



Hungarian CEOs lean towards optimism

PwC's 7th Hungarian CEO Survey

Globally

in Hungary

from

1293

165

CEOs

7

industries took part
in the survey.

This is the seventh year PwC is conducting the Hungarian CEO Survey. We carried out the first Hungarian CEO Survey in 2011, based on PwC's Annual Global CEO Survey, which is now in its 21st year. Based on personal interviews, our survey provides unique insight into the thinking and strategic direction of Hungarian CEOs, and enables comparison with the views of chief executives around the world; their thoughts on growth, competition for top talent, the ongoing technological revolution, and responding to the new challenges. What can CEOs do? Is there a single "magic bullet" solution?



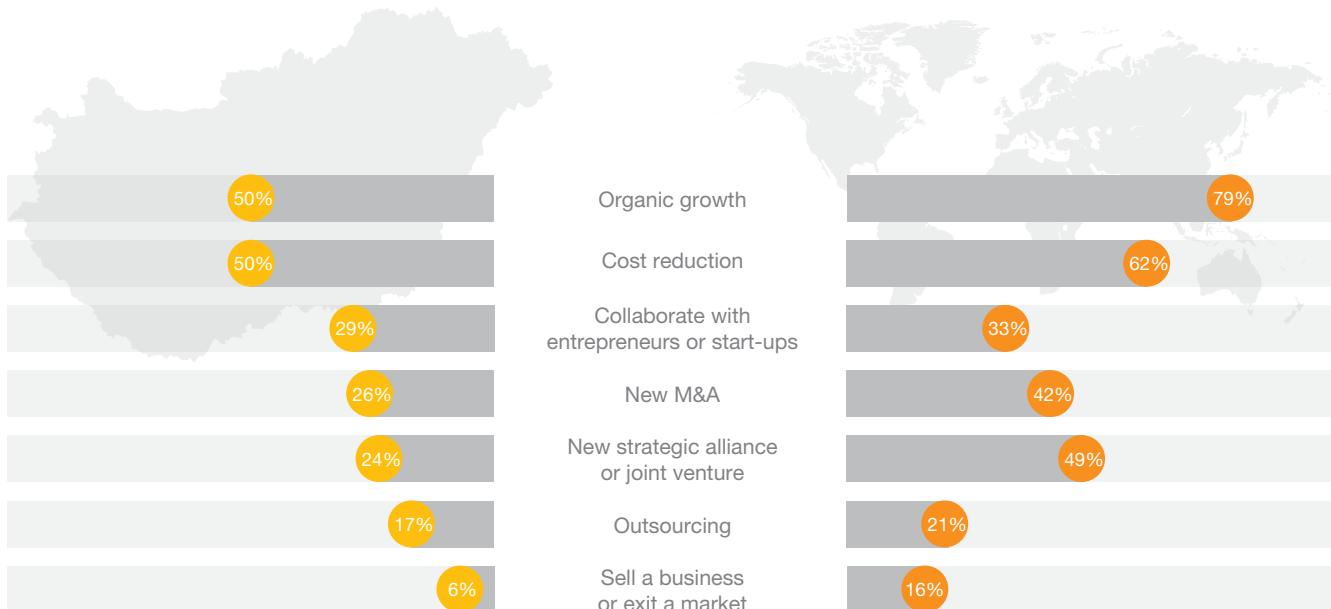
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partner:



What are CEOs' plans for 2018?

Both global and Hungarian CEOs are considering organic growth and cost reduction, although in Hungary the percentage of respondents considering the former fell by 10 percentage points compared to last year. However, collaboration with start-ups has gained in popularity.



