

PwC CEO Survey 2023

# how to overcome the perfect storm



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# Introduction

We have been challenged by events in three very difficult years. The pandemic was followed and intensified by a shortage of raw materials and the resulting supplier crises, inflationary pressure and, moreover, the Russian invasion of Ukraine. Due to the cumulative threats, we decided to subtitle the CEO Survey 2023 “The Perfect Storm”.

How is the current survey different from the previous two? Whereas the respondents of the CEO Survey from last year and the year before were clearly optimistic, this year it is not so. CEOs predict a recession of the Czech economy, and, over the past ten years, they have actually not been more pessimistic with respect to their predictions for their own revenues. The opinion that any of the threats will be over soon and followed by some powerful economic recovery no longer prevails. On the contrary, what we can see is exhaustion caused by the accumulation of external issues and coming to terms with the fact that a recession is unavoidable.

The good thing is that it might be neither too long nor too deep. Why? For one thing, since the time when the responses to the last questionnaire were collected at the

end of November/beginning of December 2022, we have had some good news. This includes the fact that the situation on the energy market has calmed down and also that the German economy is doing better.

For another thing, it is more than clear from the outcomes of this year’s CEO Survey that no one wants to wait for the things which could happen – CEOs prefer to navigate through the current storm actively instead. They have started to plan the next steps, measures, or investments.

I believe you will find the outcomes interesting and inspirational.

