

PwC's 8th Hungarian CEO Survey

Time for action

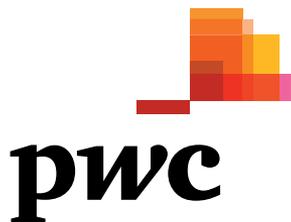
Subdued growth,
focus on internal initiatives



Globally 1,378 in Hungary 236 CEOs from 8 industries took part in the survey.

The following pages present a summary of the views of nearly 250 Hungarian CEOs on their economic outlook, their organisations' growth opportunities, the challenges they face in terms of resources, and the role of Data & Analytics and Artificial Intelligence.

This is the eighth year PwC has conducted the Hungarian CEO Survey. We carried out the first Hungarian CEO Survey in 2011, based on the PwC network's Annual Global CEO Survey, which is now in its 22nd year. Based on in-person 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.



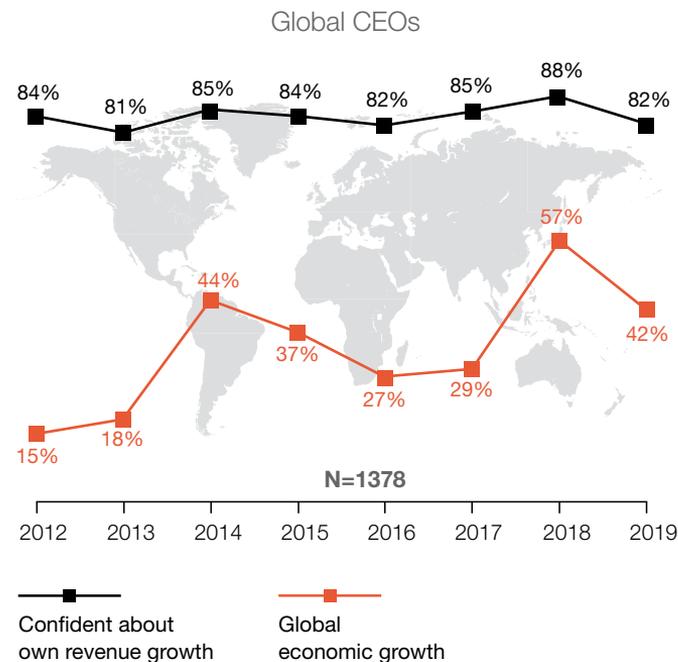
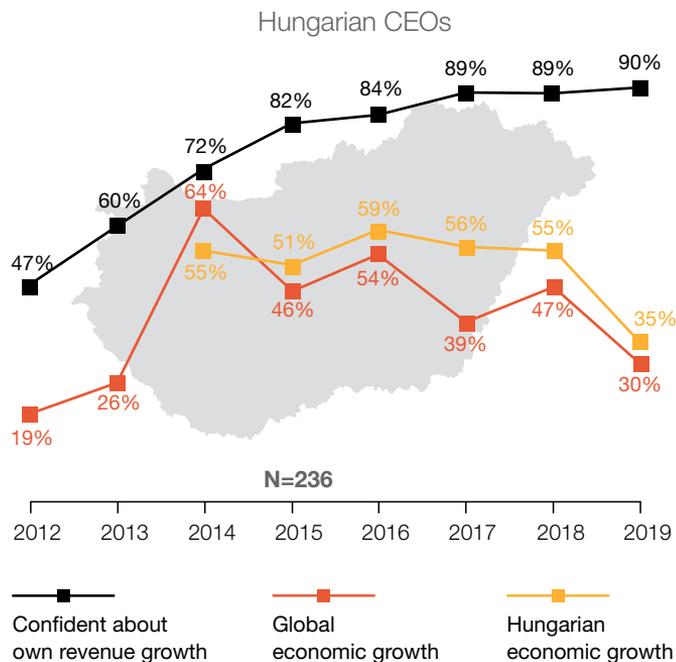
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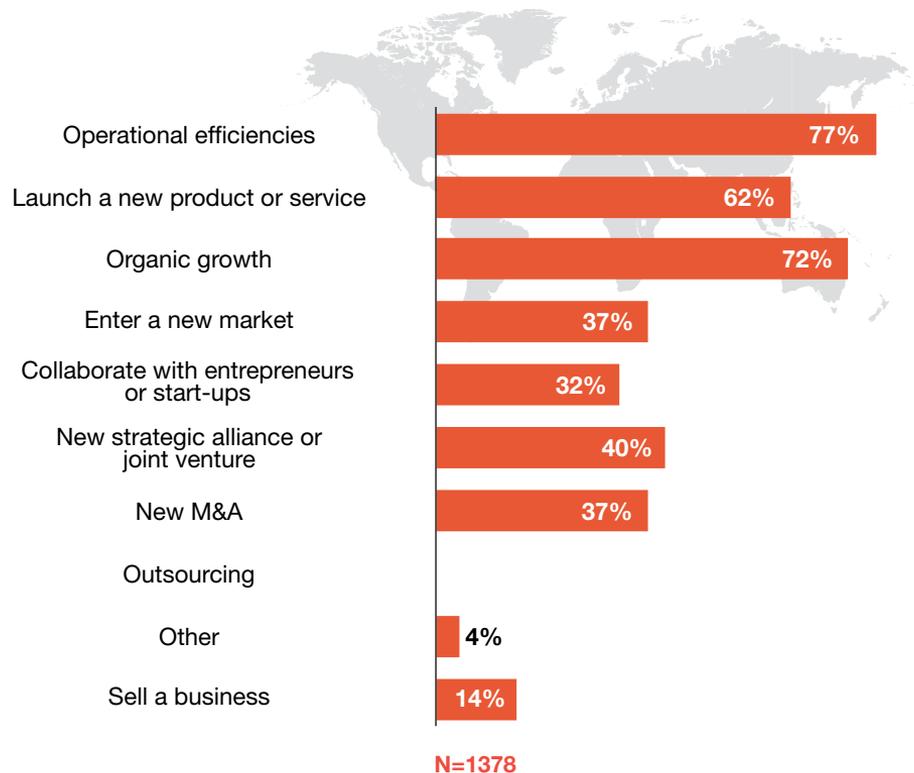
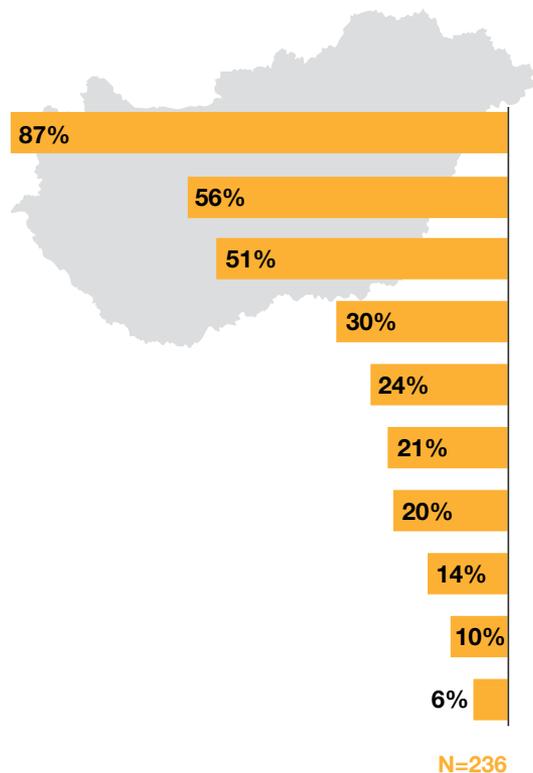
After cautious optimism, rising pessimism

The findings of our survey, conducted at the end of 2018, show that, both globally and in Hungary, CEOs are optimistic about their own organisations' revenue prospects, but their confidence has declined regarding global and local economic growth.



