

# Asian Business Outlook

*Part of the Global Business Outlook*

A joint survey effort between

Duke University,

PwC China

and

*CFO* magazine



普华永道

**CFO**

# Top Concerns of Asian CFOs

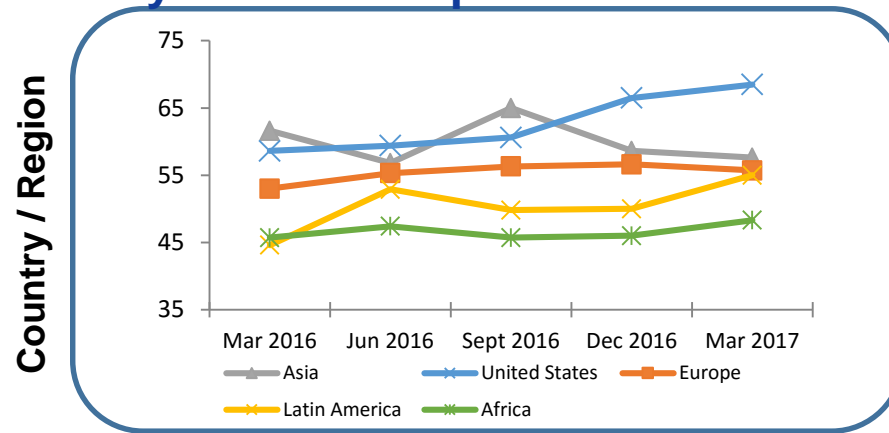
---

1. Economic Uncertainty
2. Currency risk
3. Weak demand for product/services
4. Government policies
5. Difficulty attracting qualified employees
6. Employee productivity
7. Regulatory requirements
8. Rising input or commodity costs
9. Access to capital
10. Corporate tax code

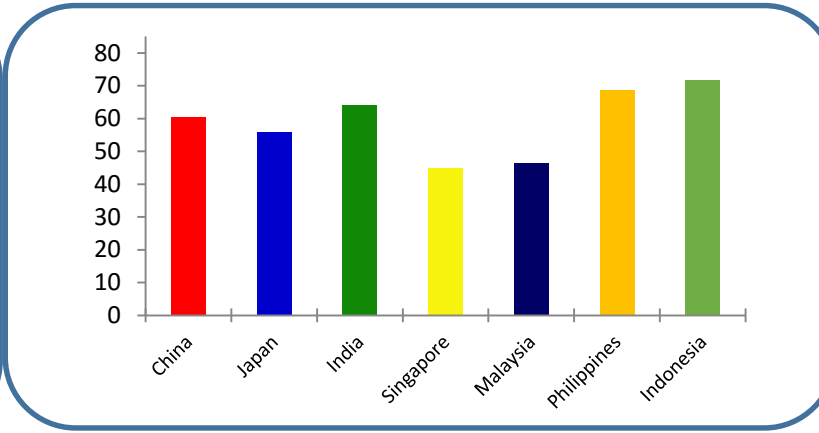
# Business Optimism Index

High optimism in China is offset by weaker optimism in several other Asian countries

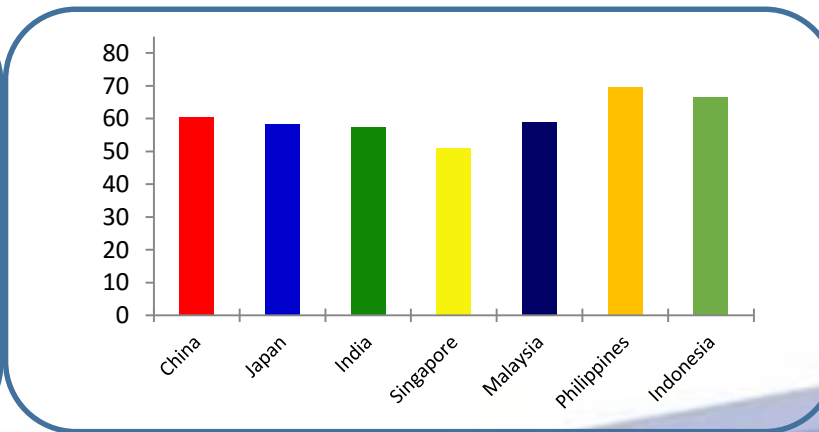
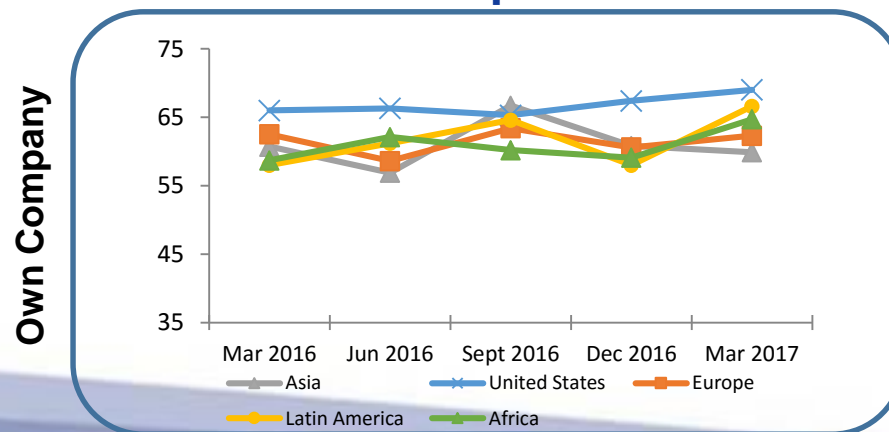
**Global Trends**  
**Country Business Optimism Index**



**March 2017 Response**



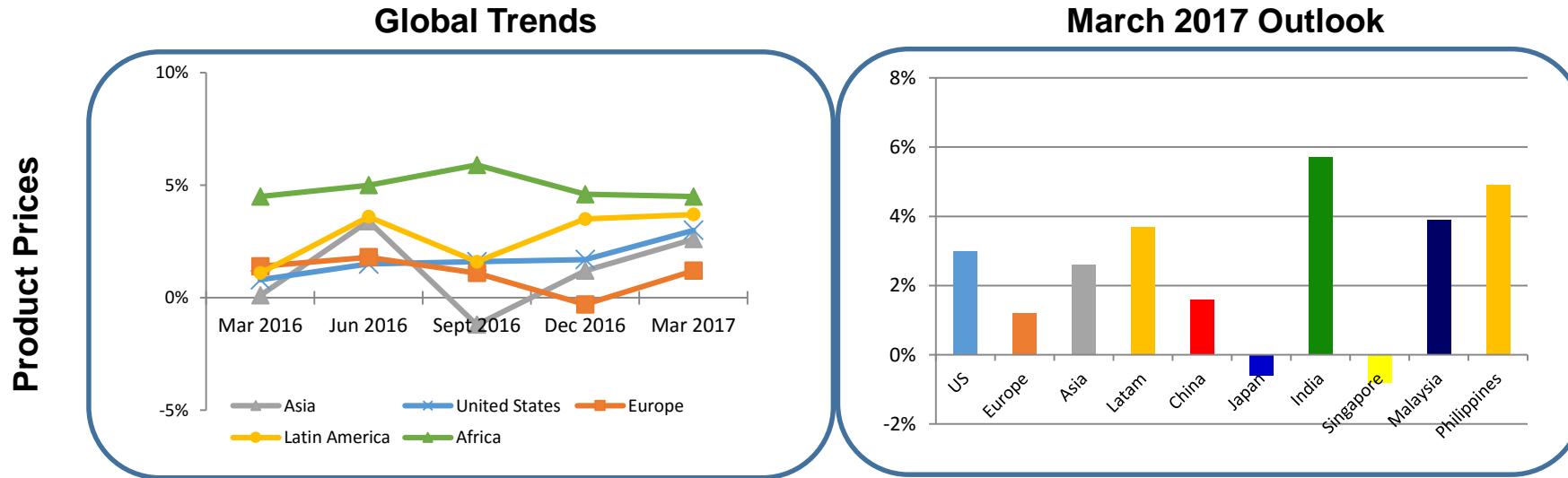
**Own-Firm Business Optimism Index**



Notes: Presented data are the mean value for each region or country, Scale from 0-100

# Expected Product Price Inflation

Asian inflationary expectations increase, boosted by India and the Philippines



**Inflation remains low in Asia, especially compared to Africa and Latin America, however, the difference diminishes**

- High inflationary pressures in India, the Philippines, and Malaysia are tempered by lower inflation in China and negative expectation in Japan and Singapore.
- CFOs in Africa expect flat prices, whereas CFOs in other countries all expect moderate inflation.

