

The CPA Australia Asia-Pacific Small Business Survey 2012

Australia, Hong Kong, Indonesia, Malaysia, New Zealand and Singapore



CPA Australia Ltd ('CPA Australia') is one of the world's largest accounting bodies representing more than 139,000 members of the financial, accounting and business profession in 114 countries.

ISBN: 978-1-921742-37-8

For information about CPA Australia, visit our website cpaaustralia.com.au

First published
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Level 20, 28 Freshwater Place
Southbank Vic 3006
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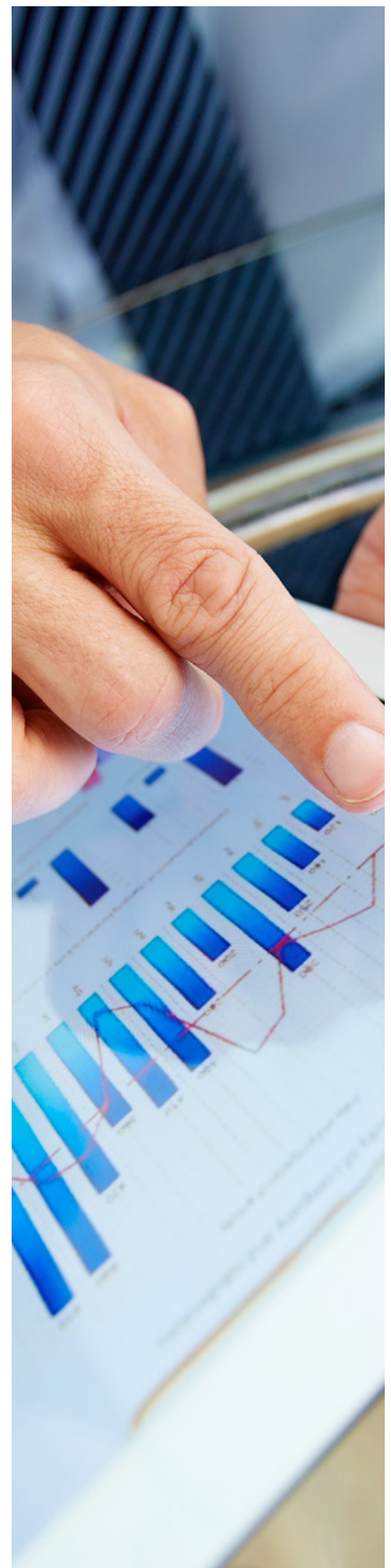
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About this survey

The CPA Australia Asia-Pacific Small Business Survey 2012 is a survey conducted with owners or senior representatives – including those in senior financial roles – of businesses with less than 20 employees. The markets included in the survey were Australia, Hong Kong, Malaysia, Singapore, New Zealand and Indonesia. The survey was conducted during the period from 2 October to 15 October 2012.

The CPA Australia Asia-Pacific Small Business Survey 2012 is part of a CPA Australia longitudinal study of small business. The results present the cross-market comparisons between the six markets included in this study. The report also presents a comparison of the experiences of small business across markets as reported in this survey with their experiences as reported in the 2009, 2010 and 2011 survey (in 2011 the survey expanded to include New Zealand and Indonesia for the first time). In order to make this comparison, the questions in this survey were drawn from the 2009, 2010 and 2011 survey.

The 2012 survey was organised on behalf of CPA Australia by ORC International.

Interview method

In each market, the survey was conducted online among randomly selected owners or senior representatives of small businesses who were registered with a research panel managed by Research Now and iPanel. Specifically, respondents were required to be an owner, a manager (defined as being a director, a principal, a CEO, a senior manager or a managing director) of a small business, or to be a qualified accountant, or the CFO (or similar title) within a business with less than 20 staff.

ORC International was responsible for all aspects of administering the fieldwork including questionnaire programming, coordinating selection of respondents from Research Now's and iPanels' panels, forwarding the survey to respondents and processing the respondent data.

Sample

In total, 1764 respondents participated in the survey, including 500 participants in Australia, 249 participants in Singapore, 250 participants in Malaysia, 250 participants in Hong Kong, 258 participants in New Zealand and 257 participants in Indonesia.

Questioning

As noted earlier, the questions included in the 2012 survey were drawn from the 2011 survey, which was conducted in October 2011. In the 2012 survey, an industry-based question was included for the first time and some slight modifications to question wording were made to a small number of questions.

The Australian, Singaporean and New Zealand questionnaires were administered in English. The Hong Kong questionnaire was administered in both English as well as traditional Chinese, the Malaysian questionnaire was administered in both English and Bahasa Malaysia and the Indonesian questionnaire was administered in both English and Bahasa Indonesia. For each market, the questionnaire included a total of 27 questions including screening and firmographic questions.

The questionnaire included a number of skips depending on particular responses provided by respondents. Accordingly, not all respondents were required to answer all 27 questions. The average survey length in 2012 was 11 minutes.

Rounding

All percentage results shown in this report have been rounded to the nearest whole number. This means that if you add up the full range of results for some single-response questions, the total may come to just under or just over 100 per cent.

Key findings

Overall

The CPA Australia Asia-Pacific Small Business Survey demonstrates that in most of the economies surveyed, current global economic conditions are impacting small business, however not as much as might be expected. For example, Indonesian small business confidence for 2013 is particularly high, as is Malaysian small business confidence. Even Australian small business confidence has increased slightly. This demonstrates the resilience of small business in the face of continued adversity (we note that this is the fifth year of the global financial crisis and global economic conditions have deteriorated since the survey was last undertaken in October 2011).

Indonesia and Malaysia are the stand-out performers, and businesses in other markets should look to these economies as possible sources of growth. The survey results for Hong Kong, Australia and New Zealand are not particularly positive. Businesses in these markets need to continue to focus on the basics so that they can continue to manage through the current economic conditions and position themselves for growth once opportunities present themselves.

The survey was conducted from 2 October to 15 October in Australia, Hong Kong, Indonesia, Malaysia, New Zealand and Singapore with businesses with less than 20 employees. This year, for the first time, the industry of the respondent has been identified.

The key findings from each market surveyed are detailed below.

Australia

Australian small business confidence for 2013 is up slightly from 2012 but remains low in comparison to most economies in the region. The slightly more positive view that Australia small business have about the Australian economy for 2013 has resulted in a slight increase in confidence in their business for 2013.

However, such increases in confidence should be kept in perspective. Australian small businesses are more likely to expect the Australian economy to shrink in 2013 than grow and more than a third of Australian small businesses do not expect their business to grow in 2013. The slightly more positive outlook is flowing through to employment expectations, with more than one in five small businesses expecting an increase in employee numbers in 2013.

Australian small businesses believe lending conditions remain tight and expect that to continue in 2013. However, tight lending conditions are only having a small impact on small business borrowing. A lack of demand for finance is significantly more likely to be a reason why business did not seek finance in 2012.

Australian small businesses seem to be improving their business management practices in response to the current economic conditions. This possibly reflects an acceptance that difficult trading conditions will persist for some time and therefore businesses must work to improve their performance rather than rely on a strong economic recovery.

Hong Kong

Hong Kong small business confidence is down for 2013 from 2012. Hong Kong small businesses now have the lowest levels of confidence of all the economies surveyed. This is despite confidence in the Hong Kong economy increasing for 2013 from 2012.

The survey shows that 40 per cent of Hong Kong small businesses predict their business will not grow in 2013. However, such low confidence is surprisingly not flowing through to reduced borrowing, with two thirds of Hong Kong businesses requiring additional funding in 2012, compared with 30 per cent of Australian businesses, and 83 per cent of Hong Kong businesses expecting to require additional funding in 2013 (compared with 41 per cent of Australian businesses).

This borrowing may indicate that many Hong Kong businesses are highly leveraged. In difficult trading conditions, businesses should be seeking to de-leverage and improve productivity rather than taking on more debt. If current economic conditions persist for a number of years, this reliance on external finance may impact the sustainability of many Hong Kong small businesses. It is also worth noting that Hong Kong small businesses reported a significant decrease in the ease of obtaining finance in 2012.

The survey results point toward the need for many Hong Kong businesses to focus more on improving business performance and increasing productivity and less on external finance and hoping for a strong economic recovery.

Indonesia

Indonesian small businesses are, by far, the most confident of any of the markets surveyed, even though there has been a slight decrease in confidence from the previous survey. This result is of no surprise given the very strong economic growth Indonesia is enjoying.

The very high levels of confidence are reflected in the Indonesian results throughout the survey. For example, more than 60 per cent of Indonesian small business increased the number of their employees in 2012 and 74 per cent expect to increase the number of employees in 2013.

In order to take advantage of the strong economic conditions, Indonesian businesses are taking on external finance more than any of the other markets surveyed, predominately in the form of secured bank loans.

Reflecting the relative ease with which Indonesian small businesses can access finance, Indonesian small businesses are not as reliant on their own resources as a source of funds as many of the other economies surveyed. The ease of accessing external finance, rather than focusing on improving productivity and business performance, may create long-term problems. Indonesian businesses must not lose sight of the business basics in these good times, as it can make a downturn, which will eventually occur, that much more difficult.

Malaysia

Malaysian small business confidence has increased significantly in the past 12 months. The confidence that Malaysian small businesses have in their business is somewhat higher than the confidence they have in the broader economy, though confidence in the economy is still high.

The confidence that Malaysian small businesses are experiencing is flowing through to employment, with nearly a third of Malaysian small businesses increasing the number of their employees in 2012 and 41 per cent expecting to increase the number of employees in 2013.

Almost two thirds of Malaysian small businesses borrowed funds in 2012, with the dominant reason for such borrowing being to support business growth. Coinciding with increasing confidence is the ease of borrowing increased substantially in 2012 from 2011.

While Malaysian businesses appear to be taking on more debt, they also appear to be engaged in activity that reduces their debt. This is not necessarily contradictory as they may be seeking to reduce old debt. The survey also shows that Malaysian businesses are significantly less likely to source funding for stock purchases than in 2011. Given that the last survey results indicated that Malaysian businesses may be investing too heavily in inventory, this is a positive development.

New Zealand

New Zealand small business confidence for 2013 is down from 2012. The fall in confidence in their business is also reflected in the slight fall in the level of confidence New Zealand small businesses have in the New Zealand economy.

While New Zealand small business confidence is above levels of Hong Kong and Australia, it is still low in comparison to other economies surveyed. About a third of New Zealand businesses do not expect to grow in 2013.

This low level of confidence is flowing through to employment expectations, with only 10 per cent of New Zealand businesses adding employees in 2012 and 13 per cent expecting to do so in 2013.

New Zealand businesses are the least likely of the economies surveyed to have a business loan. However, this cannot be attributed to lower confidence levels or tighter lending conditions. Like Australia, New Zealand small businesses predominantly have nil employees or one to four employees and are run by people over the age of 50. Such businesses do not necessarily need finance and many may be happy to not grow their business.

Those New Zealand businesses that did borrow in 2012 were significantly more likely to borrow for business survival than growth. In such circumstances, New Zealand businesses could be making better use of their own resources to meet such needs. New Zealand businesses indicated that accessing finance is generally relatively easy. Such ease can reduce the need for businesses to make difficult decisions.

Singapore

Singaporean small business confidence for 2013 remains relatively high, however it is down slightly from 2012.

Singaporean small business confidence in their economy is up slightly from the last survey.

In looking at growth expectations, while confidence is relatively high, Singaporean businesses are significantly more likely to expect their business to “grow a little” than “grow strongly”, indicating that business confidence is somewhat weaker than the headline figure indicates. Reflecting this, the percentage of Singaporean businesses that expect to increase their marketing spend in 2013 is the lowest of all markets surveyed.

The employment expectations for 2013, however, show a much stronger level of confidence, with 45 per cent of Singaporean small businesses expecting to increase employee numbers in 2013 (in comparison, 41 per cent of Malaysian small businesses, which have a higher level of confidence, expect to increase employee numbers in 2013).

Singaporean businesses indicate that Singapore is the easiest market for small business to access finance and the ease of accessing finance has increased over the past 12 months. This increasing ease of accessing finance may help explain Singaporean businesses’ shift from sourcing funding from their own resources to seeking funding from banks.

Industry analysis

Businesses in the mining, rental, hiring and real estate service, as well as finance and insurance industries are the most optimistic about their business for 2013. Businesses in the administrative and support services, mining, and finance and insurance industries are the most optimistic about the economy for 2013. Construction businesses are the most pessimistic about their business and the economy.

Reflecting the strong sense of optimism in the mining industry, mining businesses are most likely to have increased their number of employees in the past 12 months and are most likely to expect to increase their number of employees in the next 12 months. Mining businesses are also extremely likely to have required additional funds over the past 12 months.

Manufacturing businesses are most likely to have decreased the number of employees (however the percentage of such businesses that decreased employees was small). Manufacturing businesses were also very likely to seek additional funds in the past year.

Businesses in the administrative and support services industry and the finance and insurance industry were most likely to state that accessing finance was easy or very easy in 2012. Businesses in the information, media and telecommunications industry were most likely to state that accessing finance was difficult or very difficult. Finance and insurance businesses are the most likely to expect easy credit conditions in 2013, while retail trade businesses are most likely to believe financing conditions will be difficult.

Suggestions for policymakers

The survey results highlight a number of important issues for policymakers to consider. Some of these suggestions are not new; however the survey results highlight the importance to small business and the broader economy of getting policy in these areas right.

The following four areas should be considered by policymakers. The importance of these suggestions varies from economy to economy:

1. Governments must exercise responsible economic management

It should come as no surprise that the survey results show a strong correlation between small business confidence in the economy and confidence in their own business. That is, the higher the level of confidence in the economy, the more likely small business is to believe their business will grow and vice versa. If governments exercise responsible economic management over the economic cycle, this should lead to stronger economic performance, which in turn should flow through to increased small business confidence in the economy and in their own business. This in turn increases the probability of small business increasing the number of their employees. While small business may well be the engine that drives the economy, government provides the oil to help make that engine run smoothly.

2. Governments should regularly monitor small business access to finance

Small business must have reasonable access to finance at a reasonable cost and on reasonable conditions in order to grow, and hence grow the economy. What is reasonable depends on the state of the economy and the state of each individual business. For example, if business conditions are difficult we would expect prudent lenders to reflect the increased risks, such an environment raises in the cost, availability of finance and the conditions imposed in financing arrangements. Given the risks to the broader economy of small business access to finance being too easy or too difficult, governments and their prudential regulators should keep a watchful eye on lending to small business and use gentle persuasion with lenders to correct overly risky or overly cautious lending practices. Such gentle persuasion could include encouraging greater transparency and certainty in lending conditions if such conditions are overly impacting small business borrowing.

3. Governments must make it as easy as possible for people to establish and run small businesses

The survey results show there is a strong link between younger businesses and younger business owners and strong business confidence and higher employment by small business. In short, increasing small business numbers flows through to a stronger economy and more employment. Governments can encourage an increase in small business numbers by making it as easy as possible to start and run a small business. Governments must therefore be focused on reducing the compliance burden around starting, running and exiting a small business and keeping that compliance burden to a minimum. In relation to getting more young people to start and run small businesses, governments could consider introducing basic business skills into the curriculum of schools, colleges and universities and promote running a business as a viable career option for a young person.

