

A vision for growth

Business outlook survey – Mid-year edition

Romania 2013

 **ERNST & YOUNG**
Quality In Everything We Do

What is “A vision for growth”?

“A vision for growth” explores perceptions of top executives from major companies operating in Romania regarding the business outlook for 2013. This is the mid-year edition.

This Ernst & Young report is based on a survey of 103 C-suite level executives from companies in various sectors, who provided a perspective on how the domestic business environment is perceived at the middle of 2013. The questionnaire was open during the period 1-14 June 2013. **This slide deck shows comparative data between January and June 2013 findings.**

5 main findings

1

The perspective of turnover growth has declined during the last 6 months, however the numbers stay strong, with 69% of respondents thinking that their turnover will grow during 2013. The percentage of companies that expect a growth of 5-10% has decreased by 5 pps, while the percentage of companies anticipating a negative growth of -5-10% has increased by 5 pps.

2

Companies' expectations regarding profit growth remain largely the same in June compared to January. If in January 68% of respondent companies were expecting an increase in profits, in June the percentage decreased by only 2 pps.

3

More than half of the companies (53% in June) predict a growth in salary level of 5-10%, while many of them continue to not anticipate any change (45% in June) in salaries during this year.

4

Regarding the industry sector that respondent companies are active in, the trust in its potential has decreased significantly between January and June, the proportion of the companies “not at all confident” going up by 17 pps, while the percentage of somewhat confident companies decreased by 12 pps.

5

In June, new products, cost reduction and talent acquisition are trending as reaction to the business environment during the last year, while improving productivity and restructuring saw a declining importance.



A vision for growth

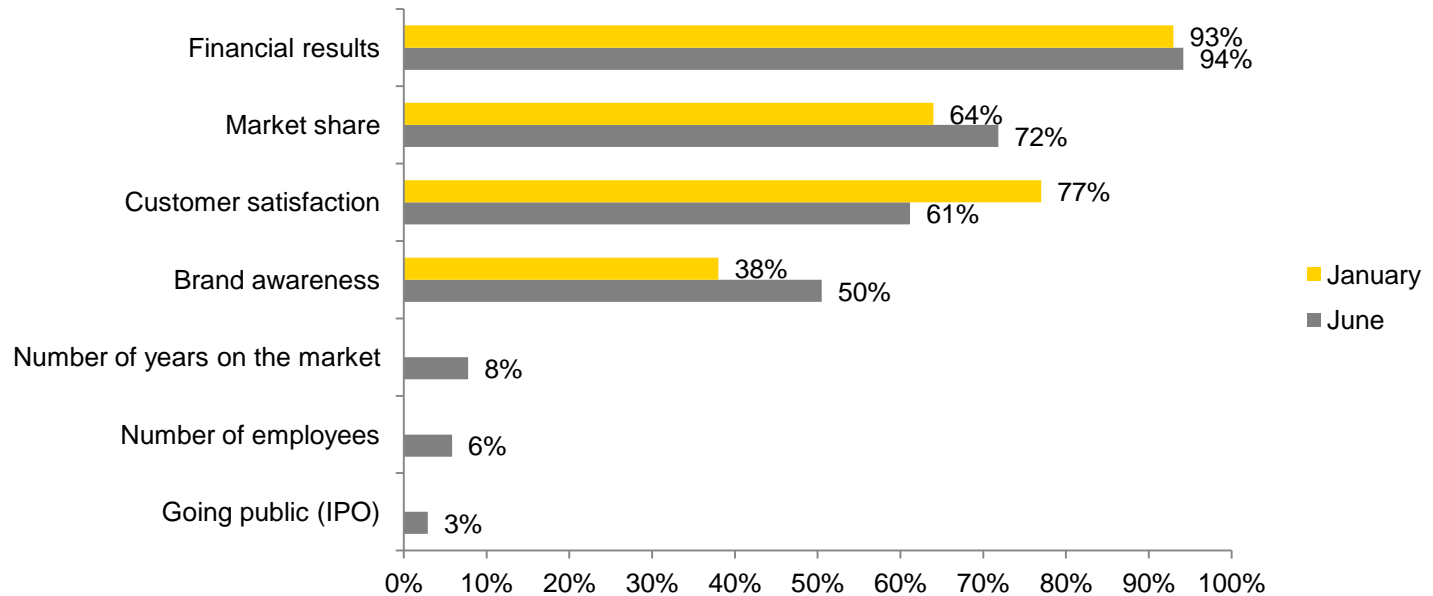
Business outlook survey
Romania 2013 - Mid-year edition

“ Although 2013 is a challenging year in many respects, companies keep positive on their expectations to grow. ”

*Bogdan Ion, Country
Managing Partner*

Please indicate the main three elements that you use to define success. (multiple answers)

Question 1



Total Respondents: 103

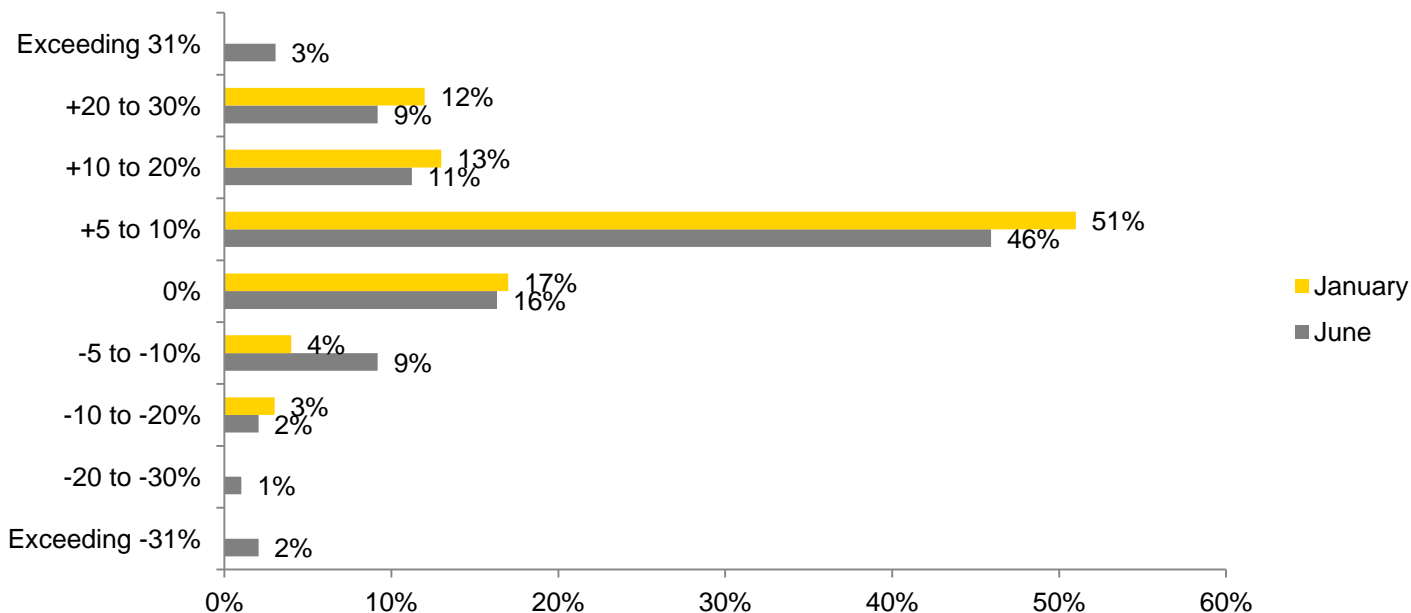


The importance of the financial results has remained constant. The interest regarding market share and brand awareness has increased by 8 pps and 12 pps, respectively, while customer satisfaction as an indicator of success has decreased by 16 pps.

How much do you expect your turnover to grow in 2013? (one answer)

(one answer)

Question 2



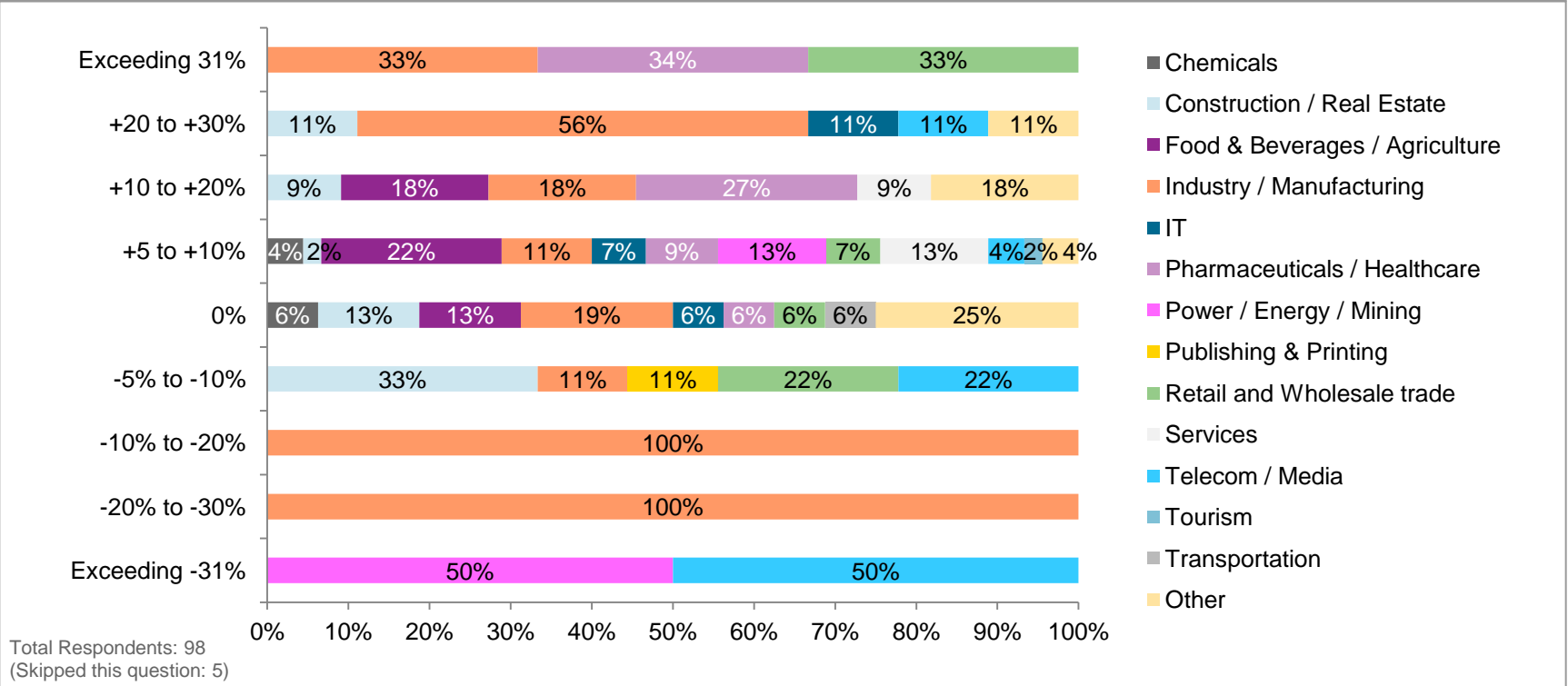
Total Respondents: 98
(Skipped this question: 5)



The perspective of turnover growth has slightly declined during the last 6 months. The percentage of companies that expect a growth in turnover of 5% to 10% has decreased by 5 pps, while the percentage of companies anticipating a negative growth of -5% to -10% has increased by 5 pps.

