



Chief Executive Perspectives: 2011

Results from the 2011 Annual Member Survey

Asia Business Council

October 2011

The Asia Business Council

- **Independent association of Chairmen and CEOs from leading Asian and MNC firms**
 - 64 members representing 13 Asian economies, Australia, Europe, and the U.S.
 - Market valuation of members' companies is more than \$2 trillion (as of August 2011)
 - Employee count of members' companies is about 2 million people (as of August 2011)

- **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

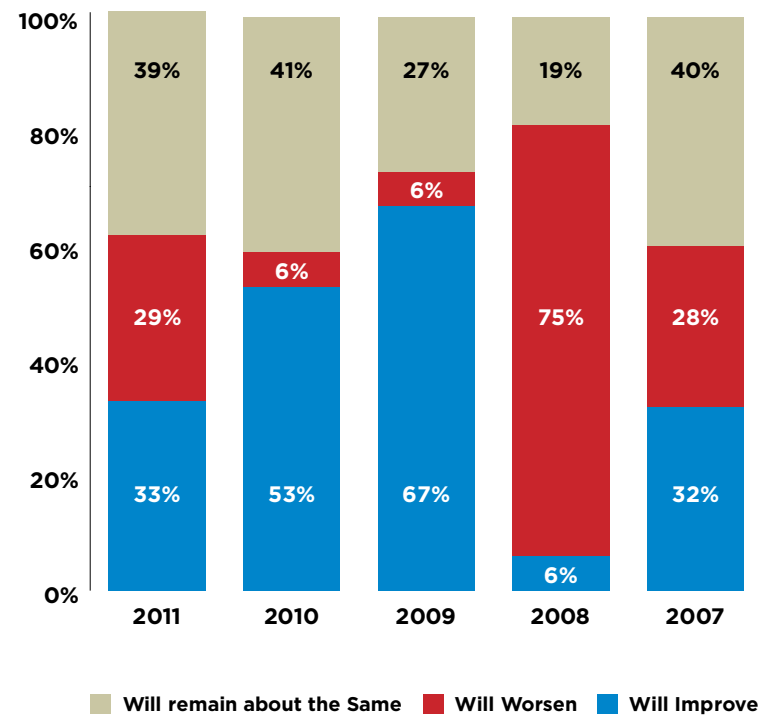
Survey overview

- **Survey conducted in July-August 2011**
- **Response rate of 76% (49 of 64 members)**
- **Members were asked about their economic outlook and investment plans**
- **Members were also asked to consider specific problem(s) in the following issue areas:**
 - Energy and the Environment
 - Finance and Business
 - Geo-Political
 - Social

Survey findings reveal growing concerns about future business conditions

- **Business conditions expectations were the worst they had been since 2008- 29% of members expect things to get worse**
- **Only one-third of respondents (33%) felt that business conditions will improve in the next year**
- **Survey comments tell the story of a two-speed world. In Asia, inflation is the biggest economic worry. Looking at the West, members express unease about the ability of Europe and the U.S. to resolve deep-seated problems.**

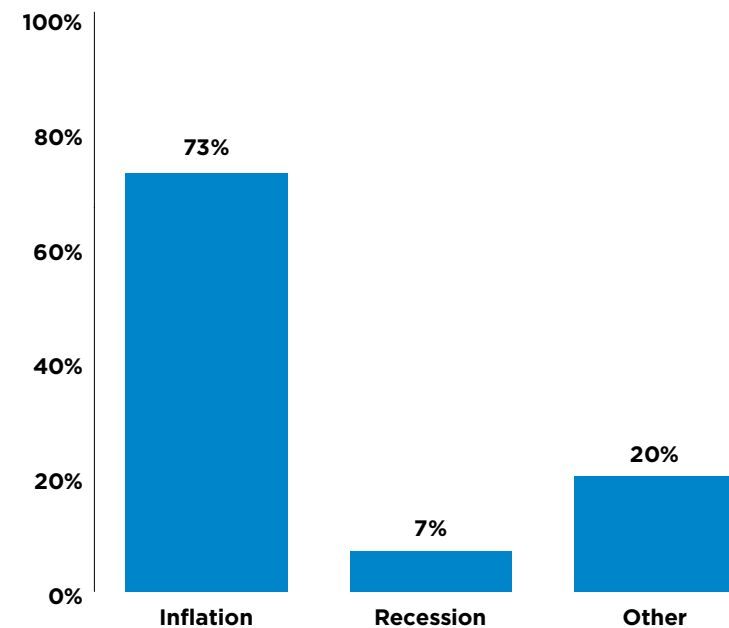
How Do You Feel about Overall Business Conditions in the Next 12 Months?



Inflation identified as the biggest threat to Asia in 2012

- **73% of respondents viewed inflation as the key threat to Asian prosperity. While several respondents were confident that central banks' tightening monetary policies will help combat inflation, others are concerned about potential social consequences of spikes in food, commodity, and asset prices**
- **7% identified recession as the biggest economic problem facing Asia, down from 13% in 2010 and 42% in 2009**
- **Other problems mentioned include stagflation, income disparity, and global financial instability**

