

A world in transition: PwC's 2017 APEC CEO Survey

2017 APEC CEO Survey Key Findings



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Key themes

Making

of the workforce of the future



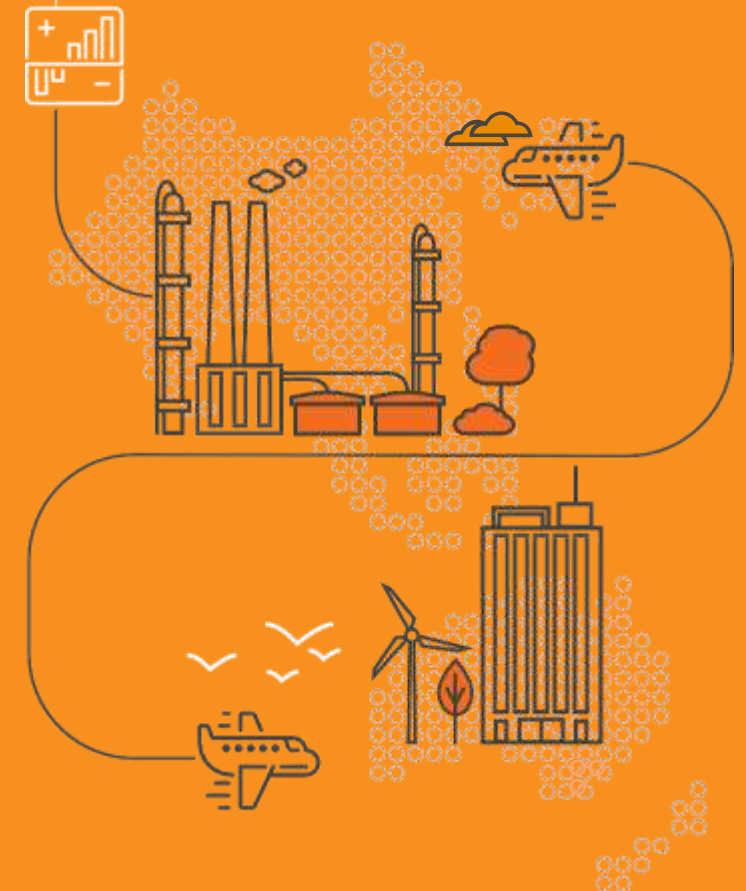
An operating model

for a fluid trade policy environment



Outlook

for business growth in Asia Pacific region in 2018



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About PwC's APEC CEO Survey

Who took part?



1412

CEOs and industry leaders interviewed... across all



21

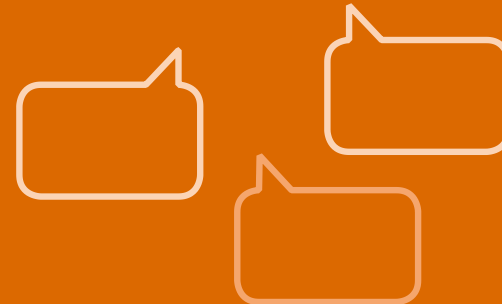
APEC economies.



