News release

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CEO optimism booms despite increasing anxiety over threats to growth

- *Optimism in global economic growth reaches record level and rises in all countries*
- *US reinforces its lead on China as a target market for growth in 2018*
- *Over half of CEOs expect their headcount to increase*
- *Terrorism, geopolitical uncertainty, cyber and climate change rise as threats to growth*

DAVOS, Switzerland, 22 January 2018 – A record-breaking share of CEOs are optimistic about the economic environment worldwide, at least in the short term. That's one of the key findings of PwC's 21st survey of almost 1,300 CEOs around the world, launched today at the World Economic Forum Annual Meeting in Davos.

Fifty seven percent of business leaders say they believe global economic growth will improve in the next 12 months. It's almost twice the level of last year (29%) and the largest ever increase since PwC began asking about global growth in 2012.

Optimism in global growth has more than doubled in the US (59%) after a period of uncertainty surrounding the election (2017: 24%). Brazil also saw a large increase in the share of CEOs who are optimistic global growth will improve (+38% to 80%). And even among the less optimistic countries such as Japan (2018: 38% vs. 2017: 11%) and the UK (2018: 36% vs. 2017: 17%), optimism in global growth has more than doubled since last year.

"CEOs' optimism in the global economy is driven by the economic indicators being so strong. With the stock markets booming and GDP predicted to grow in most major markets around the world, it's no surprise CEOs are so bullish," comments Bob Moritz, Global Chairman, PwC.

Confidence in short-term revenue growth on the rise

This optimism in the economy is feeding into CEOs' confidence about their own companies' outlook, even if the uptick is not so large. 42% percent of CEOs said they are "very confident" in their own organisation's growth prospects over the next 12 months, up from 38% last year.

Looking at the results by country, it's a mixed bag. CEOs' outlook improved in several key markets including in Australia (up 4% to 46%) and China (up 4% to 40%), where the share of CEOs saying they are "very confident" in their own organisation's 12-month growth prospects rose.

In the US, CEOs' confidence has recovered. After election nerves last year, the early focus on regulation and tax reform by the new administration has seen confidence in business growth prospects for the year ahead rising significantly – from 39% in 2017 to 52% in 2018. And North America is the only region where a majority of CEOs are "very confident" about their own 12-month prospects.

In the UK, with Brexit negotiations only recently reaching a significant milestone, business leaders' drop in short-term confidence is unsurprising (2018: 34% vs. 2017: 41%).

The top three most confident sectors for their own 12-month prospects this year are Technology (48% “very confident”), Business Services (46%) and Pharmaceutical and Life Sciences (46%) – all exceeding the global “very confident” level of 42%.

Strategies for growth remain largely unchanged on last year’s survey – CEOs will rely on organic growth (79%), cost reduction (62%), strategic alliances (49%) and M&As (42%). There was a small increase in interest in partnering with entrepreneurs and start-ups (33% vs 28% last year).

Top countries for growth: *Confidence in US continues, reinforcing lead on China*

CEO confidence in the US market extends overseas, with non-US based CEOs once again voting it the top market for growth in the next 12 months. This year, the US reinforces its lead on China (46% US vs 33% China, with the US lead over China up 2% compared with 2017).

Germany (20%) remains in third place, followed by the UK (15%) in fourth place, while India bumps Japan as the fifth most attractive market in 2018.

“Even with high levels of global growth confidence, business leaders want and need safe harbours for investment to secure short-term growth,” comments Bob Moritz, Global Chairman, PwC. “Access to consumers, skills, finance and a supportive regulatory environment are reinforcing leading markets’ positions, for business leaders to achieve their short-term growth targets.”

Jobs and digital skills: *headcounts to increase; leaders concerned about availability of digital talent*

Confidence in short-term revenue growth is feeding into jobs growth, with 54% of CEOs planning to increase their headcount in 2018 (2017: 52%). Only 18% of CEOs expect to reduce their headcount.