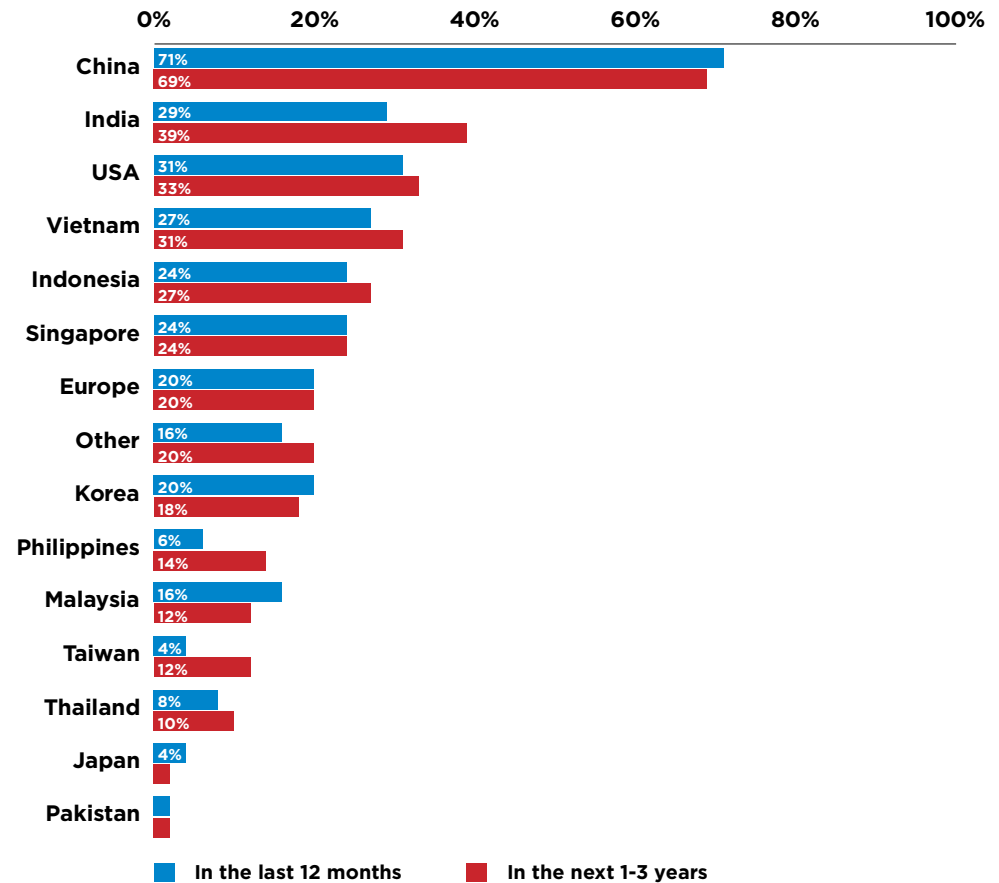
Biggest Economic Problem Facing Asia (2011)



China remains the favored investment destination

- **China is the favored destination for investment from Council members in the past year, with almost three-quarters of respondents (71%) investing (excluding members from the country)**
- **The second most significant country is the U.S. (31%), followed closely by India, Vietnam, Singapore, and Indonesia**
- **Looking ahead to the next 1-3 years, members continue to report keen interest in investing in China, followed by India, the U.S., Vietnam, Indonesia, and Singapore**

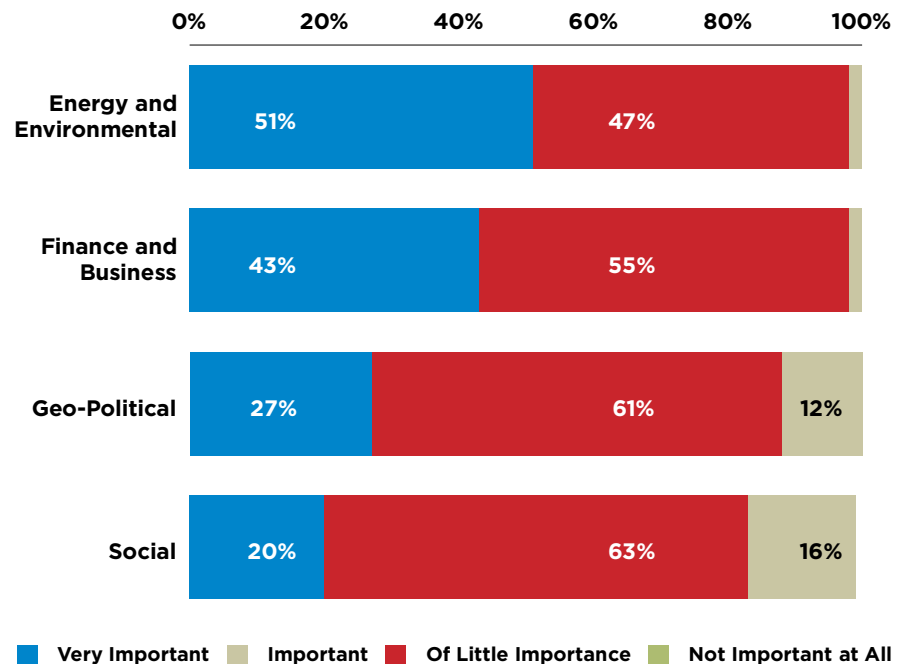
How Do You Feel About Overall Business Conditions?



Energy and the environment remain the most important issue area in Asia

- Consistent with last year, over half (51%) of respondents saw energy and environmental issues as very important for business in Asia
- Rising energy costs, scarce energy supply, environmental degradation, and water issues were common concerns. Government legislation and regulation were also important in influencing on investment decisions.
- Several respondents mentioned sustainability and green corporate practices as important issues. For Japan, the instability and shortage of electrical power post-Fukushima is a concern.

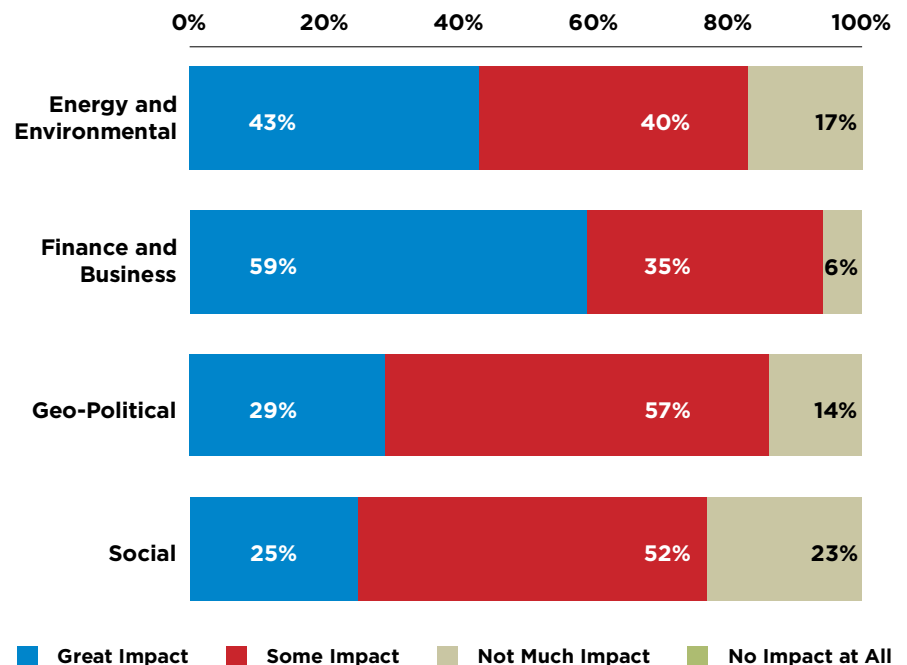
How important is this issue for business in Asia?