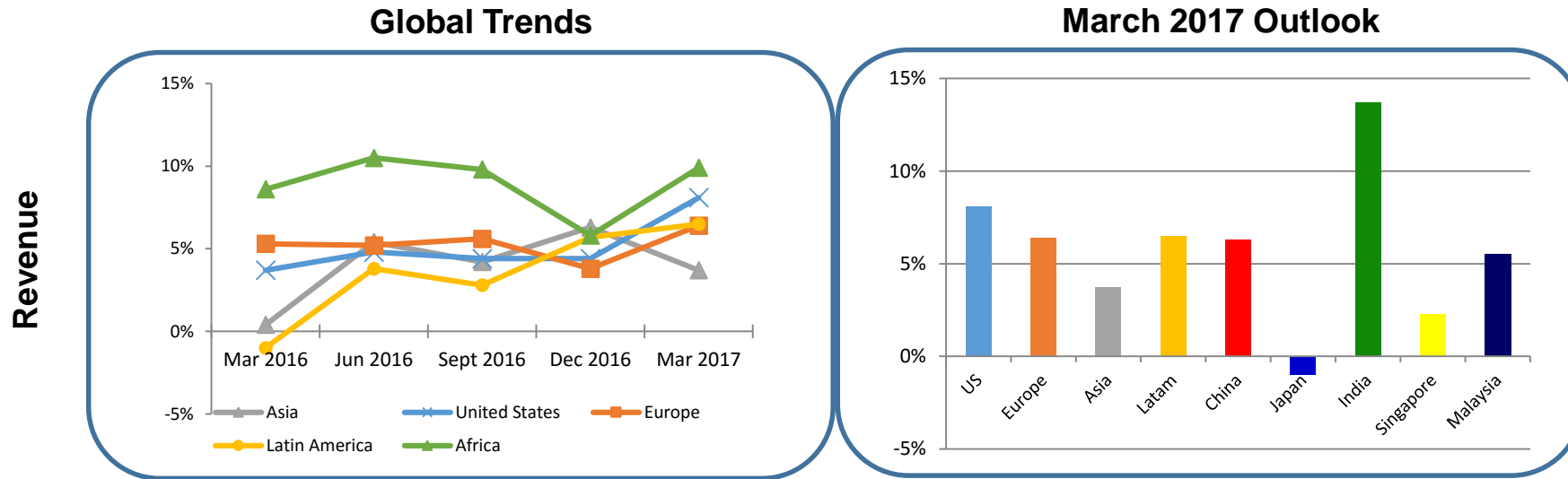
**Inflation expectations highest in India**

- Of responding Asian countries, India has the highest expected inflation.
- CFOs in Japan and Singapore, conversely, expect prices of their products to fall.

*Notes: Presented data are the mean or median values for each region or country.*

# Expected Growth in Sales Revenue

Overall, CFOs in Asia expect modest growth in sales revenue



## Asian revenue growth decreases

- CFO's revenue growth expectations decreased from last quarter in Asia but increased in other continents.
- Overall, Asian revenue growth expectations are the lowest.

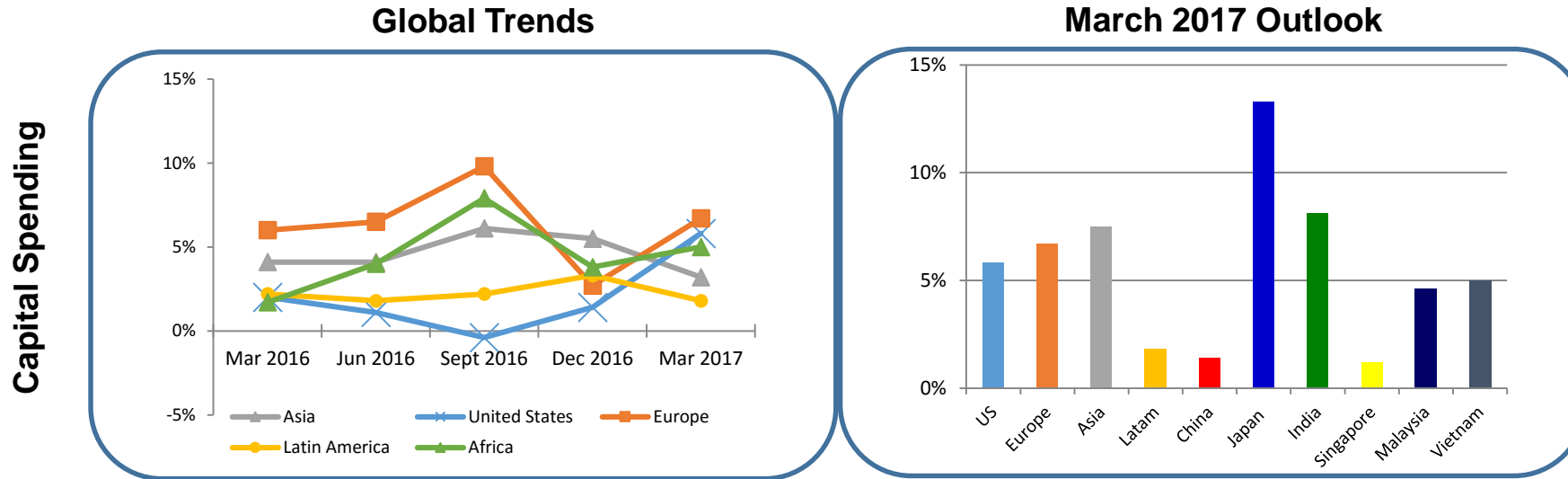
## India expects the most rapid revenue growth, followed by China

- Overall Asian growth is pulled down by Japan and Singapore.
- India has the highest sales growth, much greater than the inflation rate, attributed partially to surging private consumption.
- China's growth in sales revenue is harmed by the unanimous view of CFOs that Chinese air pollution harms the Chinese economy.

Notes: Presented data are the mean or median values for each region or country.

# Capital Spending Plans

Asian capital spending will be moderate, with a slight dip from last quarter



## Moderate capital spending plans

- Asian CFOs expect moderate business spending growth, though expectations have dipped from last quarter.
- Business spending expected to increase dramatically in US, supported by the government's increased spending.
- Expectations have dropped drastically in Latin America, partially because of the Odebrecht corruption scandal and the implicated government officials in Peru and Brazil.

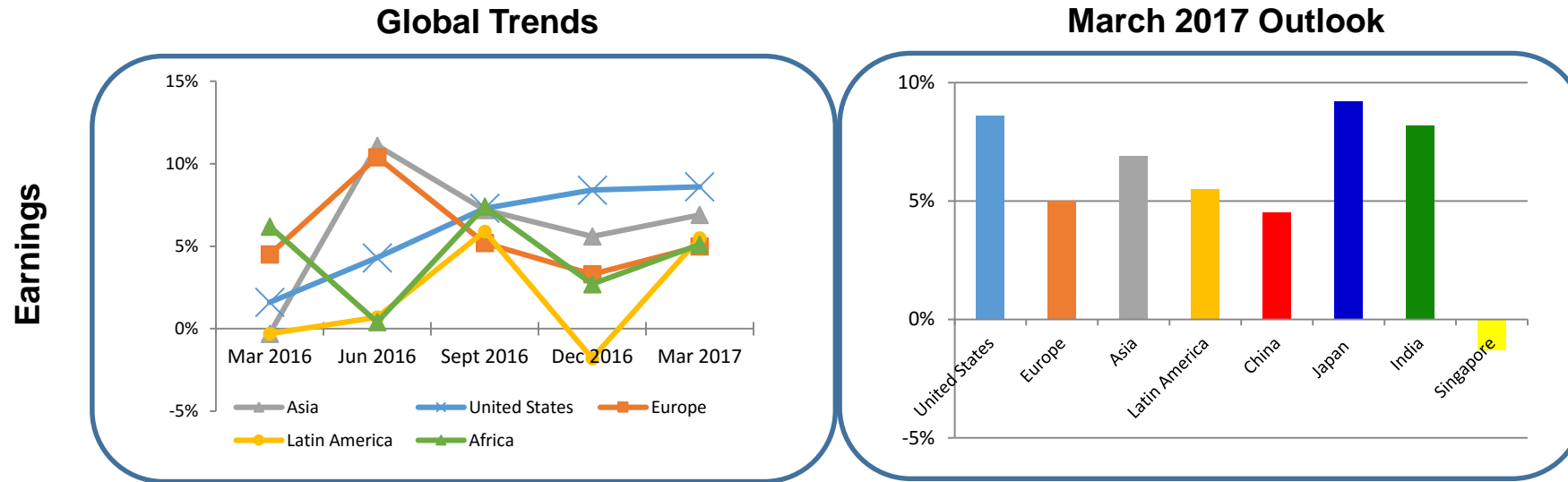
## Business spending is largely positive in Asia

- China, Japan, India, Singapore, Malaysia and Vietnam anticipate growth in capital expenditures
- Japan expects the largest growth in capex partially because its economy is boosted by the currency depreciation of the Japanese Yen.

