

# Chief Executive Perspectives: 2013

**Results from the 2013 Annual Member Survey**

## The Asia Business Council

- **Independent association of Chairmen and CEOs from leading Asian and MNC firms**
  - ❑ 61 members representing 15 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**

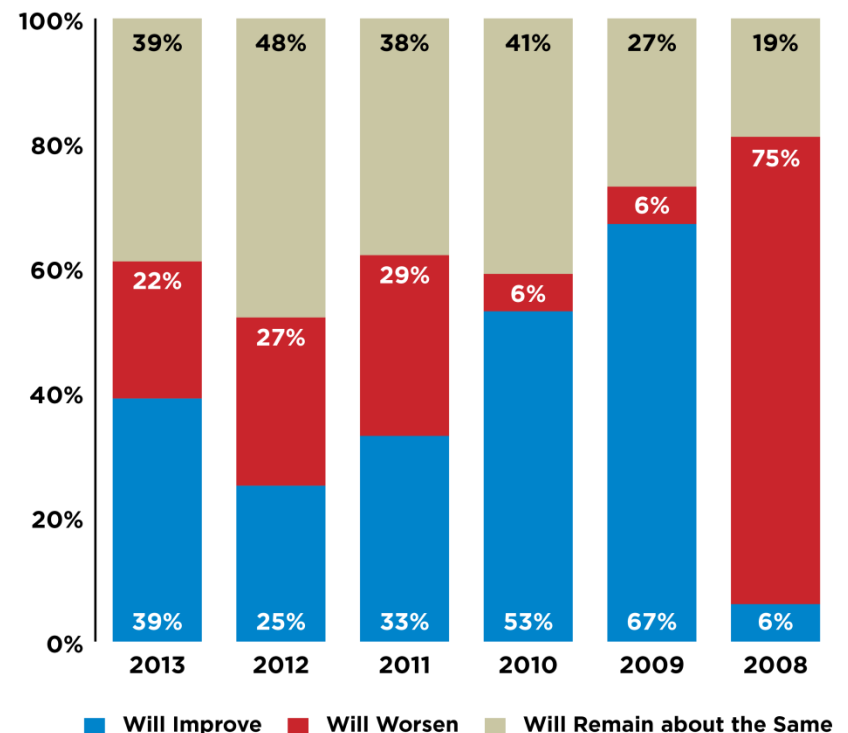
## Survey overview

- **Survey conducted in August 2013**
- **Response rate of 77% (47 of 61 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 cautious optimism about the global economy

- Business expectations improved from last year's survey. Of members surveyed, 39% believed business conditions will improve over the next 12 months, up from only 25% in 2012.
- Survey comments reveal concerns about a slowdown in China and India. A few members mentioned Japan as a positive exception in Asia.
- A number of members thought that a recovery in the U.S. and Europe might offset the Chinese slump, but others were worried that the "overall global economy will remain flat" and that there are "no clear signs of growth."

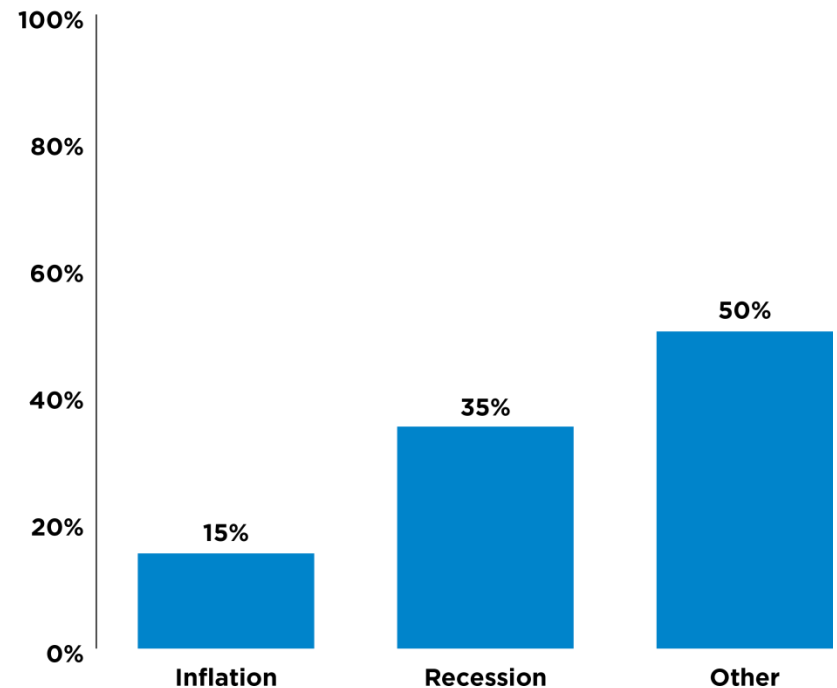
How Do You Feel About Overall Business Conditions In the Next 12 Months?



## Recession and inflation are seen as less of a problem facing Asia than previous years

- 50% of respondents listed “other” issues beyond recession and inflation as key economic problems facing Asia, including social inequality and unrest stemming from slow growth, as well as a lack of political leadership in Asia.
- More than a third (35%) identified recession as the biggest economic problem facing Asia. Some members are concerned about how China might slow down or stumble, and that a corresponding drop in demand will contribute to recession.
- Inflation is the principal concern of 15% of members, down from last year’s 24%.

