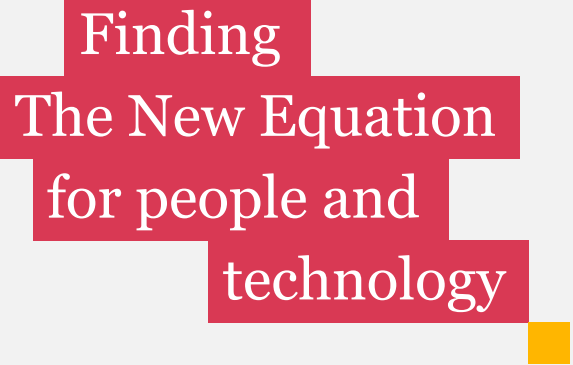


PwC Australia's 26th CEO Survey


Mitigation and transformation:

How CEOs in Australia are leading their businesses through a challenging economy in 2023 while transforming their companies for long-term growth.





Finding The New Equation for people and technology




PwC's 26th CEO Survey shows that CEOs in Australia expect both local and global business conditions in 2023 to be tougher than last year. However we're optimistic that, in general, Australian businesses will be able to mitigate the short-term impacts from inflation and interest rate rises.

We believe the more difficult leadership challenge is keeping up the pace of business transformation.

As companies seek to be both human-led and tech-powered, CEOs need to find a new equation for people and technology to ensure the long-term growth aspirations of our companies.

The CEO Survey data is clear: the number one problem facing CEOs in Australia is ensuring our companies have the right skill sets. It's not only an issue for right now - it's one of the biggest drivers of disruption over the next decade.

We need to upskill and reskill our workforces, and develop talent pipelines for future skills, as we adapt to technologies such as automation and AI. Almost nine in 10 CEOs in Australia say they are investing in upskilling in 2023 - a higher level than our global counterparts.



Meanwhile, Australia's CEOs are more worried than their global peers about the increasing risks from cyber attacks and climate change.

As CEOs seek to find solutions to these important problems facing not just our own companies but also the society we operate in, PwC's survey data shows there are still plenty of opportunities for businesses to broaden collaboration outside of traditional industries and to work together with governments, academics, entrepreneurs and the not-for-profit sector.

We've already come through a period of digital disruption, pandemic shutdowns and economic shocks, but we still might experience more transformation over the next 10 years than we've seen in the past 50.

Summary of findings: mitigating today's challenges and transforming for tomorrow

PwC's 26th CEO Survey was conducted over a six-week period in October and November 2022. It received 64 responses from Chief Executive Officers (CEOs) or equivalent of 42 privately-owned and 22 publicly-owned companies in Australia across almost 20 industry sectors out of 4,410 responses globally.



1-2 months

Inflation and declining economic growth

CEOs in Australia are taking actions to mitigate against declining economic growth and rising cost pressures, while trying to avoid reductions in their workforces, deals or investments that could impact future growth.

Our take: CEOs are cautiously optimistic they can navigate the inflation challenges and still achieve their companies' long-term growth plans.

70%

of CEOs expect the Australian economy to decline in 2023

89%

have already or plan to reduce operating costs

78%

have already or plan to raise prices of product and services

1-5 years

Skills shortages, cyber risks and climate change

CEOs in Australia are more worried than their global peers about skills shortages, cybersecurity and climate change, and consequently are more likely to be investing in measures to address these issues.

Our take: Each of these challenges requires organisations to re-think how they prioritise and manage these complex risks, and create roadmaps for transformation.

86%

are investing in **upskilling** their workforce

77%

are considering increasing investments in **cybersecurity or data privacy** to mitigate against exposure to geopolitical conflict

5-10 years

Transformation, disruption and long-term growth

CEOs have a burning platform for transformation. Almost a third acknowledge their company won't last beyond a decade unless they take a different path.

Our take: How fast CEOs keep up with changes in customer demands and technology will be determined by how fast they can manage the skill sets in their workforces, respond to changes in regulation, and collaborate to find new sources of value and solutions to society-wide problems.

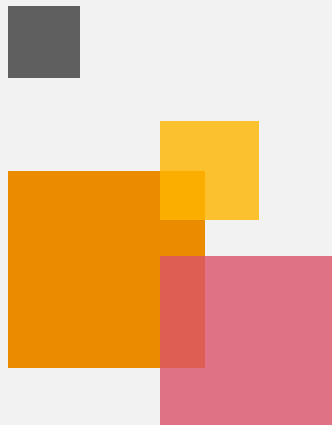
3 out of 10

CEOs in Australia believe their company won't exist 10 years from now if they continue on the same path

82%

see **labour/skills shortages** impacting industry profitability to a moderate to very large extent over the 10 years.

Three actions for CEOs



6-12
months

1 Mitigate against economic challenges to enable long-term growth

With inflation and interest rates providing some challenging economic conditions, business leaders will naturally focus on protecting profit margins and delivering results in the short-term. Those who can manage this effectively can ensure their company is well positioned for investments into long-term growth and broader value creation. Australia's economic fundamentals are still in good shape beyond 2023.



