



1,409 CEOs interviewed
in **83** countries

66% of CEOs see more
threats today

76% of CEOs define
business success by more
than financial profit

Jan 20, 2016 05:00 +08

Geopolitical threats rise as CEO's global growth confidence falls

Date	20 th January 2016
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Geopolitical threats rise as CEO's global growth confidence falls

Confidence in global economy falls by 10 points, globally and in ASEAN
Concerns about geopolitical uncertainty increase sharply (74% globally and 81% in ASEAN)
Revenue prospects decline in major economies
90% are changing how they use technology to assess and deliver on customer and other stakeholder expectations

Singapore, 20 January 2016 – CEOs (66% globally, 80% in ASEAN) see more threats facing their businesses today than three years ago. Just over a quarter (27% globally) believe global growth will improve over the next 12 months, a decline of 10 points on last year. This decline was also echoed by ASEAN CEOs, 39% of whom anticipated an improvement in the global economy, also a 10 point decline on last year. In addition, findings from PwC's Annual Global CEO survey show only slightly more than a third (35% globally, 38% in ASEAN) are very confident of their own company growth in the coming year, down four points on last year (39% globally), and even one point below 2013.

The results, in PwC's Annual CEO Survey - *'Redefining business success in a changing world'* - underline a gloomy outlook for the global economy in the next twelve months. More than 1,400 CEOs were interviewed for the research, which was published at the opening of the World Economic Forum Annual Meeting in Davos, Switzerland.

China's economic rebalancing, crude oil price falls, and geopolitical security concerns are all impacting an overall increase in uncertainty about the global economy's growth prospects. Globally, only just over a quarter (27%) of CEOs think global growth will improve over the next 12 months, compared to 37% last year, while 23% think it will worsen (2015: 17%). Levels of optimism amongst North American CEOs is half that (16%) of the most optimistic regions (Western Europe 33% and Middle East 34%). Almost a third of China's CEOs (33%) believe global economic growth will slow down in 2016.

Revenue growth confidence falls

Confidence in businesses' own revenue growth for the next 12 months has also fallen (35% 'very confident' vs 39% last year). Against this tide of pessimism, CEOs in India (64%), Spain (54%) and Romania (50%) stand out as more optimistic. The biggest turnaround is seen in Taiwan, where only 19% are very confident of short-term company growth, compared to 65% last year - an astonishing slump of 46 points. However, Switzerland has the lowest confidence with only 16% of Swiss CEOs very confident of revenue growth compared with 24% in 2015.

Confidence in revenue growth is also down compared to last year for nearly every major economy in the world: China 24% (2015: 36%) United States 33% (2015: 46%), United Kingdom 33% (2015: 39%) and Germany 28% (2015: 35%). Italy 20% (2015: 20%) and Japan 28% (2015: 27%) remained static. Only Russia bucks the trend as confidence rose to 26% from a deep low of 16% last year.

Looking at investment prospects, the US, China, Germany and the UK remain the countries CEOs view as most important for growth in the next 12 months. Mexico and the UAE have also entered the top ten in place of Indonesia and Australia.

Commenting on the survey results, Yeoh Oon Jin, Executive Chairman of PwC Singapore, says:

“There’s no question that business leaders’ confidence in both the global economy and their own company growth prospects has taken a knock. Regardless of the business size, the threats companies face are becoming more complex - crossing the borders of geopolitics, regulation, cyber security, societal development, people, and reputation.

The pessimistic outlook for the year ahead is reinforced by the fact that CEOs continue to point to the ‘safe havens’ such as the US, China, Germany and UK for future growth, which underlines the general uncertainty about where real growth will come from in the medium to long term.”

CEOs see more threats

With heightened concerns about geopolitics, two thirds of CEOs (66%) now see more threats facing their business today than there were three years ago.

