

Press Release

More than half of the CFOs in the Czech Republic are more optimistic regarding the financial outlook for 2015

Prague, 16 March 2015 – More than half of Czech CFOs (56.5 %) are more optimistic about 2015 than a year ago. In comparison to their colleagues from the Central European region, Czech CFOs from the companies addressed in the survey are the most optimistic ones. Economic improvement and CFOs' optimism is principally apparent when evaluating the development of GDP. This information has come to light from the latest survey of Deloitte, performed in late 2014.

“The continuing market recovery has become apparent in the growing optimism of company CFOs in the Czech Republic. However, the moderate optimism is still rather cautious. Companies are still not very willing to take any significant business risks, which is reflected, for example, in the relatively low priority of new investments or the priority given to increasing sales on the markets, where they are already operating, as well as a relatively low willingness to expand to new markets,” said Martin Tesař, Partner in Charge of the Audit function of Deloitte Czech Republic

In the survey, hardly anybody stated that they expected a recession in 2015. On the other hand, half of the respondents (50.6%) expect the economy to grow by 1.5 – 3%.

“Czech CFOs' number one priority is to continuously increase sales in the markets, where they are already operating. Almost 40% of the respondents marked this aim as being the most important one. More than a quarter of CFOs see expansion to new markets as their priority,” added Ladislav Šauer, Director in the Audit function of Deloitte Czech Republic.

Positive expectations regarding economic development are also reflected in the anticipated further improvements on the labour market. *“The share of CFOs expecting the unemployment rate to decrease somewhat has increased from 17.7% in 2013 to 22.4% in 2014. Conversely, the number of respondents stating that the unemployment rate would increase at a similar level, has dropped,”* added David Marek, Chief Economist at Deloitte Czech Republic.

Payment Discipline of Customers

The survey performed among Czech CFOs also paid attention to individual companies' experience with payment discipline. Despite a better economic situation and continuing moderate economic growth in 2014, the customer payment discipline did not improve. Four out of five CFOs believe that payment discipline has

remained the same as compared to the previous year. Moreover, 12% of the CFOs believe that payment discipline has become worse.

“More than half of the addressed CFOs believe that the main reason for delays in the settlement of receivables by customers is intentional. Nearly a fifth (17%) of the respondents believe that this is because of administrative errors. For the remaining third, the main reason relates to insolvency. Active management of receivables remains the key activity for ensuring reliable cash-flow,” commented Zbyněk Brtinský, Partner in the Tax function of Deloitte Czech Republic.

The Ability to Service Debt and Availability of New Credit

The decrease in interest rates, combined with the improved economic situation, has improved the conditions for companies repaying their liabilities. The number of CFOs who expect their ability to service their debt to increase a little in the next three years has increased from 21.3% in 2013 to 35.8% in 2014. Also, the share of respondents who expect that their ability to service their debt would drop has decreased.

The mitigation of financial risks and a more willing attitude of the banks are documented by the growing share of CFOs, who stated that credit was more available now. Almost two thirds consider the credit situation normal.

More than a quarter of the respondents (27.7%) actually state that credit is easily available, which is a significant improvement in comparison to previous years. In 2013, only 6.5% of managers considered new credit easily available.

Key Findings of the CFO Survey in the Czech Republic:

- CFOs are aware of the improving overall economic situation.
- Almost two thirds of CFOs do not want to take greater risk onto their company's balance sheets.
- For over a quarter of CFOs, business growth is the priority for the upcoming year.
- Just like last year, CFOs will concentrate more on business growth on existing as well as new markets.
- The share of CFOs who are aware of the good availability of new corporate credit has significantly increased (a year-on-year increase from 6.5% to 27.7%).
- The number of CFOs who see bank credit as an attractive source of funding has also increased.
- Funding through share capital, on the other hand, is seen as an attractive option for less than one tenth of CFOs.

Information on the CFO Survey in Central Europe

The survey, investigating the opinion of Central European CFOs, included 550 respondents from various industries in 14 Central European countries – Albania and Kosovo, Bosnia and Herzegovina, Bulgaria, Czech Republic, Croatia, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Serbia, Slovakia and Slovenia.

The whole survey in **English** is available under the following link:
www.deloitte.com/cz/cfo-survey.

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