



Deutsche
Auslandshandelskammern

Report on the Economy CEE 2010

Results of a survey
conducted by the German Foreign Trade Offices
in 15 countries in Central and Eastern Europe

5th Volume



Economic survey CEE 2010

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About the survey

At 120 locations in 80 countries, German Foreign Trade Offices (AHK) support companies in their international business activities: with information, services, networking, and involvement in the design of optimal general conditions for economic policy.

For the fifth time in a row, the German Foreign Trade Offices of the Central and Eastern Europe (CEE) region¹ carried out a joint business survey in 2010. Almost 1,000, primarily German firms in 15 countries provided information about their opinion of the economic situation and the investment climate in their respective countries. The analysis of the approximately 100,000 individual responses gives a comprehensive overview of how attractive the countries studied are for the German and other foreign investors who are already established there. This overview offers good points of reference for assessing the quality of location of the region as a whole and of the various countries.

Many thanks to the participating companies for their co-operation and to the colleagues of the AHK network who have coordinated the survey on site.

Importance of the CEE region

Central and Eastern Europe (CEE)¹ is one, if not the No. 1 growth market for the German economy. This region is today an indispensable part of the foreign activities of German economy, both in terms of trade relations and with regard to the investment activities of German companies abroad.

Investment target CEE

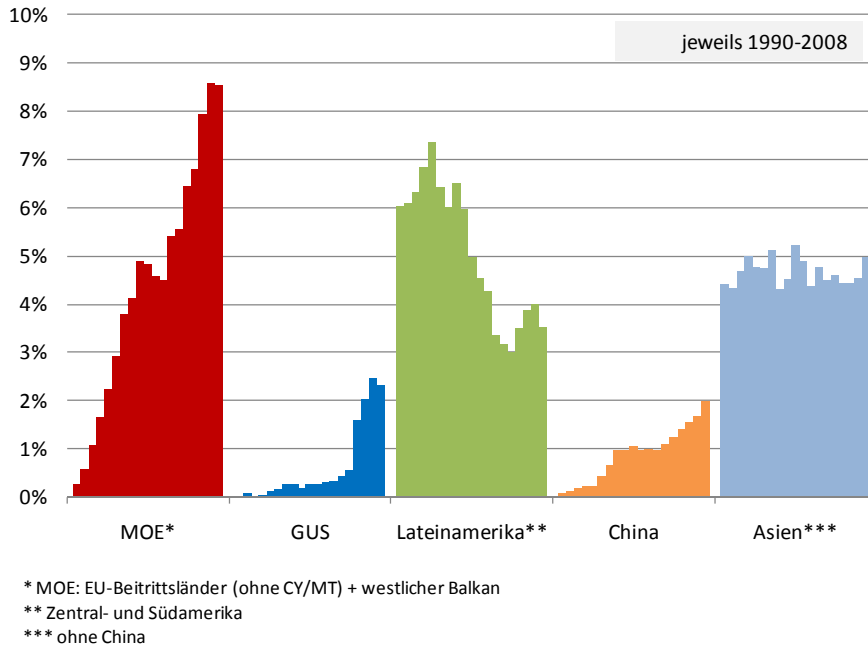
By the end of 2008, German companies have invested approximately 77 billion euro in the 10 Eastern European EU member states. This accounts for over 8 percent of the total stock of German direct investment abroad. Adding also the countries of the Western Balkans (South Eastern Europe - SEE) and the former Soviet Union (CIS), the total stock of German direct investment in Eastern Europe amounts to more than 102 billion euro – a share of 11%. Even in this way, the region reached nearly half the share of the USA being the most important destination for German investors (22%), and is more than all German investments in Asia, Central and South America combined (10.5%). China's share was, for example, just about 2% at the end of 2008.

¹ By CEE we hereinafter refer to the ten Eastern European member countries of the EU that joined the Community in 2004 and 2007 (NM10 - excluding the Mediterranean islands of Malta and Cyprus) and the other countries of the Western Balkans (South Eastern Europe - SEE).

Fig. 1: German direct investment by selected country groups 1990 – 2008

Indirect and direct investments

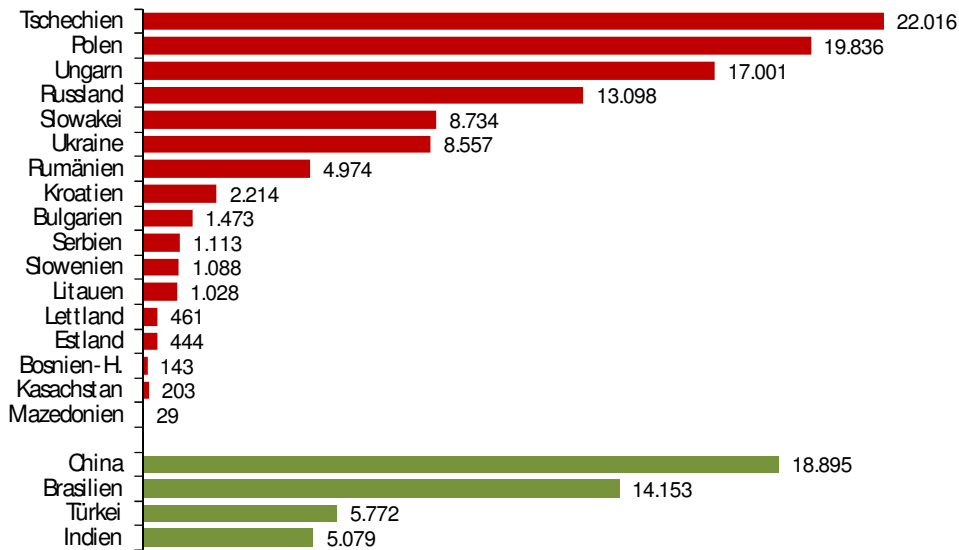
Share of the total stock German foreigner investment [%]



Source: Deutsche Bundesbank, Status April 2010

Fig. 2: German direct investment by selected countries

Stock in million euro at the end of 2008 (indirect and direct investment)



Source: Deutsche Bundesbank, Status April 2010

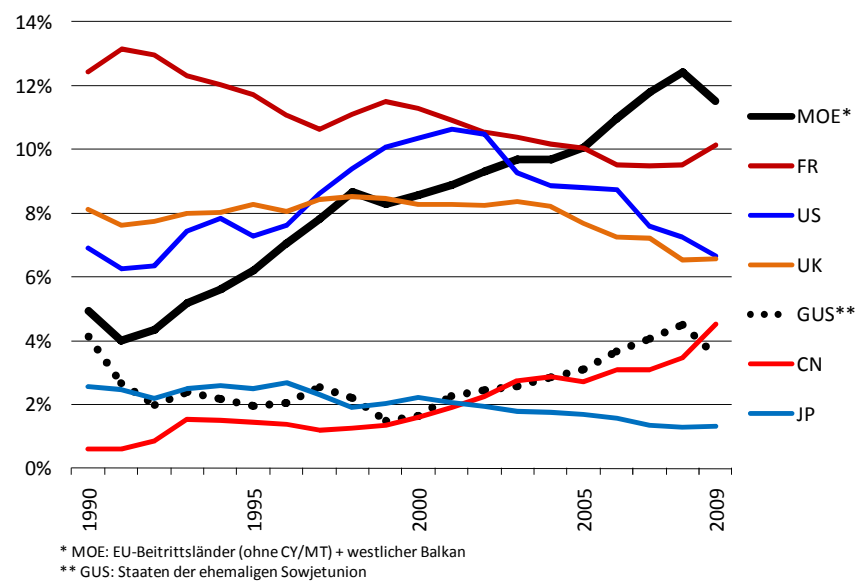
Hint: The national statistic of direct investment is not completely symmetric, the registered “outward”-values of the Bundesbank might deflect from the respective national “inward”-values.

Foreign trade partners CEE

Central and Eastern Europe is an important pillar of German industry not only as an investment destination but also as a trading partner. In 2009, the 10 Central and Eastern European EU countries alone were customers for 11% of all German exports, whereas the countries of the former Soviet Union (CIS) and the Western Balkans (SOE) accounted for a joint share of more than 4%. Overall, the CEE region is almost as important for German exports as the two largest trading partners, France and the USA combined (10% and 7%, respectively).