Surveyed
in

6

languages



Completed via
online or paper
methodology between
9 May - 14 July 2017

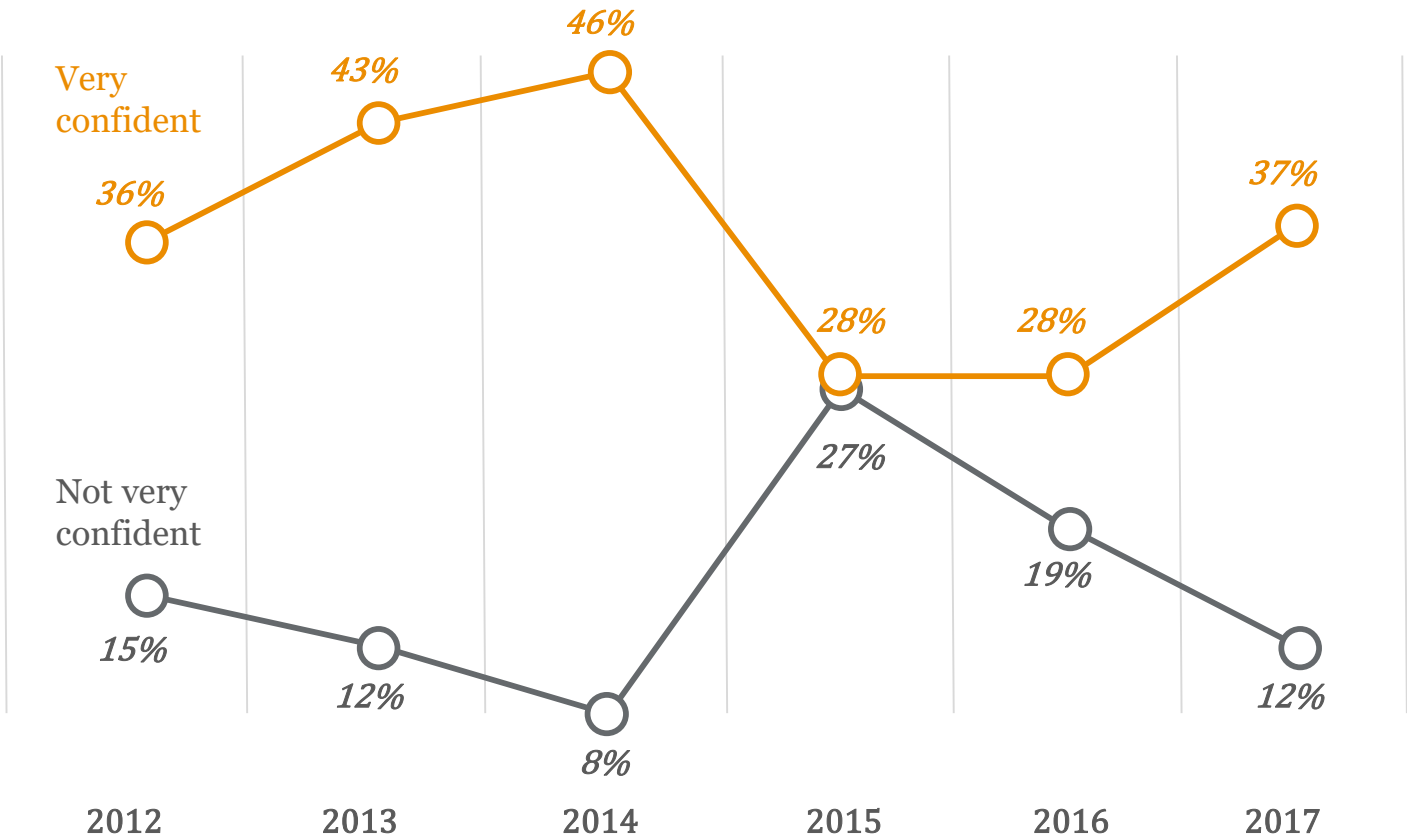


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APEC CEO sentiment improves



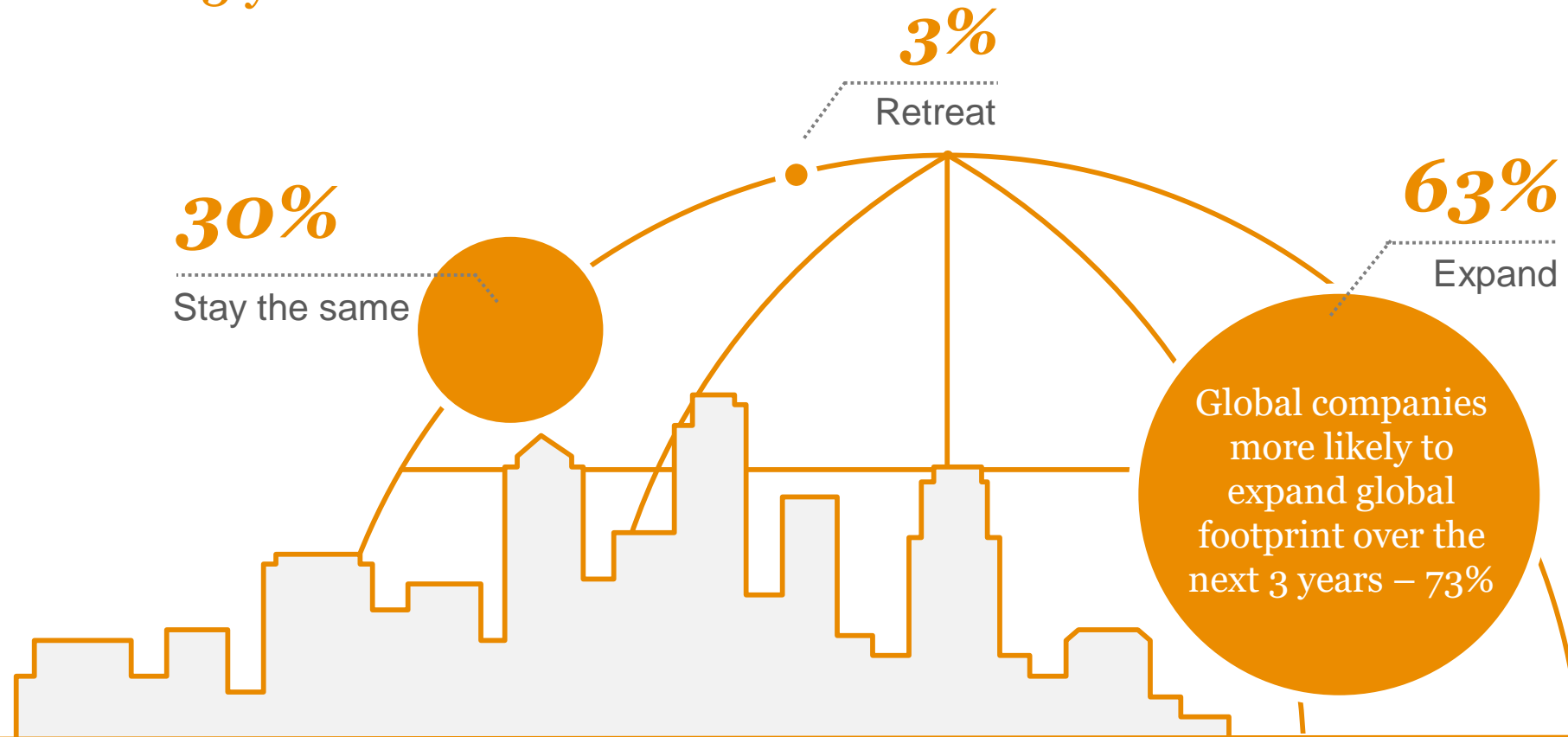
CEO sentiment recovering



Q: How confident are you about your organisation’s prospects for revenue growth in your principal economy in APEC over the next 12 months?

Note: Confidence over next 12 months was not asked in 2011. Pre-2015: How confident are you about your organisation’s prospects for revenue growth over the next 12 months?
Base: APEC CEOs 2017:1412, Don’t know 0%. 2016 1154, Don’t know 1%. 2015 800, Don’t know 1%. 2014 635, Don’t know 0%. 2013 467, Don’t know 1%. 2012 362, Don’t know 2%
Source: PwC’s APEC CEO Survey, 2017

Do you expect your global footprint to expand, stay the same or retreat over the next 3 years?



Base: APEC CEOs 1333, Don't know 3%
Source: PwC's APEC CEO Survey, 2017

Will your investments globally increase, stay the same or decrease in the next 12 months?



Global companies are more likely to increase their investments – net increase of 61%

Base: Q4 APEC CEOs 2017: 1412. 2016: 1154

Note: Net increase showing CEOs planning to increase business investments globally minus APEC CEOs planning to decrease business investments globally

Source: PwC's APEC CEO Survey, 2017

Business leaders direct more future investment to APEC

Where will the increased investments go?



71%

going to **APEC 21 economies**



29%

going to **rest of the world**

Q: What proportion of this increase do you expect to allocate between APEC's 21 economies and the rest of the world? [Showing mean score]

Base: Q5 APEC CEOs 677, Don't know 103
Source: PwC's APEC CEO Survey, 2017

APEC economies where foreign CEOs are more likely to raise investment levels



Q: Now thinking of your footprint in APEC economies, will your business investments increase, stay the same or decrease over the next twelve months in each of the APEC economies?

Base: Cross-border investment - APEC CEOs 379-552. 'Net increase' refers to % 'increasing' their investment minus % 'decreasing' their investment. 'Increasing' includes those currently investing in the economy with plans to increase AND those planning to invest in the economy for the first time minus those who will decrease their investment. Percentages recalculated on respondents with a footprint in each relevant economy only
Source: PwC's APEC CEO Survey, 2017

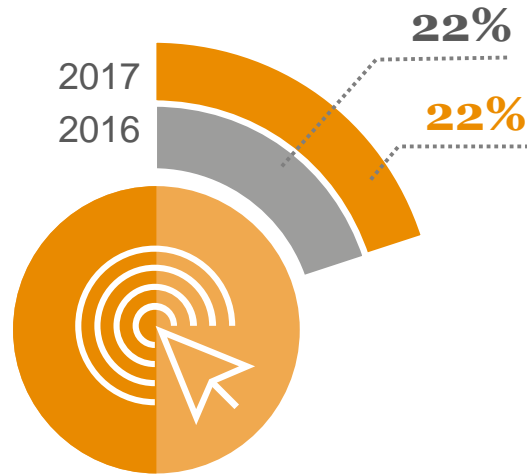
APEC economies where CEOs are more likely to raise domestic investment



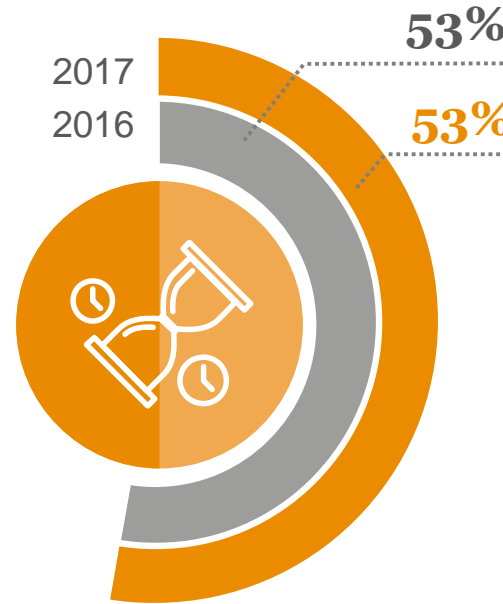
Q: Now thinking of your footprint in APEC economies, will your business investments increase, stay the same or decrease over the next twelve months in each of the APEC economies?

Base: Domestic investment – 57-130. 'Increasing' includes those currently investing in the economy with plans to increase AND those planning to invest in the economy for the first time minus those who will decrease their investment.
Source: PwC's APEC CEO Survey, 2017

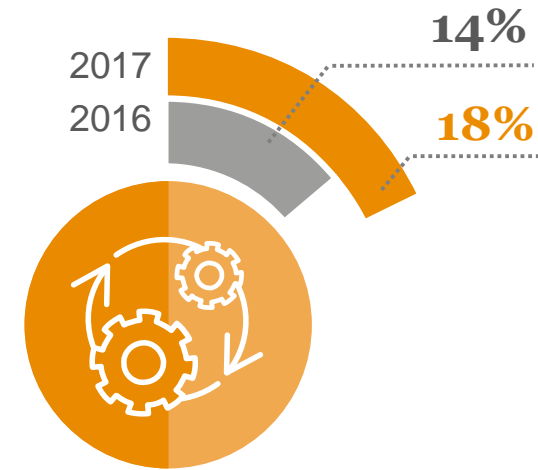
How would you assess the progress that has been made towards free trade across the Asia Pacific region in the last 12 months?