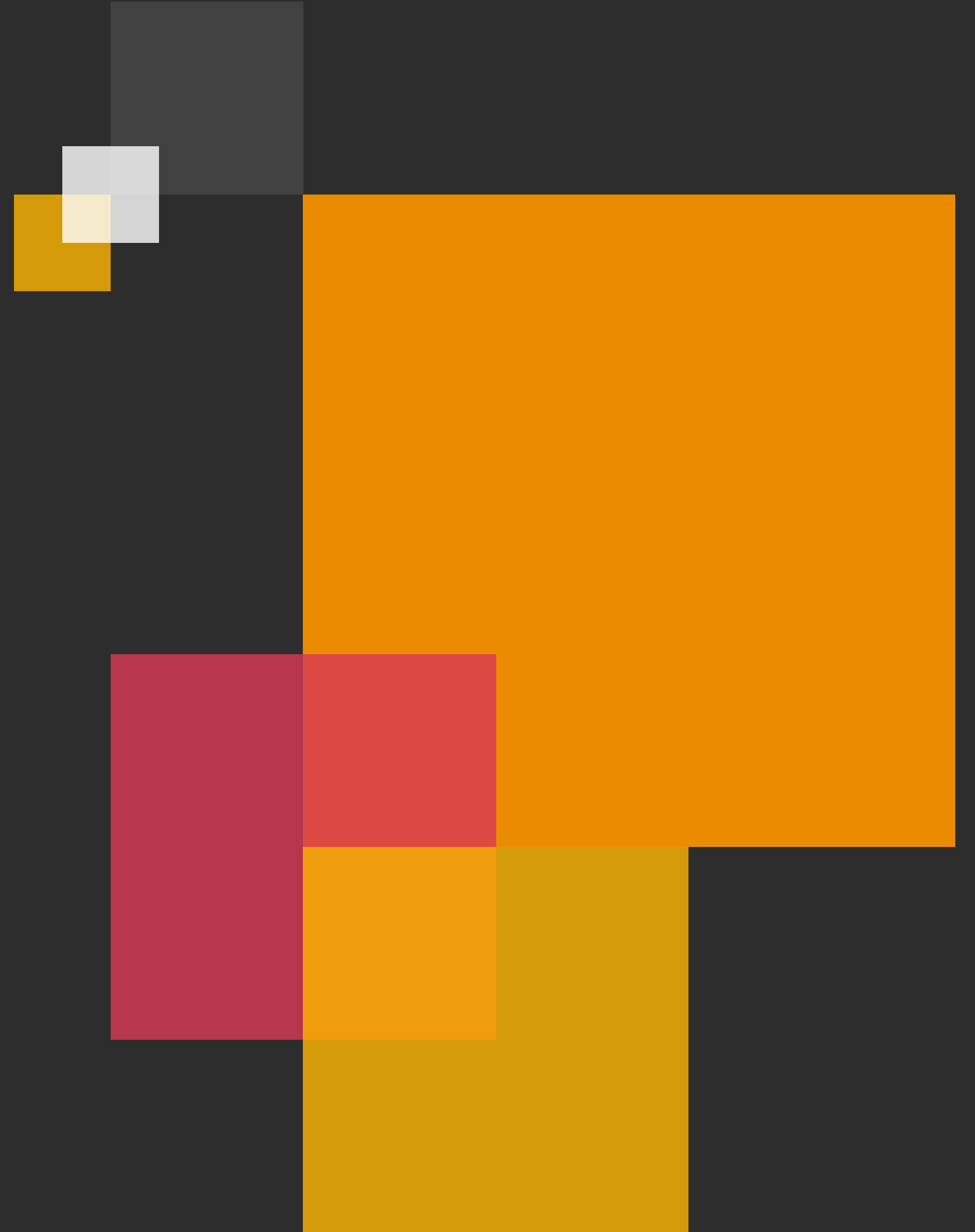
Yours faithfully,



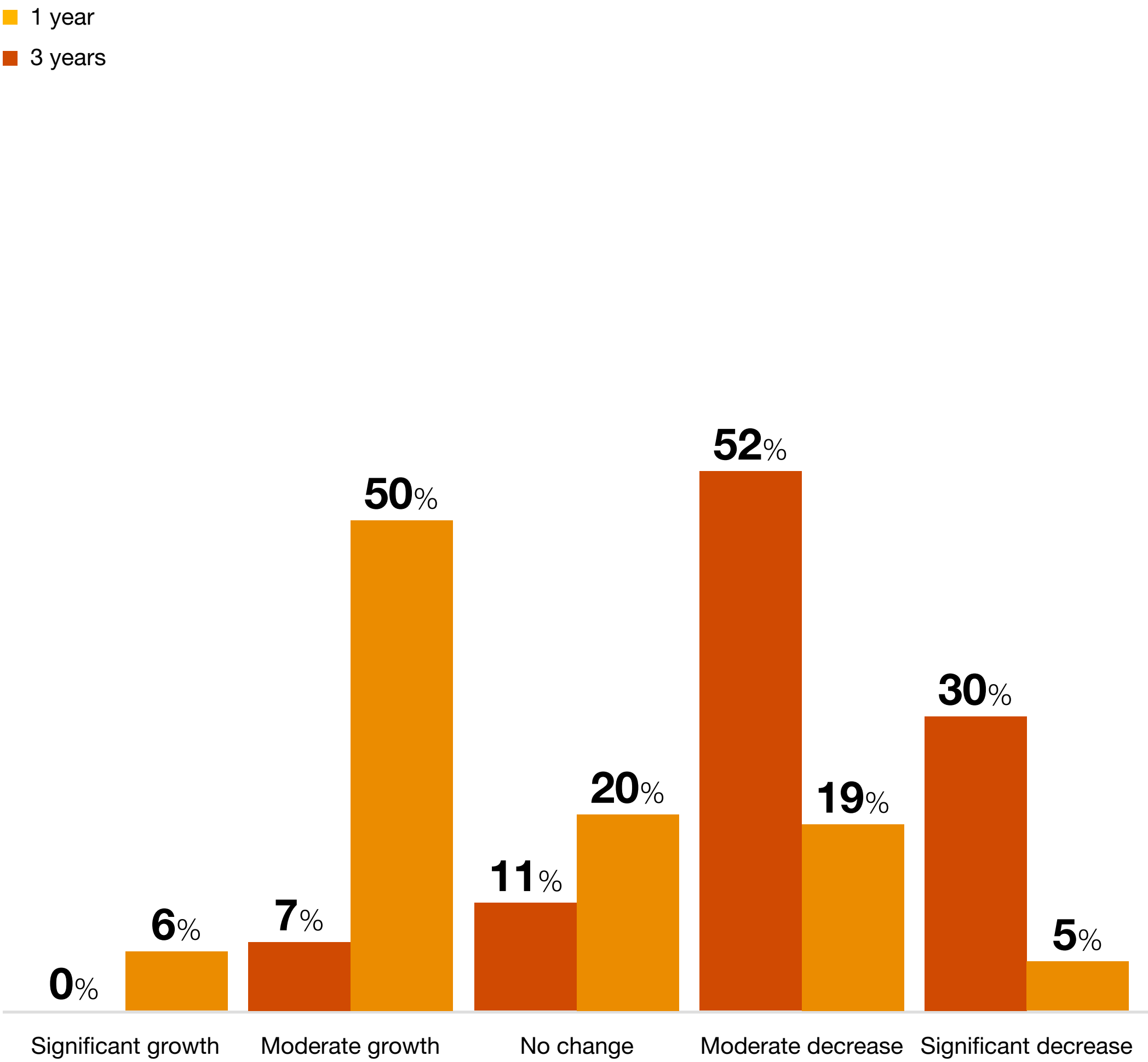
**Jiří Moser**

Country Managing Partner, PwC Czech Republic

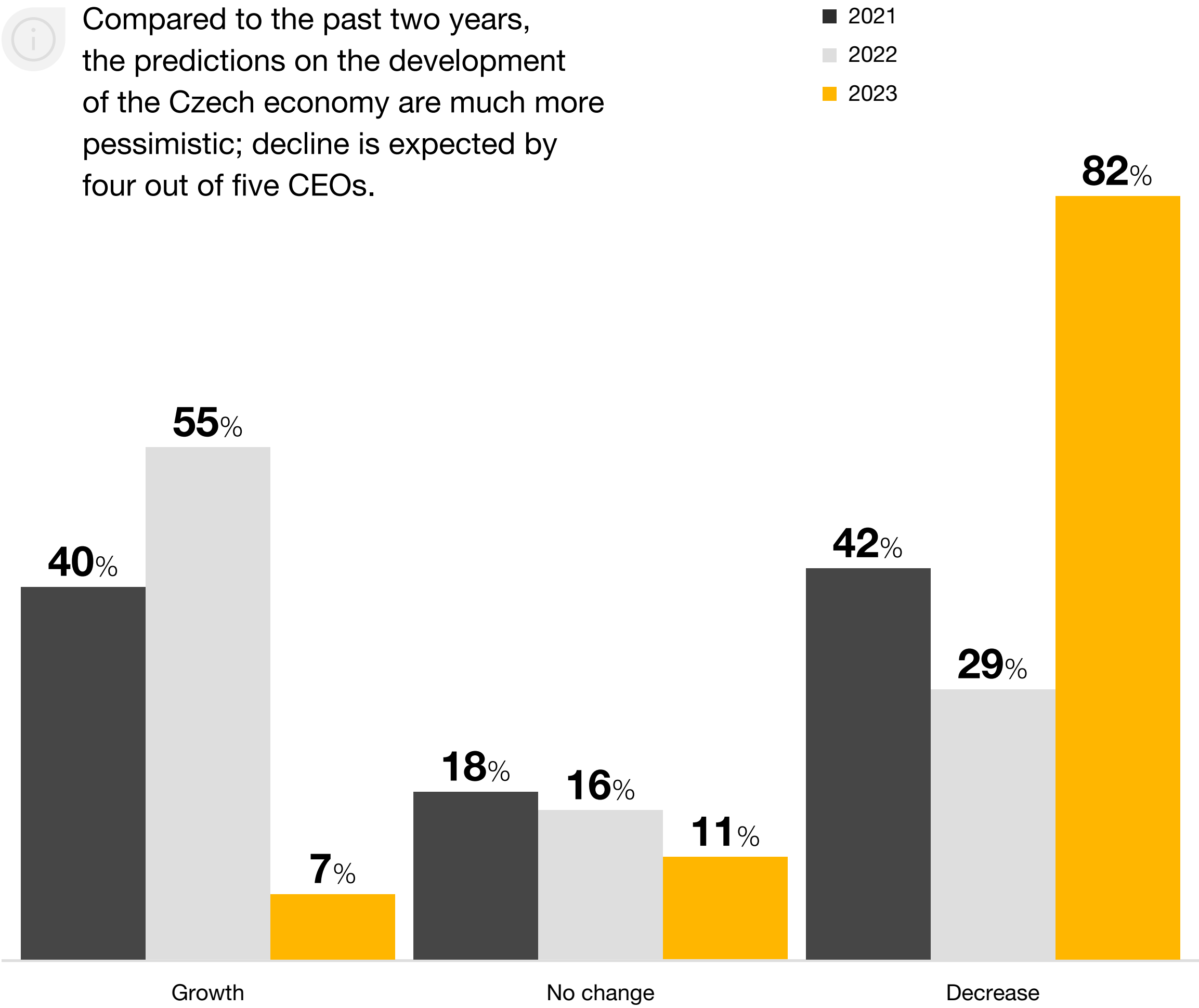
# Economics



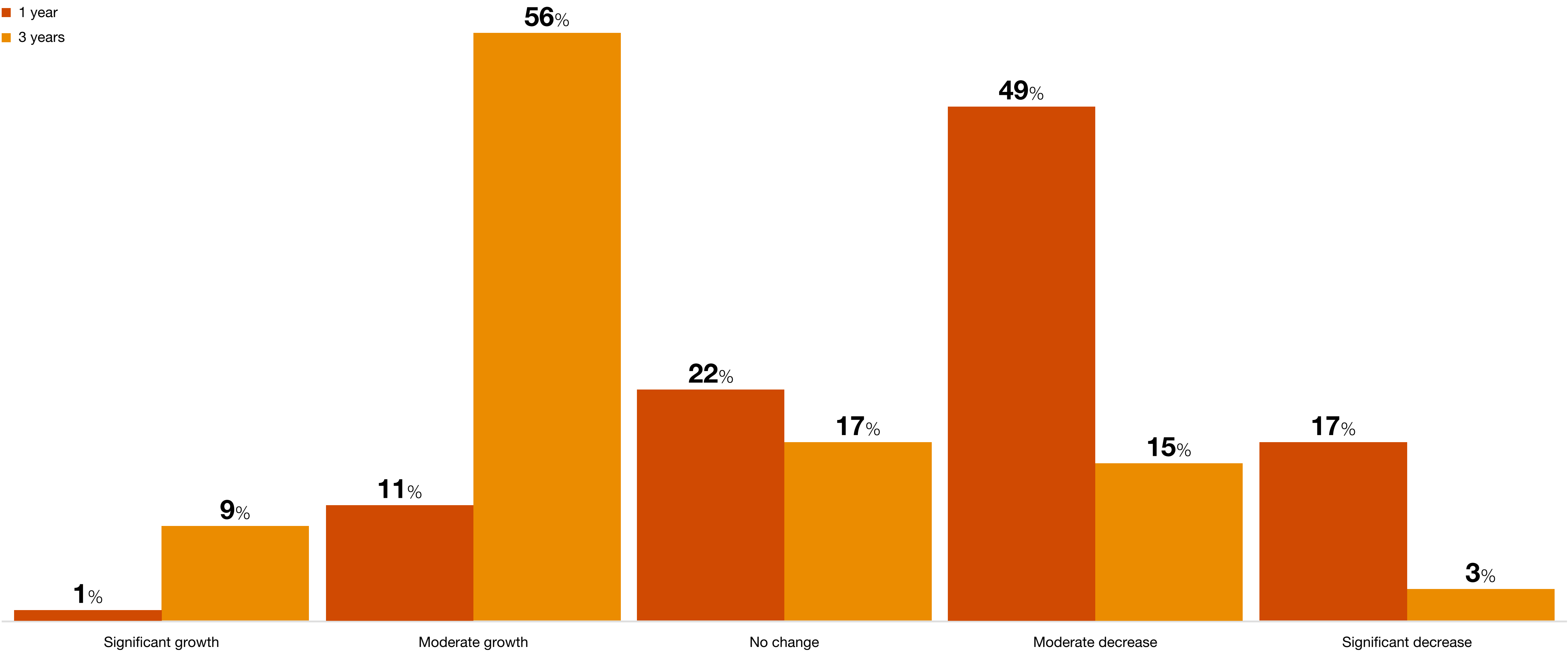
# How do you expect the Czech economy to develop in the upcoming periods of time



