

News release

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Pages 6 pages

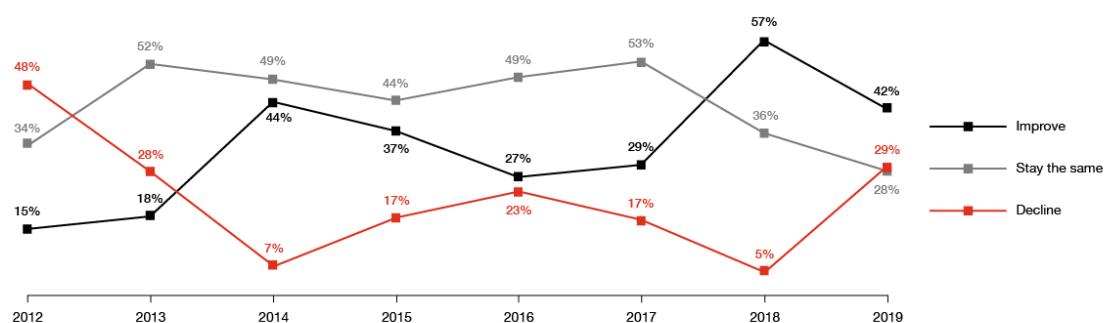
CEO confidence in growth dips dramatically

- *Uncertainty in global economic growth in almost all countries, caution prevails*
- *US remains key target market for growth with China narrowing the gap, both see a decline from 2018*
- *Trade conflicts, policy uncertainty, geopolitical issues and skills gap impacting strength of global economy and growth*

DAVOS, Switzerland, 21 January 2019 – What a difference a year makes. Nearly 30% of business leaders believe that global economic growth will decline in the next 12 months, approximately six times the level of 5% 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, launched today at the World Economic Forum Annual Meeting in Davos. This is in vivid contrast to last year's record jump, 29% to 57%, in optimism about global economic growth prospects.

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 (2019=1,379; 2018=1,293; 2017=1,379; 2016=1,409; 2015=1,344; 2013=1,330; 2012=1,286)

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Although, all is not doom and gloom: 42% still see an improved economic outlook, though this is down significantly from a high of 57% 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% in 2018 to 37% likely due to fading of fiscal stimulus and emerging trade tensions. The Middle East also saw a big drop from 52% to 28% due to increased regional economic uncertainty.

The drop in CEO optimism has also impacted growth plans beyond their own country borders. The US narrowly retains its position as the top market for growth at 27%, down significantly from 46% in 2018. The second most attractive market, China, also saw its popularity fall to 24%, down from 33% in 2018. Overall, India is the rising star on the list this year, recently surpassing China as the fastest growing large economy.¹

“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.”

Confidence in short-term revenue growth has fallen sharply

The unease about global economic growth is lowering CEOs’ confidence about their own companies’ outlook in the short term. Thirty-five percent of CEOs said they are ‘very confident’ in their own organisation’s growth prospects over the next 12 months, down from 42% last year.

Taking a closer look at some country-specific results, CEOs’ confidence reflected the global drop:

- In China, dropping from 40% in 2018 to 35% this year - due to trade tensions, US tariffs and weakened industrial production
- In the US, dropping from 52% to 39% - due to trade tensions and slowing economy
- In Germany, dropping from 33% to 20% - due to trade tensions, slowing economy and risk of disorderly Brexit
- In Argentina, dropping from 57% to 19% - due to recession and currency collapse
- In Russia, dropping from 25% to 15% - due to decline in export demand, currency volatility and higher unemployment

To drive revenue this year, CEOs plan to rely primarily on operational efficiencies at 77% and organic growth at 71%.

Top markets for growth: Confidence in US continues despite significant dip

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 favor of the US, from 46% in 2018 to just 27% in 2019. China narrowed the gap, but also saw its popularity fall from 33% in 2018 to 24% in 2019.

As a result of the ongoing trade conflict with the US, China’s CEOs have diversified their markets for growth, with only 17% selecting the US, down from 59% in 2018.

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

¹ Focus Economics, 2018. [The World's Top 10 Largest Economies](#) (2019-2020).

“The turn away from the US market and shift in Chinese investment to other countries are reactions to the uncertainty surrounding the ongoing trade dispute between the US and China,” stated Moritz.

