manufacturing businesses being the most likely to expect to grow (83 per cent) and transport and warehousing being the least likely (58 per cent).

Manufacturing (73 per cent) and agricultural (71 per cent) businesses are the most likely to expect their local economy to grow in 2017, while health care businesses (46 per cent) are the least confident in the growth prospects for their local economy.

Reflecting the good year many manufacturing businesses report experiencing, businesses from that sector were the most likely to report increasing staff numbers (46 per cent) in the past 12 months, while businesses in the health care (21 per cent), retail trade (22 per cent) and administrative and health care (22 per cent) were the least likely to have increased employee numbers.

In relation to innovation, manufacturing businesses were again on top with 32 per cent of businesses from that sector definitely expecting to introduce a product, process or service that is new to their market or the world in the next 12 months. In contrast, businesses from the transport and warehousing sector are the least likely to expect to innovate with only 12 per cent expecting to definitely introduce a product, process or service that is new to their market or the world in the next 12 months.

Other industry-level data includes:

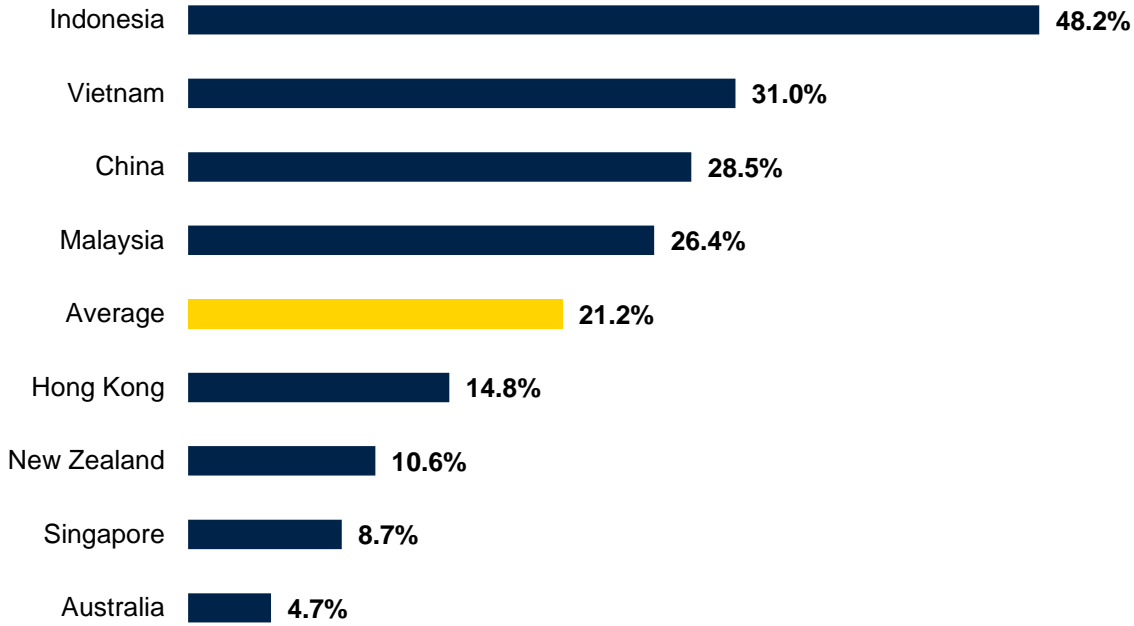
- Businesses from the accommodation and food services sector (45 per cent) were the most likely to expect to increase their investment in e-commerce to a large extent in the next 12 months, while businesses in the health care sector (17 per cent) were the least likely.
- Businesses from the manufacturing sector (26 per cent) were the most likely to expect their revenue from overseas sales to grow strongly, while businesses from the retail trade sector (11 per cent) were the least likely.
- Businesses from the information, media and telecommunications (60 per cent) and the manufacturing (58 per cent) sectors were the most likely to earn more than 10 per cent of their revenue from online sales while businesses from the health care sector (34 per cent) were the least likely.
- Businesses from the agricultural sector were the least likely to state that they use social media for business purposes (38 per cent reporting they do not use social media), while businesses from the education and training sector were the most likely to use social media for business purposes (11 per cent reporting not using social media).
- Manufacturing businesses were the most likely to state that they expect to increase their focus on training (49 per cent), while transport and warehousing (26 per cent) were the least likely.
- Manufacturing businesses (79 per cent) were the most likely to have accessed external finance in 2016, while businesses from the health care sector (51 per cent) were the least likely.
- Manufacturing businesses were also the most likely to state that accessing finance was easy or very easy (44 per cent), while health care businesses were the least likely to report easy or very easy access to finance (16 per cent).
- Respondents from the accommodation and food services sector (63 per cent) were the most likely to be aged under 40 while respondents from the health care sector (40 per cent) followed by the agricultural sector (38 per cent) were more likely to be aged 50 or over.

- Respondents from the rental, hiring and real estate services sector (62 per cent) were the most likely to state that the speed of their business's internet connection was fast enough for their needs while only 32 per cent of businesses from the transport and warehousing sector stated that they found the speed of their internet connection was fast enough for their needs.
- While 41 per cent of businesses from the accommodation and food services sector found improved customer satisfaction had the most positive impact on their business in 2016, 23 per cent from the agricultural sector had the same response. Instead, businesses from the agricultural sector were most likely to state that easy access to finance (32 per cent) had the most positive impact on their business
- Businesses from the health care sector (18 per cent) were significantly less likely to state that increased cost was the most detrimental factor to their business in 2016 (survey average was 36 per cent).
- Businesses from the agricultural sector (22 per cent) and arts and recreation sector (23 per cent) were the least likely to identify increased competition as the most detrimental factor for their business in 2016 (survey average was 33 per cent).

INNOVATION

Innovation⁴ is a key driver of business growth and job creation, and small businesses from Asia are much more likely to undertake it.

Small businesses that will definitely introduce a new product, service or process in the next 12 months that is unique to their market or the world – by market⁵

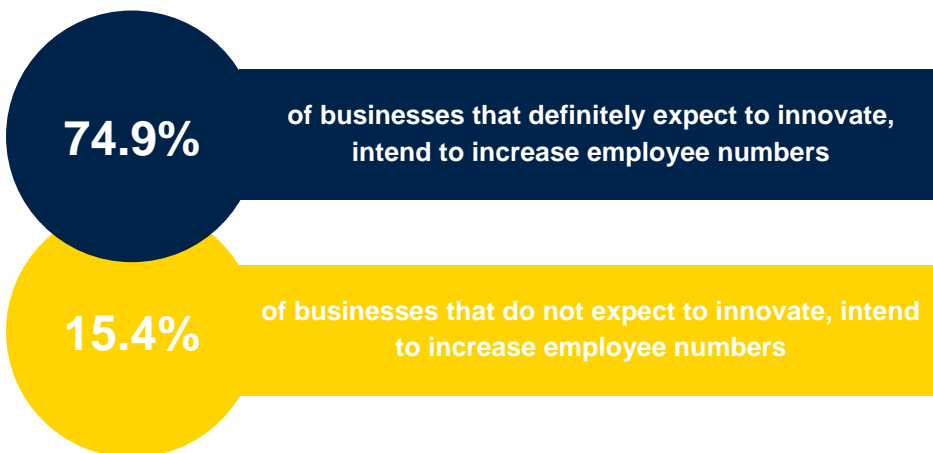


⁴ Innovation, for the purpose of the survey, is taken to be the introduction of a new product, service or process that is unique to a market or the world.

⁵ All data for China excludes Hong Kong, which is shown separately.

The relationship between small businesses that will definitely introduce a totally new product, service or process to their market or the world in the next 12 months and business growth and jobs creation

RELATIONSHIP BETWEEN INNOVATION AND JOBS CREATION IN 2017



RELATIONSHIP BETWEEN INNOVATION AND BUSINESS GROWTH IN 2017



RELATIONSHIP BETWEEN INNOVATION AND ECONOMIC GROWTH IN 2017



The survey results demonstrate that innovation is a core driver of economic growth, business growth and job creation. Small businesses with a strong focus on innovation are also developing a competitive edge, which should serve them well in the years to come.

With innovation supporting growth and job creation, it is easy to see why governments from across the region have such a strong focus on promoting innovation.

In this survey, we measure innovation by the expectation that their business will definitely or possibly introduce a totally new product, process or service to their market or the world.

While it is a core driver of growth, only a small percentage of small businesses in Australia, Singapore and New Zealand indicated that they will definitely be focusing on innovation in 2017, especially in comparison with small businesses from Indonesia. This relatively low focus on innovation in those economies may be as a result of the prevailing economic conditions in those markets. For Australia and New Zealand, the lower number of businesses reporting competition as having the most detrimental impact on their business in 2016 may also be a factor influencing the low focus on innovation.

The focus on innovation in Asia's emerging economies should be providing strong benefits to business and those economies, both now and into the future. This is acknowledged by the OECD, which recently stated, 'in the long run, it is difficult to imagine growth without innovation'⁶. The OECD estimates that innovation can contribute up to 50 per cent of economic growth depending on the country, the level of economic development and the phase of the economic cycle.⁷

⁶ *OECD Innovation Strategy An Agenda for Policy Action*, OECD Publishing, Paris, 2015, p. 4

⁷ *Ibid.*

In addition to the above results, the survey found that businesses are also more likely to definitely expect to undertake innovation through the introduction of a new product, service or process that is unique to their market or the world in the next 12 months if:

- the respondent is aged under 40
- the business has used social media for business purposes
- they have generated revenue from online sales and expect their e-commerce presence to grow to a large extent in 2017
- they expect the revenue they earn from overseas sales to grow strongly
- they expect to increase their focus on training
- the business is five to ten years old
- the business has 10 to 19 staff
- the business is from the manufacturing sector.

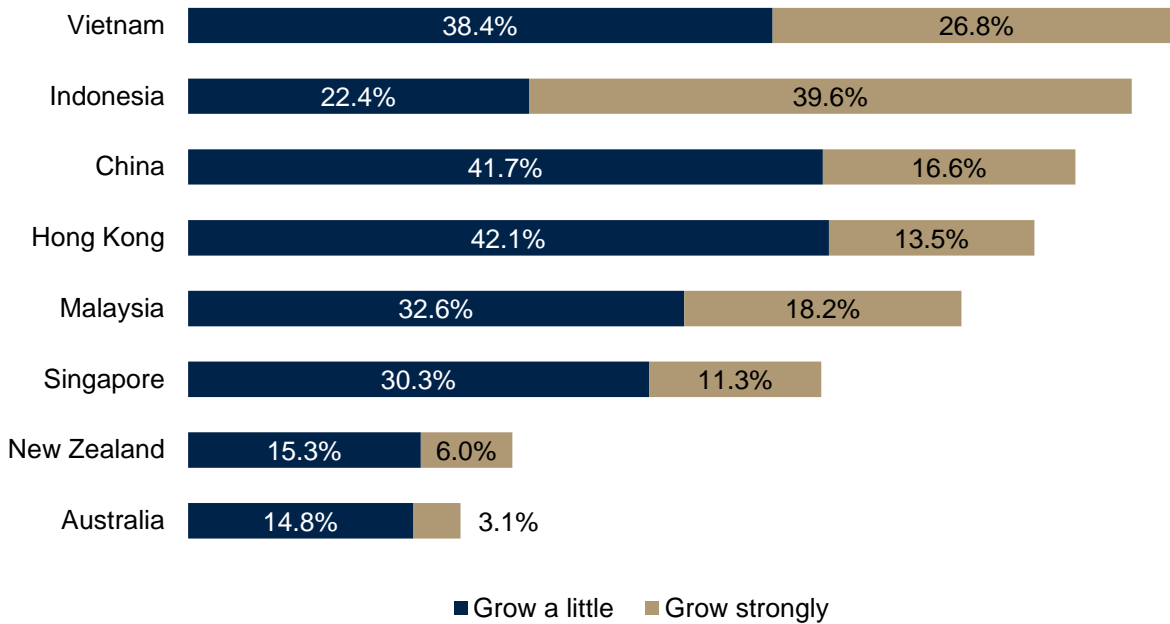
KEY FINDING

Innovation is a core driver of economic growth, business growth and job creation. Businesses looking to grow should consider having a greater focus on innovation and for governments across the region to continue their support for innovation.

SMALL BUSINESS AND EXPORTING

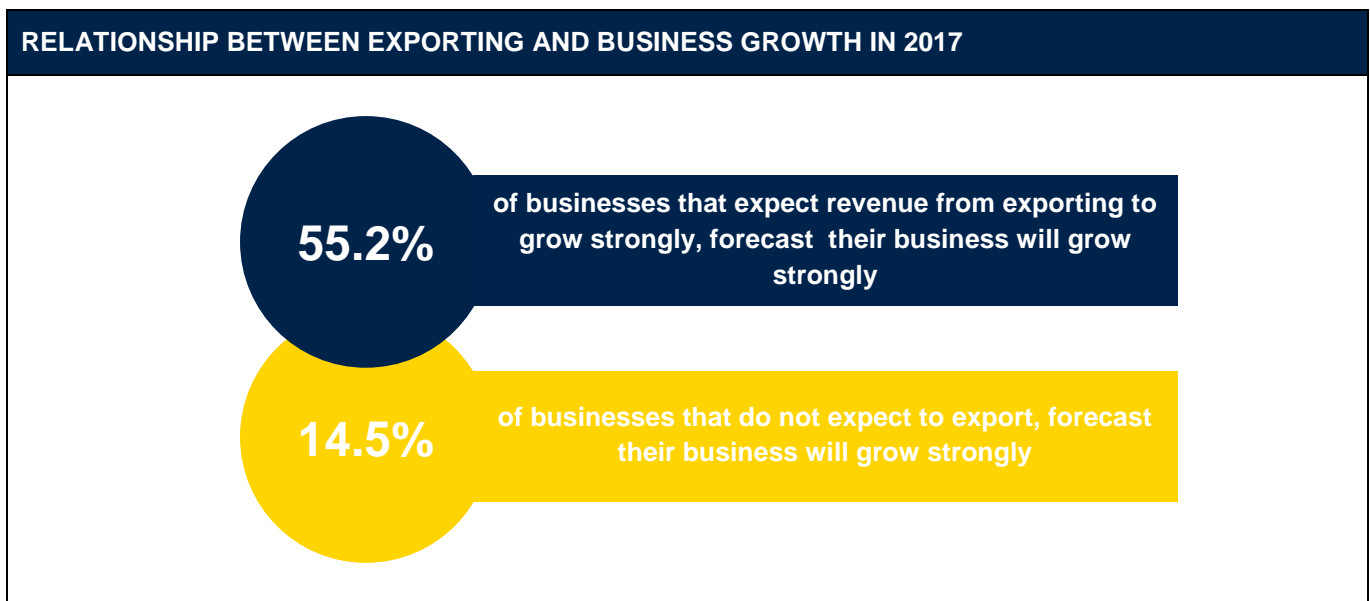
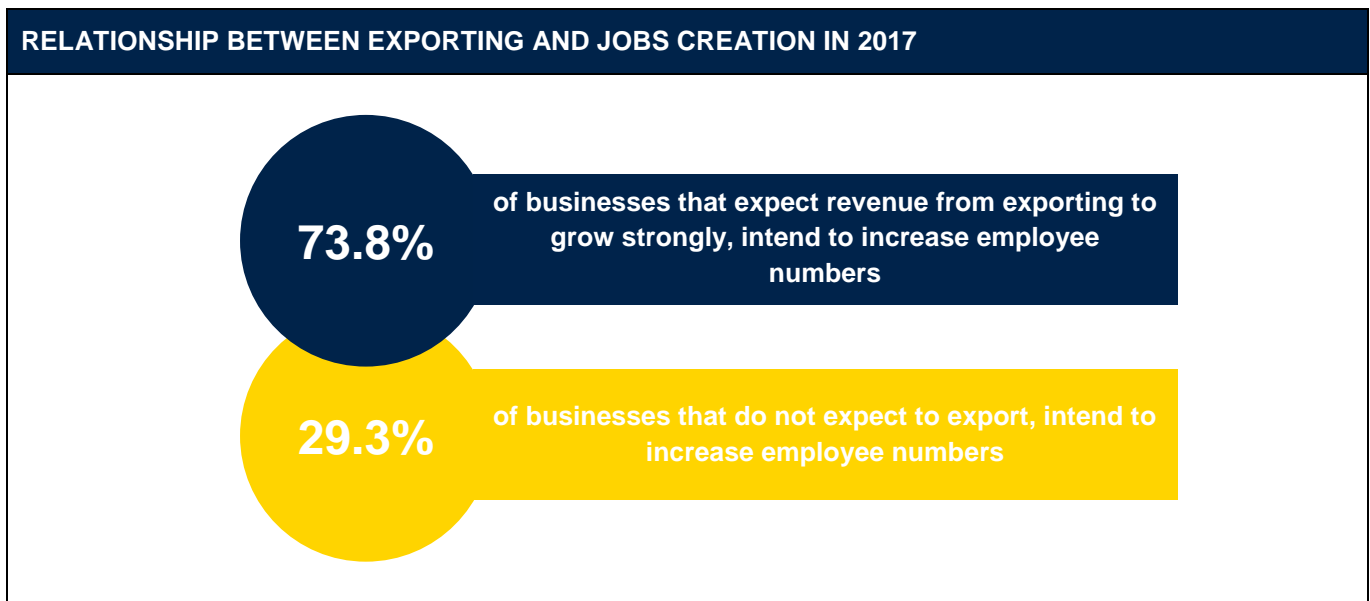
Small businesses that expect to grow revenue from exporting are more likely to be growing and creating jobs and be from Asia.

Small business expecting revenue from overseas sales will grow in the next 12 months – by market⁸



⁸ All data for China excludes Hong Kong, which is shown separately.

The relationship between exporting, and jobs creation and business growth



The survey results demonstrate that small businesses that are focusing on exporting are more likely to be growing and creating jobs. They are also less exposed to risks associated with concentrating on one market and they are being introduced to new ideas from outside their home market.

Australian and New Zealand small businesses rely significantly more on their domestic market than small businesses from Asia, especially small businesses from Hong Kong and Vietnam. This not only limits the growth potential of those businesses but increases their risks should their domestic market fall on difficult times.

Exporting also has other benefits, including exposing businesses to increased competitive pressures and new ideas from different markets. This lack of exposure to other markets may be contributing to a lack of innovation by Australian and New Zealand small businesses.

With the survey results showing that small businesses that are forecasting their revenue from exporting to grow are more likely to be growing and creating jobs, it is easy to see why governments across the region are taking action to support and encourage trade with initiatives such as the ASEAN Economic Community, the One Belt One Road initiative and the China-Australia Free Trade Agreement.

Small businesses are also more likely to expect strong growth in their earnings from overseas in the next 12 months if:

- they definitely expect to introduce a totally new product, process or service to their market or the world in the next 12 months
- they earn more than 10 per cent of their revenue from online sales
- they expect to grow their e-commerce presence to a large extent in 2017
- the business expects to increase their focus on training in 2017
- the business is from the manufacturing sector
- the businesses has between 10 and 19 employees
- the respondent is aged under 40
- the business has been established for less than 21 years.

