

Business outlook for 2017

Blitz survey on the forecasts the companies in Romania have for the year 2017

Report with comparative data H1 vs. H2

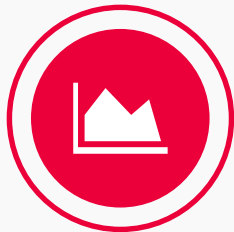


The main findings of the survey

This blitz survey is a tool by which we explore the perceptions of the top executives of major Romanian companies - multinational and entrepreneurial - about the forecasts on their business results in 2017. The elements we are looking at are: **turnover, profit, investments, number of employees and wage levels**. The questionnaire was applied from 28 August 2017 to 29 September 2017. **In this report we present the comparative data of the March 2017 (H1) edition with September 2017 (H2) edition of this survey.**

Top 5 findings

Turnover



26% (22%)

of companies expect turnover growth between 5%-10% in 2017

Profit



31% (32%)

of companies expect their profit growth rate to be 1% -5% this year

Investments



26% (10%)

do not make investments, and 23% want to increase their investments by 5% - 10% this year

Employees



28% (39%)

say they expect their number of employees to grow by 1% -5% in 2017

Salaries



31% (41%)

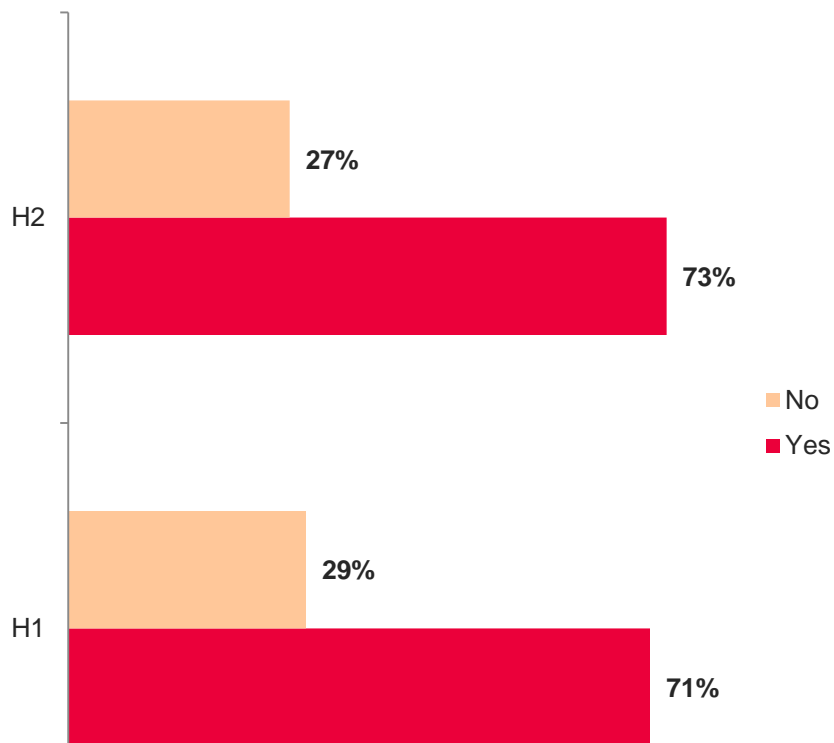
expect salary levels to rise by only 5%-10% in 2017

A. Demographics



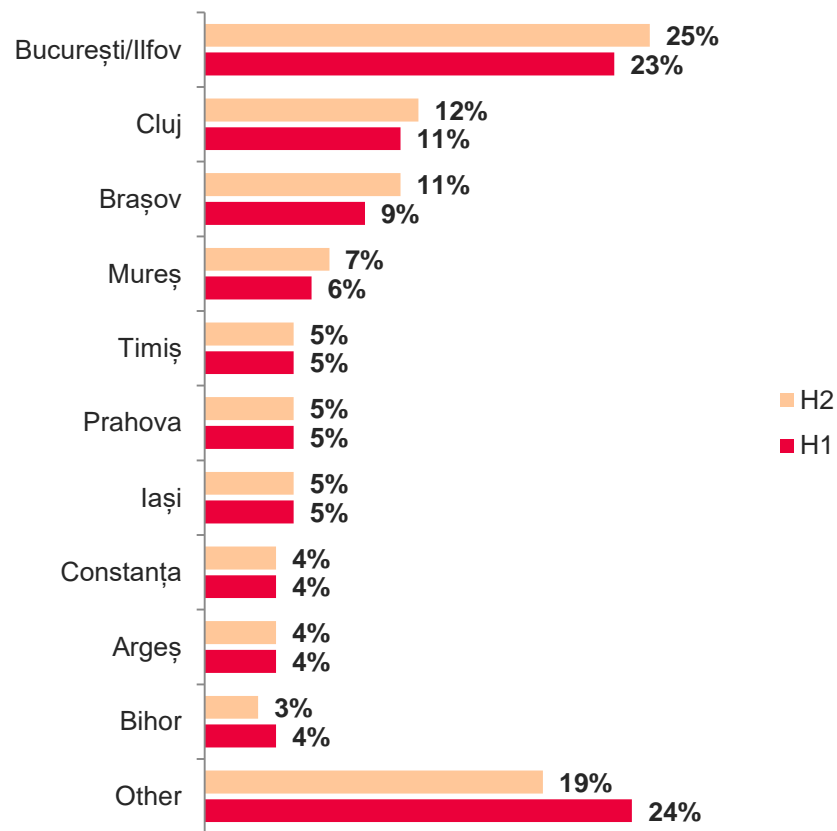
A. Demographics

Romanian company (Yes/No)