Why are CEOs confident about their own organisations' success?

While optimism regarding overall economic growth has dropped, CEOs' confidence in their own organisations' prospects for revenue growth has not declined: in 2019, nine out of ten CEOs in Hungary, and eight out of ten globally expressed confidence about their own organisations' revenue growth prospects. What is the source of this confidence?



Question: Which of the following activities, if any, are you planning in the next 12 months in order to drive revenue growth?

(respondents planning to carry out the activity in question, multiple selections were possible)

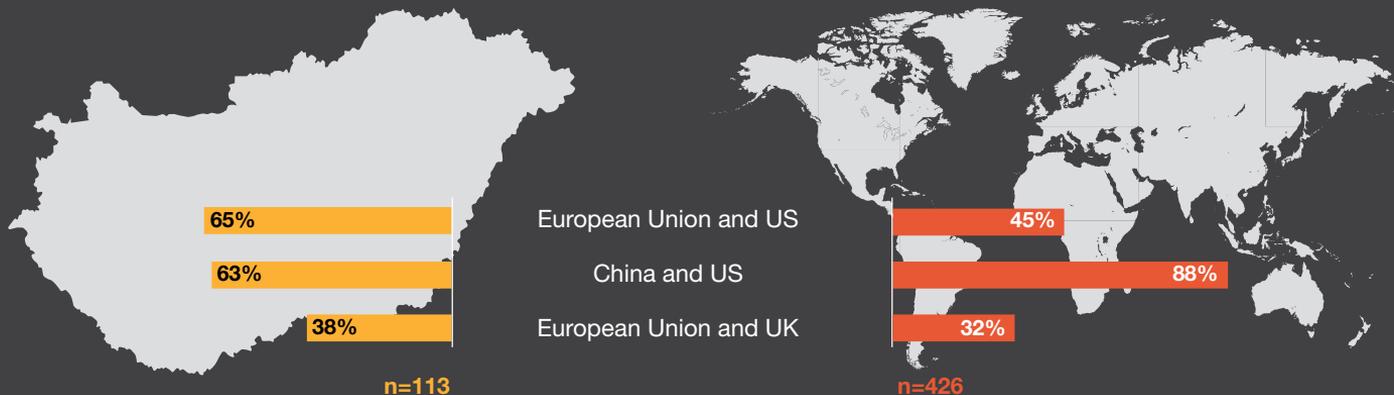
How do CEOs plan to pursue growth opportunities? Most are focusing on improving operational efficiencies, both globally and in Hungary. Organic growth is also on the agenda globally as well as in Hungary, supported by launching a new product or service. CEOs' confidence about their own organisations' performance appears to be based on process optimisation, innovation, and human capital expansion. It is unclear, however, whether these growth drivers will be available in 2019.

87%

of Hungarian CEOs interviewed plan to implement measures to improve operational efficiencies.



**Question: What specific 'trade conflicts' are you concerned about?
(chart shows percentage of respondents concerned about a given situation)**



Question: How are trade conflicts affecting your operating model and growth strategy?



(respondents who answered "agree")

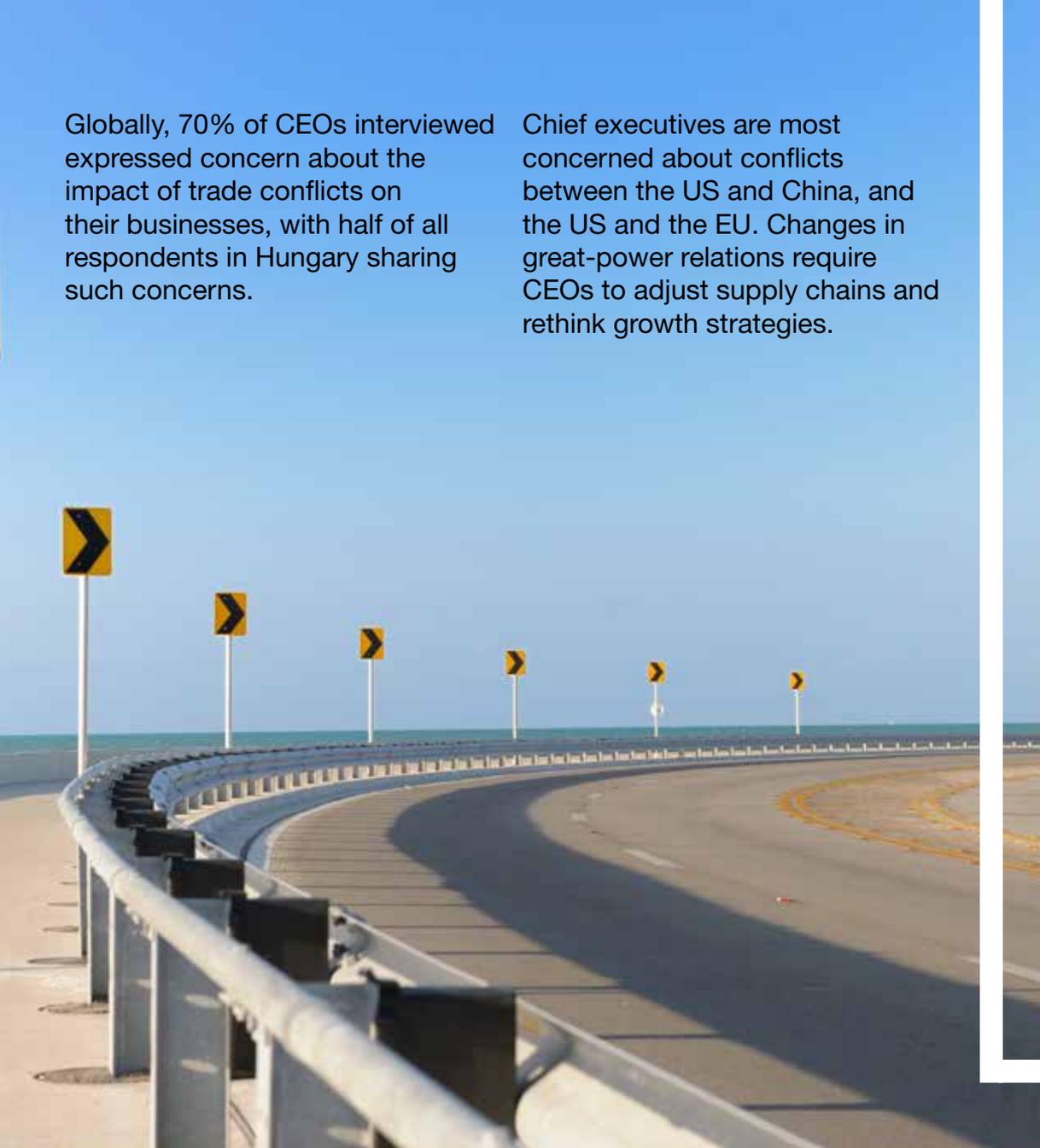
Globally, 70% of CEOs interviewed expressed concern about the impact of trade conflicts on their businesses, with half of all respondents in Hungary sharing such concerns.