Healthcare (71%), Technology (70%), Business Services (67%) Communications (60%) and Hospitality and Leisure (59%) are amongst the sectors with the highest demand for new recruits.

On digital skills specifically, over a quarter (28%) of CEOs are extremely concerned about their availability within the country they are based, rising to 49% extremely concerned in South Africa, 51% in China and 59% in Brazil.

Overall, 22% of CEOs are extremely concerned about the availability of key digital skills in the workforce, 27% in their industry and 23% at the leadership level.

Investments in modern working environments, learning and development programmes and partnering with other providers are the top strategies to help them attract and develop the digital talent they need.

Impact of technology on employment and skills

While recent research by PwC showed that workers were optimistic about technology improving their job prospects, CEOs admit that helping employees retrain, and increasing transparency on how automation and AI could impact jobs is becoming a more important issue for them.

Two thirds of CEOs believe they have a responsibility to retrain employees whose roles are replaced by technology, chiefly amongst the Engineering & Construction (73%), Technology (71%) and Communications (77%) sectors. 61% of CEOs build trust with their workforce by creating transparency, at least to some extent, on how automation and AI impact their employees.

Bob Moritz, Global Chairman, PwC, comments:

> "Our education systems need to arm a global workforce with the right skills to succeed. Governments, communities, and businesses need to truly partner to match talent with opportunity, and that means pioneering new approaches to educating students and training workers in the fields that will matter in a technology-enabled job market. It also means encouraging and creating opportunities for the workforce to retrain and learn new skills throughout their careers. As the interest in apprenticeships and internships shows, lifelong training relevant to a business or industry is critical."

The digital and automation transition is particularly acute in the Financial Services sector. Almost a quarter (24%) of Banking & Capital Markets and Insurance CEOs plan workforce reductions, with 28% of Banking & Capital Markets jobs likely to be lost to a large extent due to technology and automation.

Threats to growth: *CEOs fear wider societal threats they can't control*

Despite the optimism in the global economy, anxiety is rising on a much broader range of business, social and economic threats. CEOs are 'extremely concerned' about geopolitical uncertainty (40%), cyber threats (40%), terrorism (41%), availability of key skills (38%) and populism (35%). These threats outpace familiar concerns about business growth prospects such as exchange rate volatility (29%) and changing consumer behaviour (26%).

Underlining the shift, extreme concern about terrorism doubled (2018: 41% vs 2017: 20%) and terrorism enters the top 10 threats to growth. The threat of over-regulation remains the top concern for CEOs (42% extremely concerned), and over a third (36%) remain concerned about an increasing tax burden.

Key skills availability is the top concern for CEOs in China (2018: 64% extremely concerned vs. 2017: 52%). In the US (63%) and the UK (39%), cyber has become the top threat for CEOs displacing over-regulation. And in Germany, cyber jumped from being the fifth threat in 2017 to third place (28%) this year.

A year after the Paris Agreement was signed by over 190 nations, which saw countries commit to voluntary action on climate change and low carbon investment, CEOs' concern about the threat of climate change and environmental damage to growth prospects has now doubled to 31% of CEOs (2017: 15%).

High-profile extreme weather events and the US withdrawal from the Paris Agreement have significantly raised the profile of business action on climate risk, regulation and resilience. In China, over half (54%) of business leaders are extremely concerned about climate change and environmental damage as a threat to business growth, equal with their levels of concern about geopolitical uncertainty and protectionism.

"The higher level of concern is being driven by larger societal and geopolitical shifts rather than the dynamics of business leaders' own markets," comments Bob Moritz, Global Chairman, PwC. "It's clear their mid to long-term confidence in revenue growth is tempered by threats the business world is not used to tackling directly itself."

Trust and leadership: *CEOs divided over whether future economic growth will benefit the many or the few*

Echoing the theme of the World Economic Forum this year, CEOs acknowledge that we live in a fractured world. They are divided over whether future economic growth will benefit the many or the few. They see the world moving towards new, multifaceted metrics to measure future prosperity.

