

Press Release

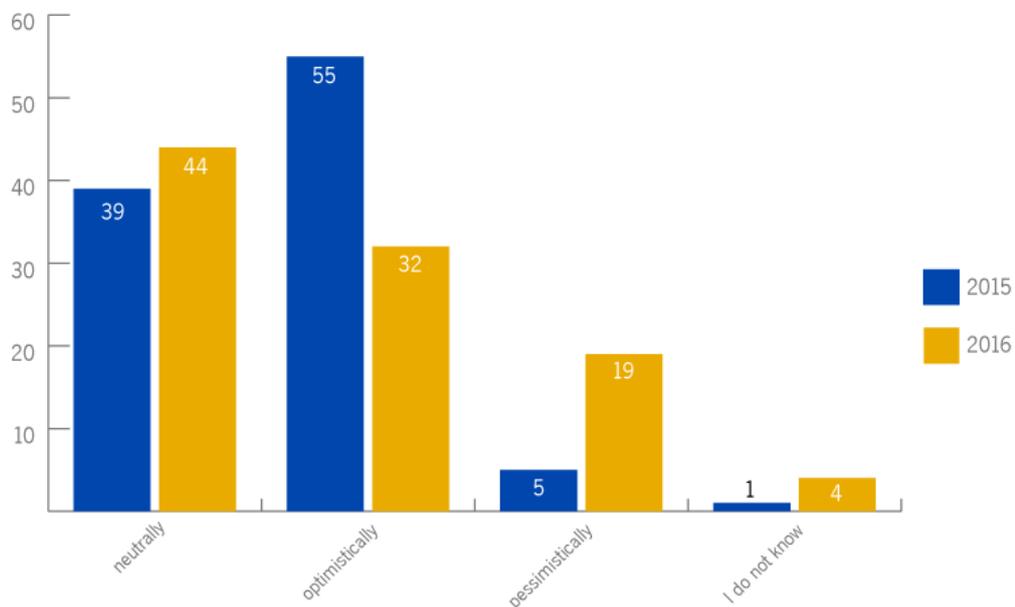
Economic optimism among Polish CFOs is weakening

WARSAW - 5 OCTOBER 2016 - In the next 12 months, the economy in Poland should shift to a lower gear – according to the results of a survey conducted among financial directors by auditing, consulting and outsourcing company, Grant Thornton, and Euler Hermes Poland, the local entity of the worldwide leader in trade credit insurance. The survey reflects the views of participants of the congress series “CFO of the Year”, held in Sopot, Poznan, Rzeszow and Katowice earlier this year.

The mood among Polish CFOs has deteriorated since last year’s survey. In 2015, 55 percent of respondents had an optimistic view of the economic outlook for the next 12 months; in 2016 that declined to 32 percent. Nevertheless, there are still more optimists than pessimists (32 percent / 19 percent).

“Saying that the results of the survey among CFOs herald an economic crisis in our country is a bit far-fetched,” says Tomasz Wróblewski, Managing Partner of Grant Thornton, Poland. “However, it is surprising that the number of pessimists is catching up with the number of optimists. On the one hand, the rate of economic growth is falling, and our main commercial partners from the EU seem to be running out of steam. Plus, there is a growing shortage of available employees. On the other hand, entrepreneurs are still waiting for simplified business rules and a more significant dose of EU funding -- but the survey indicates they are slowly running out of patience.”

How do you assess the prospects for your company for the next 12 months? (in %)



The slightly more negative sentiment among CFOs is also reflected in their forecasts for other economic indicators. Survey participants predicted that the growth in demand will slow in the next 12 months. Currently, only 40 percent of respondents believe that demand for products and services offered by their companies will grow; a year ago, this figure stood at 61 percent.

According to CFOs, companies will also show less willingness to invest in the year ahead. The percentage of CFOs planning to increase funding for new market entries and new machine and equipment purchases decreased, respectively, from 74 percent to 61 percent and from 70 to 59 percent.

The respondents also believe that labor market costs are set to increase. Accordingly, 41 percent of respondents – 15 p.p. more than last year – said that salaries in their companies would grow faster in 2017 than the rate of inflation.

“CFOs realize that in order to keep the most skilled employees -- those generating the greatest added value for the company -- they will have to offer better financial conditions. In addition to decreasing revenues, they anticipate rising labor costs. As a result, they believe that near-term business profitability will be under double pressure – both in terms of revenues and costs,” says Tomasz Wróblewski.

Surprisingly, despite the decreasing demand for products and services, and a lower percentage of financial directors planning an increase in capital expenditure, the demand for new employees continues at a high level. The percentage of CFOs planning to increase headcount is increasing slightly: 41 percent of CFOs plan to increase employment in the next 12 months, 4 p.p. more than in 2015.

“In previous years, CFOs in Poland supported investment in businesses. They now rely on investment in employees. Given the current uncertainty, employment growth is a logical and safe alternative to investment in fixed assets. This also indicates a growing role of CFOs in, and their responsibility for, the key competitive advantage – human capital,” concludes Waldemar Wojtkowiak, member of the Management Board and CFO at Towarzystwo Ubezpieczeń Euler Hermes.

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