



Chief Executive Perspectives: 2012

Results from the 2012 Annual Member Survey

Asia Business Council

The Asia Business Council

- **Independent association of Chairmen and CEOs from leading Asian and MNC firms**
 - 62 members representing 14 Asian economies, Australia, Europe, and the U.S.
 - Valuation of members' companies is more than \$5 trillion
 - Members' companies employ close to 2 million people

- **Mission: to work toward the continued economic development and competitiveness of Asia**
 - Foster dialogue and understanding among 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 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

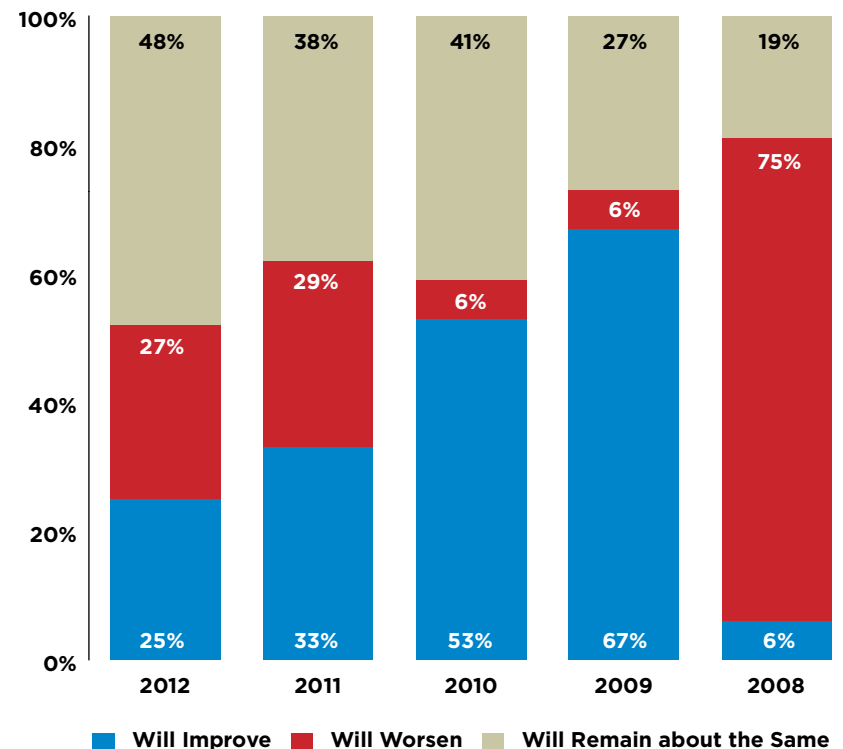
Survey overview

- **Survey conducted in August 2012**
- **Response rate of 84% (52 of 62 members)**
- **Members were asked about their economic outlook and investment plans**
- **Members were also asked to consider specific problems in the following areas:**
 - Energy and the Environment
 - Finance and Business
 - Geo-Political
 - Social

Survey findings reveal deep-seated uncertainty

- **Business expectations continue to be pessimistic this year – 27% of members expect things to get worse**
- **Only 25% feel that business conditions will improve in the next year**
- **Almost half (48%) expect conditions to remain the same: volatile and unpredictable**
- **Survey comments reveal concerns about the Eurozone crisis, slowdowns in China and India, challenges in the Japanese economy, as well as political questions. While strong growth potential exists, it is being undermined by deep-seated uncertainty**

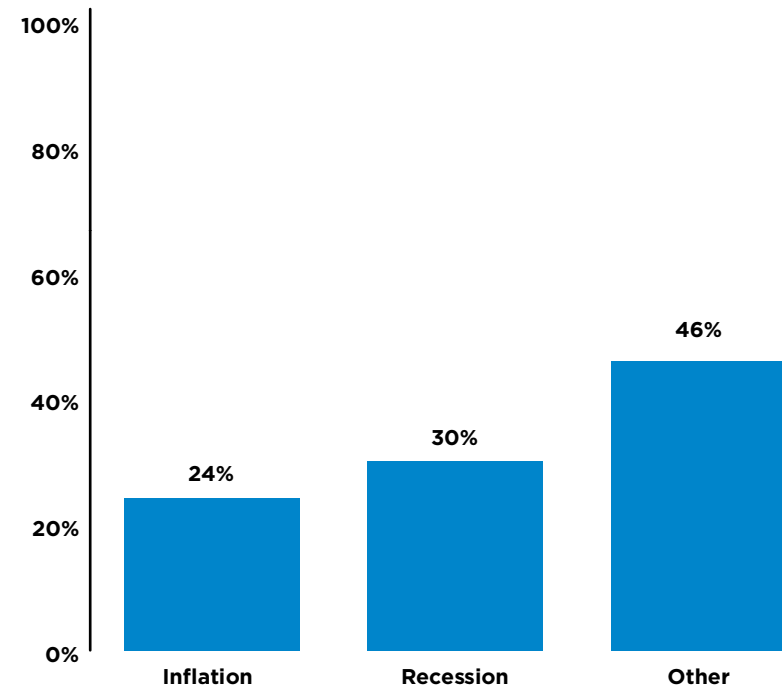
How Do You Feel About Overall Business Conditions In the Next 12 Months?



