

The Daily Dispatch

Weekly Special Feature

February 23, 2024

New Deloitte survey finds expectations for Gen AI remain high, but many are feeling pressure to quickly realize value while managing risks (Published January 15, 2024)

Building on its annual State of AI in the Enterprise report, today the Deloitte AI Institute is unveiling at the World Economic Forum’s annual meeting, the first wave of a quarterly survey, which explores how actions taken now will guide how Gen AI adoption unfolds and if its benefits are fully realized. The State of Generative AI in the Enterprise: Now decides next is based on a survey of more than 2,800 Director to C-suite level respondents across six industries and 16 countries. While respondents have a range of self-reported levels of Gen AI expertise, all are experienced with AI and are piloting or implementing Gen AI in their organizations.

“We’re in the early days of a major technological transformation with Gen AI beginning to drive a wave of innovation across industries,” says Joe Ucuzoglu, Deloitte Global CEO. “The speed, scale, and use cases of Gen AI are breathtaking. Business leaders are under an immense amount of pressure to act, while ensuring appropriate governance and risk mitigation guardrails are in place.”

How early Gen AI experts are driving value

Three-quarters (79%) of respondents expect Gen AI to drive substantial organizational transformation in less than three years. Yet, at the moment, the majority report a strong focus on more tactical benefits, like improving efficiency and cost reduction, rather than things like growth and improving innovation. Like with many new technologies, improving efficiency and productivity was the leading benefit organizations said they were seeking (56%). Areas considered more strategic, like encouraging innovation (29%) and uncovering new ideas and insights (19%) are currently a lower priority.

More than four in 10 (44%) respondents believe they have “high” or “very high” expertise in Gen AI. Among this group, the 9% who report “very high” expertise levels (referred to as early Gen AI experts) reveal how leaders are thinking about and treating Gen AI differently. Nearly

three-quarters (73%) of these early Gen AI experts say they are already integrating Gen AI into their product development and research and development, suggesting that they are beginning to use Gen AI for innovation and growth-related purposes. They are also more likely to use Gen AI at a higher rate across business functions.

The early Gen AI experts feel more trust and less uncertainty about the technology and appear to be the most prepared for the changes Gen AI will bring—but they also see greater potential for disruption. For example, compared to respondents with “some level of expertise,” early Gen AI experts are twice as likely to feel that their business or operating model is threatened by the widespread adoption of Gen AI.

Expertise with generative AI drives attitudes toward adoption

	Very high expertise	Some expertise	
Trust prevails over uncertainty	39%	9%	Rank trust among top emotions felt
	11%	38%	Rank uncertainty among top emotions felt
Broad interest sparks transformation	78%	38%	Say employees show high interest in gen AI
	31%	9%	Say gen AI is already transformative
Widespread adoption generates pressure	33%	16%	Feel widespread adoption is a threat to business
	44%	25%	Feel greater pressure to adopt gen AI

(Oct./Dec. 2023) N (Total) = 2,835, N (Very high) = 267, N (Some) = 1,273

Source: Deloitte’s State of Generative AI in the Enterprise Quarter one survey

Managing talent, governance, and risk are top challenges with Gen AI adoption

Respondents report feeling generally prepared when it comes to strategy and technology infrastructure, but they have lower confidence related to talent, governance, and risk, which are seen as significant barriers to AI adoption.

The Daily Dispatch

In fact, respondents cite lack of technical talent and skills as the single biggest barrier to Gen AI adoption. Only 22% of respondents believe their organizations are “highly” or “very highly” prepared to address talent-related issues related to Gen AI adoption. And many are not yet focused on education and reskilling—only 47% of organizations agree that they are sufficiently educating their employees on the capabilities, benefits, and value of Gen AI. The early Gen AI experts, however, are much more likely to focus on educating and reskilling their workforce, and to focus on recruiting and hiring technical talent to drive Gen AI initiatives. For example, 74% of respondents with “very high” Gen AI expertise say they are educating their workforce versus 27% of respondents with “some” expertise.

Similarly, governance and risk are barriers to Gen AI adoption. Only a quarter (25%) of leaders believe their organizations are “highly” or “very highly” prepared to address governance and risk issues related to Gen AI adoption. Respondents’ biggest concerns related to governance are: lack of confidence in results (36%); intellectual property concerns (35%); misuse of client or customer data (34%); ability to comply with regulations (33%); and lack of explainability/ transparency (31%).

Leaders worry that Gen AI will drive greater economic inequality

Although the leaders surveyed are generally excited and enthusiastic about Gen AI’s potential business benefits, they are less optimistic about its broader societal impacts. More than half of respondents expect widespread use of Gen AI to centralize power in the global economy (52%) and increase economic inequality (51%). Additionally, 49% of respondents believe the rise of Gen AI tools/applications will erode the overall level of trust in national and global institutions.

To help address these concerns, the majority of respondents agree there is a need for more global regulation (78%) and collaboration (72%) to manage the responsible widespread adoption of Gen AI.