4. Governments should work with education institutions, industry associations and accountants to improve the business skills of small business

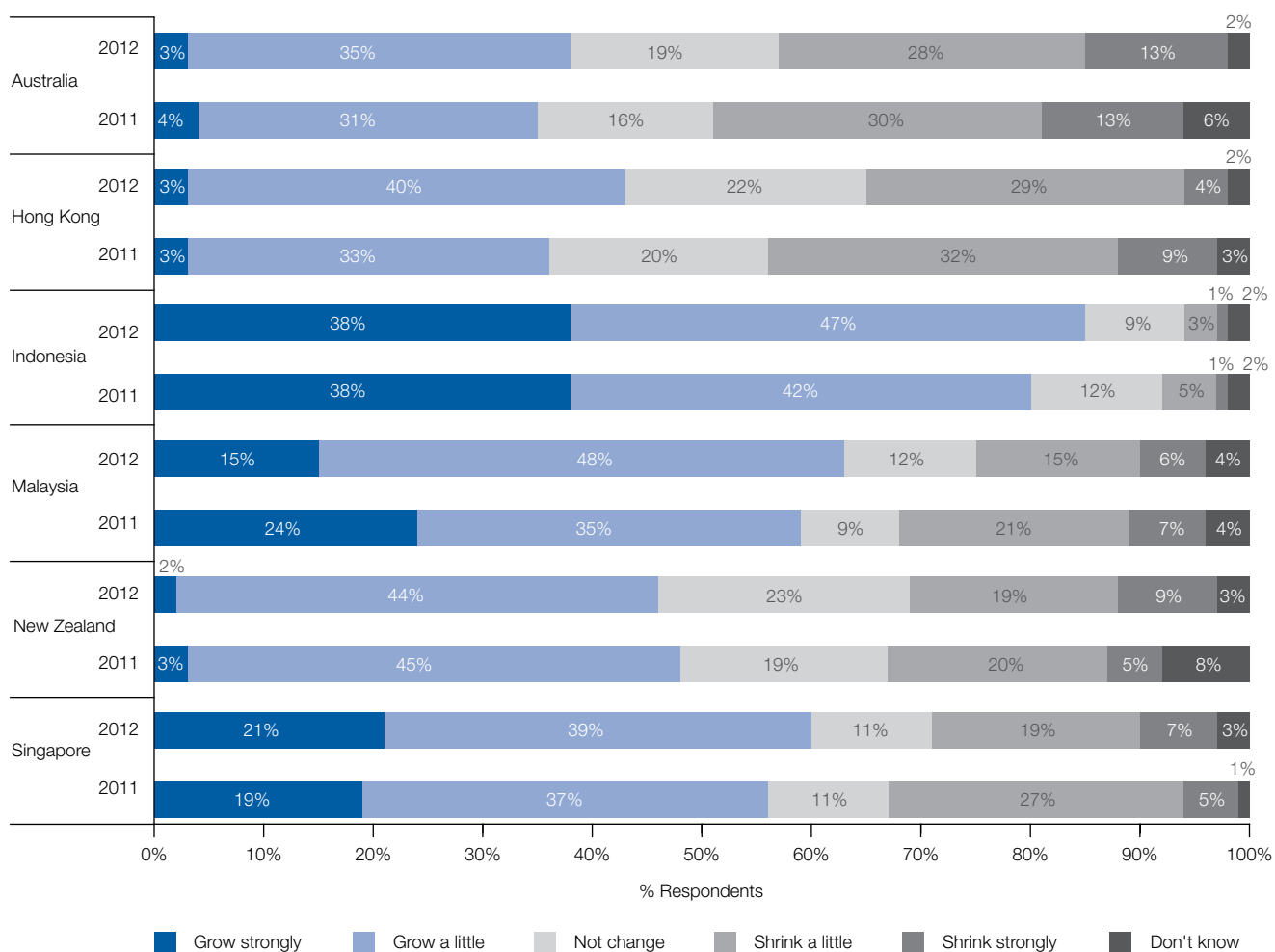
Over the past few years, *The CPA Australia Asia-Pacific Small Business Survey* has highlighted that the business skills of small businesses are mixed. Providing business with the opportunity to access information and training on business management can do much to improve the productivity and viability of a small business, regardless of whether the business is enjoying good times or bad. For instance, good economic conditions may lead to a business losing sight of the basics, leaving the business overly exposed to a hard landing when economic conditions change, which in turn amplifies the impact of a downturn on the economy. Governments should therefore work with education institutions, industry associations and accountants to develop and distribute information and training on basic business management to small business. This information and training should include information on the various forms of finance that are available to small business and when such finance may be appropriate to use.

Small business confidence

Small business expectations for the economy

Figure 1: Small business expectations for the economy – comparison of expectations for 2012 and 2013

Question 3-7: What is your view on the prospects for the [market name inserted] economy in the next 12 months? (Single response) (Australia n=500, Hong Kong n=250, Indonesia n= 257, Malaysia n= 250, New Zealand n= 258 and Singapore n=249)



Overall, with the exception of New Zealand, the percentage of small businesses that believe their respective economy will grow in 2013 is up from the previous survey. This indicates that confidence in the region is growing; however it remains subdued in Australia, Hong Kong and New Zealand.

In line with the 2011 results, Indonesian small businesses remain the most optimistic on the growth of their economy by far, which is supported by the strong economic forecasts for Indonesia. Malaysia and Singapore small businesses have also shown a high level of optimism for growth in their respective economies for 2013 (63 per cent and 60 per cent respectively). Interestingly, while Malaysian small businesses are typically confident about 2013, the percentage of Malaysian small businesses expecting strong growth declined since last year's survey and the percentage of those expecting the economy to "grow a little" increased strongly; showing that small business is less certain of Malaysia's growth prospects than the previous year.

Given the very positive economic data and forecasts for Indonesia and the positivity of Indonesia's businesses on economic growth, businesses in other markets should be looking to Indonesia as a business opportunity.

The optimism of Singapore small businesses is somewhat surprising given that Singaporean economic growth is forecast to be below average in 2013.

Hong Kong has shown a solid increase in the number of small businesses expecting the economy to grow in 2013 since the previous survey, however this is not necessarily flowing through to business confidence. This could in part be reflective of the very small percentage of Hong Kong small businesses that expect the economy to grow strongly in 2013. The results also indicate one third of Hong Kong small businesses expect the economy to shrink in 2013.

Australian small businesses were the least optimistic about their economy. A very large percentage of Australian respondents expect their economy to shrink in 2013. In fact, more Australian small businesses expect the Australian economy to shrink than increase (this was also the case in the 2011 survey).

New Zealand growth expectations again exceed Australia even though other data in the survey shows that New Zealand and Australian small business expectations are similar.

When reviewing the data collected for this question, it shows that the larger the small business, the more likely the business is to expect the economy to grow. However, this is not so for Australian small business, with the smallest businesses in terms of turnover more positive about the Australian economy than larger businesses.

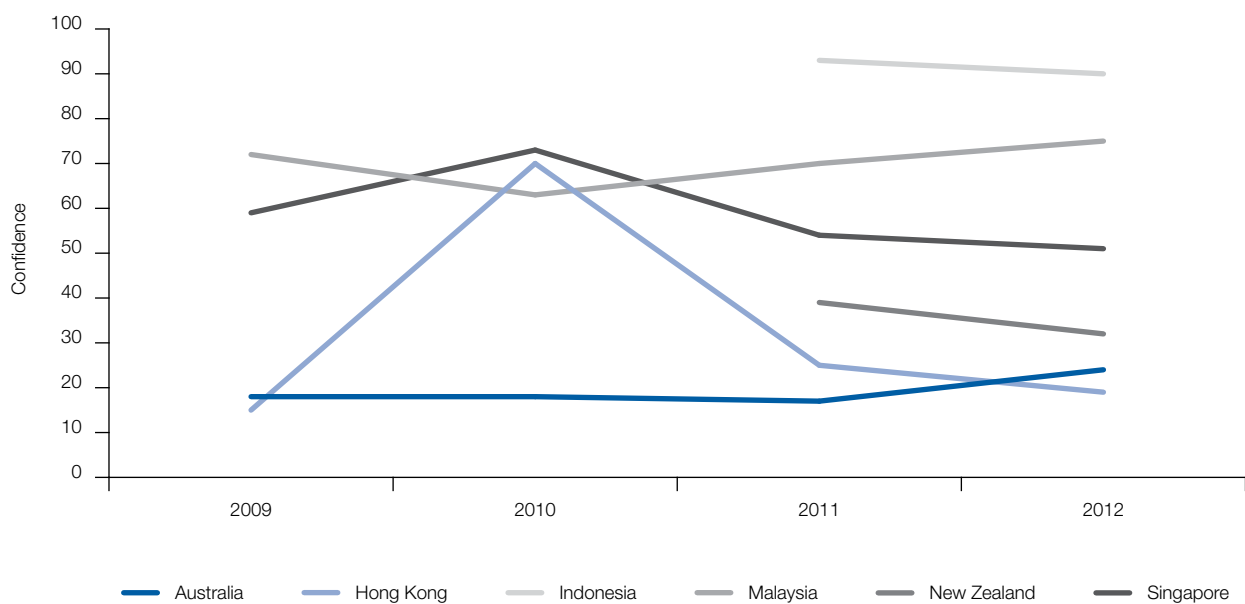
Younger businesses and younger respondents seem more positive about economic growth prospects for 2013. Younger businesses and younger respondents also seem more positive about growth prospects for their own businesses and are more likely to expect to increase employment in 2013.

In regards to industry responses, businesses from the finance and insurance, mining, administrative and support services and agriculture, fishing and forestry industries have the most positive outlook on the economy for 2013. For businesses in the finance and insurance industry, this positive outlook is flowing through to business growth expectations and employment expectations. On the other hand, businesses in the construction industry are the least positive, which is impacting business growth expectations in that industry.

Small business expectations for their business

Figure 2: Small business confidence score* – a comparison from 2009 to 2012**

Question 3-6: *In the next year, do you expect your business to ... (Single response) (Australia n=500, Hong Kong n=250, Indonesia n= 257, Malaysia n= 250, New Zealand n= 258 and Singapore n=249)*



* The score is calculated by adding “grow strongly” and “grow a little” together and subtracting “not change”, “shrink a little”, “shrink strongly” and “close/shut down”. The higher the score, the higher the level of confidence.

** The survey was not conducted in Indonesia and New Zealand in 2009 and 2010.

Table 1: Small business expectations for their own business in 2013

	Australia	Hong Kong	Indonesia	Malaysia	New Zealand	Singapore
Grow strongly	13%	6%	50%	30%	12%	17%
Grow a little	47%	53%	44%	57%	52%	57%
Growth total	60%	59%	94%	87%	64%	74%
Shrink a little	12%	16%	1%	4%	7%	7%
Shrink strongly	2%	2%	0%	1%	0%	2%
Close/Shut down	1%	1%	0%	0%	3%	0%
Decline total	15%	19%	1%	5%	10%	9%
Not change	21%	21%	3%	7%	22%	14%
Don't know	3%	1%	3%	2%	2%	3%

Overall, small business confidence in the growth of their own business in 2013 is down in Indonesia, Singapore, New Zealand and Hong Kong, while it is up in Malaysia and Australia. In stating this, we acknowledge that while Indonesian confidence is down slightly, it is still remarkably high. This reflects the very strong growth expectations for the Indonesian economy and continuing strong economic data for this country.

As in the 2011 survey, small business growth expectations in all the economies surveyed exceeded small business growth expectations for the economy. This is most likely due to small businesses feeling more in control of their own growth and as well as business owners' optimism in their own business. However, the more confident a respondent is in the overall economy, the more likely they are to be confident in the future of their business. As global economic growth prospects improve, it is likely that business confidence will grow.

Hong Kong business confidence remains well below the peak in 2010. Hong Kong businesses are now the least confident of the economies surveyed. Those Hong Kong businesses that are confident are generally expecting their business to grow slightly in the next 12 months. Hong Kong and Australian businesses are the most likely to expect their business to shrink in 2013.

While Australian small business confidence has overtaken Hong Kong and has risen from a score of 17 to 24, Australian small business confidence remains very low. The increase in business confidence seems to reflect a slight increase in confidence that Australian small business have in the Australian economy for 2013. Given the negative commentary around business conditions in Australia, the increase in confidence is interesting. Having said that, confidence has remained low for four years and it is too early to conclude that the increase in confidence is the start of a broader trend or a one-off.

For Singaporean small businesses, confidence has declined, particularly from the peak of 2010, though confidence remains high in comparison to Australia, Hong Kong and New Zealand. Given that growth forecasts for the Singaporean economy are below average we might have expected a sharper drop in confidence than what has occurred.

For Malaysian small businesses, confidence has continued to grow after a dip in confidence in 2010. This reflects strong confidence in the Malaysian economy for 2013. This strong business growth expectation is flowing through to many Malaysian small businesses increasing employee numbers.

New Zealand business confidence remains higher than Australia, however the gap between the two countries has shrunk significantly in this survey and business confidence remains low. Of those New Zealand businesses that expect

their business to grow, the vast majority expect their business to grow a little.

The larger the business, the more likely they are to indicate that they expect their business to grow in 2013, particularly to grow strongly. This is most likely due to additional resources such as businesses have available that can be directed towards growth.

Younger businesses and young business owners are more likely to expect their business to grow in 2013 than older businesses and older respondents. This could reflect that younger businesses are in a growth phase.

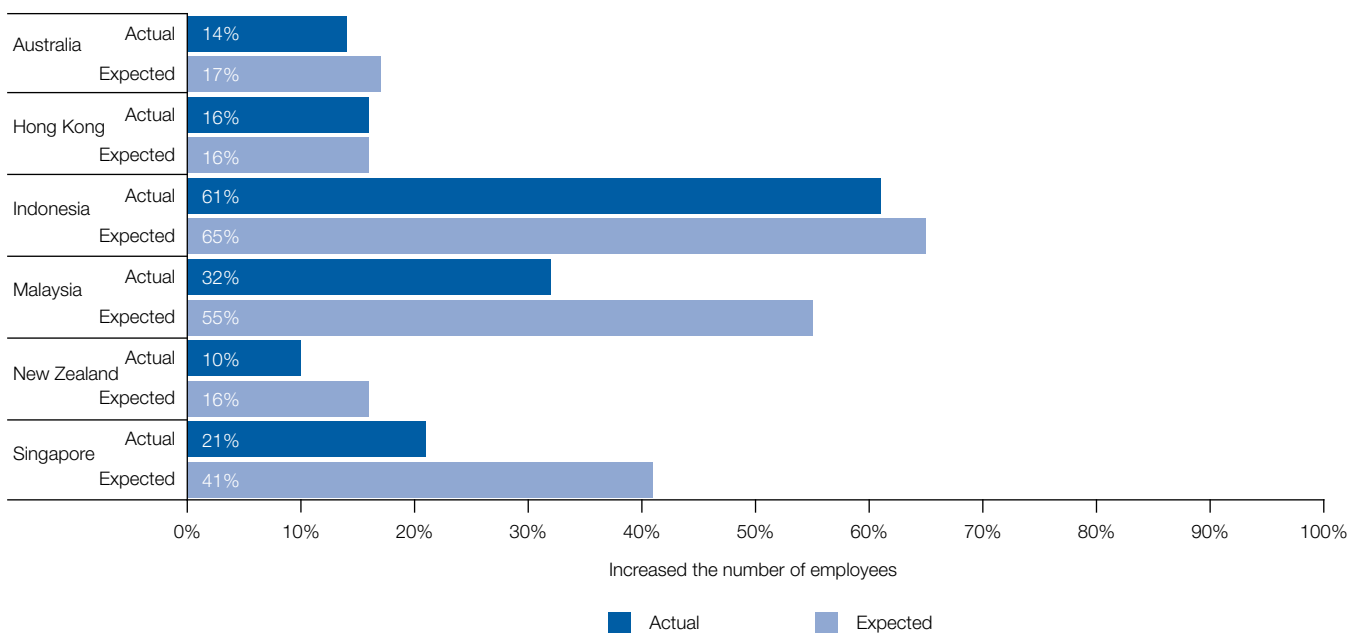
Of the industries with a high response rate, businesses in the finance and insurance industry and retail industries have the highest expectations for their businesses to grow. While confidence within the retail industry is surprising, given that the industry is highly exposed to fluctuations in the economic cycle, such confidence is not necessarily flowing through to businesses from that industry adding employees. It is also interesting that 71 per cent of manufacturing businesses expect to grow in 2013 given the difficulty this industry is reported to be experiencing in different markets. The construction industry is the industry most likely to expect to shrink in 2013.

