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Outlook optimistic – but is confidence past its peak?

Central Europe CFO Survey

2019 | 10th edition

The CFO Program

10TH EDITION OF THE CE CFO PROGRAMME

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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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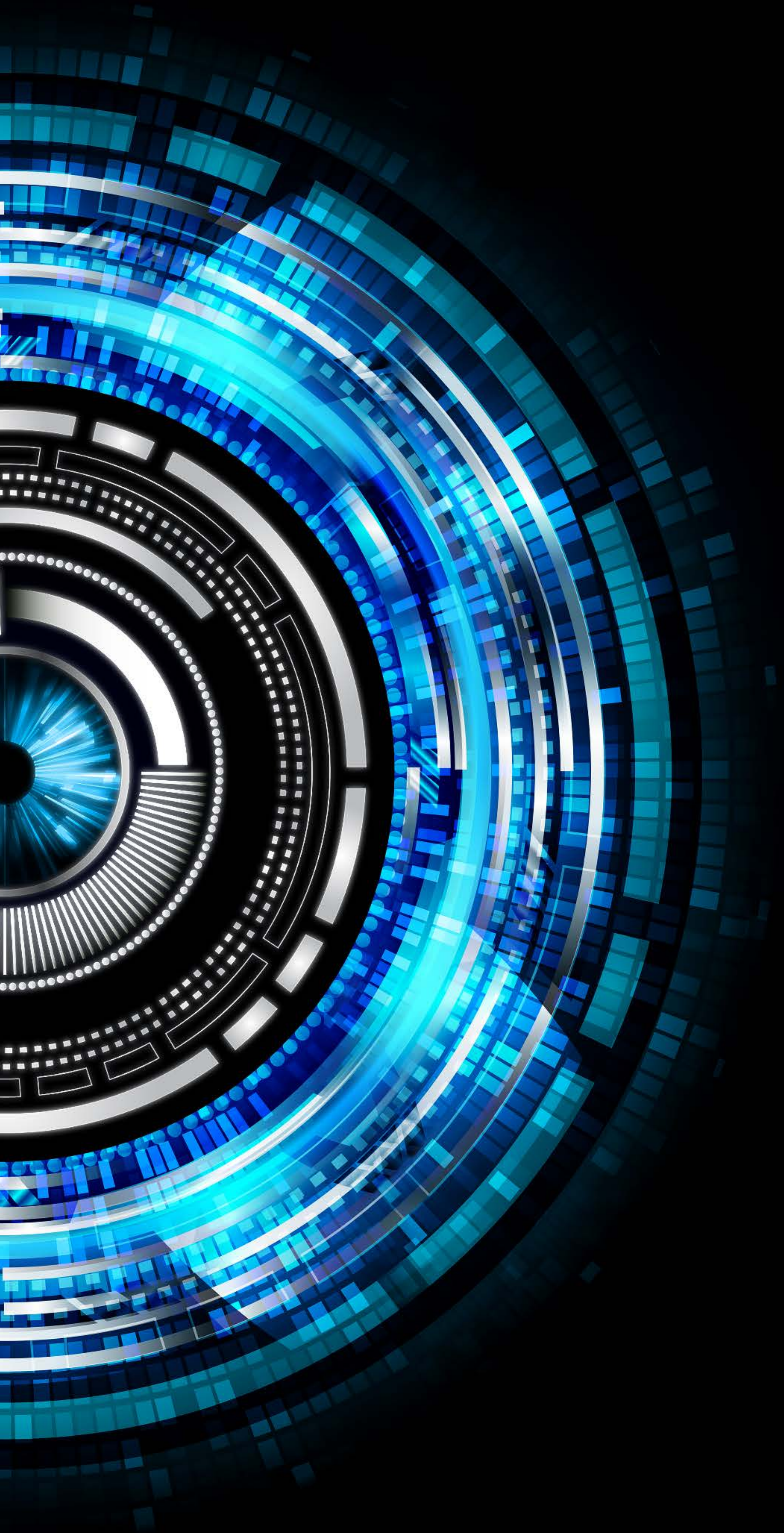


Foreword

A slight fall from last year's peak in CFO optimism

Gavin Flook
Partner, Central Europe
Clients & Industries Leader
CE CFO Programme Leader

Welcome to the tenth annual Central Europe CFO survey, now long-established as our region's most important and accurate barometer of sentiment among leading finance professionals. We are delighted this year to welcome CFOs from five new countries to the Programme, and would thank to thank every one of the nearly 700 respondents who took the time to consider our questions.

This year, expectations around the future outlook for the region's businesses and economies are largely in line with those from 2018, but with a slight decrease in optimism. This in turn has driven a decline in the CFO Confidence Index, from 23% in 2018 to 16% now.

While opinions overall remain positive, we wonder if this is an early indication that sentiment is set to change.

However, we must not forget that since 2016 we have watched as CFO confidence grew stronger and stronger. In addition, this year's findings are still ahead in confidence terms of those from 2016 and 2017. So perhaps we should be looking at 2018 as an exceptional year when the region's CFOs were in a particularly buoyant mood. This is a question that will be answered by the 11th edition of the survey report, when it is published in 2020.

In the meantime, we believe the 2019 survey is a fascinating read for anybody interested in the true state of business confidence across 17 Central European countries and nine industrial sectors. We tell the story as follows:

- Chapter One: 'Economic Outlook'. This looks in detail at CFO opinions around GDP growth, unemployment levels and expectations for CPI inflation levels. And the findings are broadly positive, with GDP expected to grow on average by 2.6% and unemployment not to increase.
- Chapter Two: 'Business Environment'. We identify the biggest anticipated threat to business performance over the next 12 months as rising costs, particularly in areas like the workforce, transportation and production – forewarned is forearmed.
- Chapter Three: 'Company Perspectives'. Despite a slight slide in confidence across a number of areas, a dominating 75% of CFOs are either positive or neutral about what the future holds for their companies.
- Chapter Four: 'Artificial Intelligence'. In this special report, we reveal the extent to which cognitive technology remains a future focus for our CFOs. Despite media preoccupations with the subject, only 8% of respondents feel they are well or very well prepared for implementation, and a third do not feel that AI is relevant to the finance function. Perhaps most surprising of all, 77% of companies do not use cognitive tools of any sort.
- Chapter Five: 'Local Perspectives'. A country-by-country guide to CFO sentiment from across CE, all within the context of broader regional economic and business trends.

We very much hope you find this year's CFO survey and interesting, insightful and useful read – please do not hesitate to contact us with any comments you may have.

Methodology

About the data

The findings presented and discussed in this report represent the opinions of 674 CFOs based in 17 Central European countries: Albania, Bosnia and Herzegovina, Bulgaria, Croatia, the Czech Republic, Estonia, Hungary, Kosovo, Latvia, Lithuania, Montenegro, Poland, Romania, Serbia, Slovakia, Slovenia and Ukraine. Twelve of these were covered in last year's report and five have joined the project this year.

The survey was conducted between September and November 2018.

When 'Eurozone' is used in the charts and infographics in this report, this refers to those Central European countries in the survey that have adopted the Euro as their currency. 'Non-Eurozone' refers to the other countries covered by the survey. When we use 'EU', this refers to those Central European countries in the survey that are full members of the European Union.

Please note that due to the limited number of answers from CEOs in Montenegro and the Public Sector, data concerning those two elements in this report need to be interpreted cautiously.

Some of the charts in the report show results as an index value (net balance). This is calculated by subtracting the percentage of respondents giving a negative response from the percentage giving a positive response. We deem responses that are neither positive nor negative to be neutral. Due to rounding, responses to the questions covered in this report may not aggregate to 100.

The Deloitte Central Europe CFO Confidence Index consists of three sub-indices that reflect CFOs' optimism (or lack of it) about three key issues:

- Economic processes (the Economy Confidence Index): this is based on questions about economic growth, unemployment and the Consumer Price Index (CPI).
- The business environment (the Business Environment Confidence Index): this is based on questions concerning uncertainty, risk, operational expenses, the attractiveness of different sources of funding and opinions about the M&A market.
- Prospects for the development of the CFOs' companies (the Company Perspective Index): this is based on questions concerning the company's future, its financial position (revenue, debt-servicing capabilities, capital expenditure and margins), its predicted level of gearing and employee numbers.

The sub-indices are a net balance of average positive and negative answers derived from selected questions. The main index is a mean of the sub-indices and assumes values between - 100 and 100: - 100 means that a given CFO provided only pessimistic answers, while 100 means only optimistic answers were given.

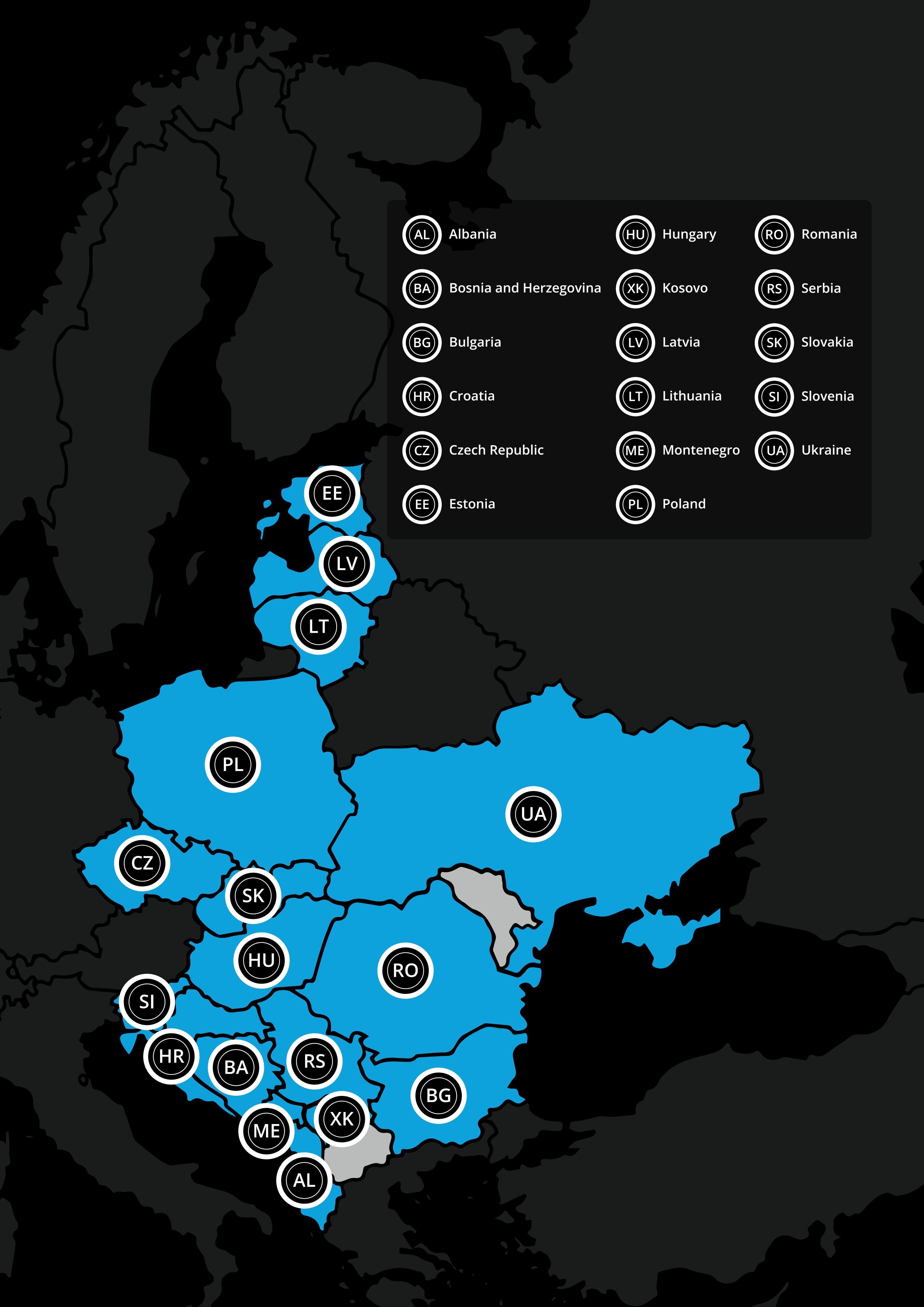
The findings discussed in this report represent the opinions of

674 CFOs

based in

17 Central European countries:

Albania (AL), Bosnia and Herzegovina (BA), Bulgaria (BG), Croatia (HR), the Czech Republic (CZ), Estonia (EE), Hungary (HU), Kosovo (XK), Latvia (LV), Lithuania (LT), Montenegro (ME), Poland (PL), Romania (RO), Serbia (RS), Slovakia (SK), Slovenia (SI), and Ukraine (UA).


AL Albania
BA Bosnia and Herzegovina
BG Bulgaria
HR Croatia
CZ Czech Republic
EE Estonia
HU Hungary
XK Kosovo
LV Latvia
LT Lithuania
ME Montenegro
PL Poland
RO Romania
RS Serbia
SK Slovakia
SI Slovenia
UA Ukraine
EE
LV
LT
PL
UA
CZ
SK
HU
RO
SI
HR
BA
RS
BG
XK
ME
AL

The CFO Confidence Index

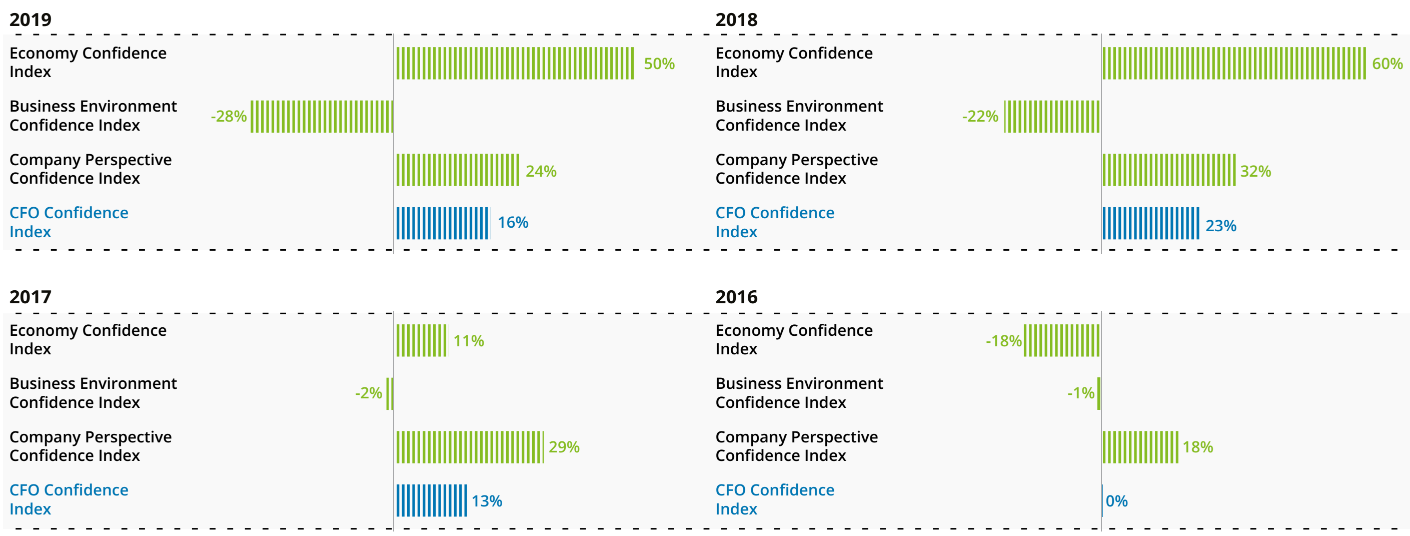
CFOs have become less optimistic about the future. The CFO Confidence Index has fallen by 7p.p. since last year, from 23% to 16%. However, this is still higher than the value in the 2017 Index. This year's outcome is mainly driven by negative expectations about the business environment, in particular an increase in the predicted costs of running a business.

Participating CFOs' optimism regarding the economic outlook was the sharpest faller, declining by 10p.p. from 60% to 50%. Nonetheless, this remains the measure with the most positive evaluation. The factor with the greatest influence on this decline was less positive expectations for falling levels of unemployment.

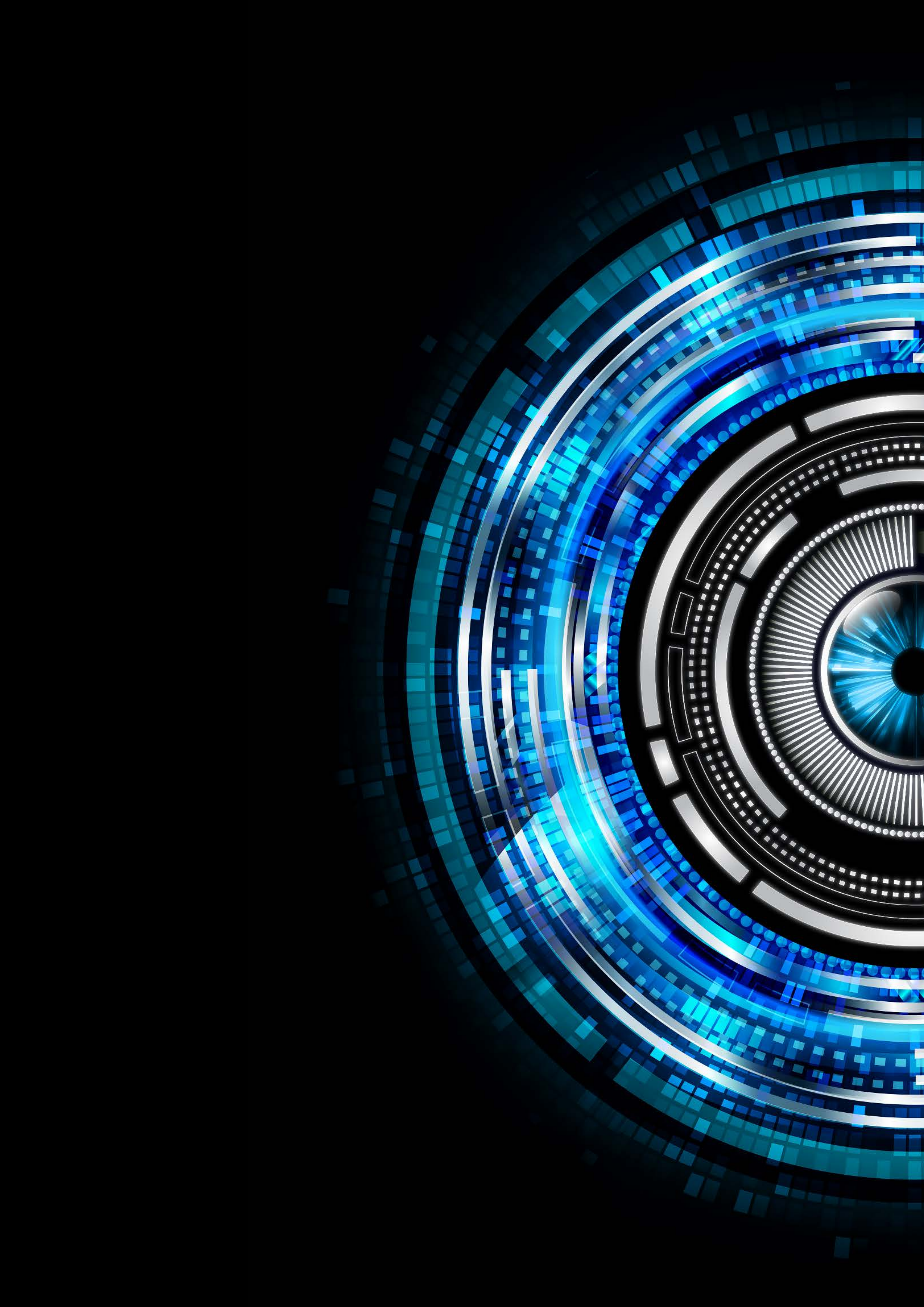
There is also more pessimism than a year ago in the business outlook. The Business Environment Confidence index – which was already negative in 2018 – has fallen by another 6p.p., from -22% to -28%. This again is mostly due to an increase in the predicted costs of running a business.

The Company Perspective Confidence Index also shows a decline in positive expectations, falling by 8p.p. from 32% to 24%. Even though 66% of CFOs believe company revenues will increase in the next 12 months, only 39% feel more optimistic about their future revenues than they did six months ago.

CFO Confidence Index by sub-indices



scale (-100; +100)
where -100 means all answers are negative and +100 all answers are positive



Economic outlook

Respondents expect GDP growth in 2019 to average **2.3%**, which is **0.1%** less than in 2018.

A majority of CFOs (**82%**) expect an increase in the Consumer Price Index (CPI) in 2019, 3 percentage points (p.p.) fewer than in 2018.

The largest share of CFOs (**41%**) expect no change in unemployment levels in 2019, but the share of those who expect an increase grew from **13%** in 2018 to **21%** in 2019.

Economic outlook

The positive expectations regarding the European economy, which had been on the rise since 2016, not only failed to grow in 2019 but actually showed a slight decrease.

Average GDP growth is expected to be 2.3% in 2019, 0.1% less than in 2018. This change is not large, but it is the first time since 2016 that CFOs have not been expecting a higher value than that from the previous year.

In addition, predicted falls in unemployment are smaller: just 38% of CFOs predict a reduction, compared to 47% in 2018. What's more, a higher share of respondents is expecting an increase: 21% in 2019, compared to 13% in 2018.

Change is also noticeable in CFOs' estimates for future CPI levels. Even though the majority of CFOs expect an increase (82%), this is 3p.p. below a year ago. This change is mostly influenced by CFOs from non-EU countries. The views of those from the EU and the Eurozone remain unchanged.

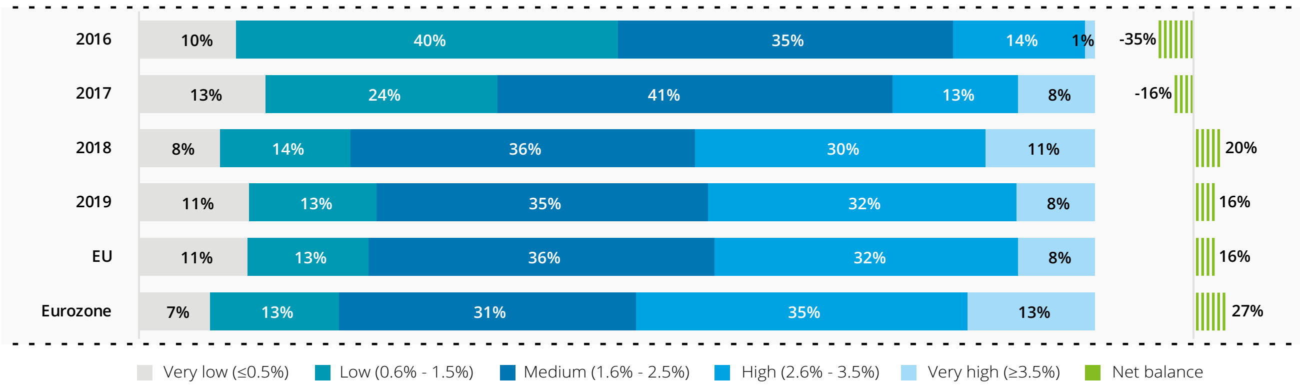
The increase in optimism for GDP growth decelerates

After three years of rising optimism for GDP increases, CFOs' expectations have fallen slightly in 2019.

They are still significantly higher than in 2016 or 2017 and only a little lower than in 2018. The average expected GDP growth for 2019 is 2.3%, compared to 2.4% in 2018. There is a disproportion between the Central European region as a whole and those countries from the Eurozone, where CFOs are much more optimistic.

In Eurozone countries, 48% of CFOs expect GDP to increase by more than 2.6% (against an average expectation of 2.5%). This compares with 40% of CFOs from across the region as a whole (average expectation: 2.3%).

What is your expectation for the country economic GDP growth for the year 2019?

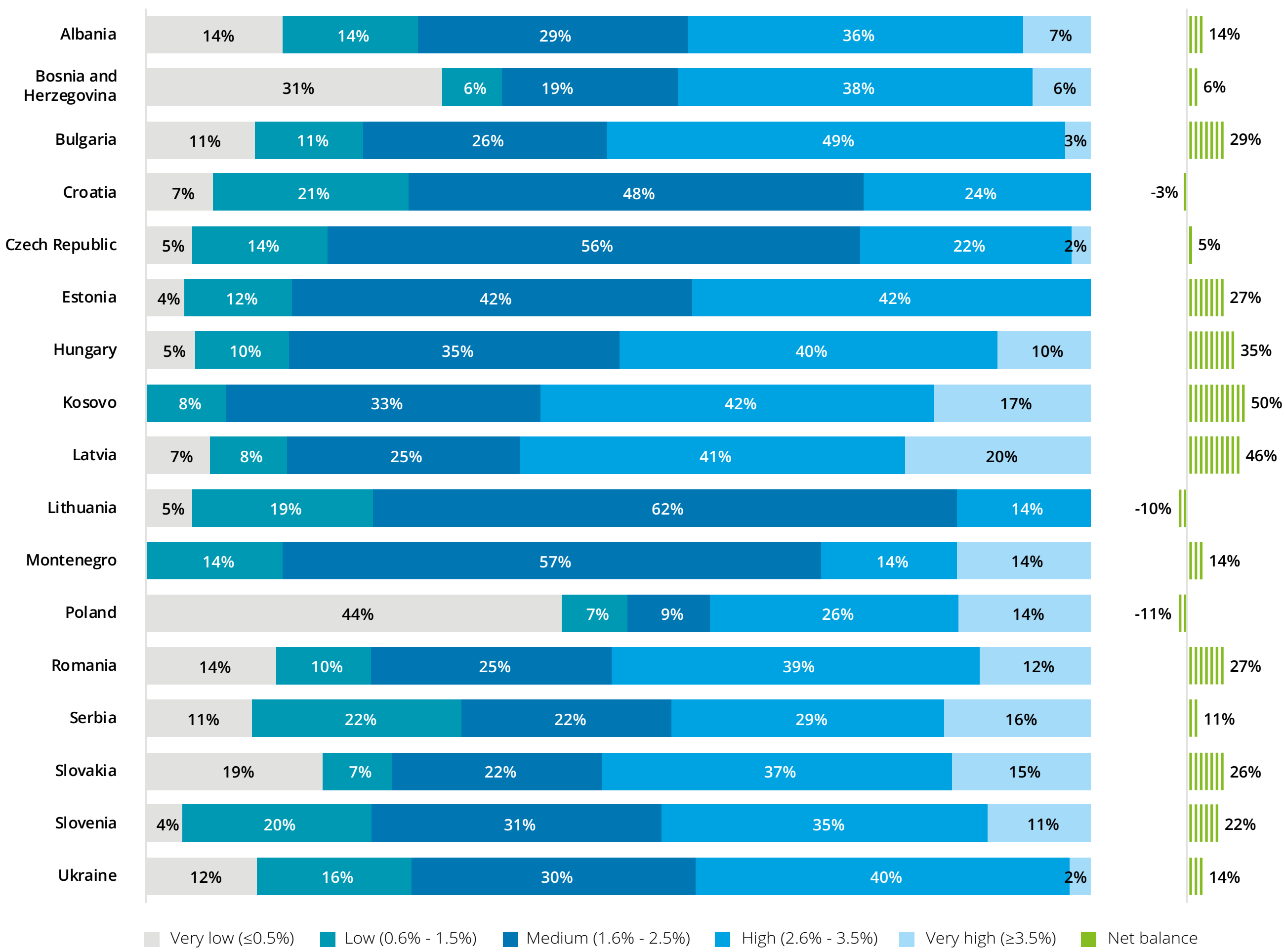


The CFOs that are most optimistic about GDP grow are those from Latvia and Kosovo, where the share of CFOs expecting GDP growth of at least 2.6% is respectively 61% and 59%.

The most pessimistic views are in Poland, where opinions are also highly polarised. 51% of CFOs expect GDP growth to be less than 1.6%, and 40% expect growth of at least 2.6%. Only 9% expect a medium value between 1.6% and 2.5%.

The greatest shift in opinion, compared to 2018, is among Lithuanian and Ukrainian respondents. Lithuanian CFOs overestimated last years' GDP growth the most. This year, none of them expect GDP growth to be more than 3.5% and only 14% expect it to be more than 2.6%. The biggest increase is among those with expectations of a medium (1.6% - 2.5%) value. On the other hand, in Ukraine we can observe a significant rise in optimism: 42% of CFOs expect GDP to be at least 2.6%, compared to just 13% in 2018.

