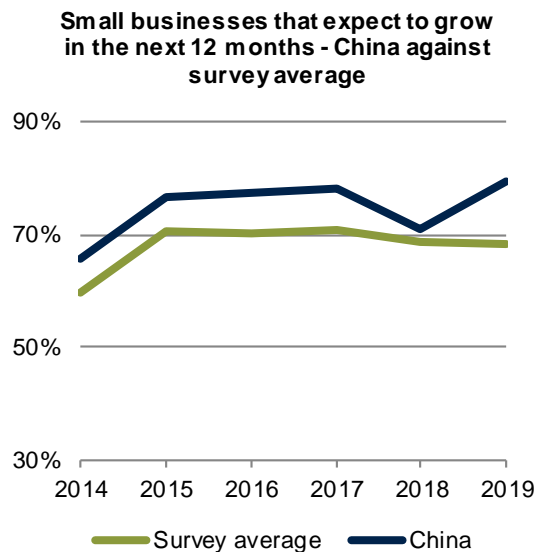
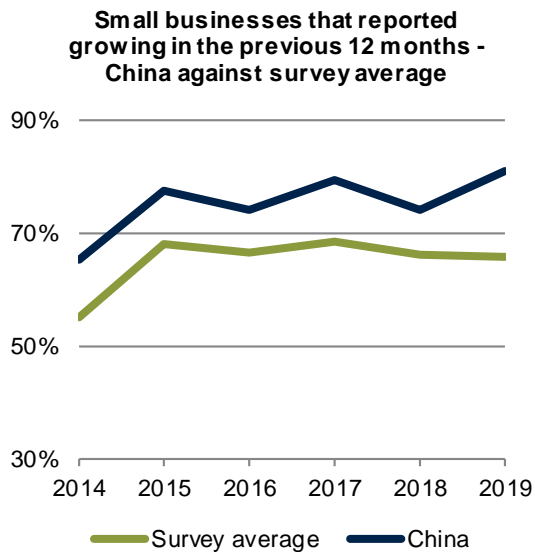


## Mainland China market summary<sup>1</sup>

### Business and economic growth



	2019	Survey average 2019	Rank 2019	2018	Rank 2018	2017	2016	2015
<b>Businesses that grew in the last 12 months</b>	81.0%	65.8%	4/11	74.0%	4/10	79.5%	74.1%	77.4%
<b>Businesses that expect to grow in the next 12 months</b>	79.4%	68.2%	5/11	71.1%	5/10	78.1%	77.3%	76.7%
<b>Businesses that expect the local economy to grow in the next 12 months</b>	82.6%	59.1%	3/11	64.3%	5/10	76.7%	69.2%	71.1%

<sup>1</sup> All data for Mainland China excludes Hong Kong and Taiwan, which are shown separately for the purpose of this report.

## Business activity over the past 12 months

	2019	Survey average 2019	Rank 2019	2018	Rank 2018	2017	2016	2015
Increased employee numbers	57.0%	32.5%	1/11	39.7%	3/10	43.9%	38.8%	43.1%
Improved business management had a major positive impact on their business	19.9%	17.6%	5/11	25.8%	5/10	29.2%	32.2%	33.1%
Increasing costs had a major negative impact on their business	26.9%	33.8%	10/11	34.4%	9/10	36.0%	36.2%	38.9%
Required funds from an external source	61.4%	52.2%	3/11	79.6%	1/10	84.5%	80.7%	79.3%
Sought external funds for business growth	53.0%	54.0%	6/11	59.9%	4/10	69.3%	66.5%	62.4%
Found it easy or very easy to access external finance	53.8%	31.6%	1/11	35.4%	4/10	36.1%	40.3%	59.3%
A bank was the business's main source of external finance	18.8%	36.2%	11/11	29.6%	9/10	31.3%	32.5%	27.7%

