



# Chief Executive Perspectives: 2010

**Results from the 2010 Annual Member Survey**

Asia Business Council

*September 2010*

## The Asia Business Council

- **Independent association of Chairmen and CEOs from leading Asian and MNC firms**
  - 70 members representing 13 Asian economies, Australia, Europe, and the U.S.
  - Market valuation of members' companies is more than \$2 trillion (as of August 2010)
  - Employee count of members' companies is about 2 million people (as of August 2010)
  
- **Mission: to work toward the continued economic development and competitiveness of Asia as a region**
  - Foster dialogue and understanding amongst business leaders
  - Improve the efficacy of the private sector in promoting continued economic growth and development in the region
  - Be a collective voice to influence other corporations, governments, multilateral organizations, and members of civil society

The Council's annual survey is designed to gauge Asian business leaders' perspectives on issues affecting both Asia and the world

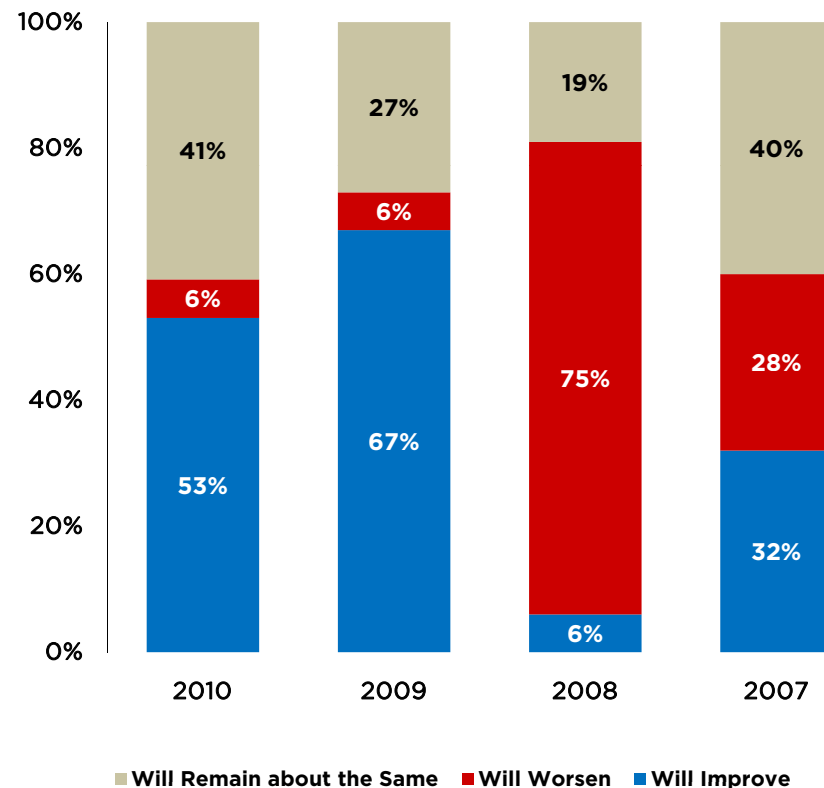
## Survey overview

- **Survey conducted in July-August 2010**
- **Response rate of 70% (49 of 70 members)**
- **Members were asked about their economic outlook and investment plans**
- **Members were also asked to consider for specific problem(s) in the following issues:**
  - Energy and Environmental
  - Finance and Business
  - Geo-Political
  - Social

## Cautious optimism: Strong growth in Asia but weak recovery in the U.S. and Europe

- The majority of respondents are optimistic- About four out of 10 respondents (41%) felt that economic conditions will continue on their current course
- 53% of respondents in 2010 felt that business conditions will further improve in the next year
- Reasons cited for positive views included GDP growth figures, economic momentum in Asia, and increasing domestic demand and relatively high consumer confidence in Asia
- Respondents expressed concerns about the fragile state of the recovery of the United States and Europe, noting that weak demand will continue to present uncertainties to export-driven economies in Asia

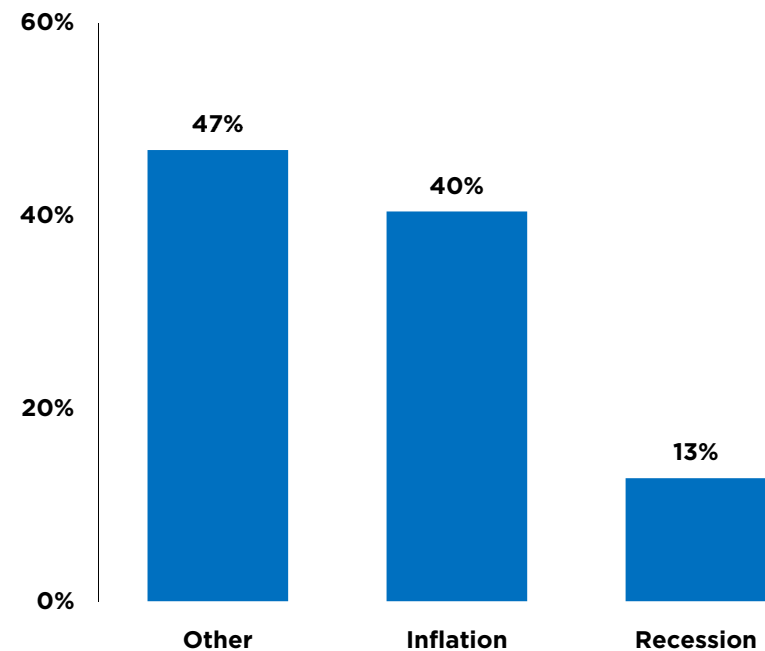
How Do You Feel About Overall Business Conditions In the Next 12 Months?



## Inflation and instability seen as key threats to Asia in 2011

- Inflation was mentioned as a chief concern facing Asia in the coming year by 41% of respondents. Reasons mentioned include wage increases and rising costs for raw materials
- A minority of respondents (13%) identified recession as the biggest economic problem facing Asia, a sizable decrease from 44% in 2009
- Those citing other threats to Asia (47%) mentioned concerns over large budget deficits resulting from government stimulus packages that could eventually dampen growth, the slow pace of structural reforms in China, high unemployment, and the building up of asset bubbles in the region

