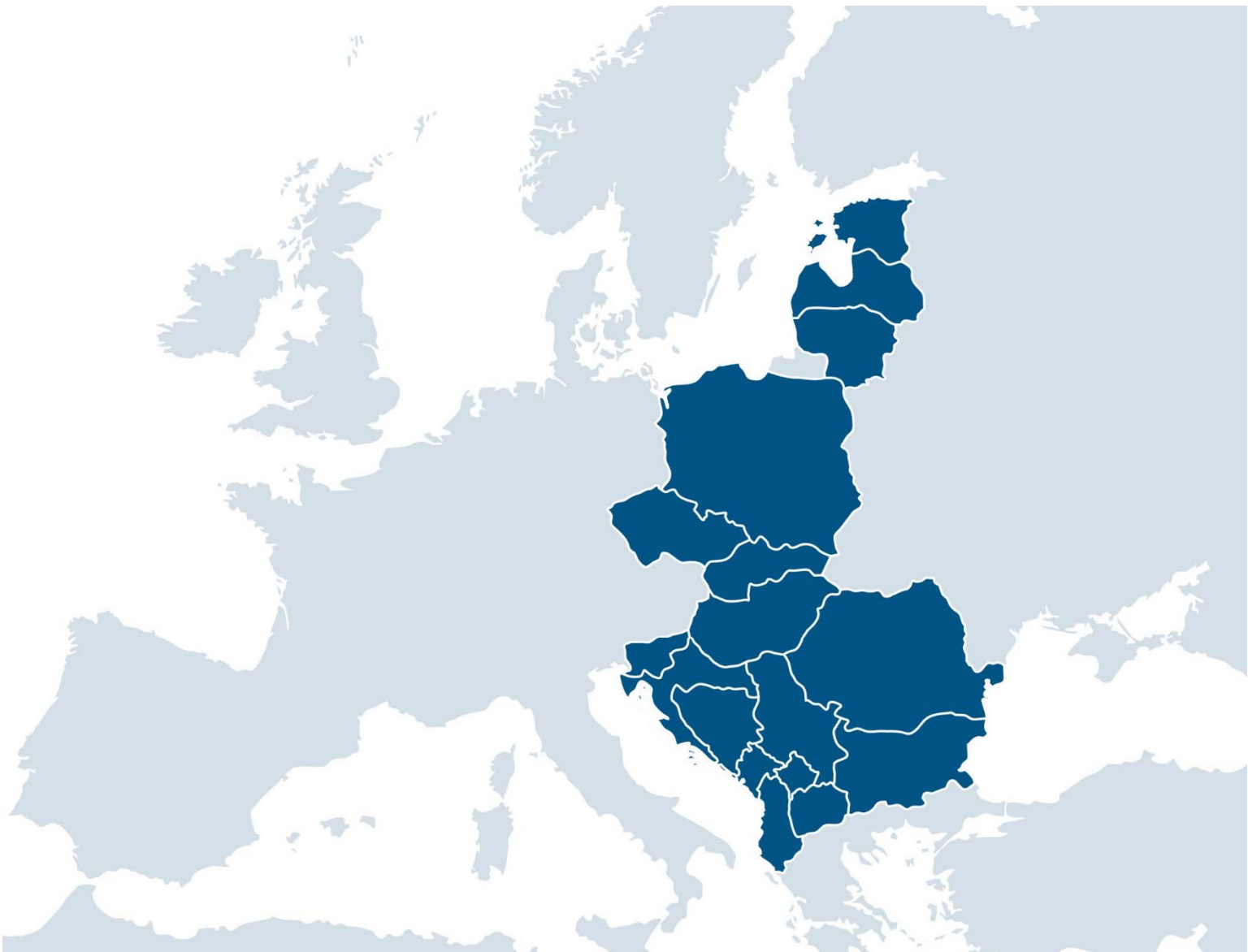




AHK-Investment Climate Survey Central and Eastern Europe 2014

Detailed results of the 9th joint survey of the
German Chambers of Commerce and Industry (AHK)
in 16 countries across Central and Eastern Europe



About the Survey

German Chambers of Commerce and Industry (AHK) in 16 countries across Central and Eastern Europe in 2006 joined to establish a common survey on economic and investment conditions in the region. The aim of the survey is to provide unbiased, reliable, comparable and up-to-date information on these markets by asking managers of international companies operating in these countries.

In 2014, 1,435 managers across the region answered the questionnaire, which makes the survey the broadest of its kind.

Central and Eastern Europe bear an outstandingly important role for the German economy. Nearly ten per cent of all German direct investment abroad has been placed in CEE, thus outnumbering e.g. German FDI to China by far. Numerous German companies have set up strategic units in the region, which are indispensable for worldwide success of these groups. Finally, CEE is absorbing more than ten per cent of all German exports, which ensures thousands of jobs in Germany.

On the other side, German investments in CEE created hundreds of thousands of jobs in the respective countries, and largely contribute to exports and economic growth.

Key Findings of the Survey

Assessment of the economic situation

- The evaluation of the economic situation and the outlook for 2014 slightly improved compared to the 2013 survey, though in most of the countries the majority of the managers still deem the economic situation to be bad, a positive assessment prevails in only four countries.
- However, economic prospects for 2014 are seen to improve across the region, regarding both, the macroeconomic situation as well as the development of the own business. The degree of optimism between the surveyed countries differs only slightly.
- In general, the survey reveals a north-south slope regarding the evaluation of the economic situation: The most favourable results were recorded in the Baltic States, Poland and the Czech Republic whereas in the western Baltic States rather pessimistic opinions prevail. Hungary, Slovakia and Romania usually rank on average.

- The improvement of the general economic situation is being reflected by rising intentions to hire additional staff and by a growing propensity to raise investment outlays.

Business environment

The evaluation of the business environment and climate barely changed in comparison to the 2013 survey:

- The companies are widely satisfied with the workforce in terms of productivity as well as in terms of qualification and costs.
- The operating environment, i.e. the quality of business partners, infrastructure or conditions for R&D, widely matches expectations.
- Dissatisfaction prevails regarding most aspects of the economic policy settings and regulations. Corruption and a lack of calculability are among the most disturbing factors for the companies.

