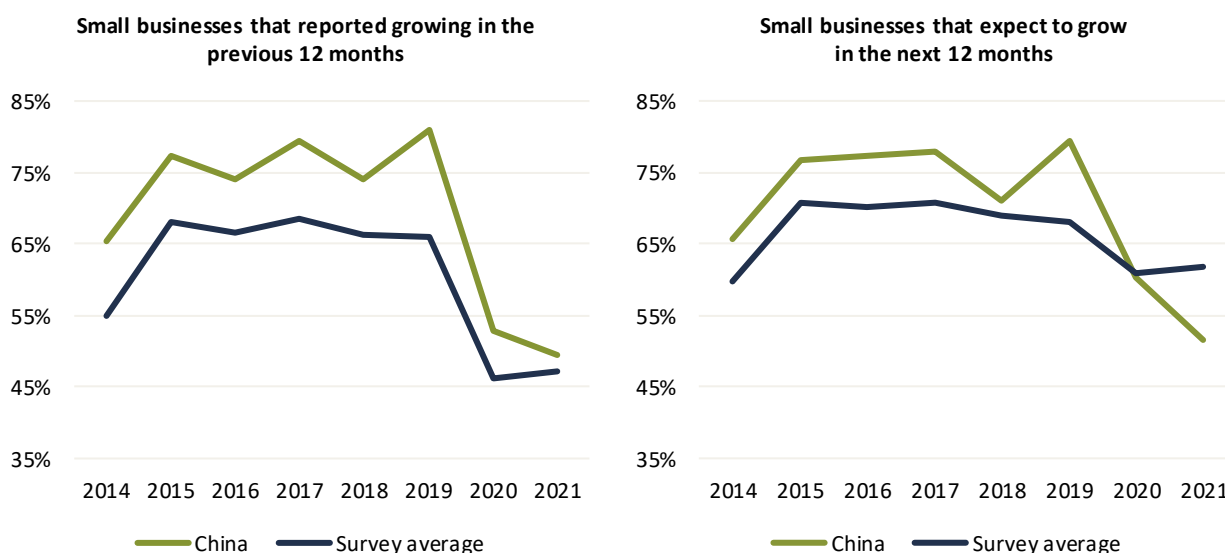


CPA AUSTRALIA ASIA-PACIFIC SMALL BUSINESS SURVEY 2021-2022

MAINLAND CHINA MARKET SUMMARY

Mainland China¹

Business and economic growth



	China 2021	Survey average 2021	Rank 2021	China 2020	Rank 2020	China 2019	China 2018	China 2017
Businesses that grew in the past 12 months	49.5%	47.3%	5/11	52.9%	5/11	81.0%	74.0%	79.5%
Businesses that expect to grow in the next 12 months	51.6%	61.9%	10/11	60.2%	6/11	79.4%	71.1%	78.1%
Businesses that expect the local economy to grow in the next 12 months	56.7%	60.6%	7/11	66.5%	6/11	82.6%	64.3%	76.7%

2021 was a weaker year than 2020 for Mainland China's small business sector. 49.5 per cent of businesses stated that they grew last year, down from 52.9 per cent in 2020. It is also the lowest result for this market since 2014. However, the result was higher than many developed markets such as Australia, where only 32.2 per cent of small businesses reported growing.

2022 is expected to be a tougher year for Mainland China's small businesses. 51.6 per cent expect to grow. This result is the second lowest of the markets surveyed and the lowest on record for Mainland China. With Mainland China coming off very strong economic growth in 2021, it's likely that momentum in 2022 will slow. In addition, rising production costs may weigh on small business growth outlook. Such costs may be absorbed by some small businesses rather than passed on, impacting profitability.

Mainland China's small business confidence in the economy has waned, with 56.7 per cent expecting the local economy to grow in 2022, down from 66.5 per cent in last year's survey. This is also the lowest on record for Mainland China.

¹ Data for Mainland China excludes Hong Kong and Taiwan, which are shown separately for the purposes of this survey.

However, there are many positive results from Mainland China. They are at the vanguard of digital adoption across the region – results that mean China’s small business sector is well placed for long-term growth. A sizeable number are also innovating and expanding overseas. These factors should assist many Mainland Chinese small businesses manage through tougher conditions expected in 2022.

