



News release

Date UNDER EMBARGO: 6.30pm Central European Time, Tuesday 24 January 2012

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CEOs say prospects gloomy for global economy

Uncertainty dampens outlook for 2012

But confidence in company revenue growth remains ahead of 2009

DAVOS, SWITZERLAND – 24 January 2012 – Nearly half (48%) of the 1258 CEOs polled worldwide believe the global economy will decline even further in the next 12 months, according to PwC's 15th Annual Global CEO Survey. Just 15% said the global economy will improve during 2012.

However, nearly three times as many CEOs are confident in their own companies' growth prospects for the next 12 months than in the outlook for the global economy, suggesting CEOs believe they have learned how to manage through difficult and volatile economic times.

Forty per cent of CEOs said they are 'very confident' of revenue growth for their companies in the next 12 months, down from the 48% last year - though still up from the 31% who were 'very confident' in 2010.

In addition more than half of CEOs worldwide expect to increase headcount in the next 12 months, although the picture changes from sector to sector with hiring much more likely in entertainment and media than elsewhere.

Unsurprisingly, the biggest decline in confidence was in Western Europe. Beset by the sovereign debt crisis, just a quarter of European CEOs said they were very confident of revenue growth, down sharply from nearly 40% last year. Short term confidence also fell among CEOs in Asia Pacific, where confidence among CEOs fell to 42% from 54% last year. China saw the biggest decline in confidence in the Asia Pacific region, with 51% of CEOs feeling 'very confident', down from 72% last year.

There was also a marked decline in confidence in India with only 55% of Indian CEOs very confident of revenue growth down from 88% last year. In the US, 41% of CEOs said they were very confident of



short term growth, down from 45% last year. Confidence increased, however, among CEOs in Africa, where 57% said they were expecting growth, up from 50% last year.

The survey results, based on interviews with 1258 CEOs, were released at the World Economic Forum annual meeting in Davos.

Looking at what is worrying CEOs, 80% of CEOs had some concern about uncertain economic growth, 64% about instability in the capital markets, 66% about government responses to fiscal deficits and debt burden, 58% about exchange rate volatility and 56% about over regulation. And while 56% of CEOs said their company had been financially affected by the sovereign debt crisis in Europe; 45% said they had taken steps to respond.

"CEO confidence is decidedly down as they deal with the aftershocks to the recession. CEOs are disappointed with the course of the global economy and the pace of recovery. The optimism that had been building cautiously since 2008 has begun to recede," said Dennis M. Nally, Chairman of PricewaterhouseCoopers International.

"The ongoing debt crisis in the European Union, along with other lingering economic uncertainties, have deflated confidence in business growth around the world. Even the fast growing economies of Asia and Latin America are not immune to the realities of continued economic stagnation, belying the notion that the global economy has decoupled. CEOs all around the world are concerned about the health of the global economy.

"The good news is that the long cycle of the slowdown has taught CEOs how to manage their businesses with ever greater efficiencies," Mr. Nally added. "CEOs now say they are better prepared to deal with an economy defined by volatility in global markets, weak demand in developed economies, and uncertainty in the emerging markets. Many CEOs are confident they can deliver revenue growth despite the difficult conditions."

Longer term, CEO confidence also declined; 46% said they were 'very confident' of growth prospects in the next three years, down five percentage points from last year. CEOs in Western Europe and Latin America were least confident of long term growth, while 54% of North American CEOs were very confident of long term growth.

Growth opportunities

According to the CEOs, the best strategic growth opportunities in the next 12 months will come from increasing share in existing markets and from developing new products and services, both cited by nearly one third of respondents. New market penetration, 18% and joint ventures and alliances, 10%, trailed as growth strategies. The number of CEOs planning M&A activity remains relatively low with prospects for a recovery in the deals market still looking some way off.

The emerging markets remain a vital growth opportunity for CEOs. Overall, 59% agreed that growing markets were more important to their company's future than more developed economies. Almost half of CEOs from developed nations said that emerging markets were most important to their future. Top growth targets were the BRIC countries (Brazil, Russia, India and China), joined by the U.S. and Germany. In all, when asked to select the top three targets for growth, more than 60 different countries were named by CEOs.



Seventy percent of CEOs plan to make changes to their strategy in the next 12 months, driven primarily by customer demand and economic conditions. Cost reduction remains a key, though declining, focus for CEOs; 76% reported they cut costs in the last 12 months, down from 84% the previous year. And 66% of CEOs said they would cut costs in the next 12 months.

The Talent Challenge

Finding and keeping the right talent remains a top concern for CEOs. Only 30% said they are 'very confident' they will have access to the talent needed to execute their company's strategy, and 43% believe that it has become more difficult to hire workers in their industry. Recruiting and retaining high potential middle managers is the biggest talent challenge, CEOs said, followed by hiring skilled production employees and younger workers.

This challenge cuts across all industries, even those with different talent needs, such as industrial manufacturing and pharmaceuticals.

Despite the sluggish economy, businesses are gearing up to hire. More than half of CEOs said they had increased headcount in their organisation in the past 12 months and about the same percentage expect hiring momentum to continue. More CEOs in Middle East/Africa followed by North America reported hiring increases in the past 12 months, while CEOs in Asia said they are most likely to add jobs in the coming year. Just 18% of CEOs said they expected to cut their workforce in the coming year, down from 23% who said they made cuts in the past 12 months.

A potential shortfall of talent was also cited by 53% of CEOs as a threat to growth. The availability of skills was seen as a top concern across all geographic regions outside of Europe. Other frequently cited threats to growth included potential tax increases, also cited by 55%, changing consumer spending patterns and behaviours, 50%; energy costs, 46%; inability to finance growth, 40%; new market entrants, 38%; supply chain security, 34%; and inadequacy of basic infrastructure, 30%.

Three quarters of CEOs said they expect to make changes in their strategies for managing talent during the next 12 months making managing talent the top target for change for the second year in a row.

Nearly 70% of CEOs said they wished they could spend more of their own time developing the leadership and talent pipeline in their company, placing it just behind meeting with customers as a priority. Other CEO time priorities included improving efficiency in the organisation, 62%; and setting strategy and managing risk, 54%.

"It's ironic that as the economy struggles, shortages of key personnel are having an impact on the way companies do business," Mr. Nally said. "CEOs say they are having difficulty finding and retaining skilled people in their industries and turnover in emerging markets is high. The problem is expected to become more acute as global demographic patterns change."

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Notes to editor

Survey Methodology:

For PwC's 15th Annual Global CEO Survey, 1,258 interviews were conducted in 60 countries in the last quarter of 2011. 291 interviews were conducted in Western Europe, 440 in Asia Pacific, 150 in Latin America, 236 in North America, 88 in Central and Eastern Europe, and 53 in the Middle East & Africa. The full survey report with supporting graphics can be downloaded at www.pwc.com/ceosurvey.

PwC's 15th Global CEO Survey was launched at a press conference in Davos on the eve of the World Economic Forum's Annual Meeting. To download broadcast-quality clips from the press conference and other supporting footage, visit <http://press.pwc.com>. To watch the full webcast of the press conference, visit <http://www.pwc.com/davoswebcast>.

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