Total answers: 308
Skipped this question: 0

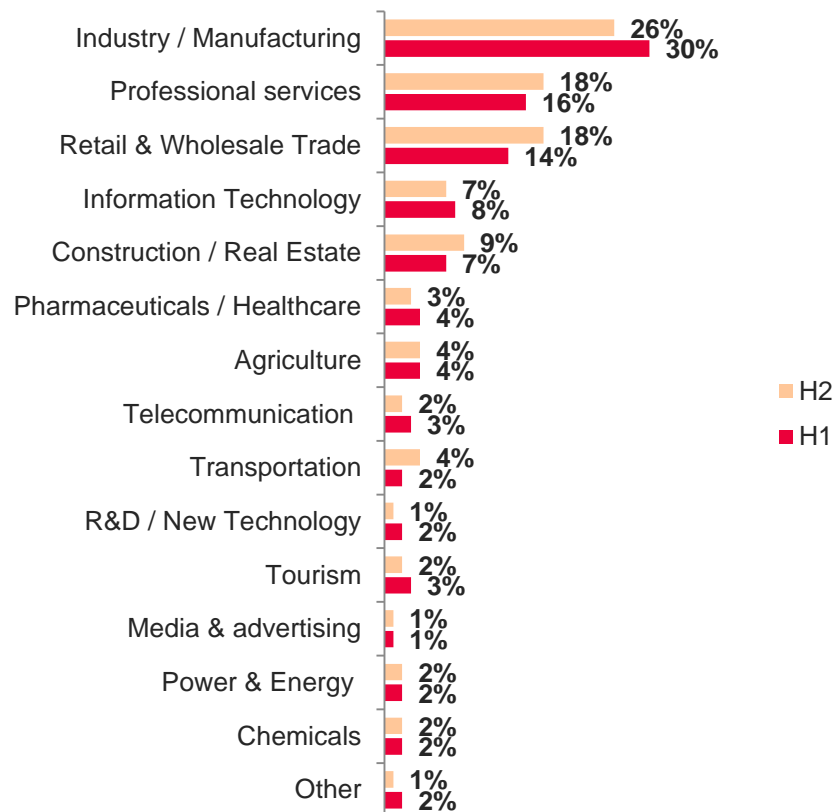
Headquarter (county)



