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Budget deficits, volatility threaten prospects: Survey

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THE NATION

Uncertainty or volatility in world economic growth remains the top concern for CEOs even though it is now nearly three years since the global financial crisis erupted, according to a survey by PricewaterhouseCoopers.

On the list of major concerns, PwC also highlights rising worries over budget deficits worldwide.

"Despite its likely growth, the world economy still faces uncertainties. Economic volatility greatly affects the business sector. Who knows what will occur?" said PwC Thailand executive chairman Prasan Chuaphanich. "Most of the world growth is likely to come from China and India. It does not mean other countries will follow their rapid growth rates. The United States is still [in fragile recovery] and

Europe could grow only 2 per cent this year."

In PwC's 14th Annual Global CEO Survey, nearly three-quarters of the chief executives surveyed expressed concerns that uncertain or volatile economic growth could threaten business-growth prospects.

The survey was based on interviews with 1,201 CEOs from September to November 2010 in 69 countries.

Slightly more than 60 per cent of them were worried about how governments respond to fiscal deficits and debt burdens, while exchange-rate volatility and inflation were of less concern, the survey said.

"Many in Western Europe have this problem [budget deficit]. Cyprus [for example] is a case for concern here. If Cyprus has a problem, Europe will be adversely affected, and that could create a domino effect," Prasan said.

"Now, the US is in a high budget deficit and Japan's budget deficit is about 80 per cent [of gross domestic product]. Businesses are less concerned about exchange rates because of more understanding of foreign-exchange hedging methods."

Inflation is still low on the list of concerns, he said.

The world economy's direction also tops the worries of most CEOs in the Asia-Pacific region. Among them, about 89 per cent express concern over the world economic uncertainty and volatility, trailed by exchange-rate volatility (78 per cent) and over-regulation of the banking system and insurance.

Asia remains in CEOs' focus, with nearly 90 per cent expecting their operations to grow in the region in the next 12 months. China is projected to overtake the United States as the world's largest economy by 2018, based on purchasing power, according to PwC's "World in 2050" series.

About 54 per cent of CEOs in the Asia-Pacific region are very confident of growth in the next 12 months, compared with the global average of 48 per cent, the survey said. CEOs in India (88 per cent) and China including Hong Kong (72 per cent) are particularly upbeat on their business prospects in the next 12 months.

Top risks for CEOs in Asia-Pacific

- Uncertain or volatile economic growth
- Exchange-rate volatility
- Over-regulation
- Government response to fiscal deficits and debt burdens
- Lack of stability in capital markets
- Inflation
- Protectionist tendencies of national governments

Source: PwC's 14th Annual Global CEO Survey

"China and India will be the world's growth engine in the next three years at least, with their population of nearly 3 billion. These are sources of growth for Southeast Asia, including Thailand," Prasan said. "Thailand could benefit from exports because of its manufacturing base and resources."

Sixty-two per cent of Asia-Pacific CEOs expect to add jobs during the 12-month period, up from 49 per cent in the previous survey. Only 10 per cent of CEOs expect to cut their workforce this year, down from 16 per cent.

Top concerns over workforce talent over the next three years include a limited supply of candidates with the right skills, losing top people to competitors, and the difficulty of deploying top talent globally.