KPMG 2024 CEO Outlook: Asia Pacific

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Foreword: Bracing for the future

Balancing opportunity and risk, Asia Pacific CEOs are upbeat about the prospects of their companies, industries and the global economy.

Despite the challenging macroeconomic realities of the moment, Asia Pacific CEOs are experimenting with new and emerging technologies, reaching out to new (and old) partners in the region, and boosting the capabilities of their workforces.

The past two years have been characterized by intensifying geopolitical tensions, forcing Asia Pacific companies and territories to rethink long-established trade relationships and pursue new avenues for growth. With the new administration in the United States assuming office in January 2025, higher tariffs and increased protectionism are a possibility, which could result in a reconfiguration of supply chains and a need to find alternative strategies for growth.

Meanwhile, other challenges are mounting quickly too. Against the backdrop of Asia's rapidly aging societies and the imperatives to invest in generative AI, companies are having to think deeply about how they could potentially futureproof their workforces while simultaneously navigating complex ethical and security challenges.

When KPMG first launched the CEO Outlook in 2014, the idea was to provide insight into the perspectives, hopes and ambitions of the world's top corporate leaders. Over 10 years, we have witnessed how top leaders in Asia Pacific have navigated vast and complex challenges.

From pandemic-era volatility and geopolitical tensions to high inflation and rapid technological advancement and disruption, Asia Pacific CEOs have led their organizations with resilience and ingenuity. This decade of insights has revealed how leaders adapt strategies, redefine resilience and drive growth in an incredibly volatile world.

The 2024 CEO Outlook surveyed more than 1,300 global business leaders overseeing companies with revenues of at least US$500 million from the world's biggest economies and key industries. Within this cohort, 400 CEOs represent businesses in Asia Pacific.

Asia Pacific CEOs are upbeat about their growth prospects, with a distinct majority expressing confidence in the potential of their companies, industries and economies.

Leaders in Asia Pacific remain resilient and are looking to generate new sources of value by investing in cutting-edge technologies, expanding their headcount, and betting on the promise of ESG.

Honson To

Chairman
KPMG Asia Pacific

These have been disruptive times for leaders in Asia Pacific, with advancing technologies, geopolitical realignments and massive demographic shifts upending business as usual.

Yet, Asia Pacific CEOs have demonstrated steely resolve in the face of these challenges, and are optimistic about the impacts their investments will have on their prosperity. They see the value of committing to and investing in not just the right technologies but also the right talent — this combination will be vital in helping them adapt, create new value, and pursue long-term, sustainable growth.

Key findings

Economic Outlook	Technology & AI	Talent	ESG
CEOs cited increased optimism towards the global economic context. 73 percent of ASPAC executives expressed confidence in global economic growth prospects over the next three years, up from 63 percent in 2023.	65 percent of Asia Pacific CEOs agree that Generative AI is a top investment priority.	Around 84 percent of Asia Pacific CEOs say that their organizations are facing large-scale talent challenges such as greying populations and a tech skills shortage.	Adoption of ESG initiatives has been slower in ASPAC than in more mature markets, however, sustainability is rising to the top of their agenda, and not just because of heightened stakeholder pressure or increasing regulatory scrutiny.
Supply chain risk was picked as the biggest threat to organizational growth, suggesting that trade has not normalized post-COVID, particularly with the surge in geopolitical uncertainty.	Many view advancing digitalization as a main driver of organizational growth.	CEOs are prioritizing initiatives to strengthen their workforces and invest in skills development.	CEOs increasingly view ESG strategies as key sources of value that can impact their customer relationships, capital allocation and fuel organizational growth.
Digitalization is also emerging as a potential source of risk, as the widespread adoption of new technologies invites potential cybersecurity and operational disruption.	Concerns remain over how these technologies may impact staff strength and potentially result in the emergence of ethical issues.	Over the next three years, 90 percent of Asia Pacific CEOs expect to increase their headcounts, whilst prioritizing initiatives to invest in skills development.	Successful outcomes will require them to solve for the complexities of supply chain decarbonization and build up resources and talents needed to tackle climate commitments.

Economic outlook

Asia Pacific CEOs' confidence in the global economy has improved steadily amid stronger growth prospects, both regionally as well as globally.

