



US business leadership in the world in 2018



US supplement to the 21st Annual Global CEO Survey
January 2018

Economic momentum is accelerating. CEOs around the world sense the opportunities for expanding in the US through 2018. The US market is big for business and CEOs, domestic and foreign, plan to make the most of it.

With the wind at their backs, US CEOs will find more space to maneuver to capitalize on the potential in artificial intelligence, autonomous transportation, blockchain, gene editing and other advances before someone else does. Fears over losing a technological edge have risen more sharply than other types of threats over the past five years.

US CEO sentiment beyond this year is uncharacteristically subdued. Open questions on US economic policy toward the world remain. These conditions will test US business leadership at home and in important foreign markets for their future growth.

This report is based the views of 1,293 CEOs in 85 countries, with 104 in the US, interviewed from October 3rd – November 20th, 2017, and supplements PwC's 21st annual Global CEO Survey. Find more at pwc.com/usceosurvey





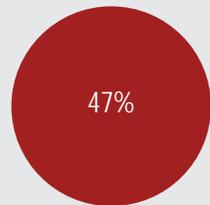
Primed for a good 2018



US market seen as must-win for CEOs globally

Priority markets for CEOs globally show little evidence of concerns that protectionist measures will restrict access to G7 markets or China in 2018.

Top 2018 international markets to US CEOs



China

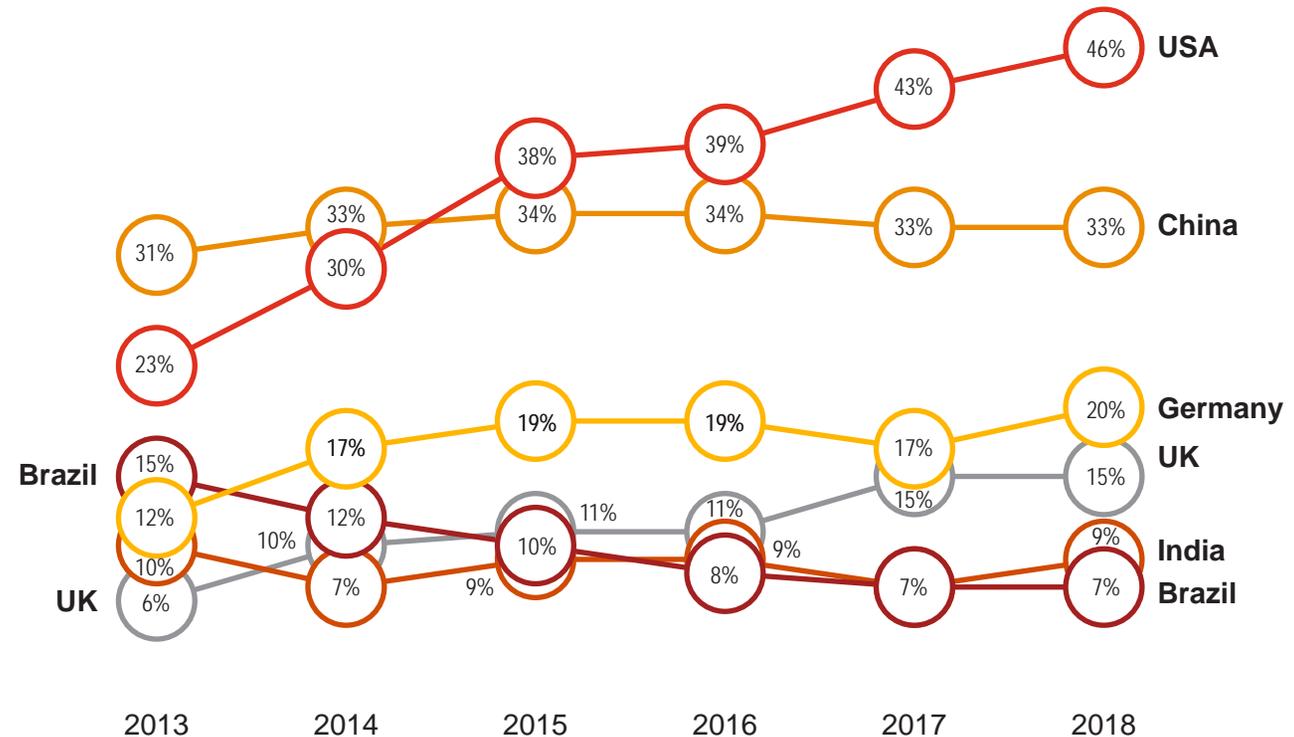


UK



Germany

Q. Which three countries, excluding the country in which you are based, do you consider most important for your organisation's overall growth prospects over the next 12 months?



