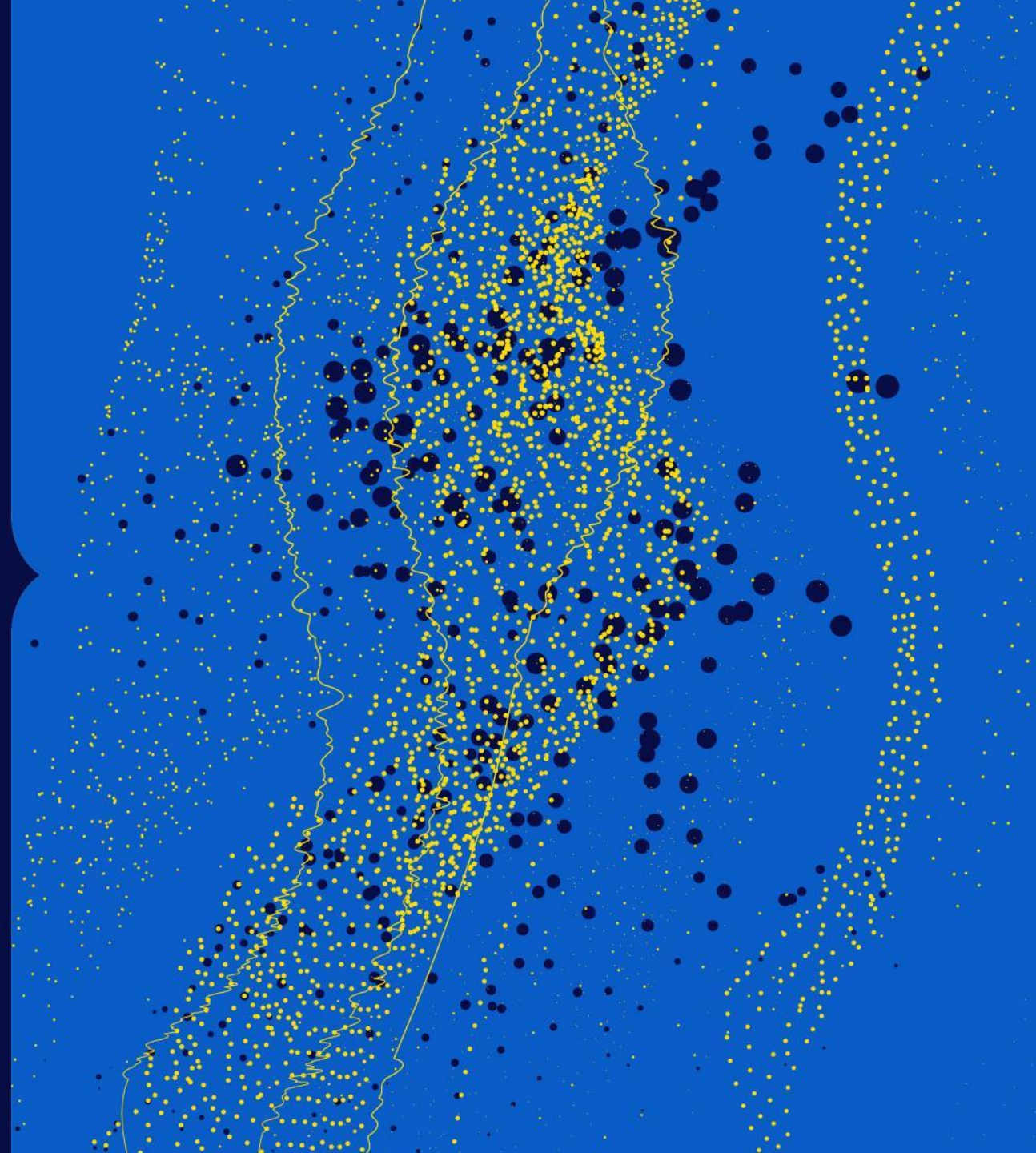


CPA Australia Mainland China Economic and Business Sentiment Survey 2024

January 2024



ISBN

978-1-922690-52-4

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Contents

| | |
|--|----|
| <u>About this survey</u> | 4 |
| <u>Executive Summary</u> | 5 |
| <u>Economic and Business Sentiment</u> | 6 |
| <u>Business Strategy</u> | 14 |
| <u>Other Business Trends</u> | 25 |
| <u>Survey Demographics</u> | 31 |
| <u>Recommendations</u> | 33 |

About this survey

- The survey was conducted from 20 November to 6 December 2023.
- 209 responses were received from accounting and finance professionals in Mainland China.
- Respondents came from a variety of industries, with financial services (20 per cent), CPA professional services (10 per cent) and other professional services (9 per cent) comprising the largest share.
- 55 per cent of respondents from companies with fewer than 1000 employees and 42 per cent from companies with 1000 or more employees.
- 76 per cent of respondents are holding manager positions or above.
- The survey collected data on two main areas: economic sentiment and business sentiment for Mainland China for 2024. It includes projections on profits, employee numbers, strategic areas of focus, digital uptake and ESG adoption.

Executive summary

Overall, accounting and finance professionals in Mainland China have a cautiously optimistic outlook for the economy and their business this year. We consider this a positive outcome given the uncertainties and challenges many businesses face around the globe. Most respondents expect the economy to grow at a moderate to strong pace in 2024, with 30 per cent anticipating a growth rate of 5 per cent or higher.

In terms of business sentiment, a considerable number of respondents expect their company's profit and headcount to either increase. Tempering this cautiously positive outlook are concerns around increasing competition, weak customer demand, and rising operational costs.

Many businesses expect to take a prudent strategic approach in response to these challenges. Cost management has emerged as the top strategic focus for companies in 2024.

Despite the challenges, many companies are still looking to expand, primarily within Greater China or Southeast Asia. Such expansion should help to grow their revenue and/or optimise costs through moving, establishing, or outsourcing manufacturing to Southeast Asia.

Businesses believe that government support, in the form of tax refunds, allowances, incentives, and an optimised foreign investment environment, will best support their business in 2024. Phase IV of the Golden Tax Project is expected to be the tax measure that will have the greatest impact on businesses in the near term.

Other noteworthy trends identified in the survey include a continued emphasis by most businesses in investing in digital transformation, innovation, and technology. This includes a strong focus by many on data security and minimising privacy risks, highlighting the importance placed on safeguarding sensitive information in the digital age.

Businesses are advised to employ a localisation strategy to adapt to changing customer behaviors, improve their cost structures through digital transformation, and seek professional advice to navigate changes under Phase IV of the Golden Tax Project.

ECONOMIC AND BUSINESS SENTIMENT



“

China's business outlook in 2024 is promising, with policies aimed at promoting growth, and stimulating consumption yielding positive results in 2023. Survey results indicate optimism regarding China's economic progress. While short-term challenges like global economic uncertainty, geopolitical tensions, and climate-related issues persist, the emergence of new industrial models driven by artificial intelligence and low-carbon development provide new opportunities for long term growth.

Chinese enterprises should prioritise achieving stable financial performance and improving management efficiency. It is recommended that they strategically allocate resources to their core businesses to meet hidden market demands, explore emerging consumer trends, and embrace innovative business models. By doing so, enterprises can position themselves for long-term success and growth.

Lastly, facilitating corporate growth necessitates the imperative of implementing government policies that optimise the business environment, foster the digital economy and industrial innovation, support leading enterprises, and nurture small and micro enterprises. These policies play a crucial role in driving China's economic progress.

”



Lloyd Peng
President of North China
Committee

CAUTIOUSLY OPTIMISTIC OUTLOOK FOR 2024

Mainland China's accounting and finance professionals are cautiously optimistic on the economic outlook for 2024, considering the uncertainties and challenges that lie ahead. Most survey respondents anticipate that Mainland China's GDP will grow by 4 per cent or higher.

This cautiously positive sentiment is also reflected in expectations for business profits and hiring, as 45 per cent of respondents expect their company's profit to increase, and 67 per cent anticipate an increase or stability in their company's headcount. These findings highlight a general confidence in the economic trajectory of Mainland China for the upcoming year.

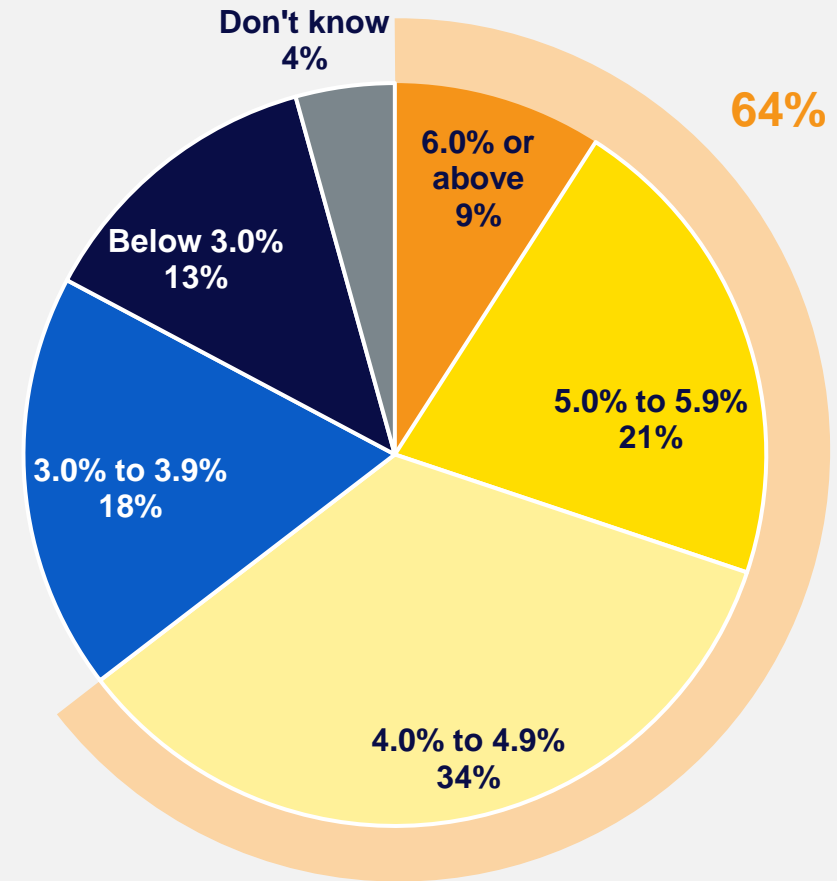
In your opinion, Mainland China's GDP in 2024 will...?

