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Business leaders have gloomy outlook for revenue growth

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- *Only 7% of Singapore's business leaders are 'very confident' about their revenue growth over the next 12 months*
- *Fewer Singapore business leaders plan to increase cross border investment – from 69% in 2015 to 47% in 2016*
- *76% of businesses have embedded real time or near real time data and information collection*

Singapore, 17 November 2016 – A mere 7% of business leaders in Singapore surveyed in this year's APEC CEO Survey by PwC are 'very confident' about revenue growth over the next 12 months (28% in APEC, 40% in ASEAN). It's the second year in a row CEOs have had a subdued outlook for revenue growth.

In sharp contrast, businesses leaders in APEC's youthful, faster-growing economies have higher levels of confidence in near term revenue growth than before. This sentiment is also reflected by CEOs in ASEAN where 40% of business leaders indicated that they were 'very confident'.

PwC surveyed over 1,100 CEOs in 21 APEC economies, in the run up to the APEC Business Summit in Lima, Peru (17-19 November).

Looking outward for growth

With a muted economic outlook, this year's survey results show that business leaders will be more stringent with cross-border investment in the year to come. In Singapore, fewer CEOs plan to increase cross border investments over the next 12 months seeing a 22 point drop from 69% in 2015 to 47% in 2016 (53% in APEC 2016, 66% in ASEAN 2016), with 12% indicating intent to decrease cross border investments (10% in APEC, 5% in ASEAN).

On a positive note, majority (60%) informed that they are 'somewhat confident' in the year to come; coupled with the Monetary Authority of Singapore (MAS) holding off on easing measures despite receding growth, this may be indicative of the robustness of the Singapore market.

Gone are the days when fast growing markets were enough to entice investors to make big bets. Regulation emerged as the biggest influence on investment decisions, above skills, tax, and legal issues. Over half (58% in APEC, 71% in ASEAN, 66% in Singapore) expect its impact to increase again

within 3-5 years.

Yeoh Oon Jin, Executive Chairman, PwC Singapore, comments:

“As Singapore is largely swayed by global economic conditions and has a relatively small domestic market, it is logical for businesses here to be outward-oriented for growth. Emerging markets such as the other ASEAN economies bring a promise of hope. Singapore is well-placed to reach out to the ASEAN markets and should leverage on the rising tide in ASEAN to secure long-term sustainable growth or risk losing their market share.”

Outlook on China

65% of CEOs in Singapore believe China’s growth in the next three years will be 6% or less (50% in APEC, 60% in ASEAN). Despite this, even pessimistic CEOs are not ignoring its growth potential. This is in-part due to new demand and business opportunities as China transitions from an industrial and export-driven economy to one that is consumer-driven. About half of business leaders in Singapore want to increase collaboration with partners in China (48% in APEC, 50% in ASEAN, 51% in Singapore).

Raymund Chao, Greater China chairman, comments:

“It’s significant that APEC business leaders look beyond a slowdown to the long term. China is a prime example. Its scale and skills means concerns about its slower economic growth are not enough to put business leaders off investment and expansion. China remains a powerhouse of potential for APEC businesses for new products, and partnerships.”

Leveraging digital technologies

Competition, confidence and the wider trade and regulatory environment are resulting in APEC businesses turning to wider strategies for revenue growth. Digital technologies continue to play a significant role in businesses and are showing promising benefits.

76% of business leaders in Singapore have indicated that real time or near real time data and information collection has already been embedded (79% in APEC, 82% in ASEAN). In Singapore, CEOs reflected that the top benefits of data collection are in the areas of operational and cost efficiency (59%),

improving customers' experience (55%), asset optimisation (45%) and generating new revenue streams (45%).

Richard Skinner, Strategy Leader, PwC Singapore concludes:

“Digital technologies such as data can prove to be a powerful tool for companies if done right. Data collection must align with business objectives to help drive top line revenue growth and bottom line profit. The power of data does not just lie in how much of it you gather, but in sophisticated analysis and insight drawn from the data collated - aligning this to strategy will then yield those benefits.

“Despite the gloomy economic outlook in Singapore, businesses can leverage on the benefits of digital technologies to improve decision making and sustain growth.”

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Notes

- 1.PwC is the Knowledge Partner of the APEC CEO Summit 2016. For a full report, go to www.pwc.com/apec
- 2.PwC interviewed 1,154 CEOs and industry leaders across the 21 APEC economies during May to July 2016.
- 3.The level of those ‘somewhat confident’ in the outlook has risen (from 39% in 2015 to 49% in 2016), at the expense of a falling level of those ‘not very confident’ (from 27% to 17%) and not at all confident (from 5% to 3%).
- 4.Competition: 34% identify developed economy multinationals as their biggest competitive threat. But concern has risen about the threat from multinationals in emerging economies (from 10% to 18%), and regional leaders in APEC economies (from 12% to 20%).

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