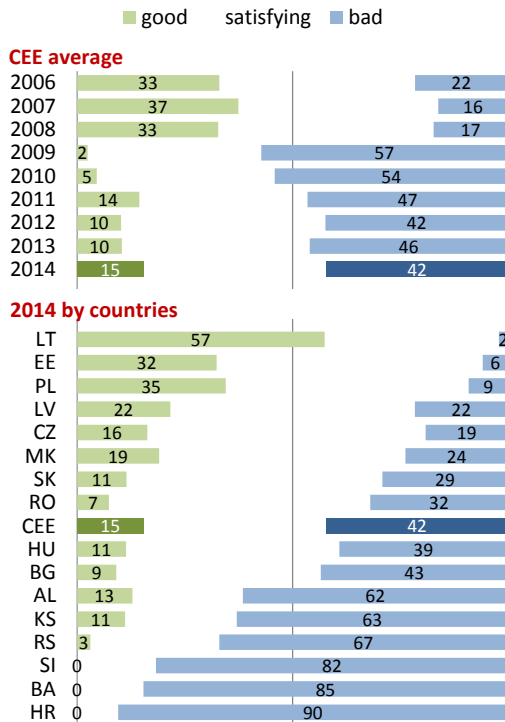
Alternative investment destinations

- Despite some shortcomings in their own host country, a large majority of investors is satisfied with their original investment decision: on average, 83% of the managers in the region would choose the same location again today, while only 17% would prefer a different destination.
- Asked for the attractiveness of individual investment destinations, the 2014 survey recorded no change in the top five countries: Poland was again chosen as the most attractive country by the more than 1.400 interviewed managers, the Czech Republic held on to its second place, ahead of Estonia on the third place.

Detailed results of the survey

1. Economic situation

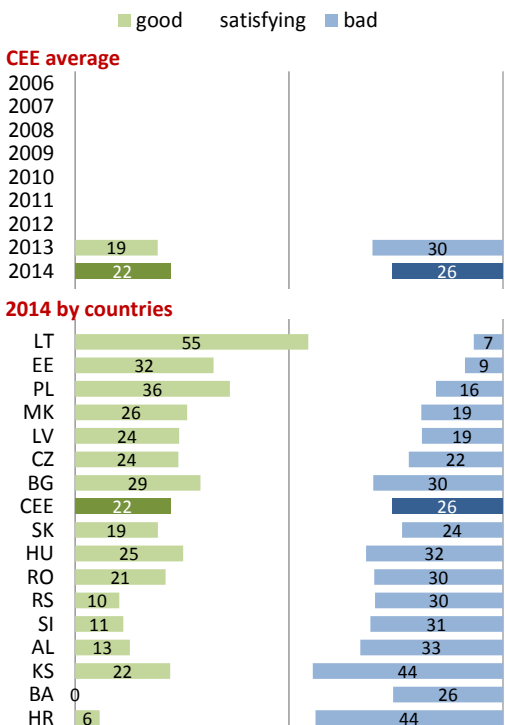
1.1 How do you rate the current economic situation in your country?



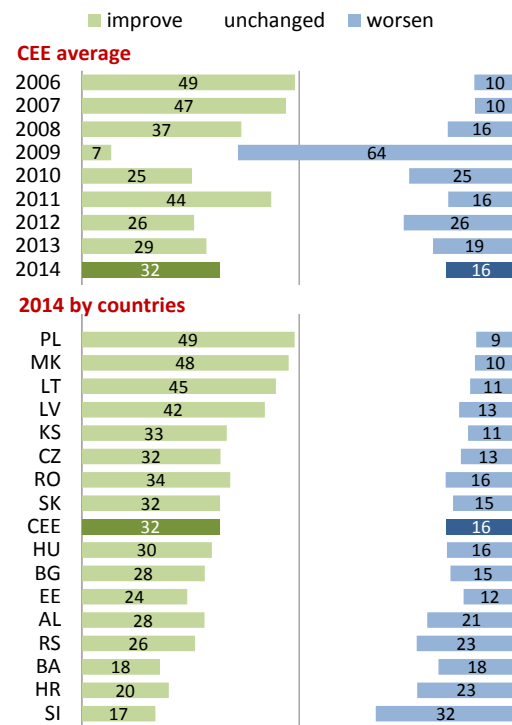
1.2 How do you rate the outlook of your country's economy this year compared to the previous year?



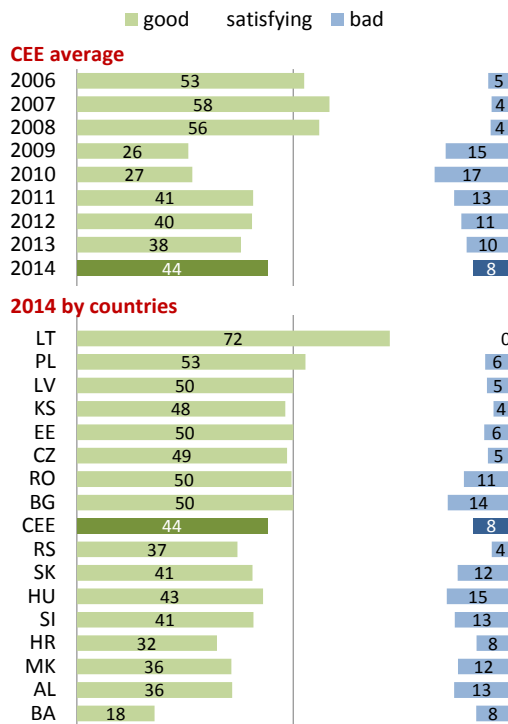
1.3. How do you rate the current situation of your industry?



