The outlook for growth in 2014 remains weak, given Croatia’s dependence on the EU’s economic cycles and deteriorating conditions at home.
Dear Reader,

It gives me great pleasure to introduce you to the fifth edition of the Deloitte CFO survey for Croatia. Once again, in it we record CFO sentiment across a range of economic and business issues. It also allows comparison between the views of Croatian and those of their peer groups from Albania & Kosovo, Bulgaria, the Czech Republic, Hungary, Latvia, Lithuania, Poland, Romania, Serbia, Slovakia and Slovenia.

The Croatian economy has had a particularly tough time since the arrival of the global financial crisis nearly six years ago. It is becoming clear in these early weeks of 2014 that joining the European Union is far from a panacea that will rapidly return us to growth – on the contrary, contributions to the EU budget will initially exceed inflows, possibly contributing to further growth in unemployment and potentially accelerating the current trend towards emigration among the younger generations.

Given such a background, it is unsurprising that Croatian CFOs perceive the external environment as uncertain. Indeed, an overwhelming 95% of our interviewees anticipate economic stagnation or even recession, and the country continues to be one of the CE region’s weakest performers in corporate sales and profit growth. However, all is not doom and gloom – under 14% of respondents, for example, expect their companies’ financial performance to worsen over the next 12 months, a clear sign that a slow recovery is anticipated.

It will be interesting to gauge its strength and speed when it does; I would like to invite you participate in our next survey, due in November of December this year, by when possibly the signs of a Croatian economic recovery will be easier to discern.
Key focus areas in 2014:

• There is a high level of external financial and economic uncertainty

• The main business focus for the next 12 months is on revenue growth in current markets and reducing indirect costs

• CFOs are divided between seeing the overall availability of new credit for companies as “normal” and “difficult”

• Raising equity is attractive as a source of funding

• Over the next three years, companies expect no change in their ability to service their debt

• When it comes to expectations for the country’s economic GDP growth for 2014, 95% expect stagnation or recession

• Over the next 12 months, over 75% expect the levels of unemployment to increase

• Over 75% see business remodelling or restructuring as strong or moderate priority.
Before the global financial crisis, analyses show the Croatian economy was growing at a healthy 4-5% annually and economic and social opportunities were improving. The progress of Croatia and its aspirations have since been put under pressure, and the country has now been in recession for four years as the crisis has prolonged, losing almost 11% of its output.

On 1 July 2013 Croatia entered the European Union as the 28th member state. As the ability to receive significant EU Structural Funding was one of the goals behind joining, the government has been striving to raise Croatia’s competitiveness within the large EU market and maximise the opportunities membership brings.

The crisis has had an effect on poverty, which has increased by 4% the profile of the poor has also changed to affect educated and younger parts of the population living in richer urban areas.

The efficiency and ability of higher education to better respond to the needs of the labour market have been slow to improve, despite the substantial reforms that have been made in the Croatian education sector. Croatia’s enrolment levels still remain below OECD and EU averages, even though more children and teenagers are enrolling in school programmes.

The outlook for growth in 2014 remains weak, given Croatia’s dependence on the EU’s economic cycles and deteriorating conditions at home. Croatia’s trade is mostly oriented on the eurozone (primarily Germany and Italy) which is the source of about three-quarters of foreign direct investment flowing into the country. Croatia is also indirectly exposed to the crisis in the eurozone crisis due to the country’s high concentration of banks owned by European parents.

The agriculture sector employs about 14% of the labour force but accounts for only 4% of GDP. Agriculture is an important source of income and protection of the rural environment, with 42% of the country’s population living in rural areas. The Ministry of Agriculture has been working intensively on the harmonisation and adoption of a number of regulations that comply with the EU Common Agricultural Policy across areas including agriculture, food safety, fisheries, veterinary and plant health policies.
Although Croatia joined the EU as a full member in mid-2013, the benefits of membership will not be felt any time soon; on the contrary, contributions to the EU budget will exceed inflows in 2014. Deep structural reforms and large fiscal and monetary incentives and stimulus are urgently needed to stop and mitigate further economic decline.

