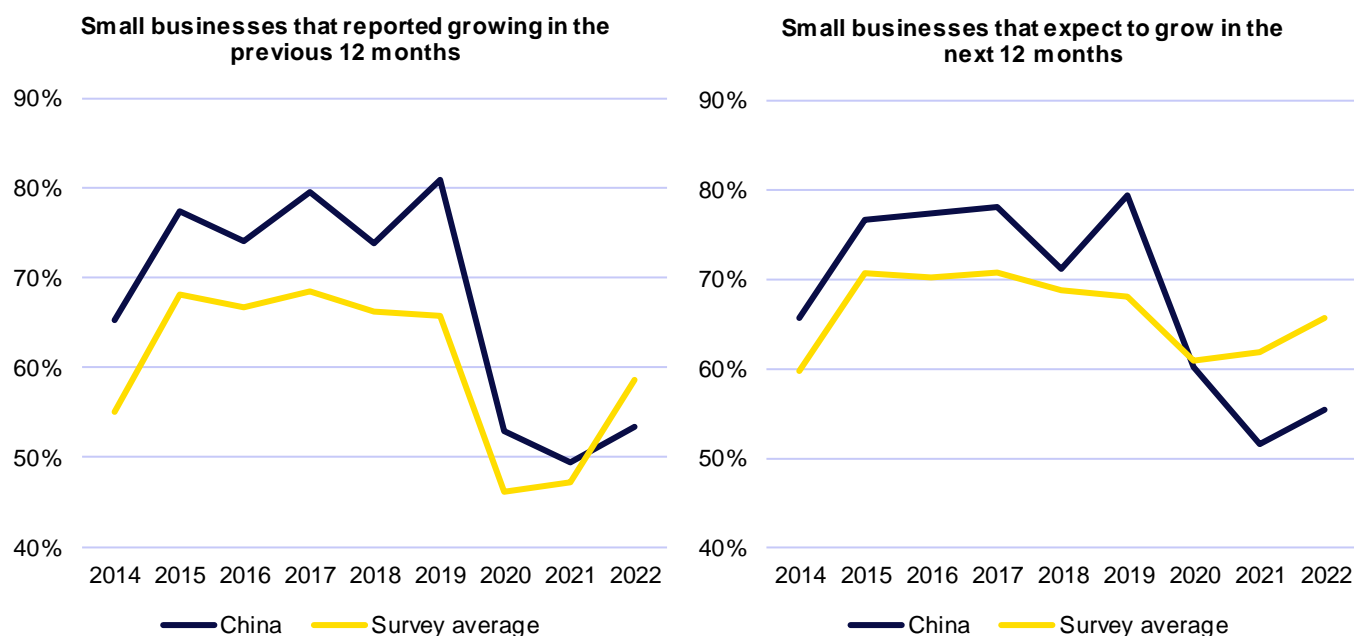


CPA AUSTRALIA ASIA-PACIFIC SMALL BUSINESS SURVEY 2022-2023

Mainland China market
summary

Mainland China¹

Business and economic conditions



	China 2022	Survey average 2022	Rank 2022	China 2021	Rank 2021	China 2020	China 2019	China 2018
Businesses that grew in the last 12 months	53.5%	58.6%	8/11	49.5%	5/11	52.9%	81.0%	74.0%
Businesses that expect to grow in the next 12 months	55.5%	65.7%	8/11	51.6%	10/11	60.2%	79.4%	71.1%
Businesses that expect the local economy to grow in the next 12 months	61.4%	62.5%	7/11	56.7%	7/11	66.5%	82.6%	64.3%
Satisfied or very satisfied with the financial return of the business²	84.8%	68.9%	3/11	N/A	N/A	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.

2022 was a slightly better year for Mainland China's small businesses than 2021. 53.5 per cent of Mainland China's small businesses grew last year, up from 49.5 per cent the year before.

2023 is expected to be a better year for Mainland China's small businesses. 55.5 per cent expect to grow, however this is lower than the survey average of 65.7 per cent.

Mainland China's economy is expected to recover in 2023 after uneven growth last year. 61.4 per cent expect the economy to grow, indicating that many are optimistic that business and economic activities will rebound.

Despite a challenging period, Mainland China's small business owners are still largely satisfied with the financial return they are receiving from their businesses. This possibly reflects the belief that this challenging period is only temporary, and business will soon bounce back.

COVID-19, rising costs and cash flow difficulties appear to be major contributors to these results. However, the extraordinarily strong focus of many of China's small businesses on e-commerce, new payment technologies and entering new markets should result in a quick recovery. The targeted small business support offered by China's government should also help the sector to rebound quickly.