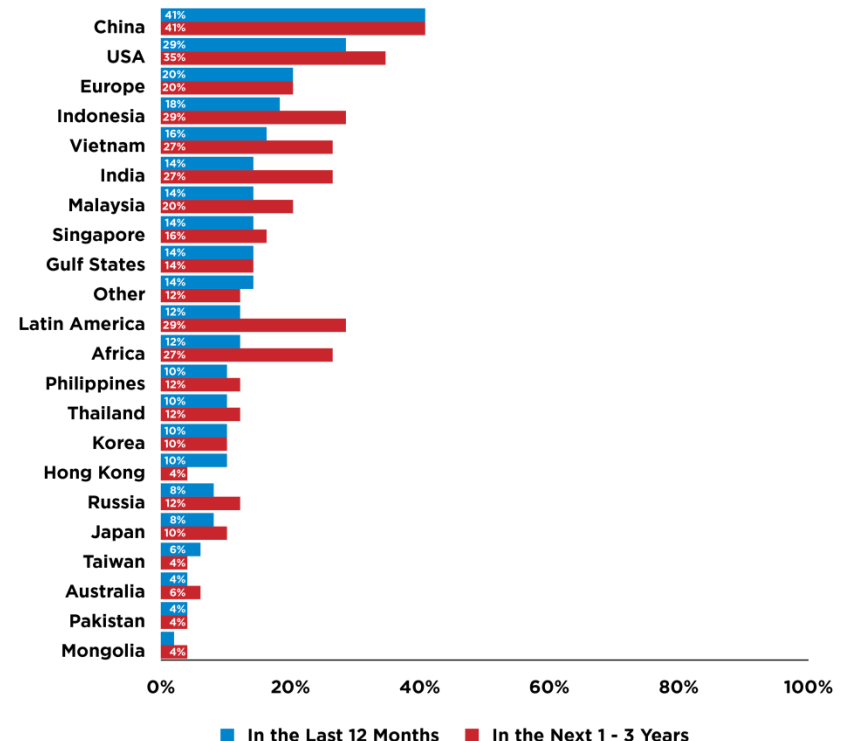
Biggest Economic Problem Facing Asia (2013)



# China remains the most favored investment location but fewer members invested there

- China remained the most favored destination for investment. However, that number has decreased this year to 41% investing in the past year from 65% in 2012 (excluding members from the country).
- The second most favored investment destination is the U.S. (29%), followed closely by Europe, Indonesia, and Vietnam.
- In the next 1-3 years, members continue to report keen interest in investing in China, the U.S., India, Indonesia, Vietnam, and Malaysia. Africa and Latin America showed the most dramatic increase in investment interest.
- Other countries members invested in include Myanmar and Turkey as well as countries in the Middle East and North Africa.

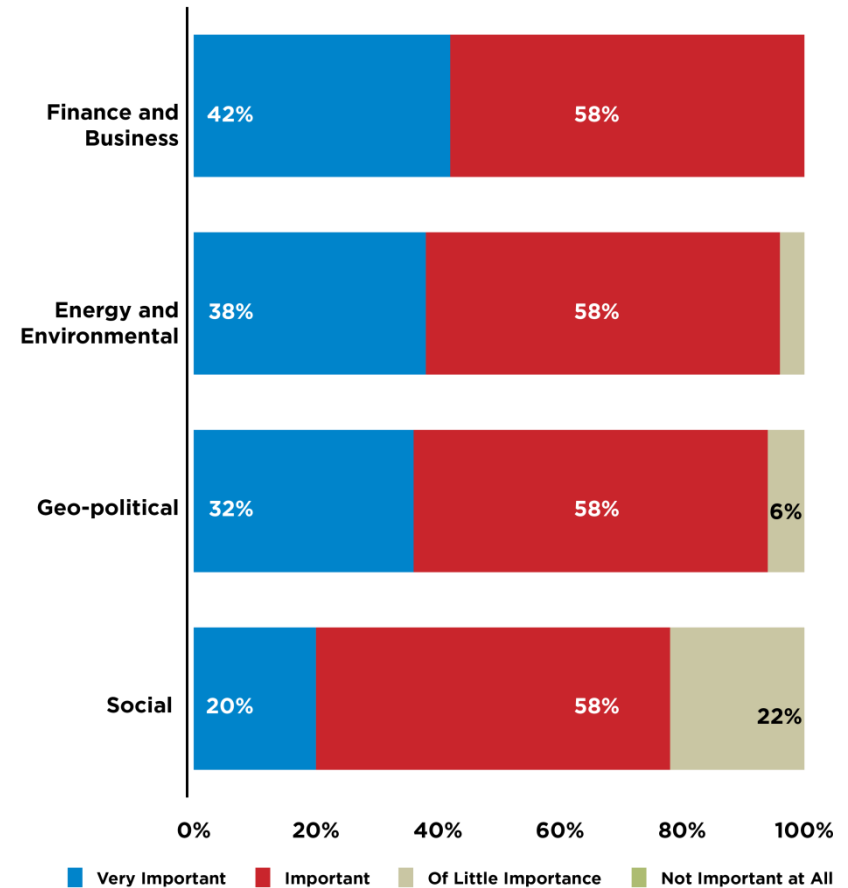
Where Have You Invested in the Last 12 Months, and Where Do You Plan to Invest?



# Finance and business is the most important issue area for members

- This year's responses reflected growing concern over finance and business conditions. 50% of members said finance and business issues affect business in Asia, and 59% rated them as having great impact on their businesses.
- Concerns ranged from macroeconomic uncertainty to its effects on members' investments, job creation, and consumer sentiment.
- A lack of credit growth, nonperforming loan levels, and interest rates affecting the banking sector were also seen as threatening to member's businesses.
- A fast-changing business environment and a slow worldwide recovery are making it harder to launch new businesses and enter emerging markets.
- **Members also saw finding and retaining talent as a challenge and a priority for their businesses.**

How Important Is This Issue For Business In Asia?



