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CPA AUSTRALIA SURVEY: TAX REFORM AND TECHNOLOGY ADOPTION TO BOLSTER CHINA'S STABLE ECONOMIC GROWTH IN 2020

Bolstered by the adoption of emerging technologies and the government's tax and financial sector reforms, most accounting and finance professionals expect China's economy to maintain a stable growth rate of above 5.5 per cent in 2020. In addition, three-quarters expect their company's profit will remain the same or increase, according to the China Economic and Business Sentiment Survey 2020 conducted by CPA Australia, one of the world's largest accounting bodies.

Stable and high-quality economic growth

Despite short-term headwinds, the survey findings show that accounting and finance professionals are cautiously optimistic in China's economic conditions in 2020, with 76 per cent of respondents forecasting GDP growth of 5.5 per cent or above.

The results indicate that a combination of the adoption of emerging technologies and tax and financial sector reforms are helping to boost the economy. Further, over one-third of respondents believe improved China-US relations will also help to improve China's economy, with the easing of trade tensions expected to improve confidence in trade and investment, and make doing business easier.

A stable growth rate around 6 per cent in 2020 and high-quality growth driven by investments in emerging technologies will see China remain a key driver, if not the most important driver of global growth in 2020 and beyond.

Business resilience

Respondents are generally confident in China's business outlook for 2020, with 75 per cent expecting that their company's profit will remain the same or increase, of which 64 per cent believe that their company's profit will grow by 2 per cent or more. Consistent with robust profit expectations, respondents are generally confident with in the labour market in 2020, with 66 per cent expecting their company's headcount to remain the same or increase.

CPA Australia members were most likely to select attracting, retaining, and developing talent (27 per cent), followed by cost management (26 per cent), and investing into innovation and technology (25 per cent) as their company's key strategic focuses for 2020. This reflects a proactive short and long-term strategic focus of many Chinese firms.

Technology will continue to boost economic growth

Supported by measures to encourage investment in research and development, and adoption of emerging technologies, 42 per cent of respondents chose the adoption of emerging technologies such as artificial intelligence, blockchain technology, cloud computing, and robotic processing automation, as the top driver of domestic economic growth in 2020. This indicates that many accounting professionals are optimistic in the potential that these technologies may provide to the economy, labour productivity and business profitability.

The focus on innovation and technology by Chinese firms remains strong, with 69 per cent of respondents expecting their business to introduce a new product, service, or process in 2020, and half expect their business to increase investment in new technology.

The focus on innovation and technology represents a long-term strategy to continually move up the value chain. Targeted investments in innovation, technology and talent by businesses should be them boost efficiency and stay ahead of competitors.

Stimulating the economy through tax financial structural reforms

The survey findings show that accounting and finance professionals support policies to reform the financial sector and reform the tax system to promote economic growth.

It therefore comes as no surprise that 77 per cent of respondents indicated that tax reforms and reduced fees positively impacted their business in 2019, with 53 per cent stating it has reduced their business tax burden.

91 per cent of accounting and finance professionals are confident that tax reforms and fee reductions will provide a stimulus to the economy in 2020 through decreasing business operating costs and further encouraging China's economic transformation. The areas members would most like to see tax reforms in are corporate income tax (67 per cent), individual income tax (65 per cent) and value-added tax (55 per cent).

Seizing the opportunities from the Belt and Road Initiative

The Belt and Road Initiative (BRI) is progressively attracting more companies to engage in activities related to it, with 60 per cent of respondents stating that their company will engage in BRI-related activities over the next three years, up 5 percentage points from 2019.

61 per cent of respondents believe that the BRI will create more trade opportunities for Chinese businesses in 2020, suggesting that accounting professionals are confident that the country's ambitious global infrastructure and investment plan will help increase bilateral trade and investment deals.

In conclusion, businesses should take full advantage of the various strategies the government has announced to lift productivity, lower operating costs, and expand globally in 2020.

MEDIA RELEASE



About the survey

The survey was conducted from 20 November to 9 December 2019 with 242 of CPA Australia's Greater China members participating, including finance and accounting professionals from listed companies, multinational corporations, private enterprise and the government.

About CPA Australia

CPA Australia is one of the world's largest accounting bodies with more than 164,000 members working in 150 countries and regions around the world, with more than 25,000 members working in senior leadership positions. It has established a strong membership base of more than 19,000 in the Greater China region.

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