



# CPA AUSTRALIA ASIA-PACIFIC SMALL BUSINESS SURVEY 2018

10<sup>TH</sup> ANNUAL REPORT ON SMALL BUSINESS ISSUES AND  
SENTIMENT ACROSS TEN ECONOMIES IN THE ASIA-  
PACIFIC

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## CONTENTS

<b>OVERVIEW .....</b>	<b>4</b>
<b>EXECUTIVE SUMMARY .....</b>	<b>5</b>
<b>MAJOR FINDINGS.....</b>	<b>8</b>
<b>MAJOR FINDING 1 .....</b>	<b>8</b>
<b>MAJOR FINDING 2 .....</b>	<b>9</b>
<b>MAJOR FINDING 3 .....</b>	<b>10</b>
<b>MAJOR FINDING 4 .....</b>	<b>13</b>
<b>MAJOR FINDING 5 .....</b>	<b>16</b>
<b>MAJOR FINDING 6 .....</b>	<b>18</b>
<b>MAJOR FINDING 7 .....</b>	<b>20</b>
<b>SURVEY RESULTS .....</b>	<b>22</b>
<b>WHAT DO GROWING BUSINESSES DO DIFFERENTLY?.....</b>	<b>22</b>
<b>SEVEN LESSONS FROM SMALL BUSINESSES GROWING STRONGLY.....</b>	<b>28</b>
<b>SMALL BUSINESS AND TECHNOLOGY .....</b>	<b>29</b>
<b>SMALL BUSINESS CONDITIONS IN 2018 .....</b>	<b>41</b>
<b>SMALL BUSINESS EXPECTATIONS FOR 2019 .....</b>	<b>46</b>
<b>SMALL BUSINESS AND INNOVATION.....</b>	<b>51</b>
<b>SMALL BUSINESS AND EXPORTING .....</b>	<b>53</b>
<b>ACCESS TO FINANCE .....</b>	<b>55</b>
<b>OTHER SURVEY FINDINGS.....</b>	<b>62</b>
<b>APPENDICES .....</b>	<b>65</b>
<b>AUSTRALIA MARKET SUMMARY .....</b>	<b>65</b>
<b>MAINLAND CHINA MARKET SUMMARY.....</b>	<b>69</b>
<b>HONG KONG MARKET SUMMSRY.....</b>	<b>78</b>
<b>INDONESIA MARKET SUMMARY .....</b>	<b>84</b>
<b>MALAYSIA MARKET SUMMARY .....</b>	<b>90</b>
<b>NEW ZEALAND MARKET SUMMARY.....</b>	<b>96</b>
<b>PHILIPPINES MARKET SUMMARY.....</b>	<b>102</b>
<b>SINGAPORE MARKET SUMMARY .....</b>	<b>106</b>
<b>TAIWAN MARKET SUMMARY .....</b>	<b>112</b>
<b>Vietnam MARKET SUMMARY.....</b>	<b>116</b>
<b>ABOUT THE SURVEY .....</b>	<b>122</b>

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## OVERVIEW

*CPA Australia Asia-Pacific Small Business Survey 2018* is the tenth in a series of annual surveys conducted by CPA Australia measuring:

- small business conditions in the preceding 12 months
- small business confidence in the coming 12 months
- the drivers of small business growth
- technology uptake
- innovation
- access to finance.

The data presented in this report is compared across the ten markets included in the survey and over time.

In total, 3607 small businesses completed the survey, including:

- 505 from Australia
- 764 from Mainland China<sup>^</sup>
- 279 from Hong Kong
- 305 from Indonesia
- 304 from Malaysia
- 310 from New Zealand
- 225 from the Philippines
- 303 from Singapore
- 303 from Taiwan
- 309 from Vietnam.

<sup>^</sup>For this survey, the results for Mainland China exclude Hong Kong and Taiwan, which are shown separately.

Of the 764 participants from Mainland China:

- 152 were from Beijing
- 151 were from Chongqing
- 153 were from Guangzhou
- 156 were from Shanghai
- 152 were from Shenzhen.

The online survey was conducted with a random sample of small business owners and managers between 16 November and 11 December 2018. The sample was obtained through panel providers.

To qualify for the survey, participants were required to be an owner, a senior manager (defined as a Director, Principal, CEO, Managing Director, CFO or a Senior Manager) or a qualified accountant of a business with fewer than 20 employees.

Care was also taken to ensure that the survey sample for each market broadly represents the industry profile for that market.

# EXECUTIVE SUMMARY

CPA Australia's tenth annual *Asia-Pacific Small Business Survey*<sup>1</sup> found that overall, small business conditions were slightly weaker in 2018 than in 2017. These conditions are likely to continue into 2019, with small business confidence also being slightly weaker in 2019. Global trade tensions appear to be the primary reason for the weakening in confidence.

The survey finds that businesses that are growing strongly are much more likely to have the following features:

- a strong focus on technology
- a focus on improving customer satisfaction rather than just relying on customer loyalty
- innovation through new products, processes and services
- seeking to enter new markets
- social media being used to better engage with and understand customers
- online sales are an important part of their business
- a focus on improving business strategy and management.

Other key highlights of the survey:

- Small businesses from Vietnam, Indonesia and the Philippines were the most likely to have reported growing in 2018, while Australian and Hong Kong small businesses were the least likely. Small businesses from Australia and Hong Kong recorded a relatively large fall in the number of businesses that reported growing in 2018 from 2017, while small business from Singapore recorded a relatively large increase.
- Small business confidence in their own growth prospect in 2019 is also strongest in the Philippines, Vietnam and Indonesia and weakest in Australia and Hong Kong. Falls in confidence were largest in Hong Kong, while confidence was up strongly in Malaysia.
- Small business confidence in the growth prospects of their local economy in 2019 is strongest in Vietnam, the Philippines and Indonesia and weakest in Hong Kong and Australia. Small business confidence in Malaysia's economy in 2019 is up strongly from 2018, while Hong Kong recorded a large fall.
- It appears that global trade tensions are behind the less positive results for 2019, with many small businesses concerned that a global trade war will have a negative impact on their business in 2019, especially in Hong Kong. This helps to explain why small business confidence in that market is down for 2019. Interestingly, Indonesian small businesses are more likely to expect that global trade tensions will have a positive impact on their business in 2019 than a negative impact.

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<sup>1</sup> The survey was of 3607 businesses with fewer than 20 employees from Australia, Mainland China, Hong Kong, Indonesia, Malaysia, New Zealand, the Philippines, Singapore, Taiwan and Vietnam. For the purpose of this survey, the results for Hong Kong and Taiwan are shown separately from Mainland China. The survey was conducted online from 16 November to 11 December 2018.

- The survey results show a strong link between the utilisation of technology in a small business and strong business growth. Further, small businesses from Asia are far more likely to be using technologies such as online sales, new payment technologies and social media than small businesses from Australia and New Zealand. Major reasons for this include:
  - businesses from Asia are far more likely to find that their investment in technology will be profitable sooner
  - the age profile of small businesses in Asia are far younger than Australia and New Zealand, with the survey showing that younger respondents are significantly more likely to be utilising technology than older respondents
- Small businesses from Mainland China remain the leaders in the use of ecommerce and the adoption of new payment technologies, such as Alipay, Apple Pay and WeChat Pay. In fact, it would be difficult to find a business from Mainland China that is not selling online or offering digital payment options.
- There is a fall in the percentage of businesses that believe it is likely they will be cyberattacked in 2019 compared to 2018, especially in Vietnam and Indonesia. Despite this, nearly half of businesses reviewed their cyber security measures in the past six months, especially in Vietnam and Mainland China.
- Small businesses from the Philippines, Indonesia, Vietnam, Malaysia and Mainland China are the most likely to state that they will innovate in 2019 through the introduction of a totally new product, process or service to their market or the world.
- Small businesses in Vietnam and Indonesia continue to be strong creators of jobs, with most respondents in both markets reporting that they increased staff numbers in 2018 and expect to increase staff numbers in 2019.
- ‘Improved customer satisfaction’ and ‘improved business strategy’ were much more likely to be positive influences on businesses that grew strongly than businesses that did not grow. Meanwhile, ‘customer loyalty’ is most likely to have had a positive influence on business in 2018 regardless of whether the business grew or not.
- Increased costs and increasing competition were the factors respondents were most likely to select as having a detrimental impact on their business in 2018, regardless of market.
- Staff costs (especially in Mainland China), materials (especially in the Philippines) and rent (especially in Hong Kong) were chosen as the costs most detrimental to business in 2018.
- As in previous years, small businesses from Australia and New Zealand are much less likely to have required external finance in 2018 than businesses from Asia. However, Australian and New Zealand small businesses that required finance were the most likely to report easy or very easy financing conditions.
- Given robust growth and a focus on technology, it is not surprising that small businesses from Mainland China, Vietnam and Indonesia were the most likely to have accessed external finance in 2018. These markets are also the most likely to expect to access external finance in 2019.

The demographics of the respondents seem to have considerable influence on the survey results. For example:

- Respondents aged under 40 are more likely to have reported their business grew in 2018, and expect their business to grow in 2019, than respondents aged 50 or over.
- Respondents aged under 40 are more likely to expect their local economy to grow in 2019 than respondents aged 50 or over.
- Respondents aged under 40 are significantly more likely to use social media for business purposes and earn any revenue from online sales than those aged 50 or over.
- Likewise, respondents aged under 40 are much more likely to state that they will innovate in 2019 and much more likely to expect that they will sell in overseas markets than those aged 50 or over.

# MAJOR FINDINGS

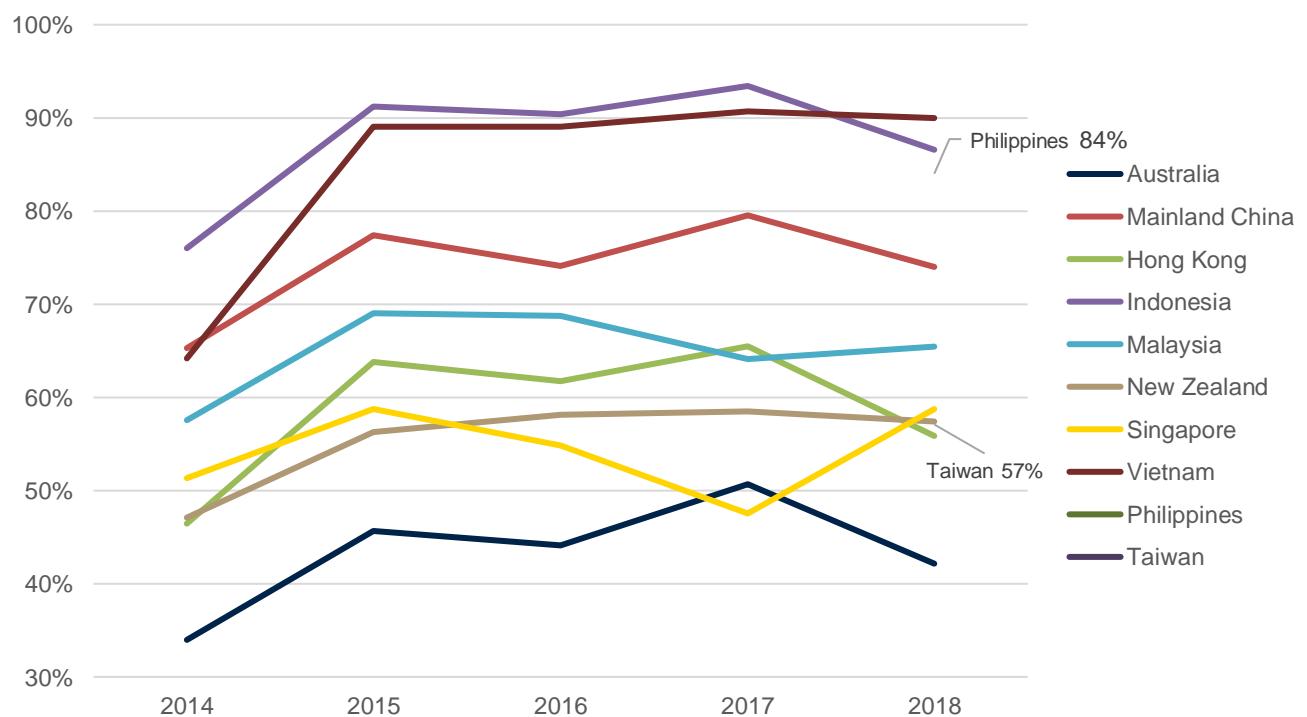
## MAJOR FINDING 1

### Small business conditions in 2018 were down in most markets

Small businesses from Vietnam, Indonesia, the Philippines and Mainland China were the most likely to have grown in 2018, while businesses from Australia, Hong Kong, New Zealand and Taiwan were the least likely.

The number of businesses that reported growing in 2018 from 2017 was up strongly in Singapore and up slightly in Malaysia. All other markets reported a fall, especially Hong Kong and Australia.

### Small businesses that reported growing in the previous 12 months – a comparison over time and by market



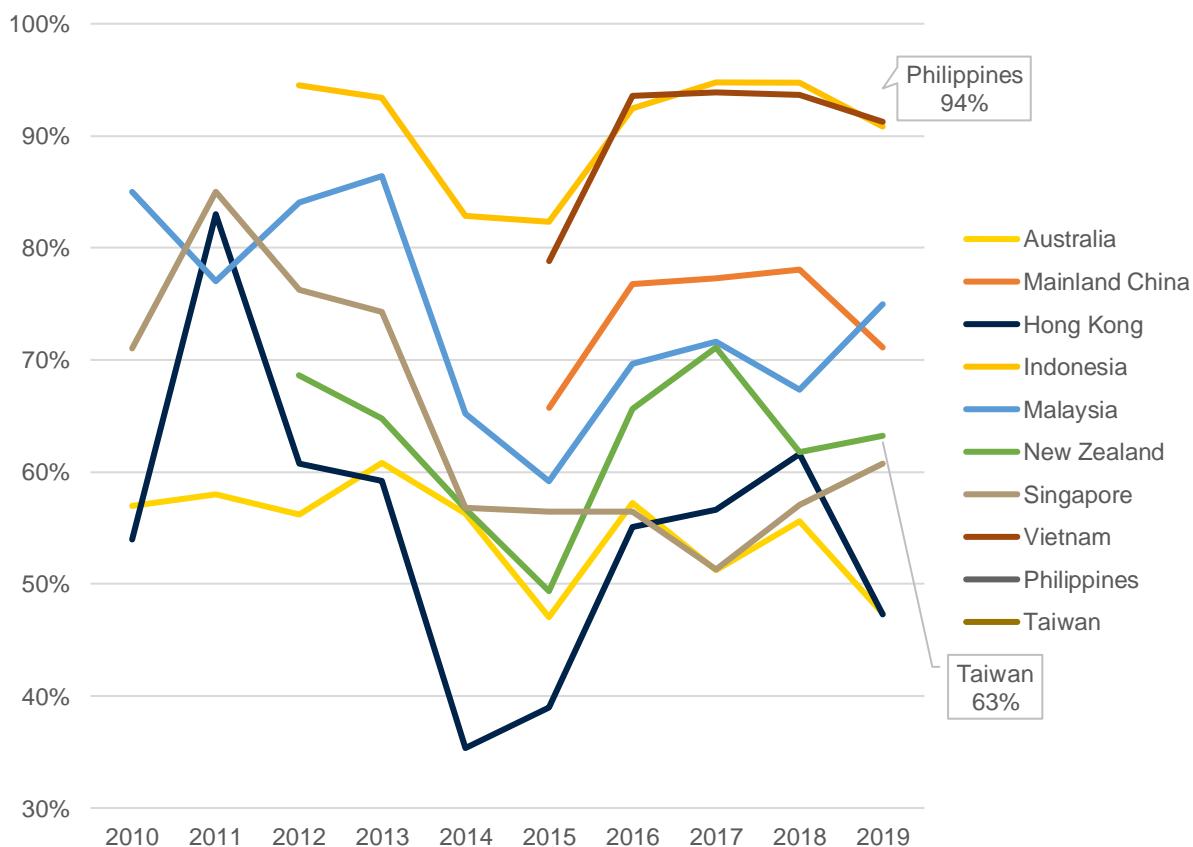
## MAJOR FINDING 2

### Small business confidence declines in most markets in 2019

Small business confidence in their expected performance in 2019 is highest in the Philippines, Vietnam and Indonesia and lowest in Australia, Hong Kong and Singapore.

The percentage of small businesses that expect to grow in 2018 has risen the most in Malaysia followed by Singapore, while growth expectations for Hong Kong have fallen considerably, as well as being down in Australia and Mainland China.

#### Small businesses that expect to grow in the next 12 months – a comparison by market and over time



## MAJOR FINDING 3

### **There is a significant link between undertaking certain activities and strong business growth**

Small businesses that grew strongly in 2018 and expect to grow strongly in 2019 are significantly more likely to be leveraging digital technologies to increase sales and improve customer experience, innovating, exporting, improving business strategy and management, and improving customer satisfaction.

Further, small businesses that have been established for less than 10 years, are based in developing economies and where the respondent is aged under 40 are also significantly more likely to be growing strongly or expecting to grow strongly.

Businesses that are growing strongly or expect to grow strongly are also more concerned about a possible cyber-attack and therefore are more likely to have reviewed their cybersecurity measures in the past six months.

Small businesses that are growing strongly are significantly more confident in the growth prospects of their local economy, expect easy access to finance and are creating jobs.

#### **Drivers of growth – businesses that grew strongly in 2018 are much more likely to have experienced the following:**

	Grew strongly in 2018	Unchanged or shrank in 2018
Found their investment in technology in 2018 was already profitable	<b>75.2%</b>	<b>21.8%</b>
Earned 11 per cent or more of their revenue from online sales	<b>67.0%</b>	<b>34.0%</b>
Received 11 per cent or more of their sales through new payment technologies such as Alipay, Apple Pay and WeChat Pay	<b>66.5%</b>	<b>42.1%</b>
Found technology was one of the most positive influences on their business	<b>33.2%</b>	<b>13.3%</b>
Improving business strategy was one of the most positive influences on their business	<b>43.9%</b>	<b>14.3%</b>
Improving business management was one of the most positive influences on their business	<b>38.3%</b>	<b>10.7%</b>
Introducing a new product or service was one of the most positive influences on their business	<b>37.1%</b>	<b>13.7%</b>
Improving customer satisfaction was one of the most positive influences on their business	<b>49.0%</b>	<b>18.2%</b>

Found accessing external finance easy or very easy in the prior 12 months	<b>48.6%</b>	<b>22.0%</b>
Increased employee numbers in the prior 12 months	<b>66.1%</b>	<b>6.9%</b>
Business uses social media to sell products or services	<b>52.4%</b>	<b>27.5%</b>
Business uses social media to learn about the behaviours of customers and potential customers	<b>45.2%</b>	<b>17.9%</b>
Business uses social media to receive/ monitor customer feedback	<b>46.4%</b>	<b>19.7%</b>
Business last reviewed its cybersecurity protections in the past six months	<b>57.8%</b>	<b>37.9%</b>
Business has 10 to 19 staff	<b>46.0%</b>	<b>22.2%</b>
Business has been established for 10 years or less	<b>71.0%</b>	<b>51.2%</b>
The respondent was aged under 40	<b>67.7%</b>	<b>34.0%</b>
Business is based in a developing economy (Mainland China, Indonesia, Malaysia, Philippines and Vietnam)	<b>69.4%</b>	<b>33.4%</b>

**Drivers of growth – businesses that expect to grow strongly in 2019 are much more likely to expect the following:**

	<b>Expect to grow strongly in 2019</b>	<b>Expect to remain unchanged or shrink in 2019</b>
Will innovate through the introduction of a product, process or service totally new to their local market or the world in 2019	<b>50.1%</b>	<b>5.3%</b>
Expect revenue from overseas sales to grow strongly in 2019	<b>39.9%</b>	<b>3.8%</b>
Believe a cyberattack on their business is very likely or somewhat likely in 2019	<b>51.2%</b>	<b>29.8%</b>
The respondent was aged under 40	<b>70.7%</b>	<b>34.6%</b>
Business has been established for 10 years or less	<b>77.4%</b>	<b>47.5%</b>
Business has fewer than five staff	<b>38.5%</b>	<b>54.0%</b>

Business will seek external finance in 2019	<b>39.6%</b>	<b>11.3%</b>
If seeking finance, the business expects easy to very easy access to finance	<b>35.1%</b>	<b>14.9%</b>
Business expects to increase employee numbers in 2019	<b>77.6%</b>	<b>9.3%</b>
Expect the local economy to grow in 2019	<b>83.2%</b>	<b>28.5%</b>
Business is based in a developing economy (Mainland China, Indonesia, Malaysia, Philippines and Vietnam)	<b>74.0%</b>	<b>32.2%</b>

## MAJOR FINDING 4

### Small businesses from Asia are much more likely to be undertaking activities associated with growth

Due to small businesses in Asia being more likely to undertake activities that the survey finds are closely associated with growth or having characteristics that are more likely to be associated with growth, they are more likely to be growing than those in Australia and New Zealand. This flows through to small businesses in Asia being a greater contributor towards economic growth and jobs creation in their local market.

Further, the stronger growth of small businesses in Asia is flowing through to much higher demand for external finance, despite small businesses in Australia and New Zealand being more likely to expect easy access to finance. Businesses in Asia are more likely to access external finance from a diverse range of sources than Australia and New Zealand small businesses, who are much more reliant on banks.

Both increasing competition and increasing rent are having a less detrimental impact on small businesses in Australia and New Zealand than Asia. Concern over a potential trade war between major global economies is much lower in small businesses from Australia and New Zealand than Asia.

#### The major differences in the survey results between Australia, New Zealand and the average for Asia

	Australia	New Zealand	Asia average
Business grew in 2018	42.2%	57.4%	71.7%
Business expects to grow in 2019	47.3%	63.2%	73.4%
Businesses that expect local economy to grow in 2019	34.7%	46.5%	64.0%

#### The major differences in the activities associated with growth – comparison between Australia, New Zealand and the average for Asia

	Australia	New Zealand	Asia average
Will innovate through the introduction of a product, process or service totally new to their local market or the world in 2019	6.7%	7.7%	24.7%
Expect revenue from overseas markets to grow strongly in 2019	4.6%	5.5%	19.9%
Do not expect to sell into overseas markets in 2019	53.7%	48.4%	22.5%

Did not use social media for business purposes	<b>44.8%</b>	<b>38.1%</b>	<b>11.3%</b>
Business uses social media to sell products or services	<b>16.6%</b>	<b>25.8%</b>	<b>45.0%</b>
Business uses social media to learn about the behaviours of my customers and potential customers	<b>10.3%</b>	<b>15.8%</b>	<b>37.4%</b>
Business uses social media to receive/ monitor customer feedback	<b>16.8%</b>	<b>20.3%</b>	<b>35.4%</b>
Improving business strategy was one of the most positive influences on the business in 2018	<b>11.5%</b>	<b>15.2%</b>	<b>30.5%</b>
Improving business management was one of the most positive influences on the business in 2018	<b>8.3%</b>	<b>10.6%</b>	<b>25.5%</b>
Found technology was one of the most positive influences on the business in 2018	<b>11.9%</b>	<b>14.5%</b>	<b>22.7%</b>
Introducing a new product or service was one of the most positive influences on the business in 2018	<b>14.1%</b>	<b>19.7%</b>	<b>27.8%</b>
Improving customer satisfaction was one of the most positive influences on the business in 2018	<b>22.0%</b>	<b>24.5%</b>	<b>36.4%</b>
Received 11 per cent or more of their sales through new payment technologies such as Alipay, Apple Pay and WeChat Pay	<b>36.0%</b>	<b>39.1%</b>	<b>60.9%</b>
Earned 11 per cent or more of their revenue from online sales	<b>24.6%</b>	<b>26.5%</b>	<b>57.6%</b>
Found their investment in technology in 2018 was already profitable	<b>16.4%</b>	<b>25.8%</b>	<b>56.2%</b>
Business last reviewed its cybersecurity protections in the past six months	<b>37.6%</b>	<b>39.0%</b>	<b>52.7%</b>

**The major differences in the survey results between Australia, New Zealand and the average for Asia – other**

	Australia	New Zealand	Asia average
Increased employee numbers in 2018	10.1%	18.4%	35.2%
Expect to increase employee numbers in 2019	14.5%	21.0%	48.2%
Believe a cyberattack on their business is very likely, or somewhat likely in 2019	15.8%	19.0%	46.0%
Have 10 to 19 staff	10.3%	10.3%	43.1%
Business has been established less than 10 years	43.2%	51.3%	68.1%
Respondent is aged under 40	20.8%	27.1%	61.1%
Required external finance in 2018	23.2%	25.2%	61.6%
Found access to finance easy or very easy in 2018	47.0%	51.3%	28.1%
Bank was the main source of external funds in 2018	54.7%	57.7%	36.1%
Will require external finance in 2019	6.9%	5.8%	27.7%
Expect access to finance will be easy or very easy in 2019	26.5%	30.2%	24.7%
Found increasing competition most detrimental to their business in 2018	25.5%	21.3%	37.1%
Found rent to be the cost increase most detrimental to their business in 2018	14.9%	17.1%	35.2%
50 per cent or more of sales are received in cash	18.0%	12.3%	56.0%
Think a possible trade war between major economies may have a negative impact on their business in 2019	21.6%	19.7%	38.7%

## MAJOR FINDING 5

### **Small business with younger respondents are much more likely to be growing**

Respondents aged under 40 are significantly more likely to state that their business is growing, creating jobs and focusing on key drivers of business growth including innovation, technology and exporting, than respondents aged 50 and over.

Not only are younger respondents significantly more likely to be using technology in their business, they are also much more likely to be using that technology to sell to their customers and to create a better understanding of them. They are also significantly more likely to be investing in technology that is improving their profitability and they are more likely to be investing in software, mobile apps and websites.

Due to their typically stronger focus on technology, younger respondents are much more likely to expect a cyberattack in 2019 and are therefore more likely to have reviewed their cybersecurity processes in the last six months.

While younger respondents are seeking to grow their customer base through technology, innovation and improving customer satisfaction, older respondents are more likely to be leveraging their existing customer base.

Interestingly, older respondents are significantly less likely to be relying on cash sales than younger respondents. This may be due in part to the high percentage of younger respondents in developing economies where payment methods such as credit cards and electronic funds transfers appear less available.

#### **Key differences in survey results between respondents aged under 40 and those aged 50 and over**

	<b>Respondents aged &lt; 40</b>	<b>Respondents aged 50 +</b>
Reported growing in 2018	<b>77.9%</b>	<b>45.3%</b>
Expect to grow in 2019	<b>79.1%</b>	<b>49.6%</b>
Expect their local economy to grow in 2019	<b>68.4%</b>	<b>42.0%</b>
Increased employee numbers in 2018	<b>40.8%</b>	<b>9.7%</b>

Will introduce a new product, service or process unique to their market or the world in 2019	<b>26.7%</b>	<b>8.2%</b>
Expect revenue from overseas markets to grow strongly	<b>20.4%</b>	<b>5.0%</b>
Did not use social media for business purposes	<b>10.9%</b>	<b>36.8%</b>
Business uses social media to sell products or services	<b>43.4%</b>	<b>24.3%</b>
Business uses social media to learn about the behaviours of my customers and potential customers	<b>37.5%</b>	<b>17.3%</b>
Business uses social media to receive/ monitor customer feedback	<b>37.0%</b>	<b>20.1%</b>
Improving business strategy was one of the most positive influences on their business in 2018	<b>31.5%</b>	<b>16.7%</b>
Introducing a new product or service was one of the most positive influences on their business in 2018	<b>28.8%</b>	<b>16.9%</b>
Improving customer satisfaction was one of the most positive influences on their business in 2018	<b>38.2%</b>	<b>26.0%</b>
More than 10 per cent of revenue comes from online sales	<b>60.5%</b>	<b>26.3%</b>
More than 10 per cent of sales received through digital online payment platforms, such as Alipay, Apple Pay and WeChat Pay	<b>62.3%</b>	<b>34.9%</b>
Consider it likely that their business will be cyberattacked in 2019	<b>45.1%</b>	<b>24.3%</b>
Business last reviewed its cybersecurity protections in the past six months	<b>54.8%</b>	<b>39.0%</b>
Customer loyalty had the most positive impact on their business in 2018	<b>37.8%</b>	<b>45.3%</b>
Required external finance in 2018	<b>64.4%</b>	<b>26.2%</b>
Investment in technology in 2018 has already increased the business's profitability	<b>60.7%</b>	<b>23.4%</b>
The technology the business invested in most heavily over the past 12 months was computer equipment	<b>20.4%</b>	<b>35.5%</b>
50 per cent or more of sales are received in cash	<b>54.6%</b>	<b>30.6%</b>
Found rent to be the cost increase most detrimental to the business in 2018	<b>35.1%</b>	<b>20.6%</b>
Has 10 to 19 staff	<b>41.8%</b>	<b>16.5%</b>

## MAJOR FINDING 6

### Many small businesses across the Asia-Pacific expect a trade war to have a negative impact on their business

The possibility of a trade war between major global economies is concerning to many small businesses across the Asia-Pacific, with over a third expecting it to have a negative impact on their business in 2019. Small businesses in Hong Kong are most likely to expect a negative impact, while New Zealand small business are the least likely to expect a negative impact.

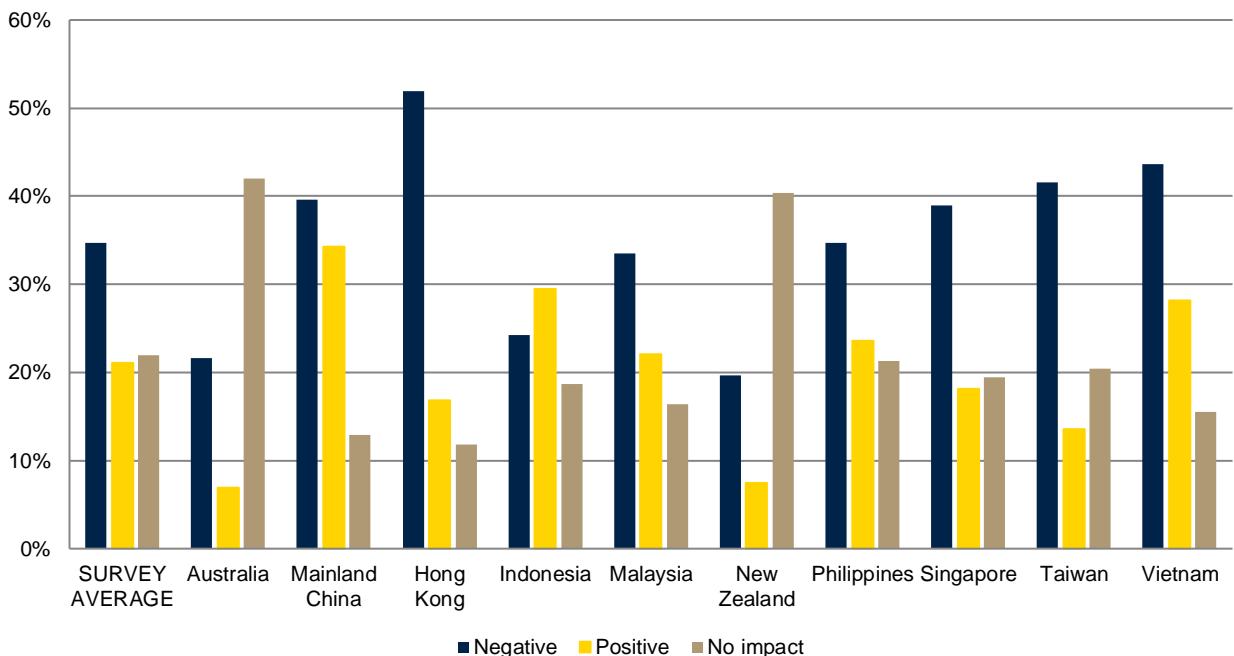
Interestingly, in addition to Hong Kong, small businesses in Taiwan and Vietnam are slightly more likely to expect a trade war to have a negative impact on their business than small business from Mainland China. Further, small businesses from Mainland China are the most likely to expect a trade war to have a positive impact on their business. This may be due in part to policies encouraging China's businesses to explore markets outside of the US, such as the Belt and Road initiative, which is opening new markets and potential suppliers for China's small businesses. Such actions reduce the risks that a trade war could have on a business.

Within Mainland China, Shenzhen was the only city where the number of small businesses that expect the trade war to have a positive impact on their business outnumbered those that expect it to have a negative impact. This may be due to some small businesses in the city expecting that higher tariffs on US imports may make their products more competitive within China, which may increase their sales. They may also believe they are well placed to expand into other markets by taking advantage of policies such as the Belt and Road initiative and the Greater Bay Area plan.

Micro businesses and businesses with little focus on technology, innovation and exporting are more likely than others to expect a possible trade war to have no impact on their business.

Unlike other issues, there was little difference in how business expects a possible trade war to impact their business based on business age and age of the respondent.

### Expected impact on small business of a possible trade conflict between major economies



## MAJOR FINDING 7

### **Majority of small businesses believe a cyberattack on their business in 2019 is unlikely**

Businesses that are growing are much more likely to expect a cyberattack in 2019, and they are much more likely to have reviewed their cybersecurity procedures. As with the last survey results, small businesses in Vietnam and Indonesia are the most likely to expect a cyberattack in 2019, while small businesses from Australia and New Zealand are the least likely to expect an attack.

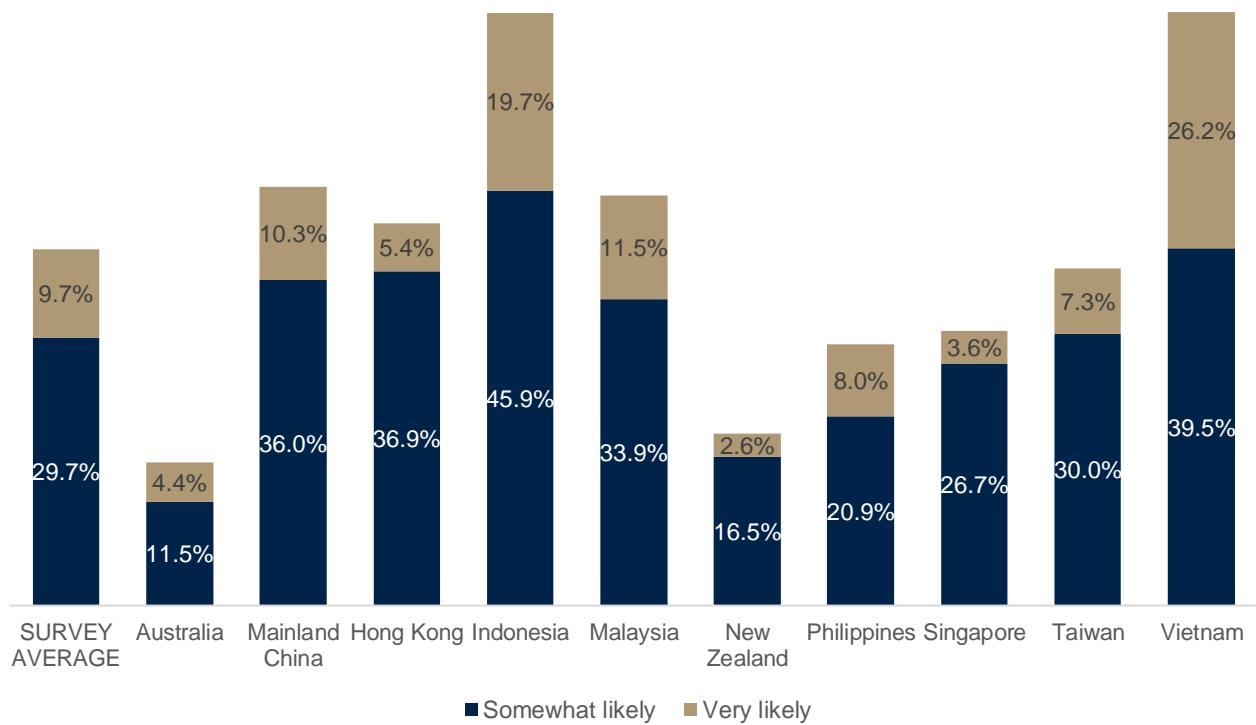
The percentage of businesses that expect a cyberattack in 2019 is down somewhat from the last survey, however there is a slight increase for Mainland China.