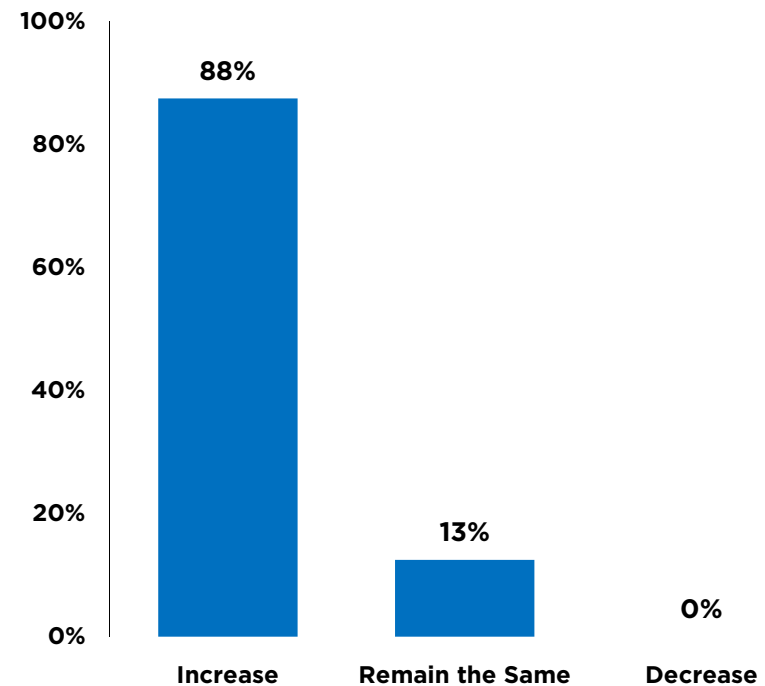
Biggest Economic Problem Facing Asia



## Respondents expect overall wages to increase in 2011

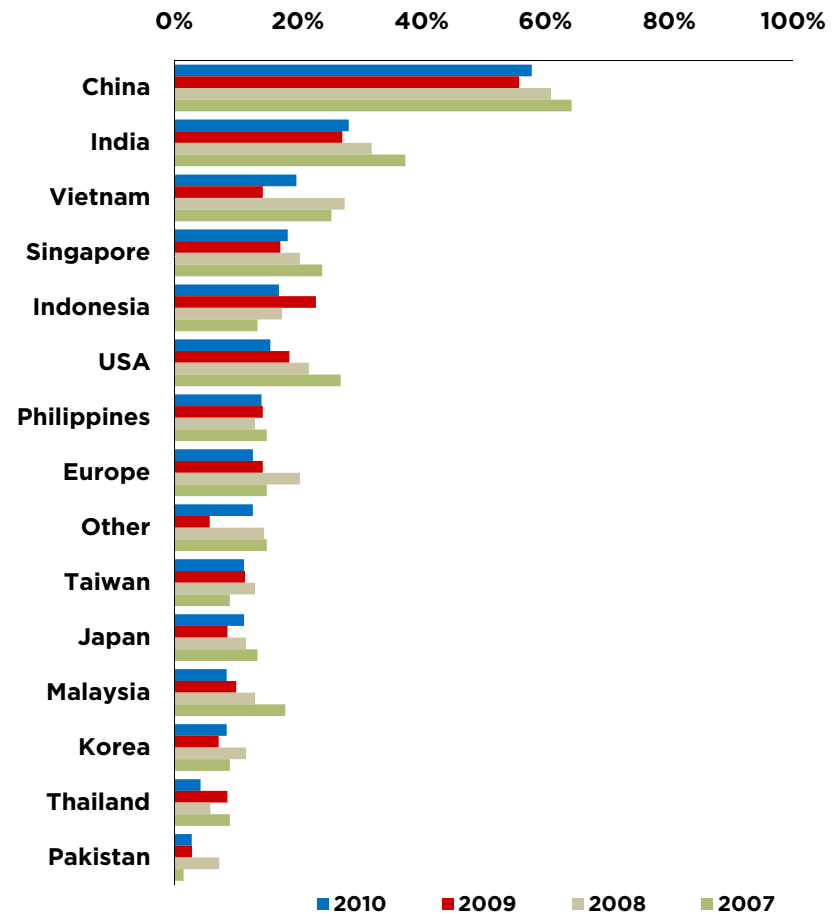
- **Overwhelming anticipation of higher wages—88% of respondents expect to see wages increase in the coming year**
- **66% of respondents who specified an inflation range expected to see wages rise between 5-10%, while 21% thought wages would increase by 11-15%**
- **On average, respondents expected to see wage increases of 8.6%, but noted that it would differ by country**

How Do You Expect Overall Wages of Your Employees in Asia to Change in the Next 12 Months?



## Investment interest in China more than double that in India

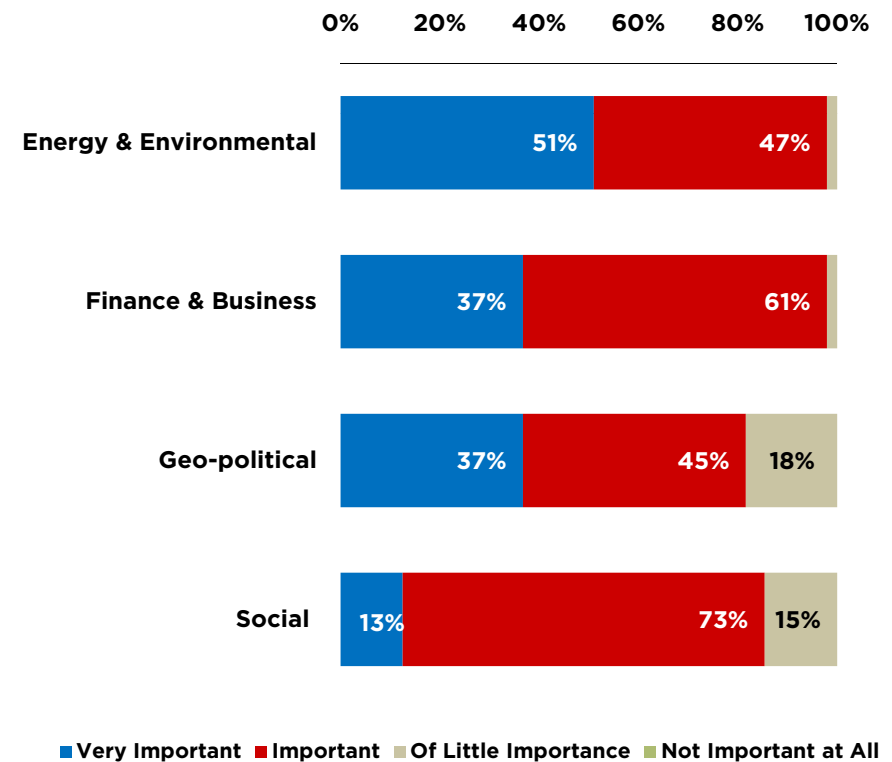
- **China was the most popular investment destination, with 58% of respondents investing in China in the past year. This interest is more than double that of India (with 28%), the second most popular investment destination**
- **Investment interest in the U.S. declined for the fourth year in a row, with 15% of respondents investing in the country in 2010 compared to 19% in 2009, 22% in 2008, and 27% in 2007**



# Energy and environmental issues are seen as the most important for Asia

- About half of the respondents (51%) rated energy and environmental issues as very important for business in Asia (42% in 2009) and 33% of respondents rated it as having great impact on their business (37% in 2009)
- Respondents expressed concern over an increase in oil and gas prices in the coming months
- Respondents saw the heightened awareness of environmental issues as an opportunity and the development of less energy-intensive and more environmentally-friendly practices as a business imperative

How Important Is This Issue for Business In Asia?