Impacts of COVID-19

	China 2021	Survey average 2021	Rank 2021	China 2020	Rank 2020
COVID-19 had a major negative impact on my business in the past 12 months	19.6%	51.0%	11/11	49.6%	10/11
My business’ major reaction to COVID-19 was to begin or increase its focus on online sales	18.7%	24.3%	7/11	28.1%	5/11

Respondents from Mainland China were the least likely to identify COVID-19 as their biggest challenge in 2021 (19.6 per cent compared to the survey average of 51.0 per cent). This is not surprising, given the success Mainland China had in managing COVID-19 outbreaks in 2020 and keeping it under control in 2021.

Use of technology

	China 2021	Survey average 2021	Rank 2021	China 2020	Rank 2020	China 2019	China 2018	China 2017
Did not earn any revenue from online sales	1.3%	19.0%	11/11	4.1%	11/11	2.1%	5.4%	6.8%
Did not use social media for business purposes	2.2%	17.2%	11/11	6.3%	11/11	1.7%	3.7%	4.8%
Investment in technology by the business over the past 12 months has improved profitability	62.8%	53.6%	5/11	57.0%	4/11	56.6%	67.0%	74.1%
Technology your business invested in most heavily over the past 12 months	Artificial intelligence, machine learning and chatbots	Computer equipment	N/A	Artificial intelligence, machine learning and chatbots	N/A	Computer equipment	Computer equipment	N/A
Consider your business likely to be cyberattacked in next 12 months	46.7%	44.3%	4/11	34.9%	7/11	45.1%	46.3%	44.9%
Reviewed your business’ cybersecurity protections in past six months	59.5%	46.7%	2/11	58.5%	1/11	67.6%	69.0%	N/A
More than 10 per cent of sales is received through digital payment options such as PayPal, Alipay, WeChat Pay	87.7%	64.9%	1/11	90.8%	1/11	91.4%	87.1%	84.2%

Small businesses from Mainland China continue to be leaders in using technology in their business. Of the 11 markets surveyed, they were the most likely to earn revenue from online sales and the most likely to use social media for business purposes. Further, 84.2 per cent earned more than 10 per cent of their revenue through online sales, the highest of the markets surveyed.

Mainland China's small businesses are also clear leaders in the use of digital and online payment options, such as Alipay and WeChat Pay. 87.7 per cent received over 10 per cent of their sales through such technology, significantly above the survey average of 64.9 per cent.

Mainland China was the only market where respondents nominated artificial intelligence, machine learning and conversational platforms (such as chatbots) as the technologies they invested most heavily in 2021. Small businesses from Mainland China were also the most likely to invest in enterprise resource planning (ERP) software and data visualisation software.

This result suggests a desire among those businesses to move up the value chain. Further, CPA Australia's [Business Technology Report](#) shows that there is a positive link between the use of such technologies and business growth. Respondents from high-growth businesses were much more likely to have used artificial intelligence, ERP software and data analytics and visualisation software than respondents from businesses that did not grow or shrank.

The strong returns generated by such investments are helping to drive this focus on technology. 62.8 per cent of Mainland Chinese businesses that invested in technology in 2021 reported that their investments were already profitable. In Australia, only 23.5 per cent found their technology investment was profitable in 2021.

Most Mainland Chinese small businesses take cybersecurity seriously. 59.5 per cent reviewed their cybersecurity in the past six months – the second highest result for all markets surveyed. CPA Australia's [Business Technology Report](#) shows that respondents from high-growth businesses were more likely to nominate "increased investment in cybersecurity software" as a key technology-related project their business undertook than respondents from businesses that didn't grow or shrank.

Business activity over the past 12 months

	China 2021	Survey average 2021	Rank 2021	China 2020	Rank 2020	China 2019	China 2018	China 2017
Increased employee numbers	28.7%	28.7%	4/11	29.5%	3/11	57.0%	39.7%	43.9%
Improved customer satisfaction had a major positive impact on my business	21.0%	23.0%	4/11	25.9%	5/11	25.4%	36.1%	33.0%
Increasing costs had a major negative impact on their business	24.3%	29.2%	11/11	23.9%	5/11	26.9%	34.4%	36.0%
Required funds from an external source	71.3%	60.2%	4/11	67.5%	4/11	61.4%	79.6%	84.5%
Sought external funds for business growth	47.6%	48.2%	4/11	43.2%	7/11	53.0%	59.9%	69.3%
Sought external funds for business survival	34.1%	49.0%	10/11	42.0%	8/11	36.3%	32.9%	35.2%
Found it easy or very easy to access external finance	50.9%	45.9%	4/11	27.4%	7/11	53.8%	35.4%	36.1%