As Croatia is now an EU member, it is saddled with import duties while export markets and the country’s weak domestic export industry are oriented to CEFTA markets. Croatia’s recent and current economic performance contrasts with the largely credit-fuelled growth that shaped Croatia from 2002 to mid-2008, with an average annual GDP growth during that period of almost 5%.

Croatia continues to be one of the weakest CE and global markets for corporate sales and profit growth. Only 12% of companies expect double-digit growth while the rest expect sales growth mostly in lower single digits. Profit expectations are improving slightly, as many companies have taken almost drastic cost-cutting measures to preserve some earnings growth. Corporate expectations for 2014 are slightly better, but the economic outlook is still weak.

36% of multinationals have problems collecting receivables, the highest level in CE, but this rises to 38% of firms in food/beverages and to 88% in consumer goods. Croatia now ranks eighth in CE in terms of customers and consumers buying cheaper brands with 30% of companies reporting down-trading. Croatia ranks fourth in the region for companies planning to cut headcount and fifth for those cutting marketing/sales costs.

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Deep structural reforms and large fiscal and monetary incentives and stimulus are urgently needed to stop and mitigate further economic decline.
Findings – prospects and predictability

Our survey indicates that 33.3% of CFOs are somewhat more optimistic about the financial prospects of their companies compared to the beginning of 2013, while 50% remain unchanged in their views. Only 13.9% see future prospects as less positive.

Croatia and Latvia have the highest uncertainty in the region— in fact, uncertainty is substantially higher than in other countries. The most optimistic countries as shown by the survey are the Czech Republic and Albania.

43.9% of interviewed companies rated the general level of external financial and economic uncertainty facing their businesses as high with 26.8% above normal. Accordingly, it is understandable that 78.6% of the interviewed CFOs also believe that this is not a good time to be taking greater risks on to company balance sheets.

Graph 1: Compared with 6 months ago, how do you feel about the financial prospects for your company?

- Very optimistic: 3%
- Somewhat optimistic: 33%
- Unchanged: 50%
- Less optimistic: 14%

Graph 2: How would you rate the general level of external financial and economic uncertainty facing your business?

- Very high: 14.6%
- High: 44%
- Above normal: 26.8%
- Normal: 14.6%
Only 21.4% of interviewed CFOs believe that this is a good time for making new investments and taking more risk on to company balance sheets. As mentioned above, since the majority of interviewed companies rated the economy as highly uncertain, it is only to be expected that 78.6% believe this is not a good time for taking risks onto balance sheets.

The business focus for most companies over the next 12 months is on growing revenues in current markets and reducing indirect costs.

Our CFO survey shows that Latvia, Serbia and Bulgaria share the same focus. Past drivers of growth, such as credit-driven consumption, are not expected to return any time soon.

Looking ahead, it is hard to see what could drive growth in 2014: the Government will be forced into deeper fiscal consolidation; households are under extreme pressure due to rising unemployment, falling real wages, high debts and very weak confidence; and exports and industrial production are still falling year-on-year.

Croatia is seen as the region’s second weakest country for business after Slovenia – only 48% of companies expect to grow their sales this year, the same as in 2012.

Regarding direct and indirect cost reduction, the survey identifies Serbian CFOs as the most conservative in the region, with 44.4% expecting to focus on reducing direct and 46.4% on indirect costs. Improving liquidity is also considered important by 40.7% of Serbian CFOs, whereas 31% of Croatian CFOs consider it to be their most important focus for the upcoming 12 months.

The companies most optimistic about making new investments were identified in Lithuania, where 30% of CFOs believe new investments are the most important focus; 44% of Slovenian CFOs, on the other hand, think that new investments should be the lowest priority for companies.
Graph 4: What is your company’s business focus for the next 12 months?