Finance and business issues have the greatest impact on business decisions

- 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 their businesses
- 59% of respondents rated finance and business issues as having great impact on their business
- Respondents are predominantly concerned with global volatility arising from the debt crisis in Europe and the U.S., as well as the rising cost of and uncertainty in access to reliable financing

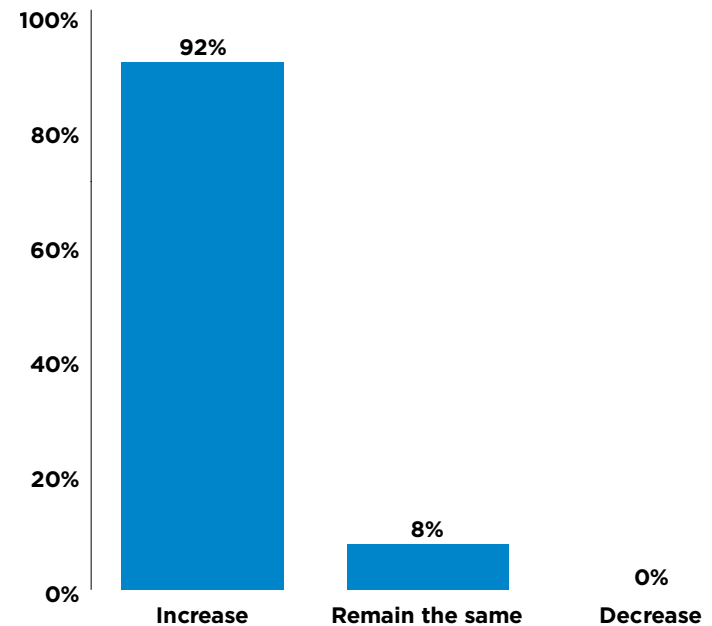
How much does this issue impact your business?



Asian businesses expect overall wage inflation over the next 12 months

- **Almost all anticipated higher wages—92% of respondents expected to see wages increase in the coming year**
- **79% of respondents who specified an inflation range expected to see wages rise between 5-10%, while 13% thought wages would increase more than 10%**
- **On average, respondents expected wage increases of 8% 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?



Protectionism is the most cited geo-political concern

- **About one quarter of respondents (27%) saw geo-political issues as very important for business in Asia, while 29% believed these issues have great impact on business (same in 2010)**
- **Protectionism topped the concerns of respondents**
- **The top geo-political issues in Asia mentioned are the continued tensions on the Korean Peninsula and between China and the U.S. Others include the political change in Southeast Asia and India-Pakistan relations**
- **In the Middle East, the Arab spring has increased concerns over energy security**
- **In the West, continued political gridlock and the lack of political will to address the debt crisis**

Inequalities in Asian countries top social concerns

- **Social concerns were rated by 20% of respondents as very important for business in Asia (13% in 2010) and 25% of respondents believed these issues have great impact on their business (11% in 2010)**
- **As in 2010, social and economic inequalities coupled with rising inflation, facilitated by social media, was the top social issue**
- **In the developed world, one member mentions the danger of “increasing tension in an increasingly to two-class society with a diminishing middle class**

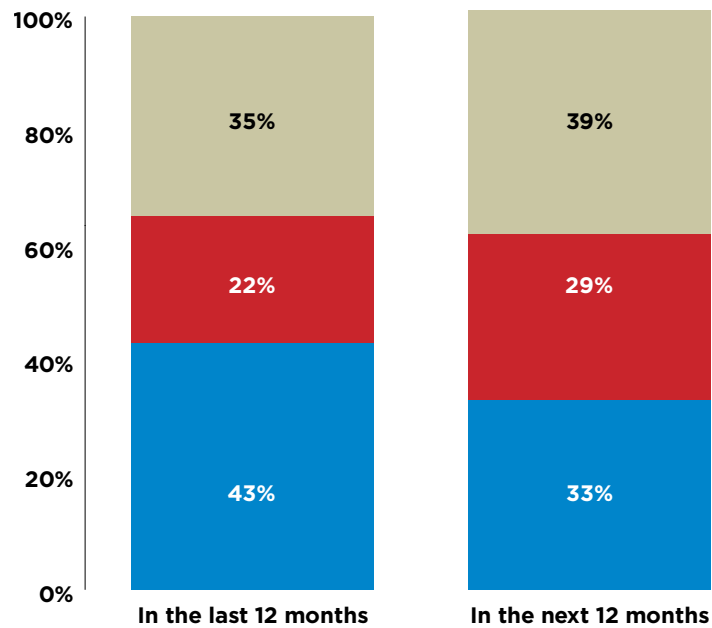
Survey summary

- **Only 33% of respondents believed business conditions will improve (53% in 2010) while 29% expect conditions to worsen, a stark contrast from just 6% in 2010**
- **Inflation and global financial instability were seen as key threats to Asia**
- **China remains the favored investment destination in the next 1-3 years, followed by India and the U.S.**
- **Energy and environmental issues remained the most important concern facing business in Asia, particularly energy costs and security as well as environmental degradation**
- **Finance and business issues continued to have the highest perceived impact on members' businesses. The debt crisis in the U.S. and Europe and access to financing emerged as major issues**
- **The risk of protectionism, tense Sino-U.S. relations, political instability in North Korea, and energy security in Middle East are some of the primary geo-political concerns, while social and economic inequalities were top social concerns**