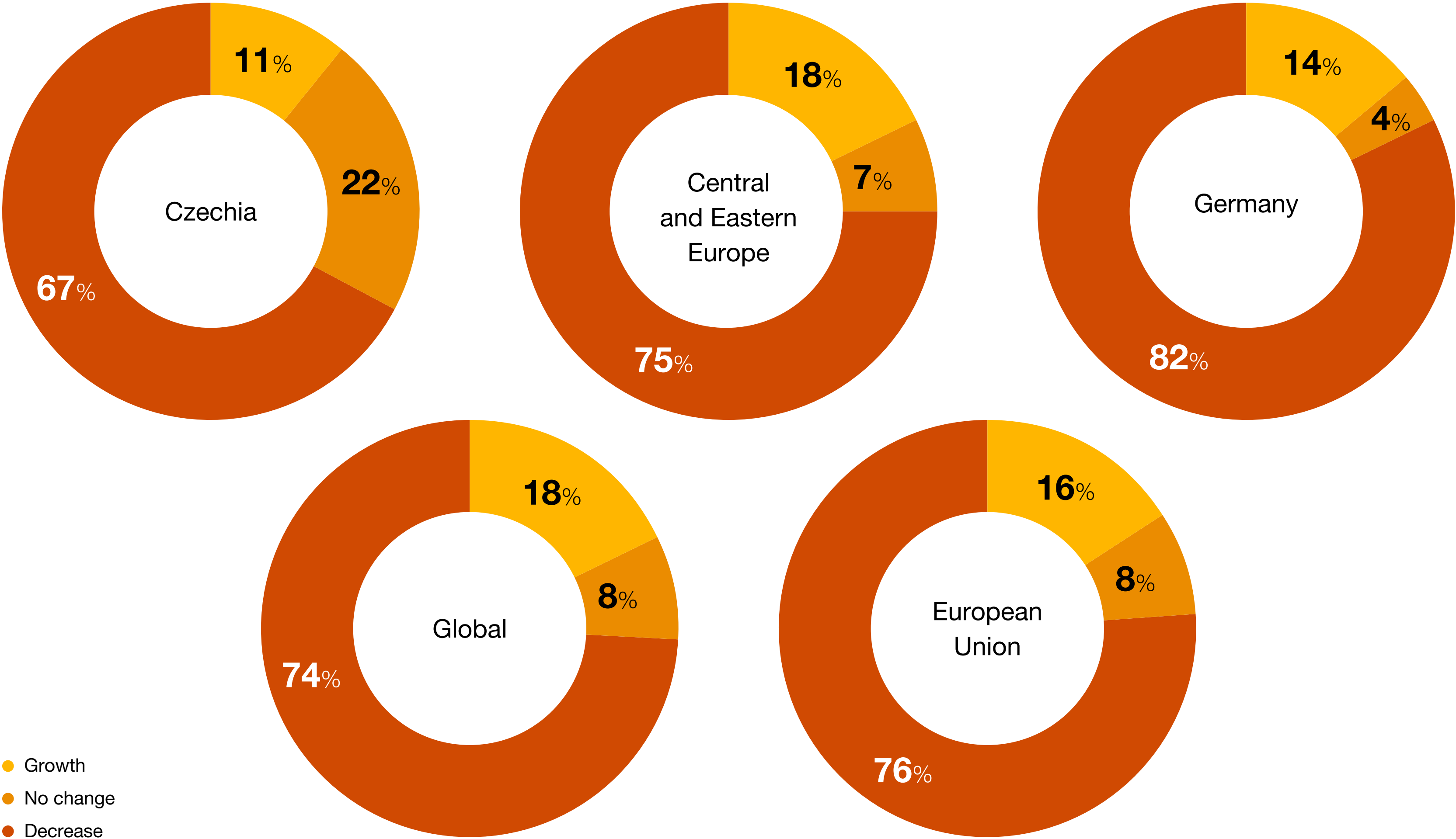
# Estimated development of the Czech economy for the years 2021 to 2023

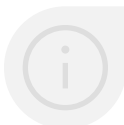


# How do you expect the global economy to develop in the upcoming periods of time?

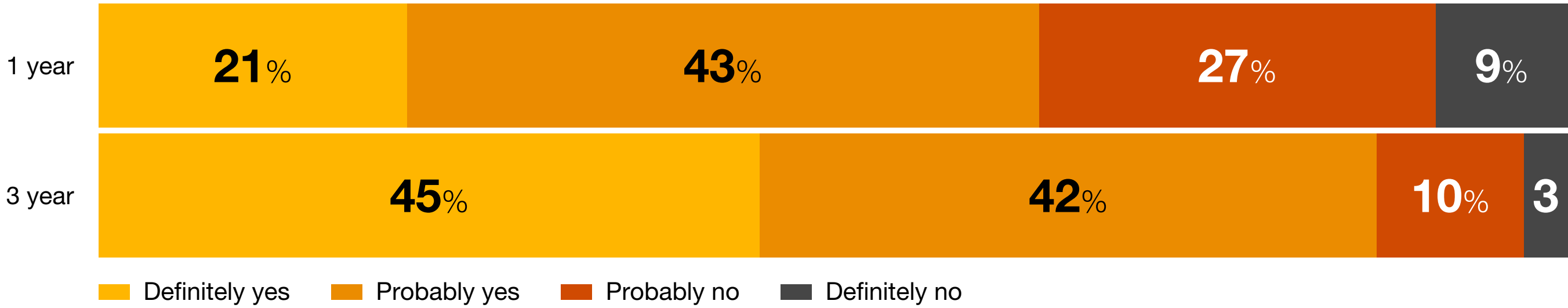


# How do you expect the global economy to develop in the upcoming year?

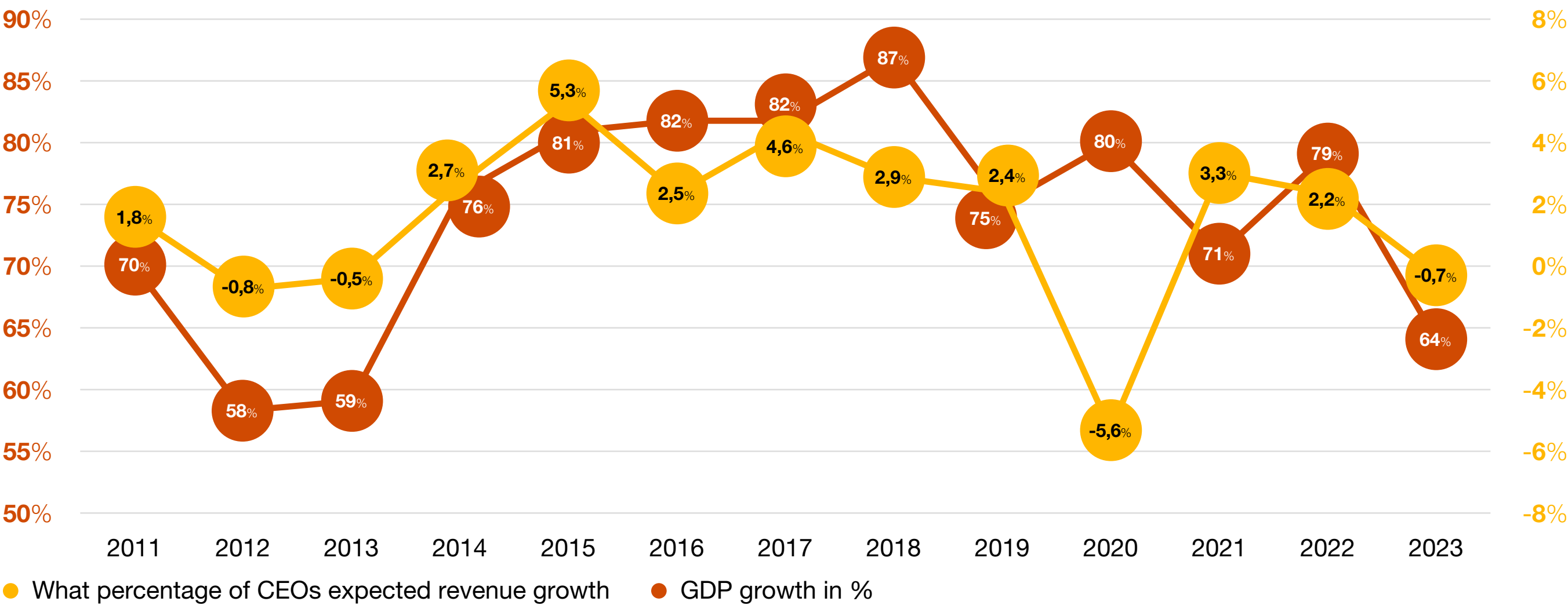


 Compared to others, Czech CEOs are much more convinced of stable growth by the global economy in 2023. In contrast, the greatest pessimists are the CEOs from Germany.

# Do you expect your company's revenues to increase over the following periods:



## Expected increase in revenues vs. GDP growth



**Note:** Source of the real GDP results is the Czech Statistical Office, the years 2022 and 2023 are from the CNB forecast.