As in most years the spectre of over-regulation is seen as the top threat to companies’ growth prospects, with 79% of CEOs citing this – the fourth year in a row that concerns about regulation have risen. However geopolitical uncertainty has jumped from fourth in CEO concerns last year to second this year, cited by 74% of business leaders. As a result, concerns about availability of key skills have dropped from second to fourth, but remain a concern for nearly three quarters (72%) of CEOs. Worries about exchange rate volatility are in third place (73%).

Cyber security is also a worry for 61% of CEOs, representing threats to both national and commercial interests. Concern is highest amongst CEOs in the US, Australia and the UK (74%+) and in the banking, technology and insurance sectors.

Skills and recruitment

Nearly half (48%) of CEOs plan to increase their headcount over the next 12 months, a slight drop on last year (50%). Business recruitment activity is highest in India (70%), the UK (66%) and China (57%).

Concerns about the availability of key skills remains high (72%). Several sectors have particularly high levels of concern, topped by entertainment and media, and technology, while sectors more traditionally aligned with 'STEM' skills including manufacturing, pharmaceuticals and life sciences, also feature. Geographically, concerns are highest in Asia Pacific (81%), the Middle East (83%) and Africa (86%), and lowest in Western Europe (59%).

Nearly half of CEOs say they are changing how they develop their pipeline of leaders (49%), suggesting business leaders' recognition of the wider skills the next generation of CEOs will need to tackle a more complex environment encompassing technology, wider threats, and expectations of stakeholders for their organisations. Perhaps reflecting CEO's wider views on rising stakeholder expectations and business trust issues, 41% said they were focusing more on workplace culture and behaviours.

Government & business

The top priority for government should be a clear and effective tax system, say 56% of CEOs, followed by a skilled, educated and adaptable workforce (53%), and infrastructure (50%) – both physical and digital.

However CEOs tended to not rate their governments highly – particularly around the effectiveness of the tax system, and income equality. Two thirds (67%) cite a stable tax system as being more important than low tax rates.

Around a third (33%) rate governments as ineffective at safeguarding personal data (26% effective), with China (46%), the US (60%), Brazil (72%)

and Argentina (52%) having the highest levels of concern.

Technology

The survey underlines technology's force in business for change and better customer and stakeholder understanding.

Nine out of ten (90%) CEOs say they are changing how they use technology to assess customer and wider stakeholder expectations, and deliver against them. The most significant levels of change are reported in sectors with traditionally high customer service expectations including banking and capital markets (90%), insurance (95%), hospitality and leisure (94%) and healthcare (93%). Overall, more than three quarters (77%) believe technological advances will have transformed expectations of businesses over the next five years.

Data and analytical tools, and CRM systems are seen as having the greatest return for stakeholder engagement. This is followed by R&D and innovation cited by 53% of CEOs globally, with CEOs in Taiwan (76%), Brazil (72%), France (71%) and Germany (67%) prioritising it higher than the global average.

Internally however, technology & data analytics still has untapped potential. In talent management, only 4% report using predictive workforce analytics, and 16% use it to focus on productivity. Concerns about the speed of technological change as a threat to growth prospects is being felt most acutely in the banking and capital markets sector (81%), 20% higher than the global average (61%), followed entertainment and media (79%), and technology (66%) sectors – mirrored in CEOs concerns about skills in these sectors.

Trust and purpose in business

This year's survey examines how CEOs are preparing to respond to changing customer and wider stakeholder expectations of business. 59% of CEOs say businesses need to do more to communicate their purpose and values.

Trust is certainly a concern, as CEOs consider changing stakeholder needs. More than a half (55%) of CEOs are concerned about the lack of trust in

business, compared with 37% just three years ago.

But there are barriers to responding to changing expectations. Many CEOs (45%) say additional cost is stopping them from taking action to respond to greater expectations. Unclear or inconsistent standards and regulations, cited by 42% of CEOs, is also a significant barrier.