Progress has been significant



Progress has been slow



Progress has stalled/reversed

CEOs in the US more likely to view progress as 'stalled/reversed' – 31%

■ 2016 ■ 2017

Base: APEC CEOs 2017: 1331, Don't know 7%, 2016: 1116, Don't know 11%
Source: PwC's APEC CEO Survey, 2017

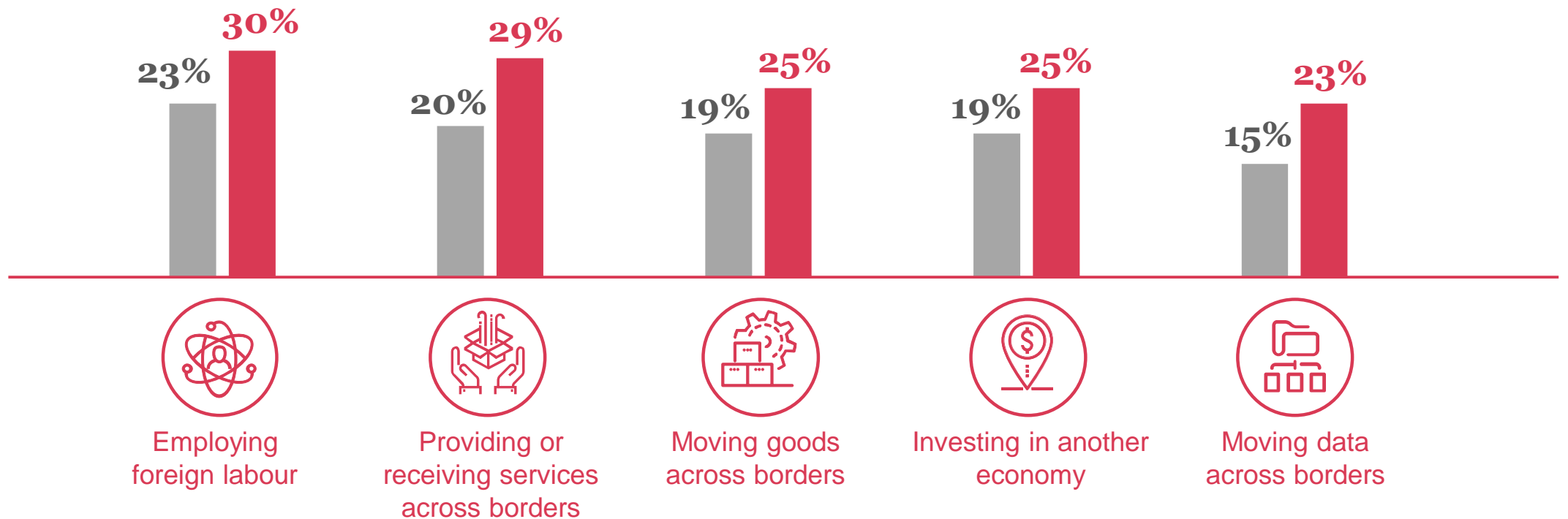
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CEOs prepared to make adjustments to maintain or extend global footprints



Have you experienced any changes in the global trade environment?

An increase in barriers to...

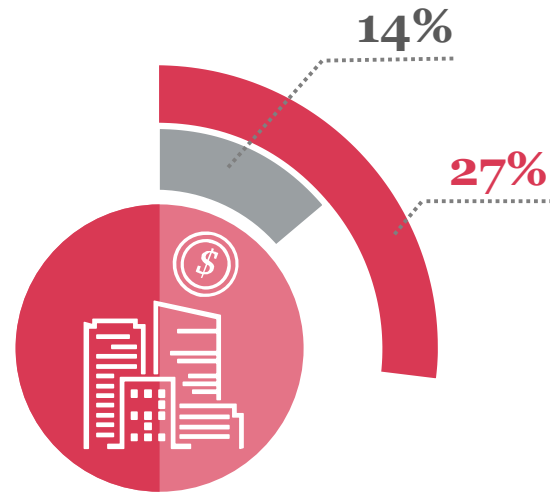


Experienced over Expect to experience

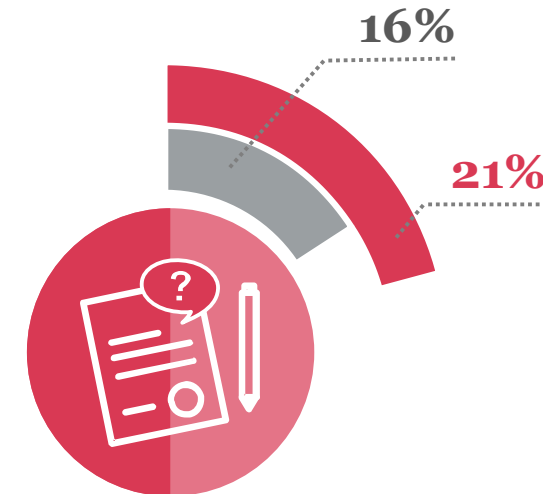
Q: Which of the following changes have you experienced and expect to experience in the global trade environment in the last 12 months/next 12 months?

Base: APEC CEOs 1375, Last 12 months - Don't know 9%, None of the above 26%. Next 12 months - Don't know 9%, None of the above 15%.
Source: PwC's APEC CEO Survey, 2017

CEOs more likely to expect revenue opportunities from bilateral trade pacts



An increase in revenue opportunities
due to a new trade agreement



A decrease in revenue opportunities due
to stalled or collapsed trade agreement

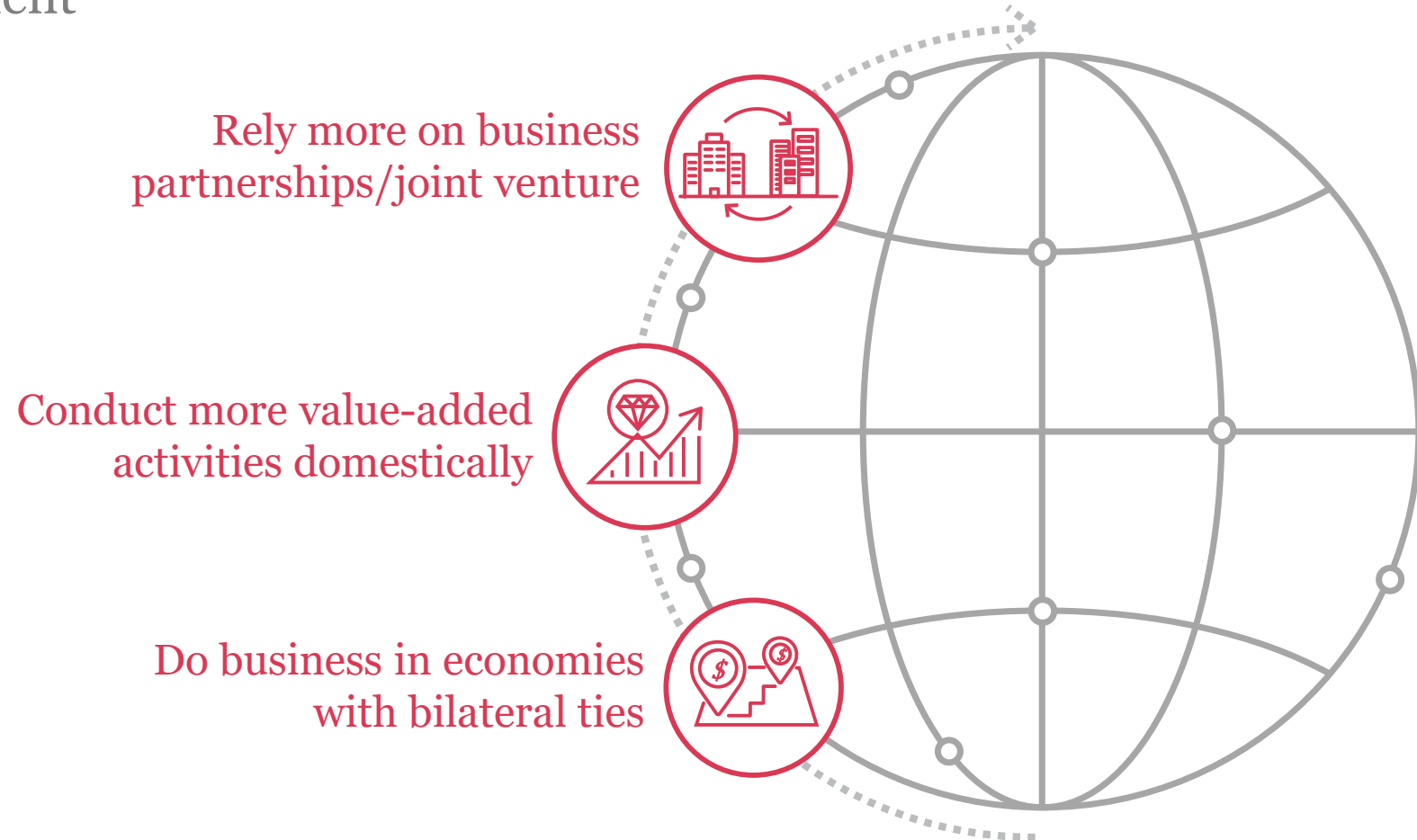


Q: Which of the following changes have do you expect to experience in the global trade environment in the next 12 months?

