

Chief Executive Perspectives: 2016

Results from the 2016 Annual Member Survey

The Asia Business Council

- **Independent association of Chairmen and CEOs from leading Asian and global firms**
 - 74 members representing 15 Asian economies, Australia, Europe, the U.K., and the U.S.
- **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

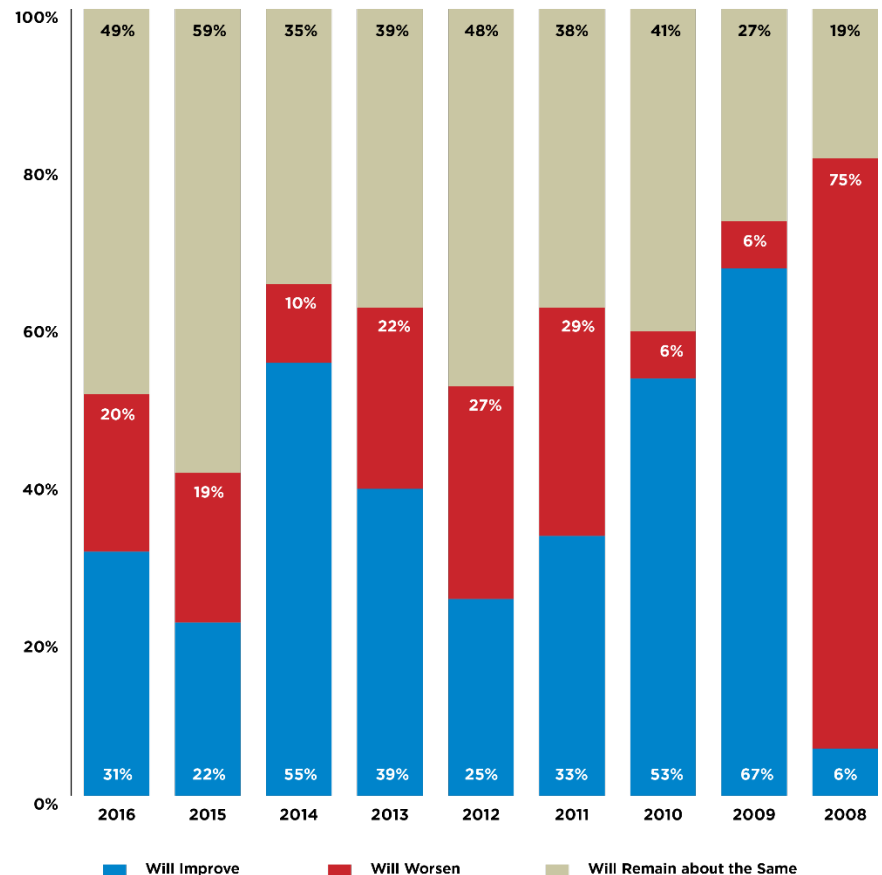
Survey overview

- **Survey conducted in July 2016**
- **Response rate of 82% (61 out of 74 members)**
- **Members were asked about their economic outlook and investment plans**
- **Members were also asked to consider specific issue areas:**
 - **Energy and the Environment**
 - **Finance and Business**
 - **Geo-Political**
 - **Social**

Business conditions to remain the same, but uncertainty looms

- **Business expectations remained similar from last year's survey. Of members surveyed, 49% believed business conditions will remain the same; 31% believed business conditions will improve in the next 12 months, compared to 22% last year; 20% believed business conditions will worsen.**
- **Those with a positive outlook mentioned ASEAN as a region for growth, increasing consumption in Asia, as well as the improving U.S. economy, as reasons for optimism.**
- **Respondents noted economic, political, and social uncertainties such as China's slowing economic growth, Japan's slow economic reforms, geo-political tensions within Asia such as the South China Sea and in Northeast Asia, and socio-political turmoil in Europe and the increased nationalistic tendencies of its member countries.**
- **Survey comments described the world as "entering an era of complex and faster change."**

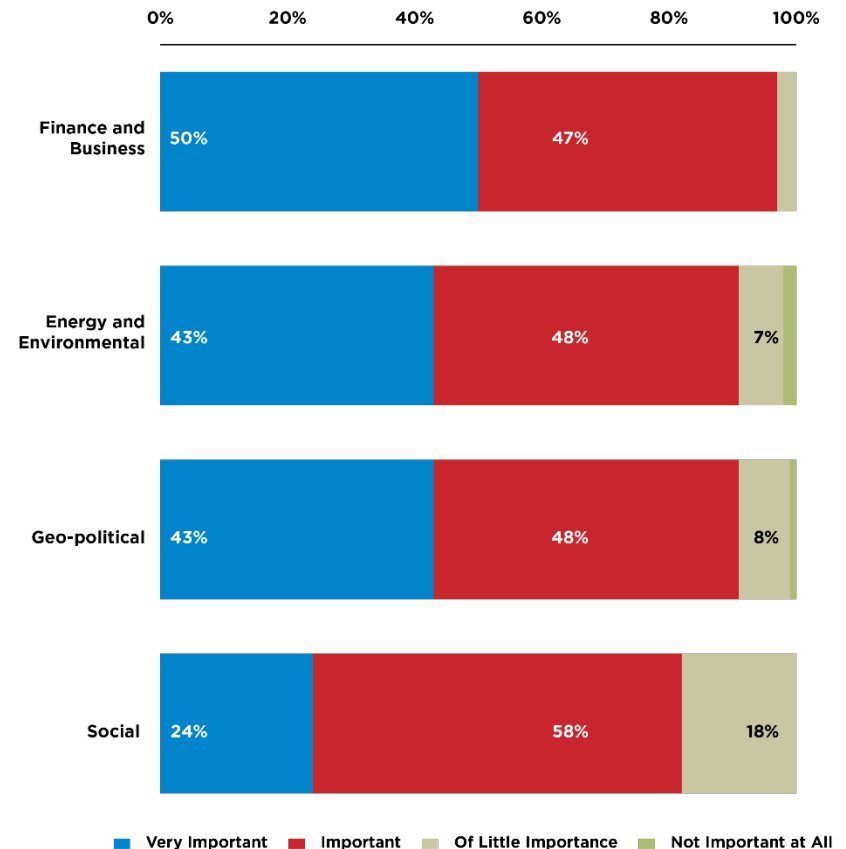
How Do You Feel About Overall Business Conditions In the Next 12 Months?



