

ECONOMIC VOLATILITY TOPS CONCERNS AMONG ASEAN CEOs

THE NATION

Asean chief executives have ranked uncertain or volatile economic growth ahead of over-regulation (77 per cent), exchange-rate volatility (72 per cent), and government response to fiscal deficits and debt burdens (70 per cent) as a potential economic and policy threat.

On business threats, a massive 85 per cent worried about the availability of key skills, according to PricewaterhouseCoopers' 16th annual Global CEO Survey.

"On the restructuring front, 68 per cent of Asean CEOs expect to implement cost-cutting measures in the coming year, while 38 per cent said they have divested a majority interest in a business or exited a significant market in the past year," Sira Intarakumthornchai, CEO of PwC Thailand, said yesterday.

But the pace of hiring in the region appears to be accelerating. About 47 per cent expect to boost headcount over the next 12 months, while only 19 per cent are likely to shed jobs.

In all, 77 per cent think a priority of the government should be creating and fostering a skilled workforce, followed by ensuring financial-sector stability at 66 per cent and improving the country's infrastructure at 51 per cent.

"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 said.

Interestingly, Asean CEOs' target regions for mergers and acquisitions, joint ventures and strategic alliances are Southeast Asia (56 per cent), South Asia (44 per cent), East Asia (33 per cent) and North America (33 per cent).

"The Southeast 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 Asean Economic Community.

With more than 600 million people and a gross domestic product of almost US\$2 trillion (Bt60 trillion), the 10 Asean nations have become an important new growth area as slow-downs 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 countries hope to spur more growth and wealth in what will become the world's newest economic bloc.

"Five of CEOs' top 10 overseas destinations over the next 12 months are growth markets - Brazil, Russia, India, China [BRIC economies] and Indonesia, on top of the well-established US, UK, Canada, Germany and Japan," Sira said.

Indonesia - in the top 10 for the first time - is the fastest of the accelerating markets, with real GDP forecast to rise by 6.2 per cent annually for the next three years. Other emerging markets, such as Mexico and Thailand, are also being prioritised, the survey shows.

STAGNATION EXPECTED

Worldwide, more than half of CEOs expect the global economy to remain stagnant, as fears of economic disruption, including major social unrest, recession in the US, cyber-attacks, a natural disaster disrupting a major trading/manufacturing hub, and the break-up of the euro zone have taken a toll on their confidence this year.

Just 36 per cent of executives surveyed by PwC said they were "very confident" of revenue growth over the next 12 months. Longer-term, however, prospects improve, with 46 per cent

expressing a high level of confidence for the next three years.

Global CEOs were less confident about revenue growth over the next 12 months because of high volatility around the globe. Confidence fell to 40 per cent in 2012 from 48 per cent in 2011.

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

CEOs in Western Europe were the least confident of short-term revenue growth, with only 22 per cent showing a high level of confidence, followed by North America at 33 per cent and the Asia-Pacific region at 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.