Fig. 3: German export by selected countries or groups of countries 1990-2009

Share of the German total export [%]



Source: Deutsche Bundesbank

Tab. 1: German external trade by selected countries or groups of countries 2009

	Export		Import	
	Mio. EUR	Share	Mio. EUR	Share
Total	808 155	100.0%	673 963	100.0%
<i>includes:</i>				
EU15	419 421	51.9%	311 340	46.2%
CEE*	92 954	11.5%	82 114	12.3%
France	81 941	10.1%	54 559	8.1%
Netherland	54 142	6.7%	58 044	8.6%
USA	53 835	6.7%	39 915	5.9%
China	36 460	4.5%	59447	8.2%
Japan	10 787	1.3%	18 116	2.7%

* CEE: EU-acceding countries (without CY/MT) + Western Balkan

Source: Deutsche Bundesbank

Economic climate

Situation assessment

The assessment of the economic situation at the beginning of 2010 was basically unchanged compared to the beginning of 2009: more than 50% described it as poor, 40% as satisfactory, and about 5% as good. The significant exception is Poland where almost a third claimed it to be good and nearly two thirds satisfactory; and only 6% found it to be "bad". In Slovakia, the percentage for "bad" was still below one-third. A similar picture emerges when assessing their own business situation: on average, the ratio between the positive and negative responses in the region is 27:17; i.e. almost exactly on the same – weak – level as in the previous year. By way of comparison: at the beginning of 2008, this ratio was still 56:4. People are more satisfied especially in Poland (46:6), but even this means no improvement compared to 2009.

Fig. 4: How do you rate the current economic situation in your country? [→ 1]

Share [%]

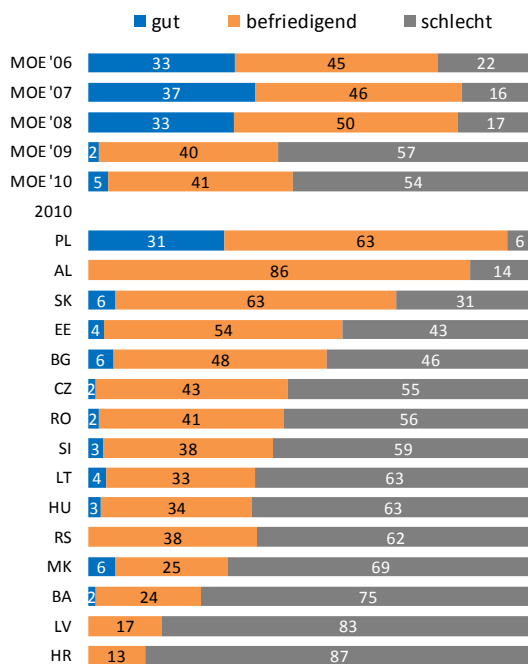
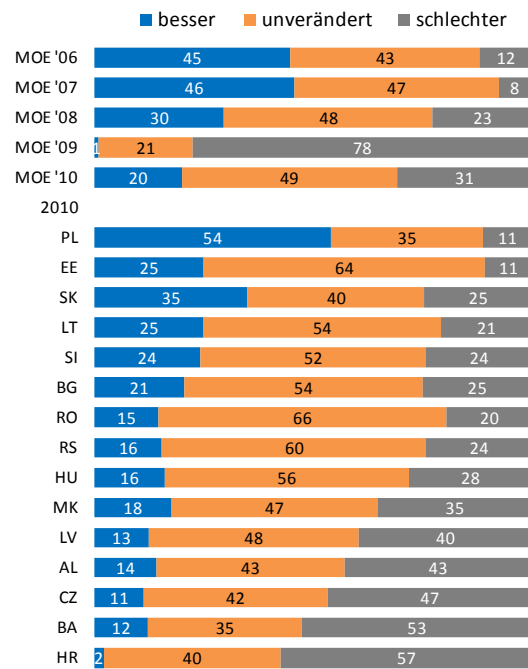


Fig. 5: How do you rate the economic prospects in your country in 2010 compared to 2009? [→ 2]

Share [%]



Expectations

However, the expectations for the current year have clearly improved compared to 2009, both in terms of the economic situation in general and in relation to their own company. While at the beginning of 2009 nearly 80% of the companies expected a deterioration and the rest a stagnation of the economy at best, at the beginning of this year already 20% believed in a recovery and 50% in stabilization. Even so, about 30% still expected a deterioration of the economic situation in the country. Again, Poland stands out with its optimism far above the regional average, but also in Estonia businesspeople are clearly more confident than the average in the region. A similar picture emerges regarding the expectations for their own industry, and particularly for their own company. The ratio of positive and negative responses has almost reversed, from 17:45 in 2009 to 40:15 in the spring of

2010. This also corresponds to sales and export expectations (43:19 and 33:12, respectively), but people are still sceptical about the profit expectations: only 34% expect an increase compared to 2009 and still 23% reckon with a decline.

Fig. 6: How will the situation in your ... develop in 2010 compared to the previous year? [→ 2, 3, 5]
CEE-Average, Share [%]

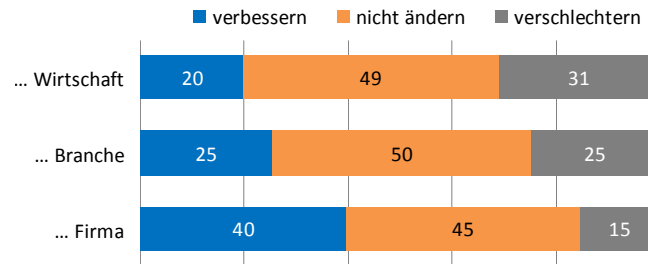


Fig. 7: In 2010, the number of employees compared to 2009 will presumably:
Share [%]

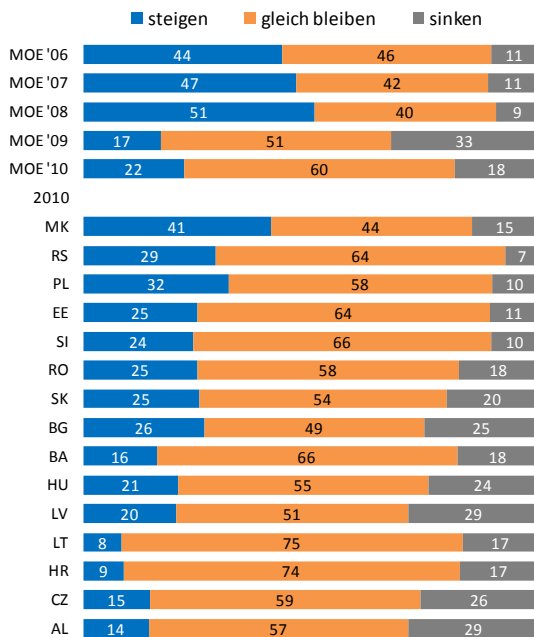
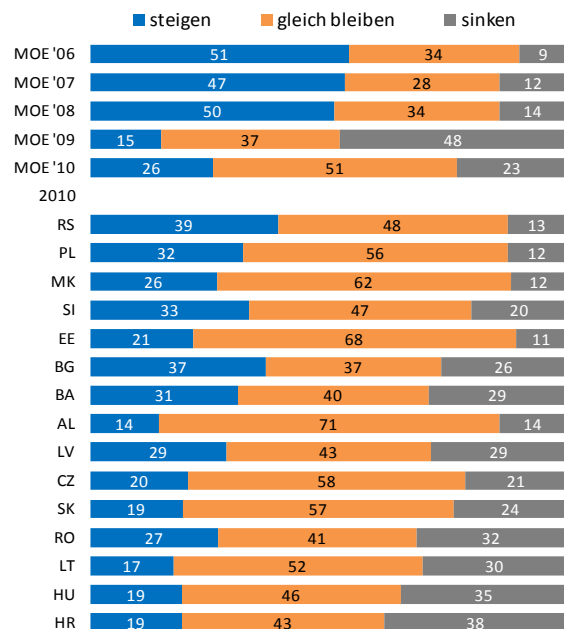


Fig. 8: How will your capital expenditure develop in 2010?
Share [%]



All in all, the responses indicate that the majority of the companies estimate that the worst is already over, still a significant recovery is not yet in sight. This is also reflected in the employment and investment plans. The percentage of companies that want to increase their staff in 2010 is with 22% only just above the percentage of those who are planning a reduction in staff (18%). This also applies to investment plans (26:23). This means that from the companies surveyed in this year, no perceptible growth momentum for the investment and labour demand can result.