Expected societal impacts of generative AI

Distribution of economic power



Levels of economic inequality



Q: How will widespread use of generative AI shift the overall distribution of power in the global economy?
Q: How will widespread use of generative AI tools / applications impact global levels of economic inequality?

Source: Deloitte's State of Generative AI in the Enterprise Quarter one survey

"Today, Gen AI is at an inflection point where organizations are just beginning to recognize its potential but are yet to see it as a growth catalyst for business. Organizations need to consider Gen AI in conjunction with other AI and technology tools to drive business growth," says Deborshi Dutt, Artificial Intelligence Strategic Growth Offering lead and principal, Deloitte Consulting LLP. "To help accelerate their path to Gen AI value, organizations should start to reimagine and reinvent how they conduct business to stay ahead in this transformative landscape, while managing risks appropriately. This will require increased collaboration across organizations to foster trust in the responsible and widespread adoption of Gen AI, and a strong focus on education and reskilling people for how this technology is expected to alter how we each work, learn, and collaborate."

To read the full report please visit:
<https://www2.deloitte.com/us/en/pages/consulting/articles/state-of-generative-ai-in-enterprise.html>

The Daily Dispatch

February 23, 2024
TODAY'S TOP NEWS

Maya clinches 3-Peat as PH's #1 Payments Processor

Maya Business, recognized as the #1 Omni-Channel Payments Processor for 3 straight years, has cemented its position as the Payments Backbone of the Philippines. Visa presented Maya Business with an award for having the highest e-commerce payment volume and the largest share of contactless transactions in the country from 2021 to 2023.

Ayala makes big bets on electric vehicles

Ayala Corp. is increasingly investing in electric vehicles (EV) as its research showed that as much as 20% of automobiles that will be sold in the PH by 2030 will be EVs. Jaime Augusto Zobel de Ayala said there will be growing demand for EVs due to more favorable government regulation and the construction of more charging stations.

PSEi poised to hit 7,200 by year-end, says Sun Life

Sun Life sees the stock market "flying away" to greater heights this year on the back of projected policy rate cuts, thereby improving corporate earnings. Ritchie Teo, chief investment officer, said they expected the benchmark PSEi to hit 7,200 by year-end, implying a 4.3-percent jump from the present level.

Grab readying its motorcycle taxis even w/o approval

After its "backdoor entry" into the motorcycle taxi market through Move It, Grab is at it again. But this time, the ride-hailing giant looks like it's gearing up to operate its own motorcycle taxi service – even while it has yet to be officially allowed to do so.

BFI rejects PWEI wind turbines

The Boracay Foundation Inc. (BFI) has passed a resolution that forbids the construction of wind turbines in the proposed 14-megawatt (MW) Nabas-2 wind power project (Nabas-2) of PetroWind Energy Inc. (PWEI).

Special Announcement

Deloitte and Primeiro Partners join forces in the Philippines in a move to strengthen Deloitte's end-to-end M&A capability in Southeast Asia

Philippine Stock Market Update



Previous Close:

6,903.15

1 Yr Return:

7.28%

Open:

6,915.25

YTD Return:

8.04%

52-Week Range:

5,920.47–6,990.65

Source:

Bloomberg

Foreign Exchange

As of February 22, 2024

US Dollar	Philippine Peso
1	55.71

BVAL Reference Rates

As of February 22, 2024

Tenor	Rate
1Y	6.114
3Y	6.160
5Y	6.223
7Y	6.265
10Y	6.275
20Y	6.437

The Daily Dispatch

MORE LOCAL NEWS

Landbank, DBP may be allowed to list shares

The Department of Finance (DoF) said it is drafting bills to amend the charters of the two major state-owned banks, including provisions that will allow them to list shares. This provides an indication of the strategic direction being mapped out for the state-owned banks, after the government withdrew plans of a merger.

ABS-CBN and PLDT cancel Sky Cable deal

ABS-CBN Corp. and PLDT Inc. announced a decision to halt the sale of Sky Cable to the Pangilinan-led telecommunications company. In their disclosures to the stock exchange, ABS-CBN and PLDT did not provide reasons that led to the decision.

AboitizPower raises stake in power plant operator

Aboitiz Power Corp. (AboitizPower) has increased its equity interest in power plant operator STEAG State Power, Inc. (SPI) to 85%, the power company announced. The acquisition involved the purchase of an additional 15.6% equity stake from STEAG Power GmbH, the parent firm of SPI, the first coal-fired power plant in Mindanao.

Century Properties completes P2B share offering

Real estate developer Century Properties Group, Inc. (CPG) completed its P2-bn Series B preferred shares follow-on offering. CPG President and CEO Marco R. Antonio said the proceeds from the fundraising will help the company “fortify its commitment to prudent financial management and facilitate sustained expansion efforts.”

Regulator opens new online portal for firms

The Securities and Exchange Commission (SEC) has launched an online portal for the filing of amendments to companies' articles of incorporation (AoI) and by-laws as part of a push to streamline and automate the regulator's processes starting February 2023.