It is positive that overall the percentage of businesses that have taken some action to review their cybersecurity in the past six months is greater than the percentage that expects a cyberattack in 2019. Cybersecurity is an essential element of good business practice regardless of the threat assessment. Of note, concerns over cyberattacks in Indonesia and Malaysia are not necessarily transforming into action, with the percentage of businesses that have reviewed their cybersecurity in the past six months lower than the percentage that expect an attack.

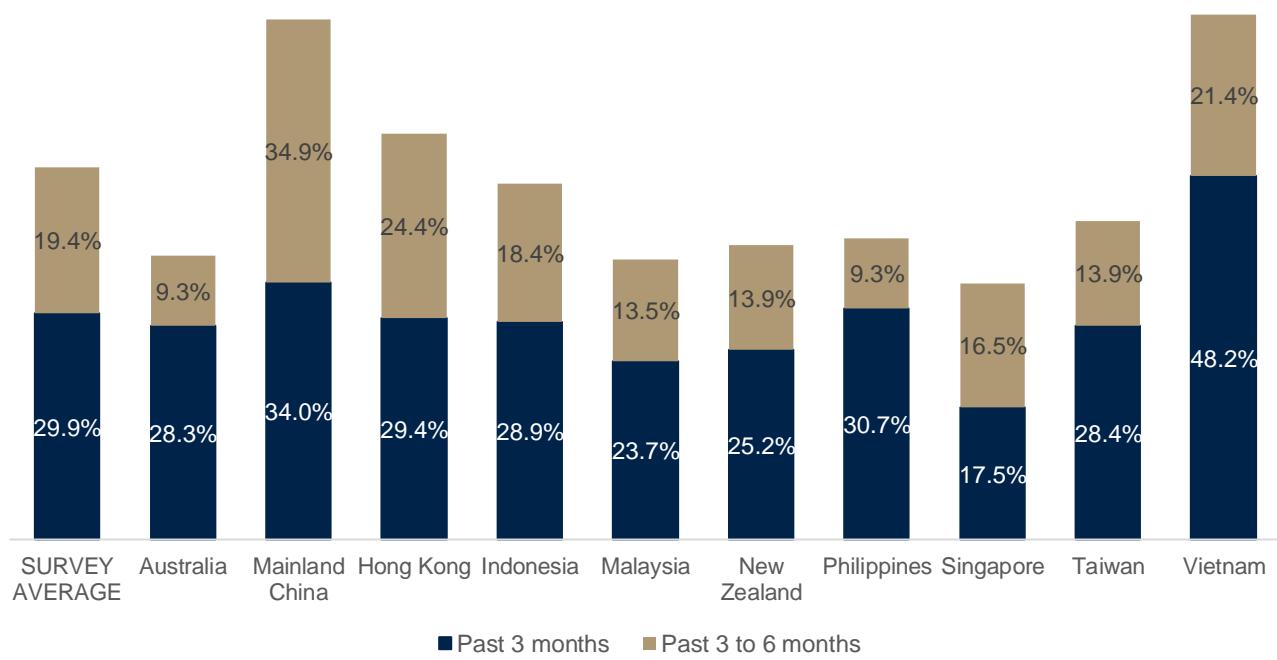
Factors influencing whether a business expects a cyberattack and is more likely to have recently reviewed their cybersecurity include:

- having 10 to 19 staff
- the respondent being aged under 40
- having grown strongly in 2018 and expect to grow strongly in 2019
- having increased staff numbers in 2018
- having used social media for business purposes
- generating over 10 per cent of revenue from online sales
- expecting revenue from exports to grow strongly in 2019
- businesses that state they will introduce a new product, process or service in 2019 that is new to their market or the world.

### Expected likelihood of a cyberattack in 2019



### Last reviewed their cybersecurity protections



# SURVEY RESULTS

## WHAT DO GROWING BUSINESSES DO DIFFERENTLY?

### **Businesses that grew strongly in 2018 versus those that did not grow or shrank**

Small businesses that reported growing in 2018 are much more likely to have:

#### **Invested in technology**

Businesses that reported growing strongly in 2018 are much more likely to have invested in technology in that year and significantly more likely to have found their investment was already profitable. Businesses that grew strongly were also more likely to find that technology was one of the most positive influences on their business in 2018. This indicates that such businesses:

- may have better access to the skills, knowledge and experience required to invest in and utilise technology that generates a quick return on investment
- may have the extra resources required to invest in the right technology
- are in a better position to take risks with technology.

<b>75.2%</b> of businesses that grew strongly reported that their investment in technology in 2018 was already profitable	<b>21.8%</b> of businesses that did not grow, or shrank, found their investment in technology in 2018 was already profitable
<b>9.3%</b> of businesses that grew strongly in 2018 did NOT invest in technology in 2018	<b>31.8%</b> of businesses that did not grow, or shrank, in 2018 did NOT invest in technology in 2018
<b>33.2%</b> of businesses that grew strongly reported that technology had one of the most positive impacts on their business in 2018	<b>13.3%</b> of businesses that did not grow, or shrank, reported that technology had one of the most positive impacts on their business in 2018

### **Focused on improving customer satisfaction, business strategy and business management**

Businesses that reported growing strongly in 2018 were much more likely to be focused on their customers and business improvement.

This indicates that spending time working on your business, developing and implementing a business plan and learning more about your customers is important to business success. This may require small business owners to spend more time designing and executing business plans and seeking expert advice on that process.

<b>49.0%</b> of businesses that grew strongly found that improving customer satisfaction was one of the most positive influences on their business in 2018	<b>18.2%</b> of businesses that did not grow, or shrank, found that improving customer satisfaction was one of the most positive influences on their business in 2018
<b>43.9%</b> of businesses that grew strongly found that improved business strategy had one of the most positive impacts on their business in 2018	<b>14.3%</b> of businesses that did not grow, or shrank, found that improved business strategy had one of the most positive impacts on their business in 2018
<b>38.3%</b> of businesses that grew strongly found that improved business management had one of the most positive impacts on their business in 2018	<b>10.7%</b> of businesses that did not grow, or shrank, found that improved business management had one of the most positive impacts on their business in 2018

### **Used social media**

Small businesses that are growing are significantly more likely to be using social media for business purposes, and they are also using social media in a variety of ways.

Businesses seeking to grow should consider seeking expert advice on how they can better use social media in their business, including using it as another channel to sell to customers and gathering data on customer behaviour and feedback.

<b>52.4%</b> of businesses that grew strongly use social media to sell products	<b>27.5%</b> of businesses that did not grow, or shrank, use social media to sell products
<b>45.2%</b> of businesses that grew strongly use social media to learn about the behaviours of customers and potential customers	<b>17.9%</b> of businesses that did not grow, or shrank, use social media to learn about the behaviours of customers and potential customers

<b>46.4%</b> of businesses that grew strongly use social media to receive/ monitor customer feedback	<b>19.7%</b> of businesses that did not grow, or shrank, use social media to receive/ monitor customer feedback
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### Sold online

Businesses that reported growing strongly in 2018 are significantly more likely to have earned more than 10 per cent of their income from online sales.

Businesses seeking to grow that are not selling online or earn very little from online sales should consider seeking expert advice on how they can better use various online channels for sales.

<b>67.0%</b> of businesses that grew strongly earned 11 per cent or more of their revenue from online sales in 2018	<b>34.0%</b> of businesses that did not grow, or shrank, earned 11 per cent or more of their revenue from online sales in 2018
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### Allowed customers to pay with new digital payment technologies, such as PayPal, Alipay and WeChat Pay

Businesses that reported growing strongly in 2018 are much more likely to have earned more than 10 per cent of their sales through new digital and mobile payment technologies such as PayPal and WeChat Pay.

Businesses seeking to grow that are not offering new payment technologies should consider seeking advice on how they can make these payment technologies available to their customers.

<b>66.5%</b> of businesses that grew strongly received 11 per cent or more of their sales through new payment technology in 2018	<b>42.1%</b> of businesses that did not grow, or shrank, received 11 per cent or more of their sales through new payment technology in 2018
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### **Acted to protect their business from a cyberattack**

With technology such a vital component of business success, it comes as no surprise that businesses that grew strongly were more likely to have reviewed their cybersecurity in the past six months than those that are not growing.

Cybersecurity is a critical component of business and all businesses should be reviewing their cybersecurity measures regularly.

<b>57.8%</b> of businesses that grew strongly reviewed their cybersecurity protections in the past six months	<b>37.9%</b> of businesses that did not grow, or shrank, reviewed their cybersecurity protections in the past six months
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### **Innovated through a new product or service or entered a new market**

Businesses that reported growing strongly in 2018 were much more likely to have innovated through the introduction of a new product or service or entered a new market.

This further indicates that spending time learning more about customers and translating that through to new products and services is important to business success. It also indicates that small business owners would benefit from spending more time researching new markets, industry trends and competitors.

<b>37.1%</b> of businesses that grew strongly found that introducing a new product or service was one of the most positive influences on their business in 2018	<b>13.7%</b> of businesses that did not grow, or shrank, found that introducing a new product or service was one of the most positive influences on their business in 2018
<b>33.0%</b> of businesses that grew strongly found that entering a new market was one of the most positive influences on their business in 2018	<b>10.5%</b> of businesses that did not grow, or shrank, found that entering a new market was one of the most positive influences on their business in 2018

Those businesses that grew strongly in 2018 were also much more likely to report that they:

- required external finance
- found access to external finance easy or very easy
- increased employee numbers
- are in a developing economy
- have been established for 10 years or less
- the respondent is aged under 40
- had 10 to 19 staff.

However, businesses that grew strongly in 2018 were just as likely to face the same challenges as those that did not grow. For example:

- 38.0 per cent of businesses that grew strongly and 36.6 per cent of those that did not grow, or shrank, selected increasing costs as the factor most detrimental to their business in 2018
- 37.3 per cent of businesses that grew strongly and 30.4 per cent of those that did not grow, or shrank, selected increasing competition as the factor most detrimental to their business in 2018

The results indicate that small businesses that are growing strongly are better able to manage these and other challenges not only because they are growing but also because they have a stronger focus on improving their business, giving them greater capability to mitigate challenges.

### **Businesses that expect to grow strongly in 2019 versus those that do not expect to grow or expect to shrink**

Small businesses that expect to grow strongly in 2019 are much more likely to:

#### **Innovate through the introduction of a product, process or service that is new to their market or the world**

As with previous results, businesses that stated that they will innovate through the introduction of a product, process or service that is new to their market or the world in the next 12 months are significantly more likely to expect to grow strongly. This result further indicates that it is beneficial for small businesses to spend time looking at global trends in their industry and on business process improvement.

<b>50.1%</b> of businesses that expect to grow strongly state they will innovate in 2019	<b>5.3%</b> of businesses that do not expect to grow, or are expecting to shrink, state they will innovate in 2019
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#### **Expect revenue from overseas sales to grow strongly**

Again, as with previous results, businesses that expect their revenue from overseas sales will grow strongly are significantly more likely to expect to grow strongly in 2019. This result further indicates that it is beneficial for small businesses to at least explore new markets. While such a step may not result in new export opportunities, it may help businesses to innovate by exposing them to new ideas.

It should, however, be noted that the below result is down from the previous survey, indicating that small businesses across the region expect some weakness in global trade, which is not surprising given trade tensions between major economies.

<b>39.9%</b> of businesses that expect to grow strongly also expect strong growth in their overseas sales in 2019	<b>3.8%</b> of businesses that do not expect to grow, or are expecting to shrink, also expect strong growth in their overseas sales in 2019
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### **Be concerned about a cyberattack on their business**

With the survey results showing that small businesses that are growing strongly are much more likely to be focused on utilising technology in their business, it is not surprising that those small businesses are much more likely to believe a cyberattack on their business is likely in 2019.

The below result is down from the previous survey, possibly indicating that some believe they have the cybersecurity measures in place to prevent such attacks. Another plausible reason is that it has been some months since the last major global cybersecurity threat.

<b>51.2%</b> of businesses that expect to grow believe that a cyberattack on their business is likely in 2019	<b>29.8%</b> of businesses that do not expect to grow, or are expecting to shrink, believe that a cyberattack on their business is likely in 2019
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Those businesses that expect to grow strongly in 2019 are also much more likely to report that they:

- will seek external finance
- if seeking finance, expect easy or very easy access to finance
- expect to increase employee numbers
- are from a developing economy
- have been established for 10 years or less
- expect their local economy to grow in 2019
- the respondent is aged under 40.

Of note, the results for the possible impact a trade war may have on their business in 2019 is very similar regardless of their growth expectations. For instance, 33.7 per cent of small businesses that expect to grow strongly, and 35.1 per cent of businesses that do not expect to grow or expect to shrink, forecast a possible trade war will have a negative impact on their business; while 22.0 per cent and 25.7 per cent respectively expect it to have no impact.

### **The demographics of growing small businesses**

Businesses that grew in 2018 and expect to grow in 2019 are:

- significantly more likely to be located in a developing market<sup>2</sup> than a developed market<sup>3</sup>
- much more likely to have 10 to 19 staff than zero to four staff
- much more likely to have been established for less than 11 years than to have been established for over 20 years.

<sup>2</sup> Mainland China, Indonesia, Malaysia, Philippines and Vietnam

<sup>3</sup> Australia, Hong Kong, New Zealand, Singapore and Taiwan

Respondents aged under 40 were also much more likely to report that their business grew in 2018, and that they expect to grow in 2019, than respondents aged 50 or over.

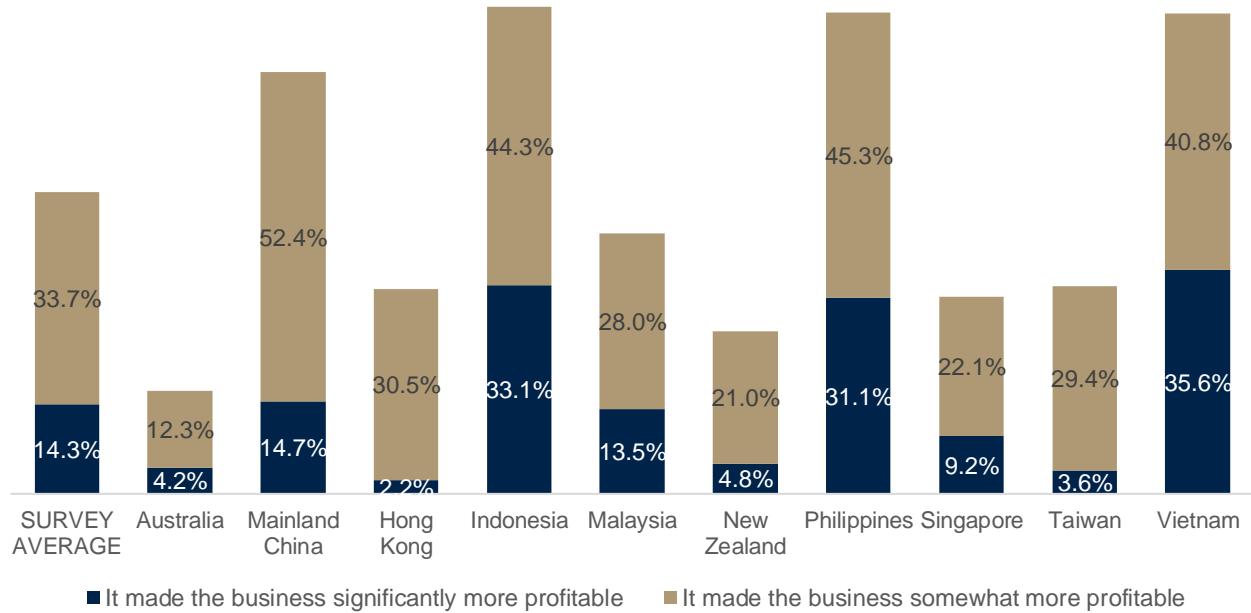
## SEVEN LESSONS FROM SMALL BUSINESSES GROWING STRONGLY

- 1 Invest in technology, including new digital payment technology
- 2 Focus on improving customer satisfaction
- 3 Innovate through new products, processes or services
- 4 Seek to enter new markets
- 5 Use social media to better engage with and understand customers
- 6 Make online sales a more important part of your business
- 7 Spend more time on improving business strategy and management

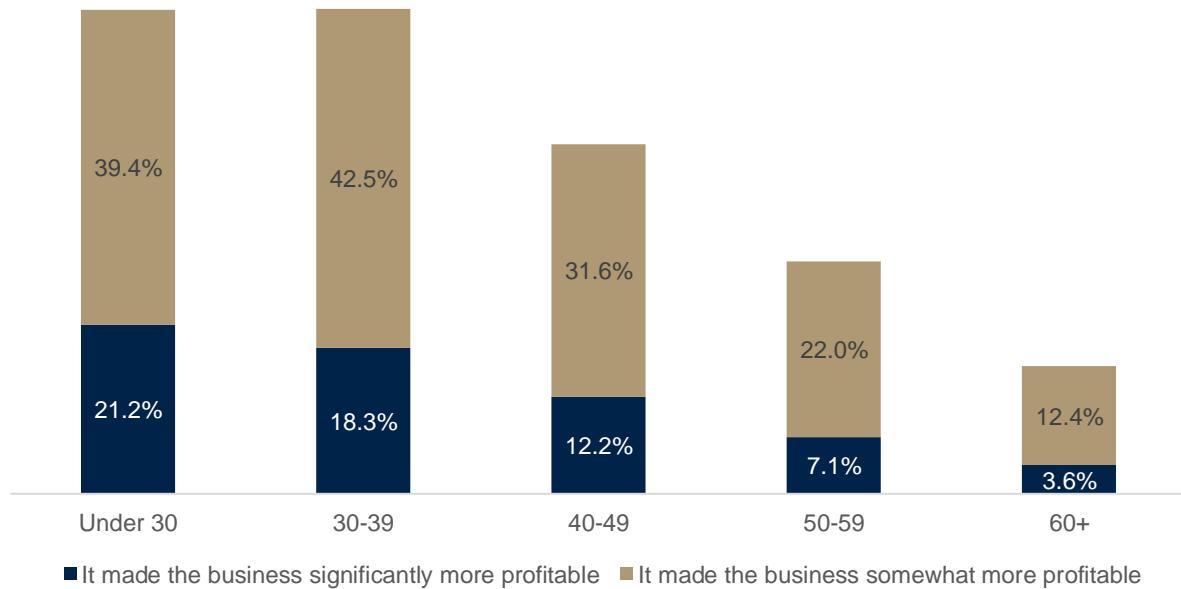
## SMALL BUSINESS AND TECHNOLOGY

### The impact of technology on small business profitability

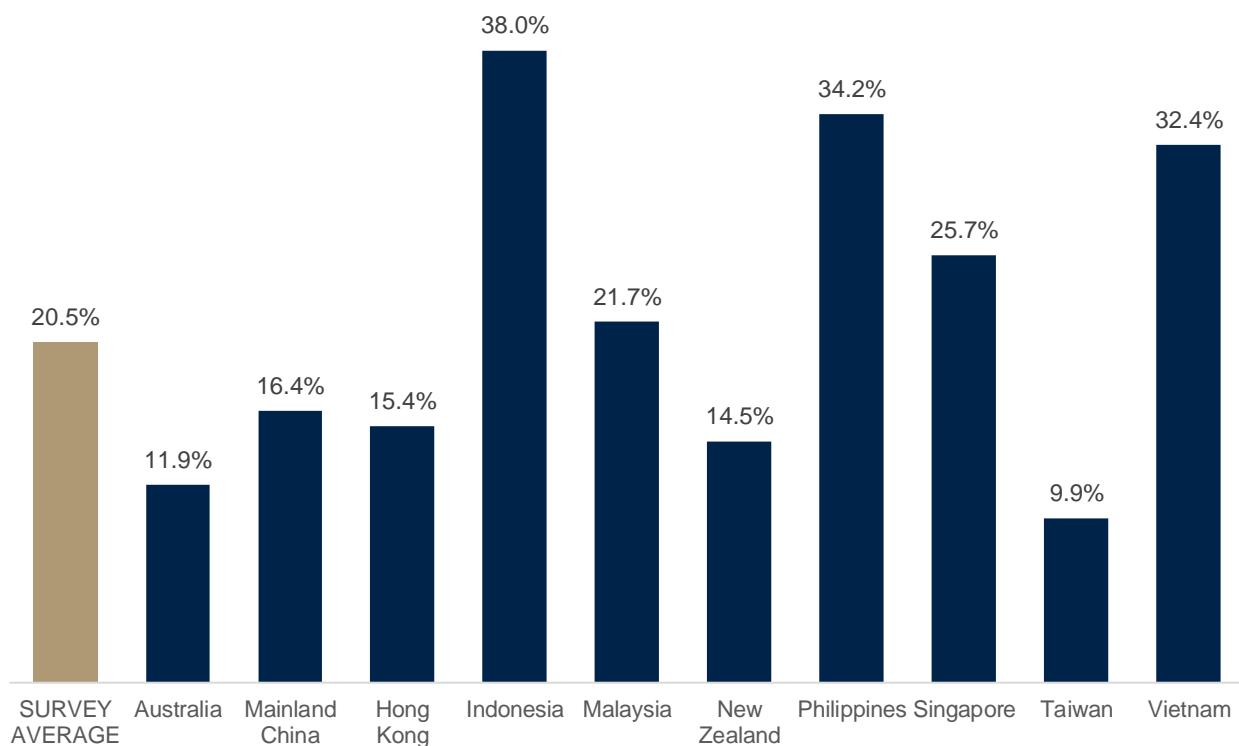
#### Profitability of investment in technology in 2018 (by market)



#### Profitability of investment in technology in 2018 (by age of respondent)



### Found technology had a major positive impact on business in 2018 (by market)



### Key findings

Nearly half of small businesses found that their investment in technology in 2018 had already had a positive impact on their profitability (48.0 per cent). However, the result was well down on 2017, when 64.7 per cent of respondents found their investment already profitable.

Small businesses from developing economies were again much more likely to have experienced a boost in profits from their recent investment in technology. For example, 73.4 per cent of the respondents from Indonesia reported their investment in technology in 2018 had already improved their profitability compared with only 16.4 per cent of Australian small businesses.

The major difference in the number of businesses from Australia and New Zealand experiencing an increase in profitability from their investment in technology compared to their counterparts from Asia may be due to the younger age profile of small businesses in Asia. As the above graph age profile demonstrates, there is a clear difference in results between younger and older respondents. This may be because of the lower level of understanding of new technology among older respondents, which may mean that they are less likely to have the knowledge to invest in the best technology for their business and to utilise it in the most profitable way.

It should be noted that respondents were mostly investing in similar technology, with computer equipment such as laptops and printers being the top choice in all markets except Vietnam, where investing in their website was the most popular choice. Respondents aged over 50 were, more likely to invest in computer equipment than younger respondents. It is less likely that computer equipment will provide an immediate boost to profitability in comparison to other technology investments, such as mobile apps, websites and business

intelligence software.

### Other findings

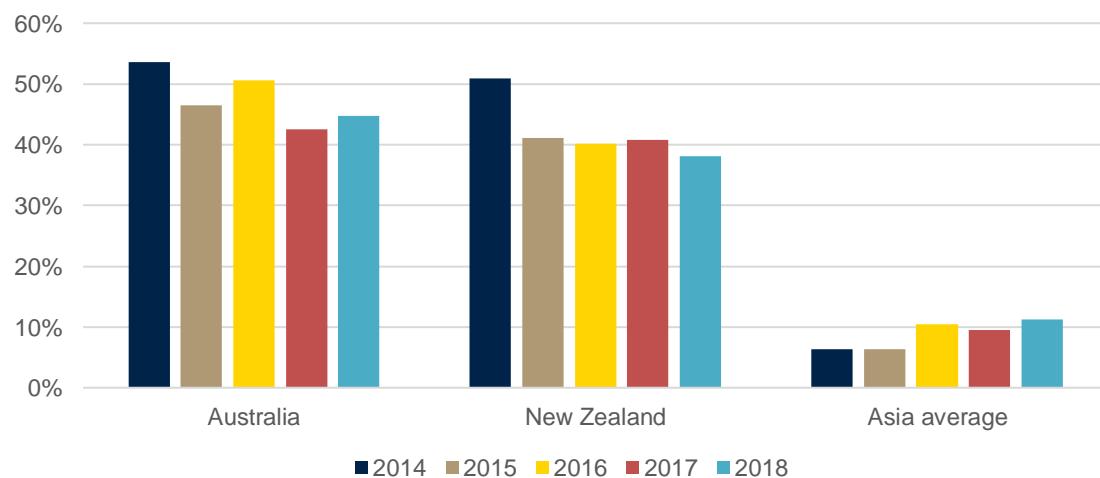
- Businesses that grew strongly were significantly more likely to find that their investment in technology in 2018 was already profitable (75.2 per cent) than those that did not grow or shrank (21.8 per cent).
- Businesses that did not grow, or shrank, in the past 12 months were much more likely to have made no investment in technology in 2018 (31.8 per cent) than those that grew strongly (9.5 per cent).
- The greater the number of employees the more likely the business is to have reported that their investment in technology over the past 12 months was profitable (64.9 per cent of businesses with 10 to 19 employees, compared with 31.6 per cent of businesses with fewer than five employees).
- The percentage of businesses that reported that their investment in technology in 2018 over the past 12 months was already profitable dropped somewhat in 2018 from 2017. This may reflect a fall in the number of businesses that reported that they grew in 2018 from 2017.

### Suggestions

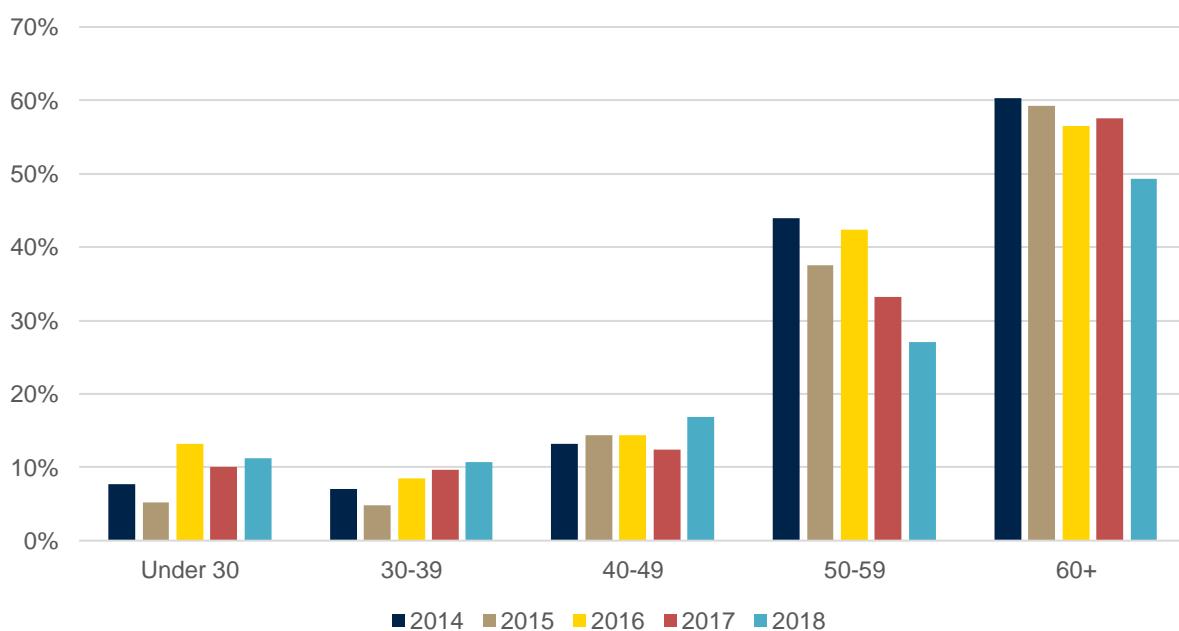
- Businesses should invest in developing their digital capability so that they are more likely to invest in technology that improves their profitability sooner.
- Governments, with the support of professional advisers, should be educating small businesses to improve their digital capability.

## Social media

### Not using social media for business purposes (by market and over time)



### Not using social media for business purposes (by age and over time)



### What small businesses use social media for (those growing strongly compared with those that grew a little, and did not grow or shrank)



## Key findings

The survey results again demonstrate that small businesses that use social media are significantly more likely to be growing strongly than businesses that are not. Further, small businesses in Asia remain far more likely to be using social media than businesses in Australia.

In addition, businesses that are growing strongly are using social media in a variety of ways. For example, many are using social media to gain a better understanding of their customers and potential customers, which feeds into improving customer satisfaction and introducing new products and services – themselves factors closely associated with businesses that are growing strongly.

As in 2014, Facebook was the social media platform that small businesses got the most value from in 2018 in all markets except China, where WeChat remains the most popular.

## Other findings

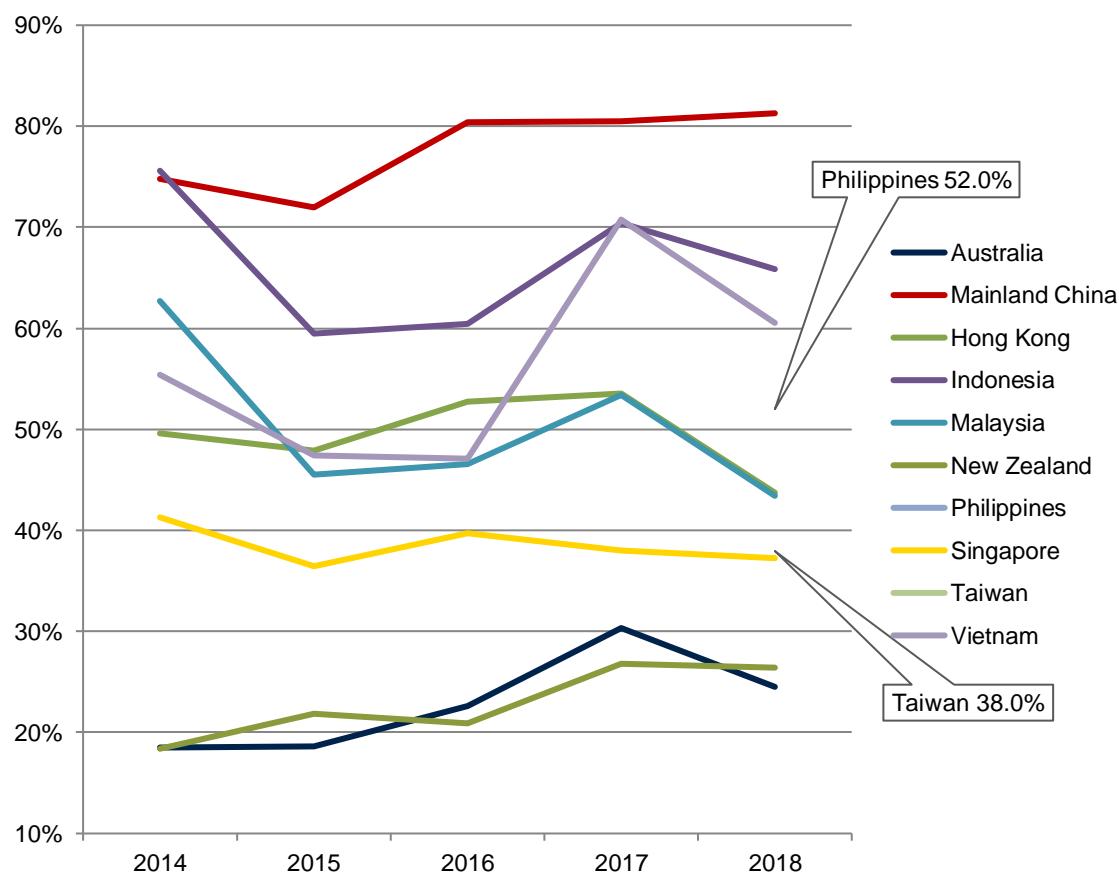
- The social media platform that has increased most in popularity amongst small businesses in 2018 from 2014 is Instagram, especially in Indonesia, where it now rivals Facebook.
- The value of WhatsApp varies between markets, with its popularity highest in Indonesia, Malaysia, Singapore and Hong Kong.
- Facebook is most popular in the Philippines where 85.3 per cent of respondents say they get the most value out of it. Facebook is next most popular in Vietnam, with 61.1 per cent of respondents stating they get the most value out of that platform.
- Indonesia has the greatest variation in responses and is the only market where 20 per cent or more of respondents selected three social media platforms as being most value to their business (Facebook 31.4 per cent, Instagram 28.1 per cent and WhatsApp 24.8 per cent).

## Suggestions

- Businesses not using social media for business purposes should invest in developing their capability so that they can begin using social media.
- Those businesses using social media only to promote their business should look to expand how they use social media, especially in the areas of learning more about customer behaviour, selling via social media and to receive feedback. This may require seeking expert advice.
- Businesses operating in different markets should adapt their social media strategy to suit those markets. For example, using WeChat in Mainland China, Facebook in the Philippines, and Facebook, Instagram and WhatsApp in Indonesia.
- Governments, with the support of professional advisers, should educate small businesses about the value of using social media for business purposes and the various ways social media can be used.

## Selling online

**Percentage of business earning more than 10 per cent of revenue online – by market and over time**



## Key findings

The survey data again shows that online sales are an essential element of businesses in Mainland China, whereas in Australia and New Zealand online sales remains something of a novelty. The city in Mainland China that is most likely to earn more than 10 per cent of its income from online sales is Shenzhen, with 91.4 per cent of respondents indicating as such.

With the survey results showing a strong link between growth and online sales, more Australian and New Zealand businesses should be investing time in determining whether such an approach is right for their business. Selling online should also be considered one way to enter new markets without having to commit significant resources to opening a physical presence. It can also help reduce costs by lessening the need for the business to be in high rent locations.

Interestingly, the percentage of businesses generating more than 10 per cent of their income through online sales in 2018 is down from 2017 in all markets except Mainland China. This could be because of a shift in strategy towards building customer loyalty through face to face dealings in a somewhat less positive business environment. It may also reflect increasing concerns over data security and privacy following several high-profile data privacy cases in 2018.

