

# News Release

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## **CEO Confidence Plummets to New Low Most Top Executives Expect Slow Turnaround**

### **Depth of the Crisis Impacts all Regions, Sectors**

#### ***Talent, over-regulation among top concerns in PricewaterhouseCoopers Survey***

**DAVOS, Switzerland - 27 January 2009** – Battered by recession, CEOs' confidence about future prospects for business has plummeted and executives expect a slow, gradual recovery over the next three years, PricewaterhouseCoopers 12<sup>th</sup> Annual Global CEO Survey has found.

CEO confidence plunged to its lowest level since 2003, when PwC began tracking CEOs' forecasts. Worldwide, just 21 per cent of CEOs said they were very confident of revenue growth in the next 12 months, down from 50 per cent in last year's survey. And more than a quarter of CEOs said they were pessimistic about prospects for the coming year. The survey results were released today at the World Economic Forum annual meeting in Davos, Switzerland.

CEOs worldwide were also gloomier about longer term growth as well, predicting a slow recovery. Only 34 per cent said they were very confident of growth over the next three years, down from 42 per cent last year, when CEOs were just beginning to recognise the full impact of the credit crisis on the global economy. Illustrating the changing mood, CEOs confidence worsened over the course of the surveying as negative economic news unfolded.

Pessimism prevailed across all geographic regions, business sectors and levels of economic development, the survey found. Only 15 per cent of CEOs in North America and 15 per cent in Western Europe expressed confidence about growth prospects for the next 12 months. This compared with 21 per cent in the emerging economies of Central and Eastern Europe, 31 per cent in Asia Pacific, and 21 per cent in Latin America.

"The speed and intensity of the recession has rocked the psyches of CEOs and created a global crisis of confidence," said PricewaterhouseCoopers' Global CEO Samuel A. DiPiazza, Jr. "CEOs are most concerned about the immediate survival of their companies. Even in once rapidly emerging economies, companies are now coping with issues like unavailable credit, sluggish capital markets, and collapsing demand.

"The severity and duration of the recession are difficult to predict and CEOs are balancing the challenges of successfully managing through the downturn while also remaining prepared for economic turnaround. Their prospects for recovery are truly connected," he added.

The impact of the recession in the world's major economies, cited by 85 per cent of survey respondents worldwide, continued to dominate concerns of CEOs and was the only risk factor to increase among CEOs' concerns. Other major risk factors included disruption in the capital markets, cited by 72 per cent, over-regulation, 55 per cent, energy costs, 50 per cent, and availability of key talent, 46 per cent.

#### **Further highlights of the survey results:**

##### **Banking Crisis Pervasive**

CEOs expect the worldwide banking crisis to have a broad impact on business, affecting companies across all geographic regions and business sectors. Nearly 70 per cent of CEOs said their companies will be affected by the credit crisis. Of those, nearly 80 per cent said they faced higher financing costs, and nearly 70 per cent said they would delay planned investments as a result. Companies in the banking, utilities, construction, entertainment and automotive sectors are most likely to be impacted, CEOs said.

Those CEOs whose companies were anticipating growth said they would fund it primarily through internal cash flow, followed by the debt and equity markets.

##### **Long-term Factors Remain on the Agenda**

Despite the severity of current economic conditions, CEOs continued to be concerned with long term needs. Access to key talent remained a vital concern; only 26 per cent said they planned to reduce headcount in the coming year, while 35 per cent planned to maintain staffing levels.

Moreover, 72% of CEOs predicted that the pressure on natural resources will worsen in the future. Respondents said that dependence on carbon-based energy cited by 61 per cent, climate change 56 per cent, overpopulation 55 per cent, and scarcity of fresh water. 50 per cent, will have an impact on long-term success.

.About 75 per cent of respondents said they are already responding by developing new products and services and by making changes to their operations. More than half expect to make a return on those investments in the next 12 months.

### **JVs to overtake cross-border M&A Activity**

The percentage of CEOs who believe that Joint Ventures (JVs) will play a greater role than M&A in cross-border growth has surged, particularly in Western Europe and Latin America. This may reflect the lower cost and risk level associated with JVs, as well as the increasing popularity of collaboration to deal with the challenges of cross border growth.

However, merger and acquisition activity has decreased. Only 20 per cent of respondents said they had completed such a transaction last year. The decline in M&A was most pronounced in emerging economies in Asia and Eastern Europe. Cultural differences, unexpected costs and delivering deal value were the three most common concerns of CEOs in considering M&A.

### **Energy and Talent Present Challenges**

Buffeted by the recession and volatile commodity and energy costs, CEOs from all regions of the world said they were seeking to sustain their businesses and prepare for economic rebound. Overall, more than 80 per cent said they were taking steps to reduce energy costs by finding efficiencies in their operations, and more than half said they were seeking alternative energy sources. Companies were also investing in technology to reduce energy dependence and trying to secure future energy supplies.

Finding and retaining top talent also remains a major priority for CEOs. A shortage of candidates with essential skills was cited as a key challenge by nearly 70 per cent of respondents. Other human resource concerns included recruiting and integrating younger employees, providing attractive career paths, and competition for talent within their sector. CEOs cited strategies such as creating more flexible work environments, redeploying key employees and participation in social activism as means to overcome talent challenges.

### **Better Information Needed to Manage Risk**

CEOs recognised a huge gap in the information required to manage risk, and fuel long-term success. While 92 per cent said information about risk is important, only 23 per cent said they received comprehensive information about it. In addition, just 21 per cent get comprehensive information about the needs and preferences of customers and clients.

### The 'regulation paradox'

CEOs said they recognise the need to collaborate with government to address systemic problems. Yet, while 55 per cent of CEOs remain concerned about overregulation as an obstacle to growth, nearly half also said their governments have not done enough to create a skilled workforce, and 38% said governments could do more to improve infrastructure. Likewise, more than 80 per cent of CEOs favoured clear, consistent government policies to address climate change, but just 28 per cent believe that their governments have such policies.

### Survey Methodology

For the PricewaterhouseCoopers 12th Annual Global CEO Survey, 1,124 interviews with CEOs were conducted in 50 countries during the last quarter of 2008. The majority of interviews were conducted by telephone. The research was coordinated by the PricewaterhouseCoopers International Survey Unit, Belfast, Northern Ireland, in cooperation with project managers and a global advisory board of PwC partners. By region, 500 interviews were conducted in Europe (Austria, Belgium, Czech Republic, Cyprus, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Italy, Netherlands, Norway, Poland, Portugal, Russia, Spain, Sweden, Switzerland, Turkey, UK, Ukraine), 276 in Asia Pacific (Australia, China/Hong Kong, India, Indonesia, Japan, Korea, Malaysia, Singapore, Taiwan, Thailand, Vietnam), 168 in Latin America (Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Mexico, Paraguay, Peru, Uruguay, Venezuela), 138 in North America (US, Canada), and 42 in the Middle East and Africa.

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