What is your expectation for the country economic GDP growth for the year 2019?



The findings are broadly positive, with GDP expected to grow on average by 2.6% and unemployment not to increase.

Most CFOs tend to underestimate GDP growth. The only countries which overestimated in 2018 were Lithuania (where 46% overestimated), the Czech Republic (40%), Bulgaria (21%) and Ukraine (13%).

Table 1. Predictions of GDP growth in 2018 vs real GDP growth in 2018[1, 2]

	Real GDP	Accuracy of GDP estimations for 2018			Expected GDP in 2018				
Country	**Growth in Q3 2018**	**Underestimated**	**Well estimated**	**Overestimated**	**Very low (≤0.5%)**	**Low (0.6%-1.5%)**	**Medium (1.6%-2.5%)**	**High (2.6%-3.5%)**	**Very high (>3.5%)**
Bulgaria	3,1%	45%	33%	21%	6%	9%	30%	33%	21%
Croatia	2,8%	83%	18%	0%	15%	15%	53%	18%	0%
Czech Republic	2,4%	14%	46%	40%	4%	10%	46%	31%	9%
Hungary	4,9%	93%	7%	0%	7%	11%	30%	44%	7%
Latvia	4,7%	81%	19%	0%	7%	10%	36%	29%	19%
Lithuania	2,4%	21%	33%	46%	17%	4%	33%	42%	4%
Poland	5,1%	86%	14%	0%	6%	14%	27%	40%	14%
Romania	4,3%	78%	22%	0%	15%	19%	26%	19%	22%
Serbia	3,8%	97%	3%	0%	9%	15%	55%	18%	3%
Slovakia	4,6%	80%	20%	0%	0%	0%	50%	30%	20%
Slovenia	4,8%	92%	8%	0%	8%	14%	22%	47%	8%
Ukraine	2,8%	87%	13%	13%	7%	33%	47%	13%	0%

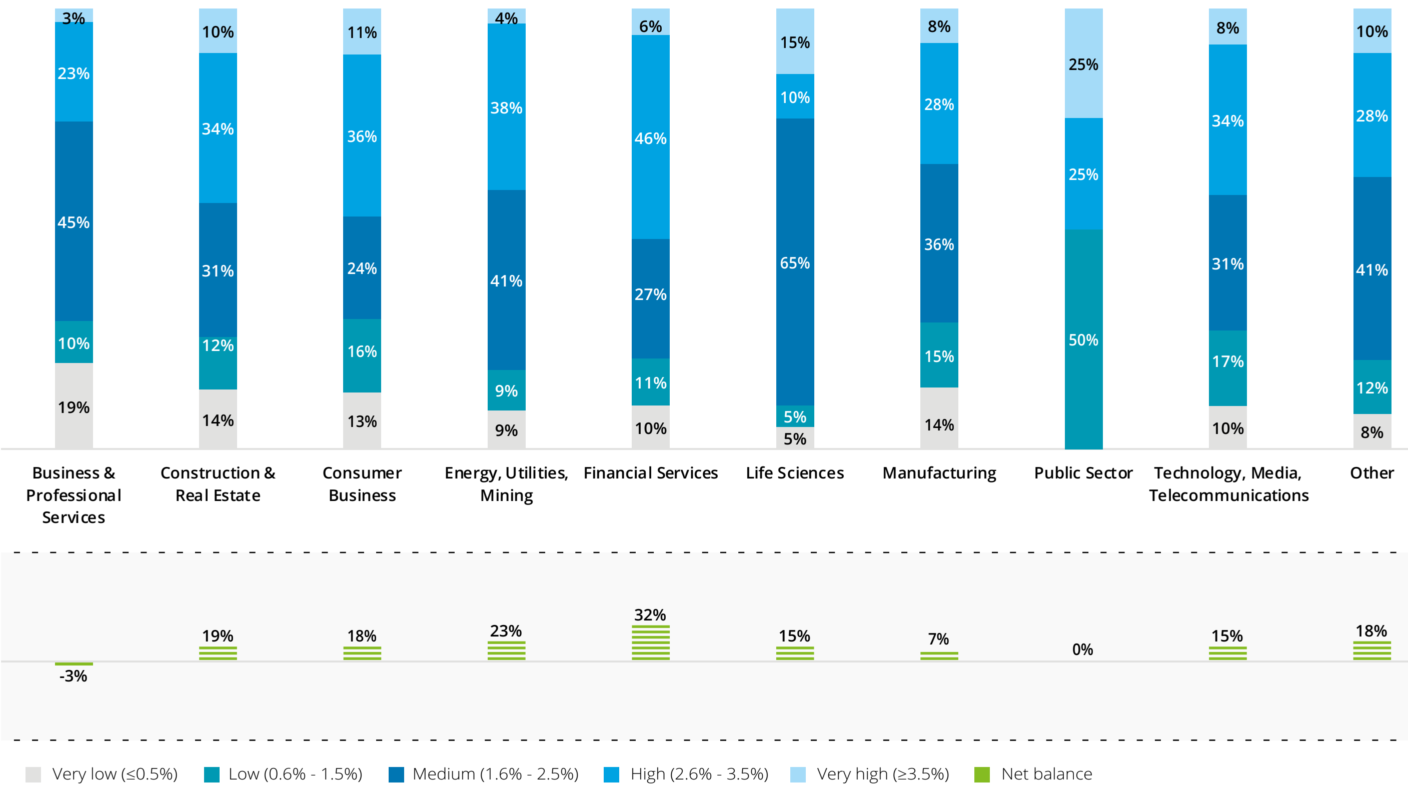
1 Data for countries that participated in the previous edition of the survey.

2 Data for real GDP obtained from https://tradingeconomics.com/country-list/gdp-annual-growth-rate?continent=europe (accessed December 2018).

After three years of rising optimism for GDP increases, CFOs' expectations have fallen slightly in 2019.

When we look at industries, CFOs from Financial Services are the most optimistic about GDP growth in 2019, with 52% predicting it to be at least 2.6%. The only industry with a negative net balance index – meaning that more respondents expect GDP growth to be below 1.6% than to be over 2.6% - is Business & Professional Services.

What is your expectation for the country economic GDP growth for the year 2019?

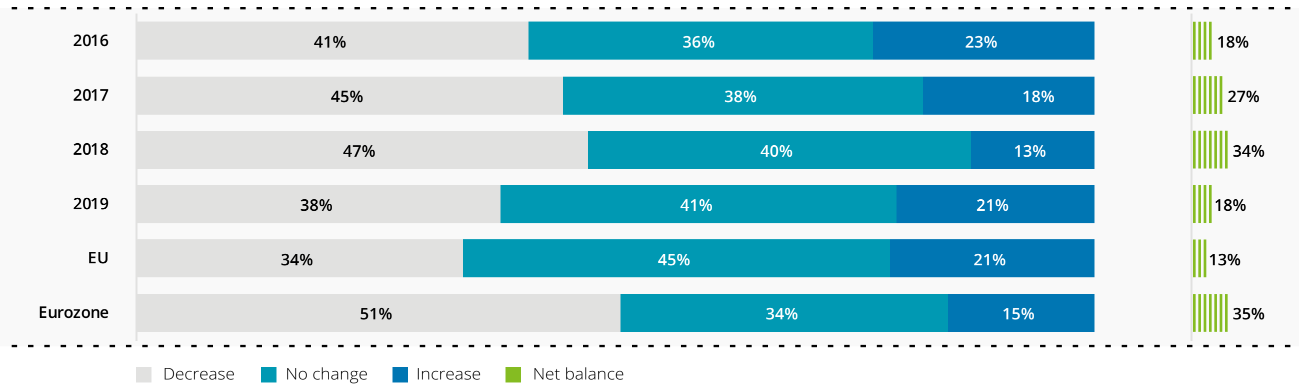


CFOs are less optimistic about falls in unemployment

This is the first year since 2016 when the main prediction for unemployment is not for a 'decrease' (38% of answers), but for 'no change' (41%). There are also more CFOs than last year expecting unemployment to rise (21% in 2019 vs 13% in 2018). The situation is perceived more positively in the Eurozone, where 51% of respondents continue to anticipate a further decrease in unemployment.

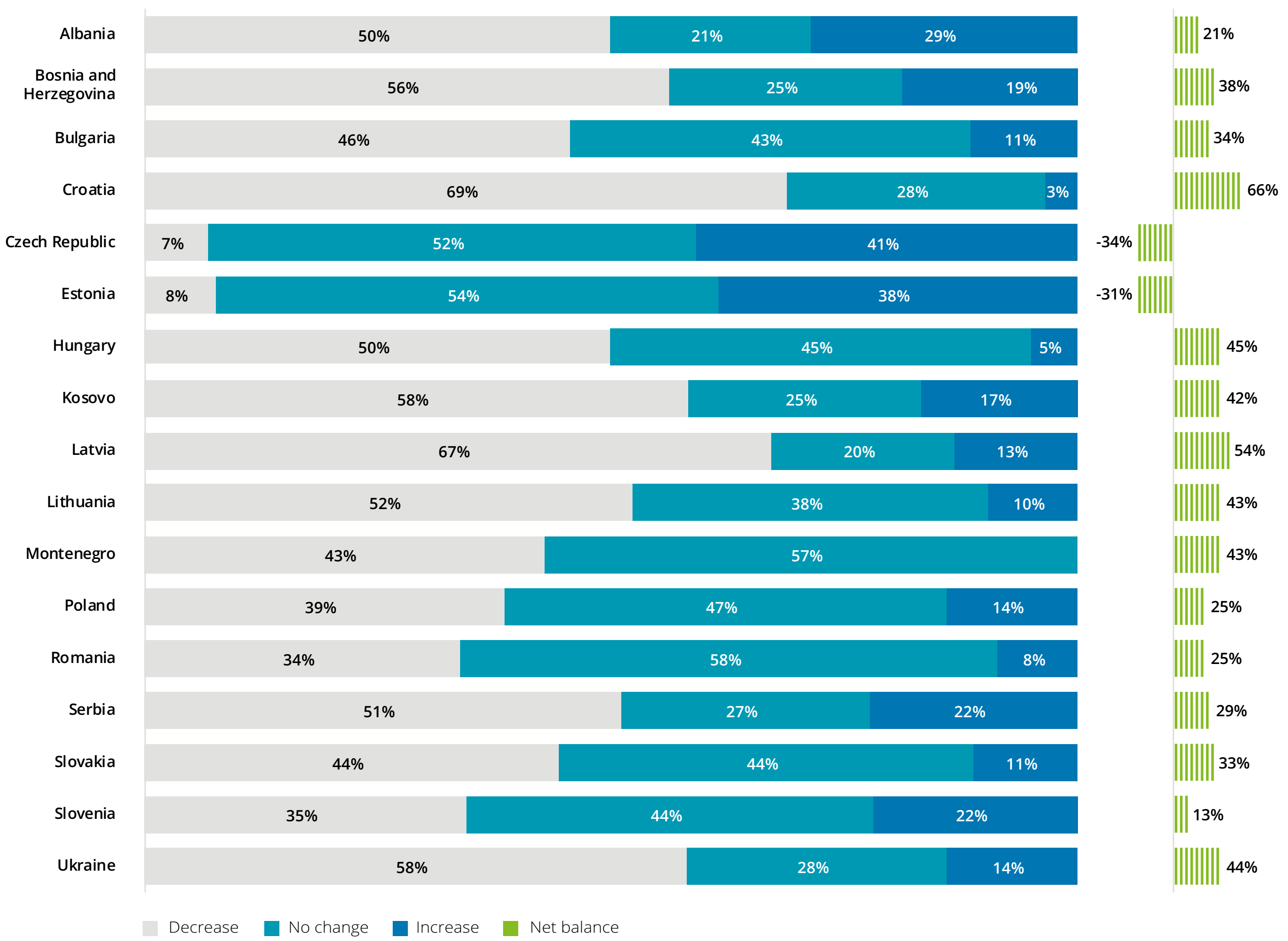
Predicted falls in unemployment are smaller: just 38% of CFOs predict a reduction, compared to 47% in 2018. What's more, a higher share of respondents is expecting an increase: 21% in 2019, compared to 13% in 2018.

How do you expect levels of unemployment to change in your country over the next twelve months?



The Czech Republic is the country where CFOs' expectations for unemployment to fall are lowest (7%). However, this is probably a result of the actual low level of unemployment in the country (this was 2.8% in November 2018[3], the lowest of all countries in the survey). Similarly, as with their predictions for GDP growth, respondents from Latvia are among the most optimistic with 67% expecting falls (the actual unemployment rate stood at 7.0% in September 2018). Only Croatia, which had a 9.1% rate of unemployment in October 2018, had a higher result: 69%.

How do you expect levels of unemployment to change in your country over the next twelve months?

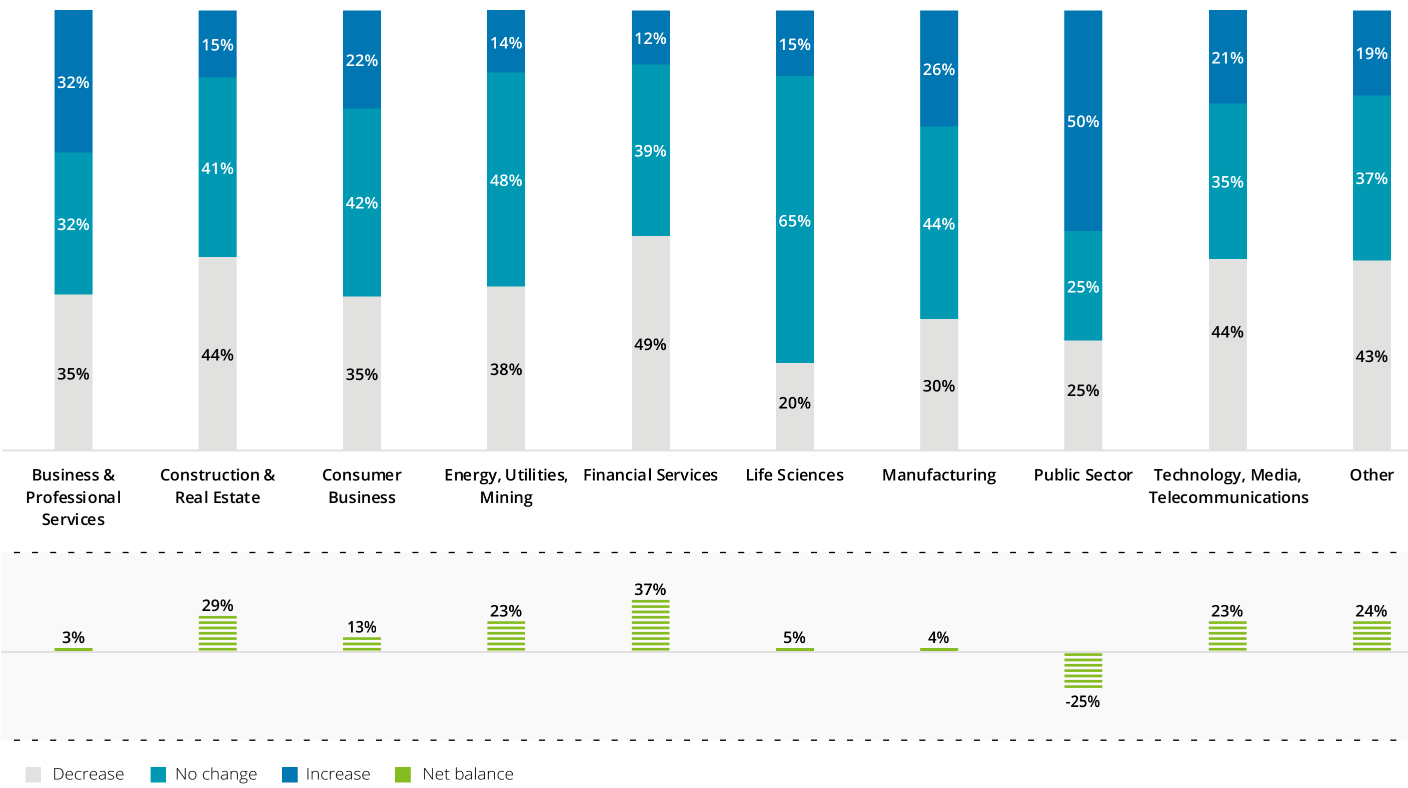


3 Source: https://tradingeconomics.com/country-list/unemployment-rate?continent=europe (accessed December 2018)

This year, expectations around the future outlook for the region's businesses and economies are largely in line with those from 2018, but with a slight decrease in optimism. This in turn has driven a decline in the CFO Confidence Index, from 23% in 2018 to 16% now.

CFOs from the Financial Services industry are not only the most optimistic about GDP growth, but also about falling unemployment, with almost half our financial services respondents (49%) expecting it. CFOs from the Construction & Real Estate and the Technology, Media, Telecommunications industries have only slightly less optimistic outlooks (both at 44%). The only sector with a negative net balance index (of -25%) is the Public Sector[4].

How do you expect levels of unemployment to change in your country over the next twelve months?

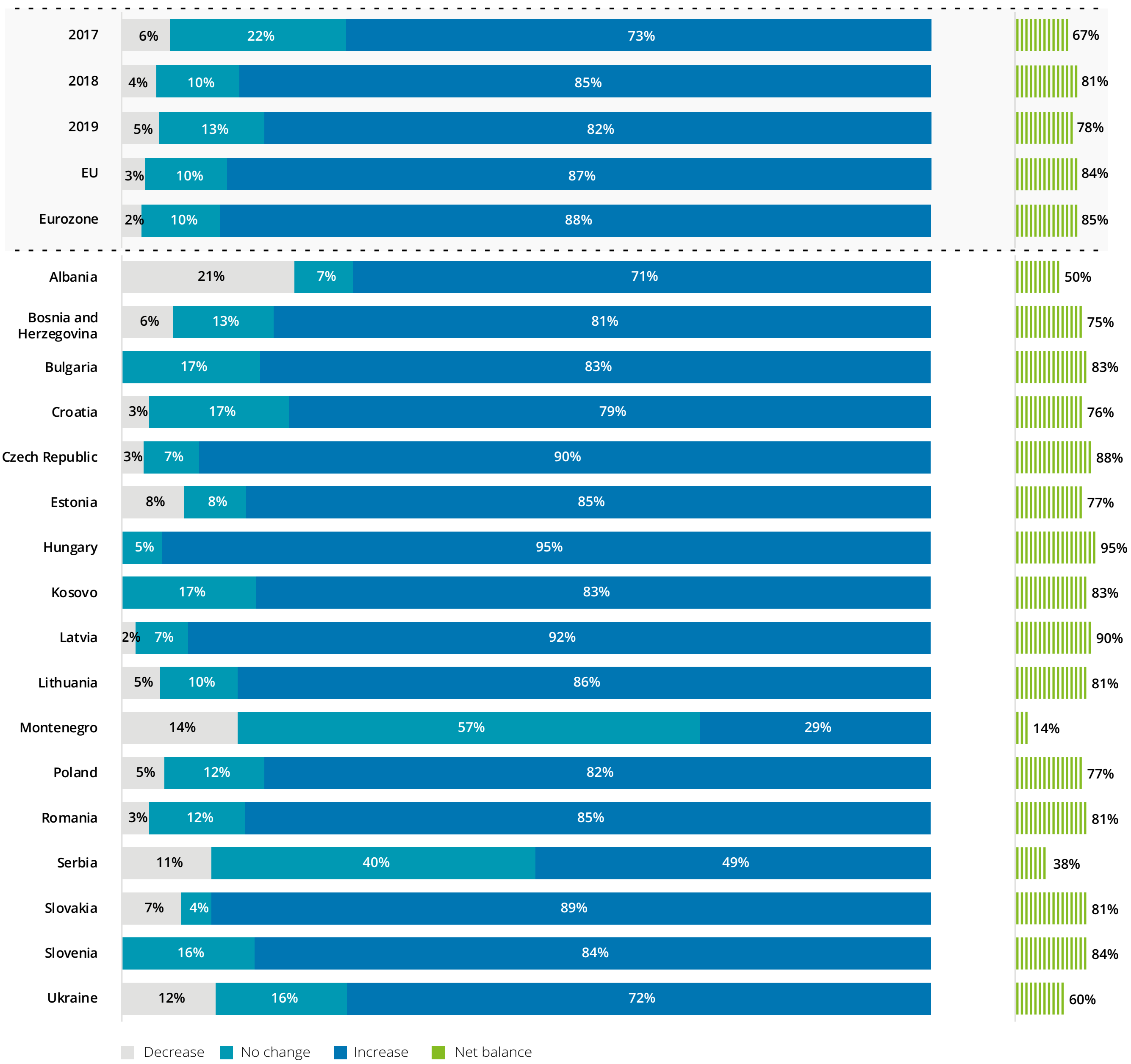


4 Please bear in mind the low number of respondents from the Public Sector (n=4)

Non-EU countries reduce predictions for rising inflation

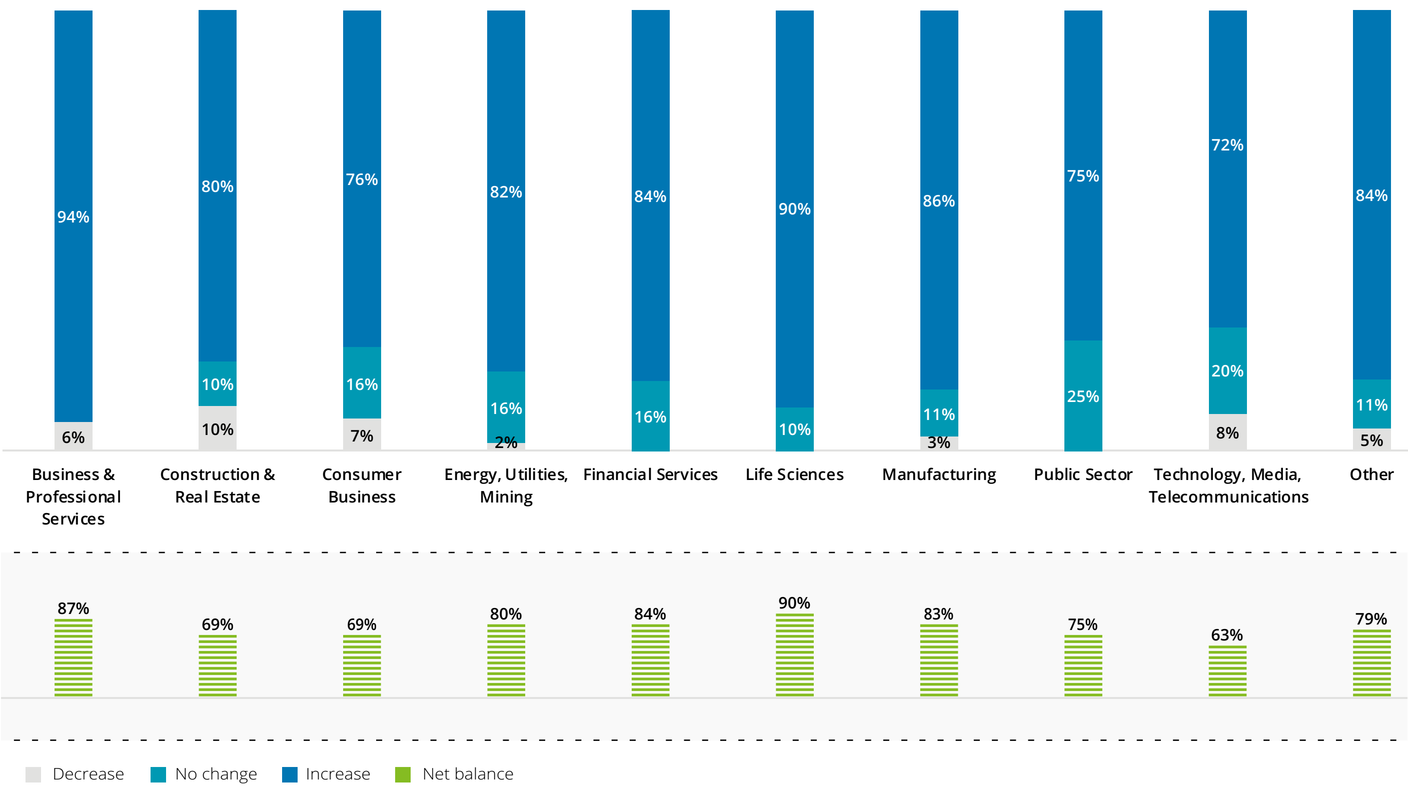
The majority of CFOs still expect Consumer Price Index (CPI) inflation to increase, but their share has slightly diminished since last year from 85% to 82%. This situation is mostly influenced by respondents from non-EU countries, especially from Montenegro (where only 29% expect a rise) and Serbia (49%). Predictions for EU and Eurozone countries have not changed since last year.

Over the next twelve months, how do you expect CPI (Consumer Price Index) levels to change in your country?



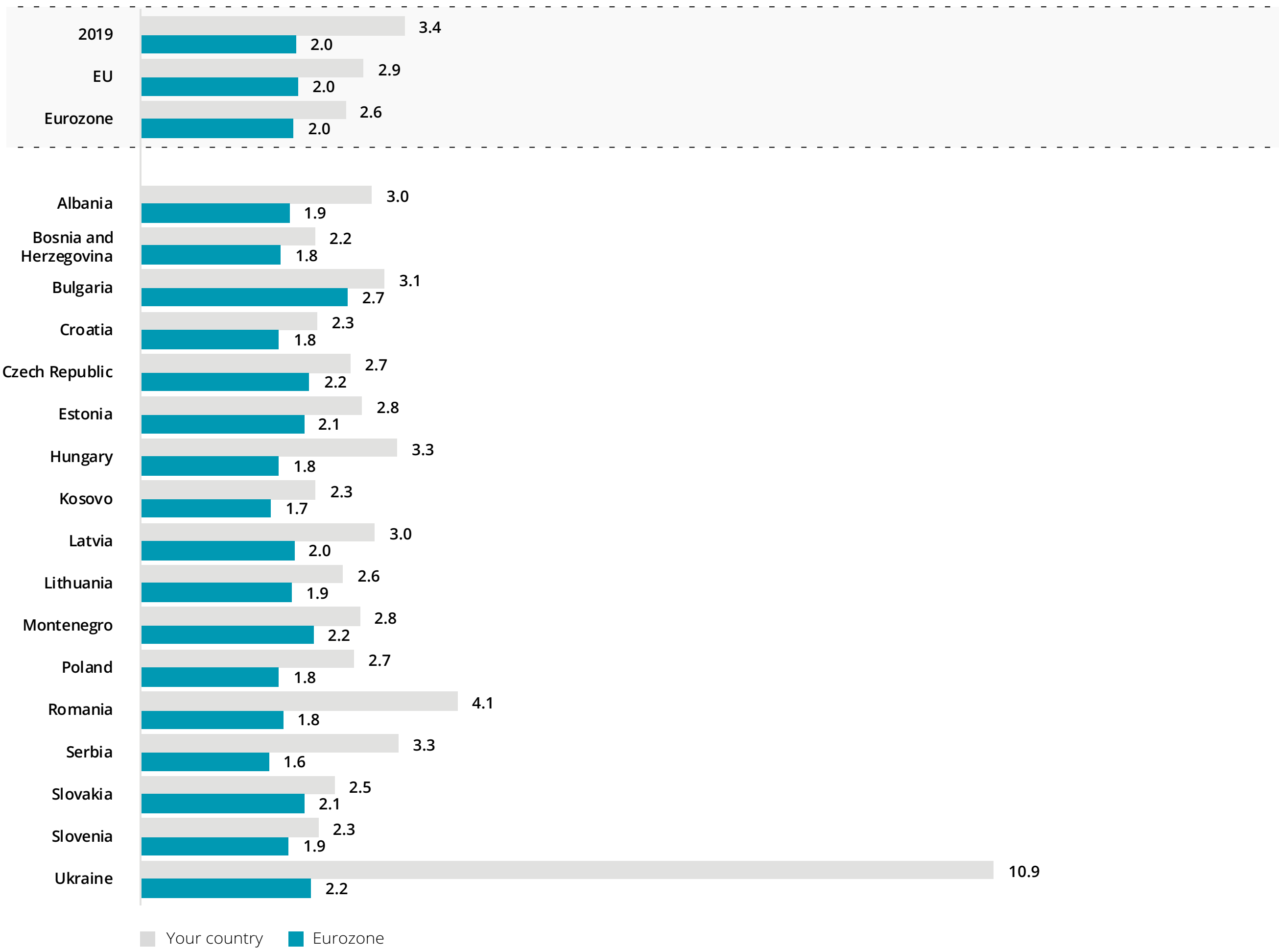
Although Business & Professional Services (94%) is the industry where most respondents expect CPI inflation to increase, their estimated inflation rate is one of the lowest (2.8%). The industries where the fewest respondents (but still a vast majority of them) think CPI will grow are Technology, Media, Telecommunications (72%), the Public Sector (75%) and Consumer Business (76%). However, Consumer Business and Technology, Media, Telecommunications are also the sectors in which expected rates of inflation are highest (3.9% and 3.7% respectively).