Rob Silverwood
Deals Business Leader,
PwC Australia

1-5
years

2 Check your blind spots - what are your risk priorities?

Workforce management, technology and cybersecurity continue to be key areas of risk focus. CEO Survey data indicates business leaders in Australia have a lower level of concern for risks associated with supply chain disruption and energy transition. Perceptive leaders will pay close attention to these undercurrents as they prioritise risks for their company in the short to medium term.



Corinne Best
Trust & Risk Business
Leader, PwC Australia

5-10
years

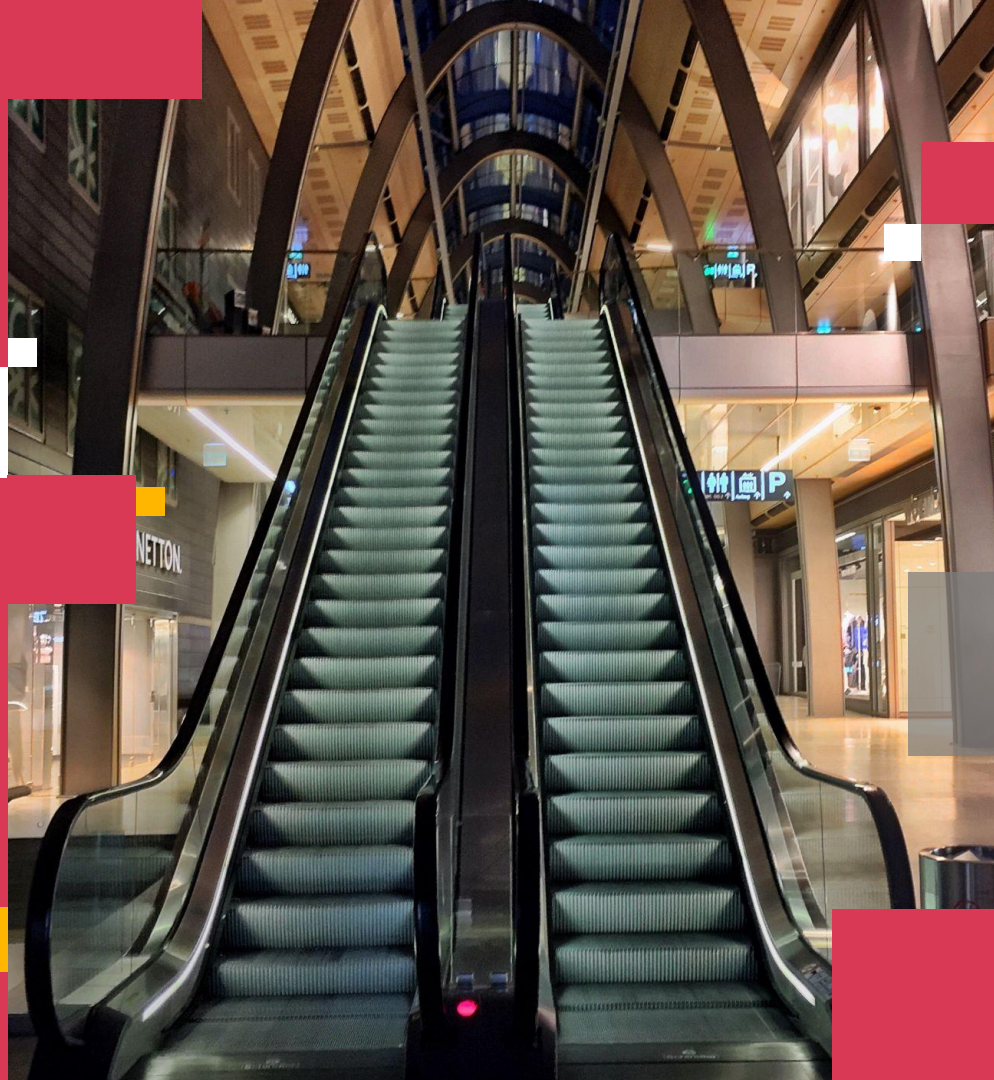
3 Take a broad approach to transformation, both inside and outside of your company

Transformation doesn't happen in silos. Upskilling isn't just an HR issue and technology isn't just about IT. Companies need to take a whole-of-organisation approach to addressing long-term disruptors such as reskilling, regulation and technology advancements such as AI. CEOs also need to ensure they are looking outside of their own company and even their own industry. Seek out the people who are thinking ahead, create partnerships with universities, entrepreneurs and NFPs, and develop new pipelines for talent.



Rohit Antao
Cloud & Digital Leader,
PwC Australia

Inflation and declining economic growth



Pessimistic economic outlook but CEOs still positive on business growth



Amy Auster
Chief Economist
and Insights Officer,
PwC Australia

Australia's economic growth, like much of the rest of the world, is slowing in 2023. But Australia's CEOs are more optimistic than their overseas counterparts, and for good reason. Australia's economic success and recovery through the COVID-19 pandemic means business conditions remain stronger when compared with peers in North America, Europe and even Asia.