Finance and business issues remain top area of concern; but environmental, geo-political, and social issues also important

- Finance and business issues were the top concern, with 50% of members who responded rating them as very important for business in Asia. Finance and business issues were also ranked as the area with the most impact on members' own business, with 54% of members marking it as "very important".
- Specific issues include regulatory burden and uncertainty, disruptive technologies, as well as competition and security threats related to technology.
- 33% of respondents cited a potential recession as the greatest economic challenge facing Asia, about the same as last year.
- Among members who were most concerned with a recession, worries included slow growth rates globally and a slowing global trade, as well as industrial overcapacity in Asia. Other concerns included geo-political tensions, European socio-economic challenges, and the U.S. presidential election's impact on Asia's economic well-being.

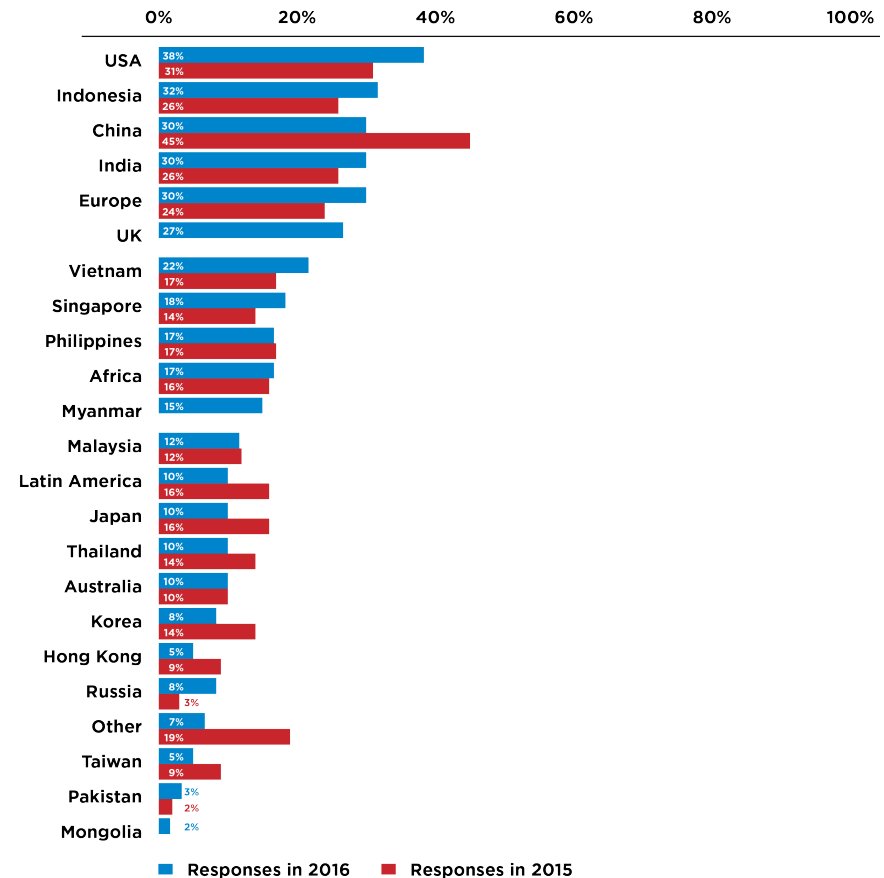
How Important is this Issue for Business in Asia?



U.S is top investment destination in the past year

- The U.S. has reclaimed its spot as the most favored destination for investment in the past 12 months, surpassing China. Survey respondents were asked where they had invested in the past year and the results were compared with their responses given in the 2015 survey.
- Indonesia came second, with 32% of respondents investing there in the past 12 months.

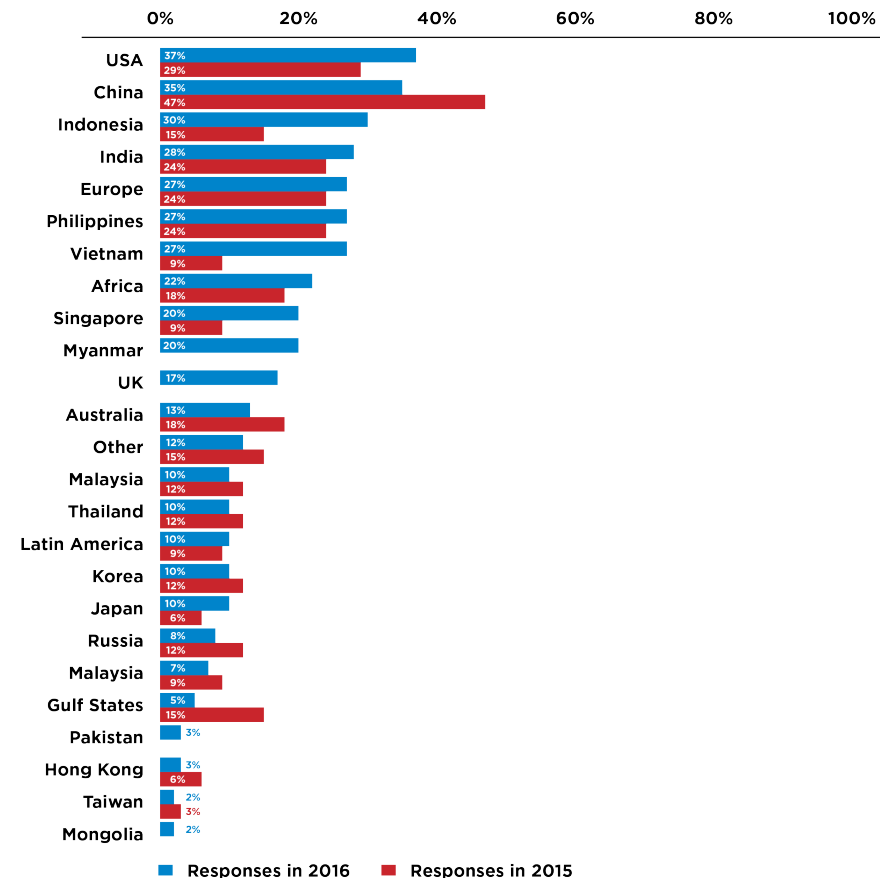
In What Countries Have You Invested or Increased Your Investment?