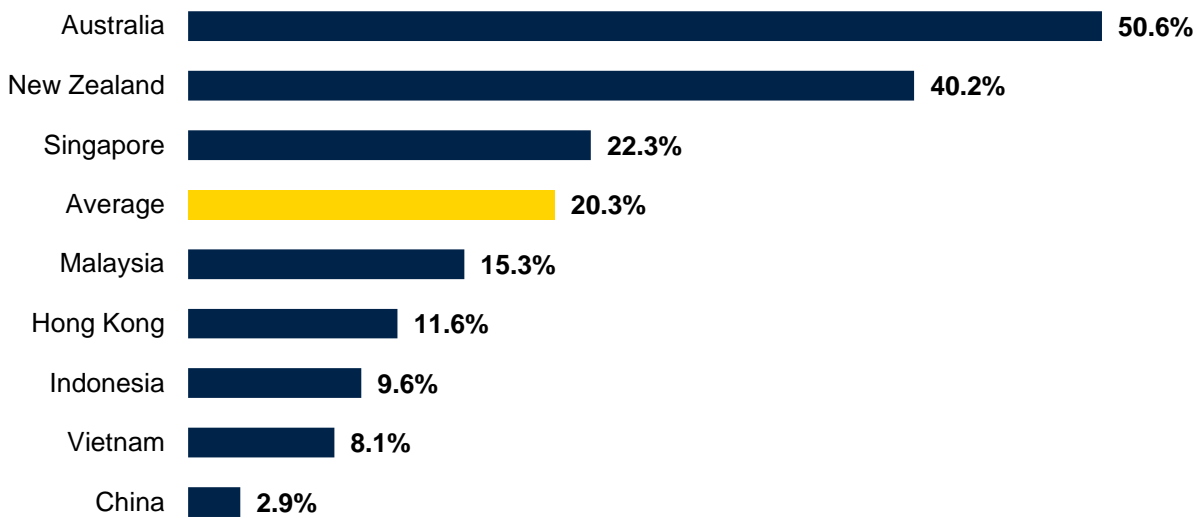
KEY FINDING

With the results showing small businesses that expect revenue from exports to grow in the next 12 months are significantly more likely to expect their business to grow and increase employee numbers, it is important for businesses to consider exporting as part of their business strategy. Governments should consider policies that assist to build the capacity of businesses to better understand and access export markets.

SMALL BUSINESS AND TECHNOLOGY

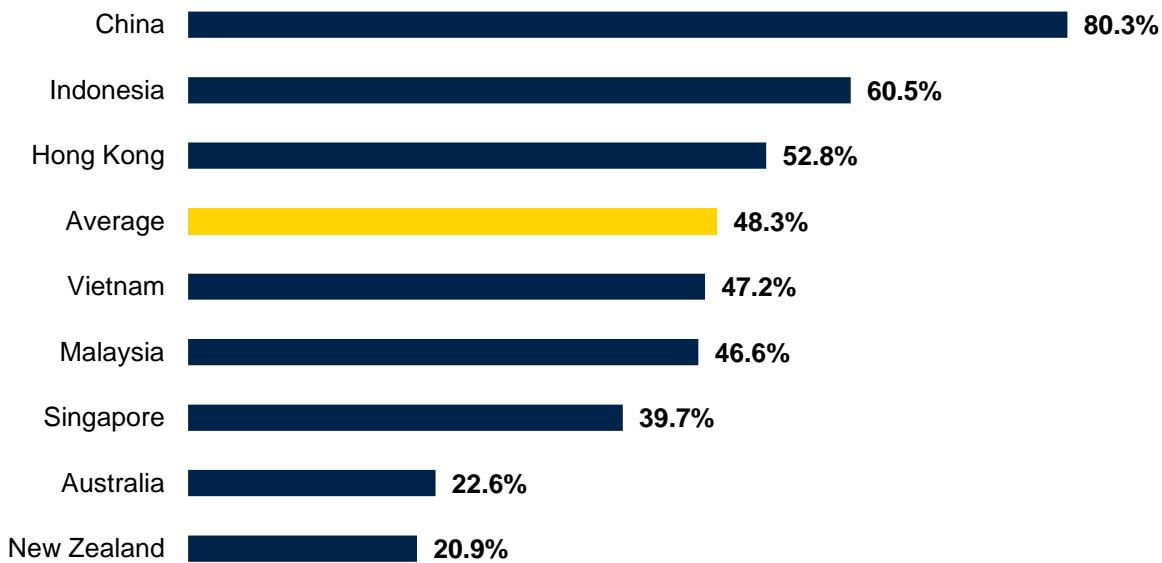
Small businesses that use social media for business purposes and earn revenue from online sales are more likely to have grown and be from Asia.

Small businesses that DID NOT use social media in their business – by market⁹

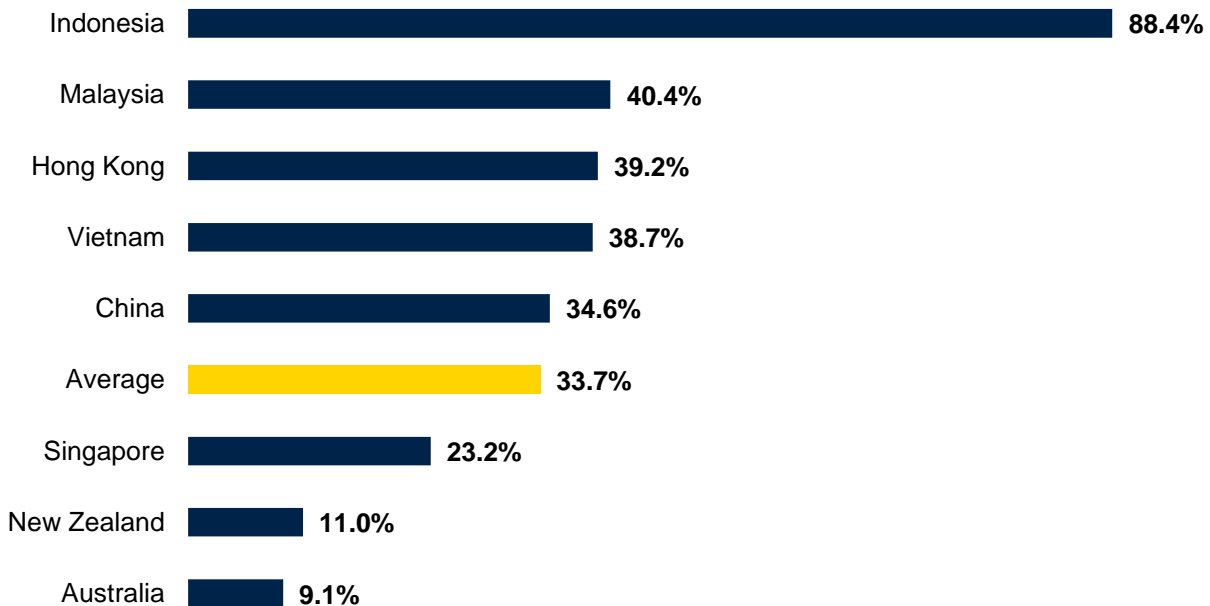


⁹ All data for China excludes Hong Kong, which is shown separately.

Small businesses that earned 11 per cent or more of their revenue from online sales – by market¹⁰



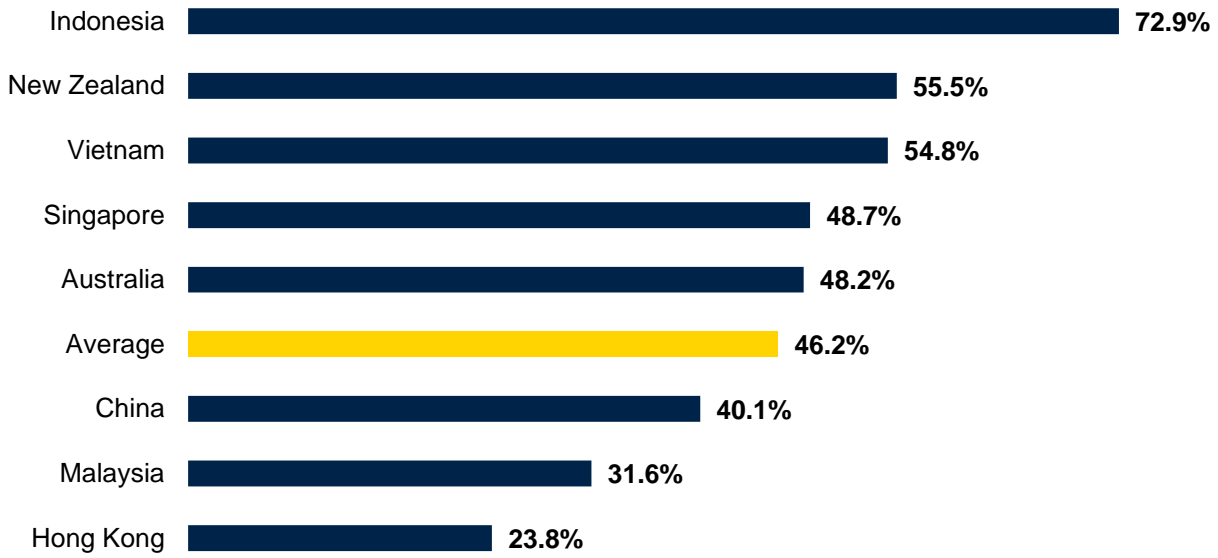
Small businesses that intend to grow their e-commerce presence to a large extent in next 12 months – by market¹¹



¹⁰ *ibid*

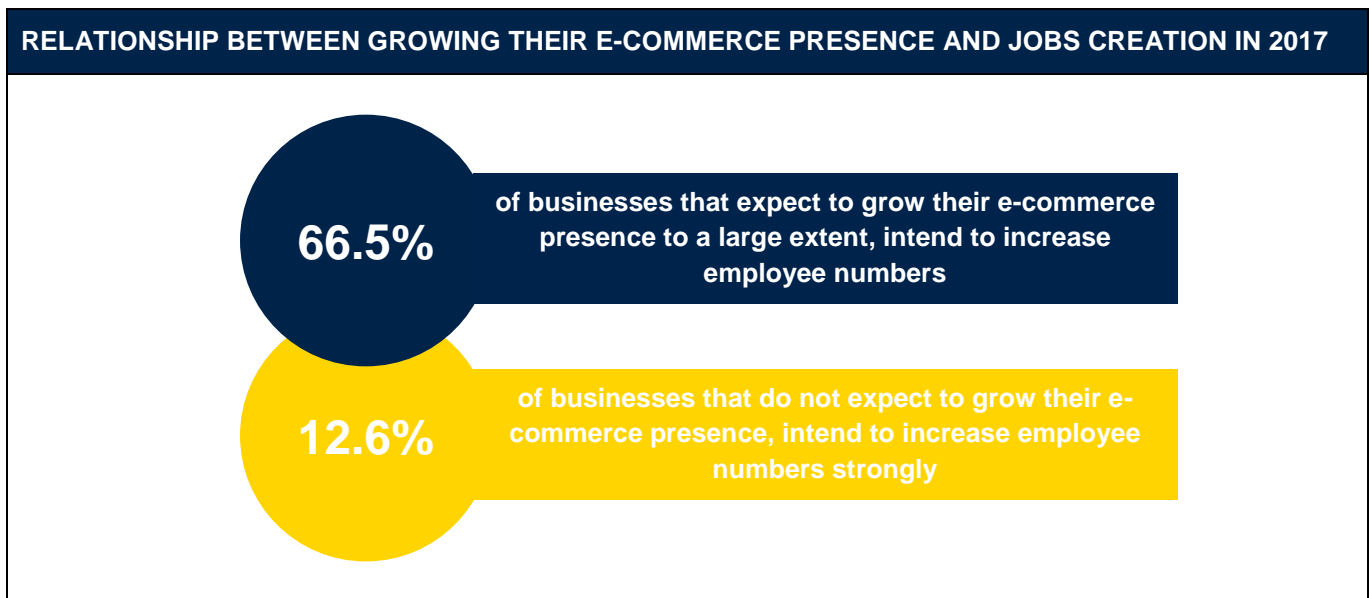
¹¹ All data for China excludes Hong Kong, which is shown separately.

Small businesses that perceive their internet connection is fast enough for their needs – by market



Small businesses with an e-commerce presence are more likely to be growing and creating jobs and to be from Asia.

The relationship between e-commerce and business growth and jobs creation



The survey results demonstrate that small businesses that have a focus on investing in and using technology are more likely to be growing and creating jobs. Like those small businesses with a focus on innovation, small businesses with a focus on technology are also developing a competitive edge over those who do not, which should serve them well as more commerce moves into the digital environment.

BE HEARD.
BE RECOGNISED.

Online sales

Small businesses from Australia and New Zealand remain well behind their peers and competitors from Asia, especially small businesses from China and Indonesia on generating revenue from online sales. This digital divide is likely continue in 2017, with small businesses from Asia, especially Indonesia being significantly more likely to expect to grow their e-commerce presence in the next 12 months than businesses from Australia and New Zealand.

A very large percentage of businesses that do not generate any revenue from online sales (80 per cent) do not intend to invest in establishing an e-commerce presence in the next 12 months. While online sales are not relevant for all businesses, when you combine the results that show a strong connection between e-commerce and growth, and growing digital penetration and literacy of customers, it would be wise for all businesses to investigate establishing and growing their e-commerce presence.

Small businesses are also more likely to earn income from online sales if:

- they expect their local economy to grow in 2017
- they definitely expect to introduce a totally new product, process or service to their market or the world in 2017
- they expect to earn revenue from overseas sales
- they have between 5 and 19 staff
- the business has been established for less than 21 years
- the respondent is aged under 40
- the business is from the information, media and telecommunications sector and the manufacturing sector.

KEY FINDING

With the results showing businesses making online sales are significantly more likely to be growing and creating jobs, it is important for all businesses to at least consider making a larger investment in e-commerce. Governments and advisers from across the region, especially in Australia and New Zealand, should continue to encourage and support businesses to develop and enhance their e-commerce presence.

Using social media for business purposes

The survey results demonstrate that small businesses that use social media are significantly more likely to be growing. This outcome, plus customers being increasingly likely to seek to communicate and transact with businesses via social media and use social media to express their views on a business, clearly shows that a lack of a social media presence is a potential risk. It impacts a business's ability to attract, retain and transact with customers, and it may impact their brand and their ability to grow their business.

Reflecting this, businesses that did not use social media for business purposes were significantly less likely than businesses that use social media to nominate increased customer satisfaction as a major positive influence on their business in 2016. Further, businesses that did not use social media were also significantly less likely to nominate 'improved business strategy' and 'improved business management' as a major positive influence on their business.

Small businesses from Australia and New Zealand remain well behind their competitors from Asia when it comes to using social media in their business. While slightly more New Zealand small businesses used social media this year compared with last, the opposite was the case for Australia, with the percentage of Australian small businesses NOT using social media result increasing from 46.5 per cent in 2015 to 50.2 per cent in 2016.

Those that use social media use it for a variety of purposes including communicating with existing customers, promoting their business to potential customers, and selling their products or services.

Further, small businesses are less likely to be using social media for business purposes where:

- the respondent is aged 50 or over
- the business has been established for over 20 years
- the business has four or fewer staff
- the business is from the agriculture sector.

It should be noted that this survey is delivered online in all markets. This may lead to the results showing a higher number of respondents stating that they use social media for business purposes than what may actually be the case. Regardless of this, the results show that Australian and New Zealand small businesses are significantly less likely to use social media.

KEY FINDING

With the results showing small businesses that are using social media are significantly more likely to be growing, it is important for business to consider creating or enhancing their social media presence. Governments and advisers from across the region, especially in Australia and New Zealand, should continue to encourage and support businesses to use social media.

Perception on the speed of internet connection

Small businesses from Hong Kong are the least likely to state that the speed of their internet connection is fast enough for their business needs. This is surprising given that according to the latest *Akamai [State of the Internet]* report from the third quarter of 2016¹², Hong Kong has the second fastest average connection speed globally (20.1 mbps), only behind South Korea (which has an average connection speed on 26.3 mbps).

This may be due to the heavy use Hong Kong small businesses make of the internet through online sales and social media. With e-commerce being an important part of doing business in Mainland China and the increasing connection the Hong Kong economy has with the Mainland, it is positive to see a large number of Hong Kong small businesses looking to grow their e-commerce presence to a large extent – and therefore as a consequence having high expectations for the speed of their internet connection.

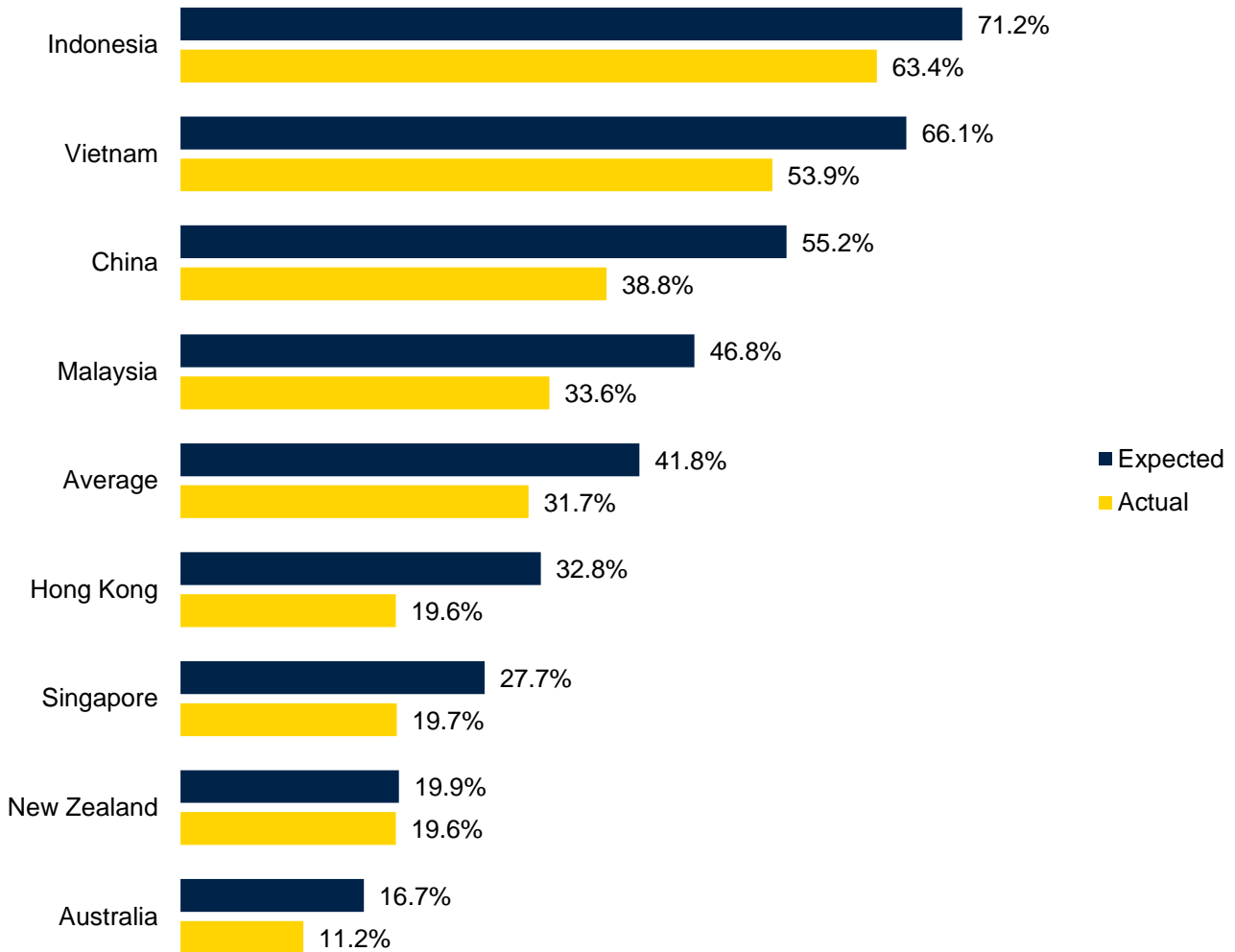
In Australia and New Zealand, it is possible that the reasonable level of satisfaction small businesses have with the speed of their internet connection may reflect how they small businesses use (or more accurately don't use) the internet. That is, if Australian small businesses were to significantly expand their use of e-commerce and social media we may see less satisfaction with the speed of their connection.