Threats to growth: Driven by economy, not existential

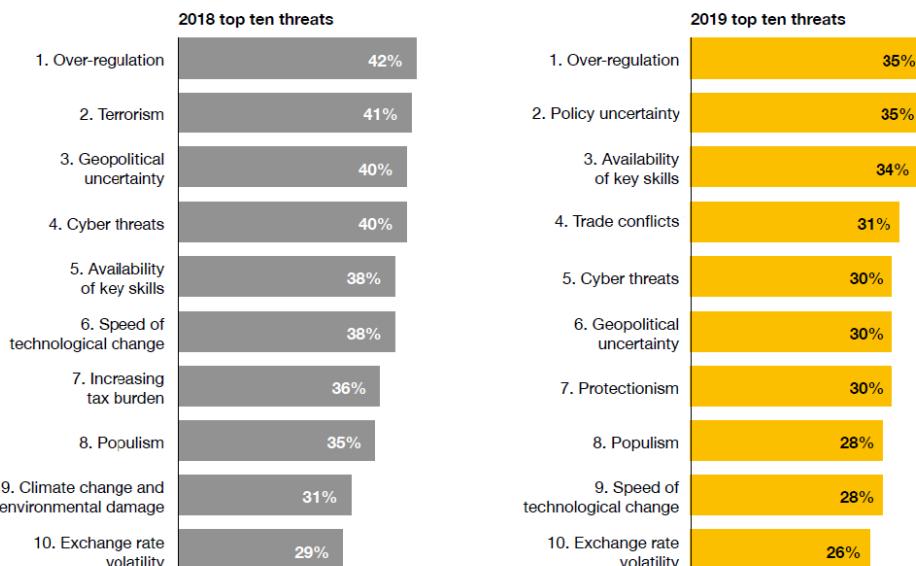
As indicators predict an imminent global economic slowdown, CEOs have turned their focus to navigating the surge in populism in the markets where they operate. Trade² conflicts, policy uncertainty, and protectionism have replaced terrorism, climate change, and increasing tax burden in the top ten list of threats to growth.

Of CEOs ‘extremely concerned’ about trade conflicts, 88% are specifically uneasy about the trade issues between China and the US. Ninety-eight percent of US CEOs and 90% of China’s CEOs have voiced these concerns.

Of China’s CEOs who are ‘extremely concerned’ about trade conflicts, a majority are taking a strong reactive approach, with 62% adjusting their supply chain and sourcing strategy. Fifty-eight percent are adjusting their growth strategy to different countries.

Threats are less existential and more related to the ease of doing business

QUESTION
How concerned are you, if at all, about each of these potential economic, policy, social, environmental, and business threats to your organisation's growth prospects? (showing only 'extremely concerned')



Source: PwC, 22nd Annual Global CEO Survey
 *Note: 2019 was the first year CEOs were asked about 'policy uncertainty' and 'trade conflicts'
 Base: All respondents (2019=1,378; 2018=1,293)

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² 2019 was the first year CEOs were asked about policy uncertainty and trade conflicts

Data & Analytics and Artificial Intelligence

This year's survey took a deep dive into Data & Analytics and Artificial Intelligence (AI), two key areas on leaders' radar, to get CEOs' insights on the challenges and opportunities.

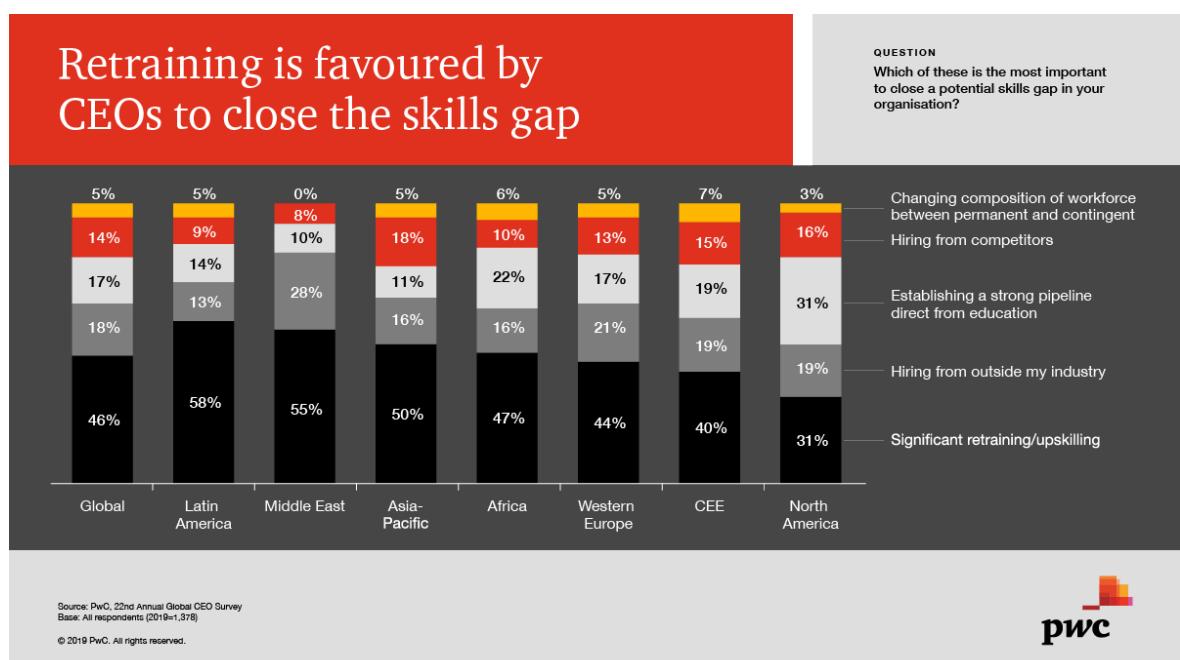
Data & Analytics – *Lingering information gap*