How do you expect CPI (Consumer Price Index) levels to change in your country over the next twelve months?

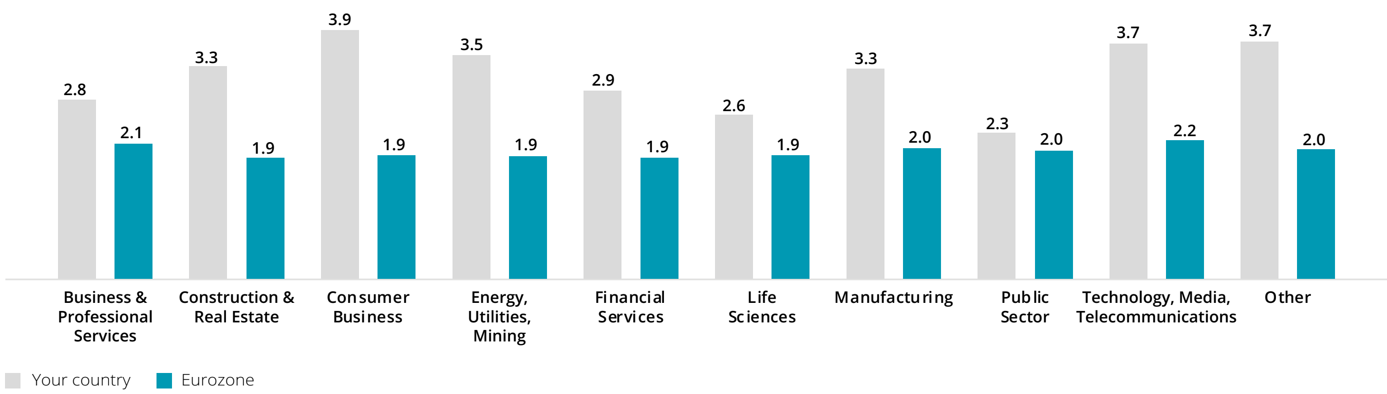


CFOs' predictions for the CPI inflation rate are always higher when they consider their own countries rather than the Eurozone, even if they are from a country that has adopted the Euro. Estimates for the Eurozone oscillate around 2%, while those for particular countries vary from 2.2%, in the case of Bosnia and Herzegovina, to 10.9% in the case of Ukraine.

What do you think will be the inflation rate (for the Consumer Price Index) in both your country and the Eurozone over the next twelve months?



What do you think will be the inflation rate (for the Consumer Price Index) in both your country and the Eurozone over the next twelve months?

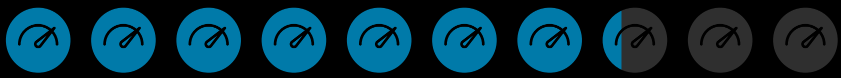


Business outlook

Workforce costs are again expected to rise, with **90%** of CFOs predicting an increase.

57% of CFOs point to increasing costs as a significant threat to their business.

73% believe this is not a good time for companies to take on more risk.



Business environment outlook

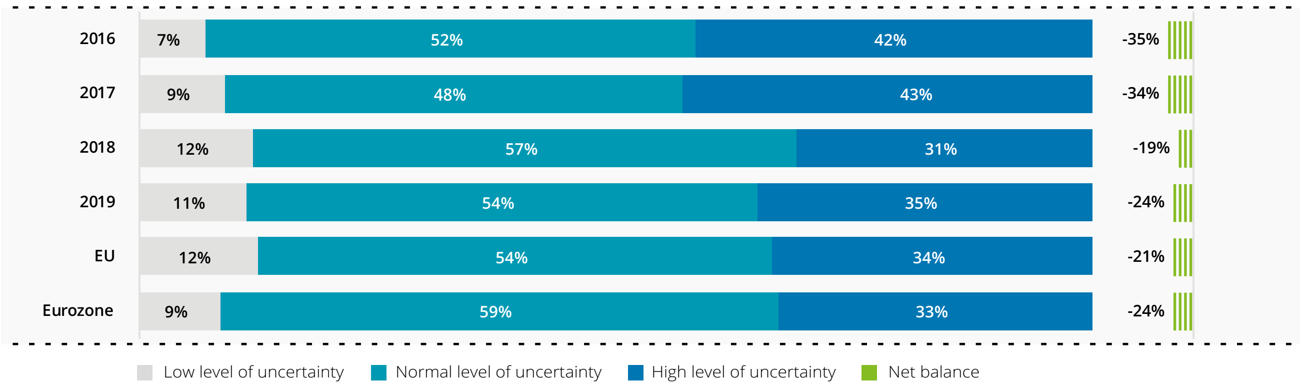
Compared to last year, there is a tendency towards slowly growing concerns about the external financial and economic uncertainty that businesses face. Rising costs are perceived as the main risk factor for 2019.

73% of CFOs think this is not a good time for companies to take on more risk in their financial decisions. Also, 2019 is the first year since 2016 when more CFOs expect M&A levels to remain the same (48%) than to change (43%). What has not changed is the perception that bank borrowing and internal financing are the most attractive sources of funding a company.

The uncertainty facing businesses is perceived as slightly higher than a year ago

There have been no major shifts in the perceived levels of uncertainty facing respondents' businesses since last year. However, there is a visible tendency towards more pessimistic expectations. The share of respondents who believe there is a high level of uncertainty has increased by 4p.p. (from 31% in 2018 to 35% in 2019), and the share of those who believe it will be low fell by 1p.p. (from 12% to 11%). This has caused the net balance index (the difference between the share of respondents who expect a low level of uncertainty and the share expecting a high level of uncertainty) to fall from -19% to -24%. This tendency is also visible in the EU and the Eurozone.

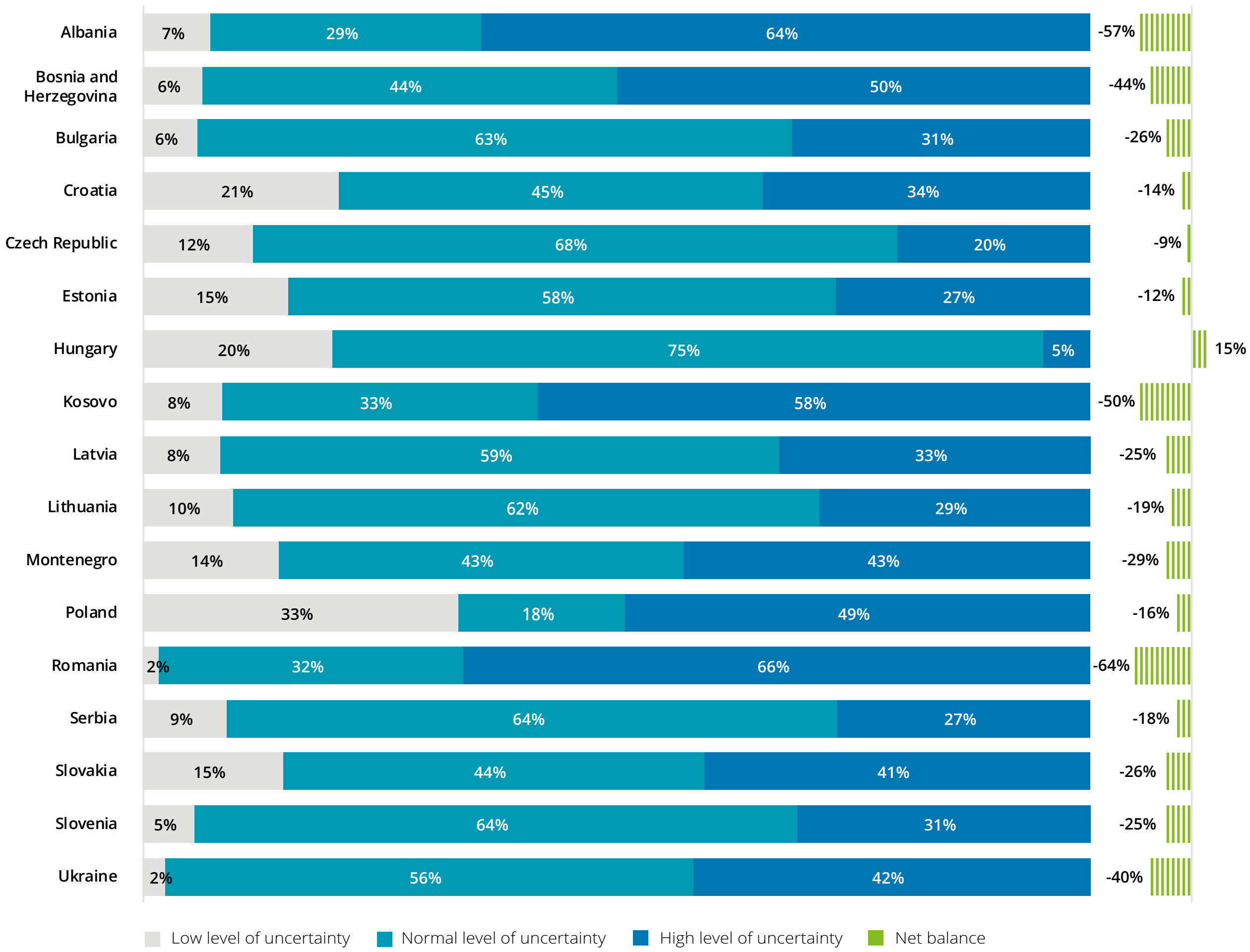
How would you rate the overall level of external financial and economic uncertainty facing your business?



Compared to last year, there is a tendency towards slowly growing concerns about the external financial and economic uncertainty that businesses face.

CFOs from Romania, Albania and Kosovo hold the most negative views about the uncertainty facing businesses. The net balance of answers in these countries ranges from -64% in Romania to -50% in Kosovo. The most relaxed country is Hungary, which is also the only one with a positive net balance (+15%). 75% of CFOs there expect a normal level of uncertainty, and only 5% are expecting it to be high.

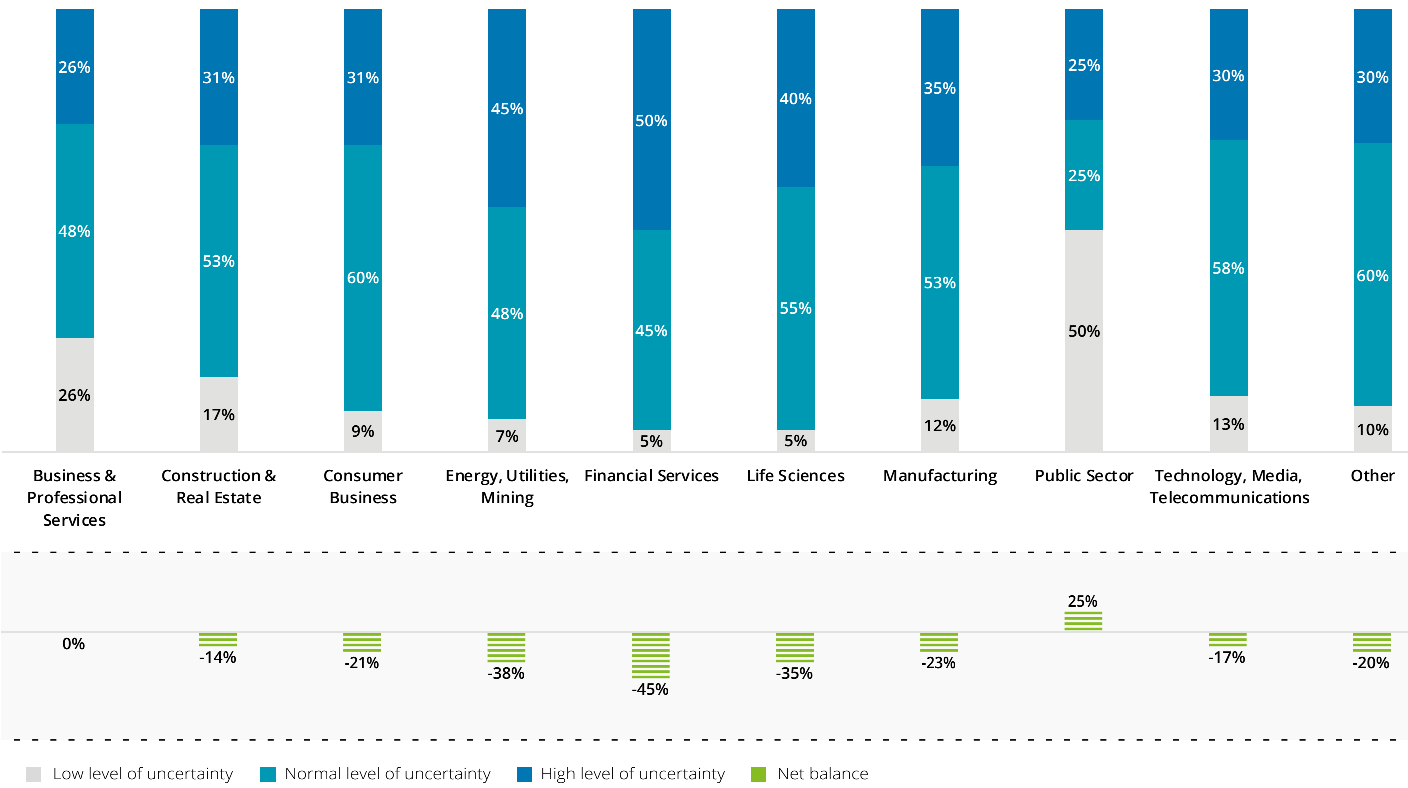
How would you rate the overall level of external financial and economic uncertainty facing your business?



Rising costs are perceived as the main risk factor for 2019. 73% of CFOs think this is not a good time for companies to take on more risk in their financial decisions.

The Public Sector is the only 'industry' where more respondents expect a low rather than a high level of uncertainty, giving it a positive net balance of answers (25%)[5]. The Business & Professional Services sector has the same share of CFOs predicting low and high levels of uncertainty, creating a net balance of 0%. The rest of the sectors show a negative net balance, with Financial Services holding the most pessimistic opinions (-45%).

How would you rate the overall level of external financial and economic uncertainty facing your business?



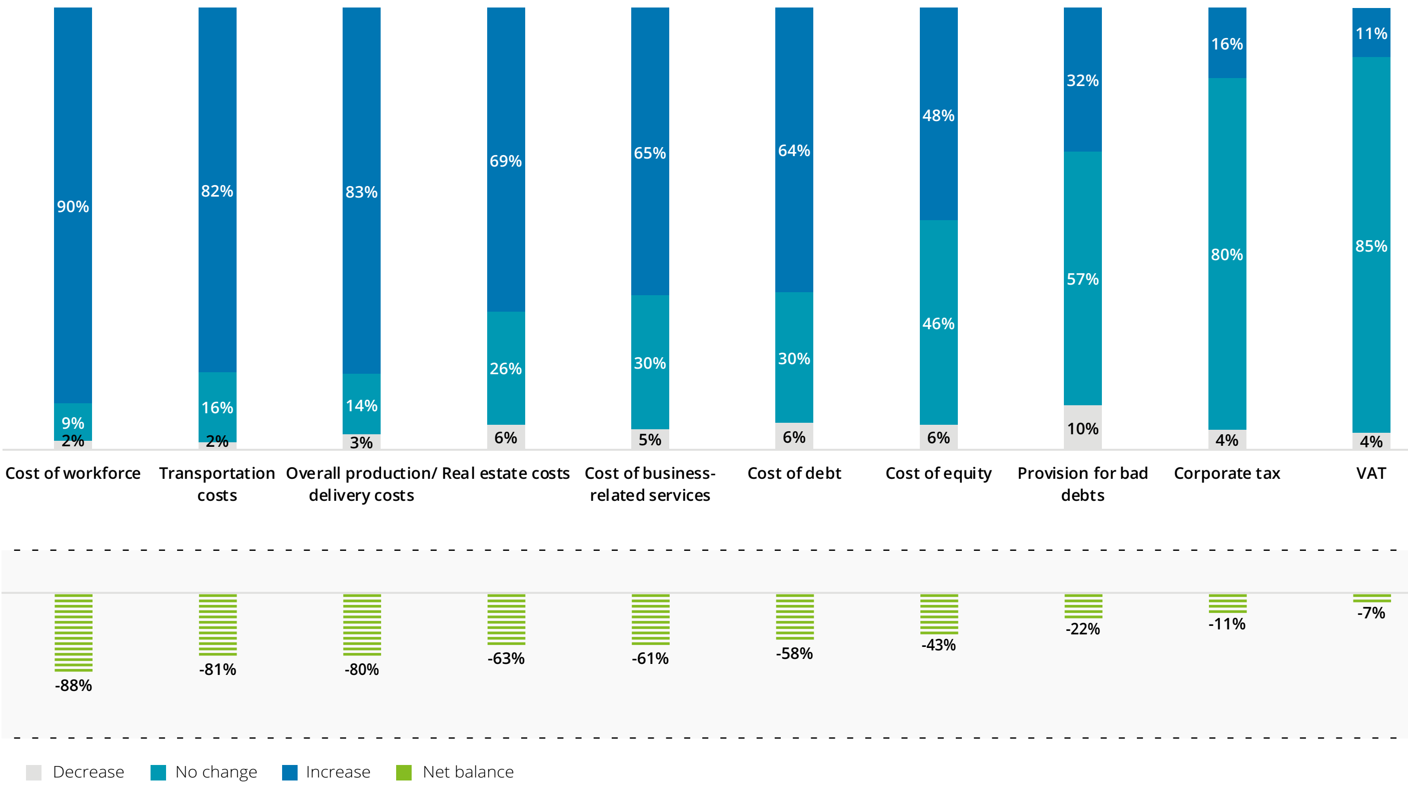
5 Please bear in mind the low number of respondents from the Public Sector (n=4)

Another year in which company costs are expected to rise

CFOs have expected costs for companies to increase every year since 2017, and this year is no different. Similar to last year, most respondents (90%) expect a rise in workforce costs. The next two most commonly predicted rises related to overall production/service delivery (83%) and transportation (82%) costs.

The greatest rise in answers predicting an increase related to the costs of debt (up by 9p.p., from 55% in 2018 to 64% in 2019).

In your view how are costs for companies in your country likely to change over the next twelve months?



We identify the biggest anticipated threat to business performance over the next 12 months as rising costs, particularly in areas like the workforce, transportation and production – forewarned is forearmed.

In all sectors and categories, more respondents expect costs to increase rather than decrease (meaning a negative net balance). CFOs from the Business & Professional Services industry expect the greatest increases, while the most stability is expected by respondents from the Energy, Utilities, Mining sector. VAT and corporate tax are seen as the most stable costs, with most respondents expecting no change.

In your view how are costs for companies in your country likely to change over the next twelve months?

		Business & Professional Services	Construction & Real Estate	Consumer Business	Energy, Utilities, Mining	Financial Services	Life Sciences	Manufacturing	Public Sector	Technology, Media, Telecommunications
VAT	No change	81%	90%	80%	84%	90%	95%	88%	75%	80%
	Net Balance	-19%	-7%	-11%	-5%	-10%	-5%	-4%	-25%	-11%
Corporate tax	No change	65%	81%	81%	79%	90%	70%	81%	75%	72%
	Net Balance	-29%	-12%	-14%	-14%	-2%	-10%	-10%	-25%	-17%
Provision for bad debts	No change	45%	53%	60%	57%	48%	75%	60%	50%	66%
	Net Balance	-48%	-17%	-24%	-7%	-35%	-5%	-21%	0%	-14%
Cost of equity	No change	35%	41%	55%	54%	46%	50%	37%	50%	51%
	Net Balance	-58%	-46%	-38%	-32%	-34%	-40%	-53%	-50%	-41%
Cost of debt	No change	32%	32%	35%	32%	30%	25%	23%	50%	32%
	Net Balance	-61%	-54%	-58%	-61%	-43%	-65%	-68%	-50%	-59%
Cost of business-related services	No change	26%	24%	31%	39%	30%	35%	34%	25%	30%
	Net Balance	-61%	-63%	-67%	-46%	-57%	-65%	-57%	-25%	-59%
Real estate costs	No change	35%	22%	22%	36%	28%	20%	28%	75%	20%
	Net Balance	-58%	-75%	-71%	-50%	-55%	-80%	-59%	-25%	-58%
Overall production	No change	13%	7%	14%	13%	26%	10%	11%	25%	11%
	Net Balance	-87%	-86%	-81%	-80%	-62%	-90%	-83%	-75%	-77%
Transportation costs	No change	10%	14%	12%	14%	24%	25%	14%	25%	24%
	Net Balance	-90%	-83%	-88%	-71%	-73%	-75%	-82%	-75%	-70%
Cost of workforce	No change	6%	12%	11%	20%	18%	0%	2%	25%	7%
	Net Balance	-94%	-81%	-89%	-70%	-82%	-100%	-93%	-75%	-87%

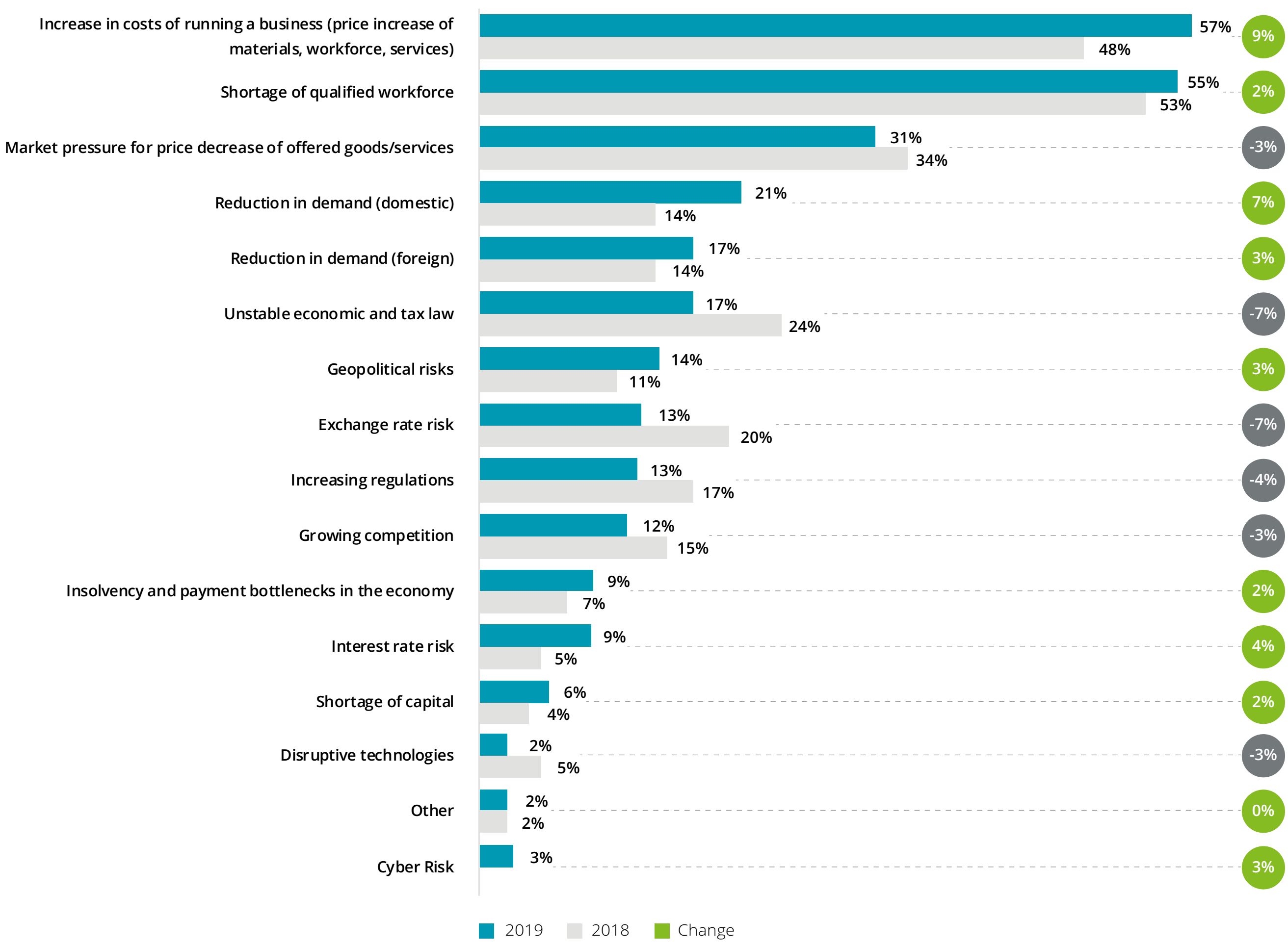
The increasing costs of running a business are the main risk factor for 2019

Increasing costs are identified most often as posing a significant threat to business over the next 12 months (57%, up by 9p.p. since 2018). A shortage of qualified workers – which was the main concern a year ago – is the second most often indicated factor in 2019, selected by 55% of CFOs.

Apart from the increasing costs of running a business, the factor with the highest increase since last year is reduced domestic demand (+7p.p., from 14% in 2018 to 21% in 2019). By way of contrast, the biggest decreases related to exchange rate risk and unstable economic and tax law (both -7p.p.).

Factors perceived as the least risky are those related to disruptive technologies (2%) and cyber risk (3%).

Which of the following factors are likely to pose a significant risk to your business over the next twelve months?



The increasing costs of running a business are most often identified as a significant threat to business by CFOs from the Manufacturing industry (71%). It is also the most often selected risk factor by those from Construction & Real Estate (68%), Business & Professional Services (61%, where it tied with concerns about a shortage of qualified workers), Energy, Utilities, Mining (59%) and Consumer Business (54%). CFOs from Technology, Media, Telecommunications (65%), Life Sciences (55%), the Public Sector (50%) and Financial Services (43%) are more concerned about a shortage of qualified workforce than the costs of running a business.

Which of the following factors are likely to pose a significant risk to your business over the next twelve months?

Business & Professional Services

61%
Shortage of qualified workforce

61%
Increase in costs of running a business (price increase of materials, workforce, services)

48%
Market pressure for price decrease of offered goods/services

Energy, Utilities, Mining

59%
Increase in costs of running a business (price increase of materials, workforce, services)

43%
Shortage of qualified workforce

29%
Increasing regulations

Manufacturing

71%
Increase in costs of running a business (price increase of materials, workforce, services)

66%
Shortage of qualified workforce

34%
Reduction in demand (foreign)

Construction & Real Estate

68%
Increase in costs of running a business (price increase of materials, workforce, services)

54%
Shortage of qualified workforce

36%
Reduction in demand (domestic)

Financial Services

43%
Shortage of qualified workforce

38%
Increase in costs of running a business (price increase of materials, workforce, services)

38%
Market pressure for price decrease of offered goods/services

Public Sector

50%
Shortage of qualified workforce

50%
Exchange rate risk

25%
Disruptive technologirs

Consumer Business

54%
Increase in costs of running a business (price increase of materials, workforce, services)

53%
Shortage of qualified workforce

38%
Reduction in demand (domestic)

Life Sciences

55%
Shortage of qualified workforce

50%
Market pressure for price decrease of offered goods/services

40%
Increase in costs of running a business (price increase of materials, workforce, services)

Technology, Media, Telecommunications

65%
Shortage of qualified workforce

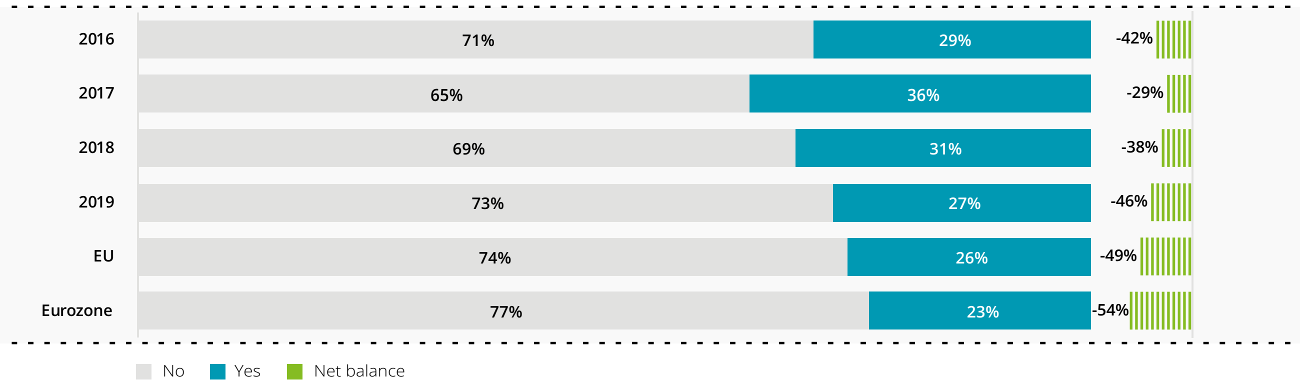
46%
Increase in costs of running a business (price increase of materials, workforce, services)

39%
Market pressure for price decrease of offered goods/services

Willingness to take on more risk decreases further

Similar to last year, most CFOs do not think this is a good time to take more risk in their financial decisions. Moreover, this view is shared by more respondents than in 2018 (+4p.p., up from 69% in 2018 to 73% in 2019). CFOs from the Eurozone are even more risk-averse, with 77% unwilling to take on more risk for their companies.