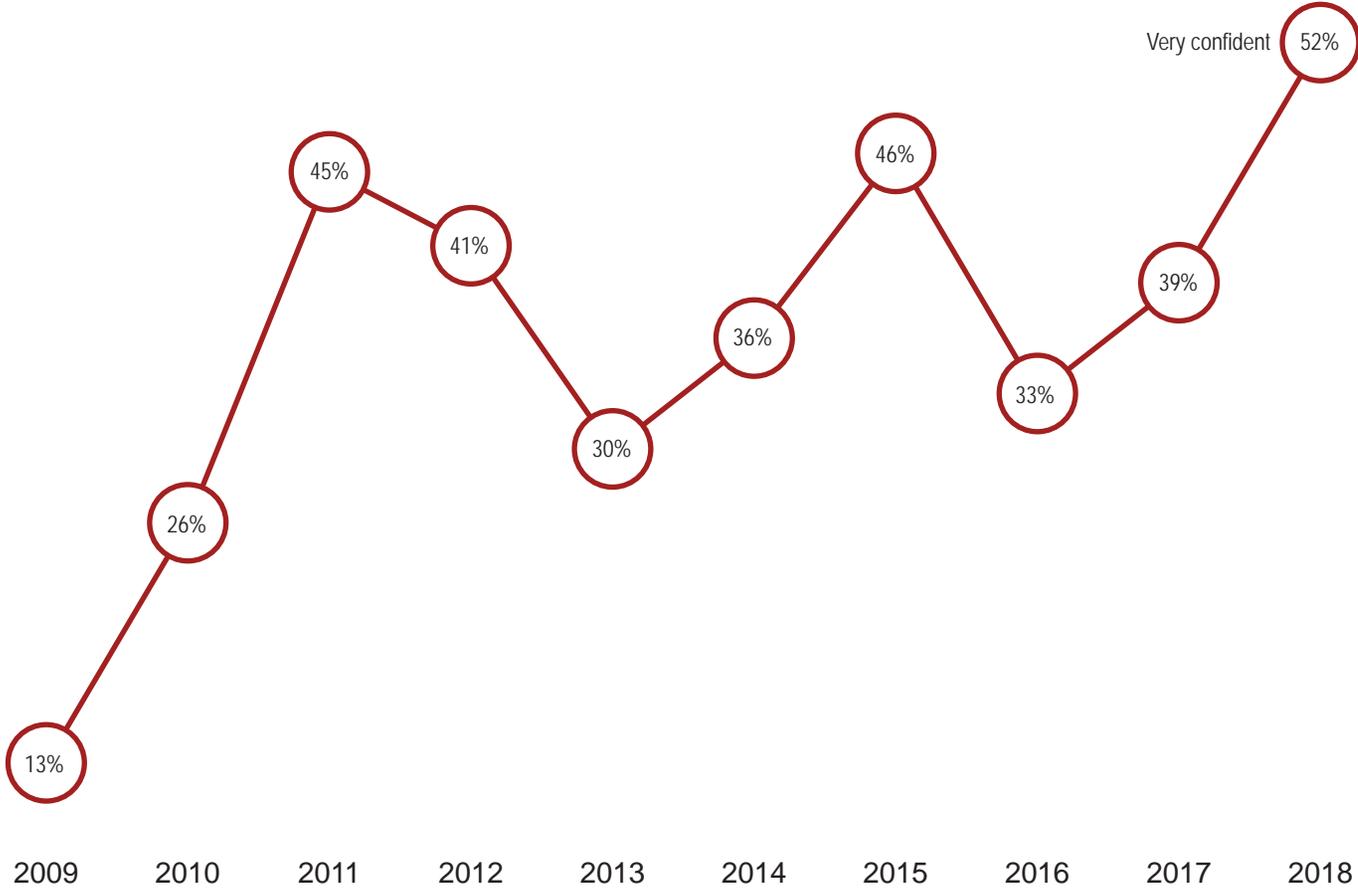
Source: PwC, 21st Annual Global CEO Survey—US supplement
 Base: All respondents (2018=1,293; 2017=1,379; 2016=1,409; 2015=1,322; 2014=1,344; 2013=1,330), US respondents (2018=104)

Among US CEOs, business growth sentiment reaches post-Recession high

A majority of US CEOs see 2018 revenue growth as locked in; they are 'very confident'.

The upturn in sentiment was building before the overhaul to the US corporate tax system. Tax reforms are expected to boost US GDP by 0.3% in 2018, bringing forecast of real GDP growth to 2.9%, the highest growth since 2006.

Q. How confident are you about your organisation's prospects for revenue growth over the next 12 months?

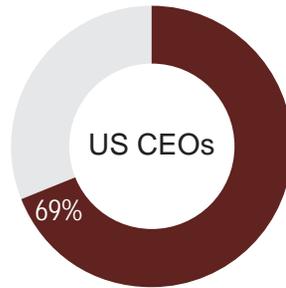


Source: PwC, 21st Annual Global CEO Survey–US supplement; IHS Markit US GDP estimates
Base: US respondents (2018=104; 2017=114; 2016=97; 2015=103; 2014=162; 2013=167; 2012=161; 2011=108; 2010=100; 2009=97), showing % 'very confident' responses only