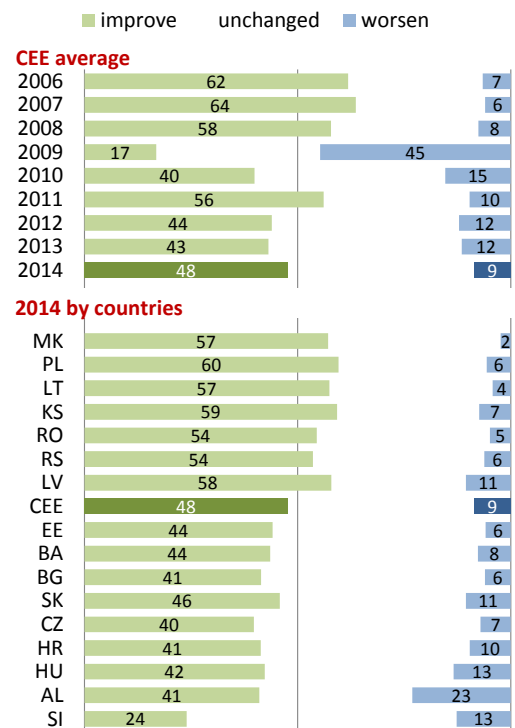
1.4. How will the business situation of your industry develop this year compared to the previous year?



1.5 How do you rate the current business situation of your company?



1.6 How will the business situation of your company develop this year compared to the previous year?



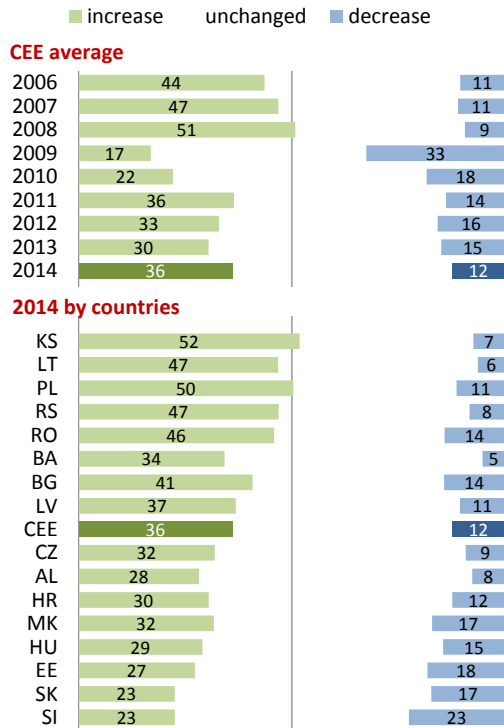
1.7. How will your total sales revenues develop this year compared to the previous year?



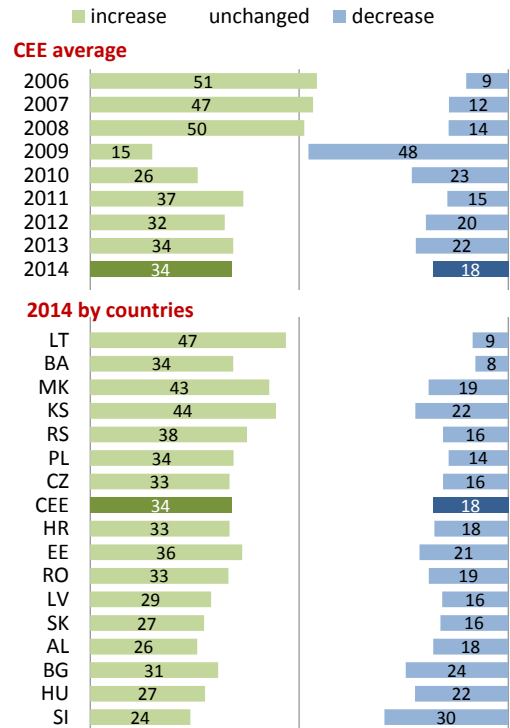
1.7. How will your export revenue develop this year compared to the previous year?



1.8. How will the number of employees in your company develop this year compared to the previous year?

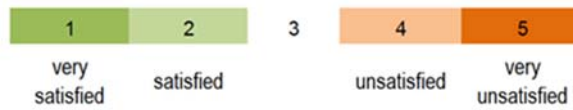


1.9. How will your capital expenditure develop this year compared to the previous year?



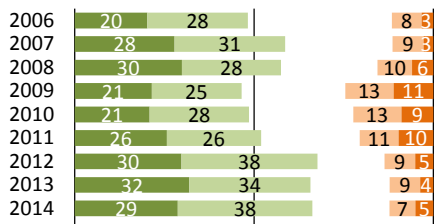
2. Satisfaction with aspects of the general business climate

How satisfied are you with the following business conditions?