PwC's 26th CEO Survey shows that 70% of CEOs expect Australian economic growth to be weaker in 2023. This is largely due to the shocks we have experienced along with the rest of the world, coupled with higher interest rates. But CEOs in Australia anticipate inflation pressures will be transitory - an issue for the next 12 months perhaps, but not beyond, and a view that is consistent with PwC's own expectations.

Australian businesses have been able to adjust to the current economic conditions because consumption in Australia has remained strong, despite higher inflation, higher interest rates and lower household disposable income.

The durability of consumer appetite in the face of these headwinds can be chalked up to a tight jobs market that offers confidence about the outlook for household income, alongside the savings that households accumulated during the pandemic.

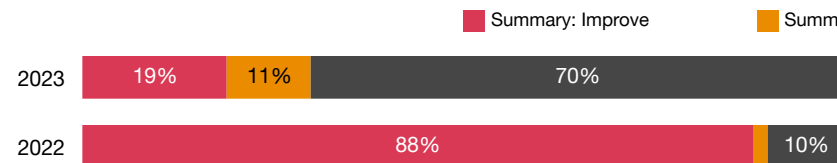
For business, this means margins are being restored, while CEOs continue to focus on innovation in products and adjust to changes in supply chains. While business sentiment surveys remain weak, our CEO Survey indicates less than half of CEOs are planning to slow business investment, delay deals or implement a hiring freeze. Less than 25% of CEOs anticipate job cuts or pay cuts, which is a positive signal for the broader Australian economy and the Australian consumer going forward.

In fact, Australia's tight labour market remains a top concern for CEOs, as expressed by the focus on upskilling workers and automating systems. I anticipate that as the economy starts to slow and international migration picks up, we may see the churn in the jobs market slow and pressures on wages start to ease. Signs of a softening labour market will give the RBA confidence that a wage-price spiral has been avoided and the rate hike cycle can end, a position that we anticipate will be reached midway through 2023.

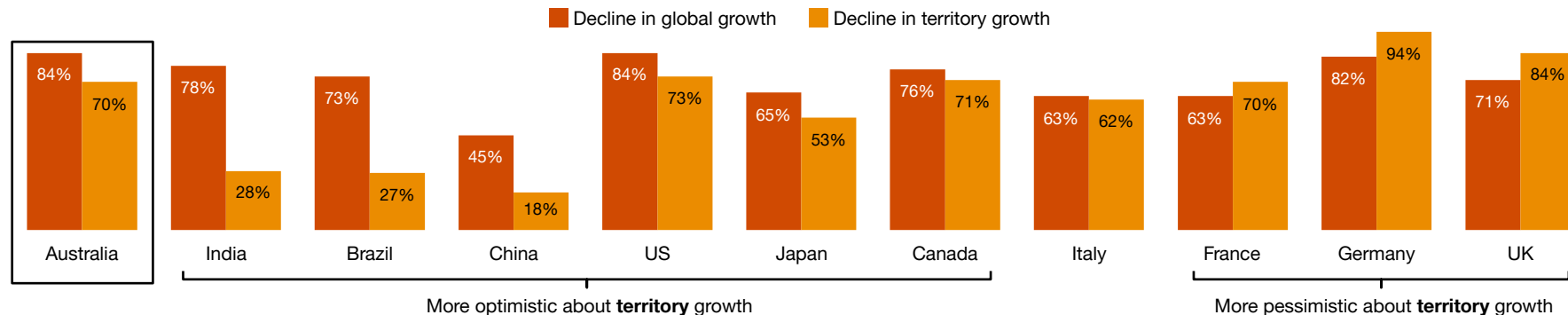
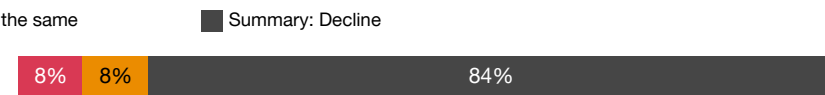
70% of CEOs in Australia expect local economic growth to decline in 2023 - a reversal of their positive outlook from the year before, and a similar sentiment to the US and Canada.

However they are more optimistic about Australia than the global economy.

How do you believe economic growth (i.e. gross domestic product) will change, if at all, over the next 12 months **in Australia?**



How do you believe economic growth (i.e. gross domestic product) will change, if at all, over the next 12 months **in the global economy?**



