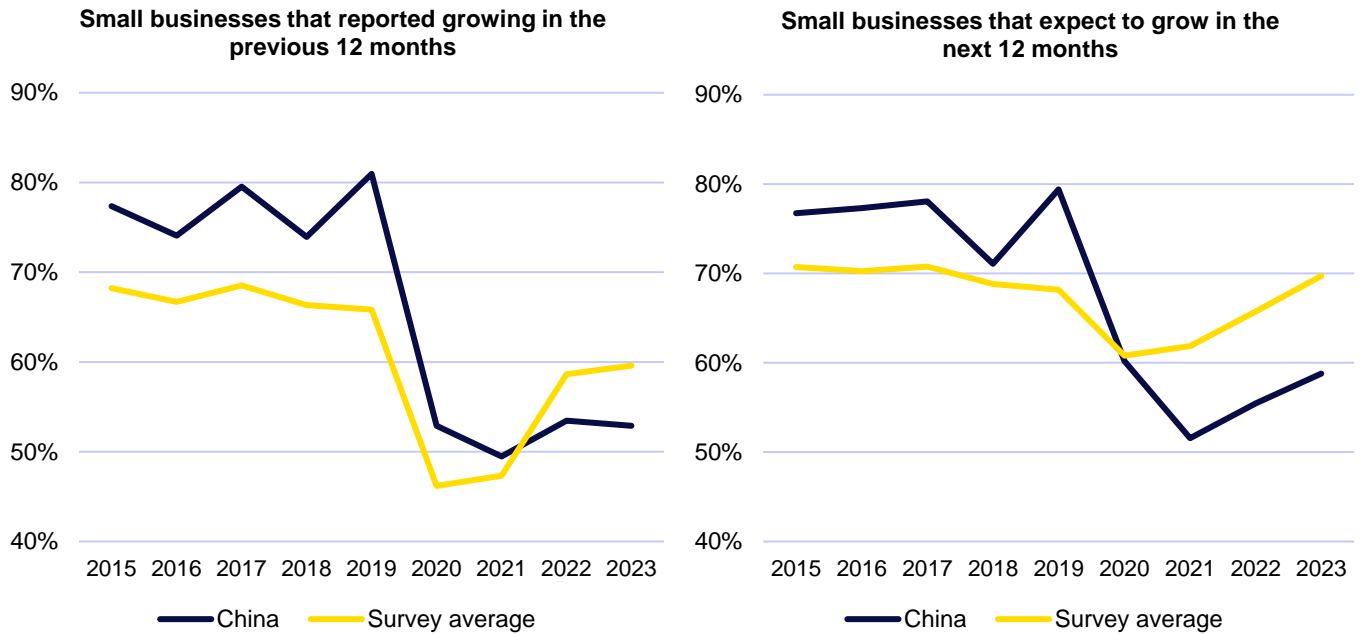


CPA AUSTRALIA ASIA-PACIFIC SMALL BUSINESS SURVEY 2023-2024

Mainland China market
summary

Mainland China¹

Business and economic conditions



	China 2023	Survey average 2023	Rank 2023	China 2022	Rank 2022	China 2021	China 2020	China 2019
Businesses that grew in the last 12 months	52.9%	59.6%	7/11	53.5%	8/11	49.5%	52.9%	81.0%
Businesses that expect to grow in the next 12 months	58.8%	69.7%	9/11	55.5%	8/11	51.6%	60.2%	79.4%
Businesses that expect the local economy to grow in the next 12 months	64.9%	65.0%	7/11	61.4%	7/11	56.7%	66.5%	82.6%
Satisfied or very satisfied with the financial return of the business²	78.7%	65.3%	2/11	84.8%	3/11	N/A	N/A	N/A

¹ For the purpose of this survey, data collected from small businesses in Hong Kong and Taiwan are shown separately from the rest of China.

² Limited to the owner, director, CEO/managing director or principal.

The 2023 survey results showed that last year was a stable year for mainland China's small businesses. 53 per cent responded that they grew last year, down slightly from 54 per cent in the previous year.

2024 is expected to be a better year for Mainland China's small businesses. 59 per cent expect to grow.

One factor that is likely to be contributing to this improvement in small business sentiment is increasing small business confidence in mainland China's economy. Nearly two-thirds (65 per cent) expect the economy to grow in 2023, up from 61 per cent in 2022 and 57 per cent in 2021.

Mainland China's small businesses are well placed for future growth. Many have characteristics strongly associated with high growth businesses including widespread uptake of e-commerce and new payment technologies, and a strong focus on improving business management, entering new markets, emerging technologies such as artificial intelligence and introducing new products or services.

