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CEOs More Confident of 2014 Revenue Growth Despite Risks – PwC



Top executives around the world are more confident they'll see increased revenue this year, signalling a rise in expansion and hiring despite lingering concerns about global growth, a PwC survey showed.

- CEOs' confidence in the global economy doubling; 39% expect strong revenue growth.
- Indonesia, Thailand, Vietnam are seen as top ASEAN countries for growth by CEOs in 2014.
- Over-regulation, fiscal deficits and tax burden top CEOs' major concerns.
- Technological advances, demographic changes, global economic shifts seen as 'megatrends' over five years.

Chief executives around the world are more confident about their companies' revenue growth prospects as the broader economic outlook improves, while threats to global growth remain a challenge, PwC's 17th Annual Global CEO Survey says.

Thirty-nine percent of executives surveyed by PwC said they are ‘very confident’ of revenue growth over the next 12 months. That’s up from 36% last year and compares with a record low of 21% in 2009.

Sira Intarakumthornchai, CEO of PwC Thailand, said that top executives around the world are encouraged by a brightening outlook in both the United States and Europe, prompting a rise in expansion and hiring despite lingering concerns about global growth.

“As the global economy continues to gradually recover, CEOs are more hopeful about their prospects and increased revenue,” Sira said. “They’re coming out of survival mode and into growth mode.”

According to a PwC survey of 1,344 CEOs, around the world twice as many CEOs as last year are becoming more upbeat in assessing the global economic outlook. Forty-four percent of executives believe the world economy will improve over the next 12 months, up from just 18% last year. Only 7% forecast that the global economy will decline — sharply down from 28% in 2013.

CEOs in Western Europe led the pack, with 50% showing the highest level of confidence in short-term global economic prospects, followed by the Middle East (49%), Asia Pacific (45%), Latin America (41%), North America (41%) and Africa (40%). CEOs in Central and Eastern Europe showed the lowest level of confidence, at 26%, the survey found.

“But despite a high degree of optimism about the prospects, CEOs are challenged to decipher future threats from a slowdown in emerging markets, and by concerns over increased regulation, fiscal deficit and rising tax burdens,” Sira said.

As the global economy gradually rebalances itself, the search for growth is getting increasingly complicated. Sira explained that in 2012, when the advanced economies were fizzling, the emerging economies sizzled. That picture, however, became more nuanced last year, when advanced economies started to mend, while some emerging economies lost steam.

When CEOs were asked what strategies they use to help stay viable and competitive, 35% of them said they are focusing more heavily on new products and services this year compared with 25% last year, primarily to fuel organic growth in existing markets. Those planning mergers and acquisitions (M&A) or strategic alliances have also advanced to 20% from 17% a year ago.

ASEAN Highlights

CEOs globally will also look to explore growth opportunities through expanding markets beyond the BRICs this year.

“Interestingly, when we asked CEOs which countries, other than the BRICs, offered the best prospects for growth in the next three to five years, three ASEAN nations—Indonesia, Thailand and Vietnam—all featured in the top ten, above well-established markets like the US and UK, which have regained their momentum over the past year,” Sira said.

Thailand—ranked in eighth place this year—is resilient enough to weather the short-term risks, including the latest round in Bangkok’s political unrest of recent months.

“We believe that the country’s solid fundamentals coupled with consistently strong corporate earnings will help us withstand any storm and that foreign investors will look at the big picture and continue to put their money here over the long term,” Sira said.

When ASEAN CEOs were asked separately which regions they targeted for M&A/joint venture/strategic alliances this year, a huge 85% looked to their home region, picking South East Asia, up from 56% from last year, followed by Australasia (24%), and East Asia (22%).

CEOs are also more positive about hiring plans this year. Half of CEOs globally say they expect to add staff in the next 12 months, compared with 45% who had such plans last year. Industries where job prospects look most positive are technology (63%), business services (62%) and asset management (58%).

Among ASEAN CEOs, an encouraging 65% expect to boost headcount this year, and only 11% say they’re likely to shed jobs.

“It’s talent that remains the engine of growth,” Sira said, adding that 90% of CEOs in ASEAN in particular say they’re concerned about the availability of key skills—the highest percentage in the world.

“The global population is expected to reach 8 billion by 2025 but at the same time fertility rates are declining, which will have an impact on the working-age population. As these huge demographic changes occur, one of the toughest issues CEOs face is finding and securing the skilled workforce they need to take their businesses forward,” he said.

‘Megatrends’ and CEOs’ Top Concerns

When asked what would be the biggest factors that will transform their business the most in the next five years, 81% of CEOs globally said advances in technology would have the biggest impact. They said demographic changes (60%) and shift in global economic power (59%) would also affect their businesses.

“CEOs tell us these three major global trends will have a major impact on the future of their businesses. Finding ways of turning these trends to their advantage will be the essential key to future success.”

Looking at CEOs’ three major concerns this year, government action—or the lack of it—tops the list of their worries. The level of concern about over-regulation, at 72%, and fiscal deficits, at 71%, are as high as they have ever been.

Other top concerns keeping CEOs awake at night include increasing tax burdens, as nearly two-thirds of CEOs say the international tax system is in need of overhaul.

“Paying taxes is among the top leaders’ concerns; the international tax system has fallen short in the eyes of CEOs around the world. Notably, 75% of CEOs say that being seen as paying a ‘fair share’ of tax is important to their company,” Sira said, citing the survey.

Most CEOs say tax policies and the competitiveness of tax regimes are key factors in corporate decision-making, and agree that multinational companies should be required to report revenues, profits and taxes paid for each country in which they operate. They also agree that tax authorities around the world should freely share information about companies.