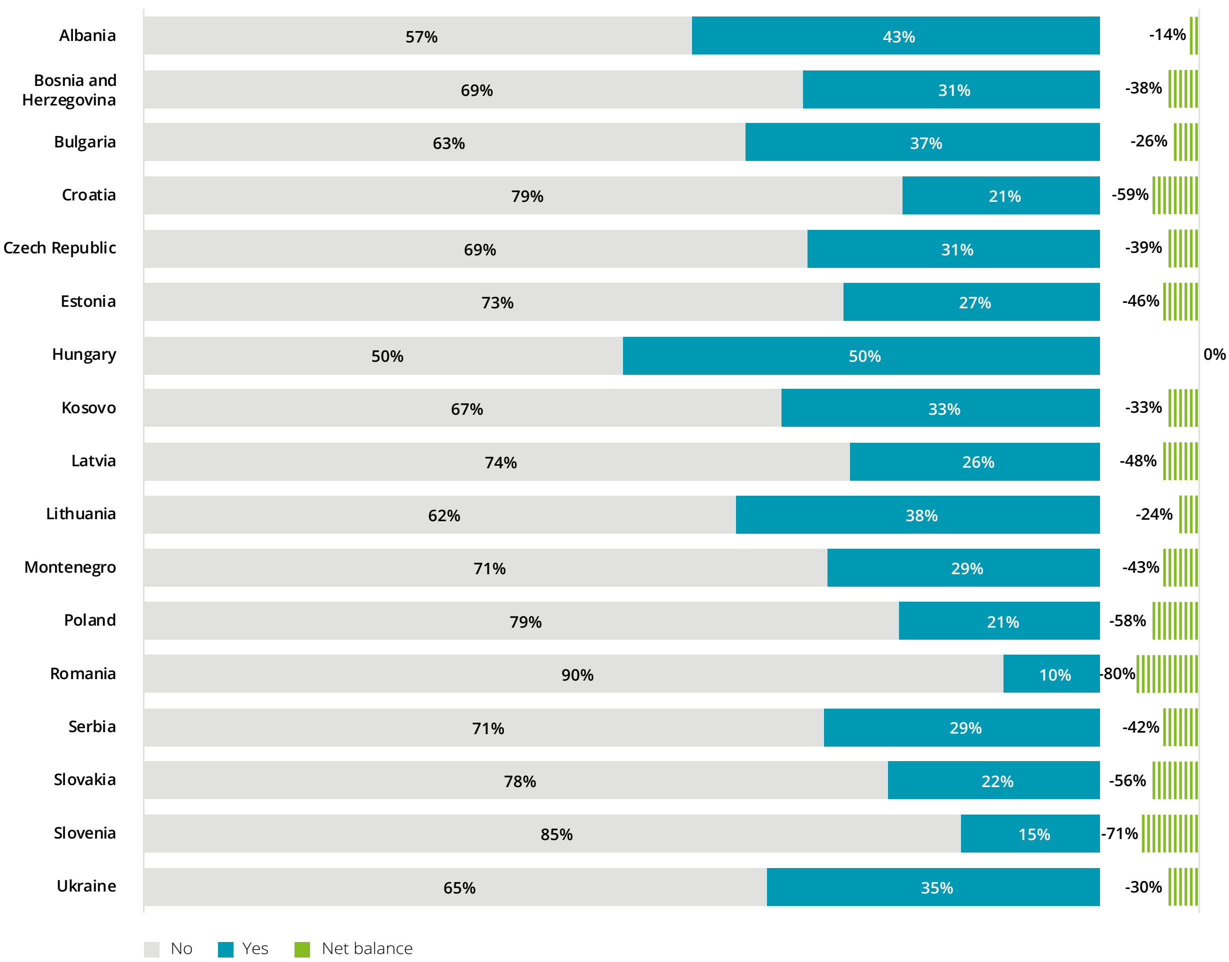
Is this a good time to be taking greater risk onto your company's balance sheets?



Two countries where more CFOs than last year think this is a good time to take on more risk are Hungary (+11p.p., up from 39% in 2018 to 50% in 2019 – the highest score this year) and Bulgaria (+7p.p., rising from 30% in 2018 to 37% in 2019).

In contrast, countries with the biggest decrease in CFOs thinking the conditions are right for riskier decisions are Slovakia (-18p.p.), Lithuania (-16p.p.) and Poland (-13p.p.). However, the most risk-averse country is Romania, with only 10% of respondents ready for greater risk.

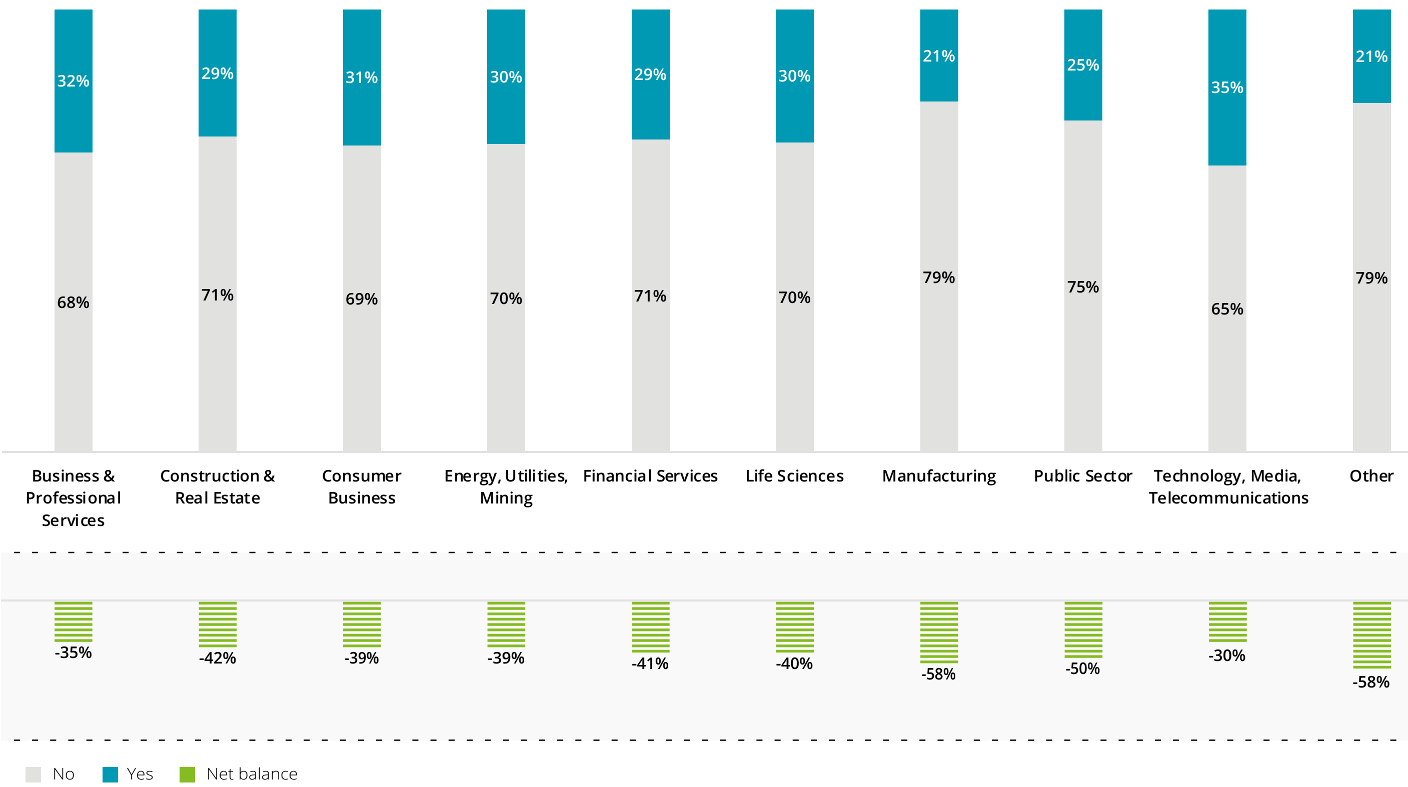
Is this a good time to be taking greater risk onto your company's balance sheets?



Similar to last year, most CFOs do not think this is a good time to take more risk in their financial decisions. Moreover, this view is shared by more respondents than in 2018.

Regardless of sector, no more than a third of CFOs see the present conditions as favourable for taking more risk. The most optimistic are respondents from the Technology, Media, Telecommunications sector (with 35% of positive answers), while the most negative views come from Manufacturing CFOs (21% of positive answers).

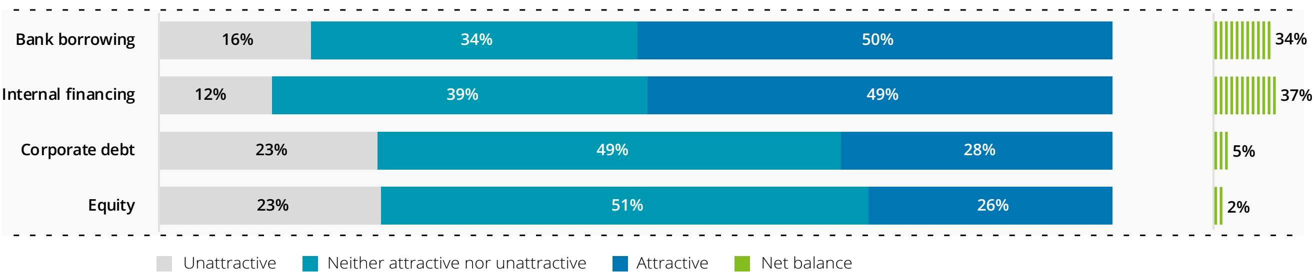
Is this a good time to be taking greater risk onto your company's balance sheets?



Bank borrowing and internal financing remain the most attractive sources of funding

Compared to 2018, there are no big changes in how CFOs evaluate the attractiveness of particular sources of funding for their companies. The two most attractive remain bank borrowing (50% thinking it is attractive) and internal financing (49%). Corporate debt (with support from 28%) and equity (26%) are perceived as much less attractive. Half of respondents perceive these latter options as neither attractive nor unattractive.

How do you currently rate the following sources of funding for your company?



The countries where CFOs perceive bank borrowing as much more attractive than internal financing are Bulgaria and the Czech Republic (with a minimum difference between their ratings of 20%). Those countries where CFOs perceive internal financing as much more appealing than bank borrowing are Lithuania, Romania, Ukraine and Croatia (with a minimum difference of 26% between how they are rated).

Bank borrowing is the most appealing option for CFOs from the Energy, Utilities, Mining[6] sector and from Life Sciences, with a minimum net balance of 45%. It is least attractive for those from Financial Services (with a net balance of 12%) and Business & Professional Services (23%, vs -14% in 2018).

Internal financing is rated the most highly by respondents from Life Sciences and Consumer Business (with a minimum net balance of 55%). It appeals least to CFOs from Business & Professional Services (a net balance of -3%).

Corporate debt is most attractive to CFOs from Construction & Real Estate (15% net balance) and appeals least to those from the Life Sciences industry (-20% net balance).

Equity appeals most to respondents from Technology, Media, Telecommunications (with an 11% net balance) and least to those from Life Sciences and Business & Professional Services (both with a net balance of -10%).

How do you currently rate the following sources of funding for your company?

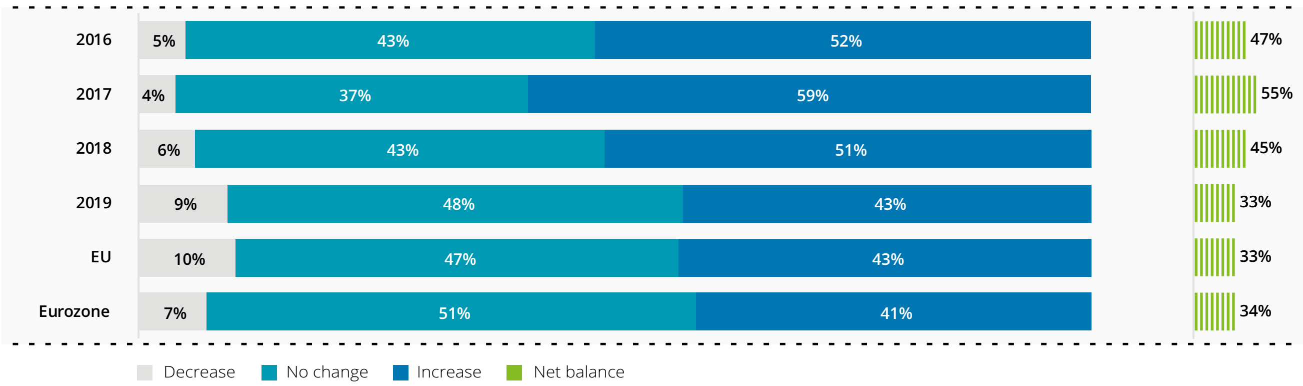
		Business & Professional Services	Construction & Real Estate	Consumer Business	Energy, Utilities, Mining	Financial Services	Life Sciences	Manufacturing	Public Sector	Technology, Media, Telecommunications
Bank borrowing	Net balance	23%	34%	39%	46%	12%	45%	39%	50%	35%
	Neither attractive nor unattractive	39%	36%	28%	36%	49%	25%	32%	0%	31%
Internal financing	Net balance	-3%	37%	49%	34%	40%	55%	31%	50%	35%
	Neither attractive nor unattractive	32%	36%	36%	41%	48%	35%	40%	50%	34%
Corporate debt	Net balance	10%	15%	5%	-4%	1%	-20%	7%	25%	-1%
	Neither attractive nor unattractive	58%	54%	44%	54%	52%	20%	49%	25%	42%
Equity	Net balance	-10%	8%	-1%	-4%	9%	-10%	1%	25%	11%
	Neither attractive nor unattractive	45%	54%	42%	64%	50%	40%	59%	25%	35%

6 The Public Sector was omitted from these conclusions due to the very low number of respondents (n=4)

M&A levels are expected to stay the same or to increase

This is the first year since 2016 when more CFOs expect M&A levels to remain the same (48%) than to increase (43%). This tendency can be observed as much across the whole CE region as in EU and Eurozone countries.

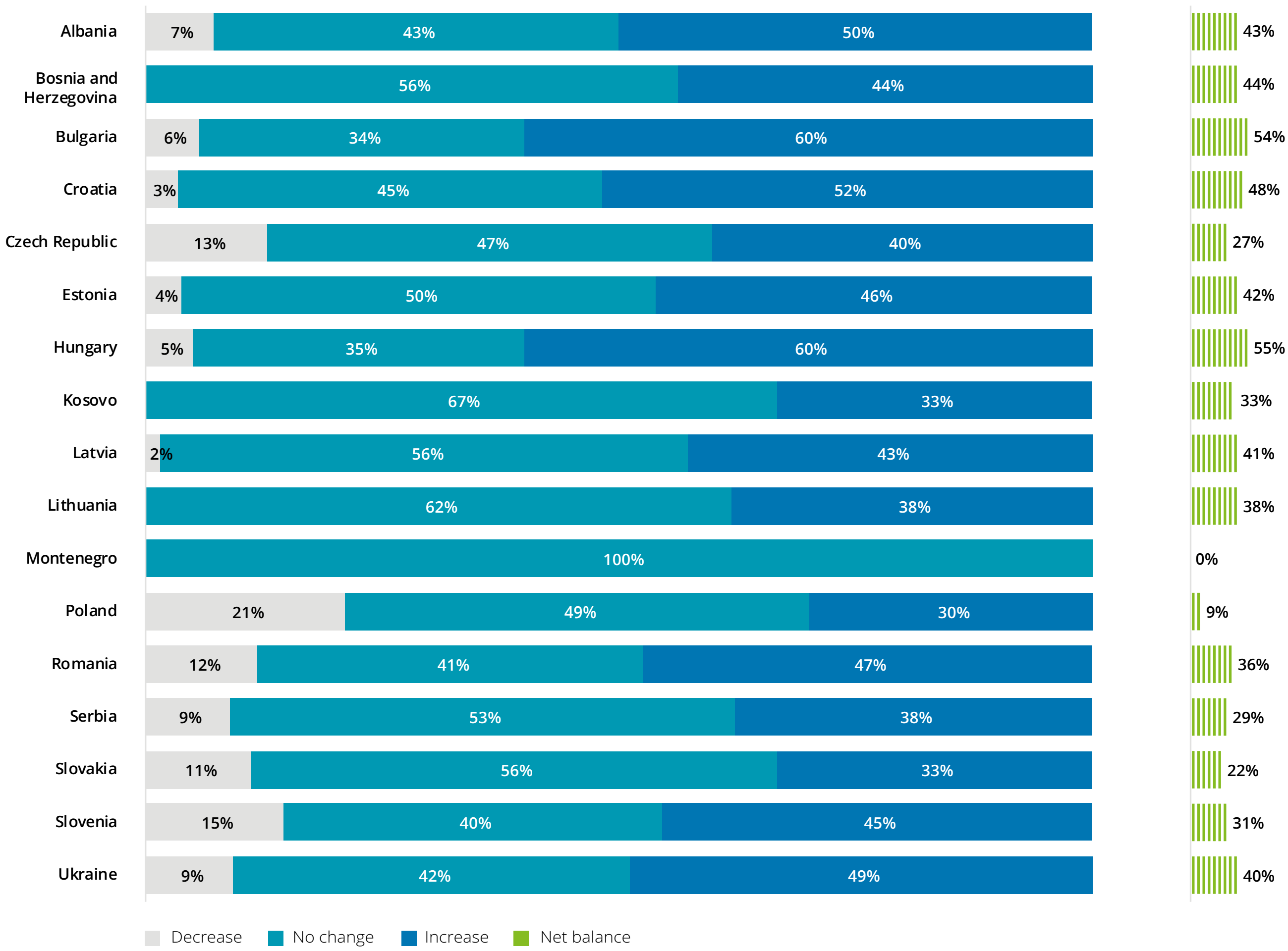
Over the next twelve months how do you expect M&A levels to change in your country?



Increasing operating expenditure and restructuring are the two most popular strategies for companies for 2019.

CFOs from Hungary and Bulgaria are the most positive about the level of M&A transactions, with 60% of them expecting an increase in activity. The net balance of answers is the lowest in Montenegro, where 100% of respondents expect M&A levels to stay the same (no change) and in Poland, where 21% of respondents expect M&A levels to decrease.

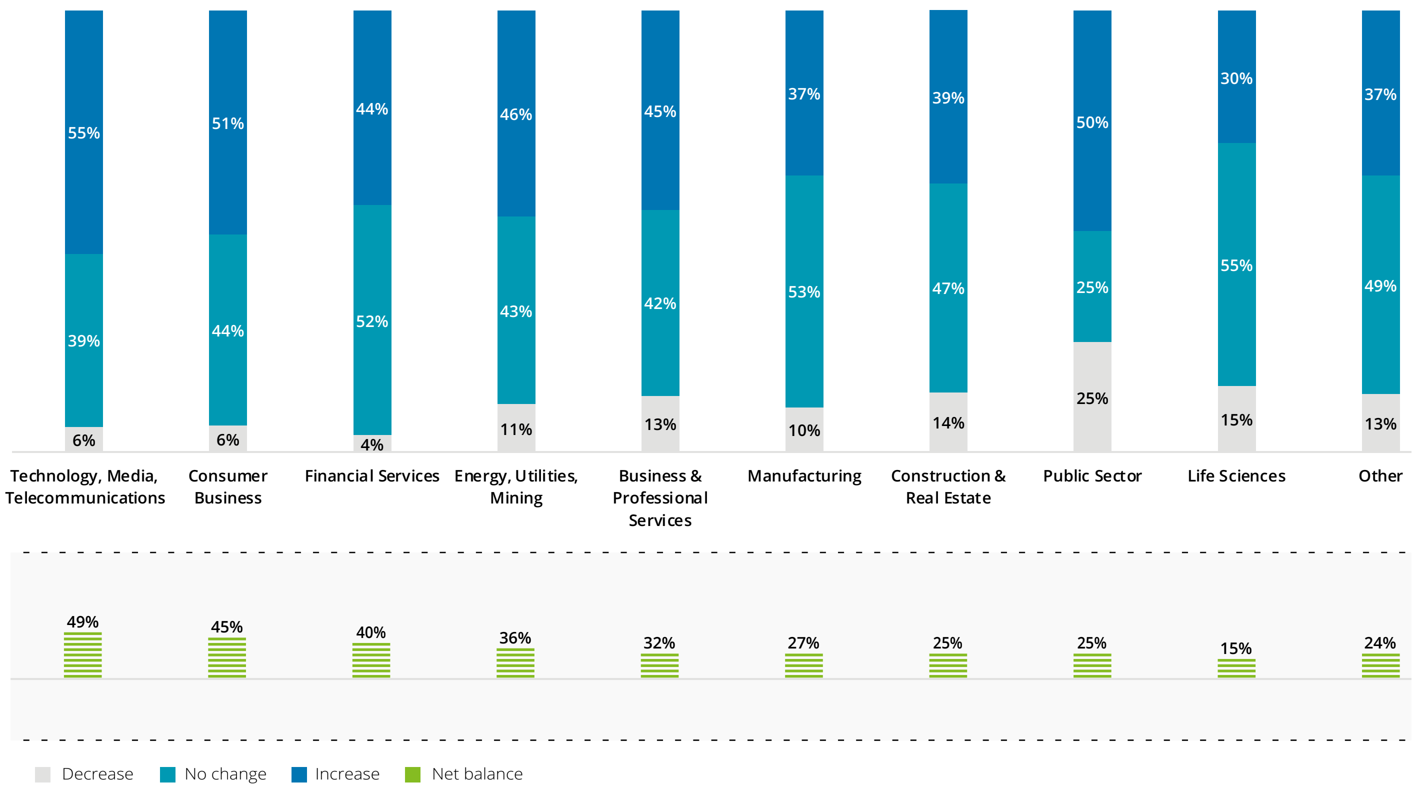
Over the next twelve months how do you expect M&A levels to change in your country?



2019 is the first year since 2016 when more CFOs expect M&A levels to remain the same (48%) than to change (43%). What has not changed is the perception that bank borrowing and internal financing are the most attractive sources of funding a company.

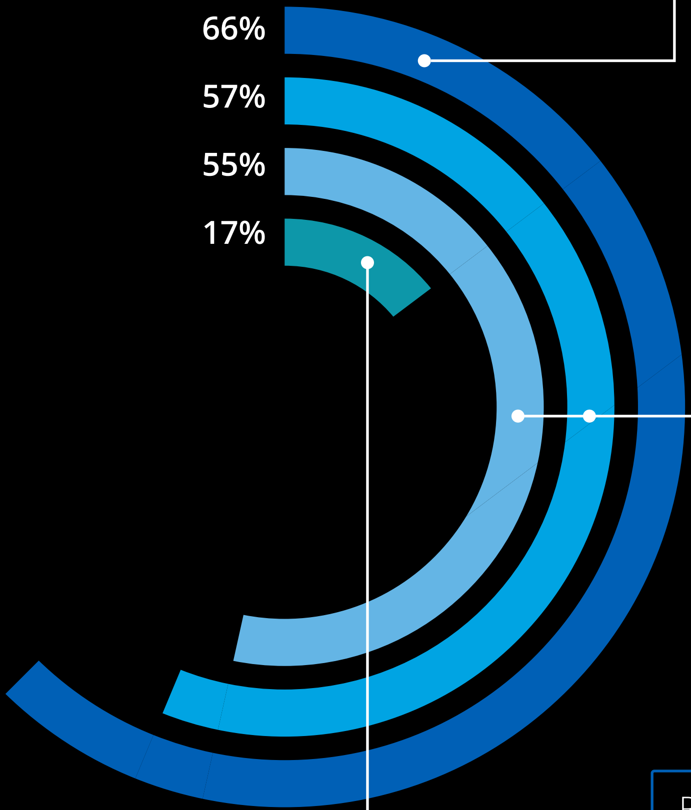
Sectors where more than half of CFOs expect M&A levels to increase are Technology, Media, Telecommunications (55%) and Consumer Business (51%). The most negative views were expressed by respondents from the Life Sciences sector, where 30% expect increases and 15% anticipate falls.

Over the next twelve months how do you expect M&A levels to change in your country?



This year's findings are still ahead in confidence terms of those from 2016 and 2017. So perhaps we should be looking at 2018 as an exceptional year when the region's CFOs were in a particularly buoyant mood. This is a question that will be answered by the 11th edition of the survey report, when it is published in 2020.

Company growth outlook



While **66%** of CFOs believe that revenues in 2019 will be higher than last year, this is a 7p.p. decrease since last year.

Appropriate technical knowledge (**57%**) and work experience (**55%**) are the two skills that are hardest for companies to find.

Restructuring is the top strategic priority strategy most commonly selected for 2019, chosen by **17%** of companies.

Company growth outlook

At least three-quarters of CFOs remain positive or neutral about the financial prospects for their companies, including key indicators such as revenues, operating margins, CAPEX and employment, and the ability to serve companies' debts. While changes in comparison to 2018 are not significant, there is also a slight but a persistent tendency towards less optimistic expectations in all of these areas.

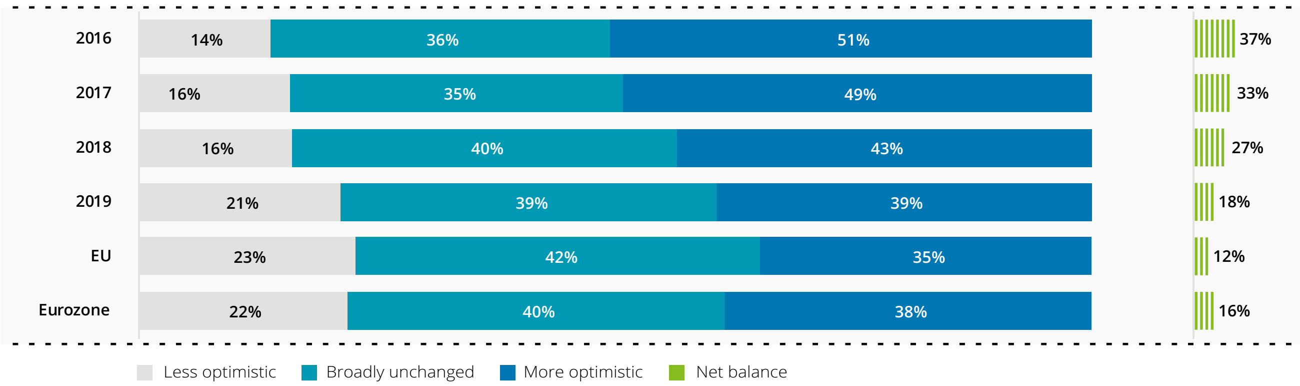
Increasing operating expenditure and restructuring are the two most popular strategies for companies for 2019.

The most difficult skills for companies to find are appropriate technical knowledge and work experience. Organisations address these issues mainly by improving remuneration and retraining internal staff.

