
News release

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PwC survey: CEO confidence rises despite new risks, geopolitical issues and uncertainty

- ***Fifty two per cent of CEOs plan to increase number of jobs***
- ***US has surged ahead as CEOs' top choice for growth next year, China second***
- ***CEOs feel globalisation has done little to solve income inequality***

DAVOS, Switzerland, 16th January 2017 -- While CEOs around the world feel they have plenty to worry about in the year ahead, their confidence in their own growth prospects and their outlook for the global economy are back on the rise.

In **PwC's 20th CEO Survey**, 38% (2016: 35%) are very confident about their company's growth prospects in the next 12 months while 29% (2016:27%) believe global economic growth will pick up in 2017.

The findings released at the World Economic Forum in Davos this week show that while business leaders are more positive in their outlook, their levels of concern about economic uncertainty (82%), over-regulation (80%) availability of key skills (77%) remain very high. Also worries about protectionism are growing, with 59% of CEO concerned about protectionism, increasing to 64% for CEOs in the United States and Mexico.

While positive on the benefits of globalisation in building the free movement of capital, goods, and people, CEOs question whether globalisation has done anything to close the gap between rich and poor or mitigated the issue of climate change. This is in contrast to the first PwC CEO survey in 1998 when CEOs were positive about the drivers of globalisation

Bob Moritz, Global Chairman, PwC, comments:

“Despite a tumultuous 2016, CEO confidence is moving back up – albeit slowly and still a long way from the levels we saw back in 2007. But there are signs of optimism right across the globe, including in the UK and US, where despite predictions of a Trump slump and a Brexit exit, CEOs confidence in their company's growth are up from 2016. And that mood is reflected elsewhere, with more CEOs across the world targeting the US and UK for investment than a year ago.”

Arthur Wightman, PwC Bermuda leader, said:

“PwC's CEO Survey shows globalisation continues to have a marked impact on financial services and the competitive landscape is fiercer than ever. This means that Bermuda must fight harder to secure its relevance in the global capital markets for years to come. Given the significant positive impact that international business has on the local economy and the dependency Bermuda has on it, leaders in the private and public sector must galvanise behind this objective. Technology businesses are also beginning to disrupt financial services. Over time it is expected that blockchain will transform distribution channels and the role that machines versus people play in this sector. CEOs in Bermuda



will need to advance strategies to embrace technologies that challenge their organisational DNA. Technologies pose both threats as well as opportunities to Bermuda.”

Confidence in revenue growth climbs

In sharp contrast to 2016, CEO's confidence in their own one year revenue growth is on the rise in nearly every major country across the world...with India (71%), Brazil, where confidence levels have more than doubled (57%), Australia (43%) and the UK (41%) topping the table. Confidence also rose by 11 points in China to 35%, 6 points in the US to 39% and 3 points in Germany to 31%. In Switzerland confidence levels have more than doubled to 34%

Bucking the confidence trend are Spain, Mexico and Japan where confidence levels have dropped, markedly so in Japan where confidence has plunged from 28% in 2016 to 14% today.

When asked what drives growth, organic expansion tops the agenda for over three quarters of CEOs (79%) in the coming year, while 41% are planning new merger and acquisition activity in 2017 and nearly a quarter (23%) of all CEOs intend to strengthen their innovation capabilities to capitalise on new opportunities.

Where CEOs will look for growth.

PwC's first global CEO survey showed emerging markets - including China and India - as a sure bet for success. But the changeability of markets, exacerbated by currency volatility, has caused CEOs to turn to a greater mix of countries. This year's survey shows the US, Germany and the UK have become bigger priorities, while enthusiasm for investing in Brazil, India, Russia and Argentina has lessened from three years ago.

The top five most important countries for growth identified are the US (1), China (2), Germany (3), the UK (4) and Japan (5) with the UK rising in popularity as a growth destination with CEOs from the US (+4%), China (+11%), Germany (+8%) and Switzerland (+25%).