Use of technology

	China 2022	Survey average 2022	Rank 2022	China 2021	Rank 2021	China 2020	China 2019	China 2018
More than 10 per cent of revenue came from online sales	89.1%	67.9%	1/11	84.2%	1/11	82.0%	82.3%	81.3%
Did not use social media for business purposes	2.1%	15.4%	11/11	2.2%	11/11	6.3%	1.7%	3.7%
Investment in technology by the business over the past 12 months has improved profitability	60.5%	55.2%	5/11	62.8%	5/11	57.0%	56.6%	67.0%
Technology the business invested in most heavily over the past 12 months	Computer equipment	Computer equipment	N/A	Artificial intelligence, machine learning and chatbots	N/A	Artificial intelligence, machine learning and chatbots	Computer equipment	Computer equipment
Consider the business likely to be cyberattacked in next 12 months	39.8%	47.2%	7/11	46.7%	4/11	34.9%	45.1%	46.3%
Reviewed the business' cybersecurity protections in past six months	56.4%	46.0%	2/11	59.5%	2/11	58.5%	67.6%	69.0%
More than 10 per cent of sales is received through digital payment options such as Alipay, WeChat Pay, UnionPay app, Tenpay, Apple Pay	94.1%	73.7%	1/11	87.7%	1/11	90.8%	91.4%	87.1%
Sought advice from IT consultants/specialists	40.7%	28.6%	3/11	29.5%	3/11	34.3%	N/A	N/A

Business operation is frequently or very frequently affected by internet connectivity issues

27.5%

30.5%

4/11

N/A

N/A

N/A

N/A

N/A

Small businesses from Mainland China continue to lead the region in using technology. Of the 11 markets surveyed, they are ranked first in the adoption of e-commerce, new payment technologies and using social media for business purposes.

For 2022:

- 89.1 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 67.9 per cent.
- 94.1 per cent of Mainland China's small businesses received more than 10 per cent of their sales through new digital and online payment options, such as Alipay and WeChat Pay, compared with the survey average of 73.7 per cent.
- Only 2.1 per cent of Mainland China's small businesses did not use social media for business purposes, compared with the survey average of 15.4 per cent.

The strong returns generated by such investments are helping to drive this focus on technology. Over three in five (60.5 per cent) of Mainland China's small businesses reported their investment in technology last year improved profitability.

This remarkably high usage of technology in China is requiring many small businesses to seek help from advisers. 40.7 per cent sought advice from IT consultants and specialists last year.

Most Mainland Chinese small businesses take cybersecurity seriously. 56.4 per cent reviewed their cybersecurity in the past six months – the second highest result of the markets surveyed.

Business activity over the past 12 months

	China 2022	Survey average 2022	Rank 2022	China 2021	Rank 2021	China 2020	China 2019	China 2018
Increased employee numbers	25.3%	35.0%	7/11	28.7%	4/11	29.5%	57.0%	39.7%
Improved customer satisfaction had a major positive impact on the business	23.1%	27.0%	7/11	21.0%	4/11	25.9%	25.4%	36.1%
Improved business management had a major positive impact on the business	20.3%	22.0%	7/11	20.5%	4/11	22.8%	19.9%	25.8%
Increasing costs had a major negative impact on the business	23.1%	31.1%	11/11	24.3%	11/11	23.9%	26.9%	34.4%
Required funds from an external source	81.9%	62.5%	2/11	71.3%	4/11	67.5%	61.4%	79.6%
Sought external funds for business growth	46.4%	52.1%	7/11	47.6%	4/11	43.2%	53.0%	59.9%
Sought external funds for business survival	40.9%	44.3%	6/11	34.1%	10/11	42.0%	36.3%	32.9%
Found it easy or very easy to access external finance	39.0%	45.9%	7/11	50.9%	4/11	27.4%	53.8%	35.4%
A bank was the business' main source of external finance	29.4%	38.2%	8/11	43.2%	3/11	30.4%	18.8%	29.6%
Did not spend any time and resources on ESG practices	6.0%	21.4%	11/11	N/A	N/A	N/A	N/A	N/A

Impacts of COVID-19

	China 2022	Survey average 2022	Rank 2022	China 2021	Rank 2021	China 2020
COVID-19 had a major negative impact on the business in the past 12 months	35.6%	36.7%	7/11	19.6%	11/11	49.6%
My business' major reaction to COVID-19 was to begin or increase its focus on online sales	26.5%	24.8%	5/11	18.7%	7/11	28.1%
My business' major reaction to COVID-19 was to increase investment in technology	22.6%	19.1%	3/11	21.5%	3/11	21.6%