Future investment intentions in China remain strong while ASEAN countries are gaining substantial investment interest

- In the next 1-3 years, 37% of members expressed interest in investing in the U.S., and 35% indicated plans to invest in China, suggesting members' faith in China's future growth in the medium term.
- ASEAN is expected to experience increased investments by members, with a doubling of respondents planning investments in Indonesia (from 15% to 30%), a tripling in Vietnam (from 9% to 27%), and modest increases elsewhere in the region.

In the next 1-3 years, where do you plan to invest or increase your investment?



Regional variations: concerns over China and Japan coupled with optimism about India and ASEAN

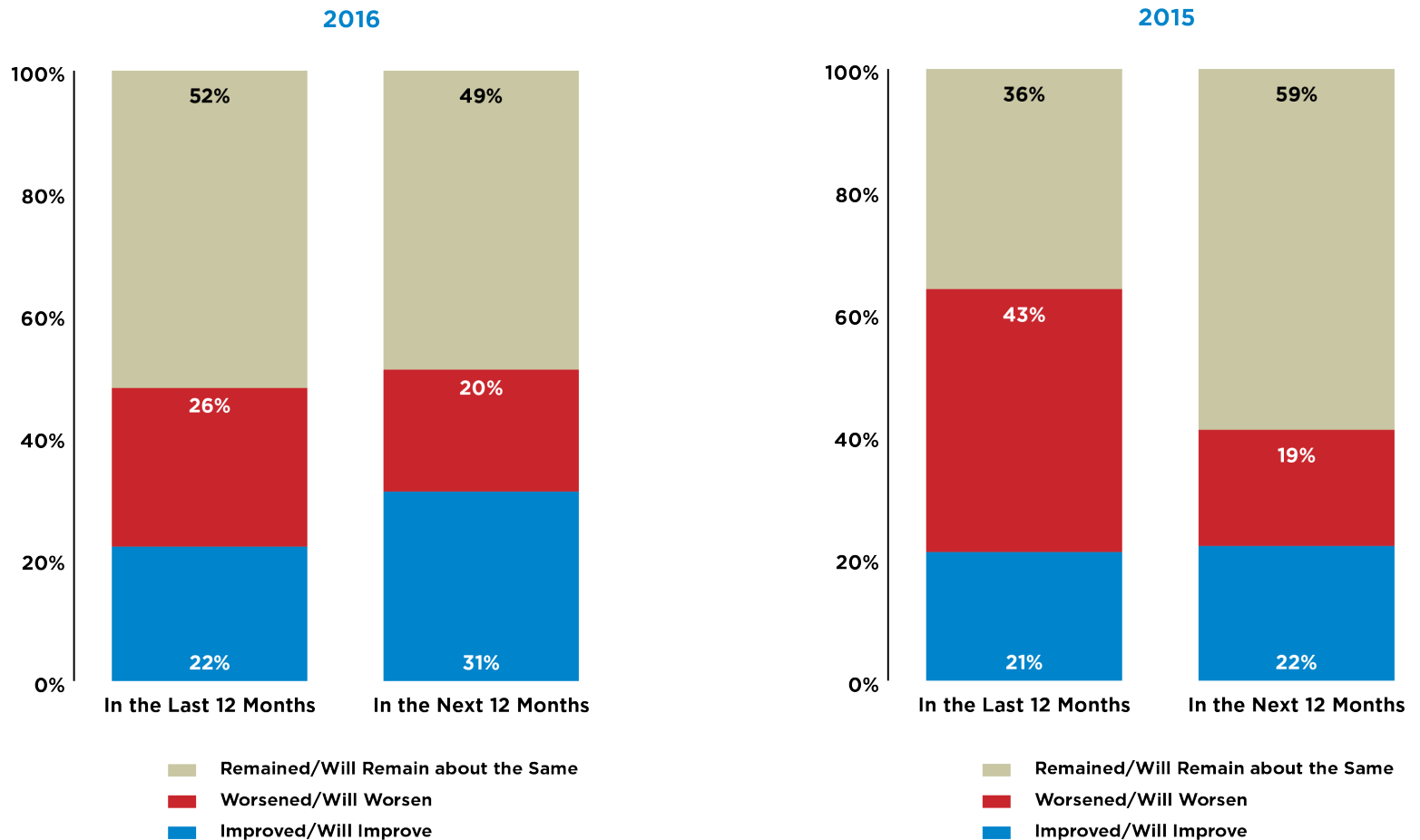
- **When addressing China's economic slowdown, members cited slow restructuring as a hindrance to increased efficiency and profitability of state-owned enterprises. China's exports as a proportion of the country's overall economic growth peaked a decade ago and are now going down, leaving China to grapple with how to fill this economic hole.**
- **Japan's slow economic recovery was a concern among respondents. One respondent noted, "Japanese efforts to reflate the economy have only kept the economy from going further down." The appreciation of the yen is reversing the economic stimulus to which a low yen had contributed earlier this year. Positively, the growth of young consumers will help with market expansion in the medium to long term.**
- **India's strong economic growth is expected to continue; but one key concern raised include the dependence of India's economy on climate cycles for agriculture.**
- **ASEAN as a region has been deemed as a growth hotspot. Respondents noted continued opportunities, especially due to increased integration of the region. Concerns include support for ASEAN's "community-building and regional integration, inclusiveness of economic growth, [and] infrastructure constraints that limit business opportunities."**