Differentiating the expectations by country, we can conclude that the assessment of the economic situation and the expectations for 2010 are also affected by the strength of the recession in 2009. The companies in Hungary and the Baltic countries are significantly less optimistic about most issues than, for example, the entrepreneurs in Poland who have survived the crisis without a loss of growth. It is also interesting to note that the countries of the Western Balkans are often surprisingly optimistic about 2010.

Quality of Location

Investment conditions

A general assessment of site quality for the CEE region is not possible. Nevertheless, a few basic patterns and trends can be observed which are valid for the majority of the countries in the region. The CEE survey regularly examines a variety of factors which are of particular importance for the decisions of the companies concerning the location of their sites. Fundamentally, the 25 examined factors cover three areas:

- the economic environment,
- the market and business environment,
- the labour market.

For the assessment of the **most important** site criteria, an astonishing consistency has been apparent since the start of the joint survey in 2006: the top 5 of the most important 25 factors have remained unchanged for five years – and have only changed places: legal security, productivity, motivation and qualification of employees, and payment practices. The only major change in 2010: membership of the EU, which had ranked in the middle range of importance, now moved to place 5, before payment practices. This might be in close connection with the current instability in international financial markets: obviously, the companies attribute a strong safety feature to EU membership.

If we examine **how satisfied** the companies are with the actual investment conditions in their country, very stable patterns can be seen. Good news: for years, the best-rated factors have included qualification, motivation and work productivity of employees, thus three of the factors that are considered particularly important. Similarly, companies have long been mostly pleased with the availability of local suppliers. And also in terms of labour costs, the companies are largely satisfied; in this year slightly more than in 2009. However, we can find significant differences between the countries regarding the suitability of labour costs. In Croatia, Hungary and Slovenia, satisfaction is clearly below, but in Estonia and Latvia above the regional average.

At the other "dissatisfied" end of the scale, unfortunately, the same factors can be found again and again. Lack of efficiency in public administration, corruption and crime, or lack of transparency in bidding procedures have been criticized for years, and an improvement of the situation cannot be observed. It gives cause for concern that legal security, considered to be particularly important, in reality gets very critical scores, and ranked again on one of the lower places.

Naturally, the actual assessment of individual site factors is very different from country to country, and ultimately depends on the **optimal mix**. Yet it is striking that in Estonia, Poland, Serbia, Slovenia, and Slovakia, most of the factors are assessed more favourably than the regional average, whereas in Bosnia-Herzegovina, Macedonia, and Romania, they are assessed in a more critical way.

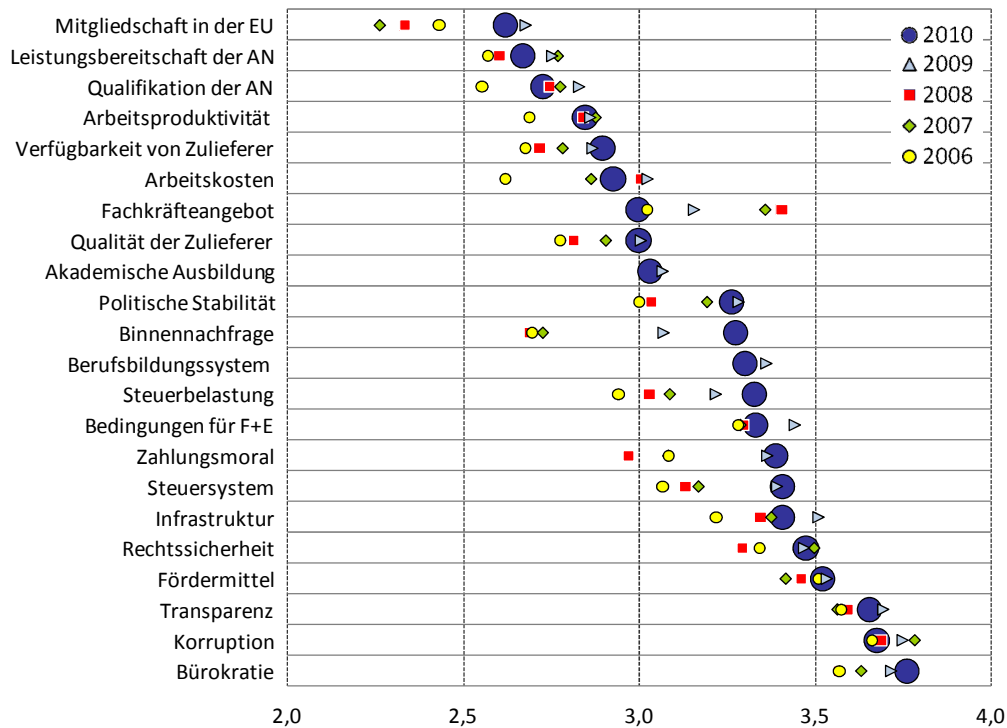
On the other hand, the range of the assessment of the individual factors in the respective countries is very large. This applies mostly to taxes, but there are great differences also in terms of political stability or the state of the infrastructure. E.g. whereas the tax system and tax burden in Hungary, Latvia, Lithuania and Romania are rated significantly worse than the CEE average, they are clearly rated much better in Estonia or Slovakia. Also the opinions about the infrastructure, legal security and political stability vary in part largely from country to country.

But the differences in factors such as motivation, availability of skilled workers, qualification, labour costs, labour productivity or availability of suppliers are relatively low. This also confirms the previous

statement that it is these very areas in which the region as a whole can have an edge on the world-wide competition for investment.

Fig. 9: How do you rate the contemplated location factors? [→ 18b]

Overall average grade of all countries (1 = very good ... 5 = unsatisfying)



Crisis management: not convincing

The measures taken by national governments to address the financial and economic crisis are about one and a half years after the start of the crisis mostly considered to be inadequate: only one in six companies said that the steps of economic policy are (very) targeted and adequate. Since the last survey, the assessment has improved only slightly, except for Estonia, Poland and Hungary where much greater agreement was recorded with the measures of the government than at the beginning of 2009.

However, it was striking in all countries that the companies have actually rarely **taken advantage of** specific offers of aid: on the average for CEE, it was just one in every 20 companies, and another 5% had at least considered taking advantage of it at the time of the survey. Almost 60% of the companies, however, have taken advantage of no help; one third said that the listed aid had been unavailable to them, or they had known nothing about such aid. This suggests that in the CEE countries studied apparently only a few aid packages tailored to the actual needs of the companies were available, or, as in the case of Hungary, the companies were unable to meet or accept the requirements for using them.