Base: APEC CEOs 1375, Next 12 months - Don't know 9%, None of the above 15%.
Source: PwC's APEC CEO Survey, 2017

CEOs prepared to make adjustments to adapt to trade policy uncertainties

Top areas for adjustment



Q: To what extent will you adapt to secure growth in overseas markets given your view on policy directions in trade?

Base: APEC CEOs 1336-1337, Don't know 5%-10%, Not applicable 9%-22%
Source: PwC's APEC CEO Survey, 2017

Perceptions of innovation-driven growth brighten, will the talent be there to carry it out?



Base: APEC CEOs 2 Compared to a year ago, how has your confidence changed about achieving the following...?
017: 1412. 2016: 1154. Point on line is % 'more confident' in 2017. Above / below line and distance from line is % 'more confident' in 2017 vs 2016.
Source: PwC's APEC CEO Survey, 2017

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Making of the workforce of the future

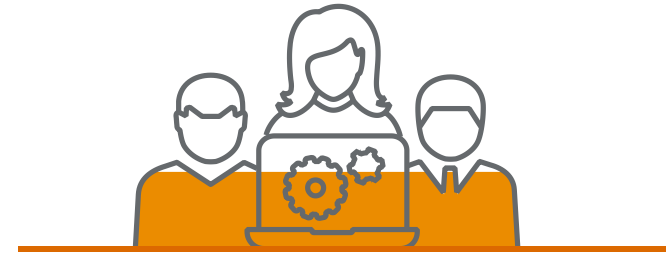


Which workforce strategies are you currently using to adapt to and profit in an increasingly digital age?



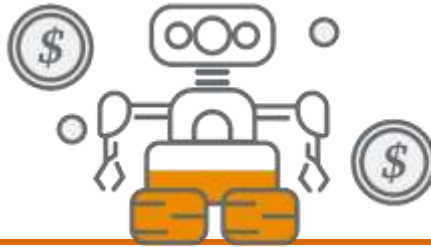
58%

Automating certain functions



41%

Identifying workers who are skilled at using new automation tools



40%

Investing in machine learning and emerging technologies

Base: APEC CEOs 1314 Don't know 2%, None of the above 4%, Other 1%.
Source: PwC's APEC CEO Survey, 2017

Five ways to meet the challenges of automation (without paying people not to work)

CEOs see a mix of more business investment and policy innovation as effective strategies for the next 3 years



1st - Increase business investment in employees' continuous learning

2nd - Increase business investment in apprenticeships, research centres

3rd - Expand policies that support portable benefits

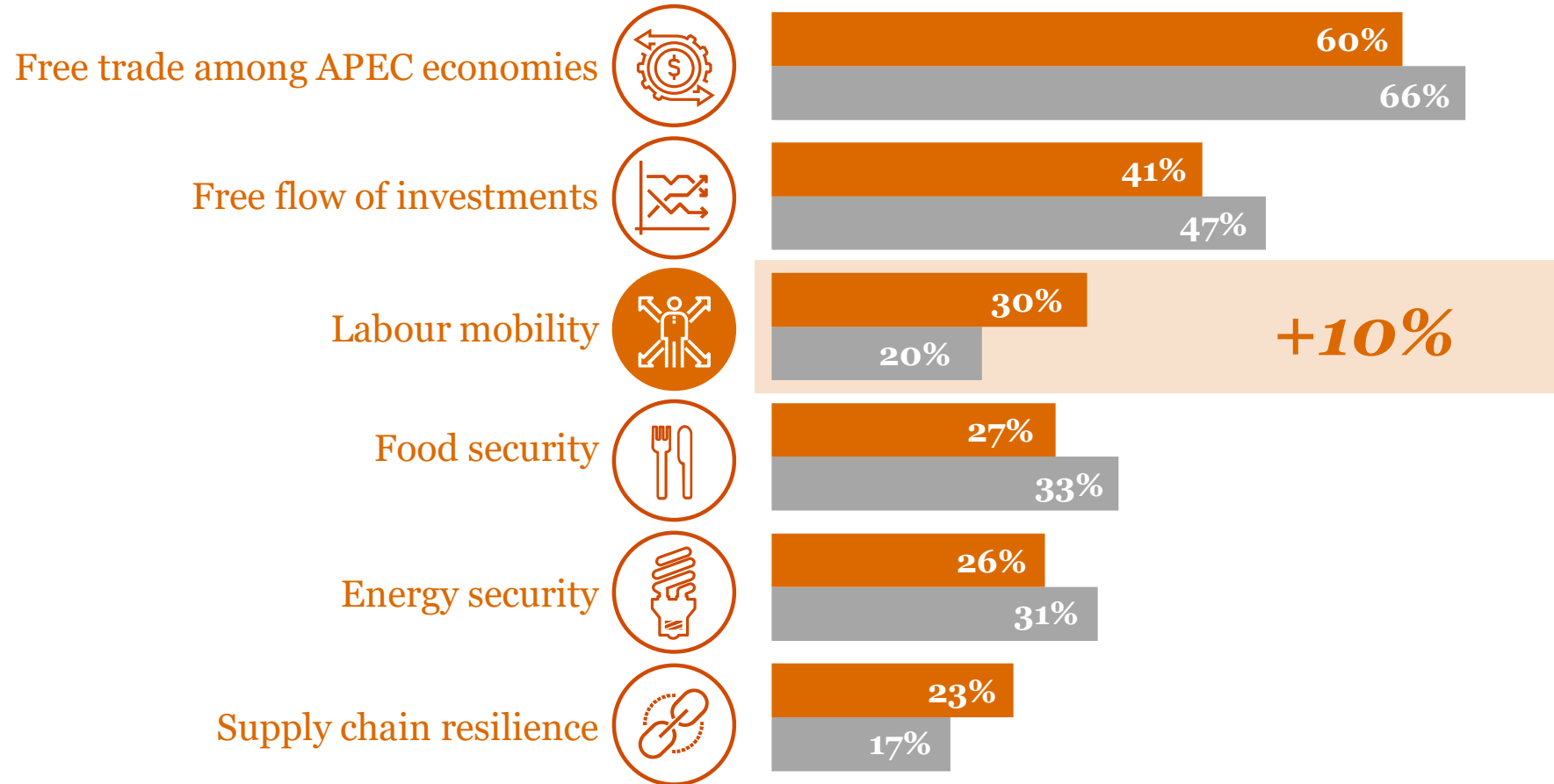
Joint 4th - Expand tax credits for people upgrading their skills

- Enhance industry-driven skills standards and credentialing

Q: What are the most effective ways to help all workers in APEC economies adapt to an era of greater automation and jobs rebalancing?

Base: APEC CEOs 1300 Don't know 3%. Showing ranked based on index analysis
Source: PwC's APEC CEO Survey, 2017

Where should APEC take a 'lead' role?