### Other findings

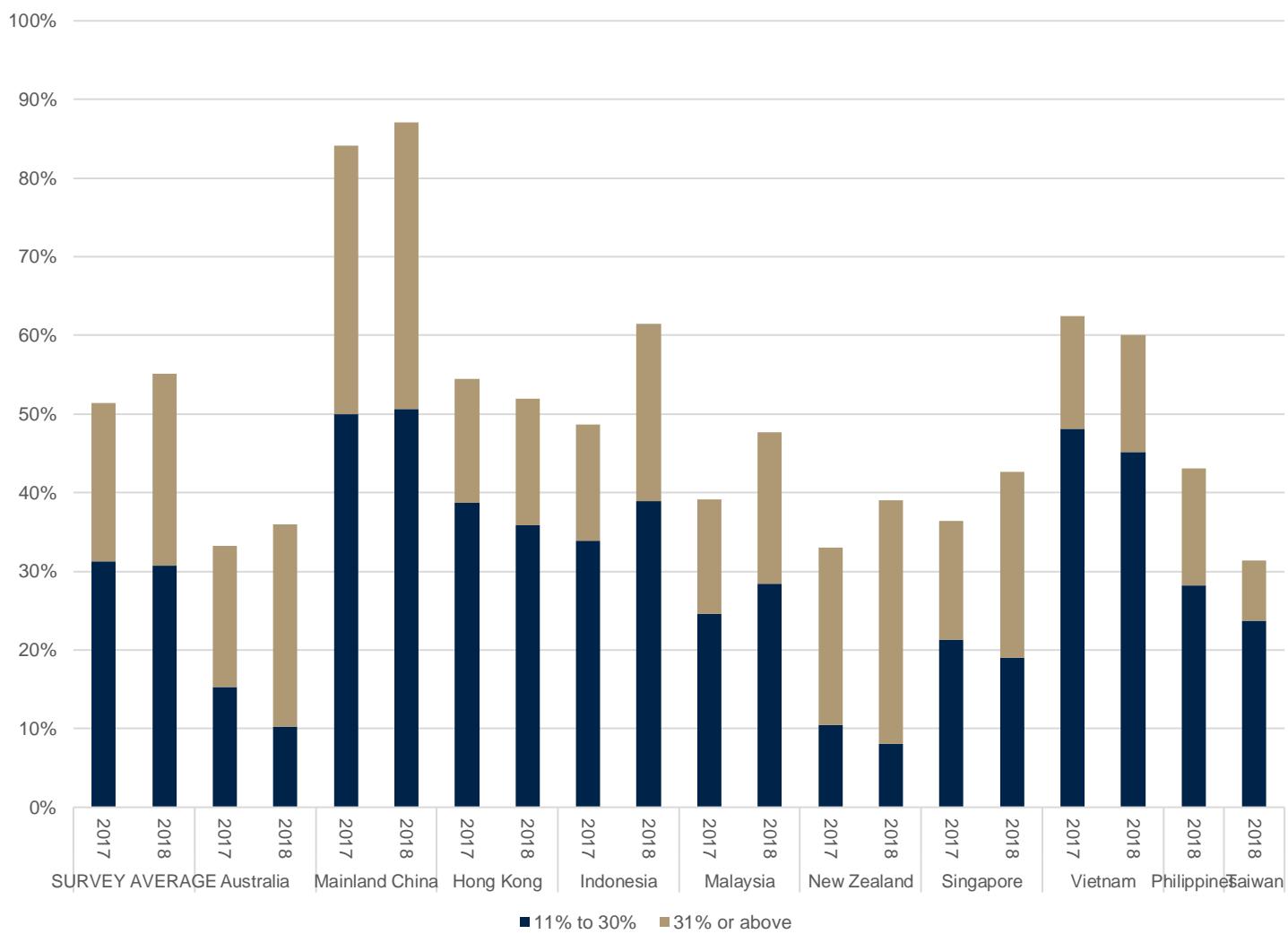
- The more staff a small business has, the much more likely the small business is to be generating more than 10 per cent of sales online.
- Selling online is not a job killer, in fact it helps to create new jobs, with businesses generating more than 10 per cent of their income from online sales much more likely to have increased employee numbers in 2018.
- Because of their strong online presence, businesses generating more than 10 per cent of their income online are much more likely to expect a cyberattack in 2019.

### Suggestions

- Businesses not selling online should invest in developing their capability so that they can begin to do so, if appropriate.
- Businesses looking to expand into Mainland China must consider developing an online sales platform as part of their strategy to enter that market.
- Governments, with the support of professional advisers, should educate small businesses about the value of selling online and how best to do it.
- Governments, with the support of professional advisers, should provide support and training to small business on cybersecurity to encourage a greater focus on online sales.

## Payment technologies

**Percentage of businesses receiving more than 10 per cent of their sales through digital payment options, such as Alipay, Apple Pay, WeChat Pay etc - by market and year**



## Key findings

The popularity of digital payment options such as Alipay and Apple Pay is up slightly overall in 2018 from 2017, however it is down slightly in Hong Kong and Vietnam. Small businesses in Mainland China remain much more likely to be generating over 10 per cent of their sales through such technology – in fact it would be difficult to find a small business in Mainland China that does not offer digital payment options to their small businesses.

Interestingly, while Australian and New Zealand small business are the least likely to receive more than 10 per cent of their revenue from new digital payment platforms, when they do adopt this technology they seem highly likely to make it central to their business, with businesses in both markets much more likely to be earning more than 30 per cent of their sales from this technology than earning 11 to 30 per cent. In fact, New Zealand and Australian small business are the most likely to generate all their sales through these digital technologies.

The Australian and New Zealand results do NOT however indicate a large reliance on cash sales – in fact Australian and New Zealand small businesses are by far the most likely to have NO cash sales (42.6 per cent for Australia and 37.3 per cent for New Zealand, with the next highest being Singapore on 18.8 per cent). Businesses in Australia and New Zealand would appear to have a strong reliance on existing payment methods, such as credit cards, debit cards and electronic funds transfers.

While small businesses in developing markets in Asia are big users of technology, they have not embraced digital payment technologies in great numbers (except for Mainland China). Small businesses from the Philippines (80.9 per cent), Malaysia (68.1 per cent) and Indonesia (63.1 per cent) are significantly more likely to generate 50 per cent or more of their sales from cash, in comparison with New Zealand (12.3 per cent) and Australia (18.0 per cent).

Mainland China's strong reliance on digital payment technologies, such as Alipay, has seen the importance of cash sales to small businesses decline, with only 14.0 per cent of businesses generating 75 per cent or more of their sales in cash. For developing markets and Taiwan, following Mainland China's experience with digital and mobile payment options may be the most effective method of reducing small business reliance on cash sales.

## Other findings

- Businesses that reported growing strongly in 2018 are much more likely to report that more than 10 per cent of their sales comes from digital payment technologies than businesses that did not grow or shrank (66.5 per cent compared with 42.1 per cent).
- Where the respondent was the chief executive officer (CEO) or the chief financial officer (CFO), 72.4 per cent stated their business generated more than 10 per cent of their sales through digital payment technologies, compared with 43.5 per cent where the respondent was the business owner.
- Digital payment technologies are much more popular for businesses with 10 to 19 employees (69.4 per cent generated more than 10 per cent of their sales from digital payment technologies compared with 40.6 per cent of businesses with less than five staff).
- Businesses that have been established for up to 10 years more likely than businesses that have been established for over 20 years to have received more than 10 per cent

of their sales from digital payments technology, such as Alipay (39.8 per cent compared with 56.5 per cent).

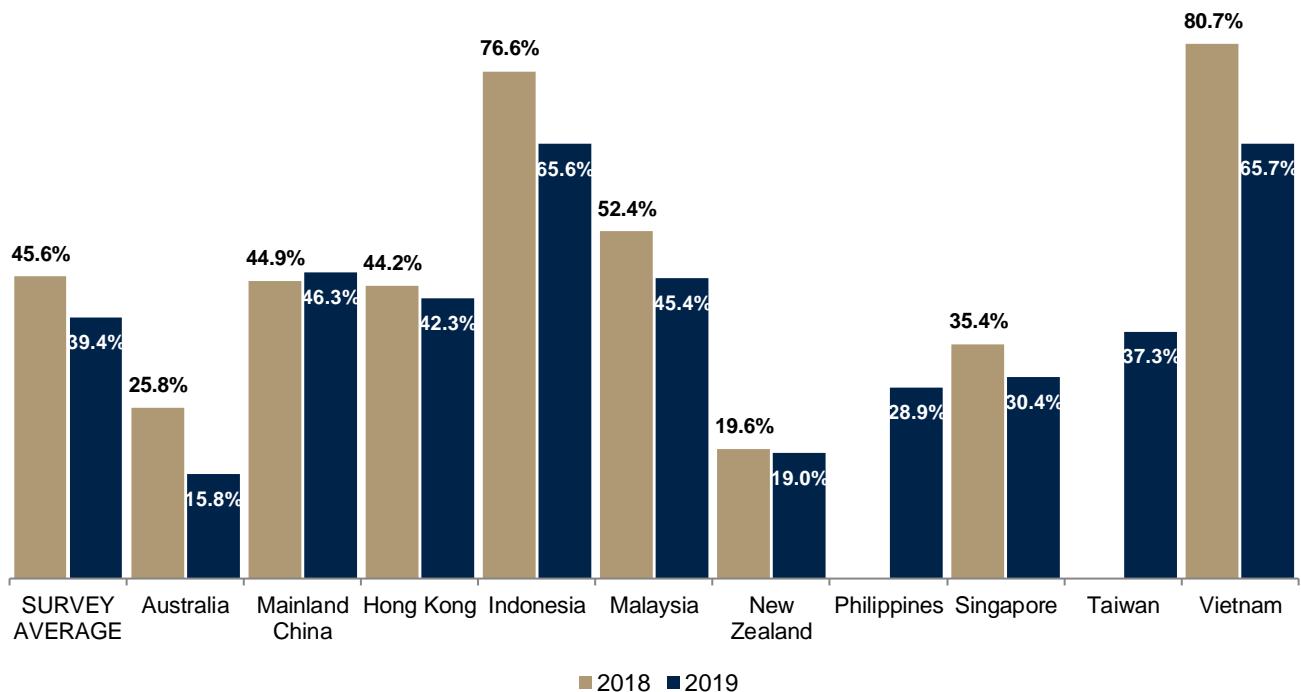
- Respondents aged 40 or over are also much more likely than those aged 50 or over to have received more than 10 per cent of their sales from digital payments technology (34.9 per cent compared with 62.3 per cent).

### Suggestions

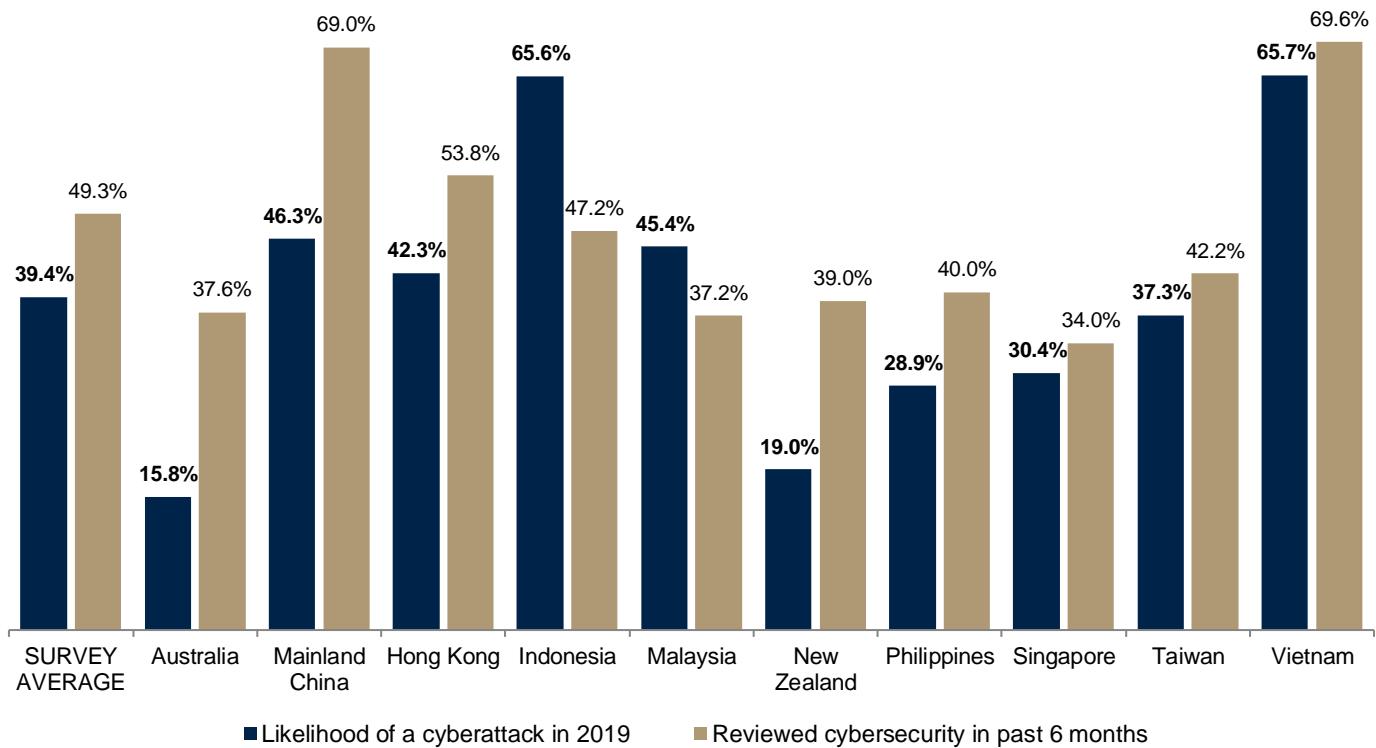
- Businesses should consider new payment technologies, particularly online/ digital/ payment methods.
- Governments have a role to play in explaining new payment technologies and their advantages.
- Governments should be encouraging the development and deployment of new fintech products that make payments as seamless as possible.

### Cybersecurity

**Believe a cyberattack on their business is somewhat likely/very likely in 2019 (by market and over time)**



**Comparison of those who believe a cyberattack is likely in 2019 against those that have reviewed their cybersecurity in past six months (by market)**



### Key findings

The perceived threat of a cyberattack on the small businesses of the Asia-Pacific has declined in this survey from the previous survey, with the exception of Mainland China. A reason for this may be that there has not been a major global cybersecurity scare in recent times.

Small businesses in Australia and New Zealand remain the least likely to expect a cyberattack, while small businesses from Vietnam and Indonesia are again the most likely to expect a cyberattack. The higher uptake of technology in those markets helps to explain that difference.

It is pleasing that the perceived likelihood of a cyberattack has little influence over whether small businesses are regularly reviewing their cybersecurity measures. Businesses in all markets except Indonesia and Malaysia were more likely to state that they reviewed their cybersecurity in the past six months than expect an attack in 2019.

The actions that many small businesses may be taking to protect their systems may however fall below what is considered best practice. While backing-up data and running anti-virus software are important elements of cybersecurity, there are other steps small business should take, including having a list of approved software that can only run on their system, using multifactor authentication and having a strong password policy to restrict access to their systems.

### Other findings

- Businesses with 10 to 19 staff are significantly more likely to have reviewed their cybersecurity in the past six months (65.0 per cent) than those with fewer than five staff (34.5 per cent).
- Businesses where the respondent is aged under 40 are far more likely to have reviewed their cybersecurity in the past six months (61.4 per cent) than those where the respondent is aged 50 or over (39.0 per cent).
- Businesses that state they will innovate in 2019 are significantly more likely to expect their business will be cyberattacked (60.8 per cent) than those that do not expect to innovate (16.2 per cent).
- Businesses that stated they did NOT use social media for business purposes were far less likely to expect their business will be cyberattacked in 2019 (20.3 per cent) than those that do use social media for business purposes (44.8 per cent).
- Likewise, those small businesses that found their investment in technology in 2018 was already profitable were significantly more likely to expect their business will be cyberattacked in 2019 than those that did not invest in technology (53.1 per cent compared with 13.6 per cent).

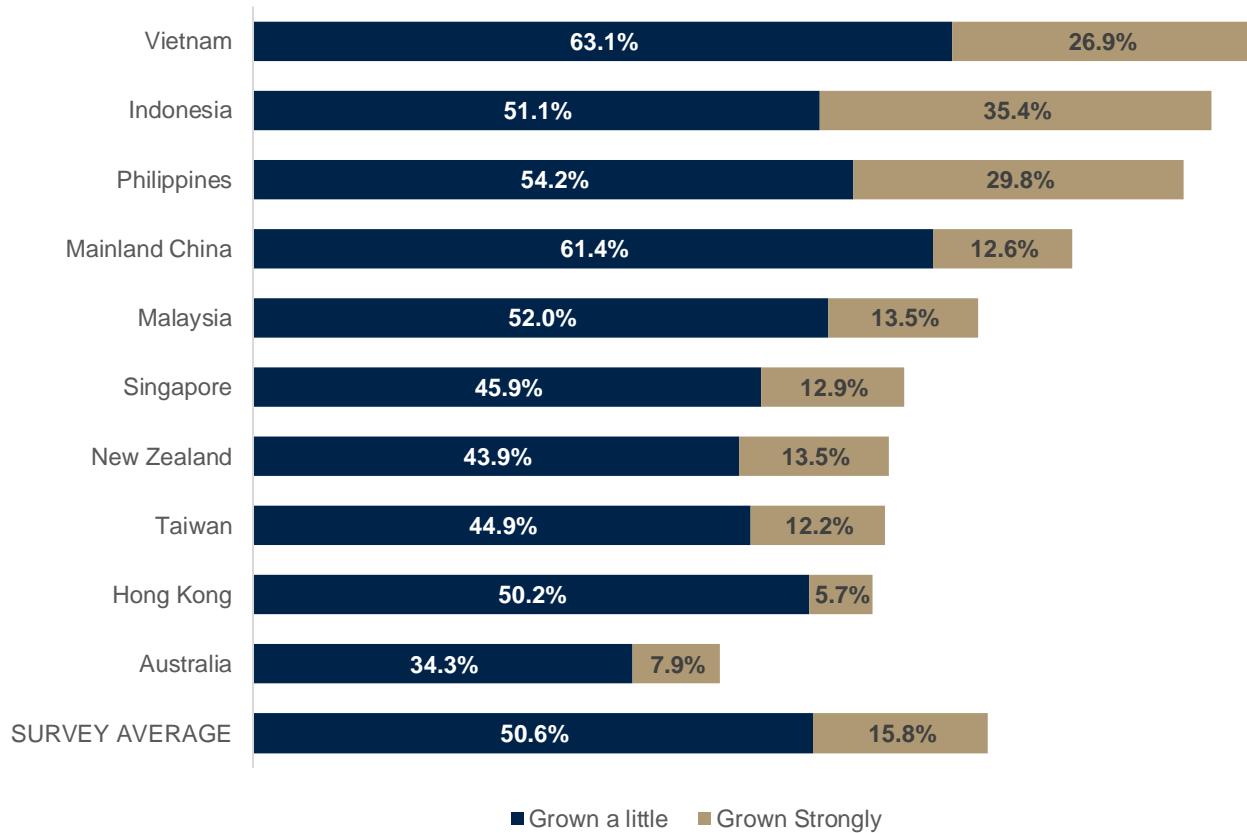
### Suggestions

- Businesses of all sizes – and using varying levels of technology – are potentially vulnerable to cyberattack. They should take appropriate action to reduce risk.
- Businesses should consider seeking professional advice on what action they should take to reduce their cyber risk.
- Businesses should consider the tips on improving cybersecurity provided by the Australian government agency Australian Cyber Security Centre at [cyber.gov.au](http://cyber.gov.au).
- Governments seeking to encourage innovation should provide targeted cybersecurity resources to businesses to help them better manage their (perceived) increased risk of cyberattack.
- Governments and other key influencers must continue to encourage small business to take action to reduce the risk of cyberattacks through tools, support and information on risks as they emerge.
- Assisting small business to improve cybersecurity may encourage greater investment in technology such as social media, online sales and new digital payment technologies.

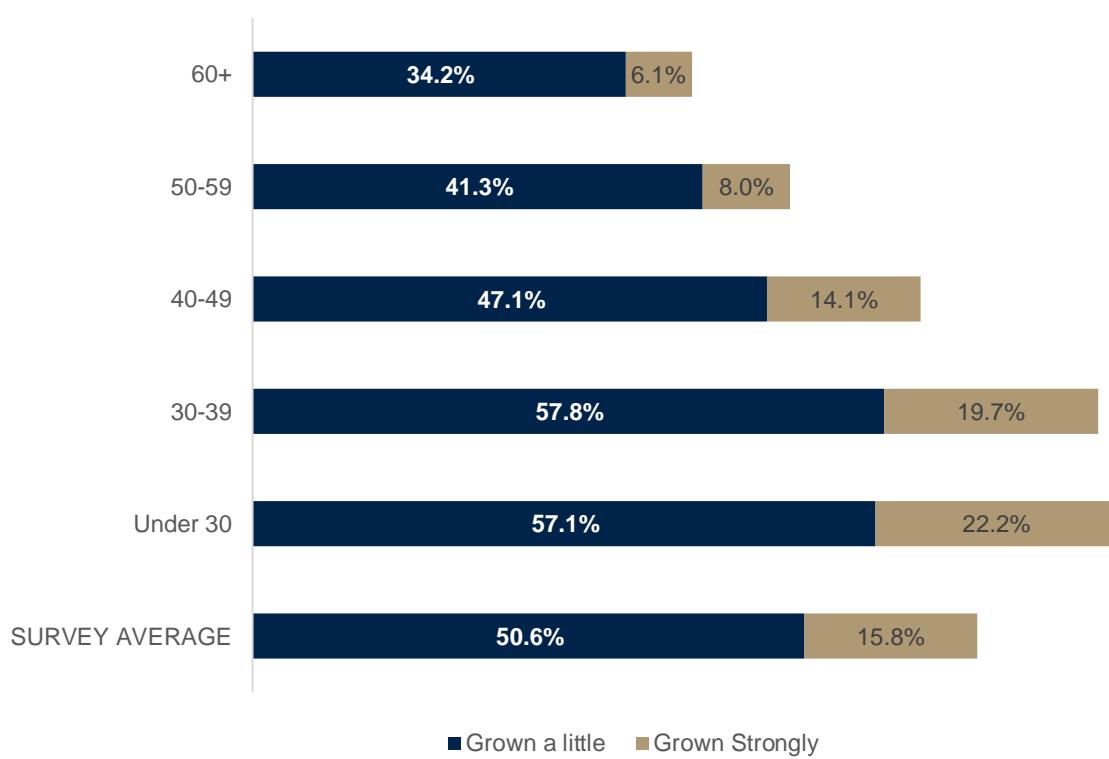
## SMALL BUSINESS CONDITIONS IN 2018

### Businesses that reported growth

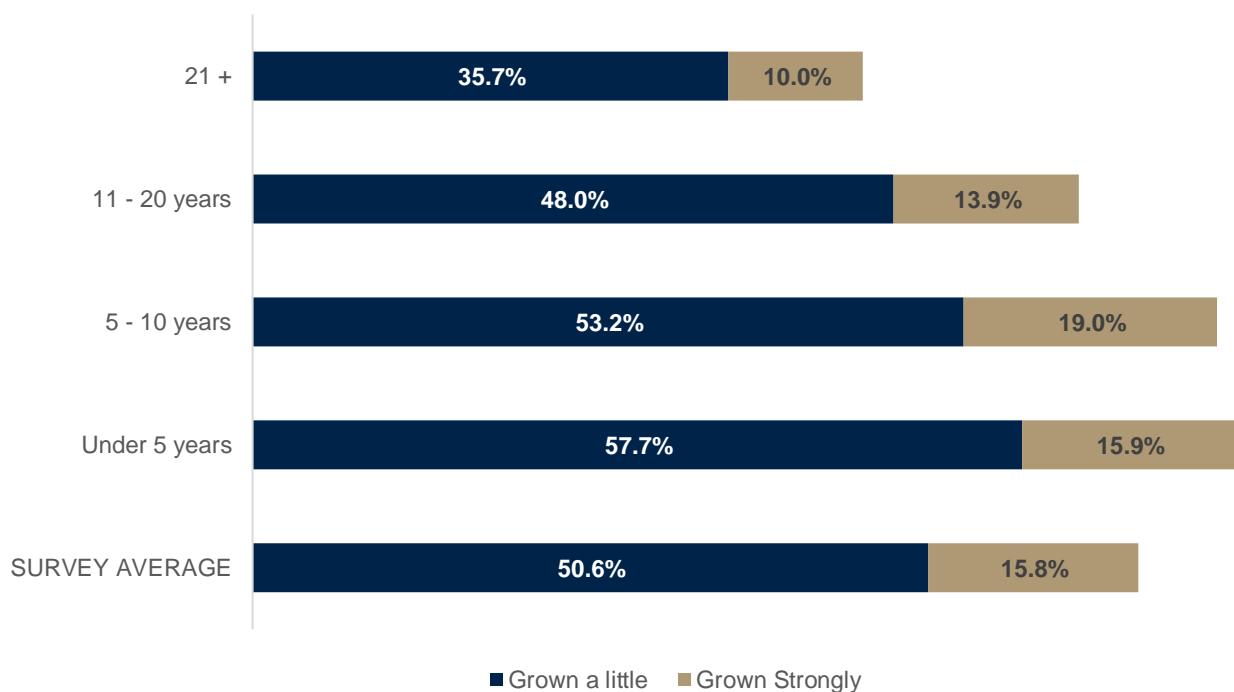
#### Businesses that grew over the past 12 months – by market



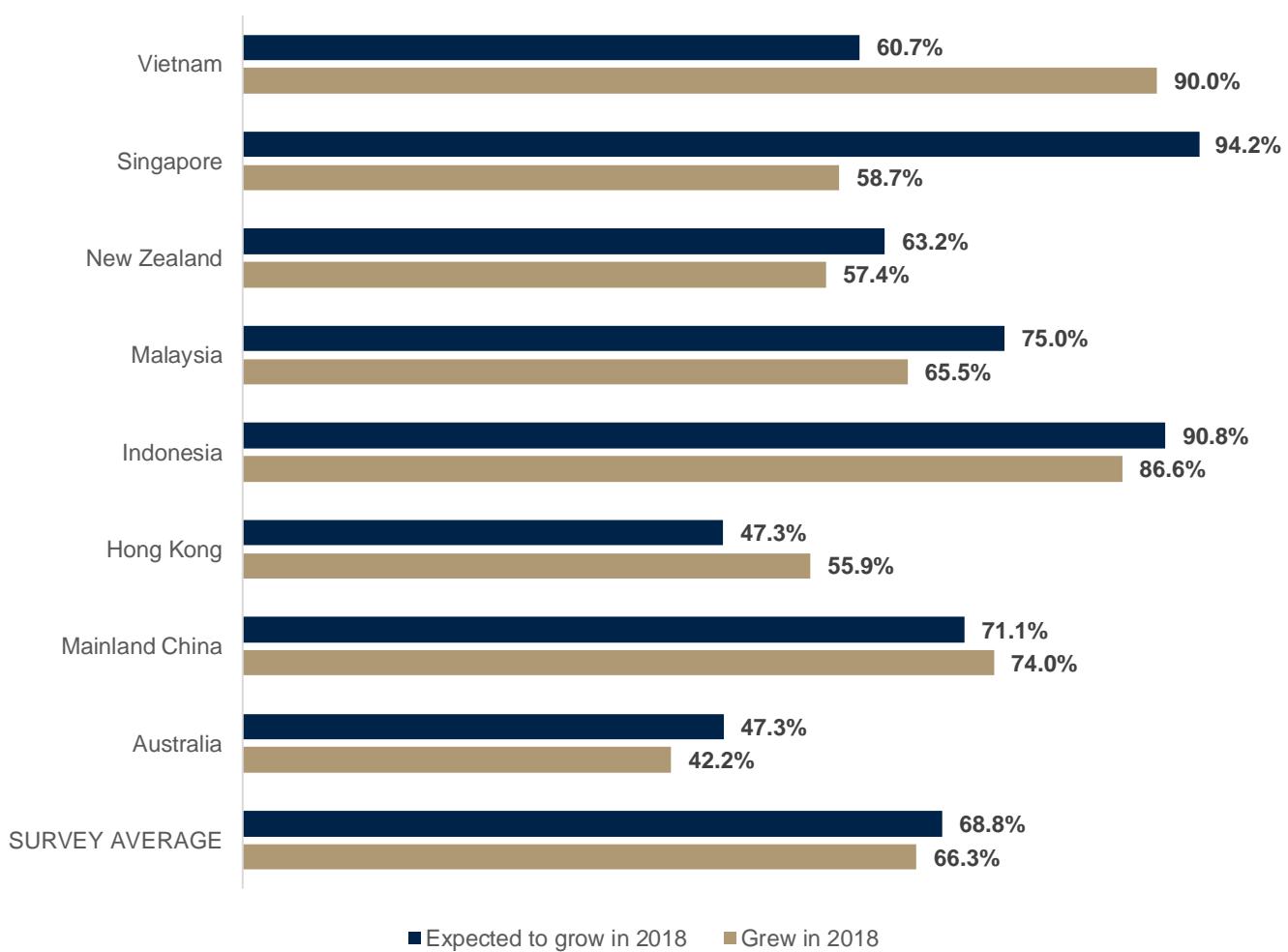
### Businesses that grew over the past 12 months – by age of respondent



### Businesses that grew over the past 12 months – by age of business



### Businesses that grew in 2018 compared to expectations for 2018 – by market<sup>^</sup>



<sup>^</sup>The graph excludes the Philippines and Taiwan as those markets were not included in the previous survey.

### Key findings

Small business conditions were down slightly in 2018 from 2017, with the percentage of small businesses that reported growing being 66.3 per cent, compared with 68.5 per cent in 2017 and 66.7 per cent in 2016.

Most markets experienced a decline in the number of businesses that reported growing, with Hong Kong and Australia experiencing the largest declines.

Only Singapore and Malaysia experienced an increase in the number of businesses that reported growing. Singapore recorded the largest increase, from 47.5 per cent in 2017 to 58.7 per cent in 2018.

As in previous surveys, respondents aged under 40 are significantly more likely to report that their business grew, especially in comparison to respondents aged 50 or over. A similar result can be found for businesses that have been established for 10 years or less, especially in comparison to businesses that have been established for over 20 years. For governments, this data shows the value to the economy of making it as easy as possible for young people

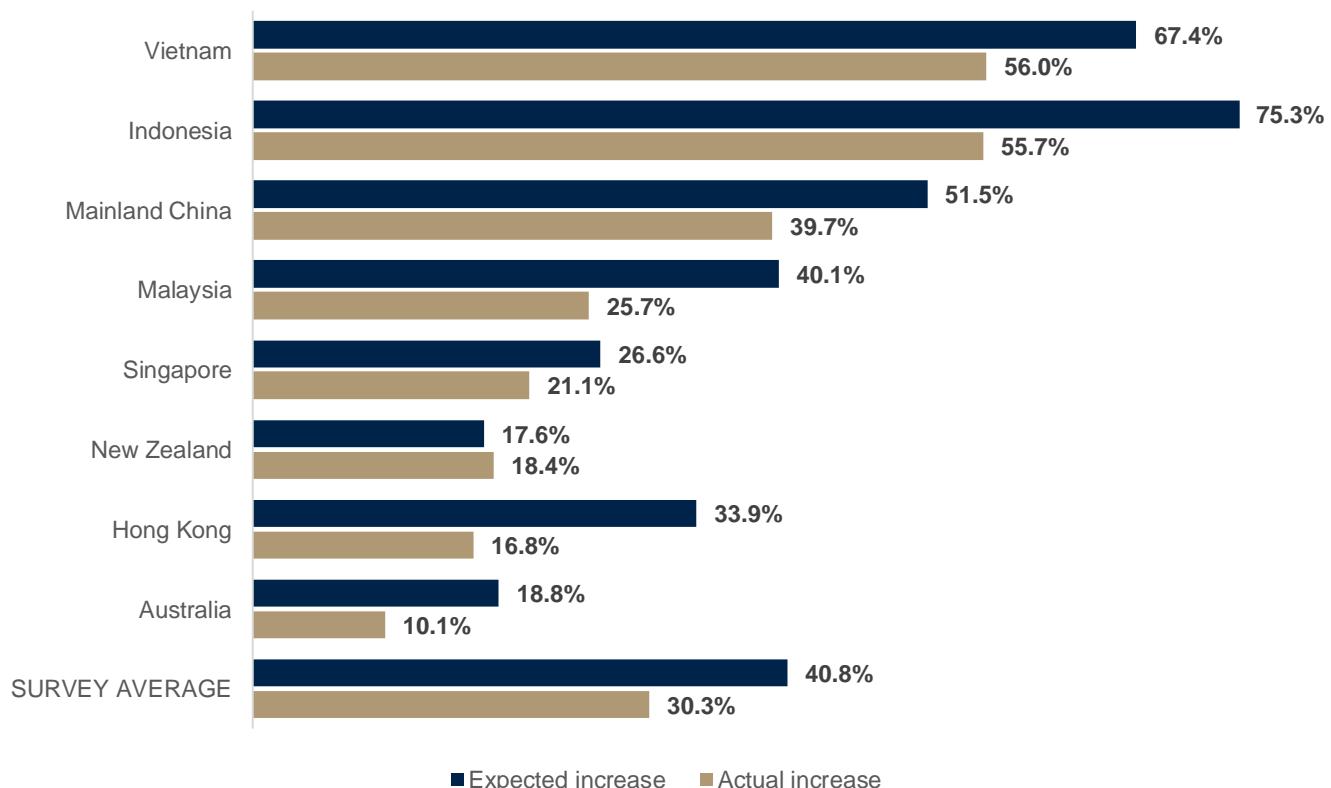
to establish and run a business.

### Other findings

- Small businesses with 10 to 19 staff (79.2 per cent) and 5 to 9 staff (73.1 per cent) were significantly more likely to state that they grew than businesses with no staff (39.9 per cent).
- Respondents who were CEOs (73.5 per cent) or CFOs (72.9 per cent) were more likely to state that their business grew in the past 12 months than businesses where the owner was the respondent (60.2 per cent).
- Unlike in other years, there was no major difference in the percentage of businesses that reported growing by industry.
- Businesses that reported that they did not use social media for business purposes were much less likely to report that their business grew in 2018 than businesses that used social media.
- Likewise, businesses that reported NOT earning any income from online sales were much less likely to report their business grew in 2018 than businesses that earned revenue from online sales.
- Business growth in 2018 plays a very important part in shaping expectations for growth in 2019, with 93.7 per cent of businesses that expect to grow strongly in 2019 reported growing in 2018.

### Small business as a creator of jobs

Actual increase in employee numbers in 2018 compared with expected increase – by market<sup>^</sup>



<sup>^</sup>The graph excludes the Philippines and Taiwan as those markets were not included in the previous survey.

## Key findings

There is a slight decrease in the percentage of businesses that added staff in 2018, with 30.3 per cent of small businesses across the region adding to their number of employees, down from 34.3 per cent in 2017 and 31.7 per cent in 2016.

Small businesses from Vietnam were the most likely to have added to their staff numbers in 2018, followed closely by small businesses from Indonesia. Australia remains the least likely to have increased staff numbers.

For several markets, the percentage of businesses that added staff in 2018 was well below expectations, especially Indonesia, Hong Kong and Malaysia. Only New Zealand small businesses were close to meeting expectations. The difference between expectations and the actual increase in staff employed in the 2017 was much closer than in 2018. This provides further evidence that the region's economy slowed somewhat more than expected in 2018.

Expectations for an increase in employee numbers in 2019 are strong, especially in Vietnam, Indonesia, Philippines and Mainland China. Given current global economic uncertainties this is positive. Expectations are weakest in Australia which, given other results from this survey show that small business confidence in that market is relatively weak, this result is not a surprise.