Survey Data

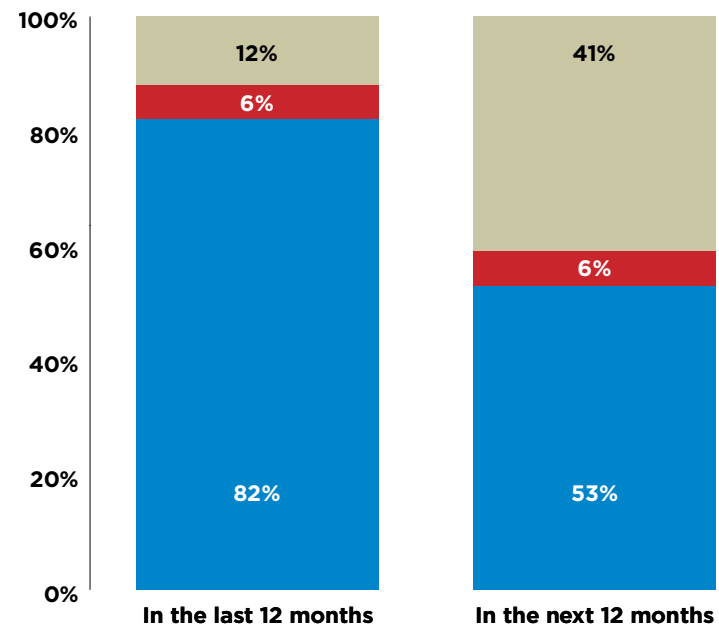
How do you feel about overall business conditions? (2010-2011)

How Do You Feel About Overall Business Conditions? (2011)



- Will remain/Remained about the Same
- Worsened/Will Worsen
- Improved/Will Improve

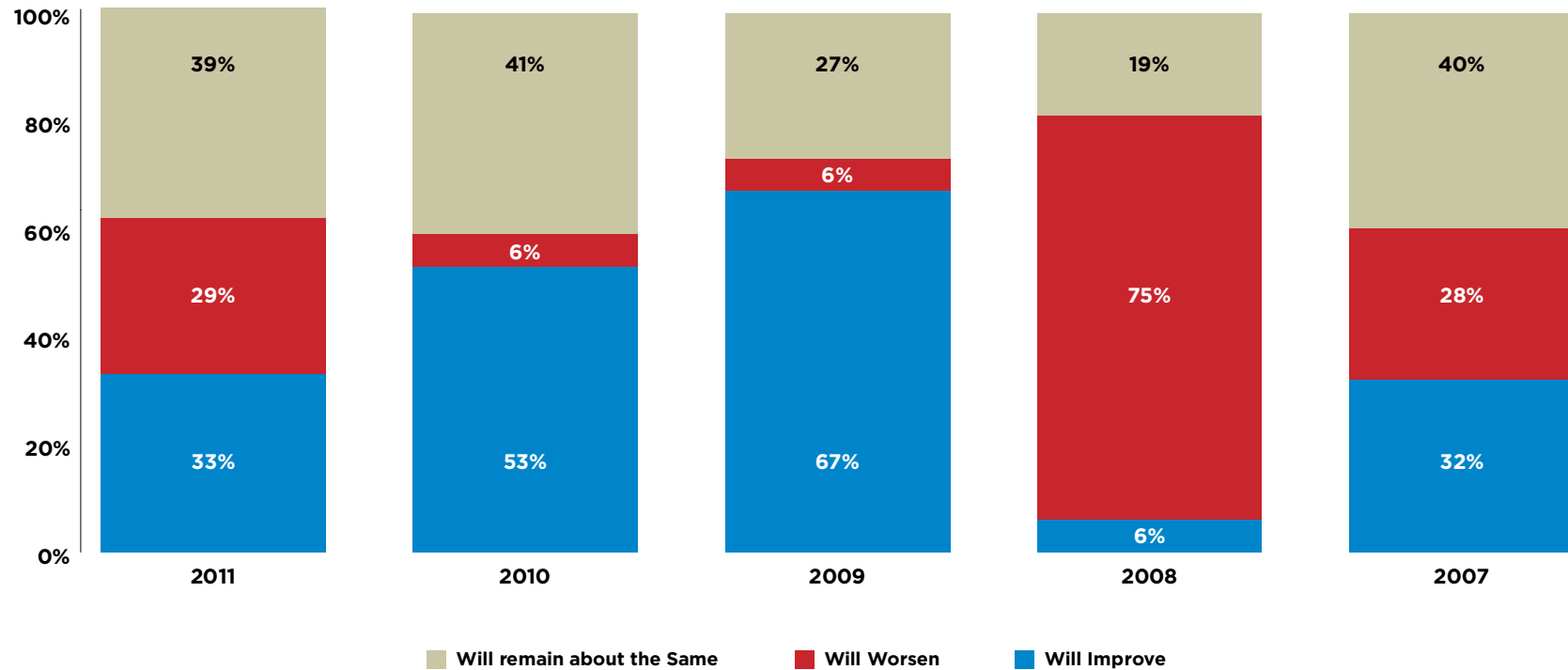
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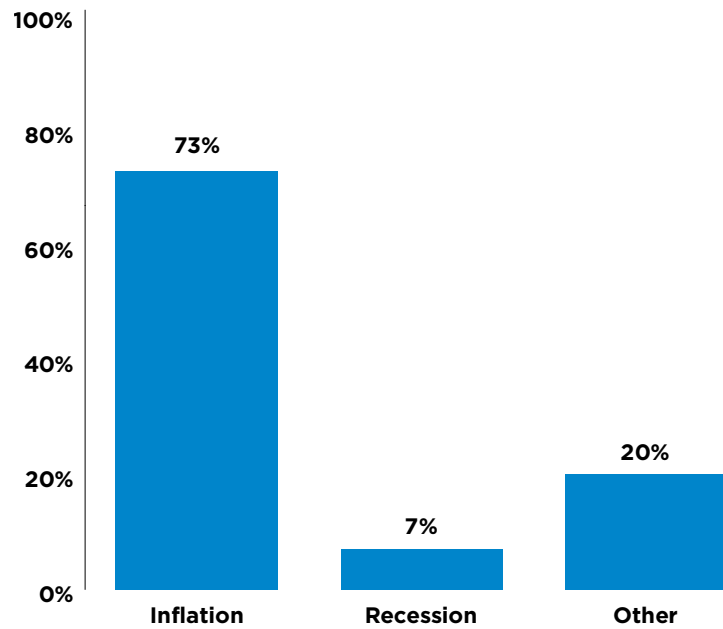
Future business outlook

How Do You Feel about Overall Business Conditions in the Next 12 Months?