In five years' time, more than three quarters (77%) believe technological advances will have transformed expectations of businesses on communication, reporting, investment and planning. In addition, 71% of CEOs believe that in five years' time, successful companies will be guided by a purpose centred on creating value for wider stakeholders. 87% say companies will prioritise long-term over short-term profitability. Overall they

believe that customer and other stakeholder needs will be more important than shareholders' in successful organisations.

Adds Yeoh Oon Jin, Executive Chairman of PwC Singapore:

“The CEO environment is a challenging one. They recognise the wider stakeholder expectations of their business. Reshaping companies built on profit alone into ones where profit and purpose combine, is not going to happen quickly or easily, but it’s a transformation that is already starting and that businesses need to keep pace with.”

-Ends-

Notes to editors:

1.About the survey: PwC’s 19th Annual Global CEO Survey was conducted during the last quarter of 2015, with 1409 CEO respondents in 83 countries. Regionally, 476 interviews were conducted in Asia Pacific, 314 in Western Europe, 170 in Central and Eastern Europe, 169 in Latin America, 146 in North America, 87 in Africa and 47 in the Middle East. Download the full survey or examine the results in detail at www.pwc.com/ceosurvey.

2.Percentages are reflective of global sentiment unless otherwise stated.

3.Key insights to the ASEAN region from PwC’s 19th Annual Global CEO Survey and the PwC 2015 APEC CEO Survey can be found at <http://www.pwc.com/sg/en/apec-ceo-summit/global-and-apec-ceo-survey-asean-highlights.html>

4.List of country/regional CEO saying they are very confident of 12 month growth.

	Very confident of short-term revenue growth			
	2016	2015	2014	2013
India	64%	62%	49%	63%
Spain	54%	35%	23%	20%
Romania	50%	44%	39%	42%
Mexico	46%	50%	51%	62%
Argentina	42%	17%	10%	26%
Africa*	42%	***	***	***
ASEAN**	38%	47%	45%	40%
South Africa	37%	39%	25%	45%
Global	35%	39%	39%	36%
Australia	35%	43%	34%	30%
UK	33%	39%	27%	22%
US	33%	46%	36%	30%
Nordic	31%	26%	***	***
Canada	31%	36%	27%	42%
Denmark	30%	33%	44%	NA
Germany	28%	35%	33%	31%
Japan	28%	27%	27%	18%
Russia	26%	16%	53%	66%
China	24%	36%	48%	40%
Brazil	24%	30%	42%	44%
Italy	20%	20%	27%	21%
Taiwan	19%	65%	***	***
Switzerland	16%	24%	42%	18%

* Africa excludes South Africa** The ASEAN countries in which interviews were conducted are: Cambodia, Indonesia, Malaysia,

Philippines, Singapore, Thailand and Vietnam

*** Not available

5.List of CEOs planning job increases by industry.

Percentage of CEOs expected to boost headcount				
in next 12 months (by industry)				
	2016	2015	2014	2013
Technology	67%	55%	63%	44%
Asset Management	65%	61%	58%	55%
Pharmaceuticals & Life Sciences	64%	58%	44%	38%
Healthcare	56%	59%	53%	43%
Hospitality & Leisure	53%	45%	51%	33%
Business services	51%	56%	62%	56%
Retail	51%	46%	51%	49%
Transport & Logistics	51%	49%	40%	43%
Insurance	49%	50%	59%	39%
Automotive	48%	49%	45%	44%
Communications	48%	40%	52%	36%
Industrial Manufacturing	47%	53%	46%	36%
Chemicals	46%	50%	49%	43%
Mining	45%	52%	25%	39%
Banking & Capital Markets	43%	53%	52%	44%
Engineering & Construction	42%	51%	51%	52%
Power & Utilities	42%	36%	36%	41%
Consumer Goods	41%	40%	46%	40%
Entertainment & Media	39%	46%	53%	43%
Forest, Paper & Packaging	36%	27%	45%	32%
Metals	32%	41%	22%	28%

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