64%

expect Mainland China's GDP to **grow 4 per cent or higher**

30%

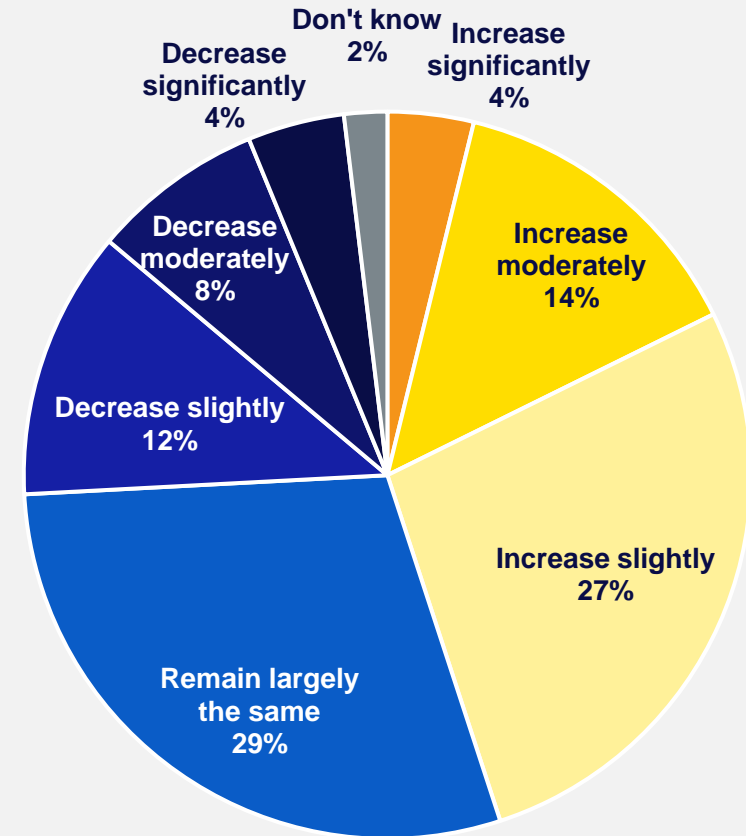
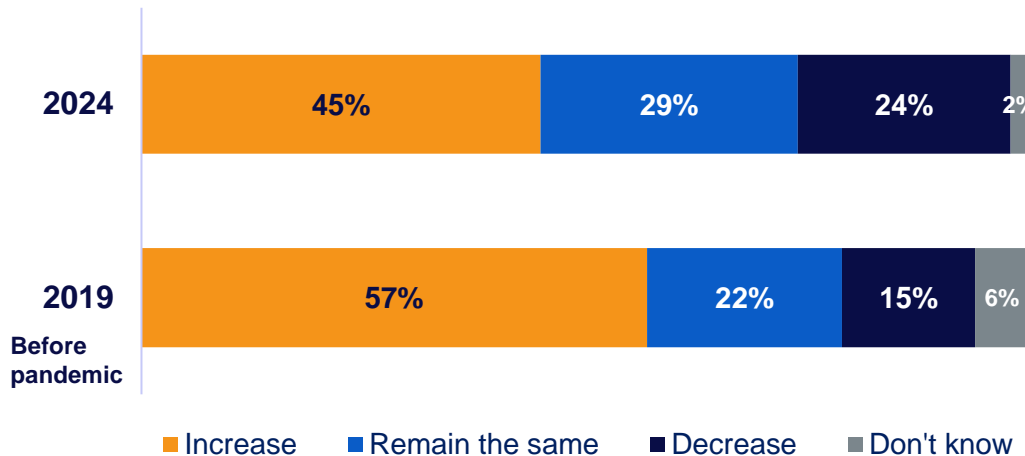
expect Mainland China's GDP to **5 per cent or higher**



Compared to 2023, do you expect your company's profit in 2024 will...?

45%

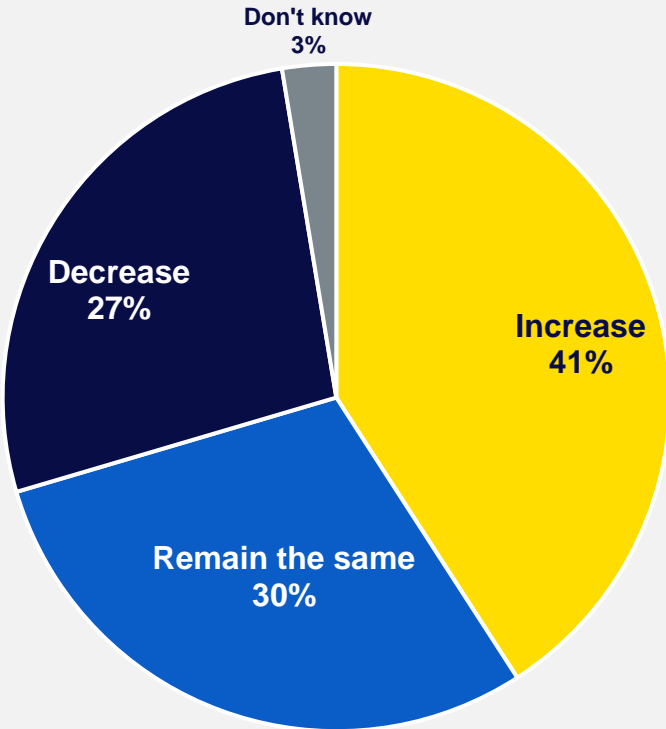
expect their company's profit will
increase in 2024



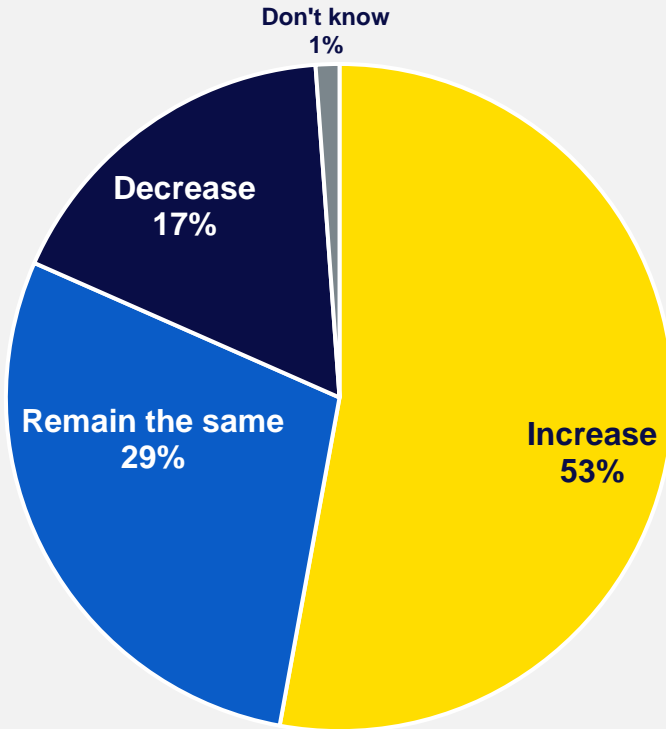
Note: Increase significantly (30% or more), Increase moderately (10% to 20%), Increase slightly (2% to 9%), Remain largely the same (increase or decrease less than 2%), Decrease slightly (2% to 9%), Decrease moderately (10% to 29%), Decrease significantly (30% or more)

Change in business profit in 2024 – by business size

**Small and medium businesses
(fewer than 1000 employees)**



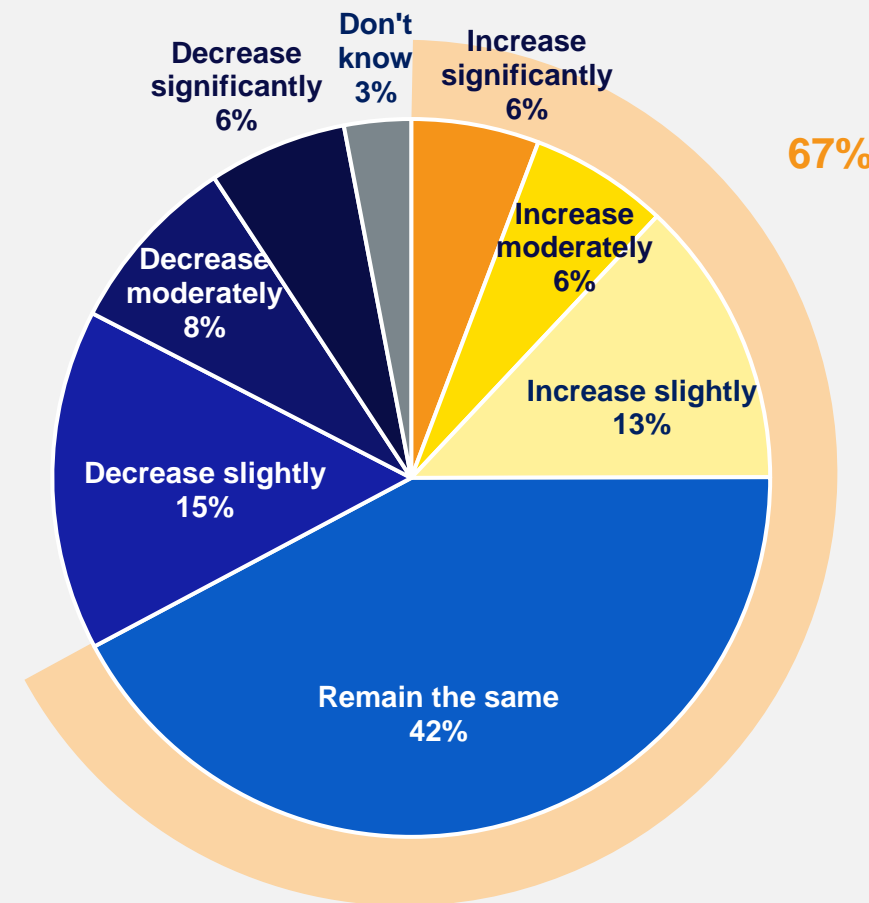
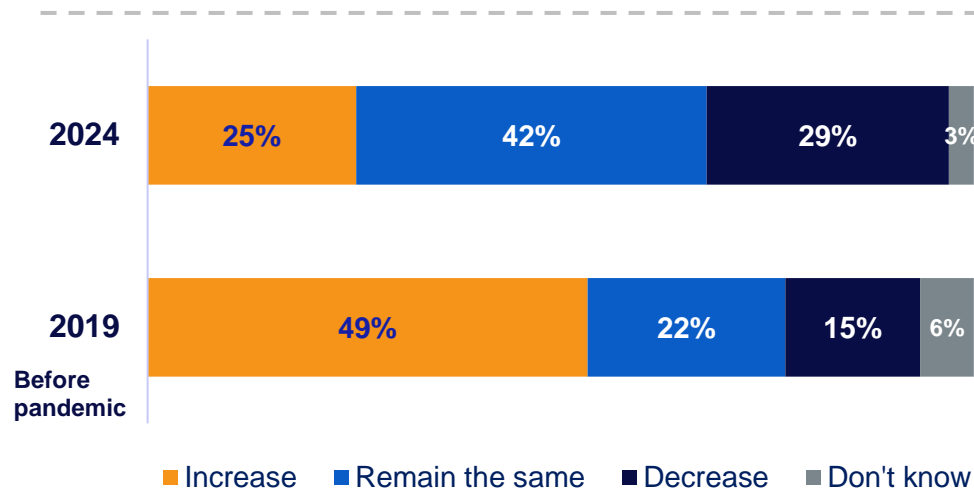
**Large businesses
(1000 employees or above)**