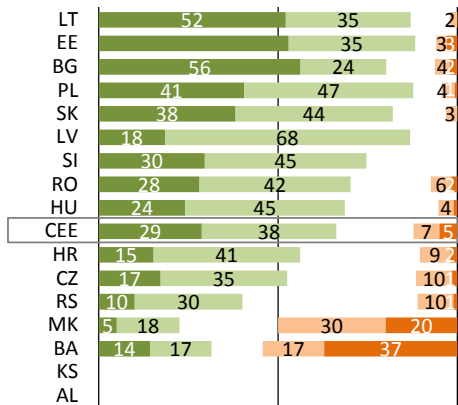


2.1. Membership in the European Union

CEE average

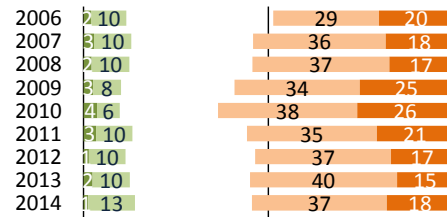


2014 by countries

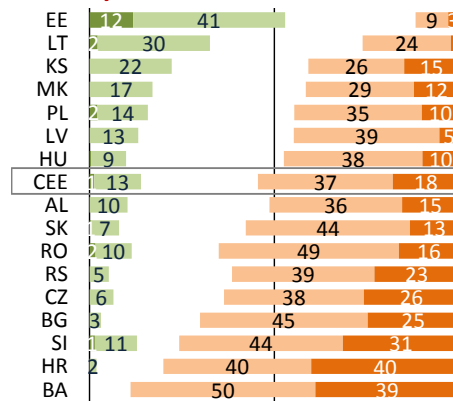


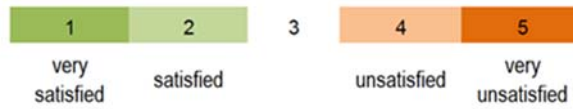
2.2. Public administration

CEE average



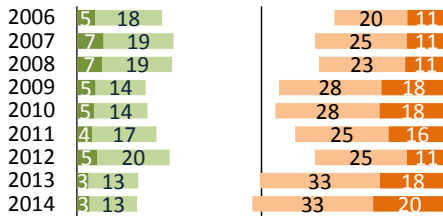
2014 by countries



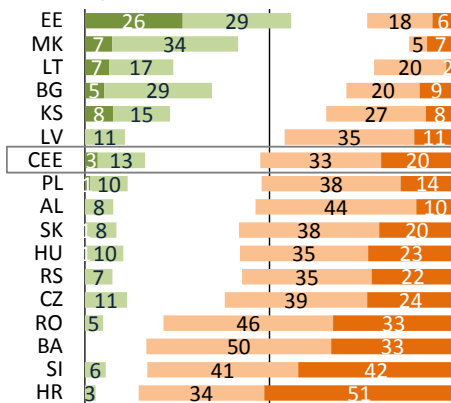


2.3. Tax authorities, tax system

CEE average

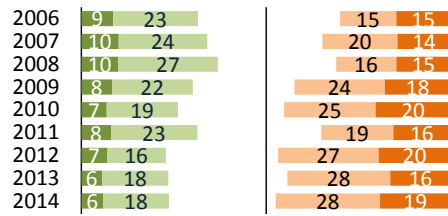


2014 by countries

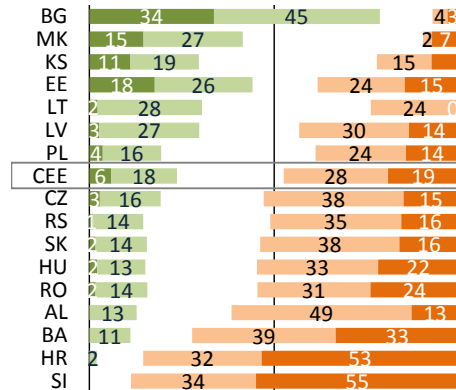


2.4. Tax burden

CEE average

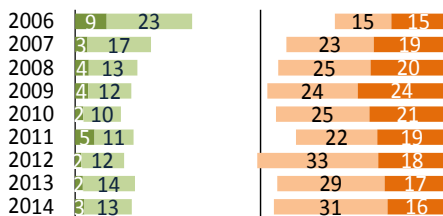


2014 by countries

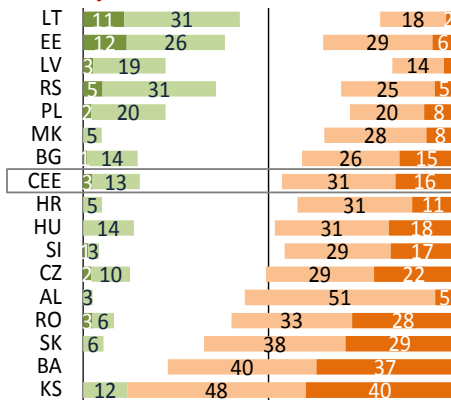


2.5. Access to state or EU funding

CEE average

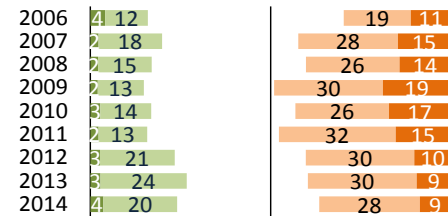


2014 by countries

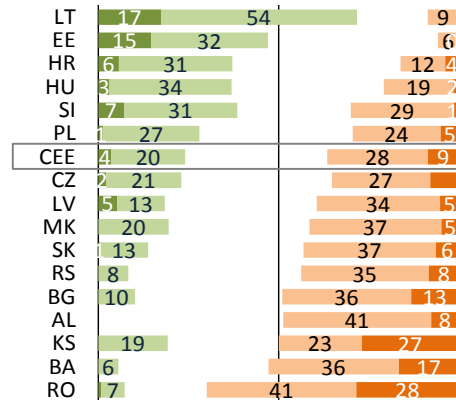


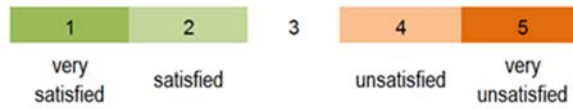
2.6. Infrastructure

CEE average



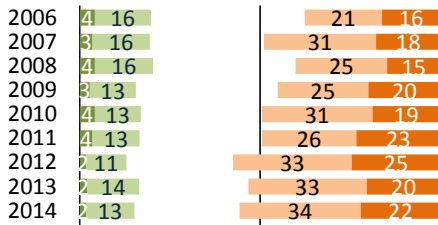
2014 by countries



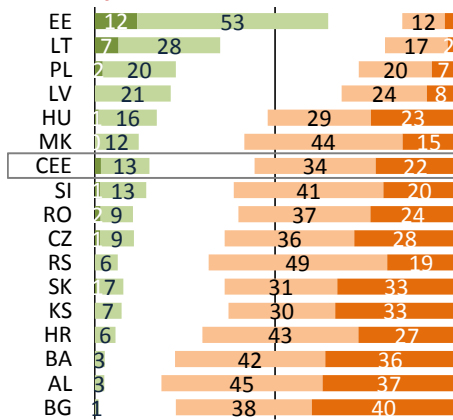


2.7. Legal security

CEE average

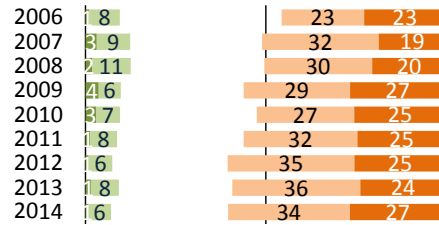


2014 by countries