- Revenue growth (current markets): 2% 7% 10% 14% 26% 40%
- Revenue growth (new markets): 5% 14% 21% 17% 17% 26%
- Cost Reduction - direct costs: 2% 7% 12% 24% 24% 31%
- Cost reduction - indirect costs: 0% 0% 19% 17% 38% 26%
- Improved liquidity: 14% 2% 14% 24% 14% 31%
- New investments: 10% 10% 24% 19% 24% 14%
Almost half (45%) of Croatian CFOs expect no change in their companies’ gearing ratios in the year ahead. 35.7% are aiming to reduce gearing while 19% plan to raise their gearing ratio.

CFOs are divided in their perceptions of whether new credit for companies is normally available or difficult to obtain. Only Slovenia and Romania see difficulties in this regard. Lending activity is expected to stay subdued in 2014 despite the small recent recovery in corporate lending.
The growing proportion of non-performing loans is driving banks to impose additional provisions and demand unfavourable financing terms. This is consistent with the expectation that the costs of finance will increase, although it appears that only 5% of Croatian CFOs believe that this increase will be significant. 57% believe it will show a moderate increase, in line with expectations in Lithuania and Latvia. Serbia, on the other hand, believes financing costs will remain unchanged.

Graph 7: In your view, how are financing costs for companies in your country likely to change over the next 12 months?

- Increase significantly: 5%
- Increase somewhat: 57%
- Remain the same: 36%
- Decrease somewhat: 2%
- Decrease a significantly: 0%

Profit expectations are improving slightly, as many companies have taken almost drastic cost-cutting measures to preserve some earnings growth.
It is becoming clear in these early weeks of 2014 that joining the European Union is far from a panacea that will rapidly return us to growth.

Czech CFOs see have the most positive view of bank borrowing as a source of funding when compared to other CE countries; Croatia, Bosnia, Serbia and Hungary are indecisive, whereas Slovenia considers bank borrowing to be unattractive (with 41% of the sample).

Croatia sees is the most positive CE country when it comes to raising equity as a source of funding; Bosnia and Serbia are the only countries with a similar view.

14% of Croatian CFOs believe they will repay their debts more easily in future. This view is not fully in line with the economic outlook of Croatia. On the other hand, 50% believe it will remain unchanged, which is in line with other CE countries.

When interpreting the results, excluding Slovenia which has a worrying 62%, Croatia is pessimistic and 30% of CFOs predict recession. On the other hand, most optimistic CFOs are again Lithuanians where 69% expect moderate growth.
The high unemployment in Croatia, especially among the young (the country has one of the highest rates in the world) the trend towards emigration trend may continue. This is especially the case now that Croatia has joined the EU (and a number of markets have not imposed work permit restrictions on Croatian workers). Registered unemployment is rising again (registered unemployment is 19.1%, up from the 18.3% recorded in the early autumn of 2012).

Over 67% of the CFOs involved in our survey see business remodelling or restructuring as a strong or moderate priority. This is consistent with their cost-reduction strategies and focus on making better use of available resources.
57% of Croatian CFOs believe that mergers and acquisitions will increase somewhat over the next 12 months, which aligns to a certain extent with the latest trends across Europe. On the other hand, 33% expect M&A activities to remain unchanged while 2% expect a decrease.

25% of Croatian CFOs anticipate talent shortages in the finance area over the next year, mostly at senior (managers with over five years’ experience) and top management levels.
Central European economic and business overview
“May you live in interesting times...”

Introduction

The famous old Chinese curse “May you live in interesting times” has a powerful grip on the economies of Central Europe (CE) as the region’s CFOs strive to steer their companies to ultimate success through the obstacles of uncertainty, volatility and rapid global economic change.

But in interesting times, winning financial strategies depend more than ever on timely and relevant information. That’s why we’re so pleased to publish this report including the CE CFO Confidence Index, which summarises the perspectives of around 600 CFOs from 13 countries across Central Europe. While we all have daily access to abundant (and often conflicting) forecasts from analysts, academic economists, journalists and politicians we believe it’s just as valuable to understand what practicing CFOs have to say.