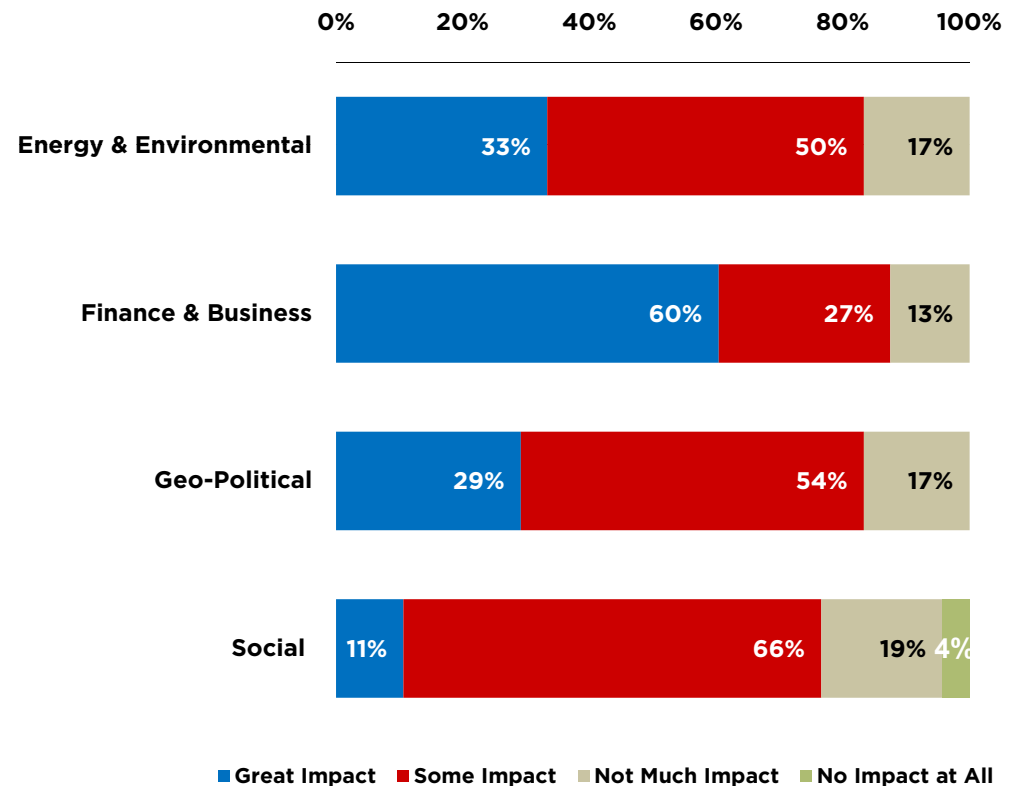




# Finance and business issues are thought to impact business the most

- Although energy and environment was seen as the most important issue on a pan-Asian scale, respondents cited financial and business concerns as having the most impact on member business
- More than a third of the respondents (37%) rated this issue area as very important for business in Asia (62% in 2009) and 60% of respondents rated it as having great impact on their business (65% in 2009)
- Respondents cited similar top concerns as in 2009: volatility in the market, instability created by the European economies, and the availability of credit

How Much Does this Issue Impact Your Business?



## Tense international relations are the most cited geo-political concern

- **Geo-political concerns were seen as very important for business in Asia by 37% of respondents (35% in 2009), and as having a great impact on business by 29% of respondents (24% in 2009)**
- **Respondents noted particular concern over tensions in Sino-U.S. relations**
- **The uncertainty in future leadership of North Korea and regional disputes in the middle East are also sources of concern over political instability- these were also top regions of concern in 2009**
- **In 2009, China's economy was seen as the top geo-political issue**

## Inequality and labor issues, particularly the Chinese labor situation, top social concerns

- **Social concerns were rated by 13% of respondents as very important for business in Asia (12% in 2009) and 11% of respondents rated it as having great impact on their business (12% in 2009)**
- **As in 2009, social inequality, labor unrest, and the widening income gap were considered the key issues affecting the Asian social landscape, with respondents paying special attention to the Chinese labor situation**
- **Unemployment and the lack of social responsibility, two of the key issues in 2009, were not cited as primary concerns in 2010**

## Survey summary

- **The majority of respondents felt that business conditions will improve (53%), while a growing percentage of them expected that economic conditions will continue on their current course (41%)**
- **Inflation and economic instability are seen as key threats to Asia**
- **Investment interest in China was more than double that of India, the second most popular investment destination.**
- **Energy and environmental issues have become the most important concern facing business in Asia, particularly increases in oil and gas prices**
- **Finance and business issues continue to have the highest perceived impact on members' businesses. The stabilization of the financial sector, volatility of world finance, and the availability of credit continue to be seen as major concerns.**
- **Tense Sino-U.S. relations and political instability in North Korea and the Middle East are viewed as primary geo-political concerns**

## Survey Data

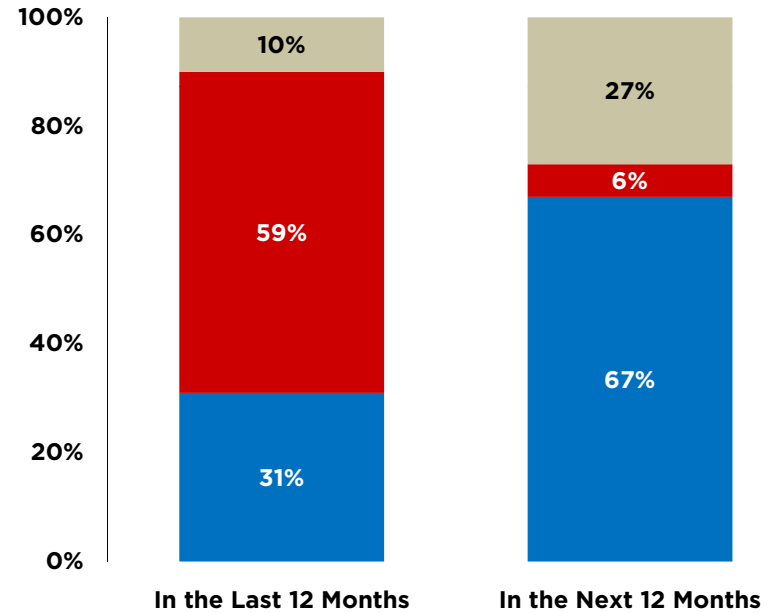
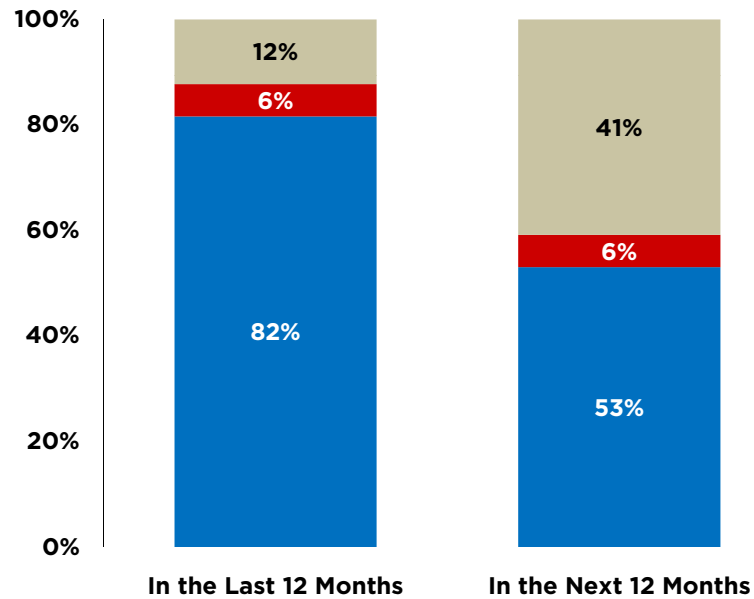
# How do you feel about overall business conditions? (2009-2010)

