

CEO optimism hits 10-year high

CEO optimism for 2022 is slightly higher than the 76% optimism level from a year ago, and 54 points higher than 2020, when more than half (53%) of CEOs predicted a declining economy.



Source: [Pexels](#)

These are findings from PwC's 25th Annual Global CEO Survey, which polled 4,446 CEOs in 89 countries and territories between October and November 2021.

Other key findings are:

- * South African CEOs are also optimistic about the outlook for their businesses, with 37% believing that their revenue will grow over the next 12 months.
- * 85% of CEOs in Africa expect that global economic growth will improve and 8% expect it to decline

According to the PwC Global CEO Survey:

- A strong correlation is shown between customer trust and CEO confidence, and this depends on whether a net-zero commitment has been made
- Net-zero commitments are lagging for many – fewer than a quarter of CEOs said their companies have made commitments
- Cyber and health risks rank as top global threats followed closely by macroeconomic volatility
- CEOs identify the US as the most important growth destination globally over the next 12 months, followed by China

Anticipation for economic growth

CEOs continued to face pressure generated by the ongoing Covid pandemic and by market conditions such as rising inflation, supply-chain disruptions and the 'Great Resignation' in parts of the world including Africa. Despite the array of shifting headwinds, the CEOs that we surveyed are the most optimistic they have been in 10 years about the prospects for a stronger economy in the coming year. More than three-quarters of CEOs, 77%, predict the global economy will improve, while only 15% expect worsening conditions. In Africa, 85% of CEOs expect that global economic growth will improve and 8% expect it to decline.

CEO optimism for 2022 is a tick higher than the 76% optimism level from a year ago and fully 54 points higher than 2020, when more than half (53%) of CEOs predicted a declining economy. These are findings from PwC's 25th Annual Global CEO Survey, which polled 4,446 CEOs in 89 countries and territories between October and November 2021.

While there is general optimism among CEOs for economic growth in 2022, the perspective varies widely across individual countries and territories.

Business-revenue growth predicted

South African CEOs are also optimistic about the outlook for their businesses, with 37% stating they are 'very confident' about their organisation's prospects for revenue growth over the next 12 months. Among the largest territories, optimism is highest in India, where 94% of CEOs anticipate global growth in the coming year, up from 88% last year.

Optimism is also trending up solidly among CEOs in Japan (plus 16 points to 83%, from 67% last year), and is modestly higher in the UK (up five points to 82%). Italy and France saw large increases in CEO optimism, perhaps as a result of stronger than expected economic recoveries. CEO optimism in Italy reached 89%, up 18 points from a year ago, while France experienced the greatest increase in CEO optimism, soaring 25 points to 85%.

At the other end of the spectrum, CEO optimism about the global economy declined most notably in the US, down 18 points to 70%, and was also slightly down in Brazil (dropping seven points to 77%), China (down nine points to 62%) and Germany (down four points to 76%), perhaps as inflation and supply-chain constraints became more of an issue.

While US CEOs may be less sanguine about the global economy, they are comparatively confident about their own companies' growth prospects, with 40% extremely confident about achieving revenue growth in 2022. India CEOs are similarly confident in their companies' outlook.

CEOs acting with courage during uncertainty

Bob Moritz, global chairman, PwC said: "While the ongoing pandemic and emergence of new variants cast a shadow over the year, the high level of CEO optimism we found speaks to the strength and resilience of the global economy and the ability of CEOs to manage through uncertainty. There is nothing 'normal' about the world we are working in, but we are getting used to it. We are seeing differences in confidence among countries, and there is no shortage of challenges to navigate, but it is encouraging that CEOs we spoke with on the whole feel positive about 2022."

Dion Shango, territory senior partner, PwC Africa said: The Covid-19 pandemic has pushed many organisations in Africa to rethink the way they operate and how they build trust and deliver sustained outcomes. Optimism about growth prospects in Africa indicates greater resilience; Africa's CEOs are leading their organisations more effectively, managing more complex scenarios, engaging with a broader set of stakeholders and acting with courage during uncertainty. They're optimistic - and realistic - about the challenges and opportunities ahead.

The power of trust

Trust has never been more important to a company's success, and never more challenging to earn and maintain. Based on CEO responses to a series of questions about their customers' behaviours, the survey shows a correlation between customer trust and CEO confidence. CEOs of companies ranking highest on perceived customer trust are more confident in their growth prospects in the coming year. Seventy-one percent of CEOs of companies with the highest levels of trust are very or extremely confident in their companies' prospects for revenue growth in the next 12 months, compared to just 47% of those with the lowest levels of trust.



Source: [Pexels](#)

Trust was also found to be correlated with net-zero commitments. CEOs of companies ranked highest for trust are significantly more likely to lead organisations that have made a net-zero commitment (29%) than those ranked lowest for customer trust (16%). CEOs of "high-trust" companies are also more likely to lead organisations that have tied non-financial outcomes to their compensation. About half of CEOs who lead organisations ranked highest for trust have customer satisfaction (51%) and employee engagement metrics (46%) tied to their personal bonus or incentive plan.