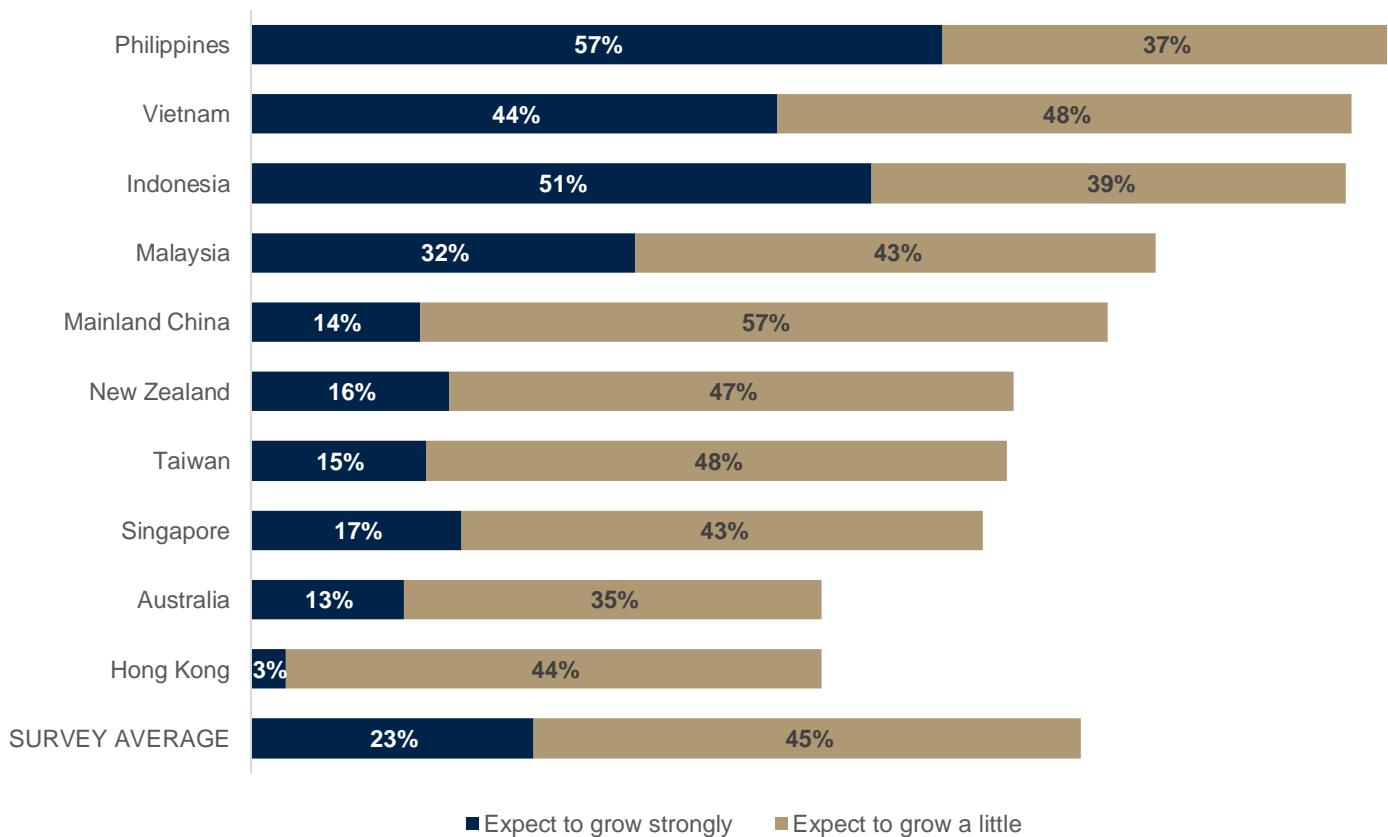
## Other findings

- It is no surprise that businesses that reported growing strongly in 2018 were significantly more likely than other businesses to add staff (66.1 per cent of those that grew strongly compared with 6.9 per cent of businesses that were unchanged or shrank).
- As was the case in previous years, businesses with respondents aged under 40 were significantly more likely to be adding staff (40.8 per cent) than respondents aged 50 or over (9.7 per cent).
- Of the industries with a sufficient number of responses, manufacturing businesses (39.9 per cent) and property and construction businesses (38.8 per cent) were the most likely to report adding staff in 2018, however the result was not significantly higher than other industries.
- Small businesses in Guangzhou were the most likely to increase staff numbers of the Mainland Chinese cities surveyed (45.8 per cent).
- Businesses that did NOT use social media in their business are less likely to have added staff number in 2018 (13.8 per cent) than the survey average (30.3 per cent).
- Small businesses that use social media to recruit staff are more likely to have recruited staff than businesses who use social media for other purposes.
- Businesses that nominated customer loyalty and cost control as having a major positive influence on their business were the least likely to add staff in 2018 (29.8 per cent and 31.7 per cent respectively).
- Those who said that easy access to finance had a major positive impact on their business were the most likely to have added staff in 2018 (50.8 per cent).

## SMALL BUSINESS EXPECTATIONS FOR 2019

**Small business confidence is strongest in developing markets**

**Small businesses that expect to grow in 2019 - by market**



### Key findings

Business growth expectations for 2019 are virtually unchanged from 2018, 2017 and 2016. 68.8 per cent of respondents expect their small business to grow in 2019, compared with 70.8 per cent in 2018, 70.7 per cent in 2017 and 70.2 per cent in 2016. This indicates a stable business environment across the region, despite recent global economic headwinds.

Small businesses from the Philippines, Vietnam and Indonesia are the most confident in the growth prospects for their own business. Small business confidence is down in Hong Kong and Australia – for Hong Kong the prospects of trade tensions between China and the US is having an impact on sentiment.

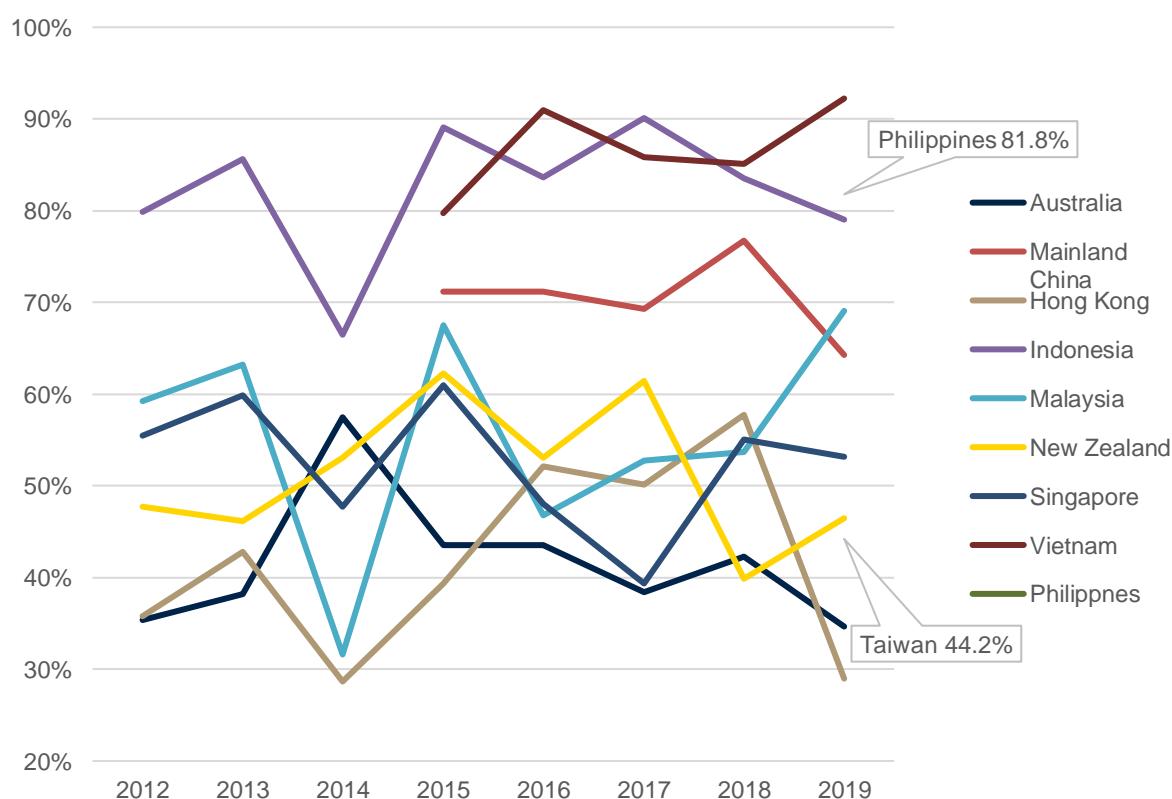
### Other findings

- As in previous surveys, businesses with greater numbers of employees are more likely to expect that their business will grow than those with no employees or fewer than five. 59.8 per cent of businesses with fewer than five employees expect to grow in 2019, compared with 75.7 per cent of those with five to 19 employees.
- Unlike in previous surveys, expected growth rates across industries is fairly even.

- Businesses that have been established for ten years or less are much more likely to expect to grow in 2019 than businesses established for more than 20 years (76.3 per cent compared with 49.6 per cent).
- Similarly, younger respondents were also much more likely to expect their small business to grow in 2019 than older respondents (79.1 per cent compared with 49.6 per cent of respondents aged 50 and over).
- Businesses that expect their overseas sales to grow strongly are also much more likely to expect their business to grow in 2019 than businesses that do not expect overseas sales to grow, or do not intend to sell overseas.
- Businesses that stated they will innovate in 2019 are significantly more likely to expect to grow in 2019 (92.4 per cent) than businesses that do not expect to innovate (47.2 per cent).

## Small business confidence in local economy

**Small businesses that expect their local economy to grow over the next 12 months - by market and year**



## Key findings

The percentage of businesses that expect their local economy to grow in the coming 12 months is down slightly in this survey from the previous survey (58.4 per cent from 61.9 per cent). Since 2014, when Mainland China and Vietnam were added to the survey, the percentage of businesses that expect their local economy to grow has remained steady at just over 60 per cent.

## Other findings

- Small business confidence in their local economy is up in:
  - Vietnam
  - Malaysia
  - New Zealand
- Small business confidence in Malaysia's economy has grown the strongest of the markets surveyed and is at a record high. Given concerns over the state of the global economy and difficulty accessing finance in Malaysia, this is a positive result.

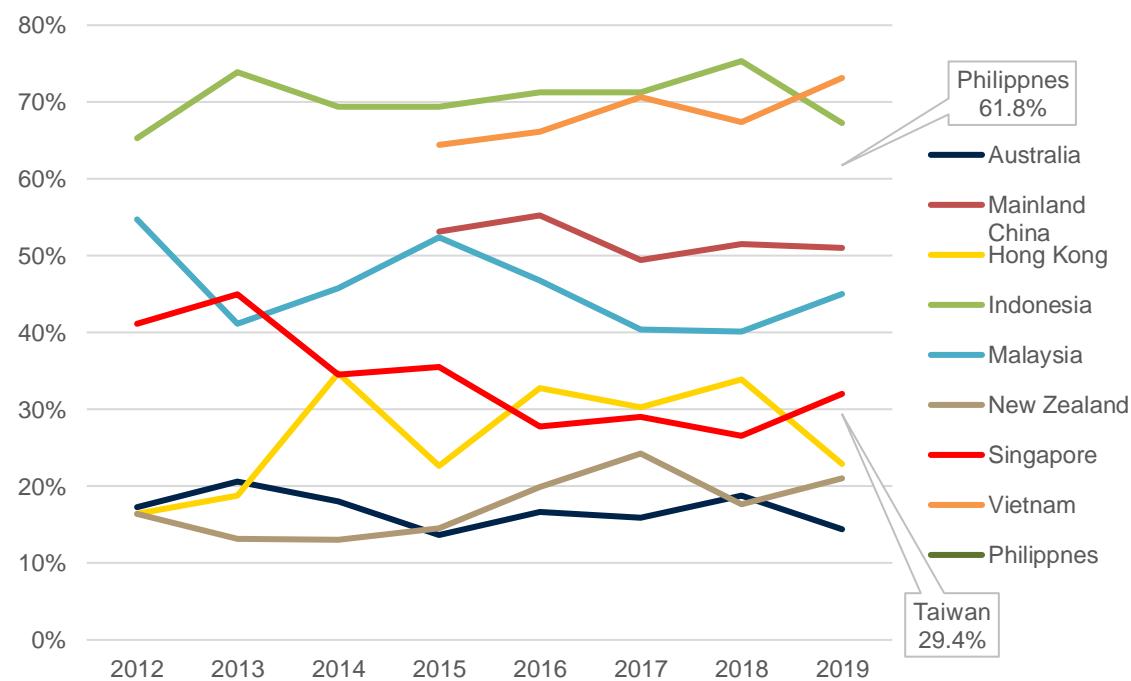
Small business confidence in Hong Kong recorded the largest fall, down nearly 30 percentage points. These results support the findings of [CPA Australia's Hong Kong Economic survey](#), which also suggests that external factors, such as trade tensions between China and the US and anticipated lower economic growth in Mainland China, are combining with local issues, such as high rental costs, to have a negative impact on the small business outlook for Hong Kong's economy.

#### **Other findings**

- Businesses with more employees are much more confident in the growth prospects of their local economy. 66.0 per cent of business with 10 to 19 staff expect their local economy to grow in 2019, compared with 43.2 per cent of those with no employees.
- Businesses from the professional, scientific and technical services sector are the least likely to expect their local economy to grow (48.9 per cent), while businesses in the 'accommodation and food services' sector were the most likely (69.7 per cent).
- Businesses that have been established for more than 20 years are much less likely to expect their local economy to grow than younger businesses.
- Further, respondents aged 50 or over are much less confident in their local economy than younger respondents, with only 42.0 per cent of respondents aged 50 or over expecting their local economy to grow in 2019, compared with 68.4 per cent of respondents aged under 40.
- Businesses that state they will innovate in 2019 are significantly more likely to expect their local economy to grow (81.1 per cent) than those that do not expect to innovate (37.6 per cent).
- Businesses that expect trade tension between major economies to have a negative impact on their business are somewhat more likely to expect their local economy to not change or to shrink (37.2 per cent) compared to grow (32.5 per cent).

## Expected changes in employee numbers in 2019

**Small businesses that expect to increase employee numbers over the next 12 months - by market and year**



### Key findings

The percentage of respondents that expect their business to increase employee numbers over the coming year is 41.2 per cent. This result is virtually identical to the results received in the 2014, 2015, 2016 and 2017 surveys.

It is not surprising given the very positive business growth expectations in Vietnam, Indonesia and the Philippines that small businesses in those markets are far more likely to expect to increase employee numbers in 2019 (73.1 per cent, 67.2 per cent and 61.8 per cent respectively). Small businesses in those markets are important sources of jobs creation.

At the other end of the scale, small businesses from Australia and New Zealand are again the least likely to expect to add to their employee numbers (14.5 per cent and 21.0 per cent respectively).

The results this year affirm our findings from previous years – that businesses that are more likely to be focused on technology, innovation and exporting are significantly more likely to expect their employee numbers to grow than businesses that are not.

### Other findings

- It is not surprising that businesses that expect to grow strongly in 2019 are significantly more likely to expect to add employees in 2019 (77.6 per cent) compared with businesses that do not expect to grow (9.3 per cent).
- Businesses in the accommodation and food services sector (52.0 per cent) and the manufacturing sector (50.0 per cent) are the most likely to expect to increase

- employee numbers in 2019 (60.6 per cent), while businesses in the wholesale trade industry are the least likely to expect to increase their headcount (33.3 per cent).
- Businesses established for ten years or less are much more likely to expect to add employees in 2019 (47.7 per cent) than businesses established for more than 20 years (20.7 per cent).
  - Likewise, younger respondents are significantly more likely to expect to increase employee numbers in 2019 (53.8 per cent) than respondents aged 50 or over (16.0 per cent).
  - Only 18.3 per cent of businesses that do NOT use social media expect to increase employee numbers in 2019, compared with the survey average of 41.2 per cent. A similar response was received from those not selling online, with only 20.2 per cent expecting to add staff in 2019.
  - Businesses that expect to grow their overseas sales strongly in 2019 are significantly more likely to expect to grow their employee numbers (74.9 per cent) than those that do not expect to sell into overseas markets (30.5 per cent).
  - Businesses that state they will innovate in 2019 are significantly more likely to expect to increase employee numbers (72.3 per cent) than those businesses not expecting to innovate (17.0 per cent).
  - Small businesses that expect global trade tensions to have a positive impact on their business are more likely to expect to increase their employee numbers (53.4 per cent) than those that expect a negative or no impact (38.5 per cent).

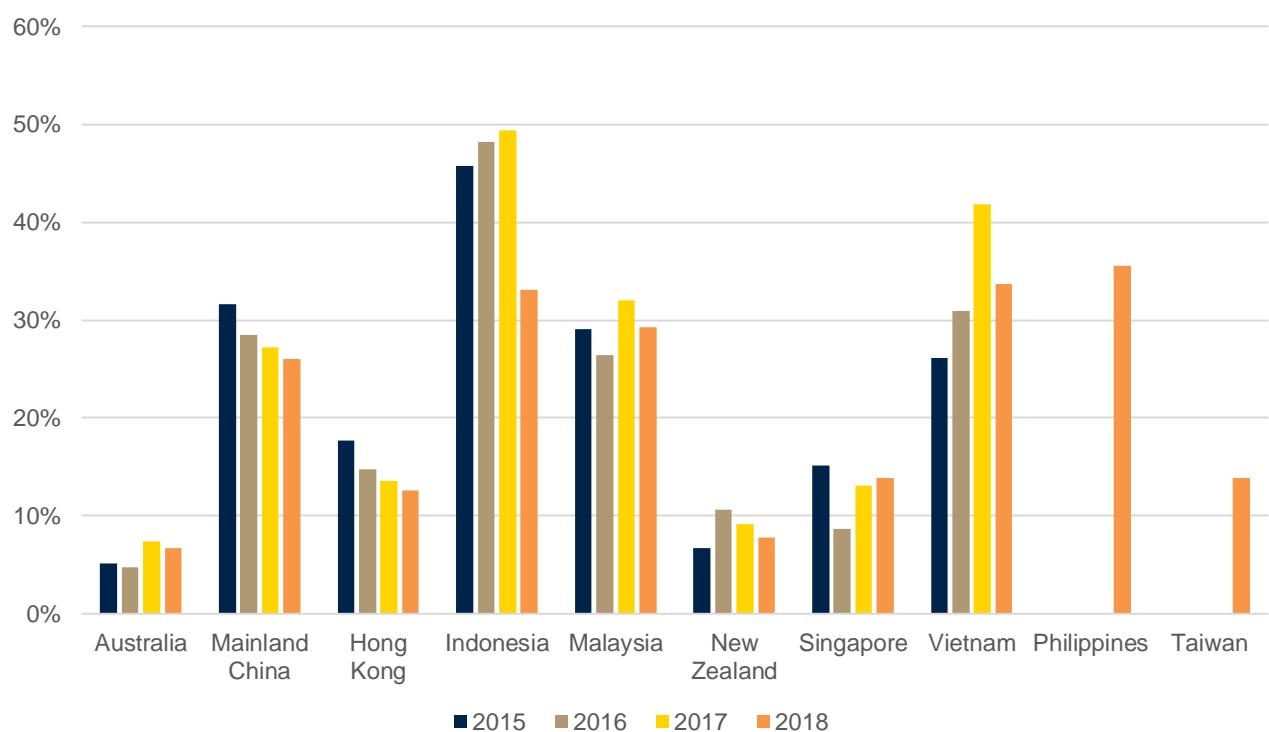
### Suggestions

- Small businesses seeking to grow in 2019 should have a strong focus on technology, innovation and exporting. This may require building their capabilities in those areas through training, professional advice and/ or recruitment.
- Governments seeking to create an environment that supports a strong and growing small business sector should have a strong focus on policies supporting technology, innovation and exporting.
- Governments should be working with professional advisers to help build the capability of small businesses so that they are better placed to focus on technology, innovation and exporting.
- Governments should be considering what are the drivers and barriers to younger people establishing a business and implement policies that encourage younger people to enter the sector.

## SMALL BUSINESS AND INNOVATION

**Innovation is a key driver of business growth and job creation, and small businesses from Asia are much more likely to undertake it**

**Small businesses that state they will innovate through the introduction of a new product, service or process that is unique to their market or the world in the next 12 months - by market<sup>^</sup> and year**



<sup>^</sup>The Philippines and Taiwan were added to this survey in 2018

### Key findings

The percentage of businesses that state they will innovate through the introduction of a totally new product, process or service to their market or the world remains relatively unchanged over the past three years, with 20.8 per cent of businesses stating that they will innovate in 2019 (in 2018, 23.3 per cent said they would innovate and 21.2 per cent in 2017).

### Other findings

- Businesses that expect their business to grow strongly in 2019 are significantly more likely than other businesses to state they will innovate in 2019. For example, of the businesses that expect to grow strongly in 2019, 50.1 per cent state they will innovate in 2019, compared with 16.5 per cent of businesses that expect to 'grow a little' and 5.2 per cent of those that expect not to change.
- Small businesses from developing economies remain much more likely to state they will innovate in 2019 than small businesses in developed economies. This may be the result of stronger growth in those economies, which is creating the demand for new

ideas, an increasingly skilled young workforce and government policies aimed at encouraging innovation.

- Of the five cities from Mainland China surveyed, businesses in Shanghai were the most likely to state they will innovate in the coming 12 months (30.1 per cent).
- Businesses remain more likely to state they will innovate in 2019 if they have five to 19 employees than if they have fewer than five employees (25.9 per cent of businesses with five or more employees compared with 14.1 per cent of those with fewer than five employees).
- Businesses in the accommodation and food services industry and the manufacturing industry are the most likely to state that they will innovate in 2019 (29.5 per cent and 27.8 per cent respectively), while the transport and warehousing industry are the least likely to state they will innovate in 2019 (8.4 per cent).
- Businesses that have been established more than 20 years are much more likely to expect they will not innovate in 2019 than younger businesses (54.9 per cent of businesses established for more than 20 years do NOT expect to innovate in 2019, compared with 25.2 per cent of businesses established for 20 years or less).
- Respondents aged 50 and over are significantly more likely NOT to expect to innovate in 2019 than respondents aged under 50 (57.5 per cent of respondents aged 50 or over do NOT expect to innovate in 2019, compared with 20.6 per cent of respondents aged under 50).
- Businesses that expect their overseas sales revenue to grow strongly are significantly more likely to state they will innovate in 2019 than other businesses (55.5 per cent of businesses that expect their revenue from overseas sales to grow strongly in 2019 state they will innovate in 2019 compared with 22.7 per cent that expect overseas sales to 'grow a little'). It is likely that these businesses' exposure to overseas markets and competition is encouraging them to focus more on innovation.
- Businesses that believe it is very likely that their business will be cyberattacked in 2019 are significantly more likely to state they will innovate in 2019 than other businesses. For example, businesses that believe that their business will be cyberattacked in the next 12 months are much more likely to state they will innovate in 2019 (58.7 per cent), compared with 14.5 per cent of businesses that believe a cyberattack is unlikely.

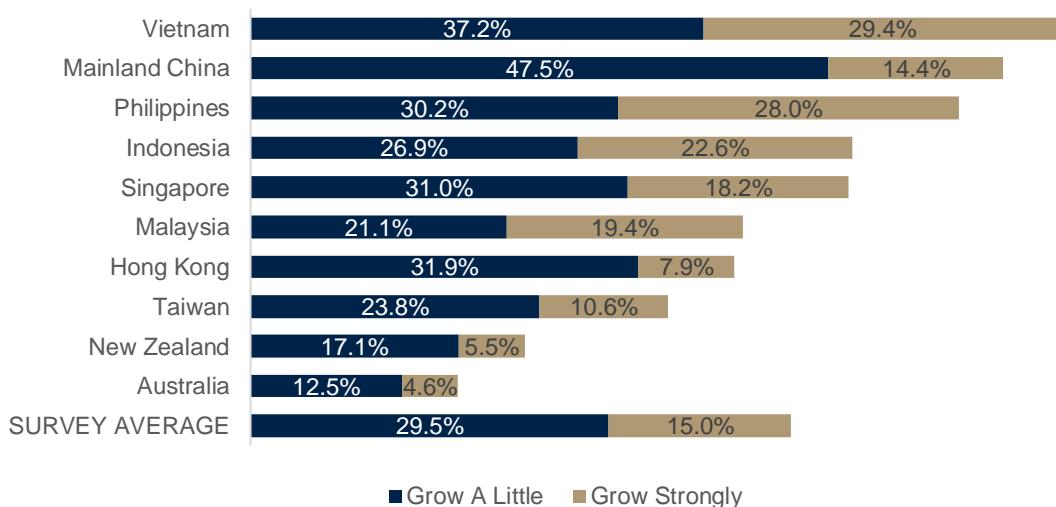
### Suggestions

- Policy makers wanting to encourage innovation should consider ways to support young people in starting their own small business, or to buy an existing one. Governments could conduct research into the factors that influence why young people do and do not go into business and determine how best to influence those factors.
- Innovative businesses need to invest more in cybersecurity, and governments should be offering information to assist them.
- Businesses seeking to innovate should spend time investigating what other businesses in their industry and other industries are doing.

## SMALL BUSINESS AND EXPORTING

**Small businesses that expect to grow their revenue from exports are more likely to be growing, creating jobs and be from Asia**

**Small businesses expecting revenue from overseas sales will grow in 2019 - by market**



### Key findings

There is a slight increase in the percentage of small businesses that do not expect to sell overseas in 2019 from 2018, and a slight decrease that expect overseas sales to grow strongly. This is possibly due to slowing global growth and global trade tensions.

Small businesses from Australia and New Zealand remain much more likely to NOT expect to sell into overseas markets in the next 12 months (53.7 per cent and 48.4 per cent respectively) than small businesses from the other markets surveyed. With Australia having one of the weakest levels of confidence in their local economy for 2019, it would be prudent for Australian small businesses to explore opportunities outside of their home markets, particularly in the fast-growing markets of Asia.

### Other findings

- Small businesses from Vietnam and the Philippines are more likely to expect their overseas sales to grow strongly in 2019. This result, combined with robust growth expectations for their local economies, points to a very positive 2019 for small businesses from those markets.
- The percentage of small businesses from Indonesia that expect their overseas sales to grow strongly in 2019 (22.6 per cent) is down significantly from 44.4 per cent in the previous survey, possibly reflecting concern over the global economy and global trade tensions, and a stronger domestic market.
- Businesses with no staff are significantly less likely to expect to sell overseas in the coming 12 months (46.2 per cent do not expect to sell overseas) than businesses with five to nine staff (22.6 per cent) and 10 to 19 staff (17.0 per cent).
- Older respondents are much more likely to NOT expect to sell into overseas markets in the next 12 months than younger respondents. Of respondents aged 50 or over,

45.9 per cent do not expect to sell to overseas markets in 2019, compared with 23.0 per cent of respondents aged under 40.

- Businesses that do not expect to innovate in the next 12 months are significantly less likely to expect to sell overseas in 2019 (54.6 per cent of those that do not expect to innovate), compared with businesses that have said they will innovate in 2019 (only 15.7 per cent of such businesses do not anticipate selling overseas).
- Businesses that do not expect to sell into overseas markets are by far the most likely to state that global trade tensions will have no impact on their business in 2019 (51.2 per cent against the survey average of 29.1 per cent).

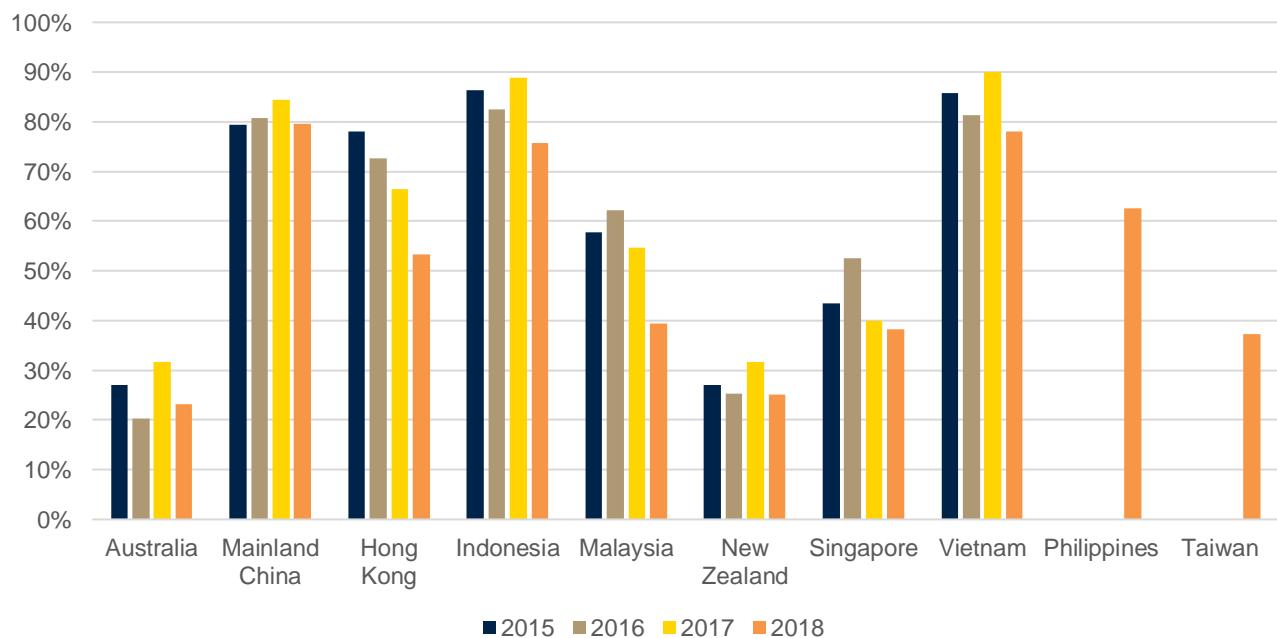
### Suggestions

- Businesses need to consider actions that may limit the impact of global trade tensions on their business.
- Businesses seeking to grow should spend time investigating new markets, including accessing government support for exporting.
- Governments should continue to create new free trade agreements with other governments.

## ACCESS TO FINANCE

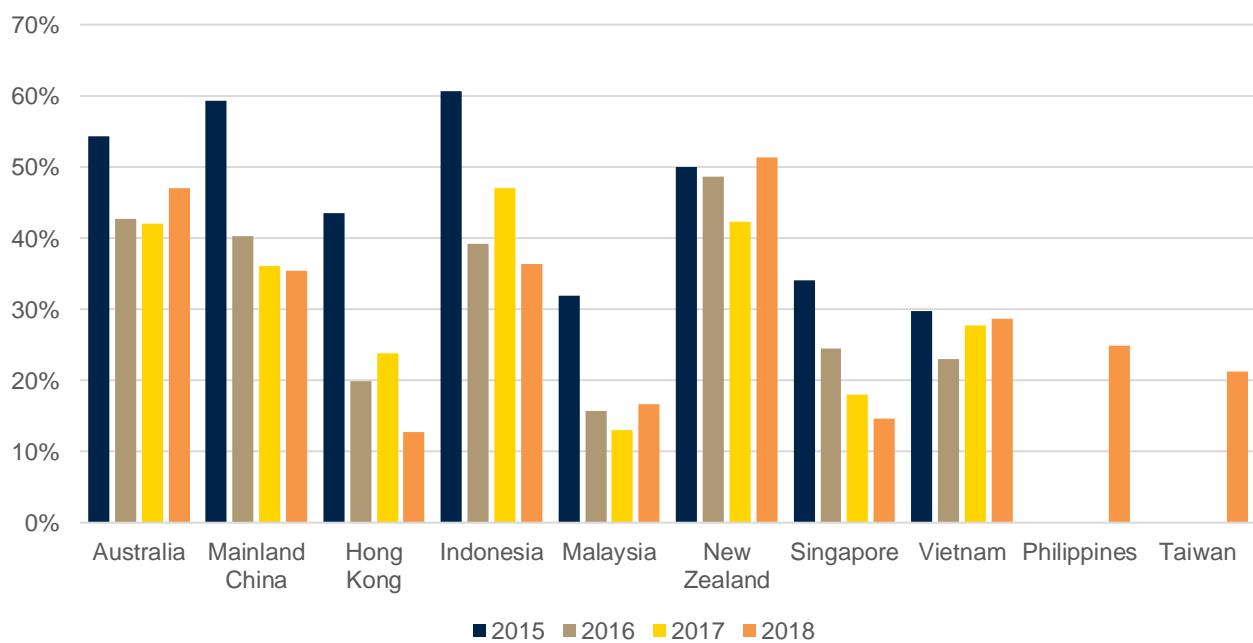
**The ease with which businesses access finance continues to vary significantly between markets**

**The percentage of businesses that required external finance in the past 12 months - by market and year<sup>^</sup>**



<sup>^</sup>The Philippines and Taiwan were added to the survey in 2018

**Of those businesses that required external finance, the percentage that experienced easy to very easy financing conditions in the past 12 months - by market and year<sup>^</sup>**



<sup>^</sup>The Philippines and Taiwan were added to the survey in 2018

## Key findings

The overall percentage of businesses that required external finance in 2018 was down from 2017 (53.1 per cent in 2018, compared with 61.3 per cent in 2017). Further, it was down in all markets previously surveyed and is the lowest result since 2014. This reflects mixed results for business growth in 2018 across the markets surveyed and less easier lending conditions in some markets, especially Hong Kong.

Having stated that, previous survey results have indicated that the ease or difficulty of accessing finance does not appear to be a significant factor influencing the demand for external finance. The need to finance growth or the acquisition of new capital assets are reasons more likely to influence demand for finance.

This does not say that tougher financing conditions are not an issue of concern – it impacts where external finance is sourced, the amount sourced, the cost of that finance and the tenor. All of these can put additional pressure on business, requiring some to alter their strategy.

Small businesses in Mainland China, Vietnam and Indonesia were the most likely to access external finance in 2018 – with business growth being the dominant reason why they required external finance.

Australian and New Zealand small businesses were again the least likely to access external finance in 2018 – this is attributed to a number of characteristics, including:

- the high percentage of respondents from those markets aged over 50 (respondents over 50 were much less likely to have required external finance in 2018)
- the high percentage of businesses from those markets that have been established for over 20 years (businesses established over 20 years were less likely to have required finance in 2018)
- the high percentage of businesses from those markets that have less than five employees (businesses with less than five employees were significantly less likely to have required finance in 2018).

It should be noted that where New Zealand and Australian small businesses did access external finance in 2018, they experienced the easiest financing conditions of the markets surveyed. Further, more businesses in each of those markets stated that access to finance was easy in 2018 than 2017.

## Other findings

- Businesses with a higher number of employees are significantly more likely to have required external finance in 2018. For example, 76.6 per cent of respondents with 10 to 19 employees required external finance, compared with 30.5 per cent of respondents with less than five employees.
- Businesses that have been established five to 10 years were the most likely to have required external finance (63.7 per cent) while businesses established for more than 20 years were the least likely (37.3 per cent). This may reflect the life cycle of business, with businesses in the five to 10-year bracket possibly experiencing a growth stage, while businesses that have been established over 20 years could be in decline. It may also reflect that longer established businesses could have more cash available, reducing their need for external finance.

- Older respondents were significantly less likely to have required external finance in 2018. While 68.3 per cent of respondents aged 30 to 39 stated they required finance in 2018, only 17.4 per cent of respondents aged 60 and over needed external finance. This may reflect the changing needs and motivations of respondents as they age for example, many of those aged 60 and over may have begun to wind down their business in preparation for retirement and may not want to carry extra debt into retirement.
- Growing businesses are, not surprisingly, significantly more likely to have required external finance in 2018, compared with businesses that are not growing. 68.7 per cent of businesses that reported growing strongly in 2018 required external finance compared with 33.7 per cent of businesses that were unchanged or shrank in 2018.
- Borrowing costs is the cost most detrimental to businesses that required external finance in 2018.
- Where the respondent was the CEO or CFO, they were significantly more likely to have required external finance in 2018 than if the respondent was the business owner (77.7 per cent for CEOs/CFOs compared with 36.6 per cent for business owners).
- Respondents who required external finance in 2018 were most likely to identify 'easy access to finance' as a factor having a positive influence on their business in 2018.