Small business employment

Figure 3: Percentage of small businesses increasing employee numbers – a comparison of actual versus expected increase for 2012

Question 3-4: *In the past 12 months, has your business ... (Single response)*

(Australia n=500, Hong Kong n=250, Indonesia n= 257, Malaysia n= 250, New Zealand n= 258 and Singapore n=249)



Indonesian small businesses were significantly more likely to have increased the number of their employees in the past 12 months when compared to the other economies surveyed, which reflects the positive economic conditions in Indonesia.

While almost a third of Malaysian businesses grew their employee numbers in 2012, this was significantly below the 55 per cent that expected to grow employee numbers in 2012. These results may indicate that Malaysian trading was more subdued than expected during 2012 or that Malaysian businesses were able to increase staff productivity or a combination of both.

Singaporean small businesses were also more optimistic in their employment expectations than what actually occurred. Like Malaysia, this difference between expectations and reality is possibly due to trading conditions in 2012 being worse than expected and/or increasing staff productivity.

Australia, Hong Kong and New Zealand small businesses generally remained reluctant to increase or decrease their employee numbers, reflecting in part the continued low economic confidence in those markets. This is reflected in the 14 per cent of Australian respondents that actually reduced staff in 2012 compared with the 7 per cent of businesses that expected to reduce staff in 2012.

Hong Kong businesses have become much less likely to increase staff numbers in the last two years. This is most likely a reflection of Hong Kong's relatively poor trading conditions in that period and the subsequent drop in business confidence.

The older the business, the less likely they were to increase employee numbers in 2012 and the more likely they were to decrease the number of employees. This possibly reflects that such businesses are more likely to have matured or may even be declining. It could also reflect that older businesses may have staff that have worked with the business for many years and, due to high levels of productivity from such staff, have reduced the need to take on additional staff.

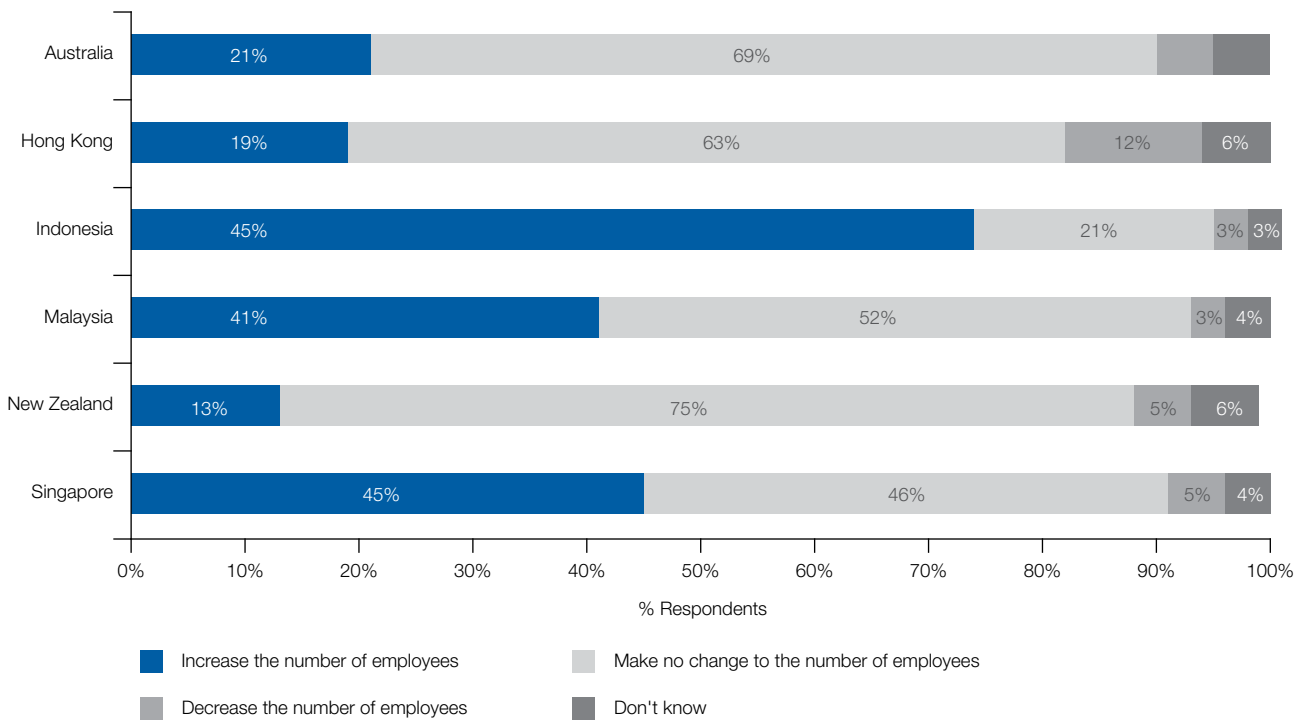
Given growth and employment expectations seem highest in younger businesses and younger respondents, the preponderance of older businesses and older respondents may be affecting Australia's and New Zealand's small business confidence and employment. Policies to encourage the creation of more new businesses and to encourage younger people to open their own business may lead to increased small business confidence and employment by small business in Australia and New Zealand. This observation however

does not explain the relatively low level of confidence among younger Hong Kong small businesses.

Manufacturing small businesses were the most likely to decrease their employee numbers in 2012. This is of no surprise given the state of key markets for manufactured goods (US and Europe). However, as stated above, confidence in manufacturing businesses appears strong in 2013.

Figure 4: Expected movement in employee numbers in 2013

Question 3-5: *In the next 12 months, do you expect your business to ... (Single response)*
 (Australia n=500, Hong Kong n=250, Indonesia n= 257, Malaysia n= 250, New Zealand n= 258 and Singapore n=249)



Overall, the employment expectations in all economies show that small businesses generally seem slightly more positive about the coming year. This is particularly the case in Singapore and Indonesia. For all economies, it is likely that small business will be a source of employment growth in 2013 though only marginally so in Hong Kong, New Zealand and Australia.

In comparing the above expectations with expectations from the 2011 survey, we find that only Malaysia and New Zealand have lower employment expectations this year compared to last year, with Malaysia down significantly (55 per cent of

Malaysian businesses expected to increase their employment in 2011).

Businesses in the education and training, finance and insurance, and information, media and telecommunications industries seem very bullish about increasing employee numbers in 2013. Manufacturing businesses, on the other hand, are the most likely to expect to decrease the number of employees, however the number of manufacturing businesses that are expecting to decrease employees is less than the number that actually decreased employees in 2012.

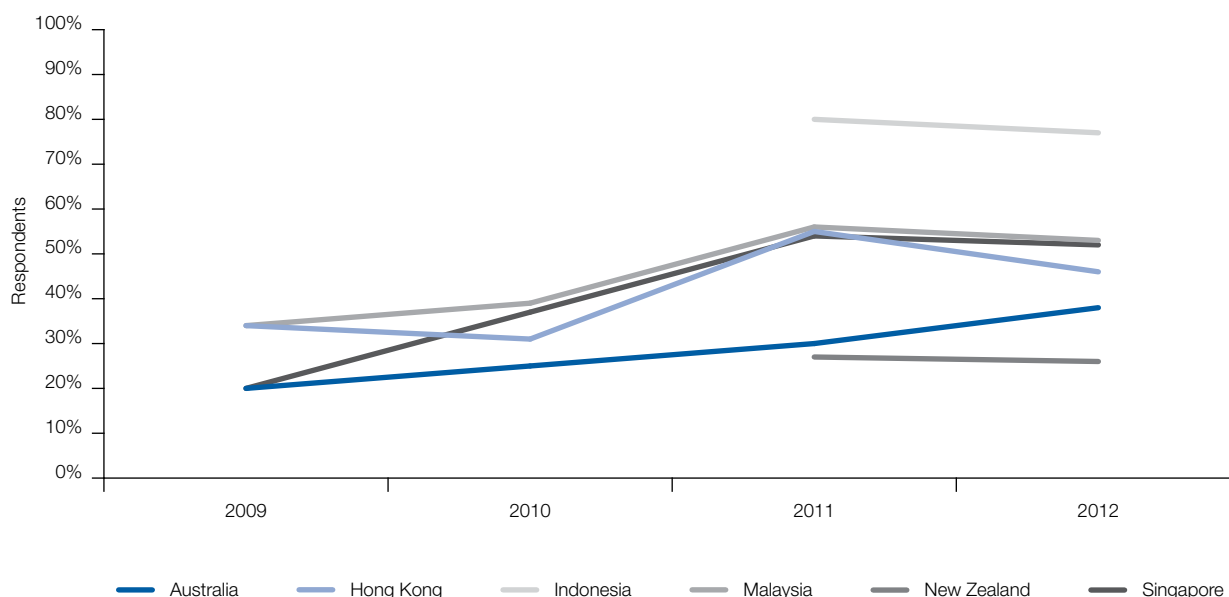
Small business access to finance

Overview

Currently have a loan

Figure 5: Percentage of small businesses that have a business loan – 2009 to 2012*

Question 2-15: Does your business currently have any business loans? (Single response)
 (Australia n=500, Hong Kong n=250, Indonesia n= 257, Malaysia n= 250, New Zealand n= 258 and Singapore n=249)



* The survey was not conducted in Indonesia and New Zealand in 2009 and 2010.

With the exception of Australia, small businesses in the economies surveyed recorded a fall in the percentage of businesses that currently have a business loan from 2011. This may indicate a drop in business confidence and tightening credit conditions or a possible focus on reducing debt levels. For Hong Kong, Malaysia and Singapore, the percentage of small businesses that have a loan is higher than 2009 and 2010.

Given current difficult trading conditions many businesses face, an 8 per cent increase in Australian businesses having a loan in 2012 from 2011 is somewhat surprising. These results are also interesting given data released by the Reserve Bank of Australia indicates that many Australian businesses are reducing debt levels.

Having stated that, Australian and New Zealand businesses continue to be much less likely than businesses from Asia to

have a loan. Indonesian businesses remain significantly more likely to have a loan; possibly reflecting the positive economic conditions in that economy and the increasing ease with which Indonesian businesses can access finance.

Larger businesses in all markets are significantly more likely to have a business loan and businesses under five years of age are significantly less likely to have a loan – this could be due to such businesses not having sufficient security or credit history to satisfy potential lenders.

Older respondents are significantly less likely to have a loan than younger respondents. This may be due to such respondents having more experience in increasing productivity in the workplace rather than borrowing and/or they are more risk adverse to loans and worry over their ability to repay a loan as they get older.

Forms of financing used

Table 2: Forms of financing used

Question 2-1: Which of the following types of business financing has your business ever used?

Financing forms	Australia 2012 (n = 500)	Hong Kong 2012 (n = 250)	Indonesia 2012 (n = 257)	Malaysia 2012 (n = 250)	New Zealand 2012 (n = 258)	Singapore 2012 (n = 249)
Credit card	73%	46%	26%	49%	51%	50%
Bank loan (secured)	41%	41%	55%	50%	36%	53%
Loan or equity injection from a family or friend	23%	34%	31%	31%	30%	22%
Hire purchase	24%	39%	9%	33%	20%	22%
Overdraft	40%	31%	7%	26%	48%	21%
Leasing	36%	22%	14%	12%	15%	35%
Bank loan (unsecured)	17%	29%	19%	11%	10%	14%
Inventory financing	1%	18%	21%	15%	2%	13%
Vendor financing	8%	14%	14%	17%	6%	15%
International trade financing	2%	15%	11%	13%	2%	10%
Debtor financing	3%	12%	11%	14%	6%	15%
Chattel mortgage	20%	15%	4%	5%	3%	5%
None	13%	11%	6%	7%	18%	8%
Other	2%	4%	7%	8%	2%	3%

Singapore has seen a decline in all types of financing used in 2012 from previous years. This is particularly interesting given that 61 per cent of these businesses stated that they needed additional funds during 2012. This reflects that Singaporean businesses are less likely to use multiple forms of financing.

Credit card remains the most popular form of financing for Australian small businesses. It is also the most popular form of financing used by Hong Kong and New Zealand businesses; however the gap between credit card usage and other forms of financing in those economies is not as significant as it is for Australia.

There is a notable difference between the popularity of credit card financing in Australia when compared with Indonesia, which possibly indicates that it is much easier for business to access credit cards in Australia and the use of credit cards is more widely accepted.

The popularity of secured lending has not changed significantly in any of the markets, possibly indicating that credit conditions have neither tightened nor loosened. It could also indicate that those who have reduced their debt are reducing secured debt first to free up assets used as security as, in some cases, asset sales are up.

As businesses become larger, secured bank finance becomes significantly more popular. This is particularly the case in Australia. CPA Australia believes larger businesses are more likely to have a strong asset base that can be used as security.

The popularity of unsecured bank lending in Singapore and Hong Kong has fallen significantly from the last survey, possibly reflecting tighter credit conditions in those markets. Having stated that, unsecured bank loans continue to be more popular in Hong Kong than other markets. Larger Hong Kong businesses are much more likely to access unsecured lending.

Loan or equity injection from family or friends continues to be more popular in the Asian economies surveyed than Australia and New Zealand, even though its popularity has dropped in Hong Kong, Malaysia and Singapore. This drop may be due to businesses in those markets finding better alternatives to family and friends and/or family and friends are more reluctant to lend as they have less surplus funds available for lending following a number of years of tighter economic conditions.

Leasing is a much more popular form of financing in Australia and Singapore. Given Indonesian and Malaysian businesses are more likely to have used secured bank loans, they may be borrowing from a bank to purchase assets rather than leasing. Such businesses should consider whether leasing may be a more viable option for their business if such financing is available. In Australia and Hong Kong, the larger the small business, the more popular leasing becomes.

The popularity of hire purchase has declined in all Asian economies surveyed, however it remains a popular form of financing in Hong Kong. Hire purchasing seems underdeveloped in Indonesia, at least in the small business area.

Working capital facilities such as debtor and inventory financing remain more popular in the Asian economies surveyed than in Australia and New Zealand. As stated in previous survey reports, working capital facilities can reduce financing costs, be a better match to specific funding requirements and free up working capital. CPA Australia therefore repeats the suggestions that lending institutions, governments, industry associations and accountants as key business advisers all have a role to play in helping Australian and New Zealand small businesses better understand alternate financing options and when such options are appropriate.