Compared to 2023, do you expect your company's headcount in 2024 will...?

67%

expect their company's headcount to **increase** or **remain the same**

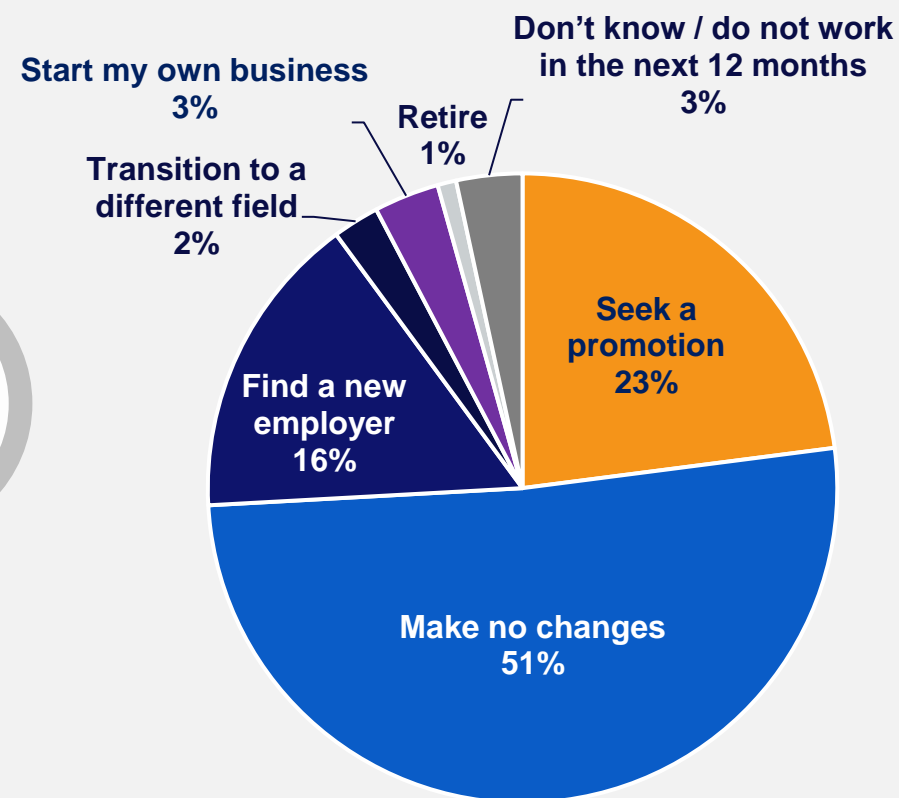


Note: Increase significantly (10% or more), Increase moderately (between 5 to 10%), Increase slightly (less than 5%), Decrease slightly (less than 5%), Decrease moderately (between 5 to 10%), Decrease significantly (5% or more)

Thinking of your career, in the next 12 months do you plan to ...?

74%

Of respondents plan to **seek a promotion** or **make no changes** to their employment status



BUSINESS STRATEGY



“

The recent surge of interest in fiscal and tax reforms highlights the need for further measures to drive high-quality development amidst intensified international tax competition, economic restructuring, and declining growth on tax revenue.

The government has placed significant emphasis on the implementation of a structural tax and fee reduction strategy, specifically aimed at supporting technological innovation and advanced manufacturing research and development. This policy is seen as crucial in driving growth in these sectors.

Going forward, there will be a greater emphasis on efficiency, with a focus on maximising the impact of relevant tax policies and highlighting their targeted and guiding nature.

I believe that the next crucial step in structural tax policies should focus on three areas:

- (i) increasing tax incentives for technological R&D and ensuring policy stability for enterprises*
- (ii) using tax as a tool to facilitate collaboration between enterprises, universities, and research institutions, and*
- (iii) leveraging tax incentives to encourage the commercialisation of research and development outcomes.*

”

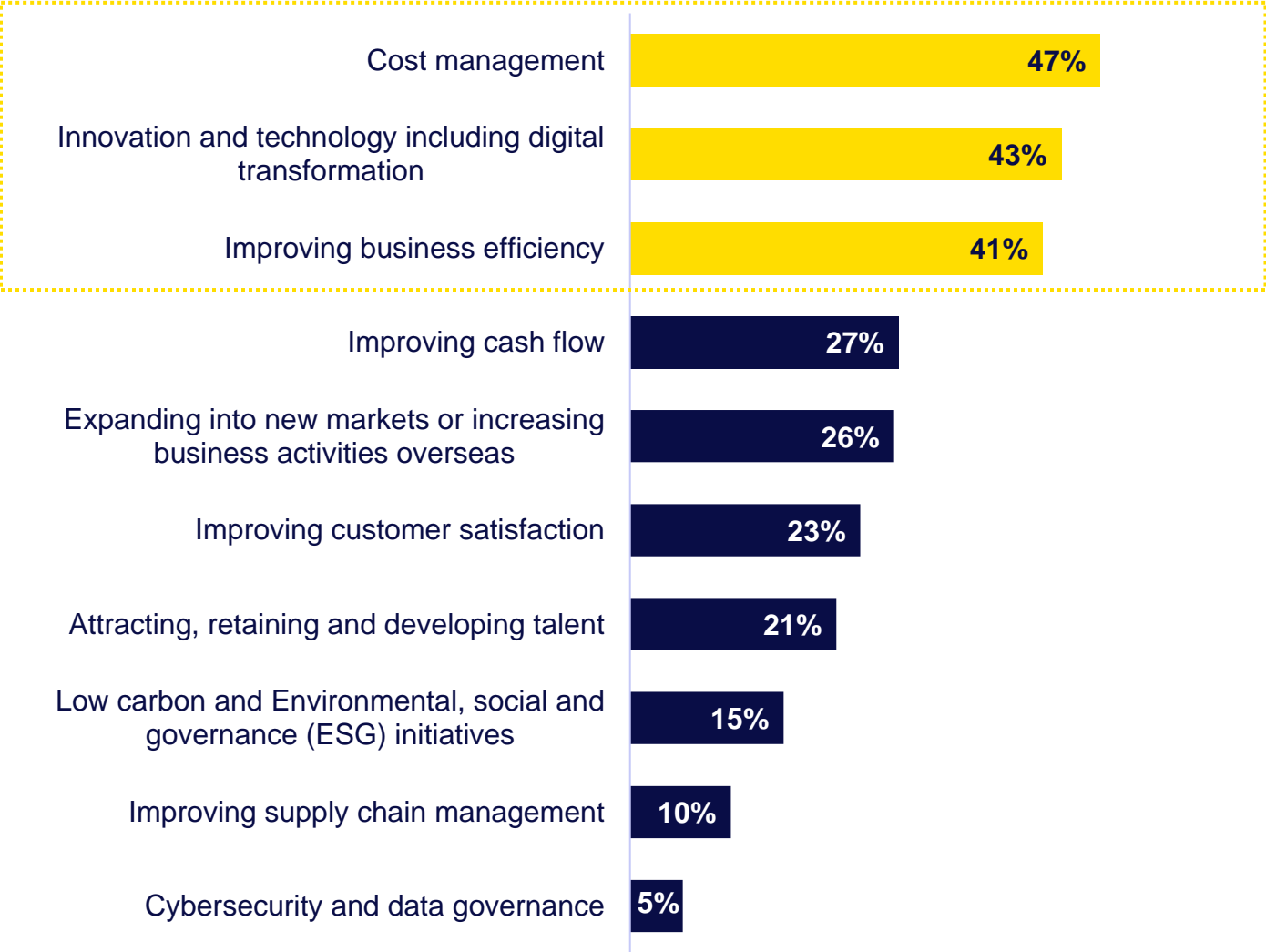


Raymond Zhu
President of East and Central
China Committee

Cost management is the top strategic focus for 2024

Cost management has emerged as the top strategic focus for companies in 2024, with 47 per cent selecting it. Following closely behind are related strategies focused on innovation and technology, and improving business efficiency.

These strategies are a prudent response to expected weaker customer demand and increased cost-pressures.

