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Vote of confidence

Asia-Pacific CEOs ready to back their optimism about revenue with new investment.

Money will continue to be pumped into Asia Pacific over the next 12 months, with close to 70% of the region's CEOs confirming their intentions to increase investment, according to a survey by PricewaterhouseCoopers.

The survey shows that 42% of CEOs in Asia Pacific are "very confident" of revenue growth in 2014, up from 36% last year. And 68% intend to increase their investments over the same period. More than half also indicated that they are confident of growth over the longer term (three to five years). Indonesia, Myanmar and China are the areas that interest them most.

The findings were published in a new study entitled, "Toward Resilience and Growth: Asia-Pacific Business in Transition", surveying 478 business leaders across the region.

"Business leaders are bracing for a major transformation within the Asia-Pacific region, driven by a gradual but steady rise in income and economic opportunity for millions of people," said Sira Intarakumthornchai, CEO of PricewaterhouseCoopers (PwC) Thailand.

However, inconsistent regulations and standards, together with unbalanced trade and investment barriers in different economies across the region, remain key challenges to corporate growth over the long term, he cautioned.

The trend toward greater urbanisation in many Asia-Pacific nations, plus the emergence of the local middle class and the need for massive infrastructure development on all fronts are the main reasons driving the increase in confidence among business leaders.

Dennis Nally, the chairman of PricewaterhouseCoopers International, warned that the region would probably have a harder time sustaining growth, given the volatility in financial markets and the slow recovery in advanced nations going forward.

"While overall confidence in growth in Asia Pacific remains undiminished, Apec economies now also face many of the uncertainties of slower growth, previously limited to the more developed markets," said Mr Nally.

In the survey, executives were also asked to identify what country they considered held the potential to surprise with more business opportunity than currently expected. Resource-rich Indonesia came in first, followed by Myanmar, China, the Philippines and Vietnam.

Protecting investments is a key concern, however. One improvement that could help unleash more investment is regulatory consistency around intellectual property (IP) and services, the survey respondents said.

Developing broadband networks and urban transport will also be keys to bolster economic growth. According to Mr Sira, the region has been underinvesting in these assets over the past years, leading to an "infrastructure deficit".

"The issue here is that economic growth has been running at a faster speed than new investment in infrastructure, and many parts of Asia are now faced with gridlocked roads, clogged ports, and unreliable power," he said. "So, to keep up with growth, we can't rely only on public financing but must also seek funding from the community of private investors."

Innovation, expanding services and distribution networks to serve the expanding middle class are among the tasks listed on the top CEOs' to-do lists. Around 20% of the executives admitted that if rules concerning corporate governance and services were harmonised, it could spur them to consider making more investment.

Even though the trade negotiations taking place on many fronts are generally welcomed by most regional business leaders, 22% of them also see new pacts leading to more uncertainty and administrative costs.

On the organisational front, research & development and human resources are seen as the areas that are least prepared for future challenges. Customer service and marketing are two of the top areas flagged for strategic redirection to keep businesses relevant in a changing environment.

"As CEOs set growth plans in the region, there are growing needs for executives and other personnel with technical and managerial skills," Mr Sira concluded.