¹² <https://www.akamai.com/us/en/multimedia/documents/state-of-the-internet/q3-2016-state-of-the-internet-connectivity-report.pdf> see page 12

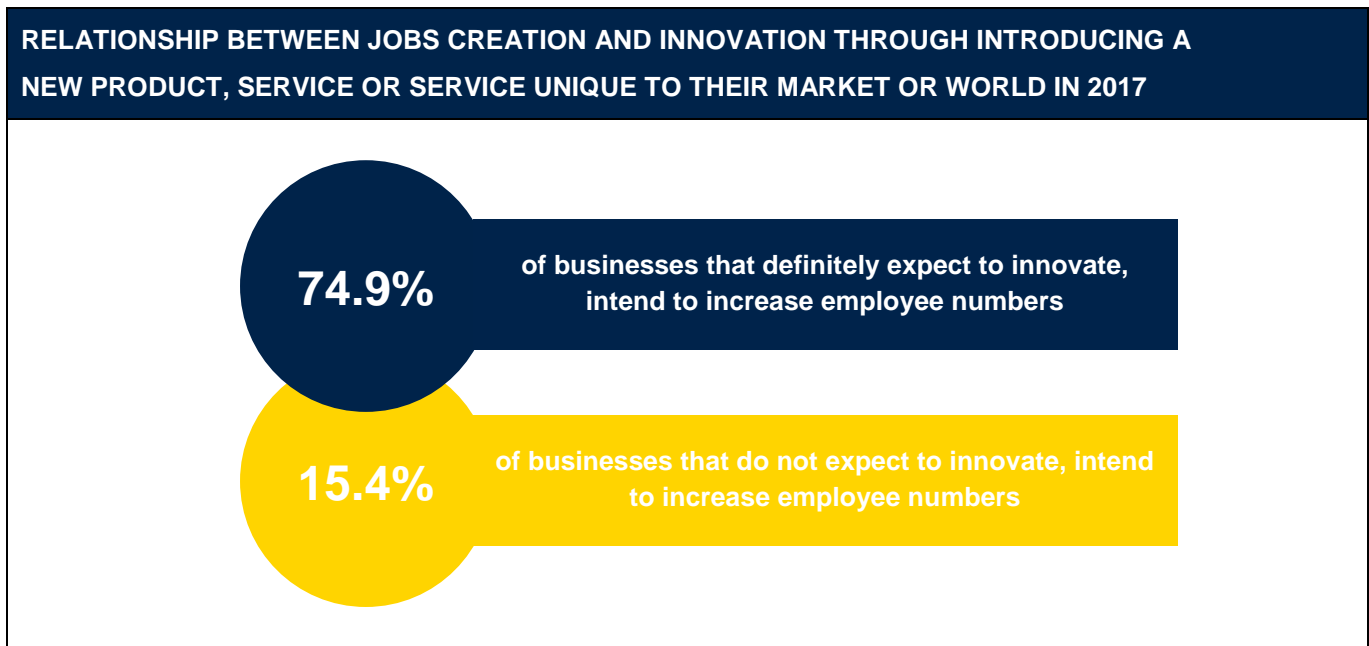
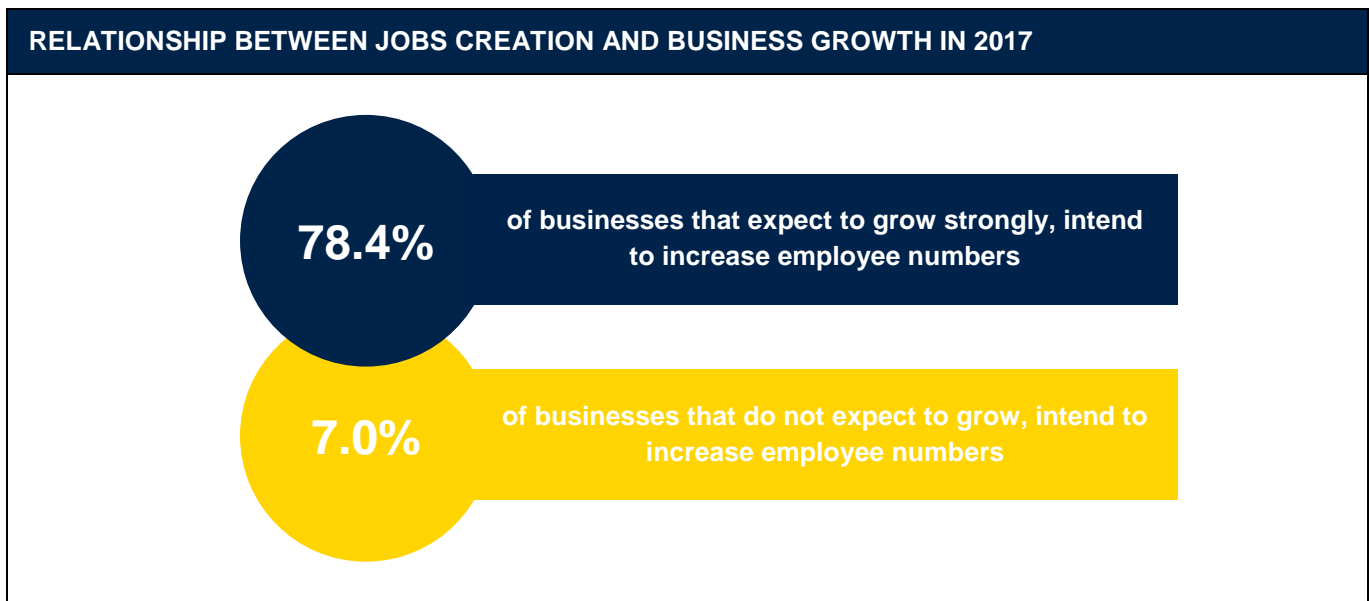
JOBS AND SMALL BUSINESSES

Small businesses from Asia and small businesses that are innovating, using e-commerce and exporting are significantly more likely to be creating new jobs.

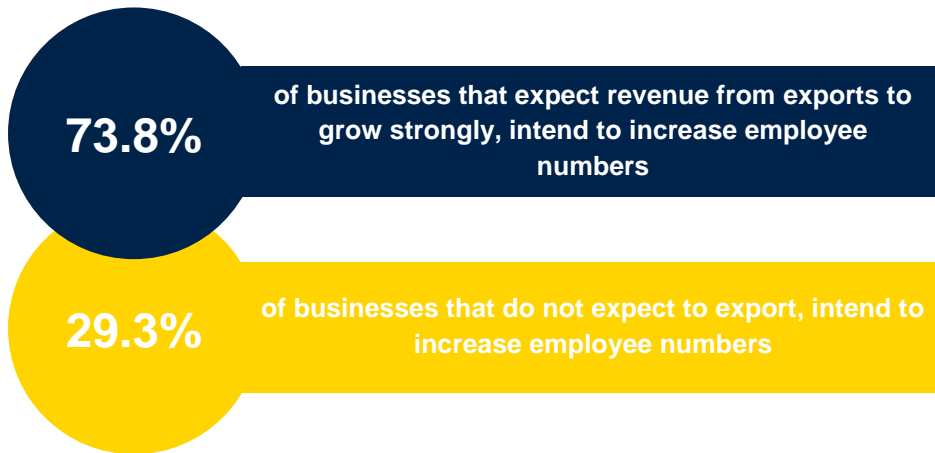
Actual increase in employee numbers in 2016 in comparison to expected increase in employee numbers – by market



Relationship between jobs creation and business growth, innovation, exporting and e-commerce



RELATIONSHIP BETWEEN JOBS CREATION AND EXPORTING



RELATIONSHIP BETWEEN JOBS CREATION AND E-COMMERCE



Not surprisingly, growing small businesses were significantly more likely to have increased employee numbers in the past 12 months, and businesses that reported shrinking are most likely to have not changed or to have decreased staff numbers.

As in previous years, small business in Asia, particularly businesses from Indonesia, Vietnam and China, are significantly more likely to have increased employee numbers in the preceding 12 months than Australian and New Zealand small businesses. This trend is expected to continue in the next 12 months in Australia – on the other hand, expectations for job creation by small business in New Zealand in 2017 are up.

Despite weakening business and economic confidence in Singapore and weakening economic confidence in Hong Kong, the number of businesses in both markets that expect to add to their headcount in 2017 is up from the number that added staff in 2016. This may reflect that some businesses in those markets expect conditions to improve in the second half of the year.

In addition to the above results, businesses that expect to increase employee numbers are also significantly more likely to:

- expect their local economy to grow in 2017
- expect to increase their focus on training in 2017
- use social media for business purposes
- earned more than 10 per cent of their revenue from online sales
- found 'improved customer satisfaction', 'improved business strategy', 'improved business management' and 'customer loyalty' had major positive impacts on their business in 2016
- expect to definitely require external funds in 2017
- be from the manufacturing or the accommodation and food services sectors
- have 5 to 19 staff

Further, the respondent is more likely to be aged under 40.

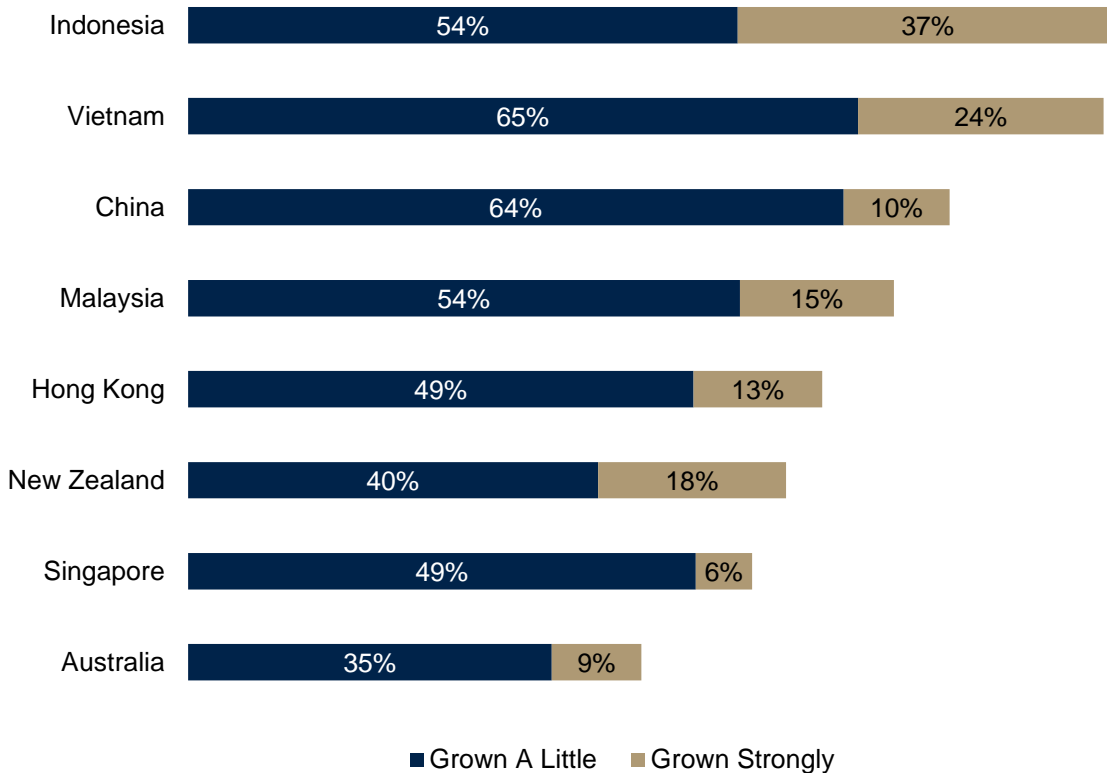
KEY FINDING

Businesses with a stronger focus on innovation, e-commerce and exporting are significantly more likely to be expecting to add employees.

BUSINESS AND ECONOMIC CONDITIONS

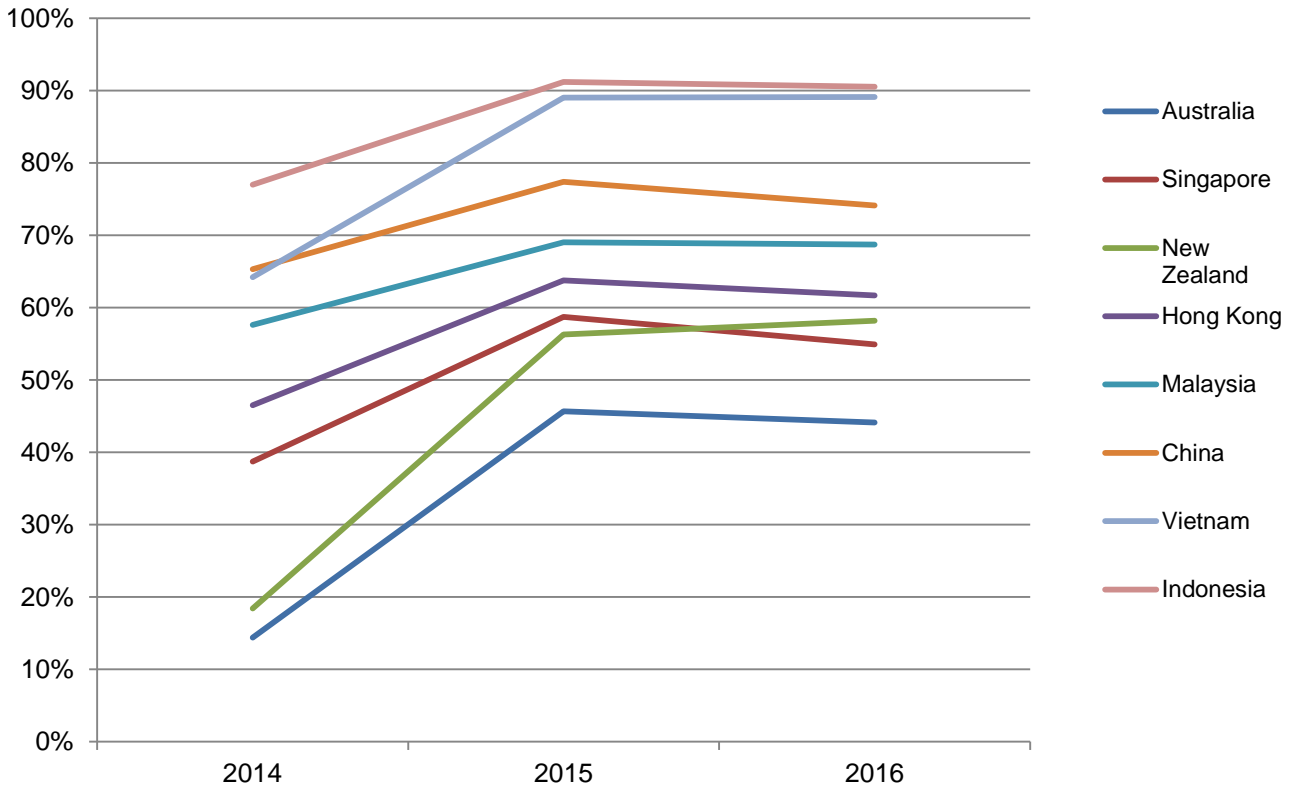
Small businesses in Indonesia, Vietnam and China remain the most likely to report their business grew, expect their business to keep growing and expect their local economy to grow.

Small businesses that grew over the past 12 months – by market¹³

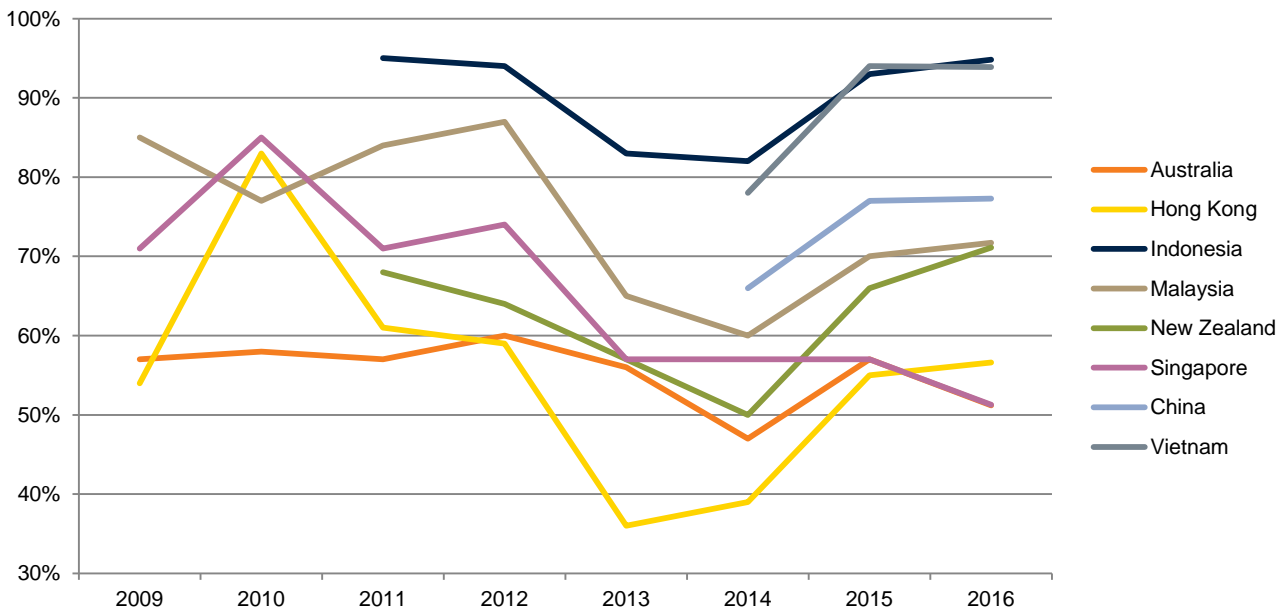


¹³ All data for China excludes Hong Kong, which is shown separately.