Fig. 10: The satisfaction of crisis management by government. [→ 24]

Share [%], (1 = very good ... 5 = absolutely not)

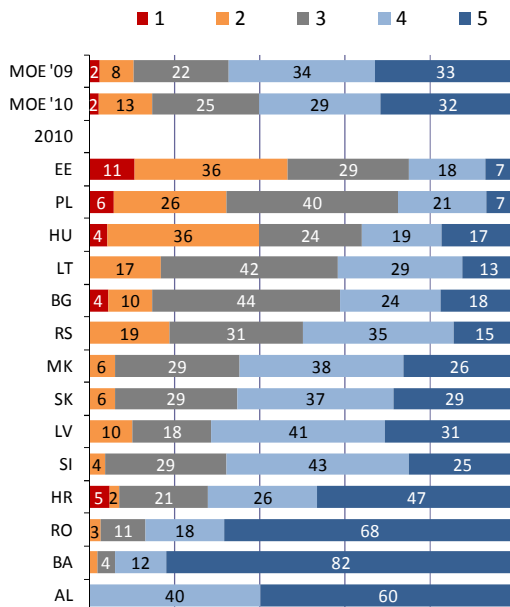
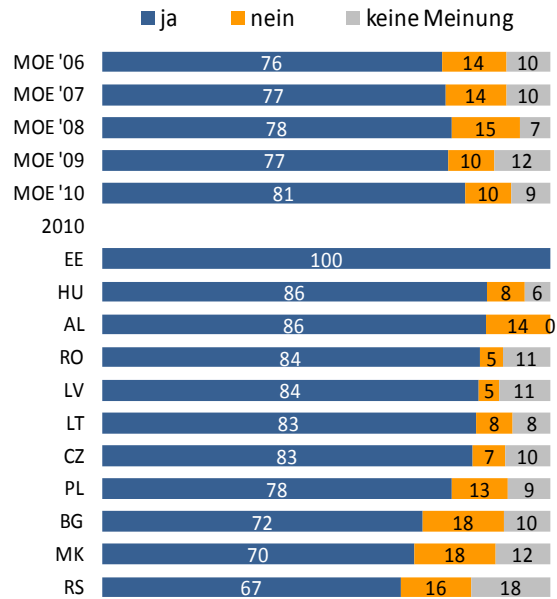


Fig. 11: Is the establishing of the euro in your country desirable? [→ 22]

Share [%]



Introduction of the euro: required

The desire for the euro in early 2010 is as strong as a year ago. On average in the 11 countries, if asked, 81% of the companies approved of the introduction of the single currency – more than ever before in any survey. The same is true if we exclude the data for Estonia based on the EU's unanimous decision made in May 2010. However, a decline can be observed in countries such as Poland, the Czech Republic or Hungary compared to the high approval ratings from last year. That might be due primarily to the fact that at the time of the survey in 2009, the exchange rates of the three currencies had reached their historic lows, while they stood much better at the beginning of 2010. Thus a few considerations were again put more into focus, contrasting a possible loss of growth through necessary consolidation efforts with the stability gains through the introduction of the euro. But especially given the current developments in Greece and the euro zone, it can be expected that in the medium term the advantages of euro membership in all countries investigated are much higher than the possible disadvantages.

Location decisions: clearly confirmed

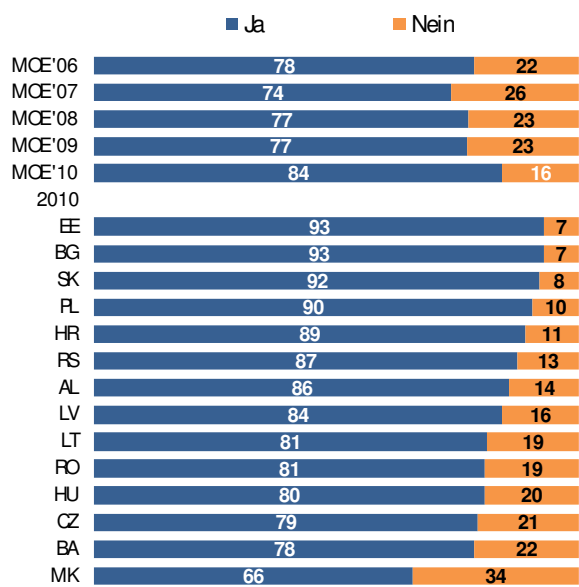
But what conclusions can be drawn from the assessment of the economic situation and the assessment of a number of site factors concerning the attractiveness of the sites as a whole? The survey examines this question from two perspectives. First, it asked whether companies in a country – should they have to make a new investment decision – would again choose the current country. Second, the attractiveness of alternative locations should be assessed.

Regarding the first question, the results are clear: on average, all 14 countries said this year (84% of all managers) that they would **again** prefer their current member state as a location for their site. That is much better than in 2009 (77%), or even the highest value of all the previous five surveys.

This positive attitude to their own sites is in most countries similarly strong: except for Macedonia, where 34% would today rather choose a different location, but the approval rating in all other countries is about 80% or higher – in the top three (Estonia, Bulgaria and Slovakia) even more than 90%. These results show that obviously the business expectations are met, even if now and then there were certain causes for criticism in everyday business. It also shows that companies which had the courage to move into foreign lands prepared their decisions thoroughly and thereby reduced the likelihood of disappointment.

Fig. 12: Would you choose the country as an investment location today as well? [→ 21]

Share [%]



Country comparison: The Czech Republic remains No. 1

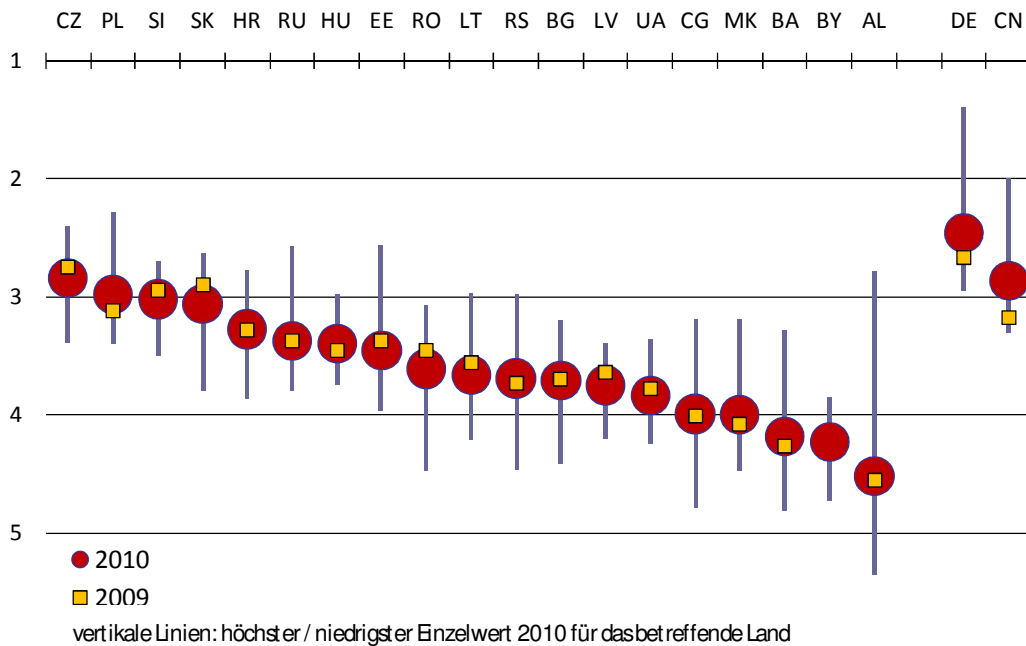
It is also exciting to see how the attractiveness of the individual countries is assessed **from the outside**.

The continuity of the assessment of the various sites is surprising: 9 of the 19 available CEE countries were ranked in 2010 exactly the same as last year, and for the rest the places shifted by up to two ranks.

At the top of this ranking, however, there is – almost – no change in 2010 compared to the previous year: the Czech Republic has been the unbeaten leader for five years. The rising star of the year is Poland which has advanced from place 4 in the previous year to place 2 of the most attractive locations. Obviously, the resistance of the Polish economy against the global economic crisis has also contributed to an appreciation of the site. Slovenia and Slovakia follow on places 3 and 4, which in previous surveys had regularly occupied the places 2 and 3.

Fig. 13: How do you rate the attractiveness of the following countries for investors? [→ 20]

Average of all countries given grades in respective country* (1=very attractive ... 6=unattractive)



* Average value of the respective country includes only given rates by other countries, rates of own country is not included.

In the past five years, Russia has steadily gained in reputation and has moved from place 1 in the 2006 survey to place 6 this year.

A comparison of the external evaluation with the "internal" opinion of their own country offers an interesting detail: In almost all cases without exception, the internal assessment is better than the rating from the outside. In principle, this seems very rational, because – as shown before – most of them would invest again today in the current country. Opinions are more modest than necessary only in Slovenia, and also in the Czech Republic the internal assessment differs only slightly from the outside one.