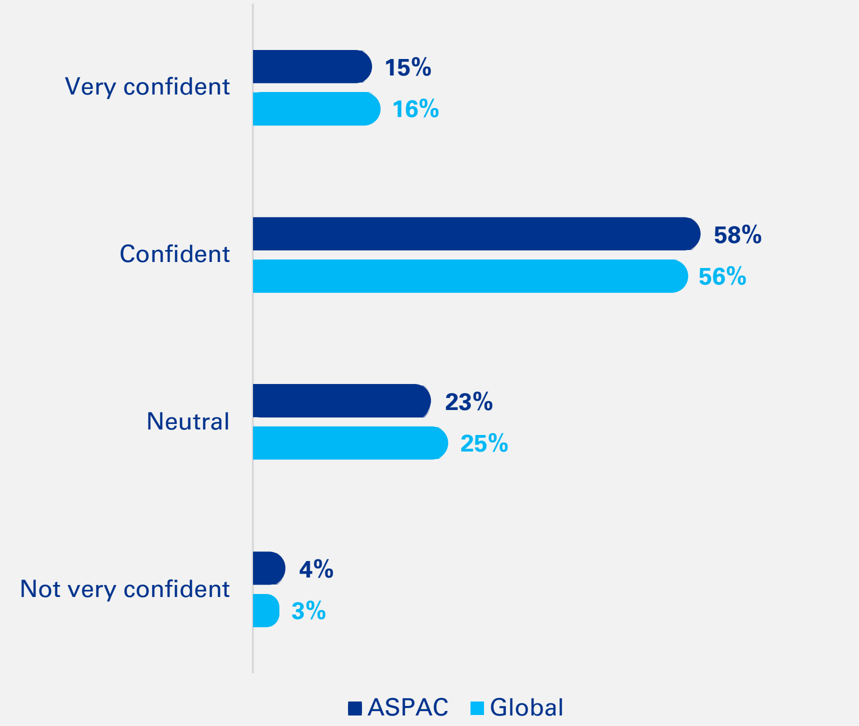
When KPMG first launched its CEO Outlook 10 years ago, there was an undeniable sense of optimism, with 93 percent of leaders confident about the prospects of the global economy. Over the course of the past decade, that optimism has been challenged by successive disruptions and uncertainty, before stabilizing more recently.

In 2024, Asia Pacific CEOs' confidence in the global economy continues to trend upwards, with 73 percent of executives expressing upbeat sentiments about the growth prospects of the global economy — a near 10 percent improvement from the previous year (63 percent), and at par with global averages.