Planned business activity over the next 12 months

	China 2023	Survey average 2023	Rank 2023	China 2022	Rank 2022	China 2021	China 2020	China 2019
Expect to increase employee numbers	35.2%	44.9%	7/11	34.3%	5/11	41.5%	63.2%	51.0%
Will introduce a new product, service or process unique to their market or the world	26.1%	34.4%	7/11	28.1%	3/11	21.7%	45.6%	26.0%
Expect revenue from overseas markets to grow strongly	15.4%	23.7%	8/11	19.8%	3/11	11.2%	23.7%	14.4%
Will seek external funds	23.7%	33.6%	8/11	25.5%	5/11	33.0%	33.8%	36.4%
Expect easy to very easy access to finance	40.6%	42.3%	5/11	46.2%	3/11	24.6%	49.8%	33.8%

COVID-19

An increasing percentage of small businesses from Mainland China identified COVID-19 as their biggest challenge in 2022 (35.6 per cent in 2022 compared to 19.6 per cent in 2021). This is not surprising given Mainland China's COVID-19 outbreaks and lockdowns throughout 2022.

Environmental, social, and governance (ESG)

Mainland China's small businesses have the strongest focus on ESG among the surveyed markets. Only 6 per cent did not spend any time and resources on ESG practices in 2022. Among those that spent time and resources on ESG initiatives, key focuses were on employee health and safety and supply chain sustainability.

Innovation

In addition to their remarkably strong focus on technologies, small businesses from Mainland China also have a strong focus on innovation through the expected rollout of new products, processes or services. The innovative culture of Mainland China's small business sector is expected to support the sector's quick recovery from COVID-19 and improve its long-term competitiveness.

Employment

Reflecting a challenging 2022, only 25.3 per cent added to their employee numbers. This figure is the lowest on record for Mainland China and down from 28.7 per cent in 2021.

The increase in the number of Mainland Chinese small businesses expecting to grow in 2023 is echoed in the larger number that forecast they will add to their headcount. 35.2 per cent expect to create new jobs in 2023.

Access to finance

Most of Mainland China's small businesses sourced external finance in 2022. 81.9 per cent needed external financing in 2022, up from 71.3 per cent in 2021. The percentage that sought external financing for business growth decreased slightly from 47.6 per cent in 2021 to 46.4 per cent in 2022, while the percentage that sought such finance for survival rose from 34.1 per cent to 40.9 per cent.

Mainland China's small businesses reported that they found accessing finance more difficult in 2022. 33.6 per cent found accessing finance difficult or very difficult in 2022, compared with 10.6 per cent in 2021. 29.4 per cent of Mainland China's small businesses sourced finance from a bank in 2022, down from 43.2 per cent in 2021.

Factors that had positive and negative influences on business

Top four factors that had a positive influence on Chinese small business in 2022	Top four factors that had a positive influence Chinese on small business in 2021	Top four factors that had a positive influence on Chinese small business in 2020
Entering new markets	Entering new markets	Customer loyalty
Good staff	Improved customer satisfaction	Government support/incentives
Introduced a new product or service	Improved business management	Improved customer satisfaction
Improved customer satisfaction	Positive overall economic environment	Entering new markets

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	Top four factors that had a negative impact on Chinese small business in 2020
COVID-19	Increasing costs	COVID-19
Increasing costs	COVID-19	Increasing costs
Cash flow difficulties	Difficulty expanding into new markets	Cash flow difficulties
Increasing competition	Increasing rent	Increasing competition

Small businesses from Mainland China once again found that "entering new markets" had the most positive impact on their business in 2022. Seeking new markets is one way of growing business and diversifying revenue streams in difficult conditions. Exporting exposes businesses to more competition

and innovative ideas. It's therefore not surprising that businesses experiencing growth are much more likely to expect to grow their revenue from exporting.

Strict pandemic-related policies in major cities in 2022 meant that "COVID-19" was ranked first in the factors that had a negative impact on their business.