2010

2009

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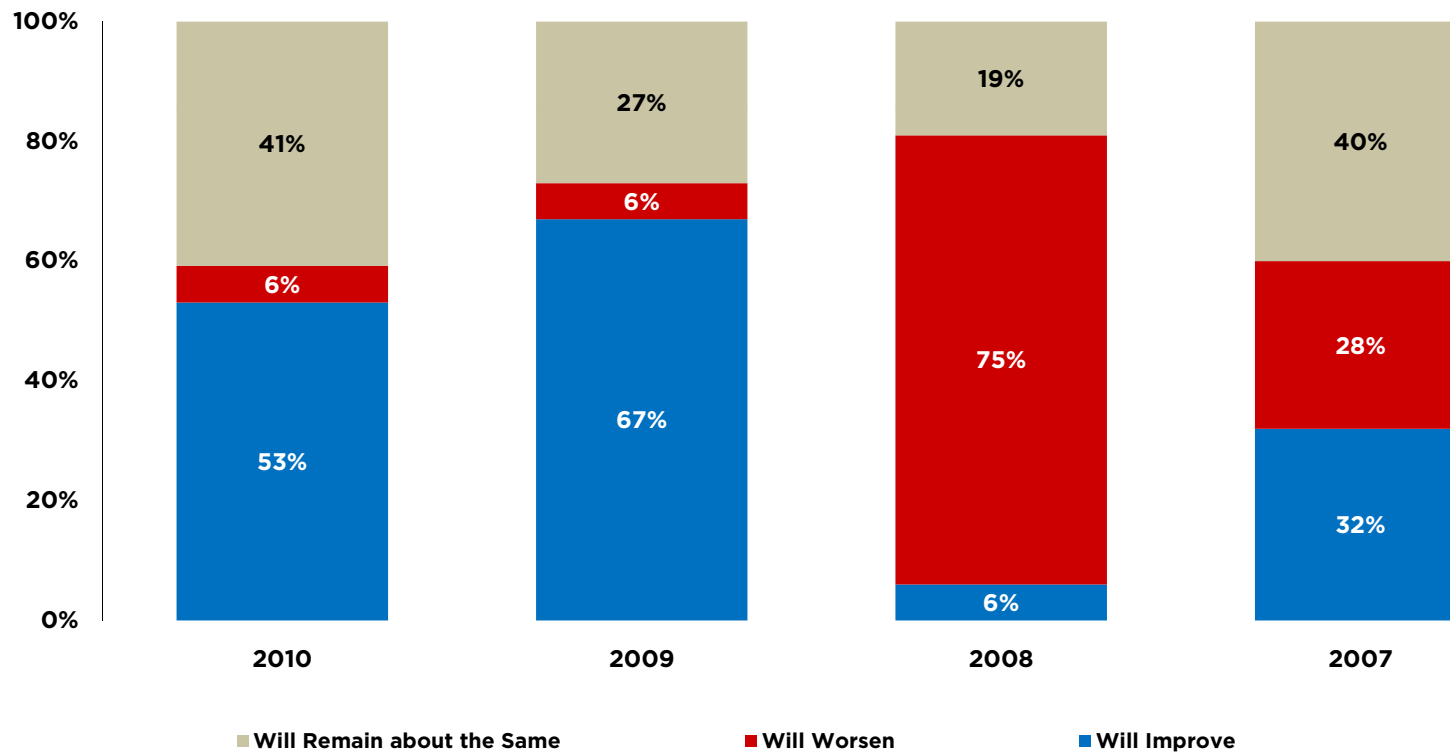


■ Will Remain/Remained about The Same  
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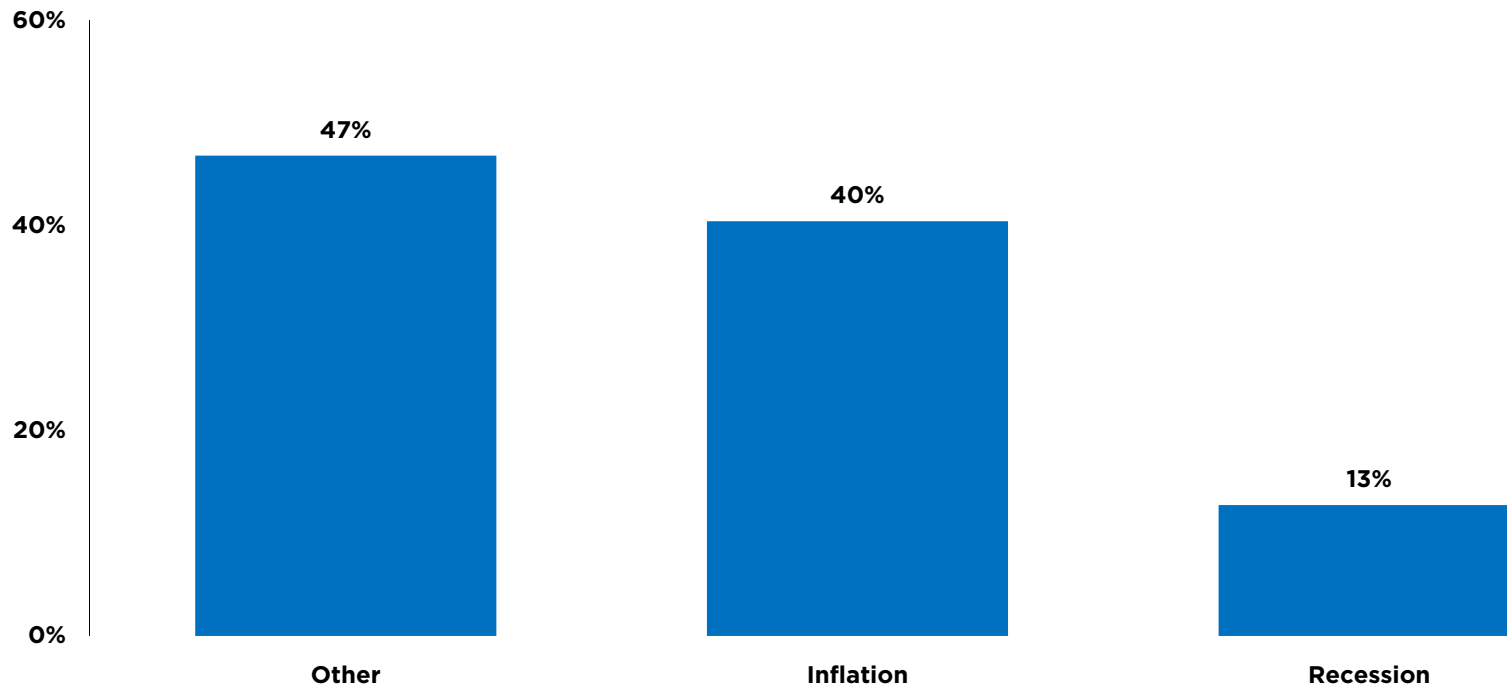
# Future business outlook

How Do You Feel About Overall Business Conditions In the Next 12 Months?