## Main sources of external finance

### Key findings

Banks remain the most common source of external finance, with 38.1 per cent of respondents that required external finance in 2018 stating that a bank was their main source of those funds. The next most popular source was an investor (16.0 per cent).

Banks were the main source of finance in all markets surveyed, with small businesses from New Zealand being the most likely to nominate banks as their main source of finance (57.7 per cent). Small businesses from Taiwan (29.2 per cent) and Mainland China (29.6 per cent) were the least likely to state that a bank was their main source of external finance.

Small businesses from Mainland China are the most likely to nominate a venture capital fund or angel finance (13.5 per cent), and crowd-sourced funding (6.9 per cent) as their main source of funding. Small businesses from Mainland China were also the most likely to nominate peer to peer lending as their main source of finance, however the 2018 result (7.7 per cent) was down from the 2017 result (18.2 per cent), reflecting government efforts to reduce risks from such lending.

### Other findings

- Businesses that have been established less than five years remain the least likely to nominate a bank as their main source of finance (29.7 per cent, compared with the survey average of 38.0 per cent), and the most likely to nominate 'friends and family' (20.3 per cent) as their main source of finance. This is not surprising given lenders and investors are less likely to give finance to businesses without a long track-record.
- Within the five cities surveyed in Mainland China, Chongqing was the only city where a bank was not the most popular source of external finance – instead small businesses were slightly more likely to nominate an investor as their main source of finance.

Likewise, respondents aged under 40 were less likely to state that a bank was their main source of finance than older respondents. 36.9 per cent of respondents aged under 30 stated that the bank was their main source of finance, as did 35.4 per cent of respondents aged

between 30 to 39, compared with 49.2 per cent for respondents aged 60 and over. Respondents under 40 were more likely than older respondents to state that an investor was their main source of finance. This is not surprising given that younger respondents may have less asset backing and experience.

## Reasons for seeking external finance

### Key finding

Business growth remains the most popular reason given for requiring external finance in 2018, with 58.6 per cent of respondents stating that it was one of their main reasons. Other reasons include to purchase capital assets (33.2 per cent, down from 40.1 per cent in 2017) and business survival (30.4 per cent, down from 34.1 per cent in 2017).

Small businesses from Indonesia (74.9 per cent) and Vietnam (70.1 per cent) were the most likely to have required external finance to fund business growth, while small businesses from Australia (31.6 per cent) and New Zealand (37.2 per cent) were the least likely to seek external finance for growth.

### Other findings

- While increasing costs remain a large headache for many small businesses, particularly in Malaysia and the Philippines, the percentage of businesses that required external finance to cover increasing costs is down in nearly all markets, especially Singapore, which fell from 45.9 per cent in 2017 to 30.2 per cent in 2018. This should be partly attributed to businesses better managing increasing costs through cost control.
- The number of businesses that stated they required external finance to purchase capital assets declined in all markets, especially Malaysia which declined from 45.6 per cent in 2017 to 28.3 per cent in 2018. The overall results could suggest that small business may have been more cautious in 2018 than 2017.
- While small businesses in Indonesia were the most likely to state that funding business growth was one of the top three reasons they gave for seeking external finance in 2018, they were also the most likely to state that they required external finance for business survival reasons.

## Ease or difficulty of accessing finance

### Key findings

The percentage of businesses that found accessing finance easy or very easy is at its lowest level since 2011, with 30.2 per cent of businesses that accessed finance in 2018 finding the experience was easy or very easy, compared with 32.6 per cent in 2017. However, the percentage that indicated that accessing finance was difficult has remained virtually unchanged from the previous two surveys – in 2018, 35.6 per cent of businesses stated that accessing finance was difficult or very difficult.

As has been the case throughout this survey series, ease or difficulty of accessing finance appears to have only minor impact on the percentage of businesses that required external finance. For example, small businesses in Vietnam were more likely to report difficult financing conditions than easy financing conditions, however they were the second most likely to have sourced external finance in 2018. Conversely, those New Zealand small businesses that required external finance in 2018 were the most likely to report easy

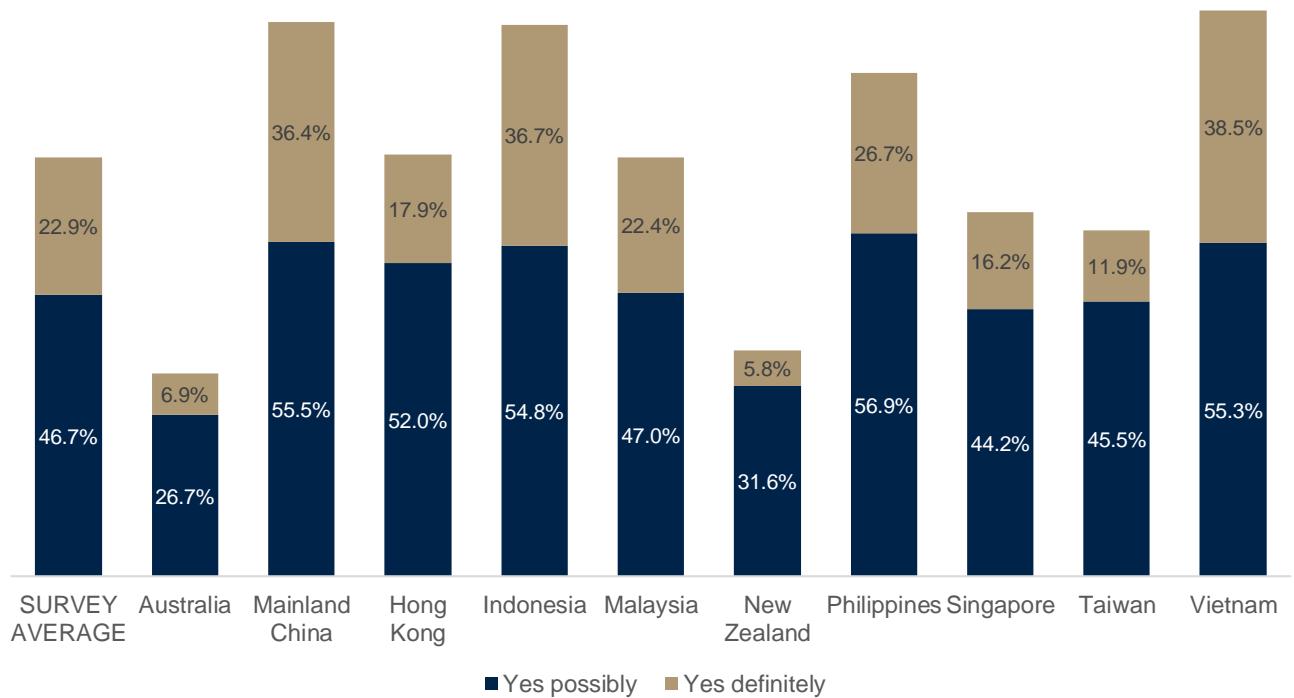
financing conditions but were the second least likely to have sourced external finance.

#### **Other findings**

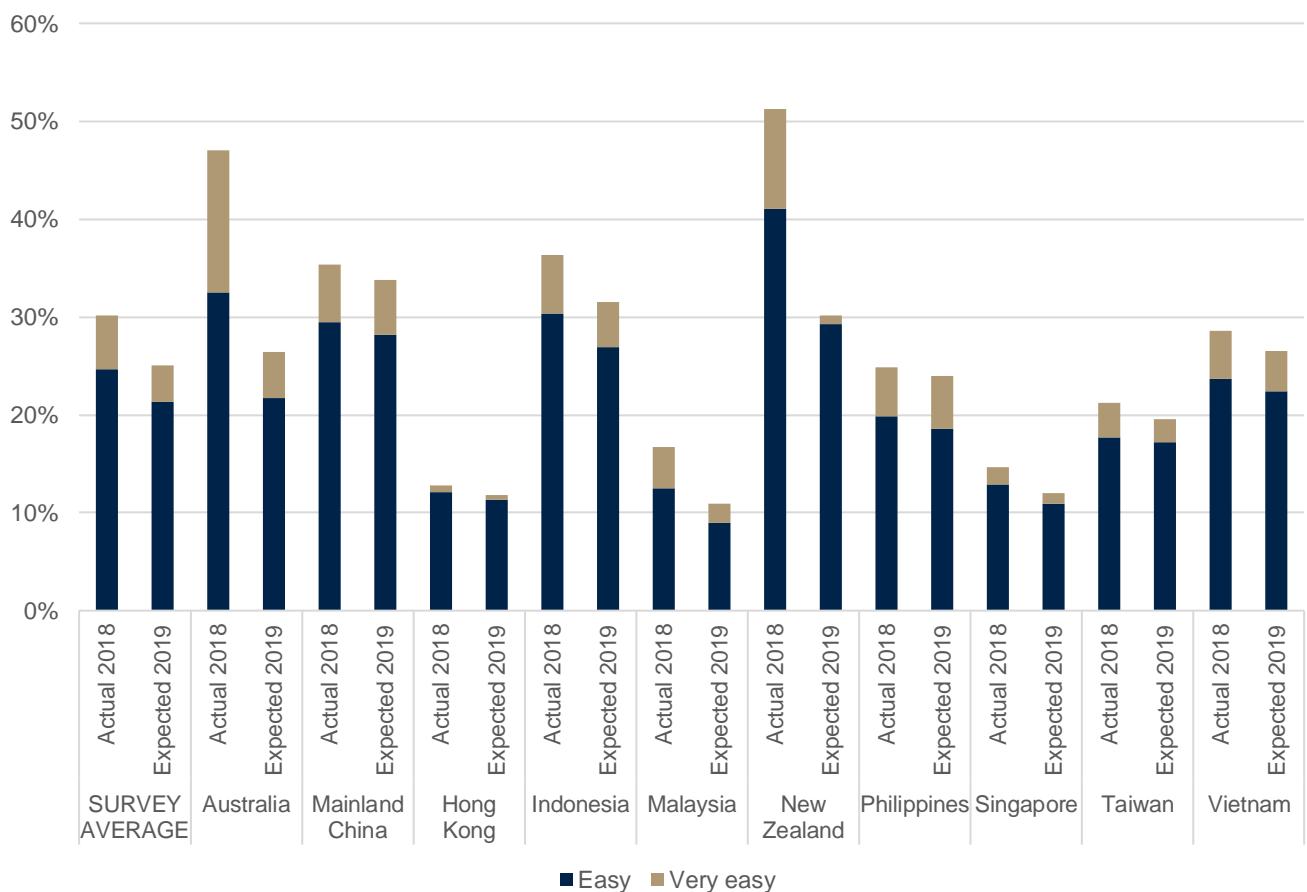
- Problems accessing finance was not seen as a major detrimental impact by many businesses, with only 10.6 per cent of respondents nominating it as a major negative factor for their business in 2018.
- Respondents who identified their main source of finance to be government grants, non-bank financial institutions and peer-to-peer lending were more likely to state that their experience accessing finance was difficult than those whose main source of funds was from a bank. Small businesses whose main source of finance was from a bank were the most likely to state that it was easy to access finance, however it was less easy than 2017 (36.5 per cent in 2018 compared with 40.5 per cent in 2017).
- Businesses established for less than five years were less likely to experience easy financing conditions than older businesses (21.8 per cent, compared with the survey average of 30.2 per cent). Given their lower levels of experience, it is not surprising that lenders and investors may put younger businesses through more steps before providing them access to finance.
- Likewise, respondents aged under 30 were somewhat less likely to find access to finance easy or very easy than older respondents. Given their lack of business experience, it is not unreasonable for a potential lender or investor to make it more difficult for younger business owners to access finance.
- Not surprisingly, businesses that reported growing strongly in 2018 were significantly more likely to find access to finance easy or very easy than other businesses. 48.6 per cent of businesses that reported growing strongly found access to finance easy or very easy, compared with 22.0 per cent of businesses that reported their business was unchanged or shrank in 2018.

#### **Expected ease or difficulty of accessing finance in 2019**

**The percentage of businesses that expect to require external finance in 2019 - by market**



**Of those that expect to access external finance in 2019, the percentage that expect easy or very easy financing conditions compared with the percentage that experienced easy or very easy financing conditions in 2018 – by market**



## Key findings

The percentage of businesses that expect easy or very easy access to finance in 2019 (25.1 per cent) is lowest result since the survey began, reflecting a general perception that lending conditions are becoming less easy. However, they are not necessarily becoming more difficult – while the percentage of respondents that believe that lending conditions will be difficult in 2019 is up from the previous survey, the result is still lower than surveys conducted in 2014 and 2016.

All markets surveyed show that the percentage of businesses that expect easy or very easy financing conditions in 2019 is below what was experienced in 2018, particularly in Australia and New Zealand.

Regardless of this perception, the percentage of businesses that expect to seek external finance in 2019 is higher than the actual number who did in 2018 in all markets surveyed, particularly Malaysia where 69.4 per cent of respondents expect to seek external finance in 2019, compared with 39.5 per cent that did in 2018. Interestingly, small businesses in Malaysia expect the most difficult access to finance in 2019.

### Other findings

- Businesses with strong growth expectations for 2019 are more likely to expect easy or very easy access to finance than those that do not. 35.1 per cent of businesses that expect to grow strongly in 2019 expect easy or very easy access to finance, compared with 14.9 per cent of businesses that do not expect their business to grow or expect it will shrink in 2019.
- Businesses with 10 or more staff are more likely to expect easy or very easy financing conditions in 2019 (29.5 per cent compared with 14.1 per cent of businesses with no staff).
- Businesses that expect to strongly grow their export sales in 2019 are more likely to expect easy or very easy access to finance (40.1 per cent compared with 23.1 per cent of businesses that do not expect to sell overseas).
- Likewise, businesses that will innovate in 2019 are much more likely to expect easy to very easy access to finance (39.1 per cent compared with 19.1 per cent of businesses that do not expect to innovate).

### Suggestions

- Where a business identifies a need for external finance in 2019, they should approach their preferred sources of that finance early to improve the chances of securing the finance they seek at the best possible terms and price.
- Governments should continue to monitor small business lending to see if lending conditions are having a negative impact on the economy.
- Businesses should consider engaging a professional, such as an accountant or commercial finance broker, to assist the business meet the requirements of lenders and investors. An accountant can also provide guidance on the business case for external finance and may suggest other options.

## OTHER SURVEY FINDINGS

### Positive and negative influences on business in 2018

#### Key findings

Factors identified as having the most positive impact on business in 2018 were:

- customer loyalty (39.8 per cent)
- improved customer satisfaction (33.4 per cent)
- good staff (30.0 per cent)
- cost control (26.6 per cent).

These were also the top four factors in 2016 and 2017 (although 'good staff' was the second most popular choice in those years).

Businesses that stated that they grew strongly in 2018 identified the following factors as having the most positive impact on their business:

- Improved customer satisfaction - 49.0 per cent compared with the survey average of 33.4 per cent
- Customer loyalty - 46.2 per cent compared with a survey average of 39.8 per cent

- Improved business strategy - 43.9 per cent compared with a survey average of 26.5 per cent
- Good staff - 42.5 per cent against a survey average of 30.0 per cent
- Improved business management - 38.3 per cent compared with a survey average of 21.8 per cent.

When comparing the results between businesses that grew strongly and businesses that did not grow or shrank, we found that businesses that grew strongly in 2018 were much more likely to have found the following as positive factors for their business:

- improved customer satisfaction
- improved business strategy
- improved business management
- introduced a new product or service
- good staff.

Factors identified as having a detrimental impact on business in 2018 were:

- increasing costs (39.9 per cent)
- increasing competition (34.2 per cent)
- poor overall economic environment (23.5 per cent)
- increasing rent (20.4 per cent).

These were also the top four factors in 2016 and 2017 (in the same order).

Businesses that did not grow or shrank were somewhat more likely to state that poor overall economic environment had a negative impact on their business in 2018 than businesses that grew strongly, whereas businesses that grew strongly were more likely to select 'Fluctuations in the value of their local currency' as having a negative impact on their business.

Costs identified as having the most detrimental impact on business in 2018 were:

- staff costs (34.9 per cent)
- materials (32.4 per cent)
- rent (30.8 per cent)
- utility costs (29.3 per cent).

These were also the top four costs in 2015, 2016 and 2017.

### **Other findings**

- The positive factors influencing small business in 2018 were consistent when comparing results by:
  - the age of the business (except for 'Improved customer satisfaction' and 'E-commerce', which were more likely to have a positive impact on younger businesses)
  - the age of the respondents (except for 'improved customer satisfaction', 'improved business strategy', 'e-commerce', improved business management' and 'technology', which were more likely to have a positive impact on younger respondents, while 'customer loyalty' was more important for older respondents)
  - number of staff employed (except for 'good staff', 'cost control', 'improved business management', 'improved business strategy', 'improved customer

satisfaction', 'introduced a new product or service' and 'technology', which were more likely to have a positive impact on small businesses with five or more staff, while 'customer loyalty' was somewhat more important for businesses with less than five staff).

- Businesses that stated that they shrank in 2018 found the following factors were most likely to have had a negative influence on their business:
  - increasing costs (43.1 per cent)
  - increasing competition (38.8 per cent)
  - poor overall economic environment (38.5 per cent).
- As has been the case for some time, Hong Kong businesses were the most likely to identify rent as being the cost most detrimental to their business (52.7 per cent, compared with the survey average of 30.8 per cent).
- As businesses get larger in terms of number of employees, they are more likely to identify staff costs, rent and materials as the costs most detrimental to their business, while businesses with less than five staff are somewhat more likely to identify fuel as the cost increase most detrimental to their business.

### Cash as a method of payment

The reliance on cash as a means of payments varies widely, with a survey average of 23.8 per cent stating that cash makes up 75 per cent or more of their sales. Businesses are most likely to rely on cash for payment in the Philippines, where 52.9 per cent state that cash makes up 75 per cent or more of their sales, followed by Malaysia (44.1 per cent) and Taiwan (42.2 per cent). Businesses are least likely to rely on cash for payment in New Zealand, where 44.2 per cent of respondents stated that none of their sales were in cash, followed by Australia (42.6 per cent).

### Other findings

- Small businesses with no employees are both the most likely to receive all their payments in cash and the most likely to receive none of their payments in cash.
- Businesses in the 'accommodation and food services' sector are the most likely to state that cash made up 75 per cent or more of their sales. Businesses from the 'professional, scientific and technical services' sector were the most likely to state that they received none of their payments in cash.
- Small businesses established less than five years are the most likely to state that all their sales are in cash, while businesses established for more than 20 years are the most likely to state that none of their sales are in cash.
- Respondents aged 50 and over are much more likely to receive none of their payments in cash.
- Receiving payments in cash seems to have little impact on the percentage of businesses that reported growing strongly in 2018.

### Suggestions

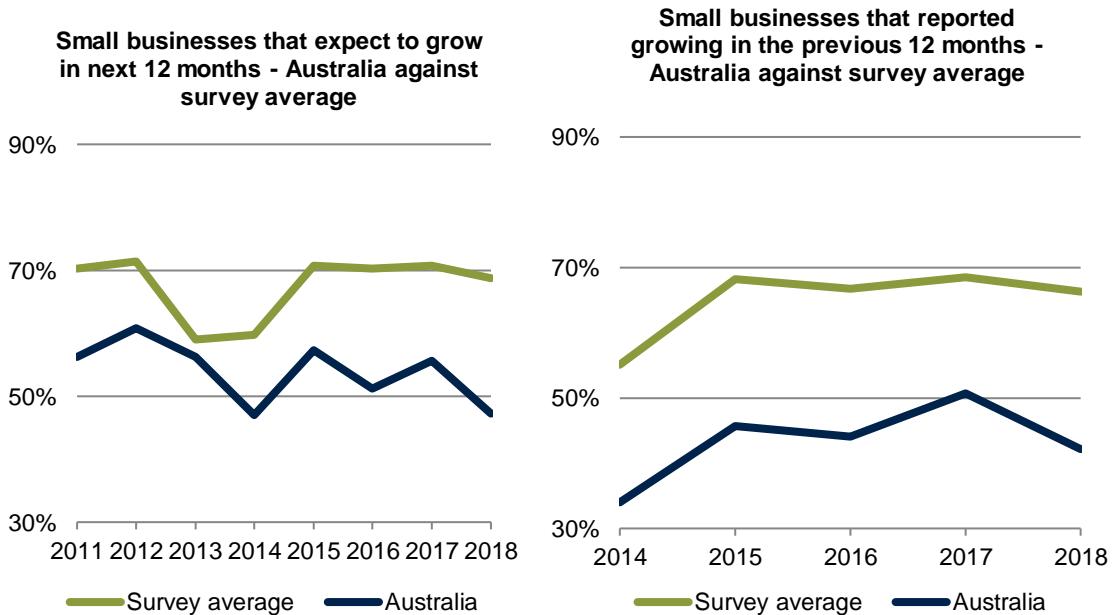
- Small business should explore offering a variety of payment options to reduce risk and make it as easy as possible for customers to purchase their products or services.
- To reduce tax collection risks attached to the cash economy, governments could promote the benefits of non-cash payment methods.

# APPENDICES

## AUSTRALIA MARKET SUMMARY

### Data snapshot

#### Business and economic growth



	2018	Survey average 2018	Rank 2018	2017	Rank 2017	2016	2015	2014
<b>Businesses that grew in the last 12 months</b>	42.2%	66.3%	10/10	50.7%	7/8	44.1%	45.7%	34.0%
<b>Businesses that expect to grow in the next 12 months</b>	47.3%	68.8%	9/10	55.6%	8/8	51.2%	57.3%	47.0%
<b>Businesses that expect the local economy to grow in the next 12 months</b>	34.7%	58.4%	9/10	42.3%	7/8	38.4%	43.5%	43.5%

#### Business activity over the past 12 months

	2018	Survey average 2018	Rank 2018	2017	Rank 2017	2016	2015	2014
<b>Increased employee numbers</b>	10.1%	30.3%	10/10	13.7%	8/8	11.2%	11.8%	9.0%
<b>Improved business management had a major positive impact on their business</b>	8.3%	21.8%	10/10	11.7%	8/8	9.4%	10.4%	N/A

<b>Increasing costs had a major negative impact on their business</b>	35.0%	39.9%	8/10	29.5%	7/8	28.1%	32.4%	N/A
<b>Required funds from an external source</b>	23.2%	53.1%	10/10	31.7%	7/8	20.3%	27.1%	31.0%
<b>Sought external funds for business growth</b>	31.6%	58.6%	10/10	40.7%	7/8	33.0%	31.9%	41.1%
<b>Found it easy or very easy to access external finance</b>	47.0%	30.2%	2/10	42.0%	3/8	42.78%	54.4%	48.1%
<b>A bank was the business's main source of external finance</b>	54.7%	38.1%	2/10	45.7%	4/8	50.5%	52.2%	N/A

#### Planned business activity over the next 12 months

	2018	Survey average 2018	Rank 2018	2017	Rank 2017	2016	2015	2014
<b>Expect to increase employee numbers</b>	14.5%	41.2%	10/10	18.8%	7/8	15.9%	16.7%	13.7%
<b>Will introduce a new product, service or process unique to their market or the world</b>	6.7%	20.8%	10/10	7.4%	8/8	4.7%	5.1%	N/A
<b>Expect revenue from overseas markets to grow strongly</b>	4.6%	15.0%	10/10	6.7%	8/8	3.1%	6.1%	N/A
<b>Will seek external funds</b>	6.9%	22.9%	9/10	11.4%	7/8	8.5%	9.0%	10.2%
<b>Expect easy to very easy access to finance</b>	26.5%	25.1%	5/10	25.5%	4/8	30.7%	38.4%	41.6%

#### Social media, ecommerce and technology

	2018	Survey average 2018	Rank 2018	2017	Rank 2017	2016	2015	2014
<b>Did not earn any revenue from online sales</b>	59.8%	28.5%	1/10	52.6%	1/8	60.2%	64.3%	64.7%
<b>Did not use social media for business purposes</b>	44.8%	18.3%	1/10	42.5%	1/8	50.6%	46.5%	53.5%
<b>Social media platform your business gets most value out of</b>	Facebook	Facebook	N/A	N/A	N/A	N/A	N/A	Facebook
<b>Investment in technology by the business over the past 12 months has improved profitability</b>	16.4%	48.0%	10/10	26.7%	8/8	N/A	N/A	N/A
<b>Technology your business invested in most heavily over the past 12 months</b>	Computer equipment	Computer equipment	N/A	N/A	N/A	N/A	N/A	N/A
<b>Consider your business likely to be cyberattacked in next 12 months</b>	15.8%	39.4%	10/10	25.8%	7/8	N/A	N/A	N/A

<b>Reviewed your business's cybersecurity protections in last six months</b>	37.6%	49.4%	8/10	N/A	N/A	N/A	N/A	N/A
<b>More than 10 per cent of sales is received through digital payment options such as PayPal, Alipay, WeChat Pay</b>	36.0%	55.1%	9/10	33.3%	9/10	N/A	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 2018	Top four factors that had a positive influence on small business in 2017
Customer loyalty	Customer loyalty
Good staff	Good staff
Improved customer satisfaction	Improved customer satisfaction
Cost control	Technology

Top four factors that had a negative impact on small business in 2018	Top four factors that had a negative impact on small business in 2017
Increasing costs	Increasing costs
Increasing competition	Increasing competition
Poor overall economic environment	Poor overall economic environment
Tax	Tax

### Other

	2018	Survey average 2018	Rank 2018
<b>Possible trade war between the US and a range of other economies will have a negative impact on your business in next 12 months</b>	21.6%	34.7%	9/10

### Demographics

	2018	Survey average 2018	Rank 2018	2017	Rank 2017	2016	2015	2014
<b>Business has been established for 10 years or less</b>	43.2%	63.2%	10/10	44.0%	8/8	41.3%	50.0%	44.9%
<b>Respondent is aged under 40</b>	20.8%	52.5%	10/10	22.3%	8/8	11.4%	15.5%	11.0%
<b>Respondent is the business owner</b>	66.7%	36.8%	1/10	60.7%	2/8	67.5%	61.0%	71.1%
<b>Business has 10 to 19 employees</b>	10.3%	35.7%	10/10	18.8%	7/8	10.6%	12.2%	9.9%

### Summary

2018 was a marginally weaker year for Australian small businesses than 2017, with 42.2 per cent of businesses stating that they grew – the lowest percentage since 2014. 2019 is looking slightly better for Australia's small businesses, with 47.3 per cent expecting to grow. However, of the markets surveyed, Australia's small businesses are the second least

confident in their growth prospects for 2019.

Australia's small businesses remain significantly less likely to have grown in 2018, and less likely to expect to grow in 2019 than the survey leaders of Indonesia, Vietnam and the Philippines (all recording over 80 per cent of businesses that grew in 2018 and all recording over 90 per cent that expect to grow in 2019).

Small business confidence in the growth prospects for Australia's economy in 2019 is at its lowest point since 2011, with only 34.7 per cent expecting it to grow. Small businesses in Indonesia, the Philippines and Vietnam remain more than twice as likely as Australia's small businesses to expect their local economies to grow in 2019. Hong Kong small businesses are the only ones with a lower level of confidence in their local economy in 2019.

The relatively small number of Australian small businesses that experienced growth in 2018 is reflected in the small number that created new jobs, with only 10.1 per cent adding to their employee numbers in 2018 – the lowest result of the markets surveyed. Australian small businesses are also unlikely to be a major source of jobs growth in 2019, with 14.5 per cent expecting to increase employee numbers.

The long-term growth prospects of Australia's small business sector do not appear strong, with the survey results showing that only a comparatively small percentage of Australia's small businesses are undertaking activities and investments that characterise growing businesses – innovation, e-commerce, using social media and exporting.

While there are many areas in which Australia's small businesses lag behind their competitors from Asia, the utilisation of technology stands out as an area of most concern. For example:

- Australia's small businesses continue to be significantly less likely to use social media for business purposes, compared with businesses from Asia, with 44.8 per cent stating that they do NOT use social media for business purposes (compared with just 3.7 percent from Mainland China).
- Australia's small businesses continue to be significantly less likely to earn revenue from online sales, with 59.8 per cent stating that they do NOT earn any revenue from online sales (compared with 5.4 per cent in Mainland China).
- Australia's small businesses were the most likely to state that they did NOT make any investment in technology over the past 12 months, with 40.4 per cent stating that they did not invest in technology (compared to only 4.9 per cent of respondents from Vietnam).
- When Australia's small businesses do invest in technology, they are significantly less likely than small businesses from Asia to have found the investment increased their profitability in the short-term, with 16.4 per cent stating their investment in technology in 2018 improved their profitability, compared with 77.4 per cent of small businesses from Indonesia.
- While Australia's small businesses are the second most likely to not receive any payments in cash (42.6 per cent), this is not translating through to the adoption of new digital payment technologies, such as Apple Pay and Alipay, with Australia's small businesses the least likely to make such payment technologies available to their customers. Forty-eight per cent of Australia's small businesses do not allow customers to pay via new digital/online payment technologies, whereas only 1.9 per cent on small businesses from Mainland China do not accept payment through such technology.

- Australia's small businesses seem somewhat relaxed in their assessment of the likelihood of their business being cyberattacked in the next 12 months with only 15.8 per cent stating that an attack is likely; compared with 25.8 per cent in the last survey and 39.4 per cent for the survey average.
- While most of Australia's small businesses believe a cyberattack on their business is not likely in 2019, many (37.6 per cent) have reviewed their cybersecurity measures in the past six months.

For policymakers and others seeking to promote stronger growth in Australia's small business sector, improving the digital capability of small business is a must. With many Australian businesses having no or less than five employees, professional advisers such as accountants will play a critical role in building such capability.

Small businesses in Australia remain significantly less likely to expect to invest in innovation than small businesses from the Asian markets surveyed. This may be impacting the growth of some Australian small businesses, with the survey results showing that businesses that state they will introduce a new product, process or service that is unique to their market or the world in 2019 are significantly more likely to expect to grow their business.

Australian small businesses also remain much less likely to expect to be focused on growing their revenue from exporting than their peers from Asia. With small business confidence in the Australian economy relatively low, seeking alternative markets is one way of growing business in difficult conditions. The survey results show that businesses that are expecting to grow their revenue from overseas sales are significantly more likely to be growing.

However, global trade tensions are posing a threat to externally focused small business. With Australia's small businesses typically focused on the domestic market, it is no surprise that only 21.6 per cent expect any global trade war to have a negative impact on their business, compared with 52.0 per cent of small businesses based in Hong Kong.

Australian small businesses continue to remain significantly less likely to have sourced funds from an external source than small businesses from Asia. This can be explained by low growth expectations and the limited need for finance to fund asset purchases, or invest in innovation or market expansion. Difficulty accessing finance cannot explain this as Australia remains one of the easiest markets in which to access finance in the Asia Pacific.

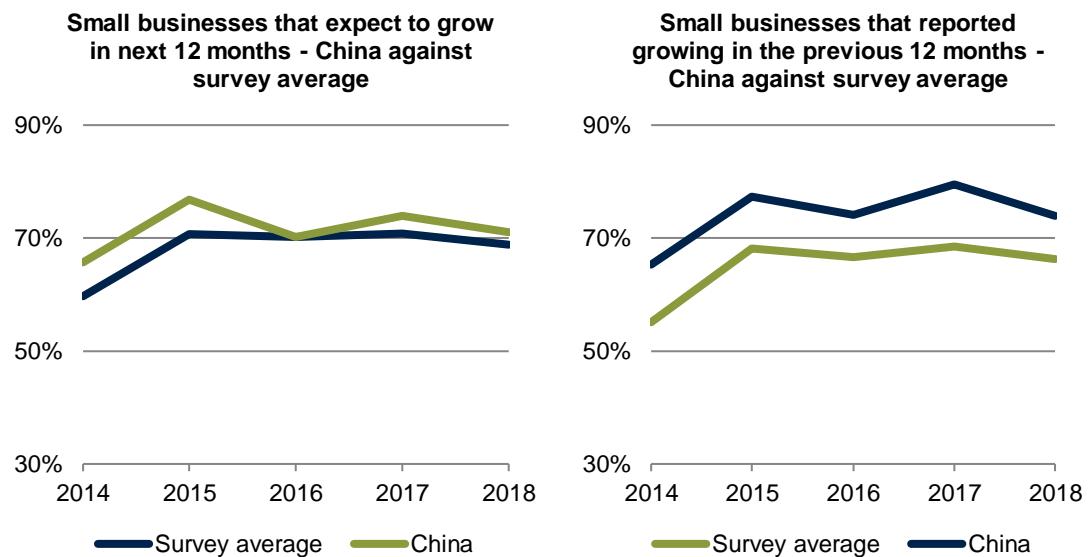
Where Australian small businesses access external finance, banks continue to be the main source of finance, with other forms of finance being significantly less popular.

With a significant proportion of Australian small business owners close to or at retirement age, their lack of focus on digital technologies, innovation and exporting may be reducing the value of their business. This may have adverse impacts on their standard of living in retirement, particularly where they do not have large superannuation balances and are relying on the proceeds of the sale of their business to provide for them in retirement.

