

A vision for growth

Business outlook survey

Romania 2015



EY

Building a better
working world

What is “A vision for growth”?

“A vision for growth” is a survey that explores the perceptions of top executives from major companies operating in Romania regarding the business outlook for 2015.

This EY report is based on an online survey of 202 C-suite level executives from companies in various sectors, who provided a perspective on how the domestic business environment is perceived at the beginning of 2015.

48% of respondents foresee a significant growth of +10 to +31% for their company’s turnover in 2015 compared with only 28% in 2014, while 26% expect a growth rate of +5 to +10% in 2015, compared with 30% at the beginning of last year.

The forecasts regarding the evolution of the profit at the beginning of 2015 are rather similar with those recorded at the beginning of 2014. 25% of the respondents expect the profit growth rate of their company to range between +5 to +10% in 2015 compared with 21% in 2014, and a slightly higher percentage of 34% in 2015 vs. 33% in 2014 expect the profit of their company to grow between +10 to +31%.

23% of respondents say they have earmarked growth rates for their investments of 5% to 10% in 2015, followed by 19% who say they will increase investments by 10% to 20% in 2015, and 17% who foresee their investments to go up from 20% to +31% in the next 12 months.

Only 19% of respondents expect no increase in the employees number in 2015, down from 37% in early 2014. The good news is that at the beginning of 2015, 21% of respondents say they expect the number of employees in their company to grow between +10% to +31%, compared to only 14% in 2014.

At the beginning of 2015, 6% of respondents say salaries in their companies are expected to go up between 10% to 20%, compared to 2% in 2014. Another important difference is in the bracket “5% to 10%”, which has gone up from 19% in 2014 to 30% in 2015. Most importantly, over the past 3 editions of the survey, there has been a constant decrease in the number of respondents who foresaw no salary increase in their company for that year: from 42% in 2013, to 19% in 2014, and to 10% in 2015.

5 main findings

The EY logo is positioned in the top left corner. It consists of the letters 'EY' in a bold, white, sans-serif font. Above the 'Y' is a yellow triangle pointing to the right. The background of the entire page is a blurred image of four cyclists in red and blue gear racing on a track, moving from the bottom left towards the top right.

Building a better
working world

A vision for growth

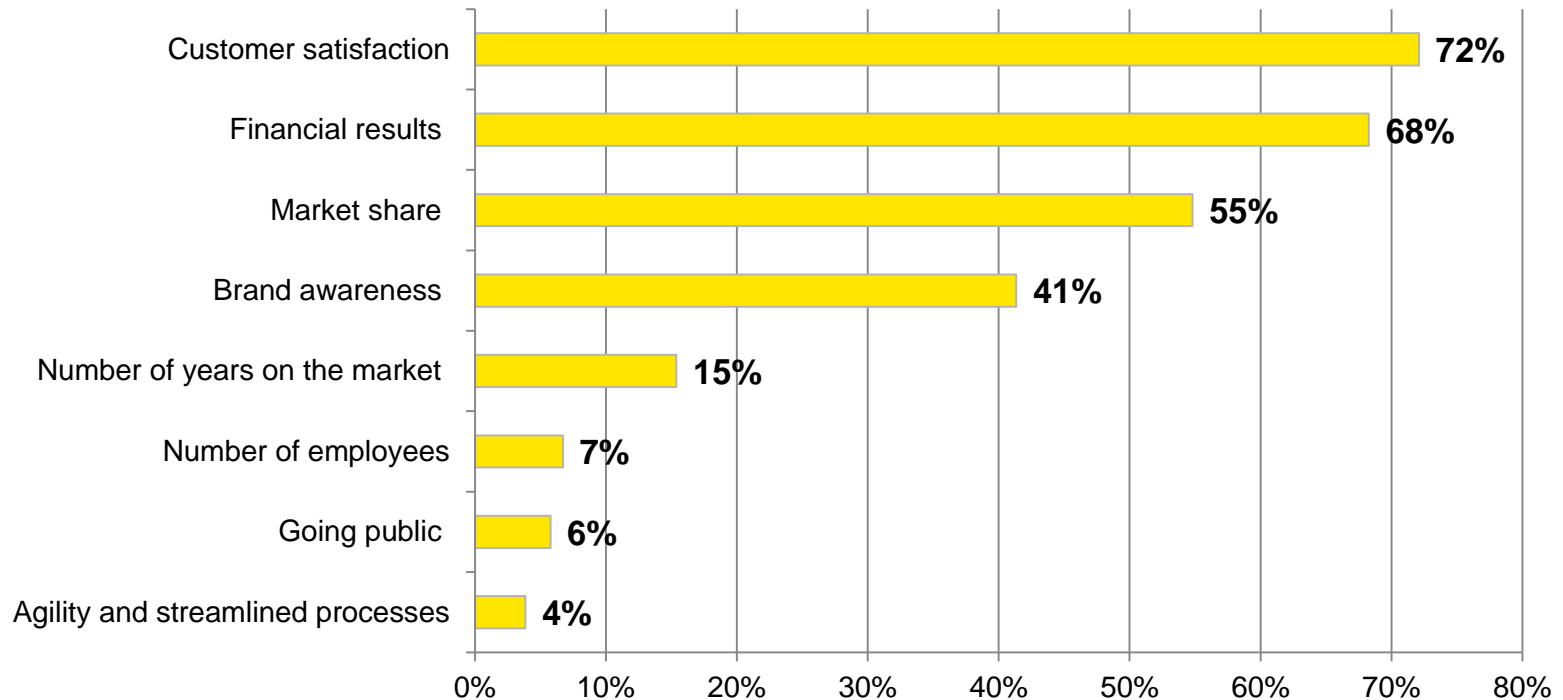
Business outlook survey
Romania 2015

“ Our survey reflects the increased focus companies have on sustainable growth in a business environment which brings both challenges and opportunities. ”

Bogdan Ion, Managing Partner, EY Romania

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

Question 1



Total Respondents: 186
(Skipped this question: 16)

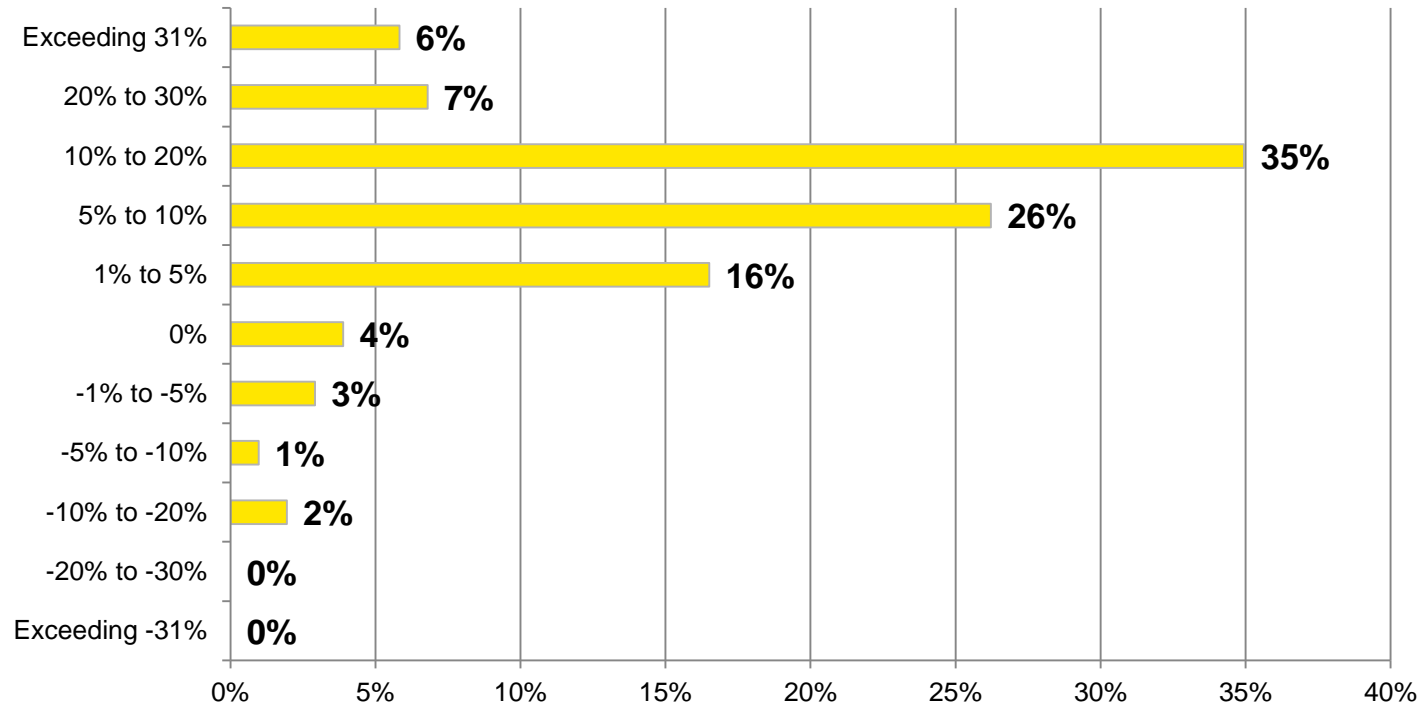


In 2015 companies measure their success by a combination of customer satisfaction, financial results and market share. Compared to 2014 edition, in the current edition all top three criteria decrease in percentages: “financial results” goes down from 96% to 68%, “customer satisfaction” decreases from 78% to 72%, and “market share” decreases from 63% to 55%. Most notably, “customer satisfaction” exchange places with financial results and is now topping up the ranking.

How much do you expect your turnover to grow in 2015?

(one answer)

Question 2



Total Respondents: 184
(Skipped this question: 18)



48% of respondents foresee a significant growth of +10 to +31% for their company's turnover in 2015 compared with 28% in 2014, while 26% expect a growth rate of +5 to +10% in 2015, compared with 30% at the beginning of last year.

How much do you expect your turnover to grow in 2015?

(one answer)

Question 2(a) – By industry sector

Industry Sector	-10 to -20%	-5 to -10%	-1% to -5%	0%	+1% to +5%	+5 to +10%	+10 to +20%	+20 to +30%	Over 31%
Industry / Manufacturing	5%				21%	32%	37%	5%	
Services	4%		4%	4%	13%	17%	38%	17%	4%
Construction / Real Estate		9%			28%	18%	18%	9%	18%
Power & Energy			10%	20%	30%	30%	10%		
Information Technology (IT)					20%	30%	40%		10%
Retail & Wholesale Trade					20%	30%	30%	10%	10%
Food & Beverages / Agriculture			20%			20%	60%		
Transportation						60%	40%		
Pharmaceuticals / Healthcare							75%		25%
Telecom						50%	50%		



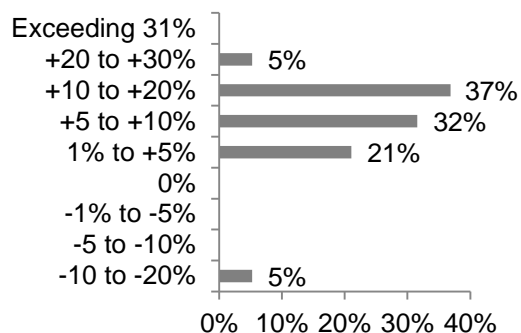
In 2015, the following industries foresee growth rates exceeding 31%: pharmaceutical / healthcare (25%), construction / real estate (18%), followed by information technology, and manufacturing industry (10% each).

How much do you expect your turnover to grow in 2015?

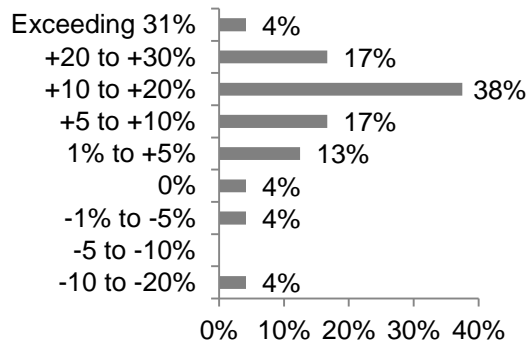
(one answer)

Question 2(a) – By industry sector

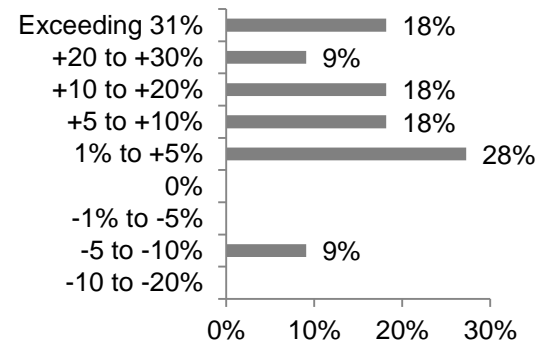
Industry / Manufacturing



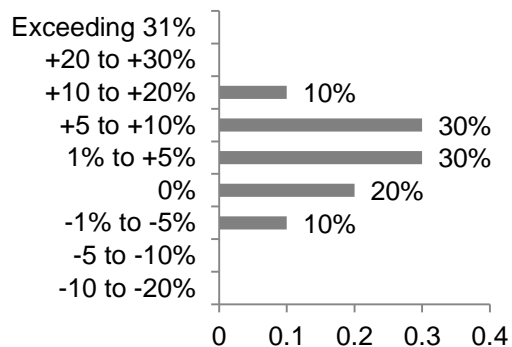
Services



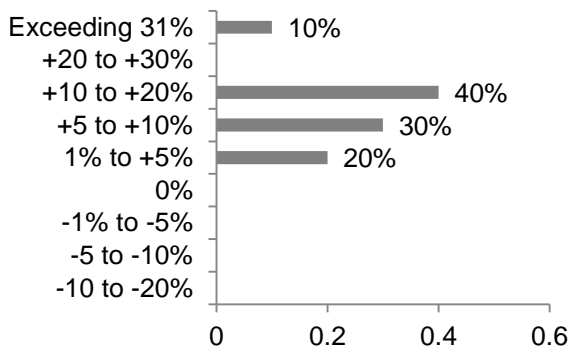
Construction / Real Estate



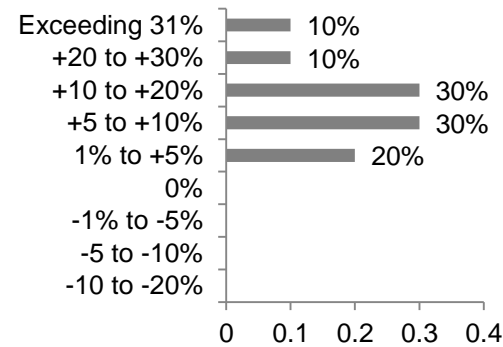
Power & Energy



Information Technology (IT)



Retail & Wholesale Trade

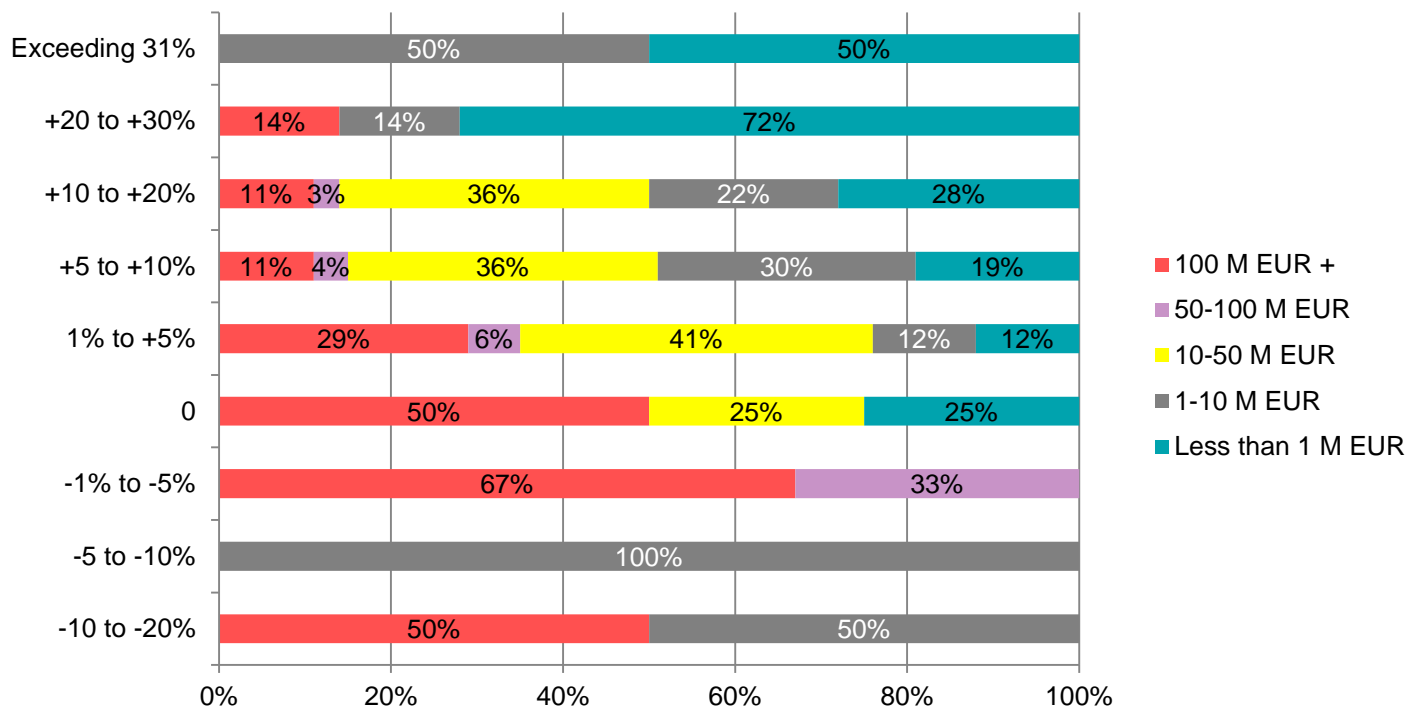


These are the industry sectors which received the largest number of answers per industry. Therefore, we show the distribution of answers by these six industries for the questions which regard expected evolution of turnover, profit, investments, number of employees, salary level for 2015.

How much do you expect your turnover to grow in 2015?