Chief executives are most concerned about conflicts between the US and China, and the US and the EU. Changes in great-power relations require CEOs to adjust supply chains and rethink growth strategies.

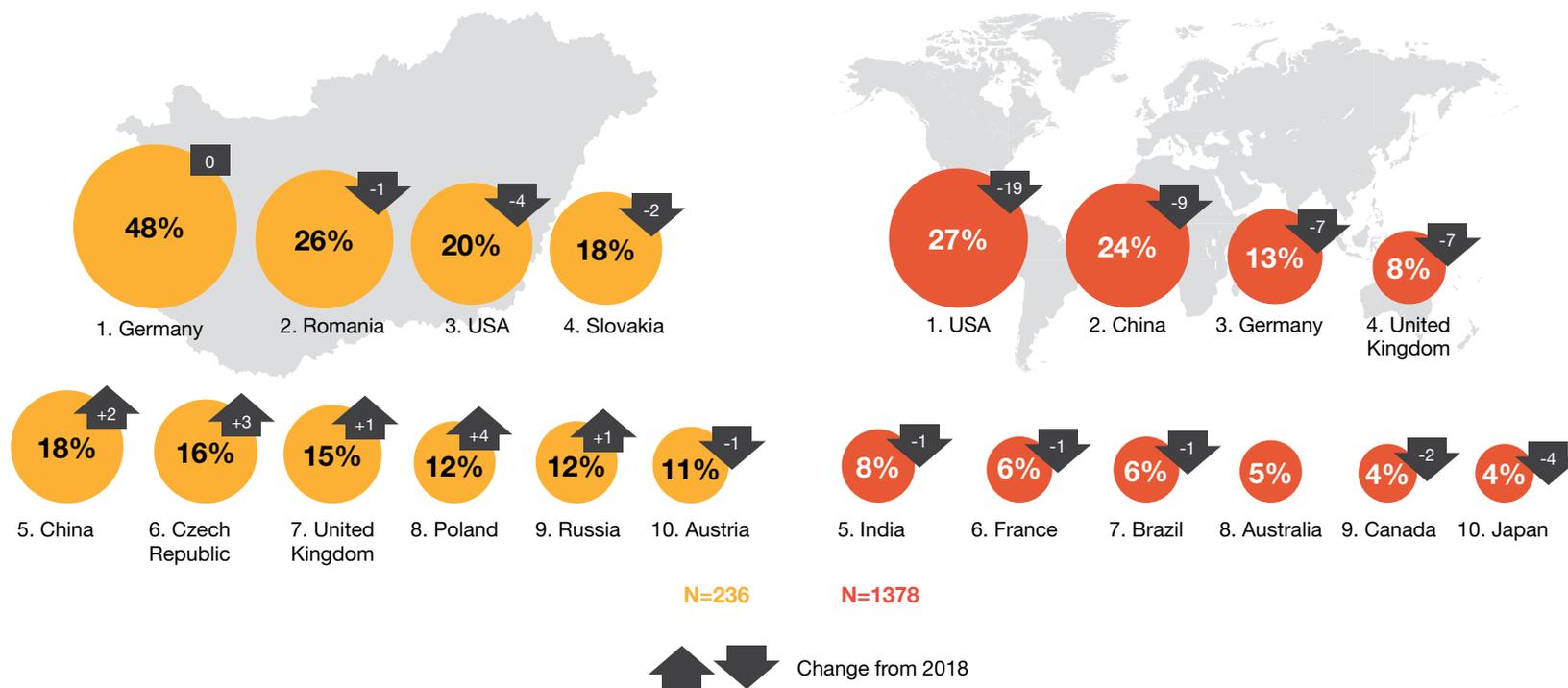
“CEOs’ views of the global economy mirror the major economic outlooks, which are adjusting their forecasts downward in 2019. With the rise of trade tension and protectionism it stands to reason that confidence is waning.”

BOB MORITZ,
GLOBAL CHAIRMAN, PWC

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Same growth markets, different ranking



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?

(respondents mentioning the countries in question)

The effect of trade conflicts is already being felt globally: the turn away from the US market and shift in Chinese investment to other countries being reactions to those conflicts. China's CEOs have diversified their markets for growth, with considerably fewer respondents selecting the US as a growth market than in 2018.

Some previously popular markets have dropped in ranking: last year more than 40% of CEOs interviewed globally selected the US as a key market for growth, and China was identified as an important foreign market by one-third of respondents. Germany and the United Kingdom have also slid down the rankings.

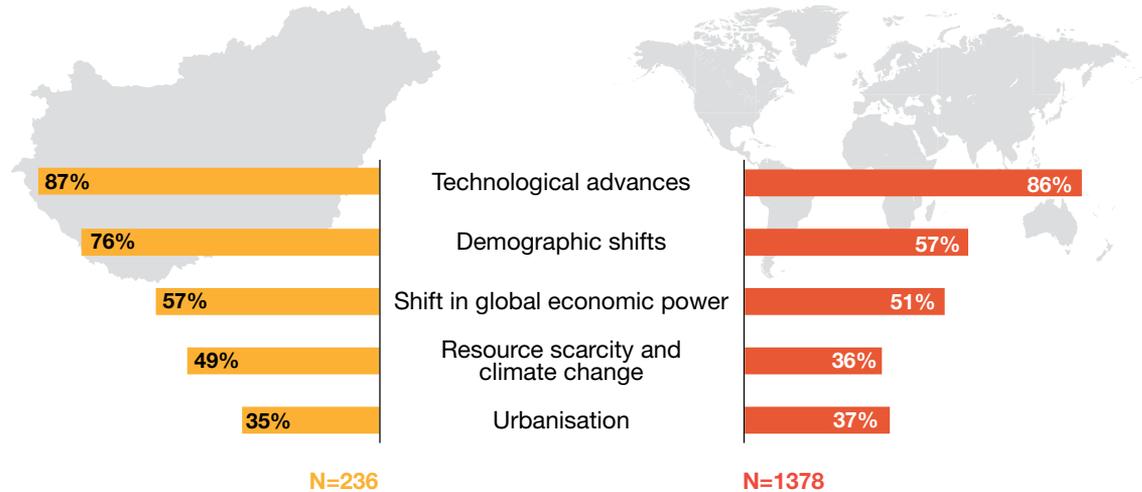
Changes regarding top markets for growth are not felt as strongly in Hungary: Germany, Romania, and the United States continue to top the list.



Trends (also) shaping the world of business

Undoubtedly, technological change is the top global trend affecting most businesses, specifically, nine out of ten. At the same time, it is now clear that, both globally and in Hungary, demographic changes are having a greater impact on businesses than shifts in economic power.

Technological changes reveal businesses' exposure to data, while demographic changes reveal their exposure to people.



Question: Please rank the top three global trends you believe have most affected your business over the past five years.