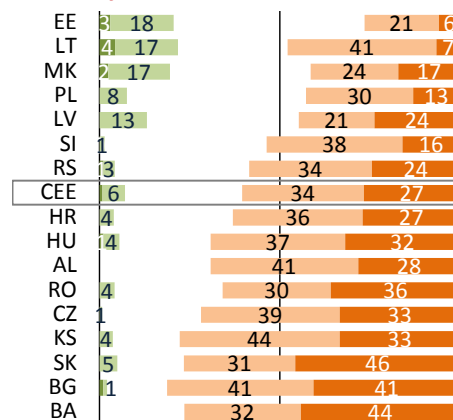


2.8. Transparency of public procurement

CEE average

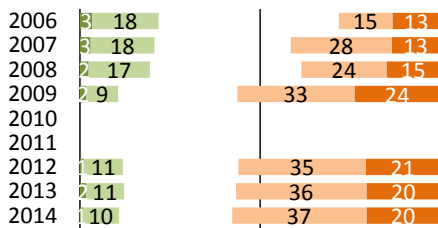


2014 by countries

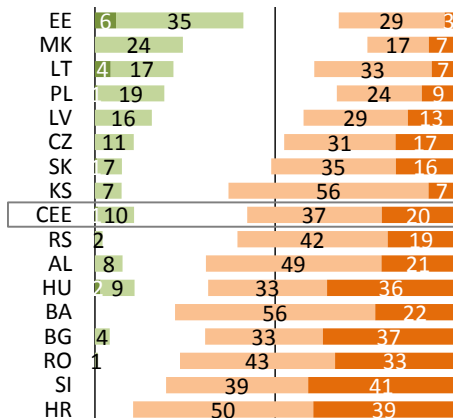


2.9. Predictability of economic policies

CEE average

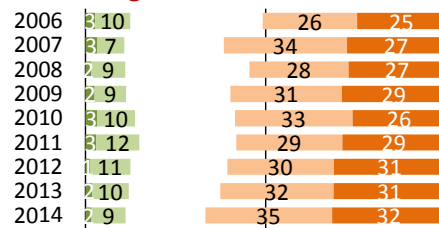


2014 by countries

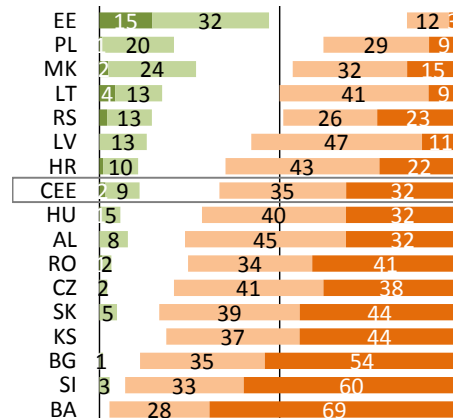


2.10. Fight against corruption and crime

CEE average



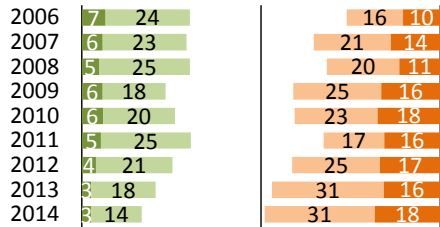
2014 by countries



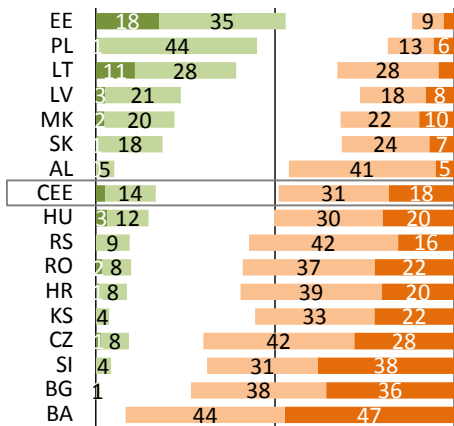


2.11. Political and social stability

CEE average

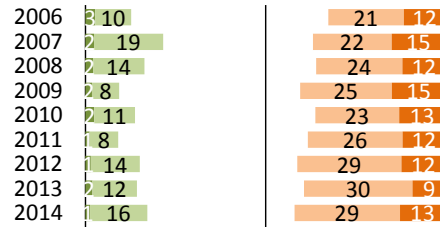


2014 by countries

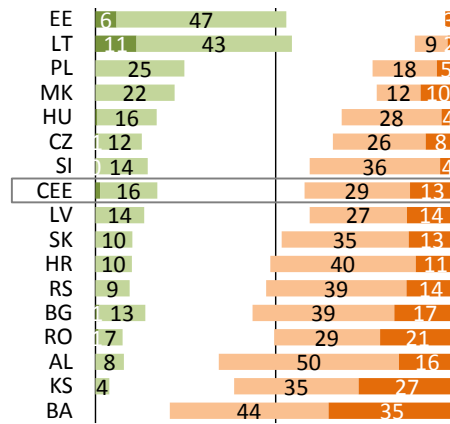


2.12. R&D environment

CEE average

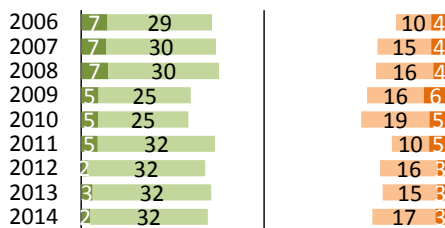


2014 by countries

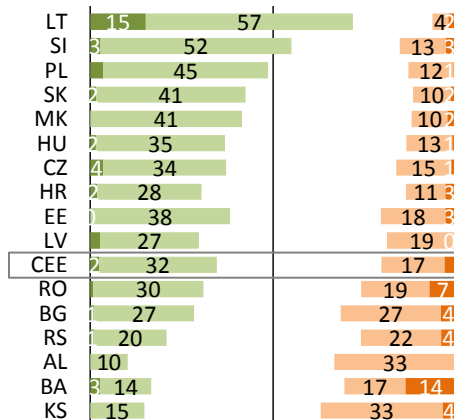


2.13. Quality and availability of local suppliers

CEE average

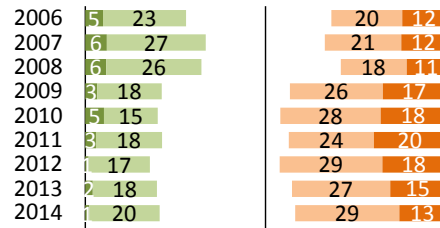


2014 by countries

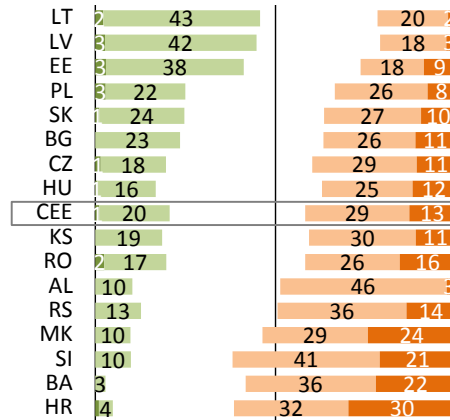


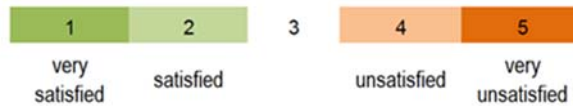
2.14. Payment behaviour

CEE average



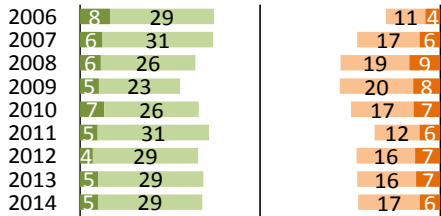