Total answers: 308
Skipped this question: 0

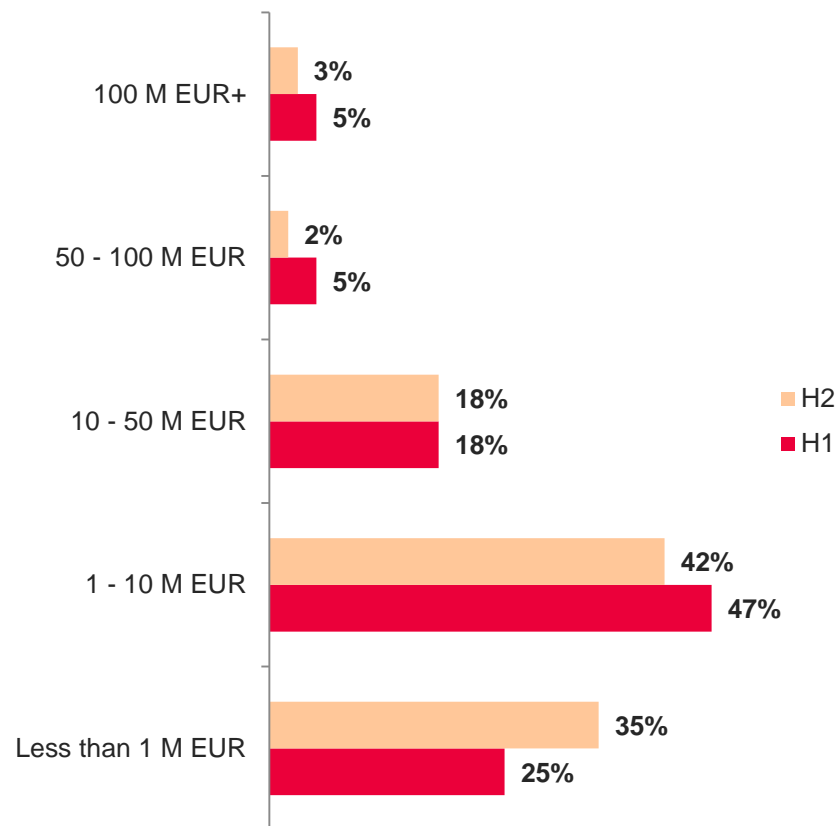
A. Demographics

Industry sector



Total answers: 308
Skipped this question: 0

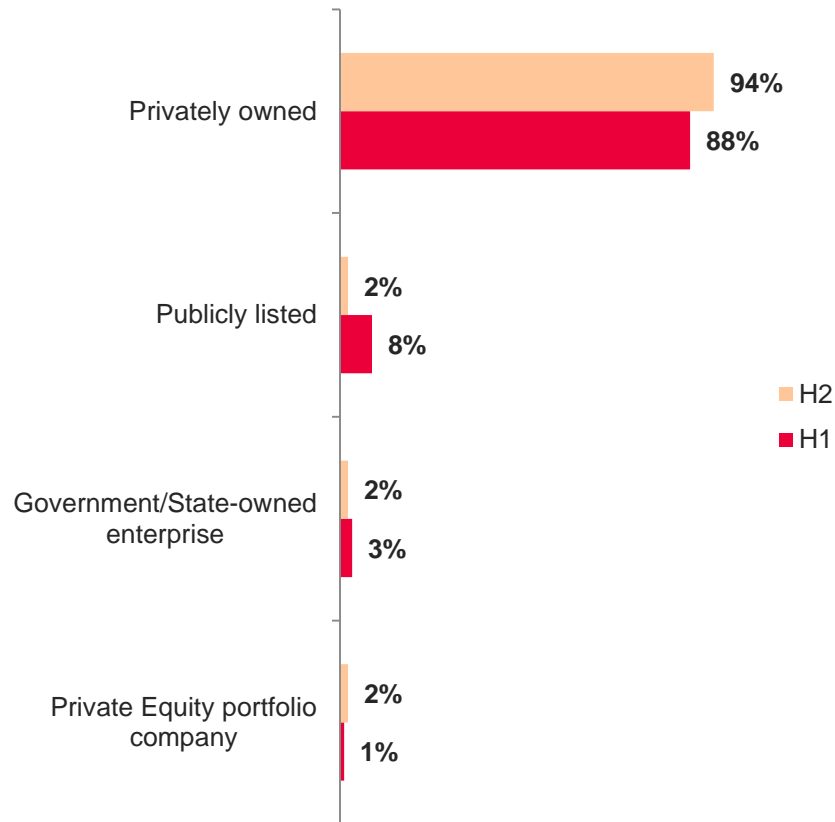
Turnover (2016)



