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Press release

Chief financial officers in Poland plan to look for unprecedented savings

WARSAW – 28 September 2017 -- The past year has been good for Polish companies, according to a survey of Polish chief financial officers (CFOs) which reveals the majority are satisfied both with the financial standing and profitability of their enterprises. In spite of this, CFOs are planning to look for savings on an unprecedented scale.

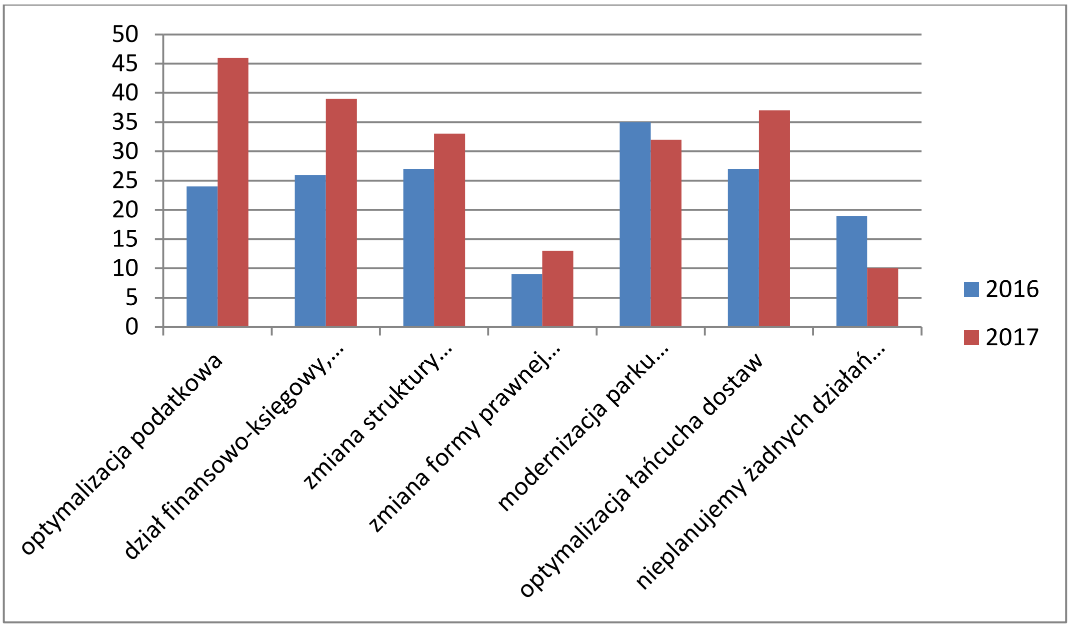
According to the fourth annual survey of Polish CFOs, carried out by Euler Hermes and Grant Thornton, 44% of chief financial officers believe that the standing of their companies improved over the past year. Just one in 10 CFOs believes their company's standing had deteriorated in the past 12 months. Furthermore, the return on sales in the past year was considered at least satisfactory by 64% of respondents. These results indicate that the decline in Polish CFO optimism about the future of their companies seen in the 2016 survey did not materialize and that the past year was largely positive for Polish entrepreneurs.

"A year ago, when – after a few years of considerable optimism – CFOs for the first time started to have a more negative future outlook, such sentiment was no surprise. Forecasts predicted a slowing growth rate, Brexit raised serious doubts about the EU's future, and companies had increasing difficulties in recruiting qualified employees. However, the results of this year's survey show that the pessimistic scenario from 2016 did not come true and Polish enterprises performed well. Still, considerable caution can be seen in the CFO behavior and it seems that they are trying to prepare their companies for every possibility," said **Przemysław Polaczek, Managing Partner of Grant Thornton**.

Despite CFO satisfaction with the current standing of their companies, during the next year they will be actively looking for savings in a few areas. The survey reveals potential significant reductions in spending on new investments by many companies. Just one in three CFOs plans to increase research and development (R&D) expenditure (down 15pp), only 6% (down 17pp) intend to acquire other companies, and less than half plan to enter new markets (down 14 pp).

Aside from reducing investment, chief financial officers are planning to make savings by introducing optimization measures. Notably, in all four annual surveys conducted by Euler Hermes and Grant Thornton, there has never been a stronger declaration of intent by CFOs to implement optimization procedures in their companies. Indeed, almost half of CFOs intend to pursue tax optimization (up from 24% to 46%) while optimization of financial and accounting departments, payroll, HR and IT is planned by 39% (up by 13pp). A further 37% of CFOs are planning to optimize a supply chain (up 10pp). Conversely, just one in 10 respondents (half the level of the previous year) stated that they are not intending to implement any optimization measures next year.

Areas in which CFOs plan optimization /restructuring activities in the next 12 months



Source: Survey carried out by Euler Hermes and Grant Thornton in spring 2017
[From left:: tax optimisation, financial and accounting department, change in organizational structure, change in legal form, modernization of machinery stock, optimization of supply chains, not planning any activities]

The survey also reports that within next 12 months companies are planning to reduce labor costs and employers will find pay rises harder to secure that last year. Indeed, just 34% of CFOs believe pay will rise faster than the consumer price index (down 7pp) while, similarly, 33% believe salaries will not increase at all.

"We have a different situation than a year ago. Macroeconomic results in Poland and our main export markets have improved; yet Polish companies are planning to save, optimize operations, limit investments and proceed with cost cutting, including labor costs. Why have CFOs arrived at these conclusions which may appear at odds with the economic situation? The answer is sober realism. While CFOs expressed satisfaction with their results in the previous year, they are more cautious regarding the future, hence the need to improve efficiency, especially the financial results. Increased GDP, new investments and ever-increasing consumption won't be sufficient to achieve maximum profitability for many businesses given their low equity capital, short-term financing, and recent fiscal consolidation. The growth of sales turnover is accompanied by increased merchant credit for customers and increased equity exposure in a low profit environment which, all too often, simply results in a higher risk of non-payment rather than capital accumulation in Polish companies," adds **Tomasz Starus, member of the Euler Hermes Management Board responsible for risk assessment**.

The survey was carried out by Euler Hermes, the world's leading trade credit insurer, and Grant Thornton, audit, advisory and outsourcing company, among 208 chief financial officers. The CFOs participated in a series of conferences as part of the "Chief Financial Officer of a Year" project, which took place from April to June in Poznań, Sopot, Katowiece and Rzeszów.

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