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Confidence rising among APEC CEOs, investments to climb

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Lack of engagement on social networks, compliance and tax barriers remain challenges. Confidence among CEOs rises despite slowing growth in China.

- China, the US and Indonesia are the most popular countries for investments.
- Thailand ranks among the top ten despite political woes.

Confidence among CEOs in the Asia Pacific region is rising as urbanisation, greater connectivity and advancing technologies continue to create new demand and opportunities, a PwC study found.

The number of Asia Pacific executives who are 'very confident' in revenue growth over the next 12 months has risen to 46% from 42% a year ago, the PwC survey showed. This is despite lagging growth in China, the engine for global economic growth.

Business investment sentiment is also increasing. The study found that a majority of respondents (67%) are planning to boost investments next year across the region.

Asia-Pacific economies have undergone tremendous changes since the Asia-Pacific Economic Cooperation (APEC) was established 25 years ago, Sira Intarakumthornchai, CEO of PwC Thailand, said in revealing the results of PwC's 2014 APEC CEO Survey.

"Confidence levels are rising across the APEC region based on expectations of connectivity, from building of vital infrastructure to expansion of digital networks," Sira said.

"Skills training, investment patterns and ways of working together are all evolving. Adaptability is more important than ever for business success."

The study 'New Vision for Asia Pacific: Connectivity creating new platforms for growth' surveyed 635 business leaders between June and August on their attitudes towards doing business in the region. As in previous years, it was released at the annual APEC meeting, which was held in Beijing this year.

APEC is made up of 21 member economies including Australia, Brunei Darussalam, Canada, Chile, People's Republic of China; Hong Kong, China; Indonesia, Japan, Republic of Korea, Malaysia, Mexico, New Zealand, Papua New Guinea, Peru, The Philippines, Russia, Singapore, Chinese Taipei, Thailand, the US and Vietnam.

According to the survey, China (72%), the US (61%) and resource-rich Indonesia (57%) are the most favoured countries among CEOs for investments over the next three to five years. They were followed by Asian financial centres Hong Kong (51%) and Singapore (50%), and developing Philippines (47%).

Despite its political situation, Thailand (43%) ranked among the top ten countries for investment, on a par with Malaysia (43%) and Japan (43%), but lagging behind Vietnam (45%).

"Growing demand for infrastructure, increasing use of social networks, domestic consumption and increasingly more balanced growth in Asia Pacific would help draw investments to the region," said Sira.

China is projected to slow from a 10% average annual growth rate in 2003-2013 to a more moderate pace of 6.5% in 2013-2023, according to an analysis of regional growth trends conducted by Oxford Economics for PwC.

APEC as a whole can expect to see its growth pick up over the next decade, from an annual average of 3.2% in 2003–2013 to 3.5% over 2013–2023, Sira said, citing Oxford Economics.

APEC Challenges

Dennis M. Nally, Chairman of PricewaterhouseCoopers International Ltd., said that “CEOs see the need to be bold in breaking down the barriers to growth. They want to finalise the Trans-Pacific Partnership, address intellectual property issues and encourage regulatory harmony in the region.”

Trade between APEC members has increased sevenfold since 1990, partly due to measures promoted by APEC to reduce barriers at the border. Many APEC economies have also negotiated free trade agreements with one another, further reducing or eliminating the duties payable on many products traded between them.

Although a majority of executives still see momentum for continuing free trade across the region, the survey showed more than half (55%) say progress has slowed in the last 12 months. Adding to regional challenges, many APEC businesses aren’t ready to fully participate in the digital economy even as e-commerce platforms grow in importance for business, particularly in Asia.

While social networks accessed via mobile devices are an increasingly vital platform for growth, many businesses remain in the early stages of social engagement. Just 12% are very confident they’re profiting from their social network investment aimed at growing their business.

Infrastructure development in Asia Pacific

Some 57% of executives say they’re expanding facilities in the region over the next three to five years, increasing the need to develop infrastructure in Asia Pacific. Connected infrastructure development is vital as the region seeks to maintain economic growth rates.

Almost six in 10 respondents say they plan to build new facilities ranging from data centres, warehouses, factories to retail outlets in APEC economies in the next three to five years. Private capital spending in the Asia Pacific region is expected to reach \$56 billion in the next three to five years, particularly on the expansion of facilities in China, Australia and the US.

“Integrated infrastructure, and the services that will follow, will create new opportunities for small and medium sized businesses beyond the domestic market,” Sira said.

“It’s important that governments and policymakers reduce barriers needed to make their economies become more competitive. This includes lowering costs and simply allowing businesses to grow.”

In other findings:

- Domestic competition is intensifying, while compliance and tax uncertainties continue. Twenty percent of respondents say they're less confident in their ability to increase profit margins on their domestic operations than they were a year ago. And 15% say their confidence in forecasting compliance and tax liabilities declined over the year.
- More executives with operations in China are 'very confident' of growth in the Chinese market (42%), with less confidence for international growth for products made in China (32%).
- CEOs are more willing to share when thinking about forming alliances with other businesses that are based outside of their principal APEC market. Almost 60% of respondents say they're more willing to share customer/market insights and resources such as employees for joint development projects.
- A healthy, skilled workforce remains a priority as employers seek to improve productivity and grow in a dynamic region. Three-quarters of respondents say they have employee training/retraining programmes in place and 17% say they will implement one. Invalid Domain Name