(chart shows respondents who ranked the trend among the 3 most important)

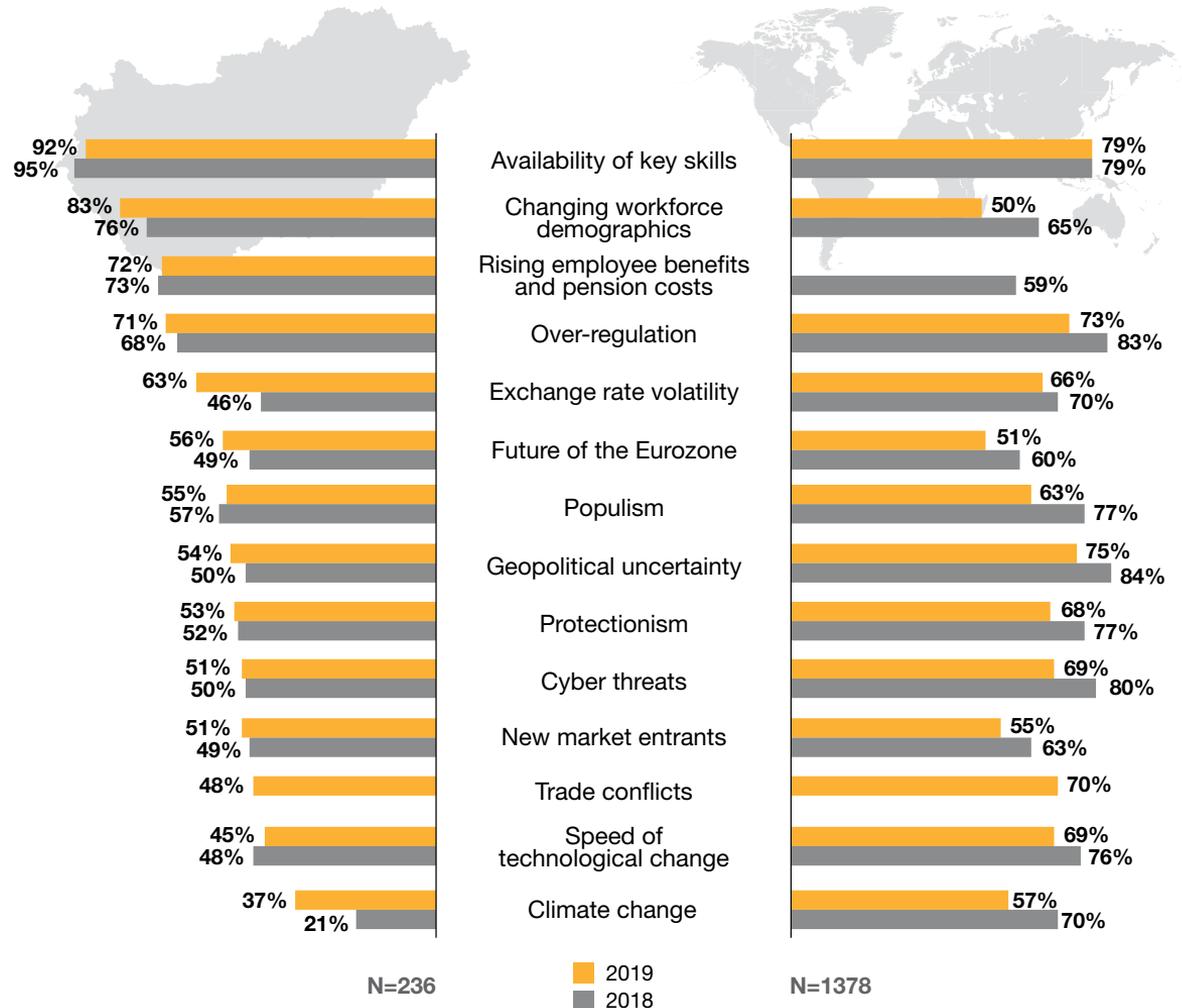


CEOs' top concerns

In addition to declining market opportunities, another critical barrier to growth is the skills gap, which affects companies' growth plans for 2019. When it comes to closing this gap, CEOs agree that there is no quick fix.

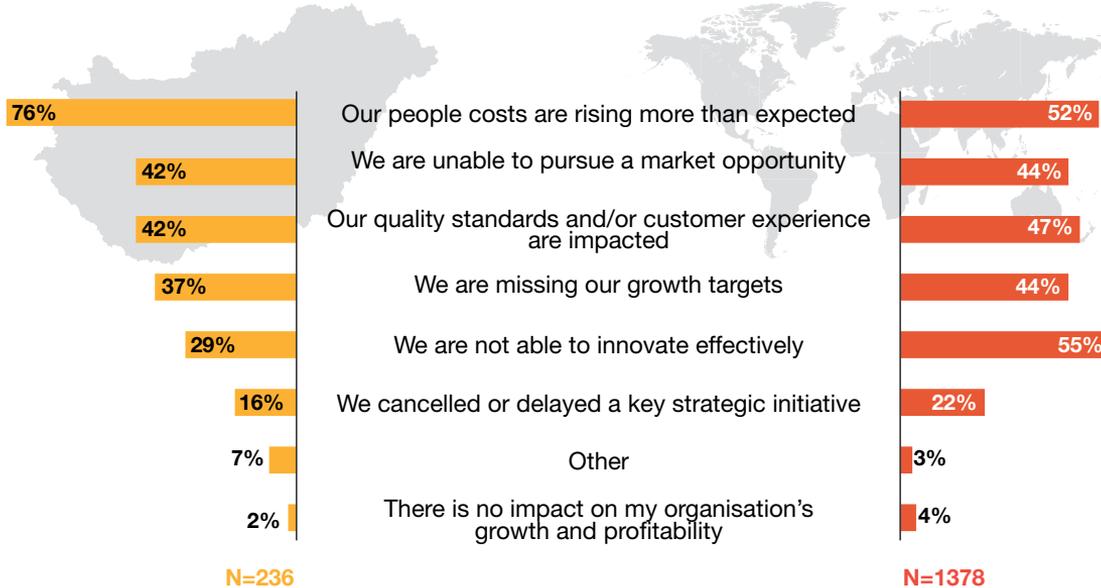
Second on the list of top concerns for Hungarian CEOs is changing workforce demographics (for example, the different preferences of Gen Y and Gen Z employees). They cited rising employee benefits as their third most pressing concern.

Question: How concerned are you about the following factors?



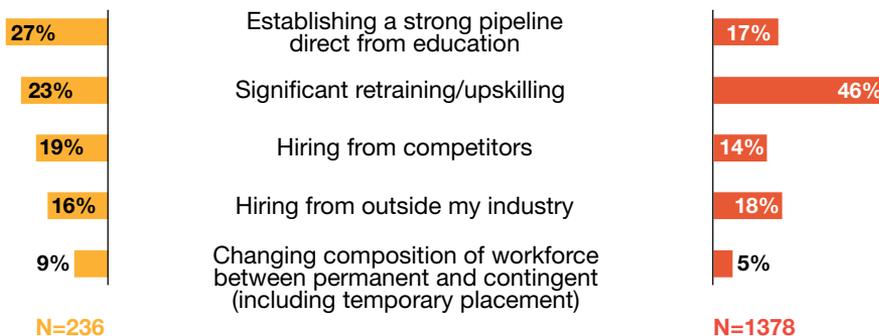
(respondents who are concerned about the factors in question)

Question: What impact is the skills shortage having on your company's growth plans?