Survey summary

- **Among Asia Business Council members who responded to the annual survey, 49% believed business conditions will remain the same; 31% believed that business conditions will improve over the next 12 months; 20% believed business conditions will worsen.**
- **The United States has surpassed China as the most favored destination for increased investment in the next 1-3 years, mainly due to a significant decrease in investments into China, which was the second most-favored destination, followed by Indonesia, India, and Europe.**
- **Concerns over finance and business decreased slightly, while the environment, geopolitics, and social issues have become bigger concerns. Mentioned specifically in members' comments were disruptive technologies, competition and security threats brought on by technology, rapid urbanization, and the challenge of finding investments with good returns.**
- **The management of climate change and water resources were key environmental concerns mentioned; geo-political issues of concern were rising nationalistic and protectionist sentiments threatening the global order.**

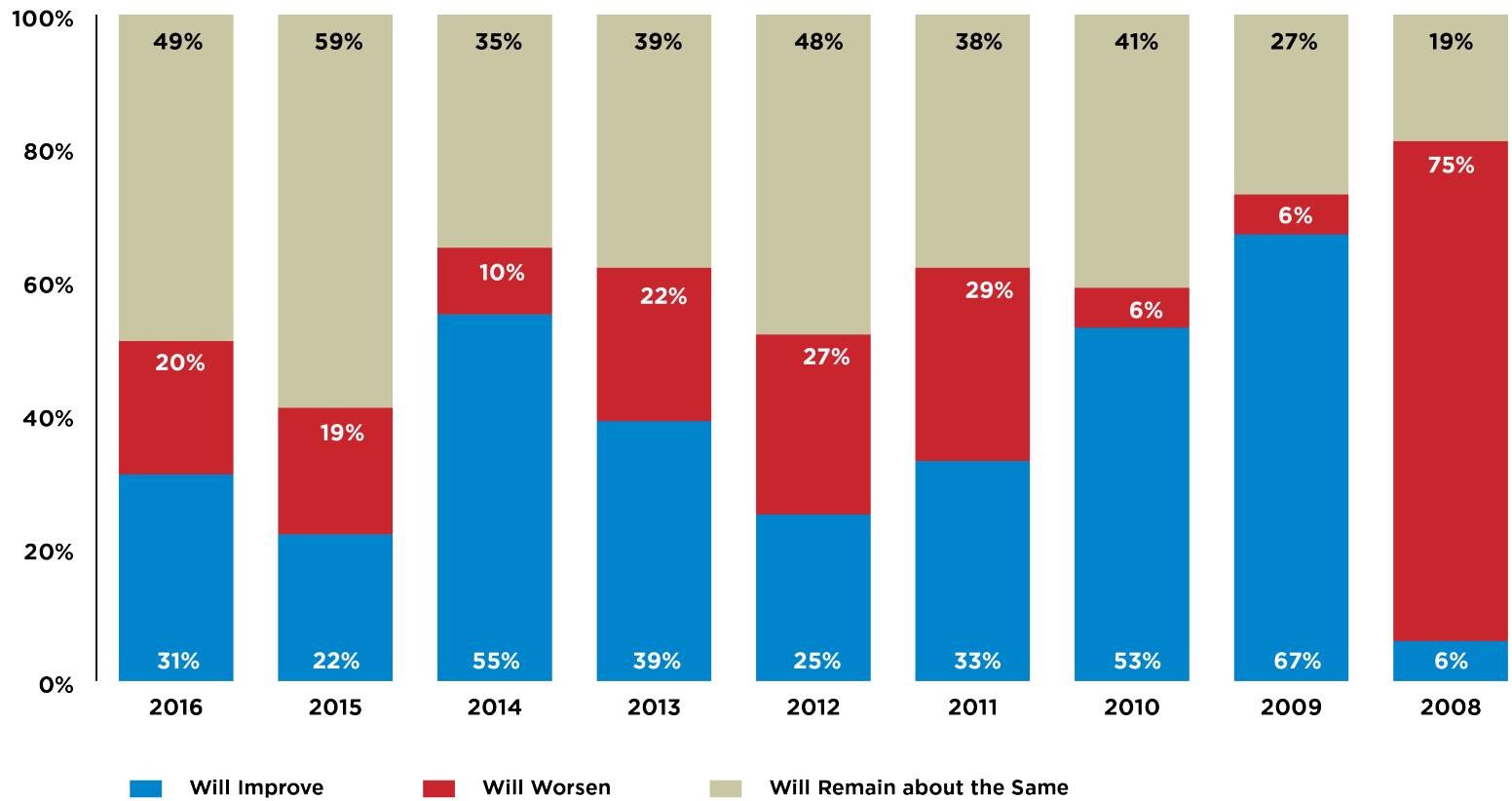
Survey Data

How do you feel about overall business conditions? (2015-2016)

