

Chief Executive Perspectives: 2014

Results from the 2014 Annual Member Survey

The Asia Business Council

- **Independent association of Chairmen and CEOs from leading Asian and MNC firms**
 - ❑ 66 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

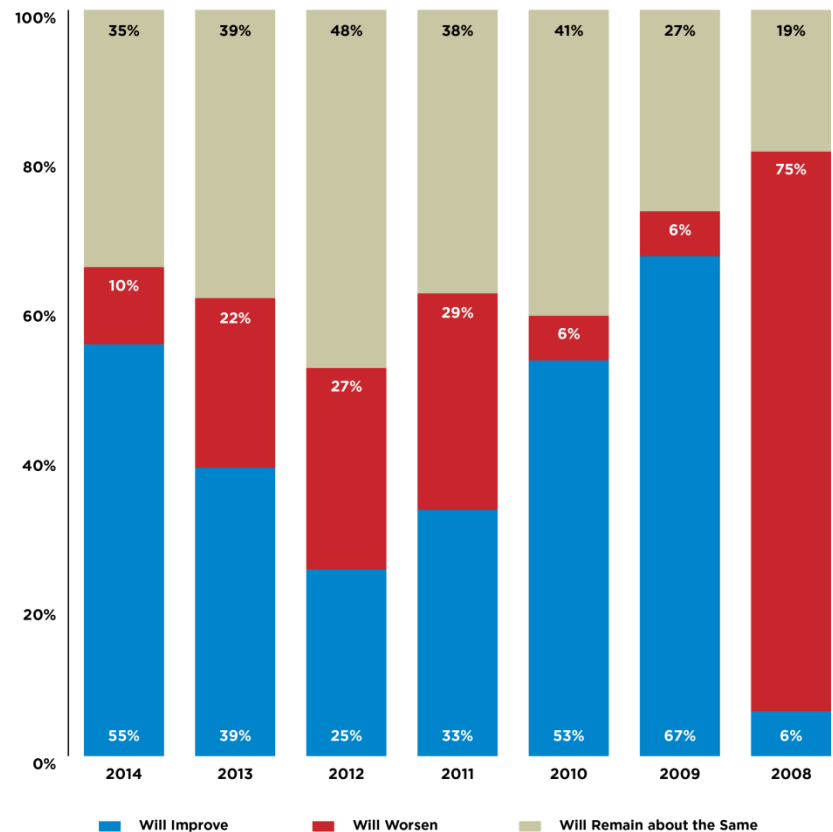
Survey overview

- **Survey conducted in July 2014**
- **Response rate of 88% (58 of 66 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 optimism about the recovery of the American economy

- **Business expectations improved from last year's survey. Of members surveyed, 55% believed business conditions will improve over the next 12 months, up from only 39% in 2013.**
- **Survey comments reveal concerns that China's economic slowdown had the greatest potential to have a negative influence on the region. Members were also pessimistic about Japan's growth potential in light of Prime Minister Abe's recently passed consumption tax.**
- **A common theme was the resurgence of the American economy and its potential to buoy Asia's fortunes. One member, citing a reason for his positive economic outlook, wrote "the strong recovery of the U.S. could convert to increasing orders to Asia as an important supply chain for the world's production." Another believed that the recovery of the U.S. is sustainable.**

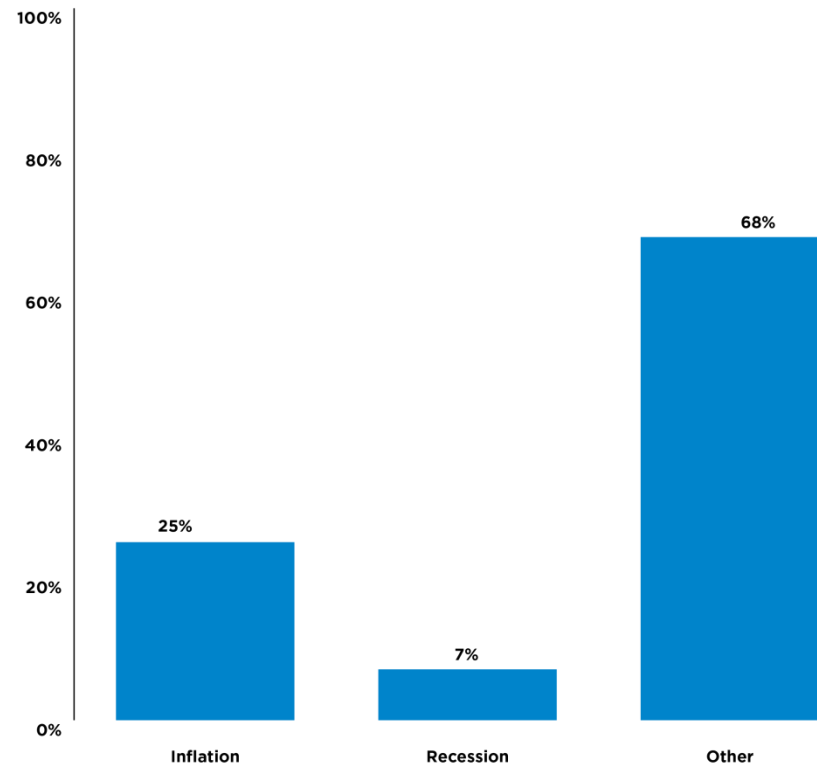
How Do You Feel About Overall Business Conditions In the Next 12 Months?