Question: Which, if any, of the above activities do you plan to carry out in the coming year?
(chart shows percentage of respondents planning to carry out a given activity)

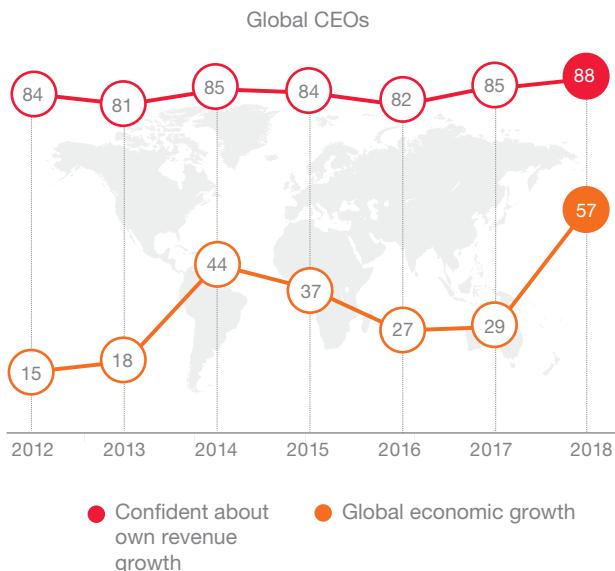


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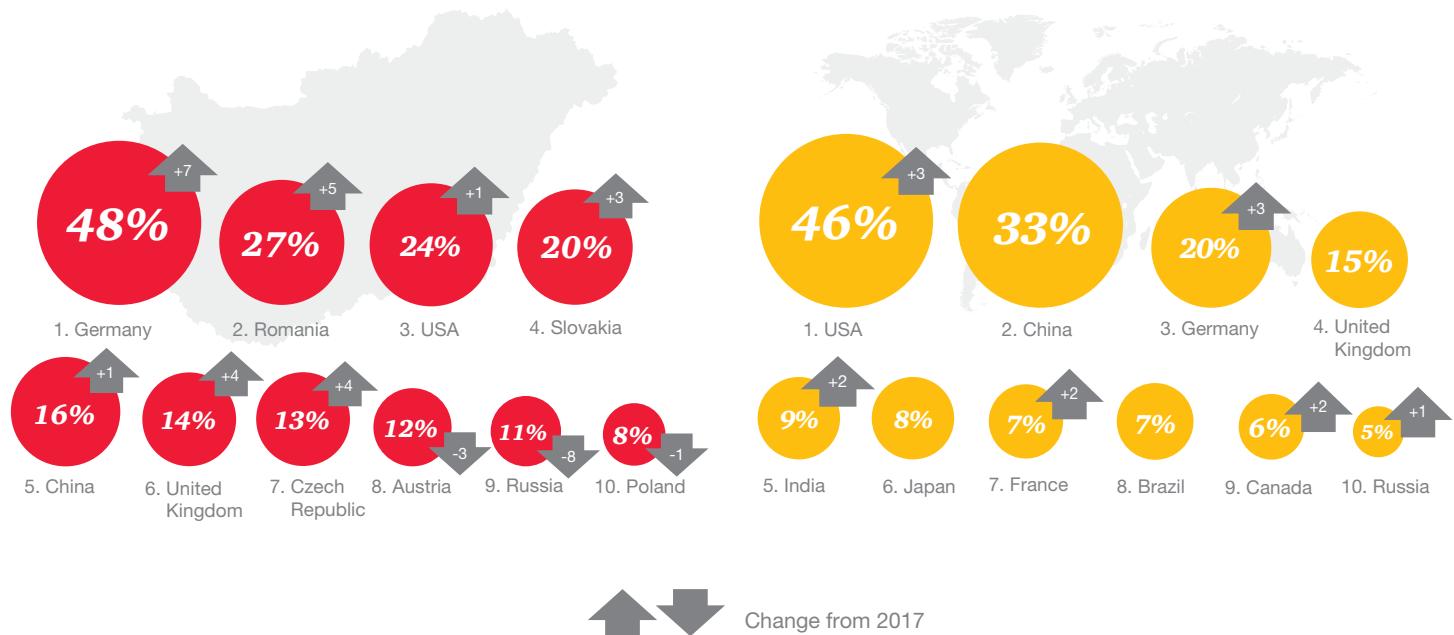
Last year was tough for decision makers. At the beginning of the year we saw mostly the risks, but now it looks like 2017 was about stabilisation in the world economy. The United States and China gained further strength, while Russia and Brazil slowly embarked on a path to economic recovery. Concerns over the future of the Eurozone in the wake of Brexit have also eased somewhat. While last year expectations were driven by risks, this year CEOs are rightfully optimistic in their outlook for the global economy. I expect CEOs' optimism to continue, as we look forward to a more peaceful and predictable year.”