Cyber and health risks top CEOs' concerns

CEOs' optimism is high for the most part, but they are also well aware of potential threats that could impact their companies over the coming 12 months.

Similar to last year, cyber and health risks rank as the leading global threats, identified by 49% (South Africa: 33%) and 48% (South Africa: 37%) of CEOs, respectively. Not far behind is macroeconomic volatility, with 43% of CEOs (South Africa: 37%) either very or extremely concerned about the potential impact of inflation, fluctuations in GDP and labour-market issues in the coming year. Another major underlying concern is the ability to attract and retain talent - 69% of CEOs concerned about social inequality risks cite this as an impact, as do 62% of CEOs concerned about health risks.

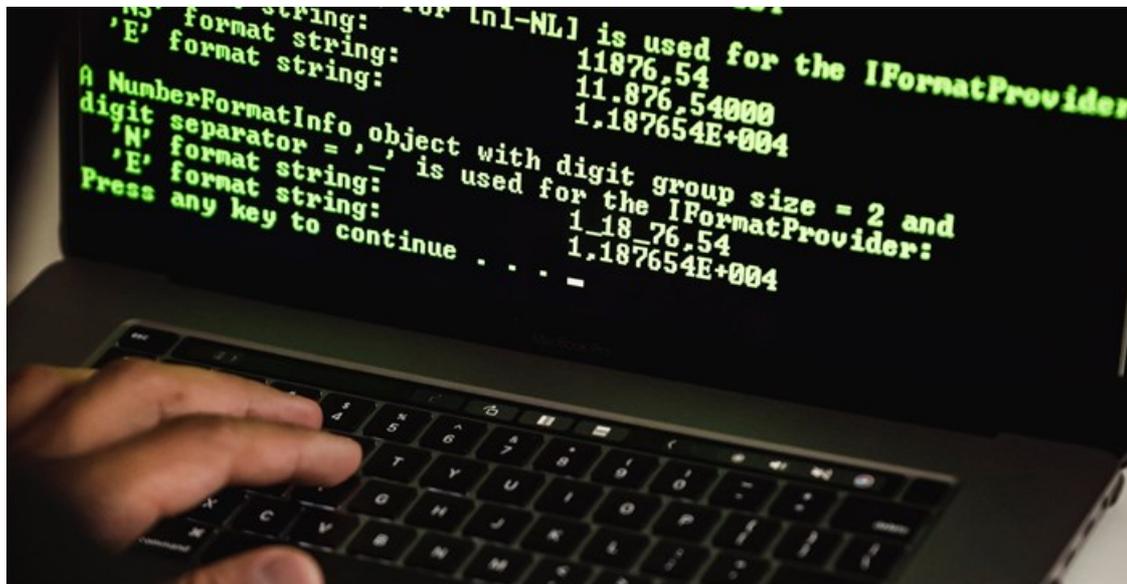
From an industry perspective, cyber risks are top of mind for financial services CEOs, 59% of whom cited cyber as a key threat. Notably, manufacturing (40%) and consumer (39%) CEOs displayed lower-concern levels about cyber, despite those sectors' high volume of cyber attacks. It bears watching to see if this relative level of complacency reverses itself over the coming year.

Understandably, a high percentage of hospitality and leisure CEOs (75%) are concerned about the impact of health risks on their business. And 49% of energy, utility and resource CEOs see climate change as a key threat in the coming year, 15 points higher than the percentage across all industries.

Resilience the barometer for degrees of optimism

CEO perception of threats varies by geography. More than half, 58%, of CEOs in Asia-Pacific are very or extremely concerned about health risks in the coming year (the exception is China, where only 42% of CEOs are highly concerned about health risks). By comparison, just 37% of Western Europe and 44% of North America CEOs have similar concerns about health risks. In Africa, health risks and macroeconomic volatility rank as the leading threats amongst 58% and 55% of CEOs respectively, followed by cyber risks as identified by 50% of CEOs.

Conversely, only 44% of Asia-Pacific CEOs are highly concerned about cyber risks (Australia, at 71%, is a notable exception), while North America CEOs show a higher level of concern (56%; 61% in the US), as well as Western Europe (50%; 66% in Switzerland).



Source: [Pexels](#)

Moritz said: “When CEOs look at the next 12 months, they are understandably concerned about potential threats to short-term performance that could result from disruptions, including macroeconomic volatility, cyber and health risks. While threats such as climate change and social inequality are further down the list, it is critical not to lose focus on these more long-term issues as they will define what sort of world we live in and hand down to the next generation.”

Shango said: “CEOs in Africa are understandably concerned about health risks, not only the Covid-19 pandemic but also diseases like malaria, tuberculosis, HIV/Aids and others which have remained challenging for many years. And yet Africa’s CEOs have managed health, macroeconomic and cyber risks, as well as social inequality and climate change, and built greater resilience over time. Experience is the greatest teacher. Africa’s CEOs are experienced in adversity and therefore optimistic about the future.”