Virtually "out of competition", the participants had to assess the attractiveness of **Germany** and **China** as investment locations. In 2006, China would have come with its score on first place among the (that-time 18) CEE countries; Germany, in contrast, on place 10. Since then, the rating of Germany has dramatically improved: in 2009 Germany was ranked first and was able to preserve this position in 2010 as well. In the meantime, China has slid back to place 8 (2008), but it has improved since then and this year it would occupy place 3 among CEE countries.

Annex

Survey period

12 February to 10 March 2010

The survey is based on a written questionnaire completed online by more than 90% of the participants. The few offline responses were added to the online data manually. The evaluation was strictly anonymous.

Participants by countries

Numbers

Country		2010	2009	2008	2007	2006
AL	Albania	7	14	::	::	::
BA	Bosnia-Herzegovina	57	65	40	43	61
BG	Bulgaria	72	57	62	63	33
CZ	Czech Republic	125	121	118	123	104
EE	Estonia	28	36	18	13	23
HR	Croatia	50	43	56	45	68
HU	Hungarian	182	143	179	177	206
LT	Lithuania	24	29	21	34	44
LV	Latvia	50	53	43	65	43
MK	Macedonia	35	36	43	54	34
PL	Poland	99	173	56	84	165
RO	Romania	42	53	49	66	55
RS	Serbia	59	18	34	67	34
SI	Slovenia	30	32	::	::	25
SK	Slovakia	114	70	95	94	83
All companies		974	943	814	928	978

Participants

The CEE Survey 2010 was conducted in 15 countries of the region. The responses of 974 participants have been incorporated into the analysis.

The vast majority of the enterprises, namely 81%, were medium-sized businesses with less than 250 employees. Among the sectors, the service sector including trade was represented in about two-thirds, which appropriately describes the economic structure of the countries examined. A good third of the participants earn 40% or more of their sales from exports.

Participants by industry classification*Number [%], multiple answers are permitted*

Sector	2010	2009
Manufacturing	29,5	26,4
Energy and water supply, waste disposal	4,3	3,9
Construction	10,9	9,1
Trade	26,0	21,4
Services	43,1	39,2

Participants by size of enterprise*Number [%]*

Number of employees	2010	2009
1-9	24,1	21,5
10-49	31,5	28,2
50-249	25,3	29,2
250 or more	19,1	21,1

Participants by export orientation*Number [%]*

Number of export and total sales	2010	2009
0-20%	51,5	54,6
20-40%	8,7	9,8
40-60%	6,8	9,3
60-80%	8,9	7,8
80-100%	20,9	18,5

CEE – economically index number *

	Inhabi- tants	Gross domestic product			Infla- tion ²	Gross wage	Unemploy- ment rate	Budget- balance	Current balance	FDI inward	Export	Import	German FDI ³
	Mio.	bn. EUR	EUR per Inhabitants	% YOY	% YOY	EUR/ month	%	% of the GDP	% of the GDP	% of the GDP	bn. Euro	bn. Euro	bn. EUR
Albania¹	3.2	7,9	2.491	::	3,1	260	13,2	::	-11,0	::	::	::	::
Bosnia-H.	3.9	12.1	3 159	-0.4	-0.4	616	41.5	-52.0	-7.6	2.9	2.9	6.4	143
Bulgaria	7.6	33.9	4 479	-5.0	2.8	302	9.1	-0.8	-9.4	9.8	10.8	15.0	1 473
Estonia	1.3	13.3	9 969	-14.1	-0.1	781	13.8	-2.8	4.7	1.1	6.4	7.0	444
Croatia	4.4	45.4	10 245	-5.8	2.4	1 050	9.4	-3.9	-5.2	2.4	7.7	15.2	2 214
Lithuania	2.3	18.8	8 357	-18.0	3.6	655	17.3	-8.6	9.4	0.4	4.9	6.4	461
Latvia	3.4	26.7	7 971	-15.0	4.5	625	13.5	-9.1	3.2	0.3	11.1	12.1	1 028
Macedonia	2.0	5,8 ¹	2.819 ¹	::	-0.4	392 ¹	34,9 ¹	::	-7,2 ¹	::	::	::	29
Montenegro	0.6	2,8 ¹	4.280 ¹	3.6	::	::	11.3	::	::	::	0.3	1.3	::
Poland	38.2	310.5	8 134	1.7	3.5	834	11.0	-7.2	-1.6	2.7	100.4	104.5	19 836
Romania	21.3	115.9	5 439	-7.1	5.6	326	6.3	-7.4	-4.4	4.2	26.9	33.9	4 974
Russia	141.3	884.6	6 260	-7.9	11.7	420	8.4	-8.4	3.8	2.4	241.3	143.9	13 098
Serbia	7.3	30.5	4 170	-3.0	8.4	470	16.1	-4.2	-5.7	4.5	5.8	11.0	1 113
Slovakia	5.4	63.3	11 722	-4.7	1.6	745	12.1	-6.0	-3.5	-0.3	44.5	45.8	8 734
Slovenian	2.0	34.9	17 105	-7.8	0.9	1 439	5.9	-5.6	-1.0	-1.9	15.3	16.0	1 088
Czech Republic	10.5	137.2	13 074	-4.2	1.0	892	8.1	-6.6	-1.0	1.4	89.3	83.1	22 016
Ukraine	46.1	81.4	1 766	-15.1	16.0	170	10.5	-11.3	-1.7	3.9	28.2	31.6	8 557
Hungarian	10.0	93.1	9 275	-6.3	4.2	715	9.8	-3.9	0.2	2.1	59.1	54.7	17 001

* All data for 2009 unless noted otherwise

1 2007

2 Consumer price, annual average

3 indirect and direct participations, Status: in the end of 2008

Sources: Unicredit Bank, Bundesbank, IMF, Eurostat, AHK Mazedonien

Detailed poll rating

Question 1.-17. The economic situation

Balance (in percent points) of positive (e.g. “good”, “better”, “higher”) and negative (“bad”, “worse”, “less”) answers of the selected question. E.g.: 35% positive and 45% negative answers have a balance of -10. A balance of 0 shows the same number of positive and negative answers.

	All countries					Country of survey 2010					
	2006	2007	2008	2009	2010	AL	BA	BG	CZ	EE	HR
1. How do you rate the current economic situation in your country?	11	21	15	-55	-50	-14	-73	-41	-54	-39	-87
2. How do you rate the prospects of the economics of your country in 2010 compared to 2009?	33	38	7	-76	-11	-29	-40	-4	-35	14	-55
3. How will the situation in your sector develop in 2010 compared to the previous year?	39	37	21	-57	1	-14	-2	14	-10	21	-43
4. How do you rate the current business situation of your company?	49	54	52	9	10	29	2	12	-3	19	-13
5. How will the current business situation develop in 2010 compared to 2009?	55	58	50	-28	25	0	30	33	18	46	-9
6. How did your turnover develop in the year 2009 compared to the previous year?*	58	67	67	52	-30	-14	-39	-43	-47	-36	-11
7. How will your turnover develop in 2010 compared to 2009?	66	64	68	-22	24	0	29	33	13	26	-11
8. How will the number of your employees develop in 2010 compared to the previous year?	33	36	41	-16	4	-14	-2	1	-11	14	-9
9. How did your investment expenditures develop in 2009 compared to 2008?	38	43	48	31	-23	-14	-11	-15	-43	-33	-19
10. How will your investment expenditures develop in 2010 compared to 2009?	41	34	36	-33	3	0	2	10	-1	11	-19
11. How will your payroll costs develop in 2010 compared to other expenses?	14	15	55	-4	1	14	2	10	-7	-32	-2
12. How did your profit before taxes develop in 2009 compared to 2008? *	36	39	41	16	-30	-43	-32	-19	-47	-52	-22
13. How will your profit before taxes develop in 2010 compared to 2009?	39	37	43	-29	11	-33	20	16	-7	25	-4
14. How did your export sales develop in 2009 compared to the previous year?*	::	::	31	17	-11	25	-17	-4	-29	-8	-19
15. How will your export sales develop in 2010 compared to 2009?*	::	::	37	-17	21	33	15	33	-3	38	-18
16. How did your export to Germany develop in 2009 compared to 2008? *	::	::	::	6	-15	0	-18	-19	-33	-13	-17
17. How will your export to Germany develop in 2010 compared to 2009?*	::	::	::	-16	12	0	18	30	7	25	-14

