News release

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PwC survey: CEOs Less Optimistic about Global Economy in 2015

US overtakes China as top target for growth for the first time in five years

Over-regulation tops list of CEOs' concerns

DAVOS, SWITZERLAND – 20 January 2015 – Fewer CEOs than last year think global economic growth will improve over the next 12 months, though confidence in their ability to achieve revenue growth in their own companies remains stable, say the more than 1,300 CEOs interviewed in **PwC's 18th Annual Global CEO Survey**. Results of the survey were released today at the opening of the **World Economic Forum** Annual Meeting in Davos, Switzerland.

The survey also finds that the US for the first time in five years ranks above China as CEOs' key market for growth. Over-regulation tops the list of concerns, named by 78% of CEOs worldwide. This is up 6 points from last year and is now at the highest level ever seen in the survey.

This year's survey identifies six steps that business leaders can take to help build success in 2015 and takes a look at some tough questions about finding growth in a disrupted world.

Commenting on the survey results, **PwC Bermuda leader Arthur Wightman** said: "It's clear that in 2015 disruptive change will affect all global markets - something that we can expect to see in Bermuda. For example, the rapid pace of technological change is seen as a challenge by 58% of CEOs. And while many CEOs seek to harness the potential of digital for their organisations, challenges are being thrown up by competitors emerging from new and previously unseen sources."

Mr Wightman continued: "One-third of CEOs say they have entered new industries in the last three years, and 56% believe that organisations will increasingly be competing in new sectors in the next three years. The ways by which CEOs are reacting to megatrends are ultimately changing the markets where CEOs seek growth, the range of threats to business, and the very fundamentals of entire industries."

Dennis M. Nally, Chairman of PricewaterhouseCoopers International, said: "The world is facing significant challenges: economically, politically and socially. CEOs overall remain cautious in their near-term outlook for the worldwide economy, as well as for growth prospects for their own companies. While some mature markets like the US appear to be rebounding, others like the Eurozone continue to struggle. And while some emerging economies continue to expand rapidly, others are slowing. Finding the right strategic balance to sustain growth in this changing marketplace remains a challenge."

Global Economy

CEOs are less optimistic about global growth prospects than a year ago, with 37% of CEOs thinking global economic growth will improve in 2015. This is down from 44% last year. Significantly, 17% of CEOs believe global economic growth will decline, more than twice as many as a year ago (7%). The remaining 44% expect economic conditions to remain steady.

Regionally, the results show wide variations. CEOs in Asia Pacific are the most optimistic about the global economy with 45% anticipating improvement, followed by the Middle East (44%) and North America (37%). On the other hand, only 16% of CEOs in Central and Eastern Europe expect economic improvement. CEOs in emerging economies like India (59%), China (46%) and Mexico (42%) are more optimistic about the economy than those in developed economies like the US (29%) and Germany (33%).

Revenue Growth

Despite the overall declining outlook for the global economy, CEOs remain confident about prospects for their own company; 39% worldwide said they are 'very confident' their company's revenues will grow in the next 12 months. That's the same as last year; though up slightly from 36% in 2013.

CEOs in the Asia Pacific region (45%) are most confident of revenue growth, about the same as last year. The Middle East is still one of the most optimistic regions with 44% of CEOs very confident of revenue growth, although this is down markedly from last year's 69%. CEO confidence in growth is higher in North America, rising to 43% from 33%. CEOs in Western Europe (31%) and Central and Eastern Europe (30%) are least optimistic about their company's growth prospects.

Looking country by country, India's CEOs top the list, with 62% very confident in their short-term growth prospects. Other leading countries include Mexico (50%), the US (46%), Australia (43%) the UK and South Africa (39%), China (36%), Germany (35%) and Brazil (30%). Among the least confident countries are France (23%), Venezuela (22%), Italy (20%), Argentina (17%) and, at the bottom of the list, Russia, with only 16% of CEOs very confident of revenue growth for 2015. This is down from 53% last year when Russia's CEOs were the most confident in the world.