Leadership transitions as well as social and geo-political issues present concerns

- **46% of respondents list “other” issues beyond recession and inflation as principal concerns. Some members are particularly anxious about political polarization in the U.S. and the leadership transition in China**
- **Members are concerned that weaknesses in the economy could exacerbate pre-existing social and geo-political pressures, such as territorial disputes in the South China Sea. Income inequality is also a worry**
- **30% identify recession as the biggest economic problem facing Asia, up from 7% last year**
- **Inflation is the principal concern of 24% of members, down from last year’s 73%**

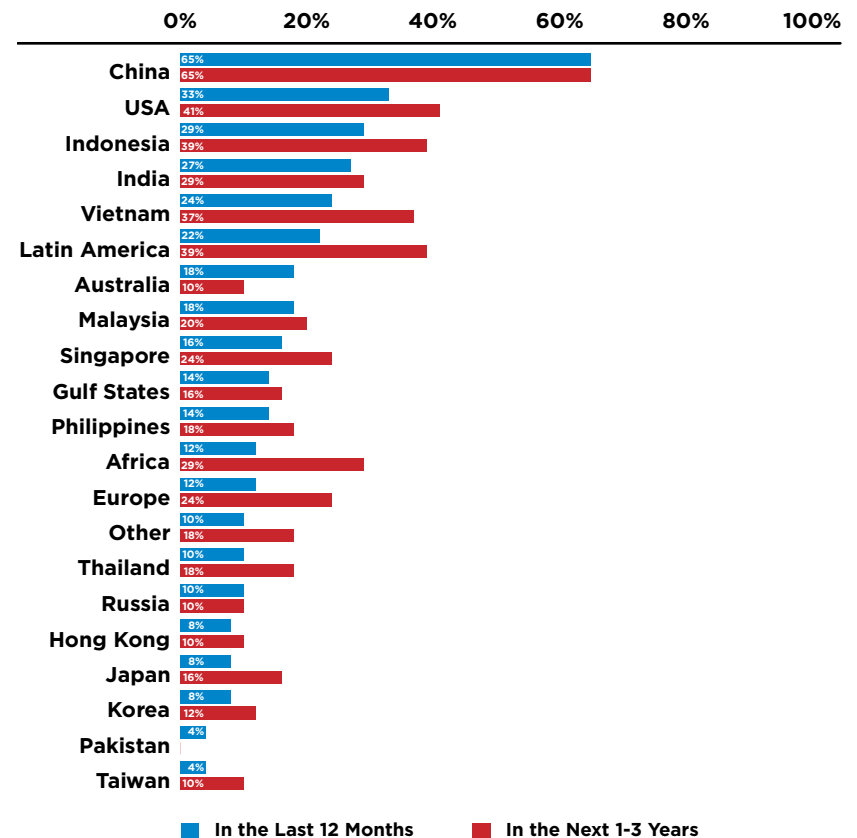
Biggest Economic Problem Facing Asia (2012)



China remains the favored investment destination

- Despite the current slowdown, China remains the favored destination for investment from Council members, with 65% investing in the past year (excluding members from the country)
- The second most significant country is the U.S. (33%), followed closely by Indonesia, India, and Vietnam
- Looking ahead to the next 1-3 years, members continue to report keen interest in investing in China, the U.S., Indonesia, Latin America, and Vietnam

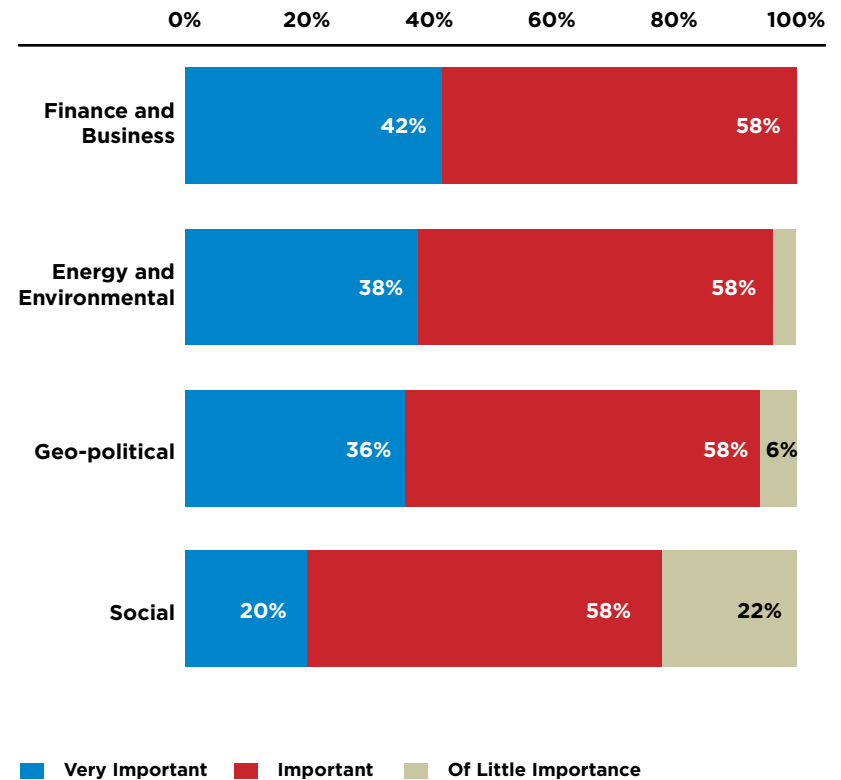
In What Countries Have You Invested or Increased Your Investment?