* On the basis of national currency

Tbc: 1.-17. The economic situation

Balance of positive and negative answers, in percent points

	All countries	Tbc: Country of survey 2010								
	2010	HU	LT	LV	MK	PL	RO	RS	SI	SK
1. How do you rate the current economic situation in your country?	-50	-60	-58	-83	-63	24	-54	-62	-55	-25
2. How do you rate the prospects of the economics of your country in 2010 compared to 2009?	-11	-12	4	-27	-18	43	-5	-9	0	11
3. How will the situation in your sector develop in 2010 compared to the previous year?	1	-2	-8	8	-3	24	0	-2	18	7
4. How do you rate the current business situation of your company?	10	-8	4	6	21	40	-7	21	10	16
5. How will the current business situation develop in 2010 compared to 2009?	25	14	13	29	32	42	24	33	40	22
6. How did your turnover develop in the year 2009 compared to the previous year?*	-30	-43	-48	-43	-21	-12	-22	16	-43	-46
7. How will your turnover develop in 2010 compared to 2009?	24	18	13	19	32	52	27	41	43	20
8. How will the number of your employees develop in 2010 compared to the previous year?	4	-3	-8	-8	26	22	8	22	14	5
9. How did your investment expenditures develop in 2009 compared to 2008?	-23	-26	-50	-23	3	-10	-22	-35	-17	-32
10. How will your investment expenditures develop in 2010 compared to 2009?	3	-16	-13	0	15	20	-5	27	13	-4
11. How will your payroll costs develop in 2010 compared to other expenses?	1	-2	-25	-63	18	24	0	29	40	11
12. How did your profit before taxes develop in 2009 compared to 2008? *	-30	-35	-35	-42	-15	-14	-50	5	-20	-26
13. How will your profit before taxes develop in 2010 compared to 2009?	11	16	0	-6	21	36	10	25	37	4
14. How did your export sales develop in 2009 compared to the previous year?*	-11	-31	7	-8	-27	-16	-6	-2	0	-35
15. How will your export sales develop in 2010 compared to 2009?*	21	12	31	24	37	17	19	39	36	7
16. How did your export to Germany develop in 2009 compared to 2008? *	-15	-26	15	-12	-30	-7	-14	-20	0	-30
17. How will your export to Germany develop in 2010 compared to 2009?*	12	10	23	4	-6	5	14	17	36	6

* On the basis of national currency

Question 18a: location factors - Importance**How important are the following factors for your decision of investment?***Average of the given grades (rating scale: 1=very important ... 5=not important)*

		2006	2007	2008	2009	2010	2010															
		All countries					AL	BA	BG	CZ	EE	HR	HU	LT	LV	MK	PL	RO	RS	SI	SK	
1	Membership in the EU	1.84	1.88	1.71	1.80	1,67	2,00	1,72	1,78	1,89	1,33	1,71	1,86	1,46	1,96	1,34	1,60	1,59	1,70	1,57	1,50	
2	Efficient public administration	1.86	1.94	1.74	1.86	1,77	1,86	1,35	2,25	2,13	1,37	1,63	1,70	1,65	1,87	1,16	2,04	1,85	1,39	2,23	2,05	
3	Tax system and tax administration	1.64	1.80	1.62	1.76	1,72	1,86	1,38	2,09	2,03	1,37	1,58	1,64	1,52	1,74	1,55	1,95	1,97	1,43	1,87	1,78	
4	Tax burden	1.63	1.73	1.64	1.69	1,69	2,29	1,41	1,99	2,04	1,44	1,56	1,59	1,33	1,83	1,39	1,91	1,95	1,49	1,50	1,65	
5	Access to state or EU funding	2.58	2.60	2.72	2.49	2,41	2,17	1,91	2,56	2,66	2,44	2,33	2,31	2,52	3,02	1,77	2,48	2,61	2,44	2,30	2,64	
6	Public infrastructure	1.92	2.07	1.96	2.04	1,89	1,57	1,37	2,36	2,15	2,07	1,91	2,07	1,57	2,13	1,68	2,00	1,69	1,75	1,87	2,15	
7	Legal certainty	1.53	1.63	1.47	1.58	1,54	1,43	1,33	2,20	1,81	1,78	1,31	1,54	1,39	1,66	1,13	1,73	1,49	1,09	1,60	1,60	
8	Transparency of open invitations to tender	2.18	2.34	2.29	2.16	2,16	1,43	1,72	2,78	2,49	2,15	1,93	2,28	2,09	2,55	1,74	2,31	2,42	1,70	2,47	2,27	
9	Predictability of economic policy	1.68	1.90	1.72	1.78	::	::	::	::	::	::	::	::	::	::	::	::	::	::	::	2,13	::
10	Conditions for research and development	2.47	2.68	2.59	2.54	2,60	2,71	2,06	3,06	2,59	2,26	2,25	2,48	2,68	3,34	2,17	2,59	3,00	2,57	2,50	2,67	
11	Political stability	1.67	1.79	1.68	1.74	1,73	1,71	1,26	1,91	1,94	1,67	1,60	1,82	1,65	1,98	1,27	2,17	1,87	1,45	1,87	1,71	
12	Actions against corruption and crime	1.65	1.73	1.68	1.70	1,72	1,43	1,31	2,11	2,05	1,85	1,51	1,75	1,65	2,00	1,26	1,92	1,62	1,45	2,07	1,77	
13	Disposal of the local suppliers	2.10	2.13	2.16	2.29	2,35	2,43	2,06	2,71	2,51	2,63	2,00	2,17	2,35	2,49	2,17	2,38	2,21	2,20	2,60	2,35	
14	Quality of local suppliers	1.87	1.94	1.88	2.08	2,19	2,57	1,77	2,68	2,28	2,52	1,81	1,98	2,26	2,26	1,97	2,20	2,12	1,93	2,33	2,17	
15	Paying habits	1.52	1.61	1.59	1.65	1,69	2,00	1,52	2,34	1,79	2,00	1,27	1,64	1,33	1,85	1,48	1,70	1,74	1,40	1,60	1,69	
16	Domestic market	1.75	1.78	1.81	1.89	2,02	1,57	1,70	2,59	2,19	2,59	1,57	2,20	1,91	2,11	1,97	1,74	2,05	1,72	2,17	2,21	
17	Export demand in the region	2.27	2.40	2.35	2.34	2,48	2,50	2,39	2,85	2,67	2,59	1,88	2,61	2,57	2,78	1,72	2,68	2,76	1,87	2,57	2,77	
18	Payroll costs	1.66	1.63	1.65	1.77	1,80	2,00	1,65	2,29	1,97	1,73	1,57	1,74	1,61	1,94	1,58	1,86	1,77	1,81	1,57	1,91	
19	Employee productivity	1.53	1.52	1.43	1.57	1,56	1,71	1,44	2,15	1,76	1,59	1,27	1,65	1,30	1,69	1,26	1,51	1,56	1,49	1,33	1,63	
20	Employee motivation	1.52	1.53	1.47	1.57	1,55	1,71	1,42	2,09	1,69	1,67	1,30	1,60	1,48	1,62	1,32	1,48	1,67	1,32	1,37	1,52	
21	Labour-law flexibility	1.91	1.93	1.85	1.94	1,92	2,17	1,66	2,48	2,00	1,81	1,80	2,12	1,52	2,22	1,58	1,92	1,85	1,89	1,90	1,82	
22	Qualification of employees	1.55	1.63	1.58	1.64	1,63	1,57	1,41	2,00	1,84	1,59	1,48	1,69	1,70	1,62	1,55	1,67	1,74	1,52	1,47	1,60	
23	Availability of specialists	1.67	1.68	1.64	1.72	1,74	1,43	1,44	2,09	2,03	1,78	1,66	1,74	2,00	1,98	1,39	1,73	1,87	1,57	1,57	1,78	
24	Quality of the training system	::	::	::	1.97	1,96	1,43	1,58	2,42	2,21	2,11	1,59	1,92	1,96	2,28	1,61	2,03	2,05	1,95	2,27	1,97	
25	Quality of academic education	::	::	::	2.02	1,96	1,83	1,50	2,43	2,30	1,96	1,79	1,95	2,00	2,29	1,53	1,90	2,10	1,71	2,17	1,99	

Question 18b: location factors - Satisfaction

How do you rate the current situation of the location factors in your country?