## The lack of political leadership and transparency top geo-political concerns

- **About one quarter of respondents (32%) saw geo-political issues as very important for business in Asia (36% in 2012), while 39% believe these issues have great impact on their businesses (an increase of 10% since last year).**
- **Members cited a lack of clear political leadership in the region and China's lack of transparency as key geo-political issues. Others mention rising protectionism in Southeast Asia.**
- **In the West, sources of concern included political gridlock and an uncertain unemployment picture.**
- **Only a few members cited tensions in the South China Sea as being a source of turmoil this year.**



## Energy and environment concerns include a rise in fuel prices in Indonesia

- **Energy and environmental concerns were rated by 48% of respondents as very important for business in Asia (38% in 2012) and 36% of respondents believed these issues have great impact on their business, comparable to 2012.**
- **Comments among members in this area included concerns about the rapid rise in fuel prices as a result in the reduction of fuel subsidies.**

## Income inequality in Asian countries tops social concerns

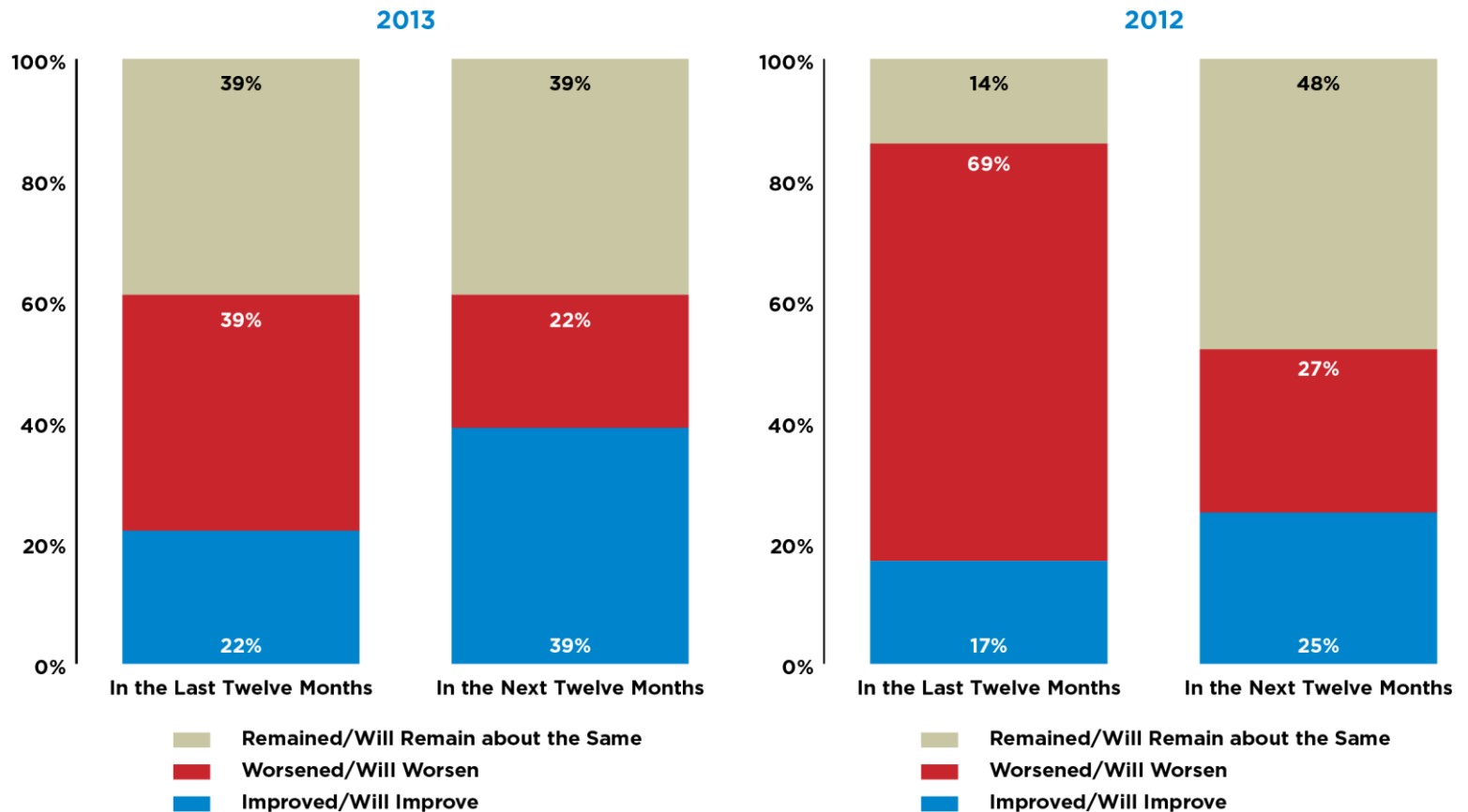
- **Social concerns were rated by 18% of respondents as very important for business in Asia (20% in 2012) and 30% of respondents believe these issues have great impact on their business (up from 12% in 2012).**
- **Members pointed out that several Asian countries are witnessing an increase in income inequality that could lead to unrest and affect their ability to do business. One member mentioned that there is pressure to be more inclusive as a result and to do so in a way that is fair to shareholders and stakeholders.**
- **The expansion of middle income populations in the region was seen as a factor that will shape Asia in the next year.**
- **Education of the poor was seen as a priority for addressing inequality in a globalized and fast-changing environment.**