The popularity of working capital facilities increases with business size. This is most likely due to increased resources such businesses have to source this type of finance. It could also reflect that these businesses may hold more stock and debtors and therefore need to use these facilities to free up working capital.

Reflecting the greater export focus of the Hong Kong, Malaysian and Singaporean economies, small businesses from those countries are more likely to access international trade finance than Australia and New Zealand. Interestingly, Indonesia, which like Australia and New Zealand has an economy predominately domestically focused, has a high proportion of respondents stating they have used international trade financing, indicating a strong export focus among small Indonesian businesses. CPA Australia does not expect Australian and New Zealand small businesses to make greater use of international trade finance until there is a change of mindset towards international trade. The Australia in the Asian Century White Paper may help push that change in mindset in Australia.

The percentage of Hong Kong and Singaporean businesses that have used international trade finance has dropped significantly from the 2011 survey. This could reflect the slowing of growth in global trade over the past year, including intra-Asian trade. It could also mean that suppliers are encouraging sales by not requiring letters of credit etc. which reduces the need for such facilities.

New Zealand businesses, followed by Australian businesses, remain the least likely to have accessed any form of financing, in part reflecting the less ambitious and possibly more lifestyle-focused reasons why some people in those markets go into small business as well as tight credit conditions in those markets.

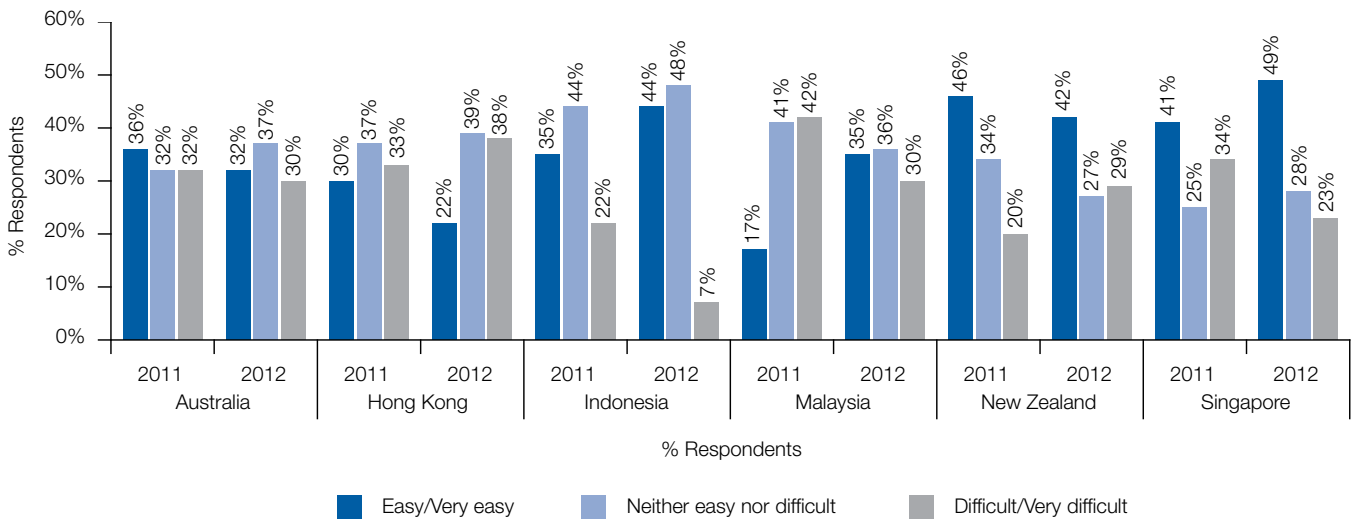
As was the case in the 2011 survey, overdrafts are a very popular form of financing in New Zealand. The popularity of overdrafts has increased in Australia in 2012 from the 2011 survey. Overdrafts, like credit cards, may not be the most appropriate form of financing in all circumstances, particularly for purchasing long-term assets. It is a basic business principle that long-term funding should pay for long-term assets. This further supports the suggestion that Australian and New Zealand small businesses should be given greater access to information on alternate forms of financing.

Financing needs in the current year

Ease or difficulty in accessing finance in 2012

Figure 6: Ease or difficulty in obtaining finance 2011 versus 2012

Question 2-5: Using the scale below, please indicate how easy or difficult it was for your business to access additional funding (Single response) (Australia n=147, Hong Kong n=164, Indonesia n=227, Malaysia n=163, New Zealand n=74, Singapore n=152)



The ease of accessing finance in Singapore has improved over the last 12 months. This increasing ease of accessing funding may help explain the large fall in the percentage of Singaporean businesses funding their business from their own resources and instead seeking bank finance.

During 2012, Hong Kong became the most difficult economy for small business to access finance compared to Malaysia the previous year. Australia and Malaysia followed Hong Kong as the most difficult economies to access finance in 2012. The perceived difficulty in accessing finance may be a result of the state of the Hong Kong economy and hence Hong Kong lenders applying more prudent lending requirements.

Hong Kong and New Zealand were the only markets where it became more difficult to access finance in 2012 than in 2011.

Indonesia saw a sharp decline in the difficulty in accessing finance. This is consistent with the high rates of economic growth in Indonesia and the flow-on reduction in the risk of lending to small business. CPA Australia hopes that Indonesian lenders remain prudent in their lending to small business.

The ease of accessing finance in Malaysia has improved significantly over the past 12 months. This may in part be due to the reduced risk of lending to small business due to reasonable economic conditions and increased growth expectations that may assist in the serviceability of loans.

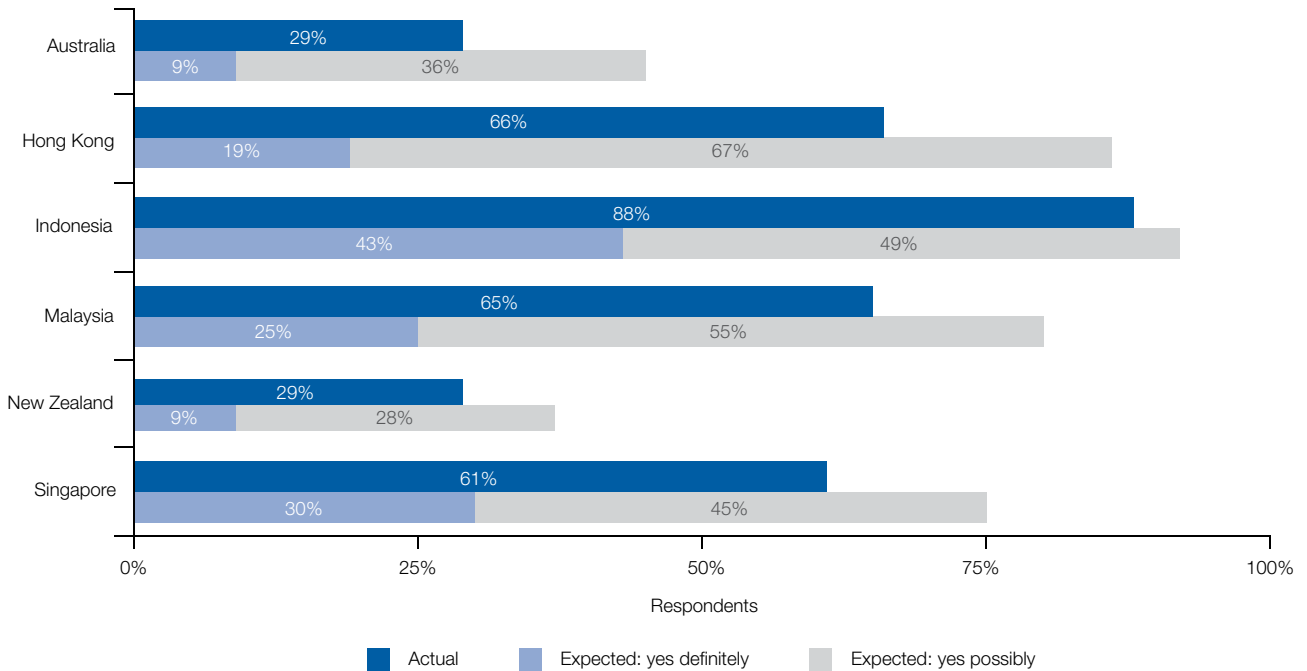
For Australian small businesses, lending conditions have not improved in the last year. Australian businesses of all sizes are experiencing similar lending conditions to 2011.

Businesses in administrative and support services, and finance and insurance industries are significantly more likely than businesses in other industries to indicate that accessing finance was easy or very easy. Industries most likely to indicate accessing finance was difficult are accommodation and food services, agriculture and fisheries, health care, and information, media and telecommunications.

Businesses that have sought additional finance in the current year

Figure 7: Comparison of actual demand for additional funding in 2012 with expected demand for 2012

Question 2-2: *In the last year, has your business required additional funds to support your business operations outside of your existing cash resources? (Single response)*
 (Australia n=500, Hong Kong n=250, Indonesia n= 257, Malaysia n= 250, New Zealand n= 258 and Singapore n=249)



From the above, it is clear that actual demand for additional funding by small businesses in all economies, with the exception of Indonesia, was much lower than expected demand. This difference is most likely due to some weaknesses in those economies in 2012, which has been driven by a recession in Europe, a weak recovery in the US and moderate growth in China.

The difference could also be attributed to the quality of business management practices in small businesses. It is reasonable to conclude that businesses with better management practices, including planning, are more likely to get a closer match between expected and actual borrowing.

There has been a slight decrease in the percentage of Australian, Hong Kong and Singaporean businesses that needed external funding in 2012 from 2011, and slight increases in the other economies surveyed.

As in 2011, the strength of demand for additional finance was exceptionally strong in Indonesian businesses of all sizes. Unlike the other economies surveyed, the percentage of Indonesian businesses that obtained additional funds in the past year is close to expectations from the last survey.

The proportionately low percentage of Australian businesses that obtained additional funds in the past 12 months is reflected in small businesses of all sizes. For Hong Kong, Singapore and Malaysian businesses, the percentage that obtained additional funds in the last 12 months increased significantly in larger small businesses.

Australian and New Zealand small businesses remain significantly more likely not to need additional finance in 2012 than their Asian counterparts. It is surprising that Hong Kong businesses, with the survey showing low levels of confidence, have not significantly reduced their demand for finance. The survey results seem to indicate that much of the additional funding Hong Kong small businesses required is supporting business operations and meeting challenges such as increased expenses rather than growing their business. It may be more appropriate for such Hong Kong businesses to put greater emphasis on de-leveraging and business improvement strategies, including a reduction in working capital.

Reasons for seeking additional finance

Figure 8: Reasons for seeking additional finance in 2012

Question 2-4: And which of the following best describe the reasons for the “required” additional funds? (Multiple responses)
(Australia n=147, Hong Kong n=164, Indonesia n=227, Malaysia n=163, New Zealand n=74, Singapore n=152)

	Australia	Hong Kong	Indonesia	Malaysia	New Zealand	Singapore
Business growth	27%	41%	60%	60%	20%	43%
For business survival	42%	43%	43%	26%	38%	30%
To cover increasing expenses	41%	48%	22%	40%	26%	30%
To purchase assets	26%	29%	29%	29%	23%	33%
To fund stock purchases	24%	16%	34%	28%	23%	41%
To cover late payment from debtors	27%	23%	17%	18%	26%	22%
To cover increasing sales	7%	41%	19%	36%	4%	22%
To service increasing cost on bank loans	12%	19%	12%	13%	4%	23%
To cover tax payments	23%	16%	13%	12%	15%	16%
Other	3%	5%	3%	2%	5%	1%
Don't know	0%	1%	0%	0%	0%	0%

Australia and New Zealand remain the least likely to have required additional finance for business growth. Businesses from these economies were much more likely to obtain additional funding for business survival. This is consistent with the low level of business confidence in those markets. Further indicative of the state of the economy is that Australia and New Zealand businesses are far less likely to have obtained funding to cover increasing sales than Asian markets.

The percentage of Singaporean businesses that required additional funding for business growth declined in 2012 from 2011, reflecting weaker economic conditions. This is also reflected in the large decline in the percentage of Singaporean businesses that required additional funds to purchase assets and covering increasing sales. This outcome is consistent with a slight decline in business confidence in Singapore. It should be noted that the decline in confidence is not reflected in any notable increase in requiring funds for survival. The survey results show a significant decline in sourcing funding to cover increasing expenses and to cover increasing sales from 2011. These results indicate a consolidation period for many Singapore businesses.

As noted in the 2011 survey, many Indonesian businesses are in the strange position of requiring additional funding for both growth and survival. Hong Kong businesses also show similar results. This could reflect that some businesses in those markets equate growth with survival. For Hong Kong, consolidation rather than growth may be a better strategy, given the lower levels of confidence.

Malaysia has the same percentage of businesses requiring additional funds for business growth as Indonesia, but lower growth expectations than Indonesia. Malaysian businesses also showed significant decline from 2011 in sourcing funding for

stock purchases but a small increase in inventory financing from the previous year. This is not necessarily a negative result as the last survey indicated that many Malaysian businesses may have been investing too heavily in inventory. Over one third of Malaysian businesses did state that they needed funds to cover increasing expenses and sales, which aligns with Malaysian business growth expectations.

In comparing the reasons for obtaining additional funds with the expected reasons for requiring additional funds from the 2011 survey, with the exception of Hong Kong, all economies surveyed expected that business growth would be a more prominent reason for borrowing, defying expectations. This was particularly the case in New Zealand, Australia and Singapore.

On requiring funding for business survival, Australian and New Zealand businesses expected this to be a more important reason. Given that requiring funding for business growth for both economies was below expectation, this tends to show a flat economy. There is, however, a shift away from survival mode for some businesses. This may indicate that some Australian businesses have accepted the current economic conditions will persist for some time and that they have implemented business strategies to consolidate their business.

As with 2011, obtaining funds to cover increasing expenses remains a prominent reason for seeking finance in 2012. This may reflect that some businesses are not passing on their increasing costs to clients in full. While businesses can do this for a short period, continuing to do so will eventually erode profitability.

The fact that businesses are funding to cover tax payments may indicate weak financial management, in particular cash flow forecasting, as tax payments are relatively easy to forecast.