Shanghai, New York, London, and Beijing were also identified as the top four cities most important to an organization's overall growth prospects over the next 12 months.

Globalisation

58% of business leaders think it's become harder to balance globalisation with rising trends in protectionism. The concerns contrast with their views in the first PwC CEO survey which reported 'the typical global corporation has as much freedom of trade as it needs'.

For the past 20 years CEOs have been largely positive about the contribution of globalisation to the free movement of capital, goods, and people. However, this year's survey respondents are sceptical that it has mitigated climate change or helped close the gap between rich and poor. This is similar to the public's view on these issues in a separate consumer poll commissioned by PwC of over 5000 people in 22 countries.

Only 38% of the public believed globalisation has had a largely positive impact on improving the movement of capital, people, goods and information, compared with 60% of CEOs. Almost two thirds (64%) of the public believe globalisation has helped create full and meaningful employment, contrasting with over three quarters of CEOs (76%). The public are also less convinced than business leaders that globalisation has created, to a large extent, a skilled and educated workforce (29% of the public vs 37% of CEOs).

Technology and Trust

CEOs tell us that technology is now inseparable from business' reputation, skills and recruitment, competition and growth. Almost a quarter believe technology will completely reshape competition in their industry over the next five years (23%).

In an increasingly digital-driven world, technology has created a new dynamic between business and customers bringing huge benefits for both. However on the flip side 69% of CEOs say it is harder to gain and keep people's trust in this environment and 87% believe risks from use of social media could



have a negative impact on the level of trust in their industry. 91% of CEOs also agree data privacy and ethics issues could impact people's trust in their organisations in the next five years.

Twenty years ago, trust wasn't high on the business radar for CEOs. 15 years ago only 12% of CEOs thought public trust in companies had greatly declined. This year, 58% worry that a lack of trust in business will harm their company's growth, up from 37% in 2013.

After several high-profile technology and security issues for big companies, CEOs unsurprisingly identify cyber security, data privacy breaches and IT disruptions as the top three technology threats to stakeholder trust.

"CEOs expect it to become harder to sustain trust in the digital era. But competitive advantage will go to those with the greatest capacity to turn technology into their strength when coupled with the ability to connect with their stakeholders in an on-going relationship grounded in trust," added Bob Moritz.

Skills and jobs

Concern about skills has more than doubled in 20 years (from 31% concerned in 1998 to 77% in 2017) and human capital is a top three business priority, with diversity and inclusiveness and workforce mobility amongst the strategies being used to address future skills needs. Skills availability is a concern for over three quarters (77%) of business leaders, and is highest for CEOs in Africa (80%), and Asia Pacific (82%).

Over half of CEOs (52% vs 48% 2016) expect to increase headcount over next 12 months. The UK (63%), China (60%), India (67%) and Canada (64%) are amongst those with the most ambitious hiring plans. Looking by industry it is CEOs in the Asset Management (64%), Healthcare (64%) and Technology (59%) that have the most ambitious hiring plans, with CEOs in the Government and public sector (32%) having the least.

While only 16% of business leaders surveyed expect to reduce their overall employee base, CEOs say that 80% of those affected jobs will be impacted in some way by the use of technology or automation. Business leaders in Canada (100%), US (95%), Germany (93%), Australia (92%), and Brazil (91%) see technology having the greatest impact.

Over half of business leaders interviewed (52%) are already exploring the benefits of how humans and machines can work together, and two out five (39%) are considering the impact of artificial intelligence on future skills needs.

With the speed of technological change a concern for 70% of CEOs, it's no surprise that skills in creativity and innovation, leadership and emotional intelligence are identified as the most valuable skills, that CEOs are finding it difficult to recruit. Digital and STEM skills are a recruitment issue for over half of business leaders.