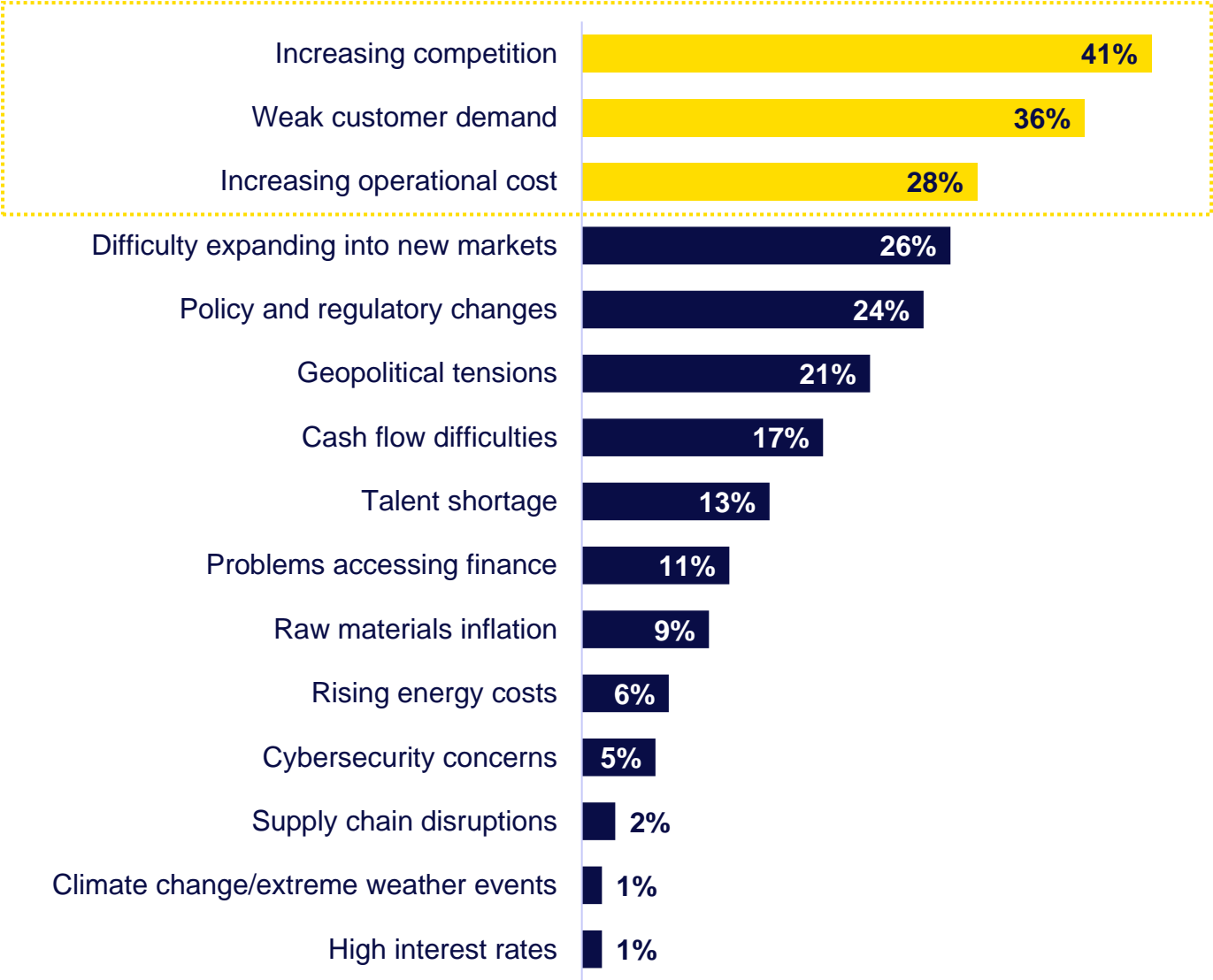


Question: Which of the following statements best describe what you expect to be your company's top strategic focus for 2024?
Note: Respondents who selected 'Don't know' and 'Other' are not shown.

Increasing competition cited as the top challenge in 2024

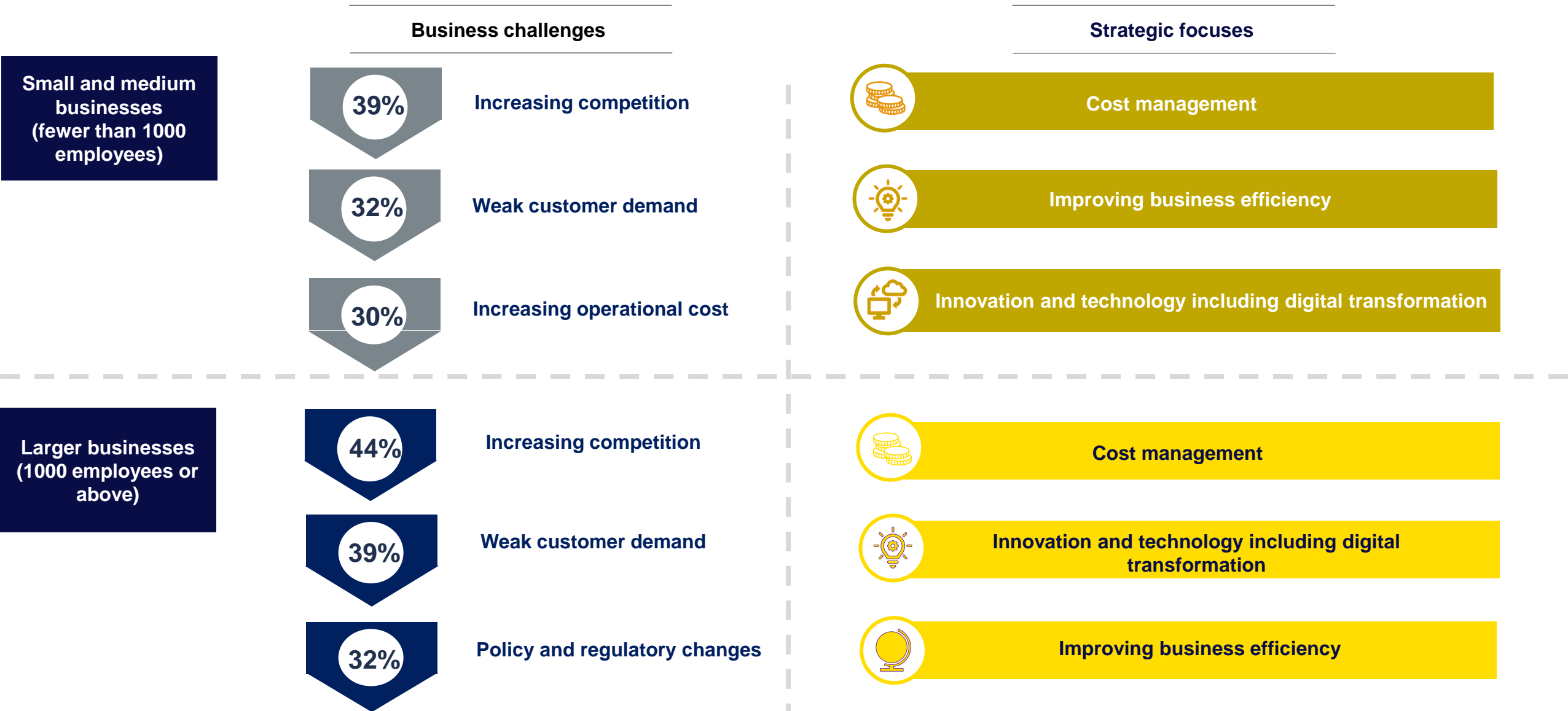
A significant 41 per cent of respondents highlighted rising competition as their company's top challenge. Coming in a close second is expected weak customer demand. In addition, 28 per cent emphasised the challenge of dealing with mounting operational costs.

In addition to these issues, some also reported struggles in expanding into new markets, while others expressed apprehension about navigating policy and regulatory changes.



Question: Which of the following do you think will be the largest challenges for your company in 2024?
Note: Respondents who selected 'Don't know' and 'Other' are not shown.

Top business challenges and strategic focuses in 2024 – by business size

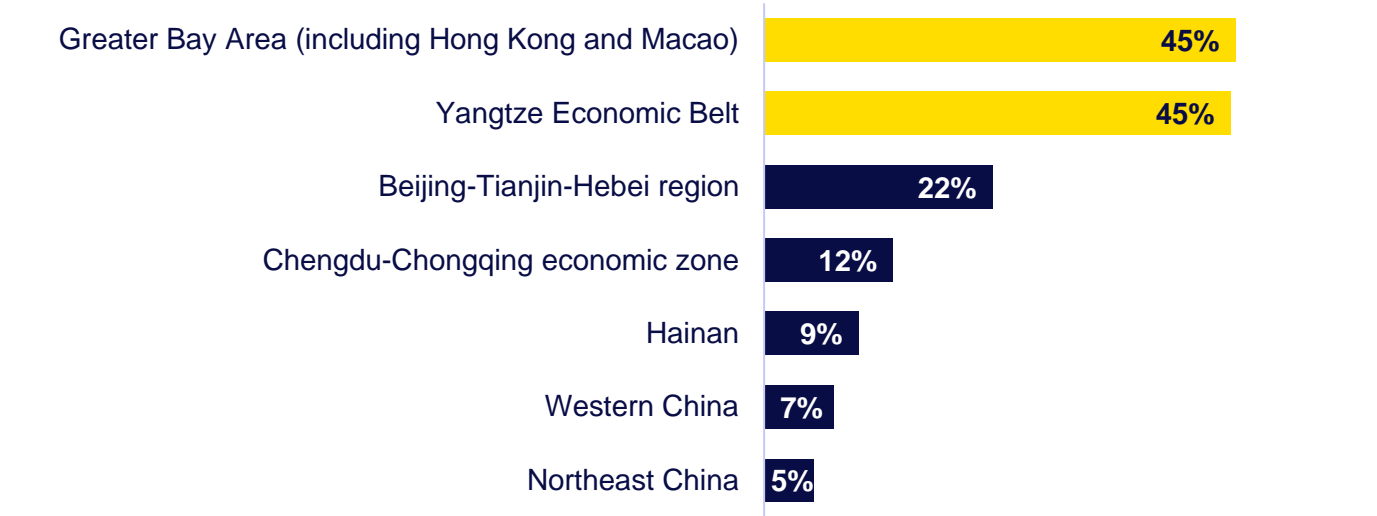
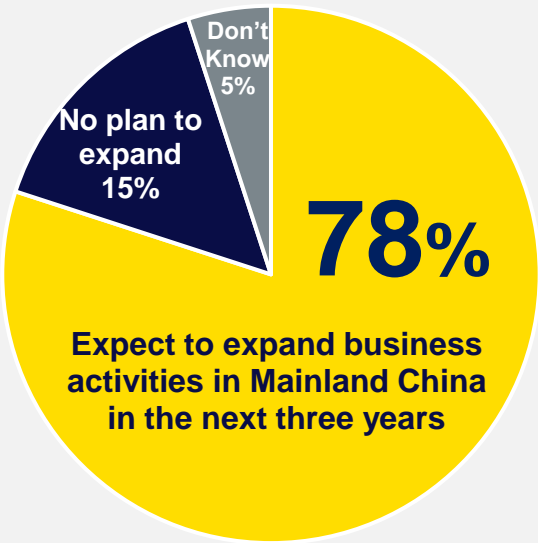


The GBA and Yangtze Economic Belt are top destinations for expansion within Greater China.