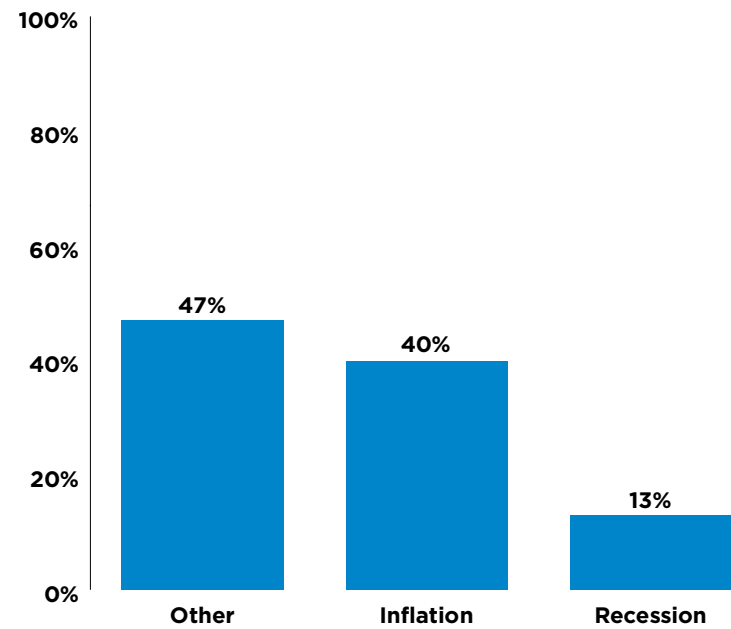


Inflation concern (2010-2011)

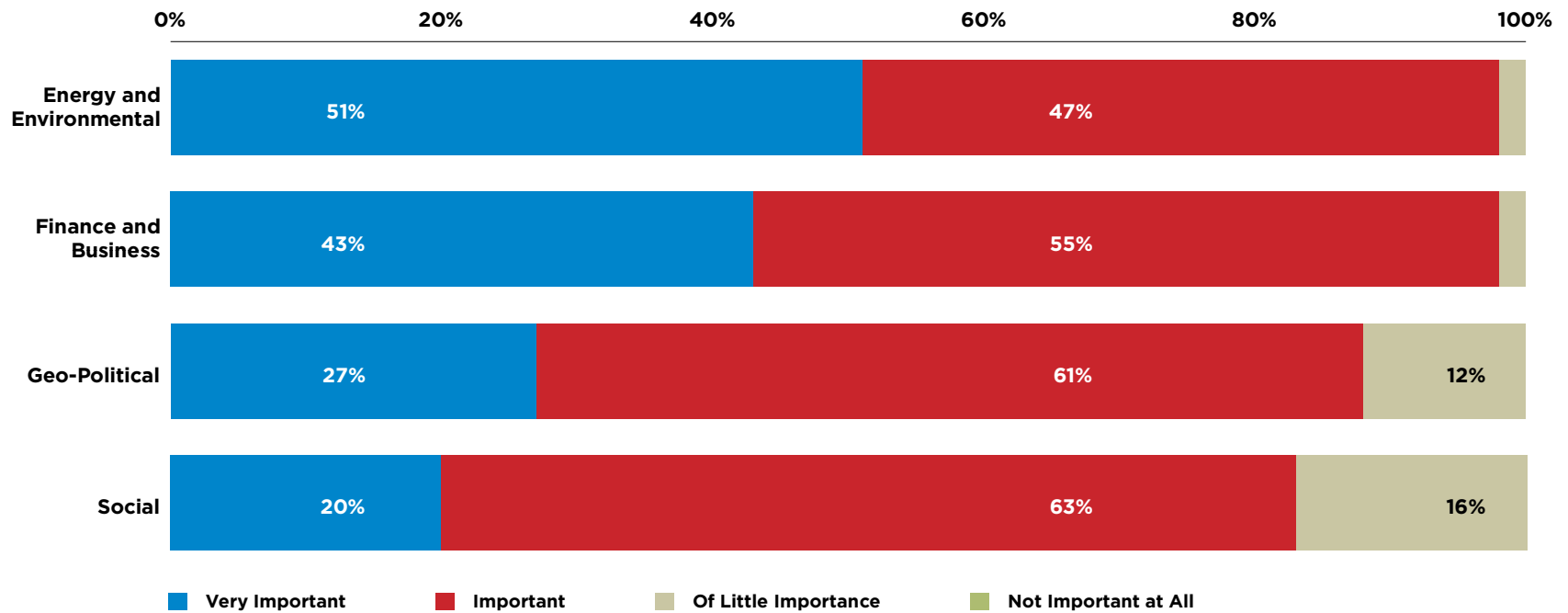
Biggest Economic Problem Facing Asia (2011)