Strategies for Growth

CEOs rank the US as their most important market for growth over the next 12 months, placing it ahead of China for the first time since we started asking this question five years ago. Overall, 38% of CEOs say the US is among their top-three overseas growth markets, compared with 34% for China, 19% for Germany, 11% for the UK and 10 % for Brazil.

CEOs say they will undertake a number of business strategies to strengthen their companies in the coming 12 months. Overall, 71% say they will cut costs, 51% will form strategic alliances or joint ventures, 31% will outsource a business process or function, and 29% will complete a domestic M&A (up from 23% last year).

What worries CEOs most?

Over-regulation again tops the list of concerns, named by 78% of CEOs worldwide. This is up 6 points from last year and is now at the highest level ever seen in the survey. Countries where concern about over-regulation is particularly high include Argentina (98%), Venezuela (96%), the US (90%), Germany (90%), the UK (87%), and China (85%).

Other top concerns cited by CEOs are availability of key skills (73%), fiscal deficits and debt burdens (72%), geopolitical uncertainty (72%), increasing taxes (70%), cyber threats and the lack of data security (61%) - going up rapidly from 48% last year – as well as social instability (60%), shifting consumer patterns (60%) and the speed of technological change (58%).

CEOs concerns are up in all areas compared to last year with the exception of energy costs where they are slightly down at 59%.

The Competitive Landscape

A third of CEOs worldwide say their company has recently entered or considered entering one or more new industries in the last three years, and more than half (56%) believe that organisations will increasingly compete in new sectors in the next three years. CEOs think a significant competitor is emerging or could emerge from the following sectors: technology (32%), retail and wholesale distribution (19%), and communications, entertainment and media (6%).

CEOs are also using joint ventures, alliances and informal collaborations to gain a competitive edge, working with suppliers (41%), customers (41%), and academia (32%). The top reasons for collaboration are access to new customers, emerging technologies, new markets and innovation.

Working with Government

CEOs say the top priority of government should be maintaining a competitive and efficient tax system, cited by 67% of survey respondents. But only 20% of CEOs said their country is successful in creating such a system. Likewise, access to a skilled workforce is highly valued by 60% of CEOs, but just 21% say enough skilled workers are available in their country. Other government priorities for CEOs include physical infrastructure (49%), affordable capital (29%), and digital infrastructure (28%). One notable issue, reducing the risk of climate change, is given priority by only 6%.

The Digital Age

The emergence of digital technology has completely changed how companies do business; 58% of CEOs are concerned about the speed of technological change compared with 47% last year. Mobile technologies are seen by 81% of CEOs as most important to their company, followed by data mining and analysis (80%), cybersecurity (78%), socially enabled business processes (61%) and cloud computing (60%). Companies get the most benefit from digital technologies in the areas of operating efficiency (88%), data and data analytics (84%) and customer experience (77%).

"CEOs know they must be adaptable to disruptive changes in technology and in their markets. They need to put technology at the core of their business to create value for customers. Finding new ways of thinking and working in this new competitive landscape is critical to success," concludes Dennis Nally.

Talent Diversity and Adaptability

Half of CEOs around the world say they will increase their headcount over the next 12 months, while 21% expect a decrease (this remains about the same as last year). As CEOs seek to meet the challenge of finding the right people, 81% say they are looking for a broader range of skills. Nearly two-thirds of CEOs' organisations (64%) have a diversity and inclusiveness strategy – but nearly a third don't. Or those who have such strategies, 85% say it has improved their bottom line.

Notes to editors:

Survey Methodology:
For PwC's 18th Annual Global CEO Survey, 1,322 interviews were conducted in 77 countries during the last quarter of 2014. By region, 459 interviews were conducted in Asia Pacific, 455 in Europe, 147 in North America, 167 in Latin America, 49 in Africa and 45 in the Middle East.

About PwC Bermuda
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