Key figures for 2022 by city

	Beijing	Chengdu	Guangzhou	Shanghai	Shenzhen	Mainland China average	Survey average
Business and economic growth							
Businesses that grew in the past 12 months	75.2%	48.1%	57.4%	53.7%	35.5%	53.5%	58.6%
Businesses that expect to grow in the next 12 months	75.2%	42.9%	56.8%	65.8%	39.4%	55.5%	65.7%
Businesses that expect the local economy to grow in the next 12 months	78.8%	51.9%	61.3%	69.8%	47.7%	61.4%	62.5%
Use of technology							
More than 10 per cent of revenue came from online sales	92.7%	89.1%	83.9%	85.9%	94.2%	89.1%	67.9%
Investment in technology by the business over the past 12 months has improved profitability	69.3%	50.6%	59.4%	63.7%	60.6%	60.5%	55.2%
More than 10 per cent of sales is received through digital payment options such as Alipay, WeChat Pay, UnionPay app, Tenpay, Apple Pay	97.1%	94.0%	88.7%	95.8%	95.4%	94.1%	73.7%
Think it is likely their business will be cyberattacked in the next 12 months	49.6%	33.3%	42.6%	36.9%	37.4%	39.8%	47.2%
Reviewed the business' cybersecurity protections in past six months	70.1%	46.8%	56.1%	60.4%	50.3%	56.4%	46.0%
Business operation is frequently or very frequently affected by internet connectivity issues	17.5%	33.3%	25.8%	16.8%	42.6%	27.5%	30.5%
Impacts of COVID-19							
COVID-19 had a major negative impact on my business in the past 12 months	36.5%	35.8%	29.0%	47.0%	30.3%	35.6%	36.7%

My business' major reaction to COVID-19 was to begin or increase its focus on online sales	29.9%	22.4%	31.0%	28.9%	20.6%	26.5%	24.8%
My business' major reaction to COVID-19 was to increase investment in technology	26.3%	19.9%	25.8%	20.1%	21.3%	22.6%	19.1%
Business activity over the past 12 months							
Increased employee numbers in the past 12 months	40.9%	23.7%	17.4%	26.2%	20.0%	25.3%	35.0%
Required external funds over the past 12 months	89.1%	83.3%	77.4%	75.2%	85.2%	81.9%	62.5%
Found access to external finance easy or very easy over the past 12 months	26.2%	45.4%	45.8%	28.5%	47.0%	39.0%	45.9%
Banks were the main source of external funds	39.3%	30.0%	24.2%	26.8%	26.5%	29.4%	38.2%
Business growth was the main reason for seeking external finance	50.0%	46.2%	45.8%	56.3%	35.6%	46.4%	52.1%
Business survival was the main reason for seeking external finance	39.3%	48.5%	47.5%	33.9%	34.8%	40.9%	44.3%
Staff costs were most detrimental to the business	18.2%	14.1%	16.1%	6.7%	14.8%	14.0%	17.6%
Planned business activity over the next 12 months							
Plan to increase employee numbers over the next 12 months	51.1%	28.8%	38.7%	34.9%	24.5%	35.2%	44.9%
Will seek external funds in the next 12 months	40.9%	21.2%	11.6%	21.5%	25.2%	23.7%	33.6%
Expect easy to very easy access to finance in next 12 months	28.2%	46.4%	42.6%	32.8%	51.0%	40.6%	42.3%
Expect revenue from overseas markets to grow strongly over the next 12 months	24.1%	12.2%	16.1%	16.1%	9.7%	15.4%	23.7%
Will introduce a new product, service or process unique to their market or the world in the next 12 months	41.6%	23.1%	21.3%	24.8%	21.3%	26.1%	34.4%
Key demographics							
Respondent aged under 40	40.1%	37.2%	52.9%	51.7%	47.7%	46.0%	47.6%

- Beijing had the highest percentage of small businesses seeking external finance in 2022. They were also the most likely to find increasing staff and utility costs were the costs that had the most detrimental impact on their business.

- Chengdu was ranked first for small businesses seeking external finance for business survival and to cover rising costs, especially foreign exchange fluctuations, higher rent and rising transportation and storage costs.
- Shanghai's small businesses were the most negatively affected by COVID-19 in 2022. They were also the most likely to need external finance for business growth.
- Shenzhen's small businesses found accessing external finance the easiest in 2022.
- Guangzhou's small businesses were the least negatively affected by COVID-19 in 2022.

Demographics

	China 2022	Survey average 2022	Rank 2022	China 2021	Rank 2021	China 2020	China 2019	China 2018
Respondent aged under 40	46.0%	47.6%	6/11	57.4%	3/11	63.5%	77.5%	69.9%
Business established for less than 11 years	53.9%	61.1%	10/11	64.4%	4/11	63.8%	74.2%	64.8%
Respondent is the business owner	15.0%	36.9%	8/11	16.3%	9/11	24.9%	11.7%	10.1%
Business has 10 to 19 employees	62.6%	37.1%	1/11	43.7%	2/11	46.6%	73.1%	70.0%

Policy suggestions

Policymakers should consider continuing the favourable policy settings they have in place for small business and improving small businesses' access to finance.