Notes: Presented data are the mean or median values for each region or country.

# Expected Change in Earnings

Earnings growth is expected to increase slightly in Asia



## Positive earnings growth

- Asian earnings are expected to grow but at a lower pace compared to United States
- All major continents expect earnings to increase

## Mixed earnings growth across Asia

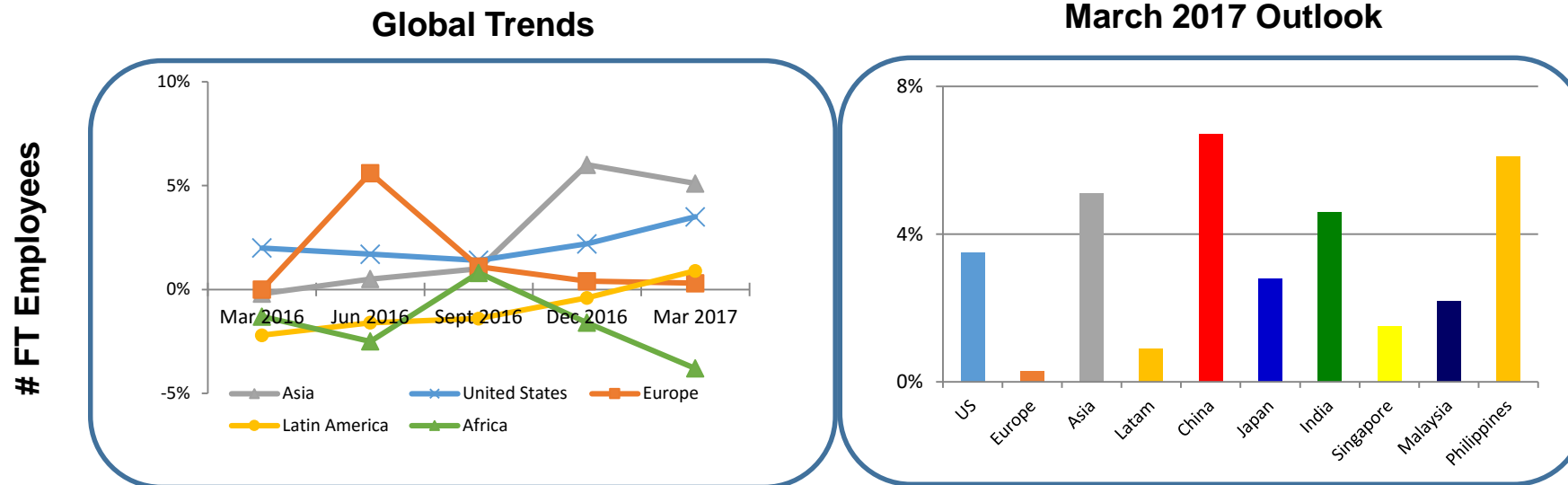
- China lowers expected earning growth, possibly caused by economic interactions with the US and fluctuations in USD/RMB exchange rate.
- India and Japan anticipate big positive earnings growth, while Singapore expects negative growth.

Notes: Presented data are the mean public company value for each region or country.



# Fulltime Employment Outlook

Asian CFOs expect fulltime domestic employment to grow moderately next year



## Positive employment outlook in Asia

- Except for Africa, all other continents CFOs expect positive employment growth in the next year, with the Asian expectations the strongest
- CFOs in Europe expect fulltime employment to remain relatively flat, while CFOs in Africa expects fulltime employment to shrink.

## Chinas lead employment growth in Asia

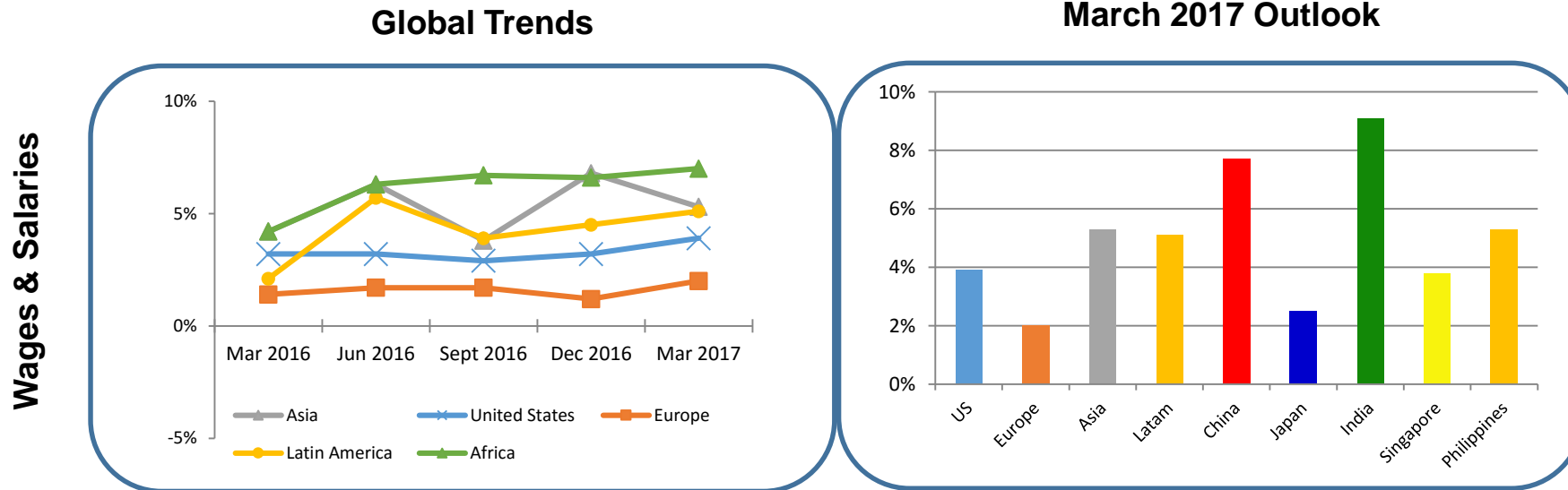
- China expects strong growth in fulltime employment.
- The Philippines has the second highest fulltime employment increase expectation, partially because CFOs' business optimism is high.
- India expects employment to grow moderately, consistent with their expectation about revenue growth

Notes: Presented data are the mean value for each region or country  
 #FT=Number of Fulltime Employees



# Expected Wage and Salary Increases

Asian wages and salaries are projected to increase by 5% over the next year



## High but volatile wage growth in Asia

- Asia has volatile historical wage increases, and wage growth is expected to rise in 2017
- Africa has high wage growth and the trend is expected to continue, with wages outgrowing inflation.
- Europe has the lowest wage growth.