Finance and business is the most important issue area for the Asian economy

- This year's responses reflect growing anxiety over business fundamentals, including access to credit, increased regulations, and the health of the banking sector
- Big concerns include high sovereign debt levels and overregulation

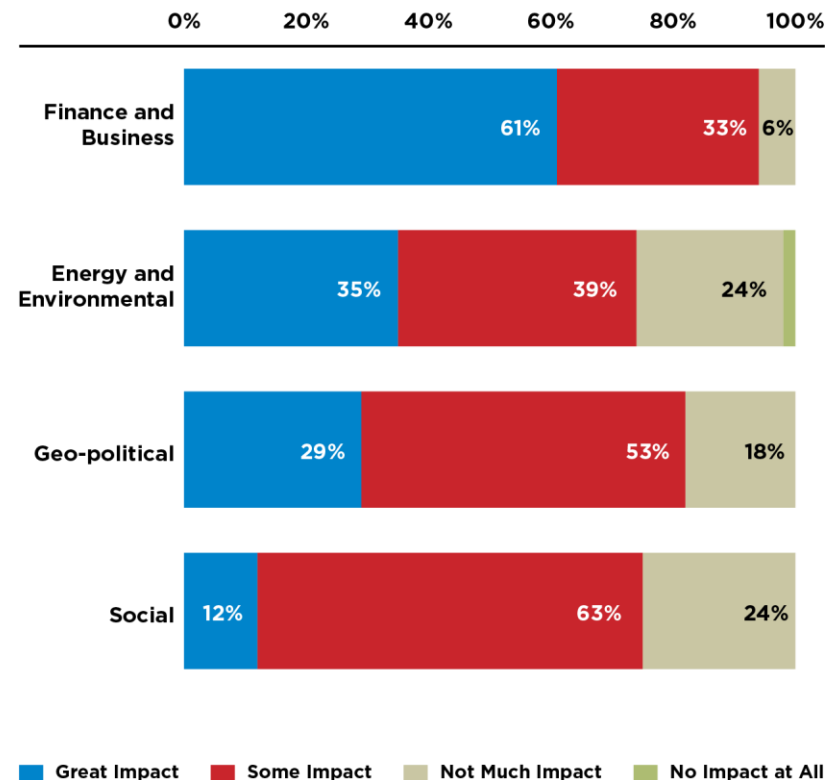
How Important is this Issue for Business in Asia?



Finance and business issues have the greatest impact on individual businesses

- **61% of respondents rated finance and business issues as having great impact on their businesses**
- **Members say that contraction of the credit market, especially in global hubs like London and New York, has made local Asian markets more skittish, blocking access to much-needed liquidity**
- **They also say that the Eurozone crisis is perpetuating uncertainty and exacerbating the credit problem**
- **Another concern is the recruitment and retention of suitable talent, especially when expanding into new markets**

How Much Does this Issue Impact Your Business?



Adverse climate conditions in Asian countries top energy and environmental concerns

- **Energy and environmental concerns were rated by 38% of respondents as very important for business in Asia (51% in 2011) and 35% of respondents believed these issues have great impact on their business (43% in 2011)**
- **Complications stemming from “abnormal climate conditions” - drought and flooding - have some concerned about rising food prices, particularly in India, which one member describes as being “so bad that (it) can only get better from here”**
- **On a brighter note, members highlight improved conditions in Japan and Thailand, two economies devastated by natural disasters in 2011**

Intra-Asian conflict, political gridlock are the most cited geo-political concerns

- **About one quarter of respondents (36%) see geo-political issues as very important for business in Asia (27 in 2011), while 29% believe these issues have great impact on their businesses (same as 2011)**
- **Members cite the recent territorial disputes in the South China Sea and the East China Sea as significant geo-political concerns. Others mention rising protectionism in Southeast Asia**
- **In the West, sources of concern include political gridlock and a perceived lack of political will to address the ongoing debt crisis**
- **Respondents are particularly anxious about the leadership transition in China**

Income inequality in Asian countries tops social concerns

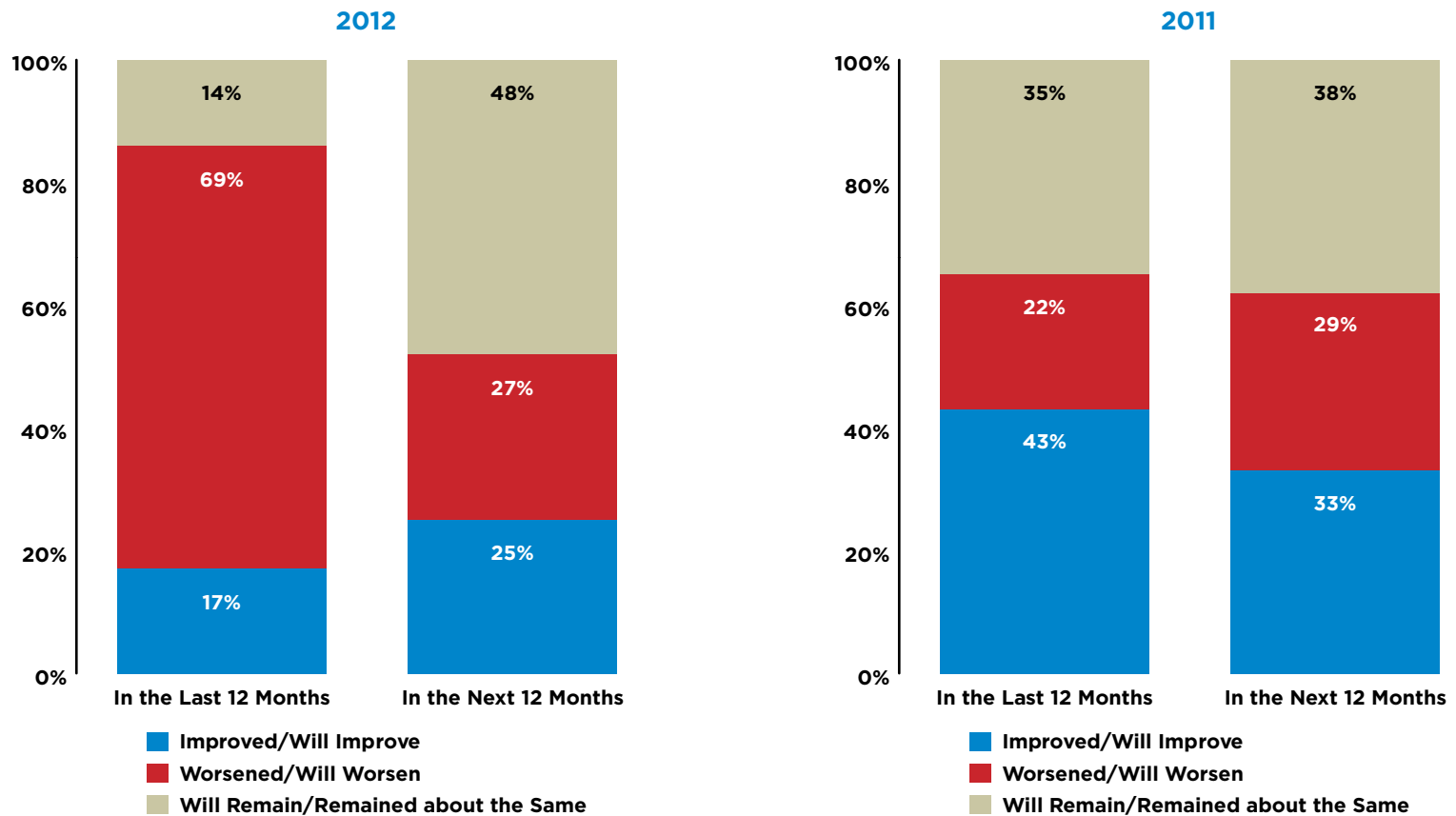
- **Social concerns are rated by 20% of respondents as very important for business in Asia (same in 2011) and 12% of respondents believe these issues have great impact on their business (25% in 2011)**
- **Members point out that several Asian countries are witnessing an increase in income inequality that could lead to unrest; as one member warns, amid economic stagnation and disparity, “hidden social issues will also surface”**
- **Respondents are pessimistic about the ability of governments to generate equitable growth and prevent erosion of the middle class**

