

23 January 2013

CEOs expect stagnant global economy



An Indonesian teller counts Rupiah bills at a currency exchange in Jakarta. The rupiah is now 9630 to the US Dollar. Asia is now attracting foreign funds, as global fund managers flee advanced economies that show dismal growth prospects. /EPA/BAGUS INDAH

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 per cent 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 per cent) 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 per cent in 2012 from 48 per cent 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 per cent showing a high level of confidence, followed by North America (33 per cent) and Asia Pacific (36 per cent). Even in Africa, seen by many as the next high-growth economy, confidence in revenue growth

slipped to 44 per cent from 57 per cent 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 per cent 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 per cent of Asean CEOs believe the global economy will remain stalled, whereas 30 per cent expect a decline. Only 13 per cent 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 per cent are turning to new product/service development. Interestingly, only 17 per cent of executives are planning a merger and acquisition this year, compared with 22 per cent 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.