Financial prospects remain good, but optimism is slowly decreasing

Most often, company financial prospects are perceived either as more optimistic or unchanged (both 39%) when compared to six months ago. However, there has been a small but regular tendency towards decreasing optimism since 2016. The share of CFOs who rate themselves as more optimistic decreased by 4p.p. (from 43% in 2018 to 39% in 2019), and that of those who feel less optimistic increased by 5p.p. (from 16% in 2018 to 21% in 2019).

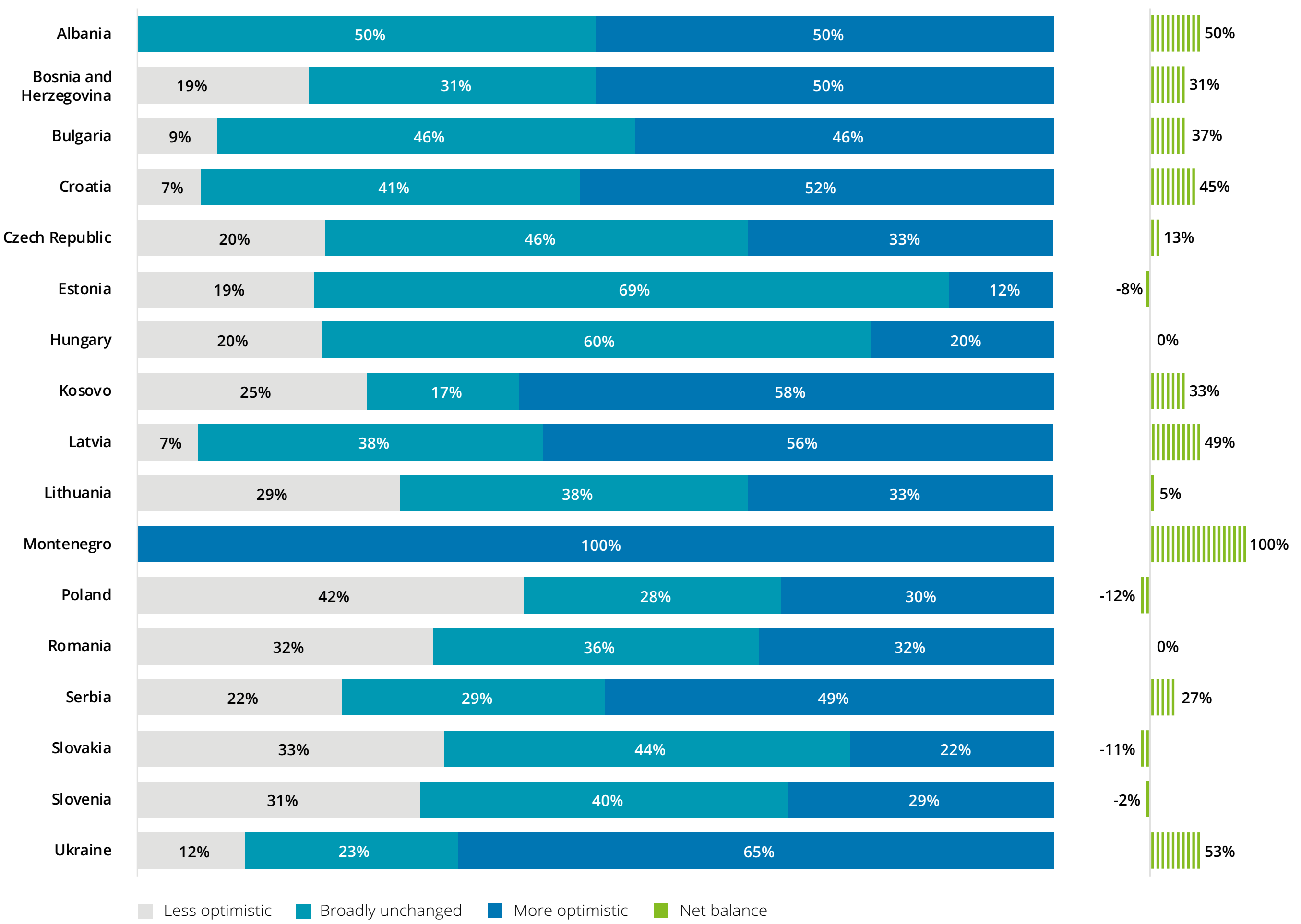
Compared with six months ago, how do you feel about the financial prospects for your company?



The most optimistic CFOs about their financial prospects are those from Montenegro, Ukraine and Albania, with a net balance of answers of at least 50%. Respondents from Latvia (net balance of 49%) and Croatia (45%) are also noticeably positive.

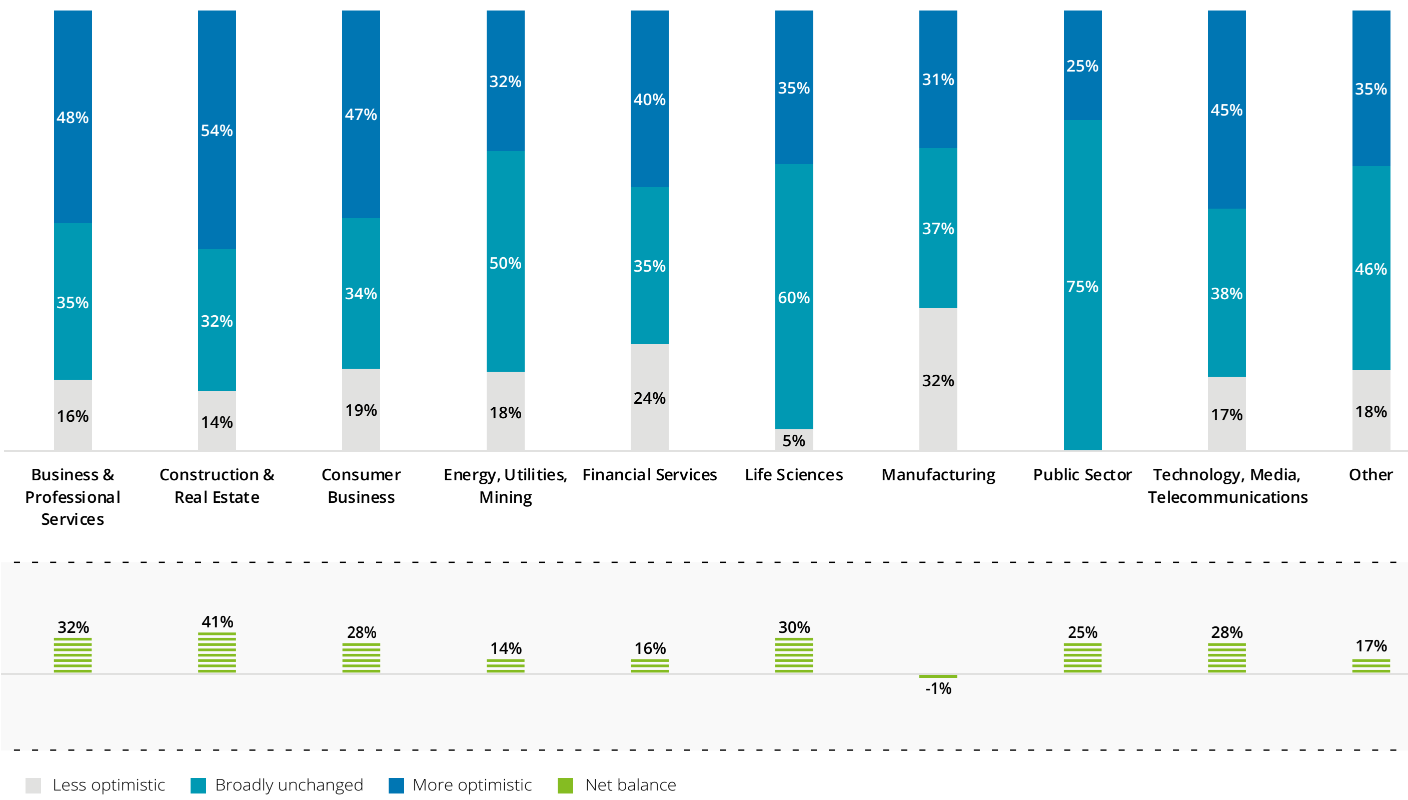
Respondents from Poland have the most negative feelings about the financial outlook, with a negative net balance of -12%; 42% of Polish CFOs are less optimistic than they were six months ago.

Compared with six months ago, how do you feel about the financial prospects for your company?



For the second consecutive year, CFOs from Construction & Real Estate have the best expectations about their financial prospects, with 54% feeling more optimistic. The most negative expectations are those among CFOs from Manufacturing, where we can also see the biggest decrease in net balance compared to the 2018 survey (29% in 2018 vs -1% in 2019). The biggest increase in optimism is among CFOs from the Life Sciences sector (up from a net balance of -7% in 2018 to 30% in 2019).

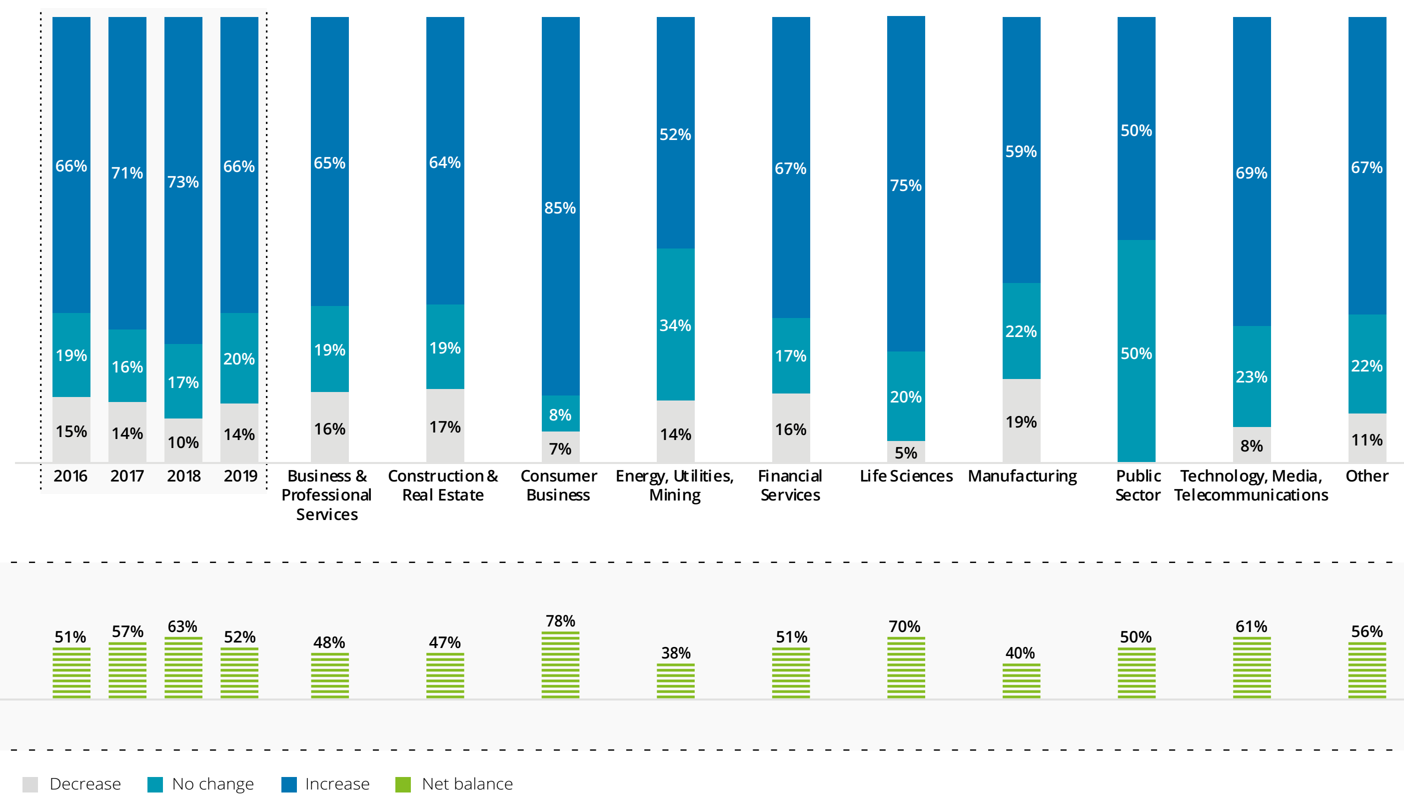
Compared with six months ago, how do you feel about the financial prospects for your company?



Revenues are expected to be higher, but predictions for growth are slightly lower than a year ago

Most CFOs believe that revenues will be higher in 2019 (66%), but the share that holds this positive view has decreased since last year by 7p.p. A decreasing tendency is also visible in most of the industries, with Manufacturing experiencing the biggest fall in net balance (26p.p., from 66% in 2018 to 40% in 2019). However, there are two exceptions. The first of these are CFOs from the Energy, Utilities & Mining sector, where there was no change from 2018 (but whose net balance is the lowest of all sectors). Second, there was a 3p.p. increase in optimistic answers among CFOs from Financial Services. The most optimistic CFOs of all are those from the Consumer Business sector, with 85% expecting rises.

In your view, how are the following revenues key metrics for your company likely to change over the next twelve months?

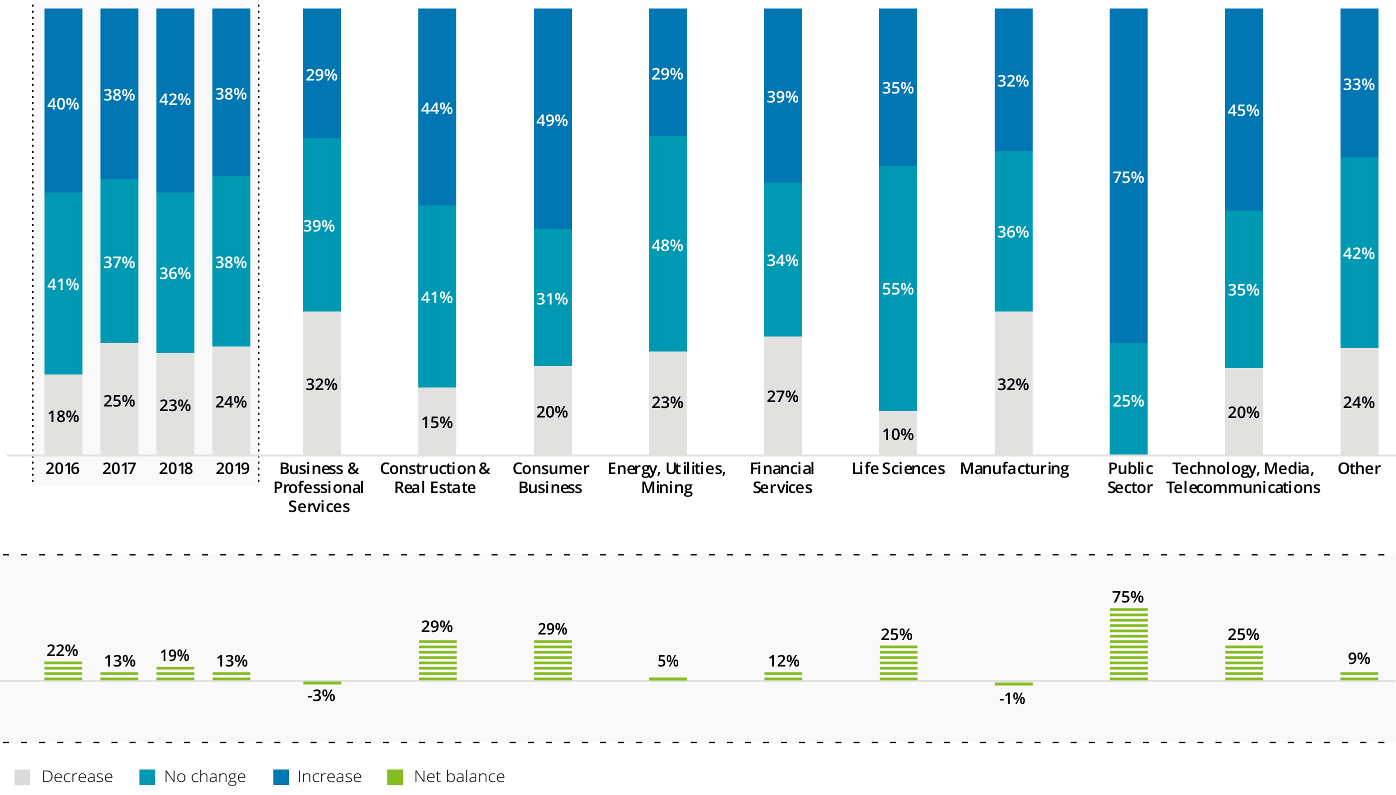


Operating margins are expected to stay the same or grow

Most CFOs expect operating margins to increase or to stay the same (both 38%), but there was a slight decrease in optimistic expectations (from 42% in 2018 to 38% in 2019). The net balance among different sectors varies from -3% in Business & Professional Services to 29% in Construction & Real Estate and Consumer Business. It even reaches the heights of 75% in the Public Sector[7].

Compared to last year, the biggest fall in net balance was experienced by the Technology, Media & Telecommunications industry (-17p.p.). The biggest increase (apart from the Public Sector) was in Financial Services (+16p.p.).

In your view, how are operating margins for your company likely to change over the next twelve months?



7 Please bear in mind the low number of respondents from the Public Sector (n=4)

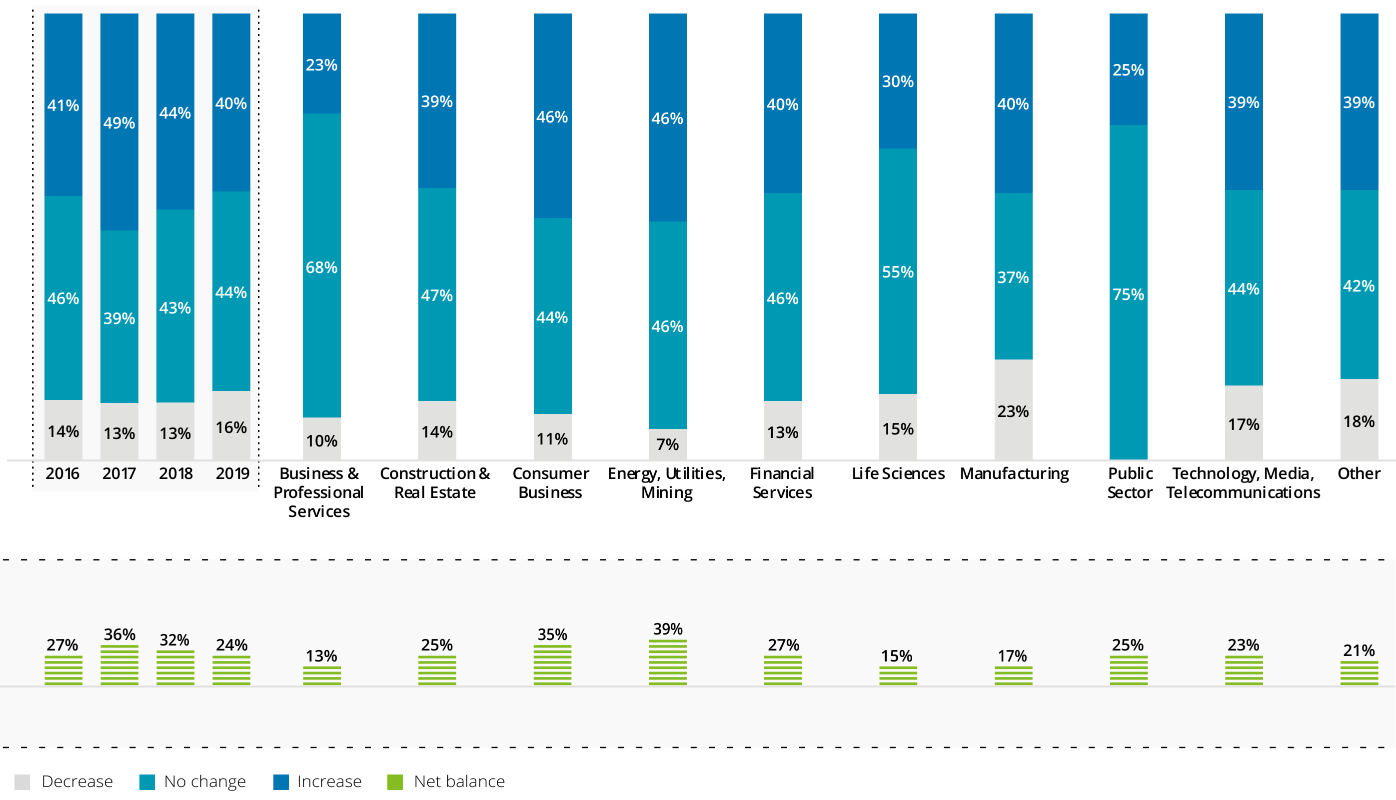
A majority of CFOs expect no change in capital expenditure

The largest share of CFOs (44%) expect capital expenditure to stay at the same level as in 2018. However, the share of respondents who expect an increase fell from 44% in 2018 to 40% in 2019. The share of negative views, meanwhile, increased from 13% in 2018 to 16% in 2019.

The most positive views were among CFOs from the Energy, Utilities & Mining industry, with a net balance of 39%. The most negative views were expressed by CFOs from the Manufacturing sector with a net balance of 17%.

Compared to 2018, respondents from Business & Professional Services delivered the biggest increase in net balance (+22p.p.). The biggest fall (apart from the Public Sector) was among those from Manufacturing (15p.p.).

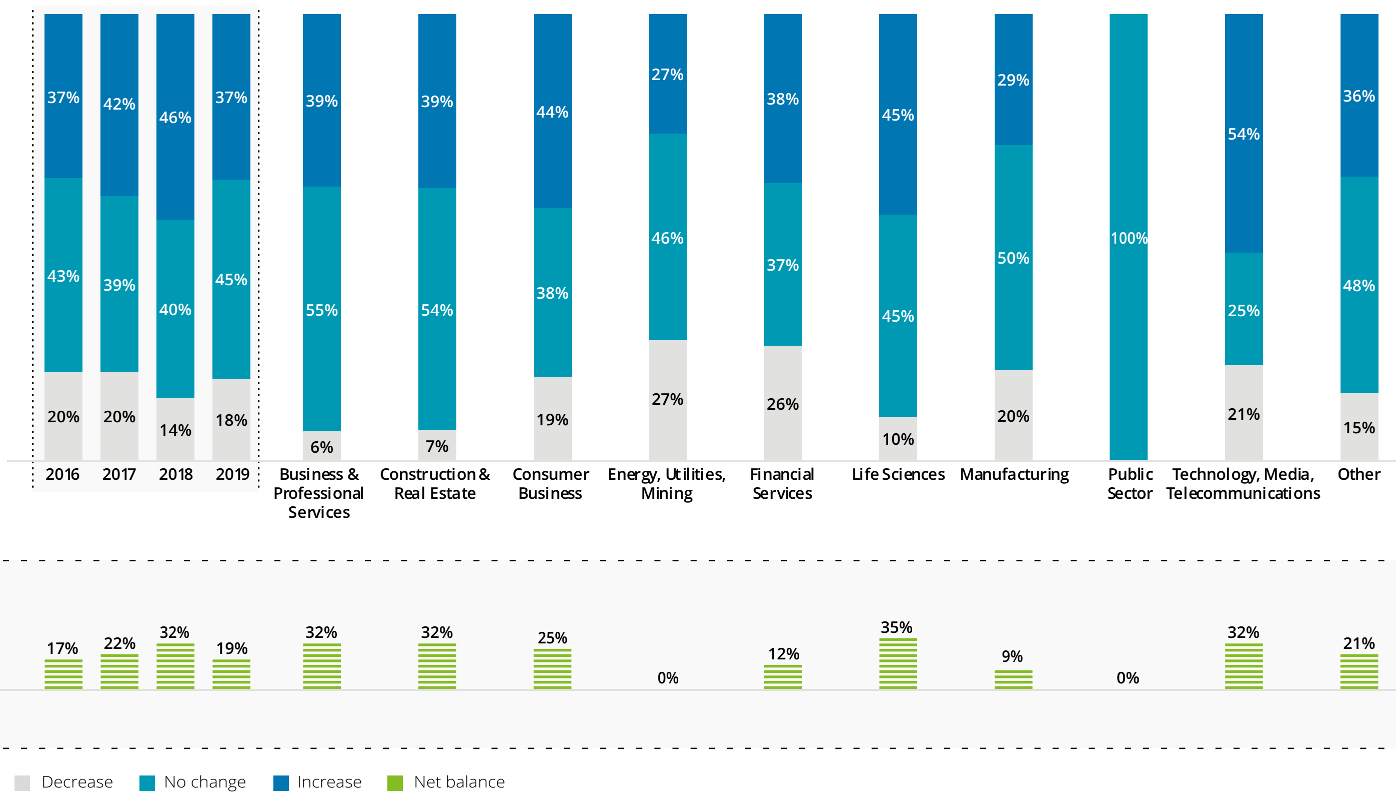
In your view, how are capital expenditures (CAPEX) for your company likely to change over the next twelve months?



Employment levels are expected to stay the same or to increase

Most CFOs expect the number of employees in their companies to remain unchanged (45%) or to increase (37%). However, as with the falls they are expecting in other company growth indicators, there is a tendency for them to be less willing to hire new employees. There is a visible fall in the net balance of answers across most industries, with the highest decrease in Manufacturing (-33p.p.). The only exception is Construction & Real Estate, which had the lowest net balance last year, and delivers a 28p.p. increase in 2019.

In your view, how is the number of employees in your company likely to change over the next twelve months?

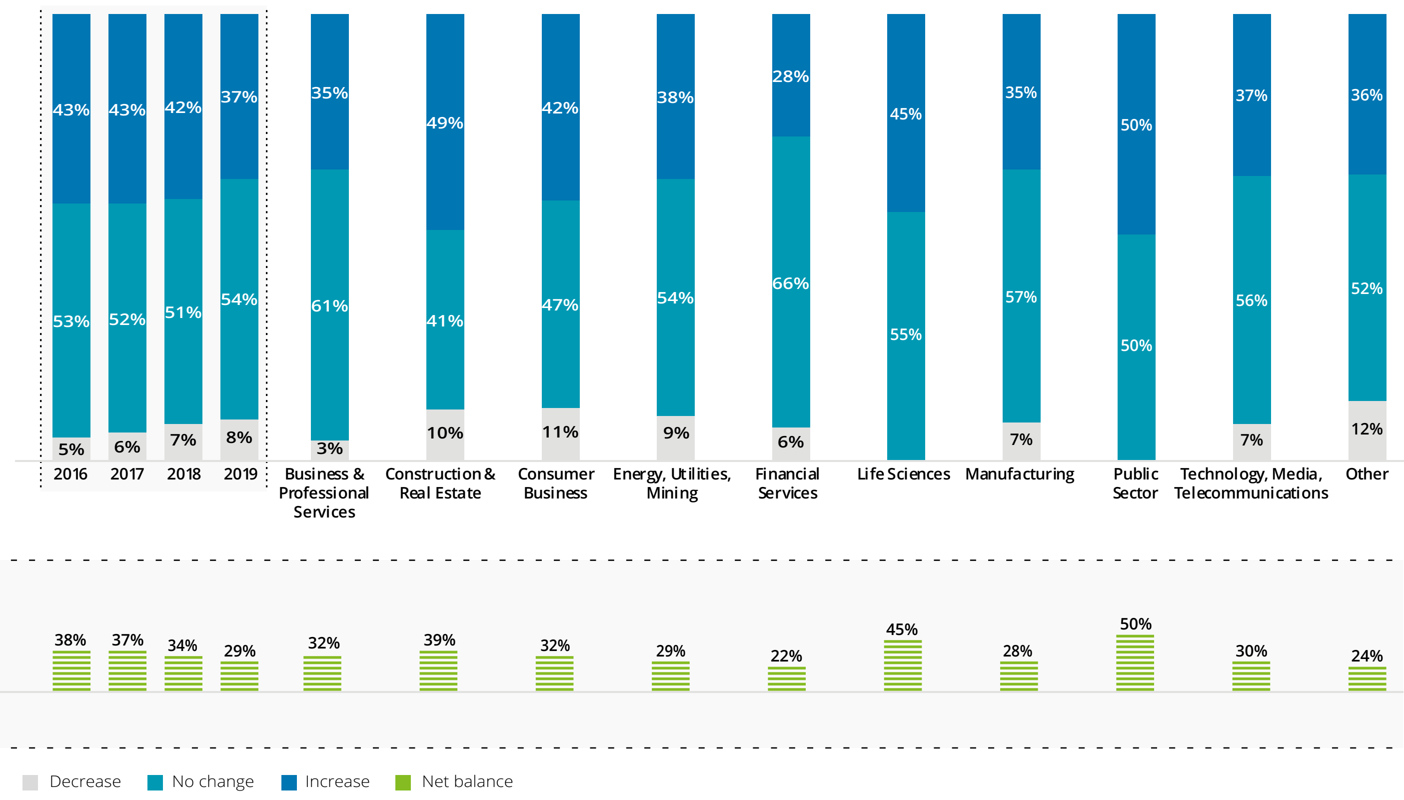


Companies' ability to service debt will not decrease

92% of CFOs expect that the ability of their companies to service debt will remain the same (54%) or increase (37%) over the next three years. Compared to last year, this entails a fragile decrease in optimism, with the net balance falling from 34% to 29%.