■ 2011 ■ 2017

Base: APEC CEOs 2017: 1299. 2011: 324. Showing only those that selected 'Lead'
Source: PwC's APEC CEO Survey, 2017

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Appendix 1: Profile of survey respondents and methodology



Breakdown of responses by economy

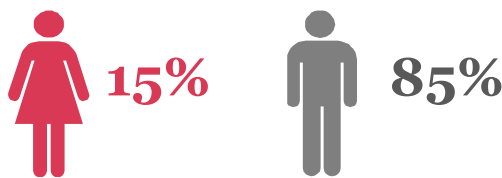
	2017 - 1,412 responses		2016 - 1,154 responses	
	No. of responses	Proportion of overall responses	No. of responses	Proportion of overall responses
The United States	132	9%	107	9%
People's Republic of China	121	9%	129	11%
Viet Nam	107	8%	54	5%
Peru	106	8%	83	7%
Australia	84	6%	56	5%
Singapore	82	6%	57	5%
Hong Kong, China	81	6%	93	8%
Mexico	80	6%	52	5%
Indonesia	77	5%	51	4%
Japan	77	5%	68	6%
The Philippines	77	5%	81	7%
Russia	61	4%	54	5%
Malaysia	57	4%	34	3%
Papua New Guinea	49	3%	39	3%
Chile	46	3%	51	4%
Canada	42	3%	29	3%
Thailand	42	3%	38	3%
Chinese Taipei	33	2%	19	2%
Republic of Korea	33	2%	38	3%
New Zealand	22	2%	20	2%
Brunei Darussalam	3	0%	1	0%

Base: APEC CEOs 1412

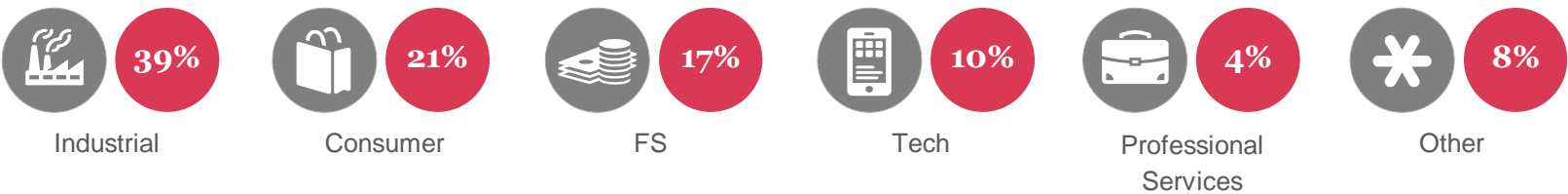
Source: PwC's APEC CEO Survey, 2017

Profile of survey respondents

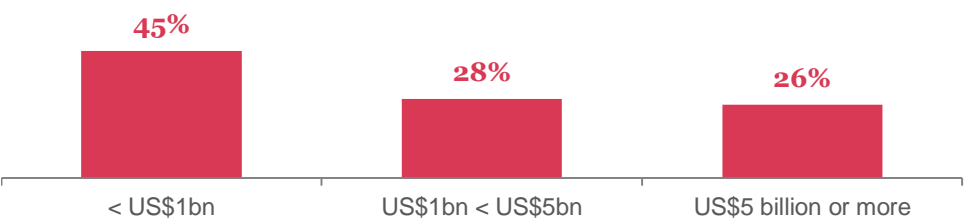
Gender



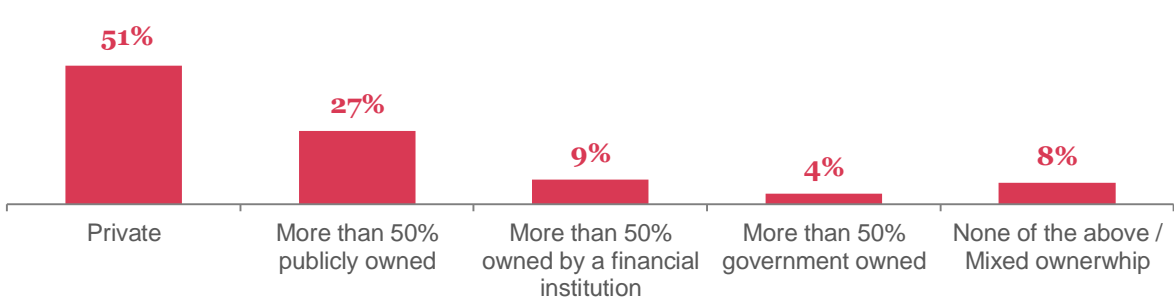
Sector



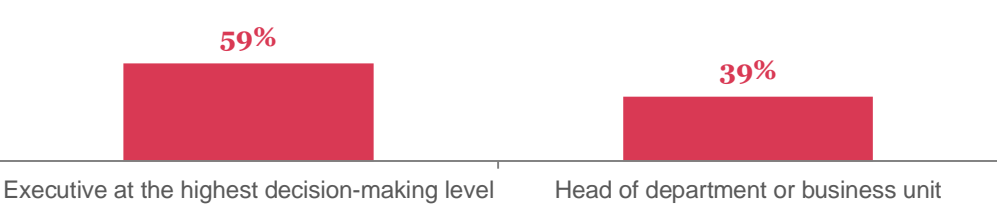
Revenue



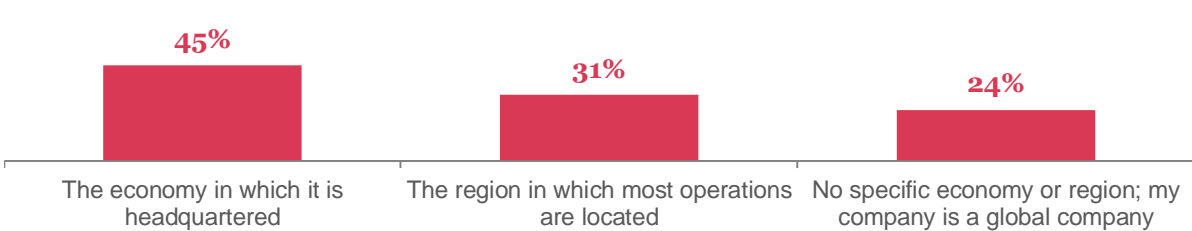
Ownership structure



Principal role



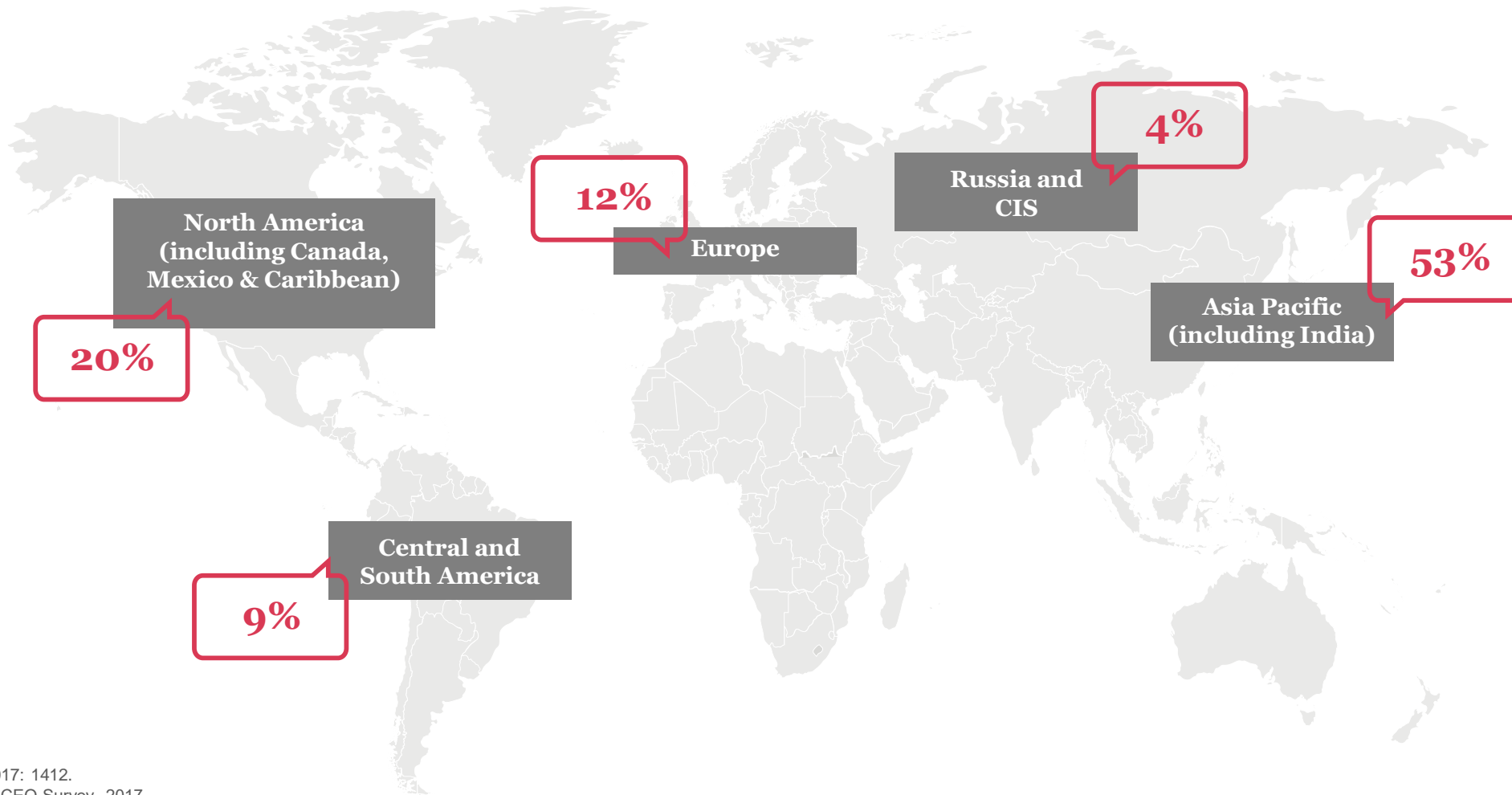
My organisation most identifies with....