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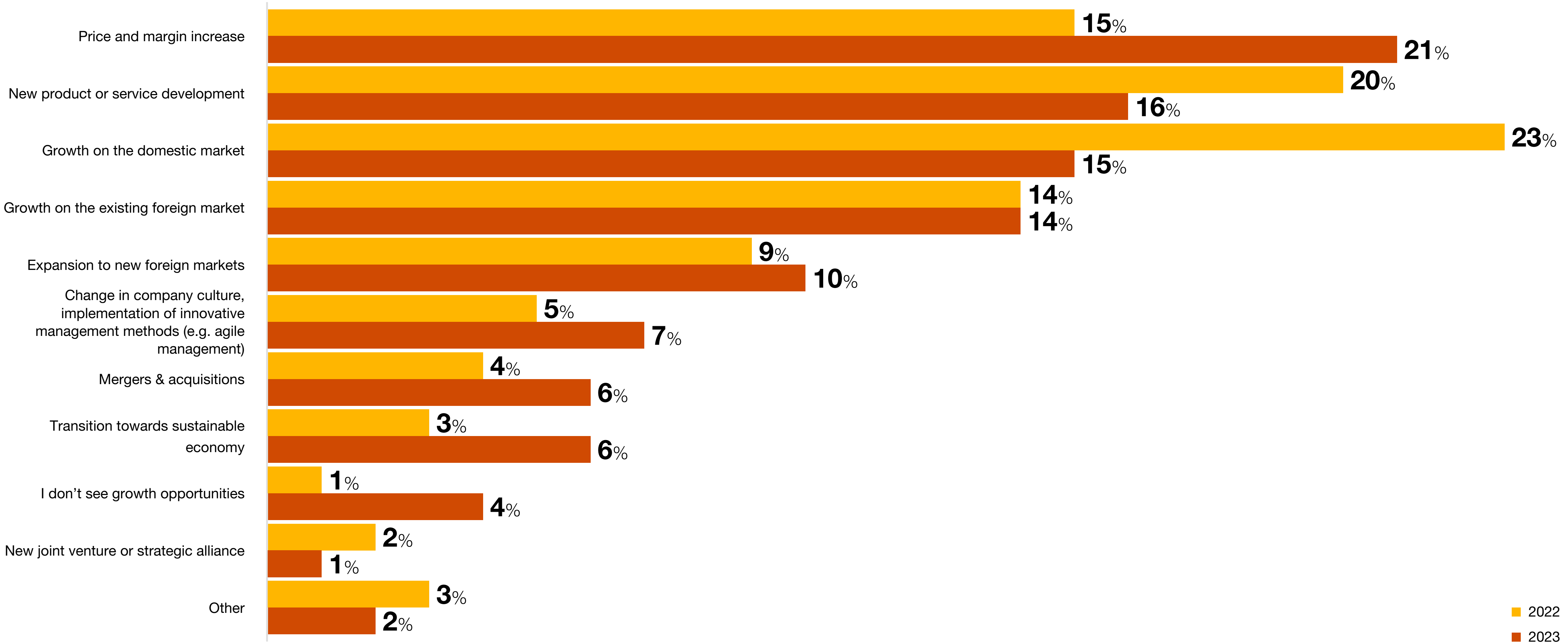
Despite the number of CEOs who are expecting their companies to grow this year being the lowest over the past ten years, we must say that 64% is not as bad an outcome. Evidently, inflation along with other challenges will not be easy over the months to come; however, the fairly mild winter season along with a much more optimistic prognosis of CEOs for the upcoming three years indicate that things may start to turn for the better soon.



**Jiří Moser**  
Country Managing Partner  
PwC Czech Republic

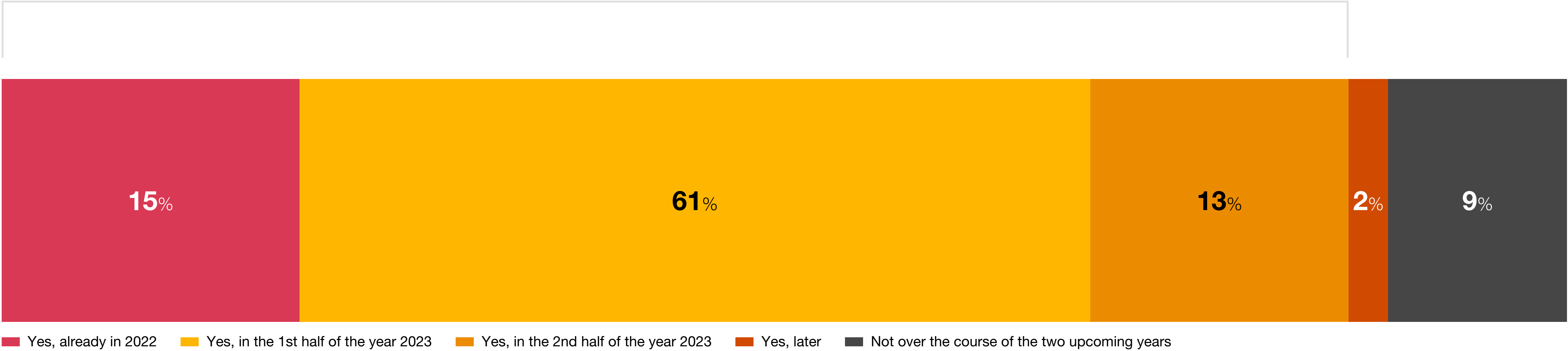


# Which opportunity do you consider crucial for your company development in the upcoming 12 months?



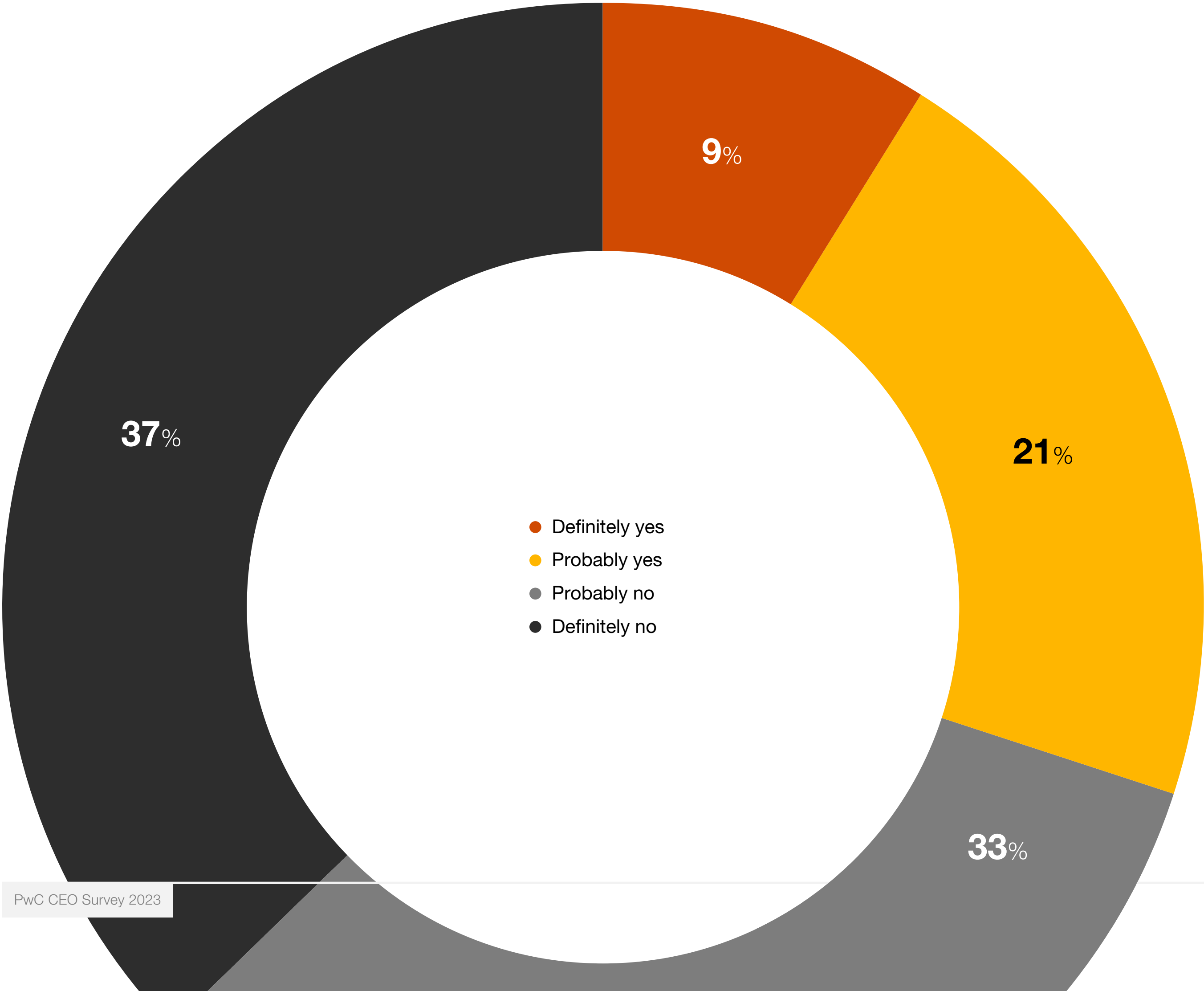
# Are you expecting the start of the recession?