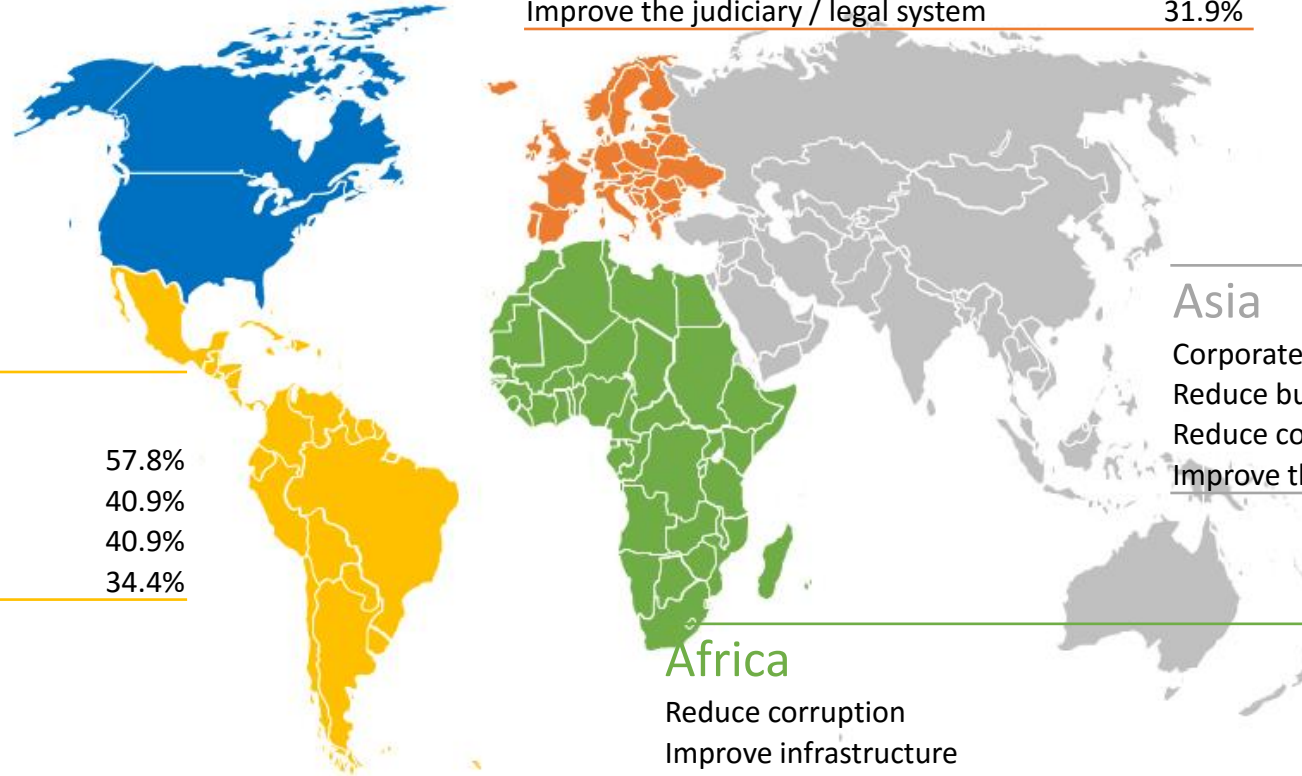
## Moderate wage growth in most Asian countries

- Wages will increase 2.5% in Japan; which is good news in a deflationary environment.
- Both India and China anticipate strong wage increases, 9.1% and 7.7% respectively

Notes: Presented data are the mean value for each region or country

# Improving the business climate

*What issues and policies most need to be addressed to improve the business climate in your country?*



## Latin America

Reduce corruption	57.8%
Improve the judiciary / legal system	40.9%
Corporate tax reform	40.9%
Improve infrastructure	34.4%

## Europe

Reduce business regulations	43.2%
Reduce political instability	40.0%
Improve public education and training	38.9%
Improve the judiciary / legal system	31.9%

## Asia

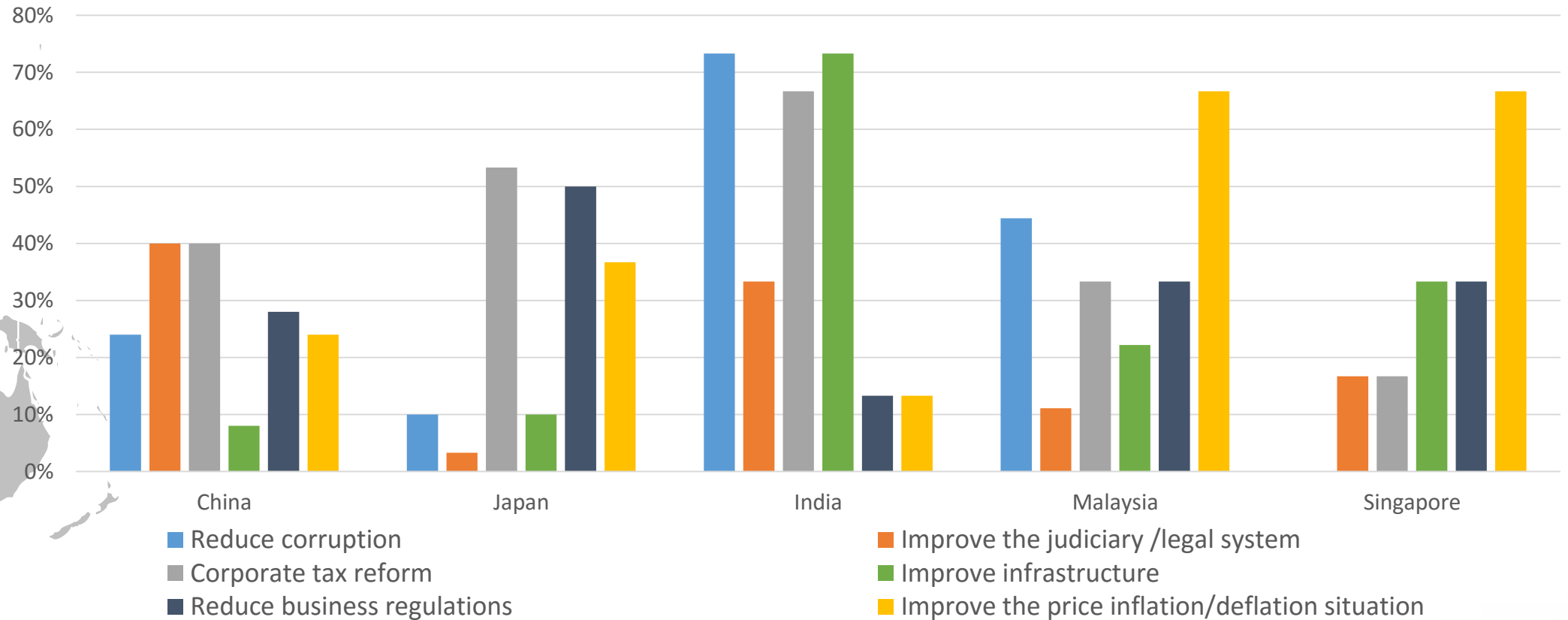
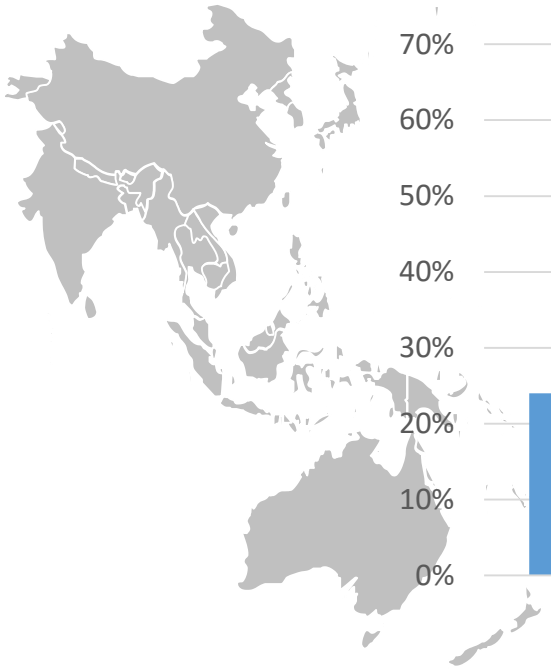
Corporate tax reform	38.6%
Reduce business regulations	34.2%
Reduce corruption	32.7%
Improve the price inflation/deflation situation	29.1%

## Africa

Reduce corruption	66.0%
Improve infrastructure	52.8%
Reduce political instability	49.1%
Reduce business regulations	30.2%