2014 by countries



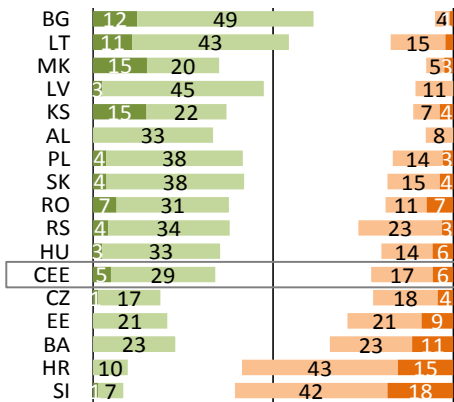


2.15. Labour costs

CEE average

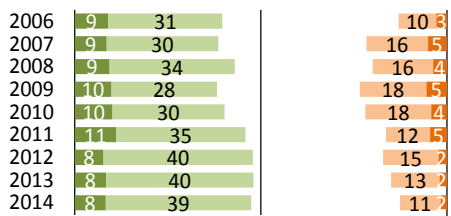


2014 by countries

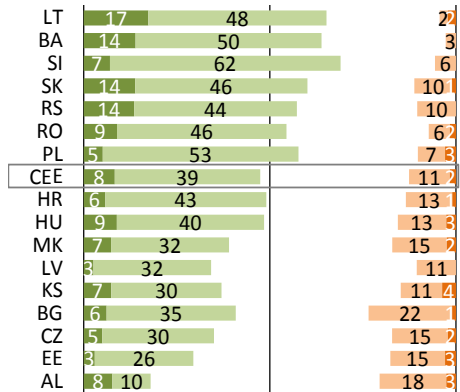


2.16. Productivity and motivation of employees

CEE average

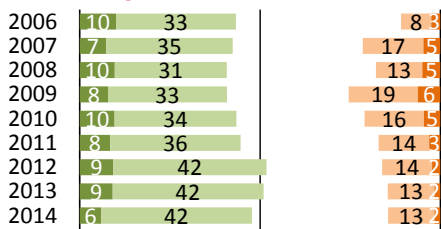


2014 by countries

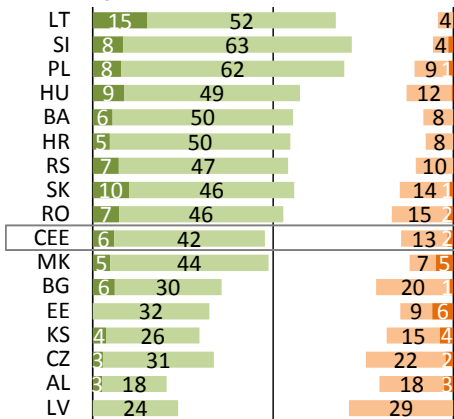


2.17. Qualification of employees

CEE average

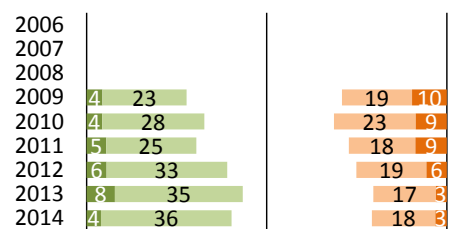


2014 by countries

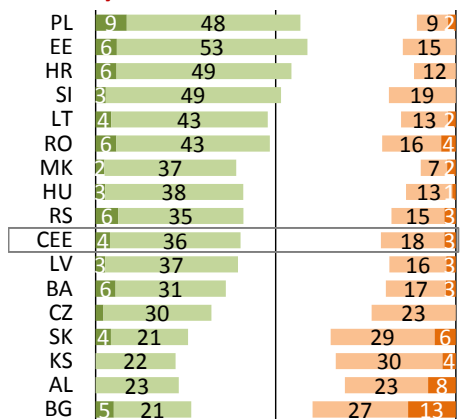


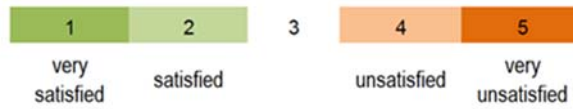
2.18. Adequacy of higher education

CEE average



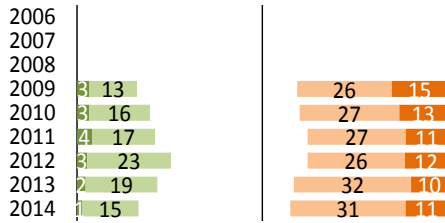
2014 by countries



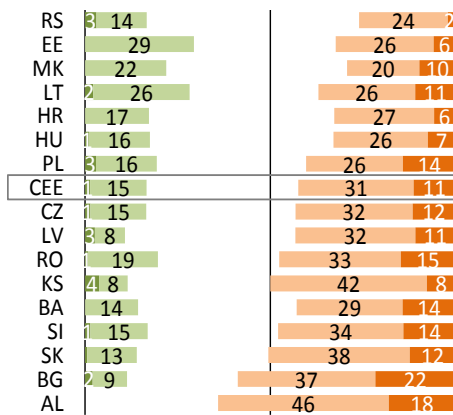


2.19. Adequacy of vocational training

CEE average

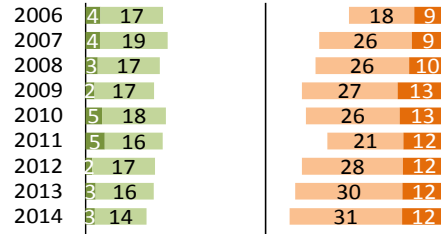


2014 by countries

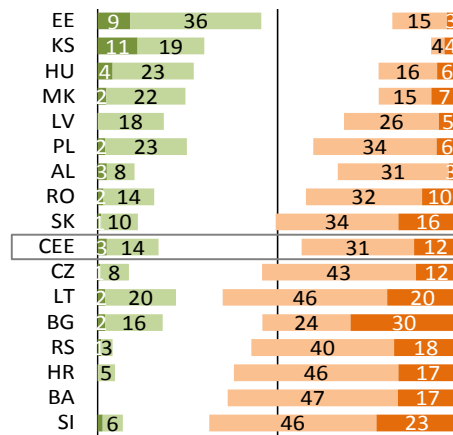


2.20. Legal flexibility of employment

CEE average

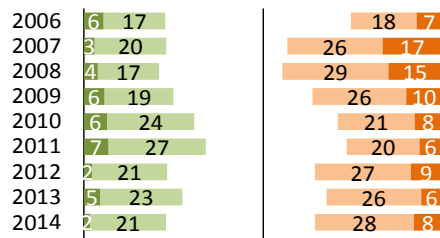


2014 by countries

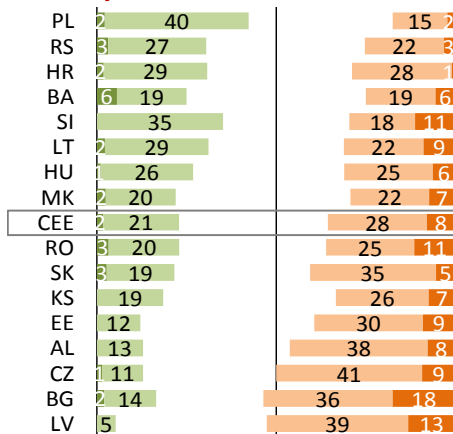


2.21. Availability of skilled staff

CEE average



2014 by countries