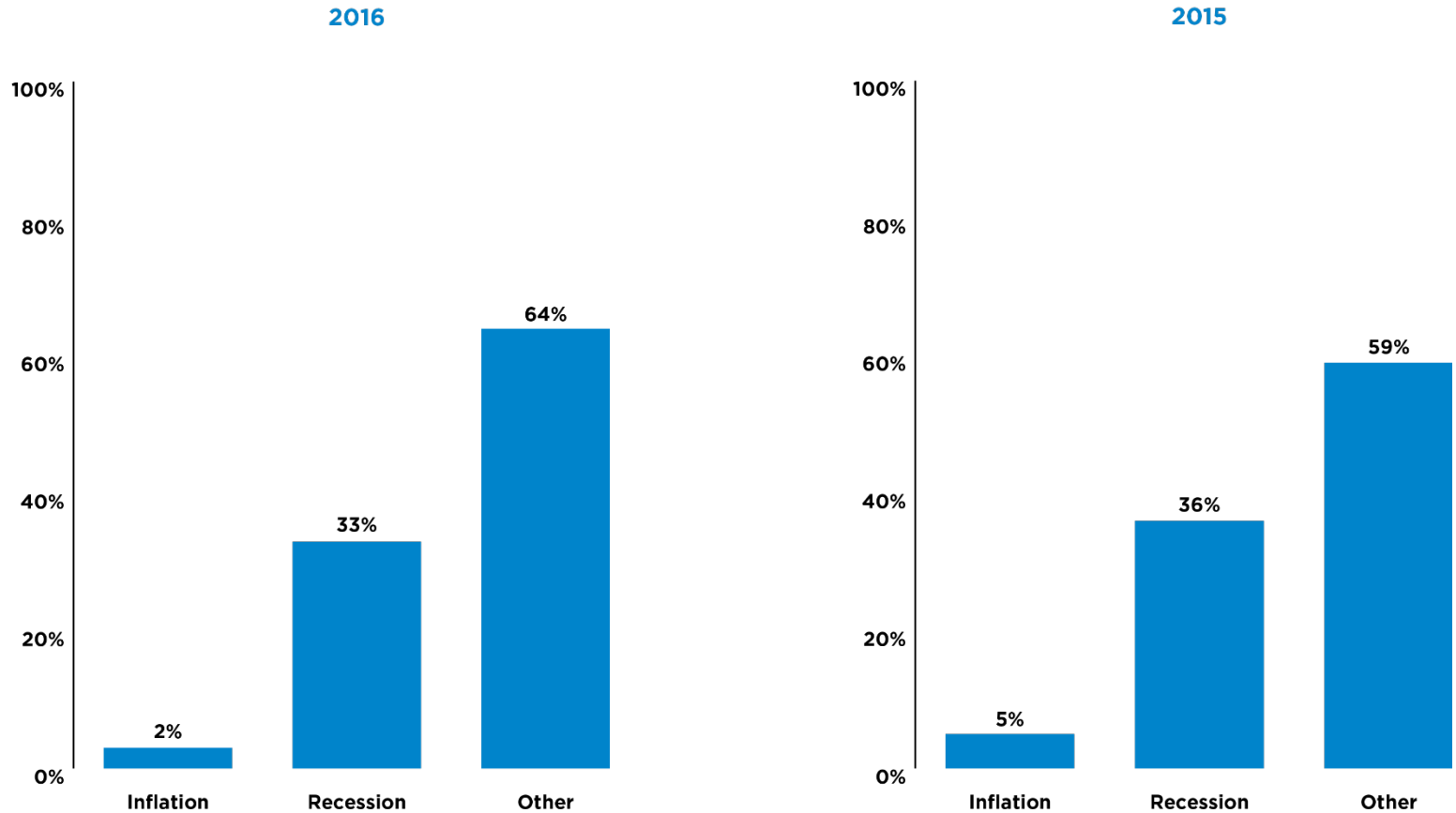


How do you feel about overall business conditions in the next 12 months?

