



Central Europe CFO Survey

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Central European CFOs are unwilling to jeopardise recovery

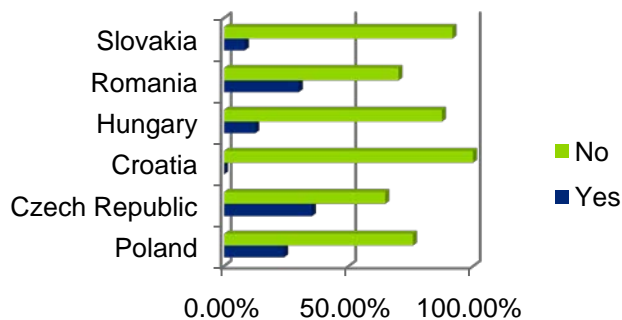
A picture has emerged from Deloitte's first Central Europe CFO Survey where CFOs within the region have indicated they are not keen to jeopardise the recovery that many of their companies are now experiencing.

While an atmosphere of cautious optimism can be seen across the region (47% of those surveyed told us they are very or somewhat optimistic about the financial prospects for their companies compared with three months earlier) CFOs remain largely risk-averse. This sense extends to some widespread agreement that now is not the moment to place additional risk on the company balance sheet.

Who was surveyed?

Based on a survey undertaken in May and early June of the CFOs of 138 leading companies across the region's six largest economies – Croatia, Czech Republic, Hungary, Poland, Romania and Slovakia – the report provides some useful insights to CFO opinions at a key moment in economic history.

Table: CE CFO views on whether it's a good time to be taking risk on their companies' balance sheet.



"Our findings suggest an environment in which companies are concentrating on what they do best. The region's CFOs indicated they are largely happy with their current debt provisions – while close to 60% expect levels of balance sheet debt either to increase a little or to stay the same over the next three years, more than half the sample expect to see their ability to service their debt improve across the same period."

Gavin Flook
Regional Function Leader, Audit
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Central European CFO Survey highlights

- Naturally, there are differences at a country level. Polish CFOs show a smaller increase in confidence than most of their peers, possibly because they started at a higher level due to the continued strength of the Polish economy.
- Czech CFOs are marginally happier to take on new risk than those from other countries, while those in Hungary and Slovakia are the most risk-averse of all.
- Growth in confidence is widespread in Croatia, while most Romanian CFOs are bullish about expected improvements in their ability to service debt.
- While an atmosphere of cautious optimism prevails across the region (47% of those surveyed told us they are very or somewhat optimistic about the financial prospects for their companies compared with three months earlier) CFOs remain largely risk-averse.

The CE CFO Survey is part of Deloitte's CFO Global Insights series of research papers, which highlight CFO opinions from other regions around the world. Comparisons between the findings of the CE survey and the most recent edition of Global Insights reveal that Central European CFOs are more optimistic than counterparts in the UK, but less so than those in the US.

Business Sentiment Index findings (CXO vs. CFO)

Deloitte Central Europe's Business Sentiment Index is a research-based analysis of the opinions and predictions of executives from almost 200 executives the largest companies in Croatia, Czech Republic, Hungary Poland, Romania and Slovakia.

In some of the issues surveyed (such as the good availability of credit), CFOs and other board members (here called CXOs) do express encouraging signs of shared confidence, but the findings also show that there is still quite a gap in positive sentiment, particularly in key issues such as economic prospects and individual company prospects.

For most of the questions in the index, CFOs' responses tended to be more pessimistic than those of CXOs. For example, twice as many CFOs view the economic outlook more negatively than CXOs. Similarly, only 20% of CFOs are optimistic about employment prospects, compared to 30% (or whatever the actual % is so are comparing like with like) of CXOs. CFOs were also more cautious than CXOs about the financial prospects for their companies, tending to choose a neutral response to this question. The findings suggest that CFOs are more cautious than their CXO counterparts about many of the important indicators of economic recovery.

Country by country highlights

Poland



It might be because Poland was famously unique in Europe in not entering recession during the global economic downturn that its CFOs, already coming from a relatively high base, are significantly less optimistic than most of their peers across the region about future improvement in their companies' financial prospects.

- 52% of Polish CFOs have the same level of optimism about their companies' future financial prospects as three months ago.
- 45% are planning to drive revenue growth over the next 12 months through a focus on existing markets.

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Czech Republic



Czech CFOs state the financial outlook for Czech companies is expected to be more optimistic with increasing revenues forecast in 2011 in current markets. The reduction of costs remains a priority in the financial plans of Czech CFOs and credit availability has improved, which should lead to enhanced liquidity.

- 62% of Czech CFOs are expecting their companies' ability to service debt to decrease a little, and close to 95% regard reducing cost as a priority.
- Only 33% of Czech CFOs plan to penetrate new markets

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Hungary



Hungarian confidence is returning but because of the continuing high level of economic and financial uncertainty there remains a generally risk-averse approach towards the evaluation of large investment decisions. The focus continues to be still more inward than outward looking however alternative forms of financing continue to be actively reviewed.

- 81% believe that the external financial and economic environment is more uncertain than usual.
- 50% plan to grow revenues within their current markets, 25% in new markets and the remainder implement cost reduction

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Romania



The economic crisis may be over according to certain economic indicators, but it is still alive in the strategies of Romanian CFOs. Results show growing optimism in economic and financial prospects, as well as in the recovering dynamism of the local market. They also maintain a clear focus on cost-cutting and debt control.

- Even with 80% of Romanian CFOs expecting an improvement in their ability to service debt over the next 12 months and none anticipating a decline, over 80% of respondents nonetheless believe they are in a time of above normal, high or very high external economic or financial uncertainty.

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Slovakia



Despite confidence in the positive outlook for the economy, supported by a GDP growth rate of 3.6%, the primary business focus is on cost cutting and maintaining a balanced level of indebtedness. Most of the companies are focused on the local market with the aim of building up local dominance and of preparing for further expansion abroad.

- 62% of Slovak CFOs are concerned about the general level of external financial and economic uncertainty facing their business
- 92% of responses reflect an aversion to taking greater risk

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Croatia



Croatian CFOs state companies are not planning to take greater risks. Surprisingly, growth through acquisitions is observed to have low importance and the plan is to increase sales in the current markets. Credit availability has improved; however a greater focus on equity has emerged.

- Cost reduction is still a priority in the financial plans of the Croatian CFOs.
- Despite the ongoing crisis, 75% of the Croatian CFOs are optimistic about the financial prospects of their companies.

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