Recession seen as less of a problem facing Asia than previous years but inflation remains a concern

- **68% of respondents listed “other” issues beyond recession and inflation as key economic problems facing Asia, including territorial disputes between China and Japan along with rising tensions in the South China Sea, and political instability in the Middle East. Another common concern is that the U.S. Federal Reserve’s signals that it would taper quantitative easing would have a negative impact on emerging economies in Asia.**
- **Inflation is the principal concern of 25% of members, up from last year’s 16%.**
- **Only 7% of members listed recession as the greatest economic threat in Asia, down from 35% in 2013.**

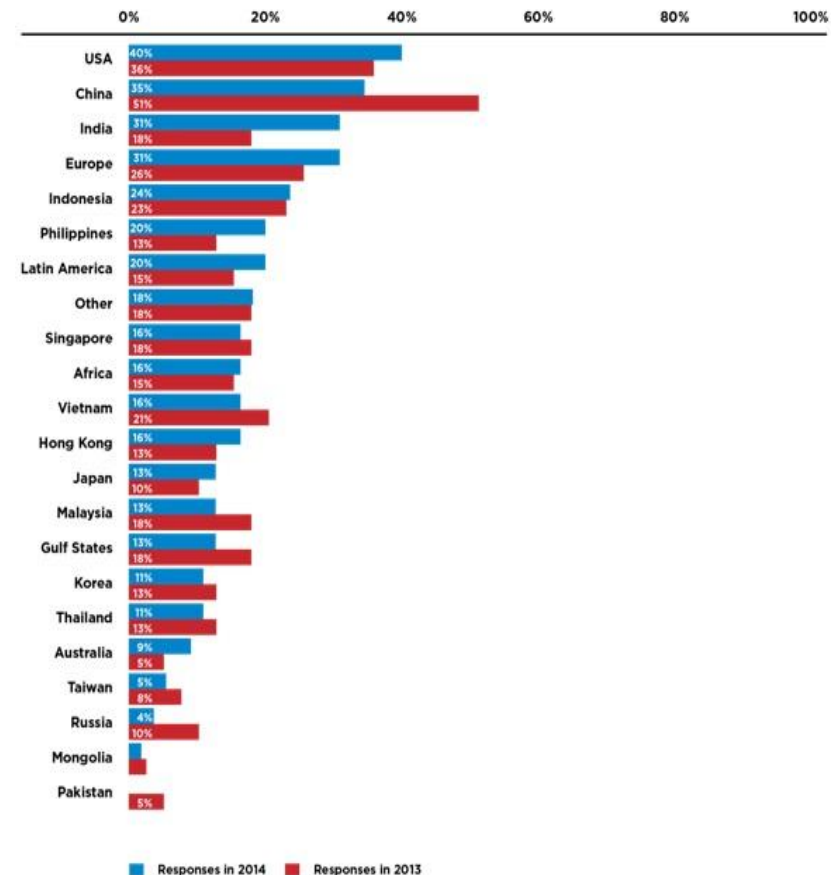
Biggest Economic Problem Facing Asia (2014)



U.S. Becomes the Top Investment Destination in 2014

- The United States has surpassed China as the most favored destination for investment in the past 12 months. 40% of respondents have invested in the U.S., up from 36% the previous year.
- China came second, with 35% of respondents (excluding those from China) investing there in the past 12 months, however this is a significant decrease from 51% in 2013. China was followed by Europe, Indonesia, and the Philippines.
- In the next 1-3 years, 55% of members expressed interest in investing in the U.S. 44% indicated their plans to invest in China, while 33% of members were looking to invest in India. The Philippines showed a dramatic increase in investment interest.
- Other new destinations for investment mentioned by respondents included Myanmar and Kazakhstan.

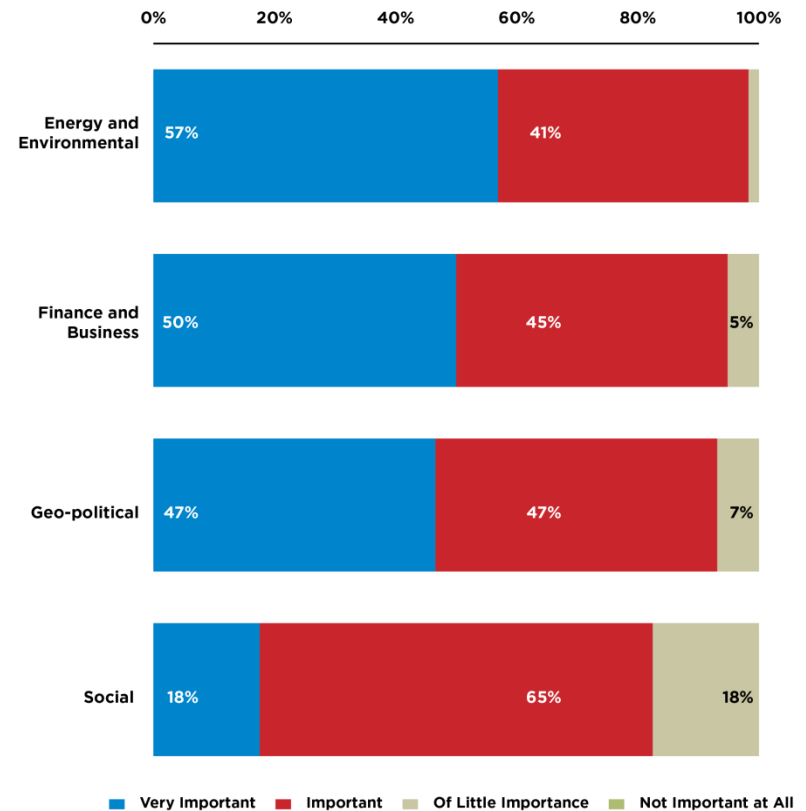
In What Countries Have You Invested or Increased Your Investment?