## Survey summary

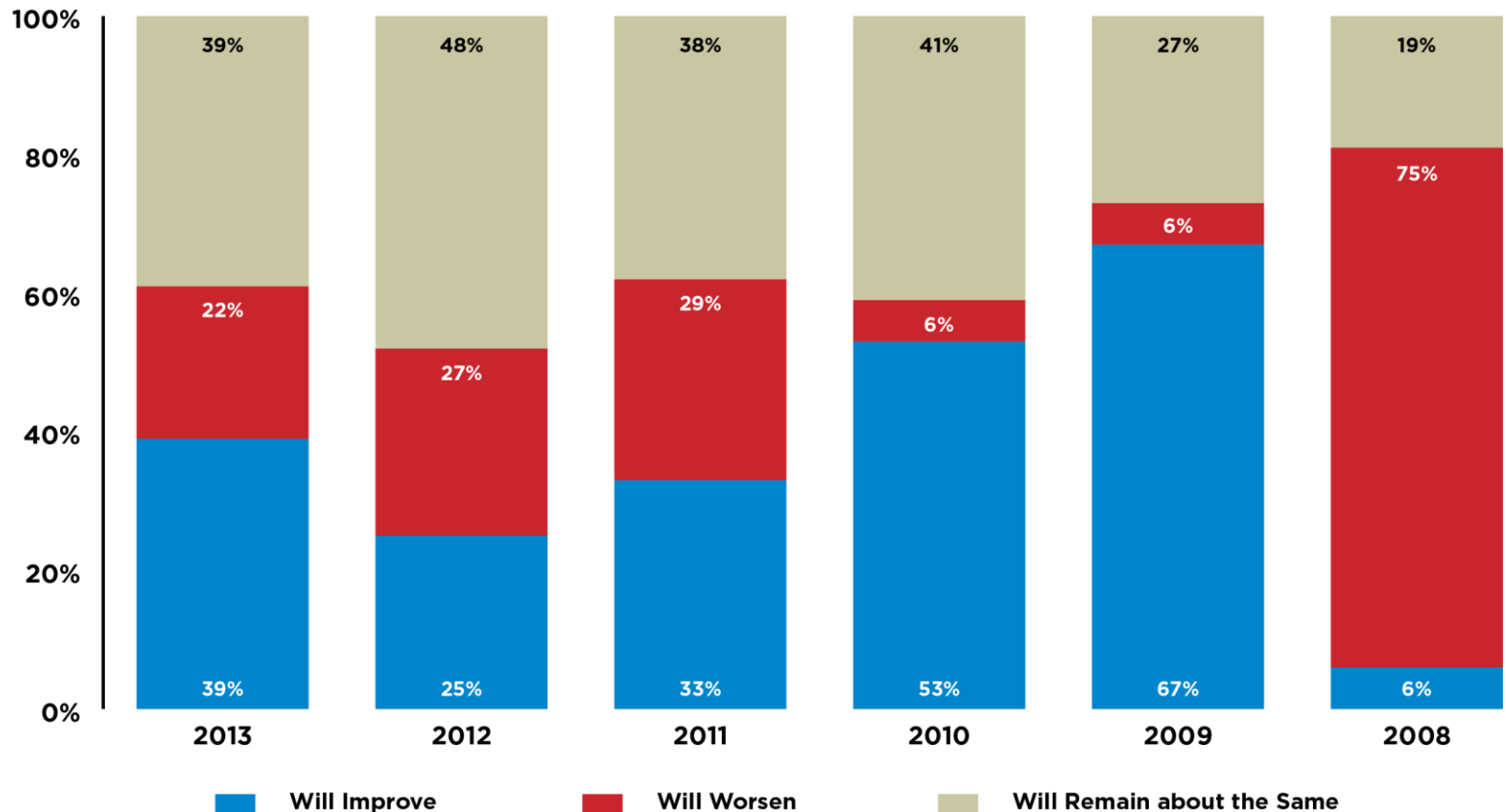
- **More than a third (39%) of respondents believe business conditions will improve, while only 22% expect conditions to worsen. Another 39% expect conditions to remain the same.**
- **Political tensions and financial concerns are seen as key threats to Asia; uncertainty prevails.**
- **China remains the favored investment destination in the next 1-3 years, although to a lesser degree than in previous years, followed by the U.S., Europe, Indonesia, and Vietnam.**
- **Finance and business issues remain the most important concerns facing the Asian economy and members' businesses individually. Mentioned specifically in members' comments were macroeconomic uncertainty, a lack of credit growth, and nonperforming loans.**
- **A lack of political leadership in the region was a primary geo-political concern, while income inequality is the leading social concern.**