Source of additional finance

Figure 9A: Sources of additional finance in 2012

Question 2-3: And from which of the following sources were those "required additional funds" obtained? (Multiple responses)
 (Australia n=147, Hong Kong n=164, Indonesia n=227, Malaysia n=163, New Zealand n=74, Singapore n=152)

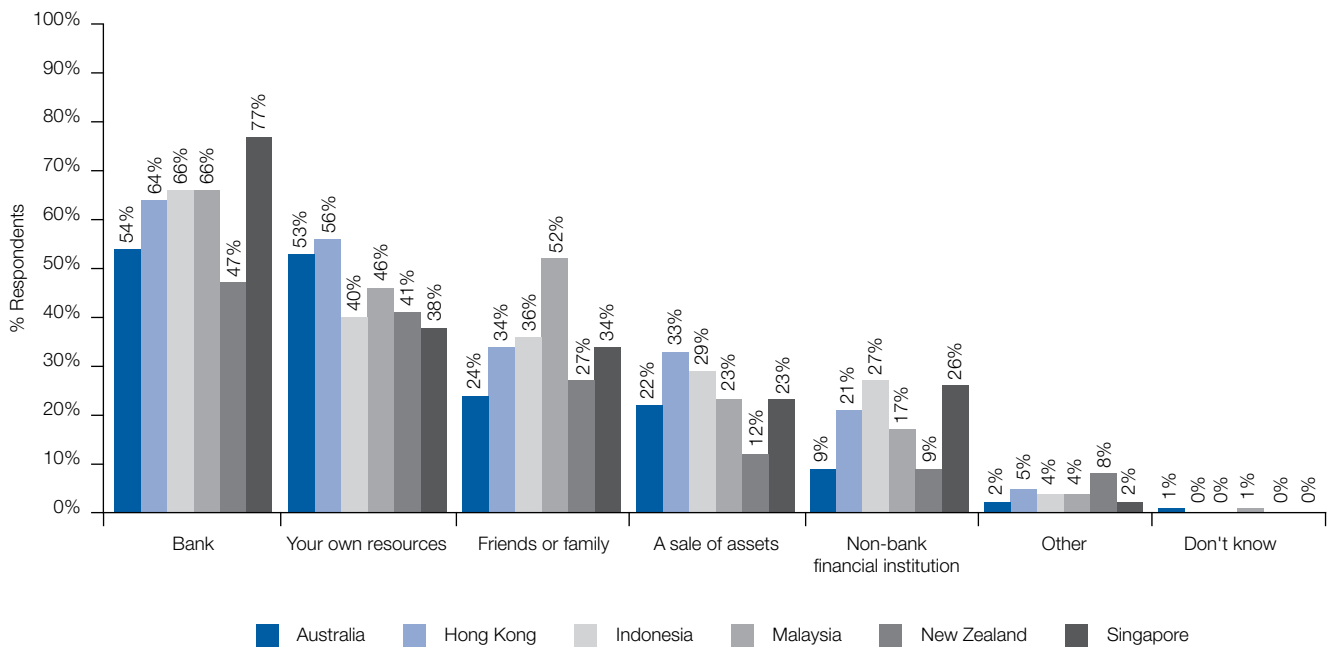
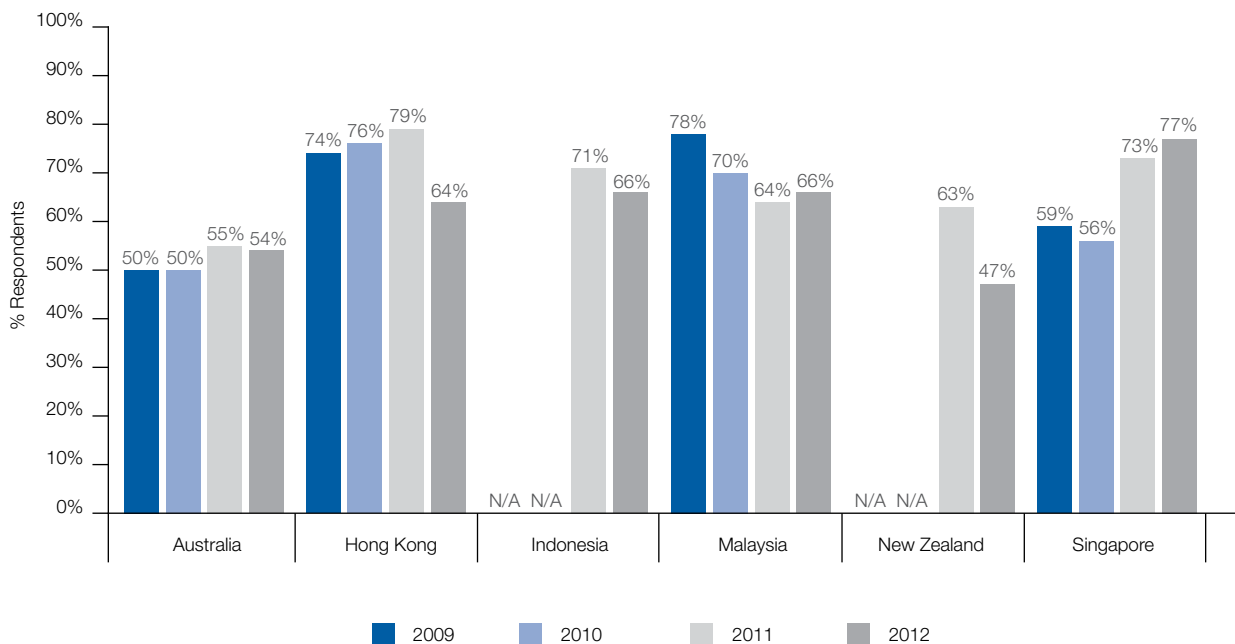
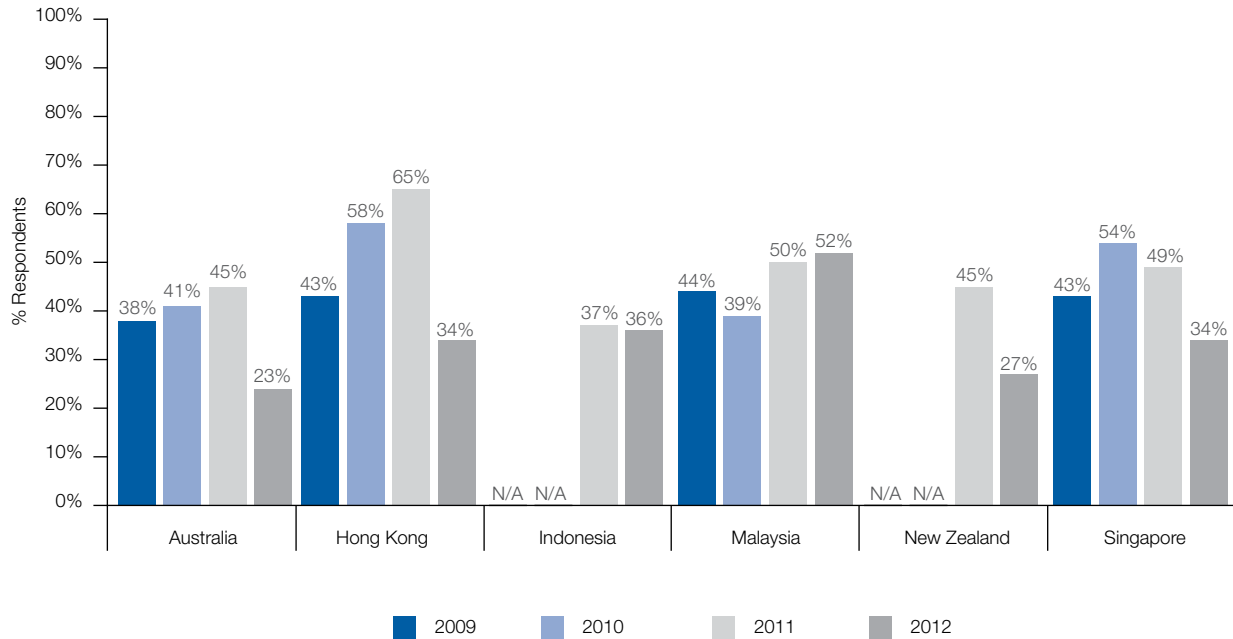


Figure 9B: Bank as a source of finance – 2009 to 2012*



* The survey was not conducted in Indonesia and New Zealand in 2009 and 2010.

Figure 9C: Sourcing finance from own resources – 2009 to 2012*



* The survey was not conducted in Indonesia and New Zealand in 2009 and 2010.

Banks remain the dominant source of funding in all markets surveyed, particularly in Singapore. In Australia and New Zealand, that dominance over other sources of finance, particularly funding business from own resources, is very small. This may indicate that there is unwillingness by some Australian and New Zealand businesses to approach banks for lending. Given previous experience Australian small businesses had in accessing finance at the height of the global financial crisis, this reluctance is somewhat understandable.

The results from Hong Kong are particularly interesting when compared to the 2011 survey. In 2012, Hong Kong businesses are significantly more likely to seek finance from one source than in 2011. Banks, asset sales, non-banking financial institutions and financing from their own resources in particular have fallen significantly as a source of finance. The decline in sourcing funds from their own resources may reflect a drop in the financial position of Hong Kong small businesses, which could be because of weak sales and decreased profitability due to increasing expenses.

Hong Kong businesses, however, are the most likely to source funds from their own resources. As our survey shows, this could be due to them undertaking management activities that give them additional cash flow, such as reducing marketing and promotional activity, offering discounts to induce early payment from customers and selling excess or obsolete stock.

Singaporean businesses have also significantly decreased their reliance on funding their business from their own resources. This could be partly due to Singaporean small businesses generally finding the ease of accessing funding from lenders has increased in 2012. Such an increase in the ease of borrowing can reduce the need for the business to source finance from their own resources.

As in previous surveys, businesses in Asia are more likely to source funding from family and friends than Australian and New Zealand businesses, although this reliance has declined since the 2011 survey.

Reasons for not seeking additional finance

Table 3: Reasons for not applying for finance in 2012

Question 2-8: Which of the following best describes the reason for not applying for additional funds in the past 12 months?
(Multiple responses)

Reason	Australia		Hong Kong		Indonesia		Malaysia		New Zealand		Singapore	
	2011 (n = 352)	2012 (n = 349)	2011 (n = 59)	2012 (n = 83)	2011 (n = 28)	2012 (n = 26)	2011 (n = 67)	2012 (n = 81)	2011 (n = 145)	2012 (n = 180)	2011 (n = 70)	2012 (n = 94)
The business did not need additional funds	57%	64%	37%	43%	43%	35%	45%	48%	72%	60%	66%	49%
The business had sufficient funds under its existing arrangements	33%	44%	49%	47%	64%	65%	48%	53%	39%	39%	53%	59%
The risk of not being able to repay the loan	16%	4%	14%	7%	14%	23%	36%	17%	10%	13%	16%	18%
Interest rates were too high	11%	3%	19%	16%	18%	42%	34%	22%	5%	5%	14%	17%
Procedures to obtain funding from a financial institution were too complicated	7%	5%	14%	5%	29%	4%	25%	11%	3%	4%	10%	5%
The business no longer needed additional funds (for instance, cancelled investment plans)	10%	5%	10%	6%	43%	31%	16%	21%	1%	6%	6%	11%
The likelihood of unreasonable terms and conditions	8%	3%	7%	0%	4%	15%	13%	12%	3%	7%	11%	9%
It was considered unlikely a financial institution would provide the funding required	6%	2%	8%	6%	7%	4%	10%	6%	4%	6%	10%	7%
The potential to lose control of the business	4%	4%	3%	4%	7%	19%	7%	10%	4%	2%	9%	5%
A previous loan was rejected	2%	1%	2%	5%	0%	8%	3%	6%	0%	1%	1%	2%
Don't know	N/A	1%	N/A	2%	N/A	4%	N/A	1%	N/A	1%	N/A	1%

Consistent with the results of previous surveys, the lack of a need for a loan was by far the most important reason business did not seek finance. Lending conditions and the cost of finance (with the exception of Singapore and Indonesia) became less important reasons for business not seeking additional funds when compared to previous years. In other words, tight lending conditions are not discouraging lending.

The Malaysian response to this question indicates that lending conditions in Malaysia have eased. Businesses in this market were this year much less likely to attribute reasons for not borrowing to the cost of finance, compliance requirements in applying for a loan and the risk of not being able to repay the loan.

While only a small number of Indonesian businesses stated they did not seek finance in 2012, the responses to this question indicated that of those that did not borrow, the cost of finance is an increasing issue while the procedures to obtain a loan are less important.

Reasons why accessing finance was considered difficult

Table 4: Reasons why accessing finance was considered difficult in 2011 versus 2012

Question 2-6: *And which of the following best describes the reasons why you found accessing the additional funding difficult? (Multiple responses)*

Reason	Australia		Hong Kong		Indonesia		Malaysia		New Zealand		Singapore	
	2011 (n = 48)	2012 (n = 44)	2011 (n = 46)	2012 (n = 62)	2011 (n = 41)	2012 (n = 18)	2011 (n = 53)	2012 (n = 48)	2011 (n = 11)	2012 (n = 21)	2011 (n = 44)	2012 (n = 35)
The cost of funding was higher than you forecast	27%	23%	67%	52%	32%	28%	43%	46%	18%	14%	41%	57%
The types of security required	35%	25%	41%	48%	37%	56%	32%	48%	27%	33%	52%	49%
The terms and conditions imposed by the financier	23%	27%	35%	31%	39%	61%	62%	40%	27%	33%	36%	31%
Difficulty in finding a financier willing to provide funding to your industry	52%	30%	35%	58%	29%	61%	45%	33%	27%	38%	30%	57%
The value of the security required	21%	27%	37%	42%	39%	61%	34%	33%	18%	19%	43%	34%
The amount of the funding provided was lower than was sort	19%	18%	39%	42%	24%	33%	40%	17%	9%	24%	25%	29%
The term of the funding was shorter than you sort	13%	5%	39%	35%	12%	39%	32%	19%	18%	10%	34%	20%
The compliance/information requirements imposed on you	27%	43%	37%	23%	2%	17%	34%	33%	9%	38%	32%	49%
The skill level of your business banker	8%	18%	13%	16%	7%	6%	25%	8%	9%	19%	18%	20%
Other	15%	11%	0%	6%	2%	11%	6%	6%	36%	19%	7%	11%
Don't know	4%	5%	0%	0%	5%	0%	0%	0%	0%	0%	0%	0%

While the number of responses to this question is small, the following broad conclusions can be drawn:

- One of the most interesting results from this question was the response from the Australian market. Compliance requirements have tightened significantly as a difficulty faced by borrowers. The focus on industry risk as a reason for difficulty has eased somewhat in this market, however there remains room to improve information lenders provide on which industries they are and are not lending to.
- The industry level analysis shows that the retail sector in particular nominated difficulty in finding a lender for their industry as a reason for funding difficulty. Given slowing growth and therefore retail spending in a number of the markets surveyed, this is not a surprising result and reflects lenders taking a prudent approach to the industry.

- Although the cost of funding remained a key restraint for Hong Kong borrowers, this issue has been replaced by industry risk as the key difficulty in 2012. As with Australian lenders, Hong Kong lenders may reduce this as an issue by being more transparent on the industries they are lending and not lending to.
- For Malaysia, the cost of funding remains an issue for borrowers. Those surveyed stated that the types of security required were an issue. They also stated that terms and conditions, the term of funding and the skills of bankers have improved from 2011.

