

Press Release

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Contact Vu Thi Thu Nguyet
Tel: (024) 3946 2246, Ext: 4690; Mobile: 0947 093 998
E-mail: vu.thi.thu.nguyet@pwc.com

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Despite increasing trade tensions business confidence in Asia Pacific remains high

- **A net 51% of business leaders plan to raise investment levels**
- **Vietnam and China top targets for cross-border investment**
- **Majority of business leaders creating more jobs as a result of technology**
- **65% call on governments to do more to develop STEM skills**
- **Rising concerns about moving data across borders**

Business leaders across Asia Pacific remain confident that their companies' revenues will grow over the next 12 months despite increasing trade frictions.

In its latest survey of 1189 business leaders across the 21 Asia-Pacific Economic Cooperation (APEC) economies, PwC found that 35% were very confident of revenue growth, down slightly from 37% a year ago, while a net 51% plan to increase investments over the next year.

PwC carried out the survey in the lead up to the APEC CEO Summit which takes place this week in Port Moresby, the capital of Papua New Guinea.

Business confidence, trade and investment outlook

Business leaders in the United States and Thailand were among the most confident, with 57% and 56% 'very confident' of revenue growth while respondents in China and Mexico - two of the largest trading partners with the US - showed below average confidence at 25% and 21%.

In comparison, 33% of respondents in Vietnam indicated that they are 'very confident' of their companies' short-term growth prospects, with another 48% being 'somewhat confident'. International trade is likely to continue being a source of growth for Vietnam-based firms: 40% expect an increase in revenue opportunities thanks to new bilateral trade agreements and 34% anticipate such opportunities to arise from new multilateral agreements.

In addition to being positive on revenue growth, a net 51% of business leaders in APEC are planning to raise levels of investment, up from 43% two years ago. The biggest winners across APEC for foreign investment will be Vietnam, China, the US, Australia and Thailand, with Vietnam holding the top position for the second consecutive year.

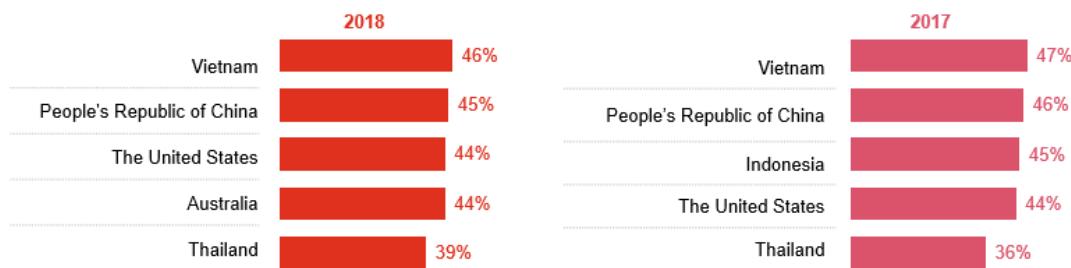


Figure 1: Top APEC economies to receive increased cross border investment over the next 12 months (net increase) (Source: PwC's APEC CEO Survey 2018)

Dinh Thi Quynh Van, General Director of PwC Vietnam said:

“With major trade deals like the CPTPP, EU-Vietnam FTA and ASEAN-Hong Kong FTA on the horizon, Vietnam has the potential to attract even more investment and generate new cross-border business opportunities. However, additional regulatory reforms, continued domestic investment and improvements in manufacturing and labour standards are needed to fully capture the benefits from these and other trade agreements.”

Raymund Chao, Chairman of PwC China commented on the general attitude towards trade in APEC, taking account the recent imposition of further tariffs between the US and China:

“While business leaders do not like uncertainty in any aspect of business, let alone flows of trade, they are learning to adapt to the new reality and finding ways to grow and thrive.

“While around a fifth of the business leaders we spoke to had experienced new barriers to trade this year, the number of CEOs who are seeing new opportunities coming out of the new trade arrangements has doubled over last year. While there are winners and losers in any trade war, our research clearly shows that businesses are uncovering new paths to growth”.

Workforce development high on the agenda

The market for employment is also looking positive with 56% of business leaders in APEC (also 56% in Vietnam) creating more jobs and only 9% (Vietnam: 14%) actively reducing headcount as a direct impact of technology on their workforce.