Average of the given grades (rating scale: 1=very good ... 5=unsatisfying)

		2006	2007	2008	2009	2010	Country of survey 2010															
		All countries					AL	BA	BG	CZ	EE	HR	HU	LT	LV	MK	PL	RO	RS	SI	SK	
1	Membership in the EU	2.43	2.26	2.33	2.68	2,62	3,14	3,90	2,40	2,55	1,65	3,25	2,57	2,17	2,46	3,69	1,87	2,82	2,89	2,03	1,89	
2	Efficient public administration	3.57	3.63	3.57	3.72	3,76	3,86	4,17	3,70	3,82	2,65	3,91	4,00	3,87	4,22	4,07	3,52	4,03	3,91	3,03	3,67	
3	Tax system and tax administra-	3.07	3.17	3.13	3.39	3,41	3,29	3,42	3,05	3,45	1,92	3,84	4,12	3,91	3,96	3,10	3,47	4,05	3,20	3,57	2,73	
4	Tax burden	2.94	3.08	3.03	3.22	3,33	3,43	3,65	2,32	3,36	2,40	3,98	4,21	3,79	3,64	3,23	3,33	3,18	2,89	3,77	2,71	
5	Access to state or EU funding	3.51	3.41	3.46	3.53	3,52	3,33	4,15	3,67	3,55	2,76	3,62	3,36	3,33	3,54	3,71	3,07	3,94	3,43	3,60	3,74	
6	Public infrastructure	3.22	3.37	3.34	3.51	3,41	3,71	3,96	3,97	3,24	2,50	2,84	3,28	3,00	3,22	3,67	3,58	4,31	4,00	2,60	3,24	
7	Legal certainty	3.34	3.50	3.29	3.47	3,47	3,86	3,90	3,72	3,63	2,58	3,62	3,39	2,91	3,85	3,63	3,24	4,11	3,52	2,53	3,61	
8	Transparency of open invitations	3.57	3.56	3.59	3.69	3,65	2,86	3,67	3,88	4,16	3,24	3,76	3,90	3,57	3,80	3,72	3,28	3,94	3,72	3,17	4,15	
9	Predictability of economic policy	3.66	3.78	3.69	3.75	::	::	::	::	::	::	::	::	::	::	::	::	::	::	::	2,97	::
10	Conditions for research and de-	3.10	3.34	3.30	3.68	3,33	3,71	3,93	3,55	3,25	2,62	3,33	3,25	3,16	3,31	3,48	3,07	3,34	3,41	3,03	3,49	
11	Political stability	3.28	3.29	3.30	3.44	3,26	3,57	4,27	2,63	3,97	2,40	2,80	3,53	3,13	3,44	3,42	2,70	3,97	3,02	3,07	3,00	
12	Actions against corruption and	3.00	3.19	3.03	3.28	3,67	3,29	4,23	3,44	4,18	2,84	3,49	4,11	3,91	3,91	3,73	3,22	4,05	3,59	3,07	4,05	
13	Disposal of the local suppliers	2.68	2.78	2.72	2.87	2,89	3,29	3,20	3,05	2,89	2,56	2,93	2,71	2,87	2,74	2,94	2,49	3,21	3,19	2,60	2,75	
14	Quality of local suppliers	2.78	2.90	2.81	3.00	3,00	3,43	3,24	3,37	2,97	2,68	2,88	2,79	3,00	2,76	3,07	2,57	3,49	3,23	2,63	2,84	
15	Paying habits	3.08	3.08	2.97	3.36	3,39	3,14	3,69	3,56	3,37	2,76	4,14	3,42	3,46	3,35	3,57	3,05	3,45	3,64	3,07	3,16	
16	Domestic market	2.69	2.72	2.69	3.07	3,27	3,14	3,19	3,68	3,32	3,46	3,27	3,43	3,43	3,52	3,34	2,64	3,41	3,12	2,97	3,19	
17	Export demand in the region	2.88	2.92	2.84	3.09	3,10	3,17	3,51	3,28	3,07	3,08	3,15	3,11	2,81	3,28	3,17	2,70	3,35	2,98	2,77	3,07	
18	Payroll costs	2.62	2.86	3.00	3.02	2,93	2,67	3,15	2,69	3,03	2,62	3,48	3,33	2,96	2,52	3,00	2,65	3,00	2,83	3,30	2,67	
19	Employee productivity	2.69	2.87	2.84	2.86	2,85	3,14	2,60	3,26	2,99	2,69	2,75	2,76	3,00	2,89	3,10	2,49	3,14	2,47	2,73	2,66	
20	Employee motivation	2.57	2.77	2.60	2.75	2,67	3,00	2,60	2,97	2,90	2,50	2,57	2,58	2,65	2,65	2,87	2,38	2,72	2,43	2,67	2,53	
21	Labour-law flexibility	3.04	3.21	3.24	3.32	3,25	3,00	3,21	3,21	3,55	2,52	3,26	3,24	3,87	3,31	3,23	3,34	3,69	3,08	3,00	3,20	
22	Qualification of employees	2.55	2.77	2.75	2.83	2,72	3,00	2,73	3,16	2,86	2,64	2,61	2,57	2,61	2,71	3,20	2,33	3,00	2,54	2,23	2,67	
23	Availability of specialists	3.02	3.36	3.40	3.16	3,00	3,43	3,19	3,43	3,12	2,92	2,73	2,94	2,82	2,78	3,17	2,74	3,28	2,72	2,70	2,99	
24	Quality of the training system	::	::	::	3.36	3,30	3,57	3,38	3,62	3,30	3,20	3,09	3,19	3,14	3,44	3,43	3,11	3,89	2,94	2,93	3,23	
25	Quality of academic education	::	::	::	3.07	3,03	3,71	3,21	3,39	3,03	2,50	2,85	2,86	2,73	3,05	3,33	2,64	3,54	2,69	2,73	3,18	

Question 20: How do you rate the attractiveness of the following countries for investors?

Average of the given grades (rating scale: 1=very attractive ... 5=not attractive)