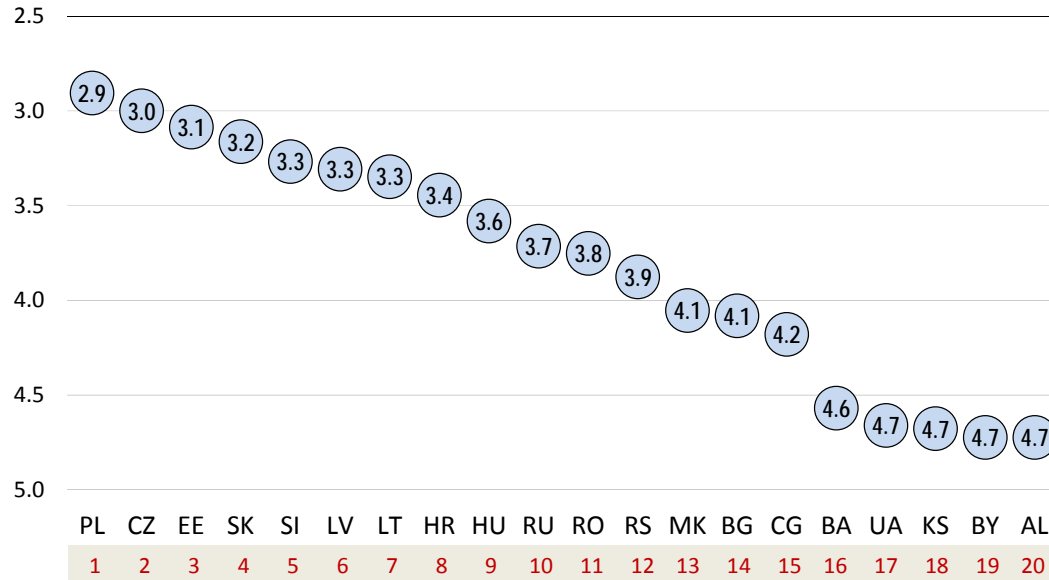


3. Investment location

How do you rate the attractiveness of the following countries for investors?

1 = very attractive ... 6 = not attractive at all

(the average rating denominates the mean of the grades, which were assigned to the respective country in all participating countries, excluding the grade for the own country.)



Ranking 2006-2014

	2014	2013	2012	2011	2010	2009	2008	2007	2006
PL	1	1	2	2	2	4	4	9	8
CZ	2	2	1	1	1	1	1	1	1
EE	3	3	4	5	8	6	6	4	4
SK	4	4	3	4	4	2	3	3	3
SI	5	5	5	3	3	3	2	2	2
LV	6	7	8	9	13	11	7	5	7
LT	7	8	9	6	10	10	8	6	6
HR	8	6	6	7	5	5	11	7	9
HU	9	10	13	10	7	9	5	8	5
RU	10	9	7	8	6	7	10	12	13
RO	11	11	10	11	9	8	9	10	12
RS	12	12	11	12	11	13	14	14	14
MK	13	15	16	16	16	16	15	16	#NV
BG	14	14	12	13	12	12	12	11	11
CG	15	16	14	15	15	15	16	15	#NV
BA	16	17	17	17	17	17	17	17	#NV
UA	17	13	15	14	14	14	13	13	10
KS	18	18	20	20	#NV	#NV	#NV	#NV	#NV
BY	19	19	18	18	18	#NV	#NV	#NV	#NV
AL	20	20	19	19	19	18	18	18	

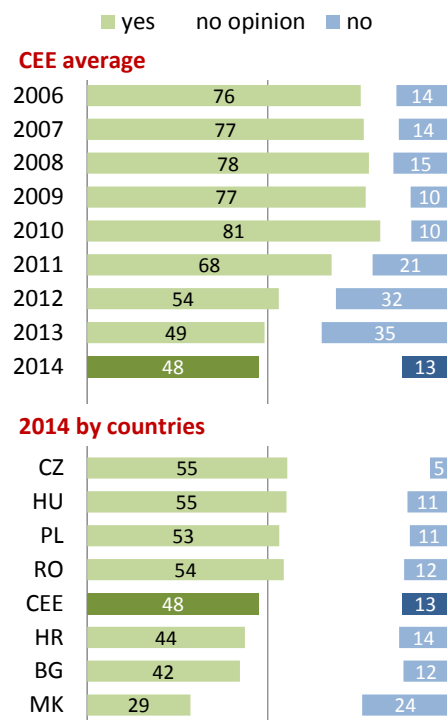
4. Investment alternatives

Would you again choose your country as preferred location for your investment?