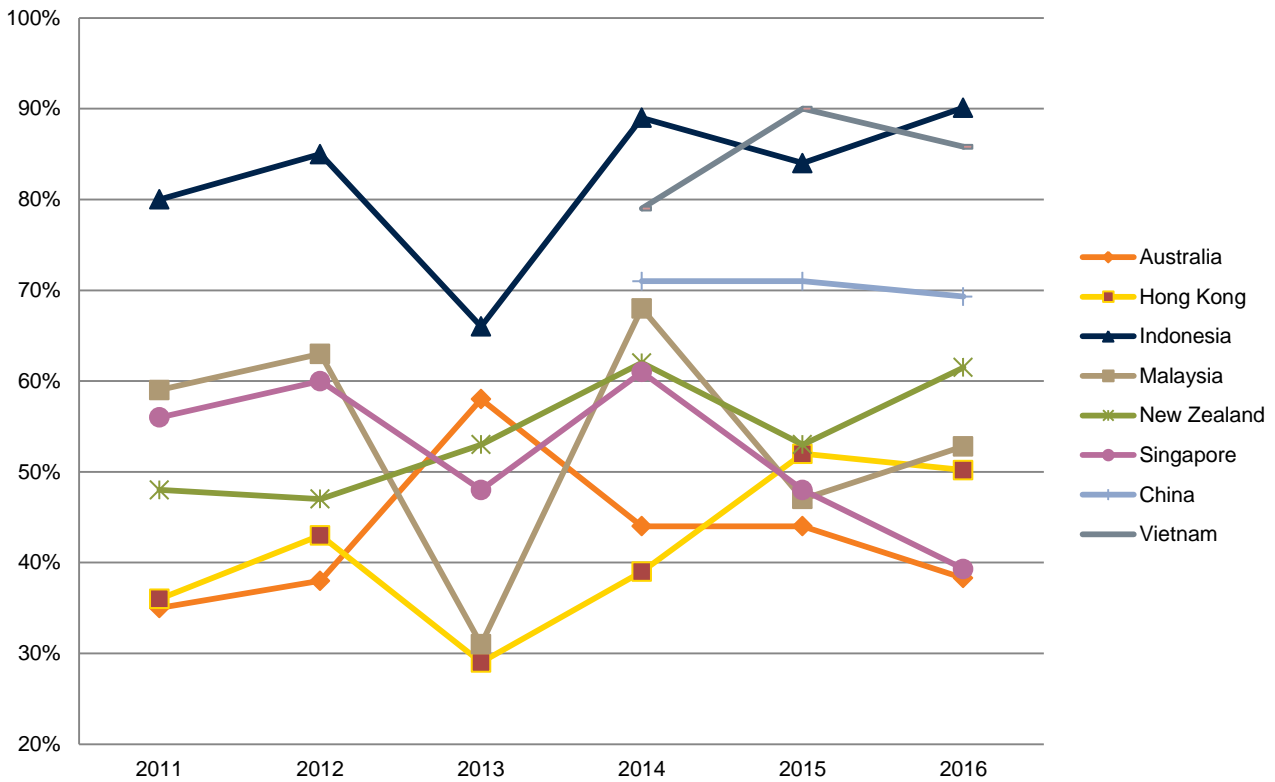
Comparison of the percentage of respondents that reported their business grew over the past 12 months – over time and by market



Small businesses that expect their business to grow in the coming 12 months – 2009 to 2016 – by market

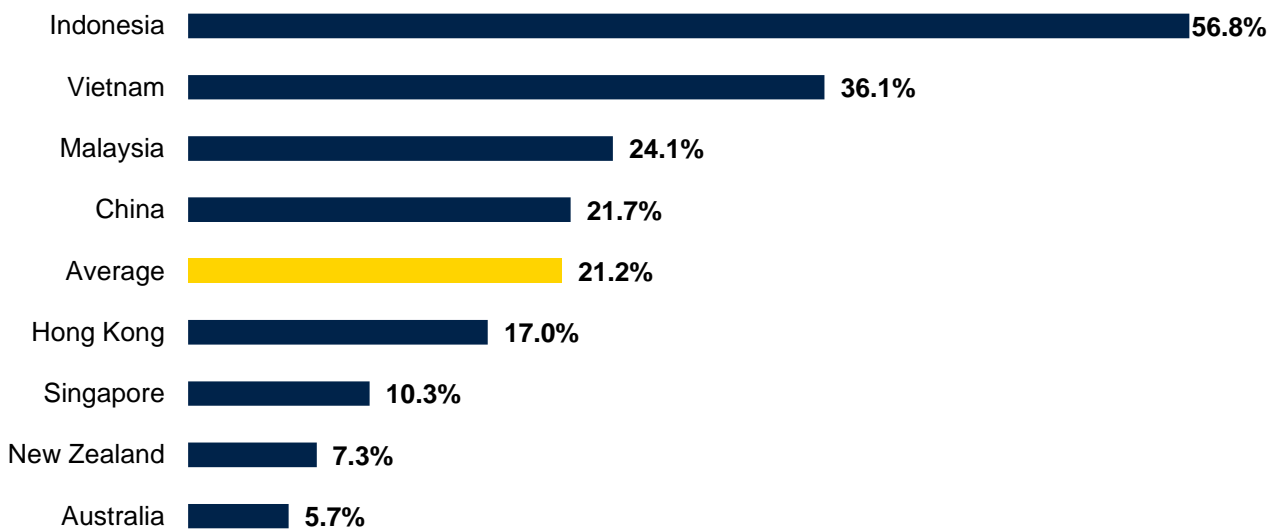


Small businesses that expect their local economy to grow over the next 12 months – 2011 to 2016 – by market

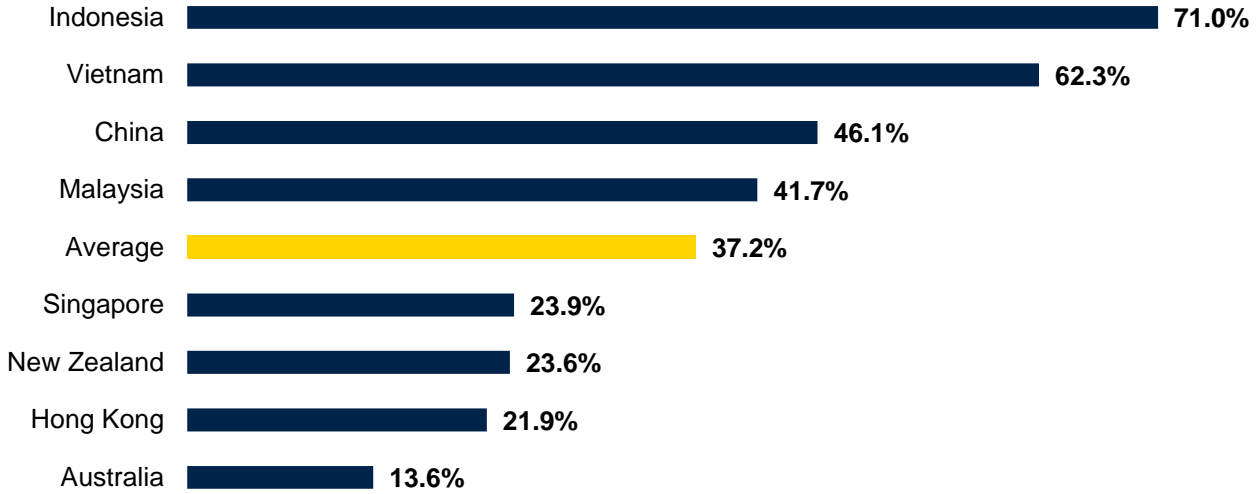


Other indicators of business confidence - by market

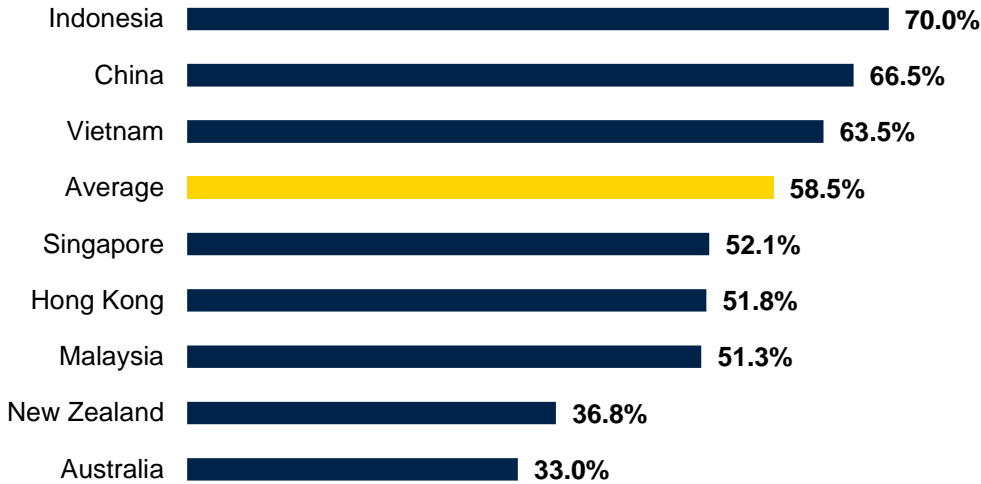
Expect investment in assets to grow strongly in next 12 months



Expect to increase focus on training in the next 12 months



Sourced external finance to fund business growth in the past 12 months



The survey results again demonstrate that small businesses that expect to innovate, grow their e-commerce presence to a large extent, strongly grow revenue from exports and are from Asia are significantly more likely to expect their business to grow in the next 12 months.

Given that growth in many developed economies such as in Europe and Japan remains weak, the pace of US economic growth is modest to moderate and China’s economy, although still growing quickly, is slowing, it is not surprising that economic growth expectations by small businesses in a number of markets has declined from last year.

It therefore reflects the resilience of the sector that the number of businesses that reported growing in 2016 was very close to the number that reported growing in 2015 and that most markets recorded a jump in the number of small businesses that expect to grow in the coming 12 months (with the exception of Australia and Singapore).

The increase in the business and economic confidence amongst New Zealand small businesses is worthy of singling out. This result reflects the 'rock star' status of New Zealand's economy and the results suggest that New Zealand's small business sector should create many new jobs in 2017. There is scope for improvement however – New Zealand's small businesses could take advantage of the current favourable conditions to increase their investment in the longer term such as having a greater focus on innovation and e-commerce.

Indonesia and Vietnam are also worthy of special mention. The very high levels of economic and business confidence in those markets are very impressive. Equally impressive is their focus on the long-term – with businesses in those markets being the most likely to focus on innovation, technology and exporting. This growth and investment into their future success should see a number of current small businesses in those markets evolve to become large, global businesses in a next few years.

Australian small businesses were again the least likely to experience growth in the past 12 months, and the number that experienced growth was a very long way behind the leading markets. This sentiment is expected to continue into 2017 – and reflects weaker than normal economic data. Small businesses in Singapore also have a relatively weak outlook for 2017 - however they have stronger expectations for employment growth in 2017, indicating that they may expect a pick-up in conditions in the second half of 2017.

Small businesses are also more likely to expect to grow in 2017 if:

- they reported growing in 2016
- they expect their local economy to grow in 2017
- they definitely expect to introduce a totally new product, process or service to their market or the world
- they expect to grow their e-commerce presence to a large extent
- they expect their revenue from overseas sales to grow in 2017
- they expect to increase their focus on training
- definitely expect to access external finance in 2017
- expect to increase employee numbers
- they are from the manufacturing sector
- they have between 5 and 19 employees
- the respondent is aged under 50

Small businesses are more likely to expect their local economy to grow in 2017 if:

- they are from the manufacturing sector
- the respondent is aged under 40
- the respondent is not the owner of the business
- they have between 5 and 19 employees

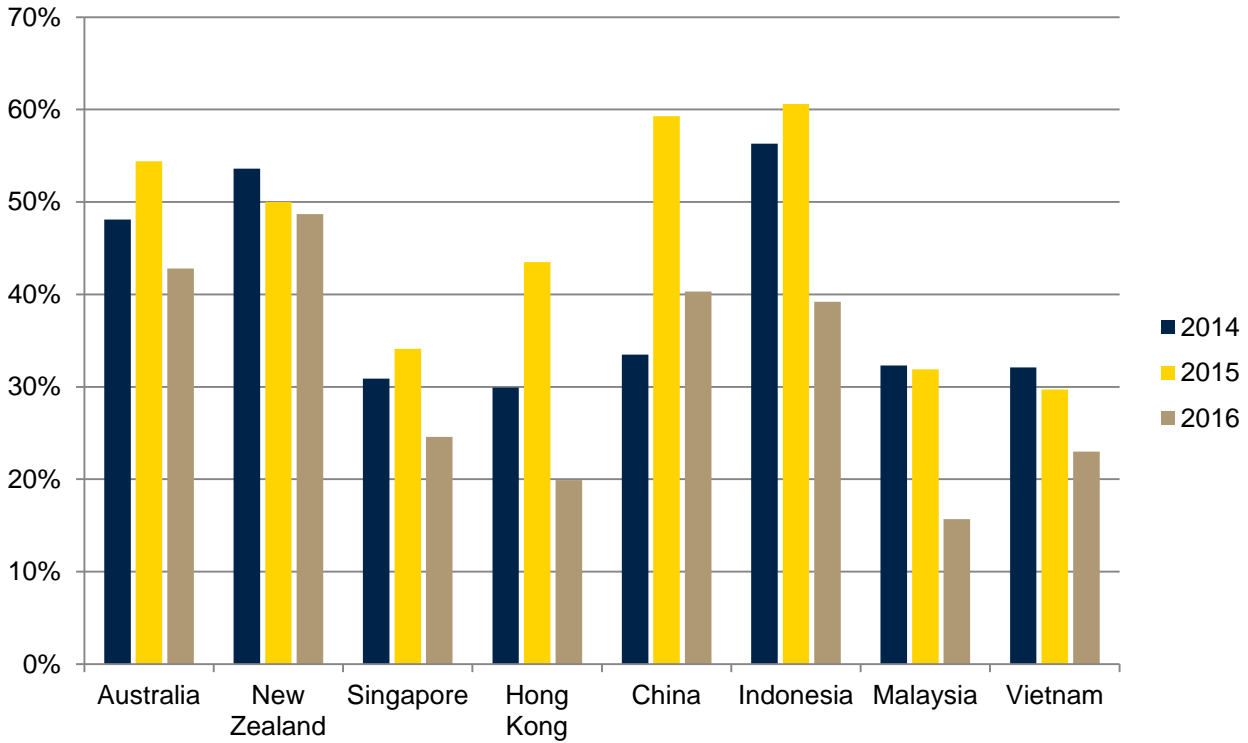
KEY FINDINGS

- Small businesses from developing economies of Indonesia, Vietnam, China and Malaysia are significantly more likely to be experiencing growth and expect that growth to continue than small businesses from the developed economies of Australia, Hong Kong, New Zealand and Singapore, however, the data shows New Zealand strong economy is having a positive impact on small business confidence with almost as many New Zealand small businesses expecting to grow in 2017 as Malaysian small business.
- Regardless of market, small businesses with a stronger focus on innovation, e-commerce and exporting are more likely to grow than those that do not.

ACCESSING FINANCE

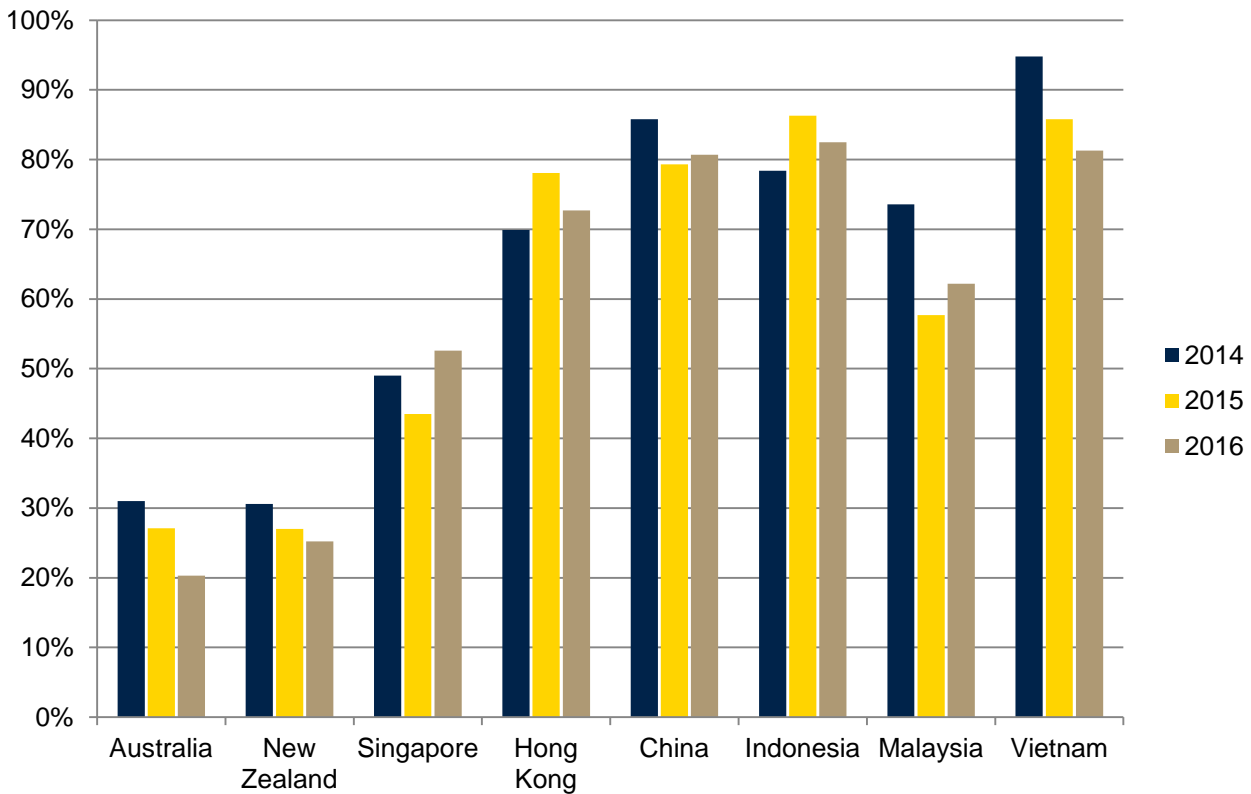
Accessing finance became more difficult in all markets in the past 12 months, especially in Hong Kong, Indonesia and Mainland China.

Access to finance – the percentage that experienced easy to very easy financing conditions in the past 12 months – by market¹⁴



¹⁴ All data for China excludes Hong Kong, which is shown separately.

Access to finance – the percentage that sort external finance in the past 12 months – by market



Small businesses across the region found it less easy to access external finance in 2016 than 2015, especially in Hong Kong, Mainland China and Indonesia. Respondents in each of the markets expect these less easy financing conditions to continue into 2017.

Despite this change in financing conditions, small businesses in Australia, Mainland China, Indonesia and New Zealand remain more likely to have experienced easy access to finance than difficult access to finance.

The relatively easy financing conditions in Australia and New Zealand have not however translated to an increase in the number of small businesses from those markets seeking external finance. Businesses from these markets remain significantly less likely to have sought external finance in 2016 than small businesses in the other markets surveyed. On the other hand, the number of Hong Kong businesses that sought external finance remains high relative to markets with similar levels of business confidence.

Reflecting very strong business growth expectations, nearly all small businesses in Indonesia, Vietnam and Mainland China expect to seek external finance in the next 12 months, with business growth being the predominant driver of such demand. This is in spite of those same businesses expecting access to finance to be less easy in the coming 12 months.

As in previous surveys, it is the need for external finance rather than ease of access to that finance that is driving demand (or lack of demand) for external finance. For those that sought external finance, business growth remained the predominant reason driving that demand followed by using that finance to purchase capital assets. As in previous years, business survival is also an important reason for sourcing external finance, with just over a third of respondents seeking finance for that reason. Businesses seeking finance for business survival should be looking for improvements in cash flow and internally-generated finance before going external.

Banks are by far the main source of external finance in every market, although less so in Mainland China and Hong Kong. Businesses in Mainland China were the most likely to state that a venture capital fund/angel financing was the main source of external finance while Hong Kong businesses were the most likely to choose an investor or non-bank financial institution. Singaporean businesses were the most likely to state that a government grant was their main source of finance while crowd-sourced funding remains relatively unpopular as the main source of financing for businesses across the region.

The Indonesian paradox of borrowing for both growth and survival continues in this survey. In contrast, fellow high growth nation Vietnam is also highly likely to have borrowed for growth over the past 12 months but very unlikely to have borrowed for survival.

Hong Kong small businesses were again the most likely to borrow to cover increasing expenses and to service their business loans. For many Hong Kong businesses, an ongoing focus on cost control and cash flow, and a more sceptical approach to taking on new debt would be better than taking on more debt to cover expenses, including borrowing expenses.