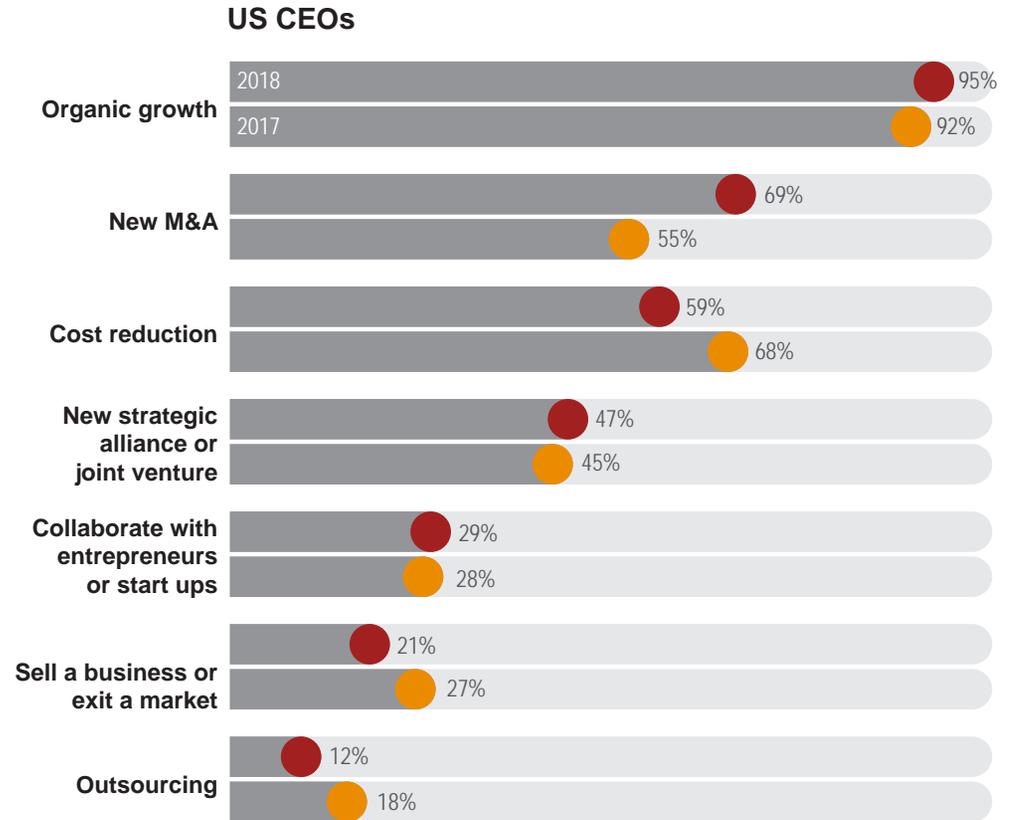
Driving growth in 2018: Strengthen the top line, pursue deals

Acquisitions are part of the growth playbook for more US CEOs this year, and far more so than for their peers globally. Opportunities in emerging technologies, a low cost of capital and potential trade issues that could result in more trade barriers, or at least difficulties in providing goods and services in priority markets, are supporting factors.

Planning new M&A in 2018



Q. Which of the following activities are you planning in the next 12 months in order to drive corporate growth or profitability?

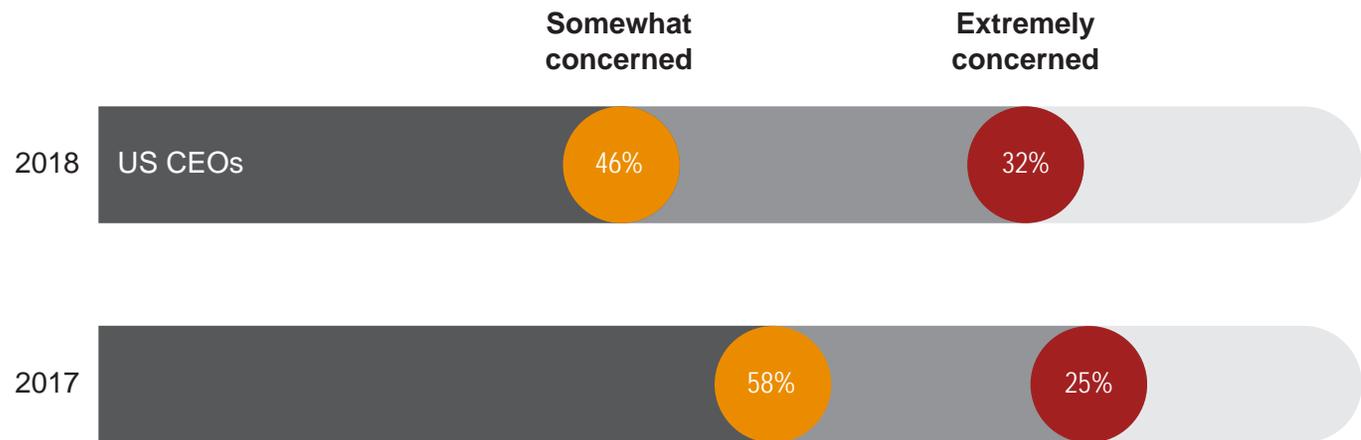


Source: PwC, 21st Annual Global CEO Survey—US supplement
 Base: All respondents (2018=1,293), US respondents (2018=104); (2017=114)

Staff up, develop skills to support faster growth

US CEOs are hiring for broadly relevant digital skills and collaborative, creative, and efficient work styles. They're investing in continuous learning initiatives (39%) to reduce employee churn and provide development paths for employees to add skills.