How much do you expect your turnover to grow in 2013? (one answer)

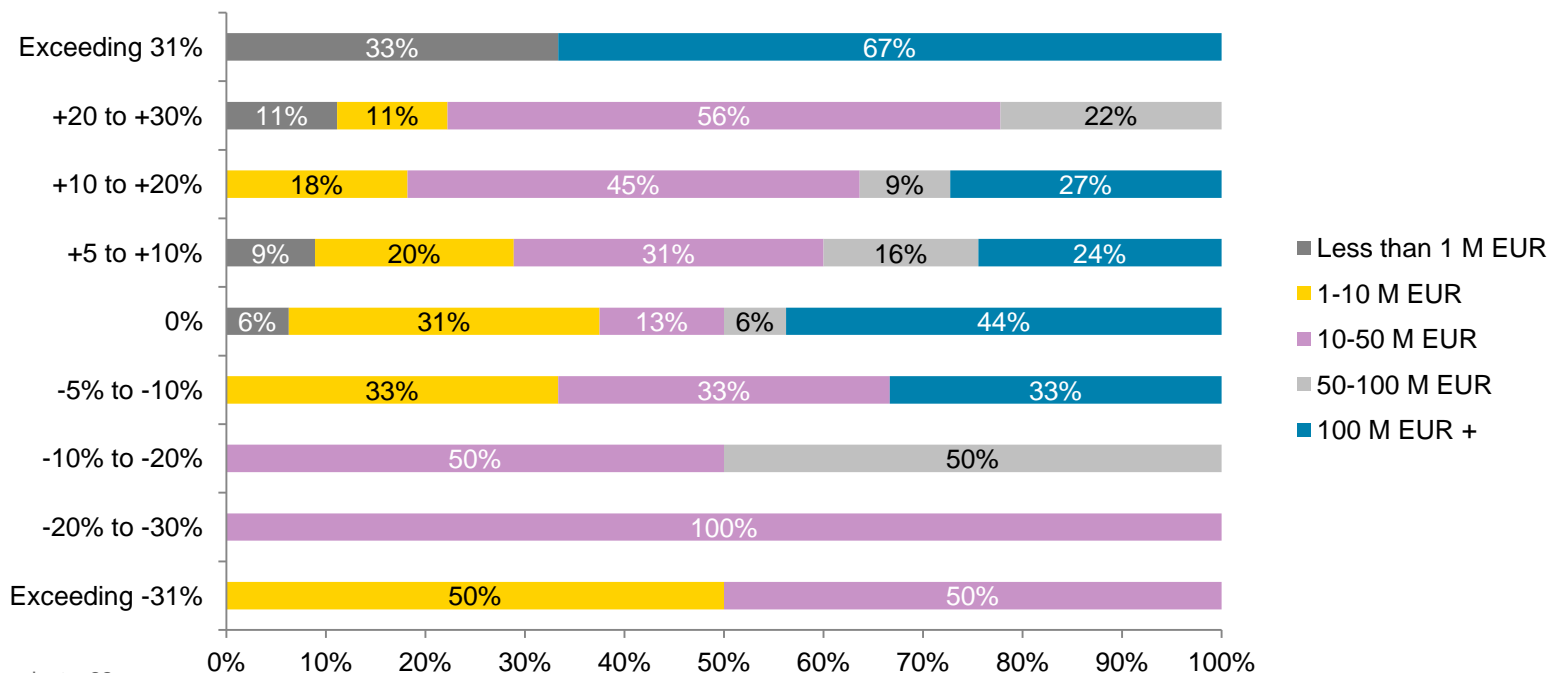
Question 2(a) – By industry



It seems that companies in Manufacturing, Pharmaceuticals/Healthcare, and Retail are more positive and expect their turnover to grow during 2013.

How much do you expect your turnover to grow in 2013? (one answer)

Question 2(b) – By company revenues



Total Respondents: 98
(Skipped this question: 5)

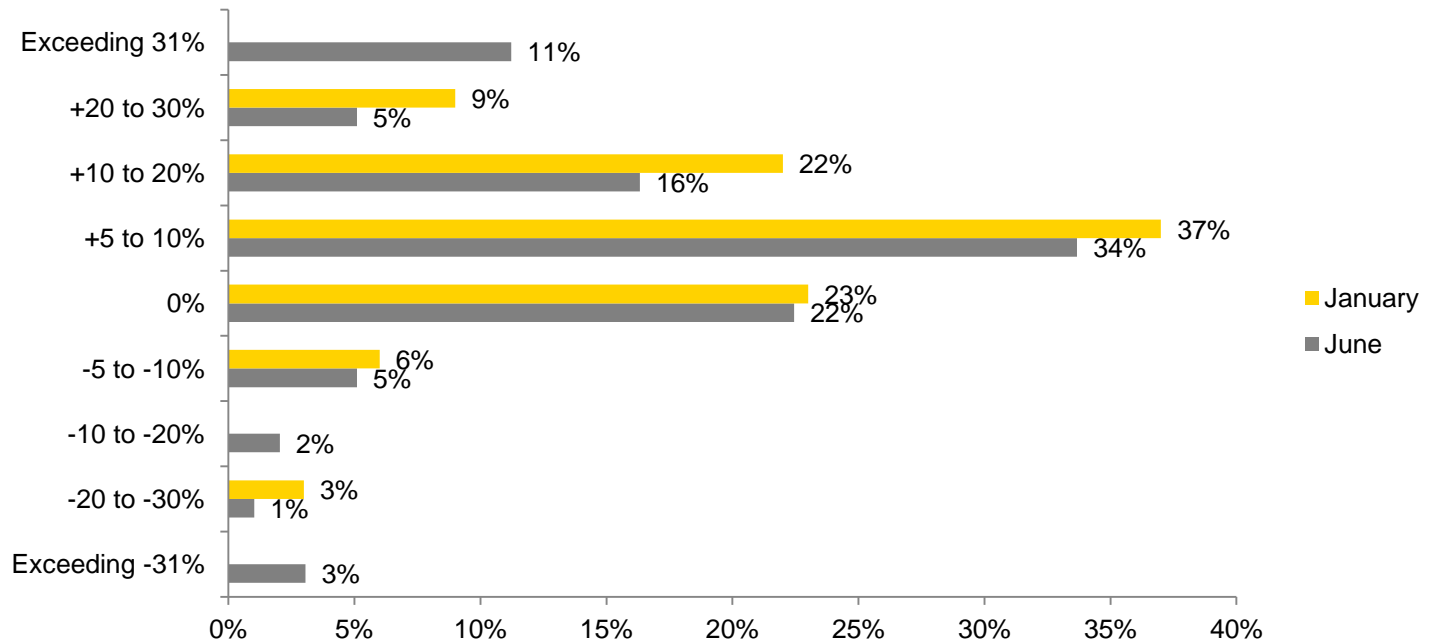


67% of respondents that expect to have a turnover growth of more than 31% are from companies with revenues exceeding EUR 100M, the other 33% being from companies with turnover of less than EUR 1M.

How much do you expect your profit to grow in 2013?

(one answer)

Question 3



Total Respondents: 98
(Skipped this question: 5)

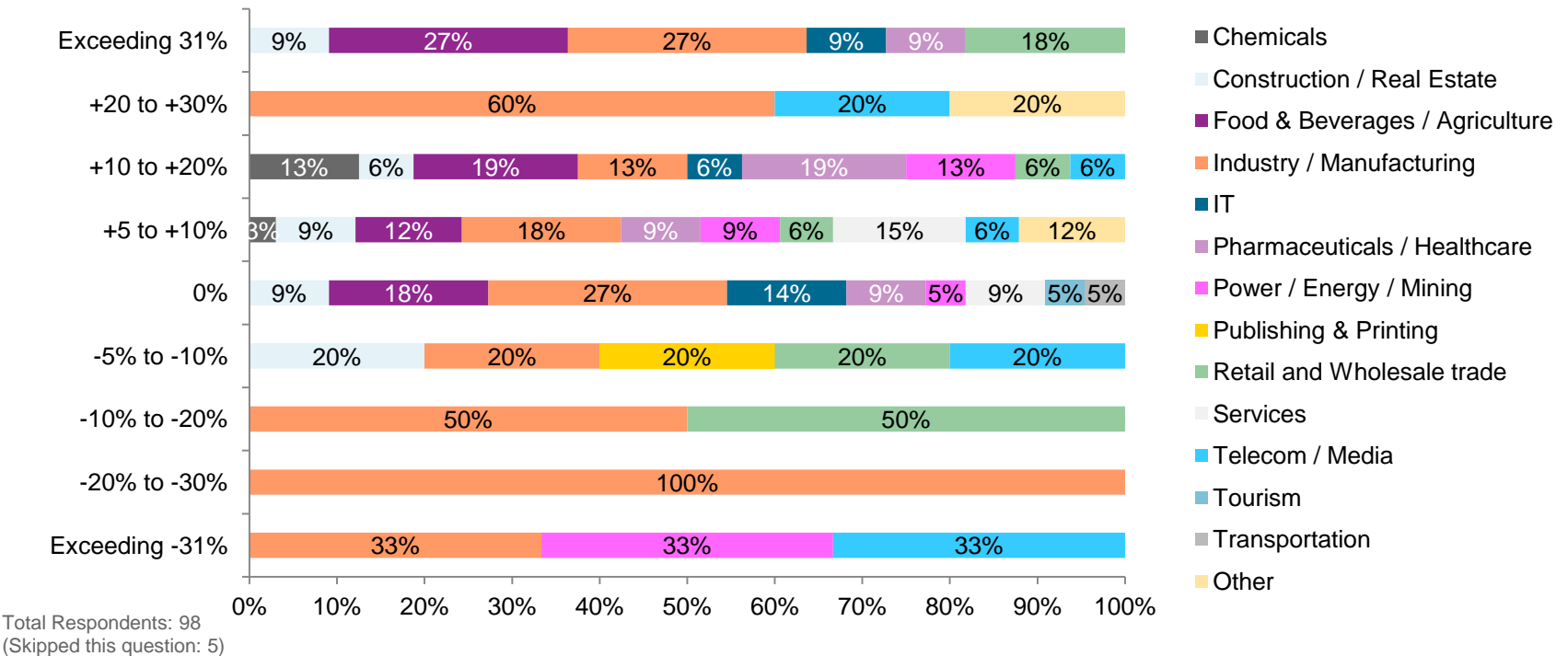


Companies' expectations regarding profit growth largely stayed the same in June compared to January. If in January 68% or respondent companies were expecting an increase in profits, in June the percentage decreased by 2 pps. However, in June 11% of respondents say expect their profit to grow by more than 31% in 2013.

How much do you expect your profit to grow in 2013?

(one answer)

Question 3(a) – By industry

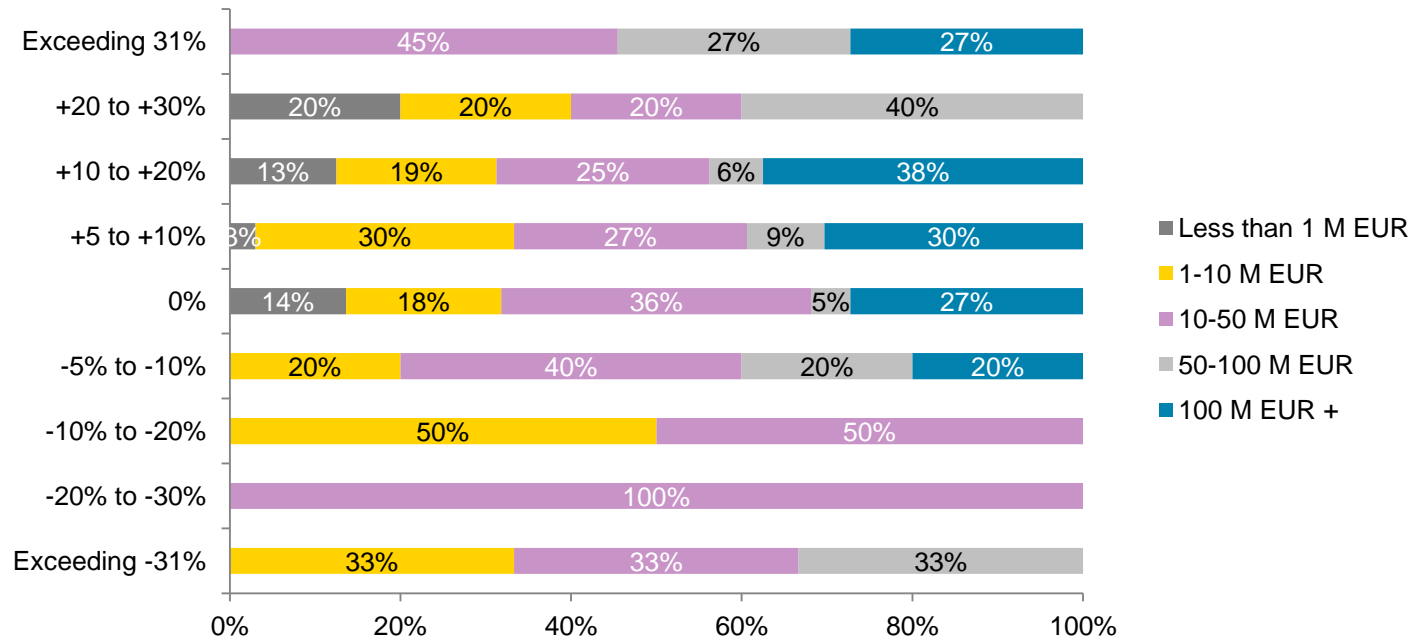


In terms of profit growth, a good mix of companies by industry sector appear positioned in the 5-10%, as well as in the 10-20% range.

How much do you expect your profit to grow in 2013?