## Planned business activity over the next 12 months

	2020	Survey average	Rank 2020	2019	Rank 2019	2018	2017	2016
Expect to increase employee numbers	63.2%	42.7%	2/11	51.0%	4/10	51.5%	49.4%	55.2%
Will introduce a new product, service or process unique to their market or the world	45.6%	25.8%	1/11	26.0%	5/10	27.2%	28.5%	31.6%
Expect revenue from overseas markets to grow strongly	23.7%	17.1%	4/11	14.4%	6/10	17.2%	16.6%	15.7%
Will seek external funds	33.8%	23.3%	2/11	36.4%	3/10	39.8%	37.0%	45.2
Expect easy to very easy access to finance	49.8%	27.4%	1/11	33.8%	1/10	39.6%	42.7%	55.4%

## Social media, e-commerce and technology

	2019	Survey average 2019	Rank 2019	2018	Rank 2018	2017	2016	2015
Did NOT earn any revenue from online sales	2.1%	26.2%	11/11	5.4%	10/10	6.8%	7.7%	9.2%
Did NOT use social media for business purposes	1.7%	18.9%	11/11	3.7%	10/10	4.8%	2.9%	2.3%
Investment in technology by the business over the past 12 months has improved profitability	56.6%	48.9%	5/11	67.0%	4/10	74.1%	N/A	N/A
Technology your business invested in most heavily over the past 12 months	Computer equipment	Computer equipment	N/A	Computer equipment	N/A	N/A	N/A	N/A
Consider your business likely to be cyberattacked in next 12 months	45.1%	37.5%	3/11	46.3%	3/10	44.9%	N/A	N/A
Reviewed your business's cybersecurity protections in last six months	67.6%	45.9%	2/11	69.0%	2/10	N/A	N/A	N/A
More than 10 per cent of sales is received through digital payment options such as PayPal, Alipay, WeChat Pay	91.4%	60.1%	1/11	87.1%	1/10	84.2%	N/A	N/A

## Factors that had positive and negative influences on business

Top four factors that had a positive influence on small business in 2019	Top four factors that had a positive influence on small business in 2018
Good staff	Improved customer satisfaction
Improved customer satisfaction	Introduced a new product or service
Introduced a new product or service	Good staff
Positive overall economic environment	Improved business strategy

Top four factors that had a negative impact on small business in 2019	Top four factors that had a negative impact on small business in 2018
Increasing costs	Increasing costs
Poor overall economic environment	Poor overall economic environment
Increasing competition	Increasing rent
Increasing rent	Increasing competition

## Impact of a trade war

	2019	Survey average 2019	Rank 2019	2018	Rank 2018
Possible trade war between the US and a range of other economies will have a negative impact on your business in next 12 months	28.9%	33.1%	6/11	39.7%	4/10

## Demographics

	2019	Survey average 2019	Rank 2019	2018	Rank 2018	2017	2016	2015
Business has been established for 10 years or less	74.2%	65.4%	3/11	64.8%	5/10	73.1%	68.6%	69.8%
Respondent is aged under 40	77.5%	54.7%	1/11	69.9%	2/10	68.5%	60.0%	59.5%
Respondent is the business owner	11.7%	42.5%	10/11	10.1%	10/10	6.1%	9.5%	23.8%
Business has 10 to 19 employees	73.1%	34.6%	1/11	70.0%	1/10	77.9%	68.8%	65.6%

## Key figures by city (excluding Hong Kong and Taiwan)

	Beijing	Chongqing	Guangzhou	Shanghai	Shenzhen	Mainland China average	Survey average
Businesses that grew in the last 12 months	84.9%	78.7%	81.4%	84.2%	75.8%	81.0%	65.8%
Businesses that expect to grow in the next 12 months	86.2%	73.5%	82.7%	82.2%	72.6%	79.4%	68.2%
Businesses that expect the local economy to grow in the next 12 months	88.2%	77.4%	79.5%	84.9%	83.4%	82.6%	59.1%
Increased employee numbers over the past 12 months	71.7%	47.7%	53.8%	60.5%	51.6%	57.0%	32.5%
Plan to increase employee numbers over the next 12 months	77.0%	52.9%	66.0%	67.8%	52.9%	63.2%	42.7%
Required external funds over the past 12 months	36.2%	78.1%	62.8%	48.0%	80.9%	61.4%	52.2%
Found access to external finance easy or very easy over the past 12 months	69.1%	60.3%	32.7%	63.0%	52.0%	53.8%	31.6%
Banks were the main source of external funds	14.5%	22.3%	26.5%	15.1%	13.4%	18.8%	36.2%
Business growth was the main reason for seeking external finance	49.1%	52.1%	62.2%	53.4%	48.0%	53.0%	54.0%