5. Euro

Should your country join the Eurozone?



Participants

Number of participants by country

		2006	2007	2008	2009	2010	2011	2012	2013	2014	within this (in %)		
											DE	other	own country
Albania	AL	::	::	::	14	7	12	26	33	39	33	23	44
Bosnia-Herzegovina	BA	61	43	40	65	57	59	49	46	39	38	23	38
Bulgaria	BG	33	63	62	57	72	68	84	108	99	41	18	40
Czech Republic	CZ	104	123	118	121	125	71	148	177	141	54	11	35
Estonia	EE	23	13	18	36	28	32	33	35	34	47	15	38
Croatia	HR	68	45	56	43	50	61	80	82	105	47	22	31
Hungary	HU	206	177	179	143	182	144	199	365	194	57	20	23
Kosovo	KS	::	::	::	::	::	16	6	31	27	22	11	67
Lithuania	LT	44	34	21	29	24	26	35	31	47	43	19	38
Latvia	LV	43	65	43	53	50	39	48	37	38	50	11	39
Macedonia	MK	34	54	43	36	35	27	46	51	43	26	19	53
Poland	PL	165	84	56	173	99	80	186	151	142	54	25	21
Romania	RO	55	66	49	53	42	60	49	153	123	58	15	28
Serbia	RS	34	67	34	18	59	72	78	66	97	46	21	33
Slovenia	SI	25	::	::	32	30	26	44	70	71	55	20	25
Slovakia	SK	83	94	95	70	114	163	212	187	196	34	52	14
CEE total		978	928	814	943	974	956	1 323	1 623	1.435	44,0	20,2	35,6

About the survey

Survey-period: January 31 – March 3, 2014

The survey is based on uniform questionnaire, which was answered online. The evaluation was performed anonymously.

Abbreviations of countries:

Survey participants		Other countries	
AL	Albania	AT	Austria
BA	Bosnia-Herzegovina	BY	Belorussia
BG	Bulgaria	CN	China
CZ	Czech Republic	DE	Germany
EE	Estonia	FR	France
HR	Croatia	RU	Russia
HU	Hungary		
KS	Kosovo		
LT	Lithuania		
LV	Latvia		
MK	Macedonia		
PL	Poland		
RO	Romania		
RS	Serbia		
SI	Slovenia		
SK	Slovakia		

CEE – Main economic indicators 2013

	Popu- lation	Gross domestic product			Inflation ¹		Unem- ployment rate	Budget deficit	Current account balance	Export	Foreign trade balance	FDI ²	
		Jan. 1. Mln.	EUR bln.	EUR per capita	% to p. y.	% to p. y..						%	% of GDP
												% of GDP	EUR mln.
Albania	2,8	9,7	3.470	0,7	1,9	12,8	-6,2	-9,1	1,8	-1,9	39,0	::	
Bosnia-Herzeg.	3,9	13,4	3.461	1,2	-0,1	27,0	-2,2	-5,6	4,3	-3,5	45,0	185	
Bulgaria	7,3	39,9	5.483	0,9	0,4	13,0	-1,9	2,1	22,2	-3,6	97,9	2.911	
Czech Republic	10,5	149,5	14.215	-0,9	1,4	7,0	-2,9	-1,0	121,5	13,6	69,6	26.314	
Croatia	4,3	43,1	10.119	-0,9	2,3	17,2	-5,5	1,2	8,9	-6,8	55,3	2.534	
Estonia	1,3	18,4	13.964	0,8	3,2	8,6	-0,4	-1,0	12,3	-1,4	86,2	508	
Kosovo	1,8	5,1	2.856	2,5	1,9	::	-2,5	-6,8	::	::	::	::	
Hungary	9,9	97,9	9.885	1,1	1,7	10,2	-2,4	3,1	81,4	6,3	81,7	15.690	
Latvia	2,0	23,4	11.548	4,1	0,0	11,9	-1,3	-0,8	10,9	-2,3	46,7	502	
Lithuania	3,0	34,6	11.653	3,3	1,2	11,8	-2,1	0,8	24,5	-2,0	37,5	1.022	
Macedonia	2,1	7,5	3.619	2,9	2,8	30,0	-4,0	-1,8	3,2	-1,8	52,7	53	
Montenegro	0,6	3,1	5.069	3,4	2,2	::	-2,4	-15,0	0,4	-1,4	112,5	::	
Poland	38,5	389,7	10.113	1,6	0,8	10,3	-4,5	-1,8	152,1	-1,1	47,3	25.364	
Romania	20,0	142,2	7.105	3,5	3,2	7,3	-2,5	-1,1	49,6	-5,7	42,1	7.124	
Russia	142,9	1.594,8	11.158	1,3	6,8	5,5	-1,3	1,6	394,0	134,8	25,7	23.204	
Serbia	7,2	32,0	4.454	2,5	7,7	21,0	-5,7	-5,0	11,0	-4,5	69,2	1.199	
Slovakia	5,4	72,1	13.331	0,9	1,5	14,2	-3,0	2,4	65,0	3,4	60,8	8.861	
Slovenia	2,1	35,3	17.134	-1,1	1,9	10,1	-14,2	6,5	25,7	0,5	34,1	1.288	
Ukraine	45,4	133,9	2.951	0,1	-0,3	7,4	-4,5	-9,2	47,7	-10,3	40,8	4.489	

:: no data available

(1) year average. In case of EU members: harmonised index of consumer prices, other countries: consumer prices. (2) According to year-end 2012

Sources: Eurostat, Bundesbank, Unctad, IMF own calculations

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You can receive further information about the detailed results of each country at the participating German Chambers of Commerce and Industry.



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Imprint

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German-Hungarian Chambers of Commerce and Industry 2014

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Editorial deadline: June 26, 2014

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