(one answer)

Question 3(b) – By company revenues



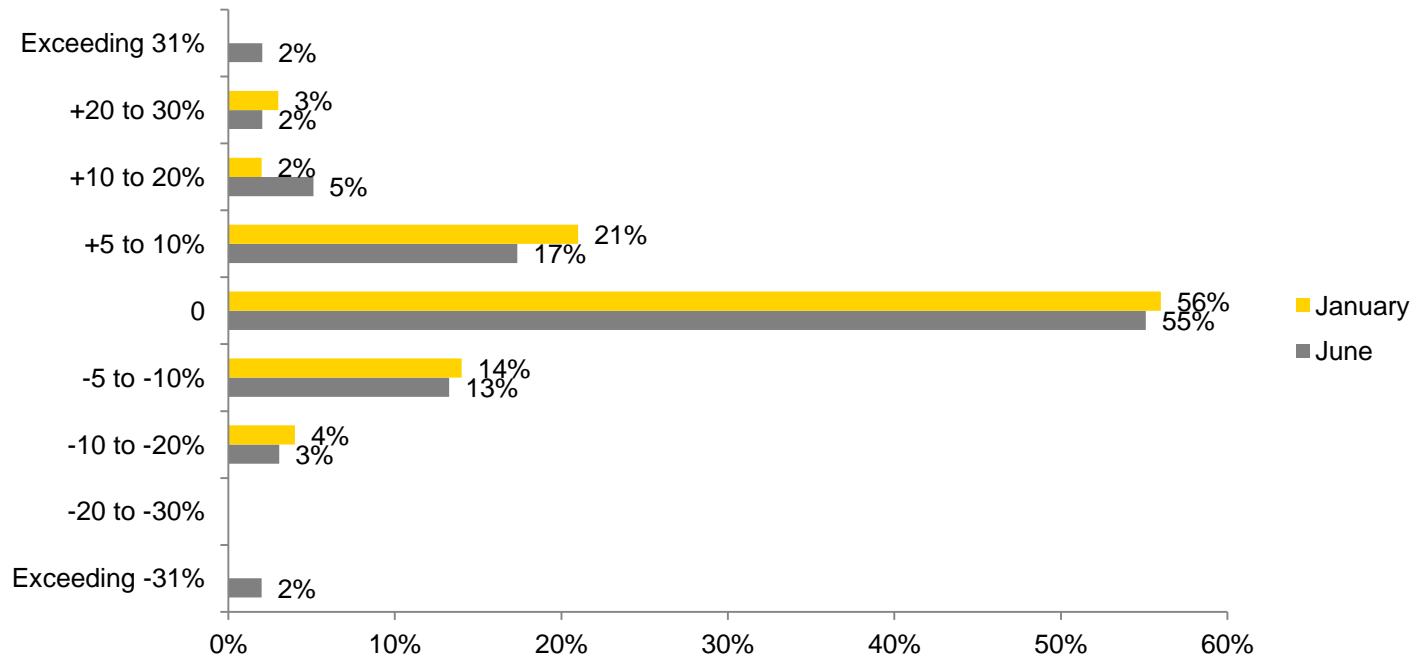
Total Respondents: 98
(Skipped this question: 5)



In terms of revenue segmentation, companies with less than EUR 1M revenue do not expect a decrease in profits during 2013. However, only companies with revenues exceeding EUR 10M expect to register high growth profit rates, of over 31%.

How much do you expect your number of employees to grow in 2013? (one answer)

Question 4



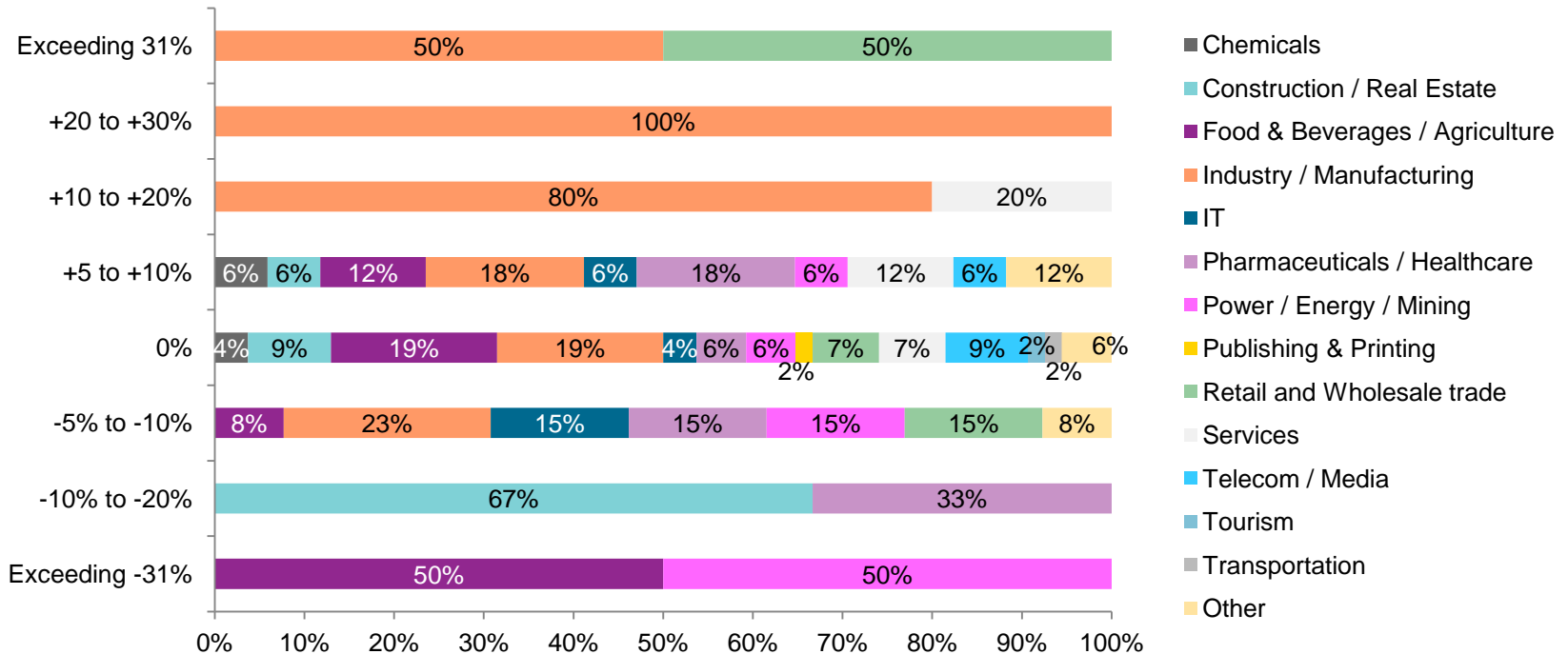
Total Respondents: 98
(Skipped this question: 5)



Companies' expectations with regards to the evolution of employees number are similar in June compared to January 2013: in both editions, 26% of respondents expect a growth in number of employees, while 55% in June, versus 56% in January, will not hire new staff during 2013.

How much do you expect your number of employees to grow in 2013? (one answer)

Question 4(a) – By industry



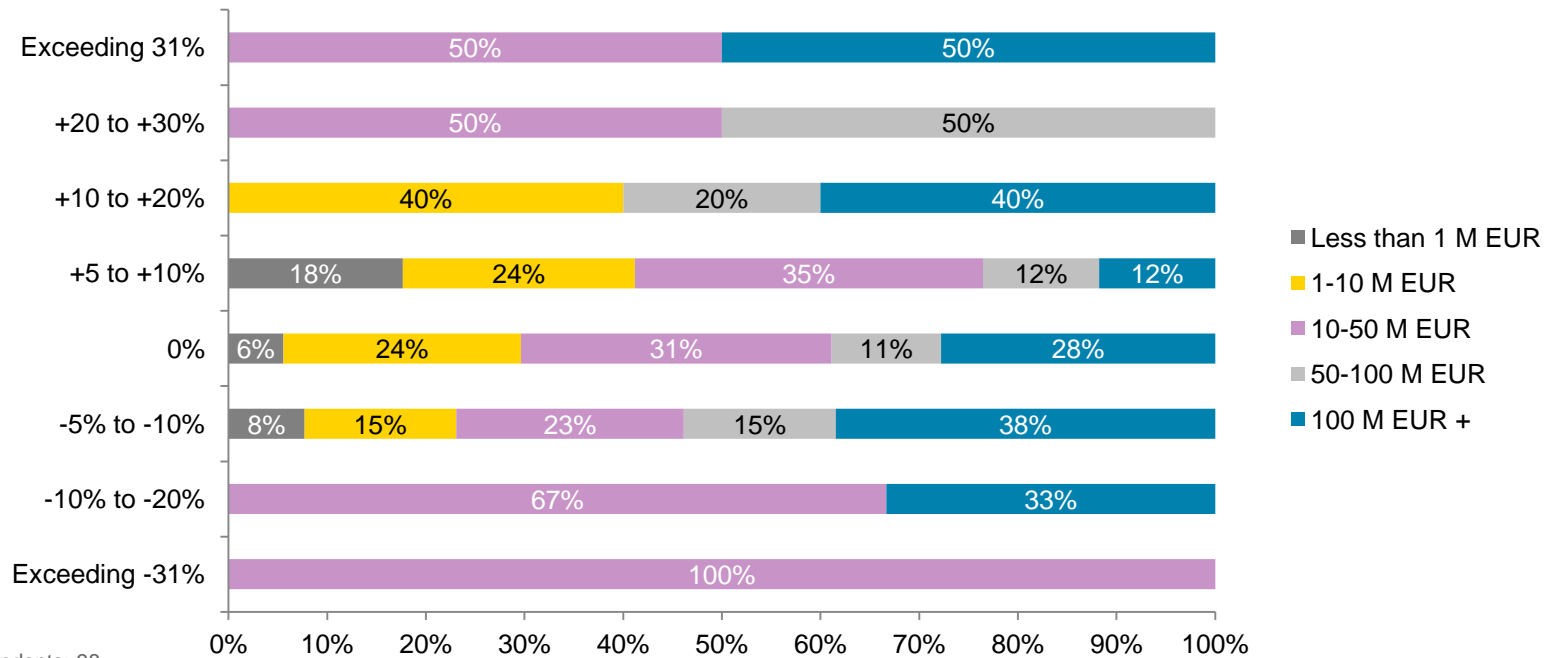
Total Respondents: 98
(Skipped this question: 5)



Staff growth of more than 10% is envisaged to happen mostly in the manufacturing industry.

How much do you expect your number of employees to grow in 2013? (one answer)

Question 4(b) – By company revenues



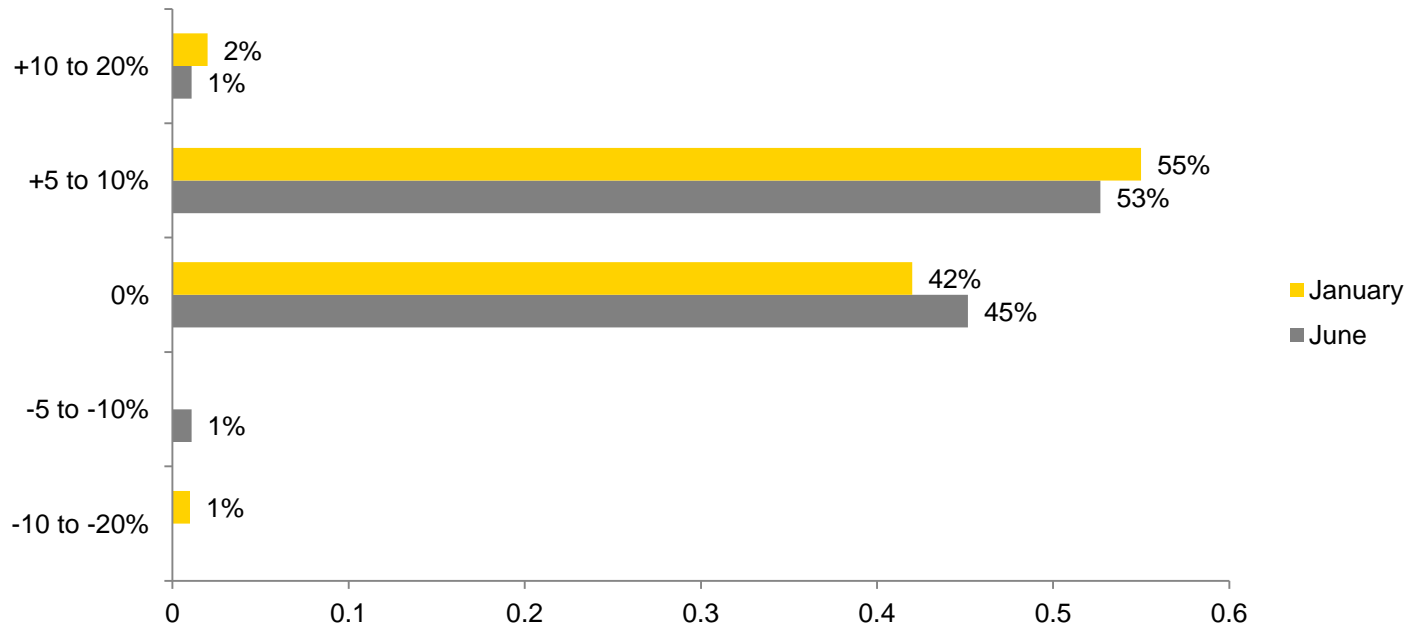
Total Respondents: 98
(Skipped this question: 5)



Again, the higher growth rates, of more than 20% in terms of number of employees, will be seen at large companies, with revenues exceeding EUR 10M.