## Survey Data

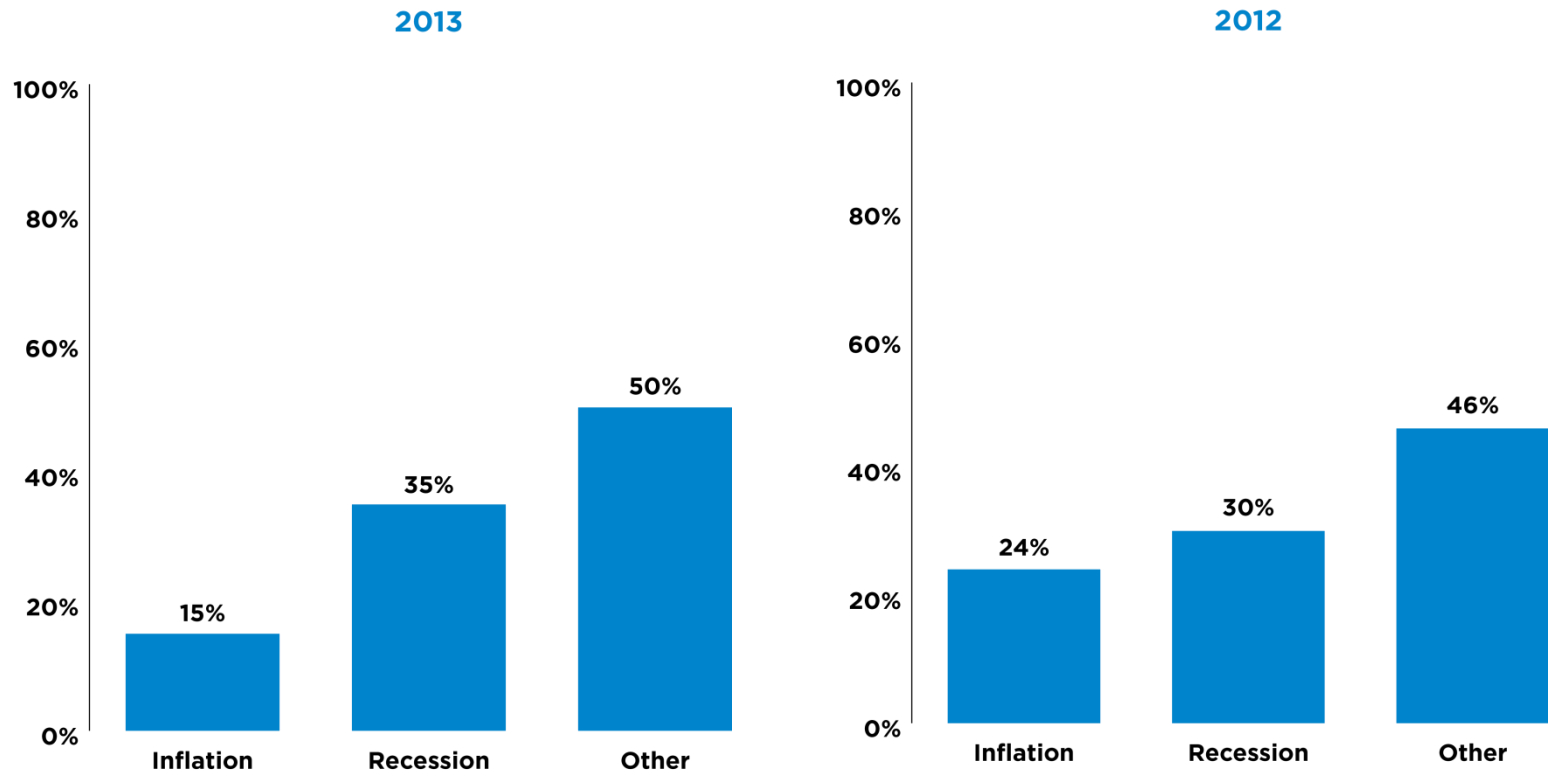
# How do you feel about overall business conditions? (2012-2013)



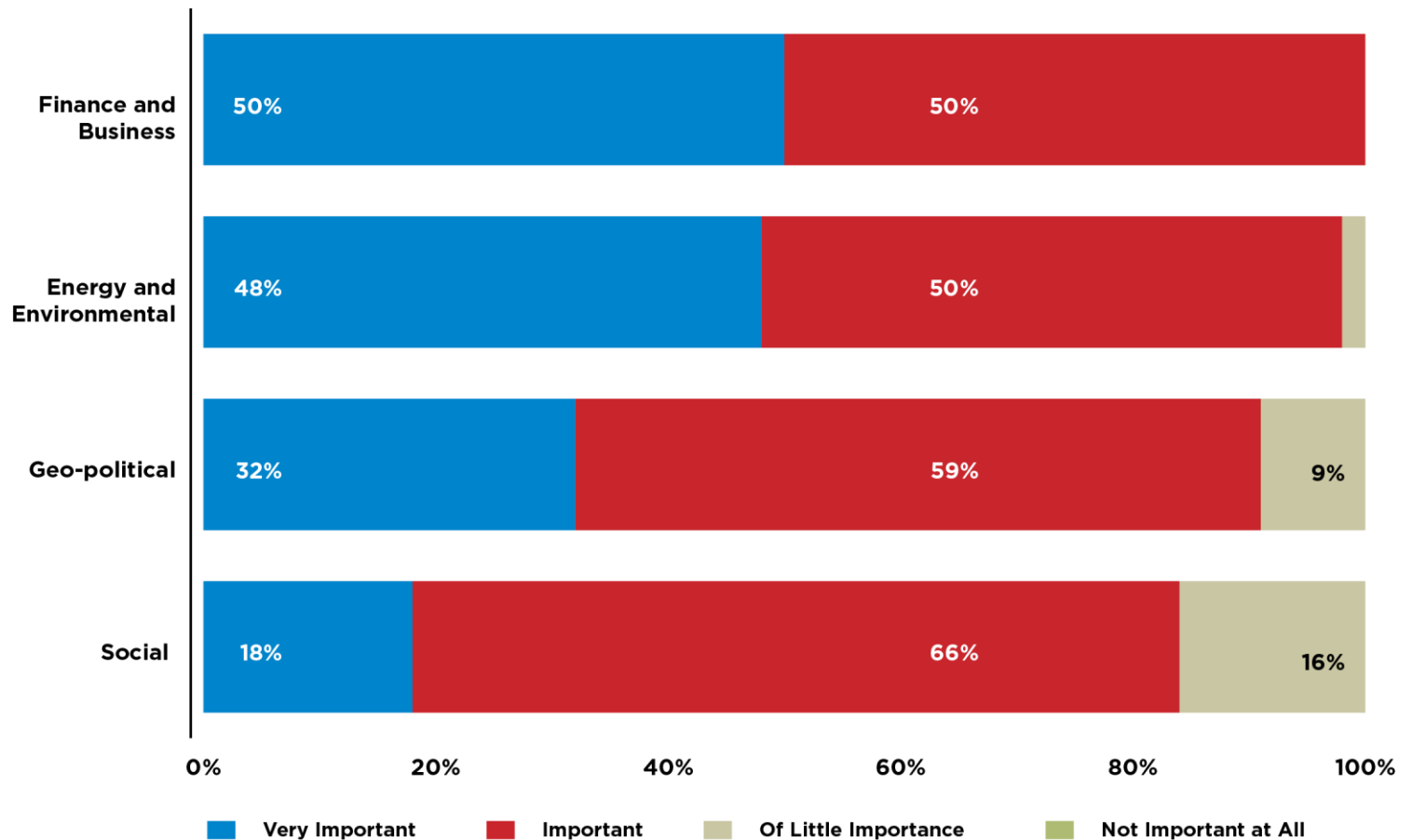
## How Do You Feel About Overall Business Conditions in the Next 12 Months?