Q. How concerned are you about availability of key skills?



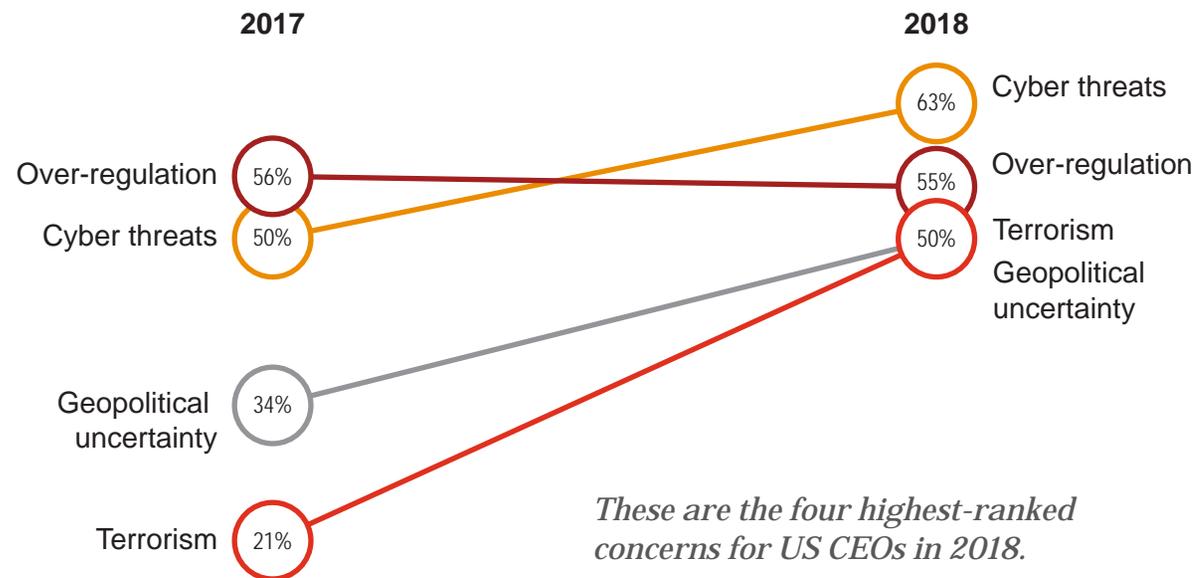
63% of US CEOs are hiring, but it's more difficult to find that qualified worker...

Source: PwC, 21st Annual Global CEO Survey—US supplement
Base: US respondents (2018=104); (2017=114)

Threats that are not abating in a faster-growth world

The architecture that developed in the post-war era to support global business faces uncommon threats today—threats that C-suite executives do not fully appreciate.

Q. How concerned are you, if at all, about...



Source: PwC, 21st Annual Global CEO Survey—US supplement
Base: US respondents (2018=104); (2017=114), showing % 'extremely concerned' responses only

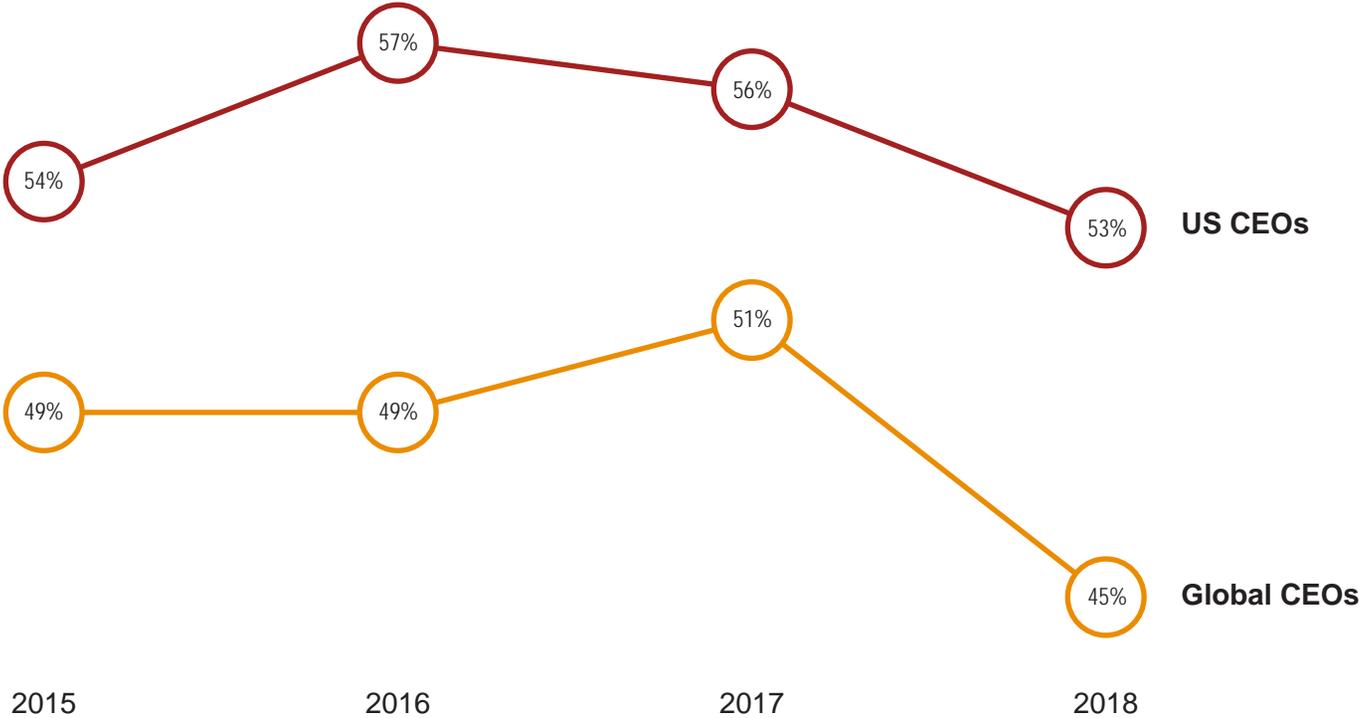


A shifting competitive environment

Beyond 2018, CEO confidence turns more cautious

Typically, CEOs report more confidence in the longer term than the immediate future.