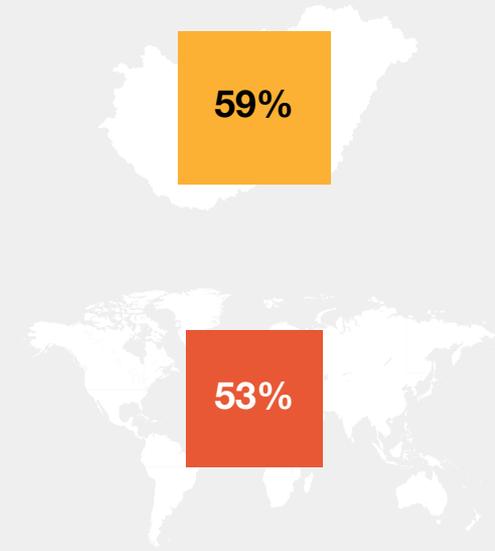


(respondents who selected the impact in question, multiple selections were possible)

Question: Which is the most important method to address the skills shortage?



Respondents planning to increase headcount



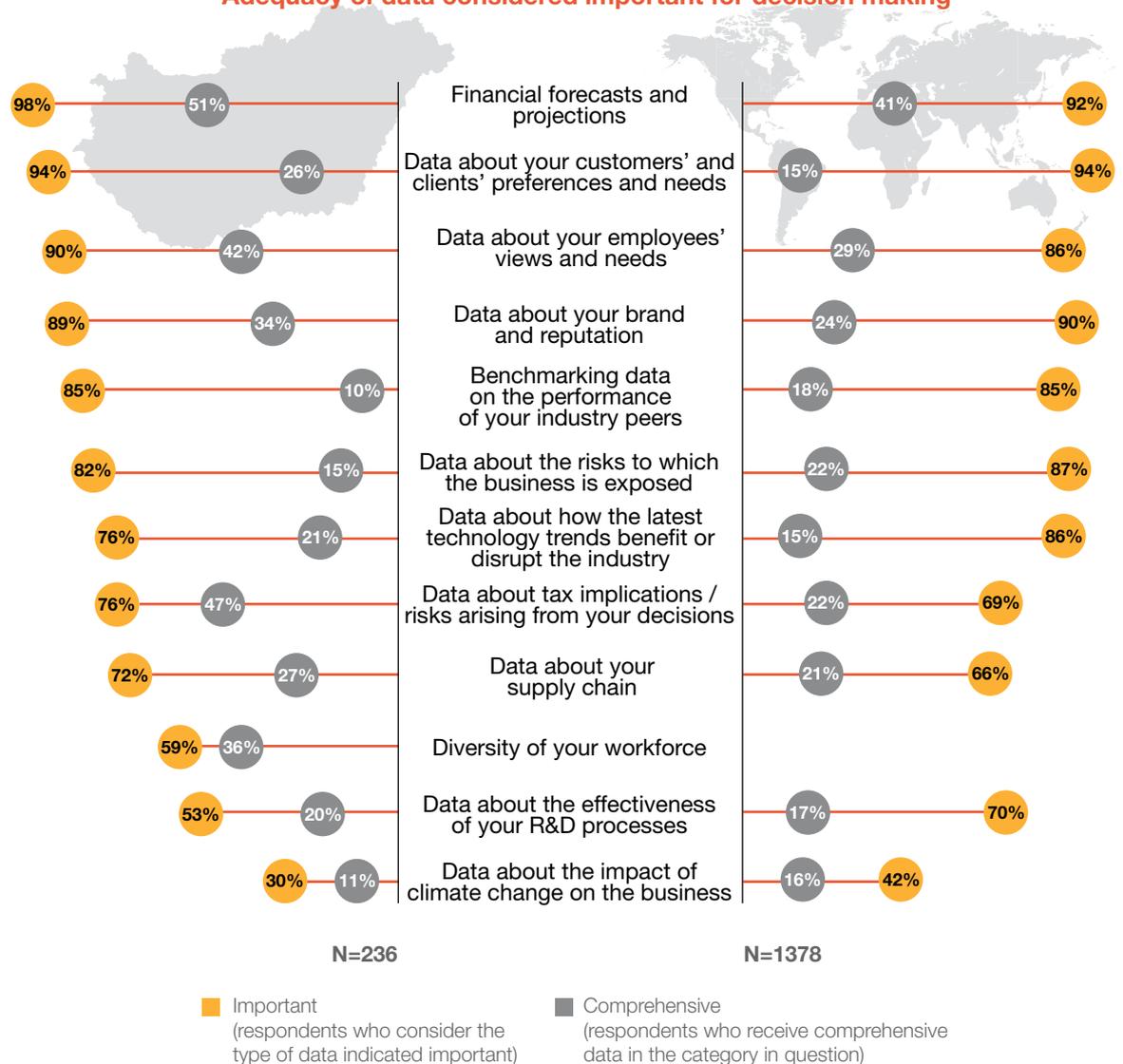
Forty-six percent of global CEOs see significant retraining and upskilling as the answer, with 17% also citing establishing a strong pipeline directly from education as an option. In Hungary, partly because the problem has persisted for many years, Hungarian CEOs are less inclined to believe in retraining as the only possible option, and they expect the educational system to create that pipeline.

Lingering information gap

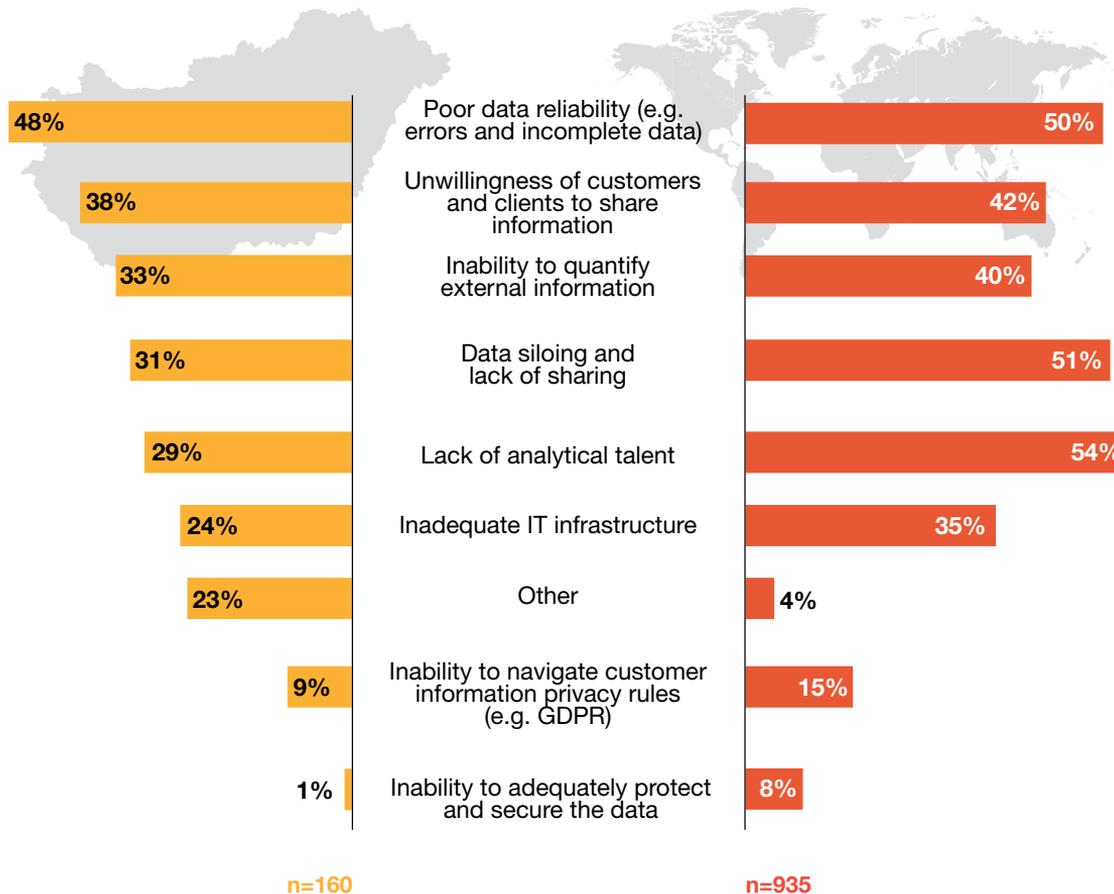
Leaders' expectations have certainly risen as technology advances, but CEOs are aware that their analytical capabilities have not kept pace with the volume of data which has expanded exponentially over the past decade.