Base: APEC CEOs 1297-1412
Source: PwC's APEC CEO Survey, 2017

Region of global headquarters

D1 - Which region are your ultimate global headquarters based in?



Base: APEC CEOs 2017: 1412.
Source: PwC's APEC CEO Survey, 2017

Methodology

We surveyed industry leaders from 9 May to 14 July 2017 for the PwC 2017 APEC CEO Survey.

We used an online and paper methodology to achieve 1,412 valid responses from CEOs and industry leaders, with responses scored from each of the 21 APEC economies. The 21 APEC member economies are: Australia, Brunei Darussalam, Canada, Chile, People's Republic of China; Hong Kong, China; Indonesia, Japan, Republic of Korea, Malaysia, Mexico, New Zealand, Papua New Guinea, Peru, The Philippines, Russia, Singapore, Chinese Taipei, Thailand, The United States and Viet Nam.

This multilingual survey was made available in six languages: English, Simplified Chinese, Vietnamese, Japanese, Korean and Spanish.

Responses to the Survey were given on a confidential and unattributable basis with the exception of respondents that requested an individual dashboard report.

Note: Not all figures add up to 100% due to rounding.

Contact us

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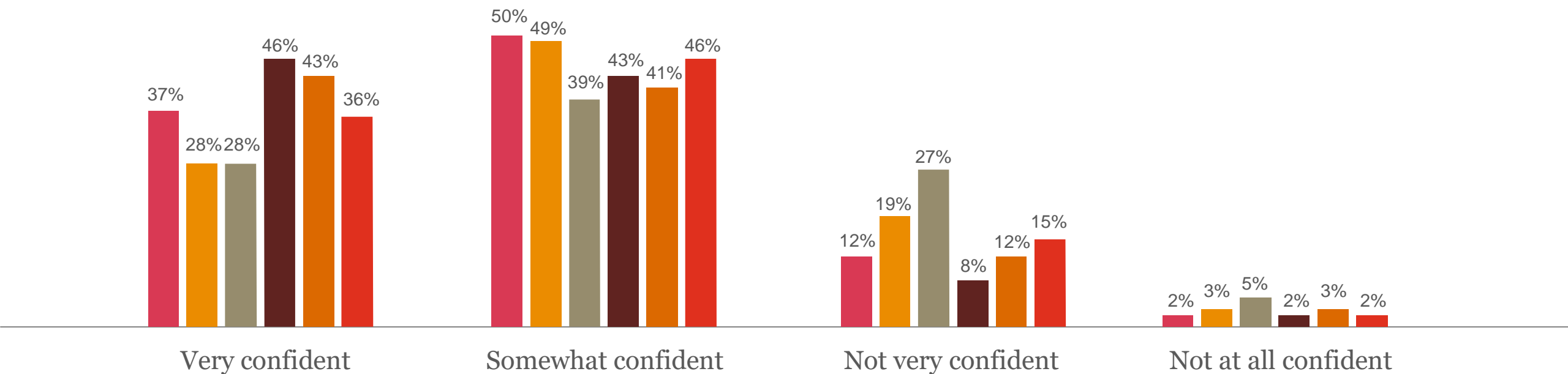
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Appendix 2: Additional information



APEC CEO confidence for revenue growth over the next 12 months

2017 2016 2015 2014 2013 2012



Q: How confident are you about your organisation’s prospects for revenue growth in your principal economy in APEC over the next 12 months?

Note: Confidence over next 12 months was not asked in 2011. Pre-2015: How confident are you about your organisation's prospects for revenue growth over the next 12 months?
Base: APEC CEOs 2017:1412, Don't know 0%. 2016 1154, Don't know 1%. 2015 800, Don't know 1%. 2014 635, Don't know 0%. 2013 467, Don't know 1%. 2012 362, Don't know 2%
Source: PwC's APEC CEO Survey, 2017

General consensus that the US dollar will remain relatively stable in the next year, with almost half expecting it to appreciate by up to 5%

US dollar exchange rate performance over the past 12 months



Expectations for US dollar over next 12 months

71% expect US dollar will appreciate over the next 12 months, most expecting dollar to appreciate by less than 5%

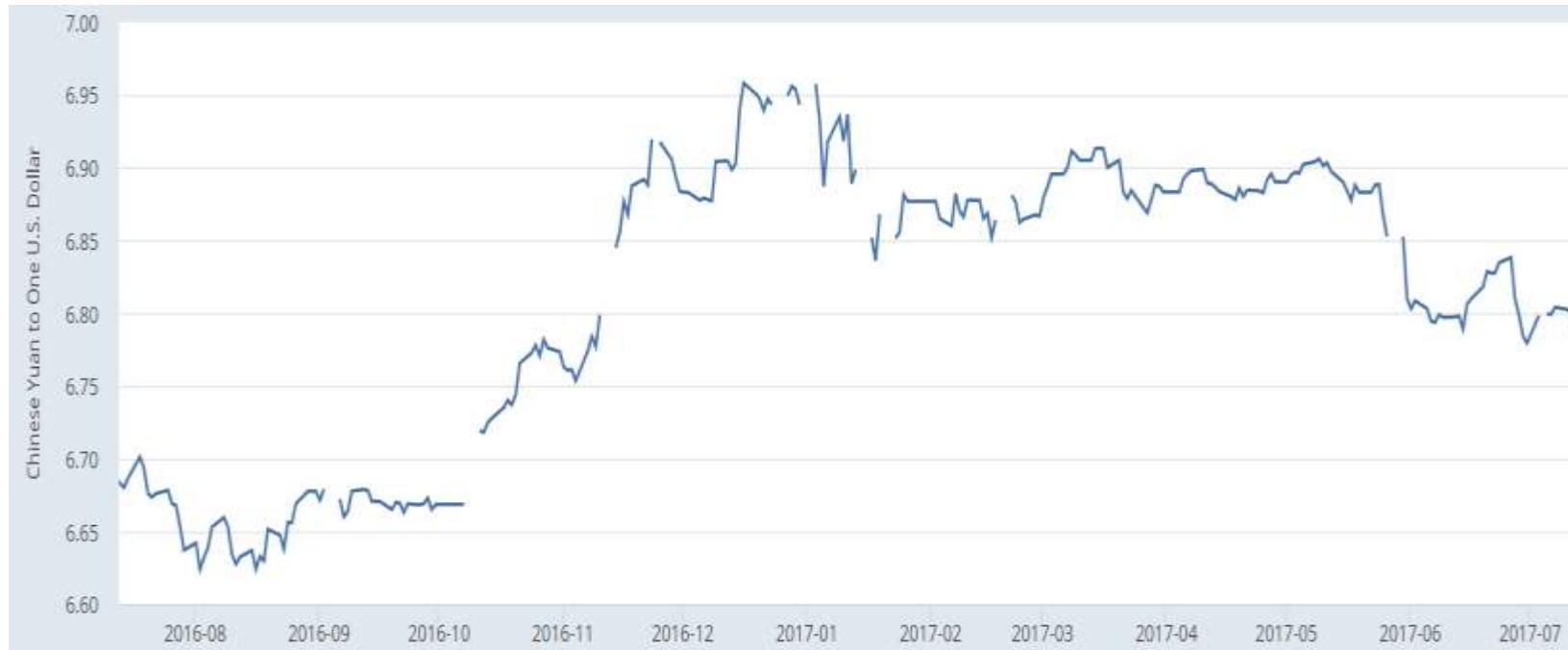
Q: What is your expectation for the exchange rate of US dollar to other major currencies in the next 12 months?