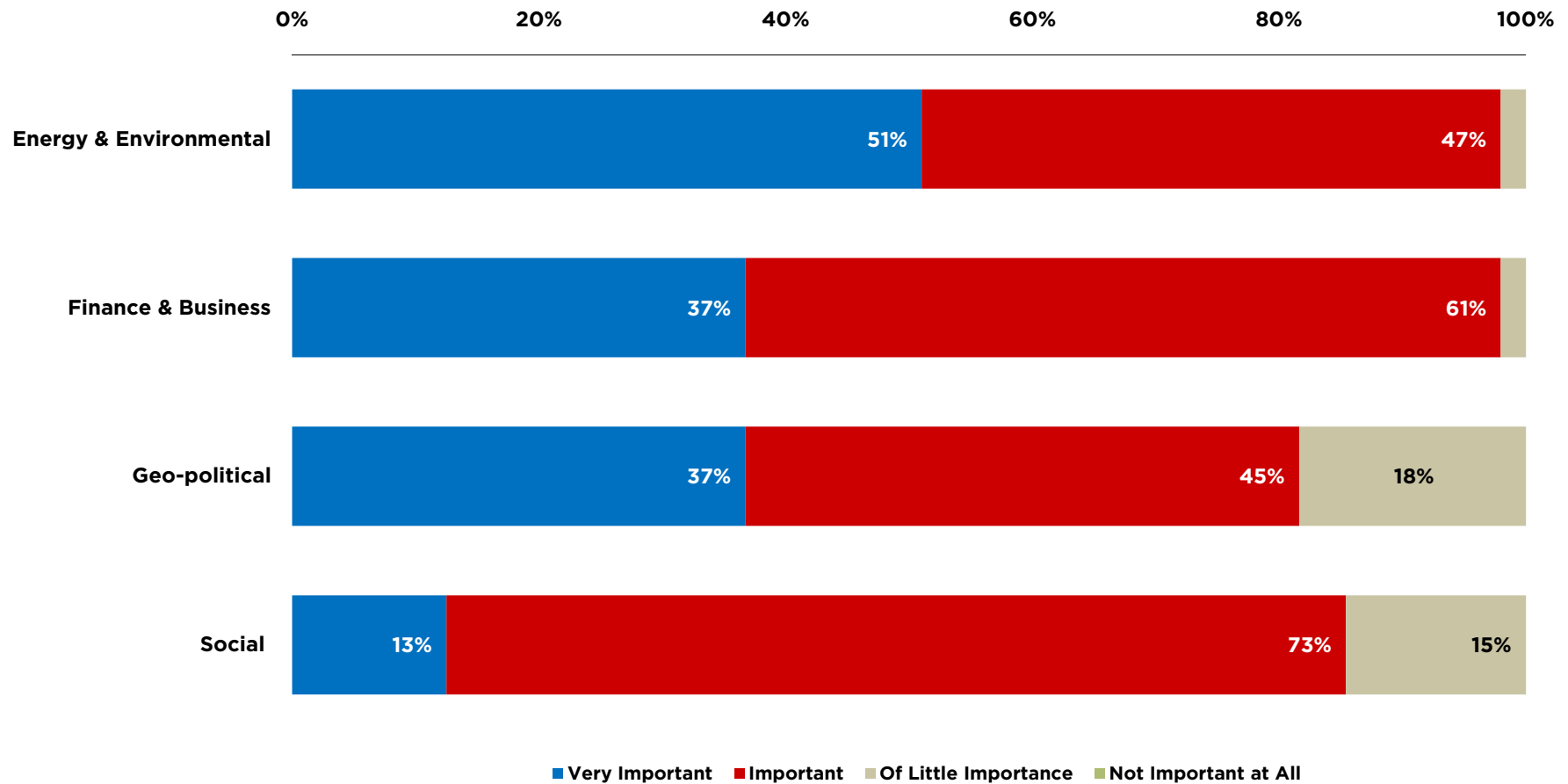
## Inflation concern (2010)