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.

Leaders' expectations have certainly risen as technology advances, but 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%), followed by 'data siloing' (51%), and 'poor data reliability' (50%) 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 percent see significant retraining and upskilling as the answer, with 17% 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," shared 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."



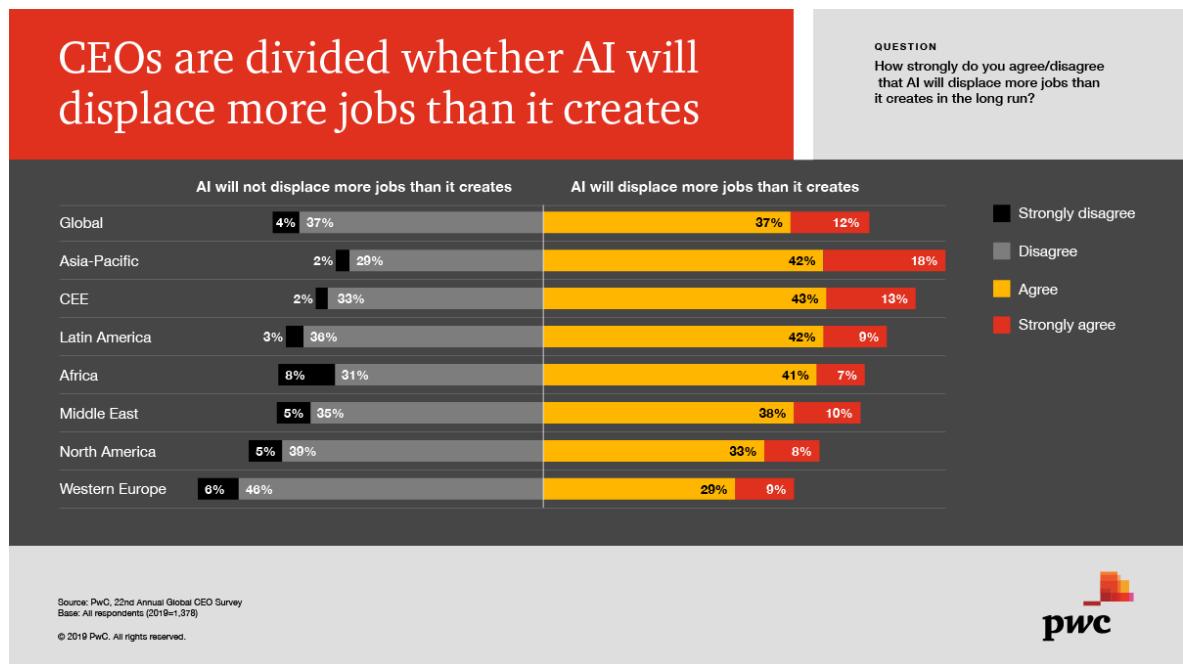
Artificial Intelligence

Eighty-five percent 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% of CEOs currently have 'no current plans' to pursue AI, with a further 35% 'planning to do so' in the next three years. Thirty-three percent 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% of China's CEOs believe AI will displace more jobs than it creates. Other Asia-Pacific CEOs are also pessimistic at 60%, compared to 49% globally. CEOs in Western Europe and North America are less doubtful, with 38% and 41% 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.



ENDS

Download the report at ceosurvey.pwc. Video footage from the launch of the Global CEO Survey in Davos and other media materials are available at: press.pwc.com

Notes

PwC conducted 1,378 interviews with CEOs in 91 countries between September and October 2018. Our sample is weighted by national GDP to ensure that CEOs' views are fairly represented across all major regions. 10% of the interviews were conducted by



telephone, 73% online, and 10% by post or face-to-face. All quantitative interviews were conducted on a confidential basis. 48% of companies had revenues of \$1 billion or more; 36% of companies had revenues between \$100 million and \$1 billion; 15% of companies had revenues of up to \$100 million; 59% of companies were privately owned.

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