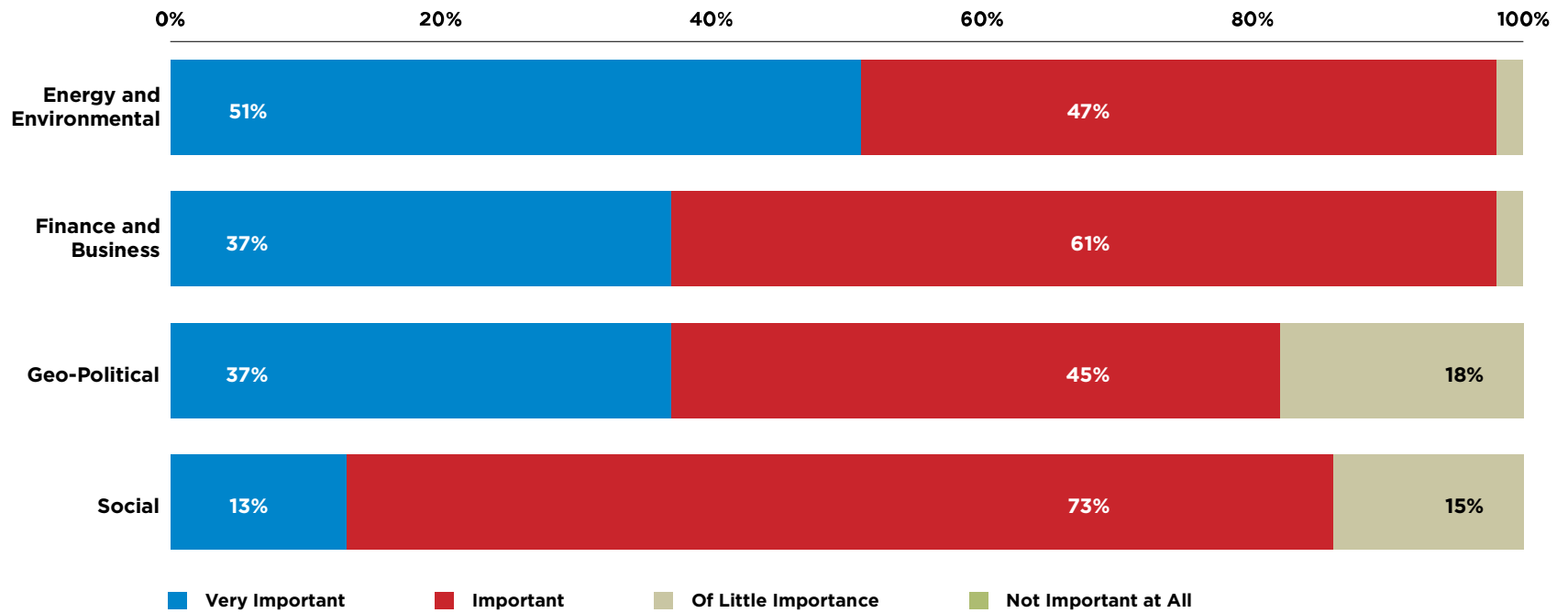
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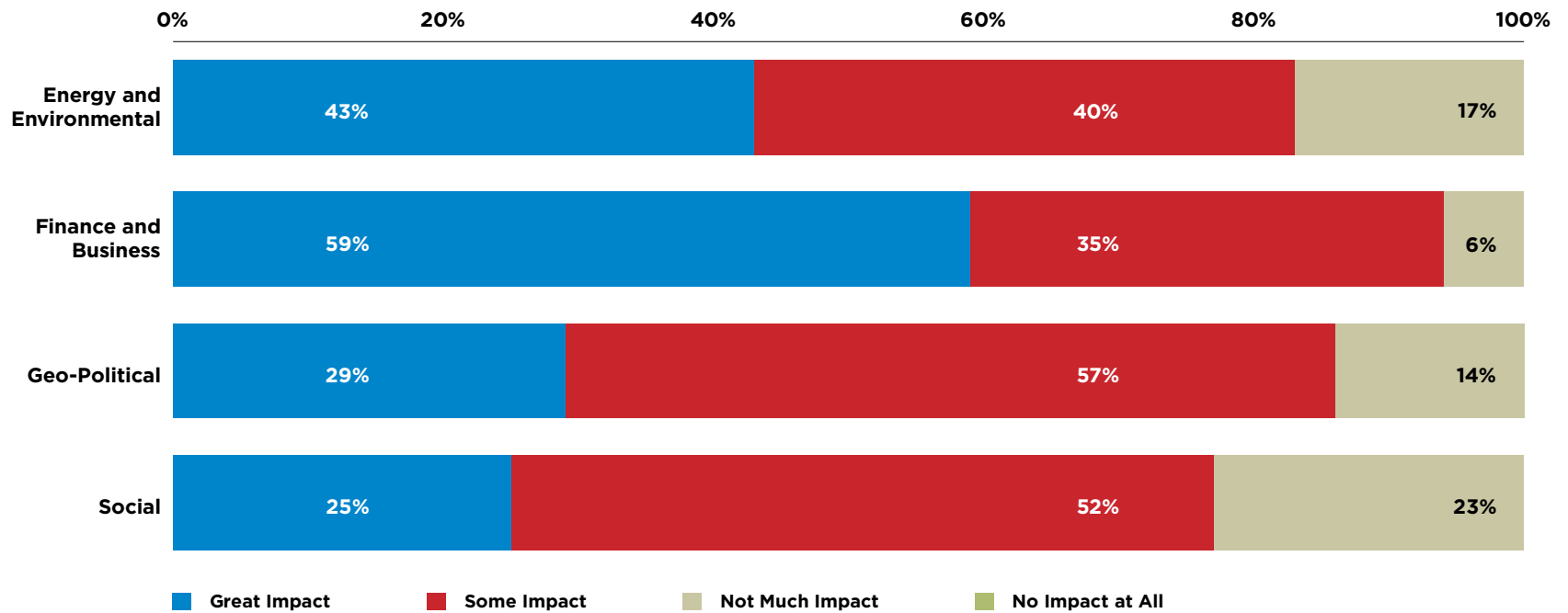
How important is this issue for business in Asia? (2011)