## Biggest Economic Problems (2012-2013)

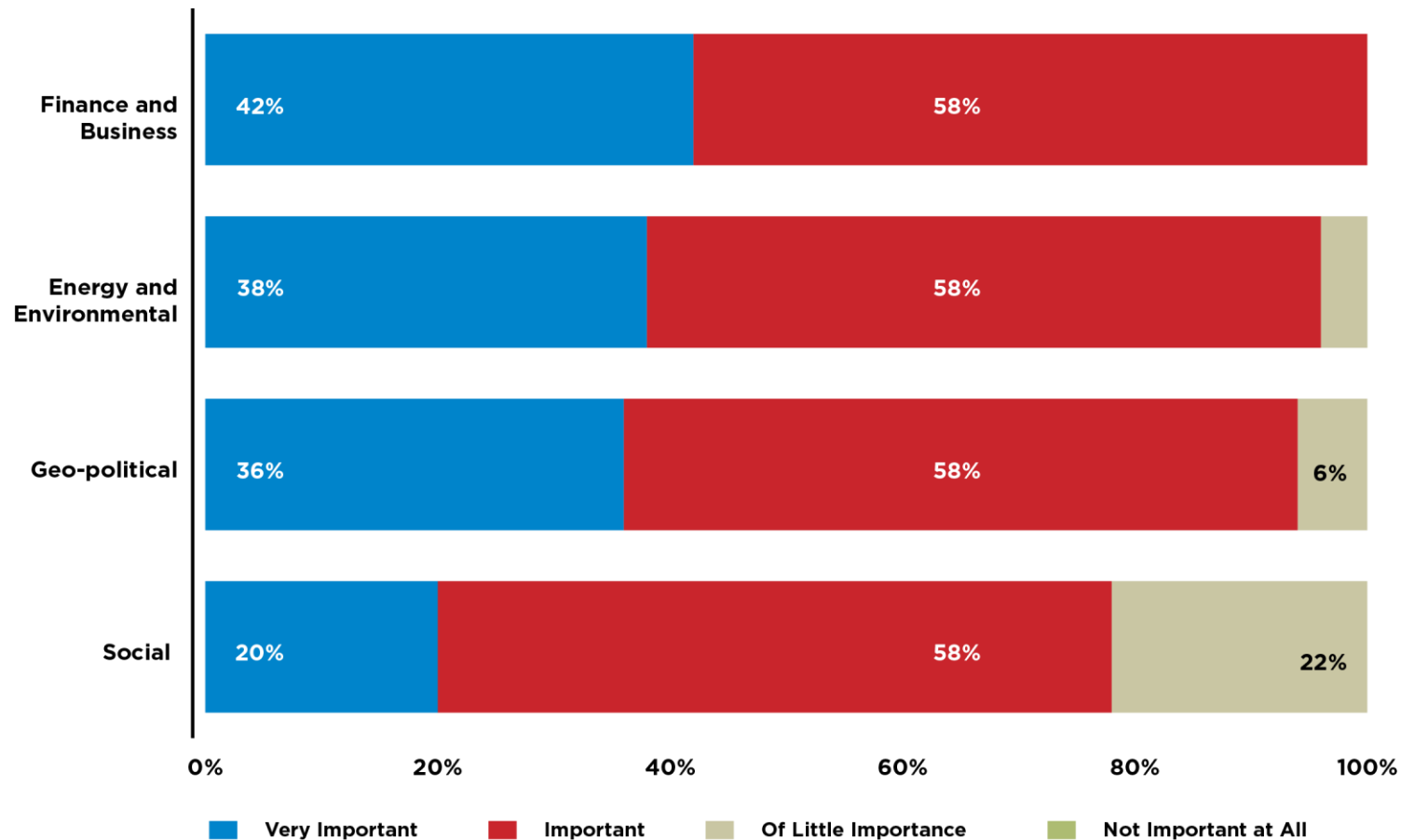


## How important is this issue for the Asian economy? (2013)

