



News release

Date **Wednesday 8th November, 2017**

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Asia Pacific business leaders' confidence hits three year high despite trade frictions

- APEC business investments increasing – Vietnam popular destination for new funds
- 63% of APEC CEOs expect global footprint to expand in next three years
- Concern rising on potential restrictions on labour mobility and movement of goods
- 58% of CEOs investing in automation

Confidence in revenue growth is at its highest level for three years amongst business leaders in 21 Asia-Pacific Economic Co-operation's (APEC) economies.

37% of APEC CEOs are very confident of revenue growth during the next 12 months, up from 28% in 2016 despite trade policy uncertainty and related political tensions in many of the economies that make up APEC.

PwC surveyed over 1,400 business leaders with responsibility in each of the 21 APEC economies in the run up to the annual APEC CEO Summit in Vietnam.

In the next year, a net 50% of businesses surveyed by PwC will increase their global investments (including those outside the APEC region), up from 43% last year, as APEC businesses increase their foothold and influence on the global economy.

71% of those surveyed who are raising investment will direct those increases into APEC economies in 2018, and 63% of all APEC CEOs expect their broader global footprint to expand over the next three years.

The biggest domestic investment winners will be Vietnam, Russia, the Philippines, Indonesia and Malaysia. Vietnam, China, Indonesia, the US and Thailand are the top APEC targets for business leaders' overseas investment. 89% of Malaysian CEOs and 86% of Vietnam CEOs expect to expand globally.

Bob Moritz, PwC Global Chairman comments:

“Business leaders' confidence suggests they are not waiting for the fog of uncertainty to clear to push ahead with investment plans. In the short term this will drive momentum for APEC, increasing its global influence and supporting deals activity with 71% of CEOs expecting to rely more on business partnerships/joint ventures in the future.”

“CEOs' concerns about restrictive trade conditions, particularly the movement of labour and goods, has to be a key area of discussion for APEC leaders at the upcoming summit as



it directly impacts competition and growth. 30% of business leaders want APEC, as a forum, to take the lead on exploring labour mobility solutions.”

The majority of business leaders are bullish for growth, and see APEC becoming more economically linked over time, with three quarters seeing slow current progress towards deepening economic integration. 31% of CEOs in the US say progress on free trade in Asia Pacific has stalled or reversed, compared to 18% across the region.

Sridharan Nair, Territory Senior Partner for PwC Malaysia/Vietnam says:

“ASEAN business leaders stand out from their APEC counterparts in their optimism on growth prospects. Even against the backdrop of rising trade uncertainty, a higher-than-average percentage of ASEAN business leaders expect the global footprint of their business to expand in the next three years.”

“ASEAN’s strong and consistent GDP growth, averaging 5.2% per year since 2000, and its vast working age population provide solid foundations for further expansion. To pursue sustainable growth internationally, businesses need to be grounded in trust to earn the confidence of their stakeholders; from the way they hire their talents, their approach to supplier selection, to how they market their products at home and abroad.”

At the same time, almost a quarter of APEC CEOs admit they experienced a more restrictive trade environment, particularly focused around employing foreign labour (23%) or in moving goods across borders (19%).

In the near term, 30% expect labour restrictions to increase, and a quarter expect an increase in barriers on moving goods to rise in the next 12 months. Half of CEOs in Singapore, one of the world’s global financial centres, admit they expect an increase in barriers to labour mobility in the next 12 months.

As a result, a majority of CEOs (71%) expect to rely more on business partnerships and joint ventures in response to the changing trade environment, and 68% plan to increase business domestically, or in economies with bilateral ties.

The drive to perform on a regional level continues to increase, and transform the competitive landscape for business in the APEC economies.

Dinh Thi Quynh Van (or Quynh Van), **PwC Vietnam General Director** says:

“Confidence levels are high among business leaders in Vietnam. This is not surprising. Close to half of foreign business investors in Vietnam (47%) plan to increase their investments in Vietnam over the next 12 months.”

“Positive sentiments can be seen in three areas; an expanding domestic economy, expectations of new growth from trade agreements and export expansion (both regional and intra-regional export growth), along with a positive outlook on innovation in key sectors of opportunity. Sustained economic reform, coupled with a strengthening of public institutions and an emphasis on education and skills development will be crucial to make Vietnam fit for the future.”

APEC CEOs identified increased competition from leading regional businesses in APEC economies, and emerging economies for the third year in a row. Combined they now overtake competition from traditional developed economy multinationals.



19% believe their biggest competitor in the next three to five years will be a multinational from an emerging economy, or regional leaders in APEC economies (22%). Almost a third (32%) believe developed nation multinationals are their biggest rival, down from 41% in 2014.

With confidence increasing, perceptions of the opportunities for innovation-driven growth have improved, but business leaders' concern about their ability to secure the right skills to compete globally is increasing.

Automation is a key recurring theme in strategies for building the workforce of the future, with 58% automating certain functions, 40% investing in machine learning and emerging technologies, and 41% identifying workers are skilled at using new automation tools. For ASEAN businesses, automation is high on the agenda, as the key building block in their strategy to develop a digital workforce.

Bob Moritz, PwC Global Chairman comments:

“APEC economies could be a test bed for the integration of automation with the workforce of tomorrow. Businesses know best what skills they need, and now public and private sectors need to work together to create practical ways to train, develop and access those skills.”

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Notes

1. Download the full report at www.pwc.com/apec
2. PwC is knowledge partner to the APEC CEO Summit in Danang, Vietnam, 8-10 November 2017.
3. PwC surveyed 1412 APEC business leaders from May – July 2017. Respondents represent businesses that are investing, on average, in six APEC economies other than their own principal economy. Over half are in organisations with over US\$1bn in annual revenue.

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