Finance and business is the most important issue area for members

- This year's responses reflected growing concern over energy and environmental issues in Asia. 57% of members said energy and environmental issues affect business in Asia, however only 33% rated these factors as having a great impact on their businesses.
- 58% of members ranked finance and business as the area with the most impact on members' own business.
- The speed of change in the business environment was seen as both a rising challenge and opportunity. Several members spoke of the need to stay on the cutting edge of disruptive technologies and adopt a quicker response to changes in the marketplace.
- Several members also spoke of the necessity to deal with human resources challenges, from rising labor costs to top management succession.

How Important Is This Issue For Business In Asia?



Territorial tensions and regional instability top geo-political concerns

- **About half of respondents (47%) saw geo-political issues as very important for business in Asia (32% in 2013), while 28% believe these issues have a great impact on their businesses (a decrease of 9% since last year).**
- **Members cited rising tensions in the South China Sea along with political instability in the Middle East as key geo-political issues. Others mention rising protectionism in Southeast Asia.**
- **In the West, sources of concern centered upon the uncertain outcome of the end of the U.S. Federal Reserve's quantitative easing program. One respondent wrote, "potential tapering in the US with capital outflow from emerging markets and consequent economic slowdown is Asia's biggest problem."**

Key energy and environmental concern is higher oil prices due to instability

- **Energy and environmental concerns were rated by 57% of respondents as very important for business in Asia (48% in 2013), however only 33% of respondents believed these issues have great impact on their business, compared to 36% in 2013.**
- **Comments among members in this area included concerns about rising fuel prices as a result of instability and fluctuations in the commodities markets.**

Income inequality in Asian countries tops social concerns

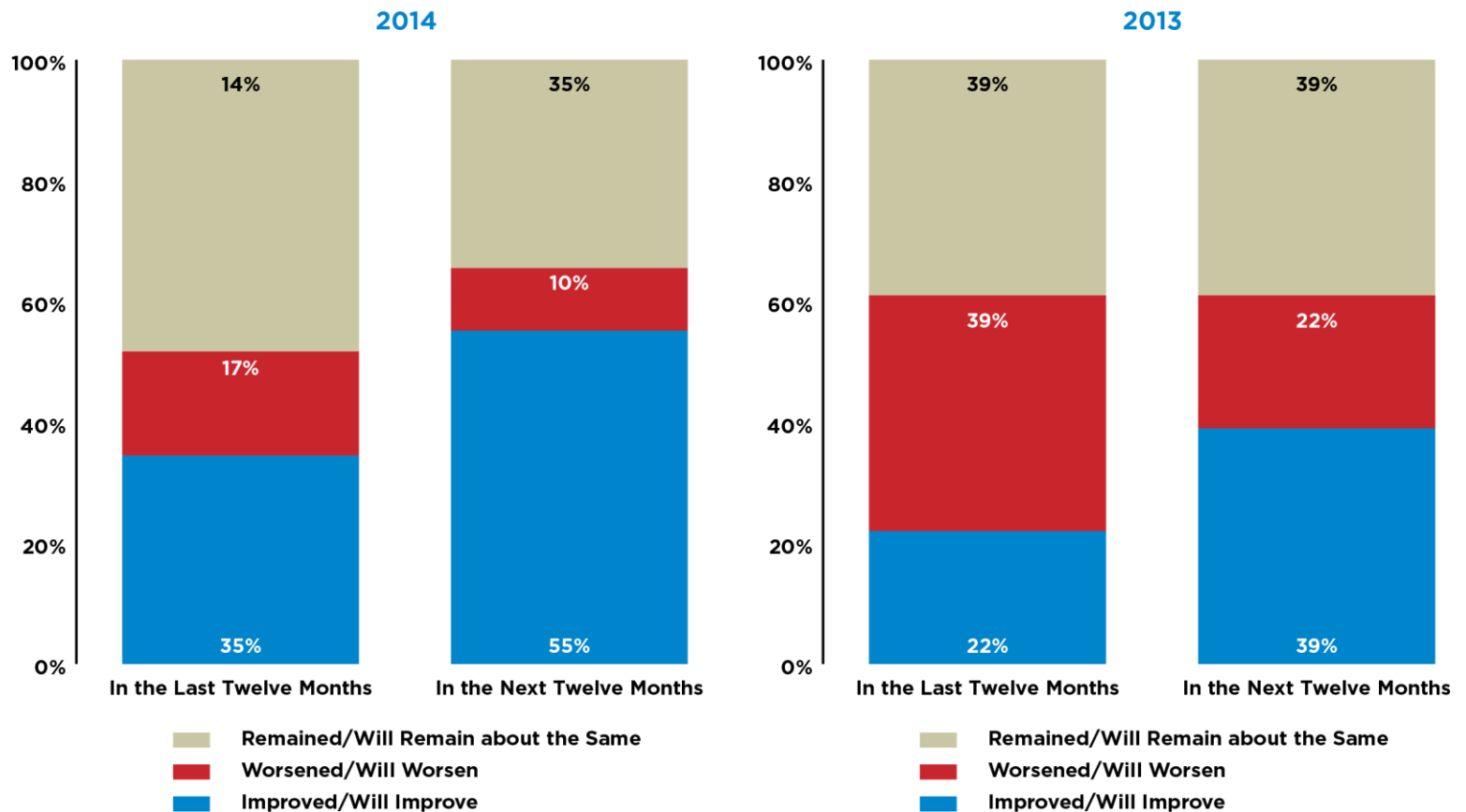
- **Social concerns were rated by 18% of respondents as very important for business in Asia (18% in 2013) and 11% of respondents believe these issues have great impact on their business (down from 30% in 2013).**
- **Members pointed out that several Asian countries are witnessing an increase in income inequality that could lead to unrest and affect their ability to do business.**
- **The expansion of middle income populations in the region was seen as a factor that will shape Asia in the next year.**

