

Most Apec corporate leaders plan to invest abroad, survey finds

DESPITE WEAKER CONFIDENCE IN ECONOMIC OUTLOOK, SLOW PROGRESS IN REGIONAL FREE TRADE AND REVENUE GROWTH

THE NATION

MORE THAN half of business leaders in the Asia-Pacific region plan to increase their overseas investments over the next year, despite weaker confidence in the broader economic outlook and disappointment with progress on free trade in the region.

The number of Asia-Pacific executives who are "very confident" in revenue growth over the next 12 months was flat at 28 per cent compared with a year ago, according to PricewaterhouseCooper's 2016 "Apec CEO Survey".

The survey, which interviewed more than 1,100 chief executive officers in the 21 Asia-Pacific Economic Cooperation economies in the run-up to the annual three-day Apec CEO Summit in Lima, Peru, that ends today, showed that CEOs have a subdued outlook for revenue growth for the second year in a row.

Despite this, more than half (53 per cent) of businesses surveyed still plan to increase their overseas investments.

China, the United States, Singapore and Indonesia are set to attract investment from more CEOs. More than two-thirds (69 per cent) of CEOs say they will increase investment within Apec economies, compared with 31 per cent spread broadly across the world.

Sira Intarakumthornchai, CEO for PwC Thailand, said business leaders had to balance short-term economic prospects with a long-term investment view in the face of a grim outlook.

"Although this year's survey reveals continued uncertainty about the strength of demand as different growth drivers and competitors emerge, the region still has the capability to enjoy good growth," Sira said.

"While the future of trade flows remains uncertain following the political shift in the US, Southeast Asian countries are making good progress in

deepening our ties and moving toward a digitally driven economy."

Business confidence in near-term revenue growth of Apec's youthful, faster-growing countries such as the Philippines (65 per cent in 2016-17 from 51 per cent last year) and Vietnam (50 per cent in 2016-17 from 44 per cent last year) is higher.

This contributes to lower energy prices, growing consumer demand and rising foreign business investment, the findings showed.

For the majority (53 per cent) of Apec CEOs, progress towards free trade in the region has been slow over the past 12 months.

Rising protectionism

Some 14 per cent feel progress has stalled given signs of rising protectionism, weak demand in mature markets and the failure of existing trade agreements.

However, executives in Asean economies, particularly Vietnam, say free trade is taking hold at a faster pace. The competitive environment in Apec economies is also changing, the findings showed.

More CEOs see regional leaders in Apec economies (20 per cent) and multinationals based in emerging economies (18 per cent) as their leading rivals, compared with 12 and 10 per cent in 2014. The biggest competitive threat remains multinationals from developed economies at 34 per cent.

CEOs' view on China's growth outlook is mixed.

Almost half of Apec CEOs believe China's gross domestic product in the next three years will grow at or below 5-6 per cent a year on average. Despite this, business leaders still want to build their brand, expand inland, and work in partnerships within the Chinese economy over the next three years.

According to the Thai Commerce

Ministry, China is by far the No 1 trading partner for the Kingdom, with a total trading value of US\$64.8 billion (Bt2.3 trillion) in 2015, followed by Japan at \$51.3 billion and the United States at \$37.9 billion.

"Most leaders still see China as their best choice to invest [in]," Sira said.

"The country remains the biggest and best growth market for major industries within Apec and around the world."

Concerns

Uncertainty over policy-related costs continues to worry most CEOs in the region, the findings showed.

Only 14 per cent of respondents say they've become more confident to forecast compliance costs and tax liabilities than they were at this time last year.

The regulatory environment surrounding rules, transparency and lack of corruption are considered the factors that matter the most in cross-border investment decisions within the region.

More than half (58 per cent) of Apec CEOs expect the regulatory environment to exert more influence on their investment decisions over the next three to five years.

Digital upgrades

Digital upgrades throughout the enterprise help CEOs target results in operational and cost efficiencies, improving customer experience and asset optimisation.

Over the next three years, real-time data or near-real-time data collection in logistics, equipment, and point-of-sale devices will become ubiquitous in the region, the findings showed.

As a result, one-third of executives expect new sources of revenue from integrating the role of connected devices in their businesses.

"We expect to see more companies in the region integrating technology into business strategies to improve operation, building stronger customer relations, and leading to new revenue streams. The development on this front has been very encouraging," Sira said.