Apart from those from the Public Sector, the most positive about their ability to service debt are CFOs from the Construction & Real Estate and Life Sciences industries. In Construction & Real Estate, almost half (49%) expect an increase. In Life Sciences, 45% anticipate a rise and no one expects a decrease.

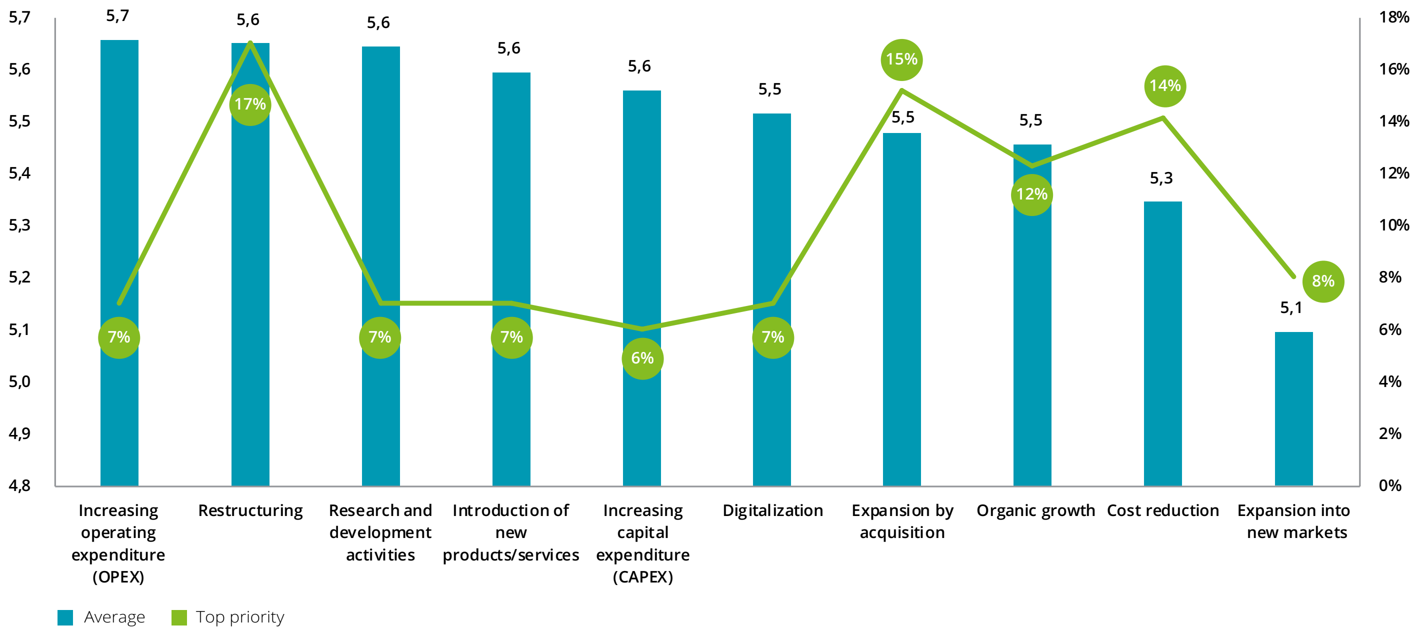
Over the next three years, you expect your ability to service your debt to:



Increasing OPEX and restructuring are the main strategies for 2019

Differences in rating the importance of particular strategies are not very marked – the average varies from 5.7 for increasing operating expenditure (OPEX) to 5.1 for expanding into new markets. However, increasing OPEX, which has the highest average score, is also one of the strategies which CFOs rate least often as their top priority[8]. Only 7% of CFOs gave it a top rating, contrasting with 17% for restructuring, 15% for expansion by acquisition and 14% for cost reduction.

Please state to what degree the following strategies are likely to be a priority for your business over the next twelve months?
Scale 1-10, where 1=least important, 10=most important.



8 Share of respondents who rated it as 10=most important

Comparing industries reveals a greater difference in strategic priorities. Increasing OPEX is the most important for CFOs in the Energy, Utilities & Mining (avg. 6.2) and Financial Services (avg. 6.0) industries. Restructuring is the key priority for respondents from the Technology, Media & Telecommunications sector (avg. 6.0). Introducing new products/services is a key strategy for CFOs from Manufacturing (avg. 5.9), and Digitalisation is the top priority for CFOs from Life Sciences (avg. 6.5) and the Public Sector (8.0). Business & Professional Services CFOs place most emphasis on expansion by acquisition (avg. 6.4). In Construction & Real Estate, CFOs place the same value on OPEX and expansion by acquisition (avg. 5.9). Consumer Business CFOs rate three strategies as equally important: increasing OPEX, restructuring and introducing new products/services (avg. 5.8).

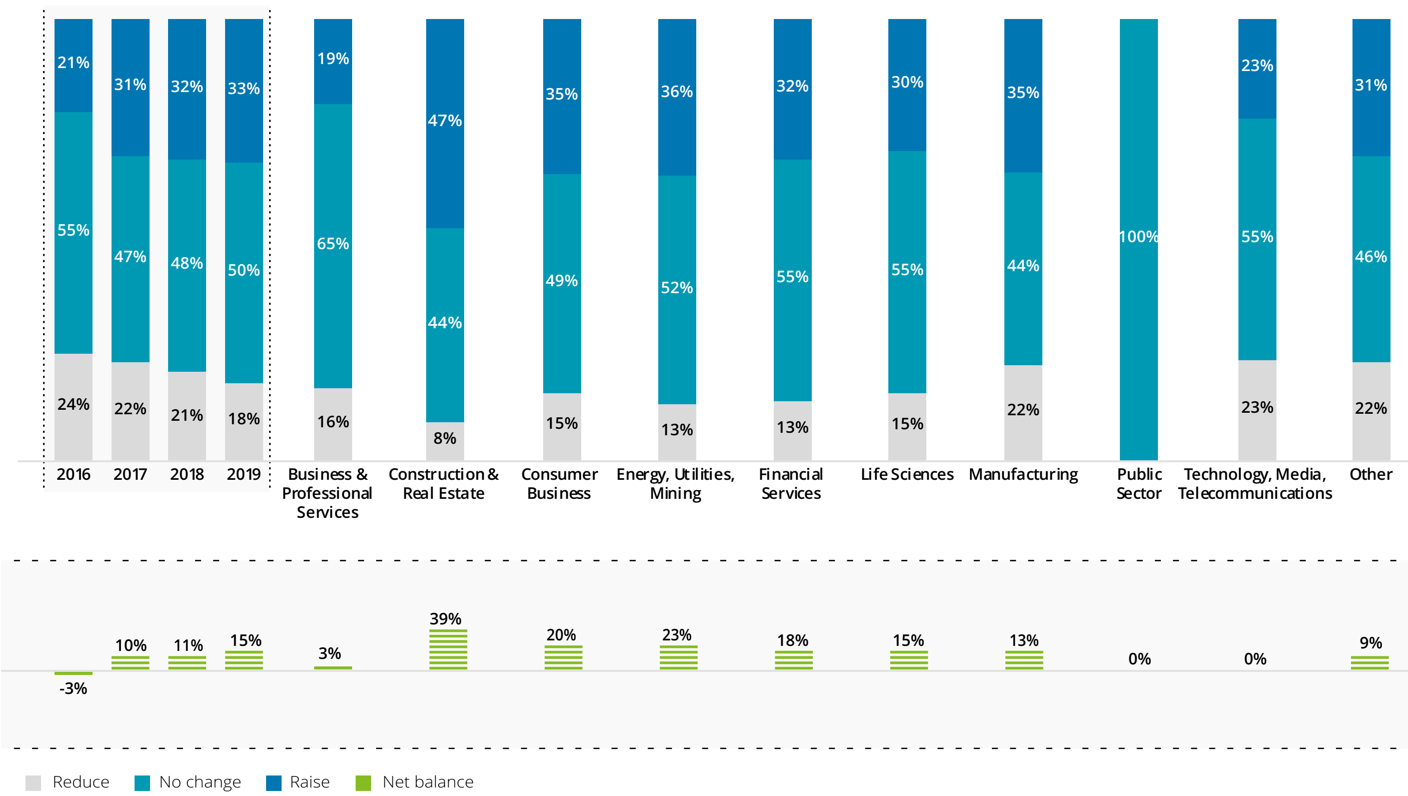
Please state to what degree the following strategies are likely to be a priority for your business over the next twelve months?
Scale 1-10, where 1=least important, 10=most important.

Average score	Business & Professional Services	Construction & Real Estate	Consumer Business	Energy, Utilities, Mining	Financial Services	Life Sciences	Manufacturing	Technology, Media, Telecommunications	Public Sector
Increase operating expenditure (OPEX)	5.2	5.9	5.8	6.2	6.0	4.7	5.6	5.2	4.0
Restructuring	5.2	5.4	5.8	5.8	5.8	6.1	5.3	6.0	5.5
Research and development activities	5.7	5.6	5.6	6.0	5.9	5.6	5.6	5.6	7.5
Introducing new products/services	5.5	5.2	5.8	5.5	5.1	6.0	5.9	5.7	5.5
Increasing capital expenditure (CAPEX)	5.6	5.4	5.7	5.4	5.9	4.5	5.6	5.4	5.3
Digitalisation	6.1	5.2	5.3	6.1	5.0	6.5	5.4	5.6	8.0
Expansion by acquisition	6.4	5.9	5.2	5.1	5.5	5.8	5.5	5.5	7.0
Organic growth	4.8	5.4	5.7	5.0	5.6	5.1	5.4	5.9	7.5
Cost reduction	5.4	5.7	5.2	4.9	5.3	6.1	5.4	5.3	2.0
Expansion into new markets	5.0	5.2	4.9	5.0	5.0	4.9	5.4	4.7	2.8

Further stabilisation of gearing levels

The largest group of CFOs (50%) are not aiming to change levels of gearing. This attitude is most visible in the Public Sector[9], where 100% of CFOs anticipate having the same level of gearing over the next 12 months. Stability is also the expected outcome in Business & Professional Services, where 65% of CFOs are not planning to change levels of gearing. The highest share of respondents expecting a rise in this area is in the Construction & Real Estate sector (47%).

What is your aim for your level of gearing over the next twelve months?

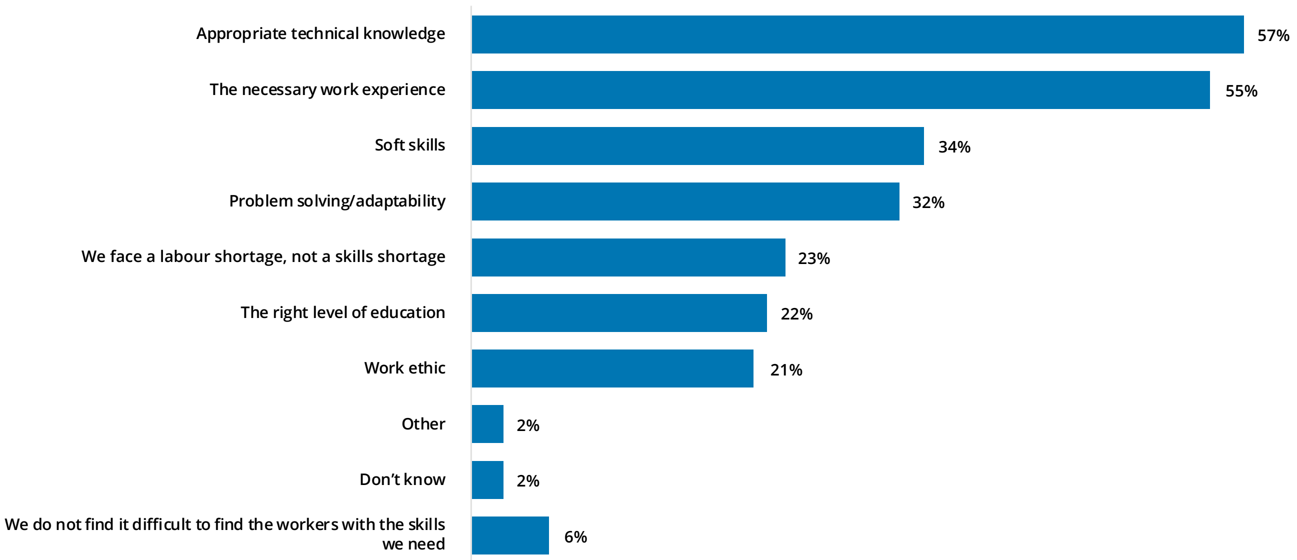


9 Please bear in mind the low number of respondents from the Public Sector (n=4)

Technical knowledge and work experience are the two hardest skills to find

Appropriate technical knowledge and work experience are the two most difficult skills for companies to find. Each was rated as a problem by more than 50% of respondents. The next two – soft skills and problem-solving/adaptability – were selected by around a third. Only 8% of respondents have no difficulty in finding the right skills for their organisation.

What are currently the most difficult skills for your organisation to find?



The most difficult skills for companies to find are appropriate technical knowledge and work experience. Organisations address these issues mainly by improving remuneration and retraining internal staff.

Appropriate technical knowledge and work experience are the biggest problems, regardless of sector. CFOs from the Public Sector also find difficulties with finding employees with the right work ethic, and CFOs from Life Sciences struggle to find those with the right level of education.

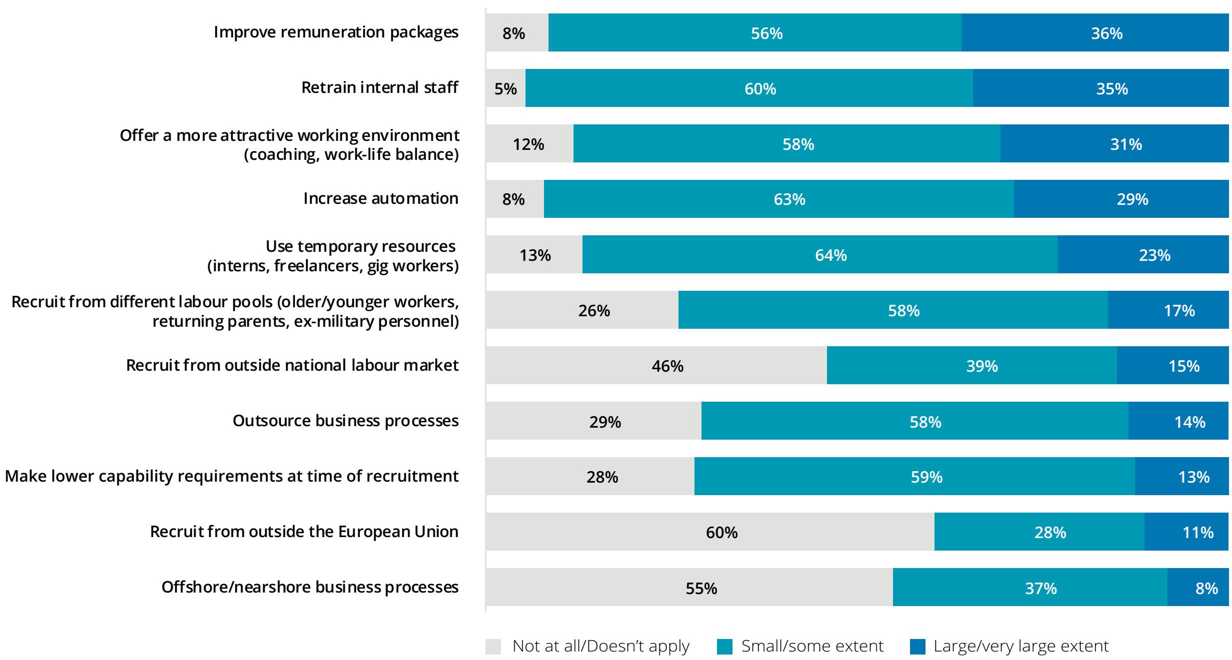
What are currently the most difficult skills for your organisation to find?

	Business & Professional Services	Construction & Real Estate	Consumer Business	Energy, Utilities, Mining	Financial Services	Life Sciences	Manufacturing	Public Sector	Technology, Media, Telecommunications
Appropriate technical knowledge	45%	63%	36%	63%	57%	40%	73%	75%	68%
The necessary work experience	52%	56%	55%	57%	61%	50%	52%	75%	55%
Soft skills	42%	39%	44%	39%	37%	25%	24%	25%	37%
Problem solving/adaptability	26%	37%	36%	32%	38%	20%	24%	50%	38%
We face a labour shortage, not a skills shortage	13%	27%	33%	5%	13%	30%	35%	50%	8%
The right level of education	19%	20%	20%	23%	18%	50%	27%	50%	17%
Work ethic	13%	15%	29%	13%	27%	25%	25%	75%	14%
Other	0%	3%	5%	0%	1%	0%	1%	25%	3%
Don't know	0%	0%	2%	0%	0%	0%	2%	25%	6%
We do not find it difficult to find workers with the skills we need	6%	7%	6%	7%	9%	10%	1%	25%	4%

Improved remuneration and staff training are the main actions companies take to address the skills shortage

Improved remuneration packages, staff retraining and creating a more attractive working environment are the most popular actions taken by companies to address the shortage of skilled labour. The options with the least support are recruiting employees from outside the national labour market and from outside the EU.

To what extent does your organisation use the following to address shortages in (skilled) labour?



All respondents from the Public Sector told us that remuneration, automation and using temporary resources are the most important actions for addressing shortages in skilled labour.

Remuneration and a more attractive working environment are particularly important in the Technology, Media & Telecommunications sector. Retraining internal staff is the most significant in Construction & Real Estate and Manufacturing. The Consumer

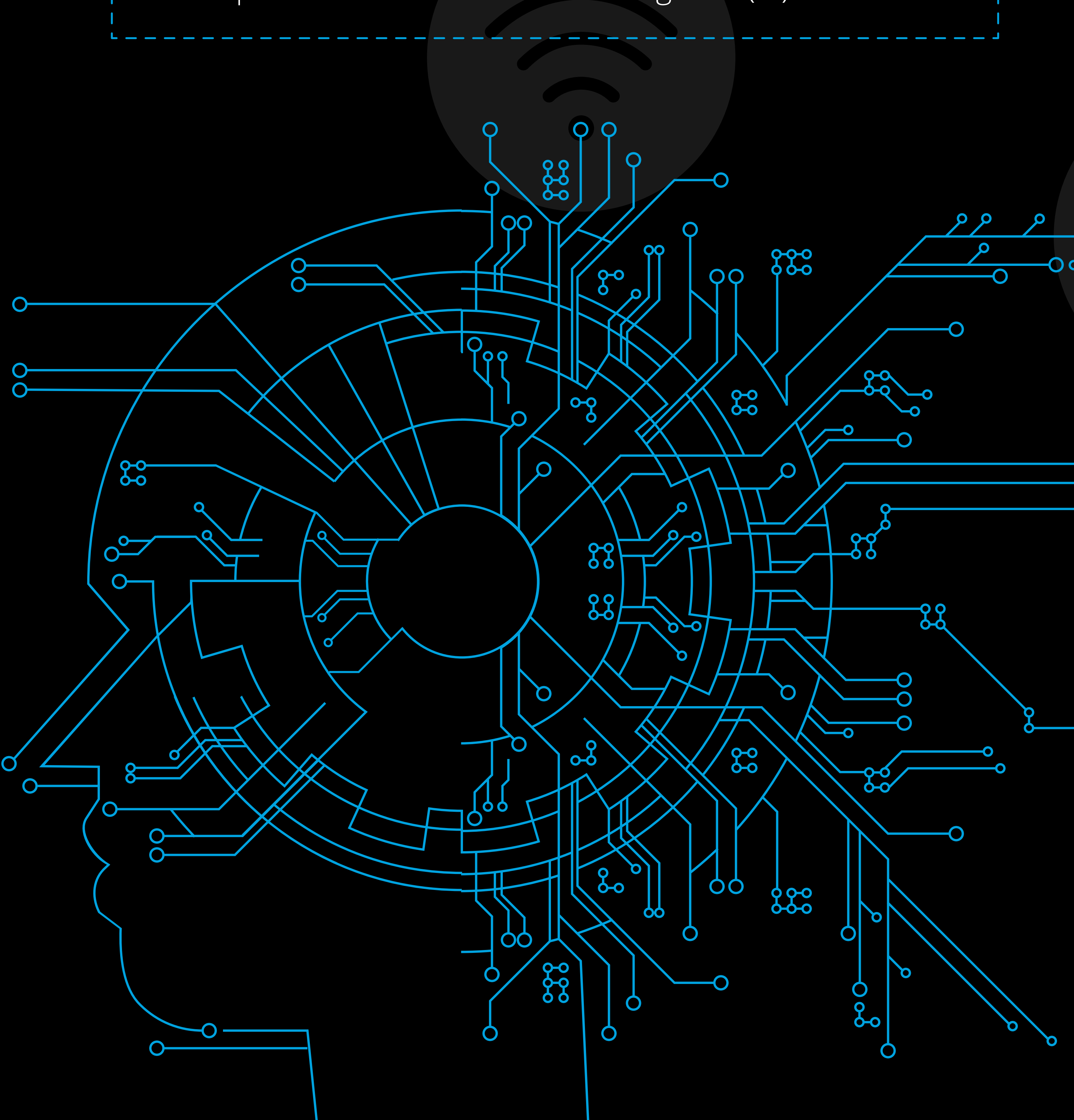
Business and Financial Services sectors are the most active of all industries in increasing automation.

To what extent does your organisation use the following to address shortages in (skilled) labour?
("Large/very large extent" answers only)

	Business & Professional Services	Construction & Real Estate	Consumer Business	Energy, Utilities, Mining	Financial Services	Life Sciences	Manufacturing	Technology, Media, Telecommunications	Public Sector
Improve remuneration packages	34%	40%	46%	35%	35%	28%	37%	47%	100%
Retrain internal staff	24%	42%	37%	33%	24%	28%	41%	34%	50%
Offer a more attractive working environment (coaching, work-life balance)	41%	29%	29%	33%	31%	44%	24%	50%	50%
Increase automation	17%	15%	37%	21%	37%	33%	32%	33%	100%
Use temporary resources (interns, freelancers, gig workers)	21%	22%	32%	19%	16%	17%	27%	30%	100%
Recruit from different labour pools (older/younger workers, returning parents, ex-military personnel)	21%	18%	19%	10%	11%	22%	19%	19%	0%
Recruit from outside national labour market	17%	9%	8%	12%	7%	22%	27%	23%	0%
Outsource business processes	14%	18%	14%	15%	19%	11%	10%	17%	0%
Make lower capability requirements at time of recruitment	7%	13%	18%	10%	8%	17%	18%	6%	50%
Recruit from outside the European Union	14%	9%	5%	10%	5%	11%	19%	19%	0%
Offshore/nearshore business processes	10%	5%	9%	6%	7%	22%	7%	22%	0%

At least three-quarters of CFOs remain positive or neutral about the financial prospects for their companies, including key indicators such as revenues, operating margins, CAPEX and employment, and the ability to serve companies' debts. While changes in comparison to 2018 are not significant, there is also a slight but a persistent tendency towards less optimistic expectations in all of these areas.

64% of CFOs admit that the finance function in their organisation is only slightly or not at all prepared for the implementation of Artificial Intelligence (AI) solutions.



Accounting is the key area within the finance function where AI implementation is most likely, selected by **30%** of respondents.

80% of CFOs say they make little or no use of AI in managerial processes.

Carrying out routine tasks is the most popular use of AI, occurring in **30%** of companies.

Increased speed (**48%**), effectiveness (**40%**) and cost reduction (**46%**) are seen as the main benefits of robotics and AI solutions.

32% of CFOs believe that technology will displace people working in the finance function in 10 years.

The slow rate of adoption of robotics and cognitive automation tools may suggest that CFOs have limited trust in the practical value of this type of solution in the finance arena.

This view might have been justifiable a couple of years ago, when AI and robotics tools were still being extensively tested by companies and accessibility to them was somewhat limited. Now, when these solutions have been proven to deliver significant business benefits and the barriers to entry (cost and know-how) are significantly lower, it's not a question of 'if' but 'when and how' they should be implemented in the finance function. Without adopting AI solutions, companies risk losing much of their competitive advantage. This is not only in terms of costs efficiency, but – even more importantly – in their ability to improve the customer experience and to use data effectively to grow the top line.

CFOs are uniquely positioned to drive robotics and the AI agenda in their organisations. This is due to their privileged access to the company's financial data, and the ability of their teams to analyse information and provide relevant business insights. Opening up the eyes and ears of the organisation to robotics-based solutions and benefits they bring is only a matter of finding an appropriate use-case.

It's also important to understand the impact of the growing adoption of robots in the working environment. Some see it as a threat. Looking into the future, however, it appears highly unlikely that employees will be willing to continue executing mundane, repetitive tasks when we are all surrounded by cognitive technologies that we use every day. So it might not be long before an absence of robots is perceived by employees as a lack of basic tools supporting their work. This may cause higher attrition rates and a reduced ability to attract talent into the finance area.

Artificial Intelligence

Artificial Intelligence (AI), despite its recent popularity, seems to be a new and challenging topic for the companies in the survey. 64% of CFOs admit that the finance function in their organisation is only a little or not at all prepared for implementing AI solutions. There is also no shared view as to whether the implementation of AI into the finance function is relevant – 35% of CFOs are positive and 33% negative about this matter. Accounting is seen as a key area within the finance function where AI could be implemented (selected by 30% of CFOs).

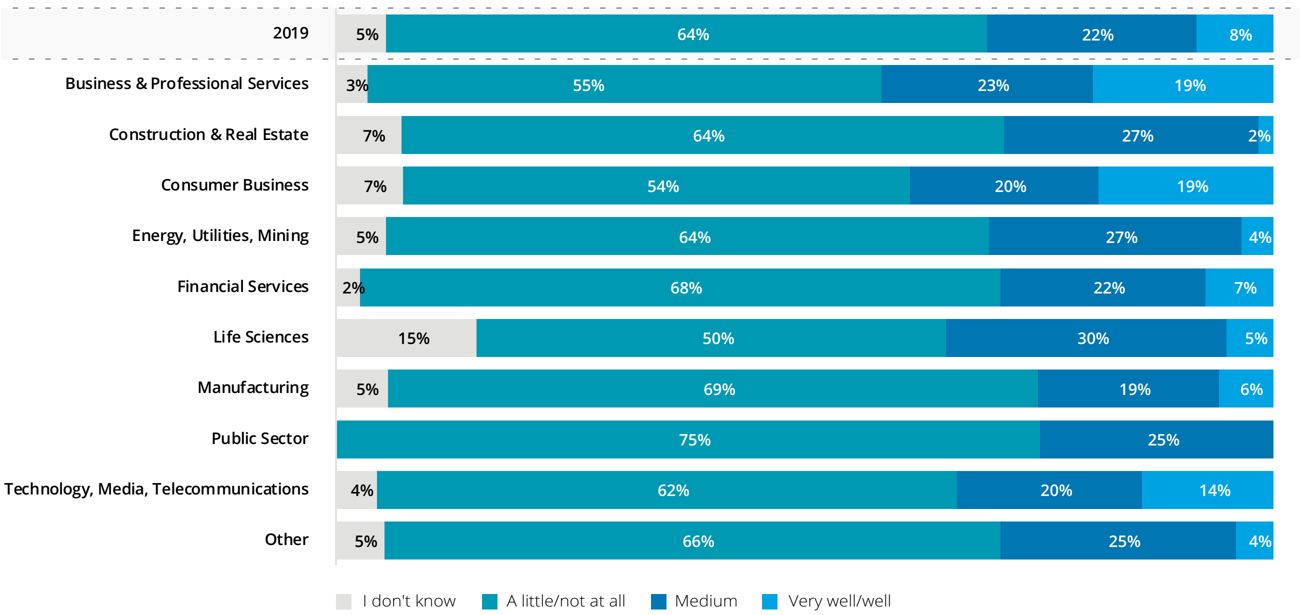
Machine learning is the most popular cognitive tool implemented by companies. However, only 11% of organisations have adopted it, while 77% use no cognitive tools of any sort. In addition, 80% of CFOs say that they make little or no use of AI in managerial processes. However, 32% of CFOs believe that in 10 years' time people working in the finance function will be displaced by technology. Increased speed (48%), effectiveness (40%) and cost reductions (46%) are seen as the main benefits of robotics and AI solutions.