Survey summary

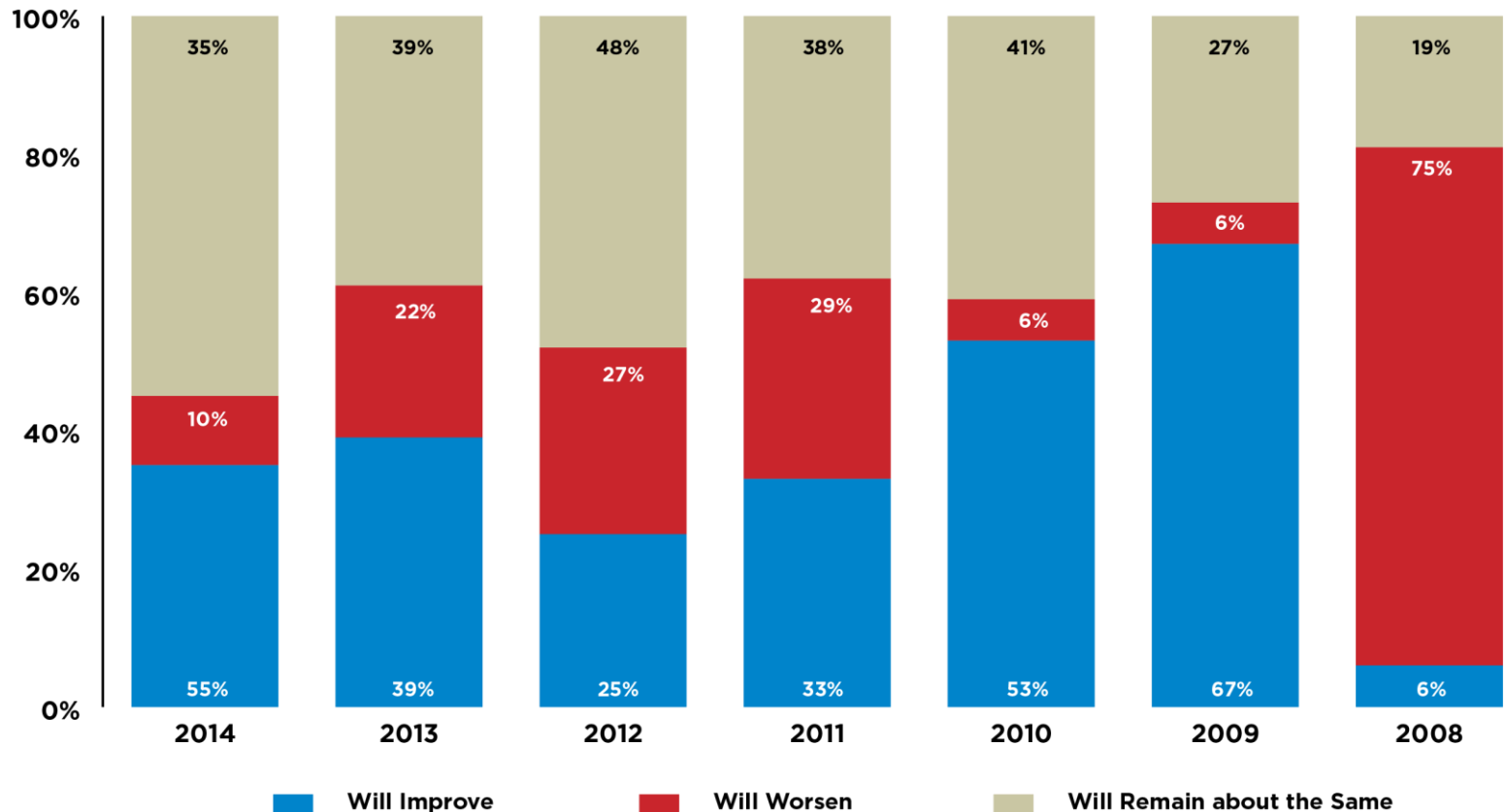
- **More than half (55%) of respondents believe business conditions will improve, while only 10% expect conditions to worsen. Another 35% expect conditions to remain the same.**
- **Geo-political tensions and financial concerns are seen as key threats to Asia; uncertainty prevails.**
- **The United States has surpassed China as the most favored destination for investment in the next 1-3 years, followed by China, India, Europe, and the Philippines.**
- **Energy and environmental issues were the most important concerns facing the Asian economy, while finance and business issues have the greatest impact on members' businesses individually. Mentioned specifically in members' comments were protectionist trends in trade, credit availability, market access, and regulatory uncertainties.**
- **Rising tensions in the South China Sea are the primary geo-political concern, while income inequality is the leading social concern.**