A bank was my business' main source of external finance	43.2%	34.2%	3/11	30.4%	6/11	18.8%	29.6%	31.3%
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Planned business activity over the next 12 months

	China 2021	Survey average 2021	Rank 2021	China 2020	Rank 2020	China 2019	China 2018	China 2017
Expect to increase employee numbers	34.3%	39.9%	5/11	41.5%	5/11	63.2%	51.0%	51.5%
Will introduce a new product, service or process unique to their market or the world	28.1%	27.0%	3/11	21.7%	6/11	45.6%	26.0%	27.2%
Expect revenue from overseas markets to grow strongly	19.8%	19.3%	3/11	11.2%	7/11	23.7%	14.4%	17.2%
Will seek external funds	25.5%	27.3%	5/11	33.0%	4/11	33.8%	36.4%	39.8%
Expect easy to very easy access to finance	46.2%	40.6%	3/11	24.6%	7/11	49.8%	33.8%	39.6%

Innovation

In addition to their strong focus on digital technologies, small businesses from Mainland China continue to have a strong focus on innovation through expected investments in totally new products, processes or services to the Mainland or the world in 2022. The innovative culture of Mainland China's small business sector is expected to support the country's recovery from COVID-19 and improve its competitiveness.

Employee growth

The smaller number of Mainland China's small businesses that grew in 2021 is reflected in the lower number that created new jobs. 28.7 per cent added to their employee numbers in 2021, the lowest percentage since 2014, and down from 29.5 per cent in 2020.

The decrease in the number of Mainland Chinese small businesses that expect to grow in 2022 is reflected in the smaller number that forecast they will add to their headcount. 34.3 per cent expect to create new jobs this year, lower than the survey average of 39.9 per cent.

Access to finance

Most Mainland Chinese small businesses sourced external finance in 2021. 71.3 per cent needed external financing in 2021, up from 67.5 per cent in 2020. The percentage that sought external financing for business growth increased from 43.2 per cent in 2020 to 47.6 per cent in 2021, while the percentage that sought such finance for survival went down from 42 per cent to 34.1 per cent.

Mainland Chinese small businesses found it easier to access finance in 2021. 50.9 per cent found accessing finance easy or very easy in 2021 compared with 27.4 per cent in 2020. 43.2 per cent of Mainland China's small businesses sourced finance from a bank in 2021, up from 30.4 per cent in 2020. This suggests that the Chinese Government's policy of encouraging more local banks to loan to small businesses are working. It's also reducing reliance of other riskier forms of finance.

Factors that had positive and negative influences on business

Top four factors that had a positive influence on Chinese small business in 2021	Top four factors that had a positive influence on Chinese small business in 2020	Top four factors that had a positive influence on Chinese small business in 2019
Entering new markets	Customer loyalty	Good staff
Improved customer satisfaction	Government support/incentives	Improved customer satisfaction
Improved business management	Improved customer satisfaction	Introduced a new product or service
Positive overall economic environment	Entering new markets	Positive overall economic environment

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	Top four factors that had a negative impact on Chinese small business in 2019
Increasing costs	COVID-19	Increasing costs
COVID-19	Increasing costs	Poor overall economic environment
Difficulty expanding into new markets	Cash flow difficulties	Increasing competition
Increasing rent	Increasing competition	Increasing rent

Small businesses in Mainland China found that “entering new markets” and “improved customer satisfaction” had the most positive impacts on their business in 2021. Those businesses are most likely focused on looking for new market opportunities and creating and strengthening customer experiences to position for future growth.

More than one third of Mainland China’s small businesses identified high staff costs and materials costs as detrimental costs to their business last year. It’s therefore unsurprising that “increasing costs” was ranked first in the factors that had a negative impact on their business in 2021.