How much do you expect the salary level in your company to grow in 2013? (one answer)

Question 5



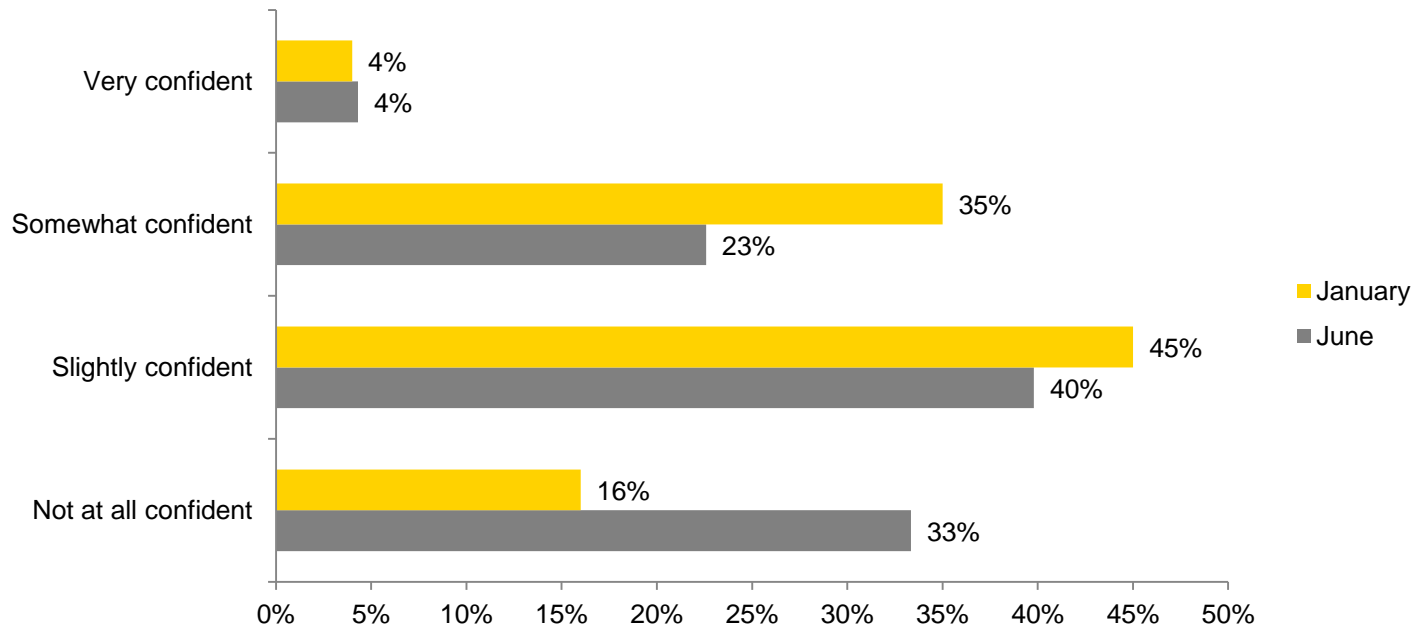
Total Respondents: 93
(Skipped this question: 10)



More than half of the companies (53% in June) predict a growth in salary level of 5-10%, while many of them continue to not anticipate any change (45% in June) in salaries during this year.

How confident do you feel regarding the growth of your industry for the next 6 months? (one answer)

Question 6



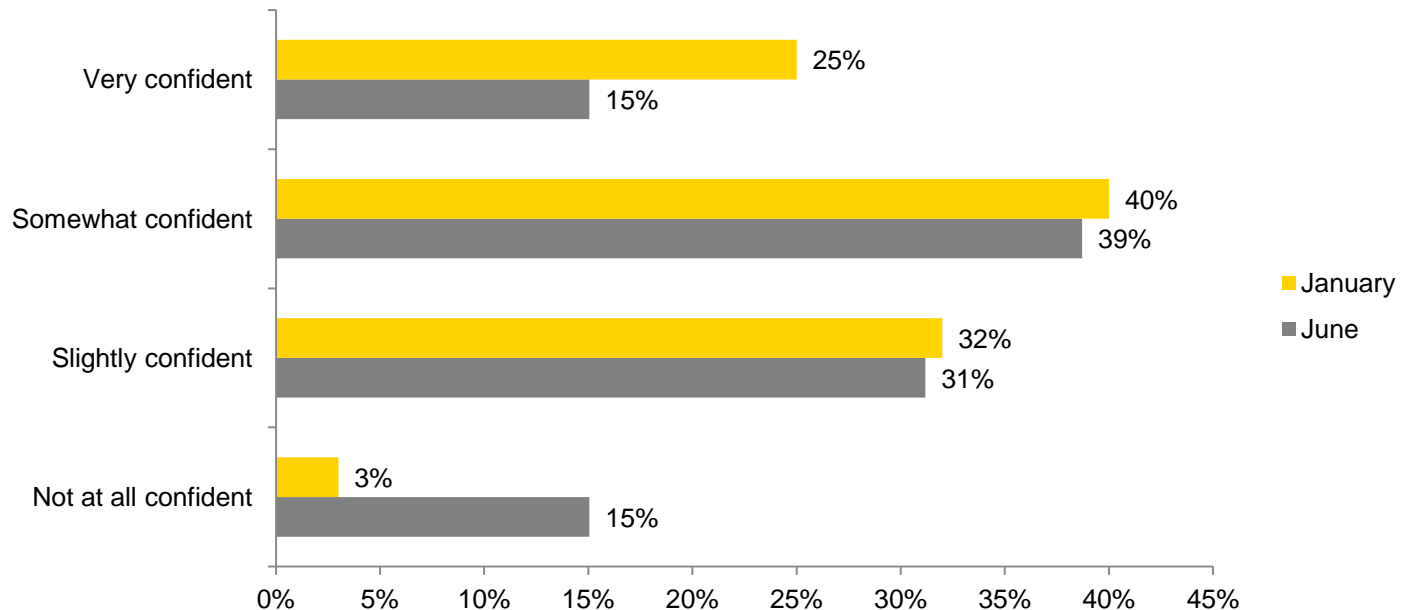
Total Respondents: 93
(Skipped this question: 10)



The level of trust in the industry sector that respondent companies are active in has decreased significantly between January and June, the proportion of the companies “not at all confident” going up by 17 pps, while the percentage of somewhat confident companies decreased by 12 pps.

How confident do you feel regarding the growth of your company for the next 6 months? (one answer)

Question 7



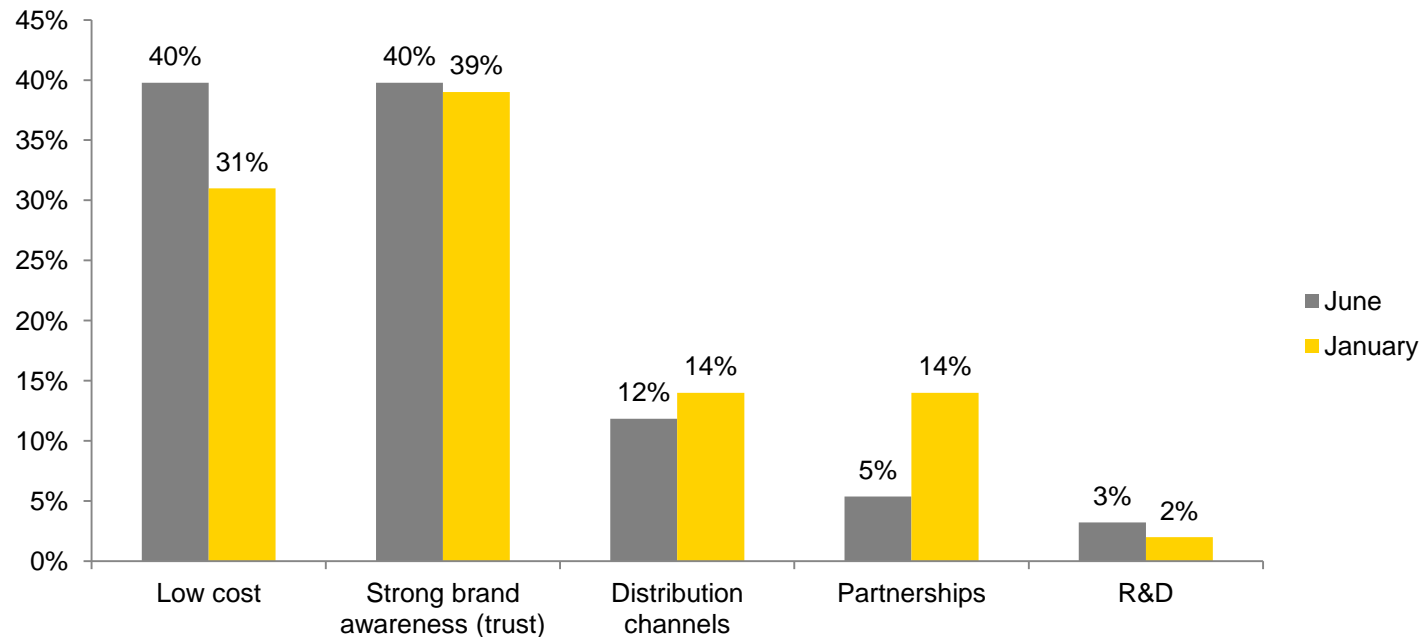
Total Respondents: 93
(Skipped this question: 10)



If in January only 3% of respondents were not at all confident about the growth of their company, in June this percentage has gone up to 15%, while the proportion of very confident companies has gone down to 15%, from 25% in January.

Please describe the main strength of your competitors in the local market, Romania. (one answer)

Question 8



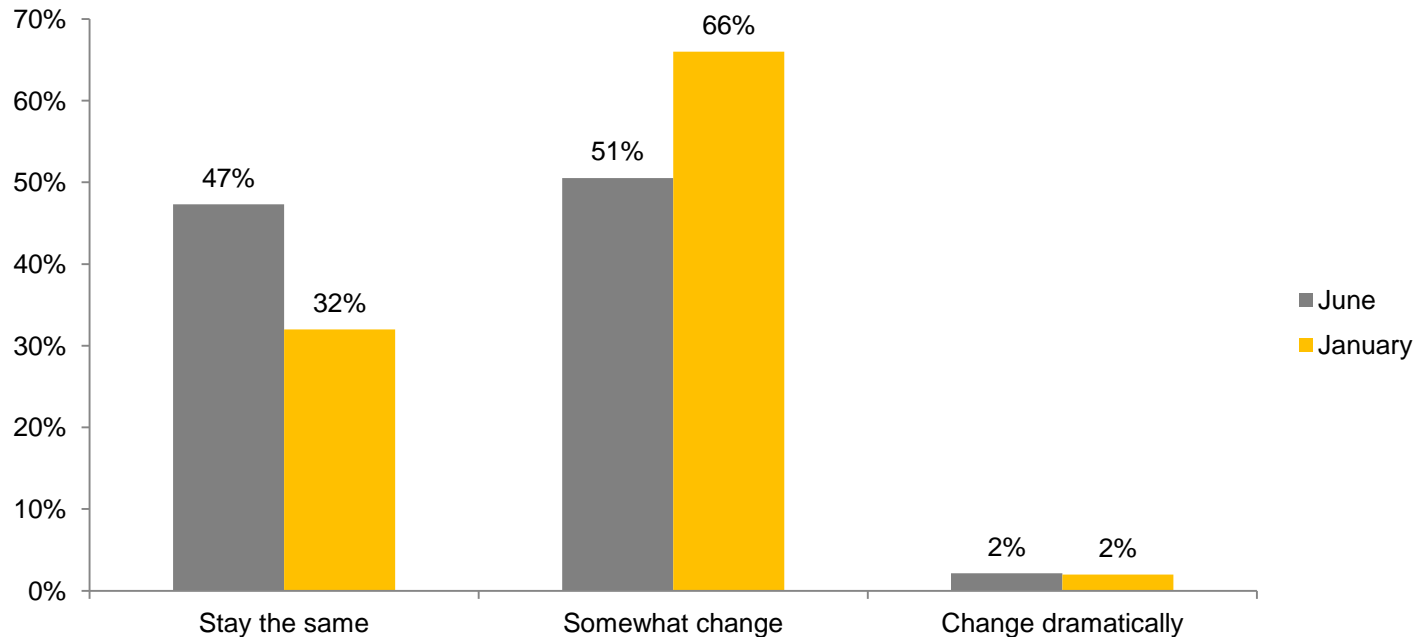
Total Respondents: 93
(Skipped this question: 10)



The importance of low cost as competitive advantage has increased, while the one of partnerships has decreased by 9 pps. Strong brand awareness continues to be perceived as the main strength of competitors.