<b>Will seek external funds in next 12 months</b>	25.7%	49.0%	37.2%	25.0%	31.8%	33.8%	23.3%
<b>Expect easy to very easy access to finance in next 12 months</b>	56.0%	58.1%	27.7%	52.9%	54.4%	49.8%	27.4%
<b>Expect revenue from overseas markets to grow strongly over the next 12 months</b>	23.7%	37.4%	19.2%	17.8%	20.4%	23.7%	17.1%
<b>Will introduce a new product, service or process unique to their market or the world in the next 12 months</b>	67.1%	41.3%	43.6%	46.7%	29.9%	45.6%	25.8%
<b>Investment in technology by the business over the past 12 months has improved profitability</b>	36.8%	68.4%	64.1%	46.7%	66.2%	56.6%	48.9%
<b>More than 10 per cent of sales is received through digital payment options such as PayPal, Alipay, WeChat Pay</b>	94.5%	90.1%	92.2%	90.6%	89.7%	91.4%	60.1%
<b>Did NOT use social media for business purposes</b>	3.3%	1.3%	1.9%	0.7%	1.3%	1.7%	18.9%
<b>Did NOT generate any sales online</b>	2.6%	2.6%	3.8%	0.7%	0.6%	2.1%	26.2%
<b>Think it is LIKELY their business will be cyberattacked in 2019</b>	34.9%	59.4%	37.2%	43.4%	50.3%	45.1%	37.5%
<b>Reviewed the business's cybersecurity protections in last six months</b>	62.5%	59.4%	73.7%	63.2%	79.0%	67.6%	45.9%
<b>Possible trade war between the US and a range of other economies will have a negative impact on the business in next 12 months</b>	11.9%	30.3%	41.7%	19.7%	40.1%	28.9%	33.1%
<b>Staff costs were most detrimental to the business</b>	23.0%	47.7%	37.8%	32.2%	55.4%	39.4%	32.5%
<b>Respondent aged under 40</b>	78.3%	71.6%	78.8%	84.9%	73.9%	77.5%	54.7%

## Summary

2019 was a positive year for Mainland China's small business sector, with 81.0 per cent of businesses stating that they grew which was higher than the 74.0 per cent in 2018 and the survey average of 65.8 per cent.

As in previous surveys, the number of small businesses from Mainland China that reported growing in 2019 was higher than most other markets included in this survey, and well above developed markets such as Australia, where only 35.3 per cent reported growing.

Fifty-seven per cent of respondents from Mainland China stated that they added staff in 2019, an increase of 17 percentage points from 2018, the highest among all markets, reflecting the high number of small businesses from Mainland China experiencing growth.

Small businesses from Mainland China continue to be leaders in using technology in their business. Of the eleven markets surveyed, they were the most likely to have earned revenue from online sales and the most likely to be using social media for business purposes. In fact, the percentage of Mainland Chinese small businesses making online sales and using social media is so high that it would be difficult to find businesses in Mainland China that are not. Further, they are not just dabbling in online sales – a staggering 86.3 per cent of them have earned more than 10 per cent of their revenue from online sales.

Another area of technology where Mainland China's small business sector is a clear leader is the use of digital and online payment options. Small businesses from the Mainland are by far the most likely to offer clients the option to pay via new digital or mobile payment methods, such as Alipay, WeChat Pay etc. More than nine in ten (91.4 per cent) respondents generate more than 10 per cent of their sales through such technology, significantly above the survey average of 60.1 per cent.

Mainland China's small businesses are most likely to rely on venture capital funding and angel financing as their main source of external finance. 22.2 per cent of Mainland China's small businesses stated that this was their main source of external funding, far outstripping the other ten markets surveyed.

Mainland China's small businesses are also making use of alternative financing, with small businesses from the Mainland being the most likely to access funding from peer-to-peer lending and crowd-sourced funding (14.2 per cent stated that this was their main source of external finance in 2019).