Southeast Asia is the top destination for overseas expansion.

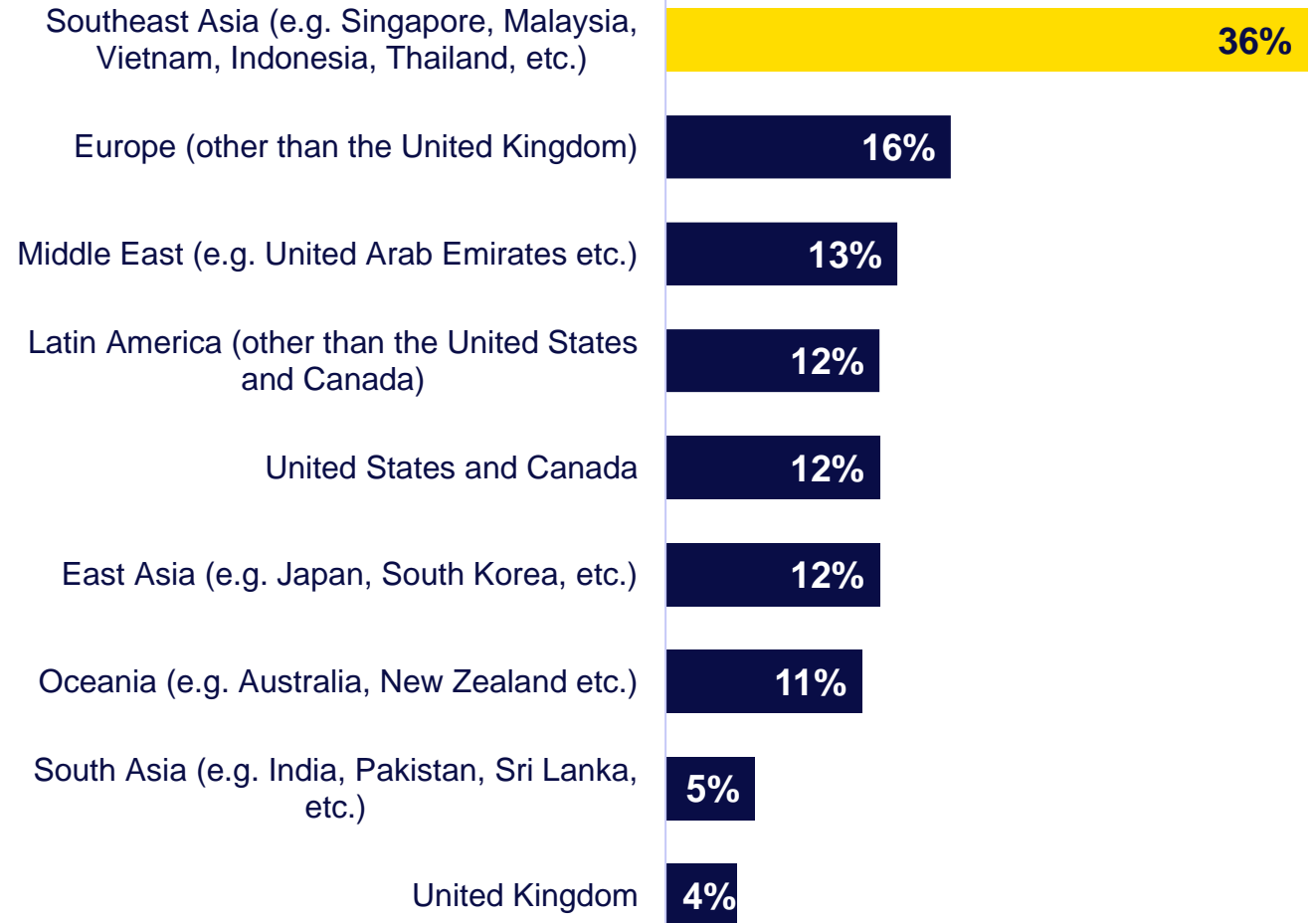
A significant 80 per cent of respondents expect their business to expand their activities within Greater China in the next three years. The Greater Bay Area (GBA) and Yangtze Economic Belt are the top destinations for expansion.

When it comes to overseas expansion, Southeast Asia is the most popular choice, with 36 per cent choosing it as their preferred destination. This number is notably higher than any other region. Such expansion should help to grow their revenue and/or optimise costs through moving, establishing, or outsourcing manufacturing to Southeast Asia.



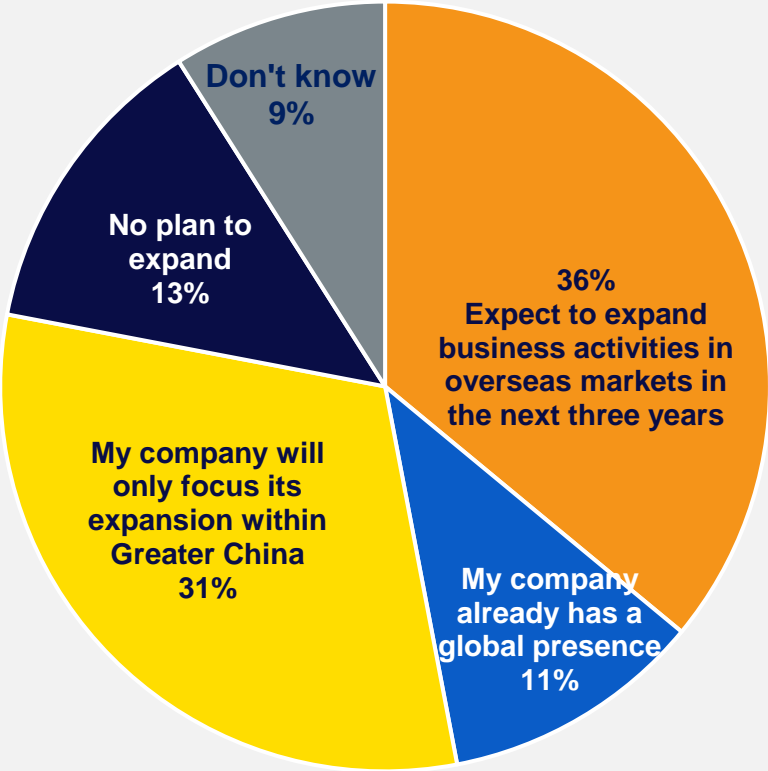
Question: In the next three years, which of the following regions in Greater China do you expect your company will focus its expansion activities?
This slide presents the data on expansion plans within China, while the data related to overseas expansion are shown in the next slide.
Note: No respondent selected 'Taiwan' as their destination to expand business activities in the next three years.

In the next three years, which of the following regions do you expect your company will focus its expansion activities?