The shift of business impetus from the developed to the developing world has been seen as the principal driver of global change over the last decade. That said, the current re-industrialisation of the US and the deceleration in developing countries suggests the picture is not as clear-cut as believed. So the big question for business leaders in Central Europe is: “Can the region grow into one of the new centres of economic influence?”

We don’t attempt to provide a definitive answer in this report. Rather, building on past editions, we try to show how short-term plans and expectations are evolving to give the region’s largest companies a context for their decision-making. In this way, we hope to contribute to their success and so help the region exert the greater gravitational pull to attract business influence to CE.

The good news is that optimism for company prospects has become more widespread than pessimism over the six months since the last survey. On the down side, the majority of CE CFOs believe the time has not yet come to take more risk on to company balance sheets. The key business priority for CFOs might sound simple: to increase revenues. But, in the interesting times we are experiencing in Central Europe, simple does not translate into easy-to-achieve.
Key findings

• The CE CFO Confidence Index shows signs of optimism among nearly 600 CFOs from companies across 13 countries, which are experiencing volatility and external financial uncertainty.

• Despite signs of optimism, the majority of CFOs in Central Europe believe that the time has not yet come to take more risk on company balance sheets.

• CFOs in CE hold divergent views on their priorities for the next 12 months.

• Many CFOs plan to reduce gearing levels, associated with a corresponding expectation of higher financing costs.

• While talent shortages are not of concern to most participating CFOs, there are opportunities for experienced financial professionals around the region.

• The top priority for next year, shared by many CFOs in Central Europe, is simply to grow their revenues.
About the fifth CE CFO Survey

The report compares the expectations of CFOs from 13 Central European economies (Albania and Kosovo, Bosnia and Herzegovina, Bulgaria, Croatia, the Czech Republic, Hungary, Latvia, Lithuania, Poland, Romania, Serbia, Slovakia and Slovenia). It is based on the answers of 580 CFOs from a broad range of industries who responded to our survey in October and November 2013. The survey captures shifts in CFOs’ opinions on factors including risks, GDP growth and financing priorities. It has become a benchmark for agile decision-making that takes into account the financial attitudes of major corporations across Central Europe.

About the author

This part of the report was prepared by Dr Michał Zdziarski, Research Director, Warsaw University Executive MBA, exclusively for Deloitte Central Europe. Dr Zdziarski’s research interests include strategy, finance, leadership and international business.
We have developed the CE CFO Confidence Index\(^1\) to track the evolution of CFO sentiments regarding their companies’ financial prospects across many sectors and geographies. We have taken into account accumulated opinions from five major economies in the region: Poland, the Czech Republic, Romania, Hungary and Slovakia, which jointly represent close to 80% of CE’s aggregated GDP. We have weighted the influence of CFOs’ sentiments from different countries by the relative size of their economies, to best represent the overall expectations for changing regional dynamics.

The 22-point increase in the CE CFO Confidence Index between the third and fifth editions signals the growing optimism of the region’s finance professionals. The level of confidence now is the highest of all editions of the survey we’ve undertaken since its launch in June 2011, into a region that was already affected by the global slowdown. Therefore, we propose to conservatively interpret the current levels of CFO confidence as a sign of cautious optimism.