**89%** of companies expect the arrival of the recession no later than in 2023





# Are you planning an acquisition of another company in the upcoming year?



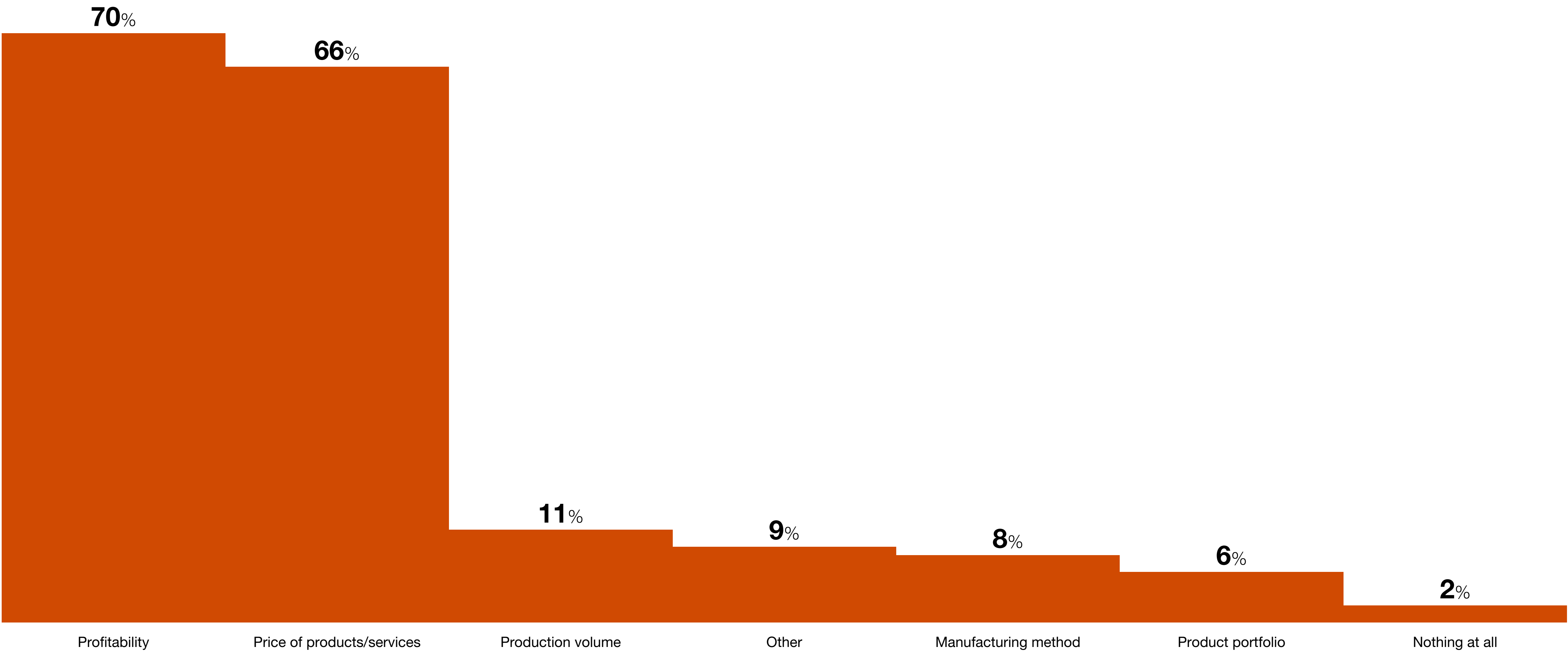
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It is a nice surprise that the number of companies planning to pursue acquisition is not decreasing. The percentage remains at approximately 30%, which means that a third of all CEOs still believes in their managerial as well as financial capacity to acquire other companies.



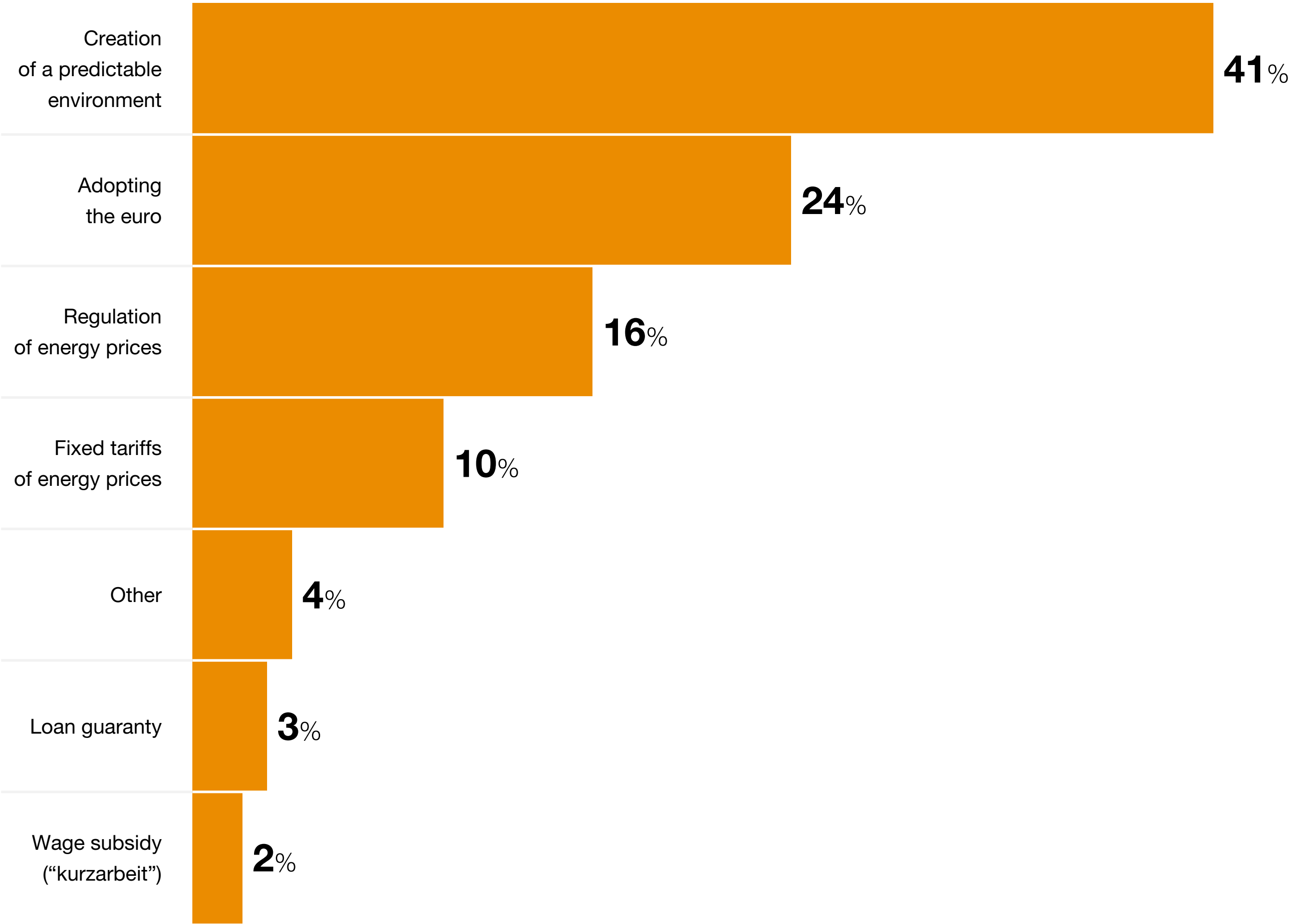
**Miroslav Bratrych**  
Lead Partner, Deals  
PwC Czech Republic

Which aspects of your business are affected imminently and significantly by the current prices and energy availability?