Bob Moritz, Chairman, PwC comments:

> "The higher levels of CEO concern about broader societal threats underlines how companies are navigating an increasingly fractured world. CEOs across every region and country that we spoke to recognise that the old ways of measuring growth and profit won't work alone for the future. Particularly in the context of the Sustainable Development Goals, we're likely to see more work developing and defining metrics that capture and communicate an organisation's purpose in a way that is relevant to businesses' stakeholders in the coming years."

Examining the key challenges to trust for businesses, CEOs admit that delivering results in shorter periods of time (60%) is the main challenge. However, following this, there is a significant shift with the majority reporting higher levels of pressure to hold individual leaders to account (59%), including for misconduct. Over a third report more pressure from employees and customers to take political and social stances (38%) in public.

In the Banking and Capital Market (65%), Healthcare (65%) and Technology sectors (59%), the profile of leadership accountability was higher than average. So too were expectations in the US (70%), Brazil (67%), and the UK (63%). High-profile debates on diversity, immigration, social inclusion and pay equity have raised employees' expectations of leadership to engage in political and social issues, particularly in the US (51%), China (41%) and the UK (38%).

Ends

Download the report at www.pwc.com/ceosurvey.

Notes

1. PwC conducted 1,293 interviews with CEOs in 85 countries between August and November 2017. Our sample is weighted by national GDP to ensure that CEOs' views are fairly represented across all major countries. 11% of the interviews were conducted by telephone, 77% online, and 12% by post or face-to-face. All quantitative interviews were conducted on a confidential basis. 40% of companies had revenues of $1 billion or more; 35% of companies had revenues between $100 million and $1 billion; 20% of companies had revenues of up to $100 million; 56% of companies were privately owned.
2. **Climate Change**: Climate Change and environmental damage is reported in the top five threats for businesses in Asia Pacific and Western Europe, and recognised as a top five threat for the growth prospects of companies in the Energy and Utilities, Engineering and Construction, Transport and Logistics sectors.
3. **Globalisation**: When asked if globalisation has helped 'close the gap between the rich and the poor', nearly 40% of CEOs respond "not at all'. 30% said globalisation had not helped 'avert climate change and resource scarcity'. More than one in four CEOs say that globalisation has not helped improve the 'integrity and effectiveness of global tax systems' at all.
4. **Trust:** 71% of CEOs are now measuring trust between their workforce and leadership; 74% between their organisation and its customers. Action on cyber security, diversity and inclusion and increased transparency on business strategies and plans were amongst the key areas of focus.
5. While only 18% of CEOs expect to reduce their headcount, CEOs estimate that four out of five (80%) of those jobs affected will have been impacted in some way by technology – 52% to some extent and 28% to a large extent.
6. PwC's Global Innovation 1000 Study this year found that 52% of respondents believe economic nationalism will have a moderate or significant impact on their company's R&D efforts, replacing today's integrated and interdependent network with isolated R&D nodes.

About PwC
At PwC, our purpose is to build trust in society and solve important problems. We're a network of firms in 158 countries with more than 236,000 people who are committed to delivering quality in assurance, advisory, tax, and legal services. Find out more and tell us what matters to you by visiting us at www.pwc.com.

About PwC Vietnam
PwC Vietnam established offices in Hanoi and HCMC in 1994. Our team of approximately 1,000 local and expatriate staff has a thorough understanding of the business environment in Vietnam and a wide knowledge of policies and procedures covering investment, tax, legal, accounting, and consulting matters. Moreover, we have established PwC Legal Vietnam, PwC Consulting Vietnam, and PwC Vietnam Cybersecurity to diversify the services that PwC offers.

We go the extra mile to help our clients achieve their objectives. With strong industry knowledge that our clients require at a local level, we offer integrated services, bringing a breadth of skills and depth of resources to our clients wherever they do business, throughout Asia and across the world. Visit our website for further information: www.pwc.com/vn.