Total answers: 308
Skipped this question: 0

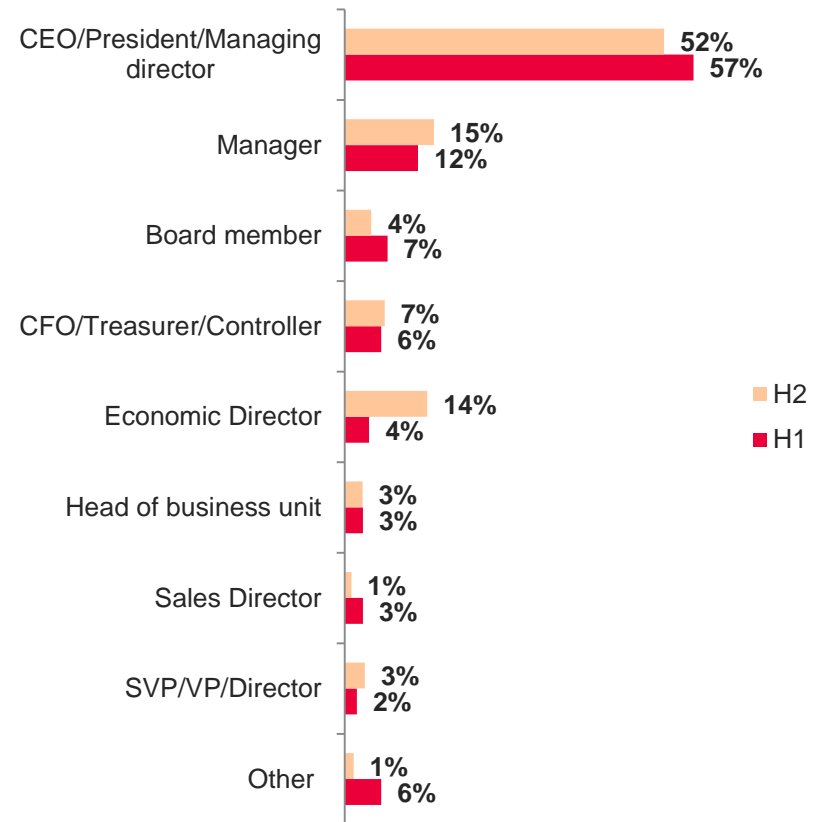
A. Demographics

Company type



Total answers: 308
Skipped this question: 0

Respondent job title



Total answers: 308
Skipped this question: 0

B. Survey results

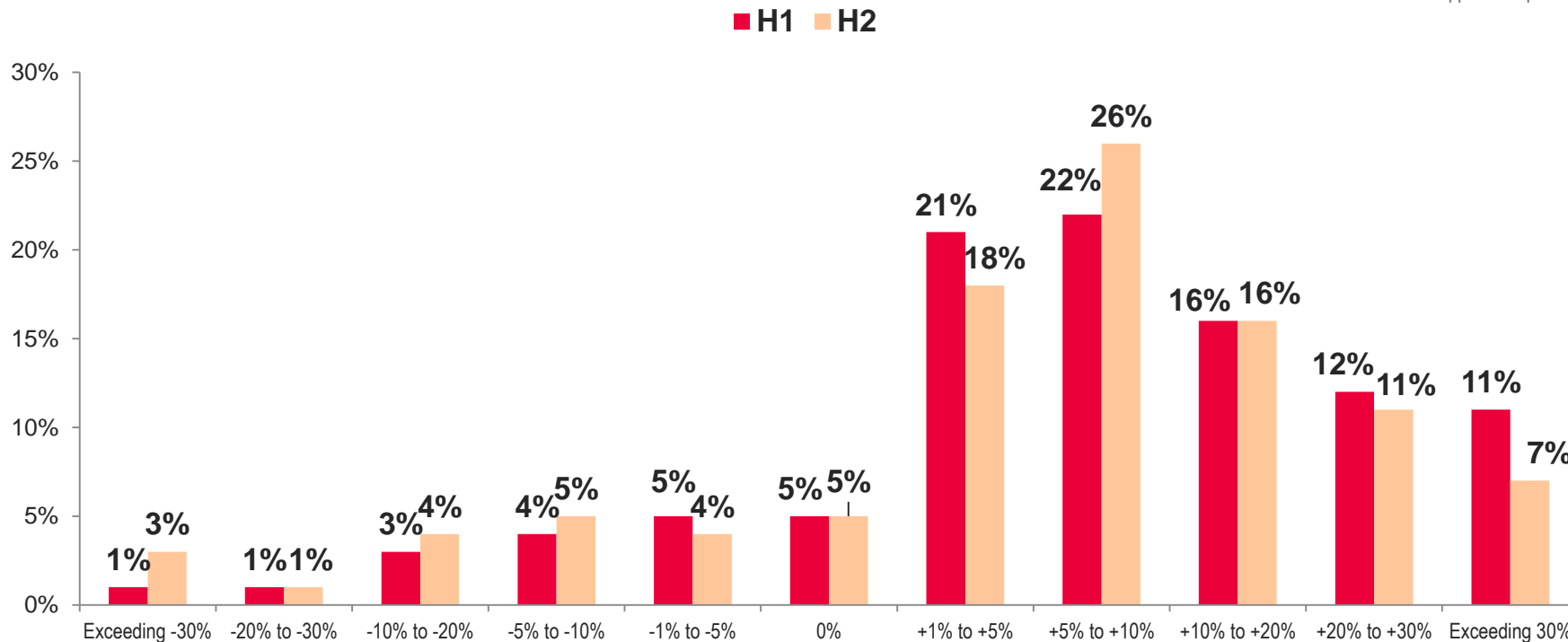


1.a

How much you expect your turnover to grow in 2017? (single answer)

All answers

Total answers: 305
Skipped this question: 3



Compared to the first half of 2017, the companies' growth forecasts get even more conservative. In the last 6 months, we see a slight percentage increase of companies expecting a fall in turnover this year, from 13% to 17%. There are negative adjustments of 1-4 percentage points in the percentage of companies expecting their turnover to grow in 2017, offset by an additional 8 percentage points over the range of 5% -10%.

1.b

How much you expect your turnover to grow in 2017? (single answer)

Highest growth by industry (12 industries with the largest share in the sample)