Q. How confident are you in your organisation's prospects for revenue growth over the next 3 years?

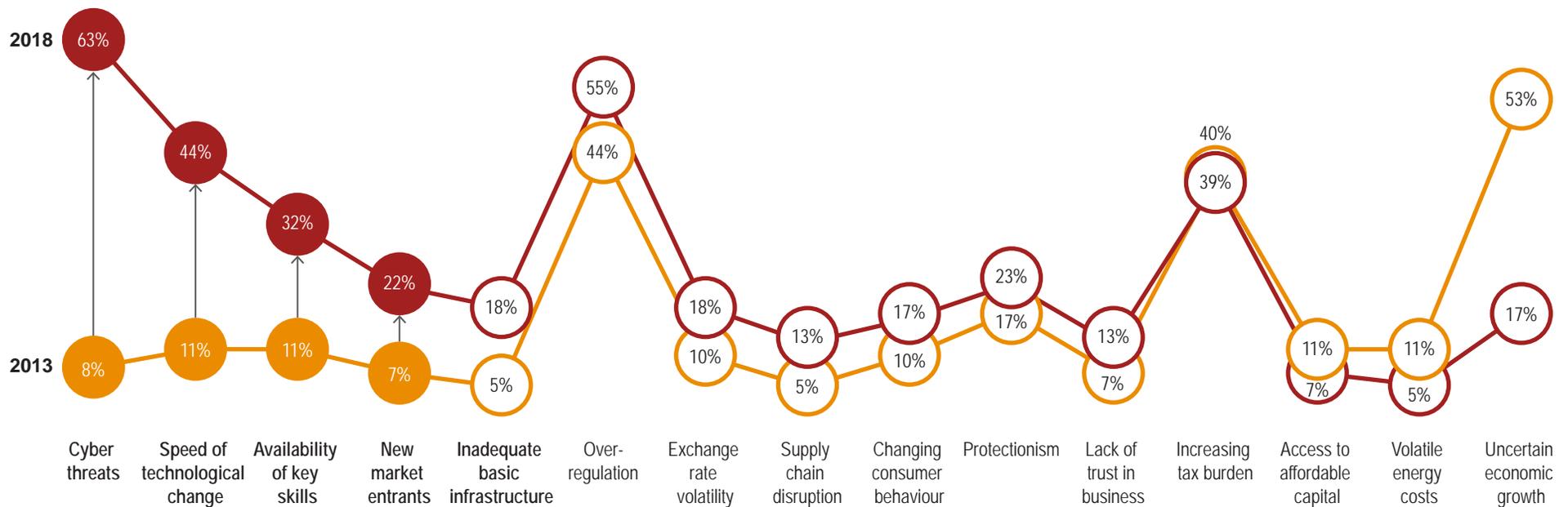


Source: PwC, 21st Annual Global CEO Survey—US supplement
Base: US CEO respondents (2018=105; 2017=114; 2016=97; 2015=103); Global CEO respondents (2018=1,293; 2017=1,379; 2016=1,409; 2015=1,322) showing % 'very confident' responses only.

Fears over losing a technological edge have risen more sharply than other types of threats over the past five years

Advances in artificial intelligence, blockchain, autonomous transportation, gene editing and other technologies open the doors to formidable new entrants ... and unscrupulous actors.