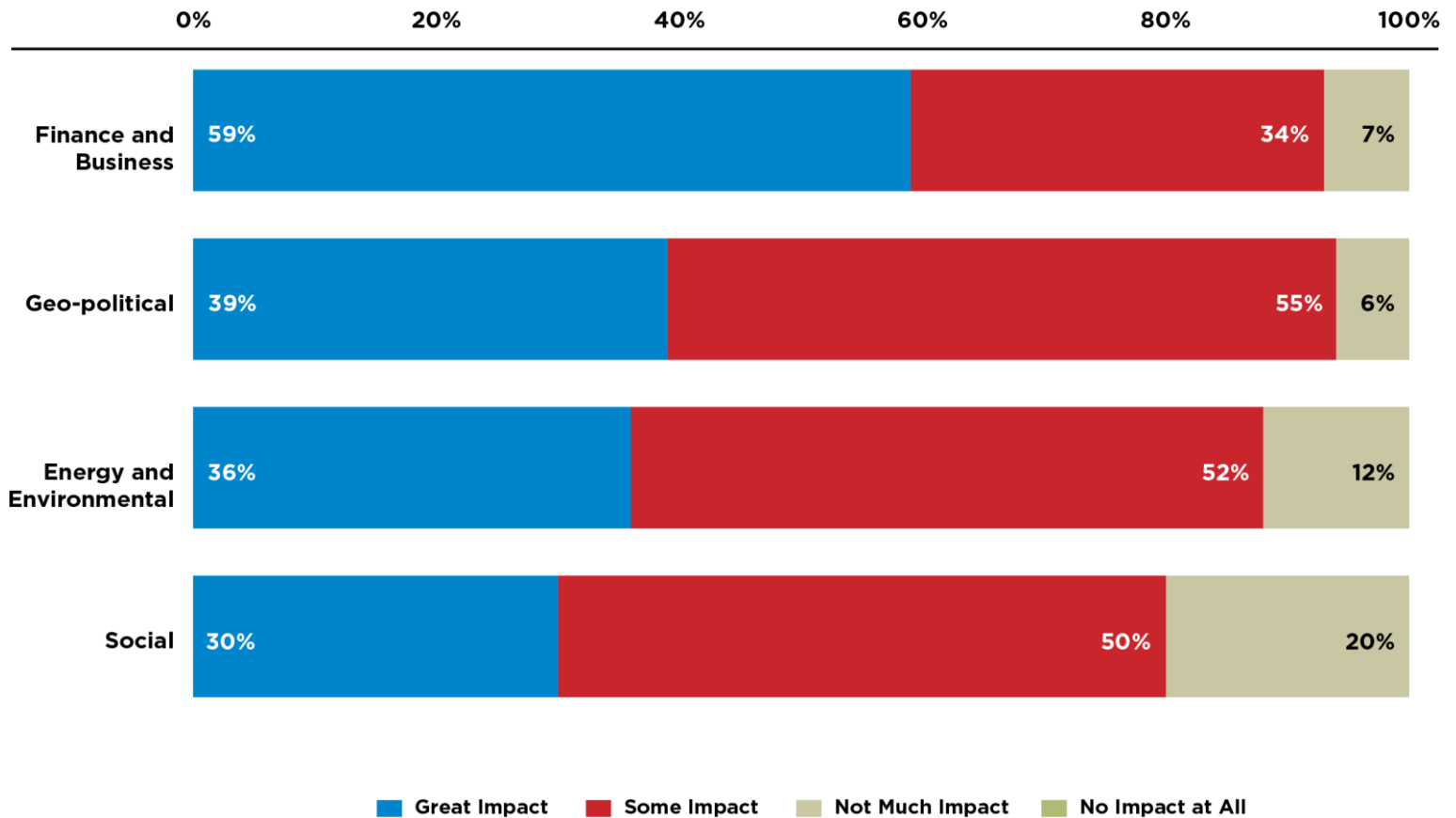




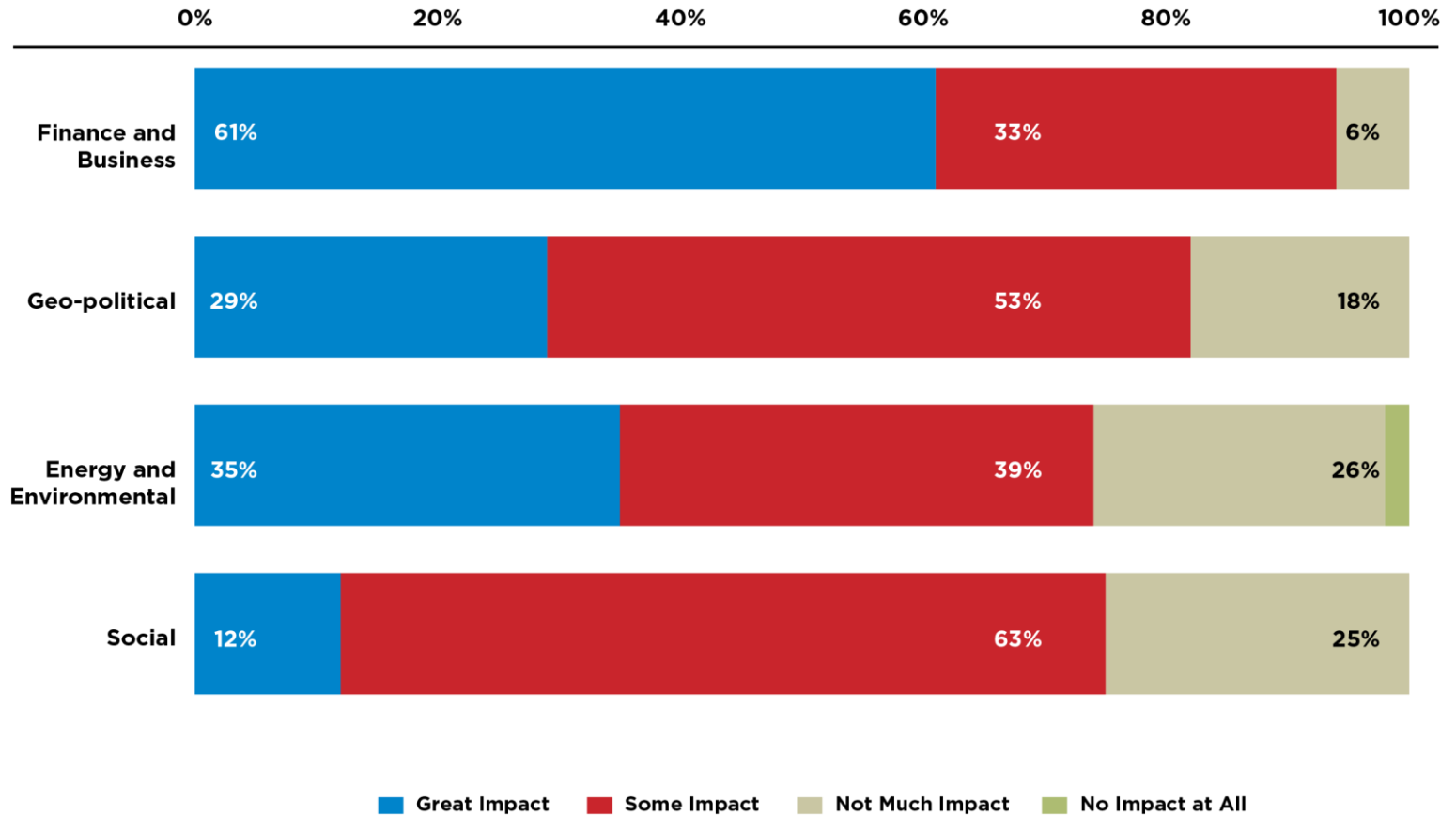
## How important is this issue for the Asian economy? (2012)