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\(^1\) The CE CFO Confidence Index is calculated based on net optimism – the difference between the percentage of CFOs who are optimistic about the financial prospects for their company compared with six months ago and those who are pessimistic, weighted by the proportion who believes that conditions remain unchanged. We calculate the index based on results from five major economies of the Central European region, which between them have a 78% share of the total GDP of all analysed countries. Net optimism is then weighted by product of individual country (GDP) to produce the index for the overall region. The results from the first Deloitte CE CFO Confidence Index are taken as base data.
The majority of CFOs in all countries except Lithuania believe that now is not the time to take greater risks on to company balance sheets. The diversity of opinion on risk-taking across the region is notable: in Slovenia, no CFOs at all believe that their company should increase its risk exposure; 57% of Lithuanian CFOs, meanwhile, are willing to leverage their growth potential. It is also worth noting the relatively high proportion of CFOs who appear ready to take more risk in the three largest economies of the region: Poland (39%), the Czech Republic (30%) and Romania (30%). These countries’ combined share of the total GDP of the Central European region is over 60%, and there is a corresponding difference in the size of the business operations of our respondents. In the two following countries, fewer CFOs are willing to increase risk levels – Hungary at 24%, and Slovakia at 21%.

Results across Central Europe are far from the six-year high in optimism expressed by UK CFOs. With 54% of them bullish about taking greater risks, Ian Stewart, Chief Economist at Deloitte, expects UK corporations to significantly increase their capital expenditure over the next 12 months.

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2 The Deloitte CFO Survey UK. 3rd Q results.
Comparing the risk-aversion findings across all five editions of the Deloitte CE CFO Survey, we can see that the proportion of CFOs in Poland, Hungary and Slovakia that believe now is a good time to take greater risk on to the balance sheet has increased by more than 10% since the first survey in June 2011. In Romania the proportion has returned to the 30% level that we also saw in the first survey. This recovery follows a steep decrease in the second edition, to only 10% of Romanian respondents. The Czech Republic is the only country where the proportion of CFOs willing to take greater risks has decreased; it has fallen by close to 5% over last two and a half years, while remaining on the relatively high level of 30%.

The overall trend from the five largest countries is towards an increased proportion of CFOs who are willing to take more risks. Maybe the time to increase risks has not yet arrived, but we are getting closer to a more endemic mood of expansionary investment. In interesting times like the present, it is necessary to make a decision: should we take greater risk now, hoping to maximise the benefit of grabbing investment opportunities ahead of the curve? Or should we instead take a conservative approach and minimise the chance of making losses if the trend goes into reverse?
Comparing the top priorities for CFOs over the next 12 months by country, we see three distinct groups, which we have called:

- Growth-seeking
- Stability-seeking
- Cost advantage-seeking

CFOs’ top priorities in growth-seeking countries are almost equally divided between two revenue-growth alternatives: growth from current markets or from new ones. The growth-seeking group of countries is the most numerous and includes the largest economies in the region: Poland, the Czech Republic, Romania and Hungary as well as Croatia and Lithuania. In these countries factors like austerity, cost control and improving liquidity are out, and expansion priorities are clearly in.

In the next group of countries, all located in the south of the region, improving liquidity is one of the two top priorities. While seeking revenue in current markets is the primary challenge in Bulgaria, Albania and Serbia, this might be hard to achieve – CFOs expect stagnation in all these markets. Even more challenging might be growing revenues from new markets, which is the second priority for CFOs in Slovenia. Their expectation of recession in their home market leaves them with no other alternative.

The group of countries seeking cost advantage is the least homogeneous, as indirect cost reduction is accompanied by three disparate priorities: revenue growth from existing markets in Latvia; direct cost reduction in Bosnia and Herzegovina; and revenue growth from new markets in Slovakia.
In general, CFOs report that where growth is currently weak or absent, the situation is not expected to reverse in any dramatic way. Some signs of improvement are expected by CFOs operating in four countries – Lithuania, Latvia, Poland and Albania – where the dominant best estimate is for moderate annual growth of between 1.5 to 3% of GDP. In these four countries alone, relatively small groups of CFOs expect growth to exceed 3% in 2014.

The dominant expectation for the region is stagnation (between 0 and 1.5%), chosen most frequently by CFOs in nine countries. Recession is clearly the consensus view for Slovenian economic prospects in 2014.