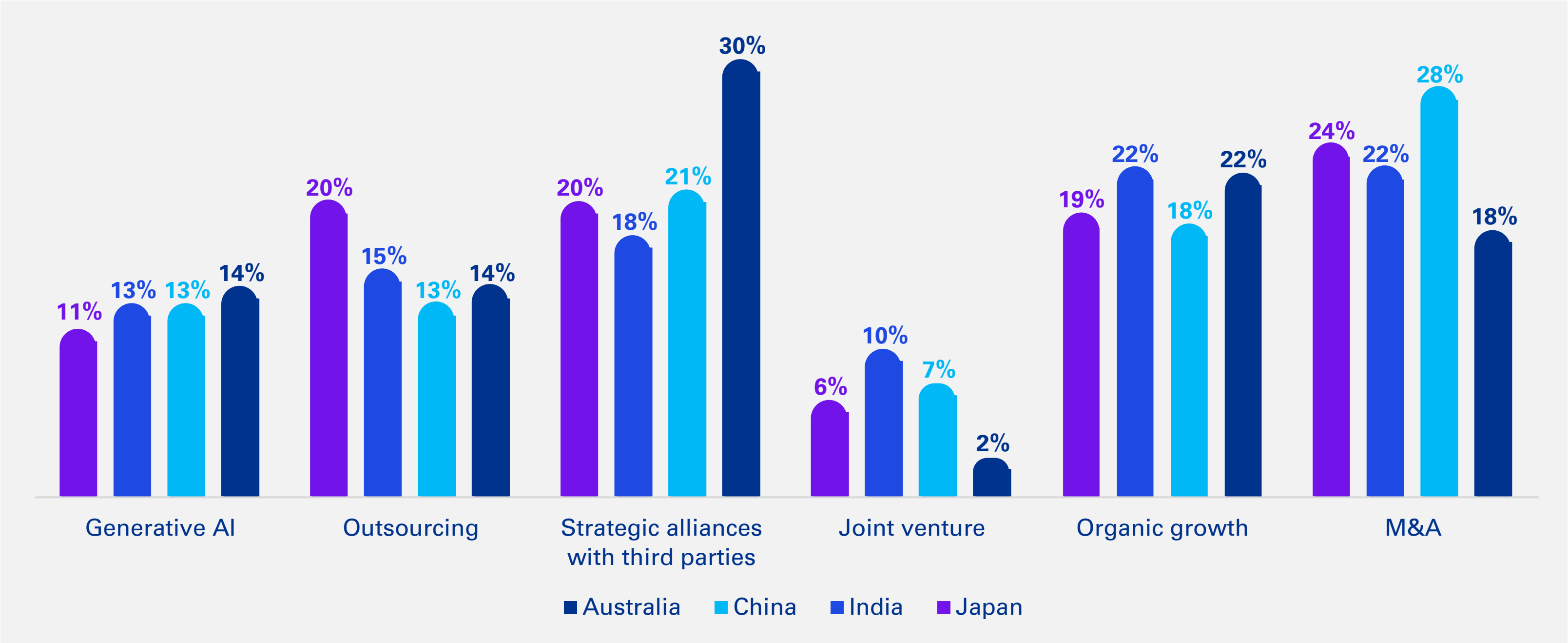
Asia Pacific CEOs' confidence in the global economy continues to trend upwards

73%

Asia Pacific CEOs are largely positive about global economic prospects



Partnerships and collaboration are the way forward for most companies



Most executives are highly optimistic about their earnings potential, with 94 percent expecting gains over the next three years. That positivity is rooted in the region's strong economic performance over the past year, bolstered by export recovery, resilient domestic demand supported by disinflation and solid foreign direct investment (FDI) inflows.[1] CEOs in India (80 percent), in particular, have a more positive outlook on the global economy compared with regional and global peers, reflecting its relative stability and growth potential.[2]

Source: KPMG CEO Outlook 2024

1. https://www.imf.org/en/Publications/REO/APAC/Issues/2024/04/30/regional-economic-outlook-for-asia-and-pacific-April-2024
2. https://www.worldbank.org/en/news/press-release/2024/09/03/india-s-economy-to-remain-strong-despite-subdued-global-growth

Partnerships and collaboration are the way forward for most companies

That confidence is also clearly expressed in terms of how CEOs are planning to grow business. In 2024, 87 percent of regional executives report moderate to high appetites for M&A— a slight increase from the previous year — especially those from mature economies like Japan and Australia (92 percent). Japanese companies, in the search for greater return investment, are investing aggressively in emerging markets globally, while Australian companies' investments in Southeast Asia have increased significantly over the past decade, as successive Australian administrations have sought closer trade and investment ties with the region's economies.

In fact, M&A (24 percent) emerges as the top strategy for Asia Pacific CEOs to achieve their organizational growth objectives over the next three years, followed by strategic alliances with third parties (21 percent). As geopolitical disputes realign global trade, it is not surprising that Asia Pacific businesses are looking to strengthen existing partnerships and build new ones with their neighbors.

This momentum is especially strong in China, where more businesses are using M&A to spur growth beyond their domestic markets and outbound deals have increased sharply, reflecting efforts by the world's second largest economy to diversify into new markets, particularly those in Southeast Asia.

Risks to growth

Though global trade has remained resilient since pandemic-induced disruptions, widespread realignments are reorienting the risks faced by Asia Pacific CEOs. In 2024, supply chain risks have overtaken geopolitical and political uncertainty as the top threat to organizational growth. Moreover, when asked which trends would negatively impact their organization's prosperity, Asia Pacific CEOs are more likely than their global counterparts to cite trade regulation as a major impediment (79 percent vs 72 percent).