Base: APEC CEOs 1412, Don't know 8%

Source: US dollar exchange rate performance July 14 2016 – July 14 2017 - Federal reserve bank of St Louis. Expectations for next 12 months - PwC's APEC CEO Survey, 2017

However, more uncertainty in CEOs' expectation of RMB to USD exchange rate

Chinese RMB exchange rate performance over the past 12 months



Expectations for RMB vs. US dollar over next 12 months

46%
expect RMB
to appreciate

37%
expect RMB
to depreciate

17%
don't
know

Q: What is your expectation for the exchange rate of Chinese RMB to US dollar in the next 12 months?

Base: APEC CEOs 1412

Source: RMB exchange rate performance July 14 2016 – July 14 2017 - Federal reserve bank of St Louis. Expectations for next 12 months - PwC's APEC CEO Survey, 2017

58% APEC CEOs expect to increase spending at home

Destination of investments

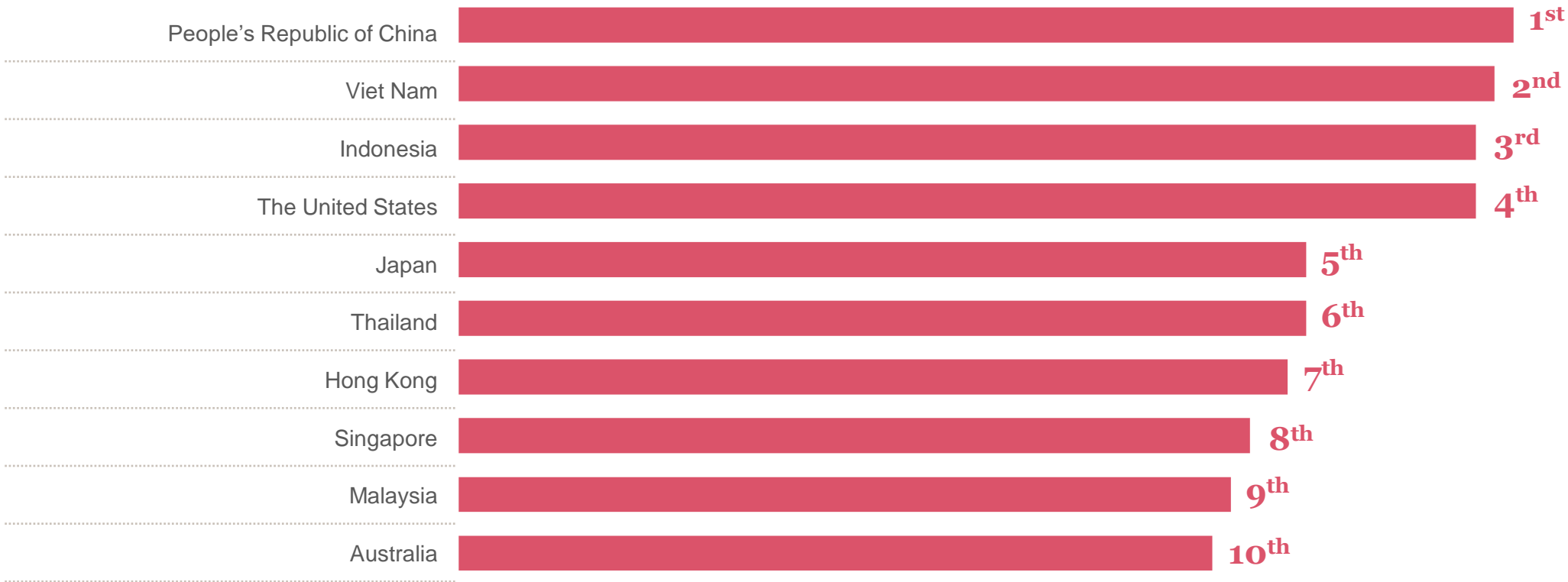
Origin of investments	Australia	People's Republic of China	Hong Kong, China	Indonesia	Japan	Malaysia	Mexico	Peru	The Philippines	Russia	Singapore	US	Viet Nam
	Australia	52%											
	People's Republic of China		61%										
	Hong Kong, China			49%									
	Indonesia				69%								
	Japan					49%							
	Malaysia						67%						
	Mexico							47%					
	Peru								54%				
	The Philippines									73%			
	Russia										75%		
	Singapore											58%	
	US												57%
	Viet Nam												75%

Q: Now thinking of your footprint in APEC economies, will your business investments increase, stay the same or decrease over the next twelve months in each of the APEC economies?

Base: 58% base – 1128-1185. Table base - APEC CEOs 1126-1185. 'Increase' includes those currently investing in the economy with plans to increase AND those planning to invest in the economy for the first time.

Source: PwC's APEC CEO Survey, 2017

Top 10 APEC economies to receive increased cross-border investment



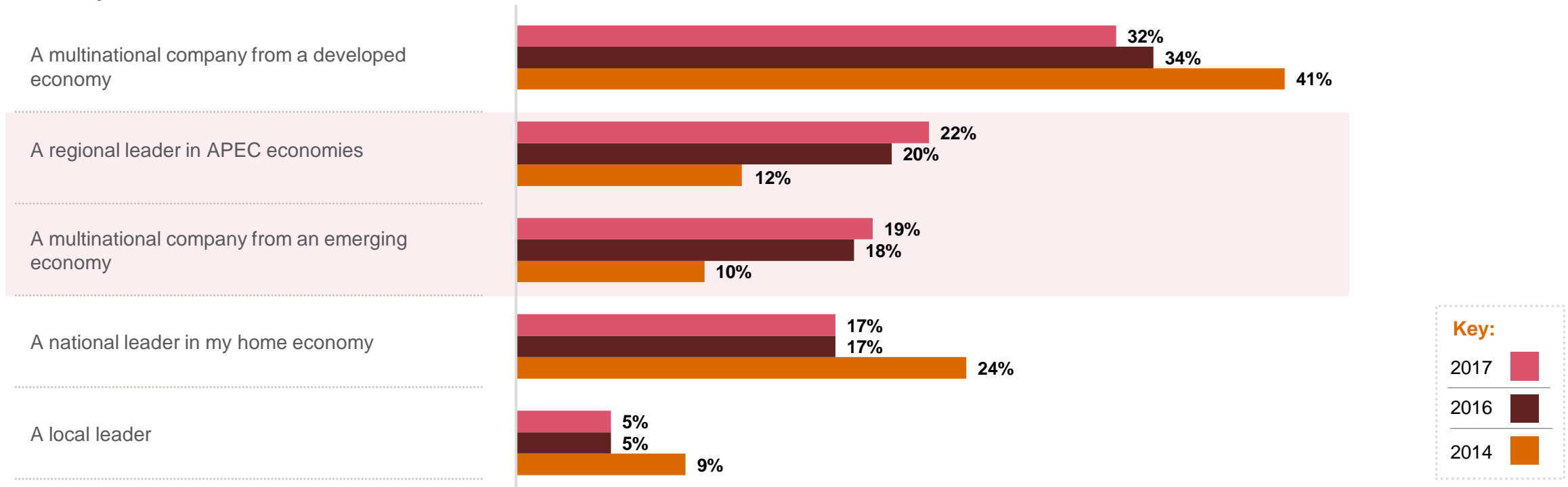
Q: Now thinking of your footprint in APEC economies, will your business investments increase, stay the same or decrease over the next twelve months in each of the APEC economies?