The finance function is not ready for AI

64% of CFOs admit that the finance function in their organisation is only a little or not at all prepared for the implementation of AI solutions. Only 8% feel very well or well prepared.

Regardless of industry, at least 50% of CFOs admit to a lack of preparation for implementing AI changes. The most prepared sector is Business & Professional Services, where 19% of CFOs feel well prepared. The least ready are the Public Sector, with no CFOs feeling well prepared, and Manufacturing with just 2% of CFOs doing so.

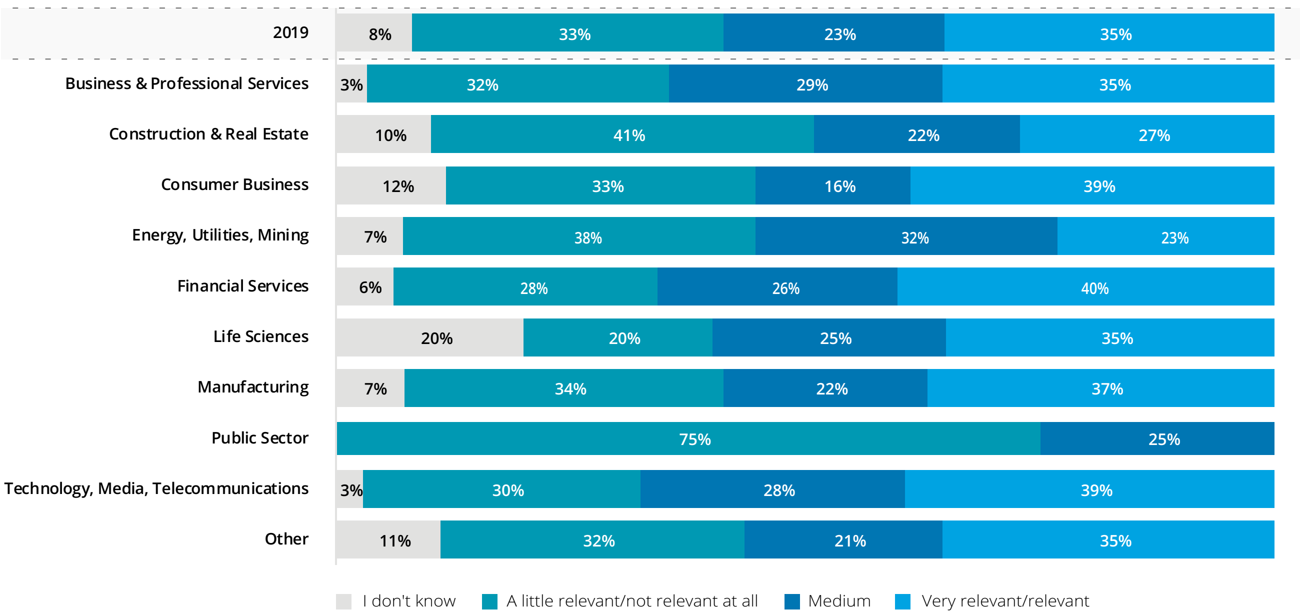
To what extend is the finance function prepared for the implementation of artificial intelligence (AI) solutions?



There is no common view on whether the adoption of AI into the finance function is relevant

Around a third of CFOs (35%) see adopting AI and technological enhancements into the finance function as relevant. However, roughly the same share (33%) thinks it has a little or no relevance. The most positive about its possible influence on the finance function are CFOs from Financial Services (relevant for 40%), Consumer Business and Technology, Media & Telecommunications (relevant for 39% in both cases). No respondents from the Public Sector, which also declared the lowest state of preparation for AI implementation, consider it as relevant.

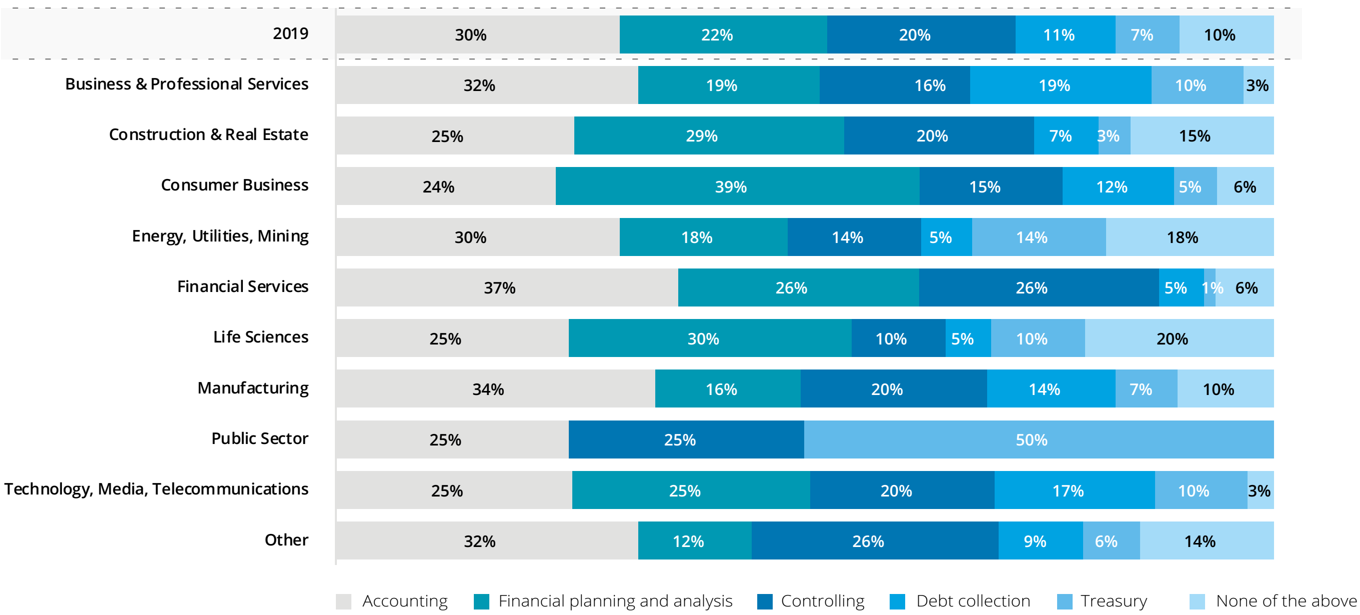
Do you consider the adoption AI and technological enhancements (such as cobots) into the finance function relevant?



CFOs see accounting as a key area for AI solutions

For CFOs, accounting is the ripest area within the finance function for AI implementation (30%). This view is especially popular among respondents from the Financial Services sector, where 37% selected it as a key area. Two sectors choosing other prime areas for AI implementation are the Public Sector (with 50% indicating Treasury) and Consumer Business (where 39% chose financial planning and analysis).

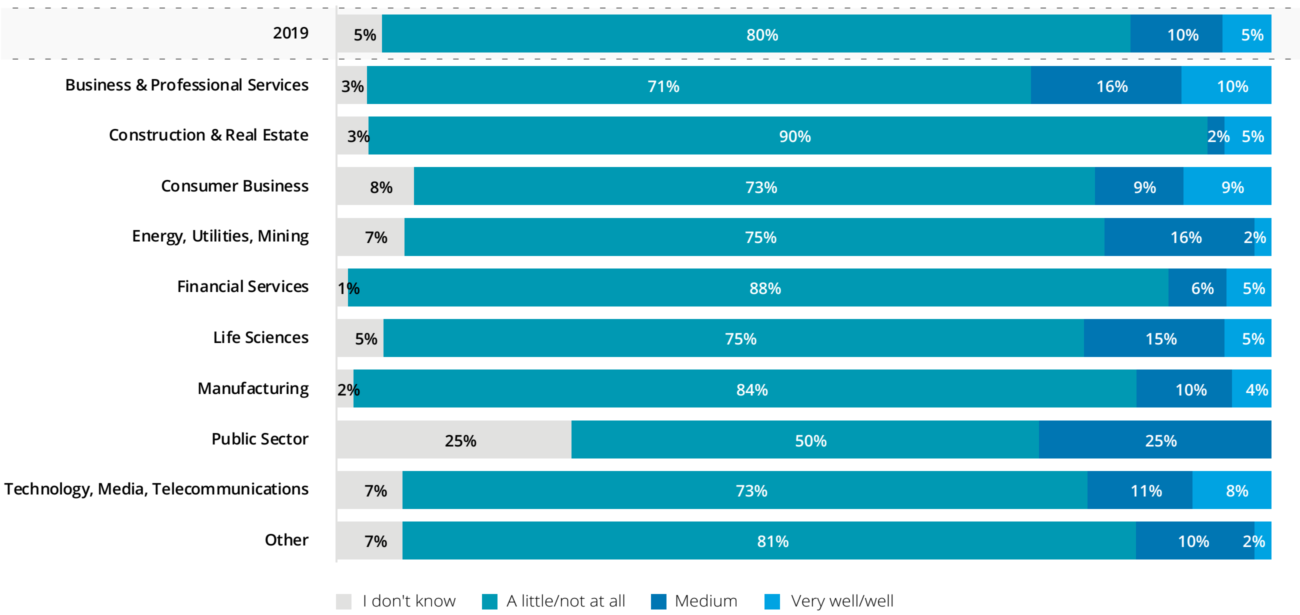
What key area within finance function do you see for AI solutions?



Very few CFOs currently support managerial processes with AI

80% of CFOs tell us they make little or no use of AI in managerial processes. The sector in which the use of AI in managerial processes is the highest is Business & Professional Services, with 26% of CFOs using it to at least a medium extent. The highest share of those admitting to little/no use is in the Construction & Real Estate industry (90%).

To what extent AI currently supports managerial processes in your company?



Performing routine tasks is the most popular use of AI

The performance of routine tasks is the most popular use of AI, present in 30% of companies. The Business & Professional Services industry is the heaviest user – usage of this sort exists in 42% of businesses from this sector.

The augmentation of human skills is the most common use of AI in Life Sciences (15%) and Consumer Business (13%). Respondents from the Public Sector[10] (25%) and Technology, Media & Telecommunications (13%) selected decision-making tasks more than CFOs from other sectors.

How do you use AI solutions?

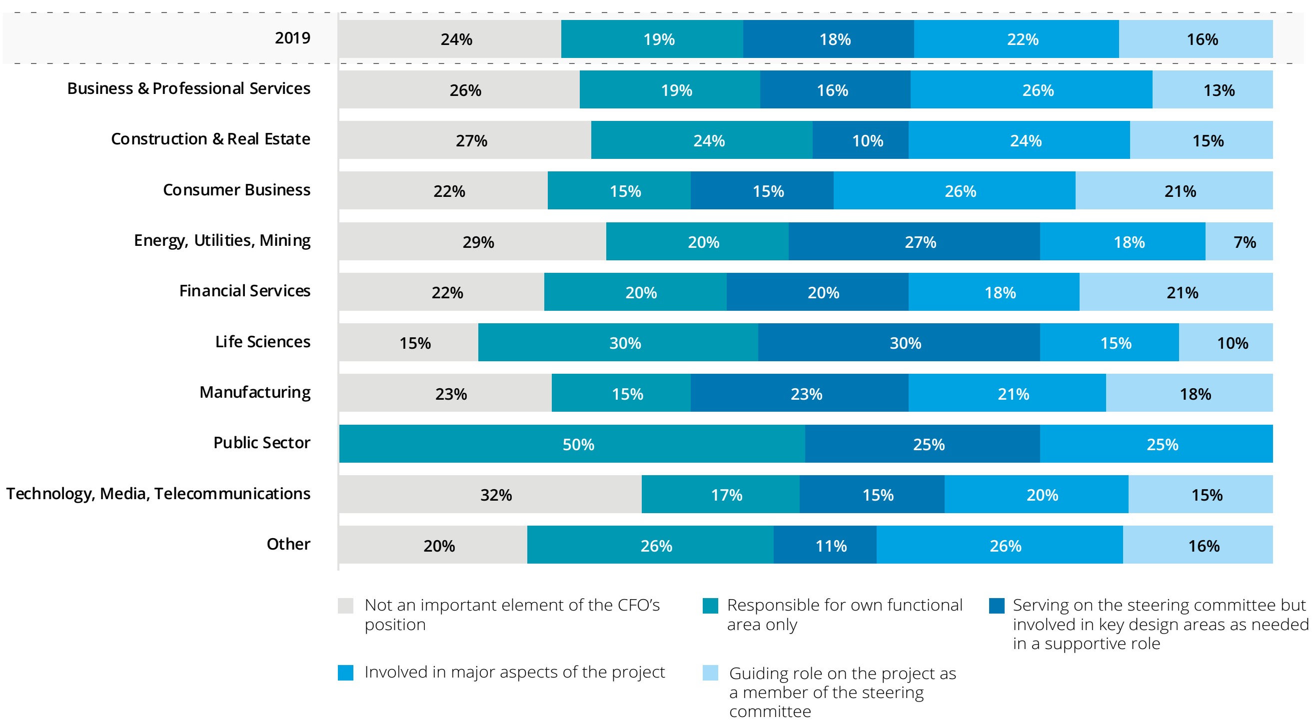
	2019	Business & Professional Services	Construction & Real Estate	Consumer Business	Energy, Utilities, Mining	Financial Services	Life Sciences	Manufacturing	Public Sector	Technology, Media, Telecommunications	Other
To perform routine tasks	**30%**	42%	25%	32%	27%	28%	35%	33%	0%	32%	22%
To augment human skills	**8%**	3%	8%	13%	9%	10%	15%	6%	0%	8%	4%
To perform decision making tasks	**6%**	3%	5%	9%	2%	9%	5%	4%	25%	13%	2%
We do not use AI solutions at all	**63%**	58%	68%	55%	68%	63%	60%	62%	75%	58%	72%

10 Please bear in mind the low number of respondents from the Public Sector (n=4)

More than half of CFOs are in some way engaged in implementing AI in the organisation as a whole

The role of CFOs in implementing AI solutions across the wider organisation is not consistent or obvious. Each of the multiple-choice options provided had a similar share of answers. However, it is noticeable that more than half the CFOs (56%) are in some way involved in implementing AI in the organisation as a whole. Meanwhile, 19% are involved only in so far as AI affects their own functional area, and 24% do not consider it an important element of the CFO's role. CFOs from the Consumer Business, Manufacturing and Financial Services sectors are those who most often say they are active in this field.

What role does the CFO play in implementing AI solutions (in whole organization, not only in finance area)?



77% of companies do not use any cognitive tools

Machine learning is the most popular cognitive tool implemented by companies. However, just 11% of businesses have adopted it, and 77% do not use any cognitive tools at all. The sector with the highest rate of implementing cognitive tools is Life Sciences, where 30% of companies already have some of these solutions. The most popular are machine learning, robotic cognitive automation and speech recognition, present in 10% of companies from this sector.

Which of the following cognitive tools have you implemented in your company?

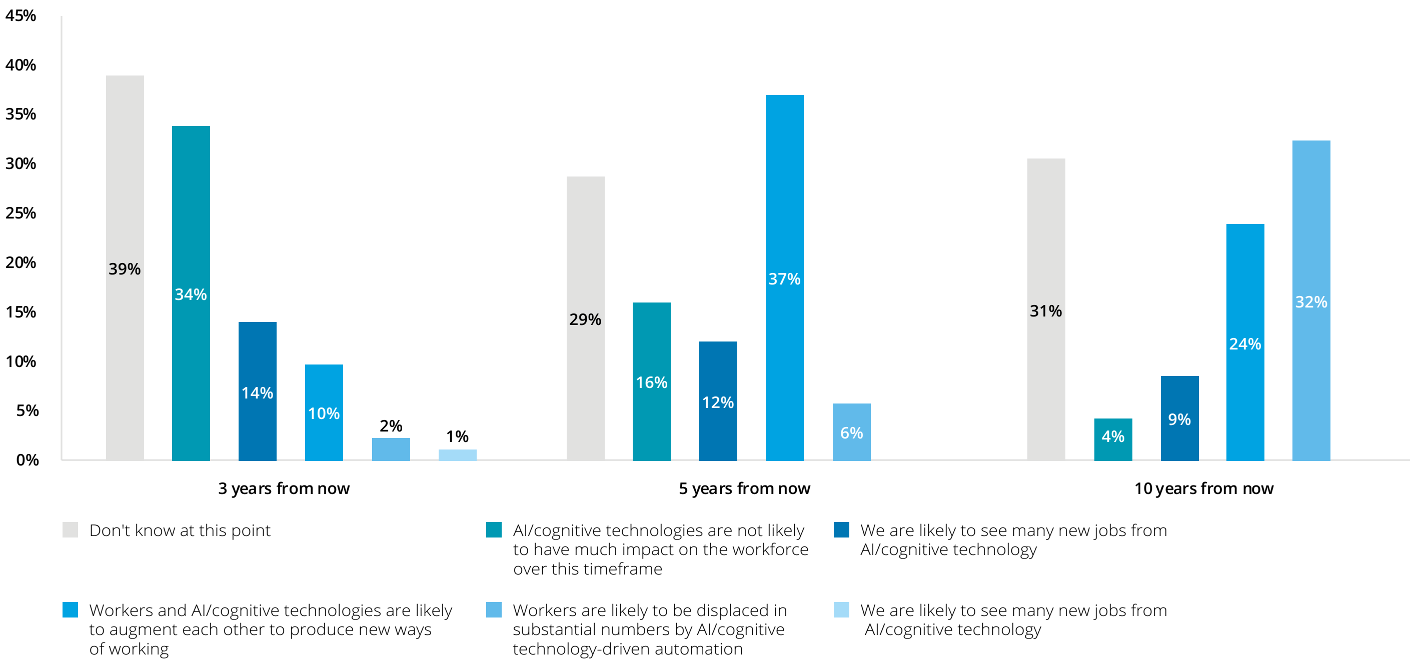
	2019	Business & Professional Services	Construction & Real Estate	Consumer Business	Energy, Utilities, Mining	Financial Services	Life Sciences	Manufacturing	Public Sector	Technology, Media, Telecommunications	Other
Machine learning	11%	13%	2%	7%	18%	15%	10%	11%	0%	18%	7%
Robotic cognitive automation	10%	6%	3%	9%	7%	12%	10%	11%	25%	14%	10%
Natural language processing (NLP)	4%	3%	2%	8%	4%	6%	5%	1%	0%	6%	5%
Speech recognition	5%	3%	5%	7%	0%	10%	10%	2%	25%	4%	4%
Natural language generation (NLG)	3%	0%	2%	4%	2%	6%	0%	1%	0%	8%	0%
None of them	77%	84%	88%	75%	73%	73%	70%	78%	75%	69%	79%

Workers in the finance function might be displaced by AI in the future

Around a third of CFOs find it hard to assess the effects of cognitive technologies on future employment in the finance function. A third believes it won't have a significant impact in three years from now. However, in five years, they assume that AI/cognitive technologies and workers are likely to augment each other's abilities, while in 10 years' time workers will be displaced by technology.

Despite media preoccupations with the subject, only 8% of respondents feel they are well or very well prepared for implementation, and a third do not feel that AI is relevant to the finance function. Perhaps most surprising of all, 77% of companies do not use cognitive tools of any sort.

How will cognitive technologies affect employment in finance function?



Increased speed, effectiveness and cost reductions are the most important benefits of robotics and AI

For around half of CFOs, increased speed, effectiveness and cost reductions are the main benefits of robotics and AI solutions. Increased speed is seen as the most relevant by CFOs from Life Sciences (60%). Those from Business & Professional Services most value cost reductions (55%), and more than half of CFOs from Financial Services (52%) select increased effectiveness. Better accuracy is prioritised by respondents from Life Sciences (40%) and real-time tracking possibilities by those in the Public Sector[11] (50%).

Enhanced reach (7%) and responsiveness/ immediate answers (11%) were seen as the least relevant benefits.

What kind of benefits of robotics and AI solutions you consider most relevant?

	2019	Business & Professional Services	Construction & Real Estate	Consumer Business	Energy, Utilities, Mining	Financial Services	Life Sciences	Manufacturing	Public Sector	Technology, Media, Telecommunications	Other
Increase speed	48%	55%	42%	49%	45%	44%	60%	49%	50%	45%	52%
Reduce cost	46%	55%	41%	48%	54%	43%	35%	50%	50%	41%	45%
Increase effectiveness	40%	39%	37%	34%	32%	52%	50%	44%	0%	37%	39%
Raise accuracy rate	19%	6%	24%	18%	11%	20%	40%	19%	50%	18%	20%
Real-time tracking	16%	26%	22%	15%	2%	15%	5%	23%	50%	10%	15%
Anomaly detection	16%	16%	17%	13%	21%	16%	15%	15%	25%	14%	20%
Better decision-making	16%	10%	8%	18%	18%	20%	10%	17%	25%	18%	12%
Focus more resources on mission – critical tasks	15%	16%	15%	16%	18%	18%	10%	13%	25%	14%	16%
24x7 support	14%	3%	14%	14%	20%	12%	15%	13%	0%	21%	13%
More accurate prediction	13%	19%	8%	12%	21%	12%	5%	12%	0%	15%	15%
Improve resource allocation	12%	13%	12%	12%	11%	13%	0%	13%	0%	17%	10%
Responsive (answers immediately)	11%	13%	7%	13%	13%	10%	15%	12%	25%	17%	7%
Enhance reach	7%	3%	8%	11%	7%	7%	0%	5%	0%	4%	11%
None of the answers above	3%	6%	7%	1%	4%	4%	10%	2%	0%	3%	4%

11 Please bear in mind the low number of respondents from the Public Sector (n=4)

Most CFOs approve of using cognitive technologies in other areas

Areas which CFOs would consider appropriate for the implementation of cognitive technologies differ between sectors. Production is the top choice for both Manufacturing (62%) and Energy, Utilities, Mining (41%). Administration was chosen most often by respondents from Financial Services (46%) and Technology, Media, Telecommunications (42%) sectors. Operations is the most popular area among CFOs from Financial Services (59%), Technology, Media, Telecommunications (37%) and Business & Professional Services (35%). Sales and customer service are most important in Consumer Business (47% and 46% respectively). While risk management and marketing are not the top choices for any industry, they score most highly in Financial Services (56% and 27% respectively)[12].

What other areas of your organisation would you consider for the implementation of cognitive technologies?

	2019	Business & Professional Services	Construction & Real Estate	Consumer Business	Energy, Utilities, Mining	Financial Services	Life Sciences	Manufacturing	Public Sector	Technology, Media, Telecommunications	Other
Production	**38%**	19%	24%	36%	41%	15%	40%	62%	25%	30%	33%
Administration	**36%**	29%	32%	31%	27%	46%	35%	37%	50%	42%	36%
Operations	**35%**	35%	29%	45%	29%	59%	35%	29%	25%	37%	27%
Customer service	**33%**	29%	29%	46%	29%	44%	15%	22%	50%	39%	34%
Risk management	**29%**	10%	25%	26%	29%	56%	25%	22%	50%	31%	27%
Sales	**28%**	13%	19%	47%	25%	34%	25%	26%	50%	30%	22%
Marketing	**21%**	19%	25%	26%	20%	27%	15%	13%	50%	24%	19%
None of the above	**7%**	16%	12%	5%	13%	2%	15%	4%	0%	6%	8%

12 The Public Sector was omitted from these conclusions due to the very low number of respondents (n=4)

The slow rate of adoption of robotics and cognitive automation tools may suggest that CFOs have limited trust in the practical value of this type of solution in the finance arena.

Local perspectives

Local perspectives chapter provides a short summary of each of the analysed countries. It enables to look at them independently and assess their position on the background of the CE region.

Few of the countries are analysed in groups: Albania and Kosovo, Baltics (Lithuania, Latvia, Estonia), Serbia and Montenegro.

Albania and Kosovo

Even though CFOs from both countries perceive uncertainly level facing their businesses as higher than on average CFOs in the Central European (CE) region, their predictions for the future are often more optimistic.

35% of CE-based CFOs estimates the level of external financial and economic uncertainty to be high. In Albania and Kosovo, this rating is much higher, reaching respectively 64% and 58%.

Still, respondents from both countries are more optimistic about future company revenues, financial prospects, and unemployment decrease. They are also braver in assuming, that this is a good time for more risk onto companies' balance sheets. Positive was 43% of CFOs from Albania and 33% from Kosovo, while in CE is was 27%. Finance function leaders from Kosovo also have a more positive view of GDP growth and CPI increase. CFOs from Albania, on the other hand, predict higher M&A levels change over the next 12 months.

CFOs from Romania, Albania and Kosovo hold the most negative views about the uncertainty facing businesses. The net balance of answers in these countries ranges from -64% in Romania to -50% in Kosovo.

Overall level of financial and economic uncertainty facing business

	Albania	Kosovo	CE
Very high/high	64%	58%	35%
Net balance	-57%	-50%	-24%

GDP growth for 2019

	Albania	Kosovo	CE
High/very high (>=2,6)	43%	58%	41%
Net balance	14%	50%	16%

Changes in CPI levels over the next 12 months

	Albania	Kosovo	CE
Increase	71%	83%	82%
Net balance	50%	83%	78%

Predicted changes in M&A levels over the next 12 months

	Albania	Kosovo	CE
Increase	50%	33%	43%
Net balance	43%	33%	33%

Unemployment change over the next 12 months

	Albania	Kosovo	CE
Decrease	50%	58%	38%
Net balance	21%	42%	18%

Company revenues over the next 12 months

	Albania	Kosovo	CE
Increase	64%	67%	66%
Net balance	64%	58%	52%

Is this a good time to be taking greater risk onto the company's balance sheets?

	Albania	Kosovo	CE
Yes	43%	33%	27%
Net balance	-14%	-33%	-46%

Less optimistic estimations than in the CE region — More optimistic estimations than in the CE region

Baltics (Lithuania, Latvia, Estonia)

Looking at CFOs' opinions from the three Baltic countries, we can see that those from Latvia are the most optimistic. Those from Lithuania are in the middle, and the most negative views are those from Estonia.

Finance function leaders from the Baltic countries see the levels of uncertainty facing their businesses in a slightly less negative light than respondents from the rest of the CE region. They also have better expectations regarding increasing CPI inflation levels and predicted changes in M&A levels.

While CFOs from Latvia and Estonia also have higher hopes for GDP growth, respondents from Lithuania have one of the most negative expectations of all the countries we surveyed. Nonetheless, Lithuania is the only Baltic country where more CFOs than from across the rest of the region think that this is a good time to be taking on more risk. When it comes to expectations for company revenues and changes in unemployment levels, CFOs from both Lithuania and Latvia are more optimistic, while those from Estonia are more pessimistic than the CE average.

Overall, Latvian CFOs are the most optimistic in the Baltics: expectations for every metric we looked at are at least as positive as the CE regional average.

Over the past few years, the Baltic countries have delivered economic growth that is above average for the CE region. This combines with demographic pressures and immigration levels to make it unsurprising that further decreases in unemployment rates are expected. Workforce shortage remains one of the key concerns for Baltic businesses across all industries.

Despite a growing number of concerns being expressed that, 10 years after the last financial crisis, the Baltic economies are about to turn into a downward part of the cycle, CFO sentiment regarding the economic outlook remains remarkably positive.

Overall level of financial and economic uncertainty facing business

	Lithuania	Latvia	Estonia	CE
Very high/high	29%	33%	27%	35%
Net balance	-19%	-25%	-12%	-24%

GDP growth for 2019

	Lithuania	Latvia	Estonia	CE
High/very high (>=2,6)	14%	61%	42%	41%
Net balance	-10%	46%	27%	16%

Changes in CPI levels over the next 12 months

	Lithuania	Latvia	Estonia	CE
Increase	86%	92%	85%	82%
Net balance	81%	90%	77%	78%

Predicted changes in M&A levels over the next 12 months

	Lithuania	Latvia	Estonia	CE
Increase	38%	43%	46%	43%
Net balance	38%	41%	42%	33%

Unemployment change over the next 12 months

	Lithuania	Latvia	Estonia	CE
Decrease	52%	67%	8%	38%
Net balance	43%	54%	-31%	18%

Company revenues over the next 12 months

	Lithuania	Latvia	Estonia	CE
Increase	76%	74%	62%	66%
Net balance	62%	70%	50%	52%

Is this a good time to be taking greater risk onto the company's balance sheets?