Supply chain constraints are top-of-mind for Asia Pacific CEOs

Economic issues dominate the agenda for Asia Pacific CEOs more than they do for their peers in other parts of the world. Eighty percent of leaders identify cost of living as a top factor adversely impacting organizational prosperity, reflecting the seismic impacts that high inflation and interest rates have had on their economies. These sentiments are especially intense in Japan (93 percent) and India (80 percent), where household consumption remains weak.

As leaders increasingly focus on digitalization to drive organizational growth, cybercrime and cyber security have emerged as a major risk area for Asia Pacific CEOs. These results speak to the region's particular vulnerability to cybercrimes as well as the relative immaturity of its security infrastructure, despite its high level of technological adoption. These issues are likely to deepen further as rapid changes and adoption of AI drives greater efforts by bad actors. Yet, 49 percent of Asia Pacific leaders are still optimistic about their capabilities to withstand cyberattacks, versus the 11 percent who feel underprepared.

The steady recovery of the global economy

has bolstered export performance in Asia Pacific during the first half of 2024. Meanwhile, emerging technologies are driving significant new momentum for business development. Increasingly, entrepreneurs are integrating ESG strategies into corporate management, contributing to long-term business sustainability and organizational resilience.

The development of emerging technologies, modernization of industrial systems and supportive regulatory policies strongly assist corporate mergers and restructuring, paving the way for sustained growth and innovation.

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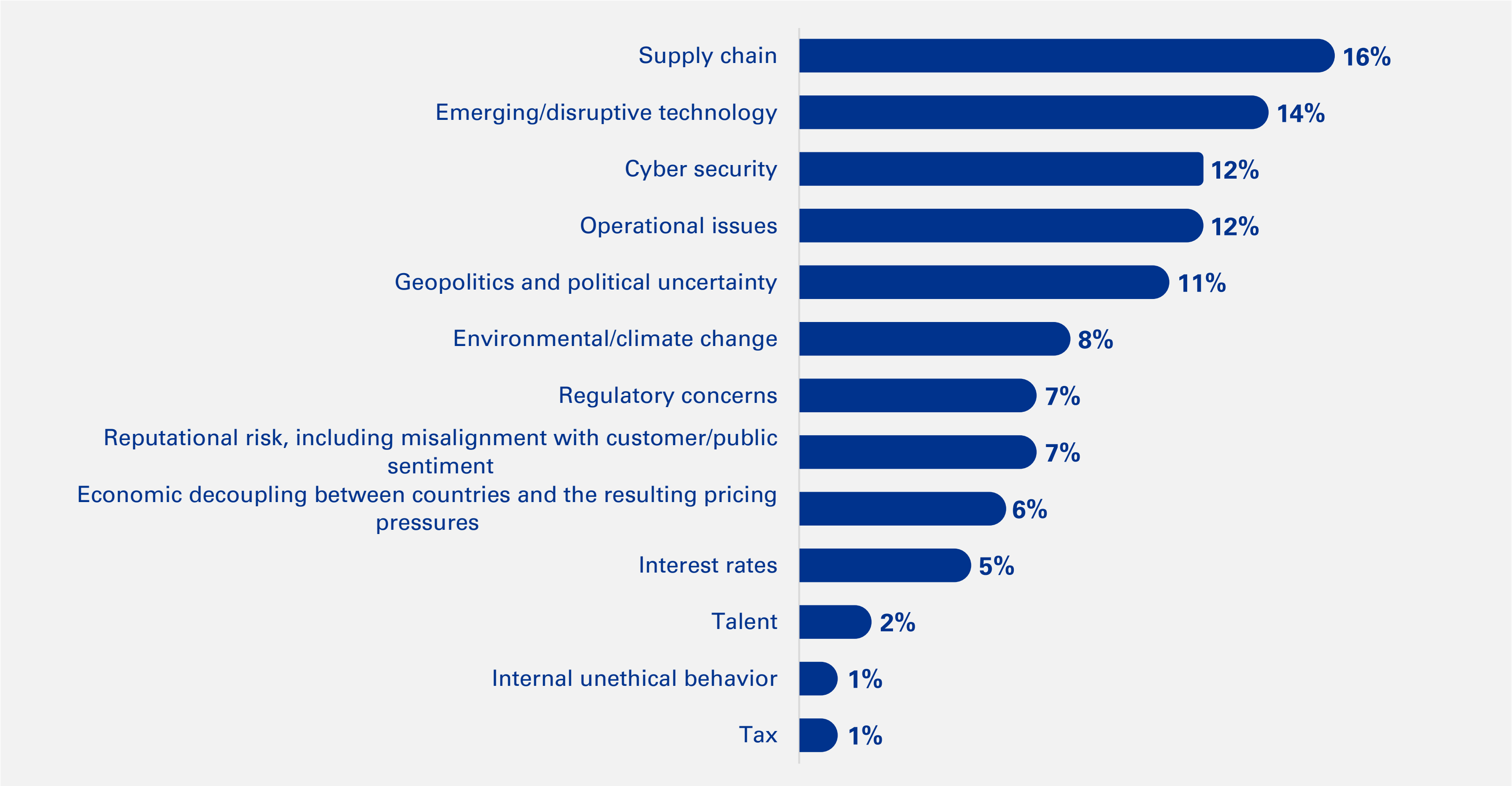
KPMG Asia Pacific

