



Global challenges resonate with PNG CEOs but local solutions are possible

As we progress through 2019, business views of the global and regional economy seem to have diverged significantly from the attitudes of global business of only 12 months ago. The potentially negative impact of trade tensions, the risk of global economic slowdown, cyber threats and more were all highlighted in PwC's most recent global CEO survey released in January.

As PNG looks to move on from the hosting of the largest international event of the country's history the question must be asked as to whether deteriorating global conditions will cause the expected post APEC boost to fizzle, or are local conditions and the state of the business cycle sufficient to see the country capitalise on last year's exposure to the regional stage?

One of the most evident themes identified through PwC's global CEO survey was a significant increase in the level of pessimism in growth prospects with nearly 30% of CEOs projecting a decline in global economic growth. This falling confidence was also echoed in the level of confidence in their own organisations' prospects. The survey reflects responses from CEOs in September and October 2018, very much in the immediate lead up to APEC. By contrast, PNG CEOs (albeit surveyed slightly earlier in the year) were increasingly confident of their growth prospects, with 35% of respondents being very confident in growth.

The global survey also provided some valuable insights on the nature of the perceived threats to business that exist in the world today. Concern over strong nationalist and populist sentiments are growing and CEOs are reflecting that this can lead to over-regulation and policy uncertainty - which are both seen as drags on growth.



30%

of global CEOs project a decline in global economic growth



35%

of PNG CEOs are very confident of growth prospects

The levels of concern surrounding these more mundane concerns has increased significantly against the level of concern around other more long term existential threats such as the risks associated with climate change.

Our survey also demonstrates that global CEOs continue to be concerned on the ability of organisations to identify, attract and retain the skills and talent to deal with the evolving business environment. The ability to turn the increasingly available streams of data into actionable insights has been identified as a strong current demand. But at least some of the solutions for data analysis seem to be at hand, as 85% of CEOs believe that the use of AI will significantly change the way we do business within five years.

Key challenges faced by global and PNG CEOs



Potential global economic slowdown



Threats relating to ease of doing business (policy uncertainty and over-regulation)



Availability of key skills

But to what extent are these concerns relevant locally? Are these perceptions of threats and concerns shared by PNG CEOs? To a certain extent, even within the pre APEC CEO survey, similar concerns around the availability of skills were able to be identified. PNG CEOs share these global concerns about skill gaps and the need for improved training with the skill development of the workforce being a top priority of PNG business leaders in the coming two years.

In a further demonstration of the links between thinking of global and PNG CEOs, we can identify that even during 2018 PNG business was already anticipating the threat of barriers or drags to growth through over-regulation and policy uncertainty. Thirty-two percent of PNG CEOs were anticipating increased challenges in moving goods and 36% of CEOs anticipating an increase in barriers to employing foreign skilled labour. Policy uncertainty has also raised its head in PNG recently. Announcements of potential changes to foreign investment rules, and the ongoing debate in relation to the development frameworks for existing and future resource projects are examples of the types of threats identified by global CEOs.

We have previously identified significant post APEC opportunities in terms of international funding commitments. With these commitments as the wind in our sails, and with heightened levels of business confidence according to CEOs, PNG has an opportunity to chart a course that avoids some of the global storm clouds on the horizon. Nevertheless, this investment boost and the benefits of being present on the world's stage at the end of 2018 are not preordained. The change in global mood in 2019 is going to put more pressure on acting locally rather than relying on buoyant global conditions. Conscious action will be required to address the threats identified by the business community, including taking steps to close skill gaps in the workforce, guarding against over regulation, and ensuring clarity of policy to limit market barriers.

Although the threats are varied, there is a common denominator for action. Solutions are going to require the engagement of both the private and public sector. Currently, the forums for encouraging this public-private engagement are ad hoc at best and probably lack a consistency of purpose that is required for long term policy development. Whether determining the best pathways for the development of a skilled workforce of the future, or ensuring the development of a vibrant and diverse SME sector, addressing these fundamental long term goals requires a robust and authentic consultation process to ensure that all stakeholders are heard.

Anticipated business threats for PNG CEOs

36%

Increased barriers to employing foreign labour



32%

Increased challenges in moving goods



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