Survey summary

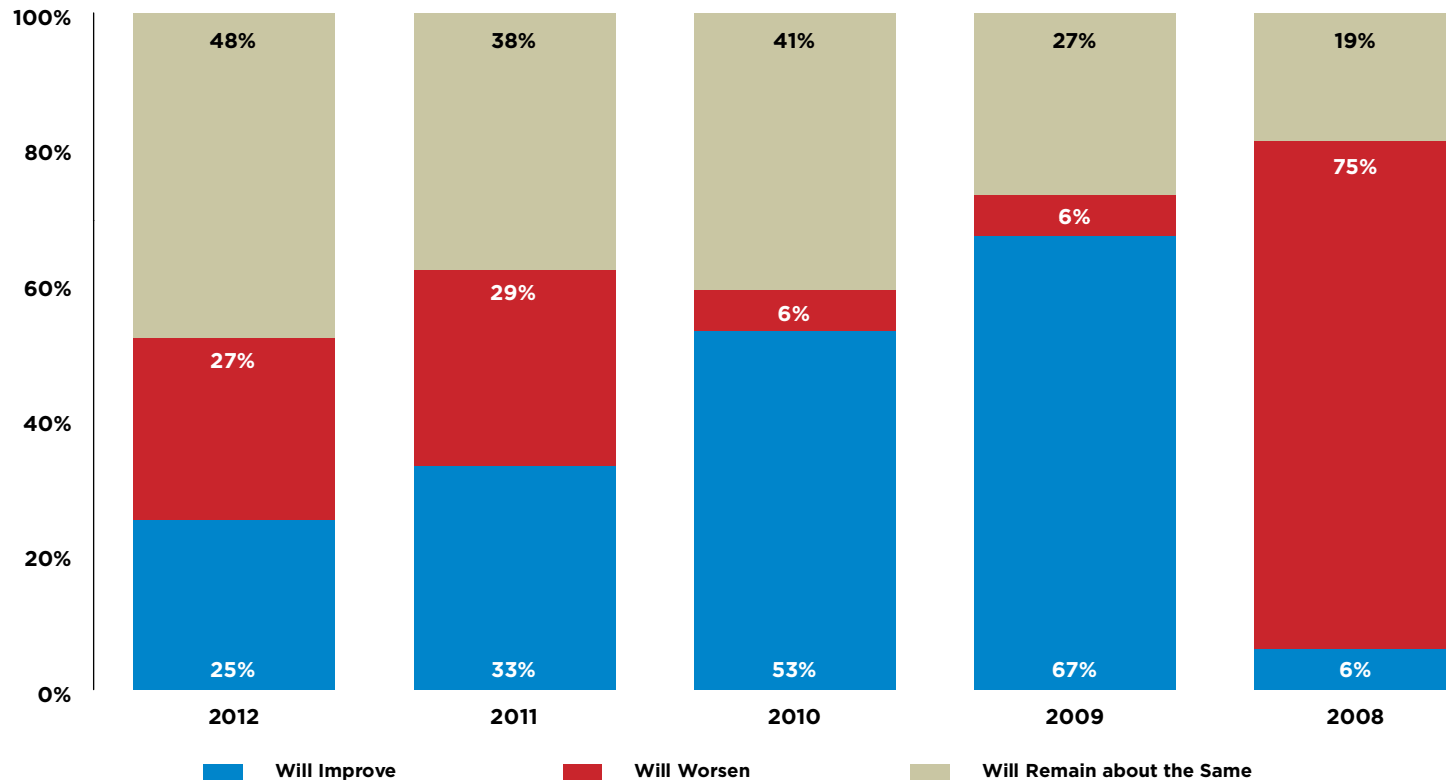
- **Only 25% of respondents believe business conditions will improve (33% in 2011) while 27% expect conditions to worsen. Almost half (48%) expect conditions to remain the same**
- **Political tensions and financial concerns are seen as key threats to Asia; uncertainty prevails**
- **China remains the favored investment destination in the next 1-3 years, followed by the U.S., Indonesia and Latin America**
- **Finance and business issues remain the most important concerns facing the Asian economy and members' businesses individually. Mentioned specifically in members' comments were sovereign debt, overregulation, and the health of the banking sector**
- **Territorial conflicts in the East China Sea and South China Sea, along with leadership change in China and the U.S., are primary geo-political concerns, while income inequality is the leading social concern**