Despite having made massive investments in IT infrastructure over this period of time, CEOs report that, except for financial data, they are not always receiving the comprehensive data needed to make key decisions about the long-term success and durability of their business. CEOs are especially dissatisfied with the availability of benchmarking data on the performance of industry peers and on their customers' and clients' preferences and needs.

Adequacy of data considered important for decision making

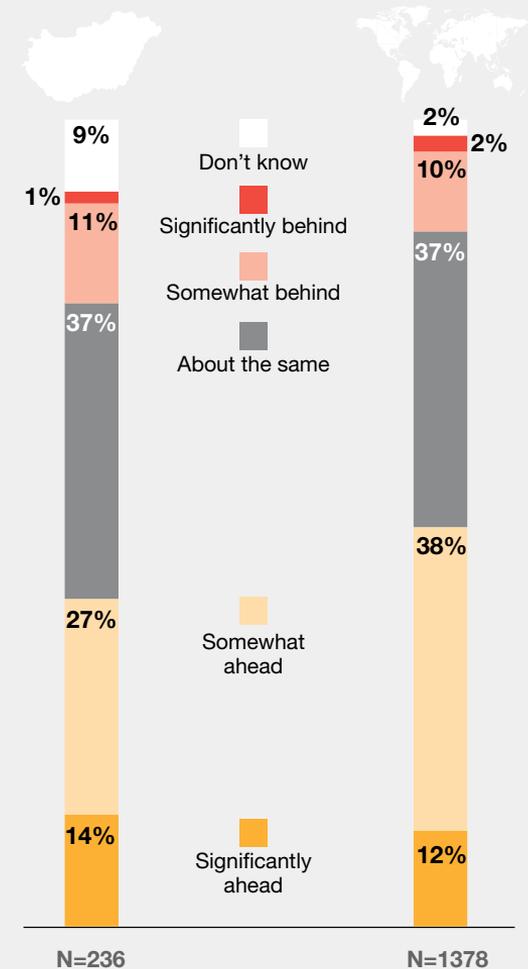


Reasons for the data gap

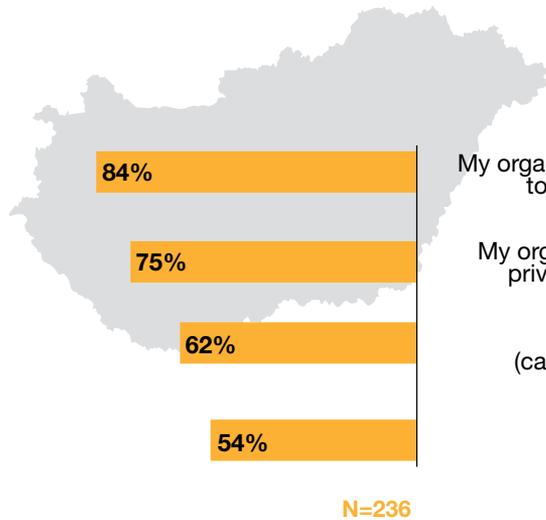


(of those who reported not receiving comprehensive data in a category, respondents who selected the reason in question)

Question: How would you assess your organisation's ability to make decisions based on data and analytics compared to competitors in your industry?



Data is important, but the data we receive is inadequate. How do companies safeguard their data?

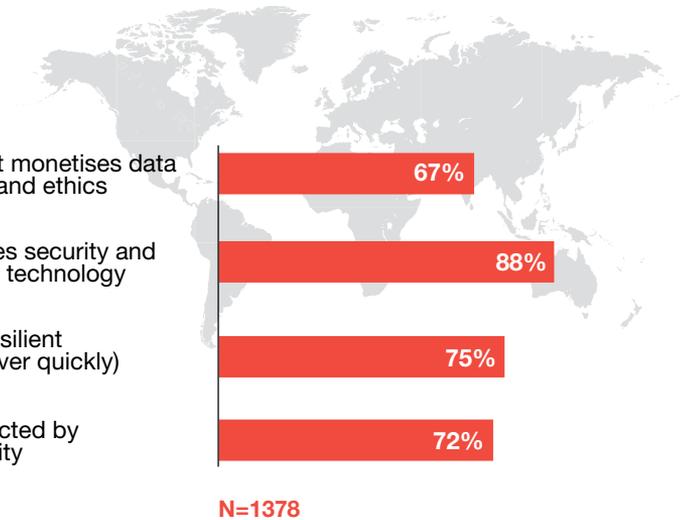


My organisation is adapting the way it monetises data to better address data privacy and ethics

My organisation proactively manages security and privacy risks when adopting new technology

My organisation is cyber resilient (can withstand attacks and recover quickly)

My organisation may be affected by geopolitical cyber activity



67%

88%

75%

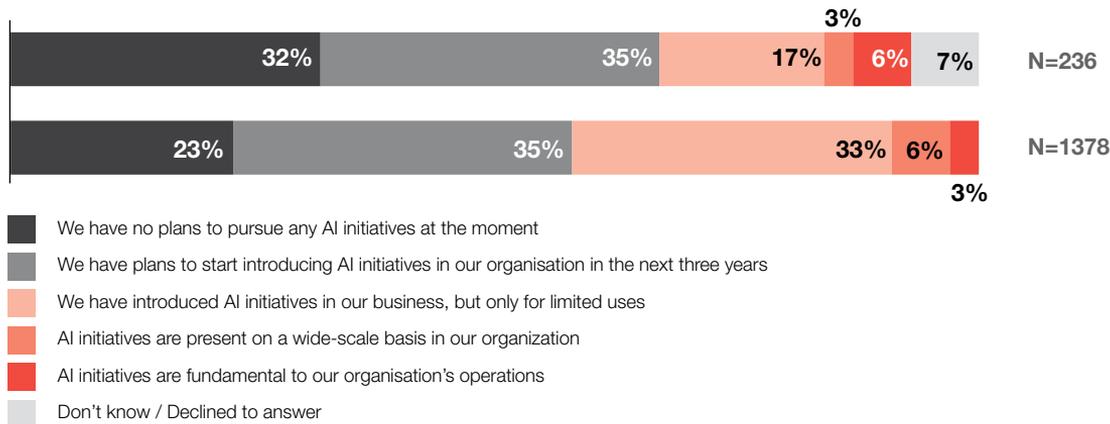
72%

(respondents who agree with the given statement)