	Lithuania	Latvia	Estonia	CE
Yes	38%	26%	27%	27%
Net balance	-24%	-48%	-46%	-46%

Less optimistic estimations than in the CE region — More optimistic estimations than in the CE region

Bosnia and Herzegovina

Most of the predictions made by participating CFOs from Bosnia and Herzegovina are more optimistic than those from across Central Europe as a whole. The main exception is when it comes to their expectations for the overall level of financial and economic uncertainty facing their business.

2018 was marked by state and local elections. As expected, these slowed down government operations, public tenders and the adoption of planned regulations and taxes. The election outcome shows new political parties coming to the fore. Taking into account the changes of political environment among the country's neighbouring trading partners, half of CFOs from Bosnia and Herzegovina expect the levels of uncertainty facing their businesses to be very high or high. This compares with 35% of CFOs from across the region. There is little difference between those predictions for an increase in CPI inflation levels over the next 12 months made by respondents from Bosnia and Herzegovina (expected by 81%) and the region in general (82%).

When it comes to expected levels of GDP growth, answers from Bosnia and Herzegovina are more polarised. More CFOs expect such growth to be above 2.5% (44% vs 41% across the CE region), in line with the World Bank's 2019 estimate of 3.4%. On the other hand, 38% expect growth to be below 1.5%. We believe these differences depend on which industries respondents work in, as we are seeing fluctuations in profitability between certain industries.

Predictions for the other measures we looked at – M&A levels, changes in unemployment, company revenues and the willingness to take risks – are more positive among Bosnia and Herzegovina CFOs than across the CE region.

Overall level of financial and economic uncertainty facing business

	Bosnia and Herzegovina	CE
Very high/high	50%	35%
Net balance	-44%	-24%

GDP growth for 2019

	Bosnia and Herzegovina	CE
High/very high (>=2,6)	44%	41%
Net balance	6%	16%

Changes in CPI levels over the next 12 months

	Bosnia and Herzegovina	CE
Increase	81%	82%
Net balance	75%	78%

Predicted changes in M&A levels over the next 12 months

	Bosnia and Herzegovina	CE
Increase	44%	43%
Net balance	44%	33%

Unemployment change over the next 12 months

	Bosnia and Herzegovina	CE
Decrease	56%	38%
Net balance	38%	18%

Company revenues over the next 12 months

	Bosnia and Herzegovina	CE
Increase	75%	66%
Net balance	69%	52%

Is this a good time to be taking greater risk onto the company's balance sheets?

	Bosnia and Herzegovina	CE
Yes	31%	27%
Net balance	-38%	-46%

Less optimistic estimations than in the CE region — More optimistic estimations than in the CE region

Bulgaria

CFOs from Bulgaria have more positive expectations than their peers from across Central Europe in the case of all the indicators we looked at. Even when from time to time a Bulgarian net balance is somewhat lower, the share of respondents who gave positive responses is still higher.

The biggest differences in the share of positive answers involve predictions for future changes in M&A levels. In Bulgaria, 60% of respondents expect activity to increase, while across the CE region less than half (43%) of CFOs agree. Bulgarian CFOs' M&A expectations for 2019 are little changed from 2018, when 61% thought the level of M&A transactions would increase.

Another significant difference can be noticed in expectations about future changes in the unemployment level. Nearly half (46%) of CFOs from Bulgaria expect it to fall, compared with 38% from across the CE region. This difference becomes even more visible when you look at the net balance of answers – 34% for Bulgaria and 18% for the region as a whole. This also means that fewer respondents from Bulgaria expect unemployment to rise. While, this year's sentiment is less optimistic than last year's, when 73% of the poll expected unemployment to fall, 43% of Bulgarian CFOs expect no change in unemployment rates.

On the other hand, a shortage of qualified workers remains a major concern for Bulgarian CFOs – 54% of the respondents think this factor will pose a significant risk for their business in 2019. The same percentage (54%) is worried about the increasing cost of running a business, while fewer respondents are concerned about a shortage of capital or interest rate risk.

Expectations about revenue growth for 2019 fell by 16p.p. from the 2018 level: 17% of CFOs expect their company revenues to grow significantly, while 51% agree with the statement that their company revenues will increase somewhat.

A number of factors determine the level of confidence we can see in the local survey results for Bulgaria. Growth has been stable and strong since 2015, and last year was no exception. This performance is being largely driven by robust private consumption and gross fixed investment. Unemployment has been on a steep downward trajectory, falling from 7.2% at the beginning of 2018 to just 5% by year end. Economic growth is expected to decelerate in 2019-23, predominantly due to less favourable global conditions and labour capacity constraints.*

*Source: The Economist Intelligence Unit

Overall level of financial and economic uncertainty facing business

	Bulgaria	CE
Very high/high	31%	35%
Net balance	-26%	-24%

GDP growth for 2019

	Bulgaria	CE
High/very high (>=2,6)	51%	41%
Net balance	29%	16%

Changes in CPI levels over the next 12 months

	Bulgaria	CE
Increase	83%	82%
Net balance	83%	78%

Predicted changes in M&A levels over the next 12 months

	Bulgaria	CE
Increase	60%	43%
Net balance	54%	33%

Unemployment change over the next 12 months

	Bulgaria	CE
Decrease	46%	38%
Net balance	34%	18%

Company revenues over the next 12 months

	Bulgaria	CE
Increase	69%	66%
Net balance	49%	52%

Is this a good time to be taking greater risk onto the company's balance sheets?

	Bulgaria	CE
Yes	37%	27%
Net balance	-26%	-46%

Less optimistic estimations than in the CE region — More optimistic estimations than in the CE region

Croatia

In general, Croatian CFOs are less optimistic than respondents from across Central Europe about GDP growth for 2019. They are also less eager to take greater risk onto their company balance sheets. However, for all the other measures we looked at, their predictions for the future are similar to or better than the CE average.

The biggest difference between Croatian respondents and those from across CE as a whole is visible in their expectations concerning unemployment. In Croatia, 69% of CFOs (with a net balance of 66%) believe unemployment will fall over the next 12 months. Across the CE region, this stands at just 38% (with a net balance of 18%).

The second biggest difference concerns predictions for GDP growth, about which Croatian CFOs are much less optimistic: just 24% anticipate growth of over 2.5% (vs 41% in the CE region), and there is a negative net balance of answers (-3% in Croatia vs 16% for the CE region). According to the Croatian National Bank, GDP growth has been and will continue to be driven by the strong performance of the tourist industry. A recovery in personal consumption is also underway, accelerated by positive developments in the labour market.

CFOs, both in Croatia and from across the region, are very optimistic in terms of their business growth: 69% of Croatian CFOs expect their company revenues to increase modestly or significantly over the next 12 months. This is very similar to the CE region as a whole, where 66% of CFOs expect revenues to increase. The net balance of answers is 55% - 52%.

More than half (52%) of Croatian CFOs expect an increase in M&A levels. This is more optimistic than in most other CE countries, where 43% of CFOs expect an increase. The net balance of answers stands at 66% in Croatia and just 18% in CE. Optimism is also quite high in both Hungary and Bulgaria.

Although the level of optimism has broadly increased and perceived uncertainty has decreased, CFOs continue to take a cautious view of risk. A large majority (79%) of respondents say that now is not the right time to increase their companies' exposure to risk. These results are very similar to CFOs' predictions from across Central Europe, where just 27% believe that this is a good time to be taking greater risk onto a company's balance sheet. The negative net balance of answers stands at -59% in Croatia and -46% in CE as a whole.

In terms of the overall levels of financial and economic uncertainty facing businesses, a clear majority of respondents, both in Croatia (66%) and CE (65%), view the current levels of financial and economic uncertainty as normal. The net balance of answers is negative: -14% in Croatia and -24% across CE.

Overall level of financial and economic uncertainty facing business

	Croatia	CE
Very high/high	34%	35%
Net balance	-14%	-24%

GDP growth for 2019

	Croatia	CE
High/very high (>=2,6)	24%	41%
Net balance	-3%	16%

Changes in CPI levels over the next 12 months

	Croatia	CE
Increase	79%	82%
Net balance	76%	78%

Predicted changes in M&A levels over the next 12 months

	Croatia	CE
Increase	52%	43%
Net balance	48%	33%

Unemployment change over the next 12 months

	Croatia	CE
Decrease	69%	38%
Net balance	66%	18%

Company revenues over the next 12 months

	Croatia	CE
Increase	69%	66%
Net balance	55%	52%

Is this a good time to be taking greater risk onto the company's balance sheets?

	Croatia	CE
Yes	21%	27%
Net balance	-59%	-46%

Less optimistic estimations than in the CE region — More optimistic estimations than in the CE region

Czech Republic

Even though the CFOs from the Czech Republic perceive the current level of uncertainty facing their businesses in a more optimistic way, their expectations towards analysed measures are often less positive.

Only 7% of CFOs from the Czech Republic expect unemployment to decrease, while 41% think it might increase. However, such a view may be a result of the present unemployment level, which is the lowest among all analysed countries . Financial function leaders also have a less positive view in the Czech Republic than in the CE region in general about GDP growth. While 41% of CE CFOs expect it to be at least 2.6%, in the Czech Republic it is just 24%.

The Czech Republic is the country where CFOs' expectations for unemployment to fall are lowest (7%). However, this is probably a result of the actual low level of unemployment in the country (this was 2.8% in November 2018, the lowest of all countries in the survey).

Overall level of financial and economic uncertainty facing business

	Czech Republic	CE
Very high/high	20%	35%
Net balance	-9%	-24%

GDP growth for 2019

	Czech Republic	CE
High/very high (>=2,6)	24%	41%
Net balance	5%	16%

Changes in CPI levels over the next 12 months

	Czech Republic	CE
Increase	90%	82%
Net balance	88%	78%

Predicted changes in M&A levels over the next 12 months

	Czech Republic	CE
Increase	40%	43%
Net balance	27%	33%

Unemployment change over the next 12 months

	Czech Republic	CE
Decrease	7%	38%
Net balance	-34%	18%

Company revenues over the next 12 months

	Czech Republic	CE
Increase	64%	66%
Net balance	50%	52%

Is this a good time to be taking greater risk onto the company's balance sheets?

	Czech Republic	CE
Yes	31%	27%
Net balance	-39%	-46%

Less optimistic estimations than in the CE region — More optimistic estimations than in the CE region

Hungary

CFOs from Hungary are the most optimistic of those from all the countries we analysed. For most of the indicators, their predictions are more positive than the CE average.

Hungary is the only country where more CFOs think that the overall level of financial and economic uncertainty facing their businesses is low (20%) rather than high (5%). As many as 75% see the level of uncertainty as normal. When it comes to CFOs' willingness to take greater risk onto their companies' balance sheets, Hungary, with a net balance of zero, is the only country where the net balance of answers is not negative.

As a result of Hungary's high GDP growth data, the country's CFOs are also the most optimistic about the economic outlook. Hungarian CFOs expect this growth trend to continue in the future, and they also anticipate that the economic situation of their own companies will improve. They are the most likely from the countries we surveyed to take more risk than in the past. One potential issue they highlight is a further fall in the unemployment level, which is already leading to labour shortages and a potential rise in CPI inflation.

The most relaxed country is Hungary, which is also the only one with a positive net balance (+15%). 75% of CFOs there expect a normal level of uncertainty, and only 5% are expecting it to be high.

Overall level of financial and economic uncertainty facing business

	Hungary	CE
Very high/high	5%	35%
Net balance	15%	-24%

GDP growth for 2019

	Hungary	CE
High/very high (>=2,6)	50%	41%
Net balance	35%	16%

Changes in CPI levels over the next 12 months

	Hungary	CE
Increase	95%	82%
Net balance	95%	78%

Predicted changes in M&A levels over the next 12 months

	Hungary	CE
Increase	60%	43%
Net balance	55%	33%

Unemployment change over the next 12 months

	Hungary	CE
Decrease	50%	38%
Net balance	45%	18%

Company revenues over the next 12 months

	Hungary	CE
Increase	70%	66%
Net balance	65%	52%

Is this a good time to be taking greater risk onto the company's balance sheets?

	Hungary	CE
Yes	50%	27%
Net balance	0%	-46%

Less optimistic estimations than in the CE region — More optimistic estimations than in the CE region

Poland

Of all the countries covered in this survey, Poland is the one where CFOs' views on its future outlook are most often below the CE average. In addition, the opinions of our Polish respondents are highly polarised.

The biggest difference between the predictions of CFOs from across the CE region and those from Poland concerns expected company revenues over the next 12 months. While 66% of CFOs across CE expect revenues to increase, with a positive net balance of 52%, only 26% of those in Poland predict an increase, delivering a negative net balance of -19%. Poland is the only country we analysed that has a negative net balance regarding company revenues. It's only when it comes to expected falls in unemployment that Polish respondents are more positive than the CE average.

The level of perceived uncertainty in Poland has also increased substantially since Autumn 2017, with an increase of 41p.p. in the net balance to +34% (although this is still lower than a year ago). Respondents from Poland are also very cautious: in the opinion of nearly 80%, this is not a good time to take greater risk onto company balance sheets.

The overall level of external financial and economic uncertainty facing businesses in Poland is also high for almost half of the respondents. When it comes to Polish companies' financial prospects, 42% of respondents are less optimistic, 30% are more optimistic and 28% expect no change. This factor underlines the substantial polarisation of responses from Polish CFOs.

The pace of economic development in Poland looks certain to fall in the next four quarters, including the current one, meaning it will no longer be possible to sustain annual growth at 5%. According to the International Monetary Fund, GDP growth will slow to as low as 3.5% in 2019.

Overall level of financial and economic uncertainty facing business

	Poland	CE
Very high/high	49%	35%
Net balance	-16%	-24%

GDP growth for 2019

	Poland	CE
High/very high (>=2,6)	40%	41%
Net balance	-11%	16%

Changes in CPI levels over the next 12 months

	Poland	CE
Increase	82%	82%
Net balance	77%	78%

Predicted changes in M&A levels over the next 12 months

	Poland	CE
Increase	30%	43%
Net balance	9%	33%

Unemployment change over the next 12 months

	Poland	CE
Decrease	39%	38%
Net balance	25%	18%

Company revenues over the next 12 months

	Poland	CE
Increase	26%	66%
Net balance	-19%	52%

Is this a good time to be taking greater risk onto the company's balance sheets?

	Poland	CE
Yes	21%	27%
Net balance	-58%	-46%

Less optimistic estimations than in the CE region — More optimistic estimations than in the CE region

Romania

Romanian CFOs are more likely than their peers from across Central Europe to see the levels of uncertainty facing their businesses as being at a high level. They are also more prudent about taking more risk onto the balance sheet. Despite this, they have a generally more optimistic attitude to the macro-economic outlook and business environment.

66% of Romanian CFOs see the current level of uncertainty as high or very high, and 90% would not take more risk onto their company's balance sheet. However, more than half (51%) expect GDP to grow in 2019 by at least 2.6% – only 41% of their CE peers show the same level of optimism.

The great majority of Romanian respondents (75%) will be budgeting for revenue growth in 2019, which is a slightly more optimistic indicator than that of their peers across the region (66%).

Unemployment doesn't appear to be a major concern for Romanian respondents, with 58% expecting a decline during 2019. 85% of Romanian CFOs, meanwhile, expect prices to rise in 2019.

In terms of the main factors that may negatively impact their businesses, CFOs are most concerned by:

- the brain-drain phenomenon and its impact on the availability of skilled workers
- the increased costs of running their business (particularly for materials, workforce and services)
- unpredictable fiscal and business laws.

Innovation takes an important place on the agenda of Romania's CFOs. However, only 14% think that their finance processes are ready for the implementation of Artificial Intelligence (AI) solutions, and less than half (42%) see the adoption of AI and other technological enhancements as relevant for the finance function. In addition, 76% believe that AI solutions are unfit (or at least limited in their usefulness) for their companies' managerial processes.

Overall level of financial and economic uncertainty facing business

	Romania	CE
Very high/high	66%	35%
Net balance	-64%	-24%

GDP growth for 2019

	Romania	CE
High/very high (>=2,6)	51%	41%
Net balance	27%	16%

Changes in CPI levels over the next 12 months

	Romania	CE
Increase	85%	82%
Net balance	81%	78%

Predicted changes in M&A levels over the next 12 months

	Romania	CE
Increase	47%	43%
Net balance	36%	33%

Unemployment change over the next 12 months

	Romania	CE
Decrease	34%	38%
Net balance	25%	18%

Company revenues over the next 12 months

	Romania	CE
Increase	75%	66%
Net balance	68%	52%

Is this a good time to be taking greater risk onto the company's balance sheets?

	Romania	CE
Yes	10%	27%
Net balance	-80%	-46%

Less optimistic estimations than in the CE region — More optimistic estimations than in the CE region

Serbia and Montenegro

Despite more negative views than the CE average about GDP growth, CPI inflation and M&A levels, CFOs from Serbia and Montenegro are more optimistic about falling unemployment and increasing company revenues.

The biggest difference in CFOs' expectations between Serbia/Montenegro and the wider CE region is in their predicted changes in CPI levels. While 82% from across the CE region expect it to rise, just 29% in Montenegro and 49% in Serbia agree with them. The biggest positive difference between the Serbia and Montenegro and the CE average involved views on unemployment: 51% from Serbia and 43% from Montenegro expect a fall, compared to 38% across the CE region.

Serbia is expected to remain one of the fastest growing CE countries in 2019, with vigorous domestic demand underpinned by a tighter labour market, FDI inflows and fiscal spending. In Montenegro, official data shows the economy powered ahead in the third quarter of 2018. It is expected to settle into a softer pace of growth in 2019.

Positive expectations for factors like GDP, unemployment, inflation and interest rates abound across both markets. GDP growth is regarded particularly positively, with predictions ranging from 1.6 – 3.5% in Montenegro and 3.5% in Serbia. CFOs in both countries look to 2019 with optimism. Despite the overall positive economic outlook, downwards market pressures on the price of goods and services, insolvency and payment bottlenecks in the economy, the increasing costs of running a business, geopolitical risks, a shortage of qualified workers and falling demand are the main factors that CFOs see as posing significant risks to their businesses over the next 12 months. Companies will meanwhile focus on growing revenues in their current and new markets, restructuring, R&D and reducing direct costs.

The past few years have brought impressive advancements in the field of automation and digitalisation. For example, data collection is much cheaper than before and companies are therefore more data driven. That said, even automatically collected data is not of much value until it is processed. This is why many CFOs are hoping to make use of automated and customised management reporting.

Few CFOs are confident enough to say that their companies are advanced in the field of AI technology .We predict that this will change significantly in the years to come, as the benefits of newly implemented systems become more evident.

Overall level of financial and economic uncertainty facing business

	Serbia	Montenegro	CE
Very high/high	27%	43%	35%
Net balance	-18%	-29%	-24%

GDP growth for 2019

	Serbia	Montenegro	CE
High/very high (>=2,6)	44%	29%	41%
Net balance	11%	14%	16%

Changes in CPI levels over the next 12 months

	Serbia	Montenegro	CE
Increase	49%	29%	82%
Net balance	38%	14%	78%

Predicted changes in M&A levels over the next 12 months

	Serbia	Montenegro	CE
Increase	38%	0%	43%
Net balance	29%	0%	33%

Unemployment change over the next 12 months

	Serbia	Montenegro	CE
Decrease	51%	43%	38%
Net balance	29%	43%	18%

Company revenues over the next 12 months

	Serbia	Montenegro	CE
Increase	67%	71%	66%
Net balance	60%	57%	52%

Is this a good time to be taking greater risk onto the company's balance sheets?

	Serbia	Montenegro	CE
Yes	29%	29%	27%
Net balance	-42%	-43%	-46%

Less optimistic estimations than in the CE region — More optimistic estimations than in the CE region

Slovakia

When compared with the opinions of CFOs from across Central Europe, the opinions of respondents from Slovakia about future changes in the economic and business environment are mixed.

The biggest positive differences can be seen in predictions for GDP growth (52% of CFOs from Slovakia expect it to be at least 2.6%, vs 41% in the CE region) and in those expecting falls in unemployment (44% in Slovakia, vs 38% in CE). The measure in which Slovakian CFOs are most markedly more negative than respondents from across CE relates to expected company revenues over the next 12 months – just 52% of CFOs from Slovakia expect an increase, vs 66% CE region.

In recent years, Slovakia has witnessed a significant economic conjunction. Its most marked changes involve rising GDP and consumer prices, together with a fall in the unemployment rate. Although Slovak CFOs continue to be more optimistic about these factors than those from the rest of Central Europe, their optimism is increasingly measured.

The majority of participating Slovak CFOs were from the automotive and industrial sectors. It is clear that the budgeting of companies from these sectors over the next year is cautious, with estimated decreases in production of up to 10%. Only a limited number of these companies expect to reach the levels of 2018. Indicators around economic uncertainty, expected future revenues and risk appetite, which are all less favourable than those from the rest of Central Europe, mainly reflect expectations of stagnation in the automotive sector.

Overall level of financial and economic uncertainty facing business

	Slovakia	CE
Very high/high	41%	35%
Net balance	-26%	-24%

GDP growth for 2019

	Slovakia	CE
High/very high (>=2,6)	52%	41%
Net balance	26%	16%

Changes in CPI levels over the next 12 months

	Slovakia	CE
Increase	89%	82%
Net balance	81%	78%

Predicted changes in M&A levels over the next 12 months

	Slovakia	CE
Increase	33%	43%
Net balance	22%	33%

Unemployment change over the next 12 months

	Slovakia	CE
Decrease	44%	38%
Net balance	33%	18%

Company revenues over the next 12 months

	Slovakia	CE
Increase	52%	66%
Net balance	30%	52%

Is this a good time to be taking greater risk onto the company's balance sheets?

	Slovakia	CE
Yes	22%	27%
Net balance	-56%	-46%

Less optimistic estimations than in the CE region — More optimistic estimations than in the CE region

Slovenia

The opinions of Slovenian CFOs are very close to the average from across Central Europe (with a maximum difference of just 4p.p.). The only exception is when it comes to their willingness to take more risk onto the balance sheet, where they are more cautious.

Slovenia concluded FY18 in its fifth consecutive year of GDP growth, fuelled by increasing public consumption attributable to the rolling back of austerity measures. While private consumption also grew, this was to a lesser extent, failing to track the marked increases we have seen in household incomes. The economy has grown at an accelerating rate during the FY13-FY17 period. FY17 saw year-on-year growth of 4.9%, while inflation struggled to exceed 2.0%.

However, economic growth is forecast to slow to a still robust 3.0% by FY20, driven by falling demand for exports. Overall, our respondents' expectations are in line with forecasts: while they anticipate higher company revenues and relatively high GDP growth in FY19, they are wary of financial and economic uncertainty. They also expect an increase in inflation (CPI), and do not see the time as right to increase balance sheet risk. These positions are generally in line with those expectations commonly seen at the point in the economic cycle when the end of the expansion phase is approaching.

Investment was high during FY18, supported by EU structural funds, landmark projects funded by foreign direct investment (FDI) nearing completion, key infrastructure projects getting underway and an ongoing increase in house building. However, there were still capacity shortages as investment struggled to keep up with demand. The labour market tightened considerably – the Q3 FY18 unemployment rate hit a long-time low of 5.0%, and further decreases are forecast. High demand for skilled workers has driven up unit labour costs, while unions have pushed for further wage increases in both the private and the public sectors. In total, 45% of our respondents expect to increase CAPEX in FY19, while 47% and 65% respectively identify the shortage of qualified workers and increasing OPEX as key risks they will face over the coming 12-month period.

The Slovenian M&A community saw some of its largest-ever deals in FY18. These included the partial privatisation of the largest state banking group as well as the sale of a European top-eight white goods manufacturer and the merger of two of the country's leading three insurance companies. As advantageous monetary conditions in the Eurozone are expected to persist, inexpensive external financing will continue to be available. In line with this, our respondents, who see external bank financing and internal sources as the most attractive funding sources, expect M&A levels to remain stable or to increase slightly. This is in line with the rest of the CE region.

Overall level of financial and economic uncertainty facing business

	Slovenia	CE
Very high/high	31%	35%
Net balance	-25%	-24%

GDP growth for 2019

	Slovenia	CE
High/very high (>=2,6)	45%	41%
Net balance	22%	16%

Changes in CPI levels over the next 12 months

	Slovenia	CE
Increase	84%	82%
Net balance	84%	78%

Predicted changes in M&A levels over the next 12 months

	Slovenia	CE
Increase	45%	43%
Net balance	31%	33%

Unemployment change over the next 12 months

	Slovenia	CE
Decrease	35%	38%
Net balance	13%	18%

Company revenues over the next 12 months

	Slovenia	CE
Increase	69%	66%
Net balance	53%	52%

Is this a good time to be taking greater risk onto the company's balance sheets?

	Slovenia	CE
Yes	15%	27%
Net balance	-71%	-46%

Less optimistic estimations than in the CE region — More optimistic estimations than in the CE region

Ukraine

When it comes to increasing company revenues, Ukrainian CFOs are the most optimistic among those from all participating countries – 95% expect increases, compared with 66% from across the CE region as a whole.

Recent reforms and developments have had a favourable impact on Ukraine's business environment. In particular, Ukraine's ranking as a country where it's easy to do business is steadily improving. In addition, it is in the process of implementing reforms supported by international institutions such as The World Bank, the European Bank for Reconstruction and Development (EBRD) and the United States Agency for International Development (USAID).

During 2018, the country's volume of trading with the EU increased. In particular, the export of goods and services to the EU during three-quarters of the year was US$17.5 billion, an increase of US$2.5 billion over the same period of 2017. At the same time, imports from the EU to Ukraine also increased by US$2.4 billion to total US$19.0 billion.

The only metric where Ukraine's CFOs are visibly less optimistic than the regional average concerns the level of uncertainty facing business. 42% of Ukrainian CFOs see the overall level of economic uncertainty as high, compared to 35% across CE.

65% of Ukrainian CFOs do not think 2019 will be a good time to be taking greater risks. This is broadly similar to the outcome across the region (73%), and might indicate global trends.

The expectations of Ukrainian CFOs about GDP growth are close to the CE region's average. In particular, 42% of Ukrainian CFOs are optimistic about GDP growth in 2019. This positive outlook is supported by the fact that Ukrainian GDP grew steadily from 2016 to 2018, by between 2.4% and 2.9%.

Ukraine CFOs believe that inflationary pressure will remain strong in 2019, with 72% of respondents expecting that CPI will increase over the next 12 months. In recent years, inflationary pressure has been comparatively intense in Ukraine. However, the inflation rate decreased to 9.8% in 2018, down from 13.7% in 2017 to achieve a five-year low.

As well as having brighter hopes for company revenues over the next 12 months, Ukrainian CFOs are also notable for the high proportion believing that unemployment will decrease (58% vs 38% across the CE region).

Ukraine is experiencing a migration of some of its working population to other countries in Central Europe. As a result, Ukrainian businesses might experience further wage growth and a local shortage of workers.

According to national statistics, the number of vacant positions has increased. Ukraine continues to be an attractive market for different industries, in particular as a home to production sites for international companies and IT and business process outsourcing.

Overall level of financial and economic uncertainty facing business

	Ukraine	CE
Very high/high	42%	35%
Net balance	-40%	-24%

GDP growth for 2019

	Ukraine	CE
High/very high (>=2,6)	42%	41%
Net balance	14%	16%

Changes in CPI levels over the next 12 months

	Ukraine	CE
Increase	72%	82%
Net balance	60%	78%

Predicted changes in M&A levels over the next 12 months

	Ukraine	CE
Increase	49%	43%
Net balance	40%	33%

Unemployment change over the next 12 months

	Ukraine	CE
Decrease	58%	38%
Net balance	44%	18%

Company revenues over the next 12 months

	Ukraine	CE
Increase	95%	66%
Net balance	93%	52%

Is this a good time to be taking greater risk onto the company's balance sheets?

	Ukraine	CE
Yes	35%	27%
Net balance	35%	-46%

Less optimistic estimations than in the CE region — More optimistic estimations than in the CE region

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