



Press Release

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PwC: Confidence returning for Middle East CEOs

- *PwC issues Middle East CEO Survey “Confidence through change”:*
www.pwc.com/meceosurvey
- *Confidence in company prospects for revenue growth rises*
- *56% of the region’s CEOs plan to increase number of jobs*
- *Concerns over data privacy and cybersecurity more prominent in the region*
- *Building digital and technological capabilities is the number 1 strategic priority for Middle East CEOs*
- *88% of CEOs in the region are confident about their company’s prospects for revenue growth over the next 12 months*
- *74% of CEOs in the region think data privacy and ethics will impact negatively on stakeholder trust levels in the next five years*

13th March 2017 – Dubai, UAE: While CEOs around the world feel they have plenty to worry about in the year ahead, confidence in their own growth prospects and their outlook for their respective economies are back on the rise. This is particularly true for Middle East CEOs, with whom our conversations reveal very positive projections for their businesses.

In this year’s Annual Global CEO Survey - now in its 20th edition, PwC canvassed the views of over 1,300 international CEOs including over 50 in the Middle East. This year, we found that 38% of CEOs worldwide (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.

Growth and Strategic Priorities

Our Middle East findings, released today, paint an even more positive, albeit guarded, picture about growth in the region. CEOs in the region, though confident, are playing a cautious hand when it comes to growth strategies, avoiding more speculative new ventures and refocusing on core capabilities and securing growth with tried and tested partners and exit strategies.

In fact, 38% of Middle East respondents are very confident about their company’s prospects over the next 12 months (2016: 34%) and as many as 60% have the same degree of confidence over the next three years - by far the highest of any region. This confidence also resonates into plans for workforce: 56% of the region’s respondents expect to increase their headcount over the next year.

Hani Ashkar, PwC Middle East Senior Partner commented:



“Despite a tumultuous 2016, our findings paint an encouraging picture for the year ahead and beyond: CEOs in the region are stepping up to the challenge of digital technology: seizing the possibilities it offers and addressing the risks it can pose. Despite uncertain times, Middle East businesses are as ambitious as ever; they have proved resilient in times of change and our survey shows that though treading with caution, they are certainly confident about the direction their businesses will take in the years to come.”

Beyond the workforce, this confidence is also seeping into CEOs’ business agendas. Our findings reveal that although organic growth is high on CEOs’ agendas (74% against an average of 79% and 92% in North America) business leaders in the region are more likely to be looking for strategic partnerships (54% vs. average of 48%); more likely to plan cost reduction activities (68% vs. average of 62%); less likely to explore collaborating with entrepreneurs (lowest at 22% vs. 34% in North America and 39% in Europe); and much more likely to be looking to exit a business or market (considerably the highest percentage at 30%, against an average of 15%).

Encouragingly, our findings also tell us that digital tops the list of strategic priorities for CEOs in the region (22%), followed by innovation (14%), human capital (12%) and funding for growth (10%).

Technology & Trust

30% of the region’s CEOs believe that technology has completely reshaped competition in their industry in the last five years - the highest of any region, and well ahead of the global average of 20%. Technology is also directly related to another key theme of this year’s survey: trust.

When we first started our survey 20 years ago, trust was not high on CEOs’ radars globally (29%); this year 69% of global CEOs told us that it’s harder today than ever to gain and keep trust. This number is even higher in the Middle East, at 78%; and the single most important factor here is digital technology.

After several high-profile technology and security issues for big companies, Middle East CEOs unsurprisingly identified cyber security, data privacy breaches and IT disruptions as the top three technology threats to stakeholder trust. In the Middle East, these concerns are in fact the highest of all regions: 74% view risk in breaches and data privacy as their biggest threat (vs. a global average of 55%). Similarly, the region shows the highest level of concern about cybersecurity breaches (66% vs. average of 53%), IT disruptions (62% vs. average of 47%) and risks from social media (46% vs. 38% average).

Despite these concerns, CEOs in the Middle East have identified the clear opportunities that lie ahead: 84% believe that the way their business manages data will be a positive differentiating factor in the future (vs. 64% global average). Also reassuring is the fact that Middle Eastern respondents seem to be overwhelmingly active at addressing those same issues: cybersecurity (66% vs. 52% average), IT outages (66%) and breaches in data privacy and ethics (58%).

Our findings also tell us that our Middle East CEOs are equally if not more digitally savvy than their global peers: 76% are consumers of digital media, 66% believe to have strong digital skills, 56% are active on social media and 22% are even active gamers.

... and the convergence of the Talent Agenda

Middle East CEOs’ increasing focus on technology is also impacting the way they view and address the talent agenda. 76% of Middle East CEOs said they now use technology to improve their employees’ well-



being: this includes flexible working, innovative office environments and the use of digital for learning and employee development.

As this trend gathers pace in the region, we also found that companies are gradually rethinking and reshaping their workforce. 86% of respondents in the region say they have changed their people strategy to reflect the skills and employment structures they need for the future (vs. 78% global average).

But although respondents in the Middle East are generally positive about the outlook for employment in the next year, 22% who expect to cut jobs, say that will be to some extent due to technology and increased level of automation.

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 but also the ones that CEOs are finding most difficult to recruit. When asked about the skills CEOs value the most, digital skills scored as highly as 92% in the Middle East, yet another testament to the fact that the region's CEOs are truly focused on increasing their digital capabilities to feed into a larger digital agenda.

Hani Ashkar, PwC Middle East Senior Partner concluded:

“An increasingly digitally-enabled landscape is emerging in the region, and CEOs have an array of concerns and opportunities when it comes to addressing these. The fact that digital and technology rank high on the agenda of our regional business leaders is very encouraging - however the key here is to find the right balance between technology and skills: addressing key skill shortages is one important strategic priority, but identifying irreplaceable skills in their people remains equally important to ensure a positive and sustainable growth outcome for the year ahead.”

The Middle East findings of PwC's Annual Global CEO Survey were released today and can be accessed through the following link: www.pwc.com/meceosurvey

ENDS

Notes to editors:

1. This survey was carried out between September and December 2016. 1,379 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 confident 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%).



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