(one answer)

Question 2(b) – By revenue level



Total Respondents: 184
(Skipped this question: 18)

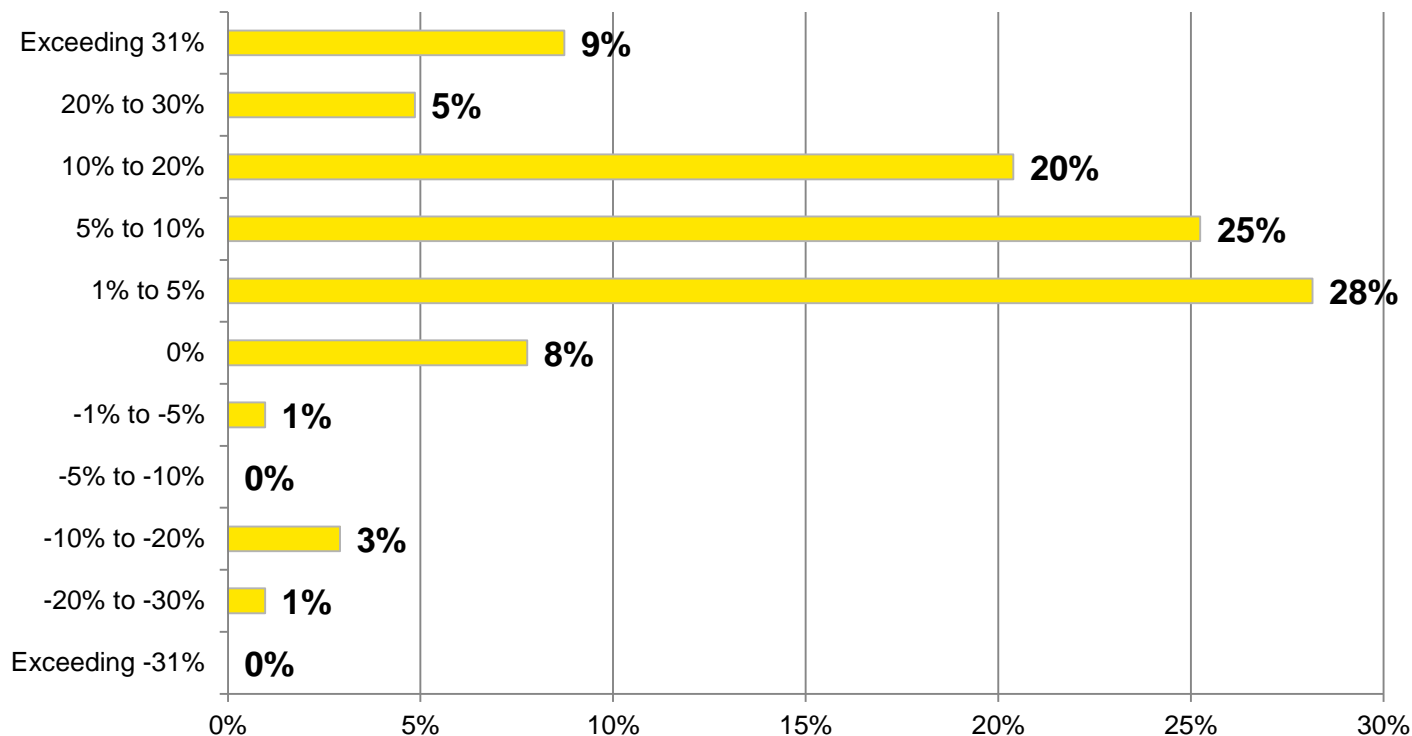


The companies which have revenue levels exceeding 100 M EUR (for 2014) appear to be more pessimistic regarding the evolution of their turnover in 2015, while the companies with revenue level of less than 1 M EUR are more optimistic expecting their turnover to grow with percentages from +10% to +31%.

How much do you expect your profit to grow in 2015?

(one answer)

Question 3



Total Respondents: 184
(Skipped this question: 18)



The forecasts regarding the evolution of the profit at the beginning of 2015 are rather similar with those recorded at the beginning of 2014. 25% of the respondents expect the profit growth rate of their company to range between +5 to +10% in 2015 compared with 21% in 2014, and a slightly higher percentage of 34% in 2015 vs. 33% in 2014 expect the profit of their company to grow between +10 to +31%.

How much do you expect your profit to grow in 2015? (one answer)

Question 3(a) – By industry sector

Industry Sector	-10 to -20%	-5 to -10%	-1% to -5%	0%	+1% to +5%	+5 to +10%	+10 to +20%	+20 to +30%	Over 31%
Industry / Manufacturing		11%		5%	37%	21%	11%	5%	11%
Services			4%	17%	17%	21%	21%	17%	4%
Construction / Real Estate				9%	37%	9%	18%		27%
Power & Energy		10%			40%	50%			
Information Technology (IT)	10%				30%	30%	30%		
Retail & Wholesale Trade					20%	20%	40%		20%
Food & Beverages / Agriculture				20%	40%		20%		20%
Transportation					40%	40%	20%		
Pharmaceuticals / Healthcare					25%	25%	50%		
Telecom						50%	25%		25%



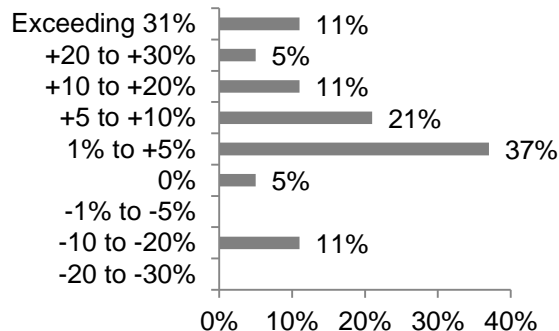
Surprisingly, 10% of respondents from the information technology industry foresee a significant decrease of -10% to -20% for their company's profit in 2015, while 11% of the respondents from the manufacturing industry and 10% from the power & energy industry expect a profit decrease of -5 to -10%.

How much do you expect your profit to grow in 2015?

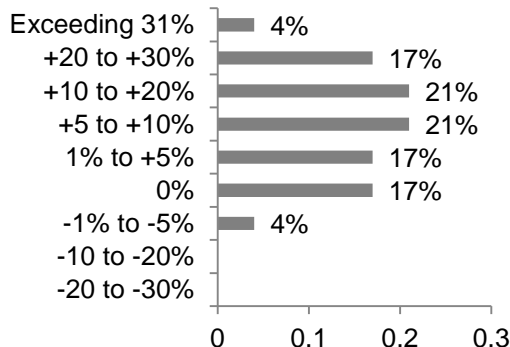
(one answer)

Question 3(a) – By industry sector

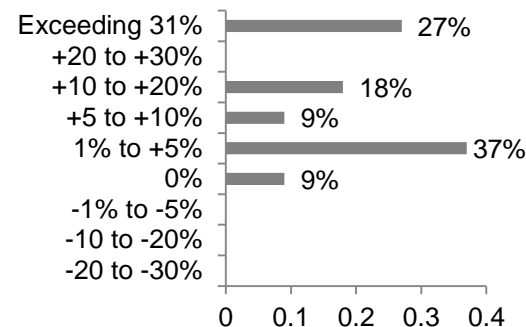
Industry / Manufacturing



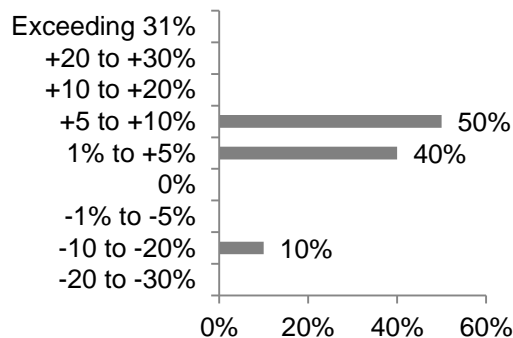
Services



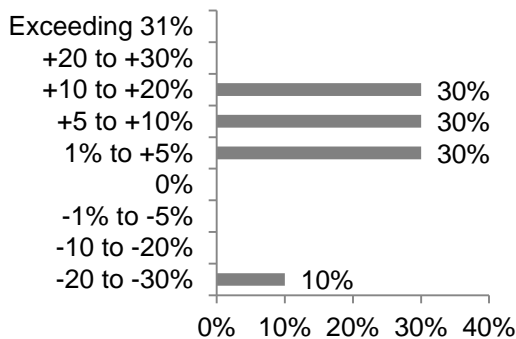
Construction / Real Estate



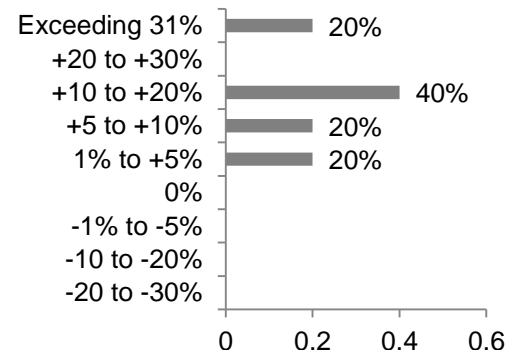
Power & Energy



Information Technology (IT)



Retail & Wholesale Trade



These are the industry sectors which received the largest number of answers per industry. Therefore, we show the distribution of answers by these six industries for the questions which regard expected evolution of turnover, profit, investments, number of employees, salary level for 2015.

How much do you expect your profit to grow in 2015?

(one answer)

Question 3(b) – By revenue level



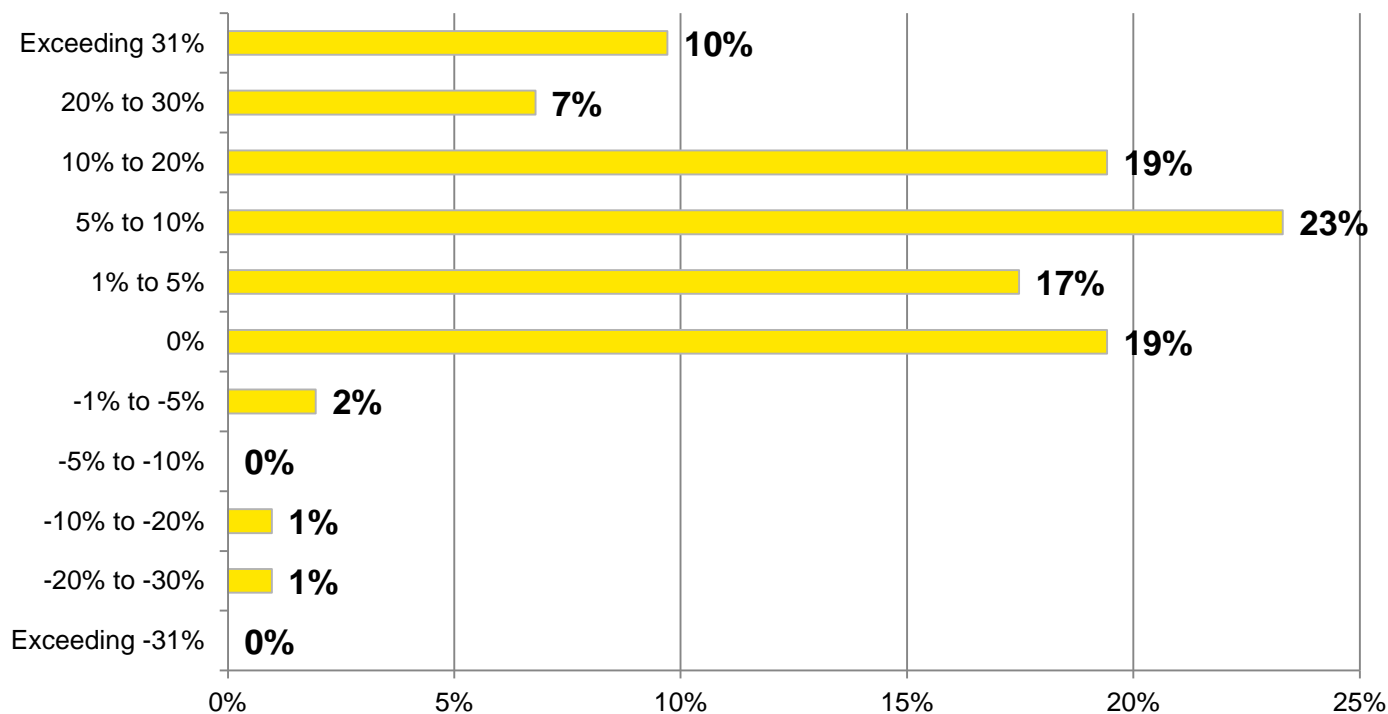
Total Respondents: 184
(Skipped this question: 18)



Companies with revenue levels exceeding 100 M EUR are again on the reserved side regarding the envisaged profit growth rates for 2015, but the companies with revenue levels between 10-50 M EUR see the year 2015 as having more favorable prospects for the growth of their profit in the following 12 months.

How much do you expect your investments to grow in 2015? (one answer)

Question 4



Total Respondents: 184
(Skipped this question: 18)



23% of respondents say they have earmarked growth rates for their investments of 5% to 10% in 2015, followed by 19% who say they will increase investments by 10% to 20% in 2015, and 17% who foresee their investments to go up with growth rates between 20% to +31% in the next 12 months.

How much do you expect your investments to grow in 2015?

(one answer)

Question 4(a) – By industry sector

Industry Sector	-10 to -20%	-5 to -10%	-1% to -5%	0%	+1% to +5%	+5 to +10%	+10 to +20%	+20 to +30%	Over 31%
Industry / Manufacturing		6%	6%	13%	13%	25%	15%	13%	9%
Services				10%	33%	24%	14%	10%	10%
Construction / Real Estate					22%	33%	23%	11%	11%
Power & Energy	11%		11%	12%	11%	33%	22%		
Information Technology (IT)					20%	20%	30%	10%	20%
Retail & Wholesale Trade				25%	25%	50%			
Food & Beverages / Agriculture					20%	20%	20%		40%
Transportation				25%	25%	25%	25%		
Pharmaceuticals / Healthcare						50%	25%	25%	
Telecom							67%		33%



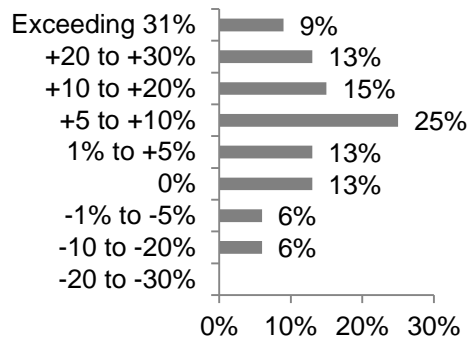
The table shows that there are many industries which have earmarked significant investment growth rates for 2015. Moreover, there are industries such as manufacturing, services, constructions / real estate, IT, food & beverages / agriculture, telecom which say their investments for 2015 will go up by more than 31%.

How much do you expect your investments to grow in 2015?

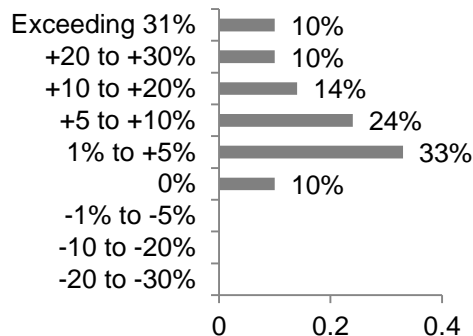
(one answer)

Question 4(a) – By industry sector

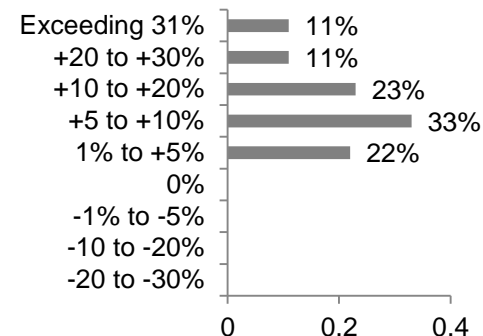
Industry / Manufacturing



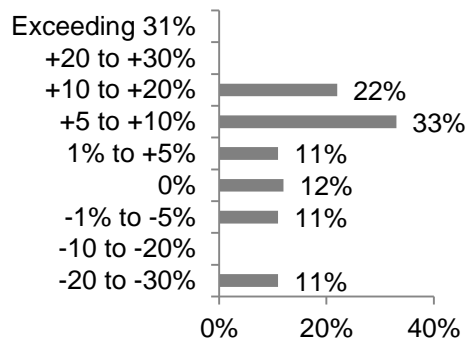
Services



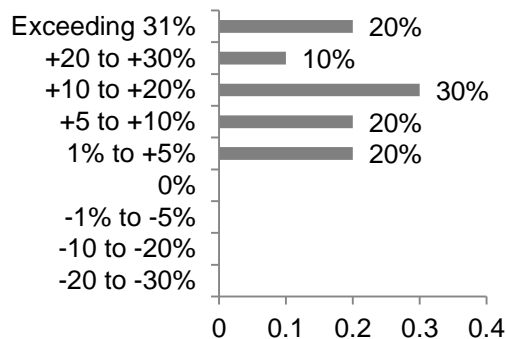
Construction / Real Estate



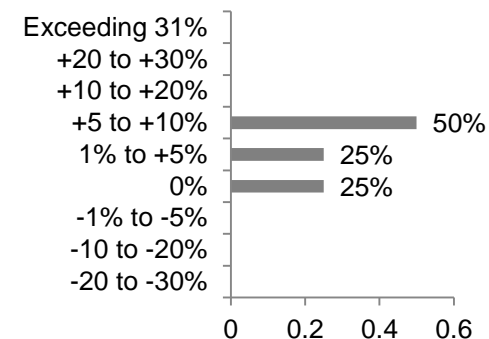
Power & Energy



Information Technology (IT)



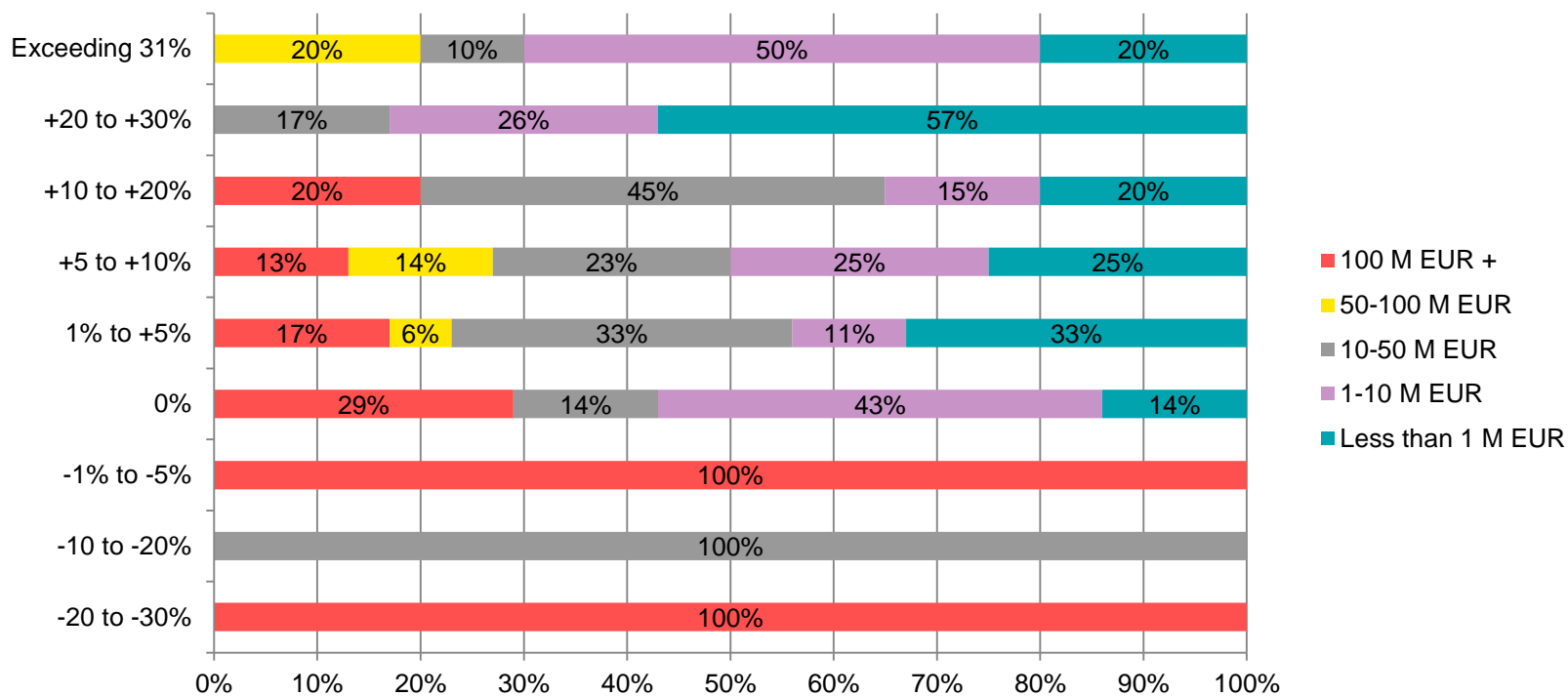
Retail & Wholesale Trade



These are the industry sectors which received the largest number of answers per industry. Therefore, we show the distribution of answers by these six industries for the questions which regard expected evolution of turnover, profit, investments, number of employees, salary level for 2015.