Survey Data

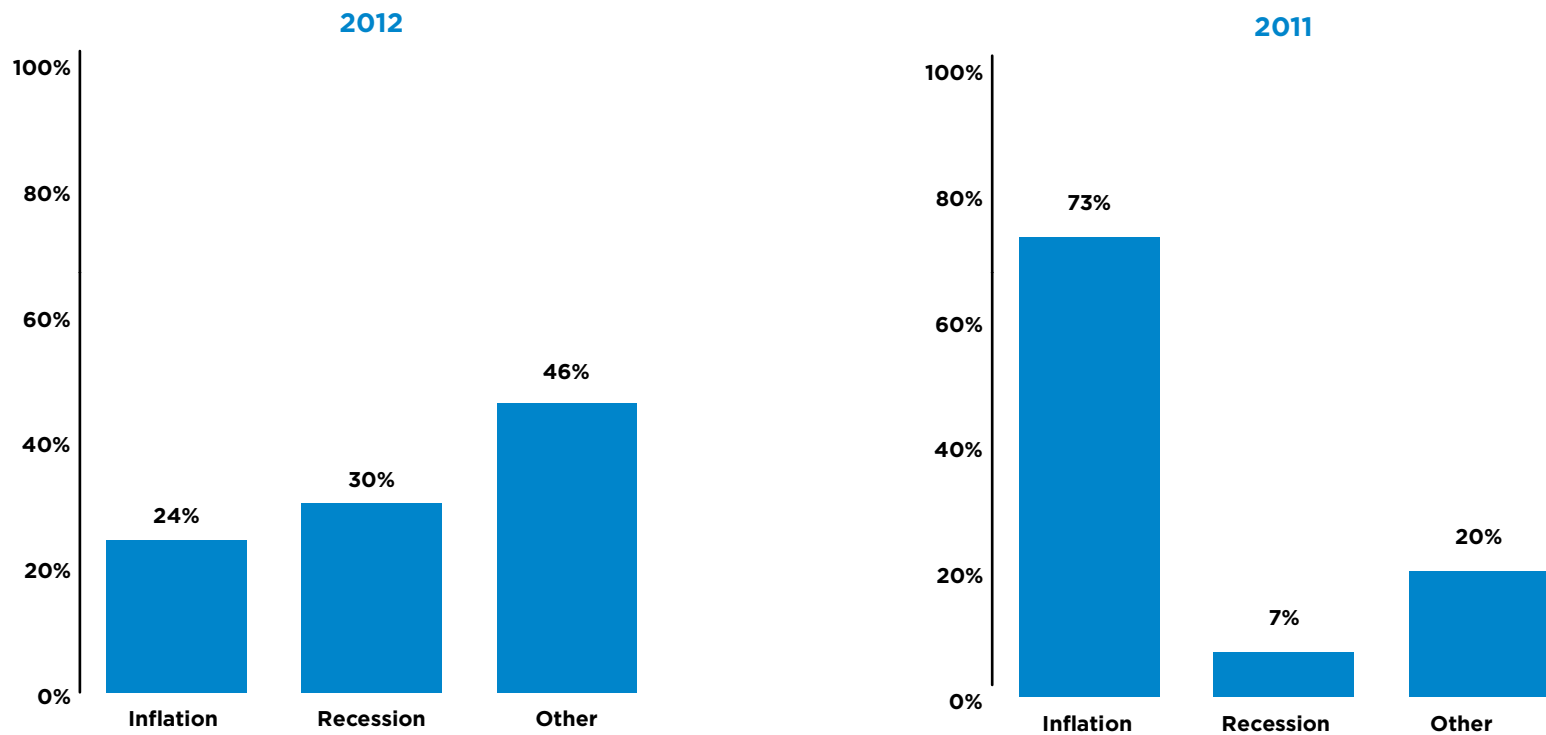
How do you feel about overall business conditions? (2011-2012)