Nick Kós, Country Managing Partner, PwC Hungary

Sources of optimism



Market realities and attractions



Question: With regard to your company's local growth prospects, which countries, excluding the country in which you are based, do you think will be the most important in the next year?

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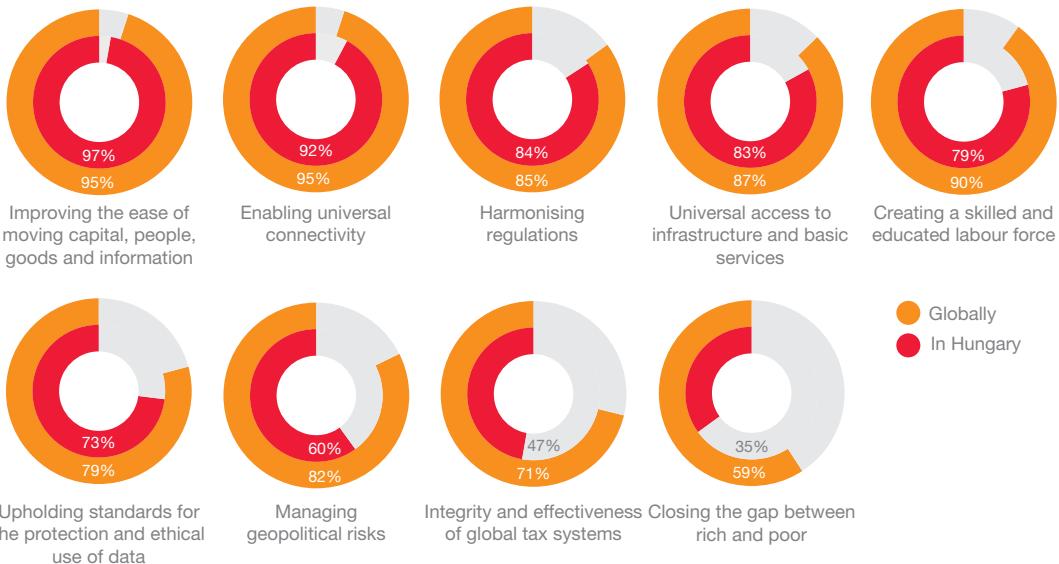
For Hungarian companies, Germany has traditionally been the most important target for market growth. Moreover, Germany is becoming even more attractive, as more Hungarian companies are looking to expand in the German market – in 2018, nearly half of all companies surveyed. It is also important to point out that Romania ranks as the second most important country with regard to Hungarian companies' local growth prospects. In addition to geographical proximity, the key drivers here are easier networking among the Hungarian minority, and a market twice the size of the Hungarian market. Ranking third is the United States, which some may find surprising, given the geographical distance and an extremely competitive market – almost a quarter of Hungarian companies see a niche in the US market where they might successfully compete, which is very good news. We should also note the attractiveness of Russia and China, especially in the light of the Hungarian government's 'Eastern Opening' policy, which means that Hungarian companies' entry in these markets will be incentivised through State resources and funding. In total, the percentage of companies looking to expand in China and Russia is the same as those targeting the Romanian market, which is only slightly higher than for the United States. For me this is a signal that Hungarian companies' ambitions to expand are primarily influenced by market realities and attractions, and not by government preferences.”