How much do you expect your investments to grow in 2015? (one answer)

Question 4(b) – By revenue level



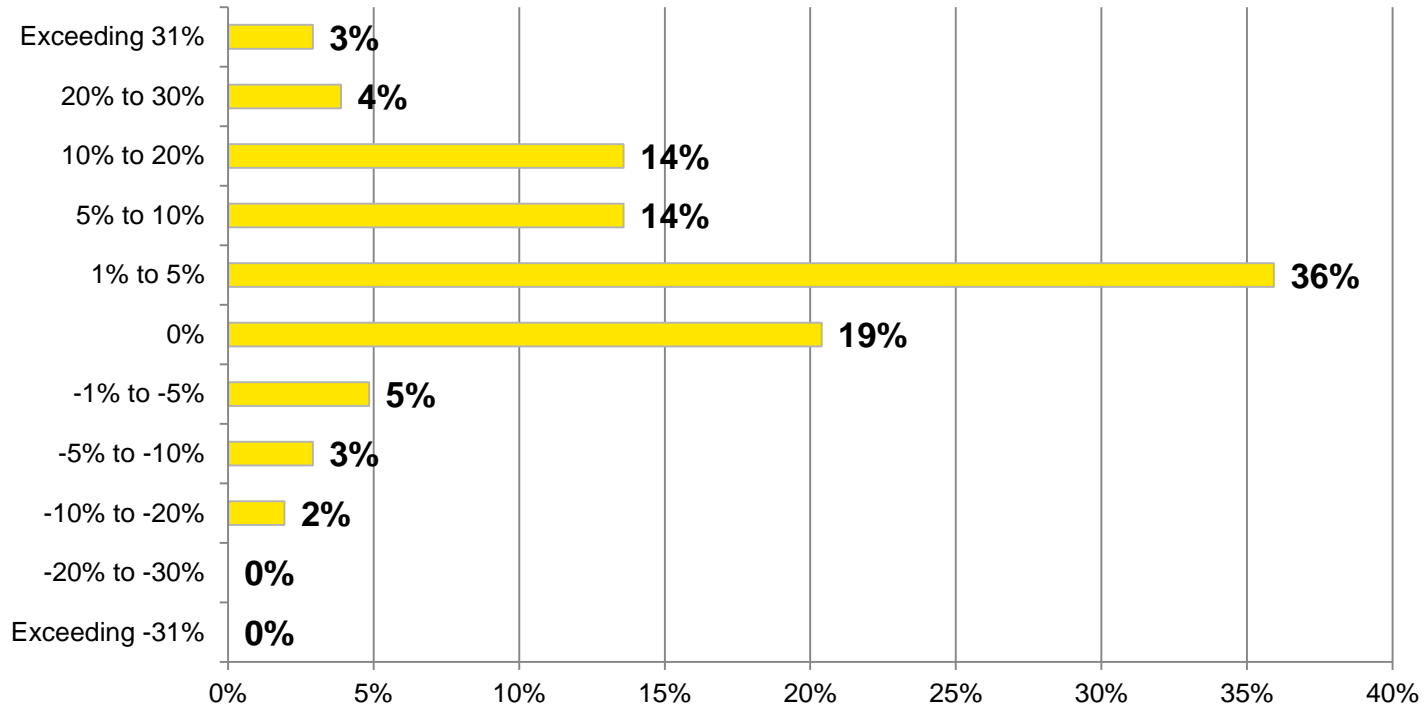
Total Respondents: 184
(Skipped this question: 18)



According to the survey findings, respondents from companies with revenue levels exceeding 100 M EUR expect the investments of their companies rather to go down in 2015, while respondent from the companies with revenue levels of 1-10 M EUR and those with less than 1 M EUR expect a positive evolution of their investments, with growth rates from 1% to +31%.

How much do you expect your number of employees to grow in 2015? (one answer)

Question 5



Total Respondents: 184
(Skipped this question: 18)



Only 19% of respondents expect no increase in the employees number in 2015, down from 37% in early 2014. The good news is that at the beginning of 2015, 21% of respondents say they expect the number of employees in their company to grow between +10% to +31%, compared to only 14% in 2014.

How much do you expect the number of employees to grow in 2015? (one answer)

Question 5(a) – By industry sector

Industry Sector	-10 to -20%	-5 to -10%	-1% to -5%	0%	+1% to +5%	+5 to +10%	+10 to +20%	+20 to +30%	Over 31%
Industry / Manufacturing	6%		11%	6%	33%	22%	22%		
Services		11%		11%	26%	26%	21%	5%	
Construction / Real Estate	11%			11%	33%	11%		11%	22%
Power & Energy			22%	44%	22%		11%		
Information Technology (IT)					22%	33%	22%	11%	11%
Retail & Wholesale Trade					75%		25%		
Food & Beverages / Agriculture		25%	25%		50%				
Transportation					100%				
Pharmaceuticals / Healthcare					75%	25%			
Telecom					67%		33%		

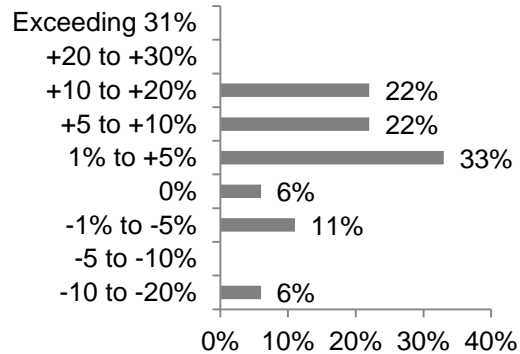


There are two industries that expect major increases in the number of employees in 2015, namely construction / real estate and information technology. However, all the industries foresee an increase in the number of employees of +1% to +5%, this being the bracket where transportation, retail & wholesale, and pharmaceuticals / healthcare industry sectors show the highest percentages.

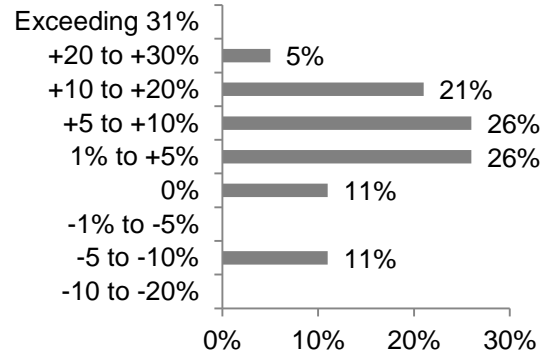
How much do you expect your number of employees to grow in 2015? (one answer)

Question 5(a) – By industry sector

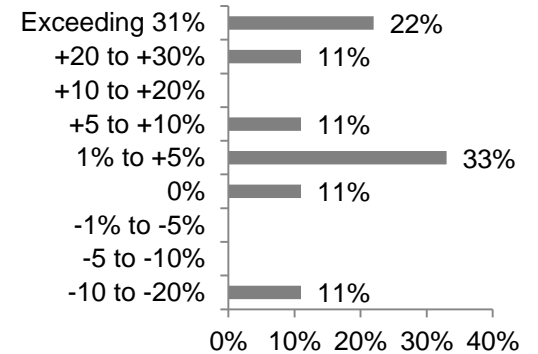
Industry / Manufacturing



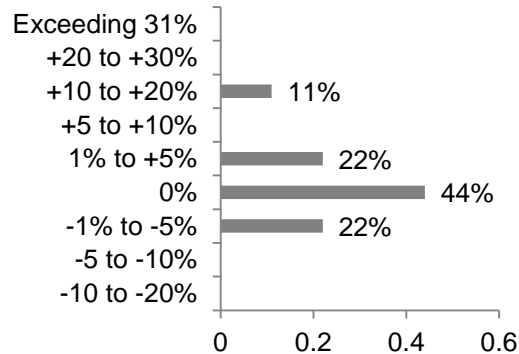
Services



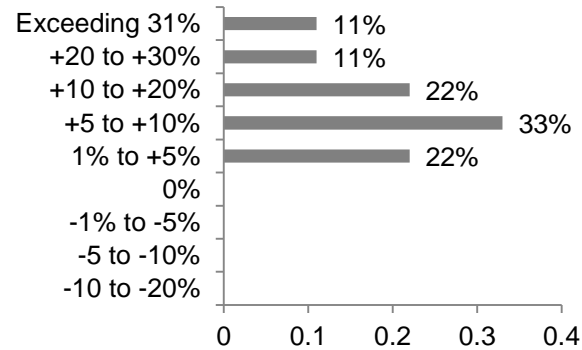
Construction / Real Estate



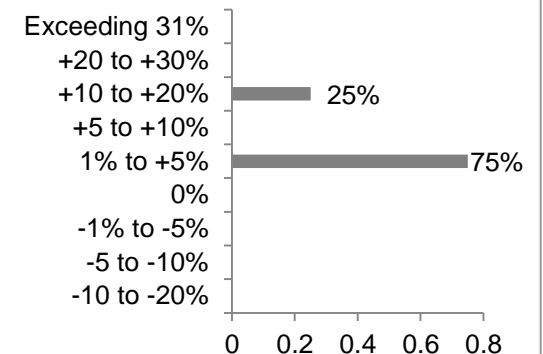
Power & Energy



Information Technology (IT)



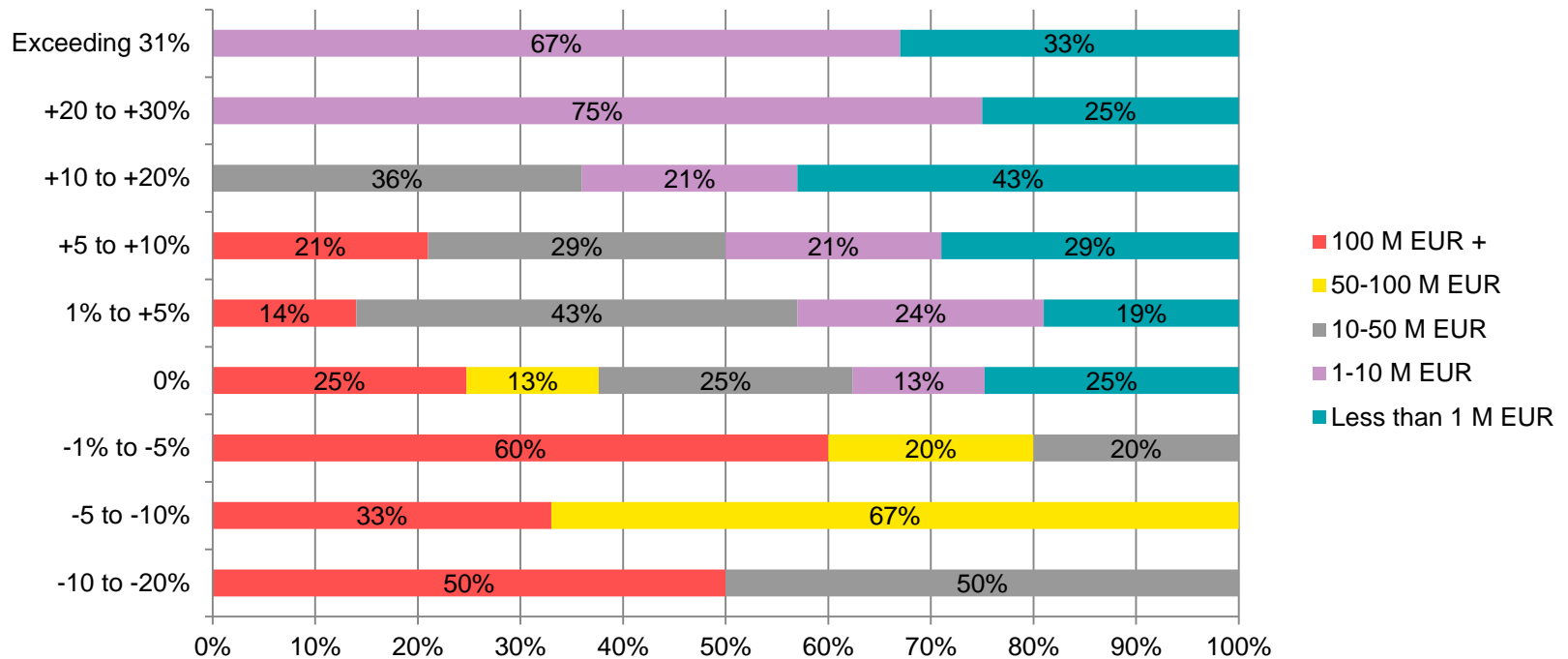
Retail & Wholesale Trade



These are the industry sectors which received the largest number of answers per industry. Therefore, we show the distribution of answers by these six industries for the questions which regard expected evolution of turnover, profit, investments, number of employees, salary level for 2015.

How much do you expect your number of employees to grow in 2015? (one answer)

Question 5(b) – By revenue level



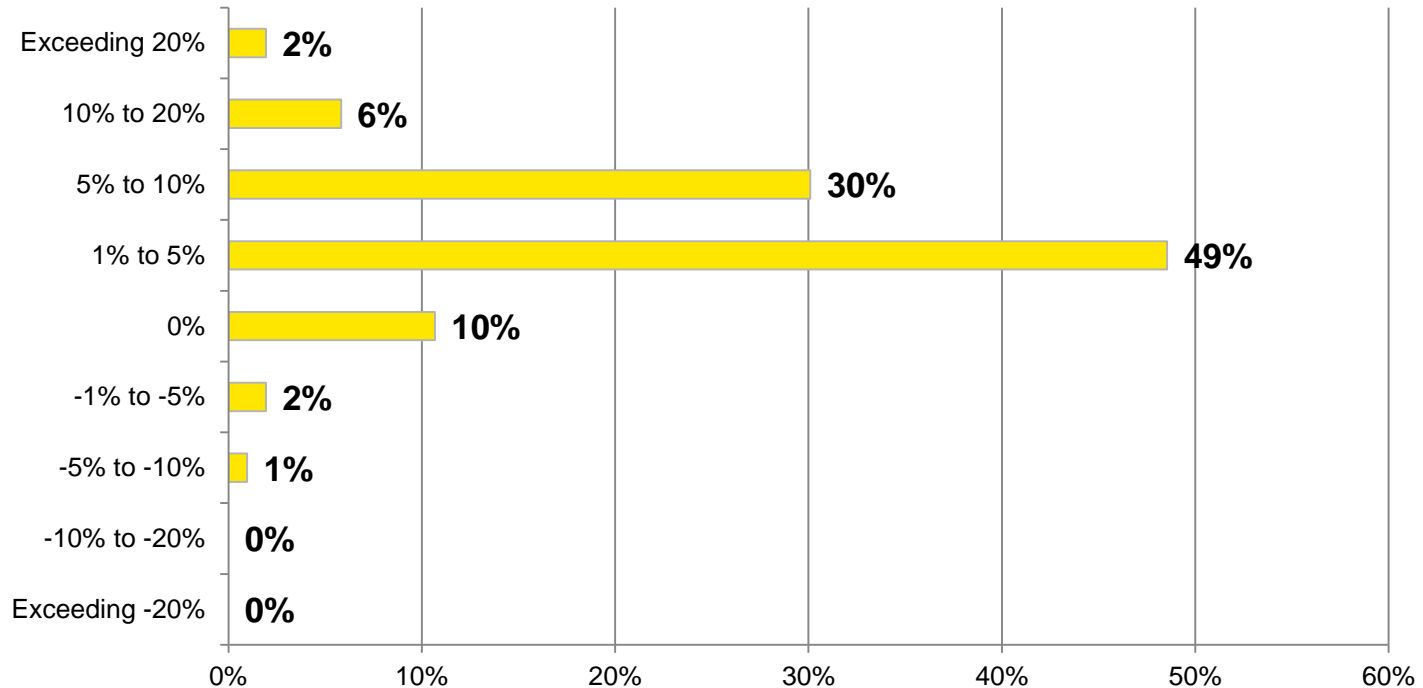
Total Respondents: 184
(Skipped this question: 18)



It is quite interesting to see that the companies which have revenue levels of 50-100 M EUR either expect zero increases in their number of employees, or foresee decreases with percentages ranging from -1% to -20% in 2015.