Other relevant data on access to finance includes:

- Businesses that reported growing were significantly more likely to have required external finance in the past 12 months than those that did not grow
- Businesses from the manufacturing and the accommodation and food services sectors were the most likely to have required external finance in the past 12 months, while businesses from the professional, scientific and technical services sector were the least likely
- Businesses where the respondent is aged under 50 were significantly more likely to have required external finance in the past 12 months than older respondents
- Businesses where the owner responded were significantly less likely to have required external finance in the past 12 months
- Businesses that have been established for 21 years or more were significantly less likely to have required external finance in the past 12 months than younger businesses

KEY FINDING

Accessing finance became less easy in all markets over the past 12 months, especially in Hong Kong, Indonesia and Mainland China however it had little impact on the demand for external finance.

APPENDICIES

AVERAGE SURVEY RESULTS FROM 2013 TO 2016

Business and economic growth

	2016 survey average	2015 survey average	2014 survey average	2013 survey average
Businesses grew in the last 12 months	66.7%	68.2%	47.4%	N/A
Businesses that expect to grow in the next 12 months	70.2%	70.7%	59.7%	59.0%
Businesses that expect the local economy to grow in the next 12 months	60.2%	61.1%	63.8%	48.8%

Business activity over past 12 months

	2016 survey average	2015 survey average	2014 survey average	2013 survey average
Increased employee numbers	31.7%	33.1%	29.4%	25.3%
Required funds from an external source	59.3%	59.9%	64.3%	53.2%
Sought external funds for business growth	58.5%	56.3%	60.1%	43.3%
Found it easy or very easy to access external finance	31.5%	47.6%	37.7%	34.6%

Planned business activity over the next 12 months

	2016 survey average	2015 survey average	2014 survey average	2013 survey average
Expect to increase employee numbers	40.5%	41.8%	40.5%	34.8%
Definitely will seek external funds	26.5%	29.2%	28.4%	15.6%
Expected easy to very easy access to finance	29.0%	43.3%	35.6%	26.6%
Definitely expect to introduce a new product, service or process unique to their market or the world	21.2%	22.0%	N/A	N/A
Expect revenue from overseas markets to grow strongly	15.9%	19.1%	N/A	N/A
Expect to grow their e-commerce presence to a large extent	33.7%	32.2%	N/A	N/A
Expect to grow their investment in assets strongly	21.2%	23.1%	N/A	N/A
Expect to increase focus on training	37.2%	N/A	N/A	N/A

Social media, e-commerce and technology

	2016 survey average	2015 survey average	2014 survey average	2013 survey average
Earned revenue from online sales	69.4%	68.9%	70.5%	N/A
Did NOT use social media for business purposes	20.3%	17.1%	19.0%	N/A
Business internet connection is fast enough for their needs	46.2%	N/A	N/A	N/A

Demographics

	2016 survey average	2015 survey average	2014 survey average	2013 survey average
Business is 10 years old or younger	64.3%	65.6%	66.1%	63.8%
Respondent is aged 39 or younger	50.5%	53.1%	51.2%	42.7%

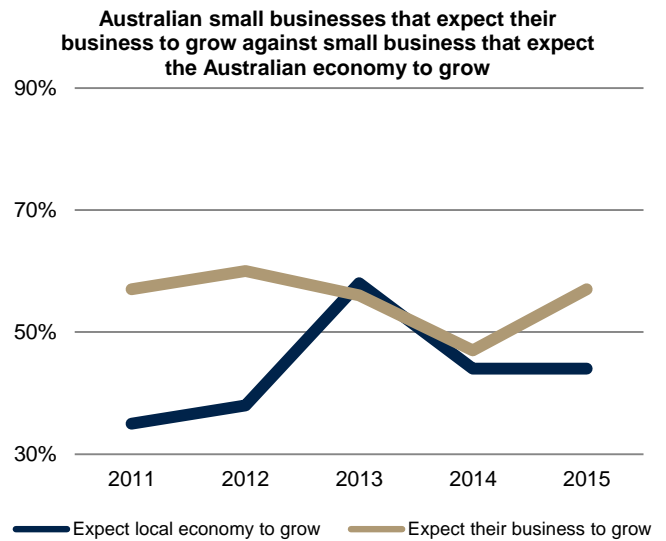
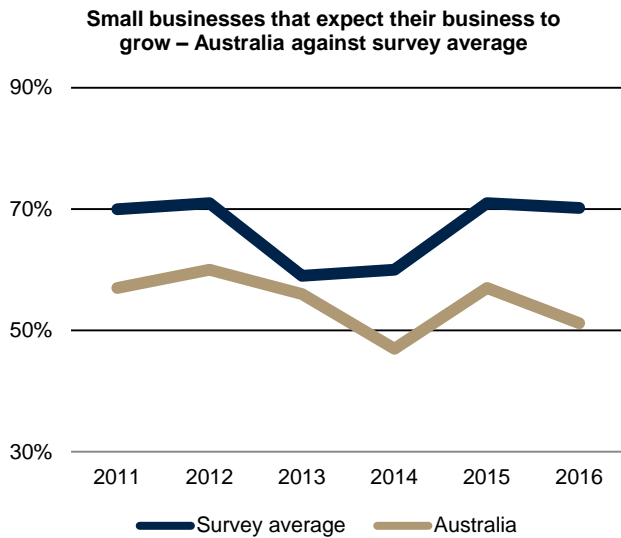
MARKET SUMMARIES

AUSTRALIA



Data snapshot

Business and economic growth



	2016	2016 survey average	Rank 2016	2015	Rank 2015	2014	Rank 2014
Businesses that grew in last 12 months	44.1%	66.7%	8/8	45.7%	8/8	14.4%	8/8
Businesses that expect to grow in next 12 months	51.2%	70.2%	8/8	57.3%	6/8	47.0%	7/8
Businesses that expect the local economy to grow in next 12 months	38.3%	60.2%	8/8	43.5%	8/8	43.6%	7/8

Business activity over past 12 months

	2016	2016 survey average	Rank 2016	2015	Rank 2015	2014	Rank 2014
Increased employee numbers	11.2%	31.7%	8/8	11.8%	8/8	9.0%	8/8
Improved business management had a major positive impact on their business	9.4%	22.8%	8/8	10.4%	8/8	N/A	N/A
Increasing costs had a major negative impact on their business	28.1%	36.1%	7/8	32.4%	7/8	N/A	N/A
Required funds from an external source	20.3%	59.3%	8/8	27.1%	7/8	31.0%	7/8
Sought external funds for business growth	33.0%	58.5%	8/8	31.9%	7/8	41.1%	7/8
Found it easy or very easy to access external finance	42.8%	31.5%	2/8	54.4%	3/8	48.1%	3/8

Planned business activity over the next 12 months

	2016	2016 survey average	Rank 2016	2015	Rank 2015	2014	Rank 2014
Expect to increase employee numbers	15.9%	40.5%	8/8	16.7%	8/8	13.7%	8/8
Definitely expect to introduce a new product, service or process unique to their market or the world	4.7%	21.2%	8/8	5.1%	8/8	N/A	N/A
Expect to grow their e-commerce presence to a large extent	9.1%	33.7%	8/8	8.2%	8/8	N/A	N/A
Expect revenue from overseas markets to grow strongly	3.1%	15.9%	8/8	6.1%	8/8	N/A	N/A
Expect to grow their investment in assets strongly	5.7%	21.2%	8/8	7.6%	8/8	N/A	N/A
Expect to increase their focus on training	13.6%	37.2%	8/8	N/A	N/A	N/A	N/A
Definitely will seek external funds	8.5%	26.5%	8/8	9.0%	7/8	10.2%	8/8
Expect easy to very easy access to finance	30.7%	29.0%	3/8	38.4%	5/8	41.6%	3/8

Social media, e-commerce and technology

	2016	2016 survey average	Rank 2016	2015	Rank 2015	2014	Rank 2014
Earned revenue from online sales	37.4%	69.4%	8/8	33.0%	8/8	33.1%	7/8
Used social media for business purposes	46.1%	79.7%	8/8	50.2%	8/8	45.0%	8/8
Business internet connection is fast enough for their needs	48.2%	46.2%	5/8	N/A	N/A	N/A	N/A

BE HEARD.
BE RECOGNISED.

Demographics

	2016	2016 survey average	Rank 2016	2015	Rank 2015	2014	Rank 2014
Business is 10 years old or younger	41.3%	64.3%	8/8	50.0%	8/8	44.9%	8/8
Respondent is aged 39 or younger	11.5%	50.5%	8/8	15.4%	8/8	11.0%	8/8

Summary

For many Australian small businesses, 2016 was not a great year, and there are few signs of improvement in 2017. As in the 2015 survey, Australian small businesses taken as a group underperformed against businesses from the other markets in 2016 and forecasts for 2017 show that things are unlikely to improve.

Small business confidence in the growth prospects for the Australian economy in 2017 is down somewhat from the last survey, with only 38 per cent of small businesses expecting the Australian economy to grow in 2017 – the lowest reading since 2012. Australian small businesses are also the least confident in the growth prospects for their economy.

Further, Australian small businesses are the least optimistic over their own growth prospects in 2017, with the percentage of Australian small businesses expecting to grow in the next 12 months down slightly from the last survey. Indonesian and Vietnamese small businesses are almost twice as likely as Australian small businesses to be optimistic over their growth prospects in 2017.

The percentage of Australian small businesses that experienced growth in the past 12 months is about the same as the last survey, with 46 per cent stating they grew – the lowest reading of the markets surveyed.

The relatively low number of Australian small businesses that experienced growth in the past 12 months is reflected in the small number that created new jobs in 2016, with only 11 per cent of respondents adding to the number of their employees in 2016, again the lowest reading of the markets surveyed. Australian small businesses are also unlikely to be a major source of jobs growth in 2017 with over 80 per cent expecting not to increase or decrease employee numbers.

Related to the relatively low level of business and economic confidence in Australia is data showing that Australian small businesses are less likely than small businesses from New Zealand and significantly less likely than small businesses from Asia to be undertaking the activities and investments that characterise growing business - innovation, training, e-commerce, using social media and exporting.

Australian small businesses continue to be significantly less likely to use social media for business purposes compared with businesses from Asia, with over 50 per cent of Australian small businesses stating that they do not use social media for business purposes - and it is not as if respondents do not have access to the internet with only 1.6 per cent of Australian respondents indicating that their business did not have an internet connection and nearly half of the Australian respondents indicating that the speed of their internet connection is fast enough for their needs (although if they make greater use of social media and online commerce, they may not be so satisfied with the speed of their connection).

This lack of social media use may be impacting the growth of some Australian small businesses, with the survey results again showing that businesses, including in Australia using social media for business purposes are significantly more likely to be growing than those that are not.

Similarly, large numbers of Australian small businesses continue to not sell online in comparison to their competitors in Asia. This trend is likely to continue into 2017 with only a small percentage of Australian small businesses expecting to grow their e-commerce presence to a large extent

Again, this may be impacting the growth of some Australian small businesses, with the survey results also showing that businesses selling online are significantly more likely to be growing than those that are not.

Australian small businesses are much less likely to expect to be focused on growing their revenue from exporting than their peers from Asia in 2017. This may be contributing to lower growth prospects amongst some Australian small businesses as the survey results also show that business that are expecting to grow their revenue from overseas sales are significantly more likely to be growing than those who are not expecting to grow revenue from exporting.

Small businesses in Australia remain significantly less likely to expect to definitely invest in innovation than small businesses from the Asian markets surveyed. Again, this may be impacting the growth of some Australian small businesses with the survey results showing that businesses that definitely expect to invest in a new product, process or service that is unique to their market or the world in 2017 are significantly more likely to be expecting to grow their business.

While many Australian small business owners may be satisfied with their business as it stands – this lack of focus on innovation, market expansion and technology may be undermining the value of their business. With a significant percentage of Australian small business owners close to or at retirement age, this may have adverse impacts on their standard of living in retirement, particularly where they do not have large superannuation balances and are relying on the proceeds of the sale of their business to provide for them in retirement.

Reflecting the weaker growth potential of Australian small businesses in comparison to the other markets surveyed and their lower level of investment back into their business, it is not surprising that Australian small businesses are the least likely to intend to increase their focus on training in 2017.

Australian small businesses continue to remain significantly less likely to have sourced funds from an external source than small businesses from Asia. This can in part be explained by the low growth expectations, and limited need for finance to fund asset purchases or invest in innovation or market expansion. The evidence from this survey series continues to demonstrate that difficulties in accessing finance is typically NOT a reason why small business are not accessing finance – with Australian businesses typically experiencing easy access to finance.

Where Australian small businesses access external finance, banks continue to be the main source of that finance, with other forms of finance being significantly less popular.

While business growth was the most popular reason for accessing external finance in 2016, the percentage of Australian small businesses that accessed finance for growth remains low in comparison to other markets, reflecting the lower business and economic confidence in Australia.

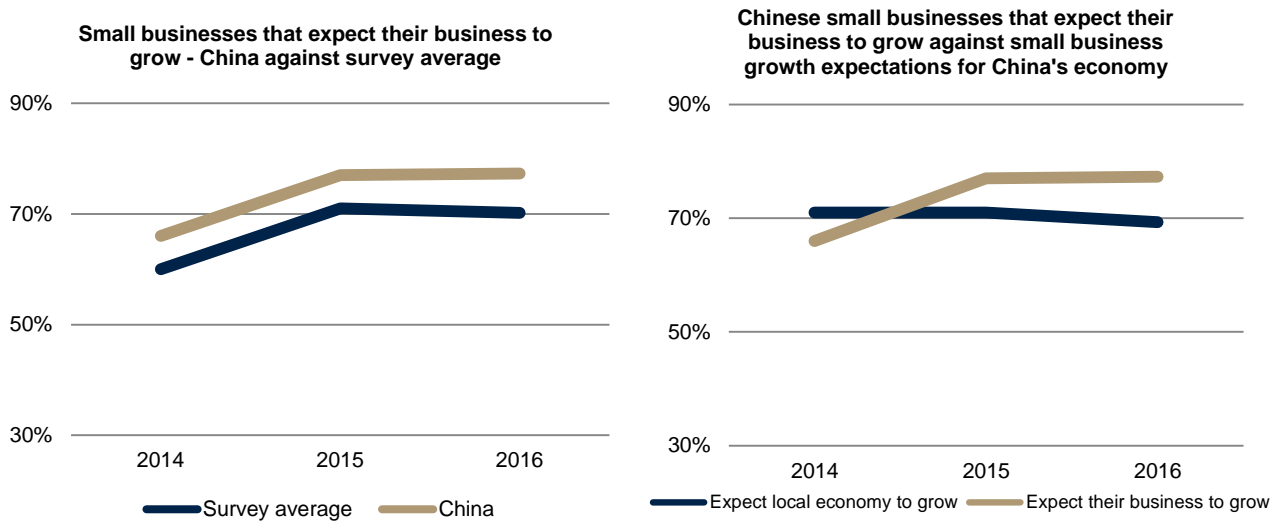
Australian businesses remain significantly more likely to find access to finance was easy or very easy than difficult; however there was a drop in the percentage that thought access to finance was easy in 2016 from 2015.

CHINA¹⁵



Data snapshot

Business and economic growth



	2016	2016 survey average	Rank 2016	2015	Rank 2015	2014	Rank 2014
Businesses that grew in last 12 months	74.1%	66.7%	3/8	77.4%	3/8	65.3%	2/8
Businesses that expect to grow in next 12 months	77.3%	70.2%	3/8	76.8%	3/8	65.7%	3/8
Businesses that expect the local economy to grow in next 12 months	69.3%	60.2%	3/8	71.2%	3/8	71.2%	3/8

¹⁵ All data for China excludes Hong Kong, which is shown separately.

BE HEARD.
BE RECOGNISED.



Business activity over the past 12 months

	2016	2016 survey average	Rank 2016	2015	Rank 2015	2014	Rank 2014
Increased employee numbers	38.8%	31.7%	3/8	43.1%	3/8	38.0%	4/8
Improved business management had a major positive impact on their business	32.2%	22.8%	2/8	33.1%	3/8	N/A	N/A
Increasing costs had a major negative impact on their business	36.2%	36.1%	5/8	38.9%	4/8	N/A	N/A
Required funds from an external source	80.7%	59.3%	3/8	79.3%	3/8	85.8%	2/8
Sought external funds for business growth	66.5%	58.5%	2/8	62.4%	3/8	74.9%	1/8
Found it easy or very easy to access external finance	40.3%	31.5%	3/8	59.3%	2/8	33.4%	4/8
Rent was the most detrimental factor impacting their business	42.8%	33.4%	2/8	40.0%	3/8	57.3%	2/8

Planned business activity over the next 12 months

	2016	2016 survey average	Rank 2016	2015	Rank 2015	2014	Rank 2014
Expect to increase employee numbers	49.4%	40.5%	3/8	55.2%	3/8	53.1%	3/8
Definitely expect to introduce a new product, service or process unique to their market or the world	28.5%	21.2%	3/8	31.6%	2/8	N/A	N/A
Expect to grow their e-commerce presence to a large extent	34.6%	33.7%	5/8	36.4%	3/8	N/A	N/A
Expect revenue from overseas markets to grow strongly	16.6%	15.9%	4/8	15.7%	6/8	N/A	N/A
Expect to grow their investment in assets strongly	21.7%	21.2%	4/8	21.6%	5/8	N/A	N/A
Expect to increase their focus on training	46.1%	37.2%	3/8	N/A	N/A	N/A	N/A
Definitely will seek external funds	37.0%	26.5%	3/8	45.2	3/8	51.6%	1/8
Expect easy to very easy access to finance	42.7%	29.0%	1/8	55.2%	2/8	33.9%	5/8

Social media, e-commerce and technology

	2016	2016 survey average	Rank 2016	2015	Rank 2015	2014	Rank 2014
Earned revenue from online sales	91.5%	69.4%	1/8	90.1%	2/8	90.8%	2/8
Used social media for business purposes	96.0%	79.7%	1/8	97.2%	1/8	96.1%	3/8
Business internet connection is fast enough for their needs	40.1%	46.2%	6/8	N/A	N/A	N/A	N/A

BE HEARD.
BE RECOGNISED.

Demographics

	2016	2016 survey average	Rank 2016	2015	Rank 2015	2014	Rank 2014
Business is 10 years old or younger	68.6%	64.3%	5/8	69.9%	4/8	80.1%	2/8
Respondent is aged 39 or younger	60.0%	50.5%	4/8	59.5%	5/8	67.9%	2/8

Key figures by city (excluding Hong Kong)

	Beijing	Chongqing	Guangzhou	Shanghai	China average
Businesses that grew in the last 12 months	73.4%	70.6%	79.9%	72.4%	74.1%
Businesses that expect to grow in the next 12 months	75.4%	75.2%	81.8%	76.9%	77.3%
Businesses that expect the local economy to grow in the next 12 months	63.9%	72.5%	73.3%	67.3%	69.3%
Increased employee numbers over the past 12 months	44.9%	41.8%	31.2%	37.2%	38.8%
Plan to increase employee numbers over the next 12 months	55.7%	45.8%	44.8%	51.3%	49.4%
Required external funds over the past 12 months	72.2%	91.5%	77.9%	81.4%	80.7%
Banks were the main source of external funds	34.2%	26.4%	40.0%	30.7%	32.5%
Business growth was the main reason for seeking external finance	57.9%	69.3%	70.8%	66.9%	66.5%
Expect to grow their e-commerce presence to a large extent in the next 12 months	32.3%	40.5%	33.1%	32.7%	34.6%
Expect revenue from overseas markets to grow strongly over the next 12 months	17.1%	17.0%	18.8%	13.5%	16.6%
Definitely expect to introduce a new product, service or process unique to their market or the world	24.7%	35.3%	24.0%	30.1%	28.5%
Used social media for business purposes	96.2%	96.7%	95.5%	95.5%	96.0%
More than 30% of a business's revenue comes from online sales	31.0%	22.2%	21.4%	22.4%	24.3%
Business internet connection is fast enough for their needs	29.1%	43.1%	51.3%	37.2%	40.1%
Staff costs were most detrimental to the business	64.6%	53.6%	51.3%	53.8%	55.9%
Respondent aged 39 or under	63.3%	47.7%	59.0%	69.8%	60.0%

Summary

Small business conditions were positive in Mainland China in 2016 – with nearly three quarters of respondents stating their business grew in 2016 – and this positive outlook looks set to continue in 2017 with slightly more businesses expecting to grow; despite an uncertain global economic outlook.