László Urbán, economist



Globalisation closing and opening the gap

According to Hungarian CEOs, the key benefits of globalisation are easing the movement of capital, people, goods and information, and enabling universal connectivity. However, the majority of respondents agree that globalisation has not helped close the gap between the rich and the poor, nor has it helped improve the integrity and effectiveness of global tax systems.



Respondents who said that globalisation has helped with the area concerned

Disruption: global threat or opportunity?

While in 2017 industry regulation and changes in customer behaviours were the least predictable factors, the majority of respondents now think that sudden changes in production technologies are the most disruptive. Half of the CEOs in this year's survey believe that an increase in the number of competitors or changes in distribution channels and customer behaviour may push companies out of their current market position.

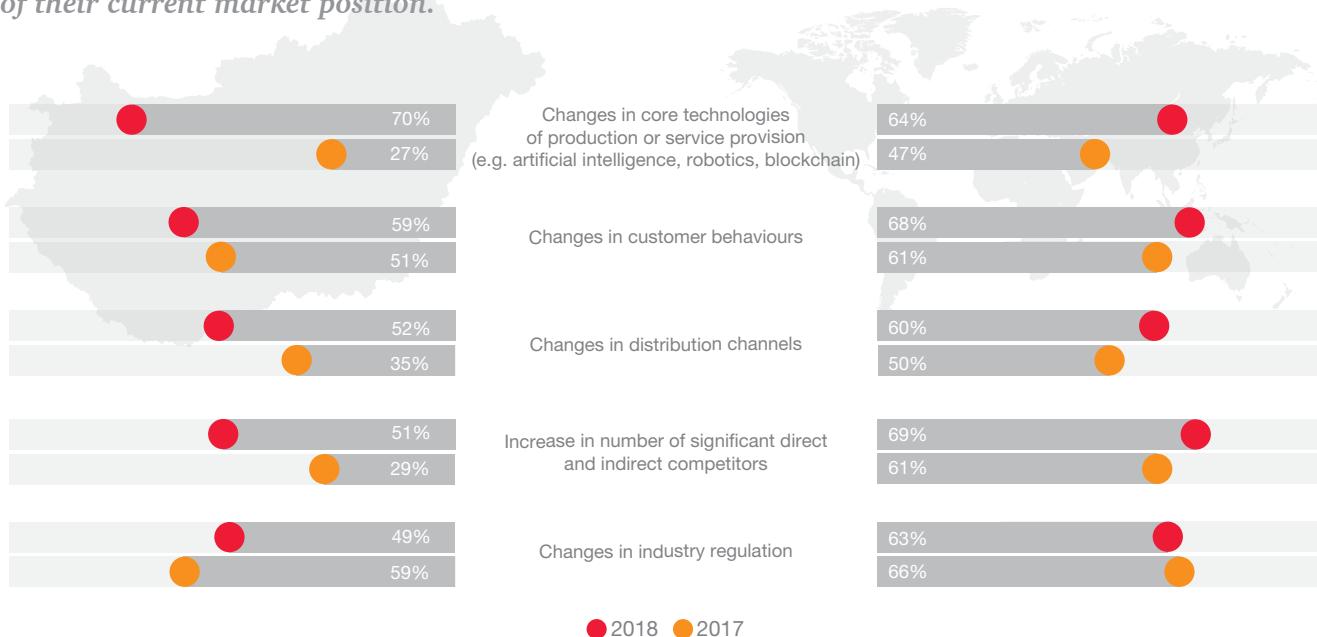


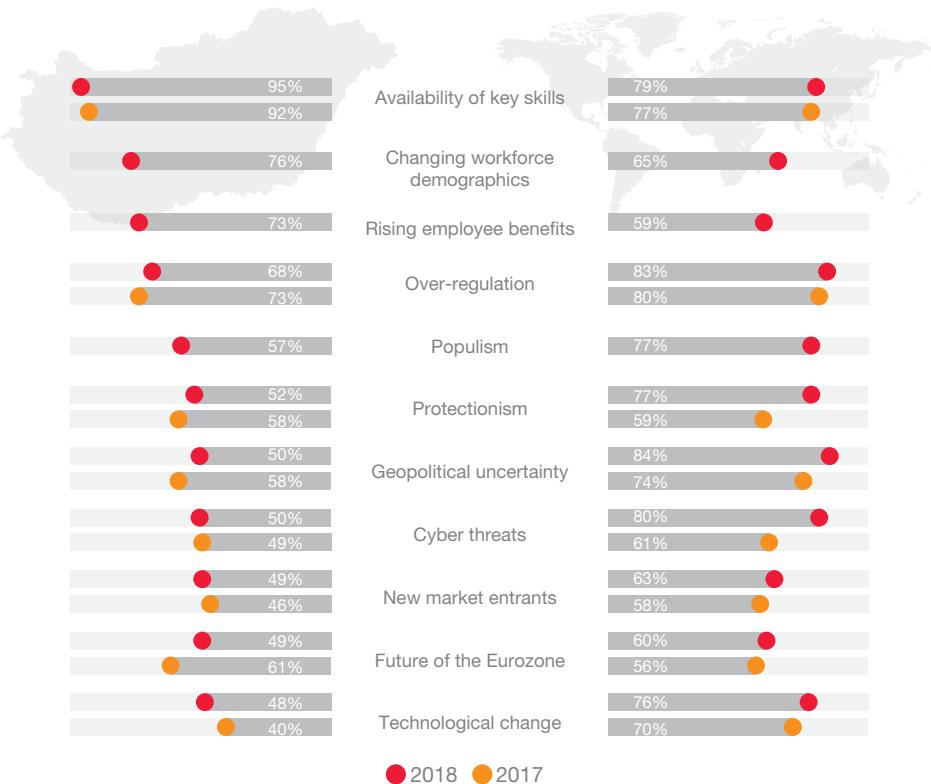
Chart shows percentage of respondents saying that a given trend will be disruptive

Threats in Hungary and globally