How much do you expect the salary level in your company to grow in 2015? (one answer)

Question 6



Total Respondents: 184
(Skipped this question: 18)



At the beginning of 2015, 6% of respondents say salaries in their companies are expected to go up between 10% to 20%, compared to 2% in 2014. Another important difference is in the bracket “5% to 10%”, which has gone up from 19% in 2014 to 30% in 2015. Most importantly, over the past 3 editions of the survey, there has been a constant decrease in the number of respondents who foresaw no salary increase in their company for that year: from 42% in 2013, to 19% in 2014, and to 10% in 2015.

How much do you expect the salary level in your company to grow in 2015? (one answer)

Question 6(a) – By industry sector

Industry Sector	-5 to -10%	-1% to -5%	0%	+1% to +5%	+5 to +10%	+10 to +20%	Over 20%
Industry / Manufacturing			6%	63%	26%	5%	
Services	4%	5%	10%	38%	24%	14%	5%
Construction / Real Estate			10%	60%	20%		10%
Power & Energy		10%	10%	60%	20%		
Information Technology (IT)				30%	50%	20%	
Retail & Wholesale Trade				50%	50%		
Food & Beverages / Agriculture				75%	25%		
Transportation				100%			
Pharmaceuticals / Healthcare				50%	50%		
Telecom				67%	33%		

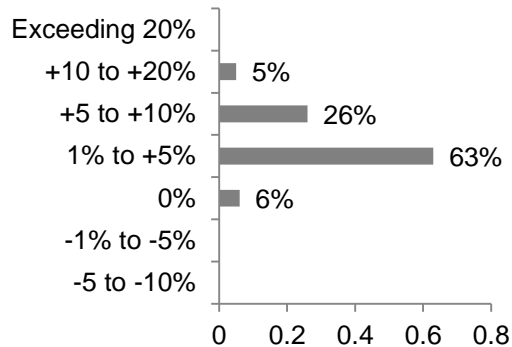


There are two industries that expect major increases in the salary level in 2015, namely services, and construction / real industry sectors. However, all the industries foresee an increase in the salary level of +1% to +5%, this being the bracket where transportation, and food & beverages / agriculture industry sectors show the highest percentages.

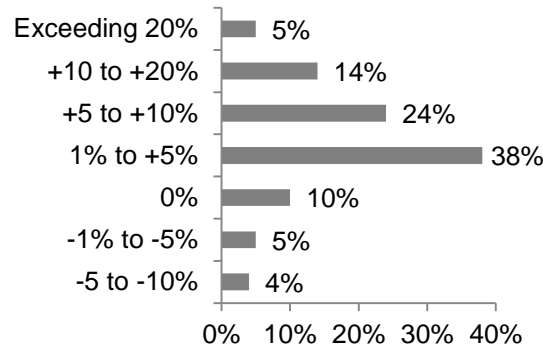
How much do you expect the salary level in your company to grow in 2015? (one answer)

Question 6(a) – By industry sector

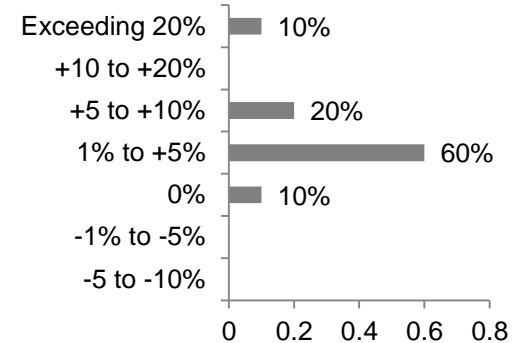
Industry / Manufacturing



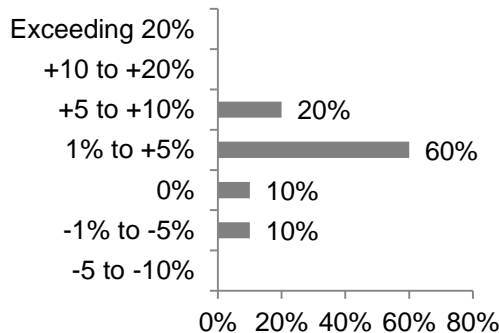
Services



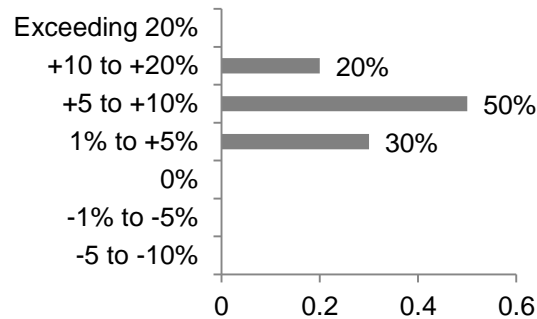
Construction / Real Estate



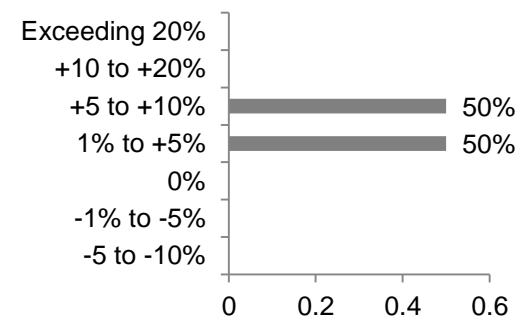
Power & Energy



Information Technology (IT)



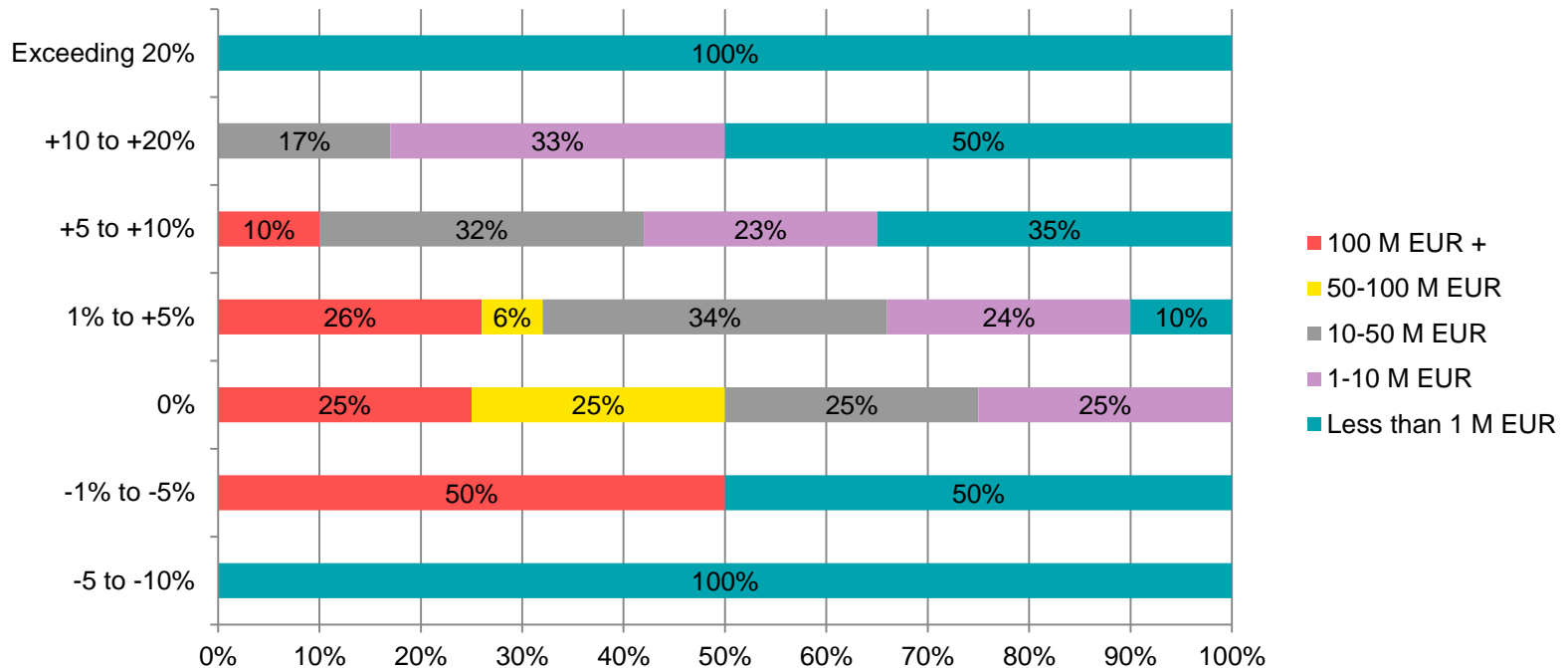
Retail & Wholesale Trade



These are the industry sectors which received the largest number of answers per industry. Therefore, we show the distribution of answers by these six industries for the questions which regard expected evolution of turnover, profit, investments, number of employees, salary level for 2015.

How much do you expect the salary level in your company to grow in 2015? (one answer)

Question 6(b) – By revenue level



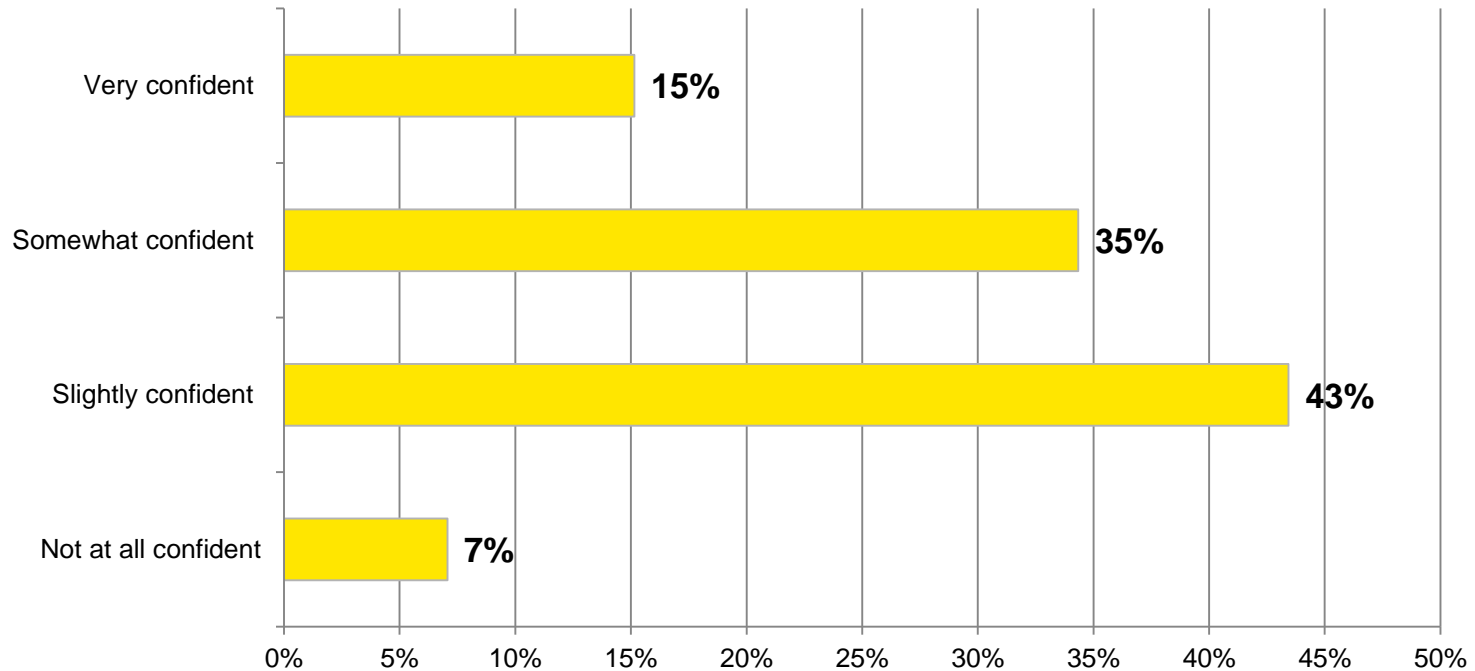
Total Respondents: 184
(Skipped this question: 18)



In case of the salary level also, it is interesting to note that the companies which have revenue levels of 50-100 M EUR either expect zero increases in the salary level of their employees, or foresee a slight increase thereof, with percentages ranging from 1% to 5%.

How confident do you feel regarding the growth of your industry for the next 12 months? (one answer)

Question 7



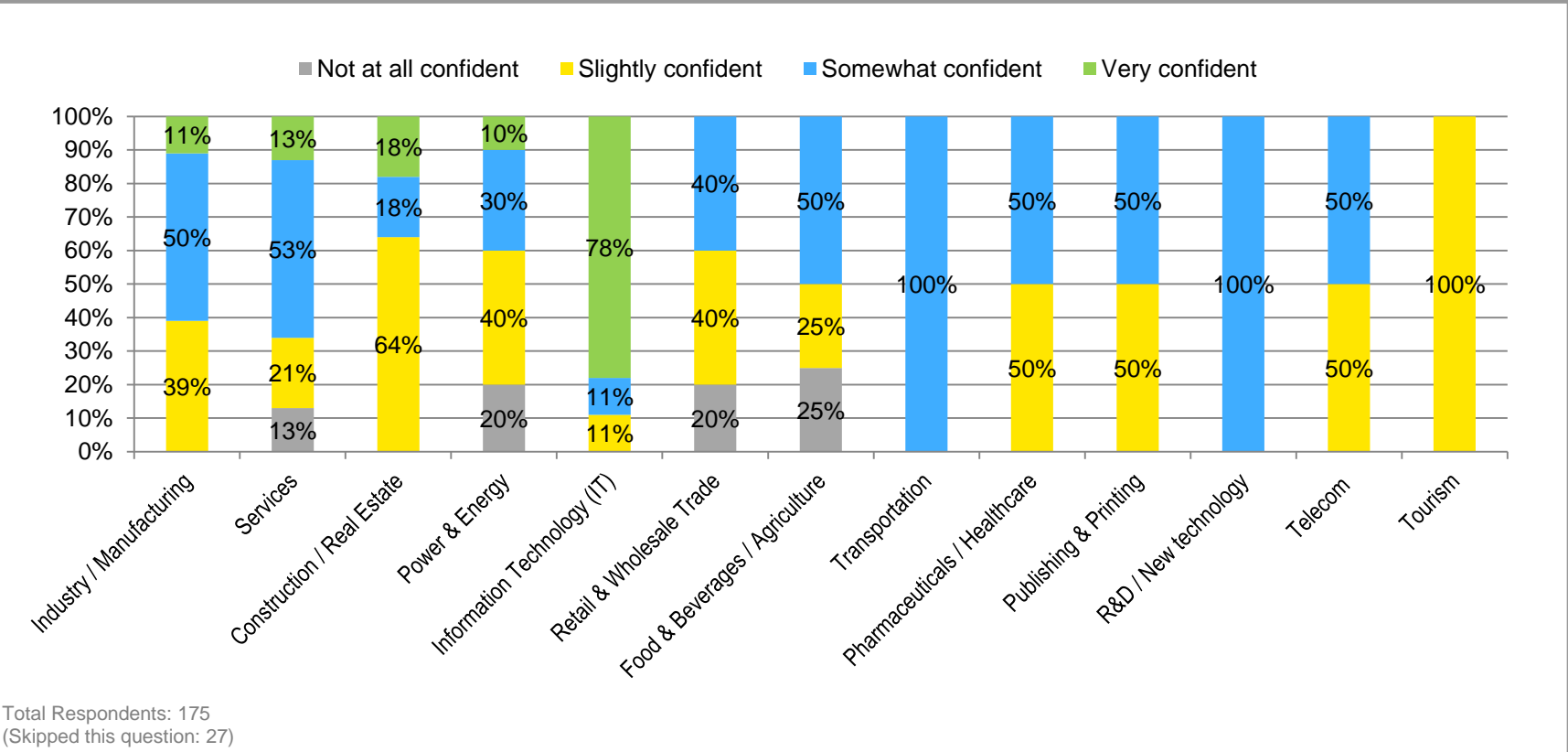
Total Respondents: 175
(Skipped this question: 27)



Confidence in industry growth remains rather similar in 2015 compared with 2014, but the percentage of “very confident” responses go up from 7% to 15%, breaking the double digit threshold.

How confident do you feel regarding the growth of your industry for the next 12 months? (one answer)

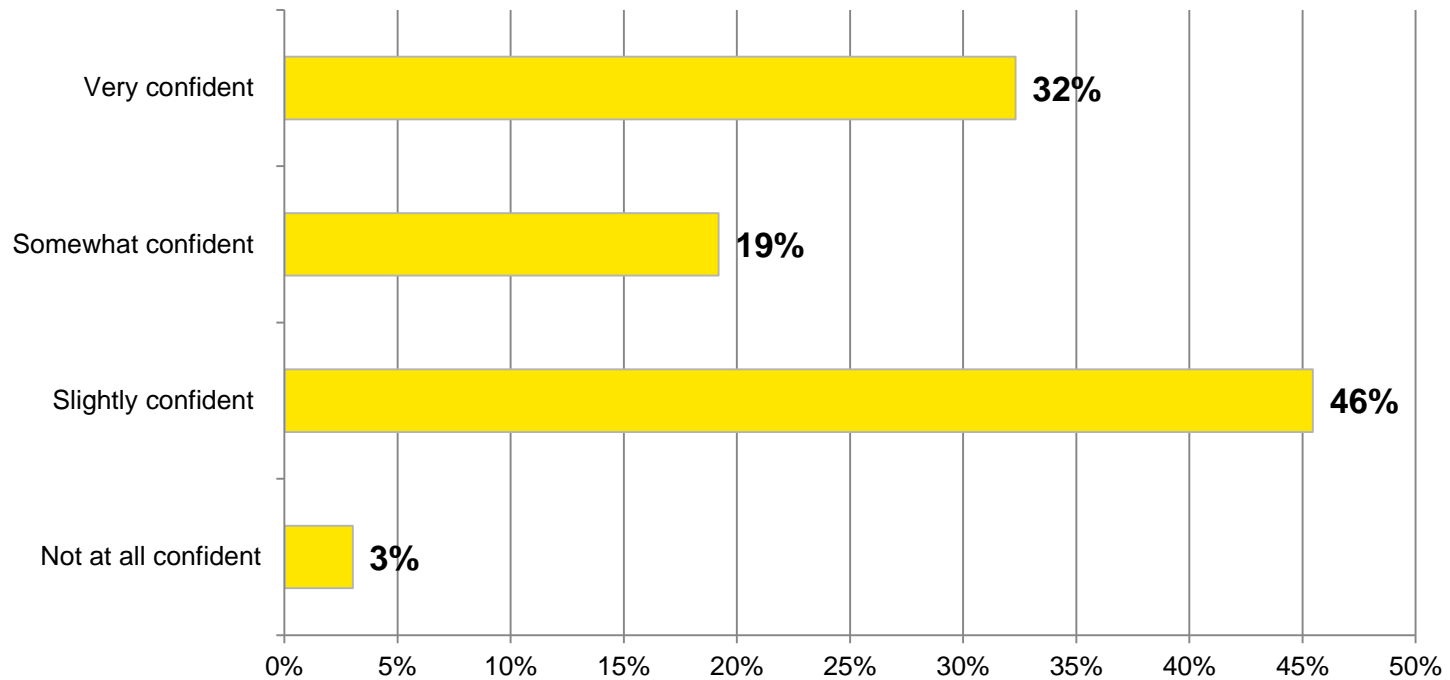
Question 7(a) – By industry sector



At the beginning of 2015, the top 3 “not at all confident” industries are food & beverage / agriculture (25%), retail & wholesale trade (20%), and power & energy (20%), while the only really “very confident” industry is IT (78%).

