

23 January 2013

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PwC Global CEO Survey 2013: Confidence in revenue growth down as risks loom; more positive longer-term



Worldwide CEOs say confidence in 2013 revenue growth down as risks loom

- CEOs see short-term confidence over revenue growth falling; more positive longer-term
- 57% of Asean CEOs 'very confident' about three-year growth prospects
- 52% of CEOs worldwide expect global economy to remain stalled in 2013
- Indonesia, China top key nations for growth among Asean CEOs in 2013
- CEOs call for action on skilled workforce, financial sector stability, infrastructure improvement

More than half of CEOs expect the global economy to remain stagnant, as fears of economic disruption, including major social unrest, potential recession in the US, cyber attack, a natural disaster disrupting a major trading/manufacturing hub, and breakup of the Eurozone have taken a toll on their confidence this year, PwC's 16 th Annual Global CEO Survey says.

Just 36% of executives surveyed by PwC said they are 'very confident' of revenue growth over the next 12 months. Longer-term, however, prospects improve, with nearly half (46%) expressing a high level of confidence for the next three years.

Sira Intarakumthornchai, CEO of PwC Thailand, said that global CEOs were less confident about revenue growth prospects over the next 12 months because of high volatility around the globe, adding that confidence fell to 40% in 2012 from 48% in 2011.

"As the difficult economic conditions persist, today's CEOs are more concerned about a wide range of potential and ongoing threats to their business growth prospects, including catastrophic events, economic and policy threats, than they were a year ago," Sira said. "Risks that once seemed improbable and even remote have become the norm."

According to a PwC survey, CEO in Western Europe were least confident of short-term revenue growth, with only 22% showing a high level of confidence, followed by North America (33%) and Asia Pacific (36%). Even in

Africa, seen by many as the next high-growth economy, confidence in revenue growth slipped to 44% from 57% last year. Latin American CEOs bucked the trend but only with a slight improvement from 2012.

“On a different note, if we were to look at the trend in Asean, CEOs in this region shared a similar view. They’re less convinced of strong revenue growth this year, but longer term, 57% of CEOs in the region say they are very confident about three-year growth prospects,” Sira said, citing the survey.

Looking at the overall global economy over the next 12 months, 55% of Asean CEOs believe the global economy will remain stalled, whereas 30% expect a decline. Only 13% see an improvement.

“Faced with challenges, CEOs are refocusing on their existing clients and geographies. Nearly half of CEOs worldwide are banking on organic growth in existing (domestic and foreign) markets over the next 12 months, while 25% are turning to new product/service development. Interestingly, only 17% of executives are planning a merger and acquisition this year, compared with 22% in 2012.”

“For those planning M&A, the top target regions are North America and Western Europe, as CEOs are taking advantage of the tough economic times to find bargains,” Sira added.

Dennis Nally, Chairman of PricewaterhouseCoopers International, said that CEOs are working to deal with the ongoing risks by continuing to refine their operations and looking to cut costs without reducing value as they manage through sluggish times.

“They are seeking growth opportunities organically, avoiding large outlays that could strap resources for the future. Most important, they have a clear focus on customers, collaborating with them more closely than ever on programmes to stimulate demand, loyalty and joint innovation,” Nally said.

ASEAN HIGHLIGHTS

“Five of CEOs’ top ten overseas destinations over the next 12 months are growth markets, including Brazil, Russia, India, China (BRIC economies) and Indonesia, on top of well-established US, UK, Canada, Germany and Japan,” Sira said.

Indonesia — in the top ten for the first time—is the fastest of the accelerating markets with real GDP forecast to rise by 6.2% a year for the next three years. Other emerging markets, e.g., Mexico and Thailand, are also being prioritised, the survey shows.

Interestingly, Asean CEOs’ target regions for M&A, joint ventures and strategic alliances include South East Asia (56%), South Asia (44%), East Asia (33%), and North America (33%).

“The South East Asian market is obviously another key area set for high growth with the formation of the AEC by the end of 2015, and Thailand, in this case, will still be a regionally important country,” Sira said, referring to the forthcoming Asean Economic Community.

With more than 600 million people and a combined gross domestic product of almost \$2 trillion, the 10 Asean nations have become an important new growth area as slowdowns hit many developed economies in the West, and as regional powerhouses China and India show signs of deceleration. By reducing barriers to trade, capital and labour movement among member nations, AEC member nations hope to spur more growth and wealth in what will become the world’s newest economic bloc.

Looking at the top four potential economic and policy threats highlighted by Asean CEOs, the survey showed that 87% of CEOs ranked uncertain/volatile economic growth, ahead of over-regulation (77%), exchange rate volatility (72%), and government response to fiscal deficit and debt burden (70%). On business threats, a massive 85% worried about availability of key skills.

“On the restructuring front, 68% of Asean CEOs expect to implement cost-cutting measures in the coming year, while 38% said they have divested a majority interest in a business or exited a significant market in the past year,” said Sira.

But the pace of hiring in the Asean region appears to be accelerating. Forty-seven percent of Asean CEOs expect to boost headcount over the next 12 months, while only 19% say they are likely to shed jobs.

“Whatever their hiring outlook, finding and keeping the right people remains a major challenge for CEOs. A lack of availability of key skills was ranked by CEOs as a major threat to growth prospects. The skills threat was also especially acute among smaller companies and in high-growth areas like Africa, the Middle East and Asia Pacific,” Sira added.

Lastly, 77% of Asean CEOs thought a priority of government should be creating and fostering a skilled workforce, followed by ensuring financial sector stability (66%) and improving the country’s infrastructure (51%).

PwC refers to the PwC network and/or one or more of its member firms, each of which is a separate legal entity. Please see www.pwc.com/structure for further details.