While CEOs across the world are increasingly anxious about broader societal threats, Hungarian CEOs are more concerned about problems in their own market, mostly in connection with their employees.

Globally, the percentage of respondents citing either terrorism or climate change as the chief threat to their growth prospects increased by 20 percentage points compared to last year.

In Hungary, the availability of key skills, changing workforce demographics, and increasing tax burden on labour are the greatest challenges to chief executives, who seem much less troubled by global problems.

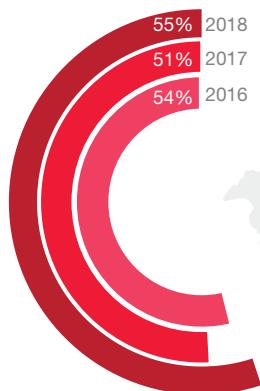


Question: How concerned are you about the following factors?
(chart shows percentage of respondents concerning about a given activity)

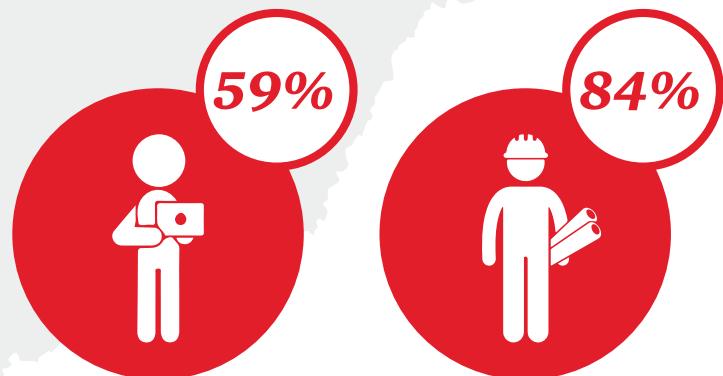
Labour shortage emerges as top threat

More than half of Hungarian CEOs are planning to increase headcount at their company each year. However, they are facing labour and skills shortages: 59% found it difficult to hire staff with the right digital skills, and an even higher percentage reported that they had difficulties in recruiting for skilled talent.