# What kind of state support would you most appreciate?



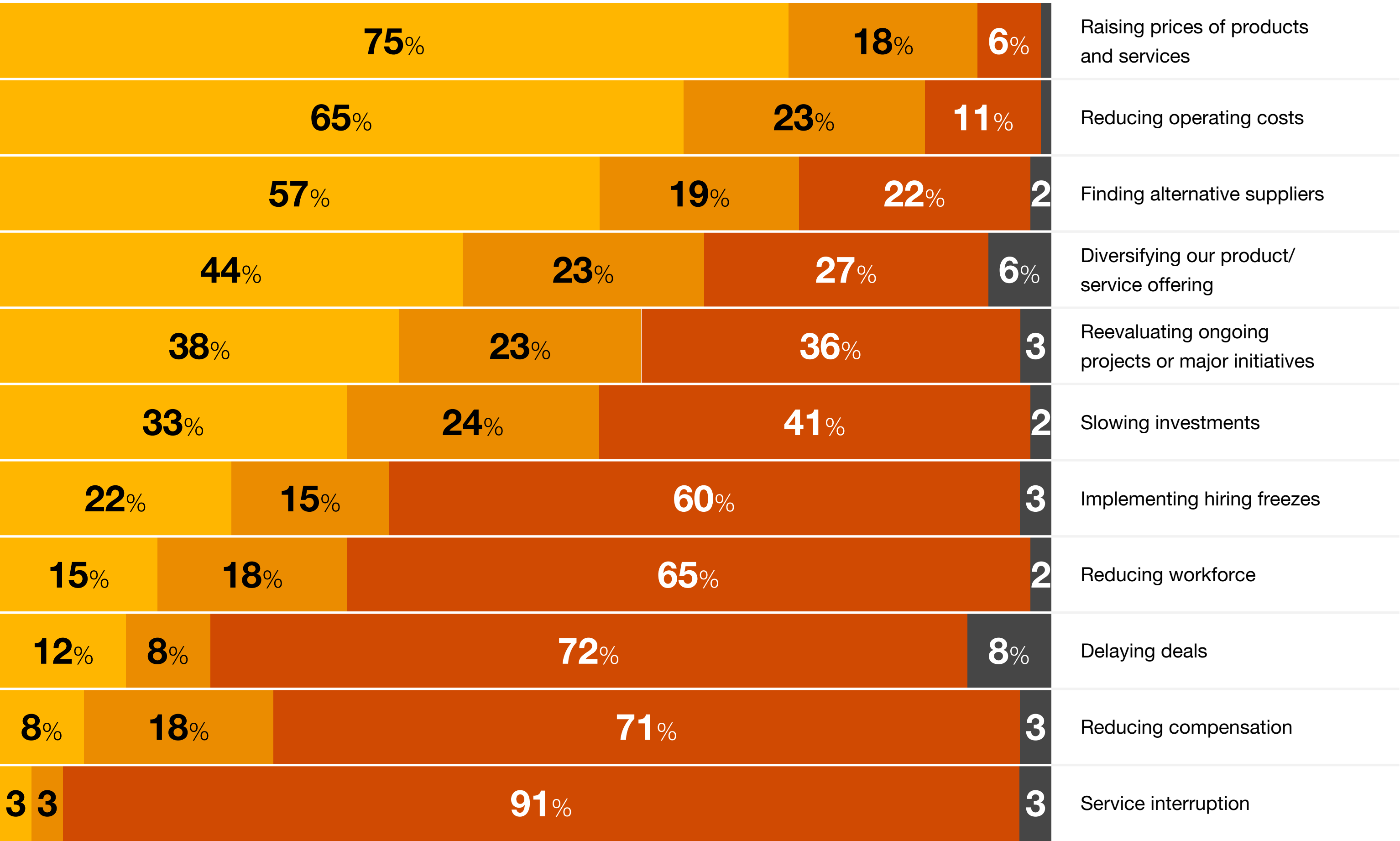
”

It is quite understandable that, rather than obtaining specific aid from the state, CEOs would appreciate having a stable and predictable business environment created. That is something their businesses have been acutely lacking in recent years. The latest example of unpredictability is the so-called windfall tax. Many aspects of the Czech windfall tax regulation, especially the actual taxation amount or the range of entities subject to the regulation, exceed the European framework. In particular, the criteria for types of activities involved or their share in total revenue, subject to which the businesses qualify for the tax rate, are way too complex and confusing.



**Martin Diviš**  
Lead Partner, Tax, Legal & People  
PwC Czech Republic

# Which of the following options best describes any action your company may be considering to mitigate against potential economic challenges and volatility in the next 12 months?



■ We are already doing this/have done this ■ We are considering this in the next 12 months ■ We do not plan to do this ■ Don't know

”

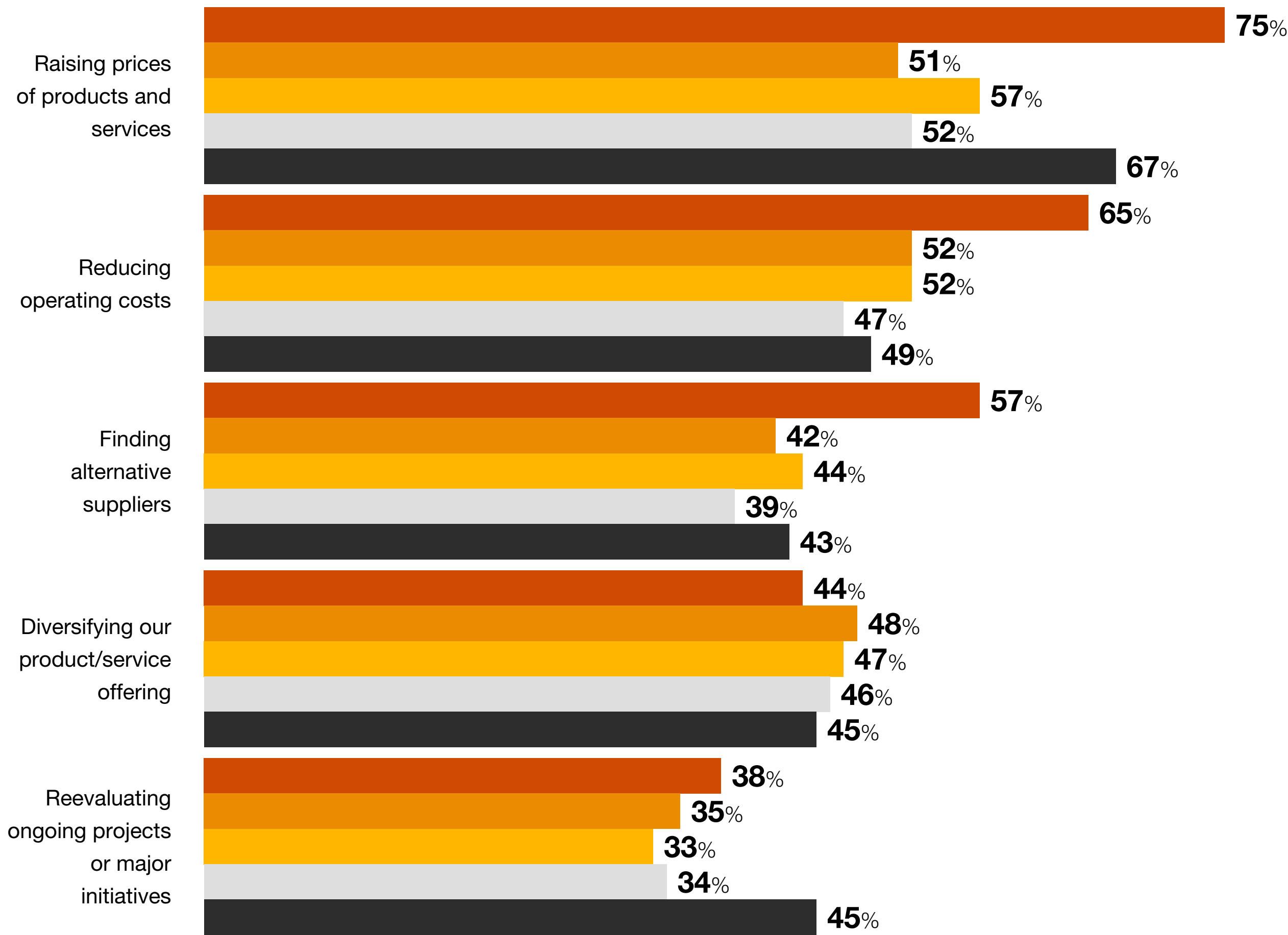
What might come as a pleasant surprise is that the current or planned solutions for the crisis do not involve major reductions in the number of staff. It seems that CEOs have learned from their past mistakes and are proceeding cautiously. The thing is that the past crises have shown that maintaining qualified staff while avoiding layoffs and company destabilisation is what actually helps businesses in the long run.