## MAINLAND CHINA MARKET SUMMARY

### Data snapshot

#### Business and economic growth



	2018	Survey average 2018	Rank 2018	2017	Rank 2017	2016	2015	2014
<b>Businesses that grew in the last 12 months</b>	74.0%	66.3%	4/10	79.5%	3/8	74.1%	77.4%	65.3%
<b>Businesses that expect to grow in the next 12 months</b>	71.1%	68.8%	5/10	78.1%	3/8	77.3%	76.7%	65.7%
<b>Businesses that expect the local economy to grow in the next 12 months</b>	64.3%	58.4%	5/10	76.7%	3/8	69.2%	71.1%	71.2%

**Business activity over the past 12 months**

	2018	Survey average 2018	Rank 2018	2017	Rank 2017	2016	2015	2014
<b>Increased employee numbers</b>	39.7%	30.3%	3/10	43.9%	3/8	38.8%	43.1%	38.0%
<b>Improved business management had a major positive impact on their business</b>	25.8%	21.8%	5/10	29.2%	3/8	32.2%	33.1%	N/A
<b>Increasing costs had a major negative impact on their business</b>	34.4%	39.9%	9/10	36.0%	4/8	36.2%	38.9%	N/A
<b>Required funds from an external source</b>	79.6%	53.1%	1/10	84.5%	3/8	80.7%	79.3%	85.8%
<b>Sought external funds for business growth</b>	59.9%	58.6%	4/10	69.3%	2/8	66.5%	62.4%	74.9%
<b>Found it easy or very easy to access external finance</b>	35.4%	30.2%	4/10	36.1%	4/8	40.3%	59.3%	33.4%
<b>A bank was the business's main source of external finance</b>	29.6%	38.1%	9/10	31.3%	8/8	32.5%	27.7%	N/A

**Planned business activity over the next 12 months**

	2018	Survey average 2018	Rank 2018	2017	Rank 2017	2016	2015	2014
<b>Expect to increase employee numbers</b>	51.0%	41.2%	4/10	51.5%	3/8	49.4%	55.2%	53.1%
<b>Will introduce a new product, service or process unique to their market or the world</b>	26.0%	20.8%	5/10	27.2%	4/8	28.5%	31.6%	N/A
<b>Expect revenue from overseas markets to grow strongly</b>	14.4%	15.0%	6/10	17.2%	3/8	16.6%	15.7%	N/A
<b>Will seek external funds</b>	36.4%	22.9%	3/10	39.8%	3/8	37.0%	45.2	51.6%
<b>Expect easy to very easy access to finance</b>	33.8%	25.1%	1/10	39.6%	2/8	42.7%	55.4%	33.9%

**Social media, ecommerce and technology**

	2018	Survey average 2018	Rank 2018	2017	Rank 2017	2016	2015	2014
<b>Did not earn any revenue from online sales</b>	5.4%	28.5%	10/10	6.8%	8/8	7.7%	9.2%	8.6%
<b>Did not use social media for business purposes</b>	3.7%	18.3%	10/10	4.8%	7/8	2.9%	2.3%	3.9%
<b>Social media platform your business gets most value out of</b>	Wechat	Facebook	N/A	N/A	N/A	N/A	N/A	Wechat

<b>Investment in technology by the business over the past 12 months has improved profitability</b>	67.0%	48.0%	4/10	74.1%	3/8	N/A	N/A	N/A
<b>Technology your business invested in most heavily over the past 12 months</b>	Computer equipment	Computer equipment	N/A	N/A	N/A	N/A	N/A	N/A
<b>Consider your business likely to be cyberattacked in next 12 months</b>	46.3%	39.4%	3/10	44.9%	4/8	N/A	N/A	N/A
<b>Reviewed your business's cybersecurity protections in last six months</b>	69.0%	49.4%	2/10	N/A	N/A	N/A	N/A	N/A
<b>More than 10 per cent of sales is received through digital payment options such as PayPal, Alipay, WeChat Pay</b>	87.1%	55.1%	1/10	84.2%	1/8	N/A	N/A	N/A

#### Factors that had positive and negative influences on business in 2018

Top four factors that had a positive influence on small business in 2018	Top four factors that had a positive influence on small business in 2017
Improved customer satisfaction	Improved customer satisfaction
Introduced a new product or service	Good staff
Good staff	Introduced a new product or service
Improved business strategy	Cost control

Top four factors that had a negative impact on small business in 2018	Top four factors that had a negative impact on small business in 2017
Increasing costs	Increasing costs
Poor overall economic environment	Increasing rent
Increasing rent	Staff costs
Increasing competition	Increasing competition

#### Other

	2018	Survey average 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	39.7%	34.7%	4/10

## Demographics

	2018	Survey average 2018	Rank 2018	2017	Rank 2017	2016	2015	2014
<b>Business has been established for 10 years or less</b>	64.8%	63.2%	5/10	73.1%	2/8	68.6%	69.8%	80.1%
<b>Respondent is aged under 40</b>	69.9%	52.5%	2/10	68.5%	2/8	60.0%	59.5%	67.9%
<b>Respondent is the business owner</b>	10.1%	36.8%	10/10	6.1%	8/8	9.5%	23.8%	30.4%
<b>Business has 10 to 19 employees</b>	70.0%	35.7%	1/10	77.9%	1/8	68.8%	65.6%	77.2%

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

	Beijing	Chongqing	Guangzhou	Shanghai	Shenzhen	Mainland China average	Survey average
<b>Businesses that grew in the last 12 months</b>	71.1%	76.2%	77.1%	73.7%	71.7%	74.0%	66.3%
<b>Businesses that expect to grow in the next 12 months</b>	76.3%	68.2%	77.8%	69.9%	63.2%	71.1%	68.8%
<b>Businesses that expect the local economy to grow in the next 12 months</b>	60.5%	67.5%	70.6%	62.8%	59.9%	64.3%	58.4%
<b>Increased employee numbers over the past 12 months</b>	42.1%	36.4%	45.8%	41.7%	32.2%	43.1%	38.0%
<b>Plan to increase employee numbers over the next 12 months</b>	53.3%	47.7%	54.2%	55.1%	44.7%	51.0%	41.2%
<b>Required external funds over the past 12 months</b>	78.9%	77.5%	77.1%	74.4%	90.1%	79.6%	53.1%
<b>Found access to external finance easy or very easy over the past 12 months</b>	32.5%	35.9%	29.7%	37.1%	40.9%	35.4%	30.2%
<b>Banks were the main source of external funds</b>	30.0%	21.4%	44.9%	29.3%	23.4%	29.6%	38.1%
<b>Business growth was the main reason for seeking external finance</b>	65.0%	53.0%	68.6%	69.0%	46.0%	59.9%	58.6%
<b>Will seek external funds in next 12 months</b>	36.2%	34.4%	37.9%	44.2%	28.9%	36.4%	22.9%

<b>Expect easy to very easy access to finance in next 12 months</b>	29.7%	36.1%	27.5%	35.4%	40.0%	33.8%	25.1%
<b>Expect revenue from overseas markets to grow strongly over the next 12 months</b>	9.9%	17.2%	15.7%	12.8%	16.4%	14.4%	15.0%
<b>Will introduce a new product, service or process unique to their market or the world in the next 12 months</b>	21.1%	29.1%	24.2%	30.1%	25.7%	26.0%	20.8%
<b>Investment in technology by the business over the past 12 months has improved profitability</b>	63.2%	64.2%	73.2%	71.8%	62.5%	67.0%	48.0%
<b>More than 10 per cent of sales is received through digital payment options such as PayPal, Alipay, WeChat Pay</b>	83.6%	92.5%	84.5%	85.3%	89.3%	87.1%	55.1%
<b>Did not use social media for business purposes</b>	3.3%	6.0%	2.6%	3.8%	2.6%	3.7%	18.3%
<b>Did not generate any sales online</b>	3.9%	8.6%	4.6%	8.3%	1.3%	5.4%	28.5%
<b>Think it is likely their business will be cyberattacked in 2018</b>	32.9%	41.1%	44.4%	48.7%	64.5%	46.3%	39.4%
<b>Reviewed the business's cybersecurity protections in last six months</b>	65.1%	65.6%	73.2%	65.4%	75.7%	69.0%	49.4%
<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>	43.4%	36.4%	39.9%	43.6%	34.9%	39.7%	34.7%
<b>Staff costs were most detrimental to the business</b>	50.7%	48.3%	58.8%	53.8%	42.1%	50.8%	34.9%
<b>Respondent aged under 40</b>	68.4%	62.9%	79.1%	70.5%	68.4%	69.9%	52.5%

## Summary

2018 was a positive year for Mainland China's small business sector, with 74.0 per cent of businesses stating that they grew which, while higher than the survey average of 66.5 per cent, was down slightly from 79.5 per cent in 2017. This positive outlook is set to continue in 2019, with a similar number of businesses expecting to grow.

As in previous surveys, the number of small businesses from Mainland China that reported growing in 2018 was higher than most other markets included in this survey, and well above developed markets such as Australia, where 42.2 per cent of businesses reported growing.

This strong result is likely to continue in 2019, with Mainland China's small businesses being

one of the most optimistic small business sectors in the region, with 71.1 per cent expecting to grow – again, much higher than the results for developed economies, such as Australia (47.3 per cent).

Small business confidence in the Mainland's economy in 2019 is reasonably strong, with 64.3 per cent of small businesses expecting the local economy to grow. This result is the lowest since Mainland China was included in the survey in 2014, however in the context of external risks, such as global trade tensions and a 'no deal' Brexit, we view this as a positive result. Further, small business confidence in Mainland China's economy is significantly greater than small business confidence in the economies of developed markets included in this survey, including Australia, where only 34.7 per cent of businesses expect their economy to grow in 2018.

Forty per cent of respondents from the Mainland stated that they added staff in 2018, reflecting the high number of small businesses from Mainland China experiencing growth and a strong economy. Small businesses from Mainland China are likely to continue to make an important contribution to job creation in 2019, with a very healthy 51.0 per cent expecting to add additional staff members.

Small businesses from Mainland China continue to be leaders in using technology in their business. Of the ten 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 – 81.3 per cent of them are earning over 10 per cent of their revenue from that channel.

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. Nearly nine in ten (87.1 per cent) respondents generate more than 10 per cent of their sales through such technology, significantly above the survey average of 55.1 per cent.

Mainland China's small businesses are also making use of fintech to access finance, with small businesses from the Mainland being the most likely to access funding from peer-to-peer lending and crowd-sourced funding (14.6 per cent stated that this was their main source of external finance in 2018).

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 2018, 67.0 per cent stated that such an investment was already profitable. In Australia, where digital technology has a relatively low uptake among small businesses, only 16.4 per cent of businesses that invested in technology in 2018 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 and artificial intelligence.

In addition to their strong focus on digital technologies, small businesses from Mainland China continue to have a strong focus on innovation through expected investments in totally new products, processes or services to the Mainland or the world in 2019.

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 on innovation and technology is helping many small businesses to build and sustain an innovative culture.

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. On global trade tensions, 39.7 per cent of respondents identified such tensions as potentially having a negative impact on their businesses in 2019 which, while high, was not as large as Hong Kong and Vietnam; possibly reflecting the growing domestic market for China's small businesses.

Small businesses in Mainland China found that 'improved customer satisfaction' and 'introducing a new product or service' had the most positive impacts on their business in 2018. These results reflect the strong growth orientation of small businesses in Mainland China.

With high staff costs being selected as the most detrimental cost to small businesses in Mainland China in 2018, it is not surprising that Mainland Chinese businesses were highly likely to select 'good staff' as the factor that had the most positive impact on their business in 2018.

Access to external finance is important for small businesses in Mainland China to help fund its growth and investment in technology. As a result, the percentage of businesses that required external finance in 2018 was the highest of the markets surveyed.

With Mainland Chinese small businesses being the third most likely to expect a cyberattack in 2019, it is no surprise that over two thirds (69.0 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 Guangzhou are experiencing the most positive conditions, with small businesses from that city being the most likely to have reported growing in 2018, expect to grow in 2019 and the most likely to have a positive outlook for the Mainland's economy in 2019.
- Reflecting this result, small businesses from Guangzhou were the most likely to report that they increased employee numbers in 2018.
- Small businesses from Shenzhen were the most likely to have required external finance despite not as many stating they grew in comparison to businesses from Guangzhou.
- 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.
- Chongqing was again the only market in the survey where banks were not the most popular source of external finance for small business. Instead, businesses from Chongqing were slightly more likely to state that an investor was their main source of finance.

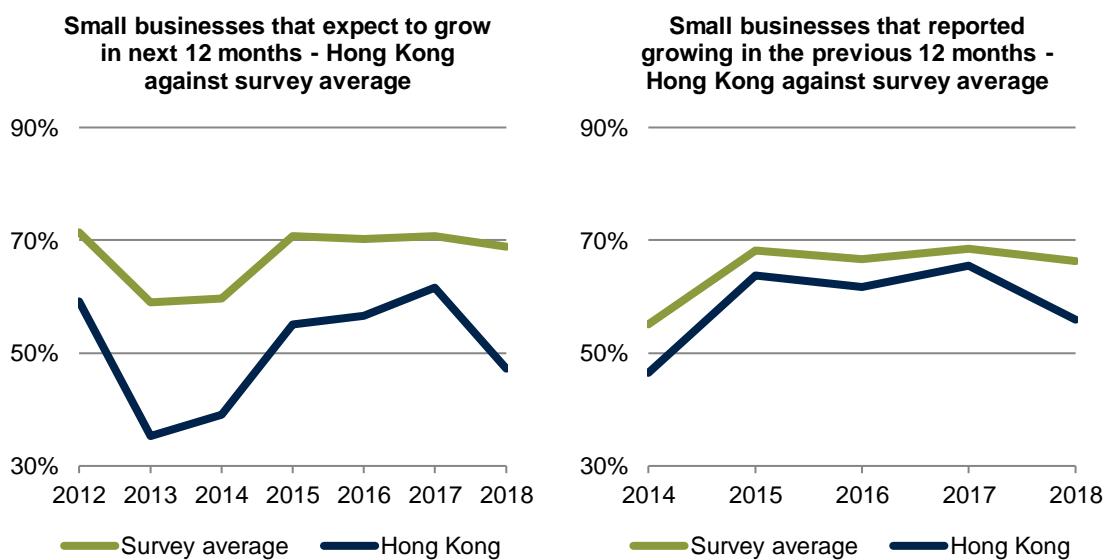
- Small businesses from Shanghai are the most likely to expect to require external finance in 2019.
- Shanghai small businesses were the most likely to state that they will innovate in 2019.
- Chongqing small businesses were the most likely to nominate 'improved customer satisfaction' as having a major positive impact on their business in 2018, while Guangzhou small businesses were the most likely to nominate 'introduced a new product or service' as having a major positive impact on their business.
- Shenzhen small businesses were the least likely to expect that global trade tension will have a negative impact on their business.
- Guangzhou small businesses were the most likely to be using social media to sell to customers, while Shanghai small businesses were the most likely to be using social media to learn about the behaviours of customers and potential customers.
- Shenzhen small businesses are the most likely to expect a cyberattack in 2019.
- Businesses from Shanghai were again 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. Large numbers of small businesses are experiencing growth, they are leading in the adoption and utilisation of technology across the region, and a sizable number are investing in innovation. These factors will assist small businesses from China manage through a potentially challenging 2019.

## HONG KONG MARKET SUMMSRY

### Data snapshot

#### Business and economic growth



	2018	Survey average 2018	Rank 2018	2017	Rank 2017	2016	2015	2014
<b>Businesses that grew in the last 12 months</b>	55.9%	66.3%	9/10	65.5 %	5/8	61.7%	63.8%	46.5%
<b>Businesses that expect to grow in the next 12 months</b>	47.3%	68.8%	10/10	61.6 %	6/8	56.6%	55.1%	39.0%
<b>Businesses that expect the local economy to grow in the next 12 months</b>	29.0%	58.4%	10/10	57.7 %	4/8	50.2%	52.1%	39.4%

### Business activity over the past 12 months

	2018	Survey average 2018	Rank 2018	2017	Rank 2017	2016	2015	2014
<b>Increased employee numbers</b>	16.8%	30.3%	9/10	30.0%	4/8	19.6%	32.5%	18.1%
<b>Improved business management had a major positive impact on their business</b>	21.1%	21.8%	6/10	19.4%	5/8	20.9%	20.4%	N/A
<b>Increasing costs had a major negative impact on their business</b>	43.0%	39.9%	5/10	37.7%	3/8	37.3%	41.9%	N/A
<b>Required funds from an external source</b>	53.4%	53.1%	5/10	66.5%	4/8	72.7%	78.1%	69.9%
<b>Sought external funds for business growth</b>	52.3%	58.6%	7/10	55.3%	4/8	51.8%	50.2%	51.8%
<b>Found it easy or very easy to access external finance</b>	12.8%	30.2%	10/10	23.8%	6/8	19.9%	43.5%	29.9%
<b>A bank was the business's main source of external finance</b>	38.9%	38.1%	6/10	43.2%	5/8	31.4%	47.3%	N/A
<b>Rent was the most detrimental factor impacting their business</b>	52.7%	30.8%	1/10	51.0%	1/8	52.4%	54.3%	61.7%

### Planned business activity over the next 12 months

	2018	Survey average 2018	Rank 2018	2017	Rank 2017	2016	2015	2014
<b>Expect to increase employee numbers</b>	22.9%	41.2%	8/10	33.9%	5/8	30.2%	32.8%	22.7%
<b>Will introduce a new product, service or process unique to their market or the world</b>	12.5%	20.8%	8/10	13.5%	5/8	14.8%	17.7%	N/A
<b>Expect revenue from overseas markets to grow strongly</b>	7.9%	15.0%	8/10	15.5%	5/8	13.5%	22.3%	N/A
<b>Will seek external funds</b>	17.9%	22.9%	5/10	21.9%	5/8	24.4%	31.3%	18.1%
<b>Expect easy to very easy access to finance</b>	11.8%	25.1%	9/10	21.5%	6/8	19.3%	41.7%	27.3%

### Social media, ecommerce and technology

	2018	Survey average 2018	Rank 2018	2017	Rank 2017	2016	2015	2014
<b>Did not earn any revenue from online sales</b>	31.9%	28.5%	5/10	17.4%	5/8	21.9%	18.5%	21.3%
<b>Did not use social media for business purposes</b>	16.1%	18.3%	5/10	11.3%	5/8	11.6%	5.3%	9.9%
<b>Social media platform your business gets most value out of</b>	Facebook	Facebook	N/A	N/A	N/A	N/A	N/A	Facebook
<b>Investment in technology by the business over the past 12 months has improved profitability</b>	32.6%	48.0%	7/10	48.1%	5/8	N/A	N/A	N/A
<b>Technology your business invested in most heavily over the past 12 months</b>	Computer equipment	Computer equipment	N/A	N/A	N/A	N/A	N/A	N/A
<b>Consider your business likely to be cyberattacked in next 12 months</b>	42.3%	39.4%	5/10	44.2%	5/8	N/A	N/A	N/A
<b>Reviewed your business's cybersecurity protections in last six months</b>	53.8%	49.4%	3/10	N/A	N/A	N/A	N/A	N/A
<b>More than 10 per cent of sales is received through digital payment options such as PayPal, Alipay, WeChat Pay</b>	51.9%	55.1%	4/10	54.5%	3/8	N/A	N/A	N/A

### Factors that had positive and negative influences on business in 2018

Top four factors that had a positive influence on small business in 2018	Top four factors that had a positive influence on small business in 2017
Cost control	Cost control
Customer loyalty	Introduced a new product or service
Good staff	Customer loyalty
Introduced a new product or service <sup>^</sup>	Good staff

<sup>^</sup>Equal third

Top four factors that had a negative impact on small business in 2018	Top four factors that had a negative impact on small business in 2017
Increasing costs	Increasing costs
Increasing competition	Increasing competition
Increasing rent	Increasing rent
Staff costs	Staff costs

### Other

	2018	Survey average 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	52.0%	34.7%	1/10

### Demographics

	2018	Survey average 2018	Rank 2018	2017	Rank 2017	2016	2015	2014
Business has been established for 10 years or less	52.0%	63.2%	8/10	64.8%	4/8	68.8%	58.9%	60.6%
Respondent is aged under 40	44.4%	52.5%	8/10	51.3%	4/8	55.3%	63.4%	55.7%
Respondent is the business owner	11.1%	36.8%	9/10	7.4%	6/8	8.4%	9.8%	31.9%
Business has 10 to 19 employees	42.3%	35.7%	3/10	58.4%	3/8	60.5%	60.8%	52.1%

### Summary

2018 was a reasonable year for small businesses in Hong Kong, with over half stating that they grew. However, 2019 looks like it will be a challenging year, with less than half of the respondents expecting to grow, the lowest result for Hong Kong since 2014 and the lowest result of the markets surveyed. Further, small business confidence in the local economy is down significantly and is at its lowest level since 2013.

The major factor contributing to an uncertain and challenging 2019 is growing external risks, such as global trade tensions and Brexit.

While the percentage of Hong Kong businesses that reported growing in the previous 12 months (55.9 per cent) is low in comparison to Vietnam, where 90.0 per cent of businesses reported growing, a more relevant comparison for Hong Kong is to the other developed markets<sup>4</sup> included in this survey. On that comparison, Hong Kong's small business sector did reasonably well, with the number of businesses experiencing growth slightly behind Singapore (58.7 per cent) and Taiwan (57.1 per cent).

The results, however, point to a challenging 2019, with 47.3 per cent of businesses expecting to grow, compared with 61.6 per cent in 2018.

This challenge is best reflected in the sharp decline of small businesses that expect Hong Kong's economy to grow in 2019. Twenty-nine per cent of Hong Kong's small businesses expect the local economy to grow in 2019, nearly half of the 57.7 per cent that expected the local economy to grow in 2018. Concerns over the potential impact that global trade tensions could have on Hong Kong's outward looking economy is chief among the concerns of Hong Kong small businesses, with 52.0 per cent of respondents forecasting that a global trade war could have negative impacts on their business, the highest level of concern among the 10 markets surveyed, including Mainland China.

With Hong Kong's small businesses having a reasonable focus on digital technologies and experience in managing through tough times, we do expect that they will manage through these tensions and be well placed to rebound quickly and take advantage of government initiatives, such as southern China's Greater Bay Area plan and support for innovation and technology.

2018 also featured a decline in the number of Hong Kong small businesses adding staff, reflecting less positive small business sentiment than in 2017. In 2018, 16.8 per cent of businesses added to their headcount, compared with 30.0 per cent in 2017. Despite forecast challenges and uncertainties, 22.9 per cent of Hong Kong's small businesses expect to increase their headcount in 2019.

A positive feature of Hong Kong small businesses is their focus on digital technologies. For example:

- 43.7 per cent of businesses generate more than 10 per cent of their sales online, compared with 24.6 per cent of Australian small business
- Only 16.1 per cent of Hong Kong small businesses do not use social media, compared with 44.8 per cent of Australian small business
- 32.6 per cent of businesses that invested in technology in 2018 found that such an investment was already profitable, compared with 16.4 per cent of Australian small business
- Hong Kong small businesses are one of the strongest users of new payment technologies, such as Alipay, Apple Pay and WeChat Pay. Over half (51.9 per cent) of Hong Kong's small businesses generate more than 10 per cent of their sales through such technologies, compared with 36.0 per cent of Australian small businesses
- While 42.3 per cent of Hong Kong's small businesses expect a cyberattack in 2019, 53.8 per cent reviewed their cybersecurity measures in the past six months.

With Mainland China being the most important market for Hong Kong, it is no surprise that

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<sup>4</sup> Australia, Hong Kong, New Zealand and Singapore.

there is focus on digital technologies in Hong Kong. Other factors that are most likely driving this investment in technology by Hong Kong small businesses are the high rents they face and concerns over staff costs.

Technology can reduce the need for businesses to be in high rent locations and can reduce the size of the property they need to rent (for example, they can better control stock, reducing their need for extra space to house it). Further, technology, such as automation, can reduce the need for staff or free up staff to perform higher value-added tasks.

Having said that, there is significant room for Hong Kong's small businesses to improve their focus on technology. A stronger focus on technology should improve the number of Hong Kong businesses that report growing.

Of course, Hong Kong small businesses face several challenges in addition to global trade tensions, with increasing costs being the issue Hong Kong businesses are most likely to nominate as a barrier to growth. Under costs, Hong Kong's small businesses were again the most likely to nominate rent as the cost most detrimental to their business, followed by staff costs.

Given these concerns around costs, it is not surprising that Hong Kong businesses were again the most likely of the markets surveyed to nominate cost control as having the most positive impact on their business, however, the results show there is little correlation between cost control and growth.

Hong Kong's small businesses would benefit from a stronger focus on innovation (only 12.5 per cent of Hong Kong businesses stated they will innovate in 2019, compared with 35.6 per cent of businesses in the Philippines). Small businesses should be taking advantage of Hong Kong's proximity to leading innovation centres, such as Shenzhen, and the Government's significant investment in innovation.

Reflecting a decline in small business sentiment in Hong Kong in 2018, it is no surprise that the number of small businesses that required external finance in 2018 (53.4 per cent) is down from the 66.5 per cent that required finance in 2017 and 72.7 per cent in 2016.

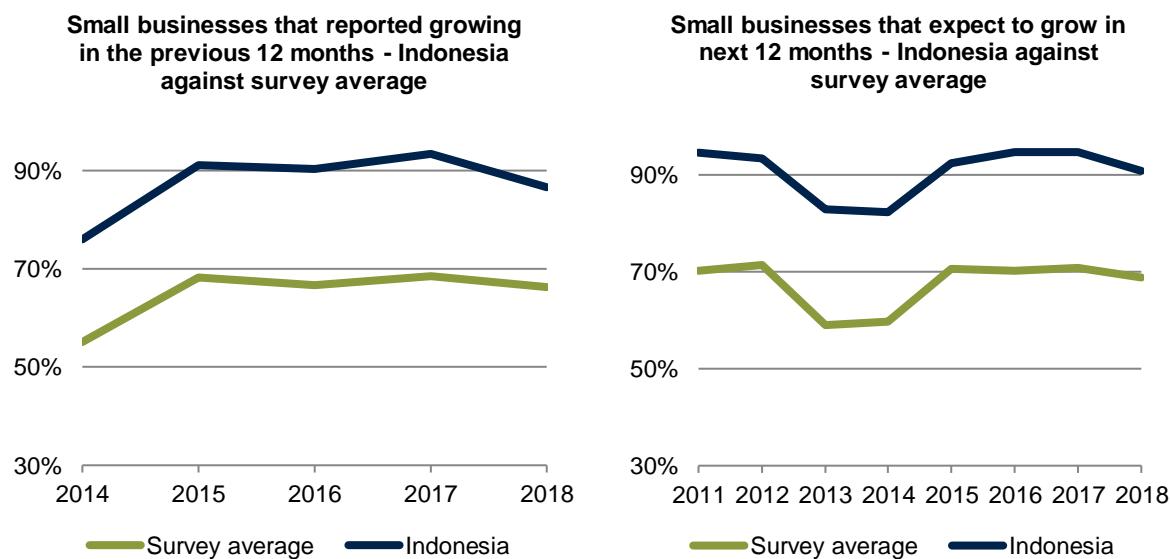
There was a slight fall in the percentage of Hong Kong small businesses that sourced finance from a bank in 2018 (38.9 per cent compared with 43.2 per cent in 2017). Following banks, investors were the next most likely source of finance, with Hong Kong's small businesses again being the most likely of the markets surveyed to nominate an investor as their main source of finance (24.8 per cent).

2018 was a challenging year for Hong Kong's small businesses and 2019 looks even more challenging. We do, however, expect that the reasonable level of digital and management skills among Hong Kong's small businesses, plus their experience in managing through difficult periods, should see them return to growth as external uncertainties recede.

## INDONESIA MARKET SUMMARY

### Data snapshot

#### Business and economic growth



	2018	Survey average 2018	Rank 2018	2017	Rank 2017	2016	2015	2014
<b>Businesses that grew in the last 12 months</b>	86.6%	66.3%	2/10	93.4%	1/8	90.4%	91.2%	76.0%
<b>Businesses that expect to grow in the next 12 months</b>	90.8%	68.8%	3/10	94.7%	1/8	94.7%	92.5%	82.3%
<b>Businesses that expect the local economy to grow in the next 12 months</b>	79.0%	58.4%	3/10	83.6%	2/8	90.1%	83.7%	89.1%

### Business activity over the past 12 months

	2018	Survey average 2018	Rank 2018	2017	Rank 2017	2016	2015	2014
<b>Increased employee numbers</b>	55.7%	30.3%	2/10	65.5%	1/8	63.4%	66.3%	48.9%
<b>Improved business management had a major positive impact on their business</b>	31.1%	21.8%	2/10	39.1%	1/8	34.0%	33.3%	N/A
<b>Increasing costs had a major negative impact on their business</b>	42.0%	39.9%	6/10	35.5%	5/8	34.3%	36.9%	N/A
<b>Required funds from an external source</b>	75.7%	53.1%	3/10	88.8%	2/8	82.5%	86.3%	78.4%
<b>Sought external funds for business growth</b>	74.9%	58.6%	1/10	77.8%	1/8	70.0%	64.0%	52.1%
<b>Found it easy or very easy to access external finance</b>	36.4%	30.2%	3/10	47.0%	1/8	39.2%	60.6%	56.3%
<b>A bank was the business's main source of external finance</b>	43.7%	38.1%	4/10	55.2%	1/8	50.0%	50.0%	N/A

### Planned business activity over the next 12 months

	2018	Survey average 2018	Rank 2018	2017	Rank 2017	2016	2015	2014
<b>Expect to increase employee numbers</b>	67.2%	41.2%	2/10	75.3%	1/8	71.3%	71.2%	69.4%
<b>Will introduce a new product, service or process unique to their market or the world</b>	33.1%	20.8%	3/10	49.3%	1/8	48.2%	45.8%	N/A
<b>Expect revenue from overseas markets to grow strongly</b>	22.6%	15.0%	3/10	44.4%	2/8	39.6%	57.8%	N/A
<b>Will seek external funds</b>	36.7%	22.9%	2/10	50.3%	2/8	43.9%	45.8%	25.9%
<b>Expect easy to very easy access to finance</b>	31.5%	25.1%	2/10	45.5%	1/8	41.3%	59.7%	54.8%

### Social media, ecommerce and technology

	2018	Survey average 2018	Rank 2018	2017	Rank 2017	2016	2015	2014
<b>Did not earn any revenue from online sales</b>	11.1%	28.5%	9/10	6.9%	6/8	14.9%	4.6%	3.1%
<b>Did not use social media for business purposes</b>	7.2%	18.3%	9/10	8.2%	6/8	9.6%	3.3%	1.8%
<b>Social media platform the business gets most value out of</b>	Facebook	Facebook	N/A	N/A	N/A	N/A	N/A	Facebook
<b>Investment in technology by the business over the past 12 months has improved profitability</b>	77.4%	48.0%	1/10	85.5%	1/8	N/A	N/A	N/A
<b>Technology the business invested in most heavily over the past 12 months</b>	Computer equipment	Computer equipment	N/A	N/A	N/A	N/A	N/A	N/A
<b>Consider the business likely to be cyberattacked in next 12 months</b>	65.6%	39.4%	2/10	76.6%	2/8	N/A	N/A	N/A
<b>Reviewed the business's cybersecurity protections in last six months</b>	47.2%	49.4%	4/10	N/A	N/A	N/A	N/A	N/A
<b>More than 10 per cent of sales is received through digital payment options such as PayPal, Alipay, WeChat Pay</b>	61.4%	55.1%	2/10	48.7%	4/8	N/A	N/A	N/A

### Factors that had positive and negative influences on business in 2018

Top four factors that had a positive influence on small business in 2018	Top four factors that had a positive influence on small business in 2017
Improved customer satisfaction	Improved customer satisfaction
Improved business strategy	Customer loyalty
Customer loyalty	Technology
Technology	Improved business strategy

Top four factors that had a negative impact on small business in 2018	Top four factors that had a negative impact on small business in 2017
Increasing competition	Increasing competition
Increasing costs	Increasing costs
Poor overall economic environment	Poor overall economic environment
Fluctuations in the value of the local currency	Political instability

## Other

	2018	Survey average 2018	Rank 2018
Possible trade war between the US and a range of other economies will have a negative impact on the business in next 12 months	24.3%	34.7%	8/10

## Demographics

	2018	Survey average 2018	Rank 2018	2017	Rank 2017	2016	2015	2014
Business has been established for 10 years or less	77.0%	63.2%	2/10	79.2%	1/8	76.6%	75.2%	58.6%
Respondent is aged under 40	68.2%	52.5%	3/10	71.7%	1/8	74.6%	79.4%	61.9%
Respondent is the business owner	50.2%	36.8%	5/10	26.0%	5/8	32.3%	35.6%	18.3%
Business has 10 to 19 employees	37.7%	35.7%	4/10	43.4%	4/8	59.1%	65.0%	68.8%

## Summary

Conditions were very positive for Indonesia's small businesses in 2018, with over 85 per cent of businesses reporting that they grew. These very positive conditions look set to continue in 2019, with over nine in ten small businesses expecting to grow. Further, small business confidence in Indonesia's economy is also very high.

For 2018, 86.6 per cent of Indonesia's small businesses reported growing. While this is the lowest result for Indonesia since 2014, Indonesia's small businesses were still the second most likely to report growing. This result was well above the survey average of 66.3 per cent.

In addition to the overall result, 35.4 per cent of businesses stated that their growth in 2018 was very strong – the highest result of the markets surveyed. In comparison, only 5.7 per cent of Hong Kong's businesses recorded very strong growth in 2018.

This very positive result is highly likely to continue in 2019, with 90.8 per cent of Indonesia's

small businesses expecting to grow over the coming 12 months – significantly better than the survey average of 68.8 per cent.

Reflecting the very positive business conditions, 55.7 per cent of Indonesia's small businesses stated that they added to their employee numbers in 2018. With strong business and economic growth forecast for 2019, it is no surprise that Indonesia's small businesses will continue to be important creators of jobs, with over two thirds (67.2 per cent) expecting to add staff in 2019.

One factor driving strong business growth is the relatively strong uptake of new technologies by Indonesia's small businesses. Most Indonesian small businesses sell online, with 65.9 per cent stating that more than 10 per cent of their revenue comes from online sales. Further, an overwhelming majority of Indonesia's small business use social media, and they are most likely to use social media for selling their product or services. In fact, the results indicate that it would be difficult to find an Indonesian small business that is not using social media or selling online.

While Facebook is considered the social media channel of most value to businesses in Indonesia, Indonesia's small businesses are the most diverse in their social media preferences. That is, the difference between the most popular channel (Facebook at 31.4 per cent) and the second most popular channel (Instagram at 28.1 per cent) and the third most popular channel (WhatsApp at 24.8 per cent) is significantly smaller than all the other markets. This indicates that small business in Indonesia need to be using multiple social media channels to reach their markets.

Indonesia's small businesses are the second largest users of new digital payment technologies, such as OVO, Go-Pay, PayPal and TCASH. While businesses from Mainland China are the clear leaders in the uptake of this new technology (87.1 per cent of businesses receiving more than 10 per cent of their sales), Indonesia's small business sector is in second place, with 61.4 per cent of businesses receiving more than 10 per cent of their sales through such technologies, up from the 2017 result of 48.7 per cent.

Despite this, cash remains a very important payment option for Indonesia's small businesses, with 63.6 per cent of businesses stating that it makes up 50 per cent or more of their sales, up from 55.2 per cent in 2017. Given the broad cross-section of industries represented in Indonesia's survey sample, it can be assumed that many business-to-business transactions are still done in cash.

Despite nearly two thirds (65.6 per cent) of Indonesia's small businesses stating that a cyberattack on their business is likely in 2019, only 47.2 per cent stated that they have reviewed their cybersecurity in the past six months. In terms of the difference between expectations of an attack and taking action, the Indonesian results are the worst in the survey. While there is awareness in Indonesia that cybersecurity is an issue, it needs to better translate into action to protect business systems.

The strong investment in technology in Indonesia is producing benefits for the vast majority of Indonesia's small businesses. Seventy-seven per cent stated that their investment in technology in 2018 has already resulted in improvements in profitability – the highest result of the markets surveyed. This result, plus Indonesia's strong business confidence, will no doubt encourage further investment in technology and assist Indonesia's small business sector to become more globally competitive.

Indonesia's small business sector continues to be highly innovative, with just under a third (33.1 per cent) stating that they will introduce a totally new product, process or service to Indonesia or the world in 2019, beating the survey average of 20.8 per cent. This is likely to result in a stronger, more competitive small business sector.

Of course, while the survey results are overwhelmingly positive for Indonesia, businesses also report challenges, with increasing competition seen as the largest barrier to growth. However, competition is likely to have positive long-term implications, as it helps to encourage innovation and expansion into new markets – essential ingredients of growth.

Reflecting the strong growth and high investment needs of most of Indonesia's small business, over three quarters (75.7 per cent) accessed external finance in 2018, with a bank being the most likely source of that finance. However, reflecting slightly weaker sentiment, this result was down from the 88.8 per cent that required external finance in 2017. Respondents from Indonesia continue to find it relatively easy to access finance, with 36.4 per cent reporting that accessing finance was easy or very easy in 2018, however, this result was down from 2017, where 47.0 per cent reported such financing conditions.