As in the last survey, Mainland China had one of the highest percentage of small businesses that grew in 2016, with 74 per cent stating they grew – significantly higher than Australia.

This strong result is likely to continue in 2017, with Mainland Chinese small businesses being one of the most optimistic in their growth prospects of the markets surveyed – again significantly higher than Australia.

Small business confidence in the growth prospects for Mainland China's economy in 2017 is also strong, particularly in comparison to results from Australia, Singapore, Hong Kong and Malaysia. However, like many of the other markets surveyed, economic confidence is down slightly from the last survey.

Reflecting the high number of Mainland Chinese small businesses experiencing growth and high levels of business confidence in China's economy, nearly two in five (39 per cent) of respondents from Mainland China stated that they added staff in 2016. Mainland Chinese small businesses are likely to continue to be creators of jobs in 2017 with a very healthy 49 per cent expecting to add additional staff members.

Small businesses from Mainland China continue to be leaders in using technology in their business. Of the eight markets surveyed, they were the most likely to have earned revenue from online sales and the most likely to be using social media for business purposes. In fact, the percentage of Mainland Chinese small businesses making online sales and using social media is so high that it would be difficult to find businesses that are not. And Mainland Chinese businesses are not just dabbling in online sales, with over 80 per cent of respondents earning 11 per cent or more of their revenue from that channel.

Small businesses from Mainland China continue to have a strong focus on innovation through planned or expected investments in totally new products, processes or services to China or the world. This innovative culture will support long-term growth and help to improve the competitiveness of China's businesses, both domestically and globally. It is most likely that this strong focus on innovation is driven in part by the Chinese government's focus on promoting innovation.

With significant numbers of Mainland Chinese small businesses having the characteristics the survey shows are strongly connected with growth, the future of China's small business sector is very positive. With many Chinese small businesses having a focus on innovation, e-commerce and training, we are likely to see an increasing number of China's small businesses evolving to become large, successful global businesses in the next few years.

Of course, small businesses from Mainland China, like all the other markets face a number of challenges – with increasing costs, increasing rent and increasing competition being the top three issues Mainland Chinese small businesses are most likely to believe are barriers to their growth. On what costs are considered most detrimental to their business, Chinese businesses were again most likely to nominate staff costs followed by rent. In each of the past three years, of all the markets surveyed Chinese businesses were the most likely to nominate staff costs as being the cost most detrimental to their business.

Given concerns around costs, particularly staff costs, it is not surprising that Mainland Chinese businesses were most likely to select good staff as the factor that had the most positive impact on their business in 2016. In fact, Chinese businesses were the most likely to nominate this factor. Concerns over staff costs may also be contributing to the very strong use of technology amongst China's small businesses.

Concerns over competition being a barrier to growth may have positive long-term implications for China's small businesses as it helps to drive innovation, the uptake of new technology and encourage expansion into new markets – essential ingredients to long term growth.

Reflecting the strong growth expectation of China's small businesses and the significant investment many are making into the future of their business through investments in innovation, e-commerce and assets, it is of no surprise that China's small businesses are one of the most likely to expect their focus on training to increase in 2017 from 2016. This will no doubt help to improve the skills and capability of China's small businesses, which will also support long-term growth, and help to improve their competitiveness and profitability.

The high growth, high investment needs of businesses from China is flowing through to increasing the demand for external finance, with four in five businesses accessing external finance in 2016 – with business growth being the most likely reason for seeking such finance.

With small businesses typically expecting their business and the economy to grow in 2017, a very high percentage of respondents expect to seek external finance to help fund growth in 2017 – despite respondents experiencing less easy access to finance in 2016 than in 2015, and for these conditions to persist into 2017.

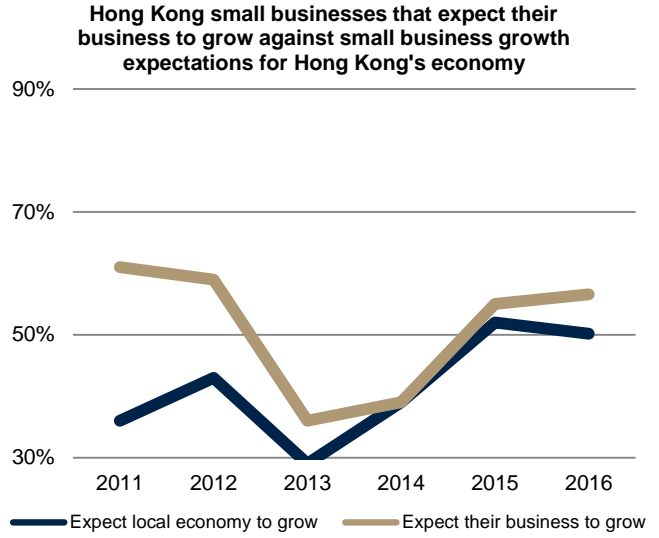
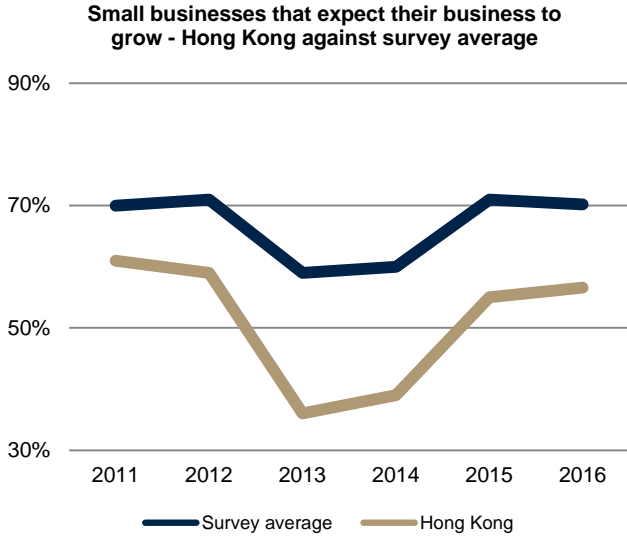
The popularity of banks as the main source of external finance for China's small businesses increased in 2016 from 2015, however small businesses from China remain one of the least likely to source funds from banks. Instead, they are somewhat more likely than the average to seek external funds from the crowd and venture capitalists.

HONG KONG



Data snapshot

Business and economic growth



	2016	2016 survey average	Rank 2016	2015	Rank 2015	2014	Rank 2014
Businesses that grew in last 12 months	61.7%	66.7%	5/8	63.8%	5/8	46.5%	7/8
Businesses that expect to grow in next 12 months	56.6%	70.2%	6/8	55.1%	8/8	39.0%	8/8
Businesses that expect the local economy to grow in next 12 months	50.2%	60.2%	6/8	52.1%	5/8	39.4%	8/8

BE HEARD.
BE RECOGNISED.



Business activity over the past 12 months

	2016	2016 survey average	Rank 2016	2015	Rank 2015	2014	Rank 2014
Increased employee numbers	19.6%	31.7%	7/8	32.5%	4/8	18.1%	6/8
Improved business management had a major positive impact on their business	20.9%	22.8%	5/8	20.4%	5/8	N/A	N/A
Increasing costs had a major negative impact on their business	37.3%	36.1%	4/8	41.9%	3/8	N/A	N/A
Required funds from an external source	72.7%	59.3%	4/8	78.1%	4/8	69.9%	5/8
Sought external funds for business growth	51.8%	58.5%	5/8	50.2%	6/8	51.8%	6/8
Found it easy or very easy to access external finance	19.9%	31.5%	7/8	43.5%	5/8	29.9%	8/8
Rent was the most detrimental factor impacting their business	52.4%	33.4%	1/8	54.3%	1/8	61.7%	1/8

Planned business activity over the next 12 months

	2016	2016 survey average	Rank 2016	2015	Rank 2015	2014	Rank 2014
Expect to increase employee numbers	30.2%	40.5%	5/8	32.8%	5/8	22.7%	6/8
Definitely expect to introduce a new product, service or process unique to their market or the world	14.8%	21.2%	5/8	17.7%	5/8	N/A	N/A
Expect to grow their e-commerce presence to a large extent	39.2%	33.7%	3/8	42.6%	2/8	N/A	N/A
Expect revenue from overseas markets to grow strongly	13.5%	15.9%	5/8	22.3%	2/8	N/A	N/A
Expect to grow their investment in assets strongly	17.0%	21.2%	5/8	23.4%	4/8	N/A	N/A
Expect to increase their focus on training	21.9%	37.2%	7/8	N/A	N/A	N/A	N/A
Definitely will seek external funds	24.4%	26.5%	5/8	31.3%	4/8	18.1%	5/8
Expect easy to very easy access to finance	19.3%	29.0%	6/8	41.7%	3/8	27.3%	7/8

Social media, e-commerce and technology

	2016	2016 survey average	Rank 2016	2015	Rank 2015	2014	Rank 2014
Earned revenue from online sales	76.8%	69.4%	5/8	80.4%	4/8	75.5%	5/8
Used social media for business purposes	83.9%	79.7%	6/8	93.2%	4/8	87.9%	5/8
Business internet connection is fast enough for their needs	23.8%	46.2%	8/8	N/A	N/A	N/A	N/A

BE HEARD.
BE RECOGNISED.

Demographics

	2016	2016 survey average	Rank 2016	2015	Rank 2015	2014	Rank 2014
Business is 10 years old or younger	68.8%	64.3%	4/8	58.9%	6/8	60.6%	5/8
Respondent is aged 39 or younger	55.3%	50.5%	5/8	63.4%	4/8	55.7%	6/8

Summary

Small business conditions were somewhat positive in Hong Kong in 2016 - with the majority of respondents from Hong Kong stating their business grew in 2016 - and this outlook looks set to continue in 2017, with the majority of businesses expecting to grow; despite an uncertain global economic outlook.

As in the last survey, Hong Kong was the fifth most positive market in 2016 of the eight markets surveyed, with 62 per cent of respondents reporting that their business grew – which was the highest reading of the developed markets included in the survey (being Hong Kong, Australia, New Zealand and Singapore), but well below Indonesia, Vietnam and Mainland China.

This somewhat positive result is likely to continue in 2017, with 57 per cent of Hong Kong respondents expecting their small business to grow – bettering Singapore and Australia, but well behind the Indonesia, Vietnam and Mainland China.

It is the first time that the percentage of Hong Kong businesses that expect their business to grow in the coming 12 months has been higher than Singapore since the survey began in 2009 and it is the first time that Hong Kong has had a higher percentage than Australia since 2011.

Small business confidence in the growth prospects for Hong Kong's economy in 2017 are neither strong nor weak with 50 per cent of businesses forecasting Hong Kong's economy will grow – down slightly from the last survey and bettering Singapore and Australia but well below Indonesia, Vietnam and Mainland China.

Despite the percentage of businesses that experienced growth in 2016 being largely the same as 2015, there was a drop in the percentage of Hong Kong small businesses that added to their number of employees, with 20 per cent increasing staff numbers in 2016 compared with 33 per cent in 2015. However, notwithstanding that business conditions are expected to continue largely unchanged in 2017, the number of Hong Kong businesses that expect to add to their headcount is up, with 30 per cent of respondents expecting to add staff in 2017.

Of course, Hong Kong businesses face a number of challenges – with increasing costs, increasing competition and increasing rent being the issues Hong Kong businesses are most likely to believe are barriers to their growth. On what costs are considered most detrimental to their business, Hong Kong businesses were again most likely to nominate rent followed closely by staff costs. In each of the past three years, of all the markets surveyed Hong Kong businesses were the most likely to nominate rent as being the cost most detrimental to their business.

Given concerns around costs, particularly rent and staff costs, it is not surprising that Hong Kong businesses were most likely to select cost control as the factor that had the most positive impact on their business in 2016. In fact, Hong Kong businesses were the most likely to nominate cost control.

Small businesses from Hong Kong have a reasonable focus on innovation through planned or expected investments in totally new products, processes or services to Hong Kong or the world. With Hong Kong businesses being more likely to focus on innovation than Singaporean, Australian and New Zealand small businesses, this should support long-term growth and help to improve the competitiveness of Hong Kong's small businesses – however with the results showing that small businesses from developing markets are more likely to have a focus on innovation, any competitive advantage Hong Kong businesses may enjoy is under threat.

Somewhat surprisingly given the generally high internet speeds in Hong Kong by global standards, Hong Kong businesses are by far the most likely to express some dissatisfaction with the speed of their internet connection. With Hong Kong businesses being the third most likely to expect to grow their e-commerce presence to a large extent in 2017, this result could reflect the increasing demand Hong Kong businesses are placing on their internet connection.

Hong Kong businesses continue to have a high demand for external finance – with the percentage of businesses requiring external finance in 2016 higher than the percentage of businesses that reported growing. As we have suggested in previous years, Hong Kong businesses should have a greater focus on internal sources of finance. While interest rates are low, we can understand that it may be better to source external finance, however interest rates can rise, which may place additional pressure on a business.

There has been a significant fall in the percentage of Hong Kong businesses that sourced finance from a bank in this survey from the last with other sources of external finance becoming increasingly popular including from investors and non-bank financial institutions. This may be as a result of Hong Kong businesses finding access to finance significantly less easy in 2016 than 2015.

While there was a jump in the percentage of Hong Kong businesses that needed external funds for business survival, seeking finance for growth remains more popular. Hong Kong businesses are somewhat more likely than the survey average to have sought external finance for business survival and to cover increasing expenses.

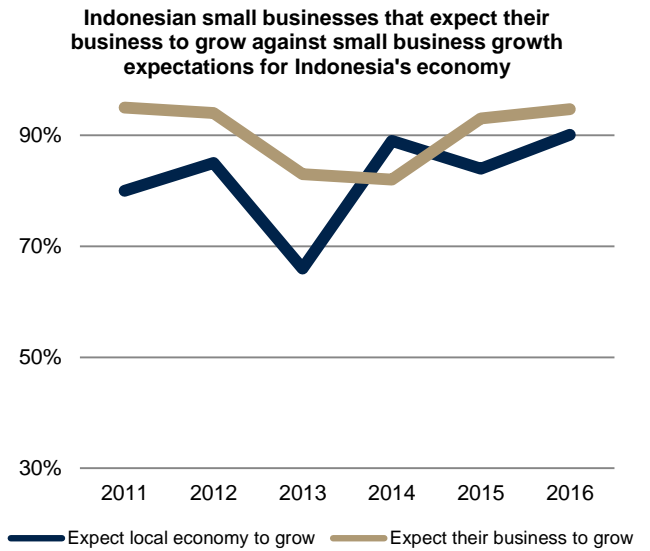
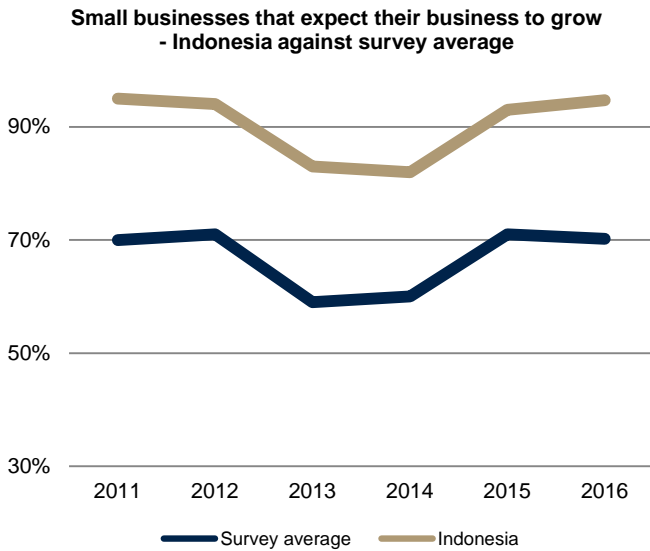
Demand for external finance in 2017 is expected to remain high - higher than what would be considered prudent given current business and economic conditions and the expected continuation of less easy financing conditions in 2017.

INDONESIA



Data snapshot

Business and economic growth



	2016	2016 survey average	Rank 2016	2015	Rank 2015	2014	Rank 2014
Businesses that grew in last 12 months	90.5%	66.7%	1/8	91.2%	1/8	76.0%	1/8
Businesses that expect to grow in next 12 months	94.7%	70.2%	1/8	92.5%	2/8	82.3%	1/8
Businesses that expect the local economy to grow in next 12 months	90.1%	60.2%	1/8	83.7%	2/8	89.1%	1/8

Business activity over the past 12 months

	2016	2016 survey average	Rank 2016	2015	Rank 2015	2014	Rank 2014
Increased employee numbers	63.4%	31.7%	1/8	66.3%	1/8	48.9%	2/8
Improved business management had a major positive impact on their business	34.0%	22.8%	1/8	33.3%	2/8	N/A	N/A
Increasing costs had a major negative impact on their business	34.3%	36.1%	6/8	36.9%	5/8	N/A	N/A
Required funds from an external source	82.5%	59.3%	1/8	86.3%	1/8	78.4%	3/8
Sought external funds for business growth	70.0%	58.5%	1/8	64.0%	2/8	52.0%	5/8
Found it easy or very easy to access external finance	39.2%	31.5%	4/8	60.6%	1/8	56.3%	1/8

Planned business activity over the next 12 months

	2016	2016 survey average	Rank 2016	2015	Rank 2015	2014	Rank 2014
Expect to increase employee numbers	71.3%	40.5%	1/8	71.2%	1/8	69.4%	1/8
Definitely expect to introduce a new product, service or process unique to their market or the world	48.2%	21.2%	1/8	45.8%	1/8	N/A	N/A
Expect to grow their e-commerce presence to a large extent	88.4%	33.7%	1/8	86.3%	1/8	N/A	N/A
Expect revenue from overseas markets to grow strongly	39.6%	15.9%	1/8	57.8%	1/8	N/A	N/A
Expect to grow their investment in assets strongly	56.8%	21.2%	1/8	64.1%	1/8	N/A	N/A
Expect to increase their focus on training	71.0%	37.2%	1/8	N/A	N/A	N/A	N/A
Definitely will seek external funds	43.9%	26.5%	1/8	45.8%	2/8	25.9%	4/8
Expect easy to very easy access to finance	41.4%	29.0%	2/8	59.7%	1/8	54.8%	1/8

Social media, e-commerce and technology

	2016	2016 survey average	Rank 2016	2015	Rank 2015	2014	Rank 2014
Earned revenue from online sales	84.4%	69.4%	3/8	93.8%	1/8	96.5%	1/8
Used social media for business purposes	90.1%	79.7%	3/8	96.0%	3/8	98.1%	1/8
Business internet connection is fast enough for their needs	72.9%	46.2%	1/8	N/A	N/A	N/A	N/A

Demographics

	2016	2016 survey average	Rank 2016	2015	Rank 2015	2014	Rank 2014
Business is 10 years old or younger	76.6%	64.3%	2/8	75.2%	2/8	58.6%	6/8
Respondent is aged 39 or younger	74.6%	50.5%	2/8	79.4%	2/8	61.9%	4/8

Summary

Small business conditions remain very positive in Indonesia - with 2016 being a very good year for a very large percentage of Indonesian small businesses - and the strong business environment looks set to continue in 2017 for the vast majority of businesses; despite an uncertain global economic outlook.