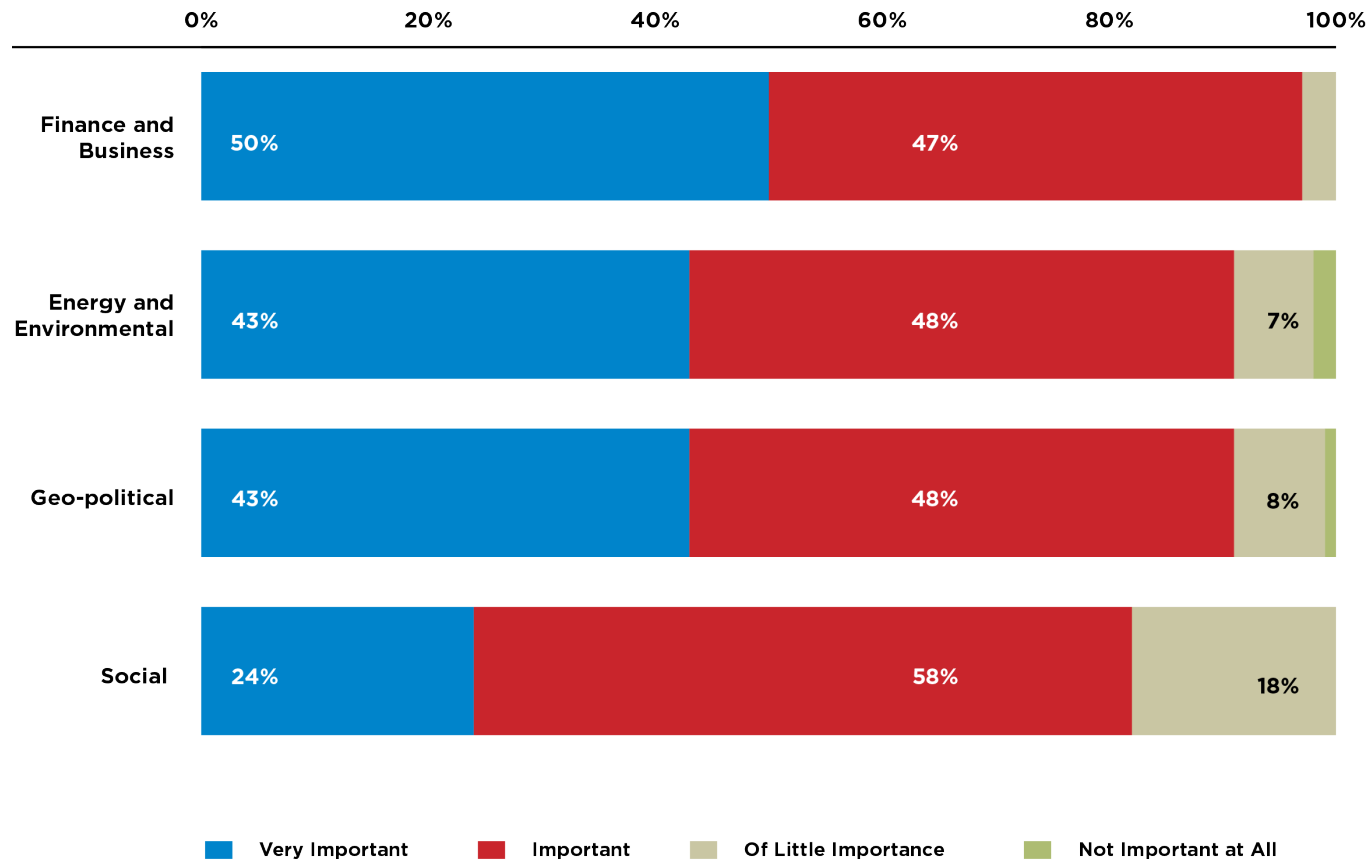
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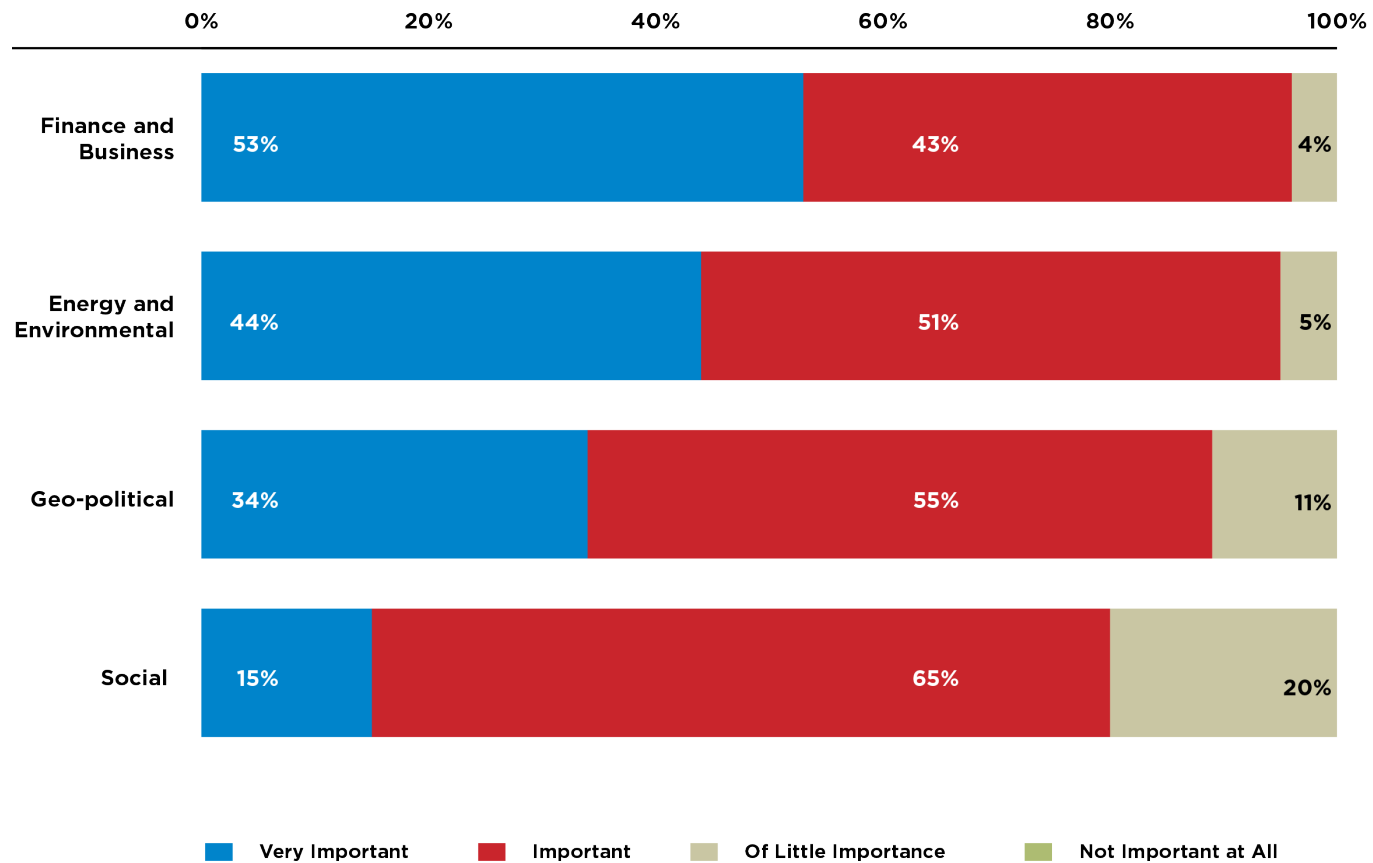
Biggest economic problems (2015-2016)