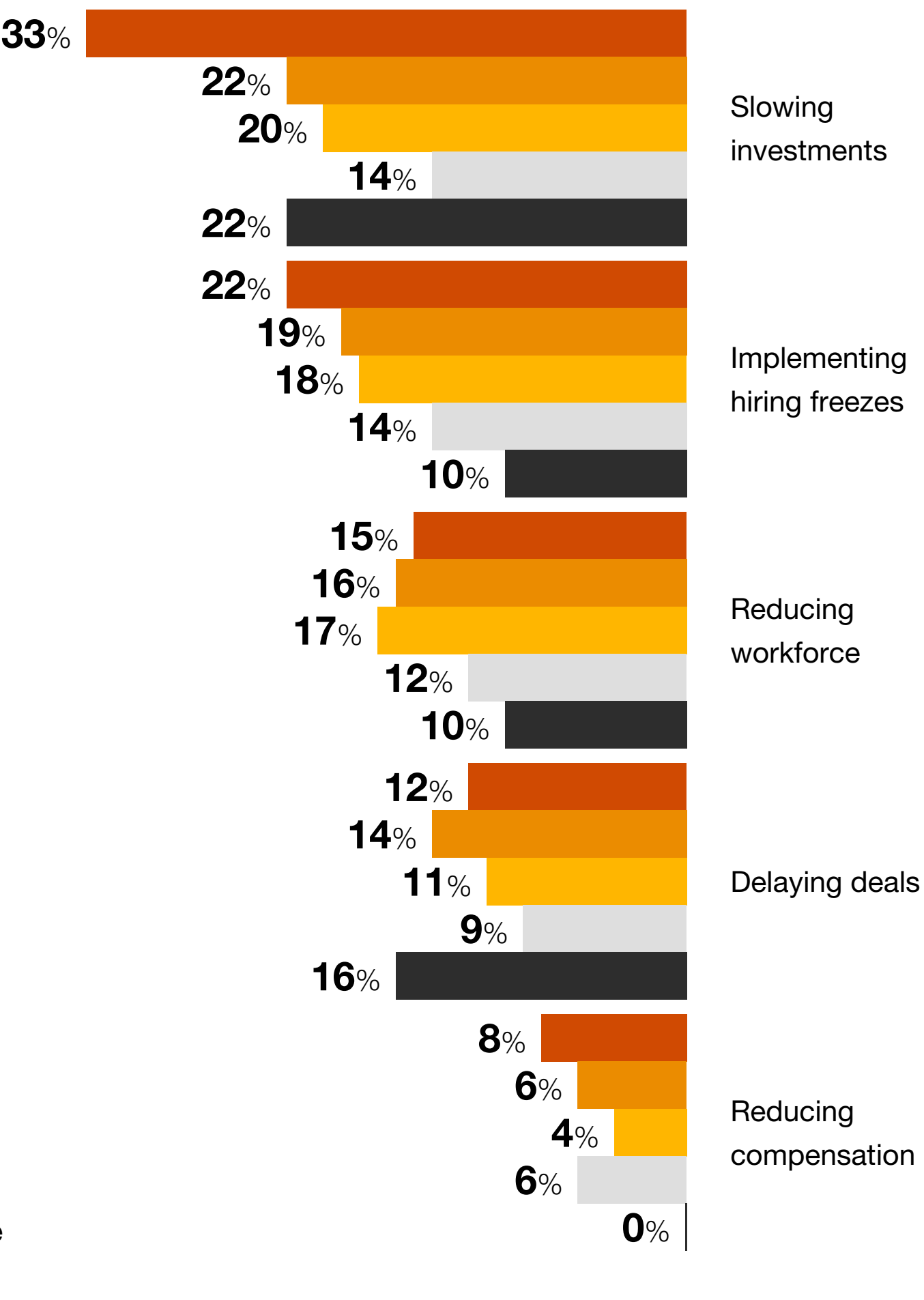
**Petr Smutný**  
Partner pro reorganizace  
PwC Česká republika



# Which of the following options to mitigate potential economic problems has your company already taken advantage of?

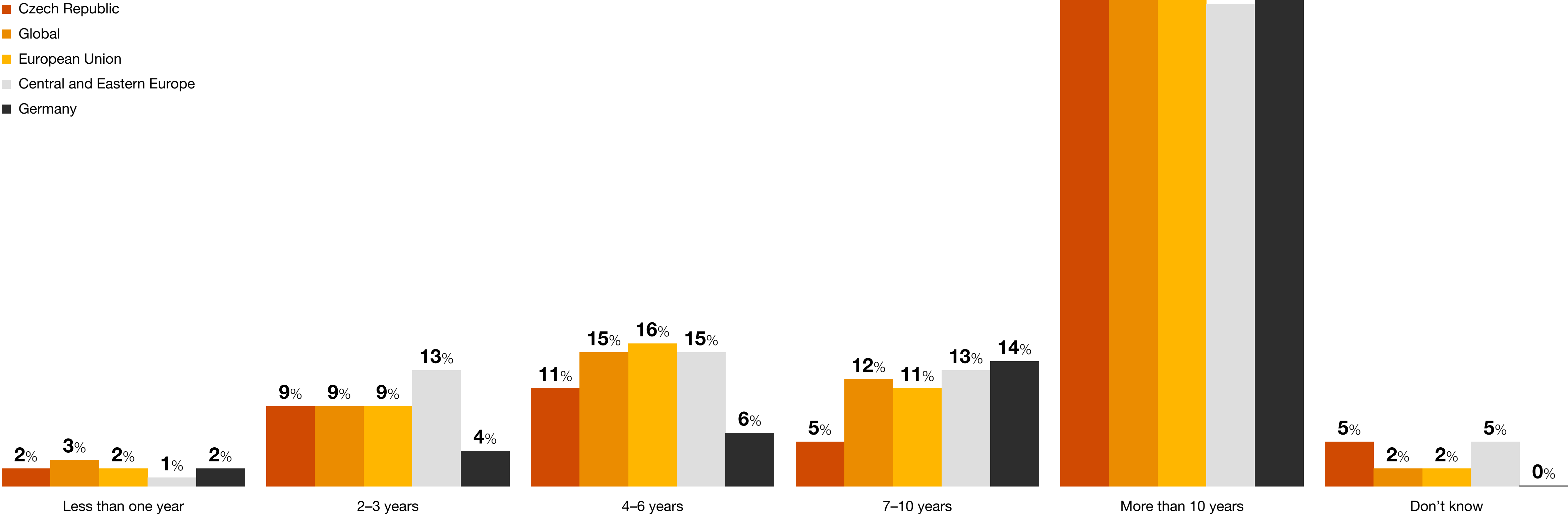


**Note:** Only the answer “We are already doing this/have done this”



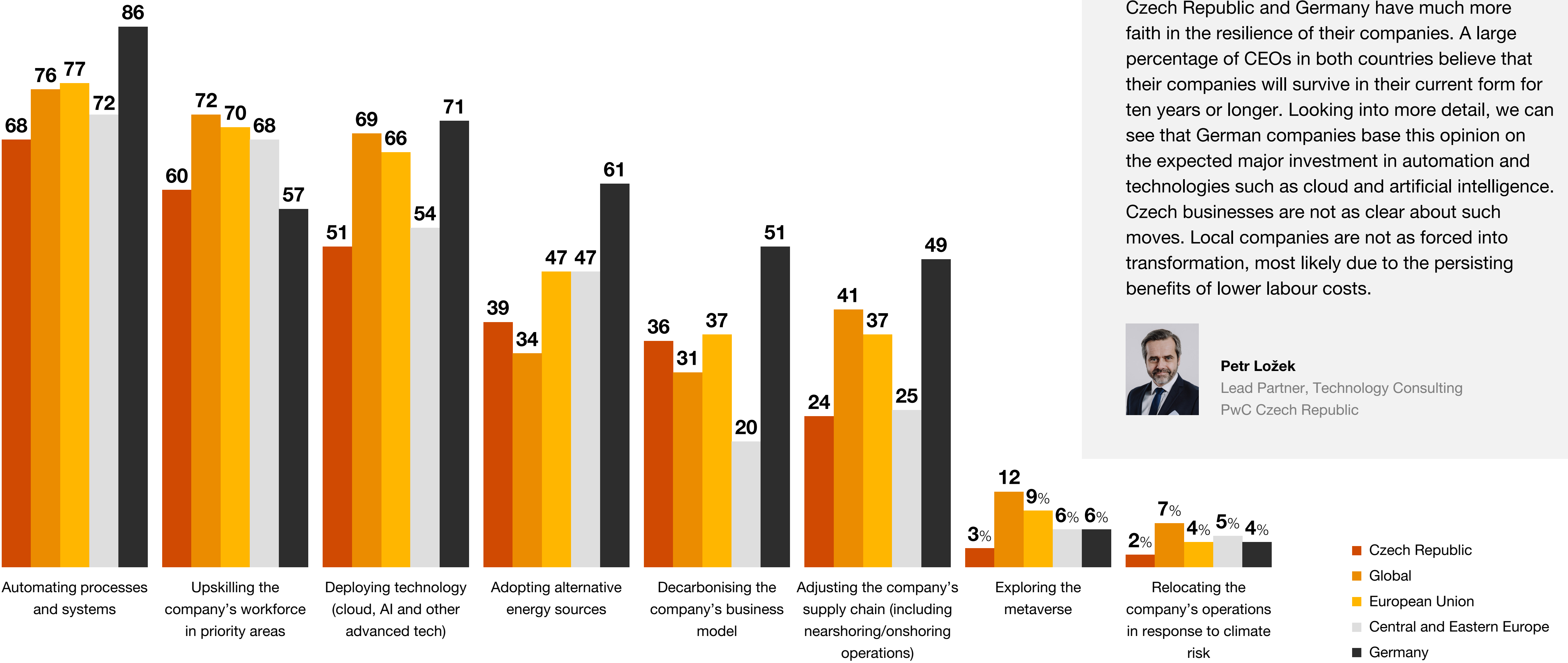
- Czech Republic
- Global
- European Union
- Central and Eastern Europe
- Germany

# If your company continues running on its current path, for how long do you think your business will be economically viable?