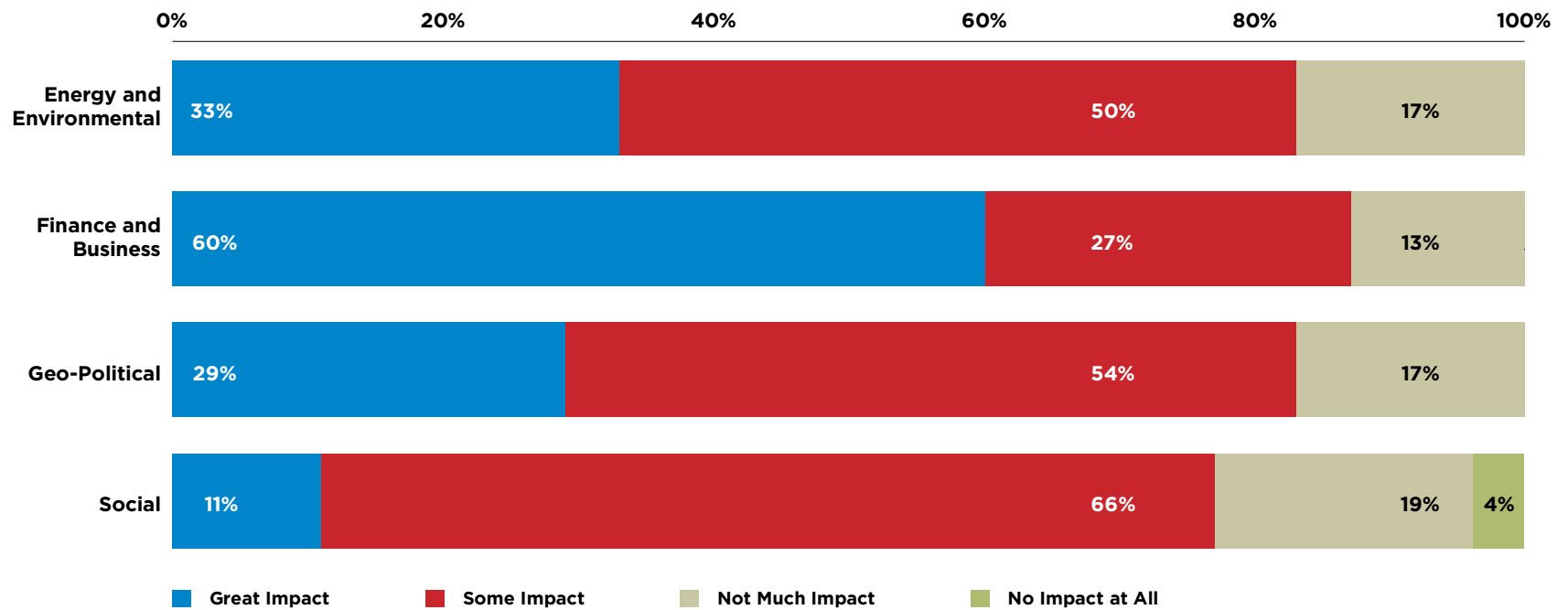
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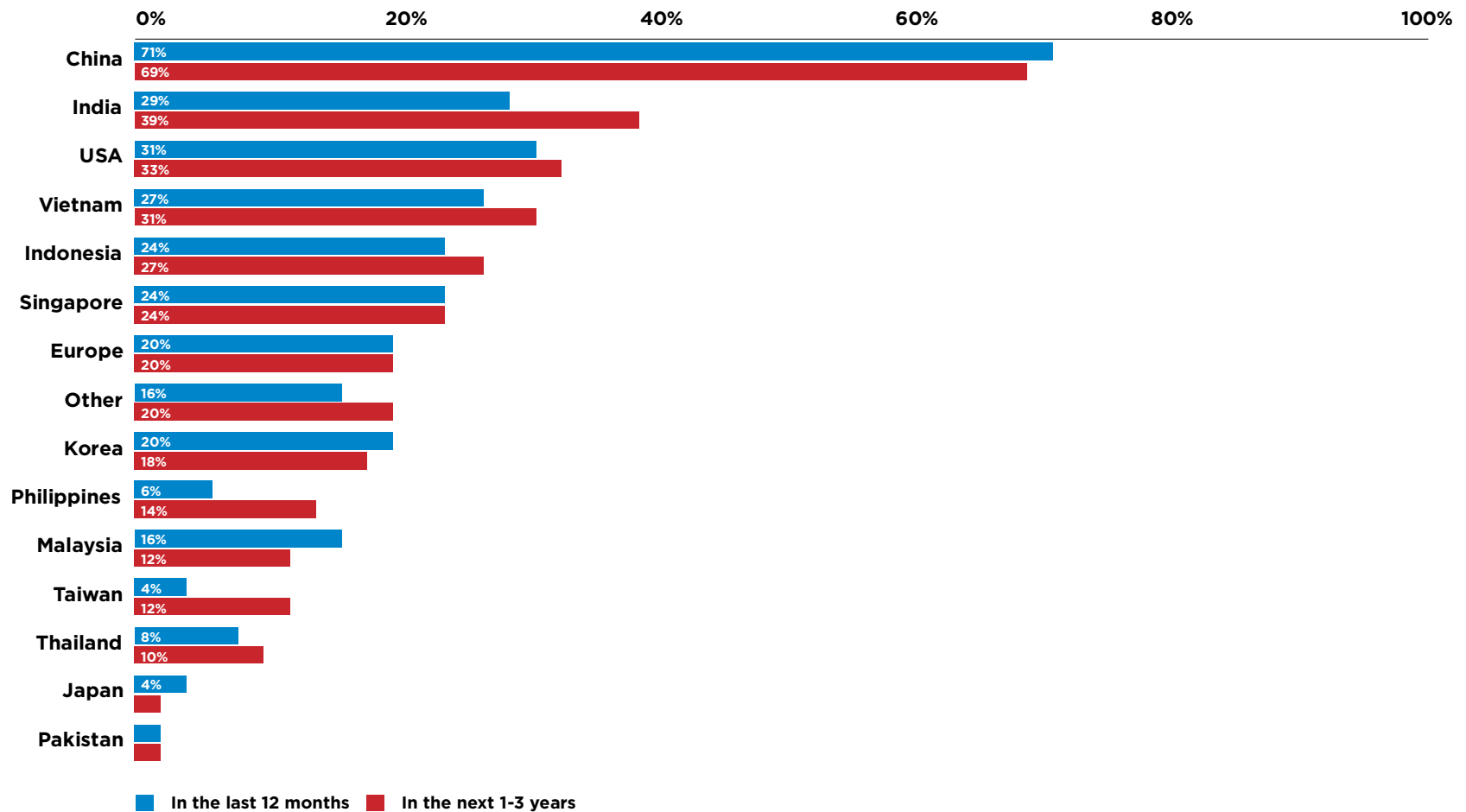
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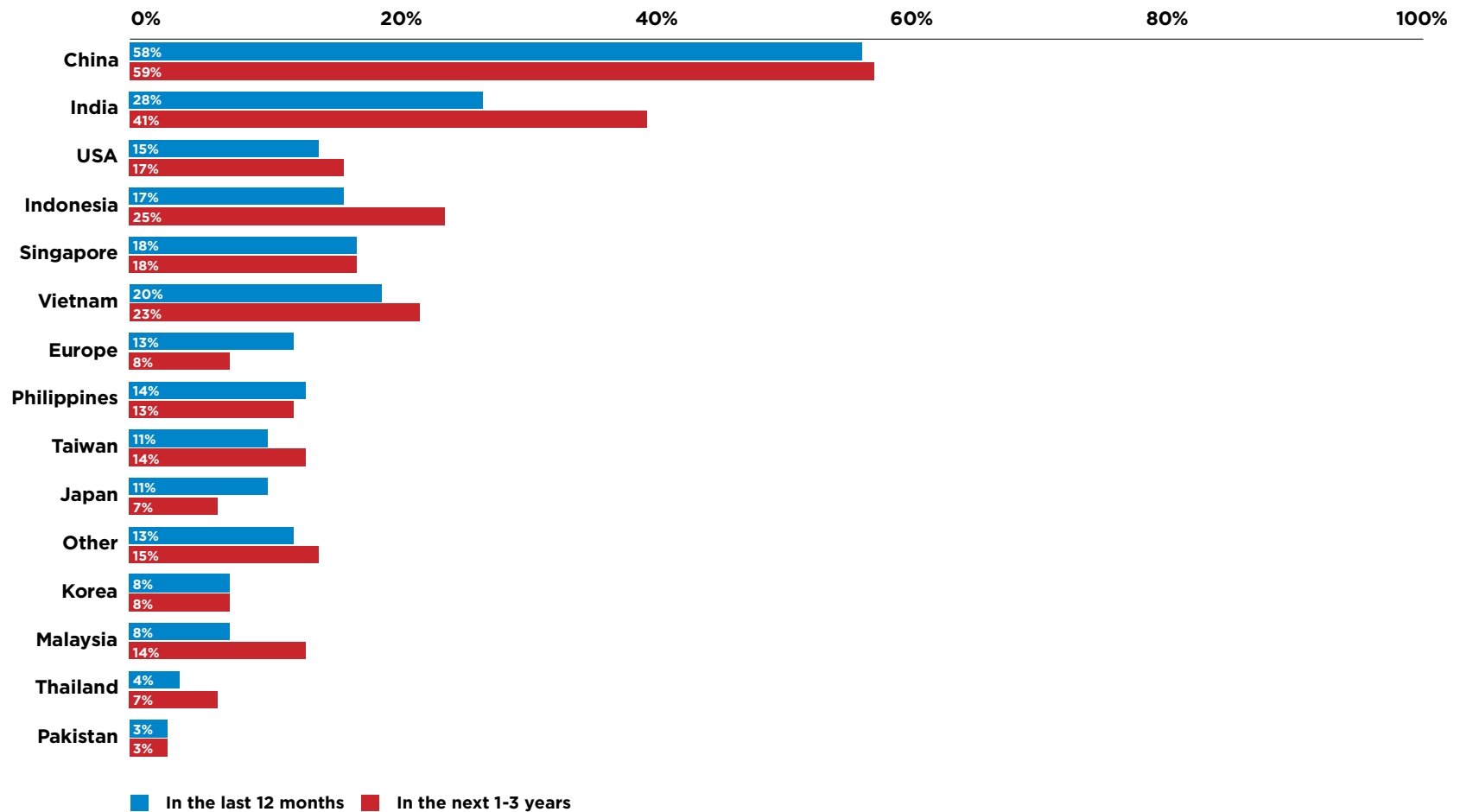
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In what countries have you invested or increased your investment? (2011)