Source: KPMG CEO Outlook 2024
* Numbers don't total to 100 percent due to rounding

Supply chain constraints are top-of-mind for Asia Pacific CEOs



Source: KPMG CEO Outlook 2024
* Numbers don't total to 100 percent due to rounding

Technology and AI

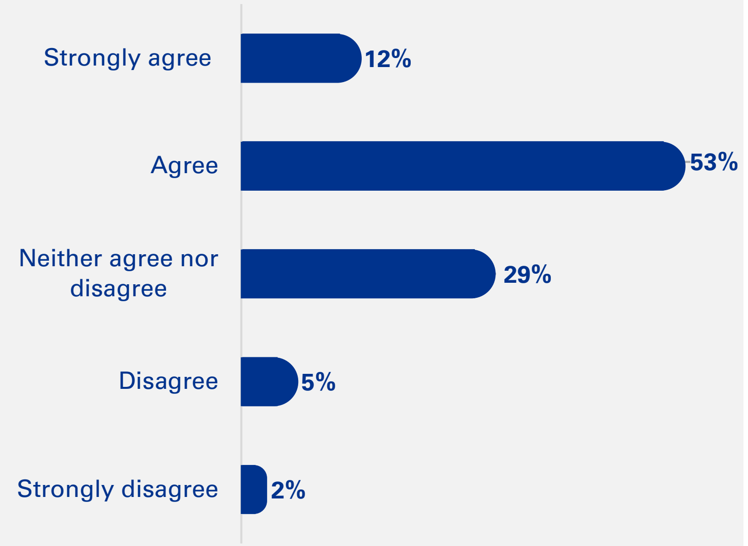
Asia Pacific CEOs are making concerted efforts to invest in their companies' technological capabilities. They are placing slightly more emphasis on buying and implementing new technologies (58 percent) versus developing workforce skills and capabilities, with many viewing advancing digitalization as a top driver of organizational growth.

Perhaps nowhere is this focus clearer than with Asia Pacific CEOs' growing prioritization of generative AI investments despite challenging economic conditions. These sentiments are particularly strong in Japan (72 percent) — where generative AI is considered essential to boosting the country's flagging productivity levels. Overall, Asia Pacific spending on generative AI is expected to continue surging, with companies shifting their budgets away from infrastructure digitalization towards AI adoption. AI investment is also rising sharply in South Korea, dovetailing with a boom in the region's semiconductor industries.[3]

Asia Pacific CEOs are highly aware of the risks of not adopting generative AI, with 47 percent considering it the third-most pressing issue facing their organizations today. That said, leaders are also aware that adoption may introduce thorny ethical challenges (65 percent), while others worry about how the technology may impact their workforces. Still others cite skills shortages and a lack of regulation as barriers to generative AI adoption.

These are murky areas without simple solutions, but Asia Pacific executives have immense clarity that generative AI will be beneficial to their business, helping them reap rewards in the form of competitive advantage, value creation and innovation.