How confident do you feel regarding the growth of your company for the next 12 months? (one answer)

Question 8



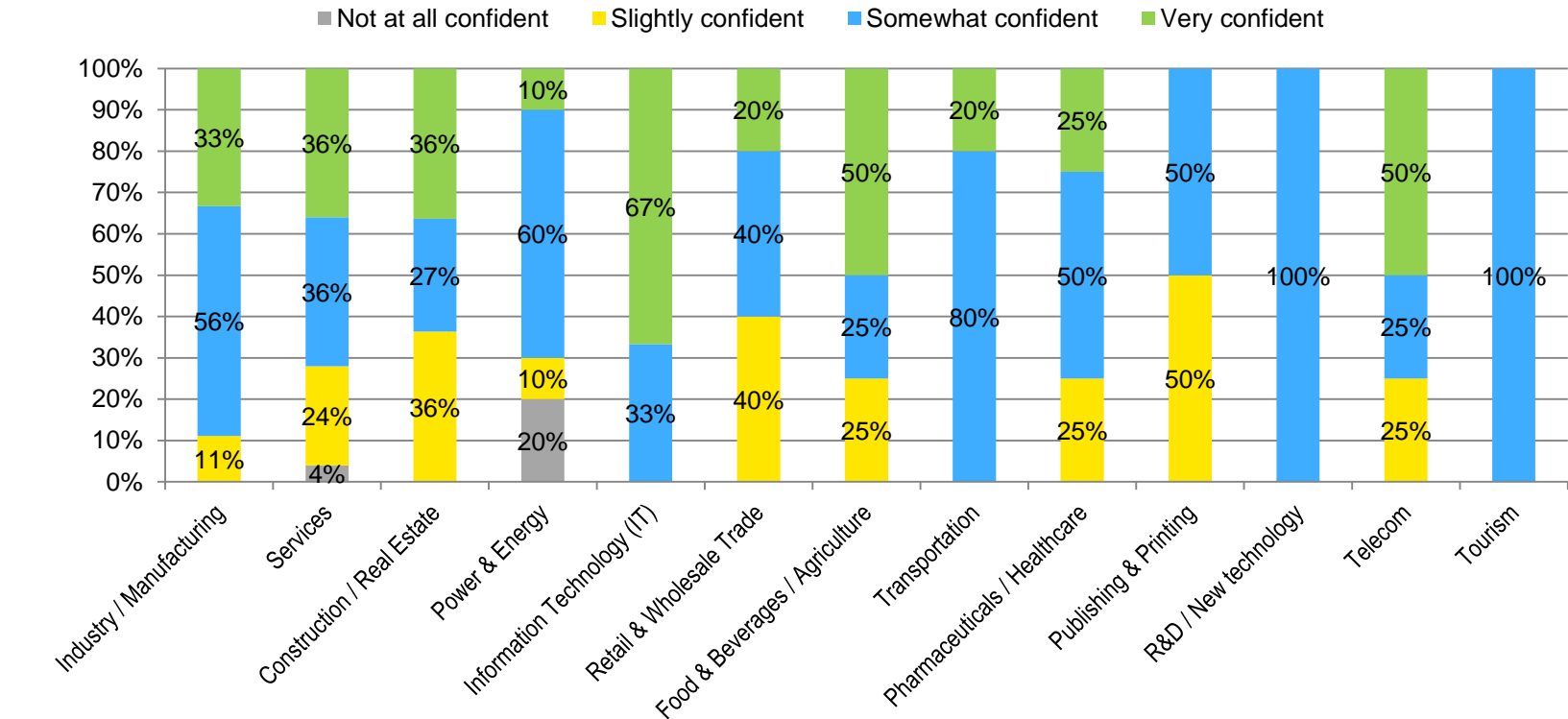
Total Respondents: 175
(Skipped this question: 27)



In 2015 the number of respondents that are slightly confident in the growth of their company in the next 12 month doubled up to 46% from 23% in 2014. At the same time, in the present report the percentages of those “somewhat confident” goes down from 37% in the previous year to 19% currently, and the percentage of “very confident” responses goes down from 40% in 2014 to 32% in 2015.

How confident do you feel regarding the growth of your company for the next 12 months? (one answer)

Question 8(a) – By industry



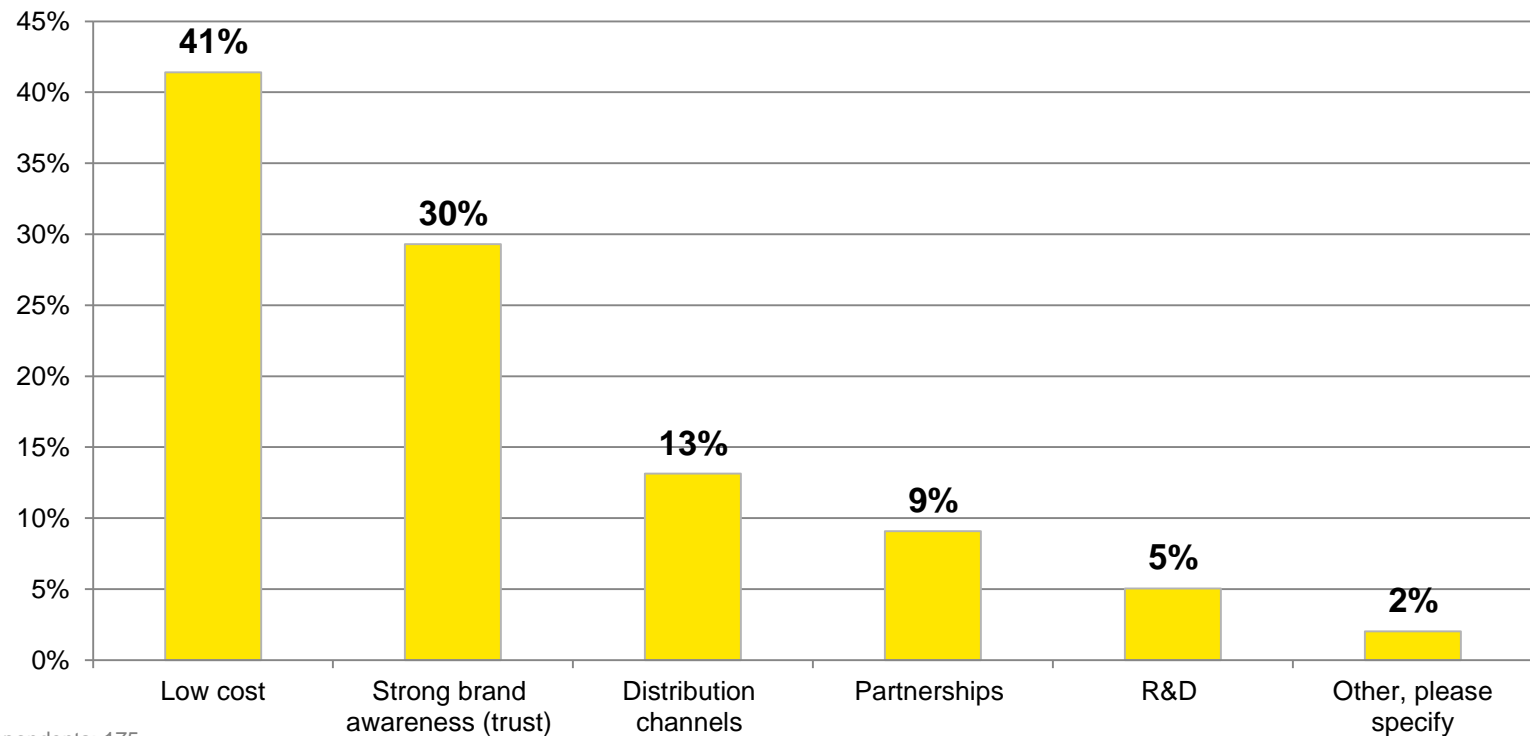
Total Respondents: 175
(Skipped this question: 27)



At the beginning of 2015, the “not at all confident” companies are those from power & energy (20%), while the “very confident” companies are those from IT (67%).

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

Question 9



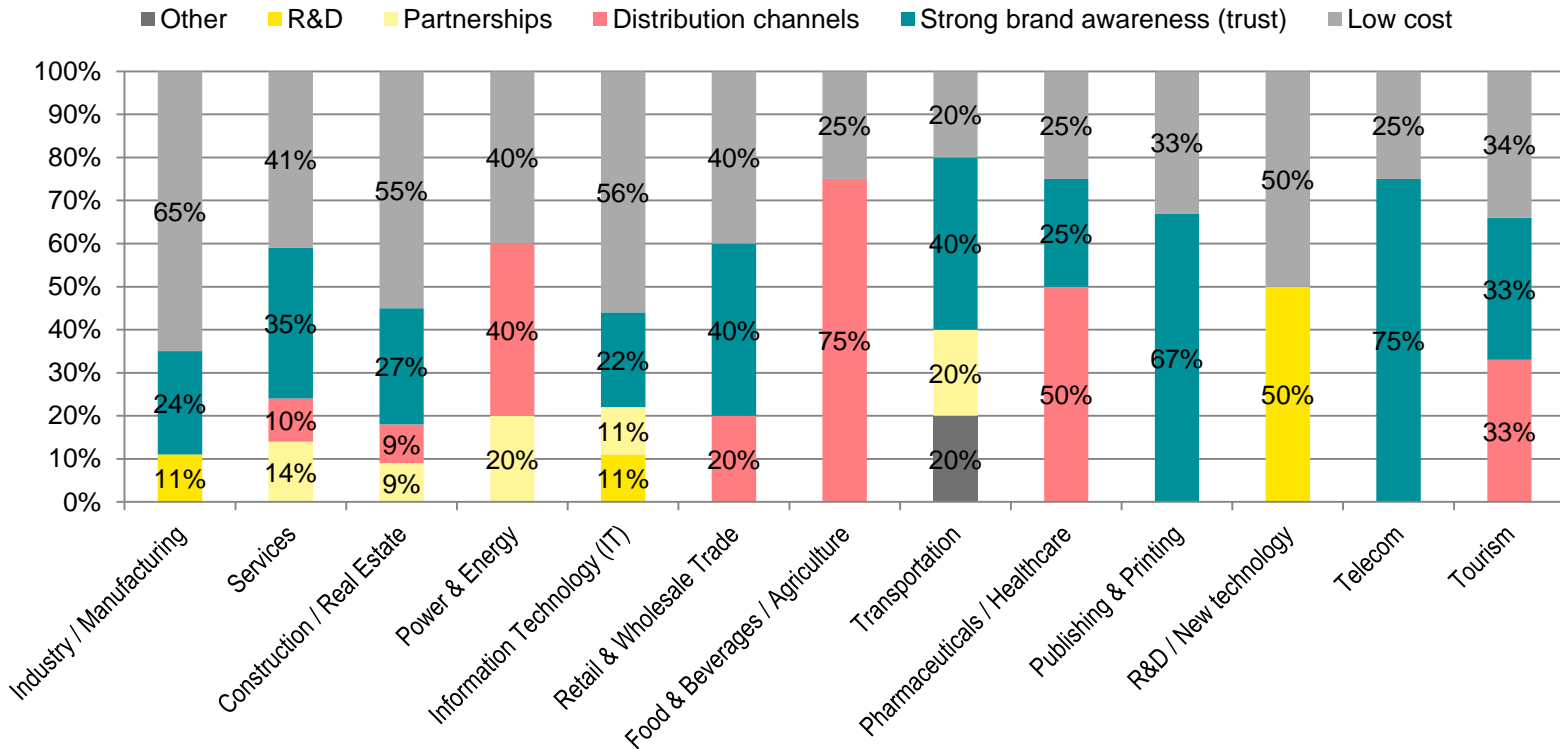
Total Respondents: 175
(Skipped this question: 27)



Low cost as the main strength of the respondents' competition in the local market increases from 26% in 2014 to 41% in 2015, and thus becomes the number one strength of respondents' competitors in the local market. Brand awareness (trust) decreases from 37% in 2014 to 30% in 2015 and is now on the second place. All the other criteria show percentages close to the ones mentioned in the previous edition of the survey.

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

Question 9(a) – By industry sector



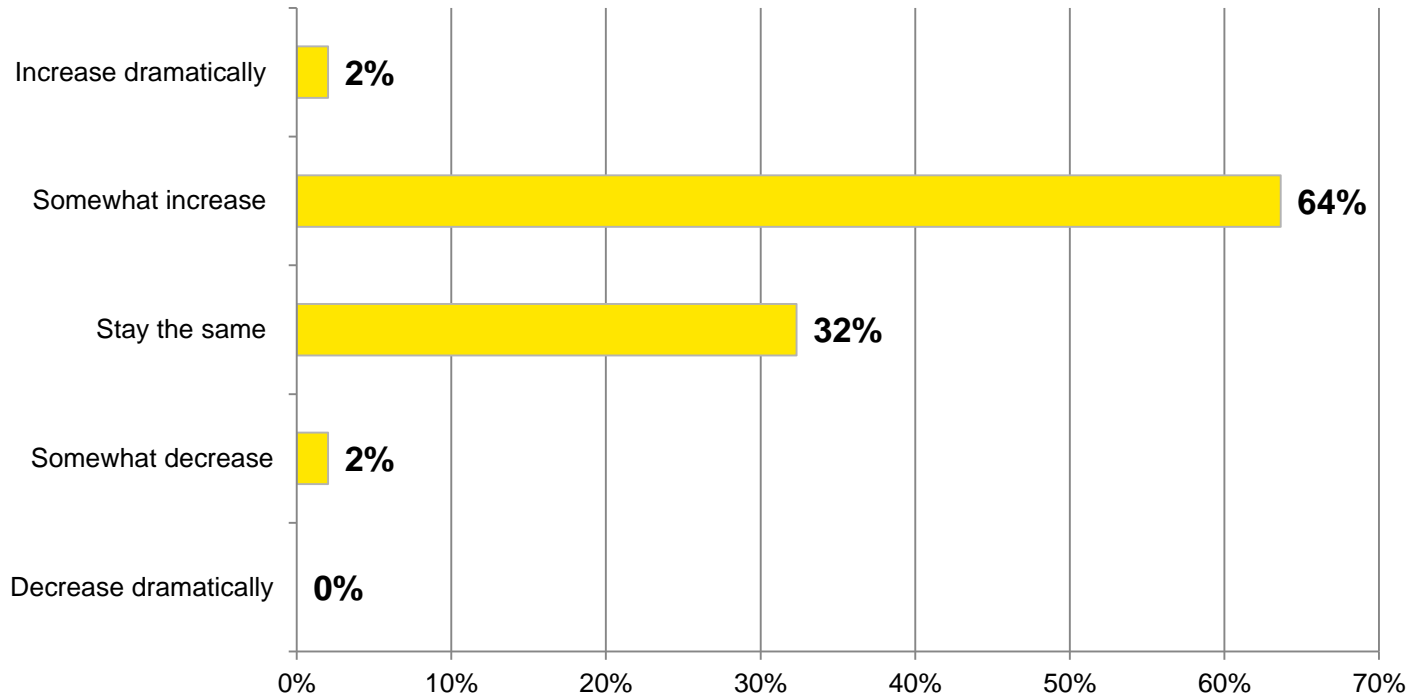
Total Respondents: 175
(Skipped this question: 27)



Low cost is seen as a strength of the competition across all industry sectors, but R&D is mentioned only by the respondents from IT and manufacturing industries.

To what extent do you expect your customers' demand to change in the next 12 months? (one answer)

Question 10



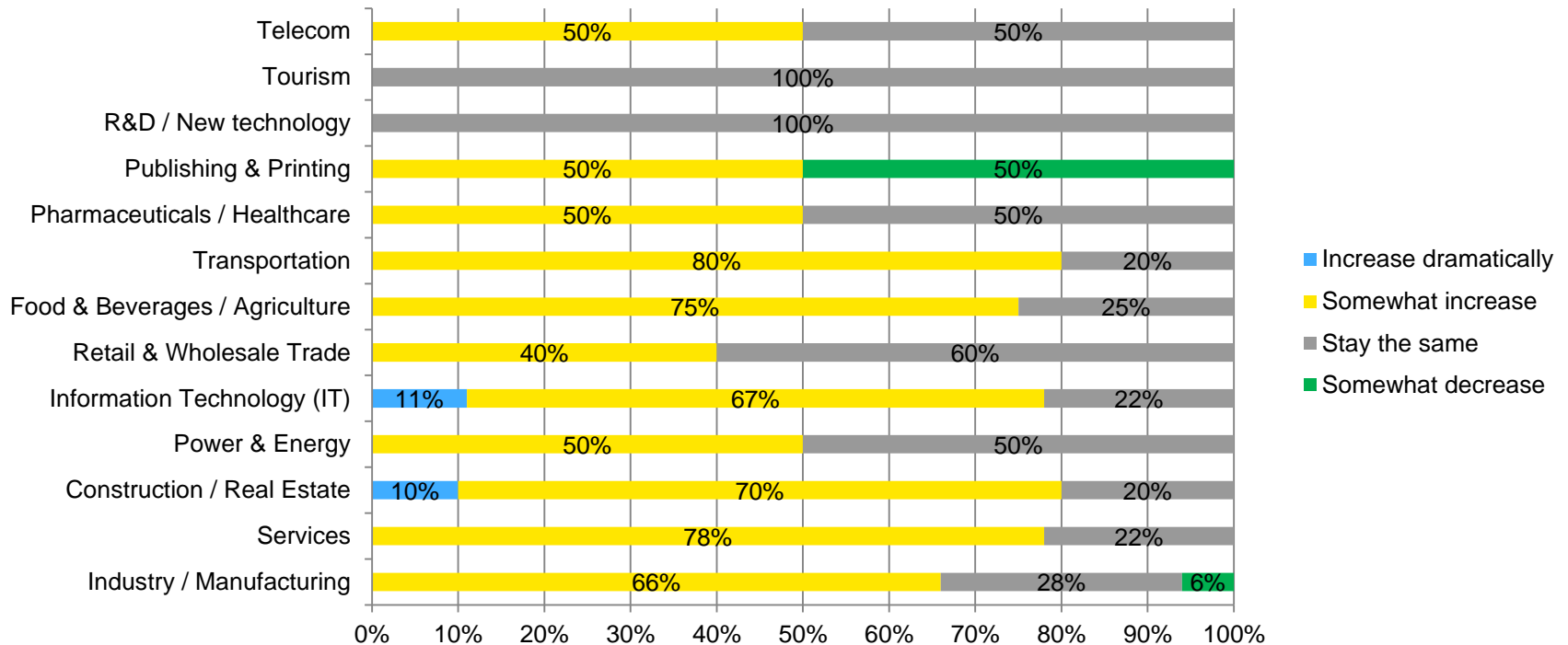
Total Respondents: 175
(Skipped this question: 27)



While 2% of respondents expect their customers' demand to increase dramatically in 2015, 64% foresee it to change only slightly and just 2% believe customers' demand will somewhat decrease. In general terms, these expectations are quite similar with the ones expressed by respondents at the beginning of 2014.

