

22nd Annual Global CEO Survey

CEOs' curbed confidence spells caution



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CEO confidence shaken by global uncertainties

<i>Date</i>	22 January 2019
<i>Contact</i>	Natalie Choo Tel:+65 8722 7545 Email: natalie.yl.choo@sg.pwc.com Candy Li Tel: +65 8722 7540 Email:candy.yt.li@sg.pwc.com

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Singapore, 22 January 2019 – What a difference a year makes. Nearly 30% of business leaders globally believe that global economic growth will decline in the next 12 months, approximately six times the level of 5% last year – a record jump in pessimism. This is one of the key findings of PwC’s 22nd annual survey of over 1,300 CEOs around the world, launched today at the World Economic Forum Annual Meeting in Davos.

CEOs across members of the Association of Southeast Asian Nations (ASEAN) reflected greater pessimism with almost half (46%) believing that global economic growth would decline. Although, all is not doom and gloom: 1 in 3 CEOs (32%) in ASEAN forecasted an improvement in global economic outlook, lower than the global average of 42%.

Yeoh Oon Jin, Executive Chairman, PwC Singapore said:

“CEOs’ views of the global economy which generally mirror the major economic outlooks, are adjusting their forecasts downward in 2019. With the rise of trade tension and protectionism it stands to reason that business confidence is waning. This is especially so in ASEAN this year, with ASEAN CEOs showing even greater pessimism than their Global counterparts. This is in stark contrast to sentiments over the past few years where we have been seeing greater optimism in Asia.”

Confidence in revenue growth threatened by global economic uncertainties

The unease about global economic growth is lowering CEOs’ confidence about their own companies’ outlook in the short term. Thirty-five percent of CEOs globally and 33% in ASEAN said they are ‘very confident’ in their own organisation’s growth prospects over the next 12 months.

As indicators predict an imminent global economic slowdown, CEOs have turned their focus to navigating the surge in populism in the markets where they operate. Trade conflicts, policy uncertainty, and protectionism have replaced terrorism, climate change, and increasing tax burden in the top ten list of threats to growth globally.

In ASEAN, trade conflicts came out the top threat amongst CEOs at 83%, with geopolitical uncertainty and policy uncertainty following closely behind at 81% and 78% respectively. A majority of CEOs in ASEAN are taking a strong reactive approach to this geopolitical shift, with 29% adjusting supply chain and sourcing strategy, 29% delaying capex and 17% are adjusting their growth strategy to different countries.

This year's survey took a deep dive into Data & Analytics and Artificial Intelligence (AI), two key areas on leaders' radar, to get CEOs' insights on the challenges and opportunities.

Data & Analytics – *Lingering information gap*

This year's survey revisited questions about data adequacy first asked in 2009. It was found that CEOs continue to face issues with their own data capabilities, resulting in a significant information gap that remains ten years on. Despite billions of dollars of investments made in IT infrastructure over this time period, CEOs report that they are still not receiving comprehensive data needed to make key decisions about the long-term success and durability of their business.

Leaders' expectations have certainly risen as technology advances, but CEOs are keenly aware that their analysis capabilities have not kept pace with the volume of data which has expanded exponentially over the past decade. When asked why they do not receive comprehensive data, CEOs in ASEAN point to the 'lack of analytical talent' (53% in ASEAN, 54% globally), 'poor data reliability' (53% in ASEAN, 50% globally), and 'inability to quantify external information' (50% in ASEAN, 40% globally) as the primary reasons.

When it comes to closing the skills gap in their organisation, CEOs agree that there is no quick fix. Forty-two percent of business leaders in ASEAN see significant retraining and upskilling as the answer (46% globally), with 22% also citing establishing a strong pipeline directly from education as an option (17% globally).

Yeoh Oon Jin, Executive Chairman, PwC Singapore said:

“The lingering skills gap that is so apparent this year points to the importance of bringing together the best of man and machine, in this technological era. While machines are increasingly being used to generate more accurate

statistical trends and automate systems, it is becoming clearer that the analytical and reasoning skills of the human are growing in importance and at least for now, irreplaceable. As businesses start integrating more analytics and technology into their day-to-day operations, there is naturally an increased demand for professionals with strong data and digital skills."

Artificial Intelligence

Eighty-seven percent of CEOs in ASEAN (85% globally) agree that AI will dramatically change their business over the next five years and 62% believe AI will displace more jobs than it creates (49% globally).

Despite the bullish view on AI, one in three CEOs (36% ASEAN, 23% globally) currently have 'no current plans' to pursue AI, with a further 32% (35% globally) 'planning to do so' in the next three years. Twenty-eight percent have taken 'a very limited approach' (33% globally) and one in twenty CEOs have implemented AI on a wide scale (4% ASEAN).

Yeoh Oon Jin, Executive Chairman, PwC Singapore concludes:

"The potential of AI is immense, but in order for us to make this next quantum leap and fulfil the promise of AI, organisations from both the public and private sector must work hand in hand and be committed to deliver on the educational, governance, innovation and commercial considerations."

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Notes

1.All figures refer to CEOs across ASEAN unless otherwise indicated.

2.ASEAN member economies surveyed include Cambodia, Indonesia, Malaysia, Philippines, Singapore, Thailand and Vietnam.

3.To get more information on the ASEAN cut, please visit

pwc.com/sg/ceosurvey

4.PwC conducted 1,378 interviews with CEOs in 91 countries between September and October 2018. Our sample is weighted by national GDP to ensure that CEOs' views are fairly represented across all major regions. 10% of the interviews were conducted by telephone, 73% online, and 10% by post or face-to-face. All quantitative interviews were conducted on a confidential basis. 48% of companies had revenues of \$1 billion or more; 36% of companies had revenues between \$100 million and \$1 billion; 15% of companies had revenues of up to \$100 million; 59% of companies were privately owned.

5.*Download the global report at ceosurvey.pwc.*

6.*Video footage from the launch of the Global CEO Survey in Davos and other media materials are available at: press.pwc.com*

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Contacts



Siew Ling Ong

Press Contact

Manager, Brand and Communications

siew.ling.ong@pwc.com

+65 8729 0562



Candy Li

Press Contact

Team Lead - Brand & Communications

candy.yt.li@pwc.com

+65 8613 8820