The strong level of digital capability in Mainland China's small business sector is also having a very positive impact on technology investment decisions. Of the small businesses from Mainland China that invested in technology in 2019, 56.6 per cent stated that such an investment was already profitable. In Australia, where digital technology has a relatively low uptake among small businesses, only 18.8 per cent of businesses that invested in technology in 2019 reported that their investment was already profitable. Small businesses from China were the most likely to state that the technology they invested in most heavily was customer relationship management (CRM) software, business intelligence and analytical software, and data visualisation software. They were also most likely to state that they will have plans to introduce a new product, service or process in 2020.

The innovative culture of Mainland China's small business sector is supporting current and future growth and is helping to improve the competitiveness of Mainland China's businesses, both domestically and globally. It is highly likely that the Chinese Government's strong focus and effort on innovation and technology is helping embed this innovative culture in their small businesses.

Ease of access to external finance is important for small businesses in Mainland China to help fund its growth and investment in technology. Reflecting this trend and positive business outlook for external funding, the percentages of businesses who found it easy or very easy to access external finance in 2019 were the highest of the markets surveyed.

Of course, small businesses from Mainland China, like all the other markets, face several challenges – with increasing costs being identified as the most significant barrier to their growth (26.9 per cent).

With over one third of Mainland China's small businesses identifying high staff costs as being one of the most detrimental cost to small businesses in 2019, it is unsurprising that 'good staff' was the factor most likely to be selected by Mainland Chinese businesses as having had the most positive impact on their business in 2019.

Small businesses in Mainland China also found that ‘improved customer satisfaction’ and ‘introducing a new product or service’ had the most positive impacts on their business in 2019. These results reflect the strong growth orientation of small businesses in Mainland China.

Uncertainties over the impact of the trade war between the US and other economies on businesses have appeared to ease with 28.9 per cent of Mainland China’s small businesses stating that a trade war will have a negative impact on their business in 2020, down from 39.7 per cent in 2019. In fact, more Mainland China’s small businesses believe such a trade war is an opportunity, with 34.3 per cent stating they expect it would have a positive impact on their business – the highest for all markets surveyed. This suggests that Mainland Chinese small businesses are focusing more on domestic growth.

With Mainland Chinese small businesses being the third most likely to expect a cyberattack in 2020, it is no surprise that over 67.6 per cent have reviewed their cybersecurity in the past six months.

Highlights of the five Mainland Chinese cities surveyed (Beijing, Chongqing, Guangzhou, Shanghai and Shenzhen) include:

- Small businesses from Beijing were the most likely to report growing in 2019.
- Reflecting this result, small businesses from Beijing were the most likely to state that they increased employee numbers in 2019.
- Small businesses from Shenzhen were the most likely to have required external finance reflecting its status as a growing start-up hub with a raft of opportunities for external funding.
- On the same note, Shenzhen small businesses were the most likely to experience easy financing conditions.
- Small businesses from Guangzhou were the most likely to state that a bank was their main source of their finance, while small businesses from Shenzhen were the most likely to nominate peer-to-peer lending as their main source of finance.
- Small businesses from Beijing were the most likely to state that they will innovate in 2020.
- Shenzhen small businesses were the most likely to nominate ‘introduced a new product or service’ as having a major positive impact on their business in 2019, while Guangzhou small businesses were the most likely to nominate ‘positive overall economic environment’ as having a major positive impact on their business.
- Beijing small businesses were the least likely to expect that global trade tensions will have a negative impact on their business in 2020.
- Beijing small businesses were the most likely to be using social media to sell to customers and learn about the behaviours of customers and potential customers, while Shanghai small businesses were the most likely to be using social media to communicate with existing customers.
- Chongqing small businesses are the most likely to expect a cyberattack in 2020.
- Businesses from Shenzhen were the most likely to nominate staff costs as being detrimental to their business.

Looking at the results for Mainland China’s small businesses, there is a lot to be positive about. A record number of small businesses are experiencing growth, they are leading in increasing employee numbers, and in adoption and use of technology across the region. Access to external funding for small businesses is relatively easy and a sizeable number are investing in innovation. These factors should assist many small businesses from Mainland China recover quickly from COVID-19 and be well-positioned for long-term growth.