To what extent do you expect your customers' demand to change in the next 12 months? (one answer)

Question 10(a) – By industry sector



Total Respondents: 175
(Skipped this question: 27)

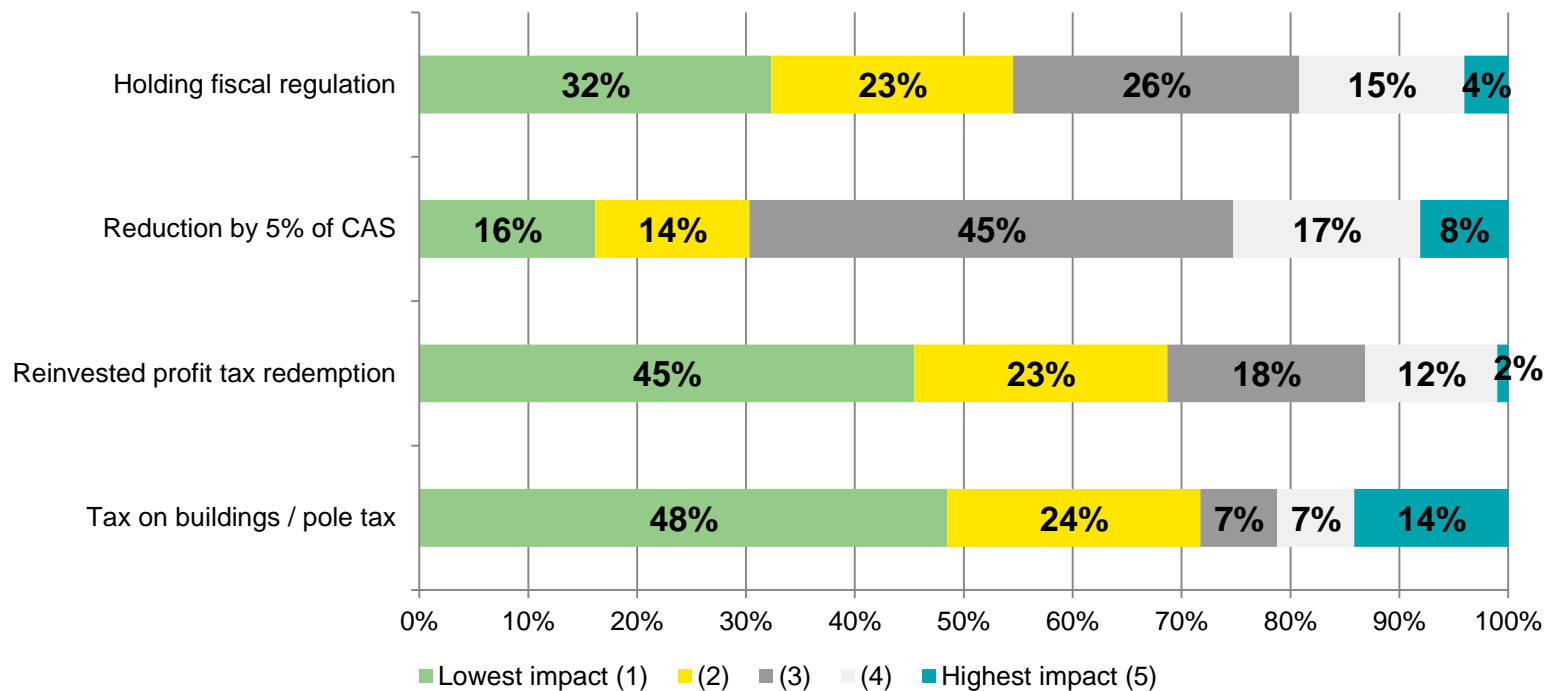


There are only two industry sectors that expect their customers' demand to increase dramatically over the next 12 months, namely IT and construction / real estate. The industry that says their customers' demand will decrease in 2015 is the publishing and printing industry.

To what extent the following changes in legislation impacted your business in 2014? (1 – lowest impact, 5 – highest impact)

(one answer for each option)

Question 11



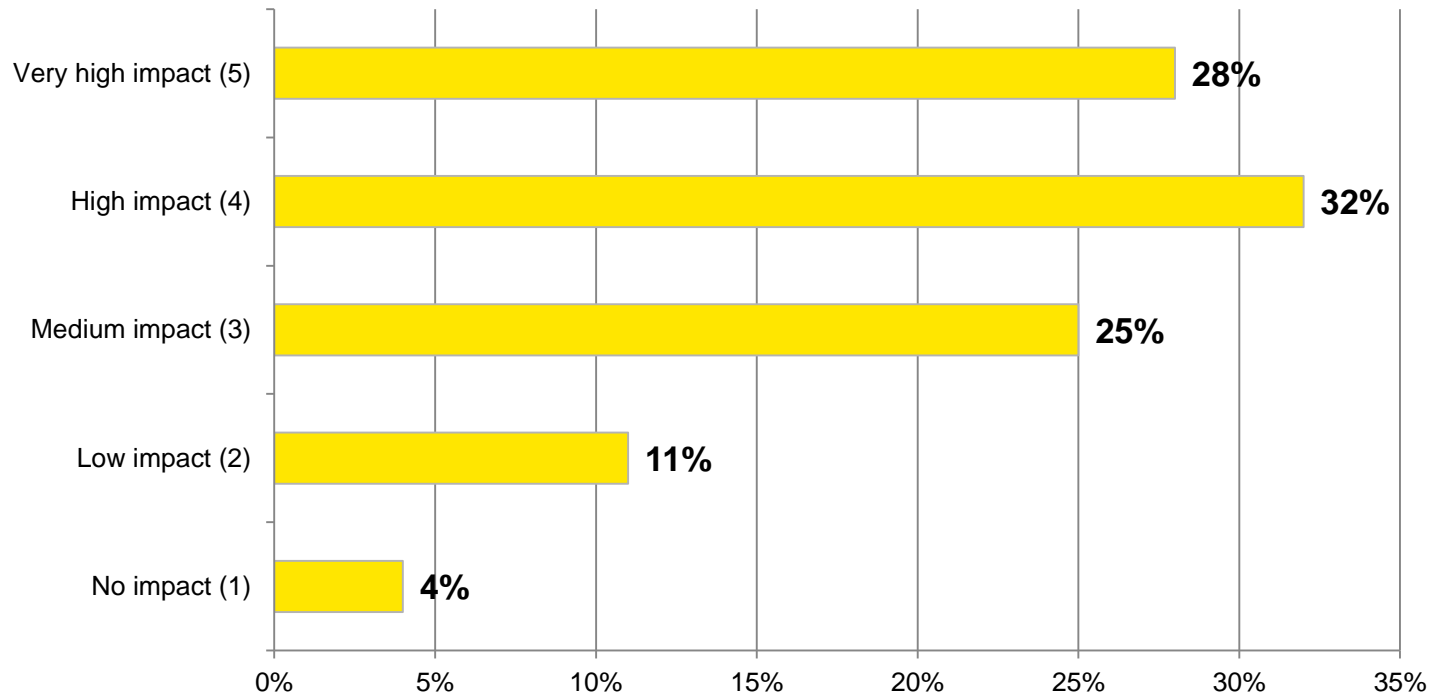
Total Respondents: 175
(Skipped this question: 27)



According to the respondents of the survey, the changes in legislation that occurred in 2014 and impacted mostly their business in the past months (positively or negatively) were: the tax on buildings / pole tax (14% - highest impact), followed by reduction by 5% of CAS (8% - highest impact) and holding fiscal regulation (4% - highest impact). However the perceived impact of the tax on buildings / pole tax prevails.

What is the importance of innovation for the successful performance of your company? (1 – no impact, 5 – highest impact) (one answer)

Question 12



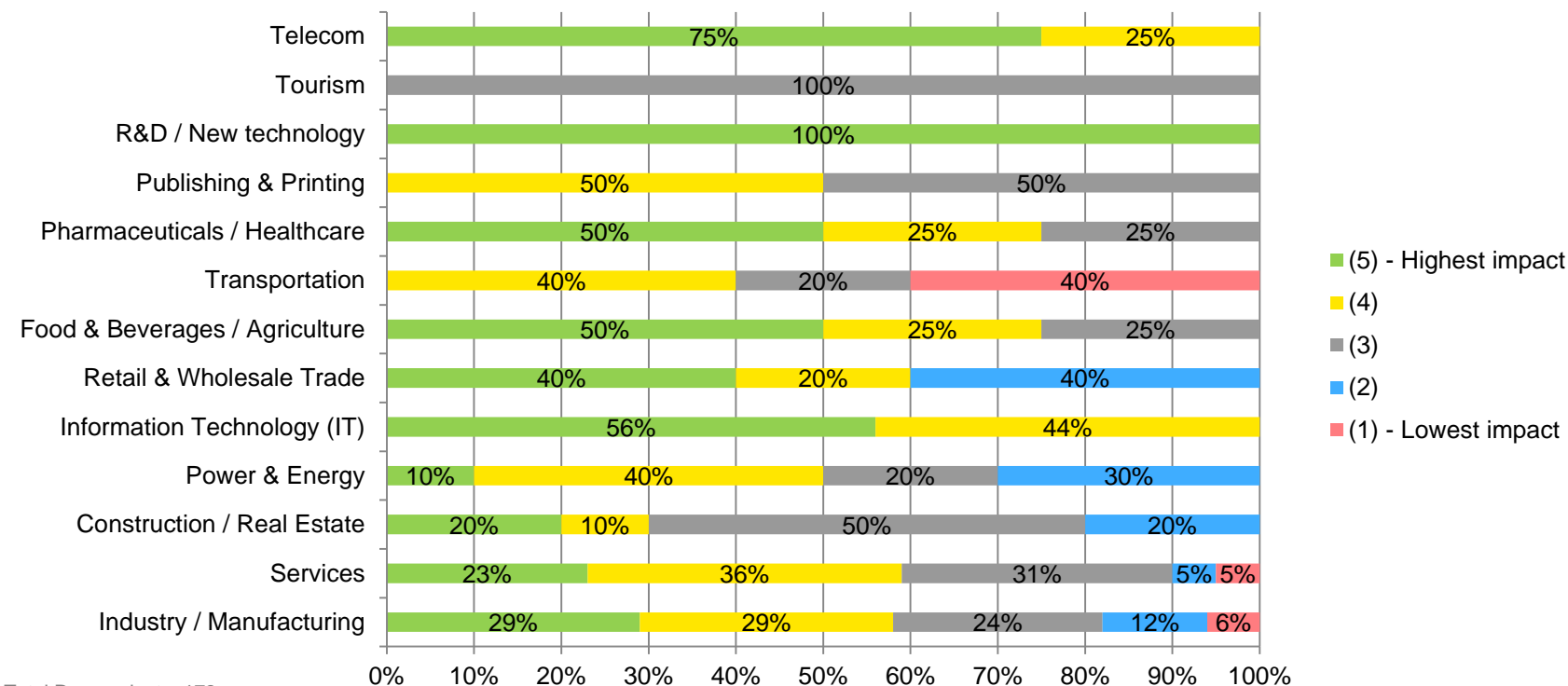
Total Respondents: 178
(Skipped this question: 24)



Innovation appears to be high on the companies' agenda in 2015. No less than 60% of the respondents say that innovation has a high and very high impact on the successful performance of their company.

What is the importance of innovation for the successful performance of your company? (1 – no impact, 5 – highest impact) (one answer)

Question 12(a) – By industry sector



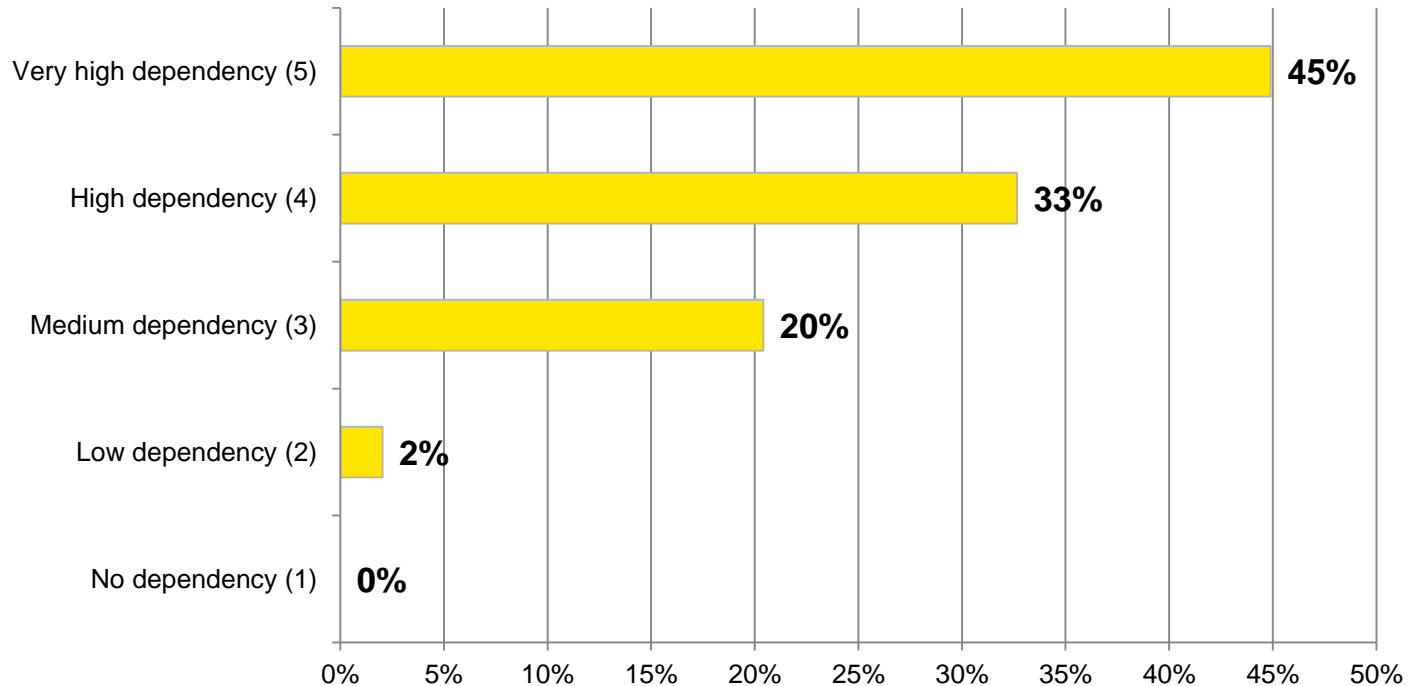
Total Respondents: 178
(Skipped this question: 24)



When looked at from an industry sector perspective, it is again clear that with one exception (i.e. tourism), all the other respondents say that innovation has a “high” and “very high” impact on the successful performance of their company.

How would you rate the dependency of your company's success on the skills of the labor force? (one answer)

Question 13



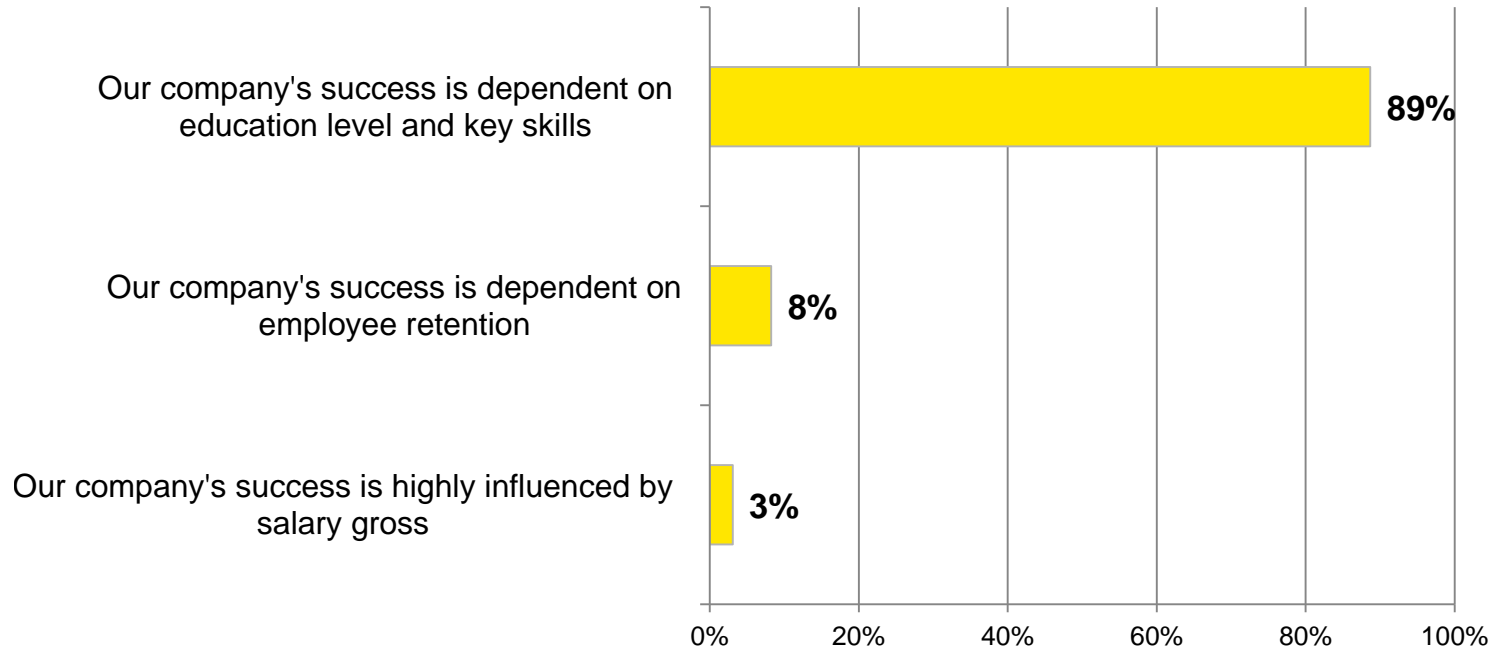
Total Respondents: 173
(Skipped this question: 29)



The high dependency on labor force's skills indicates that companies are fully aware of the direct link between employees' competency level and company's performance. The difference from last year's report is that in 2015 the segment of "very high dependency" increases to 45% from 31% in the previous year, and only 16% at the beginning of 2013.