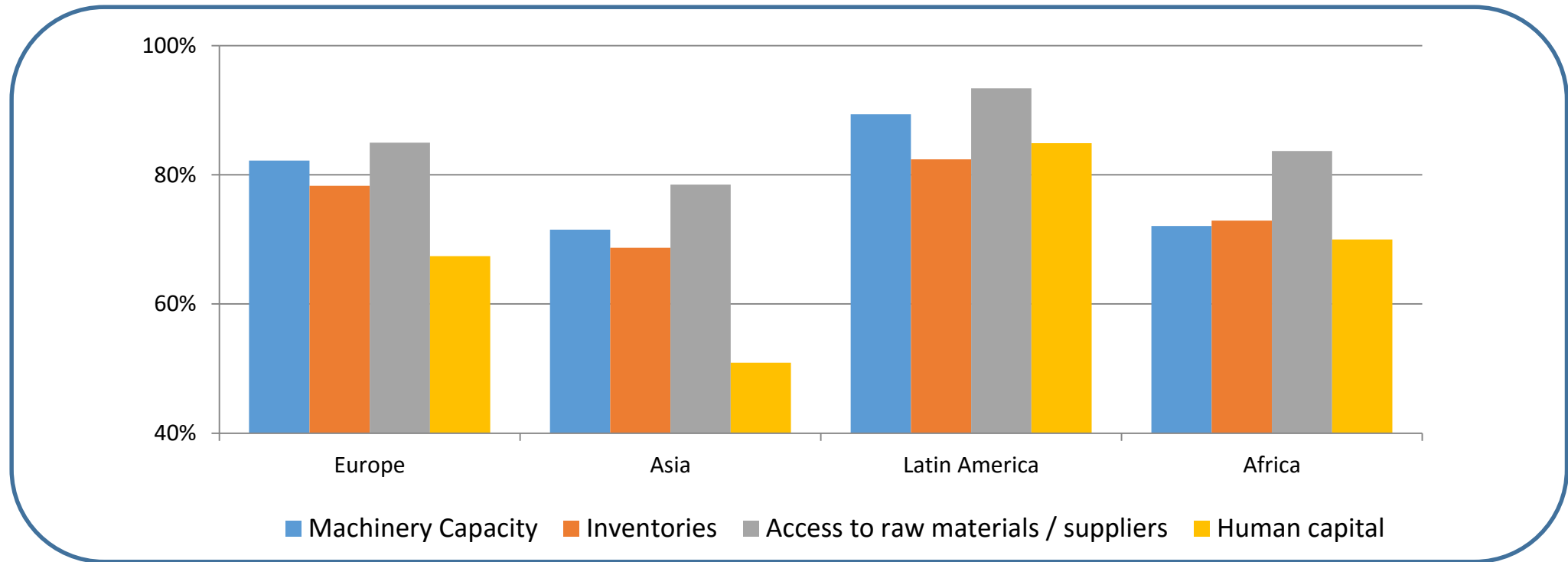
# Improving the business climate

*What issues and policies most need to be addressed to improve the business climate in your country?*



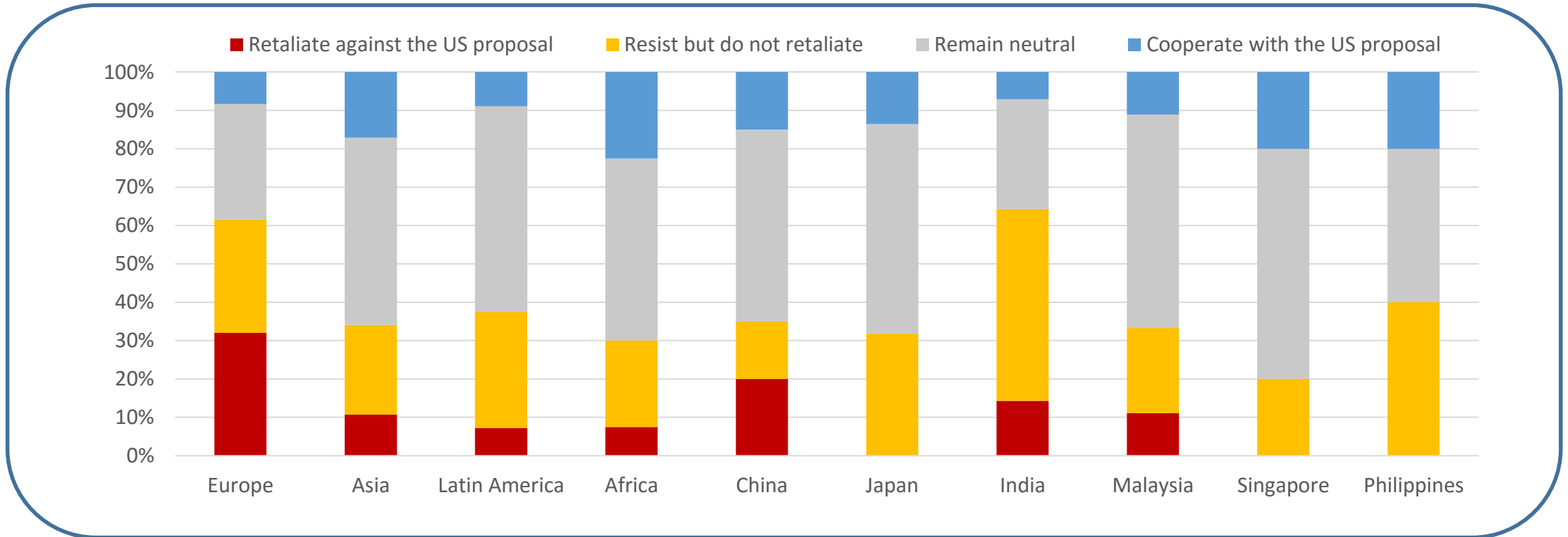
# Prepared for a Demand Surge?

*If orders for your product/service sharply increased over the next few months, would you have enough \_\_\_\_\_ to meet sharply higher demand? (% Yes shown below)*



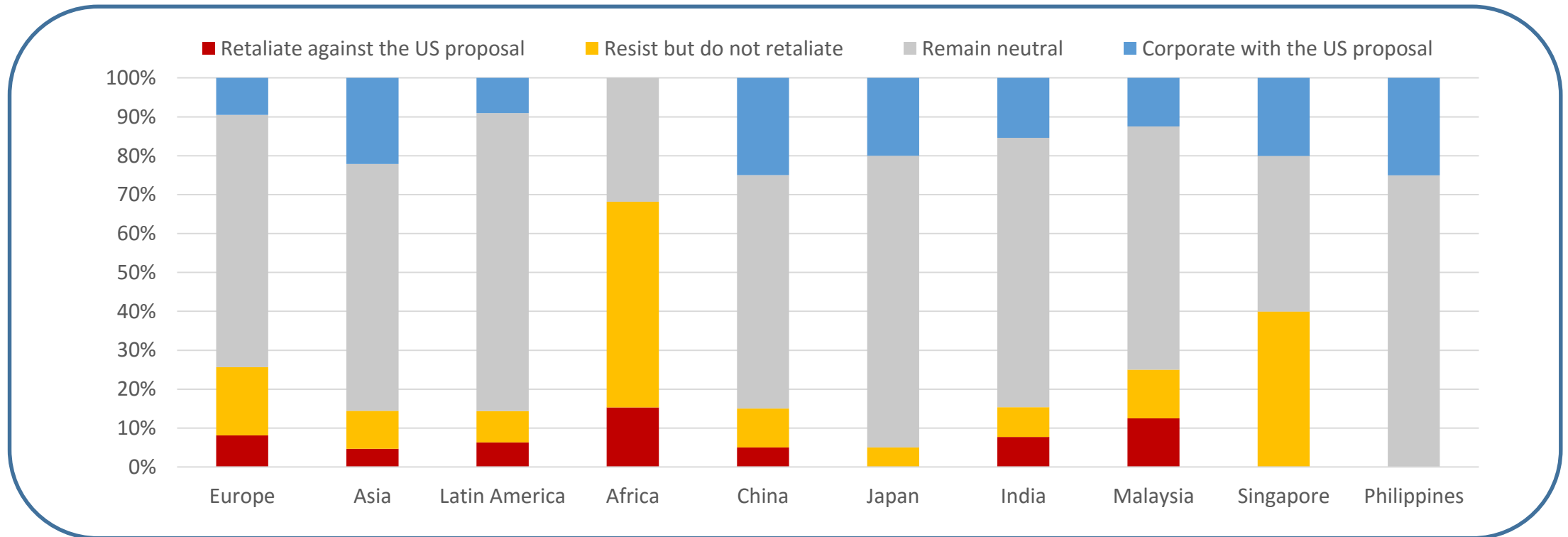
# Response to US trade proposals

In response to recent trade proposals put forth by the US government, should your **government**...