Biggest Economic Problem Facing Asia

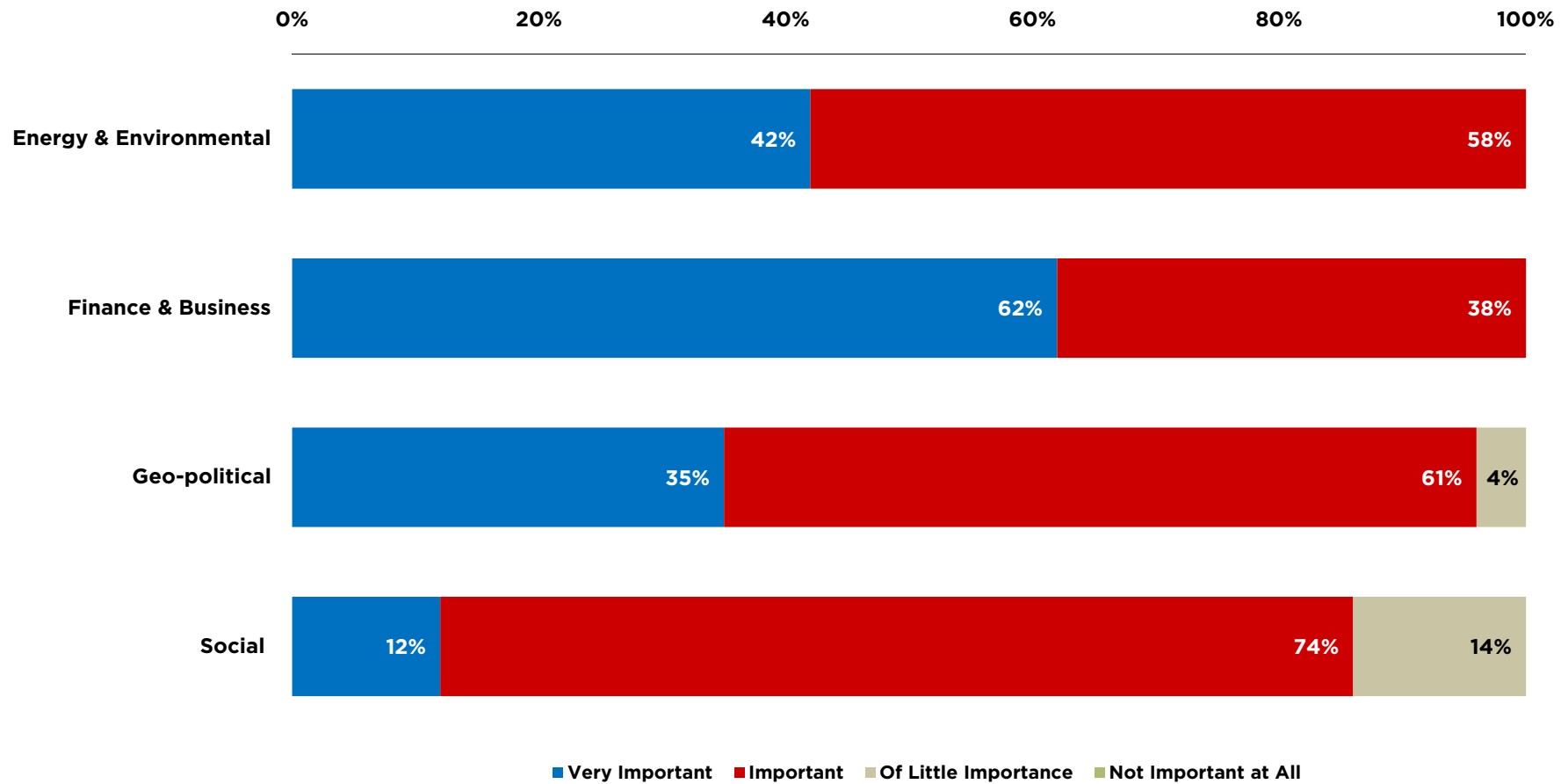




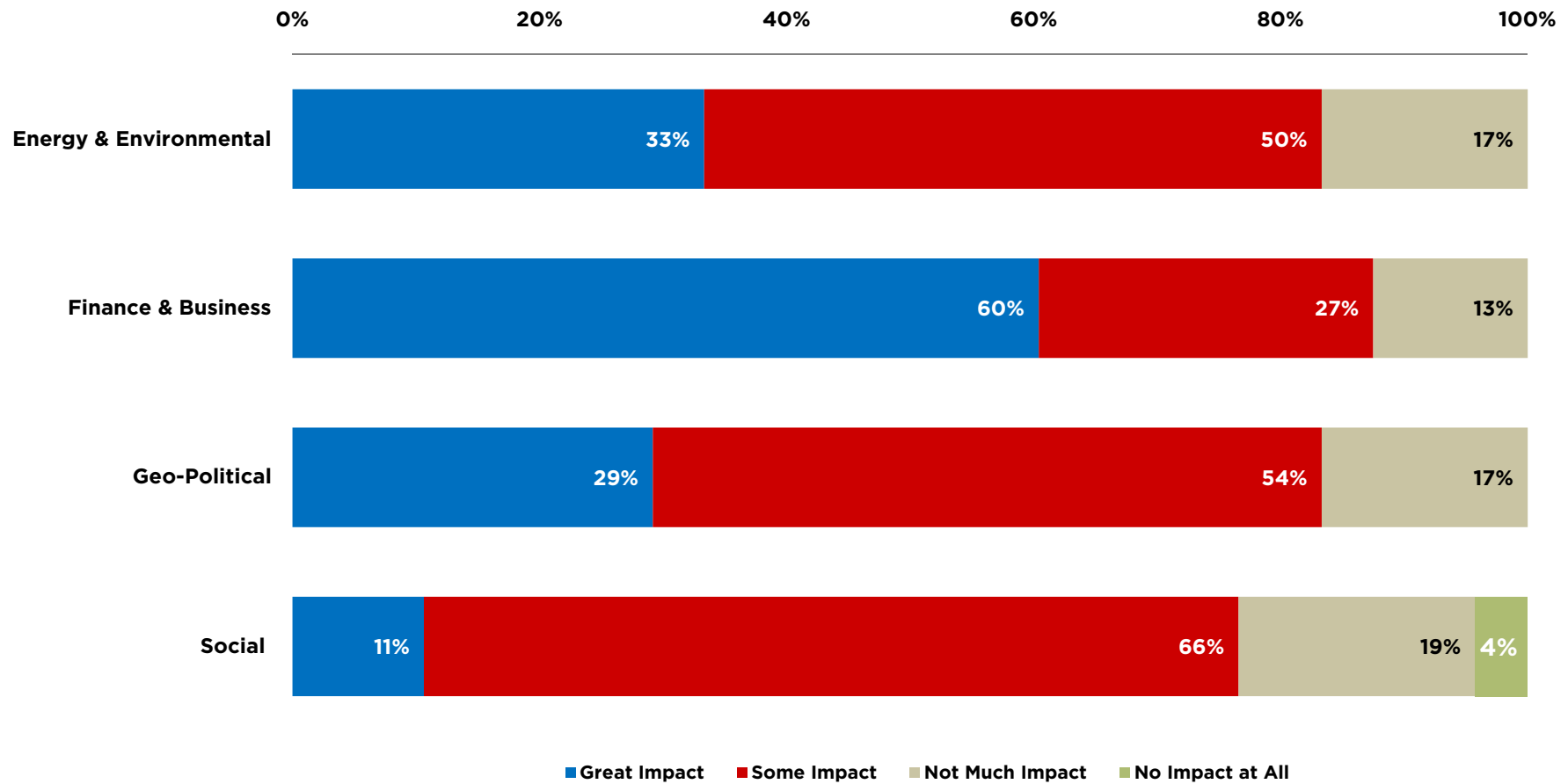
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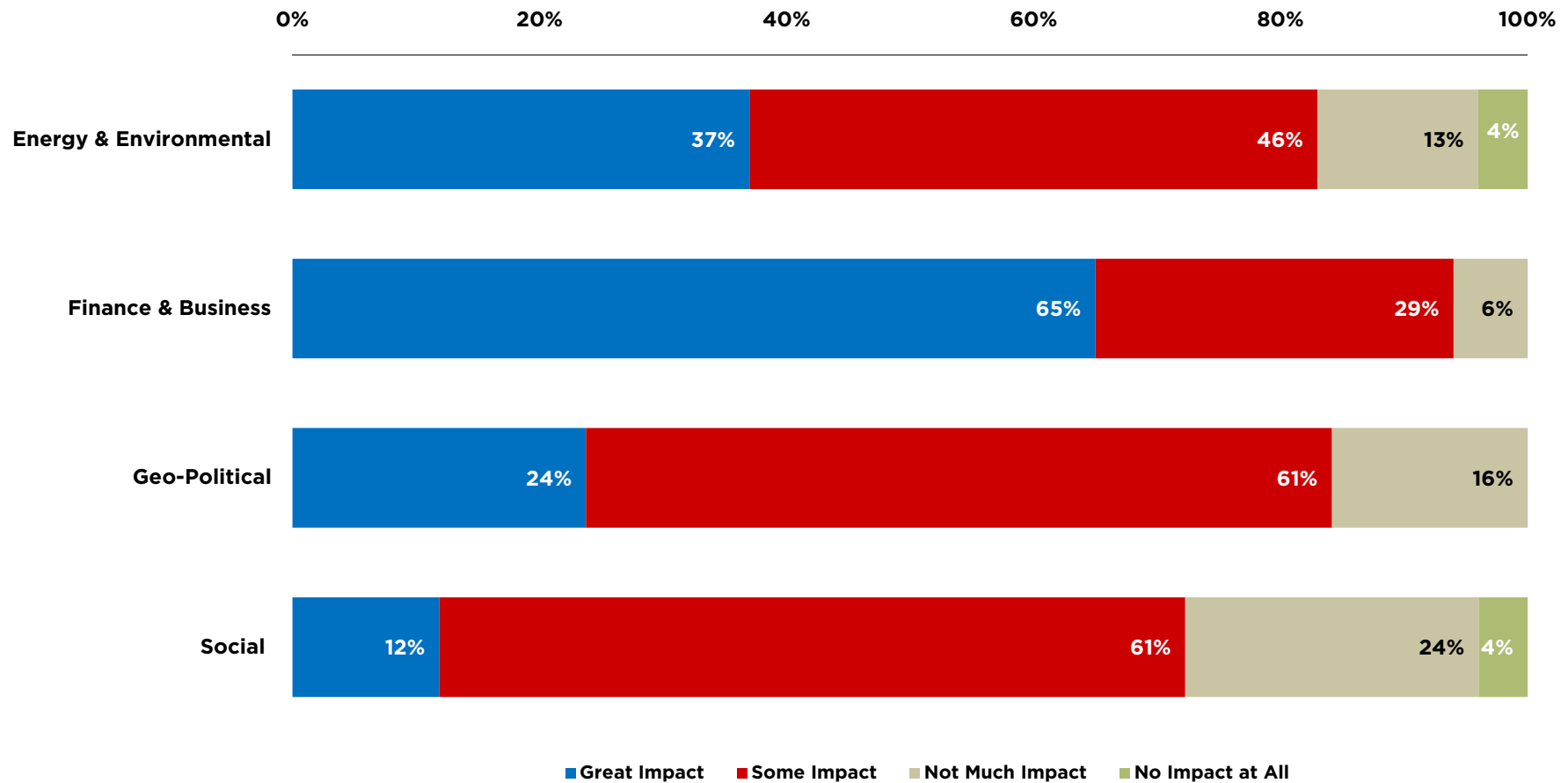
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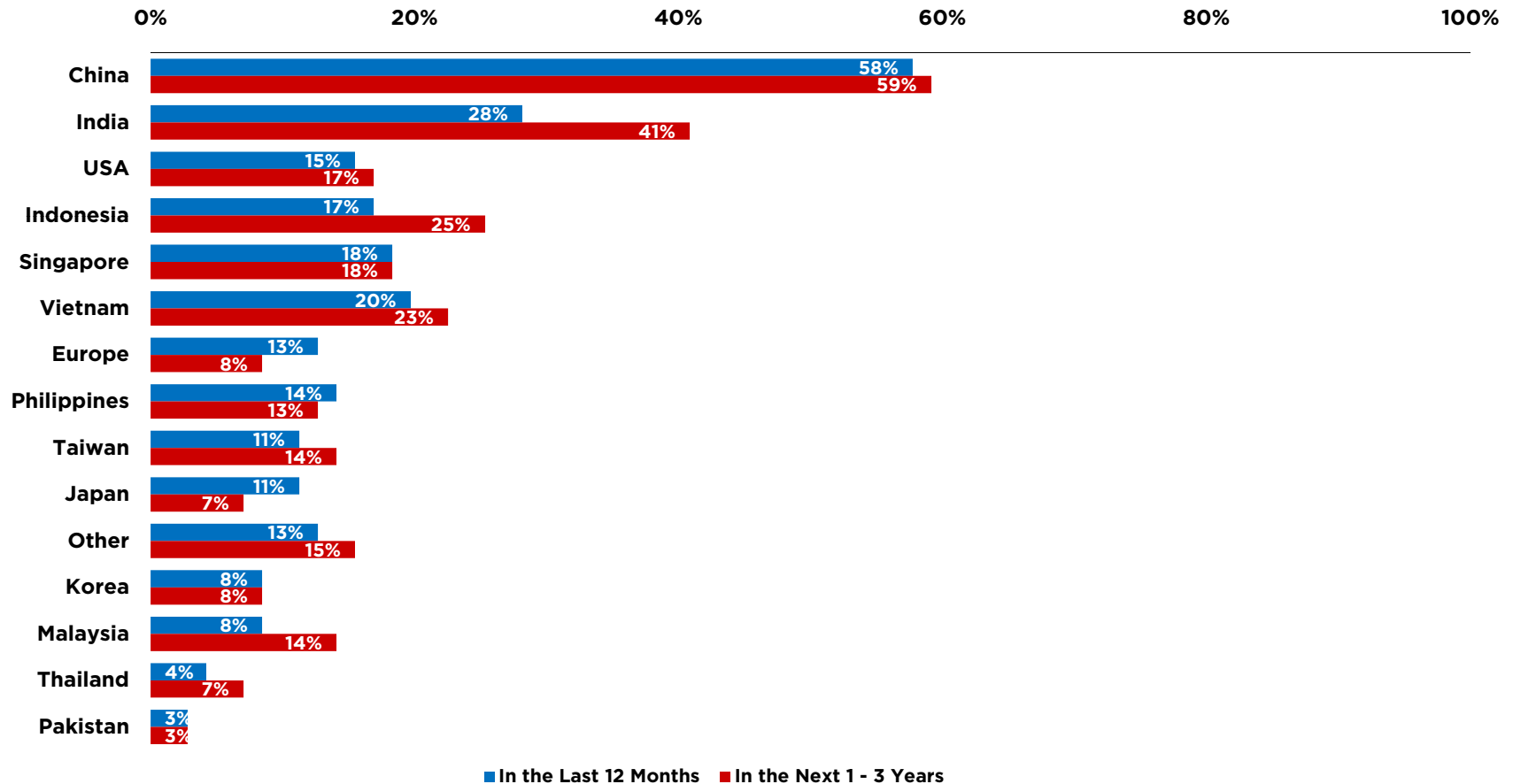