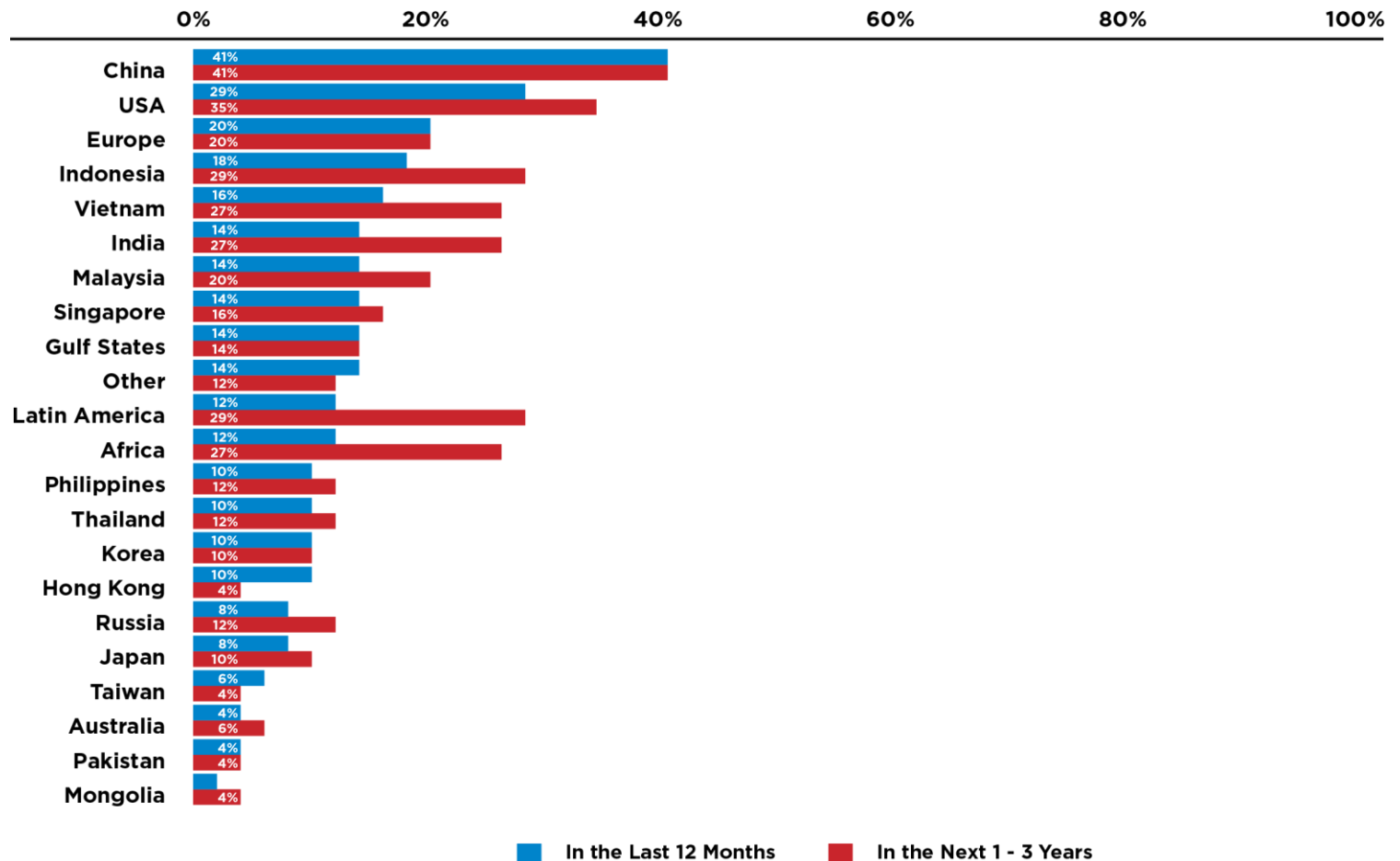
# How much does this issue affect your business? (2013)



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# In what countries have you invested or increased your investment? (2013)



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