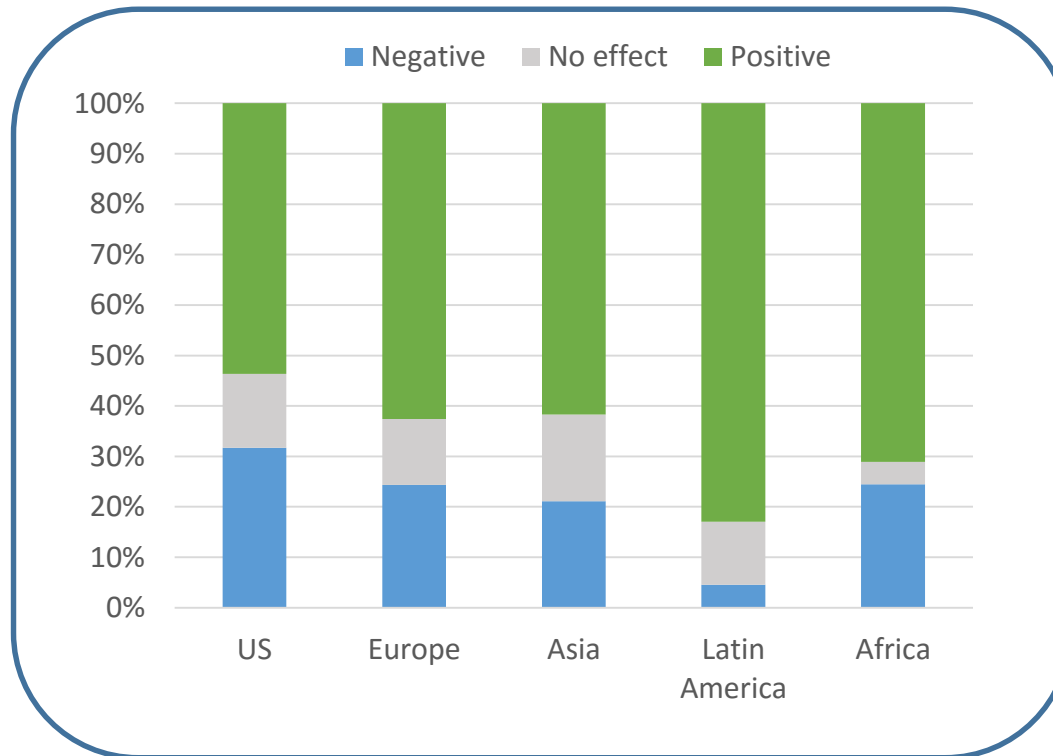
# Reactions to US trade proposals

*In response to recent trade proposals put forth by the US government, should your **company** ...*

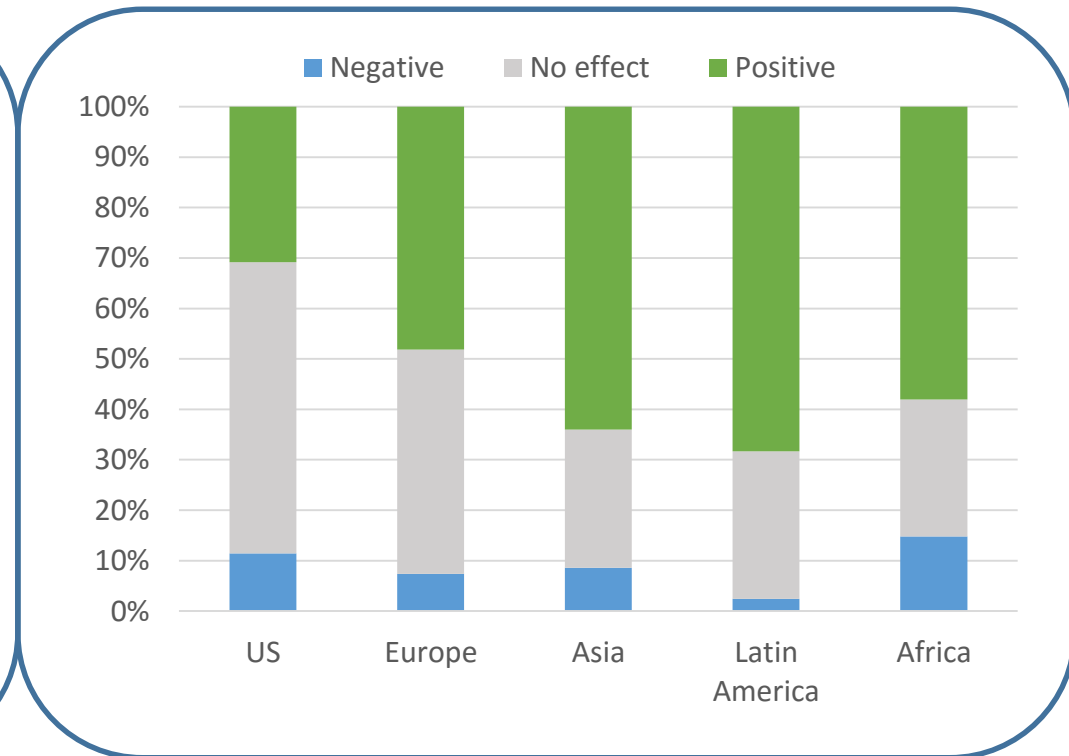


# Trade alliances

*How do you think trade alliances between countries affect your country's economy?*



*How do you think trade alliances between countries affect your company overall?*

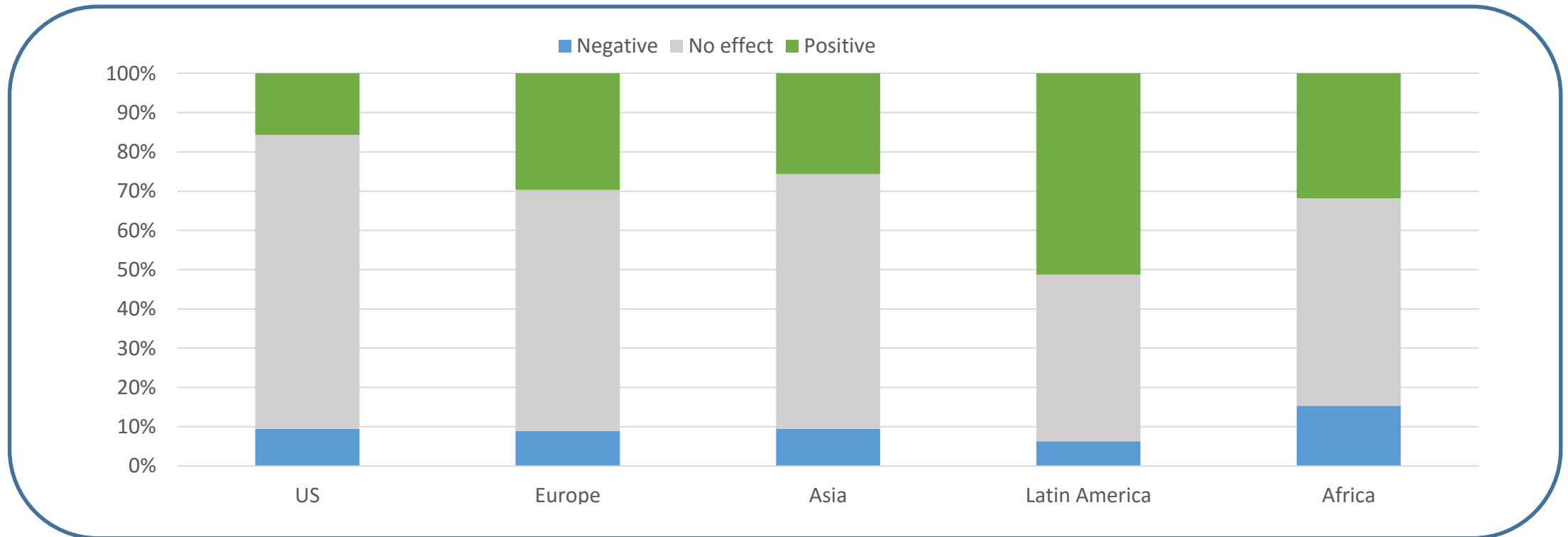


**Most emerging markets CFOs think trade alliances have a positive effect on their countries and their own firms**

- 54% of US CFOs think trade alliances have a positive effect on their country but only 30% think the alliances help their own firms
- In comparison, 61% of Asia CFOs think trade alliances can help their country and 64% of them believe the alliances can help their own firms