To what extent do you expect your customers' demands to change in the next 6 months? (one answer)

Question 10



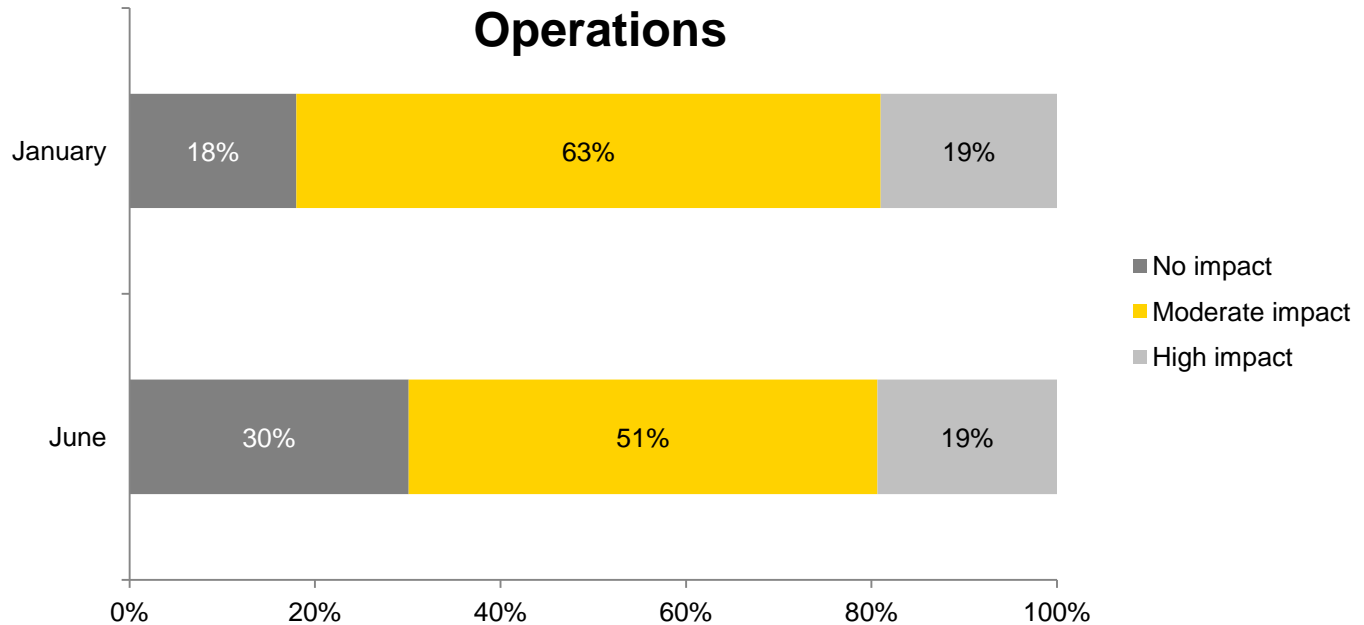
Total Respondents: 93
(Skipped this question: 10)



In June, more companies compared to January do not expect any change in customer demand, while 51% assume that it would somewhat change.

What impact will the change in customers' demand have on your company in the next 6 months? (one answer for each option)

Question 11 (a)



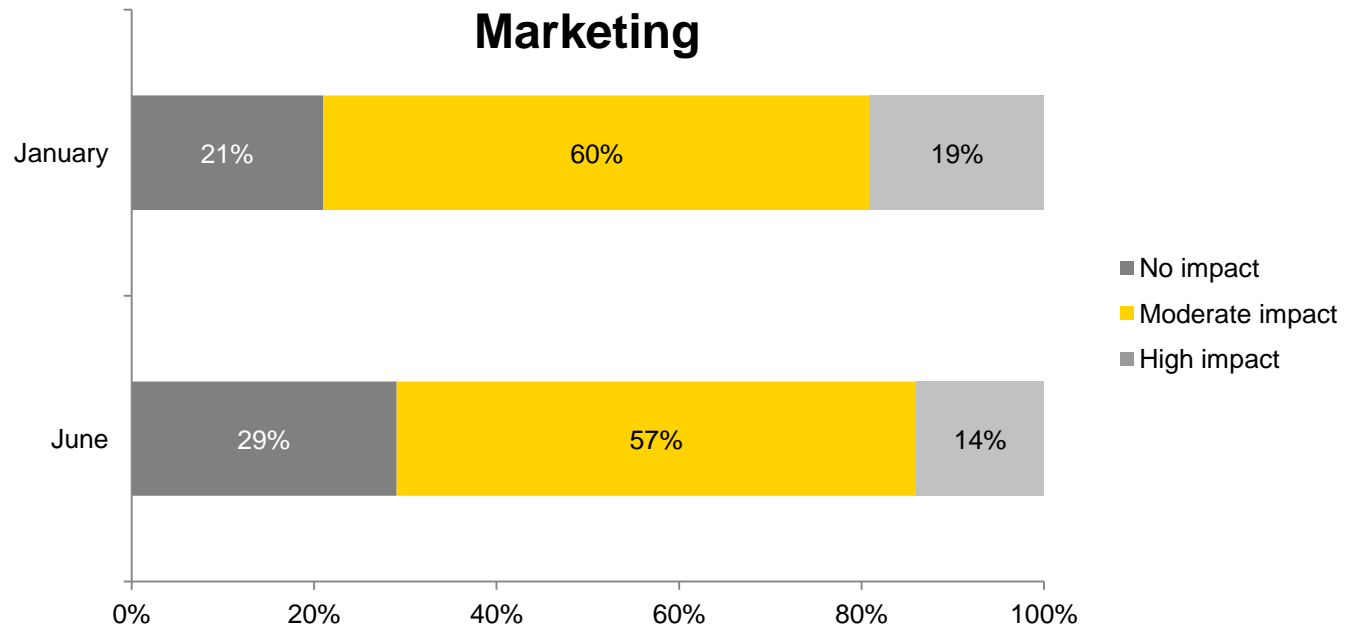
Total number of responses:



In June, more companies believe that the change in customers demand will have no impact on their operations. The percentage grew by 12 pps.

What impact will the change in customers' demand have on your company in the next 6 months? (one answer for each option)

Question 11 (b)



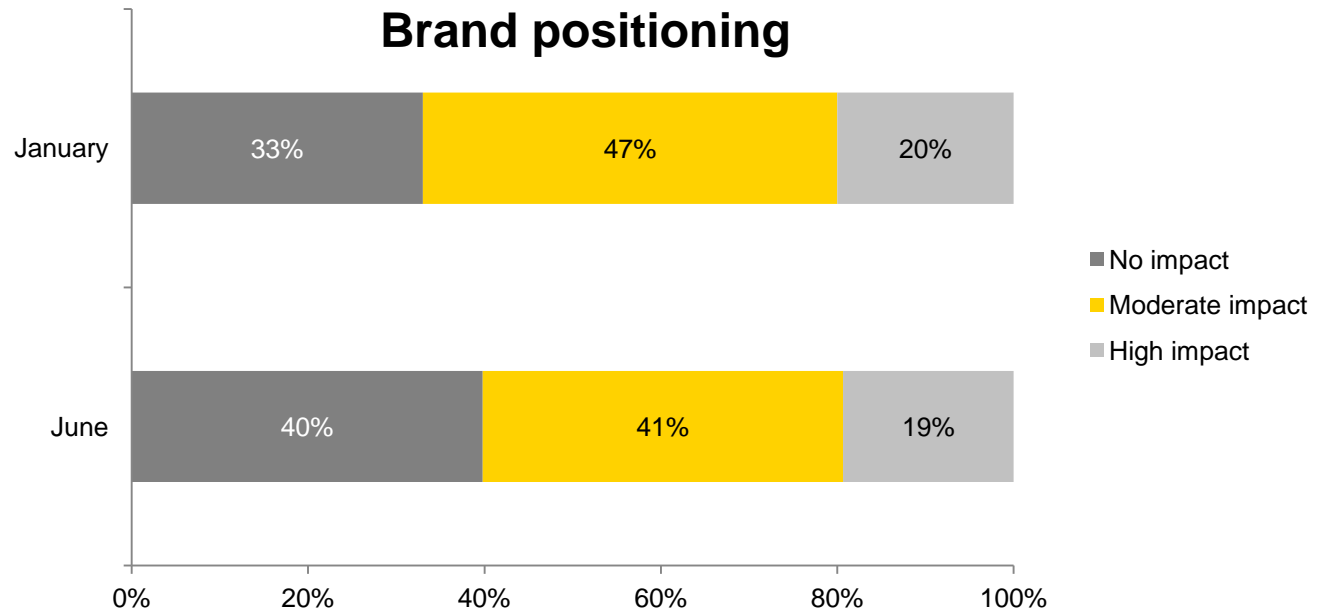
Total number of responses: 576



In June, more companies believe that the change in customers demand will have no impact on their marketing efforts.

What impact will the change in customers' demand have on your company in the next 6 months? (one answer for each option)

Question 11 (c)



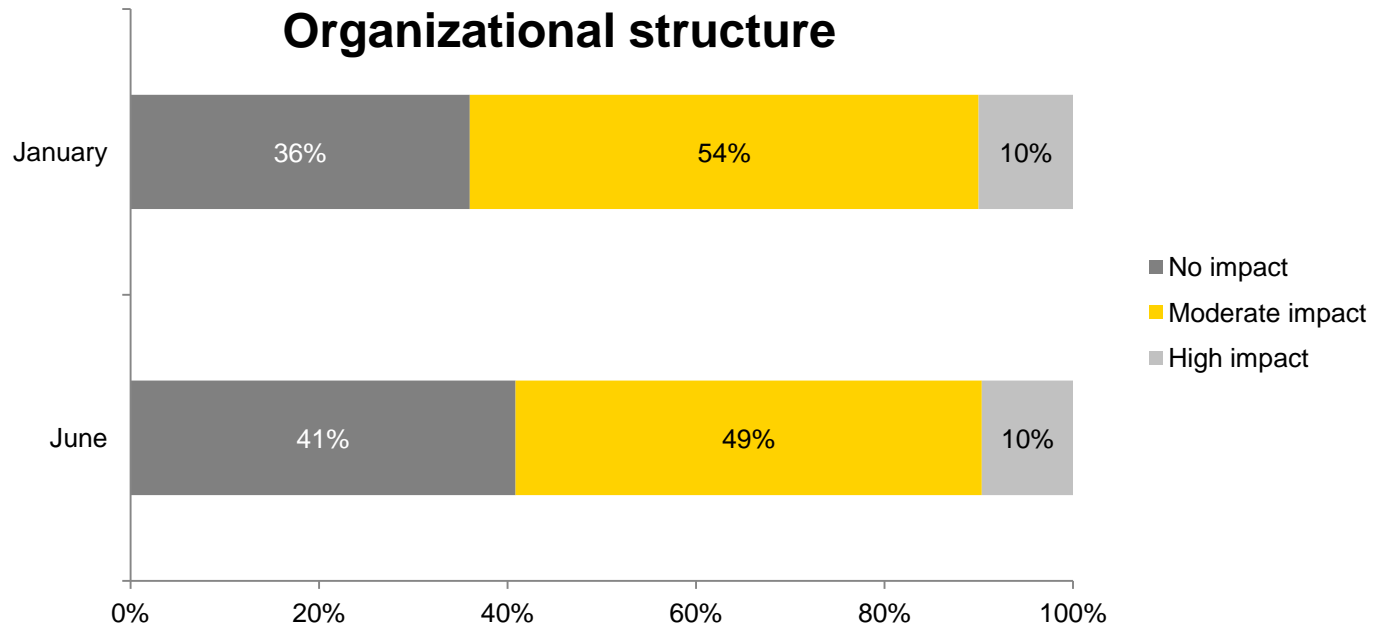
Total number of responses: 576



In June, the percentage of companies that say change in customers demand will have no impact on their brand positioning increased by 7 pps.