Bob Moritz, Global Chairman, PwC concludes:

"CEO's are concerned that key skill shortages will impair their company's growth potential, relevance and sustainability. And it's soft skills that they value the most. Innovation and relationship skills can't be coded. So to drive the change CEOs need - thinking carefully and actioning accordingly - a balance between technology and irreplaceable skills in their people is key. Managing expectations with stakeholders will help enable the needed trust to survive and thrive. Bottom line - prioritizing the human element in a more virtual world will be a pre-requisite for future success."

ENDS

Notes to editors:

1. This survey was carried out between September and December 2016. 1379 CEOs responded from 79 countries, to online, postal, face to face and phone interviews. 57% worked in privately owned



companies, 43% in publicly listed companies. 36% worked at companies with revenues over \$1bn PA; 38% between \$101-\$999bn PA; and 21% with revenues of less than \$100m.

2. Growth confidence: The highest levels of confidence in 12 month growth for companies was recorded in 2007 – 52% of CEOs said they were very confidence of growth in the next 12 months. The lowest was in 2009 (21%). The highest levels of three year confidence previously recorded was 51% of CEOs (very confident) in 2011, similar to this year’s survey. 2014 recorded the highest ever levels of CEO confidence in global economic growth improving (44%)
3. The public survey took place in December in 22 countries - USA, Canada, UK, France, Germany, Netherlands, China & Hong Kong, Italy, Spain, Russia, Australia, Japan, India, Brazil, South Korea, Mexico, Sweden, Switzerland, South Africa, Singapore, and United Arab Emirates.
4. List of country/regional CEO saying they are very confident of 12 month growth.

Very confident of short-term revenue growth				
	2017	2016	2015	2014
India	71%	64%	62%	49%
Brazil	57%	24%	30%	42%
Romania	52%	50%	44%	39%
Spain	50%	54%	35%	23%
Australia	43%	35%	43%	34%
UK	41%	33%	39%	27%
Argentina	40%	42%	17%	10%
US	39%	33%	46%	36%
Denmark	39%	30%	33%	44%
Mexico	38%	46%	50%	51%
Global	38%	35%	39%	39%
Canada	38%	31%	36%	27%
Italy	38%	20%	20%	27%
Nordic	37%	31%	26%	***
China	35%	24%	36%	48%
Switzerland	34%	16%	24%	42%
South Africa	33%	37%	39%	25%
ASEAN**	32%	38%	47%	45%
Germany	31%	28%	35%	33%
Russia	31%	26%	16%	53%
Africa*	28%	42%	***	***
Hong Kong	27%	***	***	***
Japan	14%	28%	27%	27%
Venezuela	13%	***	***	***

* Africa excludes South Africa

** The ASEAN countries in which interviews were conducted are: Cambodia, Indonesia, Malaysia, Philippines, Singapore, Thailand and Vietnam

*** Not available



5. List of CEOs planning job increases by industry.

Percentage of CEOs expected to boost headcount				
	2017	2016	2015	2014
Asset and Wealth Management	64%	65%	61%	58%
Healthcare	64%	56%	59%	53%
Technology	59%	67%	55%	63%
Business services	57%	51%	56%	62%
Hospitality & Leisure	55%	53%	45%	51%
Mining	55%	45%	52%	25%
Industrial Manufacturing	54%	47%	53%	46%
Retail	53%	51%	46%	51%
Transport & Logistics	53%	51%	49%	40%
Communications	51%	48%	40%	52%
Power & Utilities	51%	42%	36%	36%
Engineering & Construction	50%	42%	51%	51%
Entertainment & Media	48%	39%	46%	53%
Pharmaceuticals & Life Sciences	46%	64%	58%	44%
Banking & Capital Markets	45%	43%	53%	52%
Automotive	43%	48%	49%	45%
Insurance	41%	49%	50%	59%
Metals	41%	32%	41%	22%
Energy (includes Oil & Gas)	41%	***	***	***
Chemicals	40%	46%	50%	49%
Consumer Goods	40%	41%	40%	46%
Forest, Paper & Packaging	35%	36%	27%	45%
Government/public services	32%	***	***	***

*** Not available

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