# Do trade alliances affect the number of workers employed?



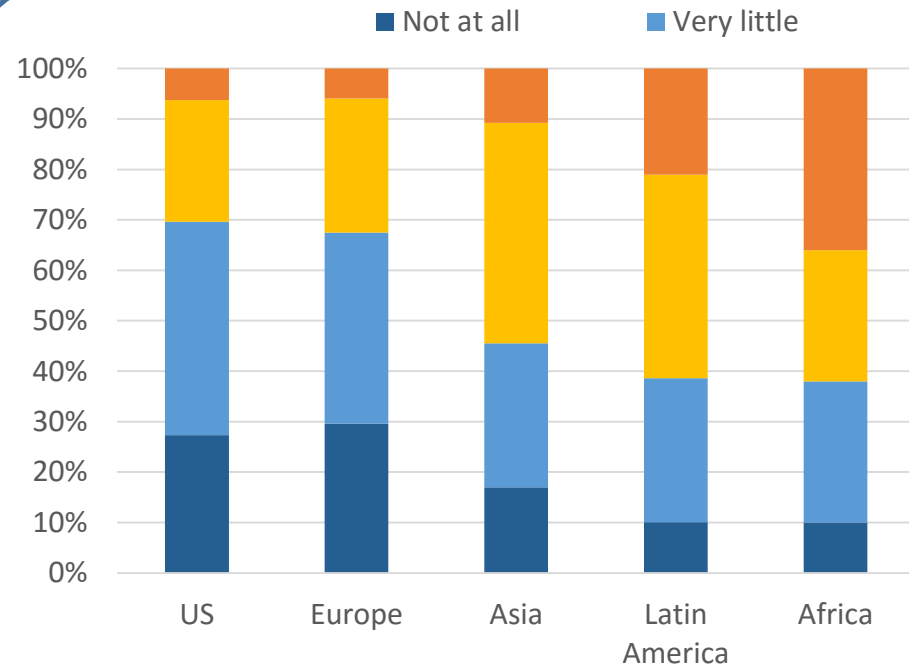
**Slightly more than half of Latin American CFOs think trade alliances help increase employment in Latin America**

- Only about 15% of US CFOs think trade alliances increase employment in the US, whereas 25.6% of Asia CFOs think trade alliances will increase employment in their countries.

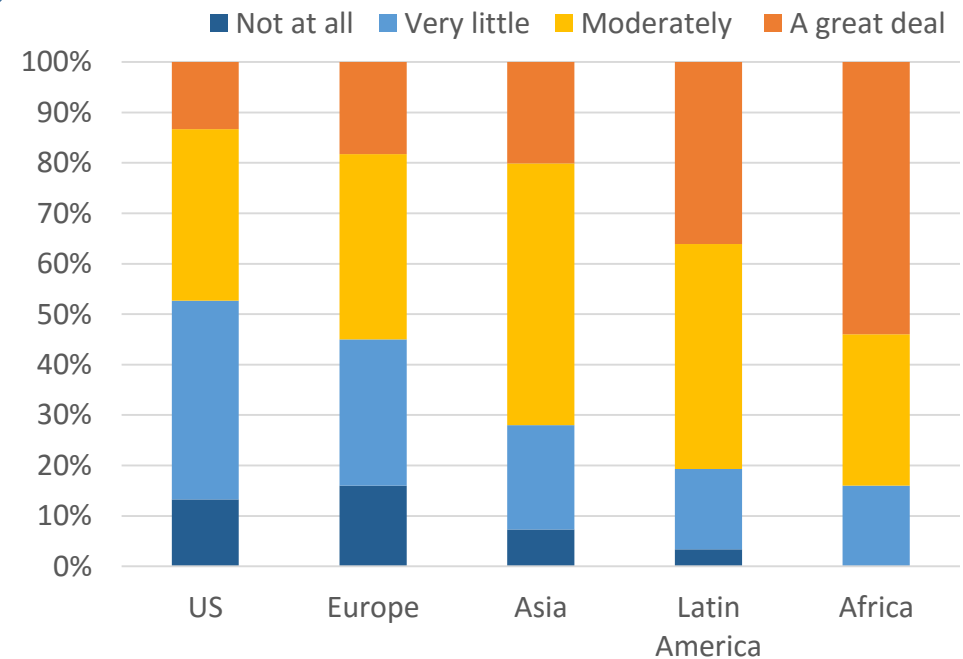
# Public Trust

*Recent data from the Edelman Trust Barometer shows public trust continues to decline in business and government leadership. To what degree, if any, has a lack of public trust in business and government affected...*

your company

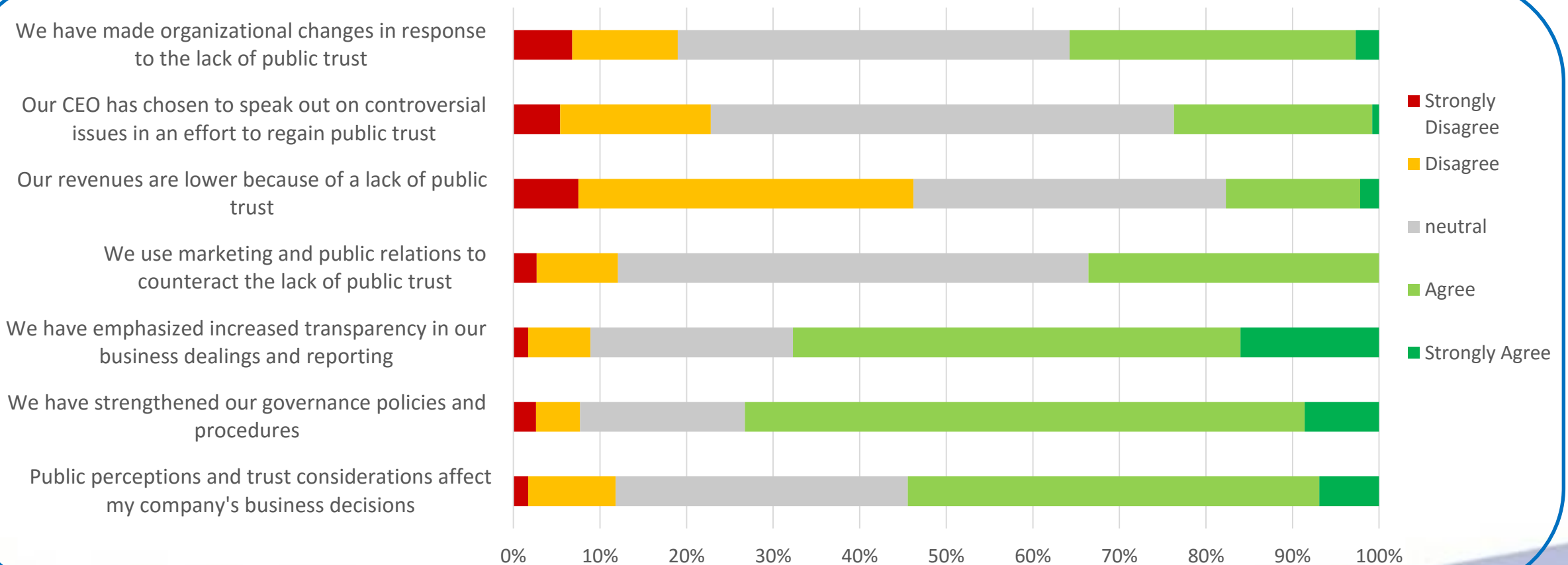


your business environment



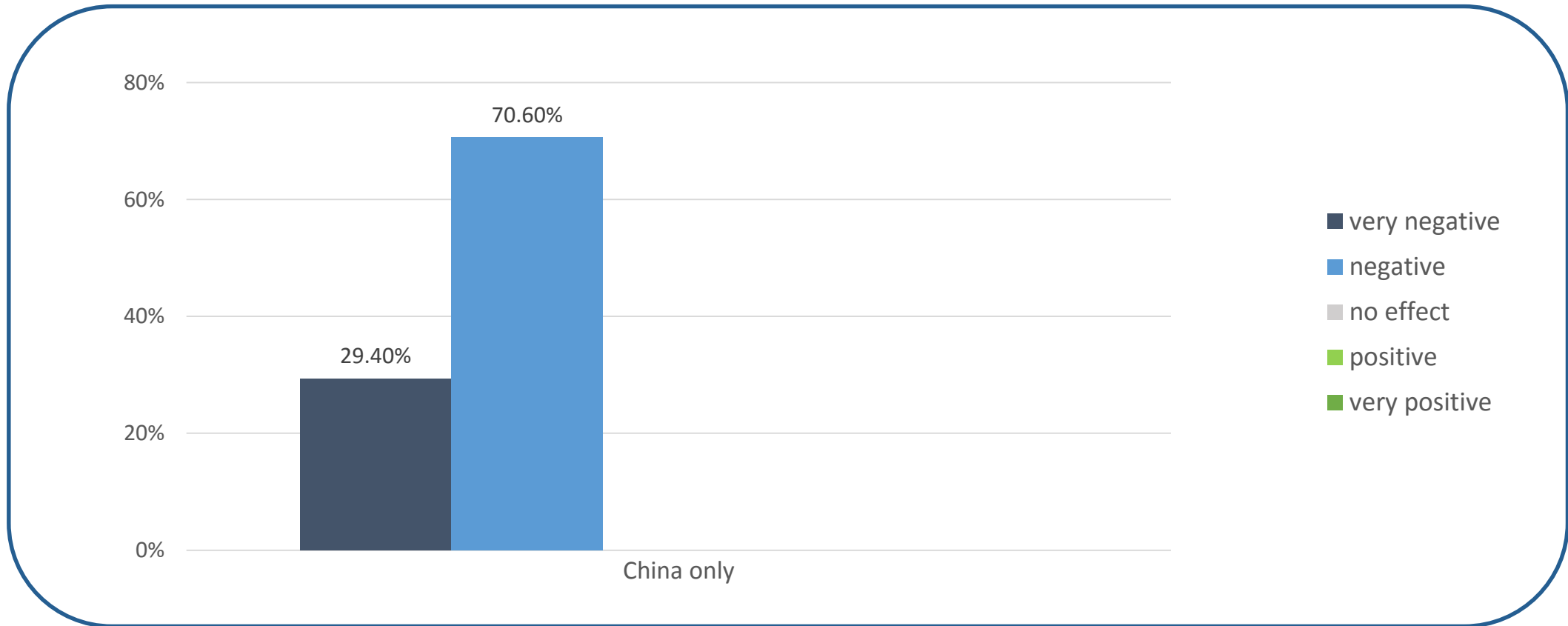
# Response by Companies to Lack of Public Trust