Overall, therefore, the region’s waters of economic prosperity remain unsettled. It will be critical to learn in the next few months what would be more transferable among countries in the region – the moderate economic growth expected in Poland, Latvia and Lithuania, or the recession that Slovenia is going through.
The prospects for employment

GDP growth is again the key factor when we look at expected changes in unemployment. The expected moderate growth in Lithuania, Latvia and Poland corresponds with anticipated decreases in the levels of unemployment in these three countries. In all other countries, CFOs expect fewer opportunities for job seekers and current employees. In Slovenia, which remains in recession, the largest proportion of CFOs expect a significant increase in unemployment levels, and any expectations of a significant increase in employment will need to wait for GDP to grow faster than 3%.

Graph 6: How CFOs expect levels of unemployment to change in their countries over the next 12 months
Financial prospects compared to six months ago

CFOs are much more optimistic about their own companies’ prospects in the next six months than for the GDP growth outlook of the countries in which they are located. In all countries, more CFOs have become more optimistic about their company prospects in the next six months than have become less optimistic. Even in troubled Slovenia, expectations of continuing recession do not translate into pessimistic views on companies’ financial prospects; this is perhaps thanks to growth from new markets and exports that might compensate for the weakness of the domestic market. In several markets, there is a net difference of over 40% between ‘very/somewhat optimistic’ CFOs and their less optimistic peers. These countries include Poland, Romania and Serbia, as well as Bosnia and Herzegovina. CFOs have clearly learned to operate their companies in stagnant, troubled economies.

Graph 7: CFOs’ views on their companies’ financial prospects compared with six months ago
Financial prospects – the long-term view

Most CFOs predict no change in their ability to service their debt, while almost the same proportion expects a moderate improvement over the next three years. Radical changes in companies’ financial performance were indicated only rarely, suggesting that current long-term views on companies’ financial prospects are in fact closer to the expected changes in GDP than they are to anticipated short-term improvements in companies’ financial performance. While there are notable exceptions of companies implementing a winning strategy in a difficult environment, no company is isolated from its business context. For the majority of CFOs, therefore, the long-term prospects of their companies are grounded in the dynamics of the external environment.

Graph 8: How CFOs expect their ability to service debt to change over the next three years
External financial uncertainty – learning to cope with the “New Normal”

The majority of CFOs in the region describe the general level of external financial uncertainty as above normal, high or very high. This majority is as high as 88% in Slovenia and 70% in Poland. This suggests that they do indeed operate in interesting times, when higher uncertainty becomes part of the “new normal” environment.

Many companies react to the situation by withholding investment funds and focusing on quick wins. While this strategy is typical of how to deal with cyclical downward shifts in the economy, there is less clarity about how to manage financial risks in an environment where high levels of external financial uncertainty are normal for the long term.

Graph 9: CFOs’ opinions on the general level of external financial and economic uncertainty facing their businesses
Gearing and costs of finance

Most CFOs remain cautious on the subject of gearing. In seven markets, the clear majority anticipate no change, and in all countries except Poland the largest proportion of CFOs choose this option. The fact that Poland and Lithuania have the largest proportion of CFOs anticipating that gearing will increase corresponds with these two countries also having the highest proportion of CFOs who say that now is a good time to take greater risks on to the balance sheet. Efforts to reduce gearing will be more common among CFOs based in the southern part of Central Europe: in the troubled economy of Slovenia, as well as in Croatia, Bosnia and Herzegovina, Serbia, Albania and Hungary, plans to reduce gearing are quite common. Overall, reducing gearing is the second most popular strategy after “no change”.

Graph 10: How CFOs anticipate their levels of gearing to change over the next 12 months
Central European CFOs feel that the costs of finance are set to remain the same or to increase somewhat. There are four exceptions, Romania, Albania, Hungary and Serbia, where between 39% and 21% of CFOs believe that interest rates are likely to decrease somewhat over the next 12 months. Expectations of a significant increase are marginal – the 9% of Slovenian CFOs who expect such a change is the largest group among the entire sample.