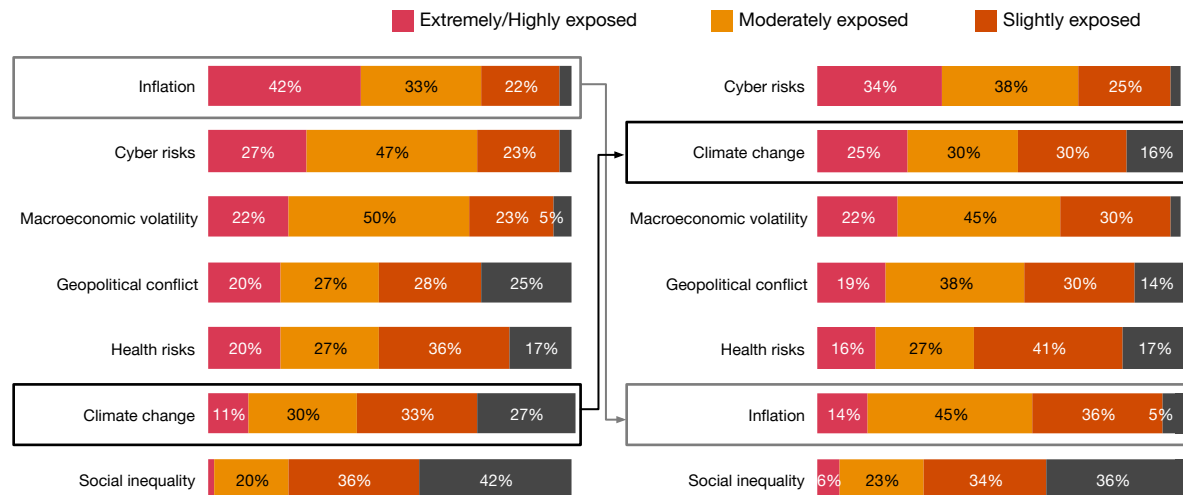
Source: PwC's 26th Annual Global CEO Survey

PwC Australia's 26th CEO Survey

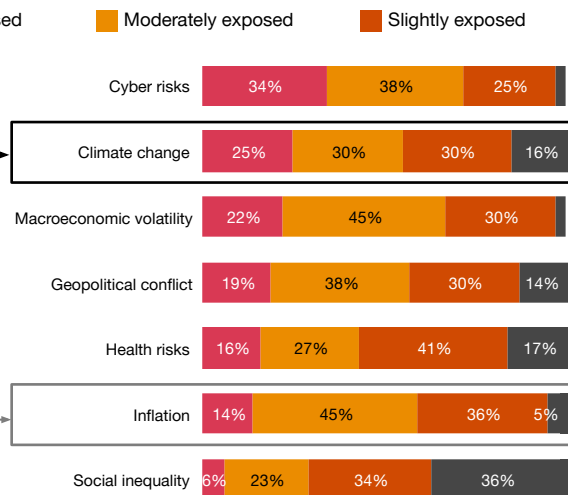
75% of CEOs in Australia say their companies are moderately to extremely exposed to inflation as a threat to growth, however they regard climate change as a bigger medium-term challenge.

How exposed do you believe your company will be to the following key threats in the **next 12 months / next five years?**

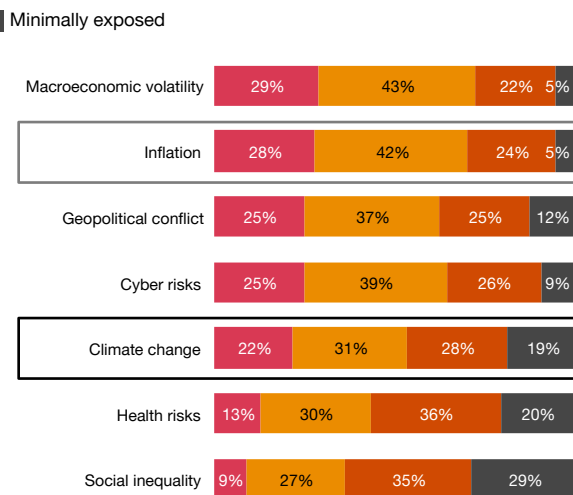
Next 12 months – CEOs in Australia



Next five years – CEOs in Australia



Next five years – Global CEOs



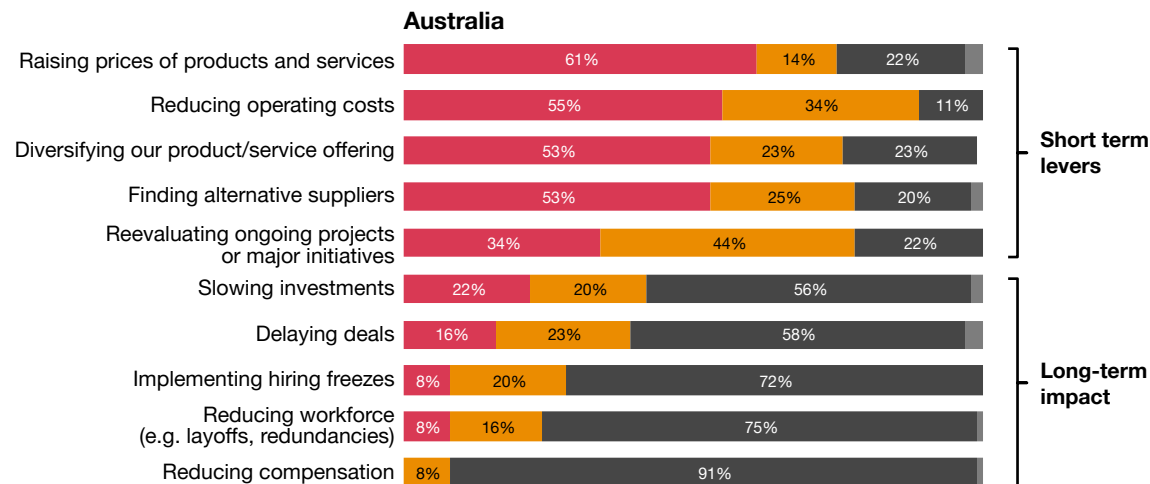
Note: Percentages shown may not total 100 due to rounding.