Q. How concerned are you, if at all, about ...?



Source: PwC, 21st Annual Global CEO Survey—US supplement

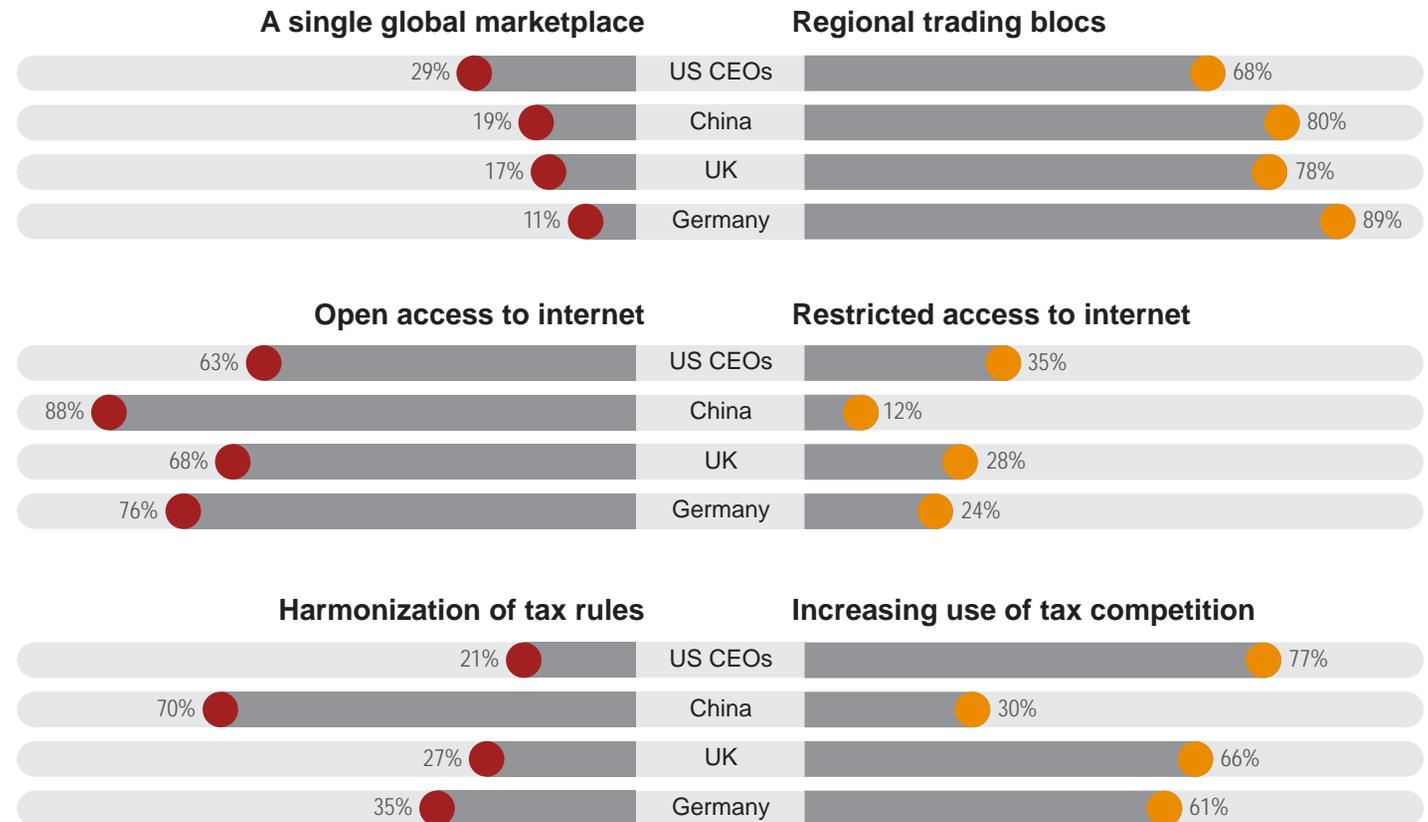
Base: US CEO respondents (2018=105; 2013=167), showing % 'extremely concerned' only. Note: In PwC's 2013 CEO Survey, we asked broadly: *How concerned are you about energy and raw material costs and How concerned, if at all, are you about inability to protect Intellectual Property and customer data.* In 2018, we asked: *How concerned are you, if it all, about ... volatile energy costs ... cyber threats.*

Globalization is not going away, but it's changing

US CEOs are more likely to believe we're headed for a new round of global tax competition than peers in their priority markets. At the same time, it's clear to all that trade is more likely to concentrate within regional blocs.

This fracturing of the foundation that has buttressed global enterprise will fundamentally alter the regulatory and risk landscape that business leaders face over the next two to three years.

Q. Do you believe the world is moving more towards...



Source: PwC, 21st Annual Global CEO Survey—US supplement
 Base: US CEO respondents (104); China (162); UK (193); Germany (46)

Policy uncertainty is spiraling up

Here are our 8 predictions for the top trends affecting policy and regulation in 2018.

A new risk and regulatory landscape

New Outlier

Global businesses will deal more frequently and directly with regulators in Brussels, Beijing and US states.

Deregulation—rhetoric or reality?

US companies will create their own blueprints to navigate the new regulatory terrain.

Storm the Court

Judges will step up reviews; interpret and rule on new policy—and conflicts.

America First Confronts One Belt, One Road

Trade with and investment in China is likely to face more regulatory scrutiny on both sides.

Responsible innovation

Do No Harm

Humans will reassert themselves in the battle between safety and innovation as regulation of new technology evolves.

Digital Discontent

Tech giants will seek to regain trust with self-regulation and new solutions.

Virtual Cash vs. Virtual Weapons

Governments will invest heavily in the powerful computing resources needed to mine digital currency in an effort to develop closed “permissioned” networks for exchange.

The Skills Challenge

Companies that reinvent their own talent will gain an edge.

Find the full report, *Top Policy Trends of 2018*, at www.pwc.com/us/toppolicytrends

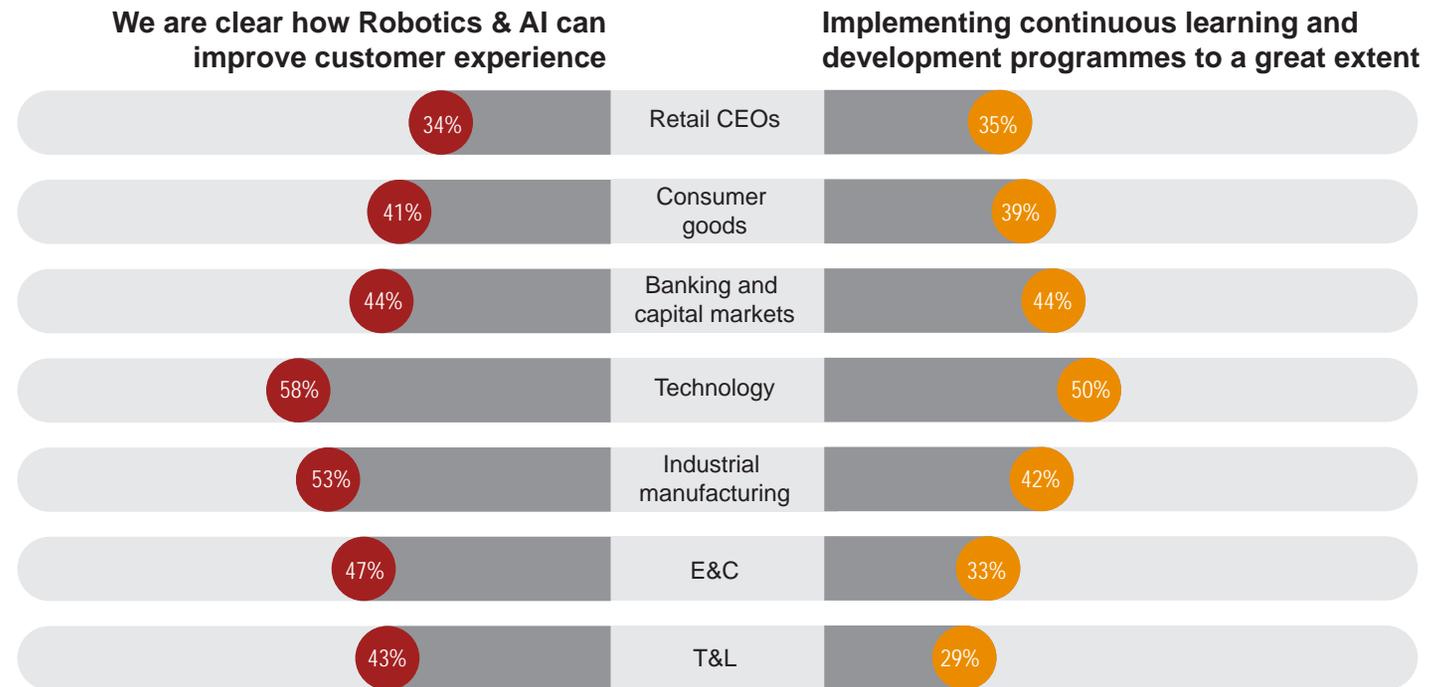
Reskilling for a digital era underway, some industries are ahead