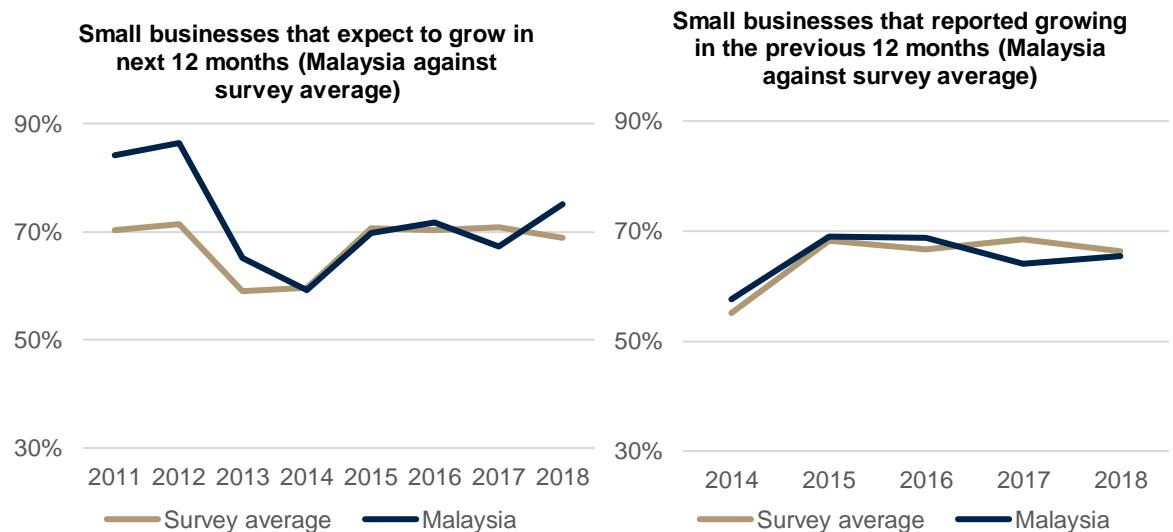
The prospect of a trade war between major global economies is not something that is thought to have a negative impact on many Indonesian small businesses, with only 24.3 per cent forecasting it will have a negative impact. In fact, more Indonesian small businesses believe such a trade war is an opportunity, with 29.5 per cent stating they expect it would have a positive impact on their business.

We see the future of Indonesia's small business sector as very positive. With significant numbers of Indonesia's small businesses having characteristics strongly connected with growth – a focus on technology, e-commerce, improving customer satisfaction, improving business strategy and innovation, we are likely to see this sector grow strongly for some time to come. We are also likely to see several of Indonesia's current small businesses evolve to become large, successful global businesses in the next few years.

## MALAYSIA MARKET SUMMARY

### Data snapshot

#### Business and economic growth



	2018	Survey average 2018	Rank 2018	2017	Rank 2017	2016	2015	2014
<b>Businesses that grew in the last 12 months</b>	65.5%	66.3%	5/10	64.1%	5/8	68.7%	69.0%	57.6%
<b>Businesses that expect to grow in the next 12 months</b>	75.0%	68.8%	4/10	67.3%	4/8	71.7%	69.7%	59.2%
<b>Businesses that expect the local economy to grow in the next 12 months</b>	69.1%	58.4%	4/10	53.7%	6/8	52.8%	46.8%	67.5%

### Business activity over the past 12 months

	2018	Survey average 2018	Rank 2018	2017	Rank 2017	2016	2015	2014
<b>Increased employee numbers</b>	25.7%	30.3%	5/10	27.5%	5/8	33.6%	31.6%	40.5%
<b>Improved business management had a major positive impact on their business</b>	28.3%	21.8%	4/10	29.4%	2/8	27.0%	31.3%	N/A
<b>Increasing costs had a major negative impact on their business</b>	51.6%	39.9%	1/10	52.1%	1/8	45.9%	48.7%	N/A
<b>Required funds from an external source</b>	39.5%	53.1%	6/10	54.7%	5/8	62.2%	57.7%	73.6%
<b>Sought external funds for business growth</b>	55.0%	58.6%	6/10	62.1%	3/8	51.3%	51.4%	64.2%
<b>Found it easy or very easy to access external finance</b>	16.7%	30.2%	8/10	13.0%	8/8	15.7%	31.8%	32.3%
<b>A bank was the business's main source of external finance</b>	35.8%	38.1%	7/10	33.7%	7/8	40.8%	45.3%	N/A

### Planned business activity over the next 12 months

	2018	Survey average 2018	Rank 2018	2017	Rank 2017	2016	2015	2014
<b>Expect to increase employee numbers</b>	45.1%	41.2%	5/10	40.1%	4/8	40.4%	46.8%	52.4%
<b>Will introduce a new product, service or process unique to their market or the world</b>	29.3%	20.8%	4/10	32.0%	3/8	26.4%	29.0%	N/A
<b>Expect revenue from overseas markets to grow strongly</b>	19.4%	15.0%	4/10	15.9%	4/8	18.2%	18.7%	N/A
<b>Will seek external funds</b>	22.4%	22.9%	5/10	31.1%	4/8	29.3%	29.7%	32.5%
<b>Expect easy to very easy access to finance</b>	10.9%	25.1%	10/10	10.2%	8/8	13.6%	27.6%	29.3%

### Social media, ecommerce and technology

	2018	Survey average 2018	Rank 2018	2017	Rank 2017	2016	2015	2014
<b>Did not earn any revenue from online sales</b>	29.3%	28.5%	6/10	52.6%	1/8	59.1%	58.2%	63.5%
<b>Did not use social media for business purposes</b>	15.8%	18.3%	7/10	40.8%	2/8	40.2%	41.2%	51.0%
<b>Social media platform the business gets most value out of</b>	Facebook	Facebook	N/A	N/A	N/A	N/A	N/A	Facebook

<b>Investment in technology by the business over the past 12 months has improved profitability</b>	41.4%	48.0%	5/10	50.8%	4/8	N/A	N/A	N/A
<b>Technology the business invested in most heavily over the past 12 months</b>	Computer equipment	Computer equipment	N/A	N/A	N/A	N/A	N/A	N/A
<b>Consider the business likely to be cyberattacked in next 12 months</b>	45.4%	39.4%	4/10	19.6%	8/8	N/A	N/A	N/A
<b>Reviewed the business's cybersecurity protections in last six months</b>	37.2%	49.4%	9/10	N/A	N/A	N/A	N/A	N/A
<b>More than 10 per cent of sales is received through digital payment options such as PayPal, Alipay, WeChat Pay</b>	47.7%	55.1%	5/10	33.0%	8/8	N/A	N/A	N/A

#### Factors that had positive and negative influences on business in 2018

Top four factors that had a positive influence on small business in 2018	Top four factors that had a positive influence on small business in 2017
Customer loyalty	Customer loyalty
Improved customer satisfaction	Good staff
Good staff	Cost control
Improved business strategy	Improved customer satisfaction

Top four factors that had a negative impact on small business in 2018	Top four factors that had a negative impact on small business in 2017
Increasing costs	Increasing costs
Increasing competition	Increasing competition
Poor overall economic environment	Poor overall economic environment
Fluctuations in the value of the local currency	Cash flow difficulties Fluctuations in the value of the local currency Tax^

<sup>^</sup>Equal fourth

## Other

	2018	Survey average 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	33.6%	34.7%	7/10

## Demographics

	2018	Survey average 2018	Rank 2018	2017	Rank 2017	2016	2015	2014
<b>Business has been established for 10 years or less</b>	73.7%	63.2%	4/10	70.2%	3/8	73.3%	73.9%	75.9%
<b>Respondent is aged under 40</b>	61.5%	52.5%	5/10	57.6%	3/8	76.9%	74.2%	77.5%
<b>Respondent is the business owner</b>	55.6%	36.8%	4/10	41.7%	3/8	33.2%	46.8%	31.2%
<b>Business has 10 to 19 employees</b>	21.4%	35.7%	8/10	32.0%	6/8	47.2%	31.9%	43.7%

## Summary

Small business conditions were positive in Malaysia in 2018, with nearly two thirds of respondents stating their business grew. This positive outlook appears set to continue in 2019, with three quarters of businesses expecting to grow. Further, there is a boost in small business confidence in the local economy.

2018 was a positive year for Malaysia's small business sector, with 65.5 per cent of businesses reporting that they grew, up slightly from 2017 where 64.1 per cent reported growing. The result was better than fellow ASEAN member Singapore (where 58.7 per cent reported growing), but lower than Vietnam (90.0 per cent), Indonesia (86.6 per cent) and the Philippines (84.0 per cent).

Malaysia's positive result is likely to continue in 2019, with three-quarters of respondents expecting their business to grow – ahead of Singapore (60.7 per cent), but lower than the Philippines (94.2 per cent), Vietnam (91.3 per cent) and Indonesia (90.8 per cent). The business growth expectations for 2019 are not only above the actual results for Malaysia in 2018, they are also above expectations for 2018, indicating a positive shift in small business confidence.

Reflecting that positive shift, Malaysia's small businesses are increasingly confident in the growth prospects for the local economy, with 69.1 per cent expecting Malaysia's economy to grow in 2019, much higher than expectations for 2018 (53.7 per cent expected the economy to grow). This is also the highest result for Malaysia since 2011. In a period of global economic uncertainty, this upturn in small business confidence in Malaysia is a vote of confidence in the nation's economic direction.

Of course, while the survey results are positive, Malaysian businesses also report challenges, with increasing costs, especially the cost for materials, seen as the largest barrier to growth. Difficulty in accessing finance was also a challenge many Malaysian small businesses reported experiencing in 2018.

It is not surprising to CPA Australia that we are seeing an improvement in small business confidence in Malaysia. Throughout the life of this survey, Malaysia's small businesses have shown they typically have a focus on factors that are linked to long-term growth, including innovation, e-commerce and technology. They also show they have a strong focus on positive influences of growth, especially:

- improved customer satisfaction
- good staff
- improved business strategy.

More than a quarter (25.7 per cent) of Malaysia's small businesses stated that they added staff in 2018, reflecting robust growth for the sector. Malaysian small businesses are likely to be even stronger creators of jobs in 2019, with 45.1 per cent expecting to add additional staff.

Small businesses from Malaysia continue to be relatively strong users of digital technologies, particularly in comparison to their competitors from Australia, Singapore and New Zealand. Over 40 per cent of Malaysian businesses surveyed (43.4 per cent) earned more than ten per cent of their income from online sales. Further, an overwhelming majority use social media for business purposes, with 45.1 per cent stating that they use it to sell their products or services.

Malaysia's small businesses have also increased their usage of digital payment options, such as Alipay, PayPal and iPay88. Nearly half (47.7 per cent) stated that they earned more than 10 per cent of their sales through such technology compared with 33.0 per cent in 2017. Despite this, cash remains important to many Malaysian small businesses with 68.1 per cent stating that cash made up 50 per cent or more of their sales, higher than the survey average of 46.9 per cent and the second highest result of the markets surveyed.

With many of Malaysia's small businesses (41.4 per cent) stating that their investment in technology in 2018 has already been profitable, and the strong linkage between growth and technology, it is of no surprise Malaysia's businesses are making greater use of digital payment technologies and other technologies more generally.

This relatively strong focus on technology is flowing through to concerns over the security of systems, with 45.4 per cent of respondents from Malaysia stating that they believe it is likely their business will be cyberattacked in 2019 – however this concern is not necessarily flowing through to action, with only 37.2 per cent stating that they reviewed their cybersecurity measures in the past six months.

Small businesses from Malaysia continue to have a relatively strong focus on innovation, particularly in comparison to Australia, Hong Kong, New Zealand and Singapore, with 29.3 per cent stating that they will innovate in 2019, beating the survey average of 20.8 per cent. This innovative culture will support long-term growth and help to improve the competitiveness of Malaysia's businesses. The Malaysian Government's strong focus on promoting innovation is no doubt important in fostering this innovative culture.

The number of Malaysian small businesses that required external finance in 2018 (55.0 per cent) was down from 2017 (62.1 per cent). Part of this decline is attributed to lower demand for capital assets by Malaysia's small business, with 28.3 per cent of respondents stating that they required external finance to purchase capital assets in 2018, compared with 45.6 per

cent in 2017. With half of respondents who required external finance in 2018 reporting difficulty in accessing finance, it would not be surprising that this experience is dissuading some from seeking finance.

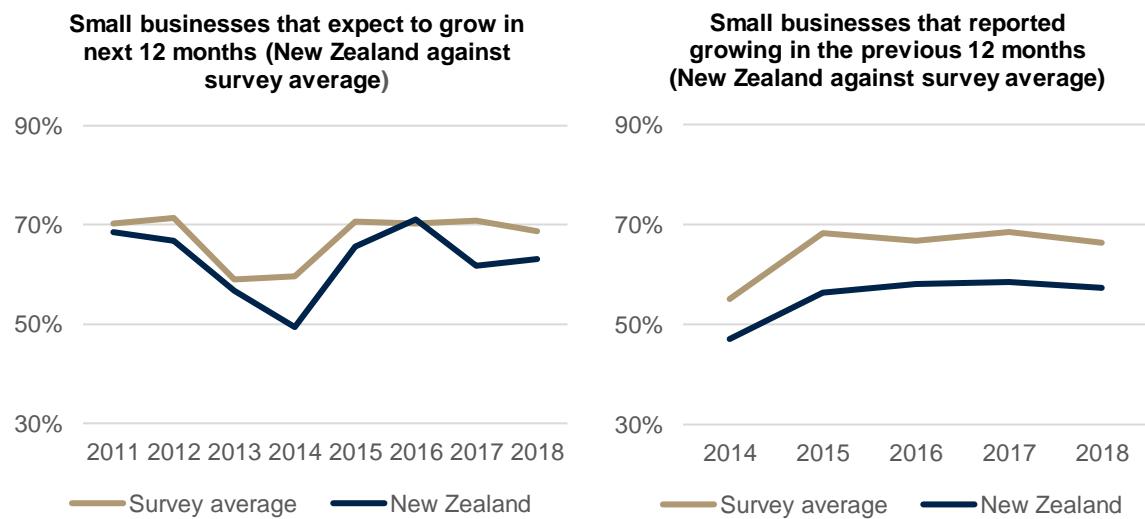
Global trade war concerns are impacting Malaysian small businesses, with over a third (33.6 per cent) expecting that this issue should have a negative impact on their business in 2019, close to the survey average of 34.7 per cent. However, for some, such a trade conflict could create opportunities, with 22.0 per cent of Malaysian small businesses stating that they expect a trade war to have a positive impact on their business.

With high numbers of Malaysian small businesses having characteristics associated with growth, such as a focus on innovation, e-commerce and technology, we are not surprised to see an improvement in Malaysia's small business conditions in 2018 and an even brighter 2019.

## NEW ZEALAND MARKET SUMMARY

### Data snapshot

#### Business and economic growth



	2018	Survey average 2018	Rank 2018	2017	Rank 2017	2016	2015	2014
<b>Businesses that grew in the last 12 months</b>	57.4%	66.3%	7/10	58.5%	6/8	58.1%	56.3%	47.1%
<b>Businesses that expect to grow in the next 12 months</b>	63.2%	68.8%	6/10	61.8%	5/8	71.1%	65.6%	49.4%
<b>Businesses that expect the local economy to grow in the next 12 months</b>	46.5%	58.4%	7/10	39.9%	8/8	61.5%	53.1%	62.3%

### Business activity over the past 12 months

	2018	Survey average 2018	Rank 2018	2017	Rank 2017	2016	2015	2014
<b>Increased employee numbers</b>	18.4%	30.3%	8/10	14.1%	7/8	19.6%	16.4%	9.4%
<b>Improved business management had a major positive impact on their business</b>	10.6%	21.8%	9/10	12.7%	7/8	15.6%	15.4%	N/A
<b>Increasing costs had a major negative impact on their business</b>	38.4%	39.9%	7/10	27.5%	8/8	26.6%	25.1%	N/A
<b>Required funds from an external source</b>	25.2%	53.1%	9/10	31.7%	8/8	25.2%	27.0%	30.6%
<b>Sought external funds for business growth</b>	37.2%	58.6%	9/10	32.0%	8/8	36.8%	25.0%	31.6%
<b>Found it easy or very easy to access external finance</b>	51.3%	30.2%	1/10	42.3%	2/8	48.7%	50.0%	53.7%
<b>A bank was the business's main source of external finance</b>	57.7%	38.1%	1/10	45.4%	4/8	48.7%	41.7%	N/A

### Planned business activity over the next 12 months

	2018	Survey average 2018	Rank 2018	2017	Rank 2017	2016	2015	2014
<b>Expect to increase employee numbers</b>	21.0%	41.2%	9/10	17.6%	8/8	24.3%	19.9%	14.5%
<b>Will introduce a new product, service or process unique to their market or the world</b>	7.7%	20.8%	9/10	9.2%	7/8	10.6%	6.8%	N/A
<b>Expect revenue from overseas markets to grow strongly</b>	5.5%	15.0%	9/10	8.2%	7/8	6.0%	7.1%	N/A
<b>Will seek external funds</b>	5.8%	22.9%	10/10	9.8%	8/8	8.6%	8.0%	10.6%
<b>Expect easy to very easy access to finance</b>	30.2%	25.1%	3/10	26.7%	3/8	24.5%	39.1%	44.6%

### Social media, ecommerce and technology

	2018	Survey average 2018	Rank 2018	2017	Rank 2017	2016	2015	2014
Did not earn any revenue from online sales	50.6%	28.5%	2/10	52.6%	1/8	59.1%	58.2%	63.5%
Did not use social media for business purposes	38.1%	18.3%	2/10	40.8%	2/8	40.2%	41.2%	51.0%
Social media platform the business gets most value out of	Facebook	Facebook	N/A	N/A	N/A	N/A	N/A	Facebook
Investment in technology by the business over the past 12 months has improved profitability	25.8%	48.0%	9/10	26.8%	7/8	N/A	N/A	N/A
Technology the business invested in most heavily over the past 12 months	Computer equipment	Computer equipment	N/A	N/A	N/A	N/A	N/A	N/A
Consider the business likely to be cyberattacked in next 12 months	19.0%	39.4%	9/10	19.6%	8/8	N/A	N/A	N/A
Reviewed the business's cybersecurity protections in last six months	39.0%	49.4%	8/10	N/A	N/A	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	39.1%	55.1%	8/10	33.0%	8/8	N/A	N/A	N/A

### Factors that had positive and negative influences on business in 2018

Top four factors that had a positive influence on small business in 2018	Top four factors that had a positive influence on small business in 2017
Customer loyalty	Customer loyalty
Good staff	Good staff
Improved customer satisfaction	Improved customer satisfaction
Cost control Introduced a new product or service^	Cost control

<sup>^</sup>Equal fourth

Top four factors that had a negative impact on small business in 2018	Top four factors that had a negative impact on small business in 2017
Increasing costs	Increasing costs
Increasing competition	Increasing competition
Tax <sup>^</sup>	Tax
Cash flow difficulties	Cash flow difficulties
Government regulation <sup>#</sup>	

<sup>^</sup>Equal second<sup>#</sup>Equal fourth

### Other

	2018	Survey average 2018	Rank 2018
Possible trade war between the US and a range of other economies will have a negative impact on the business in next 12 months	19.7%	34.7%	10/10

### Demographics

	2018	Survey average 2018	Rank 2018	2017	Rank 2017	2016	2015	2014
Business has been established for 10 years or less	51.3%	63.2%	9/10	51.6%	7/8	50.8%	55.6%	52.9%
Respondent is aged under 40	27.1%	52.5%	9/10	24.8%	7/8	17.9%	25.7%	17.7%
Respondent is the business owner	63.9%	36.8%	3/10	63.4%	8/8	58.5%	57.6%	69.7%
Business has 10 to 19 employees	10.3%	35.7%	9/10	14.4%	8/8	11.3%	12.2%	10.0%

### Summary

Small business conditions in New Zealand were generally positive in 2018, with most respondents stating their business grew. The number of New Zealand small businesses that expect to grow in 2019 also looks positive, however, small business confidence in the local economy remains low, with less than half forecasting the economy to grow.

With 57.4 per cent of businesses reporting that they grew in 2018, New Zealand's small businesses remain more likely to have experienced growth in 2018 than businesses from Australia (42.2 per cent). However, New Zealand's small businesses are less likely than the survey average (66.3 per cent) and significantly less likely than Vietnam (90.0 per cent) to have reported growing in 2018.

New Zealand's positive business conditions should continue in 2019, with 63.2 per cent expecting to grow, ahead of both Australia and Hong Kong (both at 47.3 per cent), but lower than the survey average (68.8 per cent) and significantly lower than the Philippines (94.2 per cent).

Weak small business confidence in New Zealand's economy in 2019 may be a factor as to

why many of New Zealand's small businesses do not expect to grow in 2019. In 2019, only 46.5 per cent of New Zealand small businesses expect the local economy to grow. While this result is better than 2018, where 39.9 per cent expected New Zealand's economy to grow, it remains well down from the 61.5 per cent that expected the economy to grow in 2017.

Reflecting generally positive business conditions in 2018, 18.4 per cent of New Zealand's small businesses reported that they added to their employee numbers in 2018, compared with 14.1 per cent in 2017. New Zealand's small businesses are likely to be a somewhat important source of jobs growth in 2019, with 21.0 per cent expecting to increase their employee numbers.

A greater number of New Zealand's small businesses would experience growth if they increased their focus on innovation, technology, social media and exporting. While there are examples of innovative, tech-savvy and outward-looking New Zealand small businesses, the survey results show that they represent only a small number of small businesses, especially in comparison to small businesses from Mainland China, Indonesia and Vietnam.

New Zealand's small businesses clearly lag behind their competitors from Asia in the application of technology in their business. For example:

- New Zealand's small businesses continue to be significantly less likely to use social media for business purposes, compared with businesses from Asia, with 38.1 per cent stating that they do not use social media for business purposes, compared with only 3.7 per cent of businesses from Mainland China.
- New Zealand's small businesses continue to be significantly less likely to earn revenue from online sale, with 50.6 per cent stating that they do not earn any revenue from online sales, compared with only 5.4 per cent of businesses from Mainland China. However, we expect this result to improve as New Zealand's small businesses were the most likely to nominate website as the technology they invested in most heavily in 2018.
- While New Zealand's small businesses are one of the least likely to rely on cash sales, this is not translating into the adoption of new digital payment technologies, such as Apple Pay, Alipay and WeChat Pay, with 39.0 per cent of New Zealand businesses generating more than 10 per cent of their sales from such payment technology, compared with 87.1 per cent of businesses from Mainland China.
- The lack of focus on technology is flowing through to only 19.0 per cent of New Zealand small businesses expecting to be cyberattacked in 2019, the second lowest result of the markets surveyed. Despite this, 39.0 per cent reviewed their cybersecurity in the past six months

A possible explanation for this relatively lower utilisation of technology is the lack of return many New Zealand's small businesses are receiving on their investment in technology. Only 25.8 per cent of New Zealand's small businesses reported that their investment in technology in 2018 had been profitable, compared with the survey average of 48.0 per cent. Another explanation is the age profile of New Zealand's small businesses, which is significantly older than in Asia, with over half of respondents (52.3 per cent) aged 50 or over and a third aged 60 or over. The survey results show that those aged 50 or over are significantly less likely to be utilising technology, such as social media, or selling online.

Policymakers and others seeking to promote growth in New Zealand's small business sector should consider a stronger focus on increasing the digital capability of small business owners. With small business owners being time poor and often reluctant to recruit in expertise, professional advisers such as accountants should be supported by the

government to improve capabilities of the small business sector.

Small businesses in New Zealand remain significantly less likely to expect to invest in innovation than small businesses from the Asian markets surveyed. This may be impacting the growth of some of New Zealand's small businesses, with the survey results showing that businesses that stated that they will undertake innovation in 2019 being significantly more likely to expect their business to grow.

New Zealand's small businesses remain much less likely to expect to earn revenue from exporting than their peers from Asia. The survey results show that businesses that are expecting to grow their revenue from overseas sales are significantly more likely to forecast that they will grow. Again, the government – with the assistance of professional advisers, can help to build the export capability of some small businesses.

New Zealand's small businesses continue to remain significantly less likely to have sourced funds from an external lenders and investors than small businesses from Asia (25.2 per cent, compared with the survey average of 53.1 per cent). The low number of small businesses accessing external finance in 2018 is primarily driven by a lack of need for finance and does not appear to be the result of difficult lending conditions. Over 51 per cent of New Zealand's businesses found access to finance easy or very easy; the highest result of the markets surveyed.

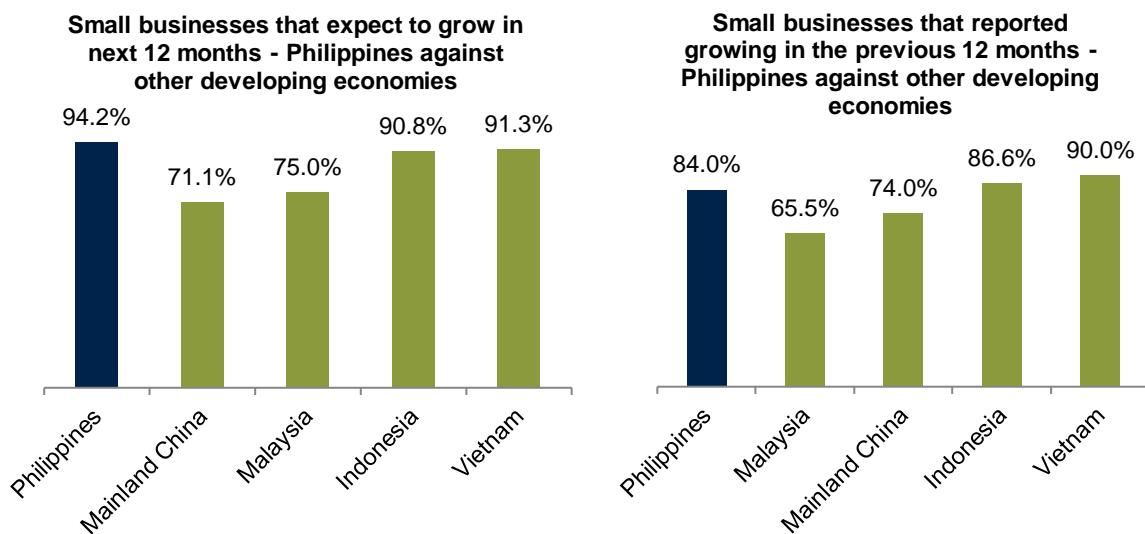
The prospect of a global trade war is not seen as having a negative impact on many New Zealand small businesses, with only 19.7 per cent forecasting that it would have a negative impact on their business, well below the survey average of 34.7 per cent, and the lowest result of the markets surveyed.

With a significant percentage of New Zealand's small business owners close to, or at, retirement age, the lack of focus on new technologies, innovation and new markets may have adverse impacts on the value of their business. This, in turn, may impact their standard of living in retirement, particularly where the owner is relying on the proceeds of the sale of their business to provide for them in retirement.

## PHILIPPINES MARKET SUMMARY

### Data snapshot

#### Business and economic growth



	2018	Survey average 2018	Rank 2018
<b>Businesses that grew in the last 12 months</b>	84.0%	66.3%	3/10
<b>Businesses that expect to grow in the next 12 months</b>	94.2%	68.8%	1/10
<b>Businesses that expect the local economy to grow in the next 12 months</b>	81.8%	58.4%	2/10

#### Business activity over the past 12 months

	2018	Survey average 2018	Rank 2018
<b>Increased employee numbers</b>	38.2%	30.3%	4/10
<b>Improved business management had a major positive impact on the business</b>	36.4%	21.8%	1/10
<b>Increasing costs had a major negative impact on their business</b>	50.2%	39.9%	2/10
<b>Required funds from an external source</b>	62.7%	53.1%	4/10
<b>Sought external funds for business growth</b>	57.4%	58.6%	5/10
<b>Found it easy or very easy to access external finance</b>	24.8%	30.2%	6/10
<b>A bank was the business's main source of external finance</b>	30.5%	38.1%	8/10

### Planned business activity over the next 12 months

	2018	Survey average 2018	Rank 2018
Expect to increase employee numbers	61.8%	41.2%	3/10
Will introduce a new product, service or process unique to their market or the world	35.6%	20.8%	1/10
Expect revenue from overseas markets to grow strongly	28.0%	15.0%	2/10
Will seek external funds	26.7%	22.9%	4/10
Expect easy to very easy access to finance	23.9%	25.1%	6/10

### Social media, ecommerce and technology

	2018	Survey average 2018	Rank 2018
Did not earn any revenue from online sales	22.7%	28.5%	7/10
Did not use social media for business purposes	10.2%	18.3%	8/10
Social media platform your business gets most value out of	Facebook	Facebook	N/A
Investment in technology by the business over the past 12 months has improved profitability	76.4%	48.0%	3/10
Technology the business invested in most heavily over the past 12 months	Computer equipment	Computer equipment	N/A
Consider the business likely to be cyberattacked in next 12 months	28.9%	39.4%	8/10
Reviewed the business's cybersecurity protections in last six months	40.0%	49.4%	6/10
More than 10 per cent of sales is received through digital payment options such as PayPal, Alipay, WeChat Pay	43.1%	55.1%	6/10

### Factors that had positive and negative influences on business in 2018

Top four factors that had a positive influence on small business in 2018	Top four factors that had a negative impact on small business in 2018
Customer loyalty	Increasing costs
Improved customer satisfaction <sup>^</sup>	Increasing competition
Good staff	Tax
Improved business strategy	Fluctuations in local currency

<sup>^</sup>Equal first

## Demographics

	2018	Survey average 2018	Rank 2018
<b>Business has been established for 10 years or less</b>	83.1%	63.2%	1/10
<b>Respondent is aged under 40</b>	65.3%	52.5%	4/10
<b>Respondent is the business owner</b>	64.9%	36.8%	2/10
<b>Business has 10 to 19 employees</b>	26.7%	35.7%	6/10

## Summary

Conditions were very positive for small businesses in the Philippines in 2018, with nearly 85 per cent of businesses reporting that they grew. These very positive conditions look set to continue in 2019, with over nine in ten small businesses expecting to grow. Small business confidence in the Philippines economy is also very high.

For 2018, 84.0 per cent of small businesses in the Philippines reported growing. This is the third highest result of the markets surveyed, only behind Vietnam and Indonesia and well above the survey average of 66.3 per cent.

In addition to the overall result, 29.8 per cent of businesses stated that their growth in 2018 was very strong – the second highest result of the markets surveyed. In comparison, only 5.7 per cent of Hong Kong's businesses recorded very strong growth in 2018.

This very positive result is highly likely to continue in 2019, with 94.2 per cent of small businesses in the Philippines expecting to grow over the coming 12 months – significantly better than the survey average of 68.8 per cent, and the highest result of the markets surveyed.

Reflecting the very positive business conditions, 38.2 per cent of small businesses in the Philippines stated that they added to their employee numbers in 2018. With strong business and economic growth forecast for 2019, it is no surprise that small businesses in the Philippines will continue to be important creators of jobs, with 61.8 per cent expecting to add additional staff in 2019.

One factor driving strong business growth is the relatively strong uptake of new technologies by small businesses in the Philippines. Most Filipino small businesses sell online, with 52.0 per cent stating that more than 10 per cent of their revenue comes from online sales. Further, an overwhelming majority of Filipino small businesses use social media, and they are most likely to use social media to promote their business.

More small businesses in the Philippines should consider new digital payment technologies, such as PayPal, PayMaya and Globe Telecom. While businesses from Mainland China are the clear leaders in the uptake of this new technology, with 87.1 per cent of businesses receiving more than 10 per cent of their sales through such technologies, the Philippines small business sector is well behind, with 43.1 per cent of businesses receiving more than 10 per cent of their sales through such technologies.

The reason for this slow uptake of digital payment technologies is the high reliance small businesses in the Philippines place on cash, with 80.9 per cent of businesses stating that it

makes up 50 per cent or more of their sales, the highest result of the markets surveyed. Given the broad cross-section of industries represented in the Philippines survey sample, it can be assumed that many business-to-business transactions are still cash transactions. Encouraging a far greater shift to digital payments could assist in addressing tax collection issues.

Considering the strong focus on digital technologies (except for digital payment technologies), it is surprising that only 28.9 per cent of small businesses in the Philippines expect to be cyberattacked in 2019, which is below the survey average of 39.4 per cent. Despite this, 40.0 per cent stated that they reviewed their cybersecurity measures in the past six months.

The strong investment in technology in the Philippines is producing benefits for a large percentage of that nation's small businesses, with 76.4 per cent stating that their investment in technology in 2018 has already improved their profitability – well above the survey average of 48.0 per cent. This result, plus very strong business confidence, will no doubt encourage further investment in technology and assist the Filipino small business sector to become more globally competitive.

The Philippines small business sector is highly innovative, with 35.6 per cent stating that they will introduce a totally new product, process or service to the Philippines or the world in 2019; the highest result of the markets surveyed. This innovative culture is likely to contribute to the Philippines small business sector recording strong growth in the coming years.

Of course, while the survey results are overwhelmingly positive for the Philippines, businesses also report challenges, with increasing competition and increasing costs seen as the largest barrier to growth. However, competition is likely to have positive long-term implications, as it helps to encourage innovation and expansion into new markets – essential ingredients to growth.

The strong growth of small businesses in the Philippines is not necessarily being reflected in the demand for external finance, especially in comparison to the other high growth markets of Vietnam, Indonesia and Mainland China. This may reflect that Filipino small businesses are making better use of their existing assets, and/or they are able to largely fund their growth and capital asset needs from internal sources. Respondents from the Philippines were slightly more likely to find that accessing finance was difficult than easy, which may also help to explain the relatively lower demand for external finance.

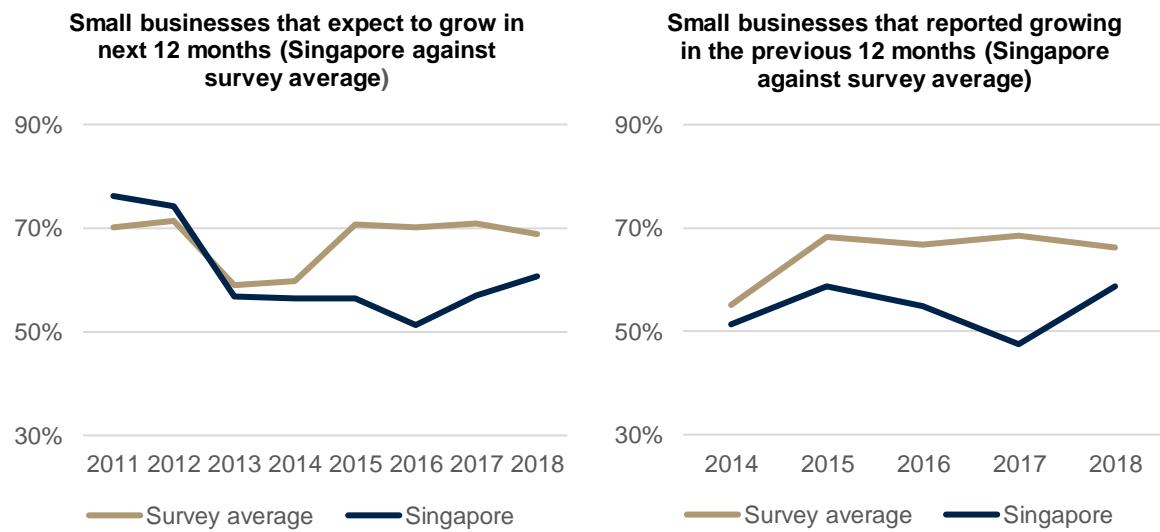
The prospect of a trade war between major global economies is concerning to over a third of small businesses in the Philippines, with 34.7 per cent expecting it will have a negative impact on their business in 2019.

