



Asian CEO confidence edges lower in latest YPO Global Pulse Index

Confidence still fairly high, but well below peak recorded in July 2010

SINGAPORE, 7th February 2012 – The YPO Global Pulse Index for Asia edged lower by 0.2 points in the fourth quarter to 60.7. While that is still a fairly lofty level, it is significantly lower than in earlier quarters when the index was consistently in the upper 60s.

From mid-2009 through the third quarter of 2010, Asian confidence was roughly 10 points higher than the global index. Since then, the gap has steadily narrowed and now, for the first time, Asia weighed in slightly lower than the global index. Asian confidence at 60.7 in this latest reading trails Canada (64.4), Latin America and Africa (both at 63.6), and the United States (62.2).

The survey results were announced today by YPO (Young Presidents' Organization), a not-for-profit global network of 19,000 chief executive officers. The YPO Global Pulse is the only CEO economic sentiment survey to span the globe on a quarterly basis, capturing answers from more than 2,000 CEOs representing companies of all sizes around the world.

Key findings

Drop in confidence broad-based across the region. During the past three quarters, the drop in confidence has been relatively broad-based with survey participants in China, India, Singapore, South Korea and Thailand all reporting substantial declines during that period. The notable exception was in Japan, where confidence rose from a tsunami-depressed level of 46 in the first quarter of 2011 to its current level of 55.4.

Conditions expected to improve after deteriorating the past six months. When asked to evaluate current business conditions compared with six months ago, CEOs in the region generally agreed that conditions had deteriorated. Looking ahead six months, those same YPO members were less downbeat. For example, 38% expected conditions to improve six months down the road compared with 34% who felt that way one quarter ago. More importantly, only 23% thought conditions would worsen during that period of time; in the previous quarter, 35% thought that might be the case.

Sales outlook slips but remains high. Looking ahead 12 months, the YPO Sales Confidence Index for Asia fell 4.6 points to 66.1. While this remains a relatively robust reading, it is 10 points lower than it was this time last year. Furthermore, instead of being 5 to 10 points higher than the global sales Index as it was every quarter heretofore, it now lags it by 1.5 points.

Employment index unchanged from prior quarter. The YPO Employment Confidence Index for Asia was unchanged in the fourth quarter at 59.2, although down from its high point of 64.4 in the first quarter of last year. Thus, hiring prospects have deteriorated in recent quarters, but not as dramatically as the expectation for sales. At 59.2, the Asian Employment Index is roughly in line with the 59.0 reading for the global sample.

Fixed investment expectations rise slightly. The YPO Fixed Investment Confidence Index for Asia rose 0.4 points in the fourth quarter to 66.7. That is just 3.4 points lower than the peak level of 70.1 attained in the first quarter of last year. The current level is 5.3 points higher than the global investment reading of 61.4 and indicates that CEOs in Asia continue to have the world's most ambitious capital spending plans. However, the gap relative to the rest of the world has narrowed somewhat as other regions reported bigger gains.

Commentary

“Even amidst a combination of country-specific challenges across Asia, including concerns about inflation, cost of capital, and in some cases, election or regime issues, CEO sentiment in the region continues to be decidedly optimistic, albeit with larger doses of caution baked in,” said Stanley Szeto, member of YPO’s Hong Kong Chapter and chairman and CEO of Lever Style, Inc. “While CEOs indicate a confidence in their own abilities to manage their companies, they are wary of economic uncertainty beyond their control.”

Global results

After declining for three straight quarters, the YPO Global Confidence Index rebounded in the fourth quarter of 2011, climbing 3.2 points to 61.2. Confidence was up in every region except Middle East/North Africa, non-EU Europe and Asia. It was largely buoyed by the Americas, where confidence levels jumped more than 4 points in Canada, the United States and Latin America. For the first time since YPO began measuring CEO sentiment in July 2009, Asia landed below the global reading and the United States came in above it. Confidence rose slightly in the European Union, but the region continues to be the global laggard.

YPO Global Pulse Confidence Index

The YPO Global Pulse Confidence Index combines CEO answers about expected and most-recent-quarter sales, employee numbers, fixed investment and business conditions. The index is centred on 50. An index reading below 50 indicates a negative outlook – the lower the number, the more negative the outlook. A reading

above 50 indicates a positive outlook – the higher the number, the more positive the outlook.

Survey methodology

The quarterly electronic survey, conducted in the first two weeks of January 2012, gathered answers from 2,157 chief executive officers across the globe, including 216 from Asia. Globally, 27% of participants are from large companies (more than 500 employees), 38% from medium-sized companies (100-500 employees), and 35% from small companies (less than 100 employees). By business sector, 25% of participants are from the production sector, 9% from construction and 66% from the services sector. For more information, go to www.ypo.org/globalpulse.

About YPO

YPO (Young Presidents' Organization) is a not-for-profit, global network of young chief executives connected around the shared mission of becoming Better Leaders Through Education and Idea Exchange™. Founded in 1950, YPO today provides 19,000 peers and their families in more than 110 countries with access to unique experiences, world-class resources, alliances with top learning institutions, and specialized Networks that help them enhance their business, community and personal leadership. Collectively, member-run companies generate US\$6 trillion in annual revenues and employ more than 16 million people. For more information, visit www.ypo.org. See us also on [Facebook](#) and follow us on [Twitter](#).

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