Graph 11: How CFOs expect the costs of finance for companies in their countries to change over the next 12 months
Availability of new credit

Most CFOs in our survey see new credit as “normally available”. The story is different in Slovenia and Romania, where 79%, respectively 60%, of CFOs have difficulties in accessing credit. Compared to last year, credit availability has improved notably in Hungary, and it is less of an issue even to 8% of Slovenian CFOs than it was then.

While 6% more Polish CFOs than last time find credit easily available, 5% also find it more difficult to obtain. Such results suggest that the region’s largest economy is set for an increase in those companies using M&A activity to restructure and seek new efficiencies.

Graph 12: How CFOs rate the overall availability of new credit for companies

- Easily available
- Normally available
- Difficult to obtain
Funding alternatives

There is quite a diversity in the perceived attractiveness of bank borrowing versus equity finance among CE countries. In Poland, the Czech Republic and Slovakia, CFOs regard equity raising as a less attractive option for funding their plans than bank borrowing.

The opposite holds true for CFOs from Serbia, Bosnia and Herzegovina, Slovenia, Croatia and Romania – countries where availability of new credit is often more restricted. In the remaining three countries, there is a less clear-cut orientation towards bank credit rather than equity raising.

Graph 13: Currently, CFOs believe bank borrowing as a source of funding is:
Graph 14: Currently, CFOs believe raising equity as a source of funding is:

- **Attractive**
- **Neither attractive nor unattractive**
- **Unattractive**

The graph shows the percentage of CFOs from various countries who believe raising equity is attractive, neither attractive nor unattractive, or unattractive. The percentages are represented by bars for each country, with the colors indicating the type of opinion (green for attractive, gray for neither, and blue for unattractive). The specific values for each country are not clearly visible in the image provided.
Mergers, restructuring and remodelling

CFOs will lead a great deal of restructuring/remodelling and M&A over the next year. Restructuring/remodelling will be strong priority for more than 50% of CFOs in all countries except Lithuania, where expected growth is not necessitating major internal efficiency initiatives. This level of restructuring/remodelling is impressive, as much has already been done in most CE markets in the last few years. The expected increase in M&A activities in most markets is another means of seeking efficiency savings in times where the simple goal of revenue growth can be difficult to achieve organically. Slovenia and Poland, currently at very different stages of the economic growth cycle, will see much activity in both mergers and restructuring.

Graph 15: How CFOs expect levels of M&A activity to change in their countries over the next 12 months
Graph 16: To what extent business remodelling or restructuring is likely to be a priority over the next 12 months

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<thead>
<tr>
<th>Country</th>
<th>Strongly</th>
<th>Somewhat Priority</th>
<th>Not a Priority</th>
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<td>Hungary</td>
<td>52%</td>
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<tr>
<td>Lithuania</td>
<td>7%</td>
<td>67%</td>
<td>26%</td>
</tr>
</tbody>
</table>

Legend:
- **Strongly**
- **Somewhat Priority**
- **Not a Priority**
Talent shortages and prospects for finance professionals

The majority of CFOs in the region do not expect any talent shortages in financial roles. There is a considerable variation in views, however, with some promising prospects for experienced finance professions in Slovakia, Lithuania and Latvia where middle and senior-level finance executives are more in demand than in any other country in Central Europe.

Graph 17: Whether or not CFOs expect talent shortages in the finance area over the next year
Graph 18: Expected talent shortages in finance over the next 12 months - top 3 countries
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Methodology
The 5th CFO survey took place in October & November 2013. A total of 580 CFOs across 13 countries completed our survey. The survey is divided into two parts, first - local analysis based on responses from Croatia and the second part is based on all the responses across the region. Not all survey questions are reported in each annual survey. If you were interested to see the full range of questions, please contact acofek@deloittece.com.

We would like to thank all participating CFOs for their efforts in completing our survey. We hope the report makes an interesting read, clearly highlighting the challenges facing CFOs, and providing an important benchmark to understand how your organization rates among peers.

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