29%
Industrial
Production
Companies
+5% - +10%



25%
Professional
Services
Companies
+5% - +10%



30%
Retail &
Wholesale
Companies
+5% - +10%



20%
Information
Technology
Companies
+20% - +30%



31%
Construction/
Real Estate
Companies
+5% - +10%



40%
Agriculture/
Food
Companies
+10% - +20%



33%
Research &
Development
Companies
+5% - +10%



38%
Pharmaceutical/
Healthcare
Companies
+10% - +20%



50%
Telecommunication
Companies
+5% - +10%



27%
Transportation
Companies
+5% - +10%



25%
Tourism
Companies
+10% - +20%



33%
Power & Energy
Companies
+1% - +5%

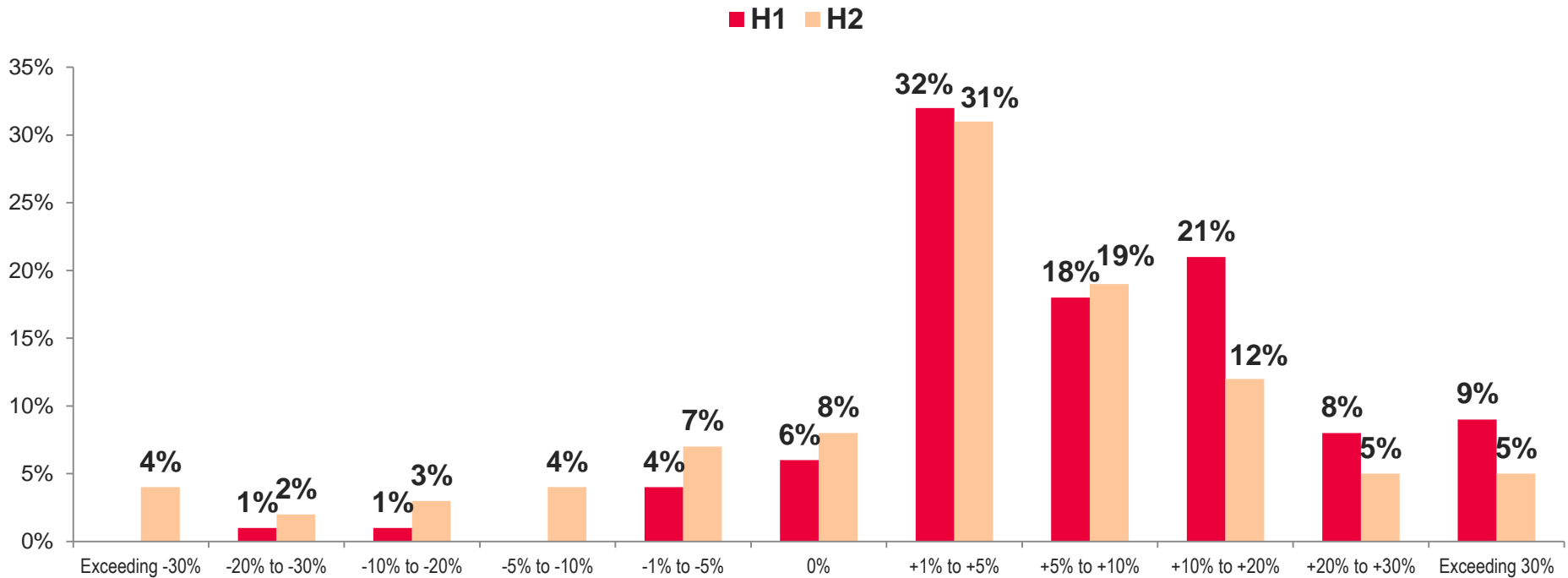
This slide shows what growth is predicted by most companies in each industry. We chose a set of 12 representative industries to spot the potential differences between them, but also the spread of variation rate of percentages by industry and selected growth levels. The highest increase in turnover by 20% -30% is predicted by 20% of IT firms.