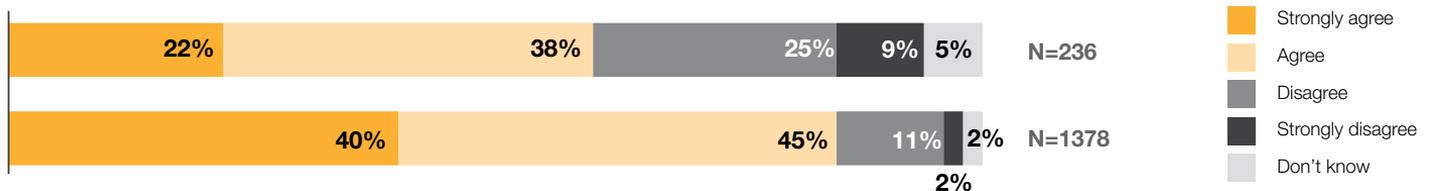


Is artificial intelligence (AI) the solution to the skills gap?

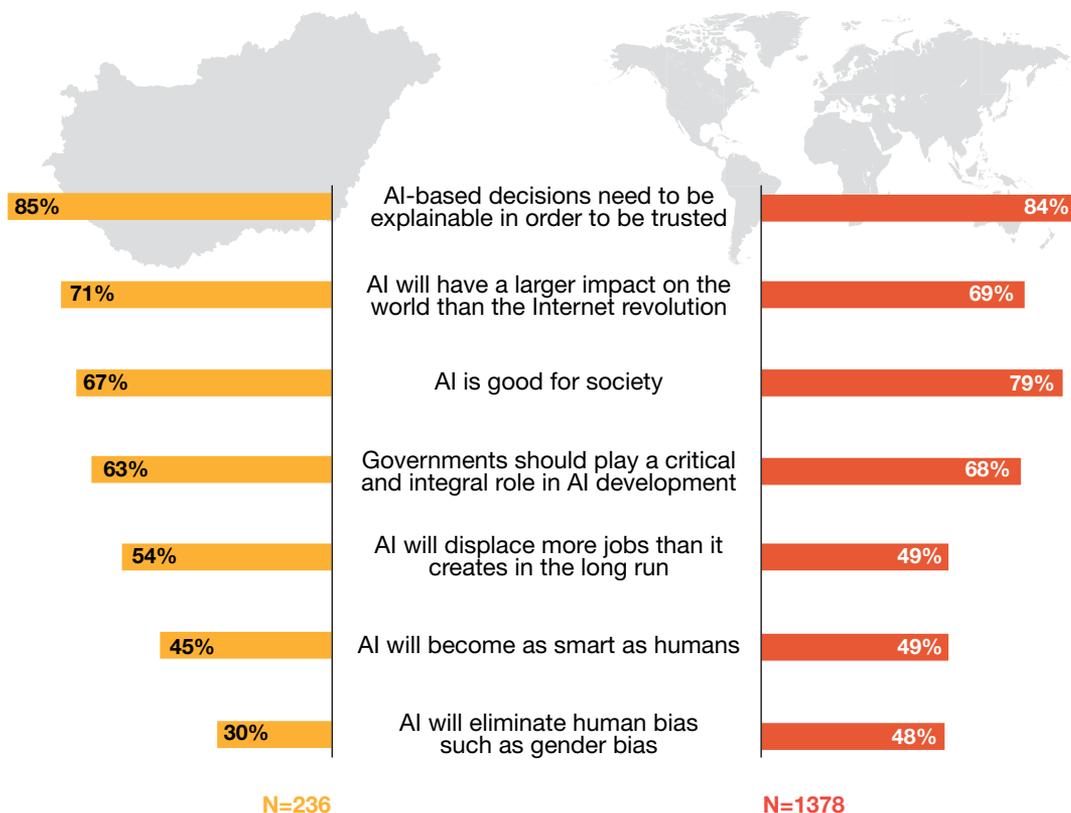
The majority of global and Hungarian CEOs agree that AI will dramatically change their business over the next five years. Despite the bullish view on AI, a certain percentage of CEOs have no current plans to pursue AI, with a further 35% planning to do so in the next three years.



Question: To what extent do you agree or disagree that artificial intelligence will significantly change the way you do business in the next five years?



Trust matters



(respondents who agree with the given statement.)

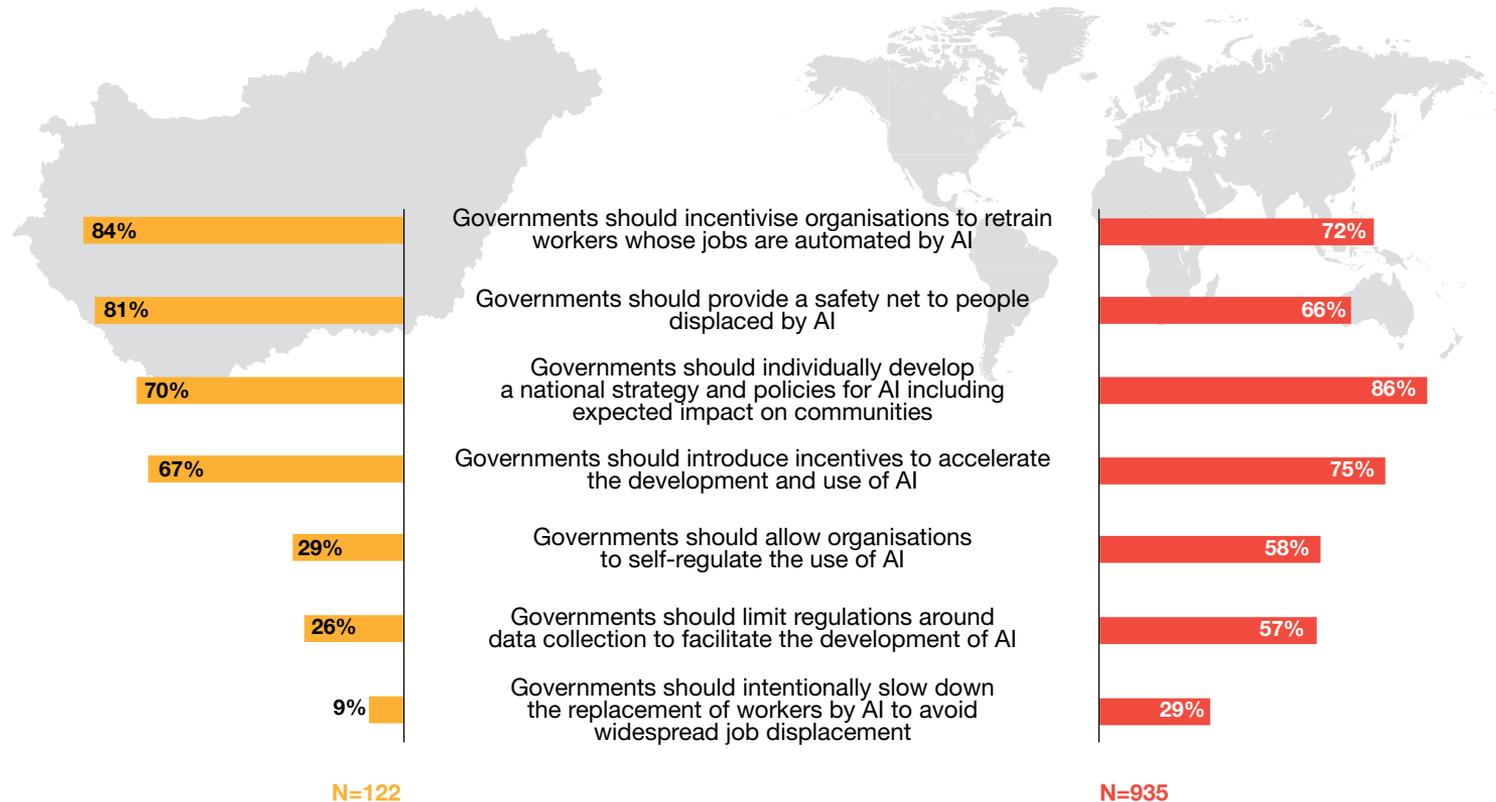
“We gleaned from our discussions with CEOs that they feel uneasy about AI. I don’t share that sentiment, but I do agree that AI-based decisions need to be transparent and explainable in order to be trusted.”