Respondents planning to increase headcount



Overall, how easy or difficult is it for you to recruit for digital or skilled talent?



(chart shows percentage of respondents saying it is difficult)



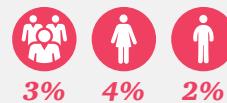
Outlook:

For how long should we count on human resources?

Our analysts have recently examined the impacts of three overlapping waves of automation to the 2030s: the algorithm wave, the augmentation wave, and the autonomy wave. The algorithm wave is already well underway and involves automating structured data analysis and simple digital tasks, such as credit scoring. This wave of innovation could come to maturity by the early 2020s. But what could come afterwards?

Algorithm wave

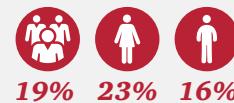
automating simple digital tasks, such as credit scoring



2020

Augmentation wave

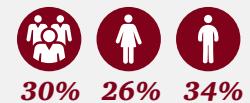
automation of repeatable tasks and exchanging information; further developments of aerial drones, robots in warehouses



2030

Autonomy wave

fully autonomous driverless vehicles across the economy; artificial intelligence able to make decisions



Cumulative % of jobs analysed that could be impacted by automation



% of female workers that could be impacted



% of male workers that could be impacted

Source: PwC estimates of median values across 29 countries based on analysis of OECD PIAAC data

The workplace as a place of learning

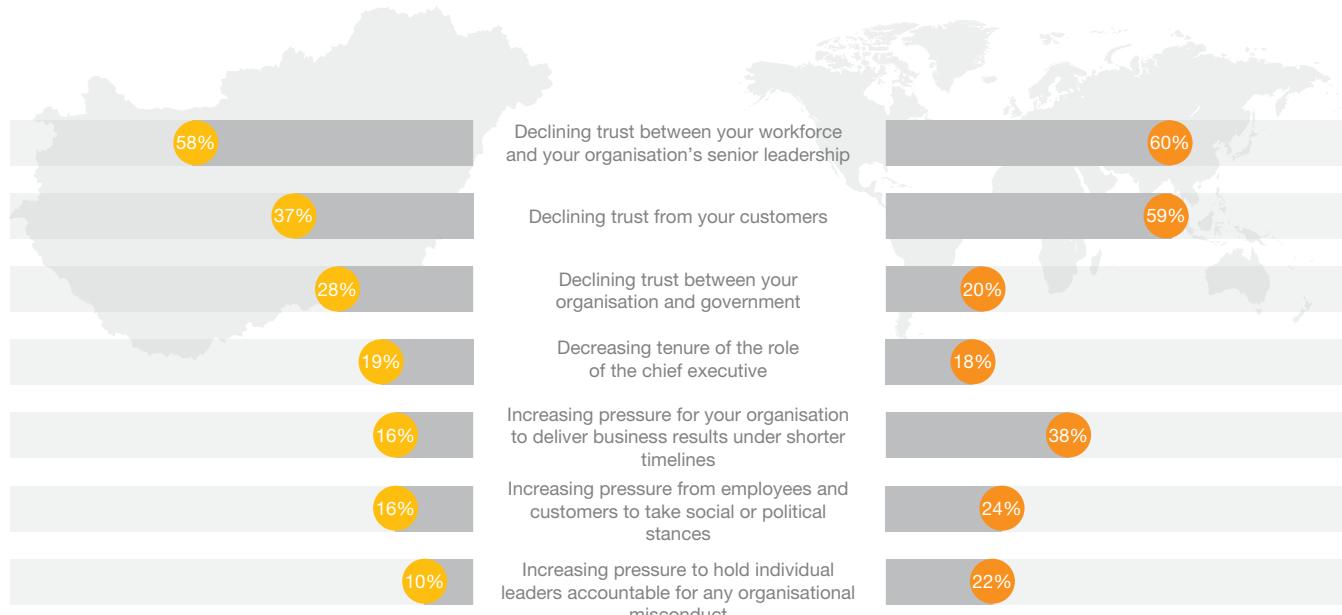
In order to attract talent, companies must make the right value proposition. Winning the talent war requires employers to invest in their people's future: they should help their employees acquire the flexibility to meet future workplace demands.