Survey Data

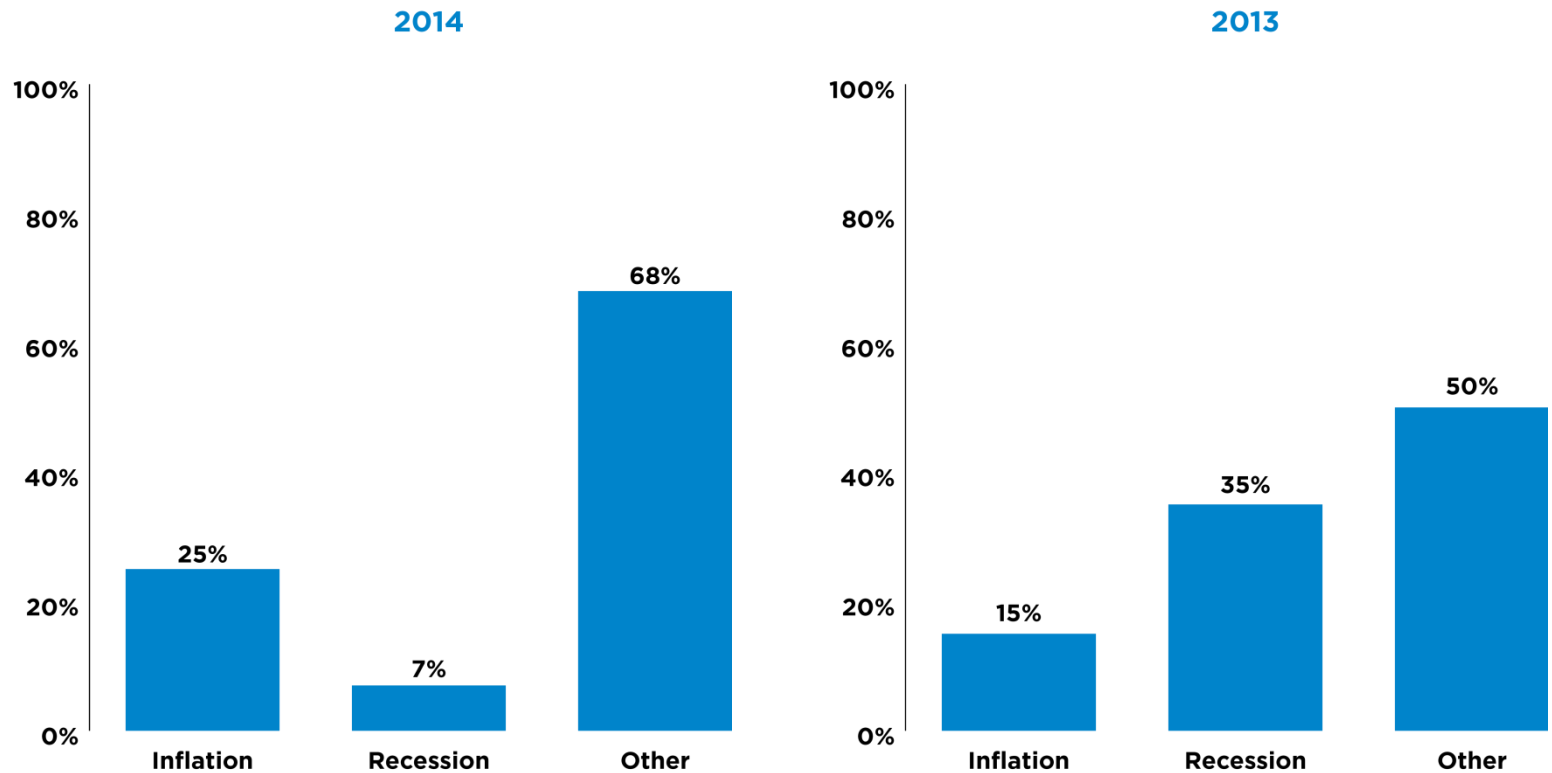
How do you feel about overall business conditions? (2012-2013)