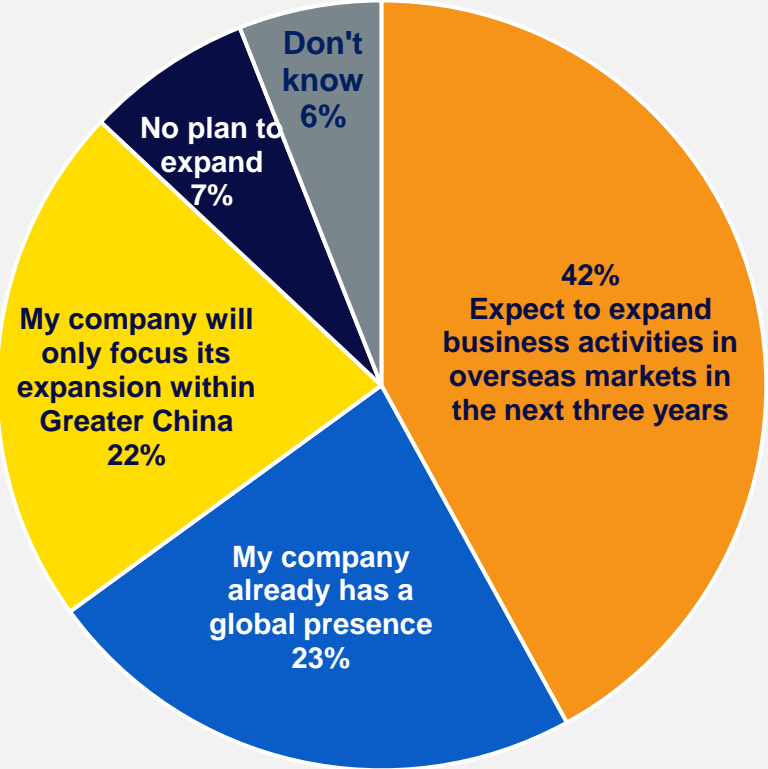


Larger companies are slightly more likely to expand overseas

**Small and medium businesses
(fewer than 1000 employees)**



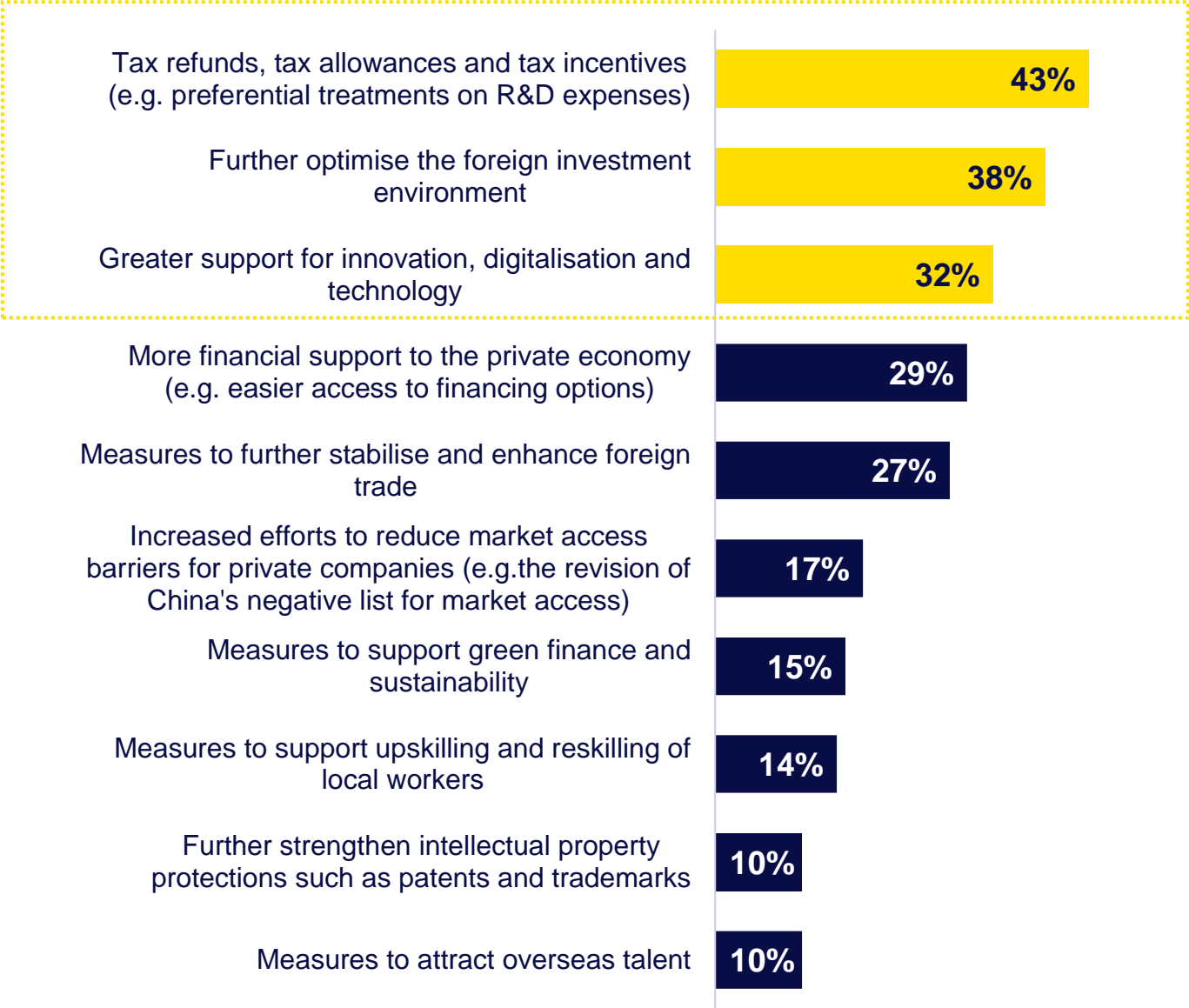
**Large businesses
(1000 employees or above)**



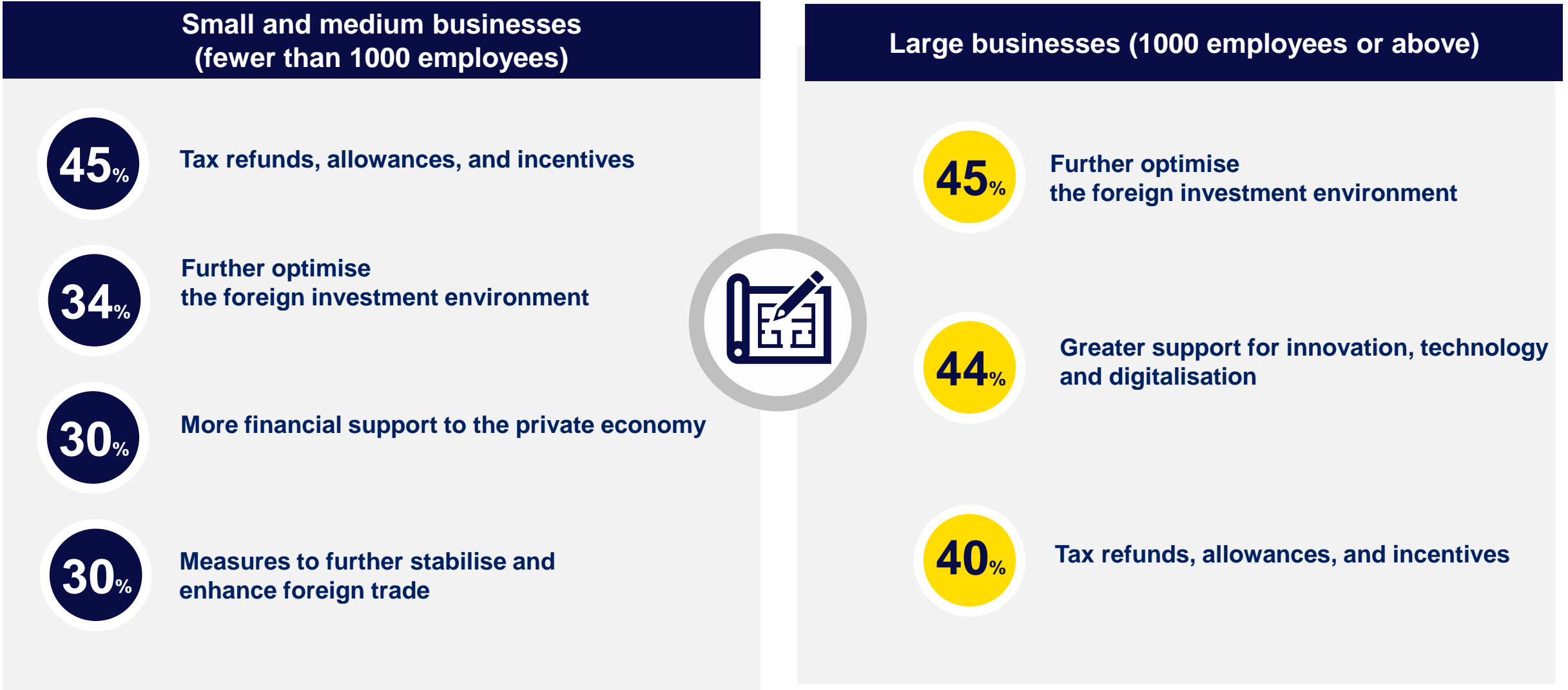
Respondents consider tax measures as key government support for business

Respondents were most likely to nominate tax measures such as tax refunds, allowances and incentives as the government policies that will best support their business in 2024.

Respondents were also likely to nominate further optimisation of the foreign investment environment and greater support for innovation, digitalisation and technology as government policies that will best support their business in 2024.



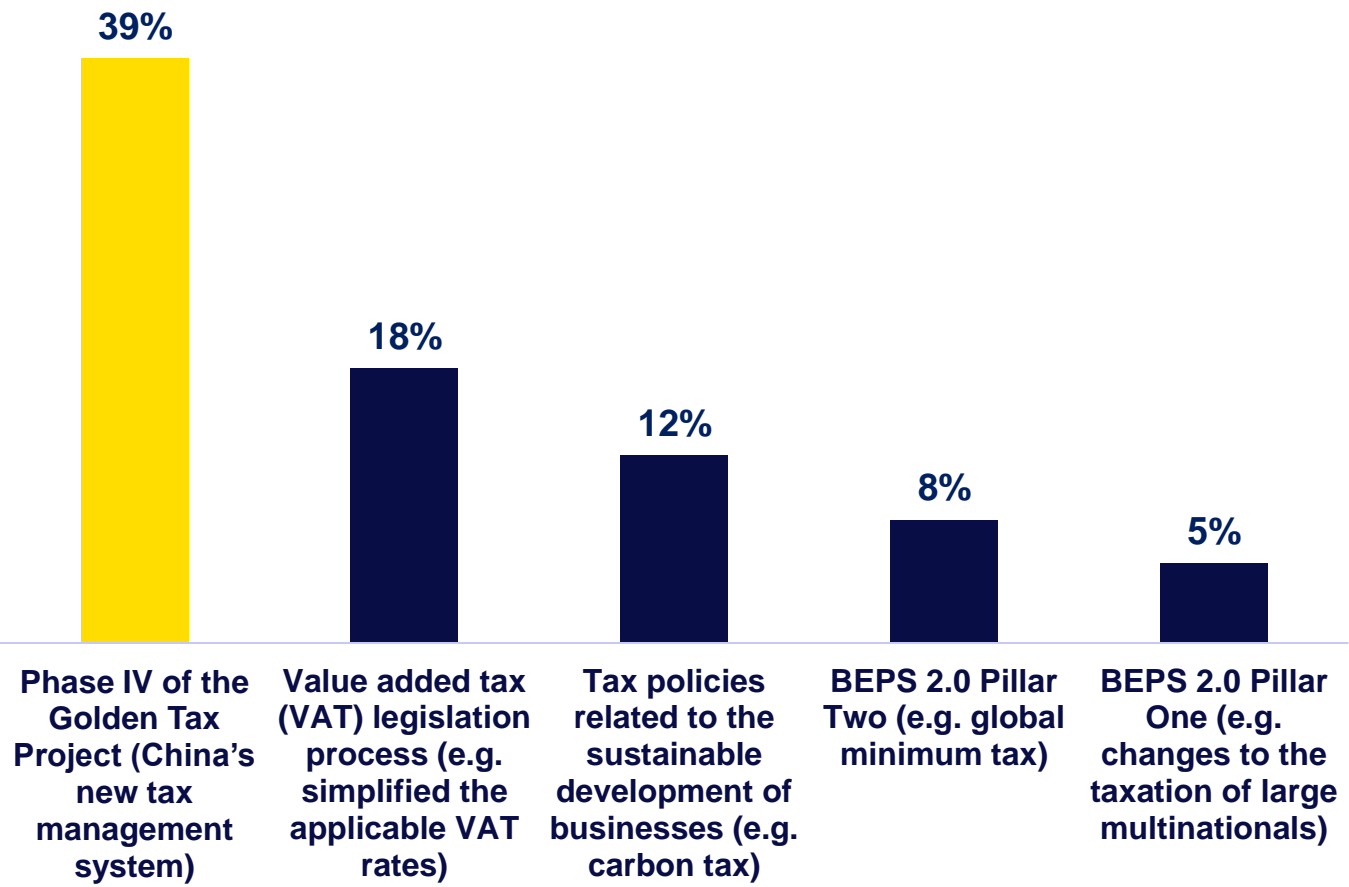
Top government policies to support business growth in 2024 – by business size



Phase IV of the Golden Tax Project seen as the tax development having the greatest impact on business

39 per cent of respondents identified Phase IV of the Golden Tax Project as the tax development that will have the most significant impact on them in the next three years.