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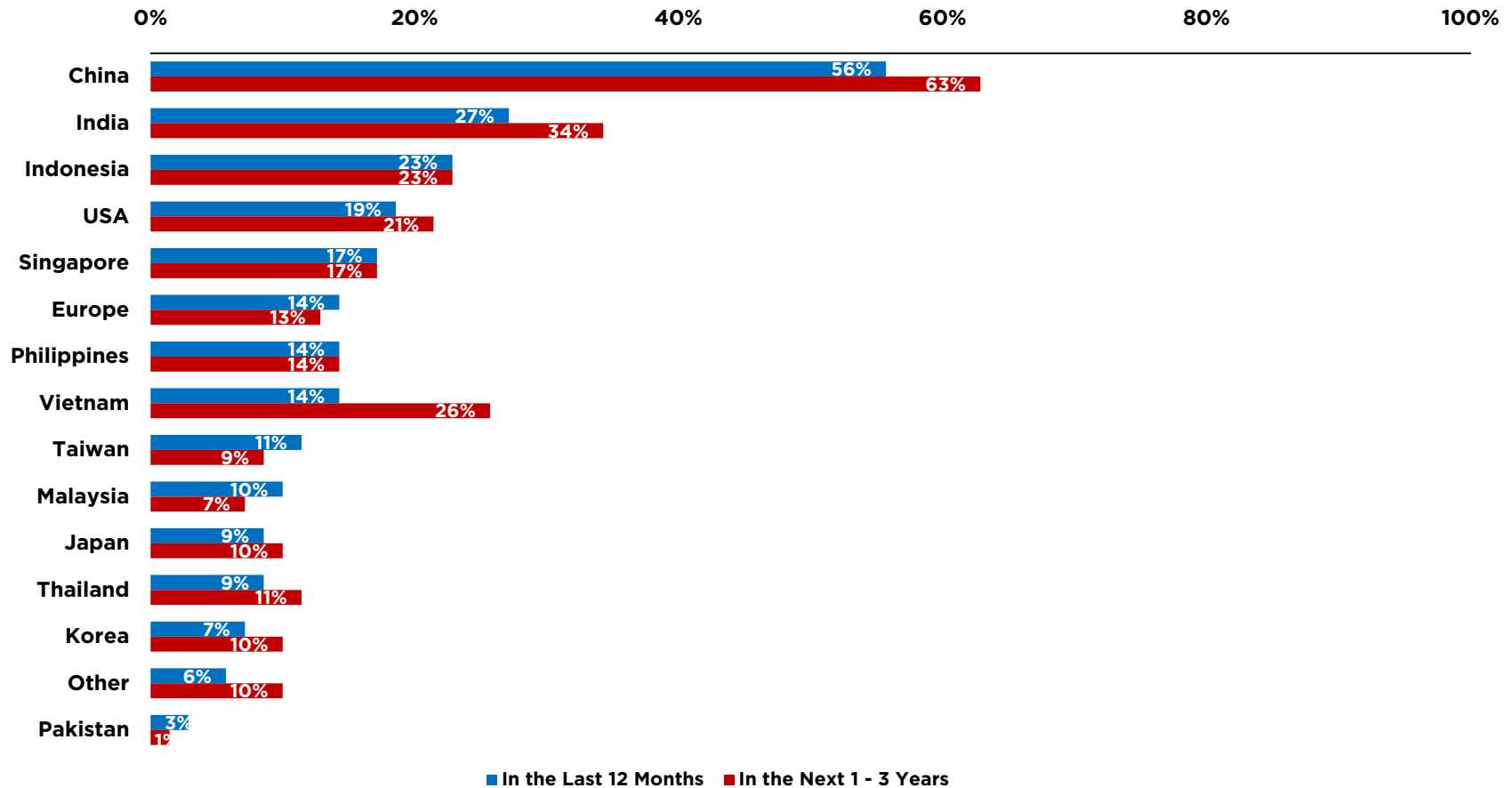
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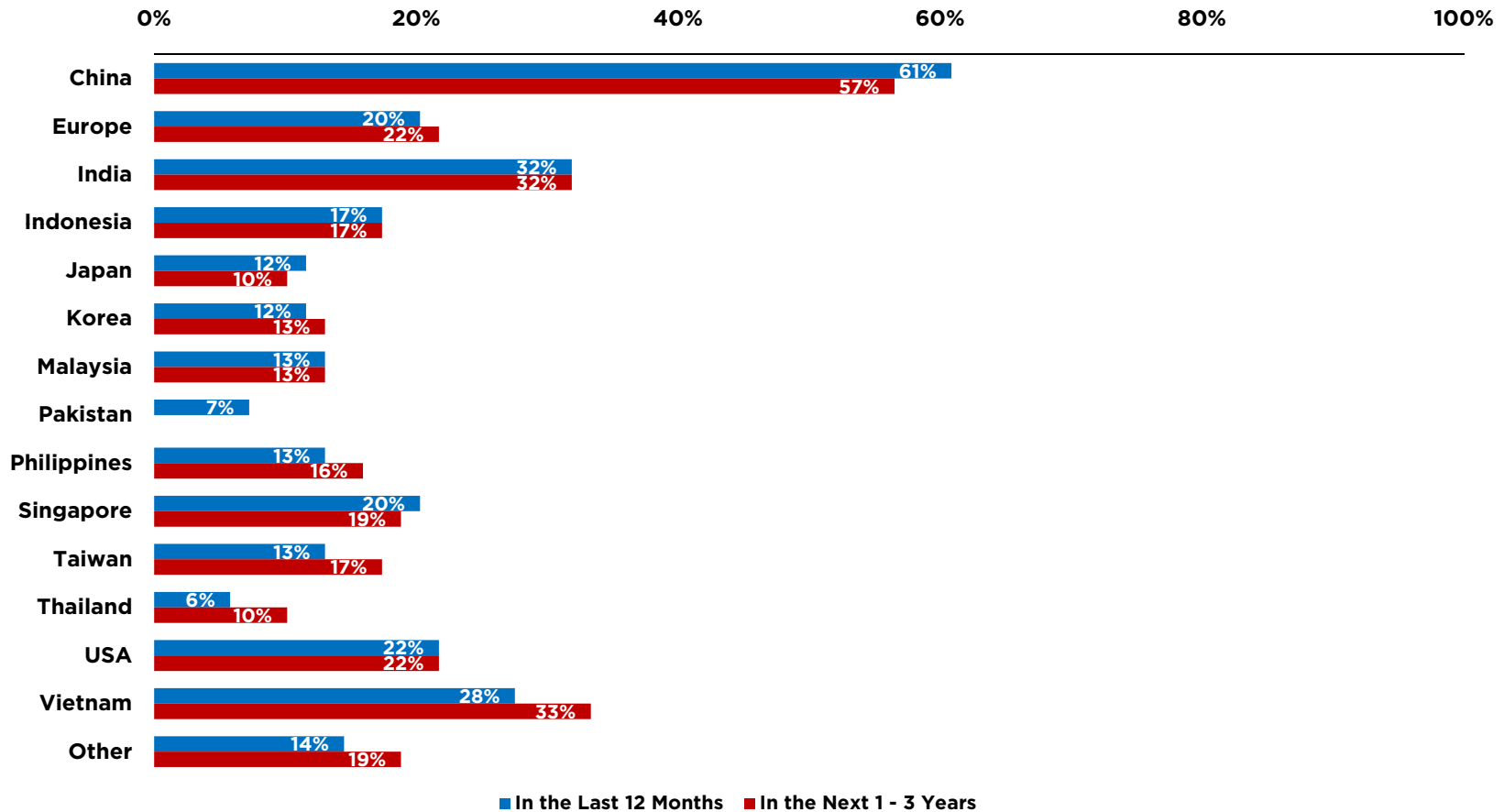
## In what countries have you invested or increased your investment? (2010)



