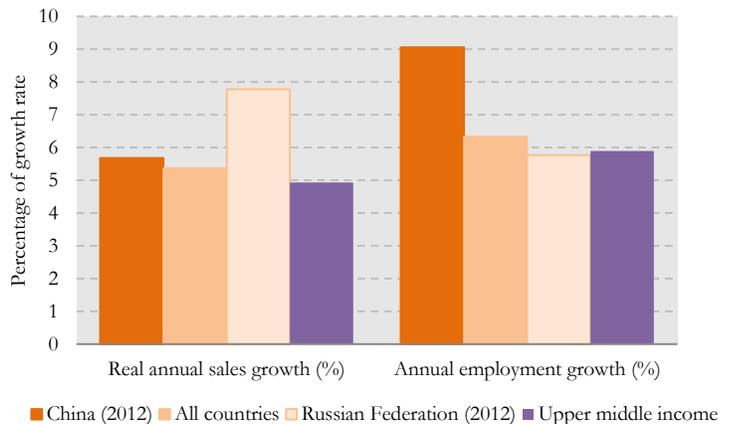


The World Bank interviewed a representative sample of the private sector composed of 2700 business establishments from November 2011 through March 2013 across 25 of the largest cities in **China**. The Enterprise Survey covers several topics of the business environment as well as performance measures for each firm. Below are the main highlights from the survey.

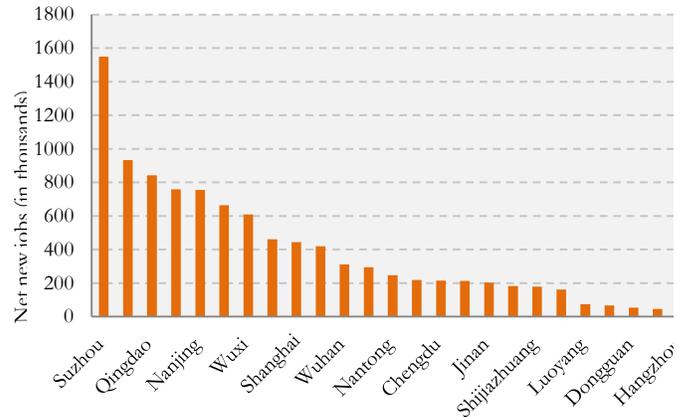
Firms in China have high employment growth and moderate sales growth

Annual sales growth in China between 2009 and 2011 was 5.7 percent. This is comparable to the world average but significantly lower than the growth rate for some of the best performers such as the Russian Federation. However, employment growth in China over the same period equaled 9.1% which was higher than the world average of 6.4%. The high employment growth and moderate sales growth was, however, associated with declining labor productivity.



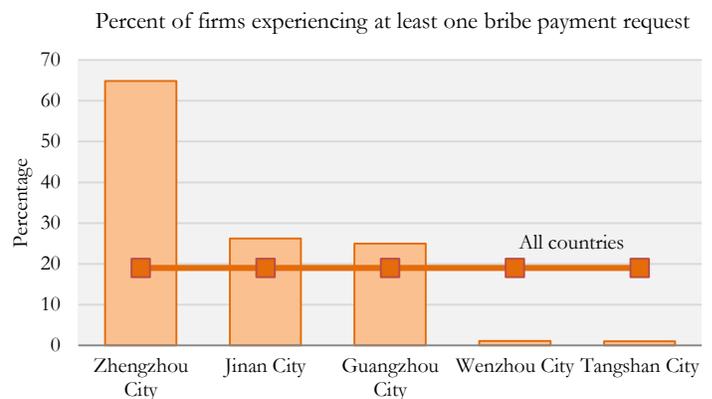
Cities located in southern China contribute the most to job creation

From 2009 to 2011, private-sector firms in all the 25 cities surveyed in China experienced a net increase in the number of full-time permanent employees; nearly 10 million new **jobs** were created in these cities during this time period. Cities with the largest increase in these types of workers are predominantly located in southern China where the manufacturing sector has been increasing and the population is younger. As shown in the graph, there is large variation in the total number of net new jobs created across cities.



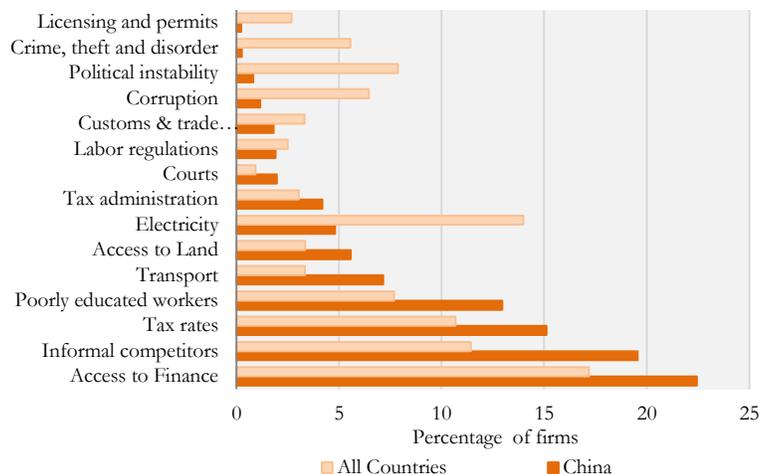
The level of corruption varies significantly across locations in China

On average, firms in China are solicited for bribe payments or gifts infrequently compared to most countries that have been surveyed. There is, however, significant variation across locations as demonstrated in the figure which includes the three cities with the highest incidence of **corruption** as well as the two cities with the lowest incidence. The incidence of bribery in Zhengzhou is as high as what we find in the most corrupt countries in the world and for which data are available.



The Chinese private sector cites access to finance mostly frequent as the biggest business obstacle

Among fifteen areas of the business environment, firms in China are more likely to rate access to finance to be the **biggest obstacle** to their daily operations. More than 20% of firms rank access to finance as their top obstacle. Practices of competitors in the informal sector, tax rates, and an inadequately educated workforce are the next three highest-ranked obstacles, all of which are typical of upper middle-income economies.



Firms in China are less likely to use bank financing

The share of Chinese firms using bank financing for their working capital or investments is very low at 6% for the former and 5% for the latter. These percentages are lower than the average for all surveyed economies and considerably lower than the average for Upper Middle Income countries. These facts, emerging from the actual experiences of the private sector, are not surprising given the large number of firms reporting **access to finance** as the biggest obstacle.



Firms in China are more likely to offer formal training

Close to 80 percent of the firms in China offer formal training to their employees, a figure much higher than most of the world. As a consequence, about 85 percent of the workers in Chinese firms have undergone training. This is nearly double the average proportion for all countries. This result may be in part the response of the private sector to their perception that the **workforce** is inadequately educated as demonstrated by survey respondents selecting poorly educated workers as one of the top-ranked obstacles.



The Enterprise Analysis Unit is a joint World Bank and IFC team of economists, survey experts specialized in private sector development. Surveys implemented by the team reveal what businesses and firms experience across the world by interviewing representative samples of the formal, non-agricultural, non-extractive, private sector with 5 employees or more. The resulting globally comparable firm-level data is used to construct business environment indicators and measure firm performance. The findings and recommendations help policy makers identify, prioritize, and implement policy reforms that support efficient private economic activity.

For more information on the survey visit <http://www.enterprisesurveys.org>