Generative AI is a top investment priority in Asia Pacific



Source: KPMG CEO Outlook 2024

3. https://blogs.adb.org/blog/asia-s-semiconductor-powerhouses-can-thrive-ai-era

Source: KPMG CEO Outlook 2024

Technology and AI

Generative AI has transformative potential across sectors, especially in data-rich, customer-focused, or highly complex industries.

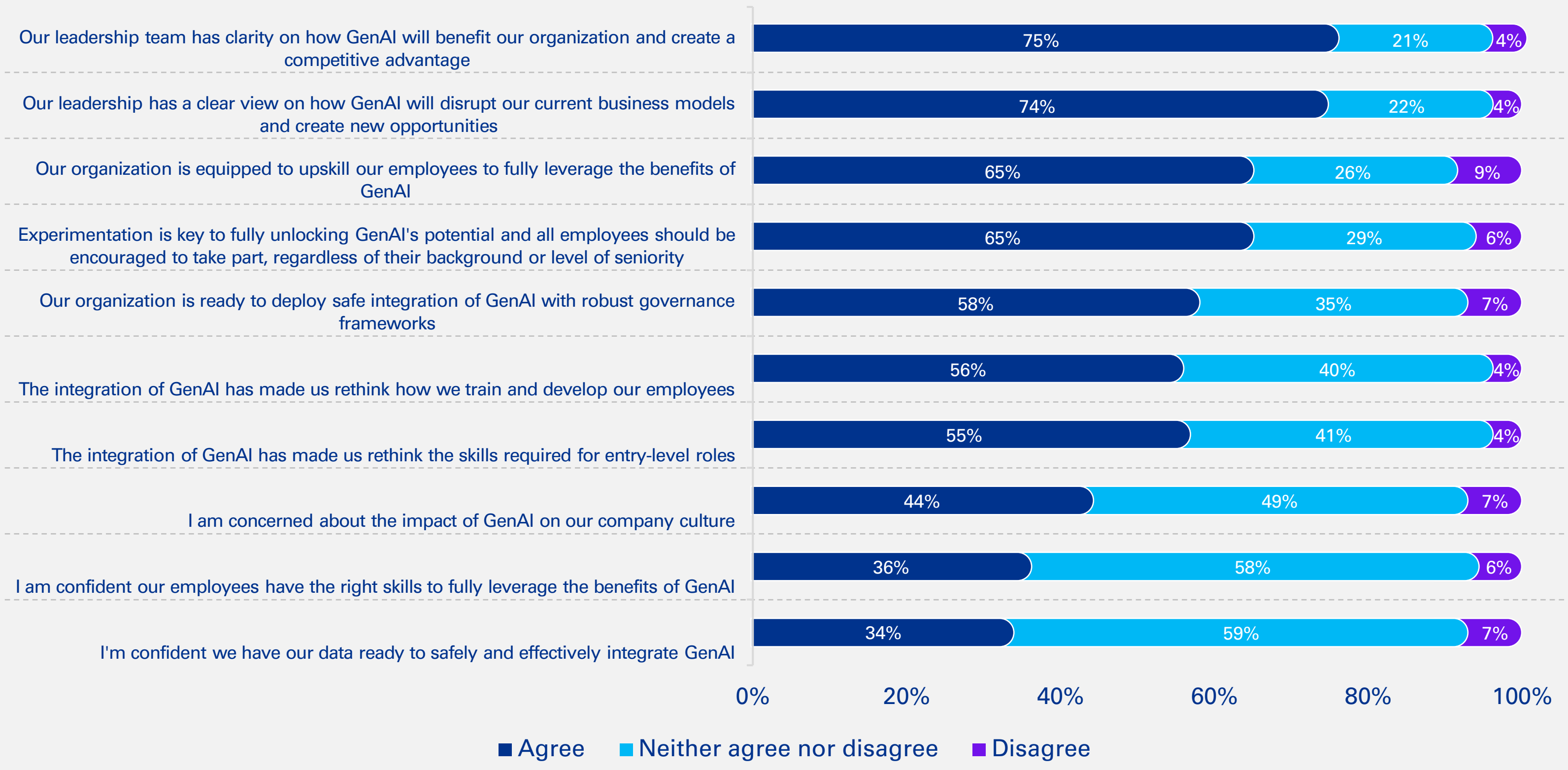
In healthcare, it can enhance diagnostic processes and personalize treatment plans, significantly enhancing patient care. In finance, AI's capacity to analyze vast datasets can revolutionize risk management and fraud detection. Consumer and retail industries benefit from personalized marketing, inventory forecasting and automated customer service, while manufacturing can leverage AI for automation and predictive maintenance.