Source: PwC's 26th Annual Global CEO Survey

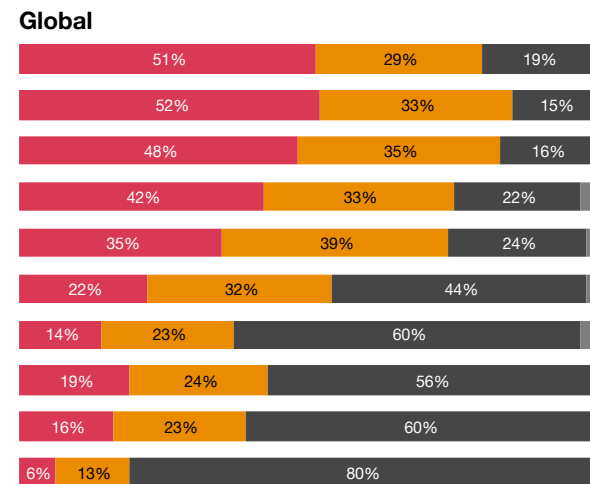
CEOs are mitigating the impact of economic challenges while minimising measures that might hold back long-term growth prospects.

Which of the following options best describes any action your company may be considering to mitigate against potential **economic challenges** and **volatility** in the next 12 months?

■ We are already doing this/have done this ■ We are considering this in the next 12 months ■ We do not plan to do this ■ Don't know



Note: Percentages shown may not total 100 due to rounding.
Source: PwC's 26th Annual Global CEO Survey

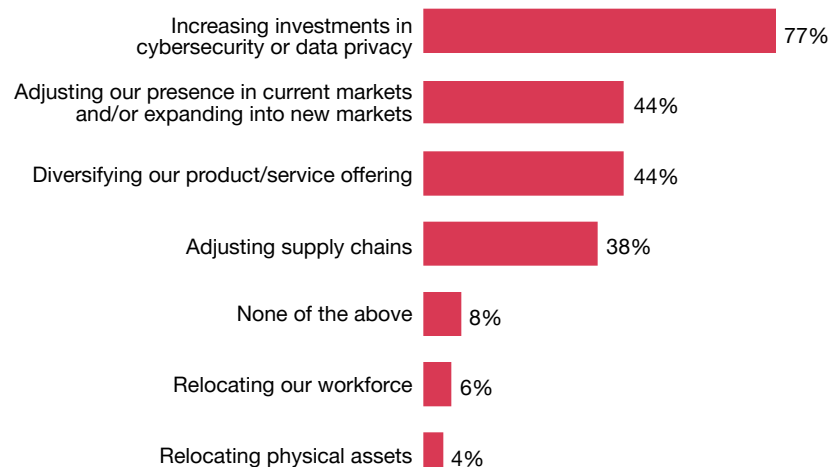


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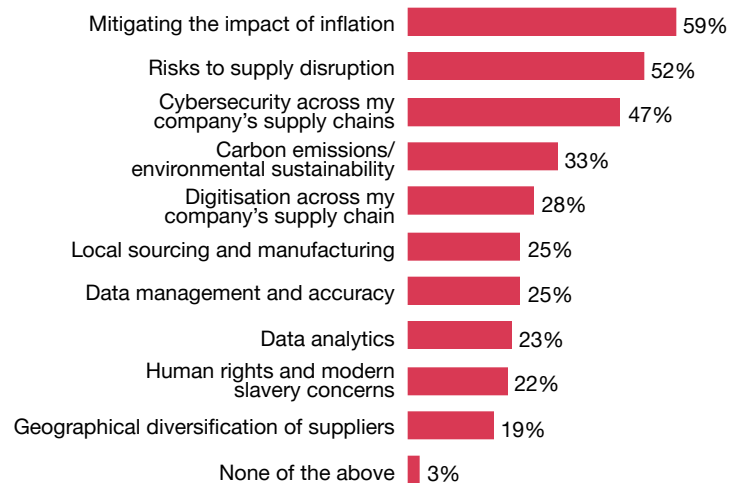
CEOs in Australia see the greatest impact to their businesses from geopolitical conflict coming from cyber threats, however a significant proportion are rethinking their global markets, products and supply chains.



Which of the following actions, if any, is your company considering to mitigate against exposure to **geopolitical conflict** over the next 12 months?



Looking at your **supply chain** (for both products and services), which aspects are you focused on over the next 12 months?



Source: PwC's 26th Annual Global CEO Survey

PwC Australia's 26th CEO Survey

Despite the immediate challenges, CEOs in Australia are still broadly confident in their own company's revenue growth, down from the year before but better than during the Global Financial Crisis (GFC).

How confident are you about your company's prospects for **revenue growth** over the next 12 months?