The impact difficulty in accessing finance had on business

Table 5: The impact difficulty obtaining finance had on the business – 2011 versus 2012

Question 2-7: *And which of the following best describes the impact the difficulty in accessing additional funding had on your business? (Multiple responses)*

Impact	Australia		Hong Kong		Indonesia		Malaysia		New Zealand		Singapore	
	2011 (n = 48)	2012 (n = 44)	2011 (n = 46)	2012 (n = 62)	2011 (n = 41)	2012 (n = 18)	2011 (n = 53)	2012 (n = 48)	2011 (n = 11)	2012 (n = 21)	2011 (n = 44)	2012 (n = 35)
Your ability to grow the business	38%	34%	39%	44%	61%	67%	51%	44%	36%	14%	52%	49%
Your cash position declined	52%	75%	54%	37%	22%	22%	47%	33%	36%	33%	36%	43%
Profitability declined	38%	30%	46%	47%	32%	39%	42%	31%	45%	38%	23%	29%
Required you to alter your business strategy	42%	50%	50%	53%	17%	33%	36%	27%	27%	24%	39%	34%
Delayed your plans to purchase business assets	35%	32%	33%	21%	22%	50%	40%	42%	36%	19%	32%	46%
Delayed stock purchases	27%	25%	17%	13%	32%	72%	58%	42%	27%	14%	32%	37%
You made greater use of your own cash resources	50%	43%	26%	26%	12%	50%	36%	40%	18%	43%	36%	31%
Your ability to innovate	23%	25%	39%	31%	34%	39%	32%	27%	9%	10%	25%	26%
Sales declined	17%	20%	24%	35%	12%	6%	40%	15%	27%	24%	18%	26%
Delayed your plans to recruit staff	25%	18%	33%	26%	27%	28%	15%	21%	0%	10%	23%	17%
Encouraged you to become more efficient with your existing resources	25%	30%	22%	24%	12%	33%	21%	13%	9%	24%	32%	26%
Your business declined	15%	16%	13%	27%	17%	11%	19%	13%	27%	19%	14%	17%
You reduced staff numbers	27%	20%	20%	31%	5%	6%	8%	13%	27%	14%	5%	20%
Had no impact	4%	9%	4%	0%	0%	0%	0%	0%	18%	5%	2%	14%
Other	0%	0%	2%	5%	2%	6%	4%	2%	0%	0%	0%	3%
Don't know	0%	0%	0%	0%	2%	0%	0%	2%	0%	0%	0%	3%

Interestingly, of Australian small businesses that indicated they experienced difficulty in accessing finance, only 34 per cent stated it impacted their ability to grow their businesses. Instead Australian businesses were more likely to alter their business strategy or draw on their cash reserves in response to such difficulty. Notably, 75 per cent of Australian small businesses ran down their cash position in response to difficulties in accessing finance. Such a run down can make it even more difficult to borrow.

Hong Kong businesses, like Australian businesses, were also very likely to alter their business strategy in response to difficulty in obtaining finance, however it seems such businesses did not necessarily run down their cash position in order to sustain operations. Instead Hong Kong businesses were more likely to see their profitability decrease. Running down profitability can also make it more difficult to borrow and eventually impact cash flow.

Singaporean businesses were more likely than Hong Kong or Malaysian businesses to see their cash position decline if external finance was difficult to access. However, unlike Australian businesses, the past three *Asia-Pacific Small Business Surveys* have shown that Singaporean businesses are generally better managed than Australian businesses and hence may be better placed to manage any cash flow difficulties such action may create.

As in 2011, Malaysian businesses are more likely to delay stock and asset purchases and make use of their own cash resources as a result of funding difficulties. This would appear to be a sensible response to such difficulties (if the cash resources are of their business not of a private nature).

The low number of Indonesian respondents that indicated experiencing difficulty in accessing finance may indicate that Indonesian lending conditions may be too easy. Given the strong economic growth that Indonesia is experiencing at the moment, this seems unlikely, however if Indonesian economic conditions were to change quickly, and banks responded to this by tightening lending conditions, the resultant impact on Indonesian small businesses could be severe as their business fundamentals may not be as strong as expected.

It is surprising that more businesses did not indicate they altered their business strategy as a result of difficulty in raising finance. Revisiting a business plan or strategy (assuming the business has one) when conditions change is good practice and ensures that business operations continue to align with business conditions.

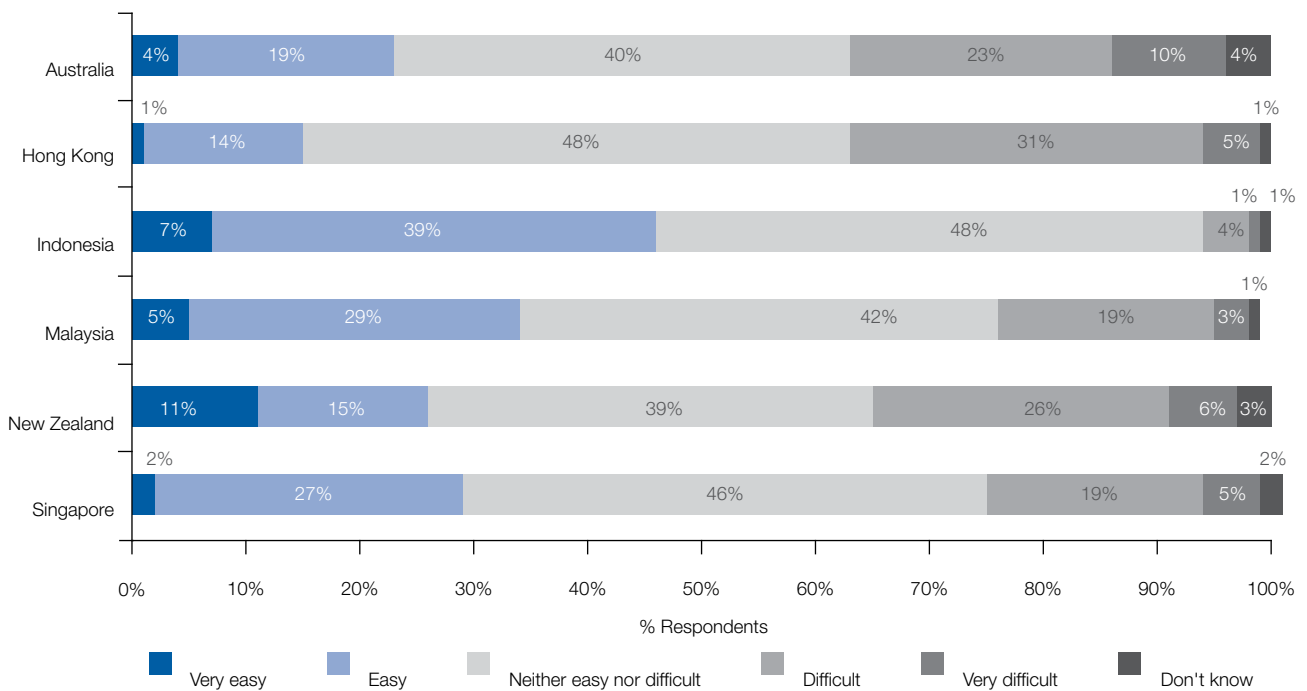
With most respondents indicating that difficulty accessing finance does not impact profitability, this could indicate that business sees the current finance market conditions as the “new normal” and are reviewing other areas of the business to maintain profitability under the current conditions.

Expected financing needs in the next 12 months

Expected ease or difficulty in borrowing over the next 12 months

Figure 10: Expected ease or difficulty in obtaining finance in 2013

Question 2-13: Using the scale below, please indicate how easy or difficult you think it is going to be for your business to raise or borrow the additional funds over the next 12 months (Single response)
 (Australia n=207, Hong Kong n=208, Indonesia n=241, Malaysia n=208, New Zealand n=99, and Singapore n=198)



With the exception of Malaysia, financing conditions are expected to remain relatively the same in 2013 as 2012. Malaysian businesses are expecting financing conditions to become somewhat easier in 2013. With Malaysian businesses having high growth expectations for 2013, the expected easing of financing conditions will help support such growth.

Given the relatively benign economic outlook for Hong Kong, Australia and New Zealand, it is of no surprise that the perception of accessing finance remains tight in these markets as lenders and other funders need to take a more prudent approach when economic conditions increase their risks. Having stated that, the relatively more difficult financing conditions, perceived or otherwise, in Hong Kong, Australia and New Zealand compared with the other economies will not help small businesses to grow.

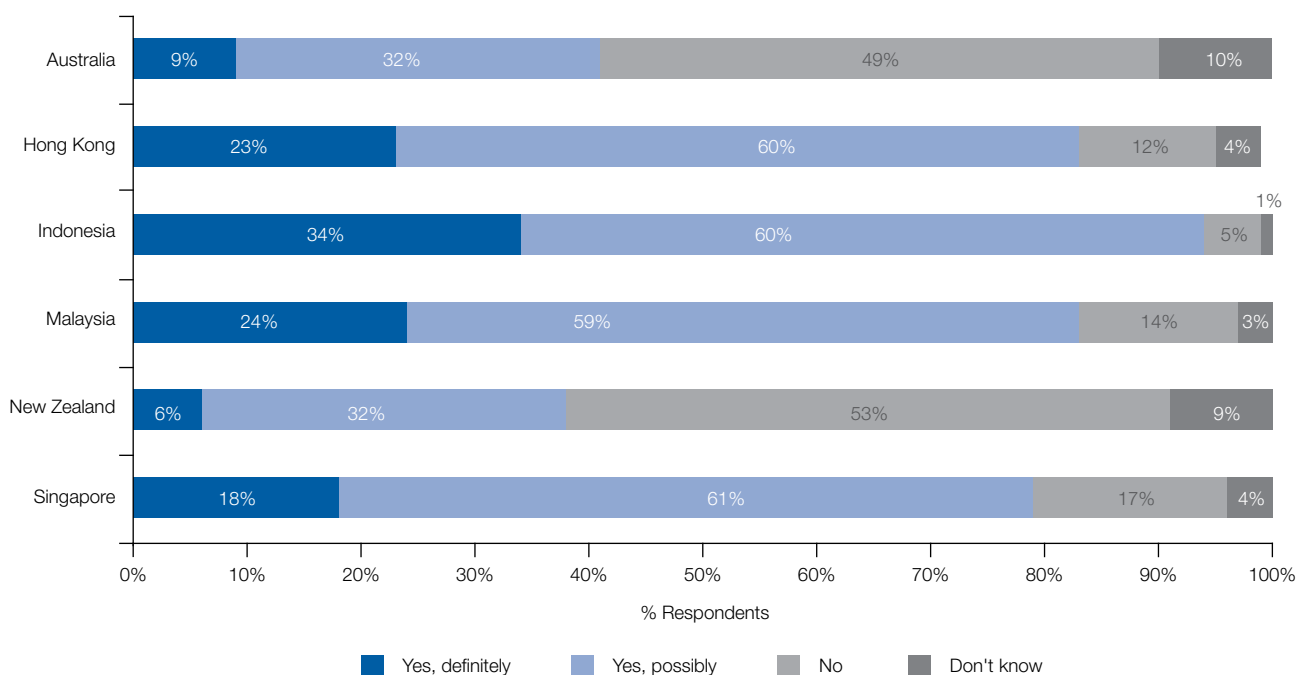
Businesses in all markets are increasingly likely to expect financing conditions to be neither difficult nor easy. This may indicate a return to more normal financing conditions, or more likely, that businesses are increasingly likely to see the current tighter conditions as the “new normal”.

It is interesting that even with Hong Kong businesses expecting the tightest of funding conditions of the economies surveyed, a very high proportion of Hong Kong businesses expect to borrow in 2013. This may indicate an unhealthy reliance on external funding by many Hong Kong businesses; possibly exposing such businesses to future problems if trading conditions do not improve.

Expected need for additional finance in the next 12 months

Figure 11: Expected need for finance in 2013

Question 2-9: Do you envisage that your business will require additional funds over the next 12 months? (Single response)
 (Australia n=500, Hong Kong n=250, Indonesia n= 257, Malaysia n= 250, New Zealand n= 258 and Singapore n=249)



In all the economies surveyed, more businesses expect to require additional funding in 2013 than actually borrowed in 2012. With the exception of Indonesia – which already has an extraordinarily high percentage of businesses with loans – there is a significant upsurge between the 2012 actual demand for additional funds and the 2013 expected demand. However, this increase is not necessarily linked to an increase in business confidence.

Although most economies remain optimistic in regards to the ease of obtaining funds from lenders, those expecting to need additional funding should still work to improve their business management activities to increase the possibility of converting the expected demand into actual loans.

It is interesting that the funding expectations for the past two years have been significantly higher than actual demand for additional funding. Although it is difficult to comment on the reasons why this may be so, businesses may be preferring to leverage internal resources and increase staff productivity to increase cash reserves to cover funding requirements, particularly in response to less than optimistic global economic conditions.

There is a low proportion of businesses in Australia and New Zealand that are certain they will require additional funding in 2013, possibly reflecting the current uncertain business conditions.

The findings indicate that the larger the business, the significantly more likely they are to say they may need additional funds in 2013.

At an industry level, businesses in the information, media and telecommunications, mining and wholesale trade industries are more likely to indicate that they expect to require additional funds in 2013. Interestingly for the mining industry, only a small percentage of respondents are certain they need such funds in 2013, possibly reflecting greater uncertainty in that industry. Businesses in the professional, scientific and technical services industry are least likely to indicate that they will seek additional finance in 2013.

CPA Australia believes that with better financial management there would be a significant increase in the percentage of businesses that understand their specific funding needs. Such certainty allows the business to go to potential lenders early and gives them more time to find the type of funding that best meets their needs. In short, the earlier businesses can determine their funding needs, the better.

Reasons for expecting to obtain finance

Table 6: Reasons for expecting to obtain finance 2011 versus 2012 survey

Question 2-11: And which of the following best describe the reasons why you believe your business may seek additional funds over the next 12 months? (Multiple responses)

Reason	Australia		Hong Kong		Indonesia		Malaysia		New Zealand		Singapore	
	2011 (n = 232)	2012 (n = 207)	2011 (n = 174)	2012 (n = 208)	2011 (n = 202)	2012 (n = 241)	2011 (n = 169)	2012 (n = 208)	2011 (n = 74)	2012 (n = 99)	2011 (n = 152)	2012 (n = 198)
Business growth	40%	50%	34%	50%	66%	59%	66%	60%	47%	40%	54%	47%
For business survival	28%	29%	43%	39%	52%	41%	33%	25%	27%	26%	32%	31%
To cover increasing expenses	31%	28%	48%	37%	22%	19%	30%	28%	27%	21%	48%	35%
To purchase assets	34%	28%	22%	30%	32%	29%	39%	29%	23%	31%	43%	28%
To fund stock purchases	19%	23%	16%	10%	29%	34%	46%	33%	22%	25%	27%	29%
To cover increasing sales	12%	11%	28%	37%	17%	20%	32%	31%	8%	7%	37%	26%
To cover late payment from debtors	18%	17%	22%	18%	13%	13%	21%	16%	23%	9%	28%	18%
To service increasing cost on bank loans	10%	8%	20%	15%	11%	16%	17%	14%	4%	3%	25%	17%
To cover tax payments	16%	15%	14%	17%	7%	10%	9%	11%	12%	14%	14%	16%
Other	3%	2%	3%	3%	5%	5%	5%	4%	4%	2%	4%	1%
Don't know	1%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

Australian and New Zealand businesses seem to be more positive about 2013, or at least the businesses that are considering requiring additional funds are. The percentage of businesses that expect to require additional funds for growth is significantly higher in those economies than the percentage that actually required funding for growth in 2012. Conversely, the percentage of businesses in Australia and New Zealand that expect to require funding for business survival is down compared with 2012.

Hong Kong businesses are both the most likely to expect to require additional funding to cover increasing sales and the least likely to expect to require additional funding to purchase stock. This may indicate that Hong Kong businesses fund their stock purchases from working capital. Given that previous surveys have showed that Hong Kong businesses are typically well managed, this should not put unnecessary pressure on working capital however, if economic conditions remain weak, it may do so.

It is not surprising, given Hong Kong's relatively low growth expectations, that 39 per cent of Hong Kong businesses expect to require additional funding for business survival. Given the low growth expectations, Hong Kong businesses may be wise to consider relying more on internal funding than external finance.