Which of the following factors best describe the impact of your employees on company's success? (one answer)

Question 14



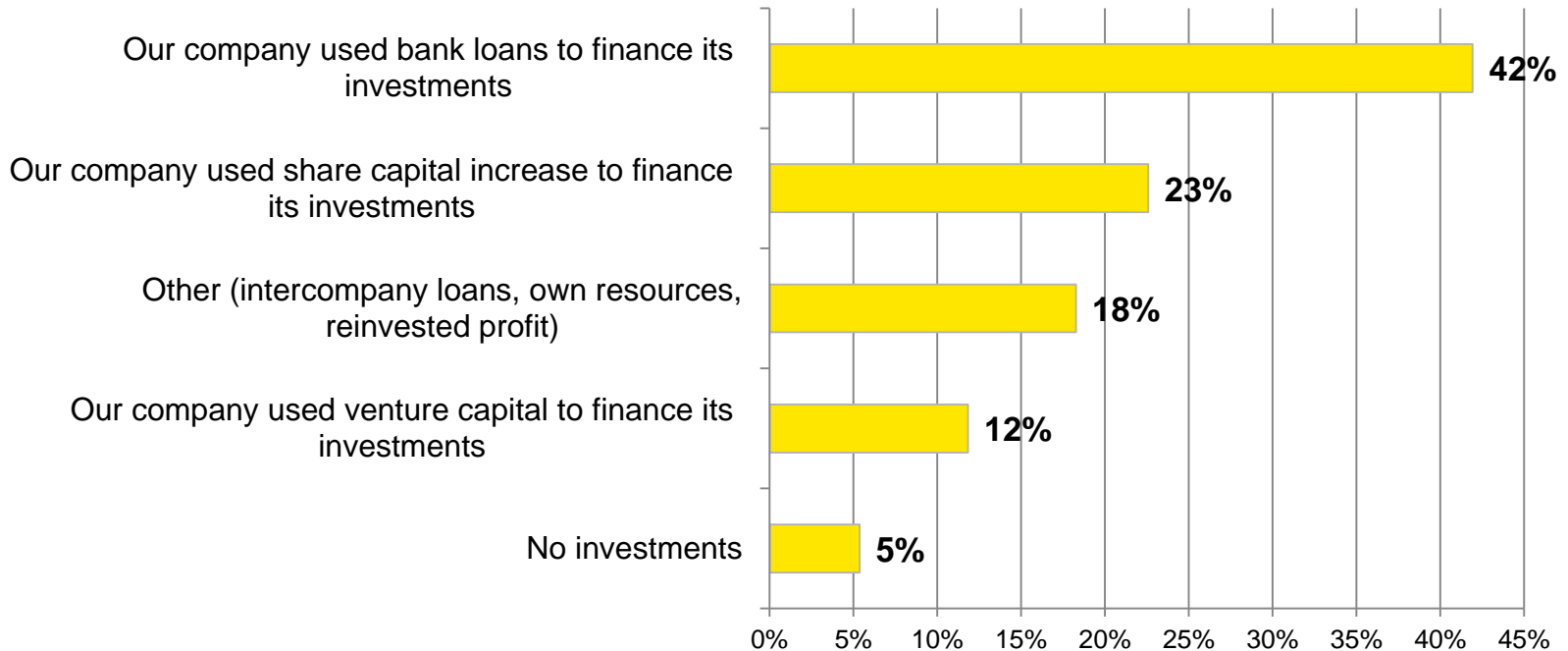
Total Respondents: 171
(Skipped this question: 31)



In 2015, 89% of the respondents (82% in 2014, and 83% in 2013) say that education and skill of labor force play the most important role in their company's success.

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

Question 15



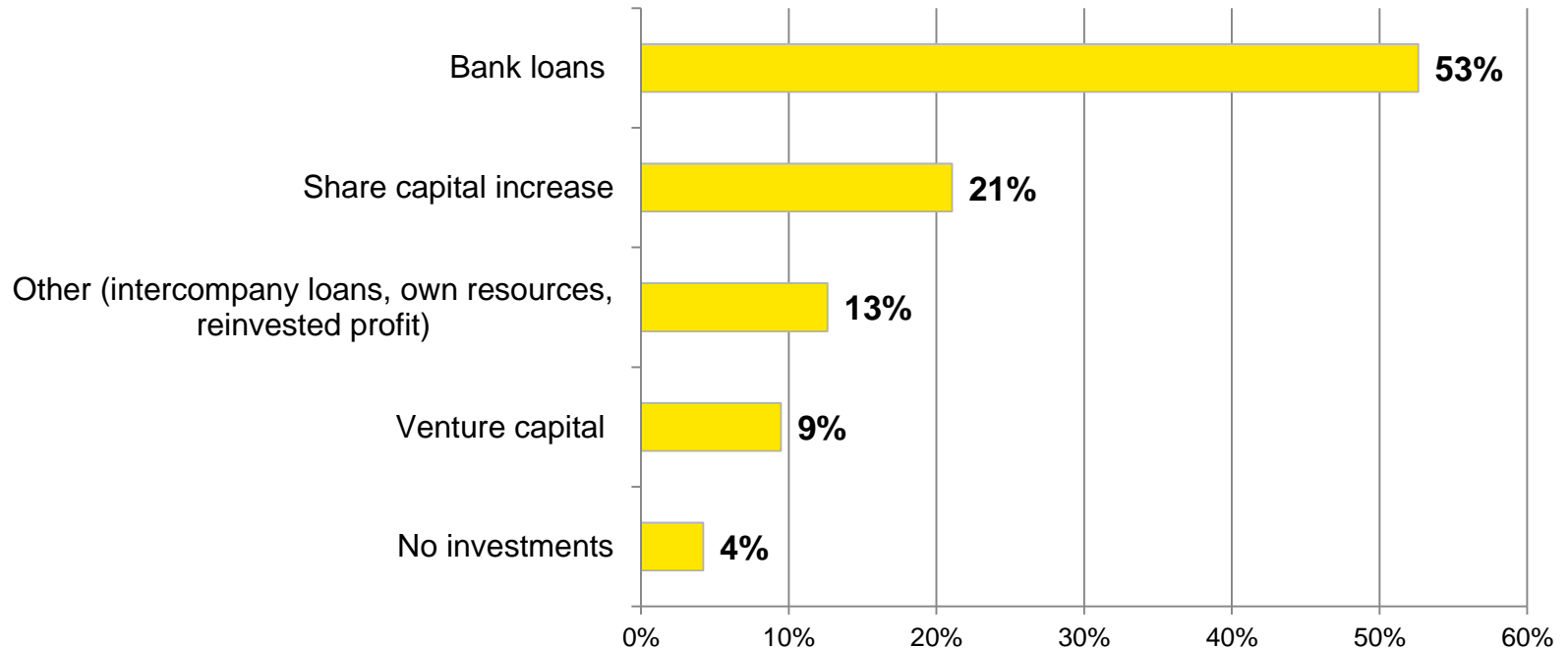
Total Respondents: 161
(Skipped this question: 41)



When it comes to financing investments, in the past year companies used mostly bank loans (42% in 2014, vs. 54% in 2013, vs. 47% in 2012), followed by intercompany loans, own resources and reinvested profit (18% in 2014, vs. 34% in 2013, vs. 31% in 2012). There has been a significant growth in the “share capital increase” segment, which goes up to 23% in 2014, vs. 10% in 2013, vs. 18% in 2012. Interestingly, venture capital increases from 2% in 2013 to 12% in 2014.

Which of the following best describes your company's preferred strategy for financing its investments in the next 12 months? (one answer)

Question 16



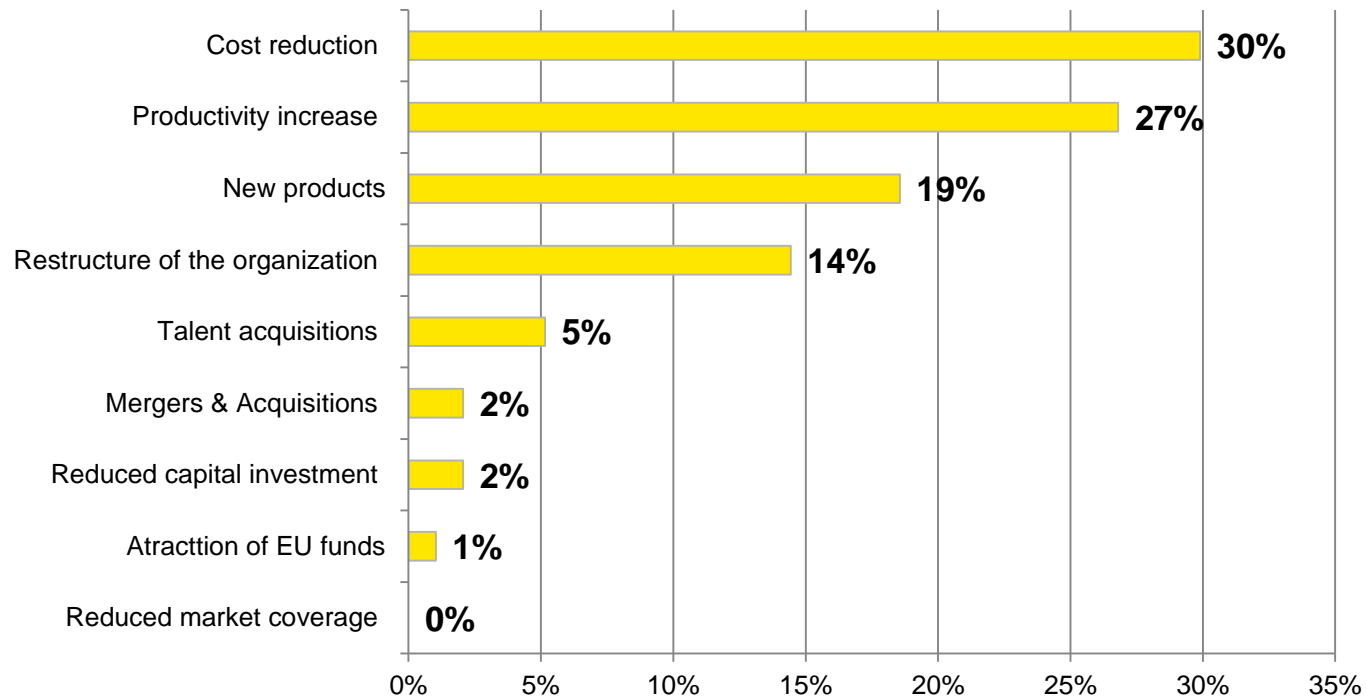
Total Respondents: 166
(Skipped this question: 36)



This year as well, the main companies' strategy for financing investments appears to be through bank loans (53% in 2015, vs. 49% in 2014, vs. 46% in 2013). The intercompany loans, own resources and reinvested profit are expected to decrease to only 13% in 2015 from 39% in 2014, and compared to 27% at the beginning of 2013.

Which of the following best describe the reaction of your company to the business environment in the past year? (one answer)

Question 17



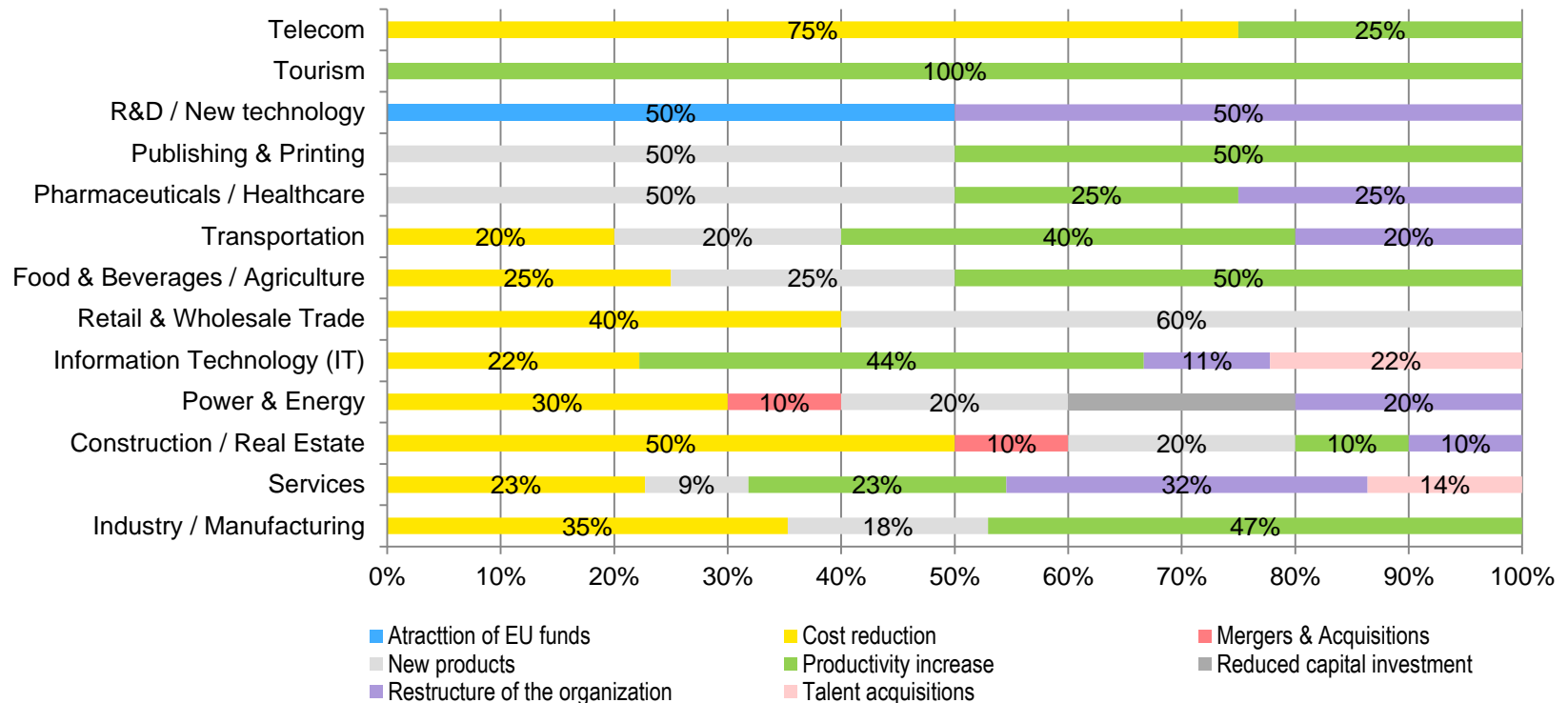
Total Respondents: 171
(Skipped this question: 31)



In the past year, businesses reacted to the pressures coming from the business environment by reducing costs (30% in 2014, vs. 22% in 2013, vs. 30% in 2012), by increasing productivity (27% in 2014, vs. 32% in 2013, vs. 28% in 2013), or by releasing new products (19% in 2014, vs. 17% in 2013, vs. 16% in 2012).

Which of the following best describe the reaction of your company to the business environment in the past year? (one answer)

Question 17(b) – By industry sector



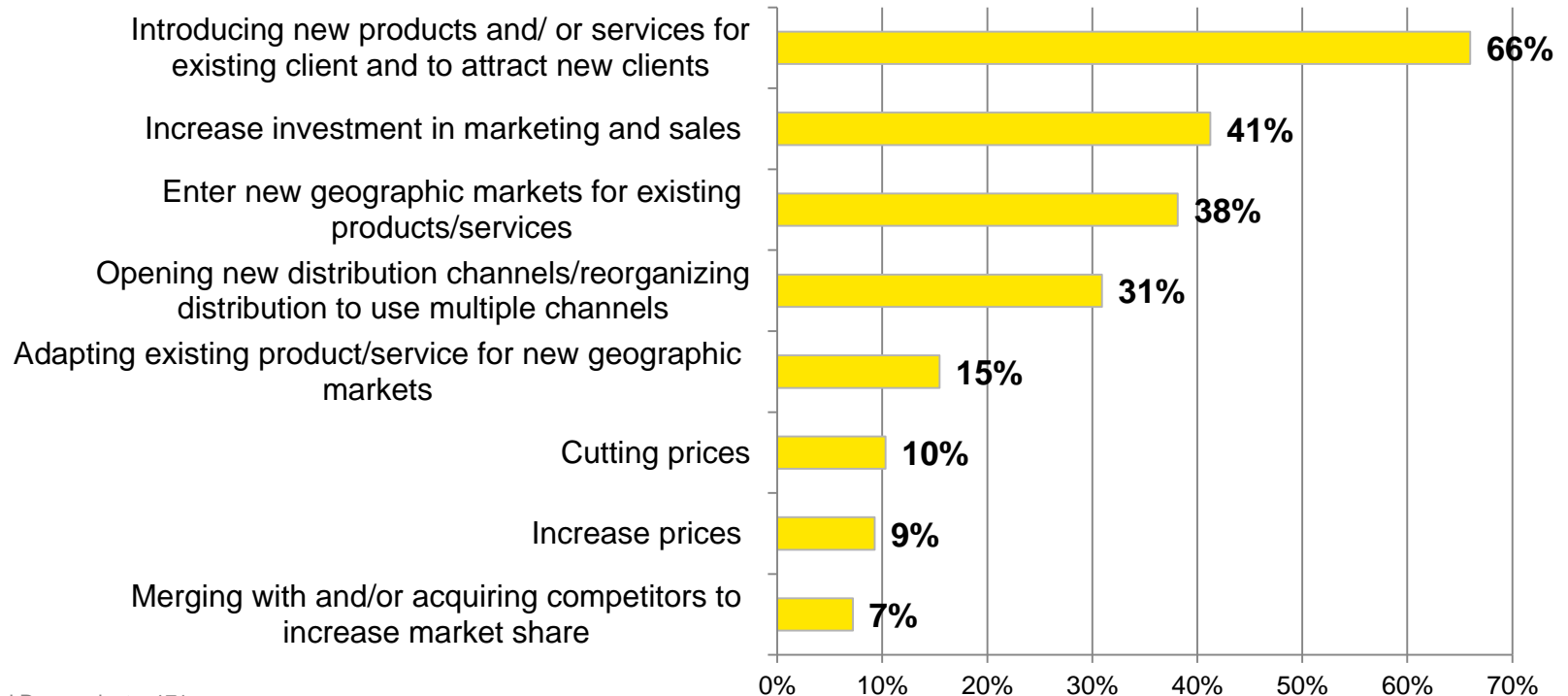
Total Respondents: 171
(Skipped this question: 31)



In the past year, only companies from IT and services industry sector say that they reacted to the changing business environment by a set of tactics which included also talent acquisitions.