Very confident Somewhat confident Not very confident Not confident at all Don't know

Rising inflation and global economic downturn



Emerging from pandemic lockdowns in Australia



Extremely/very confident Moderately confident Slightly confident Not confident Don't know

COVID-19 pandemic



Global financial crisis



Note: Percentages shown may not total 100 due to rounding.

Source: PwC's 26th Annual Global CEO Survey

We typically see a confidence bias in the result for this question, with CEOs generally optimistic about their own company's revenue growth prospects.

It's only when we look at comparisons to previous years that this result gives us a clearer picture. In this case, there's been a distinctive dip in business confidence compared to the optimism of the year before as Australia emerged from COVID-19 lockdowns.

However business confidence is more positive than during the GFC, which was triggered by a different set of economic issues and global events and required a different set of business responses.

Skills shortages,
cyber risks and
climate change



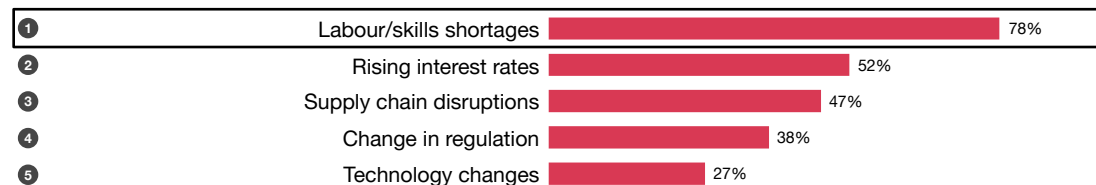
About three quarters of CEOs in Australia say that issues related to skills and workforce management are the biggest challenges facing their business in 2023, with cyber risks a close second.



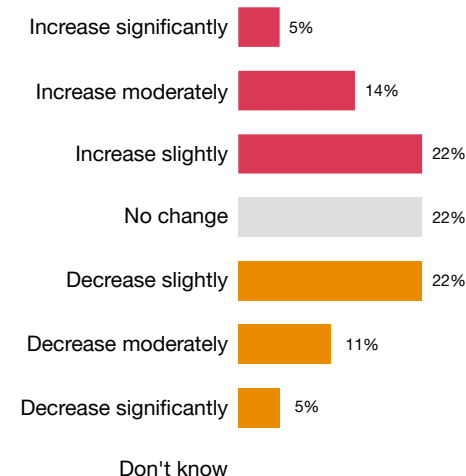
Which **internal** factors do you believe will present the greatest challenges for your business over the next 12 months? (Top 5 listed)



Which **external** factors do you believe will present the greatest challenges for your business over the next 12 months? (Top 5 listed)



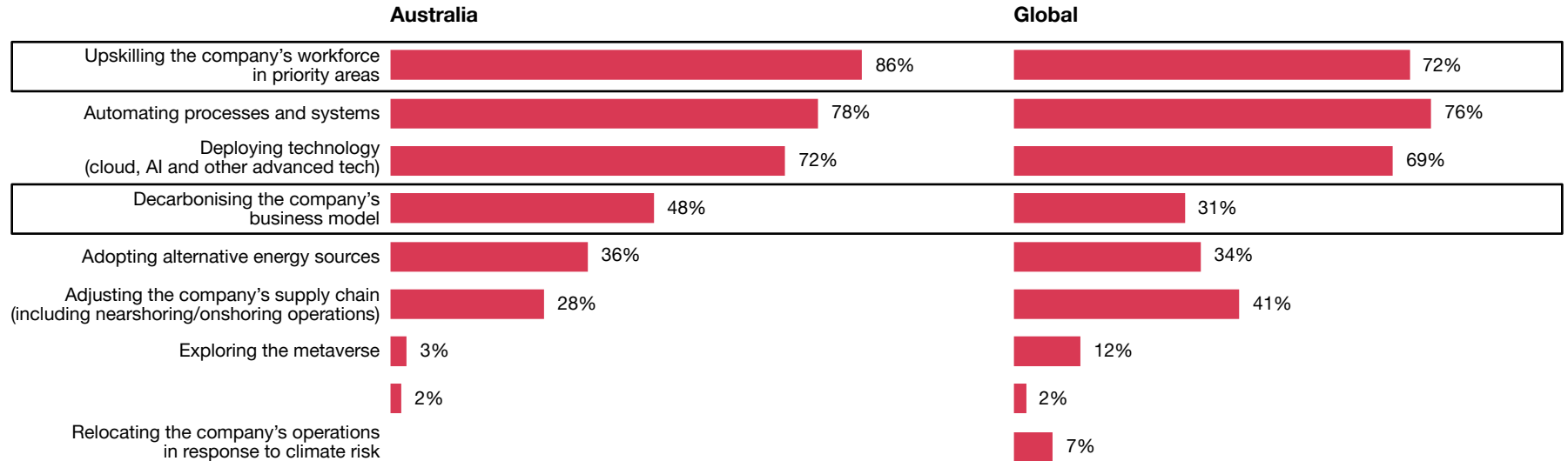
How do you believe employee **resignation/retirement** rates in your company will change in the next 12 months?



