

Title: PwC latest survey shows declining CEO confidence in growth prospect

Author: Anh Duc

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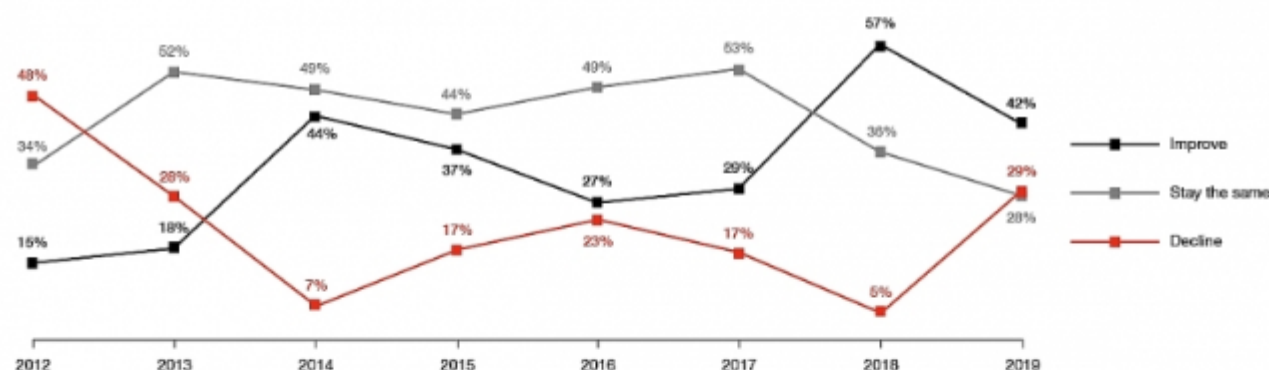
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PwC's latest CEO survey reflects a dramatic decline in CEO confidence in growth perspective in the next 12 months.

There is a sharp rise in the share of CEOs who believe growth will 'decline'

QUESTION
Do you believe global economic growth will improve, stay the same, or decline over the next 12 months?



Source: PwC, 22nd Annual Global CEO Survey
Note: from 2012-2014 respondents were asked 'Do you believe the global economy will improve, stay the same, or decline over the next 12 months?'
Base: All respondents (2012-2013: 2,018; 2014-2015: 2,000; 2016-2017: 2,000; 2018-2019: 1,300)
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PwC latest survey shows a sharp rise of CEOs with falling confidence in growth prospect

Accordingly, nearly 30 per cent of business leaders believe that global economic growth will decline in the next 12 months, approximately six times the level of 5 per cent last year- a record jump in pessimism.

This is one of the key findings of PwC's 22nd annual survey of 1,300 plus CEOs around the world which was launched yesterday at the World Economic Forum Annual Meeting in Davos.

This is in vivid contrast to last year's record jump, 29 per cent to 57 per cent, in optimism about global economic growth prospects.

Although, all is not doom and gloom: 42 per cent still see an improved economic outlook, though this is down significantly from a high of 57 per cent in 2018.

Overall, CEOs' views on global economic growth are more polarised this year but trending downward. The most pronounced shift was among CEOs in North America, where optimism dropped from 63 per cent in 2018 to 37 per cent likely due to fading of fiscal stimulus and emerging trade tensions.

The Middle East also saw a big drop from 52 per cent to 28 per cent due to increased regional

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economic uncertainty.

The drop in CEO optimism has also impacted growth plans beyond their own country borders. The US retains its position as the top market for growth at 27 per cent, down significantly from 46 per cent in 2018.

The second most attractive market, China, also saw its popularity fall to 24 per cent, down from 33 per cent in 2018. Overall, India is the rising star on the list this year, recently surpassing China as the fastest growing large economy.

“CEOs’ views of the global economy mirror the major economic outlooks, which are adjusting their forecasts downward in 2019,” said Bob Moritz, Global chairman, PwC. “With the rise of trade tension and protectionism it stands to reason that confidence is waning.”

The unease about global economic growth is lowering CEOs’ confidence about their own companies’ outlook in the short term.

Only 35 per cent of CEOs said they are ‘very confident’ in their own organisation’s growth prospects over the next 12 months, down from 42 per cent last year.

The US retains its lead as the top market for growth over the next 12 months. However, many CEOs are also turning to other markets, reflected in the dramatic drop in the share of votes in favour of the US, from 46 per cent in 2018 to just 27 per cent in 2019.

China narrowed the gap, but also saw its popularity fall from 33 per cent in 2018 to 24 per cent in 2019.

The other three countries rounding out the top five for growth include Germany at 13 per cent down from 20 per cent, India at 8 per cent down from 9 per cent and the UK at 8 per cent down from 15 per cent.

This year’s survey revisited questions about data adequacy first asked in 2009. It was found that CEOs continue to face issues with their own data capabilities, resulting in a significant information gap that remains ten years on.

Despite billions of dollars of investments made in IT infrastructure over this time period, CEOs report still not receiving comprehensive data needed to make key decisions about the long-term success and durability of their business.

CEOs are keenly aware that their analysis capabilities have not kept pace with the volume of data which has expanded exponentially over the past decade.

When asked why they do not receive comprehensive data, CEOs point to the ‘lack of analytical talent’ (54 per cent), followed by ‘data siloing’ (51 per cent), and ‘poor data reliability’ (50 per

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cent) as the primary reasons. When it comes to closing the skills gap in their organisation, CEOs agree that there is no quick fix. Forty-six per cent see significant retraining and upskilling as the answer, with 17 per cent also citing establishing a strong pipeline directly from education as an option.

“As technological changes continue to disrupt the business world, people with strong data and digital skills are in even higher demand and increasingly harder to find,” said Moritz.

“That said, the need for people with soft skills is also critical, which is why business, government and educational institutions need to work together to address the demands of the evolving workforce.”

In the survey, 85 per cent of CEOs agree that AI will dramatically change their business over the next five years. Nearly two-thirds view it as something that will have a larger impact than the internet.

Despite the bullish view on AI, 23 per cent of CEOs currently have ‘no current plans’ to pursue AI, with a further 35 per cent ‘planning to do so’ in the next three years.

Thirty-three per cent have taken ‘a very limited approach’. Fewer than 1 in 10 CEOs have implemented AI on a wide scale.

When it comes to the impact AI will have on jobs, 88 per cent of China’s CEOs believe AI will displace more jobs than it creates. Other Asia-Pacific CEOs are also pessimistic at 60 per cent, compared to 49 per cent globally.

CEOs in Western Europe and North America are less doubtful, with 38 per cent and 41 per cent believing AI will displace more jobs than it creates.

“Although organisations in Asia-Pacific, North America, and Western Europe have reported comparable levels of AI adoption, we see a growing divide over their belief about the potential impacts of AI on society and the role government should play in its development,” stated Moritz.

By Anh Duc