

China, 24 January 2019

## **CPA Australia survey finds businesses in China cautiously optimistic in 2019 amid global uncertainties**

Businesses in China are cautiously optimistic for 2019 despite facing a number of global and domestic uncertainties and challenges, with tax reform and innovation and technology policies expected to provide a boost to the economy and businesses, according to the latest China Economic Survey conducted by CPA Australia, one of the world's largest professional accounting bodies.

Over 60 per cent of respondents forecast that China will maintain stable economic growth above 6 per cent in 2019, despite rising global economic uncertainties created by trade tensions, Brexit, and rising US interest rates. This confidence is reflected in profit forecast for 2019, with 56.8 per cent of respondents expecting their employer's profit to increase by more than two per cent. Further, 71.3 per cent believe that their company will maintain or increase its headcount in China in 2019.

Top factors influencing this positive sentiment are tax reform, policies guiding the transformation of China to an innovative and intelligence-led economy and the Belt and Road Initiative, according to the finance and accounting professionals responding to this survey.

### **Tax reforms seen as an important driver of economic growth in 2019**

As part of an ongoing agenda to improve living standards, the Government introduced a series of tax reforms in 2018, while some policies, such as individual income tax reform, came into effect on 1 Jan 2019. The survey findings reveal that the market has reacted positively to these reforms, with over half of the respondents stating that tax reform will be one of the key drivers boosting economic growth this year.

Respondents believe the main benefits from tax reform include decreasing business operating costs, further encouraging China's economic transformation, increasing domestic consumption and making the tax system more robust. Individual income tax reform is also expected to help businesses, with almost one third of respondents expecting that this reform alone will increase their sales volume in 2019.

### **Innovation and technology keep boosting growth**

The survey found that the Government policies guiding China's economic transformation and supporting innovation and technology are expected to not only continue to boost the economy but also support business growth.

Over half of respondents reported that their business's investment in technology in the past 12 months has already improved their profitability.

Businesses in China are also investing heavily in innovation, with 75.5 per cent of respondents expecting their company will or may introduce a totally new product, service or

process in 2019, which is an increase of 10 per cent compared with the survey result in 2017. We see a direct link between the Government's policies and the very strong focus on innovation and technology by businesses in China.

## **Going global strategy and opportunities from Belt and Road Initiative**

Though businesses are facing rising global economic uncertainties, the professionals who responded to this survey value the business opportunities created from China's opening-up and going abroad strategy. On the Belt and Road Initiative, most respondents believe it will create new investment opportunities for Chinese businesses outside of China and create more trade opportunities.

When asked the business's plan in response to the Belt & Road Initiative over the next three years, over half of the respondents reported an expectation that their business will take some form of action to take advantage of the initiative, including exploring new business opportunities and increasing business activities in the countries along the Belt and Road.

Along with a global strategy and the internationalisation of the RMB, almost one quarter of respondents say that they expect their business will likely establish or expand their presence in other countries in 2019.

## **Business strategy in 2019**

Given rising global uncertainties, it is no surprise that most businesses have chosen cost management as their key strategic focus in 2019. However, under the transformation to an intelligence-led environment in China, a very high number of respondents stated that their employer's strategic focus for 2019 is to attract, retain and develop talent. This reflects their optimism in the medium to long-term and their belief that talents are critical assets to enable the business's sustainability. When asked which skills were most valued by employers, respondents identified teamwork capability, technical skills and communication skills.

According to the survey findings, many businesses in China will this year be attempting to strike the right balance between short-term measures, such as cost management to address current challenges, and medium to long-term investments in staff, technology and innovation, which is essential to their future growth and success.

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## **About the survey**

The survey was conducted from 14 December 2018 to 10 January 2019 with 220 of CPA Australia's Greater China members participating, including finance and accounting professionals from listed companies, multinational corporations, private enterprise and government.

## **About CPA Australia**

CPA Australia is one of the world's largest accounting bodies with more than 163,000 members working in 125 countries and regions around the world, and with more than 25,000 members working in senior leadership positions. It has established a strong membership base of more than 18,000 in the Greater China region.

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