Companies that are clear on how to use robots and artificial intelligence (AI) to improve customer experience are more likely to invest in digital and development programs, like continuous learning.

They are creating pathways for employees to better contribute to data-driven initiatives that can do more than lower costs.

Q. Thinking about your people strategy for the digital age, how strongly do you agree with ... ?

Q. To what extent is your organisation ... to attract or develop digital talent?



Source: PwC, 21st Annual Global CEO Survey—US supplement
 Base: Retail respondents globally (206); Consumer Goods (145); Banking & Capital Markets (188); Technology (127); Industrial Manufacturing (283); Engineering & Construction (107); Transport & Logistics (85), showing % 'strongly agree' and 'agree' combined, left-hand side

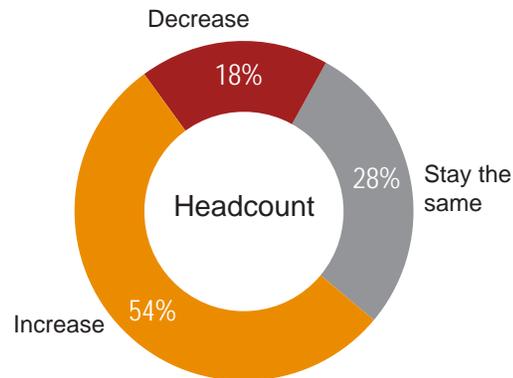
US lags other advanced manufacturing economies on CEO ownership of responsibility for retraining after automation

Overall, the findings suggest that paths to retraining after automation are less clear in the US than in other advanced manufacturing economies.

Retraining workers to work with the support of AI will be important to future economic success. Our analysis suggests that job losses from automation are likely to be broadly offset in the long run by new jobs created by the shifts in productivity and consumer demand emanating from AI, and through the value chain of AI itself.

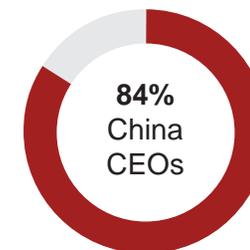
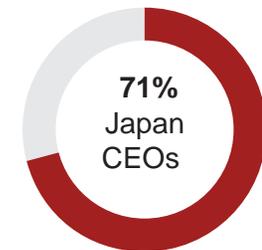
Q. Thinking about your people strategy for the digital age, how strongly do you agree... we have a responsibility to retrain employees whose tasks and jobs are automated by technology?

It's not about robots taking the jobs away



28% of CEOs globally who are planning to reduce headcount in 2018 say it is a result of automation or other technologies "to a large extent".

But being ready to retrain workers who will be affected



Source: PwC, 21st Annual Global CEO Survey—US supplement
 Base: US respondents (104); Germany (46); China (162); Japan (123), showing % 'agree' and 'strongly agree' combined.

There's a lot that is at stake

Innovation in the next two decades has been described as: Take X, add artificial intelligence. Here are our 2018 AI predictions. These are emerging trends for business leaders to understand and act upon in the next 12 months.

1. AI will impact employers before it impacts employment

Businesses will begin upskilling initiatives that teach workers skills needed to work alongside AI and other technologies.

2. AI will come down to earth—and get to work

AI in 2018 will augment human work, such as automating processes, identifying trends in historical data, and providing intelligence to strengthen decision making.

3. AI will help answer the big question about data

To use AI take advantage of data that hasn't delivered expected value, organizations will need to ensure data is labeled and cleansed of bias, among other things.

4. Functional experts, not techies, will decide the AI talent race

Enterprises that intend to take full advantage of AI should move to provide their business – not necessarily technology - specialists with AI literacy.

5. Cyberattacks will be more powerful because of AI—but so will cyberdefense

AI will become an important part of every major organization's cybersecurity toolkit.