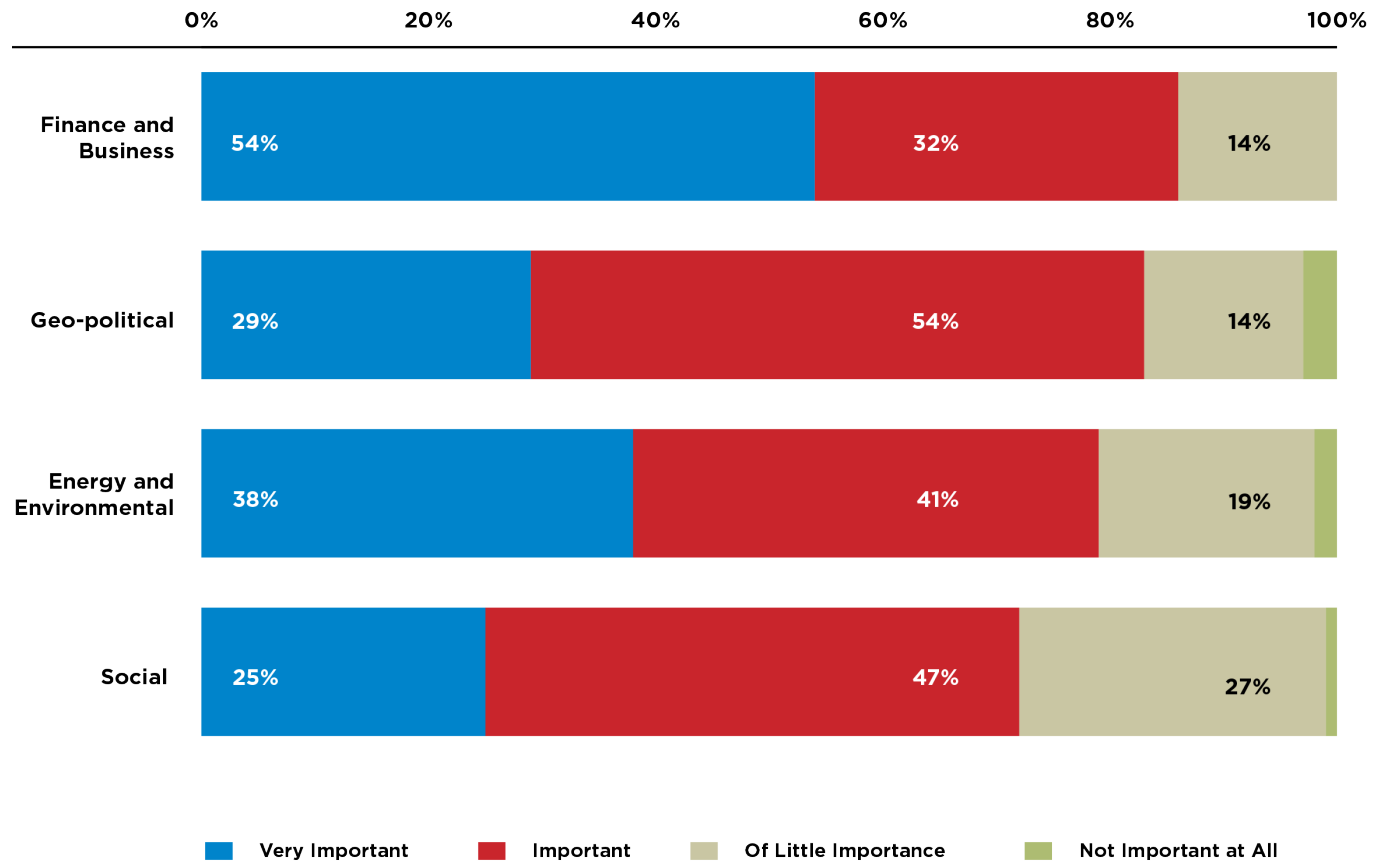
How important is this issue for business in Asia? (2016)



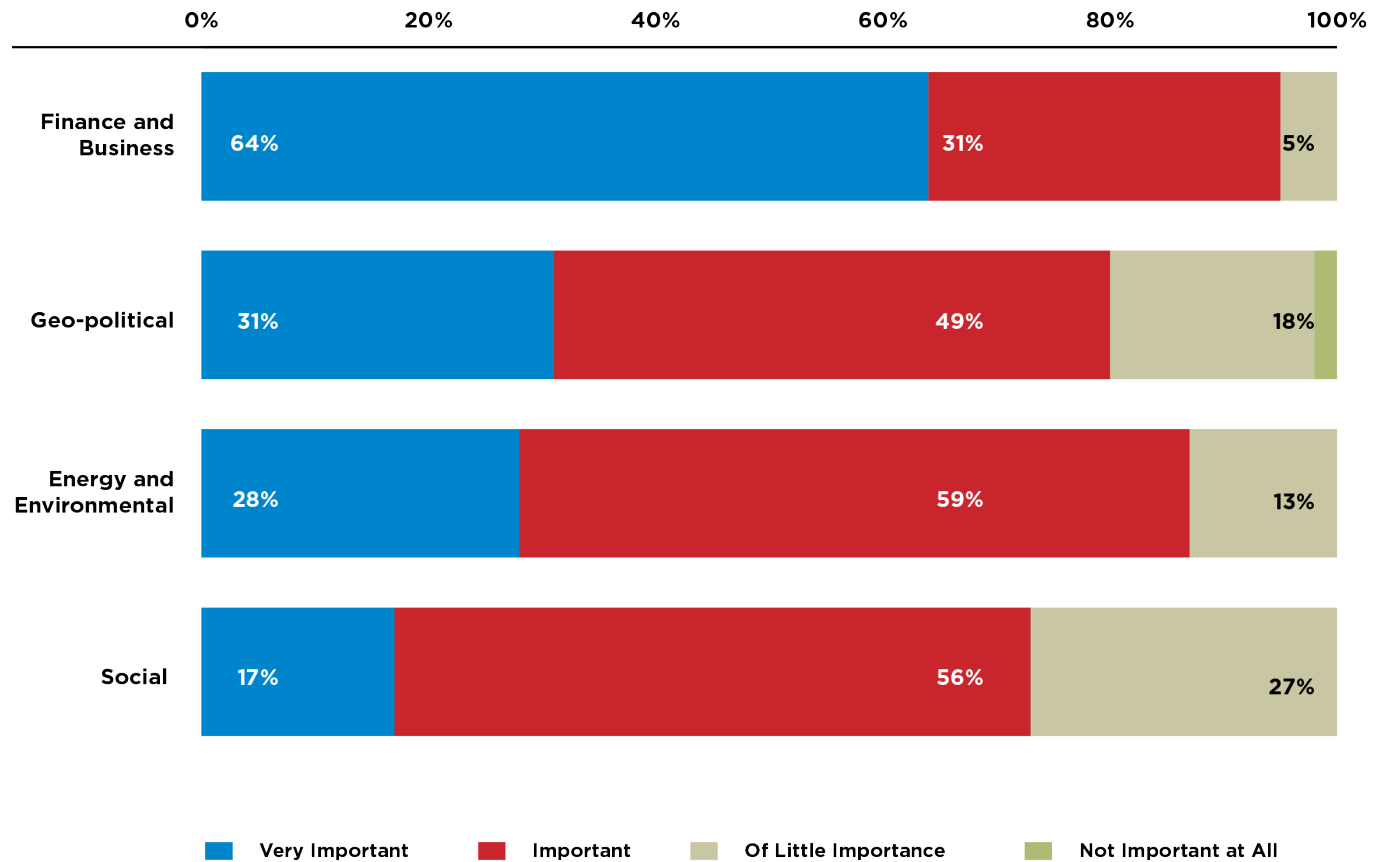
How important is this issue for business in Asia? (2015)