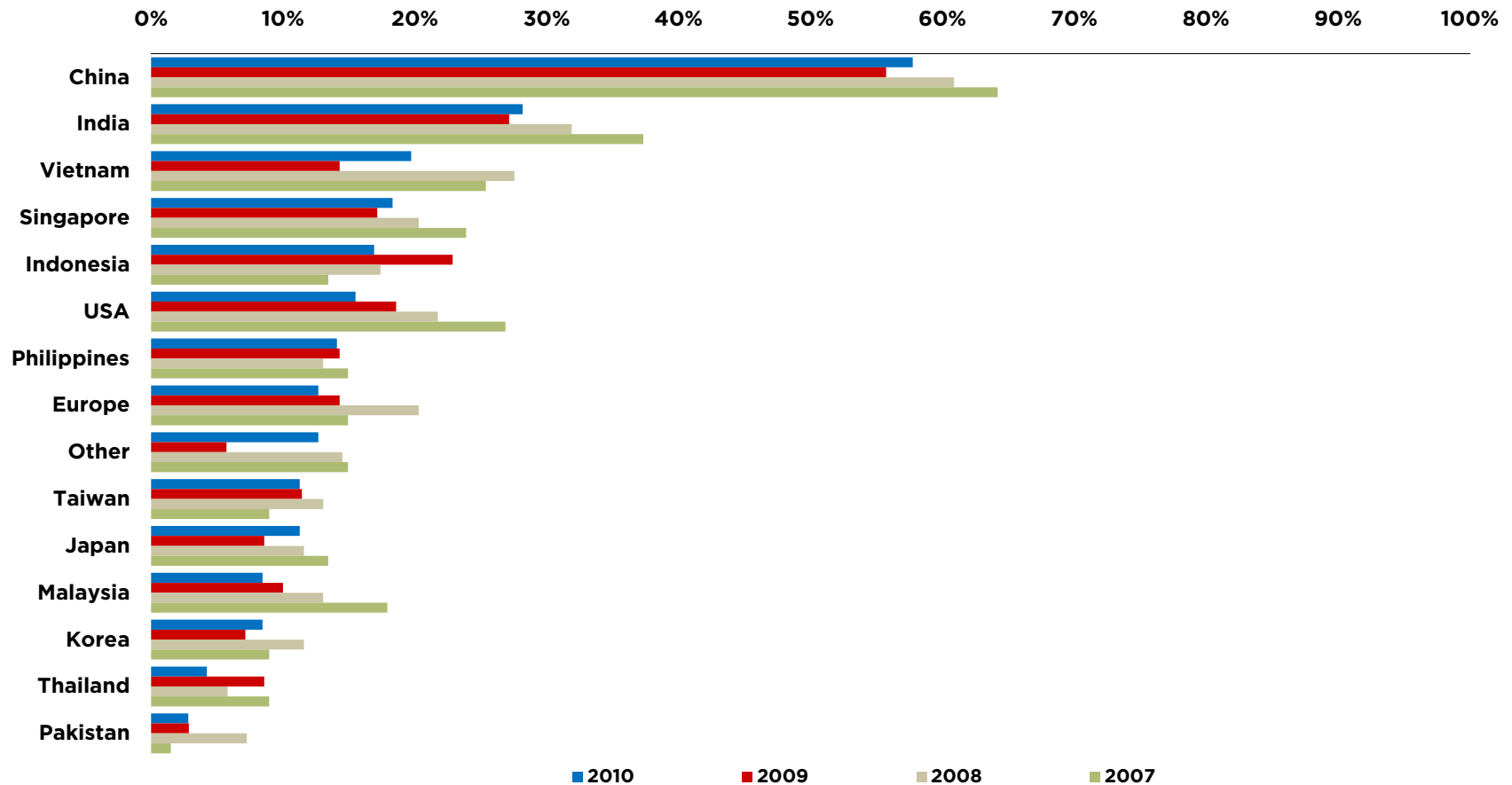
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# In what countries have you invested? (2007-2010)





## How do you expect overall wages of your employees in Asia to change in the next 12 months?