6. Opening AI's black box will become a priority

We expect organizations to face growing pressure from end users and regulators to deploy AI that is explainable, transparent, and provable.

7. Nations will spar over AI

AI is going to be big: \$15.7 trillion big by 2030, according to our research.

8. Pressure for responsible AI won't be on tech companies alone

Leaders will soon have to answer tough questions about AI. It may be community groups and voters worried about bias. It may be clients fearful about reliability.

Find the full report, *2018 AI Predictions*, at www.pwc.com/us/AI2018

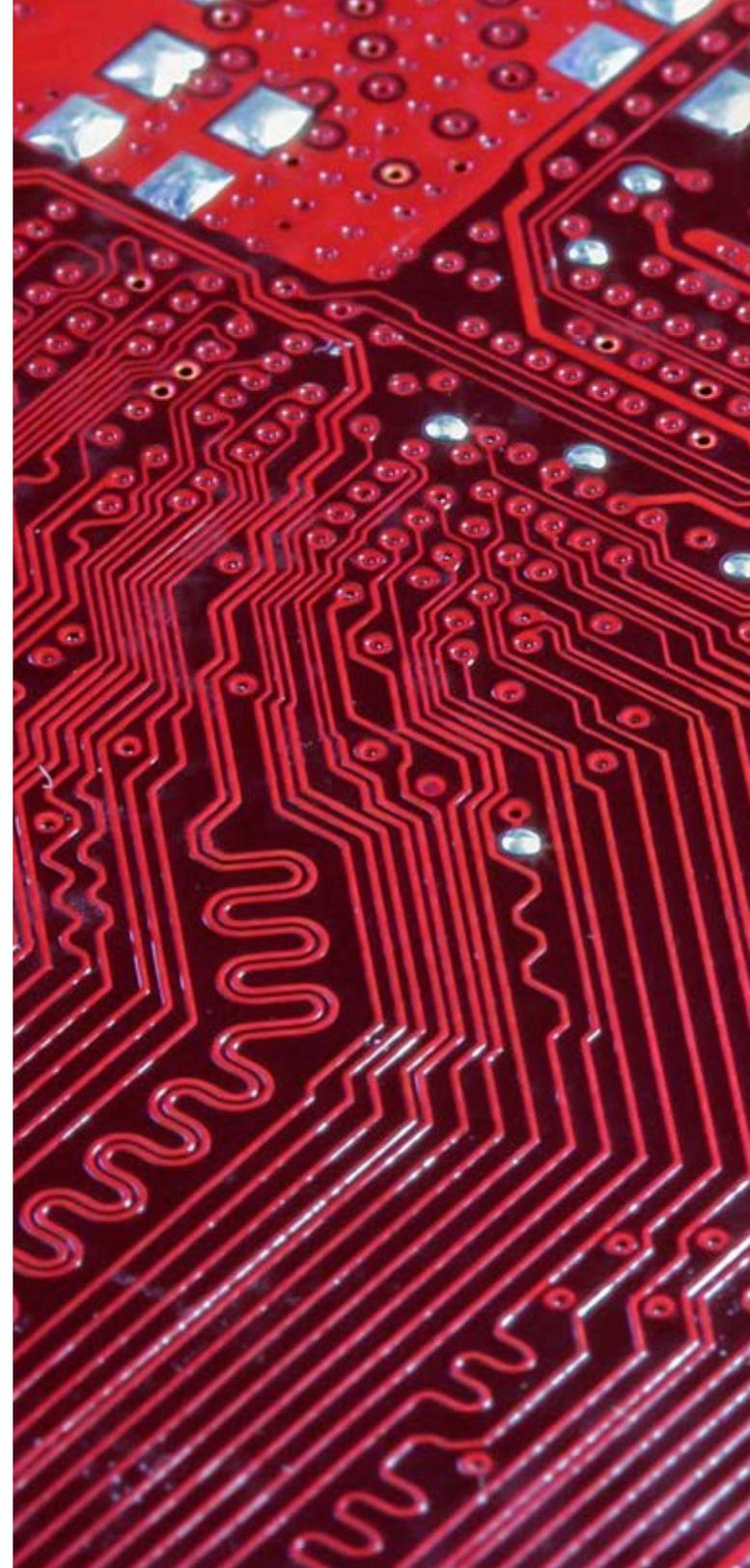


Moves to make to
prosper beyond 2018

We expect more companies this year to **roll out new paths to upskill employees**. Clarifying what AI and automation will mean for the workforce and customers accelerates the transition.

Identify practical problems you want to solve with AI this year. Think of tasks within compliance, billing, HR, procurement, logistics, customer care and efforts to improve cyber defenses. AI will likely be a part of the solution, whether or not users even perceive it.

We expect more companies to hit the reset on policy engagement in 2018. The volume of potential and actual regulatory moves underway in the US and globally impel a strategic response. This marks a shift for executives used to weighing regulatory impact as a compliance or tax event.



Thank you

PwC conducted 1,293 interviews with CEOs in 85 countries, including 104 from the US, from October 3rd – November 20th, 2017, with 40% from companies with revenue of \$1 billion or more. Our sample is weighted by national GDP to ensure CEOs' views are fairly represented across all major countries. Not all figures add up to 100%, as a result of rounding percentages and exclusion of “neither/nor” and “don't know” responses. More extensive extracts can be found on our website at ceosurvey.pwc.com.

If you'd like further details by regions or industry, please let us know. We're happy to discuss our perspectives on these findings and strategic implications for your business.

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