The upcoming Phase IV of the Golden Tax System will transition from “managing tax through invoices” to “managing tax through big data and the cloud”. This empowers tax authorities to access and analyse data related to businesses, capital and personnel etc., aiding in the improvement in corporate tax compliance. We advise companies to seek professional tax advice to navigate these changes and assist with implementation.



Question: Which of these tax developments do you believe will have the most significant impact on your business within the next three years?

Note: Respondents who selected 'Don't know' is not shown.

OTHER BUSINESS TRENDS



“

The National Development and Reform Commission's recently unveiled three-year action plan presents key strategies to establish a world-class business environment in the GBA. It prioritises relaxing market access, reducing operational costs, and promoting integrated development through the "Bay Area Connect" project.

In sectors like advanced manufacturing, automobiles, information technology, biomedicine and health, the GBA aims to foster innovation collaboration to create trillion-Yuan-level industrial clusters. The region is also advancing as an international financial hub, with pioneering opening-up measures and support for financial technology.

Furthermore, sustainable development takes centre stage, with significant investments in ESG and green finance. Green industries such as new energy, green transportation, and green building are set to thrive, facilitated by the establishment of a voluntary carbon market and innovative green financial products. These initiatives will bolster connectivity between domestic and foreign financial markets, creating a dynamic ecosystem for businesses to flourish in the GBA.

”



William Huang
President of South China
Committee CPA Australia (2019-21)

CONTINUED FOCUS ON DIGITAL TRANSFORMATION AND ESG INITIATIVES

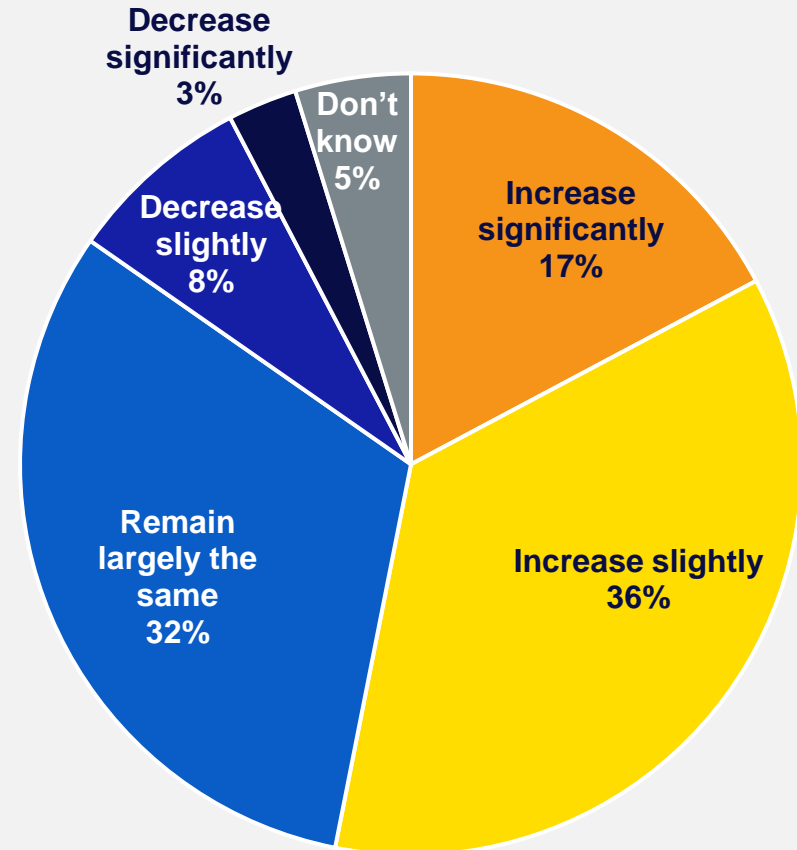
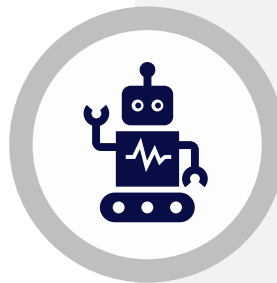
Investing in digital transformation, innovation and technology remains a key priority for more than half of companies. Over half (53 per cent) plan to increase investments in this area in 2024. Larger companies are 26 percentage points more likely to invest compared to small and medium-sized enterprises.

A remarkable 91 per cent of companies reported taking at least one action on Environmental, Social, and Governance (ESG). Aligning with the emphasis on technology, data security and minimising privacy risks is the top ESG action taken by business.

Compared to 2023, how do you think your company's investment into digital transformation, innovation and technology will change in 2024?

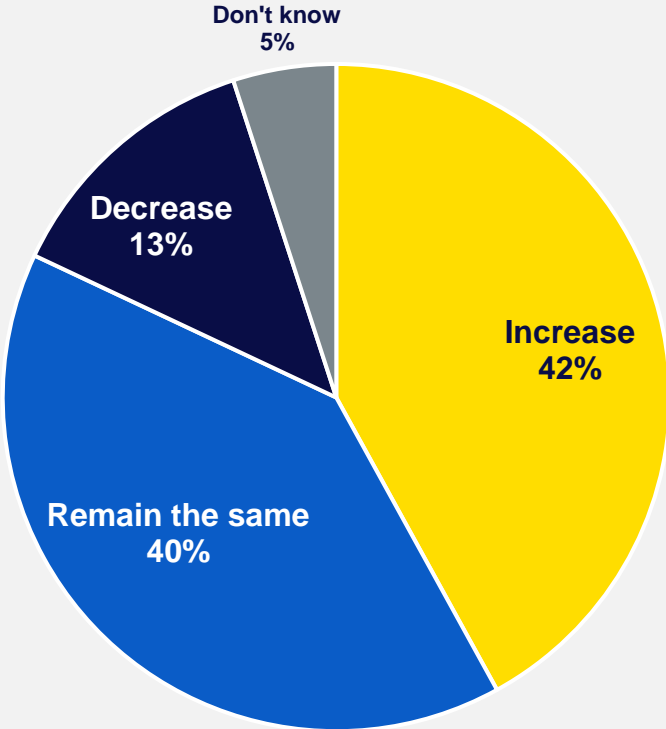
53%

expect their company's investment into digital transformation, innovation and technology will **increase**

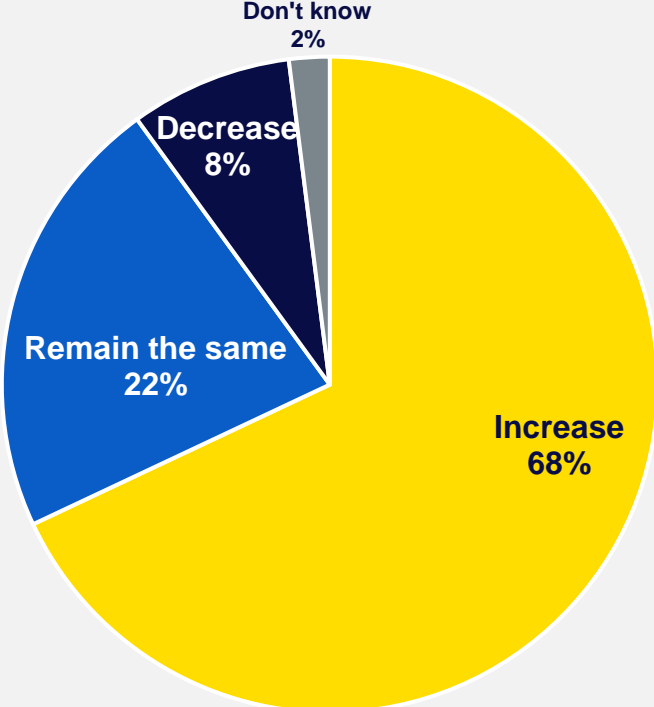


Larger companies are significantly more likely to invest into digital transformation, innovation and technology in 2024

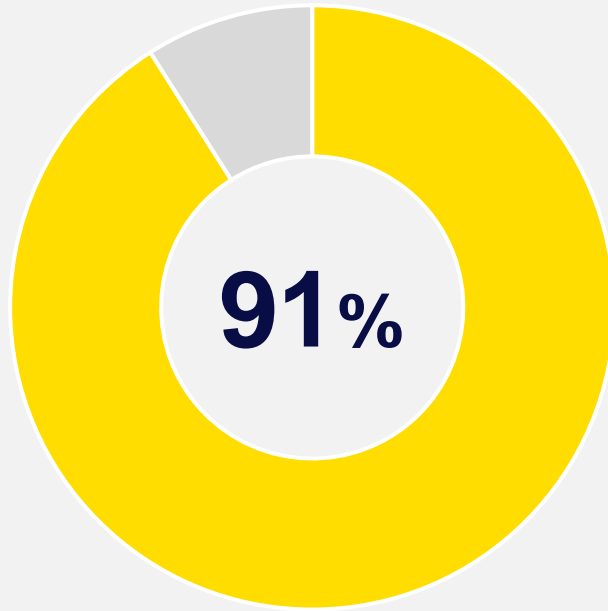
**Small and medium businesses
(fewer than 1000 employees)**