PLDT proposes \$3M settlement in US suit

Integrated telco PLDT Inc. has proposed to settle \$3-mn, or around P165-mn, to resolve a class action suit filed against it in the US over its budget fiasco. In a disclosure before the Philippine Stock Exchange, PLDT said it entered into a stipulation of settlement to resolve the class action lodged against it by two law firms.

Clark Water spending P5.6B for CFZ service upgrade

Clark Water Corp., a subsidiary of Manila Water Philippine Ventures (MWPV), is spending P5.56-bn to improve its services in the Clark Freeport Zone (CFZ). Clark Water vowed to construct additional water treatment plants and storage facilities to further improve its water service quality and reliability in the CFZ.

Metrobank earns record P42.2B in 2023

Metropolitan Bank & Trust Co. (Metrobank) posted record-high earnings of P42.2-bn in 2023, driven by asset expansion, higher margins, improving efficiency levels and better asset quality. The bank's net income was 28.9% higher than the P32.78-bn booked in 2022.

NEDA: Wage hike to cut GDP growth

The proposed legislation for a P100 wage increase for private workers could shave up to 0.5 percentage point off the country's economic growth and reverse gains made in lowering inflation and unemployment numbers, according to the National Economic and Development Authority (NEDA).

MPIC likely to pass up on subway bidding

The Metro Pacific Investments Corp. (MPIC) plans to pass up on the opportunity to manage the Metro Manila Subway Project. MPIC chairman Manuel V. Pangilinan said the company wants to balance its portfolio to sustain financial health, and adding another project regulated by the government is counterproductive to that strategy.

The Daily Dispatch

TODAY'S TOP ASIAN NEWS

Grab shares plunge after poor outlook clouds

Grab's shares slid the most in more than nine months after the ride-hailing leader forecast 2024 revenue below analysts' estimates, suggesting a deeper-than-anticipated slowdown in its core online business. The disappointing forecast overshadowed plans to buy back as much as \$500-mn of stock.

Vietnam, Laos, Cambodia seek to boost tourism

Laos, Vietnam and Cambodia – 3 former French colonies – are making a big push to encourage more international tourists to visit their countries in a single trip. Dubbed “One journey, three destinations”, Cambodian Leader plans to host a conference involving the tourism ministers of the three countries to develop the joint effort.

BlackRock, Temasek-led group invest \$150M in Antora

Thermal battery maker Antora Energy said it has raised \$150-mn in a funding round led by a tie-up between the world's biggest asset manager BlackRock and Singapore state investment firm Temasek. The fresh financing will underpin an increase in production of its batteries, blocks of solid carbon heated with renewable energy.

Taiwan chip firms flock to Japan

Japan's efforts to rebuild its semiconductor industry are getting a shot in the arm as more and more Taiwanese chip companies expand here - not only to support a new TSMC plant but also excited about the Japanese sector's prospects. The influx comes amid shifting alliances and priorities in the global chip industry.

Yen sinks as currency traders keep short

The yen sagged to fresh lows on the euro, sterling and other crosses this week and headed for a 4th weekly drop on the dollar as investors chased better yields everywhere but Japan, wagering rates there would stay near zero for some time. The yen is the worst-performing G10 currency this year, with a 6.4% slide on the dollar.

TODAY'S TOP GLOBAL NEWS

US stocks end at records after Nvidia results

The Dow Jones index finished above 39,000 for the first time following mammoth earnings from Nvidia that prompted a fresh round of bullish buying over artificial intelligence. The Dow finished at 39,069.11, up 1.2% while the S&P 500 jumped 2.1% to 5,087.03. The tech-rich Nasdaq Composite Index surged 3.0% to 16,041.62.

Reddit files to go public as 'RDDT' on NYSE

Reddit on Thursday told US stock regulators that it plans to go public on the New York Stock Exchange under the symbol “RDDT.” Co-founder and chief executive Steve Huffman said in a letter included with the filing that money raised by the share offering would be used to make Reddit a stronger, bigger company.

US offers \$710M in loans for EV tech projects

The US Energy Department said on Thursday it gave preliminary approval for nearly \$710-mn in loans to electric vehicle (EV) technology manufacturing ventures. SK Siltron is set to receive \$544-mn to expand its Michigan plant that produces high power silicon carbide wafers used in EV.

Euro zone business activity decline slows in Feb.

Euro zone business activity fell for the ninth month in a row, but the rate of decline eased further from January, a closely-watched survey showed on Feb 22. The HCOB Flash Euro zone purchasing managers' index (PMI) published by S&P Global recorded a figure of 48.9 in February from 47.9 in January.

Nestle, Danone see price hikes slowing

Two of the world's top consumer goods companies, Danone and Nestle, said on Feb 22 they will slow price increases in 2024 after two years of hikes that have prompted shoppers to seek cheaper alternatives for basic goods. But Danone warned prices would still rise, citing a need to offset labour costs and shipping prices.