2.a

How much you expect your profit to grow in 2017? (single answer)

All answers

Total answers: 305
Skipped this question: 3



The profit forecasts for the second half of 2017 are pessimistic. Although 31% of companies (vs. 32% previously) expect their profit to grow by 1% -5%, 19% expect the company's profit to be higher by 5% -10% and 10% forecast an increase from 20% to over 30%. The highest drop is seen on the 10% -20% range where the percentage drops from 21% to 12%. Also, in September 2017, 28% of companies (compared to 12% previously) have negative expectations about their profits in 2017.

2.b

How much you expect your profit to grow in 2017? (single answer)

Highest growth by industry (12 industries with the largest share in the sample)



40%

Industrial
Production
Companies
+1% - +5%



29%

Professional
Services
Companies
+5% - +10%



32%

Retail &
Wholesale
Companies
+1% - +5%



20%

Information
Technology
Companies
+10% - +20%



27%

Construction/
Real Estate
Companies
+5% - +10%



40%

Agriculture/
Food
Companies
+5% - +10%



33%

Research &
Development
Companies
+5% - +10%



46%

Pharmaceutical/
Healthcare
Companies
+5% - +10%



25%

Telecommunication
Companies
+1% - +5%



64%

Transportation
Companies
+1% - +5%



50%

Tourism
Companies
+1% - +5%



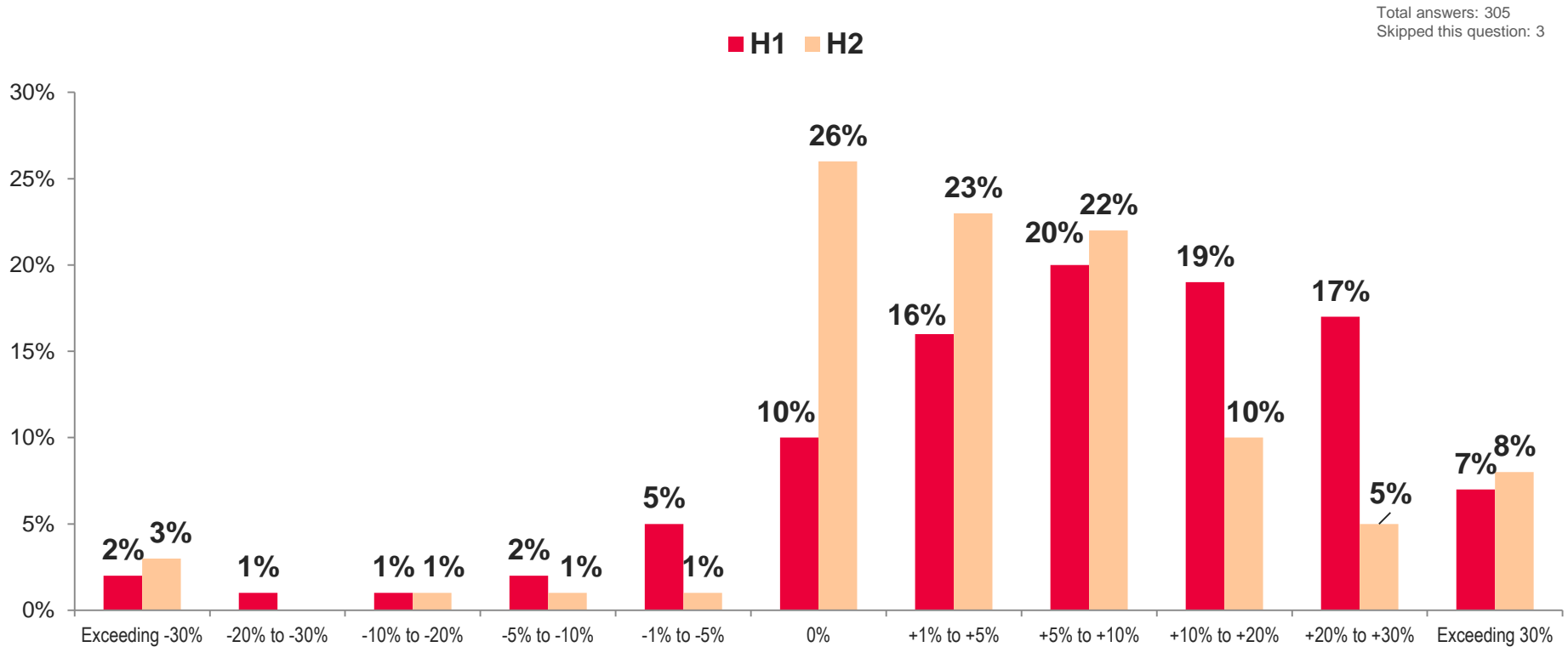
83%

Power & Energy
Companies
+1% - +5%

This slide shows what growth is predicted by most companies in each industry. We chose a set of 12 representative industries to see the potential differences between them, but also the spread variation rate of the percentages per industry and the selected growth ranges. The most important increase in profit of 10% -20% is expected by 20% of IT companies.

3.a How much you expect your investments to grow in 2017? (single answer)

All answers



According to the survey results, 26% of companies (compared to 10% in the first part of the year) say they will not make investments in 2017.

Moreover, companies wanting to increase investments this year fall from 79% in March to 68% in September 2017. We also notice that only 15% of companies want to increase their investments by 10% -30% versus 36% previously. Most companies in telecommunications (50%), construction and real estate (38%) and professional services (25%) say they do not make investments .

3.b How much you expect your investments to grow in 2017? (single answer)

Highest growth by industry (12 industries with the largest share in the sample)