Question: To what extent do you agree with the following statements about your workforce strategy?
(respondents who answered "agree" or "strongly agree")

How much pressure can chief executives take?

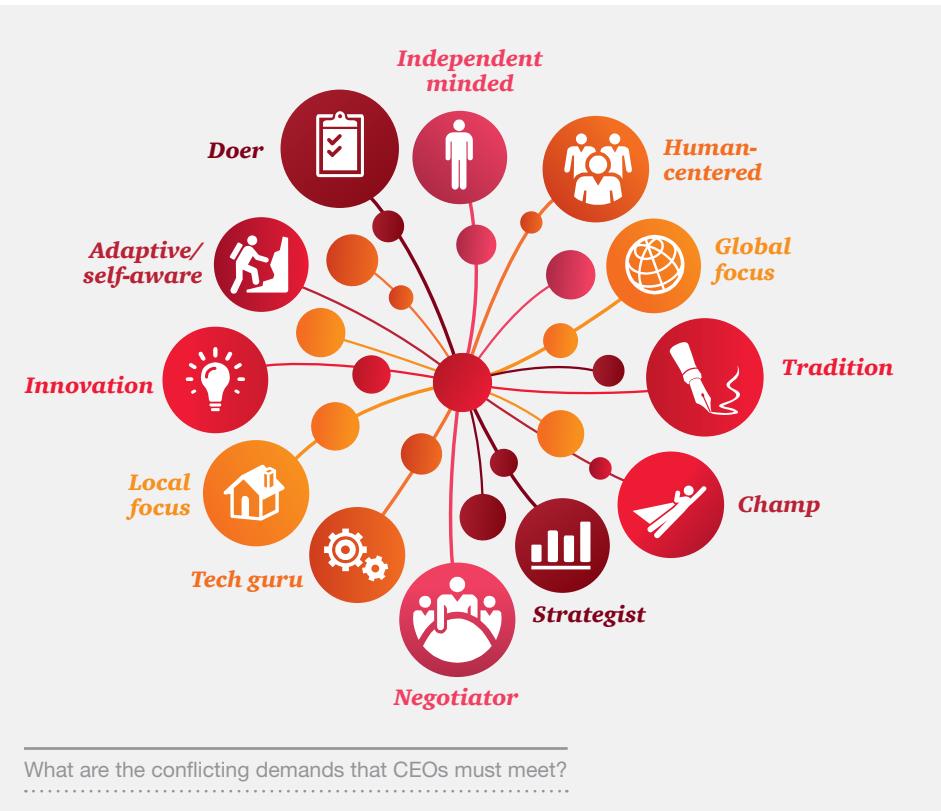
As has become clear during recent years, in this age of global shifts and rapid technological changes, CEOs must recognise the wider expectations of their people and customers in order to earn their trust. There is also pressure to improve corporate performance and maintain personal accountability. These were the main concerns CEOs voiced this year.



Question: To what extent do you agree or disagree that you experience the following challenges?

Meeting conflicting demands

Perhaps the most frequently used adjective this year was “new”: new challenges, new technologies, new trends. And yes, CEOs will also have to play a new role, juggling conflicting demands and imperatives that may seem impossible to reconcile. This new breed of CEOs not only devise their strategy but also put it into practice; they adhere to tradition but also steer away from a set course; they become tech gurus, but with a human touch; they negotiate, listen and ask questions, but also stick to their guns; they take into account local features, but also observe global trends; and they’re not afraid to make mistakes because they know they can learn from them – they hold their ground and fight like a champ.



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