Luxury Daily®
The News and Intelligence You Need on Luxury

MARKETING

Recession tops climate change as executives' leading concern: report

January 3, 2020

Could economic uncertainty lead to a global recession? Image credit: Boucheron

By SARAH RAMIREZ

At the start of the new year, chief executives around the world are feeling unsettled and most anxious about the possibility of a recession in 2020.

According to an annual survey from The Conference Board, a recession is the biggest external business concern while retaining top talent is the leading internal concern. In response, executives are looking to create more innovative cultures and establish new business models.

"The ongoing concerns about recession risk among business leaders reflect the slowing economy of the past year and the uncertainties about the outcome of the trade disputes and other policy concerns," said Bart van Ark, chief economist at The Conference Board, New York. "However, given a slightly better outlook for the global economy and an easing of trade tensions, we anticipate that a drumbeat of negative sentiment which can become a self-fulling prophecy can be avoided, and that we will see more confidence about business prospects in 2020."

The Conference Board surveyed 740 CEO and 780 other C-suite executives across sectors from Europe, Latin America, Asia and the United States.

Recession looming?

Worldwide, executives CEOs and C-suite alike ranked a recession as their primary external concern, followed by uncertainty regarding global trade and increased competition.

Among CEOs in the U.S., recession climbed to the top from being the third biggest worry in 2019. A recession is also the main concern for Chinese and European CEOs.

Climate change may be more concerning to consumers than corporations. Image credit: Berry Bros. & Rudd

Cybersecurity, last year's main concern for American CEOs, now ranks sixth for CEOs in the U.S. and seventh among all CEOs. However, more than 70 percent of global CEOs plan to increase their cybersecurity budgets in 2020.

The U.S. also deviates as its CEOs named "more intense competition" and a "tight labor market" as their second and third biggest external concerns.

Perhaps surprisingly, climate change barely landed among the top 10 external issues, ranking ninth among both CEOs and others in the C-suite up from 11th in 2019. Climate change ranked as the fourth and eighth concerns for CEOs in Latin America and Europe, respectively.

Executive attitudes towards climate change differ from those of consumers, who are increasingly looking to support companies that publicly make strides towards sustainability.

Sixty percent of global consumers are concerned about climate change, according to Euromonitor. More than half find that purchasing eco-friendly or environmentally-conscious products makes them feel positive, indicating there is a financial benefit for luxury brands to promote sustainable practices (see story).

Within their own organizations, executives are most concerned with recruiting and retaining top talent. A tight labor market with low rates of unemployment in the U.S. in particular makes talent retention more pertinent than in the past.

Executives are focusing more on inclusivity and diversity. Image credit: Chanel

Creating a more innovative and technologically-disruptive workplace culture is also a high priority for executives. If successfully established, these changes could lead to higher profits and increased employee satisfaction.

Building a more inclusive culture is also increasing in importance, as already demonstrated by some luxury brands (see story). However, pay equality is more of a priority for female than male executives, ranking sixth compared to 15th among internal concerns.

Chinese concerns

The unsteady state of the Chinese economy was clear in the concerns among Chinese respondents.

Trade uncertainty was the top concern for Chinese CEOs, tied with a global recession. Economic sanctions tied as the fifth biggest external worry for Chinese CEOs, despite ranking 11th overall.

In December, China and the U.S. concluded phase one of a trade agreement.

Per the deal, a 25 percent tariff imposed on $250 billion-worth Chinese products will stay. However, a 15 percent tariff that President Donald Trump placed on $120 billion-worth of Chinese goods in September will be halved to 7.5 percent.

China is poised to see more of an impact than the U.S. if the trade war continues to escalate. The second largest economy in the world is already seeing slowing GDP growth and consumer spending, but at the moment consumption is still outperforming (see story).

Recent *Bloomberg* analysis indicates that a slowdown could take place in China next year, following the country's slowest economic growth in decades in the third quarter of 2019 and amid expectations that it could slow even more in the months ahead.

At the moment, however, spending in mainland China continues to defy expectations. This, of course, would validate the long-tail China strategies that several foreign luxury brands undertook in 2019, investing less in their efforts aimed at outbound Chinese tourist-shoppers in places such as Europe and North America (see story).