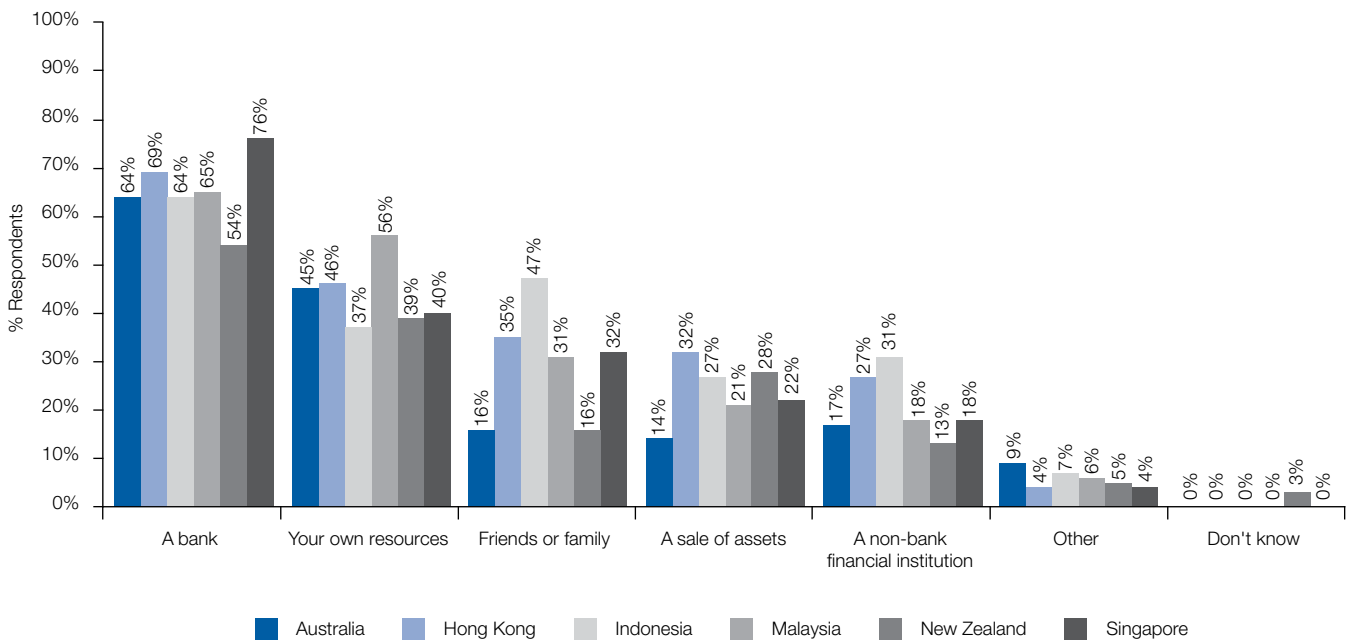
Other interesting data in relation to this question includes:

- While 60 per cent of Australian respondents expect to grow in 2013, only 50 per cent expect to need additional funding to support such growth.
- While 59 per cent of Hong Kong businesses expect to grow in 2013, only 50 per cent expect to need additional funding to support such growth.
- While 71 per cent of Singaporean businesses expect to grow in 2013, only 47 per cent expect to need additional funding to support such growth.
- While 87 per cent of Malaysian businesses expect to grow in 2013, only 60 per cent expect to need additional funding to support such growth.
- While 94 per cent of Indonesian businesses expect to grow in 2013, only 59 per cent expect to need additional funding to support such growth. As in the 2011 survey, Indonesian businesses are highly likely to consider requiring additional funding for both growth and survival.
- While 64 per cent of New Zealand businesses expect to grow in 2013, only 40 per cent expect to need additional funding to support such growth.

Most likely sources of additional finance

Figure 12: Most likely source of additional finance for 2013

Question 2-10: From which of the following would your business be most likely to seek those additional funds? (Multiple responses) (Australia n=207, Hong Kong n=208, Indonesia n=241, Malaysia n=208, New Zealand n=99, and Singapore n=198)



Banks remain the most likely source of additional finance in 2013. This was also the case in the 2011 survey.

As has been demonstrated in our surveys over a number of years, Australian and New Zealand businesses are much less likely to expect to obtain funds from family and friends than businesses in Asia. Indonesian businesses are significantly more likely to expect to obtain funds from family than businesses in other economies. As businesses become larger, they are less likely to expect to source finance from family and friends in all economies.

It seems as though the popularity of family and friends as a potential source of funding is declining in Singapore and Malaysia. In Malaysia, there is a significant drop in the number of businesses that used family and friends as a source of finance in 2012 and expect to use it as a source of finance in 2013. The fall in family and friends in Malaysia seems to be replaced in part by an expected increase in funding from their own resources. This may indicate concerns over approaching family and friends.

What is pleasing to note is the increased expectation that Australian, Singaporean, Malaysian, and to a lesser extent, Indonesian and New Zealand businesses will look increasingly to use their own resources to support funding requirements.

As in the 2011 survey, non-banking financial institutions seem to be more popular in Indonesia and Hong Kong. This seems to indicate that strong competitors to the banking sector exist in those markets. Other markets in the survey may wish to review those markets to see how they can increase competition in their banking sector.

When comparing data from the 2009 survey, both Hong Kong and Singapore business have an increased expectation that they will fund business operations from the sale of assets. This may indicate a level of de-stocking or sale of excess assets to assist in funding requirements.

Possible impact on business of difficult financing conditions

Table 7: Possible impact of difficult financing conditions on business

Question 2-14: And which of the following best describes the impact the difficulty in accessing additional funding may have on your business? (Multiple responses)

Impact	Australia		Hong Kong		Indonesia		Malaysia		New Zealand		Singapore	
	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012
	(n = 87)	(n = 68)	(n = 54)	(n = 74)	(n = 40)	(n = 13)	(n = 47)	(n = 46)	(n = 17)	(n = 32)	(n = 44)	(n = 47)
Your ability to grow your business	45%	53%	43%	43%	58%	54%	53%	37%	53%	50%	52%	49%
Require you to alter your business strategy	39%	37%	46%	50%	43%	54%	43%	39%	29%	38%	48%	55%
Your cash position	47%	56%	43%	42%	13%	38%	38%	37%	29%	47%	55%	38%
Lead to you providing more cash from your own resources to the business	41%	46%	37%	24%	10%	38%	40%	22%	41%	41%	32%	45%
Reduce profitability	25%	22%	41%	51%	33%	23%	53%	33%	29%	19%	20%	38%
Your ability to purchase business assets	33%	28%	35%	28%	28%	31%	30%	17%	18%	25%	30%	49%
Lead to delaying stock purchases	20%	22%	13%	8%	33%	54%	53%	22%	18%	16%	27%	21%
Lead to you reducing the size of your business	20%	21%	41%	38%	15%	23%	32%	15%	35%	25%	18%	32%
Your plans to innovate	26%	29%	30%	28%	33%	38%	21%	15%	18%	9%	30%	34%
Your ability to recruit new staff	14%	25%	33%	36%	18%	31%	19%	20%	6%	22%	20%	26%
Lead to you reducing the number of staff	10%	16%	30%	27%	10%	8%	26%	15%	6%	9%	14%	26%
No expected impact	1%	1%	4%	3%	3%	0%	9%	2%	0%	0%	2%	0%
Other	1%	0%	0%	3%	5%	0%	2%	4%	6%	0%	2%	2%
Don't know	1%	1%	0%	0%	5%	0%	0%	2%	6%	3%	0%	0%

For businesses in Indonesia, Hong Kong and Singapore, the most likely response to any difficulty in accessing finance in 2013 will be to alter their business strategy. Hong Kong businesses also show a marked impact on profitability where funds are difficult to access, however as they have a willingness to alter their business strategy in the face of such difficulty, this may in turn support profitability if the correct strategy is undertaken.

Difficulties in accessing finance in Hong Kong is likely to flow through to the broader economy, with Hong Kong businesses most likely of all the economies surveyed to state that difficulty in accessing finance is likely to lead them to reduce the size of their business. Given the potential impact on the economy, and the willingness of many Hong Kong small businesses to alter their business strategy, the Hong Kong government may wish to consider working with industry associations and accountants to help businesses improve performance and productivity.

Businesses in Australia, Hong Kong and New Zealand are much more likely to dip into their own cash reserves if they experience difficulty in accessing finance. While this may be unavoidable, business should first look to improve business performance. This may free up cash.

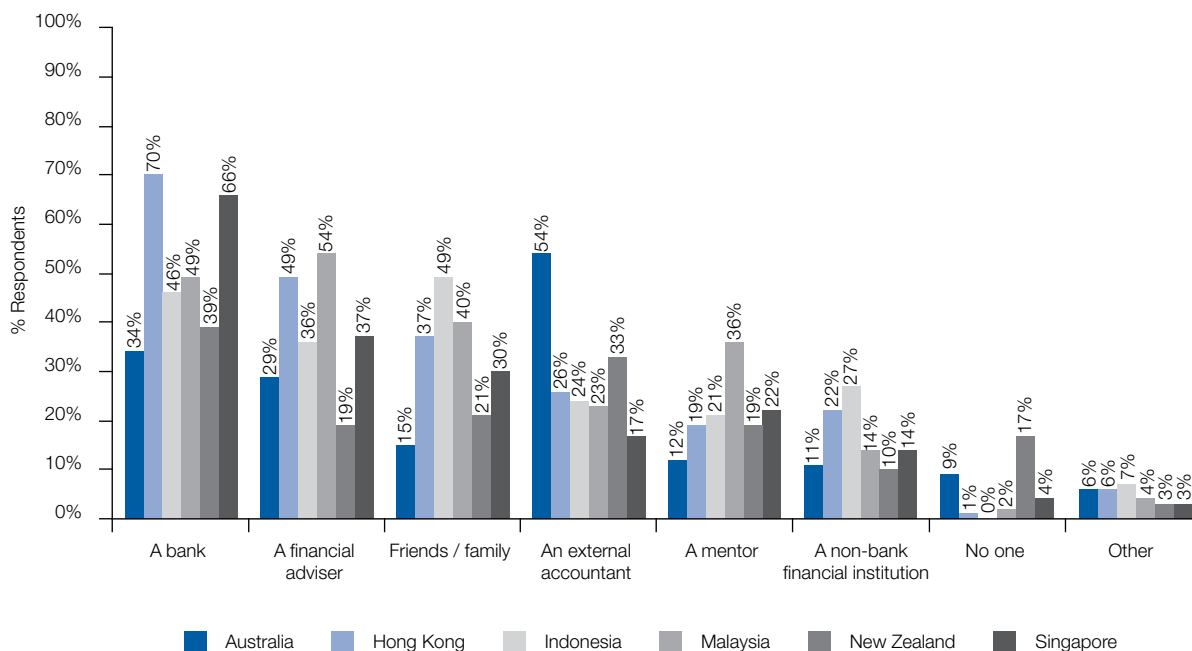
Adjusting staffing appears to be a low priority where funding is difficult to access. This may indicate that business will look at operational changes before staffing levels.

Australia, Indonesia and New Zealand businesses all showed an increase in the potential impact on their cash position if they experience difficulty accessing finance. This may point toward a high reliance on external finance to support their business. These businesses should consider alternative methods to support their business such as altering their business strategy to improve profitability and increase working capital.

Sources for advice if considering seeking finance

Figure 13: Sources of advice on business financing in 2012

Question 2-12: If your business is considering seeking finance, will your business seek advice from ... (Multiple responses)
 (Australia n=207, Hong Kong n=208, Indonesia n=241, Malaysia n=208, New Zealand n=99, and Singapore n=198)



As was the case in the 2011 survey, Australian small businesses are significantly more reliant on their external accountant for advice on funding issues than in all the other economies surveyed. Further, the reliance Australian small businesses place on their external accountants for advice has increased significantly from the 2011 survey. There has also been a significant increase in the reliance of financial advisers and a large decline in the use of mentors.

In the other economies surveyed, small businesses are significantly more likely to seek advice from their lender or a financial adviser. As businesses get larger, they seem more likely to seek advice from their bank. It is disappointing that businesses in those other economies rely less on accountants as a source of advice. Accountants can provide an independent source of advice on financing options and can help small business meet the requirements of lenders.

New Zealand businesses are most likely to not seek external advice. This may be reflected in the limited range of financing options New Zealand businesses make use of.

Reflecting the more prominent role family and friends seem to play in business in Asia, they are both an important source of advice on financing issues and a source of finance.

Malaysian businesses continue to be significantly more likely to seek advice from mentors than the other economies surveyed. Mentors can be a very positive influence on a business if they have appropriate skills and experience.

The use of external accountants in the Asian economies surveyed has seen a significant decline. Accountants in this region may need to further promote such services to help overcome a perception that they are only providers of compliance work.

Small business management activities

Table 8: Business management activities undertaken in past 12 months

Question 3-1: Please indicate which of the following activities your business has undertaken in the past 12 months. (Multiple responses)

Financing activities	Australia		Hong Kong		Indonesia		Malaysia		New Zealand		Singapore	
	2011 (n = 509)	2012 (n = 500)	2011 (n = 201)	2012 (n = 250)	2011 (n = 219)	2012 (n = 257)	2011 (n = 201)	2012 (n = 250)	2011 (n = 201)	2012 (n = 258)	2011 (n = 202)	2012 (n = 249)
Increased marketing and promotion	24%	26%	35%	37%	62%	54%	48%	47%	29%	26%	40%	31%
Followed up on late payments from your customers	38%	49%	33%	34%	32%	21%	33%	34%	47%	43%	43%	31%
Used your personal credit card for business use	38%	47%	15%	17%	16%	12%	28%	24%	40%	34%	34%	29%
Offered discounts to customers to induce early payment	17%	15%	28%	24%	25%	23%	38%	31%	18%	15%	33%	24%
Received business advice from an accountant	32%	38%	15%	14%	25%	21%	19%	20%	38%	27%	14%	14%
Sought a short-term injection of funds	15%	15%	24%	22%	33%	31%	28%	20%	15%	14%	28%	18%
Took up early payment discounts from suppliers	18%	18%	20%	23%	17%	19%	30%	24%	18%	23%	33%	20%
Reduced stock levels	22%	16%	25%	23%	14%	13%	31%	21%	20%	18%	19%	19%
Sold excess / obsolete stock	16%	14%	27%	30%	26%	20%	26%	21%	18%	18%	17%	15%
Extended payment terms with suppliers	12%	14%	23%	21%	23%	18%	22%	24%	10%	8%	30%	23%
Decreased marketing and promotion	13%	15%	21%	18%	11%	12%	14%	14%	14%	12%	12%	15%
Sold personal assets to fund business activities	10%	10%	14%	20%	16%	17%	20%	15%	10%	11%	14%	15%
Sold business assets	8%	7%	15%	14%	11%	13%	13%	11%	10%	8%	10%	12%
Reduced the debt your business carries	0%	22%	0%	20%	0%	23%	0%	31%	0%	8%	0%	19%
None of the above	17%	11%	3%	6%	1%	2%	4%	4%	8%	12%	7%	9%
Don't know	1%	0%	1%	1%	0%	0%	0%	1%	0%	0%	1%	1%

Overall, it appears that Australian small businesses have improved their business management from previous years. This may be a reflection that Australian small businesses perceive that economic conditions are unlikely to change soon and therefore they must focus on improving their performance rather than waiting for improvements in the economy to fix their ills.