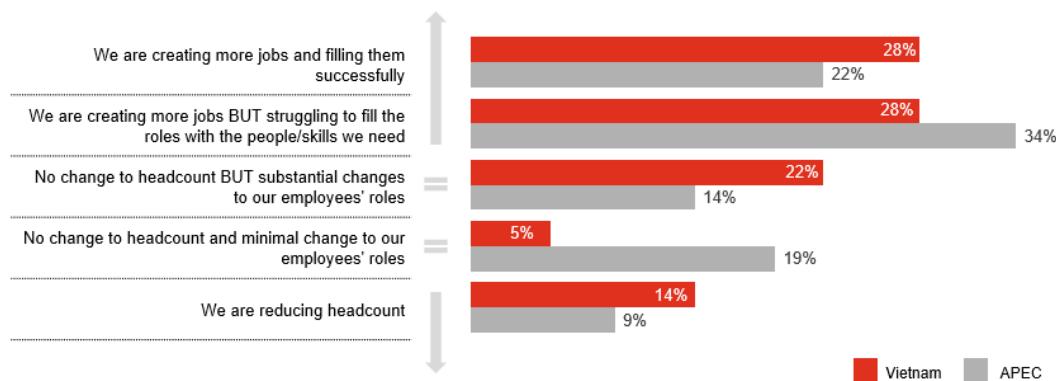


Figure 2: Impact of technology on jobs in businesses in Vietnam and APEC
(Source: PwC's APEC CEO Survey 2018)

However, the right talent is not always readily available and business leaders are struggling to find the people that they need with the right skills and experience, PwC's survey shows. The gap is felt acutely across science, technology, engineering and maths (STEM) skills with 65% of APEC business leaders (Vietnam: 76%) stating that their governments need to do more to train STEM professionals and only 14% (Vietnam: 4%) feeling their government is doing enough in this area.

This sentiment is also reflected when business leaders were asked what could be done to make growth more inclusive for more people across APEC. The number one factor that business leaders identified was expanded access to high-quality education at all levels followed by improved transport.

“The issues of training and education are very clearly on the top of the agenda for business leaders in APEC, giving a clear message to heads of state as they meet this week in Port Moresby about what more help could be done for business to secure long term success,” said Raymund Chao, who heads the PwC delegation at the APEC Leaders’ Week in Papua New Guinea.

Moving forward by going digital

APEC business leaders are also very well aware of the need to invest more in becoming digital. With the internet economy projected to reach over US\$200 billion¹ in Southeast Asia alone by 2025, the top two investment priorities for business leaders are digital customer interactions and digital skills for their workforce.

“When asked what policies are needed in order for Vietnam to advance in the digital economy, Vietnam-based CEOs ranked ‘improvements to the digital infrastructure’ at the top. While businesses need to determine their infrastructure requirements and communicate them, the government’s role is to understand these requirements and introduce policies and regulations for the sustainable development of digital infrastructure,” said Dinh Thi Quynh Van.

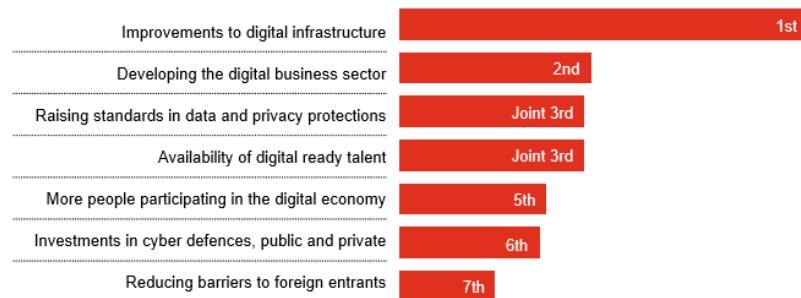


Figure 3: Top areas that Vietnam should improve upon to advance in the digital economy
 (Source: PwC’s APEC CEO Survey 2018)

Business leaders also know they need to do more when it comes to being digital. Only 15% of business leaders describe their use of Artificial Intelligence (AI) as highly competitive while 33% are not making use of AI at all. Those companies that describe themselves as highly competitive at AI are clear what they need to do to build on their perceived lead: increase investments, build more capability in AI and invest in local start-ups.

But while technology can provide part of the answer to sustainable growth, it is also presenting challenges in the new trade environment with moving data across borders identified as the area where businesses have experienced the biggest increase in new barriers in the last year - 20% - up from 15% in 2017.

“As APEC’s businesses become more digital and embrace new technologies such as AI, data flows will increasingly become the fuel that will drive global trade. Dealing with concerns about increased barriers to dataflow will remain a priority for business for some time,” added Raymund Chao.

- ENDS -

Notes to editors:

Find the full report at www.pwc.com/apec

¹ “The e-Economy SEA Spotlight 2017”, Google & Temasek

PwC is the knowledge partner to the APEC CEO Summit in Port Moresby, Papua New Guinea from 16-18 November 2018.

PwC surveyed 1189 APEC business leaders from May-July 2018. And a further 100 US business leaders in October 2018.

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