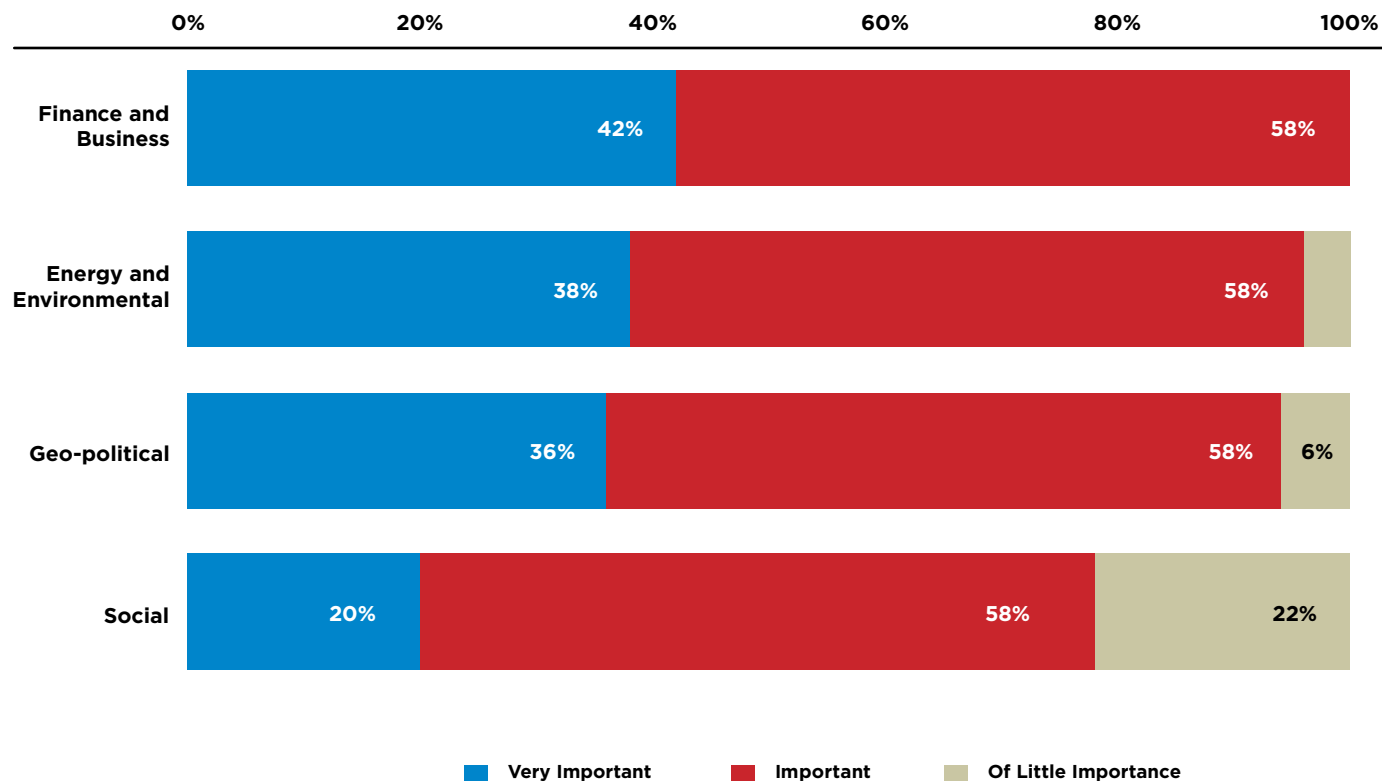
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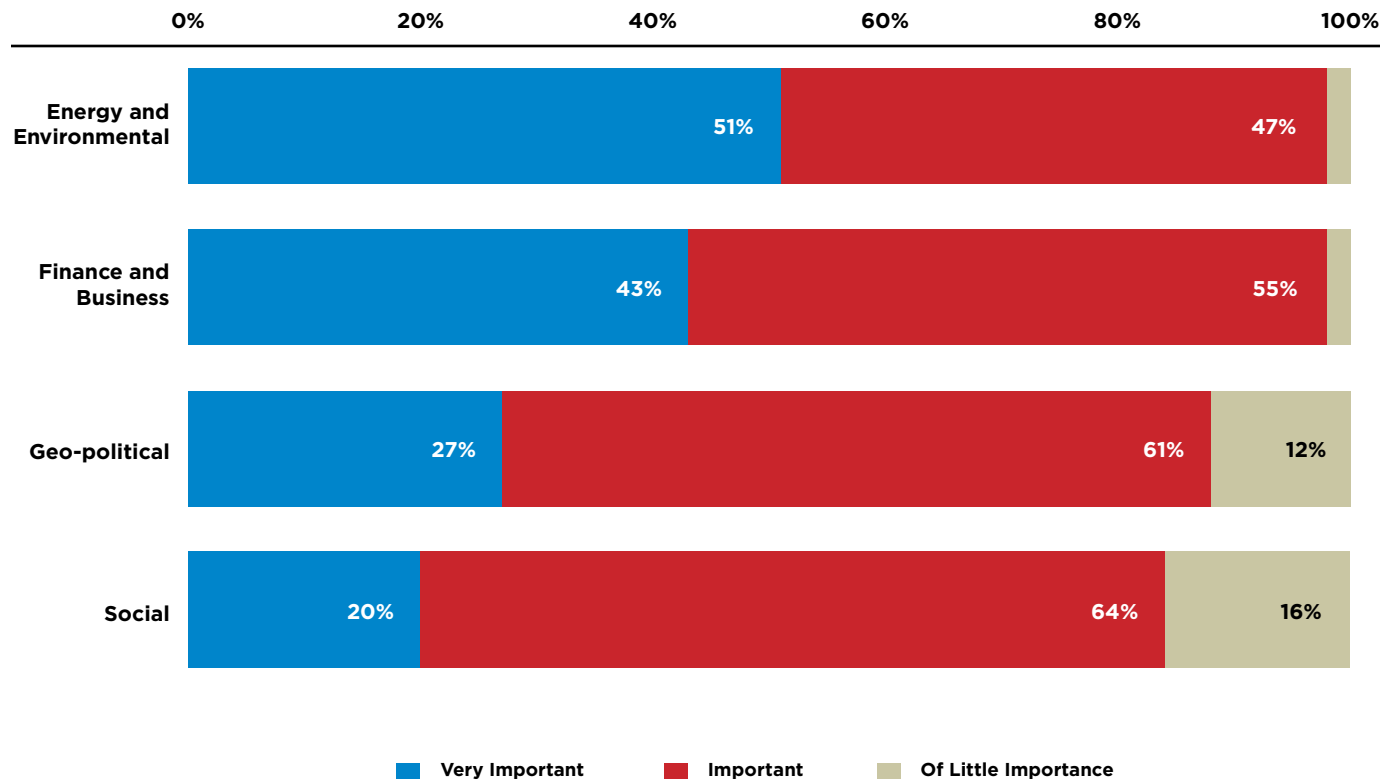
Biggest Economic Problems (2011-2012)