Despite a challenging period, mainland China's small business owners are still largely satisfied with the financial return they are receiving from their businesses.

Technology uptake

	China 2023	Survey average 2023	Rank 2023	China 2022	Rank 2022	China 2021	China 2020	China 2019
More than 10 per cent of revenue came from online sales	74.9%	62.2%	3/11	89.1%	1/11	84.2%	82.0%	82.3%
Did <u>not</u> use social media for business purposes	12.1%	15.4%	6/11	2.1%	11/11	2.2%	6.3%	1.7%
Investment in technology by the business over the past 12 months has improved profitability	57.9%	52.8%	6/11	60.5%	5/11	62.8%	57.0%	56.6%
Technology the business invested in most heavily over the past 12 months	Computer equipment	Computer equipment	N/A	Computer equipment	N/A	Artificial intelligence, machine learning and chatbots	Artificial intelligence, machine learning and chatbots	Computer equipment
Consider the business likely to be cyberattacked in next 12 months	43.0%	44.2%	8/11	39.8%	7/11	46.7%	34.9%	45.1%
Reviewed the business' cybersecurity protections in past six months	55.9%	49.5%	3/11	56.4%	2/11	59.5%	58.5%	67.6%
Lost time and/or money due to a cybersecurity incident in the past 12 months	46.2%	40.7%	5/11	N/A	N/A	N/A	N/A	N/A
More than 10 per cent of sales is received through digital payment options such as Alipay, WeChat Pay, UnionPay app, Tenpay, Apple Pay	90.0%	70.8%	1/11	94.1%	1/11	87.7%	90.8%	91.4%

Sought advice from IT consultants/specialists	34.1%	25.8%	2/11	40.7%	3/11	29.5%	34.3%	N/A
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Small businesses from mainland China continue to be one of the leaders in the region in using technology. Of the 11 markets surveyed, they are ranked first in offering new payment technologies to customers and third in the adoption of e-commerce.

For 2023:

- 90 per cent of mainland China’s small businesses received more than 10 per cent of their sales through digital and online payment options, such as Alipay and WeChat Pay, compared with the survey average of 71 per cent.
- 75 per cent of mainland China’s small businesses received more than 10 per cent of their revenue from online sales, compared with the survey average of 62 per cent.
- Only 12 per cent of mainland China’s small businesses did *not* use social media for business purposes, compared with the survey average of 15 per cent.

The strong returns generated by investments in technology are helping to drive their focus on this area. Over half (58 per cent) of mainland China’s small businesses reported their investment in technology last year improved profitability.

Small businesses from mainland China were the most likely to invest in the following new technologies last year:

- artificial intelligence
- enterprise resource planning (ERP) software
- business intelligence and analytical software
- data visualisation software.

Such investments will assist these businesses achieve long term growth and success.

To support this remarkably high technology uptake, many mainland Chinese small businesses seek help from advisers. 34 per cent sought advice from IT consultants and specialists last year, the second highest result of the markets surveyed.

Most mainland Chinese small businesses take cybersecurity seriously. 56 per cent reviewed their cybersecurity in the past six months – the third highest result of the markets surveyed. Despite this diligence, nearly half (46 per cent) reported that they lost time and/or money due to a cyber incident last year. This indicates a need for mainland China’s small businesses to further increase their focus on cybersecurity.

Business activity over the past 12 months

	China 2023	Survey average 2023	Rank 2023	China 2022	Rank 2022	China 2021	China 2020	China 2019
Increased employee numbers	34.5%	32.0%	6/11	25.3%	7/11	28.7%	29.5%	57.0%
Improved customer satisfaction had a major positive impact on the business	25.9%	28.6%	6/11	23.1%	7/11	21.0%	25.9%	25.4%
Improved business management had a major positive impact on the business	27.9%	23.5%	4/11	20.3%	7/11	20.5%	22.8%	19.9%
Increasing costs had a major negative impact on the business	30.0%	39.7%	10/11	23.1%	11/11	24.3%	23.9%	26.9%
Required funds from an external source	77.3%	62.7%	3/11	81.9%	2/11	71.3%	67.5%	61.4%
Sought external funds for business growth	45.4%	52.6%	6/11	46.4%	7/11	47.6%	43.2%	53.0%
Sought external funds for business survival	41.6%	39.7%	4/11	40.9%	6/11	34.1%	42.0%	36.3%
Found it easy or very easy to access external finance	49.1%	43.3%	4/11	39.0%	7/11	50.9%	27.4%	53.8%
A bank was the business' main source of external finance	37.3%	40.2%	8/11	29.4%	8/11	43.2%	30.4%	18.8%
Did <u>not</u> spend any time and resources on activities linked to ESG	7.3%	19.9%	10/11	6.0%	11/11	N/A	N/A	N/A