*How much do you agree or disagree with the following statements in relation to public concerns about business trust? (Asian responses shown)*



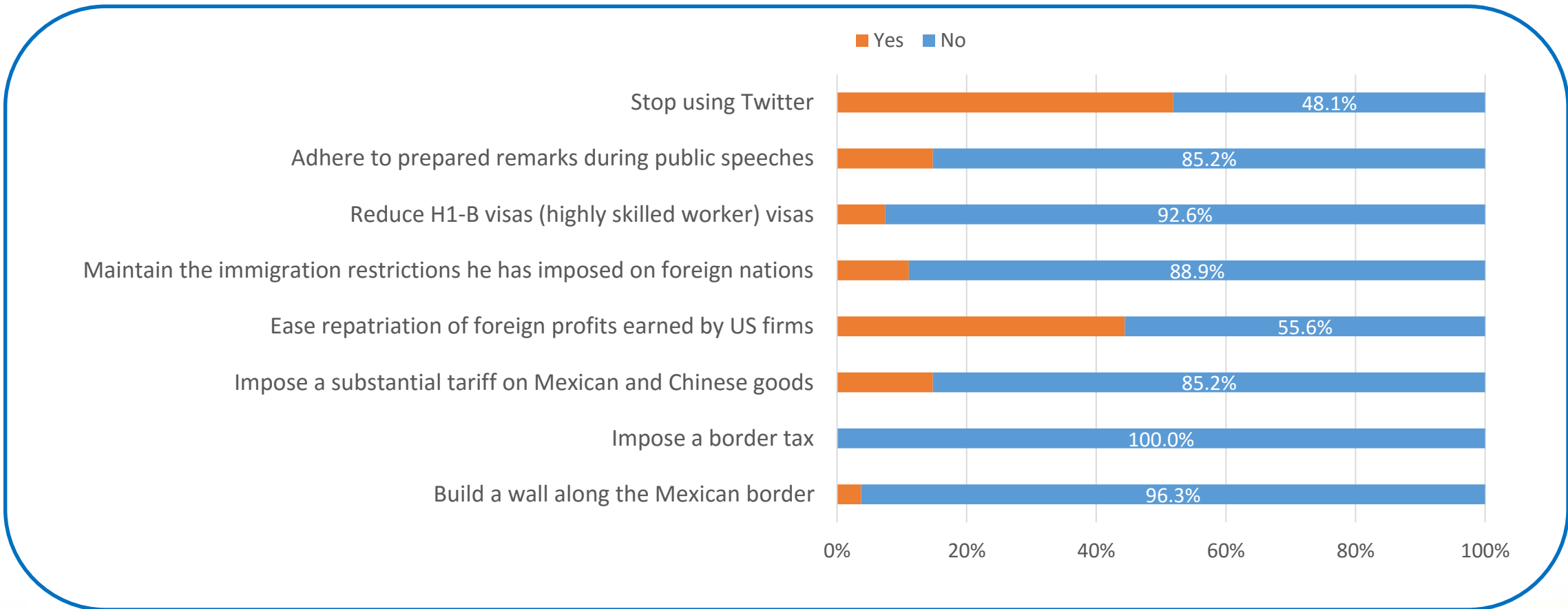
# Air pollution in China

*To what degree does air pollution affect the Chinese economy?*



# Japan's Advice to President Trump

*For the good of the Japanese business community, should President Donald Trump...*



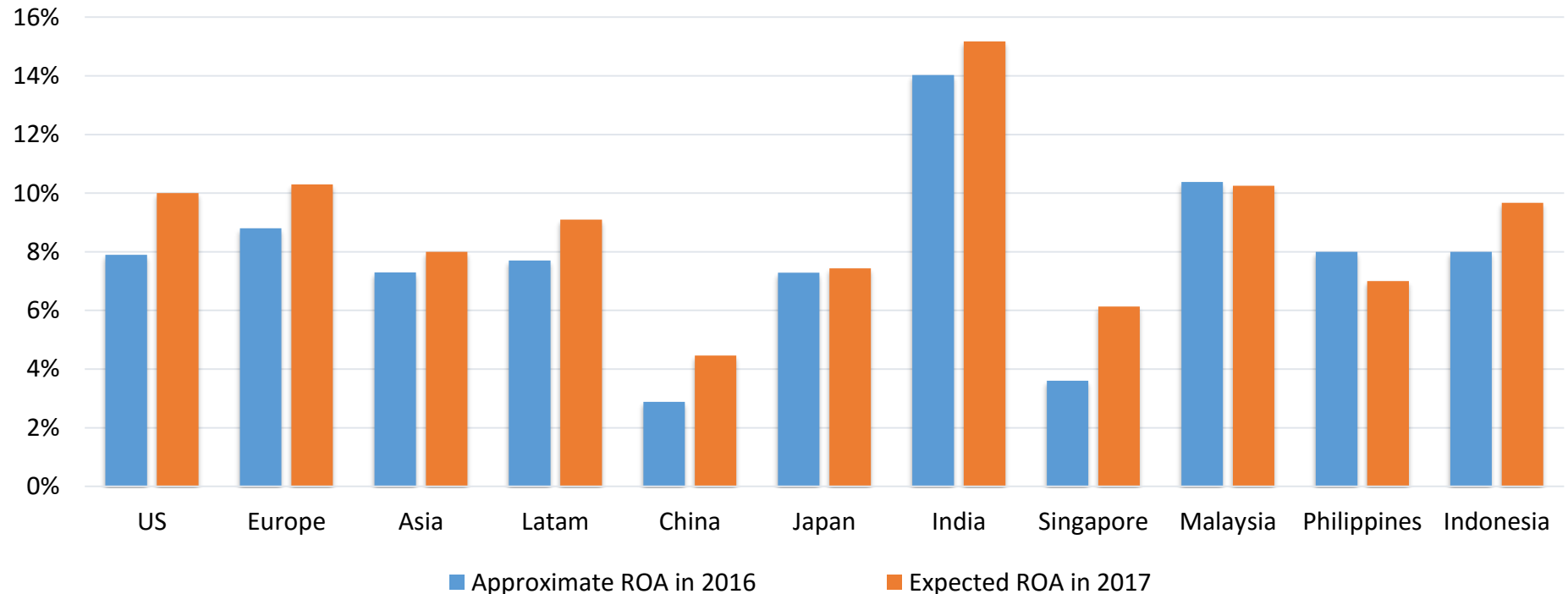
# Japan's working hours reduction initiative

*How will the Japanese Government's initiative to reduce working hours affect your company's.....*



# Return on Assets (ROA)

Profit growth in Asia is expected to be weaker than other regions such as US, Europe and Latin America.



**Profit margins are expected to rise in all regions, relative to 2016 profits**

- CFOs in most Asian countries expect ROA to be higher in 2017, relative to 2016, except for CFOs in the Philippines
- CFOs in India expect the highest ROA in 2017 among Asian countries while China and Singapore expect the lowest ROA.



# Asian Business Outlook

*Part of the Global Business Outlook*

A joint survey effort between

Duke University,

PwC China

and

*CFO* magazine



普华永道

**CFO**