26%

Industrial Production Companies
+1% - +5%



25%

Professional Services Companies
do no make investments



33%

Retail & Wholesale Companies
+5% - +10%



35%

Information Technology Companies
+5% - +10%



38%

Construction/Real Estate Companies
do no make investments



30%

Agriculture/Food Companies
+5% - +10%



33%

Research & Development Companies
+1% - +5%



23%

Pharmaceutical/Healthcare Companies
+10% - +20%



50%

Telecommunication Companies
do no make investments



45%

Transportation Companies
+1% - +5%



26%

Tourism Companies
+20% - +30%



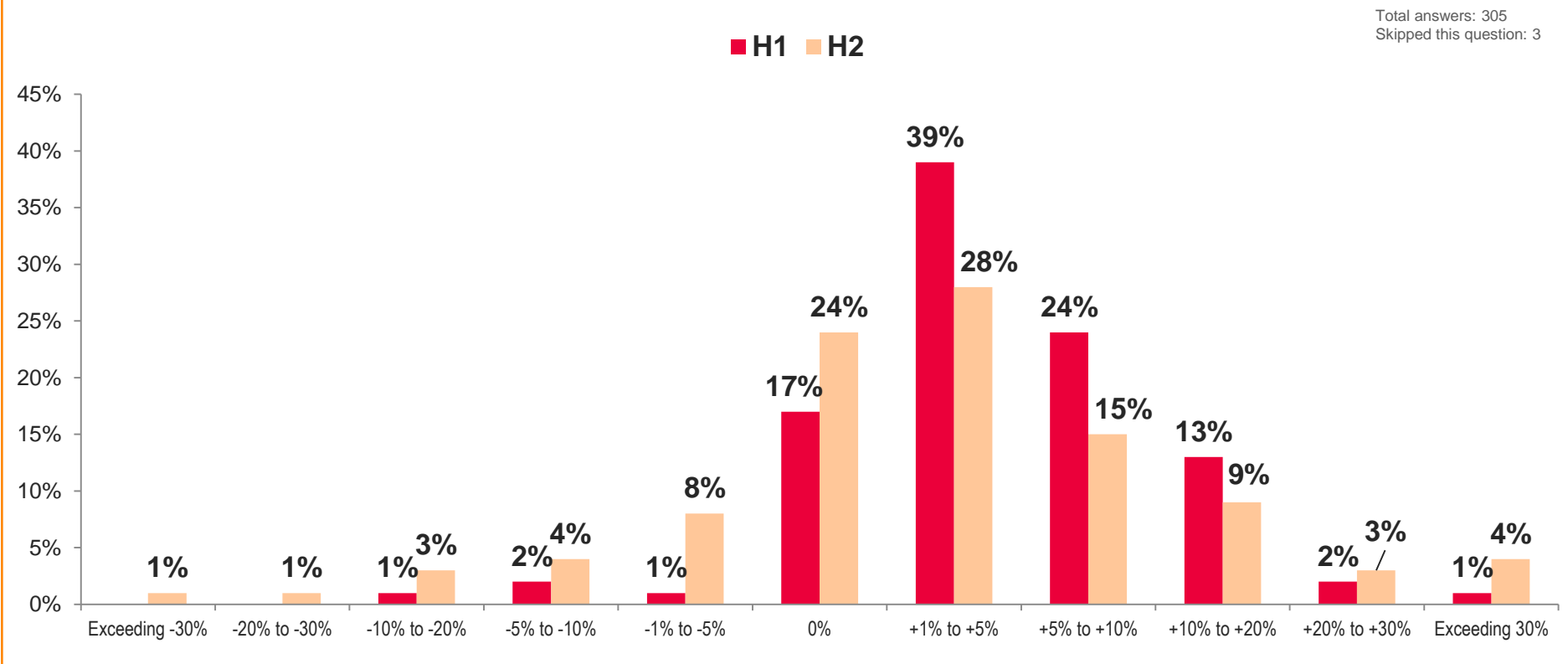
33%

Power & Energy Companies
+1% - +5%

This slide shows what growths are predicted by most companies in each industry. We chose a set of 12 representative industries to see the potential differences between them, but also the spread variation rate of the percentages per industry and the selected growth ranges. Most telecommunication, construction and service companies say they do not make investments this year.

4.a How much you expect your number of employees to grow in 2017? (single answer)

All answers



■ The percentage of companies that expect the number of employees to stay the same in 2017 increase from 17% in March to 24% in September 2017. At the same time, 28% of companies versus 39% previously say they expect staff numbers to increase by 1% -5% this year. Only 15% of companies (compared to 24% in March 2017) expect the number of employees to grow by 5% -10%.

4.b How much you expect your number of employees to grow in 2017? (single answer)

Highest growth by industry (12 industries with the largest share in the sample)



32%

Industrial
Production
Companies
+1% - +5%



31%

Professional
Services
Companies
0%



31%

Retail &
Wholesale
Companies
+1% - +5%



39%

Information
Technology
Companies
+5% - +10%



36%

Construction/
Real Estate
Companies
+1% - +5%



30%

Agriculture/
Food
Companies
+10% - +20%



47%

Research &
Development
Companies
+5% - +10%



46%

Pharmaceutical/
Healthcare
Companies
+1% - +5%



50%

Telecommunication
Companies
0%



45%

Transportation
Companies
+1% - +5%



25%

Tourism
Companies
+10% - +20%



33%

Power & Energy
Companies
+1% - +5%

This slide shows what growths are predicted by most companies in each industry. We chose a set of 12 representative industries to see the potential differences between them, but also the spread variation rate of the percentages per industry and the selected growth ranges. We note that 31% of professional service firms and 50% of telecoms keep the same number of employees as in 2016.

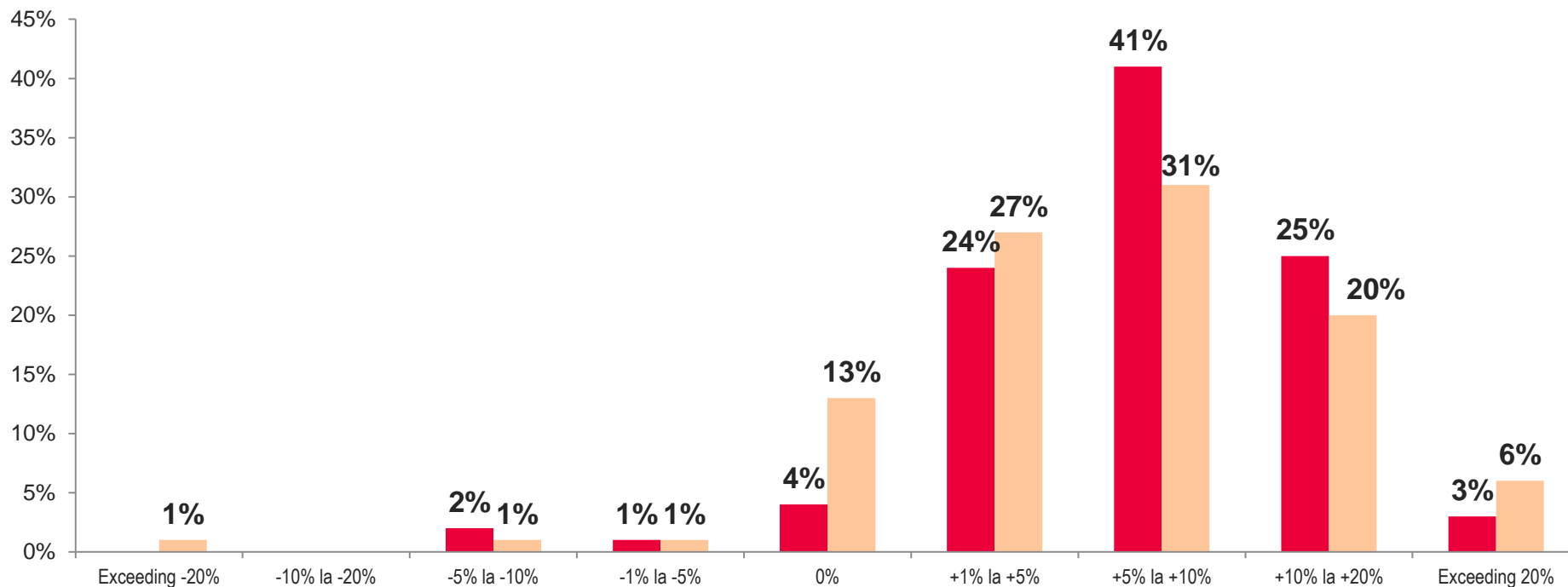
5.a

How much you expect the salary level in your company to grow in 2017? (single answer)

All answers

■ H1 ■ H2

Total answers: 305
Skipped this question: 3



If at the beginning of the year 93% of companies predicted wage increases, only 6 months later their percent dropped to 84%. The 9 percentage points of the difference is transferred to companies that say they will not raise wages in 2017. Another important adjustment is for companies that expected wages to grow between 5% and 10%. Their percentage drops to 31% in September from 41% in March 2017. Also, companies predicting wages rising by 10% -20% are down 5 percentage points in these six months.