Planned business activity over the next 12 months

	China 2024	Survey average 2024	Rank 2024	China 2023	Rank 2023	China 2022	China 2021	China 2020
Expect to increase employee numbers	42.8%	43.1%	6/11	35.2%	7/11	34.3%	41.5%	63.2%
Will introduce a new product, service or process unique to their market or the world	30.7%	28.7%	7/11	26.1%	7/11	28.1%	21.7%	45.6%
Expect revenue from overseas markets to grow strongly	12.1%	18.9%	9/11	15.4%	8/11	19.8%	11.2%	23.7%
Will seek external funds	30.9%	28.7%	6/11	23.7%	8/11	25.5%	33.0%	33.8%
Expect easy to very easy access to finance	47.2%	40.3%	4/11	40.6%	5/11	46.2%	24.6%	49.8%

Employment

Reflecting a stable 2023, 35 per cent added to their employee numbers, up from 25 per cent in 2022.

The increase in the number of mainland Chinese small businesses expecting to grow in 2024 is reflected in the larger number that forecast they will add to their headcount. 43 per cent expect to create new jobs in 2023.

Access to finance

Over three quarters (77 per cent) of mainland China's small businesses sourced external finance in 2023. This is down slightly from 82 per cent in 2022. The percentage that sought external financing for business growth was 45 per cent in 2023.

Mainland China's small businesses reported that they found accessing finance easier in 2023. 49 per cent found accessing finance easy or very easy in 2023, compared with 39 per cent in 2022. 37 per cent of Mainland China's small businesses sourced finance from a bank in 2023, up from 29 per cent in 2022.

Innovation

Small businesses from mainland China have a strong focus on innovation through the expected rollout of new products, processes or services. The innovative culture of mainland China's small businesses and their higher propensity to invest in new technologies, is expected to improve their long-term competitiveness.

Environmental, social, and governance (ESG)

Mainland China's small businesses have the second-strongest focus on activities linked to ESG among the surveyed markets. Only 7 per cent did *not* spend any time or resources on activities linked to ESG in 2023. The activities linked to ESG that mainland China's small businesses were most likely to focus on were staff health and safety policies, green and sustainable finance and diversity and inclusion policies.

Factors that had positive and negative influences on business

Top four factors that had a positive influence on Chinese small business in 2023	Top four factors that had a positive influence Chinese on small business in 2022	Top four factors that had a positive influence on Chinese small business in 2021
Improved business management	Entering new markets	Entering new markets
Introduced a new product or service	Good staff	Improved customer satisfaction
Entering new markets	Introduced a new product or service	Improved business management
Improved customer satisfaction	Improved customer satisfaction	Positive overall economic environment

Top four factors that had a negative impact on Chinese small business in 2023	Top four factors that had a negative impact on Chinese small business in 2022	Top four factors that had a negative impact on Chinese small business in 2021
Increasing costs	COVID-19	Increasing costs
Increasing rent	Increasing costs	COVID-19
Increasing competition	Cash flow difficulties	Difficulty expanding into new markets
Staff costs	Increasing competition	Increasing rent

Small businesses from mainland China found that “improved business management”, “introducing a new product or service” and “entering new markets” had the most positive impact on their business in 2023. All three are strongly associated with high growth small businesses.

Innovating and seeking new markets are ways of growing business and diversifying revenue streams in difficult conditions. Exporting exposes businesses to more competition and ideas. It’s therefore not surprising that businesses experiencing growth are much more likely to expect to grow their revenue from exporting.

Like almost all other markets, the biggest challenge mainland China’s small businesses faced last year was increasing costs. ‘Transportation and storage costs’, “staff costs” and “utility costs” were the costs that caused them the most detriment.

Key figures for 2023 by city

	Shanghai	Beijing	Guangzhou	Shenzhen	Chengdu	Mainland China average	Survey average
Business and economic growth							
Businesses that grew in the past 12 months	49.7%	52.4%	51.0%	57.7%	53.2%	52.9%	59.6%
Businesses that expect to grow in the next 12 months	51.0%	63.6%	53.7%	65.4%	60.3%	58.8%	69.7%
Businesses that expect the local economy to grow in the next 12 months	58.9%	72.0%	56.5%	68.6%	68.6%	64.9%	65.0%
Technology use							