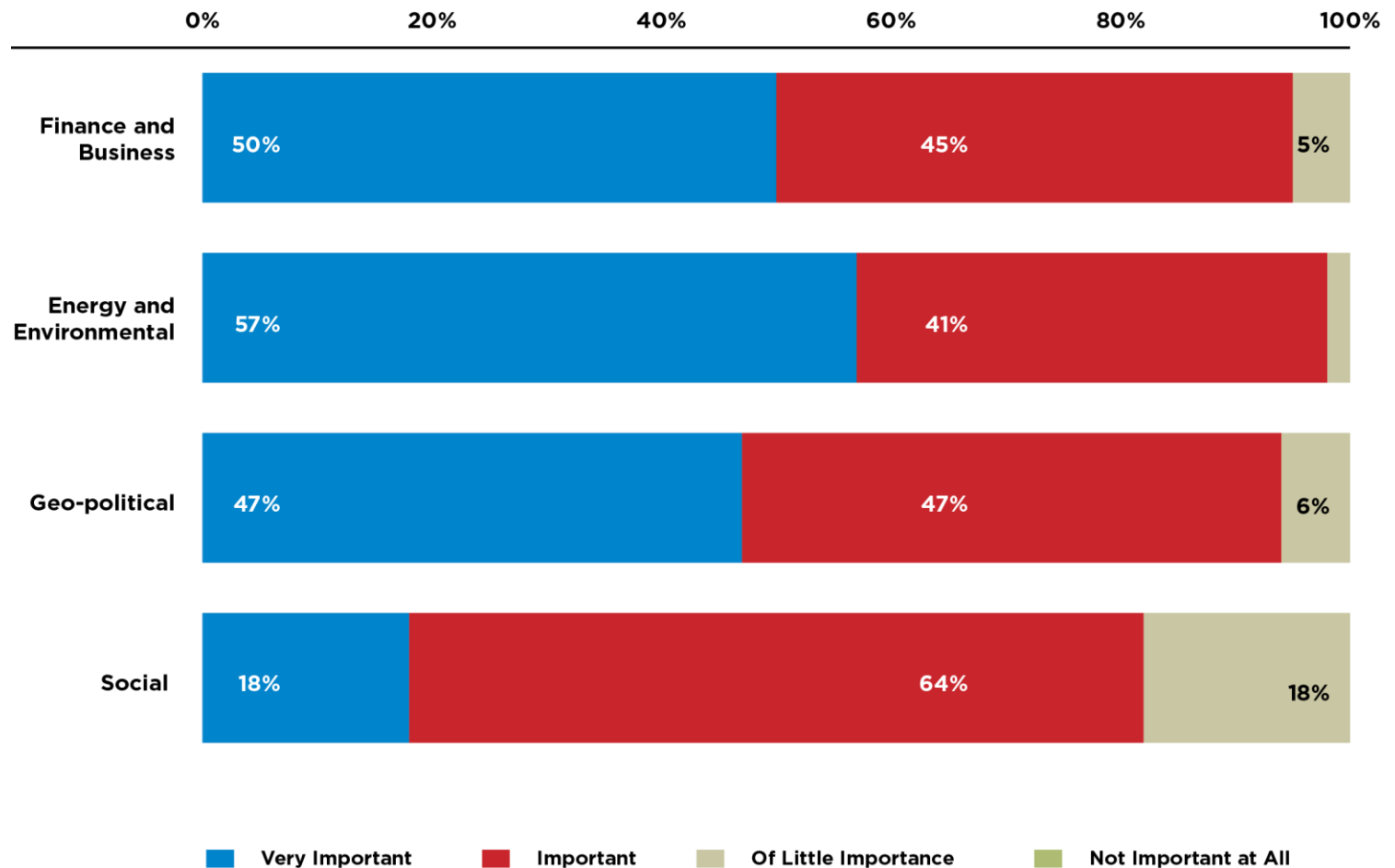
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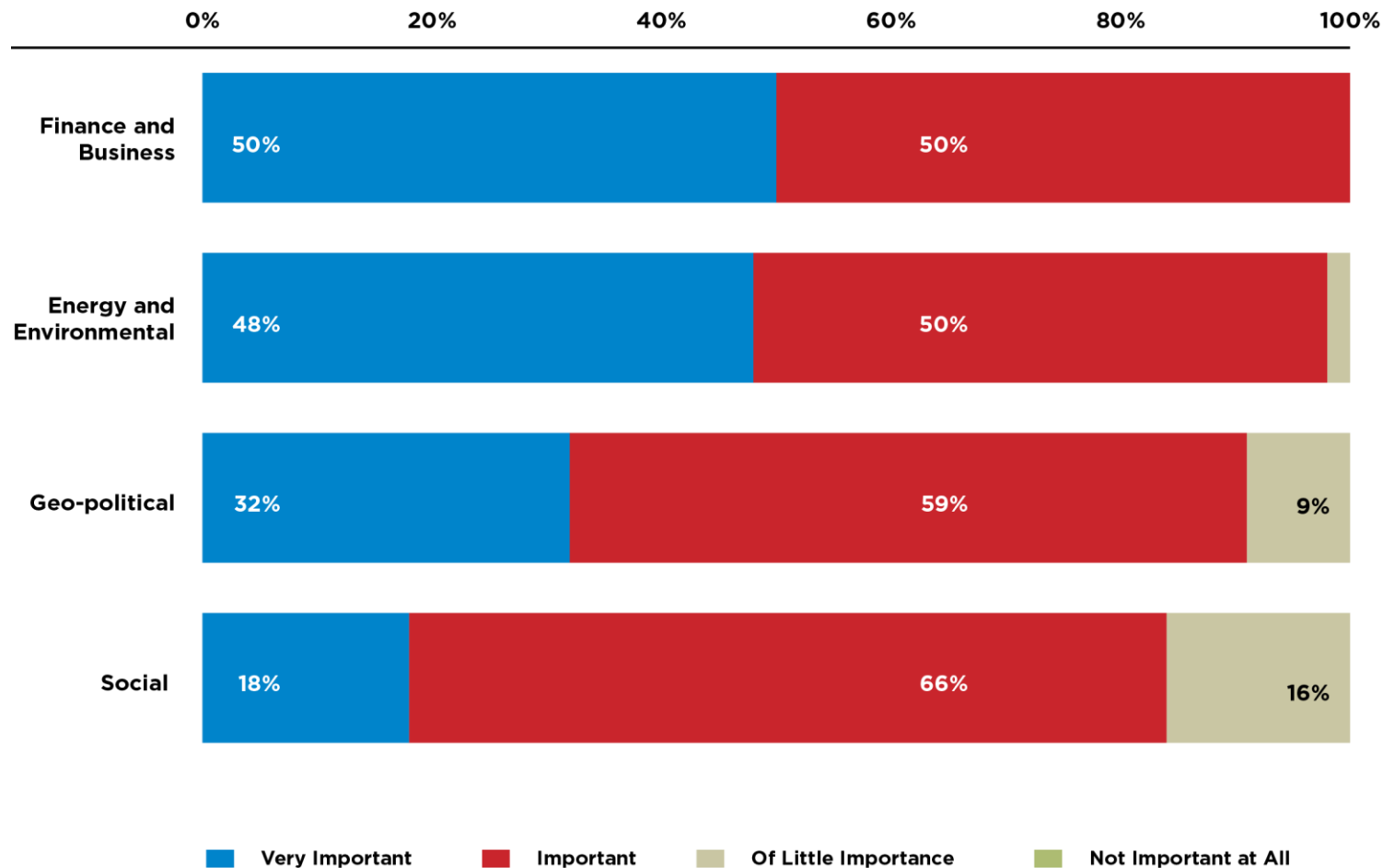
Biggest Economic Problems (2012-2013)