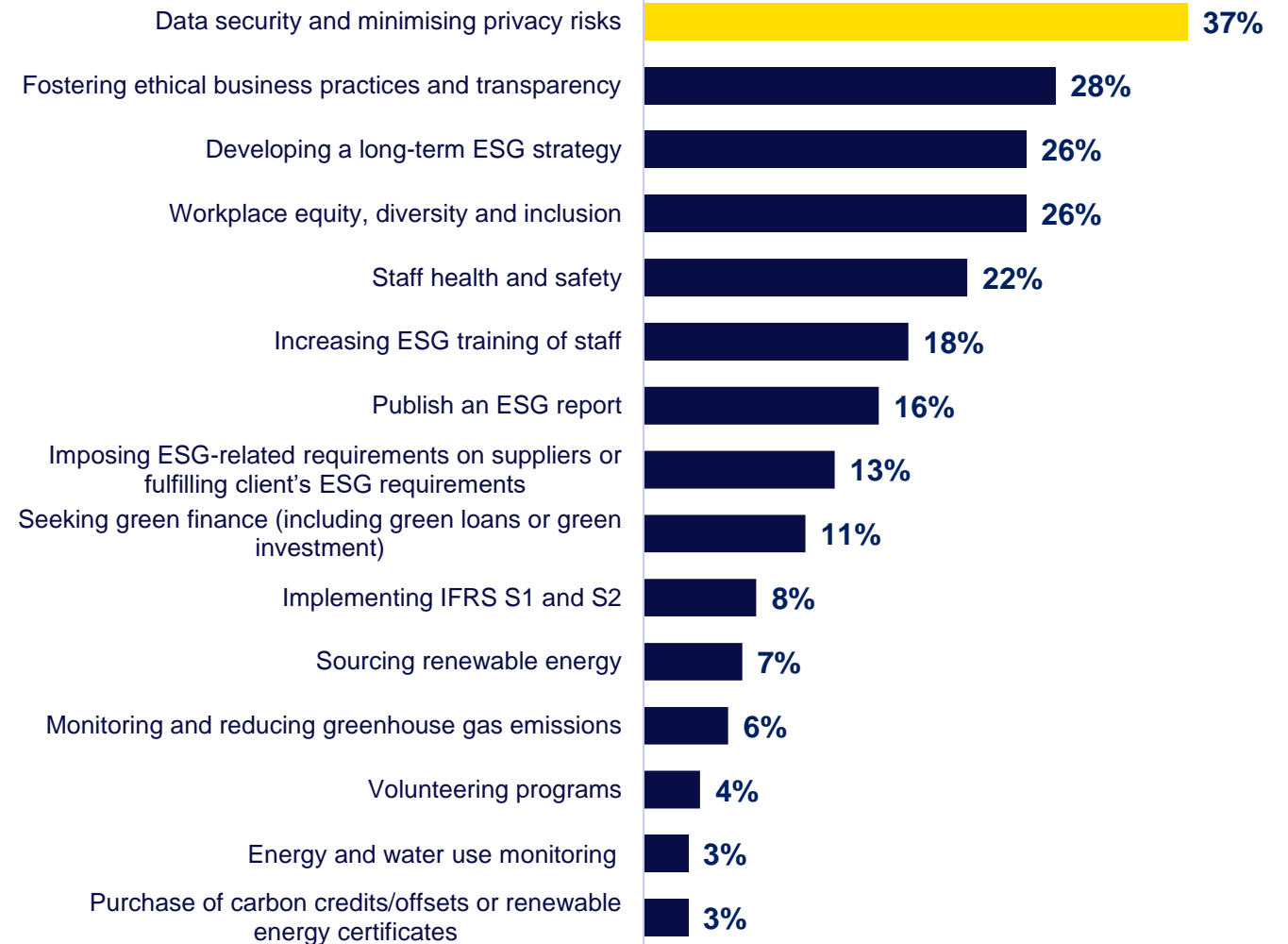
Large businesses (1000 employees or above)



Which of the following environmental, social and governance practices does your employer currently prioritise?

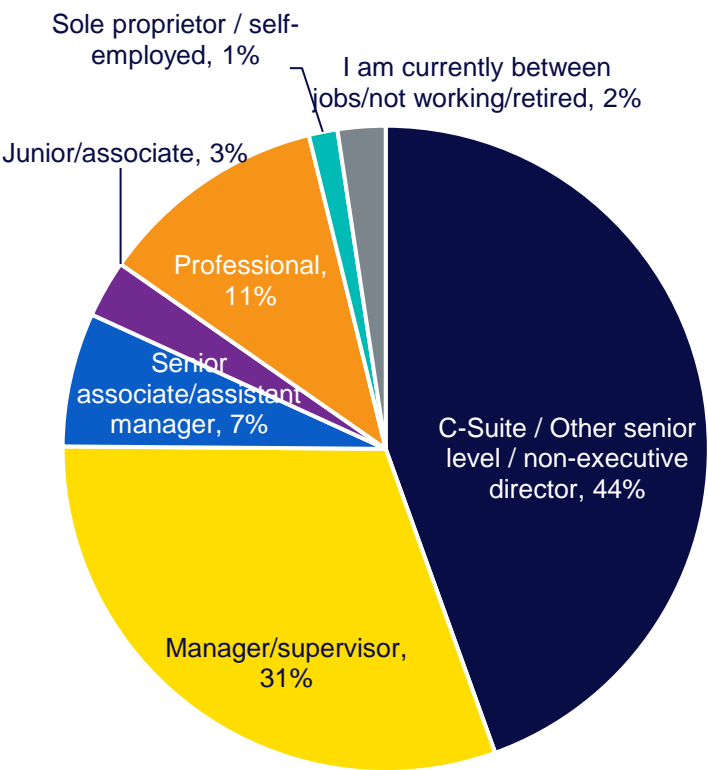


said their company had taken at least one action on ESG

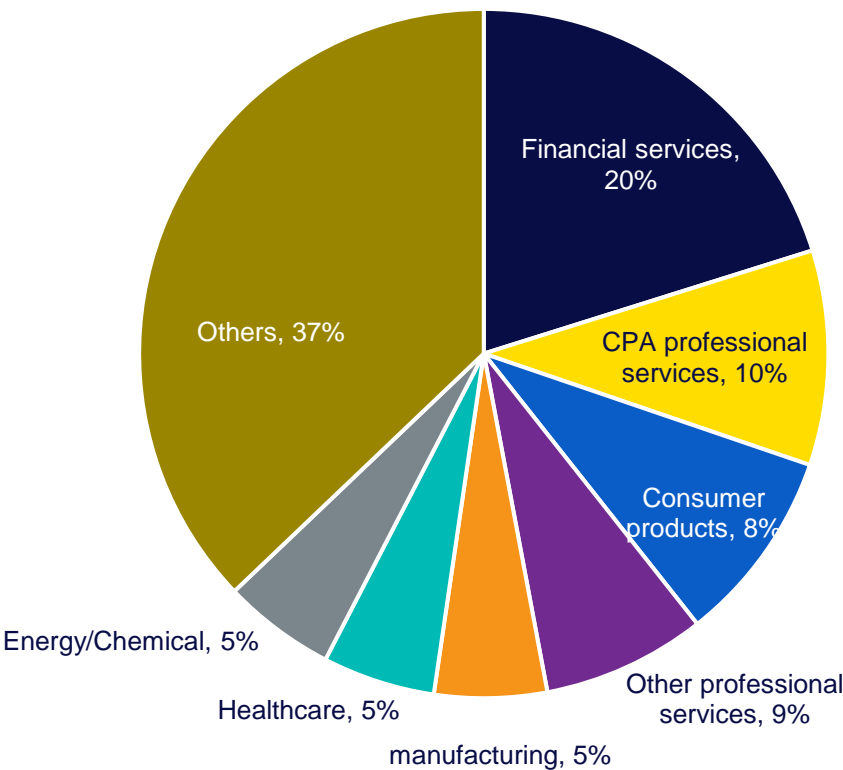


Survey demographics

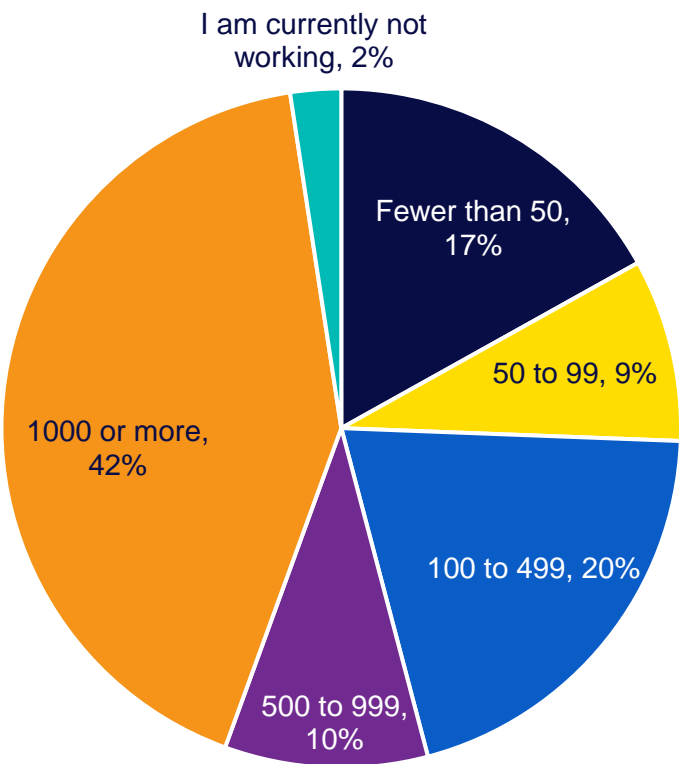
Demographics



Position



Industry



Business size

Recommendations

Recommendations for business



- Continue to invest into digital transformation, technology and innovation that helps the organisation improve efficiency and build on their competitive advantages
- Employ a localisation strategy to adapt to changing customer behavior, unlock untapped demand in segmented markets and maximise value creation
- Improve the cost structure and cost behaviour of your business through digital transformation, such as expanding the use of digital tools in supply chain management and streamlining workflows
- Identify, diversify and expand into new markets, including ASEAN, Belt and Road regions, Greater Bay Area and Yangtze Economic Belt
- Prioritise projects with quick payback periods to improve cash flow
- Embrace emerging opportunities in green finance and industries like new energy and green transportation to drive business growth
- Take steps to improve your organisation's data governance requirements