More than 10 per cent of revenue came from online sales	76.8%	74.8%	63.3%	77.6%	81.4%	74.9%	62.2%
Investment in technology by the business over the past 12 months has improved profitability	54.3%	64.3%	55.1%	51.9%	64.1%	57.9%	52.8%
More than 10 per cent of sales is received through digital payment options such as Alipay, WeChat Pay, UnionPay app, Tenpay, Apple Pay	83.4%	86.6%	93.7%	93.3%	94.0%	90.0%	70.8%
Think it is likely their business will be cyberattacked in the next 12 months	41.1%	56.6%	25.9%	40.4%	51.3%	43.0%	44.2%
Reviewed the business' cybersecurity protections in past six months	58.9%	56.6%	49.0%	46.8%	67.9%	55.9%	49.5%
Lost time and/or money due to a cybersecurity incident in the past 12 months	55.0%	49.7%	20.4%	53.2%	51.9%	46.2%	40.7%
Business activity over the past 12 months							
Increased employee numbers in the past 12 months	35.1%	46.2%	18.4%	30.1%	42.9%	34.5%	32.0%
Required external funds over the past 12 months	84.8%	81.8%	68.0%	66.7%	85.3%	77.3%	62.7%
Found access to external finance easy or very easy over the past 12 months	54.7%	54.7%	46.0%	44.2%	45.1%	49.1%	43.3%
Banks were the main source of external funds	35.2%	36.8%	42.0%	40.4%	33.8%	37.3%	40.2%
Business growth was the main reason for seeking external finance	46.1%	40.2%	59.0%	41.3%	42.1%	45.4%	52.6%
Business survival was the main reason for seeking external finance	46.9%	34.2%	41.0%	48.1%	38.3%	41.6%	39.7%
Did <u>not</u> spend any time and resources on activities linked to ESG	4.2%	22.4%	1.3%	7.1%	1.9%	7.3%	19.9%
Planned business activity over the next 12 months							
Plan to increase employee numbers over the next 12 months	41.1%	49.7%	36.1%	44.9%	42.3%	42.8%	43.1%
Will seek external funds in the next 12 months	33.8%	39.9%	22.4%	27.6%	31.4%	30.9%	28.7

Expect easy to very easy access to finance in next 12 months	52.6%	54.5%	46.0%	36.6%	46.4%	47.2%	40.3%
Expect revenue from overseas markets to grow strongly over the next 12 months	9.9%	15.4%	6.8%	13.5%	14.7%	12.1%	18.9%
Will introduce a new product, service or process unique to their market or the world in the next 12 months	31.1%	42.0%	19.0%	29.5%	32.1%	30.7%	28.7%
Key demographics							
Respondent aged under 40	35.1%	28.0%	46.9%	35.9%	39.1%	37.1%	46.0%

The results for mainland China are mostly similar between the five cities surveyed. However, small businesses from:

- Shenzhen were slightly more likely to grow in 2023
- Chengdu were slightly more likely to generate more than 10 per cent of their sales online than Beijing, Shanghai and Shenzhen
- Guangzhou were the most likely to seek finance to fund business growth last year
- Beijing and Shanghai found accessing external finance the easiest in 2023
- Guangzhou were the least likely to experience lost time and/or money from a cyber incident last year
- Guangzhou were the most likely to *not* spend any time or resources on activities linked to ESG last year
- Beijing are the most likely to state they will innovate this year.

Entrepreneurship

China 2023	
Primary reason for starting their business	Be your own boss / independence
Biggest concern when first started a business	Irregular income / cashflow
Most common attitude and approach to managing business risk of owner	Adaptive risk manager

When starting their businesses, mainland China's entrepreneurs are primarily motivated by the desire to be their own boss. The biggest concern they had when starting their business was irregular income and cash flow.

As adaptive risk managers, mainland China's small business owners are more likely to prefer to adjust their risk strategies to the circumstances, such as taking more risks in times of growth and less risks in difficult times.

Demographics

	China 2023	Survey average 2023	Rank 2023	China 2022	Rank 2022	China 2021	China 2020	China 2019
Respondent aged under 40	37.1%	46.0%	10/11	46.0%	6/11	57.4%	63.5%	77.5%
Business established for less than 11 years	51.1%	61.1%	10/11	53.9%	10/11	64.4%	63.8%	74.2%
Respondent is the business owner	4.8%	37.4%	11/11	15.0%	8/11	16.3%	24.9%	11.7%
Business has 10 to 19 employees	47.0%	38.3%	4/11	62.6%	1/11	43.7%	46.6%	73.1%

Like mainland China's broader demographic trend, the age profile of China's small business owners is also ageing. However, unlike Australia and New Zealand, the trend does not appear to be having an adverse impact on China's overall positive results.

The survey results have shown over many years that businesses with younger respondents are more likely to be growing, innovating, using emerging technologies and exporting. The results point to older small business owners from mainland China bucking this trend, as they continue to have a strong focus on technology, introducing new products and entering new markets.