What impact will the change in customers' demand have on your company in the next 6 months? (one answer for each option)

Question 11 (e)



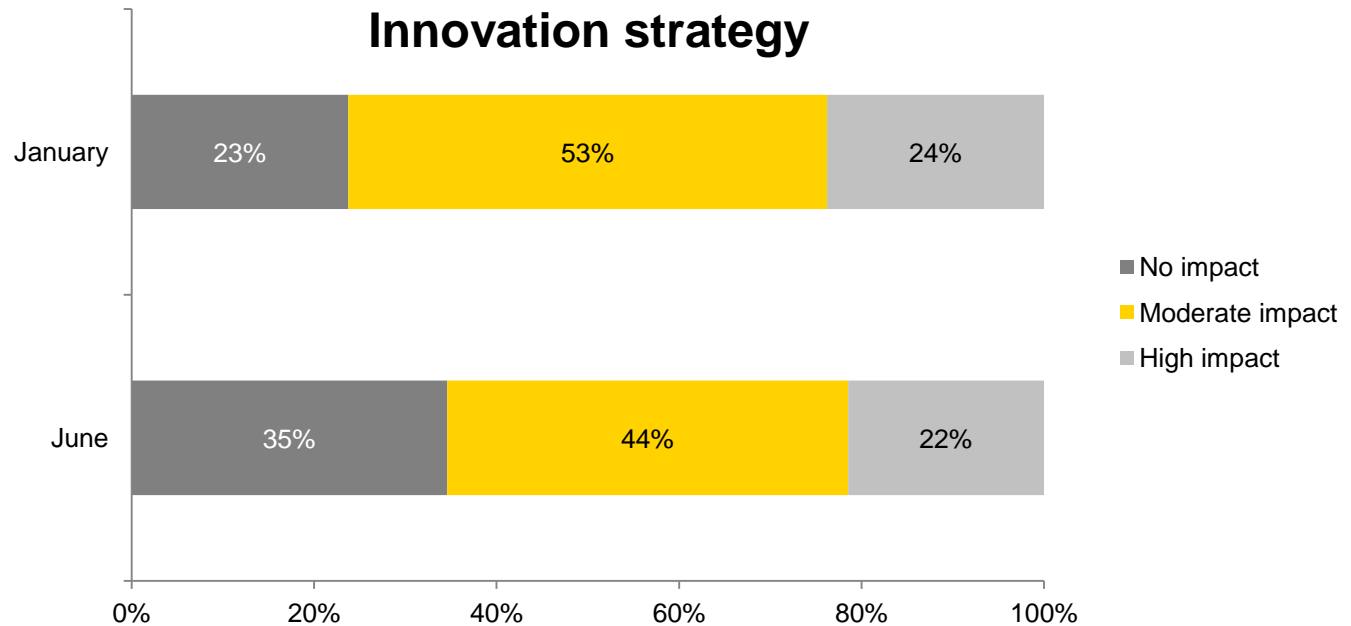
Total number of responses: 576



In June, more companies believe that the change in customers demand will have no impact on their organizational structure, with a correspondent decrease in the respondents that believe this change will have a moderate impact on their organizational structure.

What impact will the change in customers' demand have on your company in the next 6 months? (one answer for each option)

Question 11 (f)



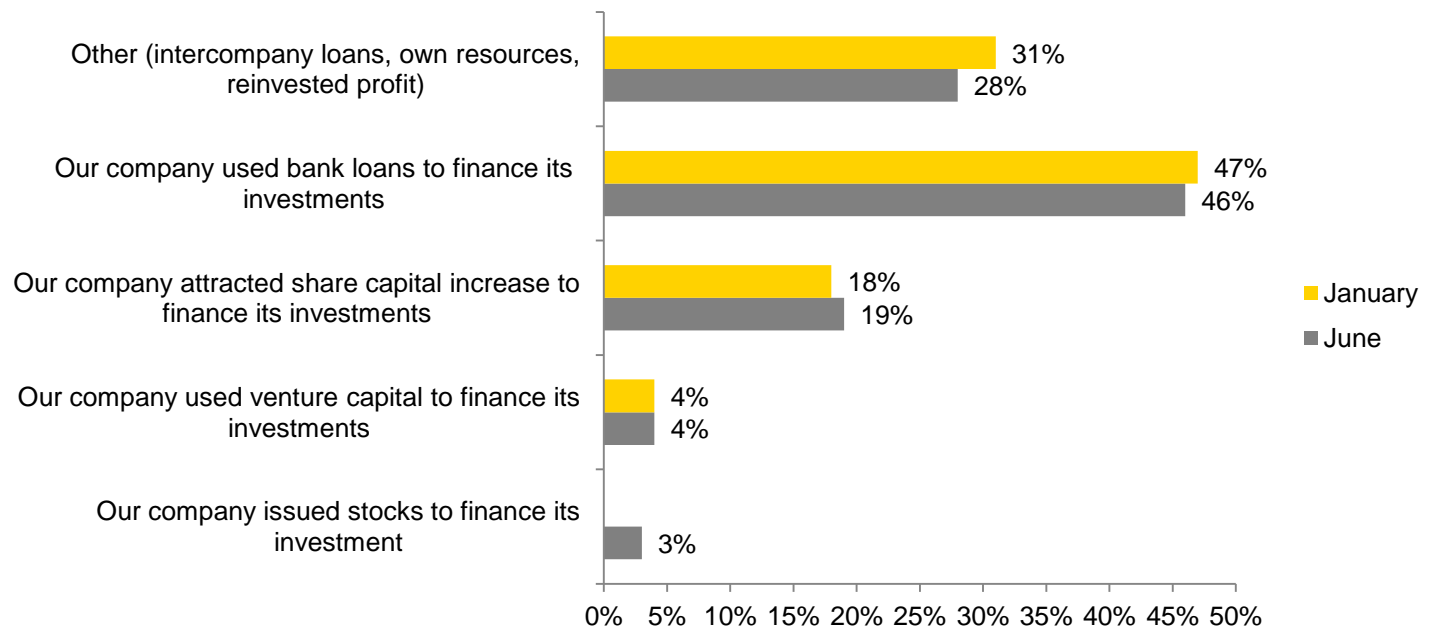
Total number of responses: 576



In June, same as in January, a little over 20% of the companies believe that change in customers demand will have a high impact on their innovation strategy.

Which of the following best describes the primary strategy considered by your company for financing its investments in the past year? (one answer)

Question 20



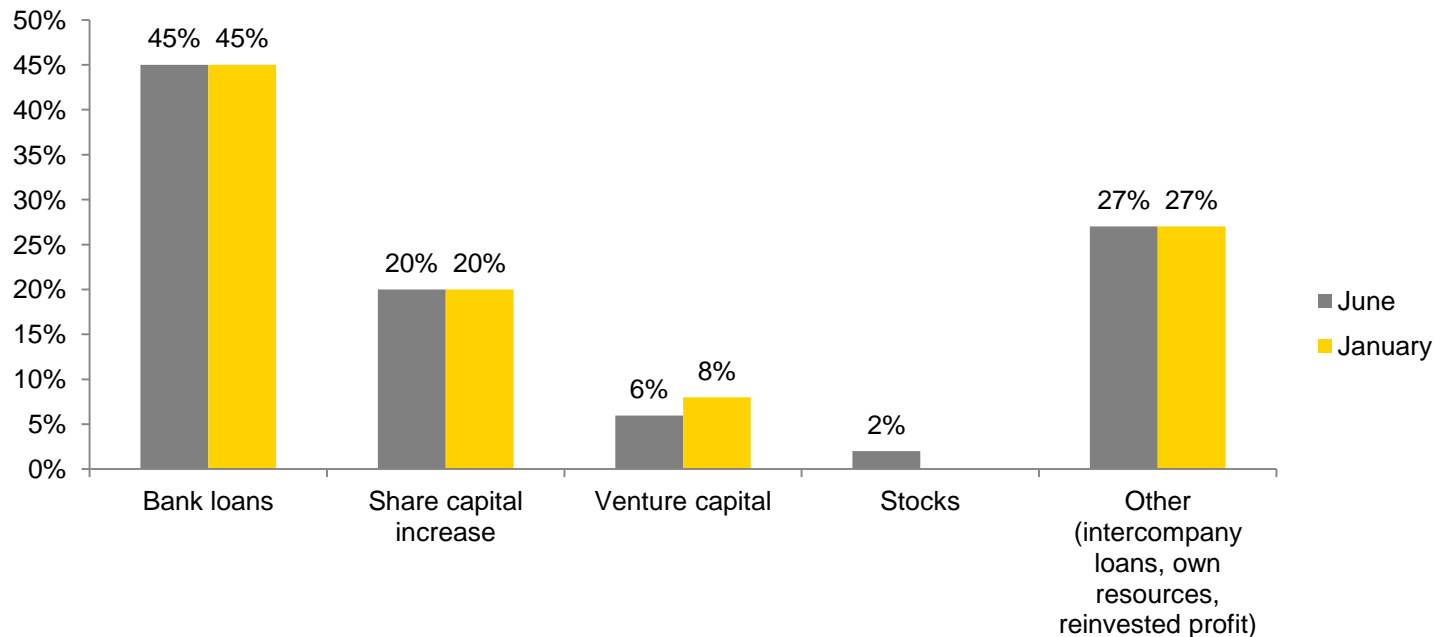
Total Respondents: 84
(Skipped this question: 19)



In the June edition, companies expressed an increased consideration for issuing stocks for financing investments during the last year, but the main financing resource remains the bank loans.

Which of the following best describes your company's preferred strategy for financing its investments in the following 6 months? (one answer)

Question 21



Total Respondents: 84
(Skipped this question: 19)

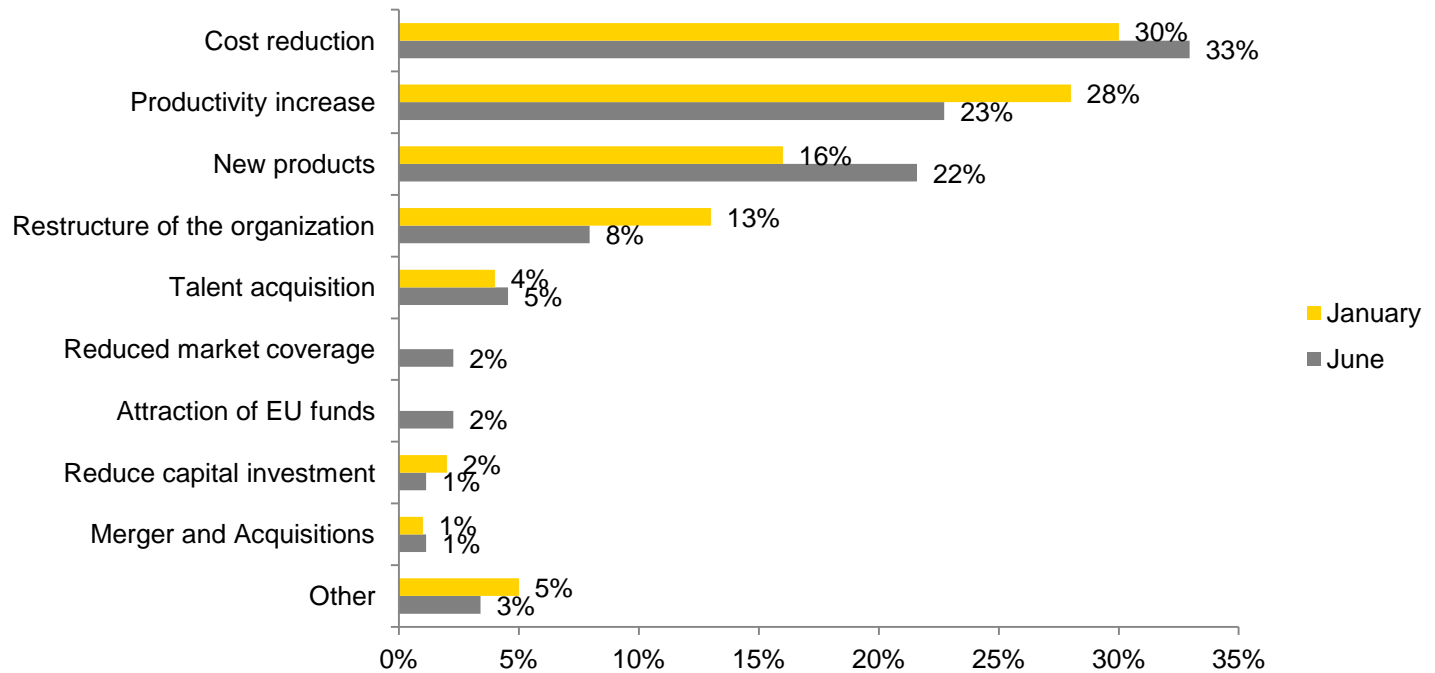


The most preferred strategy for financing future investments is through bank loans, embraced by 45% of companies, in both January and June. 2% of the responding companies plan to issue stocks.