Global CEOs look to the US for growth

When CEOs look outside their home country for revenue growth in the coming year, the US is viewed as offering the greatest potential. Forty-one percent rank the US as one of the top countries for their companies’ growth prospects over the next 12 months, up from 35% in 2021. China is ranked second overall, at 27%, comparable to its ranking last year, followed by Germany (18%) and the UK (17%, a six point increase from a year ago). For US CEOs, the UK is top-ranked for revenue growth importance over the next 12 months – 37% said it is one of their top markets, more than China at 26%. China CEOs rank the US (29%) as top-three most important for revenue growth, followed closely by Australia (24%), Germany (23%) and Japan (23%).

South African CEOs continue to look to China (37%), the US (23%) and the UK (20%) for growth opportunities.

Net-zero commitments are lagging for many

The survey shows that greater progress needs to be made to achieve global climate goals, as fewer than a third of CEOs said their company has made an emissions reduction commitment. Only 22% of the CEOs surveyed said their companies have made net-zero commitments; 29% said this commitment is in progress. In Africa, 15% of CEOs said that their companies have made a net-zero commitment and 33% said this commitment is in progress. A similar percentage – 26% – have made a carbon-neutral commitment while another 30% said this commitment is in progress, whereas 18% of CEOs in Africa (South Africa: 17%) have made a carbon-neutral commitment and 25% said this commitment is in progress. Half of South African CEOs (50%) stated that their company is working on net-zero commitment.

Only one third of CEOs identified climate change as a top concern for the coming year, reflecting a belief that it will not impact revenue growth in the near term. In Africa, 40% of CEOs identified climate change as a concern. But longer term, ensuring net-zero commitments are central to company strategies will be essential not only to mitigating climate change risks but to meeting customer as well as investor and employee expectations.

Net-zero commitments tend to be most associated with more carbon-intensive and larger companies. Among CEOs whose companies have made net-zero commitments, power and utilities is the top sector with 40% having made commitments, followed by energy at 39% – about 15 points greater than the next highest industries, telecommunications, and banking and capital markets, both at 24%. About two-thirds (65%) of CEOs whose companies have revenues of US\$25bn or more have made a net-zero commitment, compared to 10% of companies with revenues of less than US\$100m.

Some 57% of CEOs not making carbon-neutral or net-zero commitments indicated they don't believe their companies produce a meaningful amount of greenhouse gas (GHG) emissions. This was heavily weighted to CEOs in technology (74%), business services (72%) and insurance (71%). Many of these responses may be based on Scope 1 (direct) and Scope 2 emissions, but do not take into account Scope 3 emissions, which are generated throughout a company's value chain, including contributions of suppliers and other partners.

Customers respond favourably to companies committed to net-zero targets

While CEOs cited “mitigating climate change risks” as the most influential factor behind their net-zero strategies (cited as extremely or very influential by 63%), it was closely followed by “meeting customer expectations” (61%), reflecting the fact that taking action to address climate change is increasingly central to a company's brand and delivering the value that customers expect.

The survey also found that the more significant the decarbonisation commitment of a company, the more likely that emissions targets are part of the corporate strategy and tied to CEO compensation. Of companies where CEOs said they have science-aligned net-zero commitments, 70% include emissions targets in the corporate strategy (compared to 44% of companies whose commitments are not science-aligned and 9% of those with no net-zero or carbon-neutral commitment) and one-third of those with, or progressing toward, science-aligned net-zero commitments tie emissions to CEO compensation, compared to just 1% of companies with no net-zero or carbon-neutral commitment.



Alexander Forbes appoints new CEO

10 Jan 2022



Running the gauntlet of challenges

Moritz concluded: “Through 25 years of the Global CEO Survey, we've seen CEOs tackle challenges from the bursting of the dot-com bubble to the global financial crisis. Today, new challenges with the global pandemic and climate change are testing CEOs like never before. Yet, no matter the issue or year, one constant we see is the fundamental importance of establishing trust.

This year, trust appears linked to everything from CEOs' confidence in growing revenues to whether their organisation has made a net-zero commitment. Looking ahead, while there will certainly be unpredictable circumstances and challenges over the next 25 years, we believe companies built on a strong foundation of trust will be fortified and their CEOs best positioned to deliver sustained outcomes that contribute to long-term success."

Shango concluded: "During the past year, a number of businesses in Africa have announced net-zero targets and increasingly, companies in Africa are expected to produce emissions-reduction targets as well as climate transition plans, and to conduct climate-risk assessments. Implementing well-designed strategies for managing identified risks and vulnerabilities, and reducing emissions in line with science-based targets, can help Africa's businesses to manage change. These efforts have many benefits: building trust among a wide array of stakeholders, improving competitiveness, delivering value and sustained outcomes and inspiring people, communities and governments to make a difference."

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