CEOs in Australia are more focused on investing into upskilling and decarbonisation than their global counterparts, while automation and AI are high priorities.



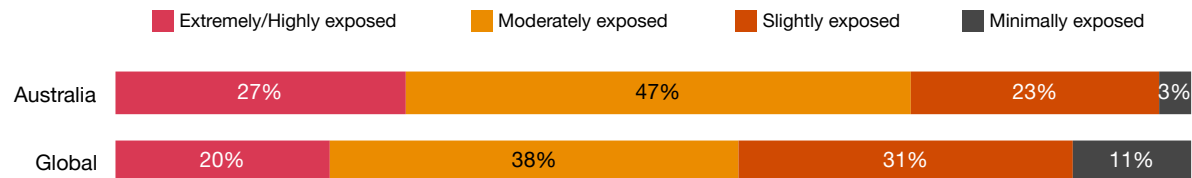
Which of the following **investments**, if any, is your company making in the next 12 months?



CEOs in Australia are more concerned about cyber risks than their global counterparts - and more likely to invest in cybersecurity in 2023.



Percentage of CEOs who say their company is considering increasing investments in **cybersecurity** or **data privacy** to mitigate against exposure to **geopolitical conflict** in the next 12 months:



Percentage of CEOs who say their company is considering increasing investments in **cybersecurity** or **data privacy** to mitigate against exposure to **geopolitical conflict** in the next 12 months:



Note: Percentages shown may not total 100 due to rounding.

Source: PwC's 26th Annual Global CEO Survey

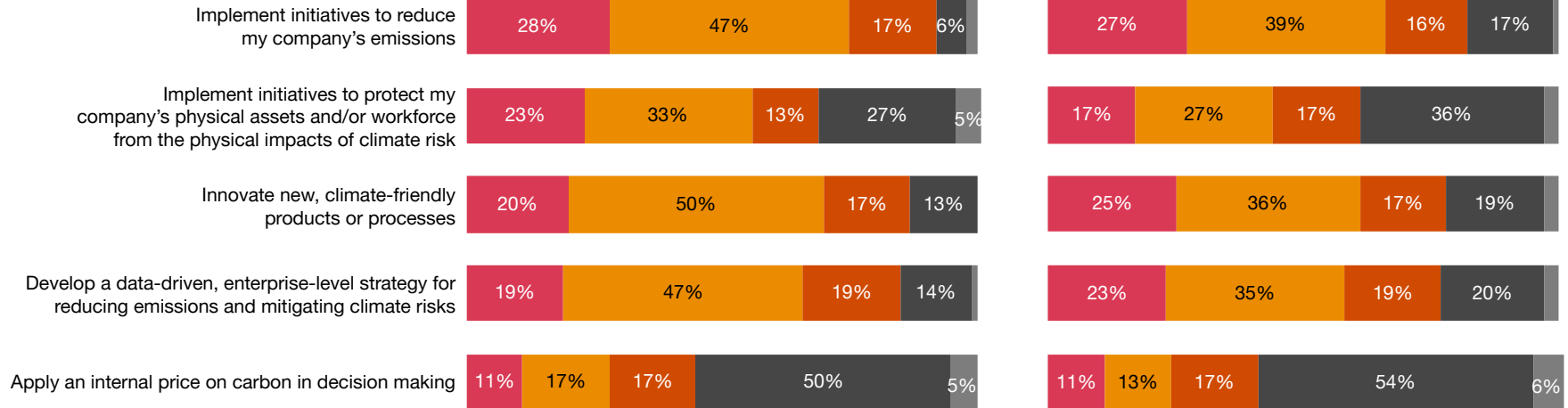
Companies in Australia are slightly ahead of their global counterparts when it comes to work in progress to prepare for climate risks.

Below is a list of actions companies may undertake to prepare for the **risk of climate change**. Which statement best characterises your company's level of progress on these actions?:

Completed In progress Planned, but not started We do not plan to do this Don't know

Australia

Global



Note: Percentages shown may not total 100 due to rounding.

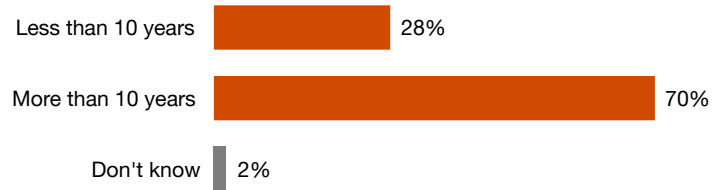
Source: PwC's 26th Annual Global CEO Survey