Australian businesses significantly increased their following up of late payments in 2012 from the 2011 survey. This is a positive development but it could also reflect a growing bad debt problem for Australian small business. Following up late payments from debtors is good business practice – better business practice is chasing up payments before they become late.

Businesses in Asia, particularly Indonesia, should focus more on chasing up late payments. Allowing late payments to become bad can affect cash flow and, in extreme cases, lead to business failure.

Malaysian businesses are more likely than businesses in other economies to offer discounts to clients to encourage early payment. While getting cash into the business is extremely important, such action can affect business profitability and should not be used widely. The more common practice is to charge interest or a premium on late payment

Possibly reflecting difficult trading conditions in Hong Kong, Hong Kong businesses were more likely to sell excess or obsolete stock and other assets. This is mostly good practice.

Australia and Hong Kong businesses slightly increased their marketing spend in 2012 compared to 2011, however the percentage that increased their marketing spending in Hong Kong was down slightly from the percentage that thought they would increase their marketing spend in 2012.

The number of Singaporean businesses that increased their marketing spend in 2012 was lower than 2011 and lower than what they forecast for 2012. This possibly reflects more adverse trading conditions than expected and/or having less resources. The gap between the percentage of New Zealand businesses that expected to increase their marketing spend in 2012 and those that actually did was significant, possibly reflecting that actual trading conditions in that economy were not as positive as expected.

Asian businesses were again more likely to seek an extension of payment terms with suppliers. Where businesses are having difficulty, they should seek to extend payment terms while remaining a good payer.

Australian and New Zealand businesses remain the most likely to mix personal and business credit card use. Good business practice requires separating personal credit card from the business. Banks could help reduce the incidence of this by recommending separate credit cards to their business clients.

All businesses could benefit from more professional advice from an accountant. Businesses should build this into normal business practice.

Across all markets surveyed, debt reduction was not significant. Having stated that, Malaysian businesses appear most likely to have engaged in activity that reduces their debt. Depending on the business cycle, this can be a positive, however it is important not to starve the business of investment.

Australian and New Zealand businesses are the least likely to undertake any of these business management activities. This can only contribute to their less confident view and may indicate that a proportion of Australian and New Zealand businesses are effectively “hoping for the best” rather than confronting their problems. Having stated that, the percentage of Australian businesses undertaking at least one management activity has increased from 2011 and has increased from what was expected in 2012. This indicates that Australian businesses appear to be slightly better managed, however much work is required.

From 2009 to 2012 Hong Kong businesses reduced their marketing spend and discounts to customers and increased the sale of personal assets to fund business operations. This may be in response to deteriorating business conditions over this period in this economy.

Table 9: Business management activities expected to be undertaken in next 12 months

Question 3-3: And please indicate which of the following activities you expect your business to undertake in the next 12 months? (Multiple responses)

Financing activities	Australia 2012 (n = 500)	Hong Kong 2012 (n = 250)	Indonesia 2012 (n = 257)	Malaysia 2012 (n = 25)	New Zealand 2012 (n = 258)	Singapore 2012 (n = 249)
Increase marketing and promotion	36%	44%	53%	43%	33%	31%
Follow up on late payments from your customers	42%	27%	27%	30%	36%	24%
Offer discounts to customers to induce early payment	14%	21%	28%	30%	11%	22%
Seek business advice from an accountant	34%	18%	20%	22%	20%	17%
Seek a short-term injection of funds	13%	21%	25%	22%	11%	20%
Take up early payment discounts from suppliers	20%	20%	19%	22%	18%	19%
Sell excess / obsolete stock	15%	25%	25%	23%	17%	20%
Extend payment terms with suppliers	9%	22%	18%	19%	3%	20%
Reduce stock levels	11%	23%	12%	20%	12%	18%
Use your personal credit card for business use	32%	14%	13%	17%	20%	17%
Decrease marketing and promotion	32%	15%	7%	15%	3%	10%
Sell business assets	7%	13%	11%	10%	7%	15%
Sell personal assets to fund business activities	4%	12%	10%	12%	12%	7%
Reduce the debt your business carries	26%	24%	27%	29%	24%	21%
None of the above	14%	5%	2%	4%	17%	7%
Don't know	2%	2%	1%	2%	3%	2%

There appears to be a substantial increase in the percentage of Indonesian businesses that intend to follow up late payments, which is a positive development.

Given low small business confidence in Hong Kong, it is surprising that more Hong Kong businesses don't intend to chase of late payments from customers. If Hong Kong businesses or businesses in any other economy are expecting 2013 to be difficult, this should be a priority business activity.

Businesses in Asia are more likely than businesses in Australia and New Zealand to seek an extension of payment terms with suppliers. More Australian and New Zealand businesses should be seeking the same, while remaining a good payer.

More Malaysian and Indonesian businesses are expecting to offer early payment discounts to encourage early payment. While this can be a reasonable tool to increase cash flow in the short term, it can affect profitability and therefore should be used with caution.

More Australian, Hong Kong and New Zealand businesses intend to increase their marketing spend in 2013 than was the case in 2012. This should be seen as a positive development in those markets. Singaporean businesses are the least likely to intend to increase their marketing spend; this does not accord with the positive sentiment of Singaporean small businesses.

It is of no surprise, given the strong confidence in Indonesia, that businesses in the country are most likely to expect to increase their marketing spending in 2013 as they seek to take advantage of expected strong market conditions.

It is disappointing that the percentage of New Zealand and Australian businesses that don't intend to do any of these business activities looks like increasing from the percentage that did not undertake these in 2012. This should be of concern to policymakers in those markets.

If business is expecting tough trading conditions in 2013, they should be implementing business management activities that improve their working capital position. Without such activities, it is likely that some of those businesses will run down their cash position, and possibly be forced to close. One has to ask the question, given that 2013 will be the fifth year of the global financial crisis, how long can businesses continue to run down their cash positions? A renewed focus on improving their working capital through chasing up late payments, seeking extension of payment terms, selling excess or obsolete stock and reducing stock levels should be part of the day-to-day activities of businesses expecting tough trading conditions.

Industry analysis – an overview

- Businesses in the mining, rental, hiring and real estate service, and finance and insurance industries are the most optimistic about their business for 2013. Construction businesses are the most pessimistic (however less than one fifth of construction businesses are pessimistic).
- Businesses in the administrative and support services, mining, and finance and insurance industries are the most optimistic about the economy. Construction businesses are the most pessimistic.
- Reflecting the strong sense of optimism in the mining industry, mining businesses are the most likely to have increased the number of employees in the past 12 months. Also, mining businesses are most likely to expect to increase their number of employees over the next 12 months. Manufacturing businesses are most likely to expect to have decreased the number of employees (however, the percentage of such businesses that decreased employees in 2012 was small).
- Mining and manufacturing were the industries most likely to seek additional funds in the past year. Given the optimism and the capital-intensive nature of mining, this is no surprise. For the manufacturing industry, the increase in borrowing at the same time as a reduction in employees could indicate that manufacturing businesses are investing in labour-saving machinery. However, the survey does not necessarily support that conclusion. Businesses working in the professional, scientific and technical services were least likely to seek finance in 2012.
- Businesses in the information, media and telecommunications, and the education and training industries were most likely to source finance for business growth. Further, businesses from the information, media and telecommunication industry were most likely to source finance to cover increasing sales. Businesses in the administrative and support services industry and the finance and insurance industry were the most likely to state that accessing finance was easy or very easy. Businesses in the information, media and telecommunications industry were the most likely to state that accessing finance was difficult or very difficult. Finance and insurance businesses are the most likely to expect easy credit conditions to continue in 2013, while retail trade businesses are most likely to believe financing conditions will be difficult
- Businesses in the mining, wholesale trade and information, media and telecommunications industries were the most likely to indicate that they will require additional funds in the next 12 months. Businesses in the professional, scientific and technical services industry are the least likely to expect to seek additional funds in 2013, which is not surprising given that most businesses in that industry do not currently have a loan. Wholesale trade businesses are the most likely to expect to borrow to fund business growth, however wholesale trade businesses were also the most likely to expect to seek finance for business survival, followed by businesses in the information, media and telecommunications industry.

Appendix A: Survey sample details

Industry breakdown

Table 10: Respondents by industry

Question 1-3: Which of the following best describes the main sector your business works in? (Single response)

Industry*	Australia 2012 (n = 500)	Hong Kong 2012 (n = 250)	Indonesia 2012 (n = 257)	Malaysia 2012 (n = 250)	New Zealand 2012 (n = 258)	Singapore 2012 (n = 249)
Accommodation and food services	2%	6%	5%	6%	9%	3%
Administrative and support services	3%	5%	3%	4%	3%	7%
Agriculture, forestry and fishing	2%	1%	3%	2%	6%	1%
Arts and recreation services	3%	6%	6%	3%	4%	2%
Construction	11%	6%	3%	4%	9%	8%
Education and training	4%	9%	7%	10%	6%	9%
Finance and insurance	7%	6%	9%	6%	3%	9%
Health care and social assistance	6%	3%	1%	4%	6%	4%
Information, media and telecommunications	8%	12%	17%	15%	3%	10%
Manufacturing	5%	11%	10%	6%	5%	4%
Mining	2%	1%	9%	1%	0%	0%
Professional, scientific and technical services	15%	5%	5%	14%	12%	12%
Public administration and safety	0%	1%	1%	0%	0%	0%
Rental, hiring and real estate services	2%	0%	2%	1%	2%	3%
Retail trade	11%	14%	8%	6%	10%	12%
Transport and warehousing	1%	4%	3%	2%	3%	2%
Utilities	1%	0%	1%	2%	3%	1%
Wholesale trade	4%	4%	5%	2%	2%	6%
Other	12%	6%	4%	10%	12%	7%

* Industry names taken from ANZSIC codes.

Firmographics

Table 11: Survey demographics

Firmographics	Australia 2012 (n = 500)	Hong Kong 2012 (n = 250)	Indonesia 2012 (n = 257)	Malaysia 2012 (n = 250)	New Zealand 2012 (n = 258)	Singapore 2012 (n = 249)
Nil (Sole trader)	24%	10%	12%	11%	43%	19%
1-4	46%	25%	22%	29%	40%	23%
5-9	18%	21%	20%	31%	10%	37%
10-19	12%	44%	46%	29%	7%	21%

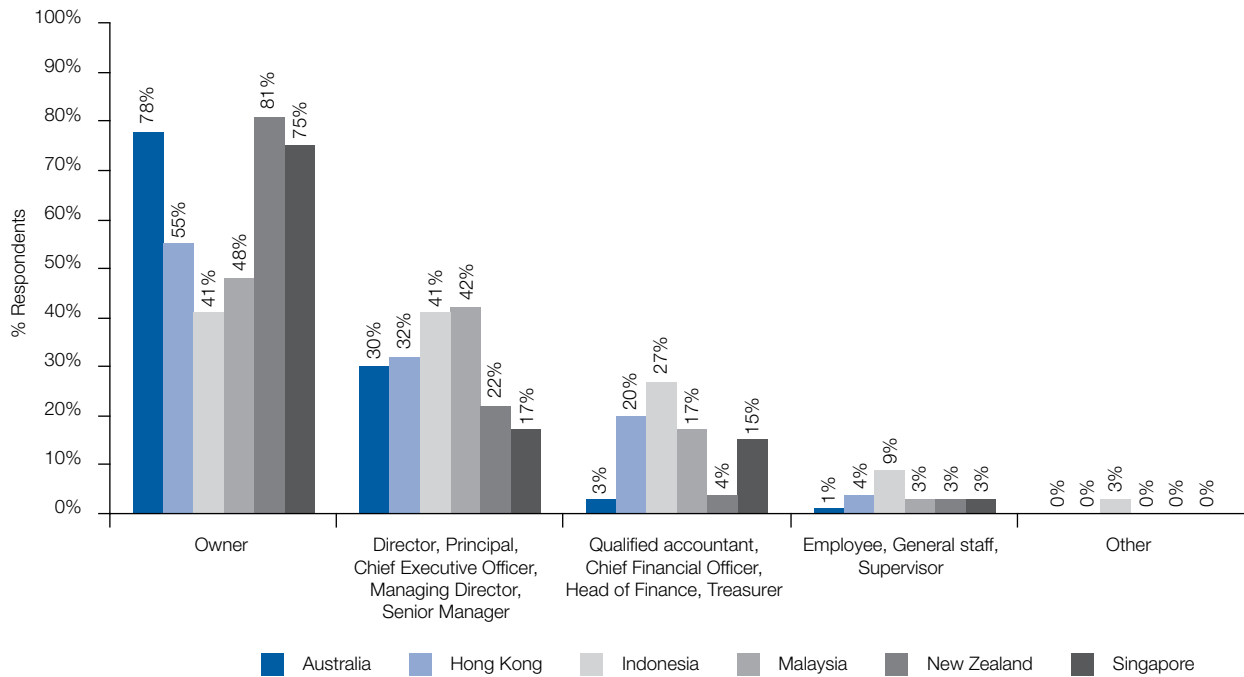
Under 5 years	17%	37%	35%	39%	28%	38%
5 - 10 years	25%	34%	45%	45%	31%	45%
11 - 20 years	30%	22%	16%	11%	18%	11%
21+ years	28%	7%	2%	5%	19%	6%
Don't know	0%	0%	2%	0%	0%	0%

Under 30	3%	17%	42%	25%	4%	36%
30 – 39	10%	44%	44%	48%	16%	31%
40 – 49	22%	26%	12%	22%	23%	24%
50 – 59	38%	11%	1%	5%	24%	7%
60+	27%	2%	1%	0%	32%	1%

Australian dollars	% of Respondents n = 500	Singapore dollars	% of Respondents n = 249	Hong Kong dollars	% of Respondents n = 250
Under \$200,000	31%	Under \$250,000	30%	Under \$1.5 million	28%
\$200,000 < \$500,000	24%	\$250,000 < \$600,000	30%	\$1.5 million < \$3 million	20%
\$500,000 < \$1 million	13%	\$600,000 < \$1.2 million	21%	\$3 million < \$6 million	17%
\$1 million < \$2 million	11%	\$1.2 million < \$2.4 million	9%	\$6 million < \$12 million	21%
\$2 million or more	7%	\$2.4 million or more	4%	\$12 million or more	10%
Prefer not to disclose	13%	Prefer not to disclose	7%	Prefer not to disclose	5%
Malaysian ringgit	% of Respondents n = 250	Indonesian rupiah	% of Respondents n = 257	New Zealand dollars	% of Respondents n = 258
Under RM 600,000	51%	Under IDR2 billion	44%	Under \$250,000	62%
RM 600,000 < RM 1.5 million	27%	IDR 2 billion < IDR 4.5 billion	28%	\$250,000 < \$650,000	14%
RM 1.5 million < RM 3 million	13%	IDR 4.5 billion < IDR 10 billion	7%	\$650,000 < \$1.25 million	7%
RM 3 million < RM 6 million	2%	IDR 10 billion < IDR 20 billion	6%	\$1.25 million < \$2.5 million	2%
RM 6 million or more	1%	IDR 20 billion or more	1%	\$2.5 million or more	4%
Prefer not to disclose	6%	Prefer not to disclose	14%	Prefer not to disclose	11%

Figure 14: Position respondent held in the small business

Question 1-1: Which of the following best describes your role in the business? (Multiple responses)
 (Australia n=500, Hong Kong n=250, Indonesia n= 257, Malaysia n= 250, New Zealand n= 258
 and Singapore n=249)





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