5.b How much you expect the salary level in your company to grow in 2017? (single answer)

Highest growth by industry (12 industries with the largest share in the sample)



This slide shows what growths are predicted by most companies in each industry. We chose a set of 12 representative industries to see the potential differences between them, but also the spread variation rate of the percentages per industry and the selected growth ranges. We note that 50% of the utilities companies say will not increase salaries in 2017.

6.

Mention briefly the main 5 challenges you are now seeing in your company / industry: (multiple answers)

All answers

Total answers: 305
Skipped this question: 3



Political & legislative instability

54% (28%)

of respondents say this is the first challenge in 2017

Rank 1 vs. Rank 2



General state of the economy

49% (41%)

of respondents say this is the 2nd challenge in 2017

Rank 2 vs. Rank 1



Problems with workforce

35% (17%)

of respondents say this is the 3rd challenge in 2017

Rank 3 vs. Rank 4

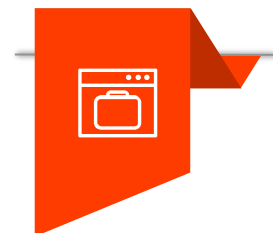


Rapid growth of wages

27% (13%)

of respondents say this is the 4th challenge in 2017

Rank 4 vs. Rank 5



Reducing the level internal investment

21% (23%)

of respondents say this is the fifth challenge in 2017

Rank 5 vs. Rank 3

The most important challenges for companies in the second half of 2017 are: political and legislative instability (54% vs. 28% in the first part of the year), the general state of the economy (49% vs. 41%), (27% vs. 13%) and the decrease in the level of internal investments (21% vs. 23%). Actually all the ranking places are rearranged.

7.

Mention briefly the main 5 opportunities you are now seeing in your company / industry: (multiple answers)

All answers

Total answers: 305
Skipped this question: 3



Consumption growth

65% (19%)

of respondents say that this is the first opportunity in 2017

Rank 1 vs. Rank 4



Export growth

59% (33%)

of the respondents say this is the 2nd opportunity in 2017

Rank 2 vs. Rank 2



Digitalization,
online, IT

42% (37%)

of respondents say this is the 3rd opportunity in 2017

Rank 3 vs. Rank 1



Partnereriships
with other companies

31% (27%)

of respondents say this is the 4th opportunity in 2017

Rank 4 vs. Rank 3



European funds
for SME's

30% (17%)

of respondents say this is the 5th opportunity in 2017

Rank 5 vs. Rank 5

The most important opportunities for companies in the second half of 2017 are: consumption growth (65% vs. 19% in the first part of the year), export and opening up of other markets (59% vs. 33%), digitization and online opportunities (42% vs. 37%), partnerships with other companies (31% vs. 27%) and access to European funds (30% vs. 17%).

Separate analyzes on 6 major industries

Industrial Production



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C. Authors' conclusions



Authors' conclusions



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Business evolution in 2017 is a research on the Romanian business environment. We ask managers the most important questions, which eventually find their answer in the company's profit and loss account or cash flow. This analysis shows how the business outlook of the Romanian companies evolved in the second half of 2017.

Unfortunately, the comparative data indicate a change in the business sentiment, the appetite for investment being the one that eroded the most, indicating a preservation instinct already activated by tax and legislative developments in recent months



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This analysis is the consequence of the need to understand the economic environment in Romania. It records the opinion of the respondent companies on the evolution of turnover, profit, investments, number of employees, salaries. At the beginning of 2017, companies' responses indicated some optimism. Even if the realities of each industry are specific, the comparative analysis presented in the autumn edition of the Valoria study shows an important negative adjustment of these indicators operated by companies in a year that put great pressure on the business environment in Romania. We will see how these trends will be reflected next year in the next blitz survey of March 2018.

D. Contact details and acknowledgments



Contact details and acknowledgements



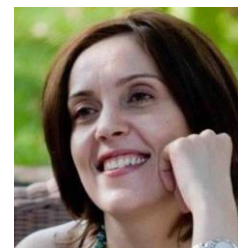
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We would like to thank all the respondents for their support in conducting this survey. We are delighted to see such a high interest in this topic and the prompt responses. The present study was carried out in collaboration with Doingbusiness.ro.

About Valoria

Valoria Business Solutions is a company providing training, consulting and executive coaching services. The company's mission is to transform the potential of teams and organizations into value. Competence, confidence, innovation and passion are the values that sustain us in everything we do. We believe in people, in their aspiration for personal and professional fulfillment, and their willingness to accelerate their potential. Learn more about us at: www.valoria.ro.

The present slide-deck is a study/quantitative analysis which aims to highlight trends related to the topic and advance working hypotheses to be validated by further extended market research, on representative samples. This material is accurate to the best of our knowledge at the time of writing. It has an informative purpose and therefore we recommend professional advice before taking any action.

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