Which of the following best describes the reaction of your company to the business environment in the past year?

(one answer)

Question 22



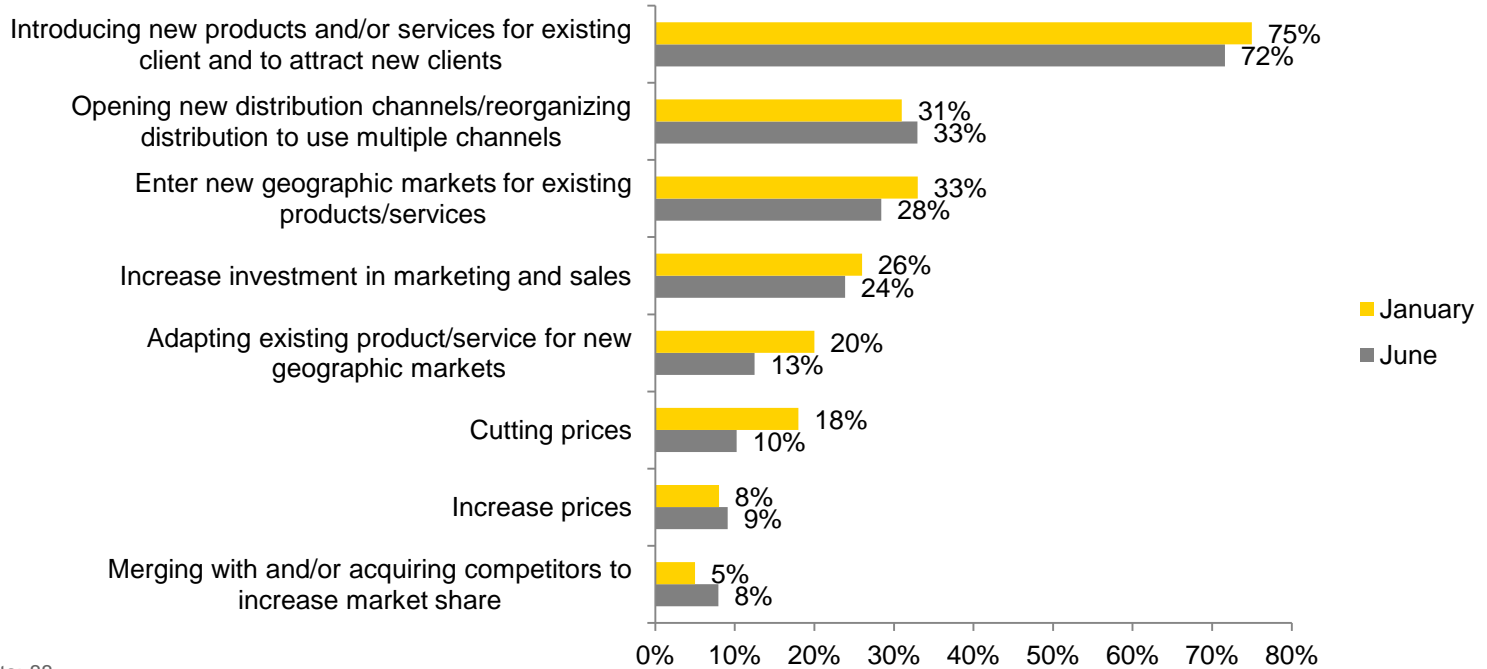
Total Respondents: 88
(Skipped this question: 15)



In June, new products, cost reduction and talent acquisition are trending as reaction to the business environment during the last year, while improving productivity and restructuring saw a declining importance.

Which of the following actions will your company take to increase sales? (one answer)

Question 23



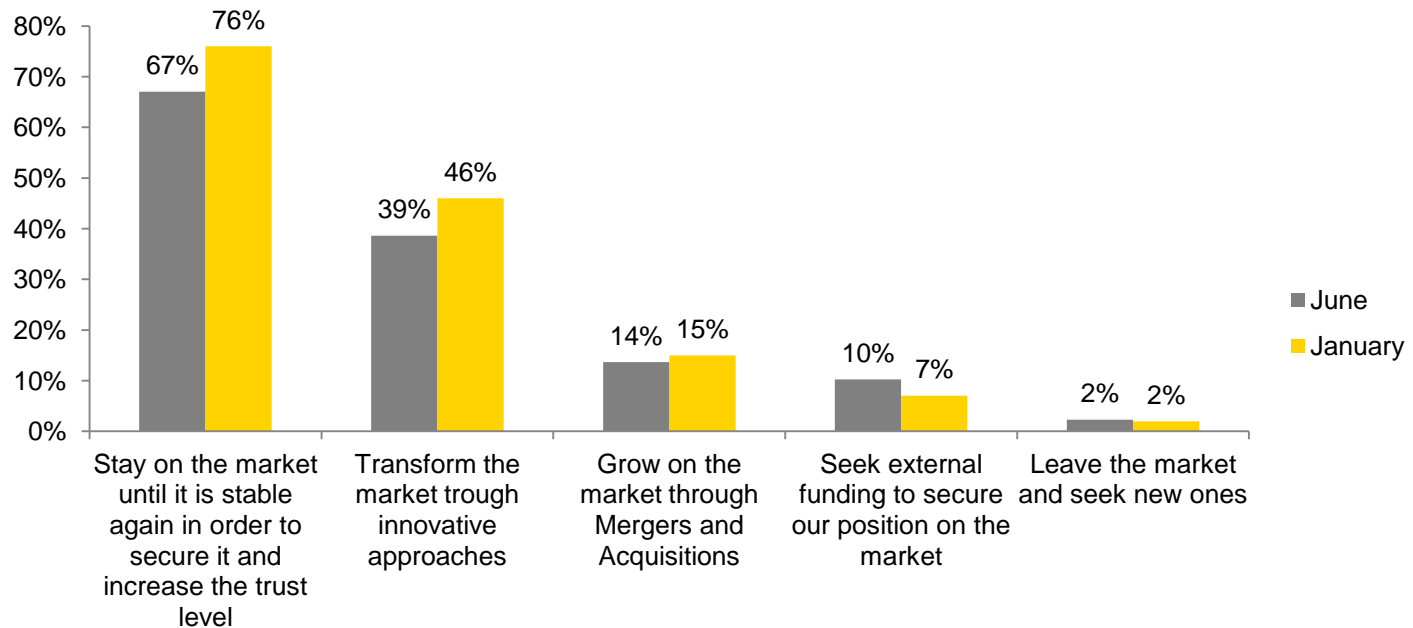
Total Respondents: 88
(Skipped this question: 15)



In order to increase sales, most companies chose, both in January and June, to introduce new products and/or services for existing clients and new distribution channels. Also, more companies think about M&A as action to be taken in order to increase sales. Regarding price cutting, we can see a decline of 8 pps between January and June as an action to increase sales.

In case of stagnation/decline in your current markets what will be the step/s your company will pursue in the next 6 months? (all that apply)

Question 24



Total Respondents: 88
(Skipped this question: 15)



In case of stagnation/decline of markets, more companies consider seeking external funding in June compared to the January edition. All the other options are less taken into consideration in June.

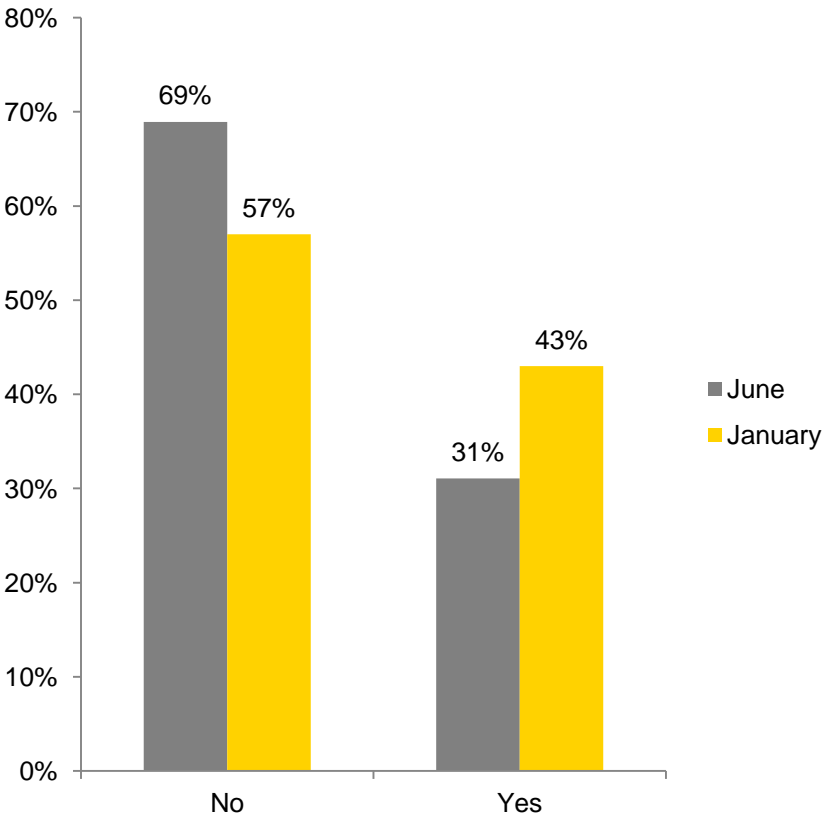


Demographics

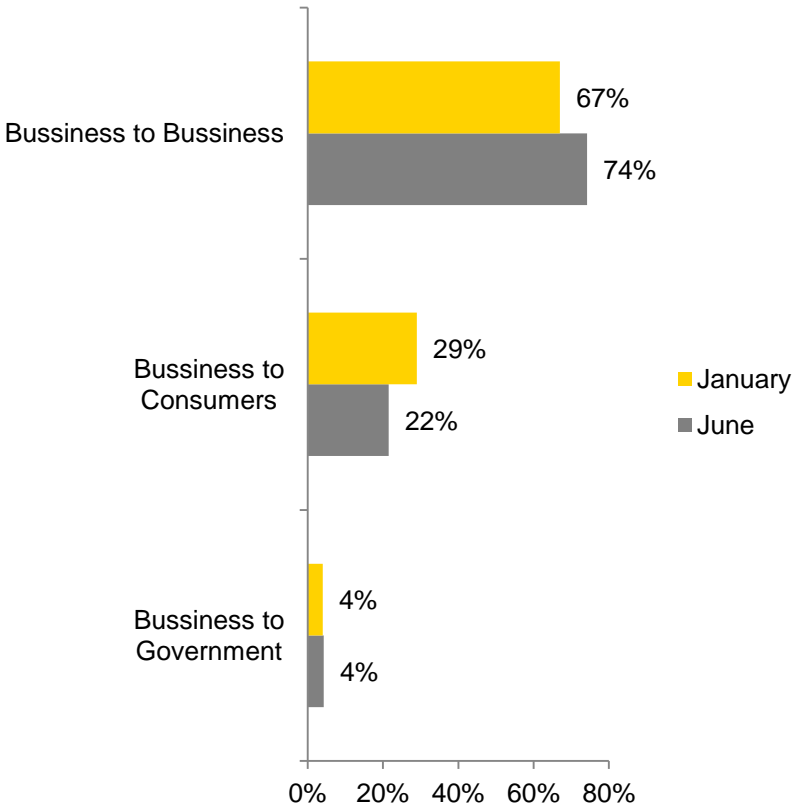
The results of this survey reflect the responses received to our questionnaire in the period between 1 Jun. and 14 Jun. 2013, from 103 top executives of major companies operating in Romania.