Key figures for 2021 by city

	Beijing	Chongqing	Guangzhou	Shanghai	Shenzhen	Mainland China average	Survey average
Business and economic growth							
Businesses that grew in the past 12 months	45.5%	58.7%	50.0%	61.3%	31.6%	49.5%	47.3%
Businesses that expect to grow in the next 12 months	54.5%	61.3%	52.5%	56.1%	33.5%	51.6%	61.9%
Businesses that expect the local economy to grow in the next 12 months	55.9%	71.6%	58.9%	61.9%	34.8%	56.7%	60.6%
Use of technology							
Investment in technology by the business over the past 12 months has improved profitability	72.7%	62.6%	66.5%	61.3%	51.6%	62.8%	53.6%

More than 10 per cent of sales is received through digital payment options such as PayPal, Alipay, WeChat Pay	91.3%	86.4%	91.6%	78.4%	91.9%	87.7%	64.9%
Think it is likely their business will be cyberattacked in the next 12 months	44.8%	45.2%	49.4%	56.1%	38.1%	46.7%	44.3%
Reviewed the business' cybersecurity protections in past six months	66.4%	60.0%	64.6%	53.5%	53.5%	59.5%	46.7%
Impacts of COVID-19							
COVID-19 had a major negative impact on my business in the past 12 months	20.3%	22.6%	17.1%	17.4%	20.6%	19.6%	51.0%
My business' major reaction to COVID-19 was to begin or increase its focus on online sales	16.8%	18.1%	18.4%	20.6%	19.4%	18.7%	24.3%
Business activity over the past 12 months							
Increased employee numbers in the past 12 months	25.2%	32.9%	32.9%	33.5%	18.7%	28.7%	28.7%
Required external funds over the past 12 months	66.4%	78.7%	69.6%	84.5%	56.8%	71.3%	60.2%
Found access to external finance easy or very easy over the past 12 months	51.6%	55.7%	50.9%	47.3%	48.9%	50.9%	45.9%
Banks were the main source of external funds	47.4%	41.8%	32.7%	38.9%	60.2%	43.2%	34.2%
Business growth was the main reason for seeking external finance	40.0%	54.1%	48.2%	47.3%	46.6%	47.6%	48.2%
Business survival was the main reason for seeking external finance	32.6%	28.7%	40.9%	29.8%	40.9%	34.1%	49.0%
Staff costs were most detrimental to the business	45.5%	23.2%	38.0%	41.9%	34.8%	36.6%	31.4%
Planned business activity over the next 12 months							
Plan to increase employee numbers over the next 12 months	28.7%	47.1%	36.1%	35.5%	23.9%	34.3%	39.9%
Will seek external funds in next 12 months	26.6%	20.6%	34.2%	27.1%	18.7%	25.5%	27.3%
Expect easy to very easy access to finance in next 12 months	38.5%	56.6%	47.4%	43.5%	44.8%	46.2%	40.6%
Expect revenue from overseas markets to grow strongly over the next 12 months	19.6%	23.9%	20.3%	24.5%	11.0%	19.8%	19.3%
Will introduce a new product, service or process unique to their	26.6%	38.1%	31.0%	26.5%	18.1%	28.1%	27.0%

market or the world in the next 12 months								
Key demographics								
Respondent aged under 40	65.7%	60.0%	57.6%	42.6%	61.9%	57.4%	45.2%	

- Small businesses from Shanghai were the most likely to need external finance in 2021. They were also the most likely to use that finance to cover increasing expenses.
- Guangzhou small businesses were the most likely to need external finance for business survival, to cover increasing rental expenses, late payment from debtors and tax payments, to service increasing cost on bank loans and to purchase capital assets.
- Chongqing small businesses were the most likely to experience easy access to finance and the most likely to source finance from friends or family.
- Guangzhou small businesses were the most likely to use social media to sell to customer, communicate with existing customers and recruit staff.
- Shanghai small businesses were the most likely to find that “improved customer satisfaction”, “improved business management” and “positive overall economic environment” had a major positive impact on their business in 2021.
- Beijing small businesses were the most likely to find that “easy access to finance” had a major positive impact on their business in 2021.
- Businesses from Beijing were the most likely to find staff and materials costs had a detrimental impact on their business.

Demographics

	China 2021	Survey average 2021	Rank 2021	China 2020	Rank 2020	China 2019	China 2018	China 2017
Business has been established for 10 years or less	64.4%	62.8%	4/11	63.8%	3/11	6/11	64.8%	73.1%
Respondent is aged under 40	57.4%	45.2%	3/11	63.5%	1/11	5/11	69.9%	68.5%
Respondent is the business owner	16.3%	39.0%	9/11	24.9%	10/11	9/11	10.1%	6.1%
Business has 10 to 19 employees	43.7%	30.1%	2/11	46.6%	1/11	2/11	70.0%	77.9%