Which of the following actions will your company take to increase sales? (multiple answers)

Question 18



Total Respondents: 171
(Skipped this question: 31)

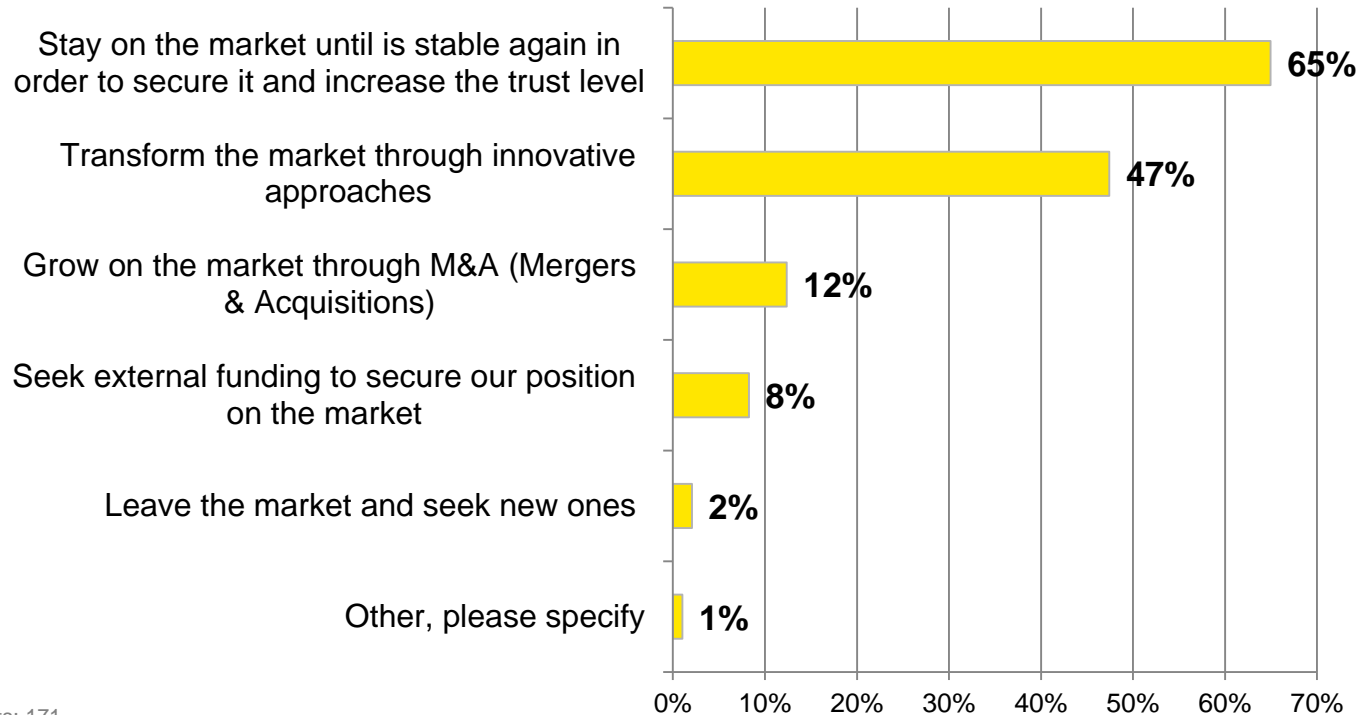


At the beginning of 2014, 80% of respondents said their company's strategy to increase sales consisted of introducing new products/services for existing clients (compared to 75% in 2013). But in 2015, only 66% of the respondents say that will employ this strategy. Also, the strategy of increasing investment in marketing and sales goes up to 41% in 2015 from 24% in 2014.

In case of stagnation/decline in the market what will be the steps your company will pursue in the next 12 months?

(all that apply)

Question 18



Total Respondents: 171
(Skipped this question: 31)



In 2013 most companies (76%) said that they would continue to stay on the market if it declined; in 2014 only 56% say the same and in 2015 some 65% have the same positioning. A still high percentage of companies (47% in 2015, vs. 56% in 2014 vs. 46% in 2013) though, are willing to transform the market through innovative approaches in case such a decline occurred. Interestingly, the companies which say that they will grow on the market through M&A are 12% in 2015 vs. 10% in 2014).



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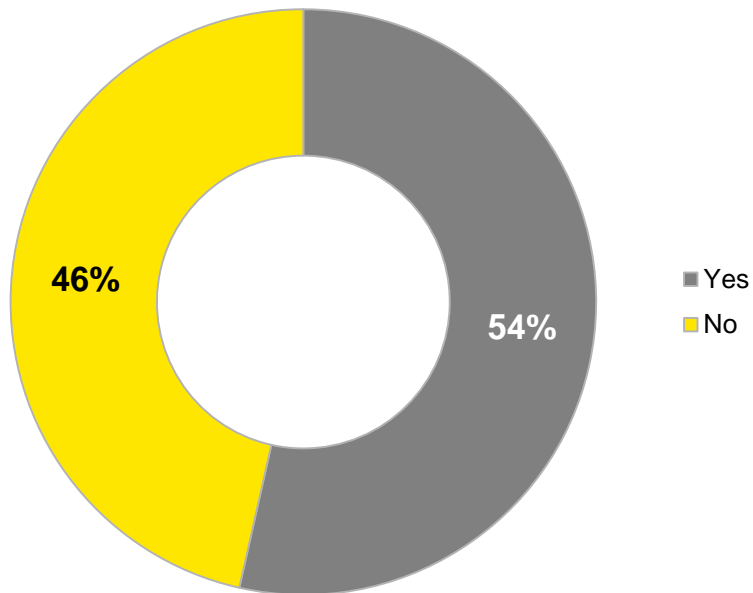


Demographics

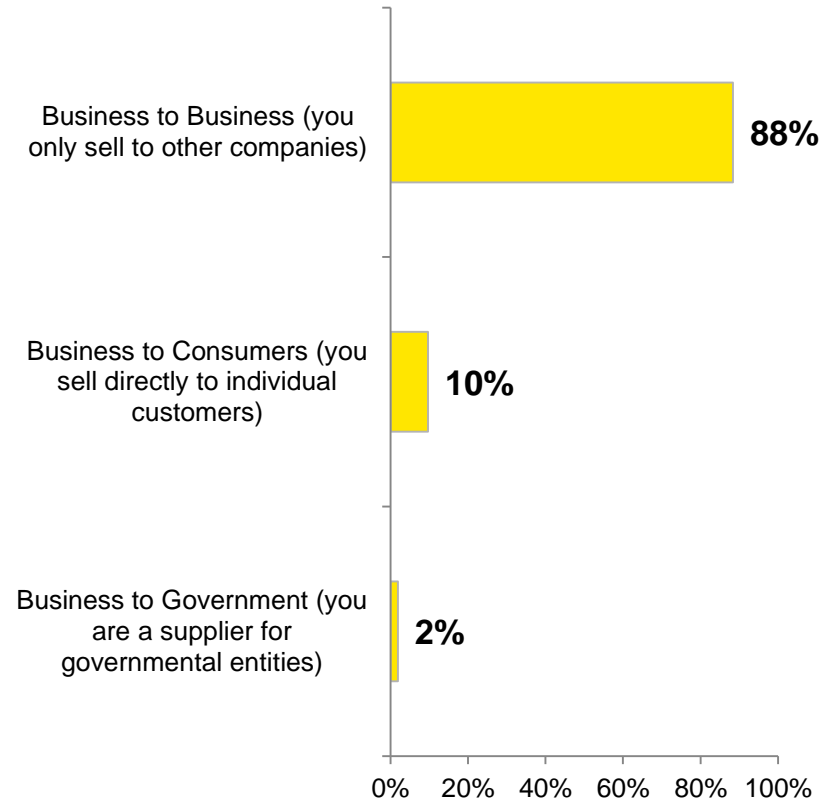
The results of this survey reflect the responses received to our questionnaire in the period between 10 and 16 February 2015, from 202 top executives of major companies operating in Romania.

Demographics

Romanian company (yes/no)

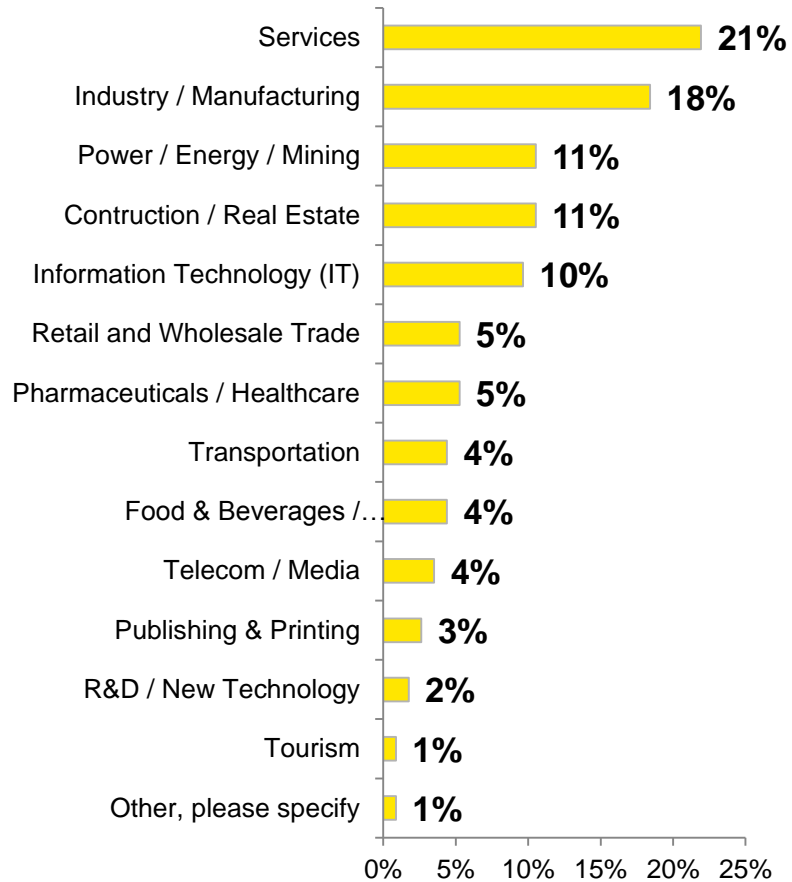


Business type

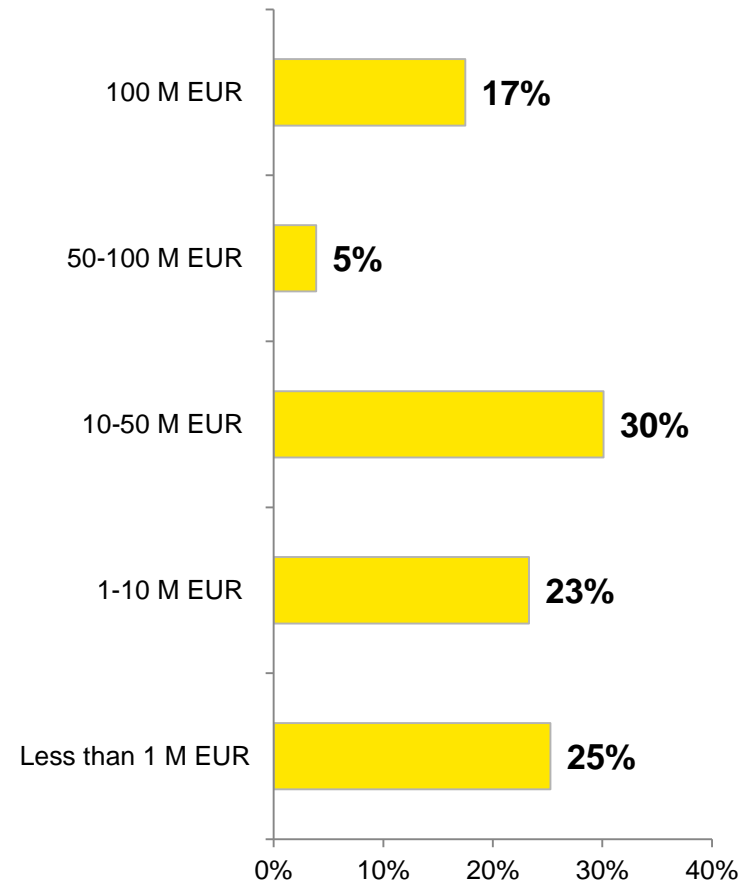


Demographics

Industry sector

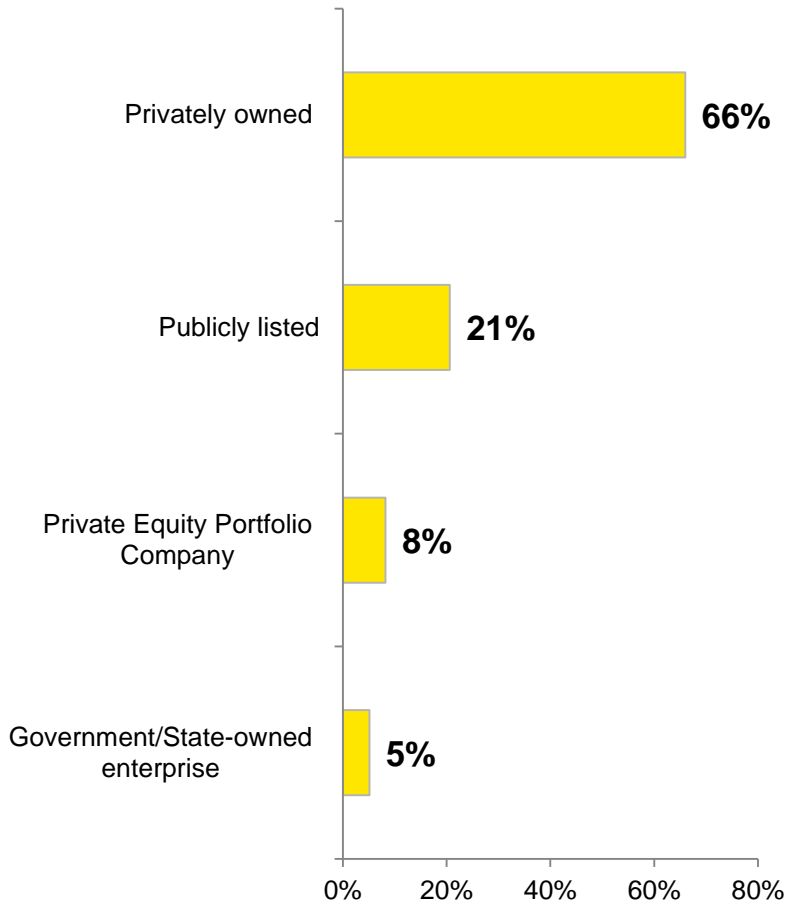


Company revenue level (for 2014)

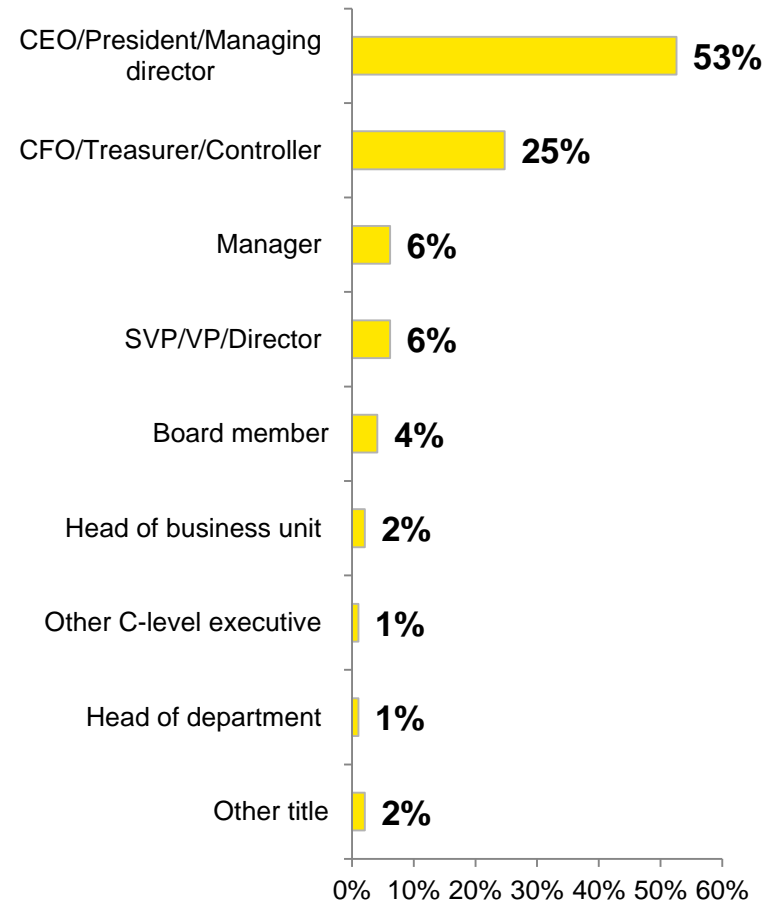


Demographics

Entity type



Job title of respondent



Project team members



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We would like to thank all respondents for their answers to the questionnaire of this survey.



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