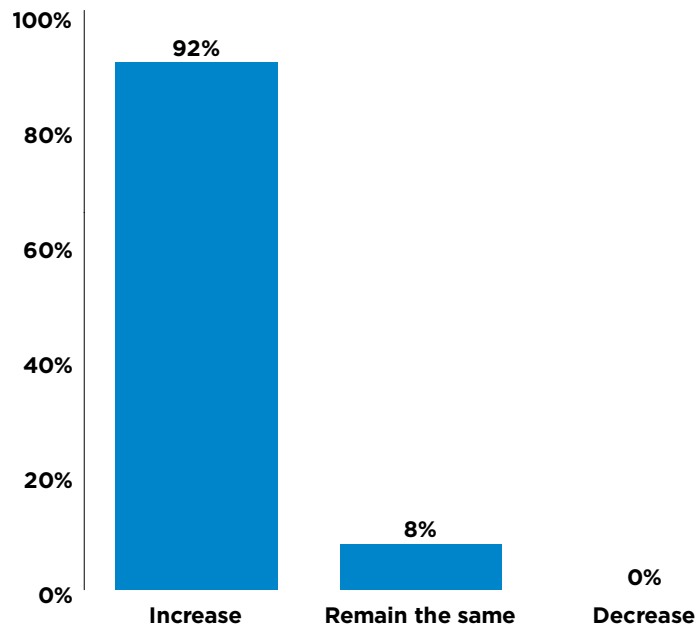


In what countries have you invested or increased your investment? (2010)



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

Employee Wages (2011)



Employee Wages (2010)