To unlock AI's value, leaders should seek to target investments strategically and prioritize change management to foster trust and smooth adoption among employees, customers, and regulators.

Jeffrey Wong
Head of Advisory
KPMG Asia Pacific

Leaders also see generative AI as a useful tool for tackling their organizations' workforce priorities. Over 80 percent of Asia Pacific executives believe that generative AI will not eliminate jobs, but will instead create the opportunities, incentives and roadmap to prepare their employees for a tech-driven future. However, achieving this will require a large-scale deployment of resources to not only adopt new technologies but also upskill and develop the talent to use them.

Asia Pacific CEOs are clear about the benefits of Generative AI



Source: KPMG CEO Outlook 2024

Talent

As Asia Pacific grapples with rapidly aging societies, investing in skills will be crucial to long-term prosperity.

We need to ensure that the inclusion of older

workers complements the development and emergence of future leaders. To remain valuable in the workplace, older workers should be willing to adapt to new technologies through reskilling and upskilling. Organizations play a crucial role in identifying existing skills and addressing skills gaps to align with evolving needs.

Ivana Arlianto
Head of People Performance and Culture
KPMG Asia Pacific

Rapid and widespread digitalization has highlighted the importance of talent in enabling companies to realize new value, but in Asia Pacific, talent issues are inflected by the region's demographic challenges. Japan, for example, is the world's most rapidly aging nation, where more than one in 10 people are aged 80 years or older.[4] However, other neighboring countries like China are also catching up.[5]

Faced by the prospect of greyer workforces, companies are facing a looming demographic timebomb that executives are already worrying about. Around 84 percent of Asia Pacific CEOs say that an aging workforce is expected to moderately or highly impact their organizations' overall people strategy.

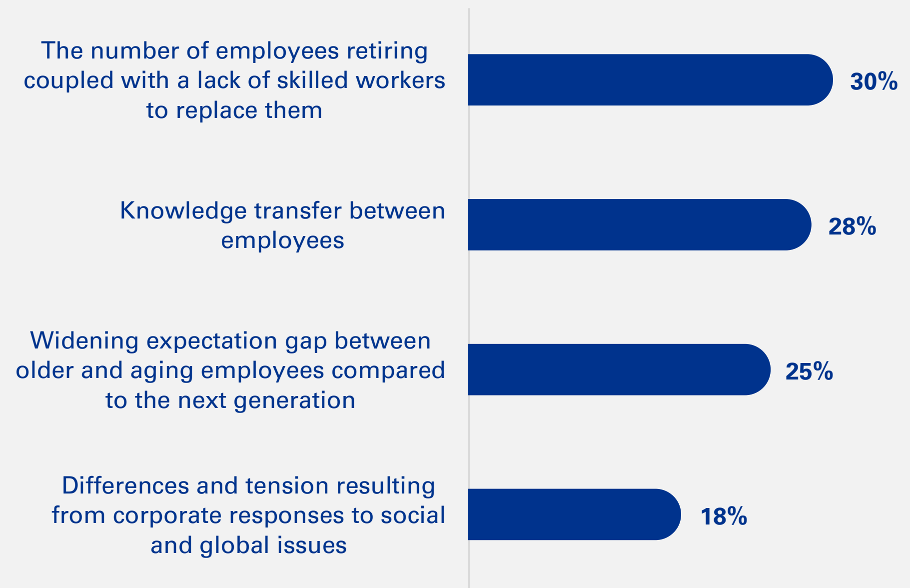
Executives are concerned how demographic trends will limit their ability to replace skills or maintain existing sources of knowledge as older generations retire from the workforce.