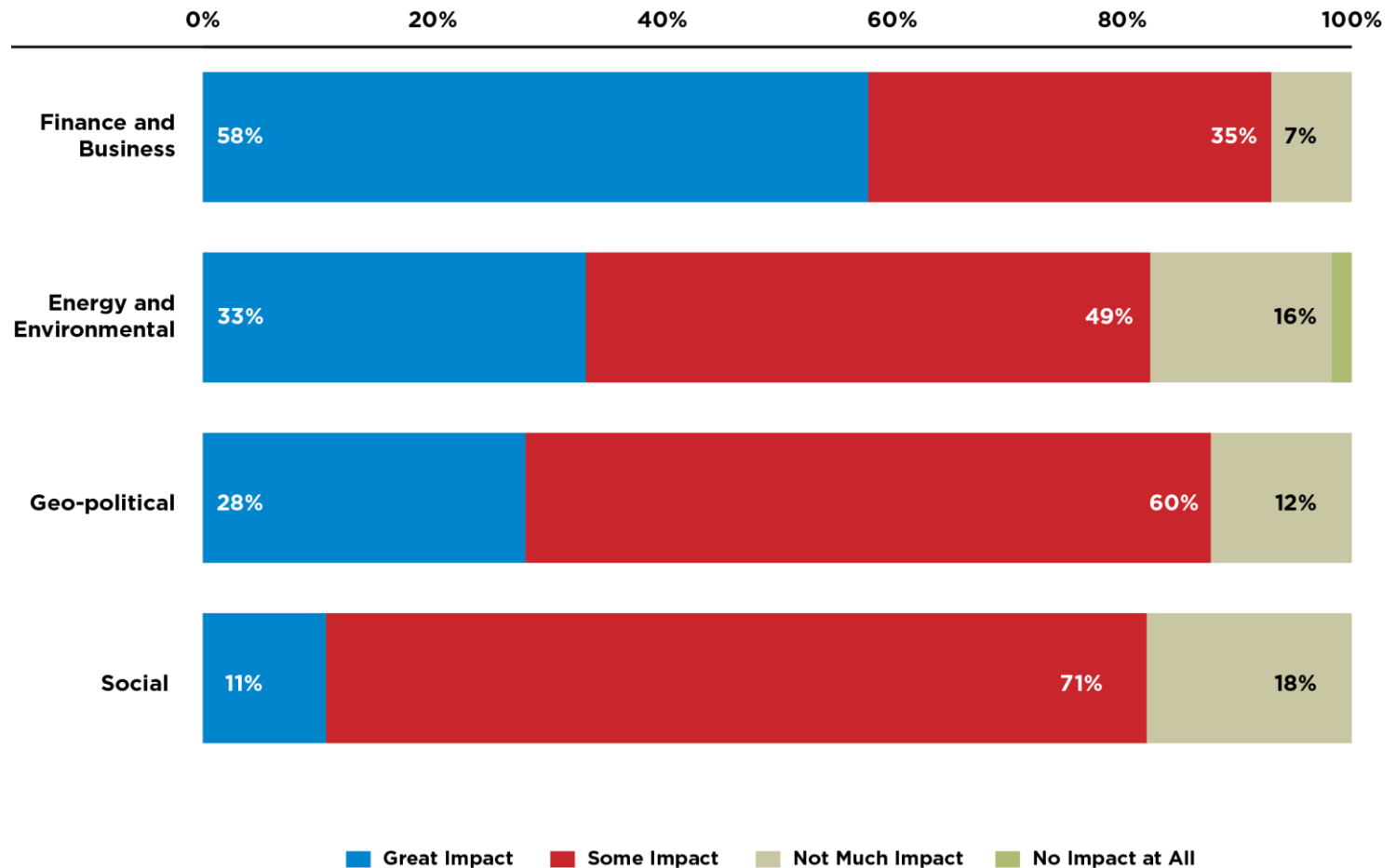
How important is this issue for the Asian economy? (2014)



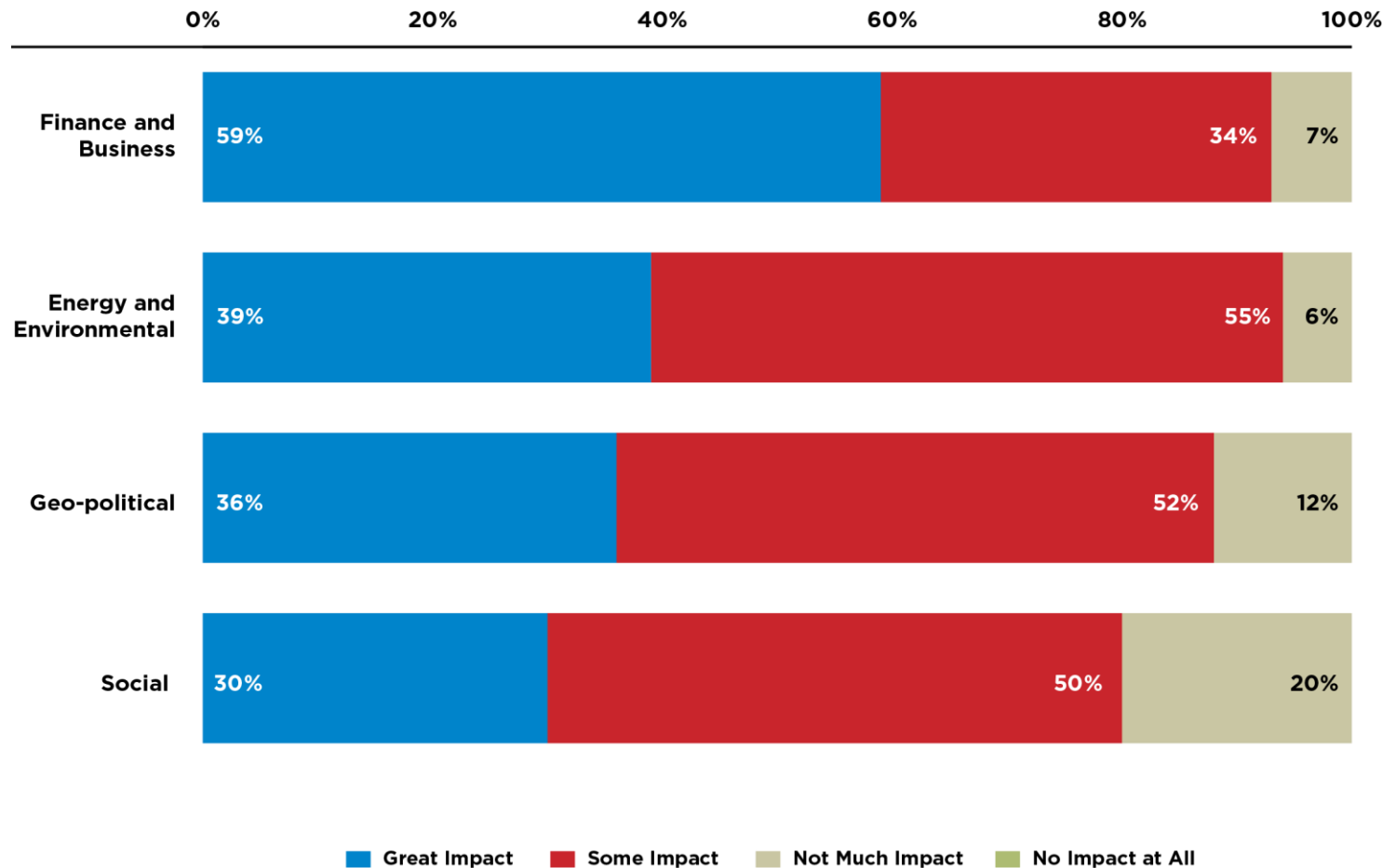
How important is this issue for the Asian economy? (2013)