The results for the Philippines small business sector are very positive. With significant numbers of Filipino small businesses having characteristics strongly connected with growth – a focus on technology, e-commerce, improving customer satisfaction, improving business strategy and innovation, we are likely to see this sector grow strongly for some time to come. We may also see several current small businesses in the Philippines evolve to become large, successful global businesses in the next few years.

## SINGAPORE MARKET SUMMARY

### Data snapshot

#### Business and economic growth



	2018	Survey average 2018	Rank 2018	2017	Rank 2017	2016	2015	2014
<b>Businesses that grew in the last 12 months</b>	58.7%	66.3%	6/10	47.5%	8/8	54.8%	58.7%	51.3%
<b>Businesses that expect to grow in the next 12 months</b>	60.7%	68.8%	8/10	57.0%	7/8	51.3%	56.5%	56.5%
<b>Businesses that expect the local economy to grow in the next 12 months</b>	53.1%	58.4%	6/10	55.1%	5/8	39.4%	48.1%	61.0%

### Business activity over the past 12 months

	2018	Survey average 2018	Rank 2018	2017	Rank 2017	2016	2015	2014
<b>Increased employee numbers</b>	21.1%	30.3%	6/10	20.3%	6/8	19.7%	19.7%	23.2%
<b>Improved business management had a major positive impact on their business</b>	20.1%	21.8%	7/10	18.7%	6/8	16.8%	20.3%	N/A
<b>Increasing costs had a major negative impact on their business</b>	45.9%	39.9%	3/10	42.0%	2/8	41.9%	36.1%	N/A
<b>Required funds from an external source</b>	38.3%	53.1%	7/10	40.0%	6/8	52.6%	43.5%	49.0%
<b>Sought external funds for business growth</b>	62.9%	58.6%	3/10	52.5%	5/8	52.1%	52.6%	54.6%
<b>Found it easy or very easy to access external finance</b>	14.7%	30.2%	9/10	18.0%	7/8	24.5%	34.1%	30.9%
<b>A bank was the business's main source of external finance</b>	42.2%	38.1%	5/10	35.2%	6/8	41.4%	38.5%	N/A

### Planned business activity over the next 12 months

	2018	Survey average 2018	Rank 2018	2017	Rank 2017	2016	2015	2014
<b>Expect to increase employee numbers</b>	32.0%	41.2%	6/10	26.6%	6/8	29.0%	27.7%	35.5%
<b>Will introduce a new product, service or process unique to their market or the world</b>	13.9%	20.8%	7/10^	13.1%	6/8	8.7%	15.2%	N/A
<b>Expect revenue from overseas markets to grow strongly</b>	18.2%	15.0%	5/10	11.5%	6/8	11.3%	17.7%	N/A
<b>Will seek external funds</b>	16.2%	22.9%	7/10	12.5%	6/8	16.1%	15.8%	15.5%
<b>Expect easy to very easy access to finance</b>	12.0%	25.1%	8/10	12.4%	7/8	15.0%	28.3%	24.4%

<sup>^</sup>Equal seventh with Taiwan

### Social media, ecommerce and technology

	2018	Survey average 2018	Rank 2018	2017	Rank 2017	2016	2015	2014
<b>Did not earn any revenue from online sales</b>	38.0%	28.5%	3/10	37.7%	3/8	35.5%	33.2%	31.0%
<b>Did not use social media for business purposes</b>	22.1%	18.3%	3/10	20.3%	3/8	22.3%	18.1%	16.1%
<b>Social media platform the business gets most value out of</b>	Facebook	Facebook	N/A	N/A	N/A	N/A	Facebook	

<b>Investment in technology by the business over the past 12 months has improved profitability</b>	31.4%	48.0%	8/10	35.1%	6/8	N/A	N/A	N/A
<b>Technology the business invested in most heavily over the past 12 months</b>	Computer equipment	Computer equipment	N/A	N/A	N/A	N/A	N/A	N/A
<b>Consider your business likely to be cyberattacked in next 12 months</b>	30.4%	39.4%	7/10	35.4%	6/8	N/A	N/A	N/A
<b>Reviewed your business's cybersecurity protections in last six months</b>	34.0%	49.4%	10/10	N/A	N/A	N/A	N/A	N/A
<b>More than 10 per cent of sales is received through digital payment options such as PayPal, Alipay, WeChat Pay</b>	42.7%	55.1%	7/10	36.4%	6/8	N/A	N/A	N/A

#### Factors that had positive and negative influences on business in 2018

Top four factors that had a positive influence on small business in 2018	Top four factors that had a positive influence on small business in 2017
Customer loyalty	Customer loyalty
Improved business strategy	Cost control
Cost control	Good staff
Improved customer satisfaction	Technology

Top four factors that had a negative impact on small business in 2018	Top four factors that had a negative impact on small business in 2017
Increasing competition	Increasing costs
Increasing costs <sup>^</sup>	Increasing competition
Poor overall economic environment	Poor overall economic environment
Increasing rent	Staff costs

<sup>^</sup>Equal first

#### Other

	2018	Survey average 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	38.9%	34.7%	5/10

## Demographics

	2018	Survey average 2018	Rank 2018	2017	Rank 2017	2016	2015	2014
<b>Business has been established for 10 years or less</b>	64.4%	63.2%	6/10	62.3%	6/8	65.2%	65.5%	71.3%
<b>Respondent is aged under 40</b>	44.6%	52.5%	7/10	43.6%	5/8	51.3%	47.7%	61.6%
<b>Respondent is the business owner</b>	37.6%	36.8%	6/10	35.4%	4/8	32.6%	34.2%	40.6%
<b>Business has 10 to 19 employees</b>	31.7%	35.7%	5/10	32.5%	5/8	48.4%	33.2%	38.4%

## Summary

The performance of Singapore's small businesses in 2018 was typically positive, with the majority stating that their business grew, bettering the 2017 result by a reasonable margin. Despite challenging global economic conditions, 2019 looks like it will also be a positive year for most of Singapore's small businesses.

The majority of respondents reported that they grew (58.7 per cent) – up from 47.5 per cent in 2017, the highest result for Singapore since 2015. It is also the highest result of the developed economies included in this survey (Australia, Hong Kong, New Zealand, Singapore and Taiwan). These positive results are expected to continue in 2019, with 60.7 per cent of businesses expecting to grow – the best result for Singapore since the 2012 survey. Given major uncertainties, such as global trade tensions and Brexit, and Singapore's externally-focused business sector, this is a very good result.

Small business confidence in Singapore's economy in 2019 remains positive, with 53.1 per cent of Singapore's small businesses expecting the local economy to grow in 2019. This result is almost double the percentage of Singaporean small businesses that have a negative economic outlook for 2019 and is close to expectations for 2018 which, given growing global economic risks, is a positive result and a vote of confidence in the nation's economic direction.

There is little change in the percentage of Singaporean small businesses that added staff over the past five years, with just over one in five (21.1 per cent) adding to their staff numbers in 2018; with Singaporean small businesses the most likely of the developed economies in the survey to have added staff. Reflecting slightly stronger growth expectations for 2019, the percentage of small businesses expecting to add to their staff numbers in 2019 (32.0 per cent) is up from 2018 and is at its highest level since 2014.

The major challenges Singapore's small businesses faced in 2018 were increasing costs and increasing competition – with this being the case for several years. Singapore's small businesses were the third most likely of the markets surveyed to select increasing competition as a barrier to their growth. However, concerns over increasing competition is not necessarily negative, as it reflects a vibrant and well-regulated economy. Further, competition is also beneficial to businesses in the long-term as it encourages businesses to undertake activities and make investments that create a competitive advantage, especially in

the areas of innovation, exporting and technology, as well as having a stronger customer focus.

Singaporean small businesses were most likely to nominate staff costs as the cost increase most detrimental to their business in 2018, followed by rent. Given concerns over increasing costs, it is of no surprise that many Singaporean small businesses nominated cost control as the third most popular factor that had a beneficial impact on their business in 2018. Customer loyalty was the factor that had the most positive impact on Singaporean small businesses in 2018, followed by improved business strategy.

Slightly more of Singapore's small businesses state that they will innovate through the introduction of a new product, service or process in 2019 (13.9 per cent) than in 2018 (13.1 per cent) and 2017 (8.7 per cent). This improved result from 2017 reflects stronger confidence in Singapore's economy, and concerns over increasing competition. The strong support Singapore's government gives business to encourage innovation, and the typically strong management capabilities of Singapore's small businesses, has no doubt also contributed to more Singaporean small businesses focusing on innovation in 2018 and 2019.

Singapore's small businesses, like their counterparts in the rest of Asia, typically have a strong focus on utilising digital technologies in their business, especially in comparison to Australian small business, although there is room for improvement. For example, with 37.3 per cent of Singapore's small businesses generating more than 10 per cent of their sales online compared with the survey average of 50.3 per cent, a stronger focus on online sales would be beneficial as the survey shows there is a strong link between this and business growth.

An overwhelming majority of small businesses in Singapore use social media for business purposes, with only 22.1 per cent saying that they did not use social media. The most popular use of social media is to promote their business, and the platform they get the most value from is Facebook. Some small businesses should consider expanding how they use social media, with the survey showing that businesses that use social media to learn about customer behaviours, and to receive and monitor customer feedback, are much more likely to be growing strongly.

Around two thirds of Singapore's small businesses receive payment from digital and mobile payment options such as Alipay, Apple Pay and WeChat Pay. This is positive, however small businesses may benefit from making such technology a more important part of their business, with the survey results showing a strong link between business growth and the use of such technology. With Singapore's excellent communications infrastructure and world-leading support for small businesses wishing to grow their digital presence, we expect Singapore's small businesses to move quickly to make digital payment technologies a more important to their business.

Singapore's small businesses typically do not believe that their systems will be cyberattacked in 2019, with only 30.4 per cent stating that a cyberattack is likely, less than the survey average of 39.4 per cent. Given this result, it is not surprising that 34.0 per cent of Singapore's small businesses have reviewed their cybersecurity in the past six months. We would, however, suggest that Singapore's small business should have a stronger focus cybersecurity. Government programs such as [Go Safe for Business](#) can assist small business with their cybersecurity.

This investment in technology is producing benefits for many of Singapore's small

businesses, with 31.4 per cent of respondents stating that their investment in technology in 2018 had already resulted in improvements in profitability.

Singapore's small businesses remain somewhat reluctant to seek out external finance, despite improvements in business conditions in 2018. Only 38.3 per cent of businesses required external funds in 2018, the lowest percentage since 2014. This may reflect positively on the management capability of Singapore's small businesses as they are making better use of existing assets to grow their business. Further, it suggests that some are funding their growth through internal sources, which reflects better cash flow management.

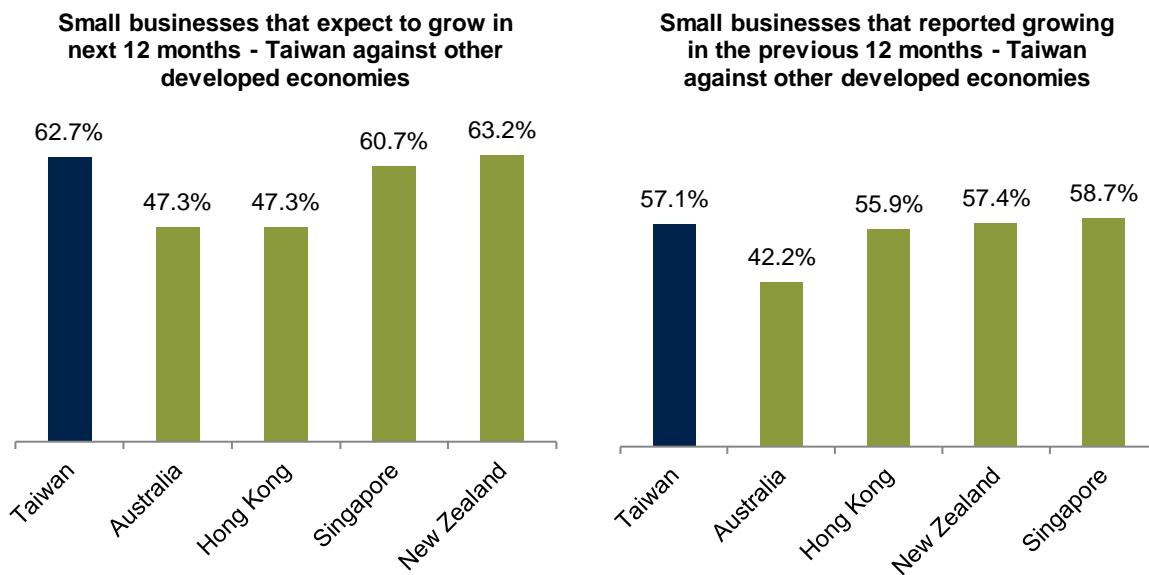
The relatively low level of demand may also reflect the difficulty many experienced in securing external finance in 2018, with 60.3 per cent stating that the experience was difficult, making Singapore the most difficult market to access external finance in 2018. While small businesses were the most likely to state that banks were their main source of finance, Singapore's small businesses were the most likely of the markets surveyed to declare that a government grant was their main source of finance.

The threat of a major disruption to global trade because of trade disputes is of concern to many of Singapore's small businesses, with 38.9 per cent stating that they believe it will have a negative impact on their business in 2019. With Singapore's open economy and large trade-orientated business sector, this is not a surprise.

## TAIWAN MARKET SUMMARY

### Data snapshot

#### Business and economic growth



	2018	Survey average 2018	Rank 2018
<b>Businesses that grew in the last 12 months</b>	57.1%	66.3%	8/10
<b>Businesses that expect to grow in the next 12 months</b>	62.7%	68.8%	7/10
<b>Businesses that expect the local economy to grow in the next 12 months</b>	44.2%	58.4%	8/10

#### Business activity over the past 12 months

	2018	Survey average 2018	Rank 2018
<b>Increased employee numbers</b>	20.8%	30.3%	7/10
<b>Improved business management had a major positive impact on the business</b>	13.9%	21.8%	8/10
<b>Increasing costs had a major negative impact on the business</b>	29.4%	39.9%	10/10
<b>Required funds from an external source</b>	37.3%	53.1%	8/10
<b>Sought external funds for business growth</b>	46.0%	58.6%	8/10
<b>Found it easy or very easy to access external finance</b>	21.2%	30.2%	7/10
<b>A bank was the business's main source of external finance</b>	29.2%	38.1%	10/10

### Planned business activity over the next 12 months

	2018	Survey average 2018	Rank 2018
<b>Expect to increase employee numbers</b>	29.4%	41.2%	7/10
<b>Will introduce a new product, service or process unique to their market or the world</b>	13.9%	20.8%	7/10^
<b>Expect revenue from overseas markets to grow strongly</b>	10.6%	15.0%	7/10
<b>Will seek external funds</b>	11.9%	22.9%	8/10
<b>Expect easy to very easy access to finance</b>	19.5%	25.1%	7/10

<sup>^</sup>Equal seventh with Singapore

### Social media, ecommerce and technology

	2018	Survey average 2018	Rank 2018
<b>Did not earn any revenue from online sales</b>	34.0%	28.5%	4/10
<b>Did not use social media for business purposes</b>	16.8%	18.3%	4/10
<b>Social media platform the business gets most value out of</b>	Facebook	Facebook	N/A
<b>Investment in technology by the business over the past 12 months has improved profitability</b>	33.0%	48.0%	6/10
<b>Technology your business invested in most heavily over the past 12 months</b>	Computer equipment	Computer equipment	N/A
<b>Consider your business likely to be subjected to a cyberattack in next 12 months</b>	37.3%	39.4%	6/10
<b>Reviewed your business's cybersecurity protections in last six months</b>	42.2%	49.4%	5/10
<b>More than 10 per cent of sales is received through digital payment options such as PayPal, Alipay, WeChat Pay</b>	31.4%	55.1%	10/10

### Factors that had positive and negative influences on business in 2018

Top four factors that had a positive influence on small business in 2018	Top four factors that had a negative impact on small business in 2018
Customer loyalty	Increasing costs
Good staff	Poor overall economic environment
Cost control	Increasing competition
Introduced a new product or service	Staff cost <sup>^</sup> Political instability

<sup>^</sup>Equal fourth

## Demographics

	2018	Survey average 2018	Rank 2018
<b>Business has been established for 10 years or less</b>	60.4%	63.2%	7/10
<b>Respondent is aged under 40</b>	44.9%	52.5%	6/10
<b>Respondent is the business owner</b>	14.2%	36.8%	8/10
<b>Business has 10 to 19 employees</b>	21.5%	35.7%	7/10

## Summary

2018 was a reasonable year for small businesses from Taiwan, with over half stating that they grew. Despite challenging global economic conditions, 2019 looks like it will also be a positive year for most of Taiwan's small businesses with nearly two-thirds expecting to grow.

The performance of Taiwan's small businesses in 2018 was typically positive, with 57.1 per cent stating that their business grew. These positive results are expected to continue in 2019, with 62.7 per cent of businesses expecting to grow. Given major uncertainties such as global trade tensions and Brexit, and Taiwan's externally-focused business sector, this is a good result and reflects the resilience of the sector in the face of such uncertainties.

The challenges Taiwan faces is best reflected in only 44.2 per cent of Taiwan's small businesses expecting their local economy to grow, below the survey average of 58.4 per cent. Concerns over global trade tensions is chief amongst the concerns of Taiwan's small businesses, with 41.6 per cent of respondents forecasting that a global trade war could have negative impacts on their business.

Reflecting 2018 being a reasonable year for Taiwan's small businesses, over one in five (20.8 per cent) added to their headcount in 2018. Despite forecast challenges and uncertainties, 29.4 per cent of Taiwan's small businesses expect to increase their headcount in 2019, again reflecting the resilience of the sector.

A positive feature of Taiwan's small businesses is their relatively strong focus on digital technologies, especially in comparison to Australian small businesses. For example:

- 38.0 per cent of businesses generate more than 10 per cent of their sales online, compared with 24.6 per cent of Australian small business
- Only 16.8 per cent of Taiwan's small businesses do not use social, compared with 44.8 per cent of Australian small business
- 33.0 per cent of Taiwan's businesses that invested in technology in 2018 found that such an investment was already profitable, compared with 16.4 per cent of Australian small business.

However, there is room for improvement. We suggest that Taiwan's small businesses would benefit from a stronger focus on:

- Online sales. While Taiwan does relatively well in comparison to Australia, Mainland China's small businesses are the clear leaders in e-commerce with 81.3 per cent of businesses generating more than 10 per cent of their sales online.

- Using digital payments technology. Taiwan's small businesses were the least likely of the markets surveyed to be generating more than 10 per cent of their sales through digital and online payment technologies, such as PayPal, Apple Pay and WeChat Pay. Only 31.4 per cent of Taiwan's small businesses generated more than 10 per cent of their sales through such technology, in comparison to 87.1 per cent of small businesses from Mainland China.
- Using social media to improve understanding of customers. Taiwan's small business should find that using social media to gain a better understanding of customer behaviours, and to receive and monitor customer feedback, will help with business growth.
- Cybersecurity. While 42.2 per cent of Taiwan's small businesses reviewed their cybersecurity measures in the past six months, this is below the survey average of 49.4 per cent.

Overall, only 9.9 per cent of Taiwan's small businesses stated that technology had one of the most positive impacts on their business in 2018, compared with 33.2 per cent of businesses that grew strongly and 38.0 per cent of businesses from Indonesia.

We make these suggestions as the survey results indicate that there is a link between a focus on e-commerce and technology and business growth. Further, with businesses from Taiwan indicating that staff costs were the costs most detrimental to their business in 2018, a stronger focus on technology, such as automation, can reduce the need for staff or free up staff to perform higher value-added tasks.

Taiwan's small businesses faced several challenges in addition to global trade tensions in 2018, with increasing costs being the issue Taiwan's businesses are most likely to nominate as a barrier to growth. Other issues of concern include economic conditions and increasing competition.

In addition to a stronger focus on technology in some areas, Taiwan's small businesses would also benefit from a stronger focus on innovation as only 13.9 per cent of Taiwan's businesses declared they will innovate in 2019 compared with a survey average of 20.8 per cent and 35.6 per cent of businesses from the Philippines.

While 57.1 per cent of Taiwan's businesses grew in 2018, only 37.3 per cent required funds from an external source. This reflects positively on the management capability of Taiwan's small businesses, as they are making better use of existing assets to grow their business. Further, it suggests that some are funding their growth from internal sources, which reflects good cash flow management.

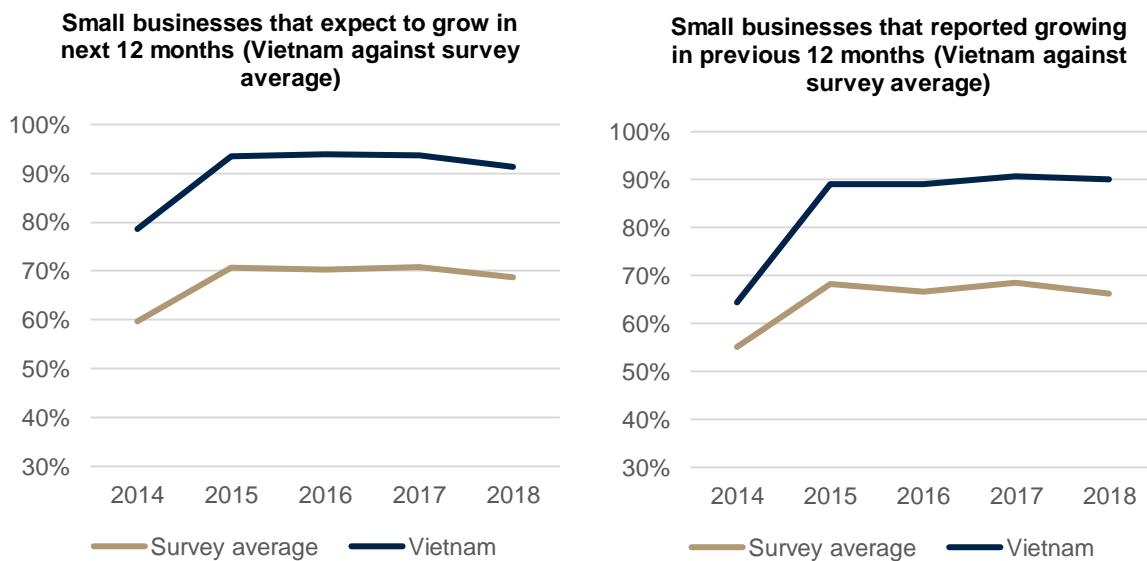
The relatively low level of demand for finance may also reflect that many did not experience easy conditions when seeking external finance in 2018, with only 21.2 per cent stating that they found access to finance easy, below the survey average of 30.2 per cent. Of interest, Taiwan's small businesses were the least likely to nominate a bank as their main source of finance from the markets surveyed.

2019 looks to be a challenging year for Taiwan's small businesses, however there is a stronger sense of optimism in their own business's prospects than in the general economy. That aside, if more of Taiwan's small businesses want to grow, we suggest they consider making larger investments in technology and have a stronger focus on improving customer satisfaction and business strategy.

## VIETNAM MARKET SUMMARY

### Data snapshot

#### Business and economic growth



	2018	Survey average 2018	Rank 2018	2017	Rank 2017	2016	2015	2014
<b>Businesses that grew in the last 12 months</b>	90.0%	66.3%	1/10	90.7%	2/8	89.0%	89.0%	64.4%
<b>Businesses that expect to grow in the next 12 months</b>	91.3%	68.8%	3/10	93.7%	2/8	93.9%	93.5%	78.6%
<b>Businesses that expect the local economy to grow in the next 12 months</b>	92.2%	58.4%	1/10	85.0%	1/8	85.8%	91.0%	79.7%

### Business activity over the past 12 months

	2018	Survey average 2018	Rank 2018	2017	Rank 2017	2016	2015	2014
<b>Increased employee numbers</b>	56.0%	30.3%	1/10	64.8%	2/8	53.9%	48.1%	51.2%
<b>Improved business management had a major positive impact on the business</b>	29.4%	21.8%	3/10	28.9%	4/8	25.5%	41.0%	N/A
<b>Increasing costs had a major negative impact on the business</b>	43.4%	39.9%	4/10	29.6%	6/8	43.2%	57.1%	N/A
<b>Required funds from an external source</b>	78.0%	53.1%	2/10	90.0%	1/8	81.3%	85.8%	94.8%
<b>Sought external funds for business growth</b>	70.1%	58.6%	2/10	47.6%	6/8	63.5%	70.3%	63.8%
<b>Found it easy or very easy to access external finance</b>	28.6%	30.2%	5/10	27.7%	5/8	23.0%	29.7%	32.0%
<b>A bank was the business's main source of external finance</b>	46.9%	38.1%	3/10	46.1%	2/8	50.8%	62.8%	N/A

### Planned business activity over the next 12 months

	2018	Survey average 2018	Rank 2018	2017	Rank 2017	2016	2015	2014
<b>Expect to increase employee numbers</b>	73.1%	41.2%	1/10	67.4%	2/8	70.6%	66.1%	64.4%
<b>Will introduce a new product, service or process unique to their market or the world</b>	33.7%	20.8%	2/10	41.9%	2/8	31.0%	26.1%	N/A
<b>Expect revenue from overseas markets to grow strongly</b>	29.4%	15.0%	1/10	51.2%	1/8	26.8%	19.7%	N/A
<b>Will seek external funds</b>	38.5%	22.9%	1/10	54.8%	1/8	44.5%	47.1%	48.7%
<b>Expect easy to very easy access to finance</b>	26.6%	25.1%	4/10	24.2%	6/8	22.9%	22.9%	37.1%

### Social media, ecommerce and technology

	2018	Survey average 2018	Rank 2018	2017	Rank 2017	2016	2015	2014
<b>Did not earn any revenue from online sales</b>	14.9%	28.5%	8/10	4.3%	8/8	12.6%	13.9%	11.8%
<b>Did not use social media for business purposes</b>	10.4%	18.3%	7/10	2.0%	8/8	8.1%	3.2%	3.0%
<b>Social media platform your business gets most value out of</b>	Facebook	Facebook	N/A	N/A	N/A	N/A	N/A	Facebook
<b>Investment in technology by the business over the past 12 months has improved profitability</b>	76.4%	48.0%	2/10^	76.4%	2/8	N/A	N/A	N/A

<b>Technology the business invested in most heavily over the past 12 months</b>	Website	Computer equipment	N/A	N/A	N/A	N/A	N/A	N/A
<b>Consider the business likely to be cyberattacked in next 12 months</b>	65.7%	39.4%	1/10	80.7%	1/8	N/A	N/A	N/A
<b>Reviewed the business's cybersecurity protections in last six months</b>	69.6%	49.4%	1/10	N/A	N/A	N/A	N/A	N/A
<b>More than 10 per cent of sales is received through digital payment options such as PayPal, Alipay, WeChat Pay</b>	60.0%	55.1%	3/10	62.5%	2/8	N/A	N/A	N/A

<sup>^</sup> joint second with the Philippines

#### Factors that had positive and negative influences on business in 2018

Top four factors that had a positive influence on small business in 2018	Top four factors that had a positive influence on small business in 2017
Improved customer satisfaction	Improved customer satisfaction
Customer loyalty	Good quality capital equipment
Good staff	Introduced a new product or service
Improved business strategy	Good staff

Top four factors that had a negative impact on small business in 2018	Top four factors that had a negative impact on small business in 2017
Increasing competition	Increasing competition
Increasing costs	Increasing costs
Difficulty expanding into new markets	Increasing rent
Tax	Cash flow difficulties

#### Other

	2018	Survey average 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	43.7%	34.7%	2/10

## Demographics

	2018	Survey average 2018	Rank 2018	2017	Rank 2017	2016	2015	2014
<b>Business has been established for 10 years or less</b>	77.0%	63.2%	2/10	64.5%	5/8	80.3%	80.7%	82.5%
<b>Respondent is aged under 40</b>	75.7%	52.5%	1/10	41.8%	6/8	72.2%	79.7%	65.1%
<b>Respondent is the business owner</b>	19.7%	36.8%	7/10	5.3%	8/8	15.5%	17.7%	6.2%
<b>Business has 10 to 19 employees</b>	47.9%	35.7%	2/10	75.4%	2/8	73.9%	65.5%	77.6%

## Summary

Small business conditions were very positive in Vietnam in 2018, with nine in ten reporting that they grew – the highest result of all the markets surveyed. These very positive conditions look set to continue in 2019, with a similar number of businesses expecting to grow, despite global economic uncertainties. Small business confidence in the growth prospects for Vietnam's economy is also the highest of the markets surveyed.

For 2018, 90.0 per cent of Vietnam's small businesses reported growing, the highest result of the markets included in this survey, and just slightly below the 90.7 per cent result for 2017. In comparison, the survey average was 66.3 per cent. While the overall results are very similar to 2017, the percentage of businesses that grew strongly was down from 41.5 per cent in 2017 to 26.9 per cent in 2018.

Vietnam's extremely positive small business conditions look likely to continue in 2019, with 91.3 per cent of small businesses expecting to grow over the coming 12 months – well ahead of the survey average of 68.8 per cent. Highlighting the very high level of small business confidence, 43.7 per cent of businesses expect to grow strongly.

Small business confidence in Vietnam's economy is also extremely high, with 92.2 per cent of businesses expecting the economy to grow in 2019, the highest result of the economies surveyed – and the highest result on record for Vietnam – and significantly ahead of the survey average of 58.4 per cent. This result is quite remarkable given nearly half (43.7 per cent) of Vietnam's small businesses expect that global trade tensions will have a negative impact on their business in 2019.

Reflecting these strong business conditions, over half (56.0 per cent) of Vietnam's small businesses added to their employee numbers in 2018. This result was down from 2017, where 64.8 per cent added staff. The fall is attributed to the decline in the number of businesses that reported growing strongly in 2018 from 2017. Vietnam's small businesses are likely to continue to be important creators of jobs, with 73.1 per cent expecting to add to their staff numbers in 2019, the highest result for the markets surveyed.

Small businesses from Vietnam continue to be strong adopters of new technology. The majority of Vietnam's small businesses sell online and use social media in their business. In fact, it would be difficult to find a Vietnamese small business that is not using social media or selling online. Further, online sales are an important part of many Vietnamese small businesses, with 60.5 per cent earning more than ten per cent of their revenue from that channel. This is only likely to grow, as Vietnam was the only market in which respondents nominated their website as the technology they made the biggest investment in in 2018.

New payment technologies such as MoMo, Samsung Pay and Alipay are proving popular for those businesses offering it, with six in ten stating that payments through those technologies makes up over 10 per cent of their sales.

However, cash remains by far the most popular payment option for Vietnam's small businesses, with 57.9 per cent of businesses stating that cash makes up 50 per cent or more of their sales, which is down from 65.5 per cent in 2017. Given the broad cross-section of industries represented in Vietnam's survey sample, it can be assumed that many business-to-business transactions are paid in cash.

Cybersecurity is taken seriously in Vietnam, and this is no surprise, given that 65.7 per cent of Vietnamese respondents believe that a cyberattack on their business is likely in 2019 – the highest result of the markets surveyed. This concern is most likely driven by the increasing use of technology in Vietnam, not because of any identified risk factor. Due to these concerns, Vietnamese small businesses were the most likely of the markets surveyed to review their cybersecurity in the past six months.

The strong level of investment in technology in Vietnam is producing benefits for a clear majority of small businesses, with 76.4 per cent of respondents stating that their investment in technology in 2018 was already profitable – the second highest result of the markets surveyed. This result, plus Vietnam's strong business confidence, will no doubt encourage further investment in technology and assist Vietnam's small business sector to become more globally competitive and successful.

Vietnam's small business sector continues to be highly innovative, with 33.7 per cent stating that they will introduce a totally new product, process or service to Vietnam or the world in 2019 – the second highest result for the markets surveyed. This is likely to result in Vietnam having a more competitive small business sector and stronger economic growth over the medium to long term.

Of course, while the survey results are overwhelmingly positive for Vietnam, businesses did also report challenges, with increasing competition and increasing costs being identified as the largest barriers to growth. The percentage that selected these challenges was well up from 2017, with Vietnam's small businesses the most likely to site increasing competition as a barrier to growth. However, increasing competition reflects a vibrant economy and should result in businesses focusing more on innovation and improving the management of their business; both critical to sustained growth.

A key factor driving expected growth in Vietnam's small business sector is exports, with 29.4 per cent of respondents expecting their revenue from overseas sales to increase strongly in 2019 – the highest result of the markets surveyed, but well down from the previous results, where 51.2 per cent of Vietnam's small businesses expected their exports to grow strongly. This decline no doubt reflects concerns over how global trade tensions may impact exports.

Reflecting strong growth and investment in technology, 78.0 per cent of Vietnamese small businesses accessed external finance in 2018 – the second highest result of the markets surveyed, with business growth being the most likely reason for seeking finance. However, small businesses from Vietnam continue to find accessing finance more difficult than easy, with 34.4 per cent of those who accessed finance reporting that it was difficult or very difficult, compared with the 28.6 per cent that found it easy.

With significant numbers of Vietnam's small businesses having characteristics strongly

connected with growth, such as a focus on technology, e-commerce, exports and innovation, the future of Vietnam's small business sector is very positive. We are likely to see several Vietnamese small businesses evolve to become large, successful global businesses over the coming years.

## ABOUT THE SURVEY

The CPA Australia Asia-Pacific Small Business Survey 2018 is part of a longitudinal annual study of small business conducted by CPA Australia since 2009. This report presents a cross-market comparison between the ten markets surveyed and, where applicable, a comparison of results from 2009 onwards. The survey was conducted between 16 November and 11 December 2018.

The economies of the Philippines and Taiwan are included in this survey series for the first time in 2018. Mainland China and Vietnam were first included in the survey in 2014. Indonesia and New Zealand were first included in 2011.

The survey in Mainland China was conducted in Beijing, Chongqing, Guangzhou, Shanghai and Shenzhen (Shenzhen was added for the first time in 2018).

For this report, all data shown for China excludes Hong Kong and Taiwan, which are shown separately.

### Interview method

In each market, the online survey was conducted amongst a random sample of small business owners/managers. The sample was obtained through online panel provider Research Now/SSI and their Asian panel partner iPanel Online and AIP Corporation. To qualify for the survey, participants were required to be an owner, a senior manager (defined as being a director, a principal, a CEO, a CFO, a senior manager or a managing director) or a qualified accountant of a business with fewer than 20 employees.

### Sample

In total, 3607 participants completed the survey, including 505 from Australia, 764 from Mainland China, 279 from Hong Kong, 305 from Indonesia, 304 from Malaysia, 310 from New Zealand, 225 from the Philippines, 303 from Singapore, 303 from Taiwan and 309 from Vietnam.

Of the 764 participants from Mainland China (which for this report excludes Hong Kong and Taiwan), 152 were from Beijing, 151 were from Chongqing, 153 were from Guangzhou, 156 were from Shanghai and 152 were from Shenzhen.

### Questioning

The questions were largely drawn from previous surveys. Some slight modifications to wording were made to a number of repeated questions. There were new questions on technology, cybersecurity and global trade tensions; while a question on the type of social media used was re-instated after last being asked in 2014.

Questionnaires in Australia, New Zealand, the Philippines and Singapore were administered in English. The Hong Kong and Taiwan questionnaires were administered in traditional Chinese, the questionnaire for Malaysia was administered in both English and Bahasa Malaysia, Indonesia's questionnaire was administered in Bahasa Indonesia, Mainland China's questionnaire was administered in simplified Chinese, and Vietnam's questionnaire was administered in Vietnamese.

## Rounding

All percentage results shown in this report have been rounded.