As in the last survey, of the eight markets surveyed Indonesia was the most positive in 2016, with 91 per cent of respondents reporting that their business grew – more than double the result for Australia.

This very strong result is likely to continue in 2017, with 95 per cent of Indonesian respondents expecting their small business to grow - again the most optimistic of the markets surveyed - slightly ahead of Vietnam and well ahead of Australia. Adding to this very positive result, the percentage of Indonesian small businesses that expect to grow strongly in 2017 is up strongly.

Small business confidence in the growth prospects for Indonesia's economy in 2017 is also very strong, with the highest reading of the markets surveyed.

Reflecting the very strong growth being experienced by many Indonesian small businesses and the high levels of business confidence in Indonesia's economy, nearly two-thirds (63 per cent) stated that they added to their number of employees in 2016. Indonesian small businesses are likely to continue to be important creators of jobs with a very healthy 71 per cent expecting to add additional staff in 2017.

With significant numbers of Indonesia's small businesses having the characteristics the survey shows are strongly connected with growth, the future of Indonesia's small business sector is very positive. With many of Indonesia's small businesses having a focus on innovation, e-commerce, exporting and training, we are likely to see a number of Indonesia's current small businesses evolve to become large, successful global businesses in the next few years.

Of course, while the survey results are overwhelmingly positive for Indonesia, businesses also report challenges – with increasing competition being seen as the largest barrier to growth. However, competition is likely to have positive long-term implications as it helps to drive innovation and expansion into new markets – essential ingredients to long-term growth.

Small businesses from Indonesia have a significantly stronger focus on innovation through planned or expected investments in totally new products, processes or services to Indonesia or the world than any of the other markets surveyed. This strong innovative culture will support long-term growth and help to improve the competitiveness of Indonesia's businesses, both domestically and globally.

Small businesses from Indonesia are the second most likely to rely on revenue from online sales (behind China), with over 20 per cent of Indonesian small businesses saying that they earn more than 30 per cent of their revenue from online sales

An important factor driving growth in Indonesia's small business sector is sales outside Indonesia. Nearly 40 per cent of Indonesia's respondents expect their revenue from overseas sales to increase strongly in 2017. Not only does such a focus on exporting assist growing revenue, it will also expose those small businesses to new ideas which can also help to improve their competitiveness and profitability.

This market diversification through exporting, very strong focus on innovation and asset purchases is setting many Indonesian small businesses up for long-term sustainable growth with reduced risks.

Reflecting the very strong growth expectation by Indonesia's small businesses, it is of no surprise that Indonesia's small businesses are the most likely to expect their focus on training to increase in 2017 from 2016. This will no doubt help to improve the skills and capability of Indonesia's small businesses, which will also support long-term growth and lift their competitiveness and profitability.

Reflecting the high growth, high investment needs of Indonesian businesses; over four in five accessed external finance in 2016 – with business growth by far, being the most likely reason for seeking such finance. The percentage of Indonesian small businesses that sought external finance for business growth is at a record high for this survey series.

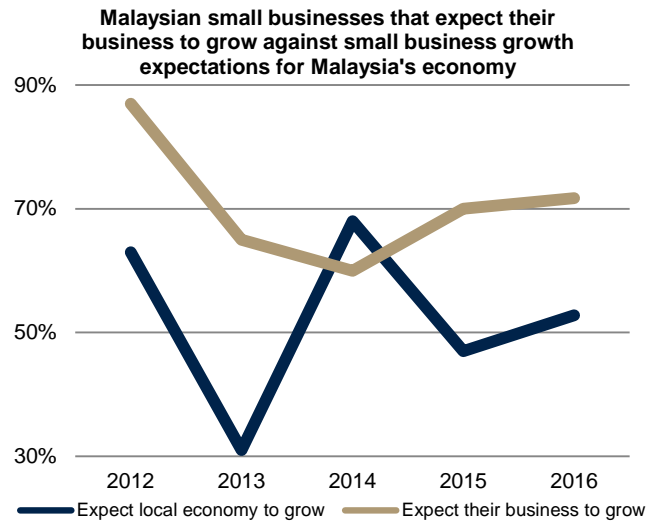
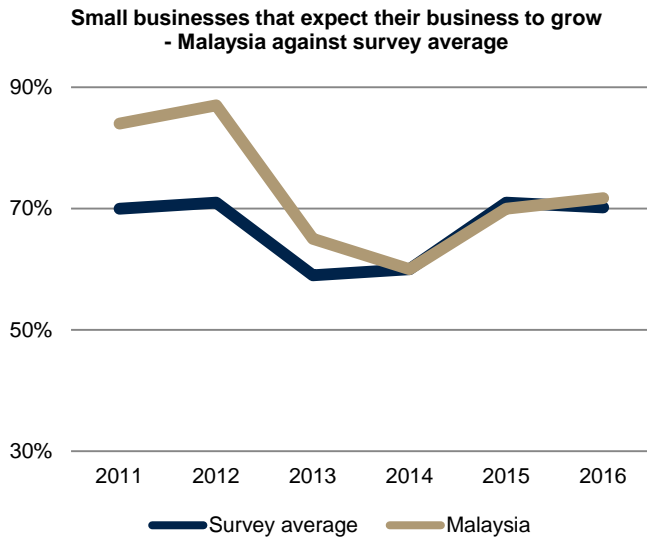
With Indonesia's small businesses typically expecting their business and the economy to grow strongly in 2017, a very high percentage of respondents expect to seek external finance to help fund growth in 2017. This is despite respondents indicating that access to finance became less easy in 2016, and expecting these less favourable conditions to persist in 2017. Banks however, remain by far the most important source of finance for Indonesia's small businesses.

MALAYSIA



Data snapshot

Business and economic growth



	2016	2016 survey average	Rank 2016	2015	Rank 2015	2014	Rank 2014
Businesses that grew in last 12 months	68.7%	66.7%	4/8	69.0%	4/8	57.6%	4/8
Businesses that expect to grow in next 12 months	71.7%	70.2%	4/8	69.6%	4/8	59.2%	4/8
Businesses that expect the local economy to grow in next 12 months	52.8%	60.2%	5/8	46.8%	7/8	67.5%	4/8

Business activity over the past 12 months

	2016	2016 survey average	Rank 2016	2015	Rank 2015	2014	Rank 2014
Increased employee numbers	33.6%	31.7%	4/8	31.6%	5/8	40.5%	3/8
Improved business management had a major positive impact on their business	27.0%	22.8%	3/8	31.3%	4/8	N/A	N/A
Increasing costs had a major negative impact on their business	45.9%	36.1%	1/8	48.7%	2/8	N/A	N/A
Required funds from an external source	62.2%	59.3%	5/8	57.7%	5/8	73.6%	4/8
Sought external funds for business growth	51.3%	58.5%	6/8	51.4%	5/8	64.2%	3/8
Found it easy or very easy to access external finance	15.7%	31.5%	8/8	31.9%	7/8	32.3%	6/8

Planned business activity over the next 12 months

	2016	2016 survey average	Rank 2016	2015	Rank 2015	2014	Rank 2014
Expect to increase employee numbers	40.4%	40.5%	4/8	46.8%	4/8	52.4%	4/8
Definitely expect to introduce a new product, service or process unique to their market or the world	26.4%	21.2%	4/8	29.0%	3/8	N/A	N/A
Expect to grow their e-commerce presence to a large extent	40.4%	33.7%	2/8	35.2%	4/8	N/A	N/A
Expect revenue from overseas markets to grow strongly	18.2%	15.9%	3/8	18.7%	4/8	N/A	N/A
Expect to grow their investment in assets strongly	24.1%	21.2%	3/8	24.2%	3/8	N/A	N/A
Expect to increase their focus on training	41.7%	37.2%	4/8	N/A	N/A	N/A	N/A
Definitely will seek external funds	29.3%	26.5%	4/8	29.7%	5/8	32.5%	3/8
Expect easy to very easy access to finance	13.6%	29.0%	8/8	27.6%	8/8	29.3%	6/8

Social media, e-commerce and technology

	2016	2016 survey average	Rank 2016	2015	Rank 2015	2014	Rank 2014
Earned revenue from online sales	75.9%	69.4%	5/8	73.2%	5/8	84.9%	4/8
Used social media for business purposes	84.7%	79.7%	4/8	88.2%	5/8	93.2%	4/8
Business internet connection is fast enough for their needs	31.6%	46.2%	7/8	N/A	N/A	N/A	N/A

Demographics

	2016	2016 survey average	Rank 2016	2015	Rank 2015	2014	Rank 2014
Business is 10 years old or younger	73.2%	64.3%	3/8	73.9%	3/8	75.9%	3/8
Respondent is aged 39 or younger	76.9%	50.5%	1/8	74.2%	3/8	77.4%	1/8

Summary

Small business conditions were positive in Malaysia in 2016 - with over two thirds of respondents stating their business grew in 2016 – and this positive outlook looks set to continue in 2017 with slightly more businesses expecting to grow; despite an uncertain global economic outlook.

As in the last survey, Malaysia was one of the markets with the highest percentage of small businesses that grew in 2016, with 69 per cent stating they grew – significantly higher than Australia and Singapore but less than Indonesia and Vietnam.

This positive result is likely to continue in 2017, with Malaysian small businesses being one of the most optimistic in their growth prospects of the markets surveyed – again significantly higher than Australia and Singapore but behind Indonesia and Vietnam.

Reflecting the relatively high number of Malaysian small businesses experiencing growth, over one third (34 per cent) of respondents from Malaysia stated that they added staff in 2016. Malaysian small businesses are likely to continue to be creators of jobs in 2017 with a healthy 40 per cent expecting to add additional staff members.

Small businesses from Malaysia continue to be relatively strong users of digital technologies in their business, particularly in comparison to their competitors from Australia, Singapore and New Zealand. Nearly half of the Malaysian businesses surveyed (47 per cent) earned more than 10 per cent of their income from online sales, and 85 per cent use social media for business purposes. Further growth in the digital space is highly likely with Malaysian businesses being the second most likely of the markets surveyed to expect to grow their e-commerce presence to a large extent in 2017.

Small businesses from Malaysia continue to have a relatively strong focus on innovation through planned or expected investments in totally new products, processes or services to Malaysia or the world – particularly in comparison to Australia, Hong Kong, New Zealand and Singapore. This innovative culture will support long-term growth and help to improve the competitiveness of Malaysia's businesses. The Malaysian government's strong focus on promoting innovation will be one factor that is driving the development of this innovative culture.

Malaysian businesses also appear to have a strong focus on their customers, with Malaysian respondents being most likely to indicate that customer loyalty was the factor that had a positive impact on their business in 2016.

With high numbers of Malaysian small businesses having the characteristics the survey shows are strongly connected with growth, the future of Malaysia's small business sector is positive. With many Malaysian small businesses having a focus on innovation, e-commerce, exporting and training, we are likely to see an increasing number of Malaysia's small businesses evolving to become large, successful global businesses in the next few years.

Of course, small businesses from Malaysia, like all the other markets surveyed face a number of – with increasing costs and increasing competition being the top issues Malaysian small businesses are most likely to believe are barriers to their growth. Malaysian small businesses were also the most likely of the markets surveyed to nominate currency fluctuations as a barrier to growth. On what costs are considered most detrimental to their business, Malaysian businesses were again most likely to nominate materials.

Concerns over competition being a barrier to growth in Malaysia may have positive long-term implications as for many businesses; it will encourage them to innovate and expand into new markets, and use new technology – essential ingredients to long-term growth.

Reflecting the growth expectation of Malaysia's small businesses, it is of no surprise that many of Malaysia's small businesses are expecting to increase their focus on training in 2017 from 2016. This should help to improve the skills and capability of Malaysia's small businesses, which will also support long-term growth, and help to improve their competitiveness and profitability.

The high growth, high investment needs of businesses from Malaysia is flowing through to demand for external finance, with almost two-thirds of respondents sourcing such finance in 2016 – with business growth being the most likely reason for seeking such finance. Banks were the most popular source for such funds.

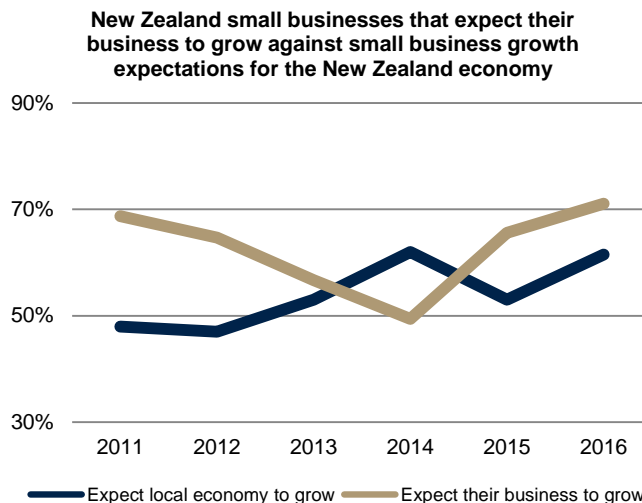
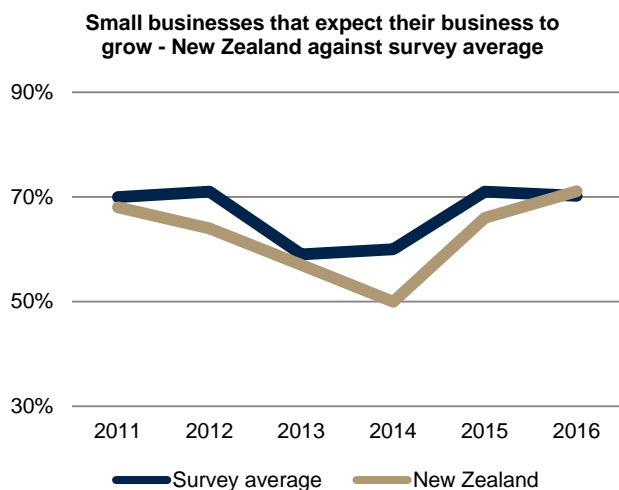
With small businesses typically expecting their business and the economy to grow in 2017, a high percentage of respondents expect to seek external finance in 2017 – despite respondents experiencing less easy access to finance in 2016 than in 2015, and for these conditions to persist into 2017.

NEW ZEALAND



Data snapshot

Business and economic growth



	2016	2016 survey average	Rank 2016	2015	Rank 2015	2014	Rank 2014
Businesses that grew in last 12 months	58.1%	66.7%	6/8	56.3%	7/8	18.4%	6/8
Businesses that expect to grow in next 12 months	71.1%	70.2%	5/8	65.6%	5/8	49.4%	6/8
Businesses that expect the local economy to grow in next 12 months	61.5%	60.2%	4/8	53.1%	4/8	62.3%	5/8

BE HEARD.
BE RECOGNISED.



Business activity over the past 12 months

	2016	2016 survey average	Rank 2016	2015	Rank 2015	2014	Rank 2014
Increased employee numbers	19.6%	31.7%	7/8	16.4%	7/8	9.4%	7/8
Improved business management had a major positive impact on their business	15.6%	22.8%	7/8	15.4%	7/8	N/A	N/A
Increasing costs had a major negative impact on their business	26.6%	36.1%	8/8	25.1%	8/8	N/A	N/A
Required funds from an external source	25.2%	59.3%	7/8	27.0%	8/8	30.6%	8/8
Sought external funds for business growth	36.8%	58.5%	7/8	25.0%	8/8	31.6%	8/8
Found it easy or very easy to access external finance	48.7%	31.5%	1/8	50.0%	4/8	53.7%	2/8

Planned business activity over the next 12 months

	2016	2016 survey average	Rank 2016	2015	Rank 2015	2014	Rank 2014
Expect to increase employee numbers	24.3%	40.5%	7/8	19.9%	7/8	14.5%	7/8
Definitely expect to introduce a new product, service or process unique to their market or the world	10.6%	21.2%	6/8	6.8%	7/8	N/A	N/A
Expect to grow their e-commerce presence to a large extent	11.0%	33.7%	7/8	9.6%	7/8	N/A	N/A
Expect revenue from overseas markets to grow strongly	6.0%	15.9%	7/8	7.1%	7/8	N/A	N/A
Expect to grow their investment in assets strongly	7.3%	21.2%	7/8	8.0%	7/8	N/A	N/A
Expect to increase their focus on training	23.6%	37.2%	6/8	N/A	N/A	N/A	N/A
Definitely will seek external funds	8.6%	26.5%	7/8	8.0%	8/8	10.6%	7/8
Expect easy to very easy access to finance	24.6%	29.0%	4/8	39.1%	4/8	44.6%	2/8

Social media, e-commerce and technology

	2016	2016 survey average	Rank 2016	2015	Rank 2015	2014	Rank 2014
Earned revenue from online sales	38.2%	69.4%	7/8	37.0%	7/8	32.6%	7/8
Used social media for business purposes	55.8%	79.7%	7/8	56.5%	7/8	46.5%	7/8
Business internet connection is fast enough for their needs	55.5%	46.2%	2/8	N/A	N/A	N/A	N/A

Demographics

	2016	2016 survey average	Rank 2016	2015	Rank 2015	2014	Rank 2014
Business is 10 years old or younger	50.8%	64.3%	7/8	55.6%	7/8	52.9%	7/8
Respondent is aged 39 or younger	17.9%	50.5%	7/8	25.7%	7/8	17.7%	7/8

Summary

Small business conditions were somewhat positive in New Zealand in 2016 - with the majority of respondents from New Zealand stating their business grew in 2016. This outlook appears set to improve strongly in 2017, with a large majority of businesses expecting to grow; despite an uncertain global economic outlook.

New Zealand small businesses have improved one spot from the previous survey and are now the sixth most positive market in 2016 of the eight markets surveyed, with 58 per cent of respondents reporting that their business grew – with New Zealand and Vietnam being the only markets where the percentage of businesses that grew in 2016 was higher than 2015. New Zealand results bettered Australia and Singapore but remain well below Indonesia and Vietnam.

New Zealand small businesses expect that this somewhat positive result will improve strongly in 2017, with 71 per cent of New Zealand respondents expecting their small business to grow – bettering Singapore, Australia and Hong Kong but behind the Indonesia and Vietnam.

This is New Zealand's strongest small business growth expectations reading since New Zealand was included in the survey in 2011. The increase is the largest of all the markets included in this survey.

Small business confidence in the growth prospects for New Zealand's economy in 2017 are reasonably strong and is up slightly from the last survey and betters Australia, Singapore, Hong Kong and Malaysia, but well below Indonesia, Vietnam and Mainland China. Supporting the 'rock star' label attached to New Zealand's economy, New Zealand recorded the largest percentage increase in the number of businesses that expect their local economy to grow in 2017.

The superior performance of New Zealand's small business sector in comparison to Australia is having a positive impact on jobs, with one in five of New Zealand's small business respondents stating that they added to the total number of their employees in 2016, nearly double the figure of Australia. New Zealand was the only market in the survey where expectations for an increase in employee numbers in 2016 matched what occurred – in all other markets expectations exceeded what actually occurred.

Reflecting improving business and economic confidence, even more of New Zealand's small businesses expect to create jobs in 2017 with 24 per cent predicting they will add staff in 2017.

New Zealand and Australian small businesses continue to be significantly less likely to use social media for business purposes compared with businesses from Asia, with over 40 per cent of New Zealand small businesses stating that they don't use social media for business purposes.

This lack of social media use may be impacting the growth of some New Zealand small businesses, with the survey results again showing that businesses, including in New Zealand that use social media for business purposes being significantly more likely to be growing than those that are not.