TAMÁS LŐCSEI,
COUNTRY MANAGING
PARTNER, PWC HUNGARY

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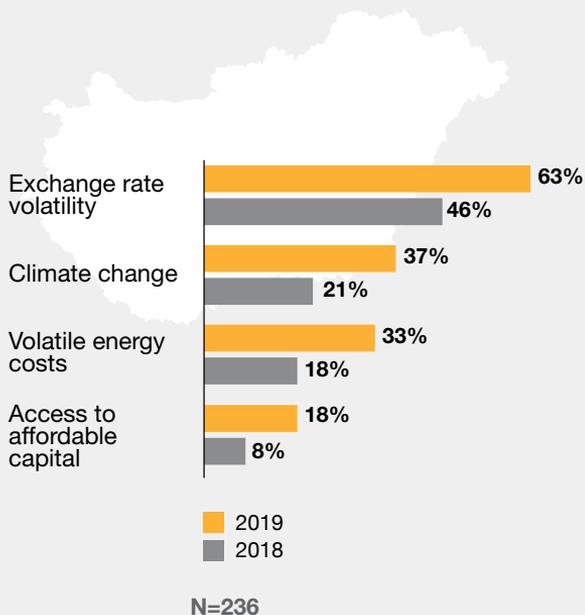
AI: the role of governments



(among CEOs who think that governments should play an integral role in AI development)

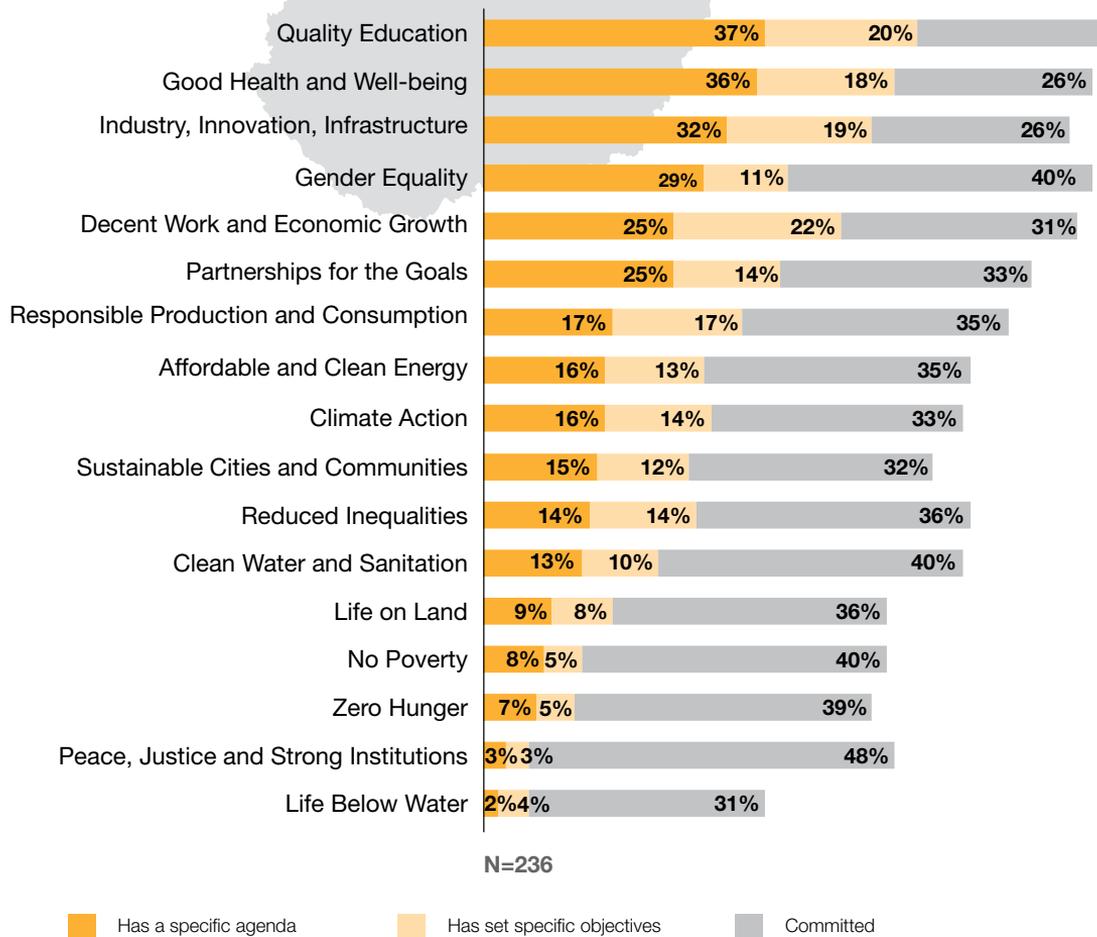
Concerns and actions

Although concern about climate change has significantly risen among Hungarian CEOs in the past year, this is not reflected in their sustainability objectives and programmes.



(respondents who are concerned about the factor in question)

To what extent is your company committed to achieve these goals?*



*Adopted in 2015, the Sustainable Development Goals (SDGs) encompass 17 goals, associated targets and indicators for success. They provide a roadmap to help organisations navigate the major environmental, social and economic challenges the world faces.



“Subdued growth, narrowing market opportunities, a skills gap, and distrust in the latest technologies. This is what we see now. However, there is also strong internal focus on creating the workplace of the future and developing efficient processes and innovative solutions – this is what we are working on with our clients in 2019.”

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TAMÁS LŐCSEI,
COUNTRY MANAGING PARTNER, PWC HUNGARY

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