Demographics

Romanian company (yes/no)

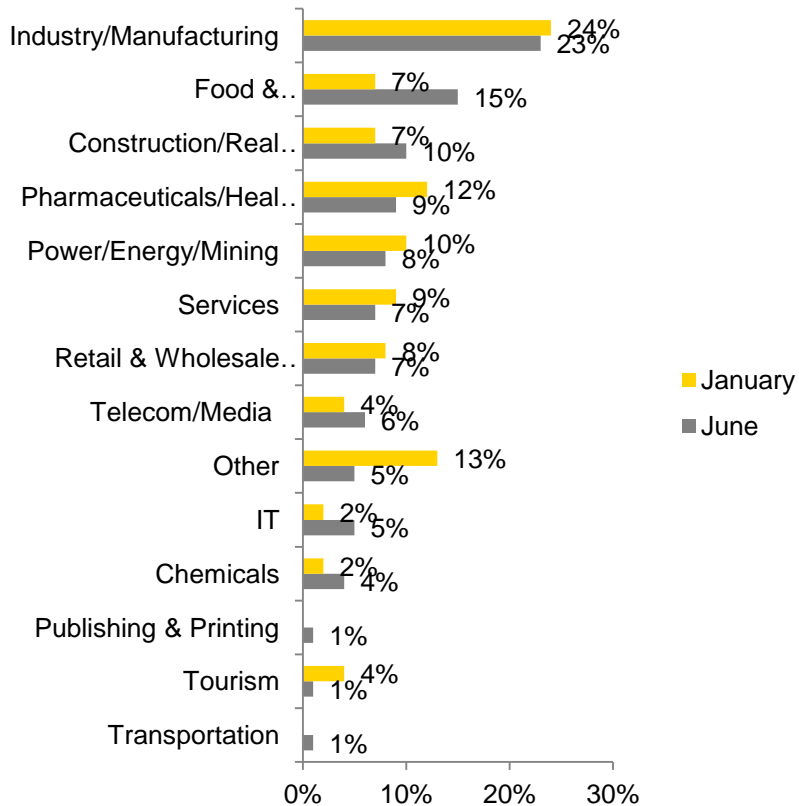


Business type

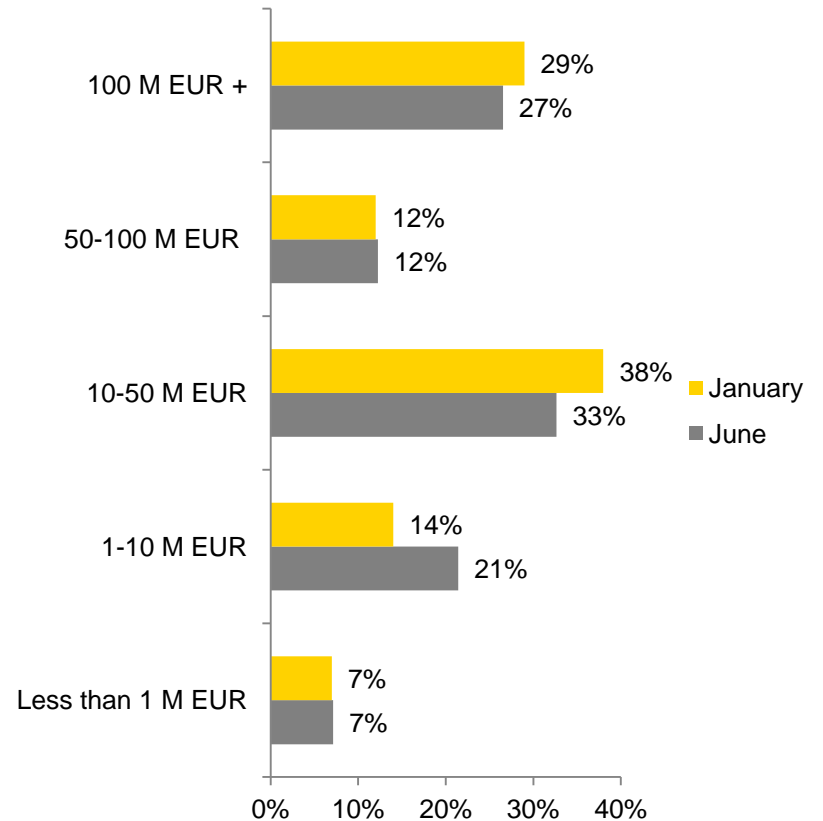


Demographics

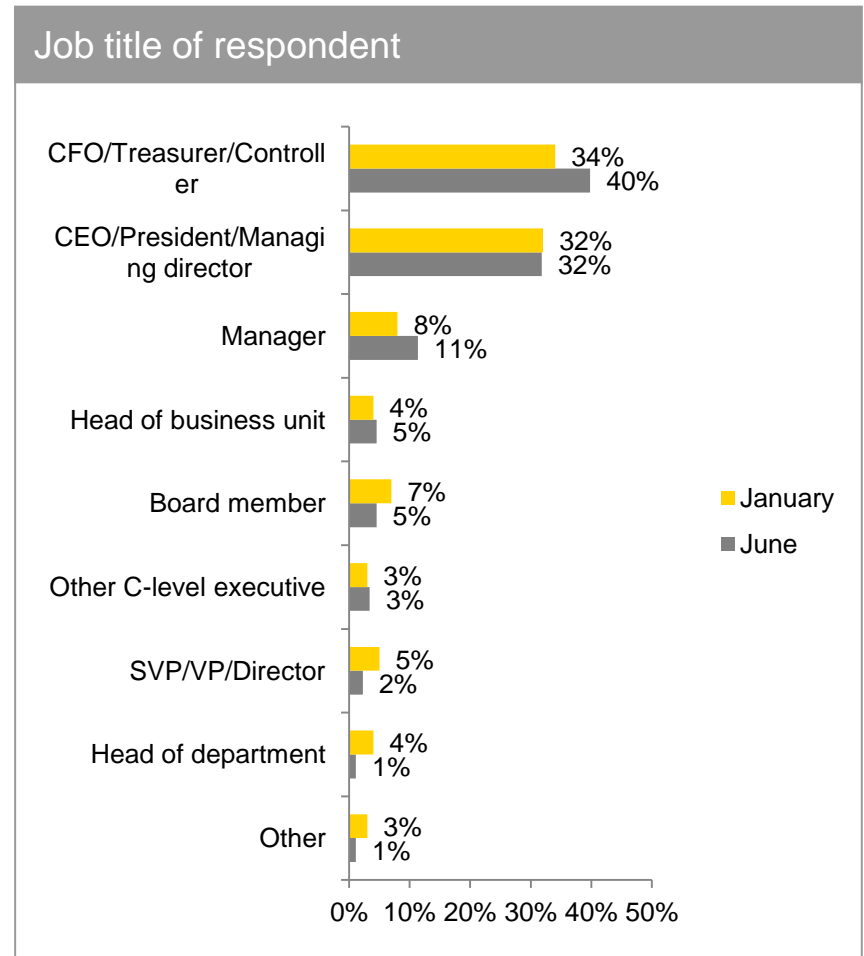
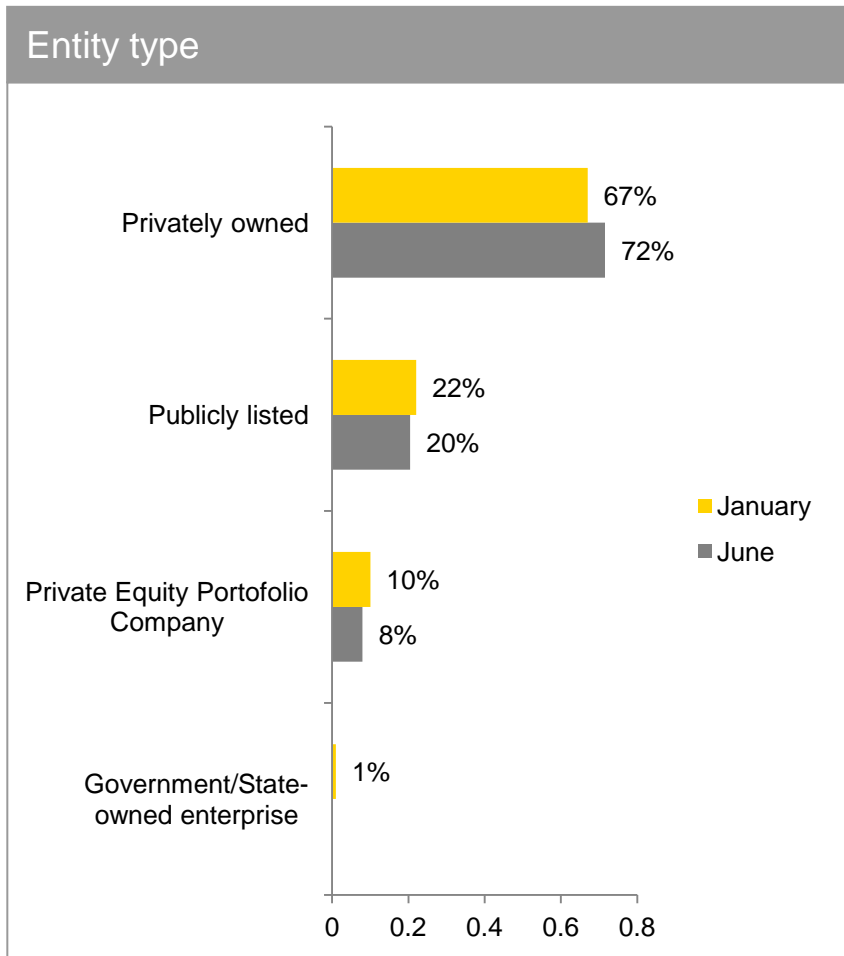
Industry sector

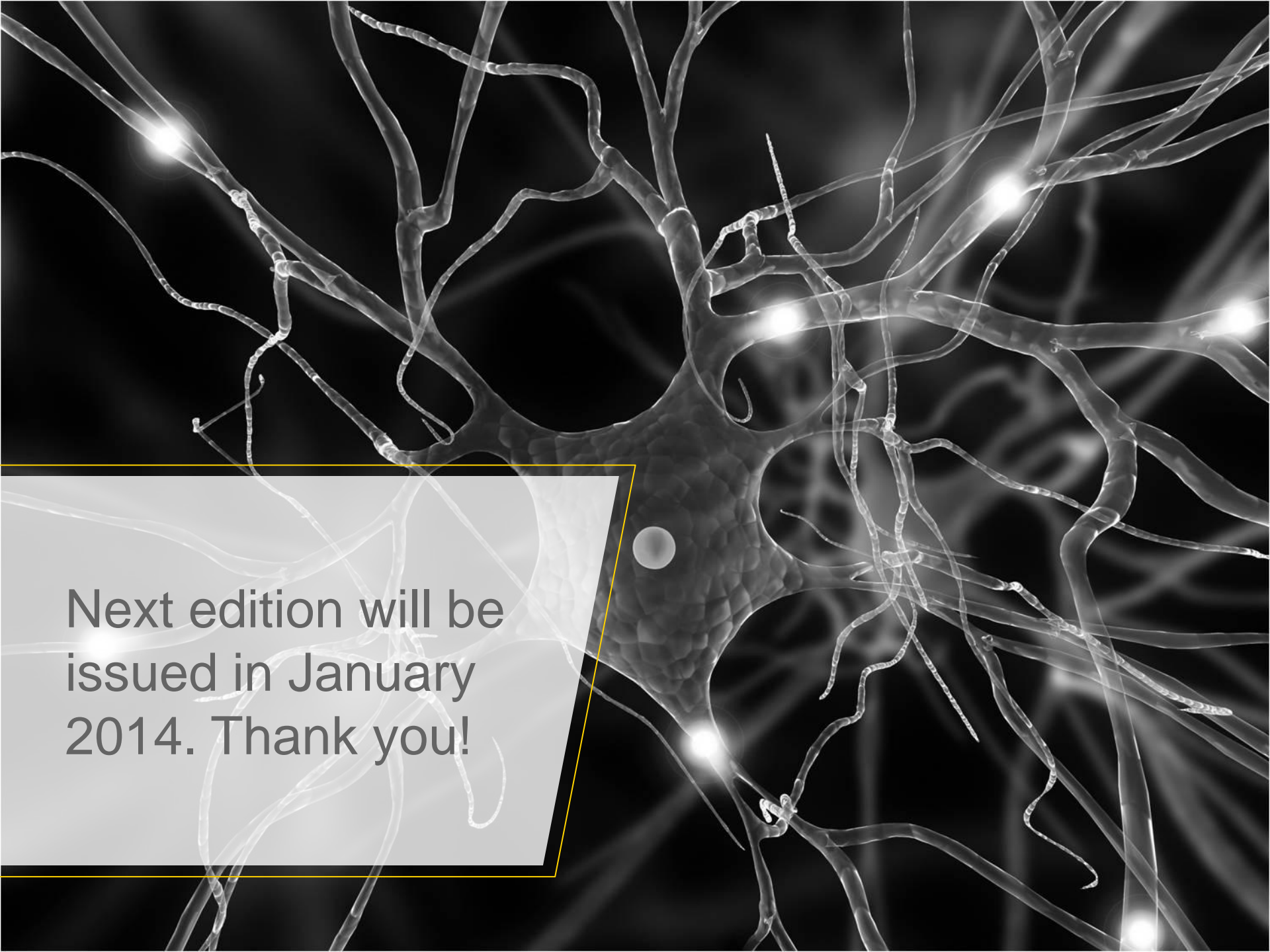


Company revenue level



Demographics





Next edition will be
issued in January
2014. Thank you!