Transformation,
disruption and
long-term growth



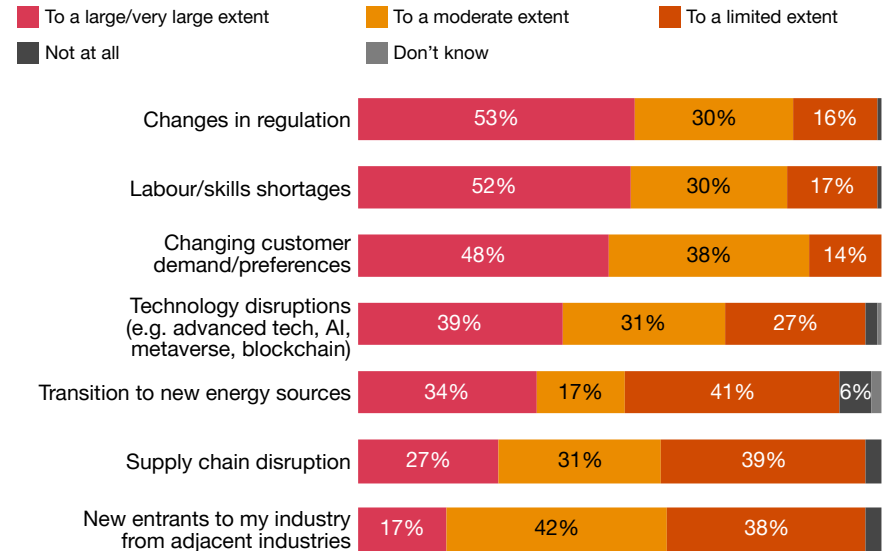
Almost one in three CEOs in Australia believe their company won't exist 10 years from now if they continue on the same path, with disruption most likely to come from changes in regulation and ongoing skills shortages.

If your company continues running on its current path, for how long do you think your business will be **economically viable**?



Note: Percentages shown may not total 100 due to rounding.
Source: PwC's 26th Annual Global CEO Survey

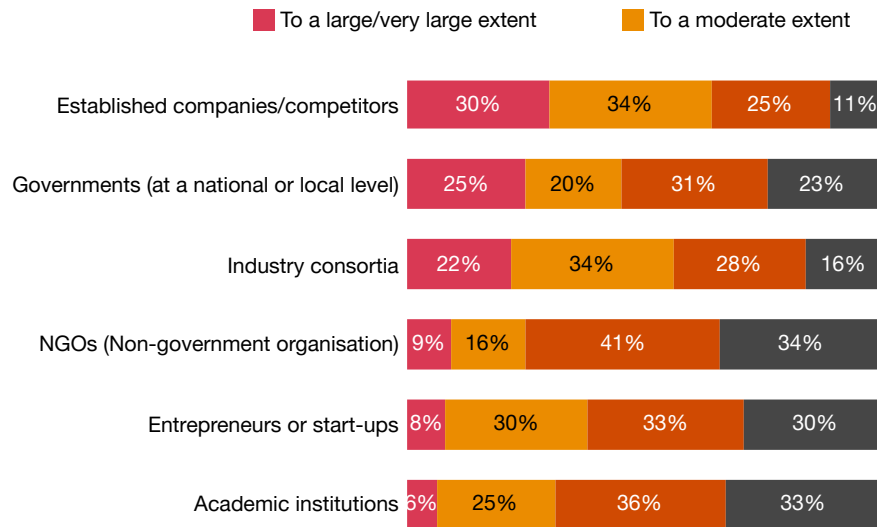
To what extent do you believe the following will impact (i.e. either decrease or increase) **profitability** in your industry over the next 10 years?



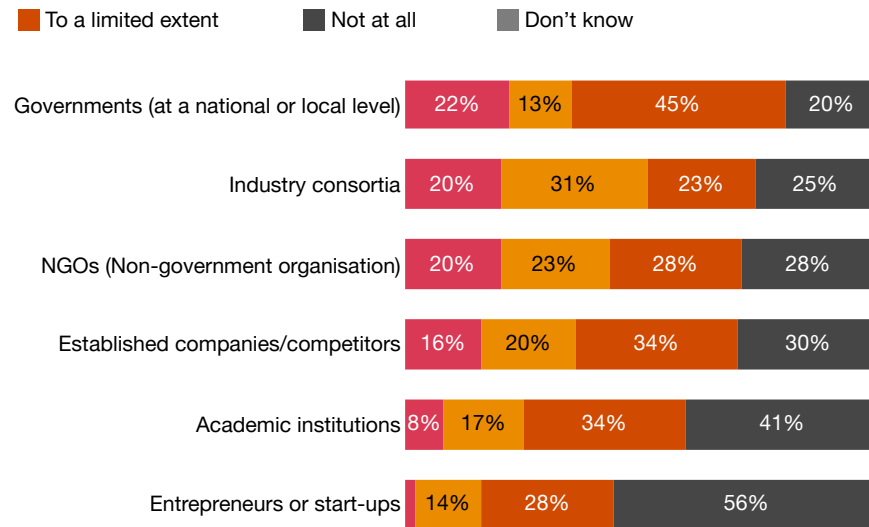
CEOs are collaborating externally to help find solutions to benefit both their own company's future growth and the well-being of society. However less than half are looking - beyond a limited extent - outside of their own industry.



To what extent is your company collaborating with the following groups to create **new sources of value**?



To what extent is your company collaborating with the following groups to address **society issues**?



Note: Percentages shown may not total 100 due to rounding.
Source: PwC's 26th Annual Global CEO Survey

To learn more about PwC Australia's 26th CEO Survey contact:



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