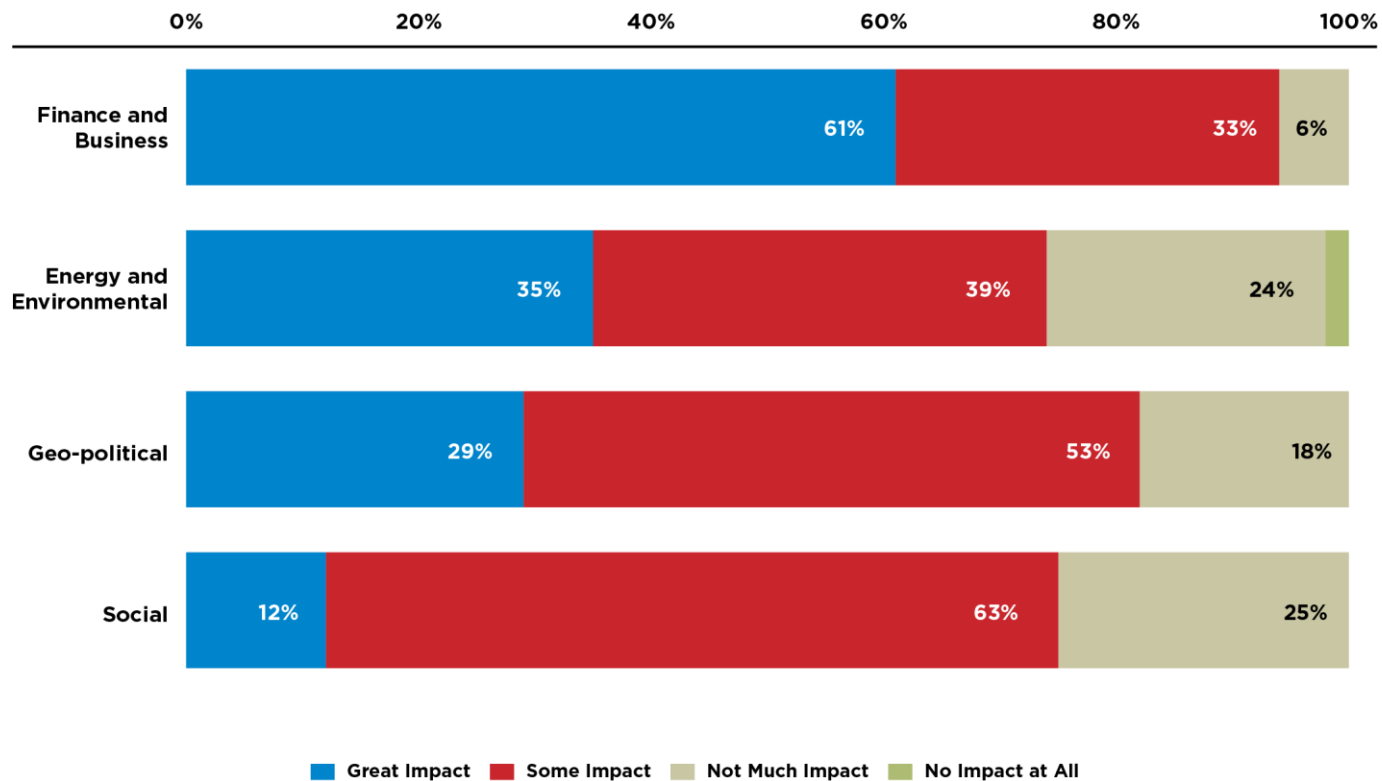
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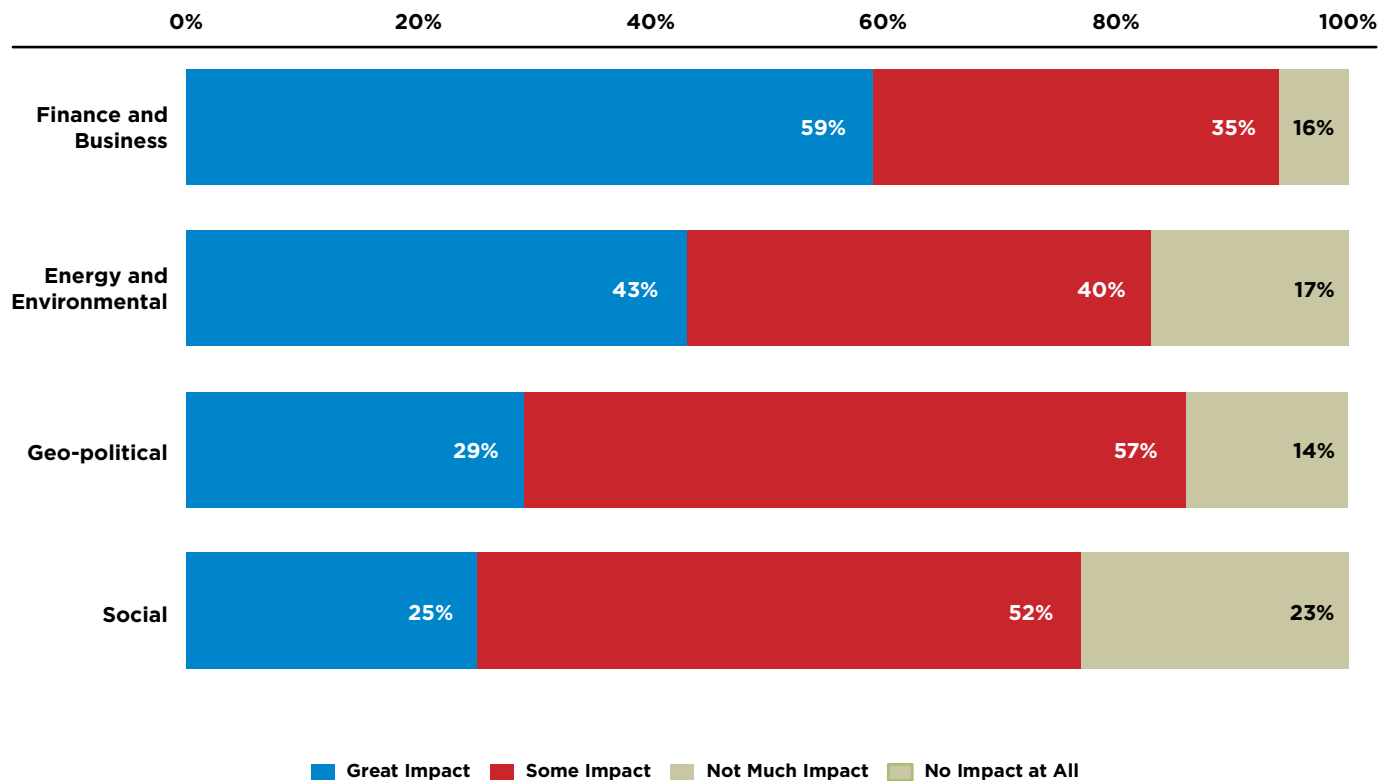
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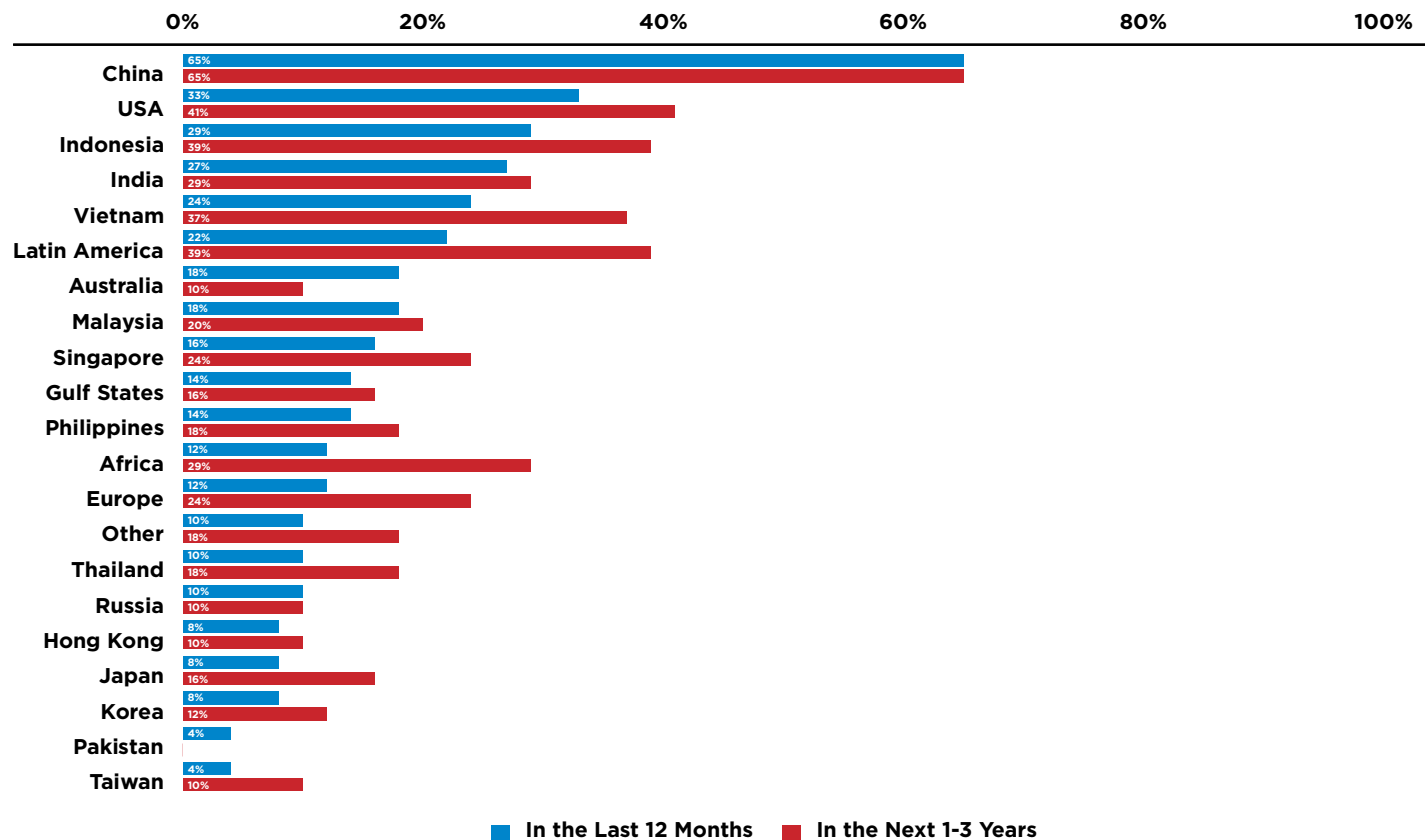
How much does this issue affect your business? (2012)



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In what countries have you invested or increased your investment? (2012)



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