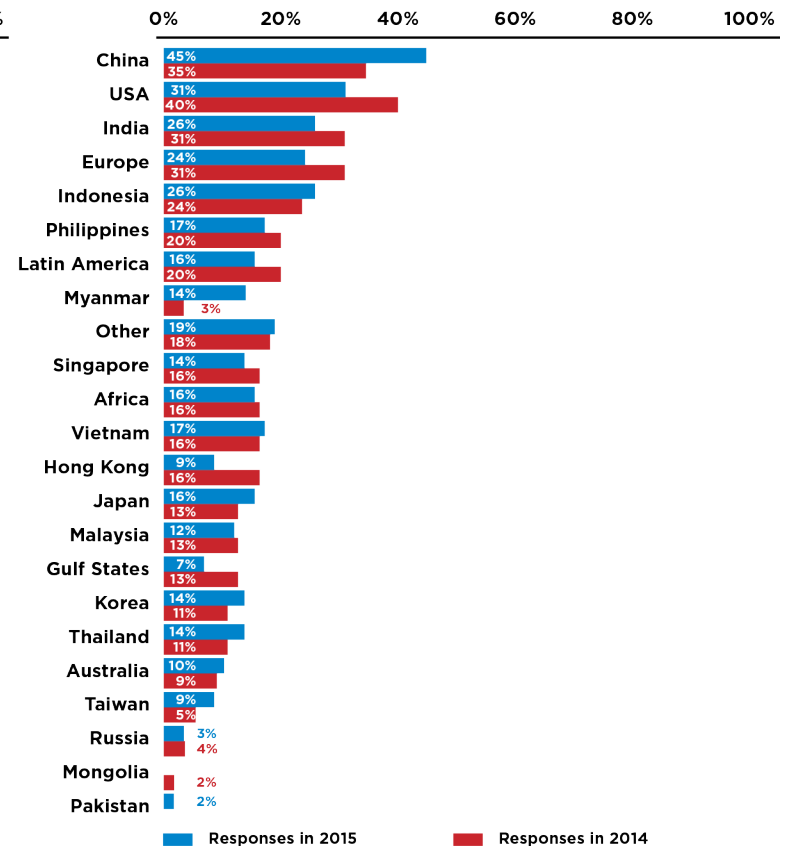
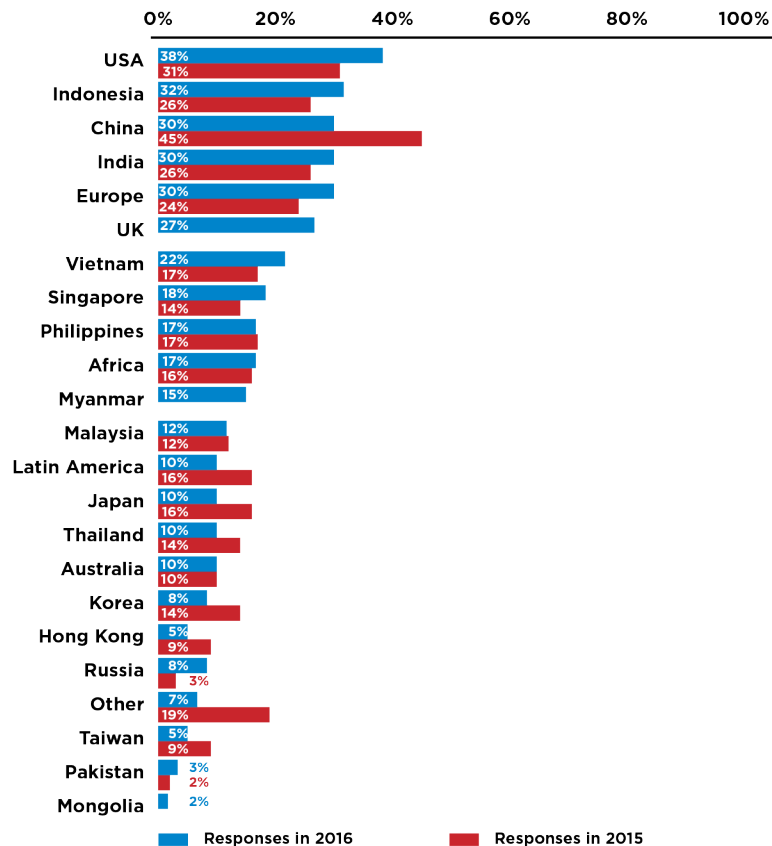
How much does this issue impact your business? (2016)



How much does this issue impact your business? (2015)



In what countries have you invested or increased your investment? (2014-2016)



In the next 1-3 years, where do you plan to invest or increase your investment?