Base: APEC CEOs 379-552. 'Increase' includes those currently investing in the economy with plans to increase AND those planning to invest in the economy for the first time. Percentages recalculated on respondents with a footprint in each relevant economy only and excludes those investing in their principal economy. [Note: Showing top 10 economies to receive increased cross-border investments only]
Source: PwC's APEC CEO Survey, 2017

The drive to perform on a regional level continues to increase

Regional and MNCs from emerging economies are rising threats

Who's your rival?



Q: Thinking about your competition over the next 3-5 years, which would you characterise as the leading company in your competitive set?

Base: APEC 2017 1297, Don't know 2%, None of the above 3%. 2016 1,072, Don't know 2%, None of the above 4%. 2014 581, Don't know 4%.
Source: PwC's APEC CEO Survey, 2017

Companies with a revenue of \$5 billion + are more likely to...

Q1 – be ‘very confident’ for revenue growth (43%)

Q7 (last 12 months) – have experienced increased barriers to moving data across borders over the last 12 months (20%)

Q7 (next 12 months) – expect to experience an increase in barriers to moving data across borders (29%) and an increase in barriers moving goods across borders (32%) over the next 12 month

Q8 – adopt a ‘build where you sell’ global model (59%) and make more use of foreign procurement offices (52%)

Q15 – currently use ‘greater use of technologies for remote operations’ (53%)

Companies with revenues of \$5bn+ are mostly:

- Industrial (37%), FS (24%) and Consumer (21%) companies
- CEOs in the US (24%), China (10%), Canada (8%) and Mexico (8%)
- Identify themselves as a global company (41%, vs 24% for APEC overall)

Global companies are more likely to...

Q1 – be ‘very confident’ for revenue growth (45%)

Q2 – be ‘more confident’ in expanding operations in Asia Pacific economies (29%)

Q4 – increase global investment over next 12 months (64%)

Q9 – expect their global footprint to expand over the next 3 years (73%)

Q8 – adapt a ‘build where you sell’ global model (60%), make more use of foreign procurement offices (56%), conduct more value add activities domestically (73%)

Q10 – see ‘significant’ progress towards free trade across Asia Pacific (29%)

Q15 – currently use ‘automating certain functions in our organisations’ (65%) and ‘identifying workers who are skilled at using new automation tools’ (49%)

Companies who consider themselves ‘global’ are mostly:

- *Industrial (41%) and Consumer (27%) companies*
- *CEOs in the US (15%), China (12%) and Singapore (9%)*
- *Have revenues of \$5 billion or more (45%, vs. 26% for APEC overall)*

Differences by industry...

Q1 – **Consumer** CEOs are more likely to be ‘very confident’ for revenue growth (44%)

Q2 – **Consumer** CEOs are more likely to be ‘more confident’ in achieving increasing profit margins in domestic operations (32%)

Q7 (last 12 months) – **Tech** CEOs more likely to have experienced change in increased barriers to moving data across borders (26%) and FS CEOs more likely to have experienced increase in barriers to providing or receiving services across borders (27%)

Q7 (next 12 months) – **Consumer** CEOs more likely to expect to experience an increase in barriers moving goods across borders (31%) and **FS** CEOs more likely to expect an increase in barriers to providing or receiving services across borders (36%)

Q8 – **Industrial** CEOs more likely to adopt a ‘build where you sell’ global model (56%). Whereas, Tech CEOs are least likely to adopt a ‘build where you sell’ global model (No adoption at all - 29%). **Industrial** CEOs more likely to conduct more value-add activities domestically (74%) and conduct more domestic sourcing and manufacturing (69%)

Q8 – **Consumer** CEOs more likely to rely more on business partnerships/joint ventures (89%), conduct more value-add activities domestically (74%) and make use of foreign procurement offices (55%)

Q10 – **Consumer** CEOs see ‘significant’ progress towards free trade across Asia Pacific (29%)

Q13 – **Tech** CEOs more likely to rank ‘design and technology capabilities’ as most important attribute when choosing a partner (15% ranked 1)

Q15 – **Tech** CEO currently use ‘making acquisitions principally to acquire talent’ (25%) and ‘investing in machine learning and emerging technologies’ (50%)

Q16 – **Tech** CEOs more likely to rank ‘Investing in machine learning and emerging technologies’ as top workforce strategy (22%)

Differences by economies...

Q1 – very confident for revenue growth (**Philippines** 49%)

Q2 – more confident in forecasting compliance costs and tax liabilities (**Russia** 34%)

Q2 – more confident in increasing profits domestically (**Russia** 48%). Less confident – **Singapore** 50% and **Peru** 45%

Q2 – more confident in launching a new product or service or entering a new line of business (**China** 38%, **Viet Nam** 36%). Less confident – **Malaysia** 35%, **Russia** 31% and **Mexico** 29%

Q2 – more confident in increasing exports (**Japan** 32%)

Q2 – less confident in increasing profits internationally (**Singapore** 37%)

Q4 – more likely to increase global investment (**Malaysia** 68%). Less likely to increase global investment – **Peru** 40% and **US** 46%

Q7 (last 12 months) – more likely to have experienced change in a decrease in revenue opportunities due to stalled or collapsed trade agreement (**Japan** 26%), an increase in barriers to investing in another economy (**Russia** 32%), an increase in barriers to moving goods across borders (**China** 28%), an increase in barriers to moving data across borders (**China** 26%, **Singapore** 26%) and an increase in barriers to employing foreign labour (**Indonesia** 36%, **Singapore** 38%)

Q7 (next 12 months) – more likely to expect to experience an increase in revenue opportunities due to a new trade agreement (**China** 39%, **Viet Nam** 38%), an increase in barriers to moving goods across borders (**US** 34%), an increase in barriers to moving data across borders (**HK** 37%), an increase in barriers to providing or receiving services across borders (**Singapore** 40%) and an increase in barriers to employing foreign labour (**Singapore** 50%)

Differences by economies... [continued]

Q8 – more likely to great/some extent rely more on acquisitions (**Viet Nam** 74%), rely more on business partnerships/joint ventures (**Russia** 85%, **Singapore** 81%), conduct more domestic sourcing and manufacturing (**Viet Nam** 79%, **Indonesia** 74%, **Russia** 73%), increase business activity in economies with established bilateral ties (**Malaysia** 80%, **Russia** 78%, **Viet Nam** 77%), shift to a ‘build where you sell’ global model (**Russia** 70%, **Viet Nam** 65%), make more use of foreign procurement offices (**Japan** 70%, **Malaysia** 68%), make more use of foreign financing sources (**Russia** 75%, **Malaysia** 71%), increase use of Foreign Trade Zones (**Japan** 66%, **Malaysia** 64%)

Q9 – more likely to expect their global footprint to expand (**Malaysia** 89%, **Viet Nam** 86%)

Q10 – more likely assess progress as ‘significant’ towards free trade across Asia Pacific (**Russia** 38%)

Q13 – more likely to rank 1st transparent governance 1st (**Peru** 31%). More likely to rank Industry / Marketing expertise 1st (**Mexico** 26%)

Q14 – more likely to rank Product / Service quality and price 1st (**Philippines** 54%, **China** 40%). More likely to rank delivery and distribution capabilities 1st (**Russia** 24%)

Q15 – more likely to currently automate certain functions in their organisation’ (**Peru** 75%, **Philippines** 75%), adopt wholesale training of workforce in ways to use data (**Mexico** 50%, **Peru** 51%), moving to new structures of employment including more ‘gig’ talent and outsourced labour (**Malaysia** 48%), making acquisitions principally to acquire talent (**US** 24%), investing in machine learning and emerging technologies (**China** 56%, **Singapore** 53%).

Q16 – more likely to rank ‘Wholesale training of workforce in ways to use data’ 1st (**Japan** 22%), identifying workers who are skilled at using new automation tools (**Viet Nam** 25%).

Q18 – more likely to rank 1st ‘re-balance incentives to invest in labour substitution’ (**China** 14%)

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