rated country ▼		All Countries*					Country of survey 2010														
		2006	2007	2008	2009	2010	AL	BA	BG	CZ	EE	HR	HU	LT	LV	MK	PL	RO	RS	SI	SK
AL	Albania	::	4.47	4.47	4.55	4,52	3,29	4,00	4,36	4,83	5,35	3,62	4,73	4,86	5,21	2,78	4,76	5,26	3,98	4,60	4,88
BA	Bosnia-Herzeg.	::	4.05	4.10	4.26	4,18	4,80	3,25	4,00	4,27	4,76	3,28	4,13	4,50	4,58	3,61	4,11	4,43	3,48	4,50	4,03
BG	Bulgaria	3.32	3.14	3.15	3.69	3,71	3,20	3,78	2,44	3,84	4,41	3,42	3,92	3,64	3,94	3,52	3,77	3,64	3,27	4,00	3,54
BY	Belarus	::	::	::	::	4,22	4,40	4,14	4,11	4,72	4,33	3,87	4,67	3,93	3,85	4,09	4,19	4,52	3,93	::	4,39
CG	Montenegro	::	3.85	3.78	4.01	3,99	3,60	3,53	3,95	4,37	4,56	3,18	4,17	4,00	4,79	3,21	4,25	4,22	3,53	4,50	4,00
CZ	Czech Republic	2.47	2.55	2.50	2.74	2,84	2,40	2,96	3,16	2,72	2,75	2,95	2,71	2,57	3,09	3,26	2,49	3,17	2,44	3,39	2,47
EE	Estonia	2.62	2.84	2.79	3.37	3,45	3,60	3,68	3,74	3,85	2,30	3,40	3,32	2,56	2,71	3,43	3,35	3,96	3,47	3,94	3,28
HR	Croatia	3.13	2.95	2.97	3.28	3,27	3,20	2,95	3,33	3,52	3,50	2,85	3,03	3,57	3,85	3,00	3,23	3,26	2,77	3,37	3,23
HU	Hungarian	2.64	2.95	2.79	3.45	3,39	3,60	3,22	3,40	3,75	3,41	3,24	2,83	3,36	3,53	3,65	3,08	3,46	2,98	3,44	3,39
LT	Lithuania	2.67	2.93	2.85	3.56	3,66	4,20	3,78	3,73	4,02	3,42	3,46	3,59	3,31	2,97	3,77	3,31	4,19	3,45	3,89	3,48
LV	Latvia	2.74	2.87	2.84	3.63	3,75	4,20	3,88	3,80	4,02	3,83	3,46	3,63	3,63	2,57	3,64	3,48	4,14	3,39	3,89	3,49
MK	Macedonia	::	3.98	3.78	4.08	4,00	4,00	3,61	3,75	4,43	4,38	3,18	4,17	4,07	4,47	2,72	3,88	4,24	3,62	4,10	4,07
PL	Poland	2.75	2.98	2.71	3.12	2,97	3,40	3,30	2,96	2,96	3,00	2,97	2,68	2,29	3,21	3,35	1,95	2,83	2,64	3,39	2,67
RO	Romania	3.40	3.12	2.90	3.45	3,61	4,00	3,90	3,30	3,75	4,47	3,26	3,12	3,50	4,06	3,61	3,15	2,87	3,08	4,17	3,14
RS	Serbia	4.00	3.76	3.63	3.73	3,69	4,00	3,34	3,35	4,16	4,24	2,97	3,81	4,07	4,45	3,04	3,80	3,43	2,45	3,45	3,52
RU	Russia	3.51	3.17	2.92	3.38	3,37	3,80	3,31	3,23	3,47	3,78	3,03	3,74	2,92	3,64	3,17	3,30	3,75	2,57	3,61	3,25
SI	Slovenia	2.59	2.63	2.60	2.95	3,02	3,00	3,16	2,87	3,14	2,94	3,08	2,81	2,86	3,50	2,91	3,05	3,48	2,76	3,15	2,70
SK	Slovakia	2.59	2.69	2.69	2.90	3,06	3,80	3,12	2,89	2,63	3,06	2,82	2,86	2,79	3,41	3,48	2,67	3,08	2,66	3,61	2,19
UA	Ukraine	3.25	3.38	3.18	3.77	3,84	4,00	3,93	3,91	4,01	3,61	3,36	4,24	3,36	3,88	3,87	3,89	3,87	3,64	4,06	3,91
CN	China	2.43	2.72	2.82	3.18	2,86	2,00	2,74	3,09	2,80	3,12	2,78	3,03	3,07	3,15	3,30	2,51	3,12	2,73	::	2,60
DE	Germany	3.12	2.75	2.63	2.67	2,46	1,40	2,13	2,86	2,63	2,12	2,51	2,47	1,94	2,73	2,48	2,69	2,80	2,44	2,94	2,79

* Without the rating for the own country (orange marked)

Question 21: Would you choose the same country as an investment location again?

Share [%]

	2010		2009		2008		2007		2006	
	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No
All countries	84,2	15,8	76,9	23,1	77,3	22,7	73,7	26,3	78,3	21,7
AL	85,7	14,3	85,7	14,3	::	::	::	::	::	::
BA	78,4	21,6	85,0	15,0	::	::	::	::	::	::
BG	92,8	7,2	76,9	23,1	83,9	16,1	88,0	12,0	84,0	16,0
CZ	79,1	20,9	81,7	18,3	80,7	19,3	83,2	16,8	71,0	29,0
EE	92,9	7,1	80,6	19,4	78,6	21,4	55,6	44,4	91,0	9,0
HR	88,9	11,1	73,3	26,7	::	::	57,9	42,1	87,0	13,0
HU	80,5	19,5	80,4	19,6	73,1	26,9	74,8	25,2	78,3	21,7
LT	81,0	19,0	50,0	50,0	77,8	22,2	57,1	42,9	66,0	34,0
LV	84,1	15,9	63,6	36,4	79,5	20,5	81,8	18,2	87,0	13,0
MK	65,6	34,4	55,6	44,4	55,0	45,0	58,3	41,7	47,0	53,0
PL	90,3	9,7	89,6	10,4	60,8	39,2	52,6	47,4	66,0	34,0
RO	80,6	19,4	88,5	11,5	77,8	22,2	94,5	5,5	84,0	16,0
RS	87,3	12,7	82,4	17,6	96,8	3,2	92,0	8,0	84,0	16,0
SK	92,0	8,0	82,9	17,1	86,4	13,6	88,3	11,7	89,0	11,0

Question 22: Is the establishment of the euro in your country desirable?

Share [%]

	2006	2007	2008	2009	2010	Country of survey 2010										
	All countries					AL	BG	CZ	EE	HU	LT	LV	MK	PL	RO	RS
yes	76	77	78	77	81	86	72	83	100	86	83	84	70	78	84	67
no	14	14	15	10	10	14	18	7	0	8	8	5	18	13	5	16
no opinion	10	10	7	12	9	0	10	10	0	6	8	11	12	9	11	18

Question 24: Are the current precautions taken by the government adequate and sufficient to manage the economic and financial crisis?

Share [%]

	1	2	3	4	5
	<i>1 = very ... 5 = absolutely not</i>				
All countries 2009	2,5	7,8	22,4	34,4	33,0
All countries 2010	2,1	12,6	25,0	28,6	31,7
AL	0,0	0,0	0,0	40,0	60,0
BA	0,0	2,0	4,0	12,0	82,0
BG	4,4	10,3	44,1	23,5	17,6
EE	10,7	35,7	28,6	17,9	7,1
HR	4,7	2,3	20,9	25,6	46,5
HU	4,2	35,5	24,1	18,7	17,5
LT	0,0	16,7	41,7	29,2	12,5
LV	0,0	10,2	18,4	40,8	30,6
MK	0,0	5,9	29,4	38,2	26,5
PL	5,7	26,4	40,2	20,7	6,9
RO	0,0	2,6	10,5	18,4	68,4
RS	0,0	18,8	31,3	35,4	14,6
SI	0,0	3,6	28,6	42,9	25,0
SK	0,0	5,9	28,7	36,6	28,7

Methodological Notes

1. Name of the countries and regions

By **CEE** we refer to the ten Eastern European member countries of the EU that joined the Community in 2004 and 2007 (NM – without the Mediterranean islands of Malta and Cyprus) and the other countries of the Western Balkans not belonging to the EU (South Eastern Europe - SEE).

The **Country Codes** are used according to ISO (see Regulation No 1833/2006 of the European Commission). Only for Serbia, the code RS is used by way of derogation.

2. Comparability of Data and Representativeness

In several countries, the survey results for each location have already been published. The same raw data were used for the present cross-national analysis, but they were cleaned in a few cases to ensure comparability among the countries. Therefore and especially for countries with smaller samples, the data in this evaluation may slightly differ from the ones found in the national evaluation.

The samples for each country are not large enough to allow a representative interpretation in the scientific sense. The results of recent years, however, show a high consistency, both over time and with regard to local comparisons, thus the results can be viewed as a useful indicator of the economic climate.

3. Mean values

Average or mean value basically refers to the unweighted arithmetic average.

Averages for a country: unweighted arithmetic average of the individual responses from firms in the country concerned

Regional average ("all countries" or "CEE" or "CEE region"): unweighted arithmetic average of the country averages

Average of "all companies": In individual cases where the assignment of a company to a country had de facto no effect on the response (e.g. sector-affiliation), the average of all participating companies was also taken into consideration. It refers to the unweighted arithmetic average of all individual company responses of the region. It may differ from the "All countries" average.