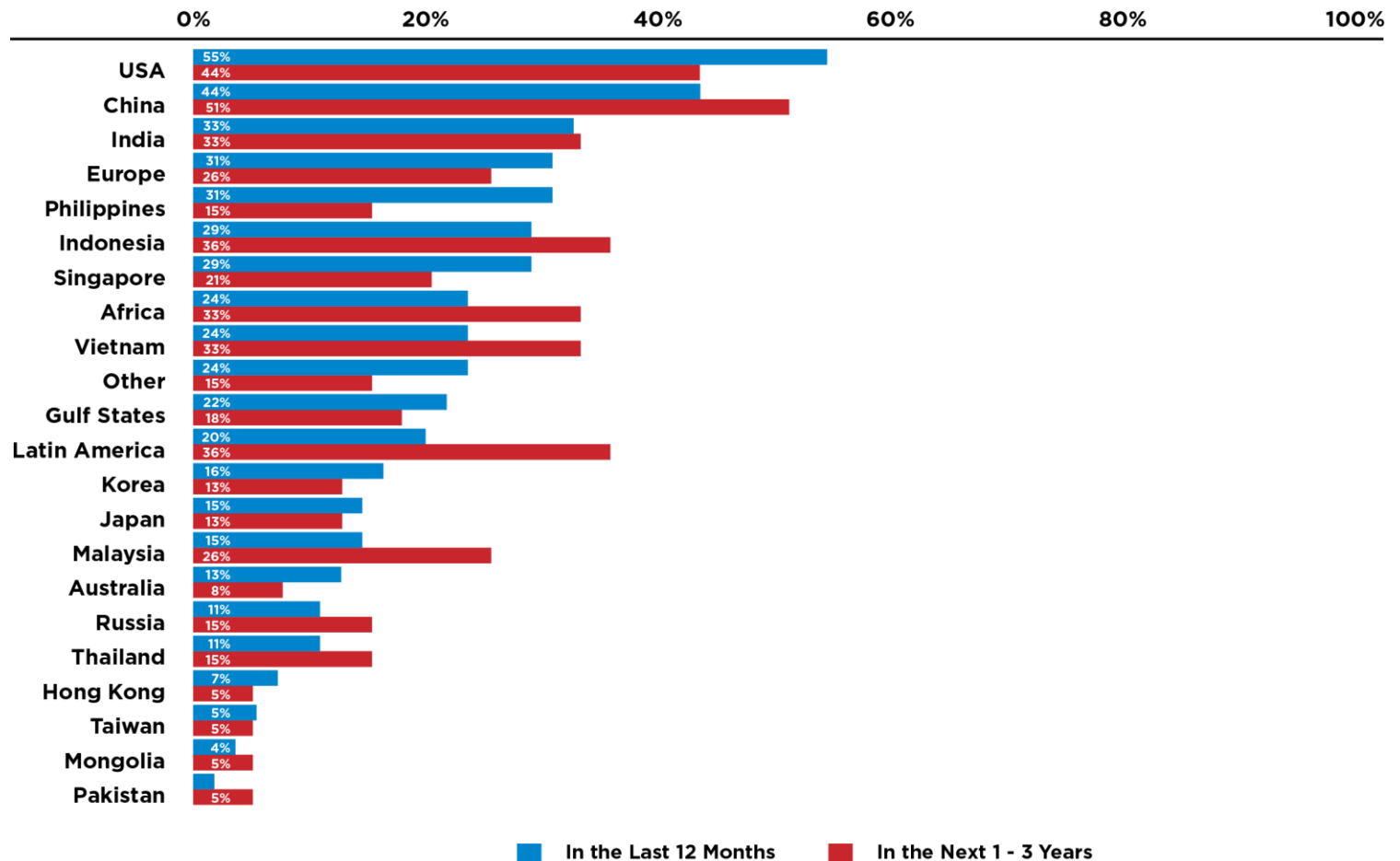
How much does this issue affect your business? (2014)



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



In what countries have you invested or increased your investment? (2014)



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