There are very real implications to this issue, as skills shortages will inevitably lead to operational issues that can damage organizations' future growth potential. Compounding this problem is a longstanding tech skills shortage, which is estimated to impact a majority of the region's organizations.

84% expected to moderately or highly impact their organizations' overall people strategy

4. https://www.weforum.org/agenda/2023/09/elderly-oldest-population-world-japan/
5. https://www.who.int/china/health-topics/ageing#:~:text=China%20has%20one%20of%20the,expectancy%20and%20declining%20fertility%20rates

Skills shortages are a key concern in Asia Pacific



Source: KPMG CEO Outlook 2024

Asia Pacific leaders clearly see the importance of strengthening their organizational talent. Over the next three years, 90 percent of Asia Pacific CEOs expect to increase their headcounts (34 percent expect to see an increase in headcount of 6 percent or greater), with tech skills being the focus. Organizations are also prioritizing initiatives to invest in skills development (84 percent), aligning with global trends.

ESG

Slow to start, Asia Pacific CEOs are pushing on the sustainability agenda.

Unlike in more mature markets, Asia Pacific companies have been slower to adopt ESG initiatives but increasing pressure from stakeholders (especially investors and customers) as well as intensifying regulatory scrutiny has pushed sustainability to the top of their agenda. As such, the importance of executing ESG initiatives is growing for Asia Pacific CEOs.

While climate change and natural disasters are a major factor driving executives' perspectives, organizational outcomes are the top drivers of leaders' changing attitudes towards ESG. For Asia Pacific CEOs, failure to adopt more sustainable practices could cost the competitive advantage and jeopardize their longevity.

However, there is a subtle shift in motion among Asia Pacific CEOs who are coming alive to the potential of ESG strategies to help them create organizational new value. A greater share of Asia Pacific CEOs sees the usefulness of ESG initiatives in refining their capital allocation, partnerships, alliances and M&A strategy. Similarly, a larger share of CEOs now believes that an ESG strategy helps attract the next generation of talent, and also strengthens employee engagement and value proposition. Fewer Asia Pacific CEOs in 2024 associate ESG strategy with positive brand association, although it is still considered important (34 percent).

Sustainability initiatives were once seen as cost centers. Now executives view them as legitimate sources of value creation, with nearly half (48 percent) saying they will see significant returns on their ESG investments within the next half decade.

However, achieving these will require them to solve for the complexities of supply chain decarbonization (including Scope 3 emissions), and build up the resources and talents they need to tackle climate commitments. These are not just Asia Pacific problems, but global ones that will require time and deep commitment from leaders to achieve.

ESG strategy is seen as impacting organizational growth in myriad ways

Source: KPMG CEO Outlook 2024

ESG

Many Asia Pacific corporates tend to

perceive ESG implementation as a cost, rather than an investment and as a trade-off with financial performance. This may be largely due to short-term decision-making tendencies and weaker shareholder activism in Asia compared to the US and Europe.

While Asian corporates recognize the importance of improving Scope 3 reporting, they face challenges due to insufficient structural incentives to gather supply chain carbon data.

Derek Lee Dong-Seok
Head of ESG
KPMG Asia Pacific

Lack of skills and expertise to successfully implement solutions

Lack of internal governance/ controls to operationalize it

Active ownership from shareholders and wider stakeholder groups

Decarbonizing supply chains is the top barrier in meeting climate ambitions

Complexity of decarbonizing supply chains

Lack of appropriate technology solutions to gather and analyze data

The cost of decarbonization

Increasing - but inconsistent - regulation requirements across jurisdictions

Source: KPMG CEO Outlook 2024

Despite these challenges, Asia Pacific CEOs are confident they can meet their ESG priorities. A little over 4 in 10 (44 percent) Asia Pacific CEOs are confident that they will achieve Net Zero by 2030, and three-quarters say they already have the capability and capacity to meet new ESG reporting standards. Meanwhile, 56 percent of Asia Pacific CEOs say they have already embedded ESG into their business as a means to create increased value.

As regulations continue to emerge, only time will tell how successful Asia Pacific CEOs will be when it comes to their sustainability efforts. But, judging by the progress they have made, there is room for hope.

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