Similarly, large numbers of New Zealand small businesses continue to not sell online in comparison to their competitors in Asia. This trend is likely to continue into 2017 with only a small percentage of New Zealand small businesses expecting to grow their e-commerce presence to a large extent.

Again, this may be impacting the growth of some New Zealand small businesses, with the survey results also showing that businesses selling online are significantly more likely to be growing than those that are not.

New Zealand small businesses are less likely to expect to focus on growing revenue from exporting in 2017 than their peers from Asia. This may be contributing to lower growth prospects amongst some New Zealand small businesses as the survey results also show that business that are expecting to grow their revenue from overseas sales are significantly more likely to expect to grow than those who are not expecting to grow revenue from exporting.

Small businesses in New Zealand remain less likely to expect to definitely invest in innovation than small businesses from most of the other markets - although the percentage is up slightly from the last survey and is higher than Australia and Singapore. Again, this lack of focus on innovation may be impacting the growth of some New Zealand small businesses with the survey results showing that businesses that definitely expect to invest in a new product, process or service that is unique to their market or the world are significantly more likely to be expecting to grow their business. The strong focus on innovation by New Zealand's government may have contributed to this increased focus on innovation.

Reflecting the stronger business and economic confidence, New Zealand's small businesses are more likely to increase their focus on training in 2017 than Australian small businesses. Increasing the focus on training is one of the building blocks for future business success.

Like Australian small businesses, New Zealand small businesses are significantly less likely to have accessed external finance than small businesses from Asia. With stronger business and economic confidence, we would have expected a strong increase in the number of New Zealand businesses accessing finance to invest back into their business. Difficulties accessing finance cannot be blamed for this as New Zealand businesses reported enjoying the easiest financing conditions in 2016 of all the markets surveyed. Where appropriate, New Zealand small businesses should be considering accessing external funds to help them take advantage of New Zealand's positive economic environment.

Where New Zealand small businesses accessed external finance, banks continue to be the main source of that finance, with other forms of finance being significantly less popular.

Reflecting a more positive business environment, there was an increase in the percentage of New Zealand businesses that sought external finance for business growth purposes in 2016 from 2015.

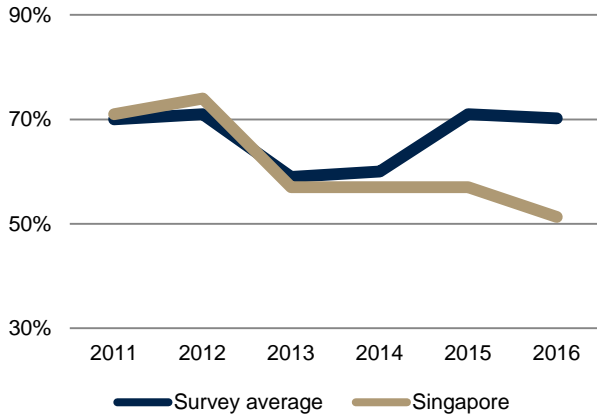
SINGAPORE



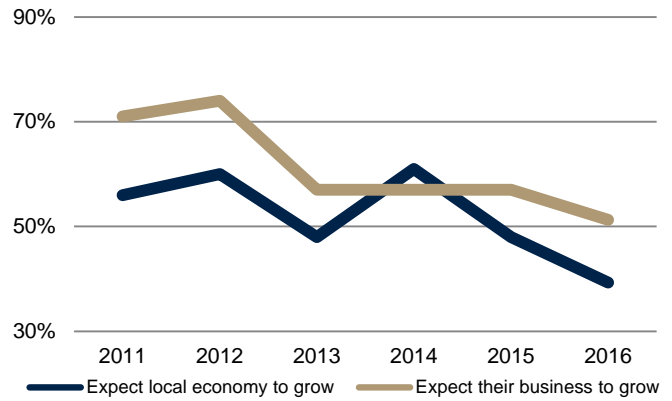
Data snapshot

Business and economic growth

Small businesses that expect their business to grow - Singapore against survey average



Singaporean small businesses that expect their business to grow against small business growth expectations for Singapore's economy



	2016	2016 survey average	Rank 2016	2015	Rank 2015	2014	Rank 2014
Businesses that grew in last 12 months	54.9%	66.7%	7/8	58.8%	6/8	38.7%	6/8
Businesses that expect to grow in next 12 months	51.3%	70.2%	7/8	56.5%	7/8	56.4%	5/8
Businesses that expect the local economy to grow in next 12 months	39.3%	60.2%	7/8	48.1%	6/8	61.0%	6/8

Business activity over the past 12 months

	2016	2016 survey average	Rank 2016	2015	Rank 2015	2014	Rank 2014
Increased employee numbers	19.7%	31.7%	5/8	19.7%	6/8	23.2%	5/8
Improved business management had a major positive impact on their business	16.8%	22.8%	6/8	20.3%	6/8	N/A	N/A
Increasing costs had a major negative impact on their business	41.9%	36.1%	3/8	36.1%	6/8	N/A	N/A
Required funds from an external source	52.6%	59.3%	6/8	43.3%	6/8	49.0%	6/8
Sought external funds for business growth	52.1%	58.5%	4/8	52.6%	4/8	54.6%	4/8
Found it easy or very easy to access external finance	24.6%	31.5%	5/8	34.1%	6/8	30.9%	7/8

Planned business activity over the next 12 months

	2016	2016 survey average	Rank 2016	2015	Rank 2015	2014	Rank 2014
Expect to increase employee numbers	29.0%	40.5%	6/8	27.7%	6/8	35.5%	5/8
Definitely expect to introduce a new product, service or process unique to their market or the world	8.7%	21.2%	7/8	15.2%	6/8	N/A	N/A
Expect to grow their e-commerce presence to a large extent	23.2%	33.7%	6/8	19.4%	6/8	N/A	N/A
Expect revenue from overseas markets to grow strongly	11.3%	15.9%	6/8	17.7%	5/8	N/A	N/A
Expect to grow their investment in assets strongly	10.3%	21.2%	6/8	15.2%	6/8	N/A	N/A
Expect to increase their focus on training	23.9%	37.2%	5/8	N/A	N/A	N/A	N/A
Definitely will seek external funds	16.1%	26.5%	6/8	15.8%	6/8	15.5%	6/8
Expect easy to very easy access to finance	15.0%	29.0%	7/8	28.3%	7/8	24.4%	8/8

Social media, e-commerce and technology

	2016	2016 survey average	Rank 2016	2015	Rank 2015	2014	Rank 2014
Earned revenue from online sales	62.9%	69.4%	6/8	63.6%	6/8	65.8%	6/8
Used social media for business purposes	77.7%	79.7%	6/8	79.6%	6/8	82.3%	6/8
Business internet connection is fast enough for their needs	48.7%	46.2%	4/8	N/A	N/A	N/A	N/A

BE HEARD.
BE RECOGNISED.

Demographics

	2016	2016 survey average	Rank 2016	2015	Rank 2015	2014	Rank 2014
Business is 10 years old or younger	65.1%	64.3%	6/8	65.5%	5/8	71.3%	4/8
Respondent is aged 39 or younger	51.3%	50.5%	6/8	47.7%	6/8	61.6%	5/8

Summary

Small business conditions were somewhat positive in Singapore 2016 - with a small majority of respondents stating their business grew in 2016 - and this outlook appears set to continue in 2017, with a small majority of businesses expecting to grow; despite an uncertain global economic outlook and weaker confidence in the local economy.

As in the last survey, Singapore was the seventh most positive market in 2016 of the eight markets surveyed, with 55 per cent of respondents reporting that their business grew – which was higher than Australia but below Indonesia and Vietnam.

This somewhat positive result is likely to continue in 2017, with 51 per cent of Singapore respondents expecting their small business to grow – bettering only Australia, but again below the percentage of small businesses from Indonesia and Vietnam that expect to grow.

Despite weaker economic confidence and a fall in the percentage of business that reported growing in 2016, there was no change in the percentage of Singaporean businesses that increased their staff numbers in 2016, with one in five stating that they increased staff numbers in 2016. Despite a relatively weak outlook for 2017, Singaporean businesses are not necessarily holding back on adding staff, with 29 per cent expecting to add to their staff numbers in 2017. These results indicate that Singaporean small businesses may expect the current economic weakness to be short-lived as they may be intending to add to their staff numbers to take advantage of an upswing in the economy.

Singapore's small businesses reported facing a number of challenges– with increasing costs, increasing competition and a poor overall economic environment being the issues Singaporean businesses are most likely to believe are barriers to their growth. On what costs are considered most detrimental to their business, Singaporean businesses were most likely to nominate staff costs followed by rent.

As in previous surveys, Singapore's small business sector has shown itself to be well managed and focused on the long-term. In spite of the current challenges, many are still focussed on their customer and improving their strategy – both essential for sustainable long-term growth rather than purely focusing on actions which are more likely to have short-term benefits such as cost control.

Small businesses in Singapore are more likely to expect to invest in innovation through the introduction of a new product, service or process unique to their market or the world in 2017 than small businesses in Australia; however they are significantly less likely to do so than small businesses from Indonesia. This is most likely a response to expected weaker economic conditions in 2017. Given the typically strong management capabilities of Singapore's small business and the strong support Singapore's government gives to encourage innovation, we expect this decline in focus on innovation to reverse in future years.

Singapore's small business sector has a relatively strong focus on the digital economy, especially in comparison to Australia and New Zealand with 40 per cent of businesses earning more than 10 per cent of their income from online sales and 74 per cent using social media for business purposes. With Singapore's excellent communications infrastructure and world-leading support for small businesses wishing to grow their digital presence, we expect those numbers to increase in future years.

It reflects positively on the management capability of Singapore's small businesses that they have responded to a weaker economic environment by being less likely to have accessed external finance in 2016 than small businesses from other markets in Asia. In such circumstances, it is prudent to revisit business plans including planned investments and to have a greater reliance on internally-generated sources of finance through, for example improved cash flow management. At the same time, it is equally important to not forego opportunities that are aligned with your strategic plan.

Despite tougher business conditions being reported by Singapore's small businesses, those that sought external finance were significantly more likely to source that finance for growth than for any other reasons.

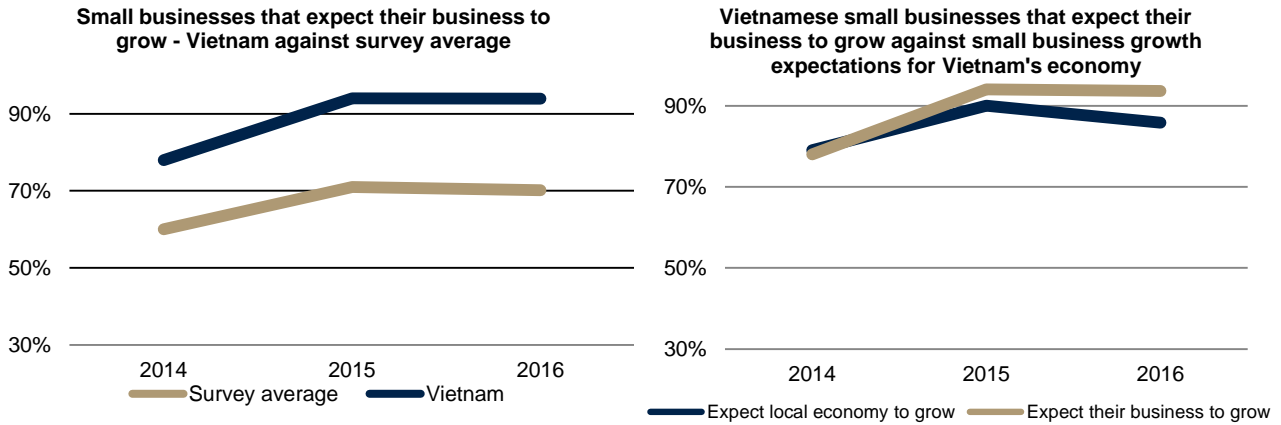
Demand for external finance in 2017 is expected to remain relatively low in comparison to small businesses from other Asian markets. This is a prudent approach by Singapore's businesses in response to their fall in confidence and their expectation that financing conditions will become less easy in 2017.

VIETNAM



Data snapshot

Business and economic growth



	2016	2016 survey average	Rank 2016	2015	Rank 2015	2014	Rank 2014
Businesses that grew in the last 12 months	89.1%	66.7%	2/8	89.0%	2/8	64.2%	3/8
Businesses that expect to grow in the next 12 months	93.9%	70.2%	2/8	93.6%	1/8	78.8%	2/8
Businesses that expect the local economy to grow in the next 12 months	85.8%	60.2%	2/8	91.0%	1/8	79.7%	2/8

BE HEARD.
BE RECOGNISED.



Business activity over the past 12 months

	2016	2016 survey average	Rank 2016	2015	Rank 2015	2014	Rank 2014
Increased employee numbers	53.9%	31.7%	2/8	48.1%	2/8	51.2%	1/8
Improved business management had a major positive impact on their business	25.5%	22.8%	4/8	41.0%	1/8	N/A	N/A
Increasing costs had a major negative impact on their business	43.2%	36.1%	2/8	57.1%	1/8	N/A	N/A
Required funds from an external source	81.3%	59.3%	2/8	85.8%	2/8	94.8%	1/8
Found it easy or very easy to access external finance	23.0%	31.5%	6/8	29.7%	8/8	32.1%	6/8
Sought external funds for business growth	65.5%	58.5%	3/8	70.3%	1/8	63.8%	2/8

Planned business activity over the next 12 months

	2016	2016 survey average	Rank 2016	2015	Rank 2015	2014	Rank 2014
Expect to increase employee numbers	70.6%	40.5%	2/8	66.1%	2/8	64.4%	2/8
Definitely expect to introduce a new product, service or process unique to their market or the world	31.0%	21.2%	2/8	26.1%	4/8	N/A	N/A
Expect to grow their e-commerce presence to a large extent	38.7%	33.7%	4/8	33.5%	5/8	N/A	N/A
Expect revenue from overseas markets to grow strongly	26.8%	15.9%	2/8	19.7%	3/8	N/A	N/A
Expect to grow their investment in assets strongly	36.1%	21.2%	2/8	32.3%	2/8	N/A	N/A
Expect to increase their focus on training	62.3%	37.2%	2/8	N/A	N/A	N/A	N/A
Definitely will seek external funds	44.5%	26.5%	1/8	47.1%	1/8	48.7%	2/8
Expect easy to very easy access to finance	22.9%	29.0%	5/8	32.9%	6/8	37.1%	4/8

Social media, e-commerce and technology

	2016	2016 survey average	Rank 2016	2015	Rank 2015	2014	Rank 2014
Earned revenue from online sales	85.6%	69.4%	2/8	85.1%	3/8	97.0%	3/8
Used social media for business purposes	91.9%	79.7%	2/8	96.5%	2/8	86.8%	2/8
Business internet connection is fast enough for their needs	54.8%	46.2%	3/8	N/A	N/A	N/A	N/A

Demographics

	2016	2016 survey average	Rank 2016	2015	Rank 2015	2014	Rank 2014
Business is 10 years old or younger	80.3%	64.3%	1/8	80.7%	1/8	82.5%	1/8
Respondent is aged 39 or younger	72.2%	50.5%	3/8	79.7%	1/8	65.1%	3/8

Summary

Small business conditions remain very positive in Vietnam - with 2016 being a very good year for a very large percentage of Vietnamese small businesses - and the strong business environment looks set to continue in 2017 for the vast majority of businesses.

As in the last survey, Vietnam had the second highest percentage of small businesses that grew in 2016, with 89 per cent stating they grew – more than double the result for Australia.

This very strong result is likely to continue in 2017, with Vietnamese small businesses being the second most optimistic in their growth prospects, slightly below Indonesia.

Small business confidence in the growth prospects for the Vietnamese economy in 2017 is also very strong, particularly in comparison to results from the other markets surveyed.

Reflecting the very high number of Vietnamese small businesses experiencing growth and high levels of business confidence in Vietnam's economy, over half (54 per cent) of respondents from Vietnam stated that they added to the number of their employees in 2016. Vietnamese small businesses are likely to continue to be creators of jobs in 2017 with a very healthy 71 per cent expecting to add additional staff members.

With significant numbers of Vietnamese small businesses having the characteristics the survey shows are strongly connected with growth - innovation, e-commerce, exporting and training, we are likely to see a number of Vietnam's small businesses evolve to become large, successful global businesses in the next few years.

Of course, while the survey results are overwhelmingly positive for Vietnam, there are challenges– with increasing competition being seen as a barrier to growth by nearly 50 per cent of Vietnamese respondents. However, competition is likely to have positive long-term implications for Vietnamese small businesses as it helps to drive innovation and expansion into new markets – essential ingredients in long term growth.

Increasing rent is also seen as a barrier to growth by a large number of respondents from Vietnam. This however would be partially the result of the current strength of Vietnam's economy and its expanding business sector.

Small businesses from Vietnam continue to have a very strong focus on innovation through planned investments in totally new products, processes or services to Vietnam or the world. This innovative culture will support long-term growth and help to improve the competitiveness of Vietnam's businesses, both domestically and globally.

Reflecting the very strong growth expectation of Vietnam's small businesses, it is of no surprise that Vietnam's small businesses are the second most likely to expect their focus on training to increase in 2017 from 2016. This will no doubt help to improve the skills and capability of Vietnam's small businesses, which will also support long-term growth and help to improve their competitiveness and profitability.

Reflecting the high growth, high investment needs of businesses from Vietnam, four in five accessed external finance in 2016 – with business growth being the most likely reason for seeking such finance.

With small businesses typically expecting their business and the economy to grow strongly in 2017, a very high percentage of respondents expect to seek external finance to help fund growth in 2017 – despite respondents being more likely to expect access to such finance to be difficult than easy. Despite these difficulties, banks remain by far the most important source of finance for Vietnamese small businesses.

ABOUT THE SURVEY

The CPA Australia Asia-Pacific Small Business Survey 2016 is part of a longitudinal annual study of small business conducted by CPA Australia since 2009. This report presents a cross-market comparison between the eight markets surveyed and, where applicable, a comparison of results from 2009 onwards. The survey was conducted between 6 October and 26 October 2016.

Mainland China and Vietnam were included in the survey for the first time in 2014. Indonesia and New Zealand were included in 2011.

The survey in Mainland China was conducted in Beijing, Chongqing, Guangzhou and Shanghai. All data for China excludes Hong Kong, which is shown separately.

Interview method

In each market, the online survey was conducted amongst a random sample of small business owners/managers. The sample was obtained through online panel provider Research Now and their Asian panel partner iPanelonline. To qualify for the survey, participants were required to be an owner, a senior manager (defined as being a director, a principal, a CEO, a CFO, a senior manager or a managing director) or a qualified accountant of a business with fewer than 20 employees.

Sample

In total, 2971 participants completed the survey, including 508 from Australia, 621 from Mainland China, 311 from Hong Kong, 303 from Indonesia, 307 from Malaysia, 301 from New Zealand, 310 from Singapore and 310 from Vietnam.

Of the 621 participants from Mainland China, 158 were from Beijing, 153 were from Chongqing, 154 were from Guangzhou and 156 were from Shanghai.

Questioning

The questions were largely drawn from previous surveys. Some slight modifications to question wording were made to a number of those repeated questions. Questions on training and internet connection speeds are new in this survey.

Questionnaires in Australia, Singapore and New Zealand were administered in English. The Hong Kong questionnaire was administered in traditional Chinese, the questionnaire for Malaysia was administered in both English and Bahasa Malaysia, Indonesia's questionnaire was administered in Bahasa Indonesia, China's questionnaire was administered in simplified Chinese, and Vietnam's questionnaire was administered in Vietnamese.

Rounding

All percentage results shown in this report have been rounded.