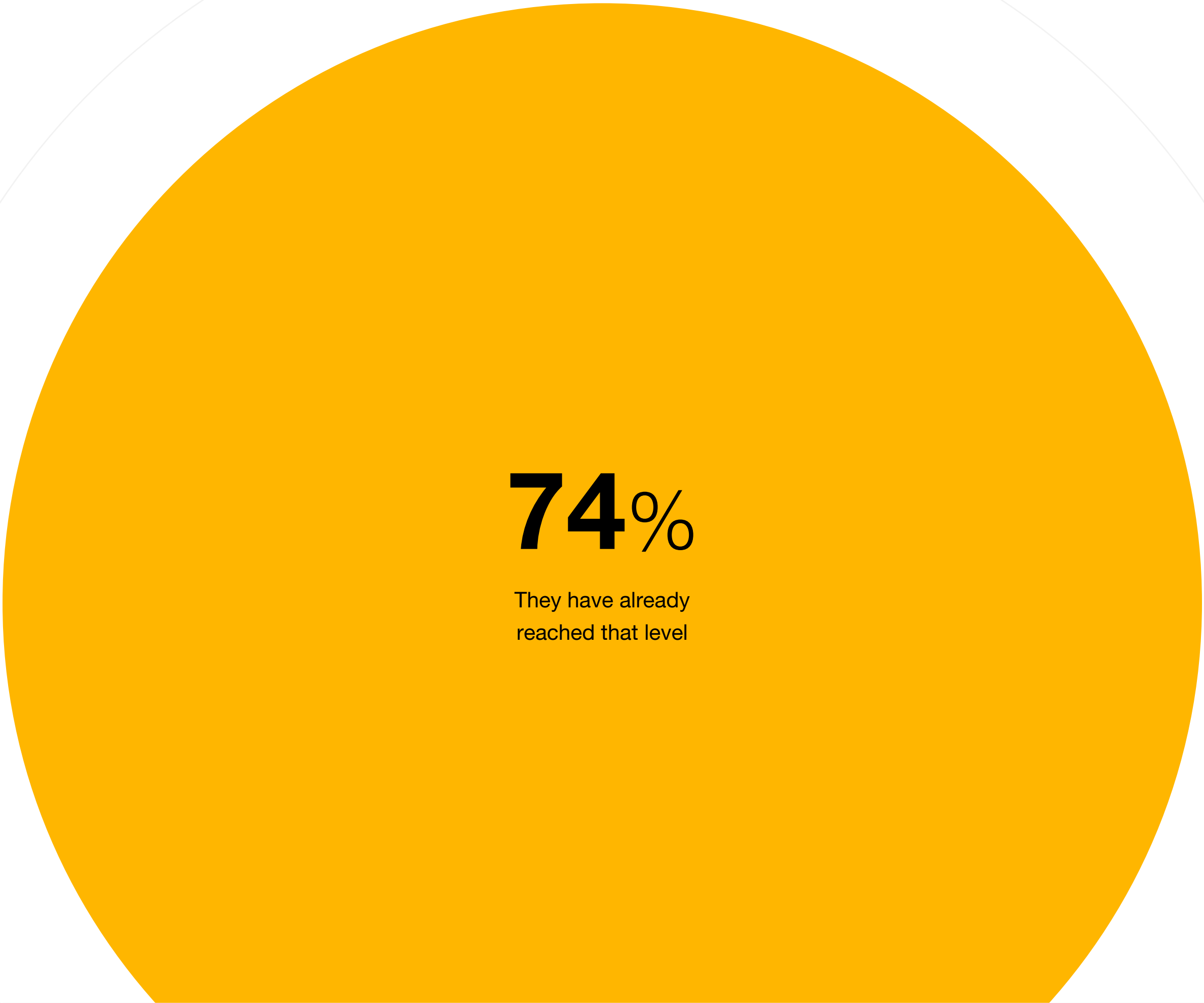




# Which of the following investments, if any, is your company making in the next 12 months?



# When do you think your company revenues will reach the pre-COVID-19 level?

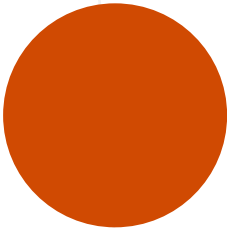


3%



1<sup>st</sup>  
half-year  
of 2023

7%



2<sup>nd</sup>  
half-year  
of 2023

4%



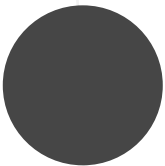
1<sup>st</sup>  
half-year  
of 2024

6%



2<sup>nd</sup>  
half-year  
of 2024

5%



Later

1%



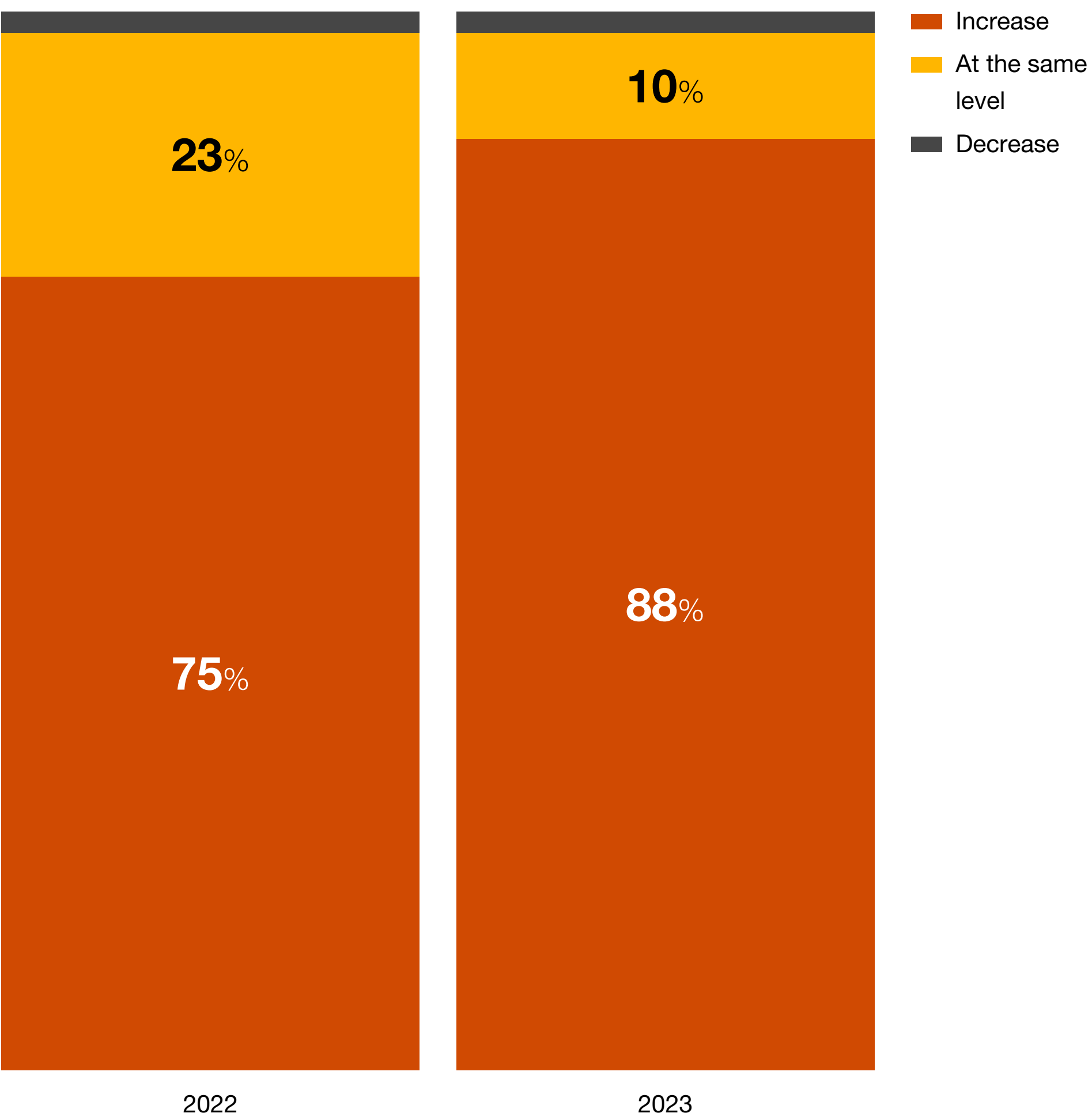
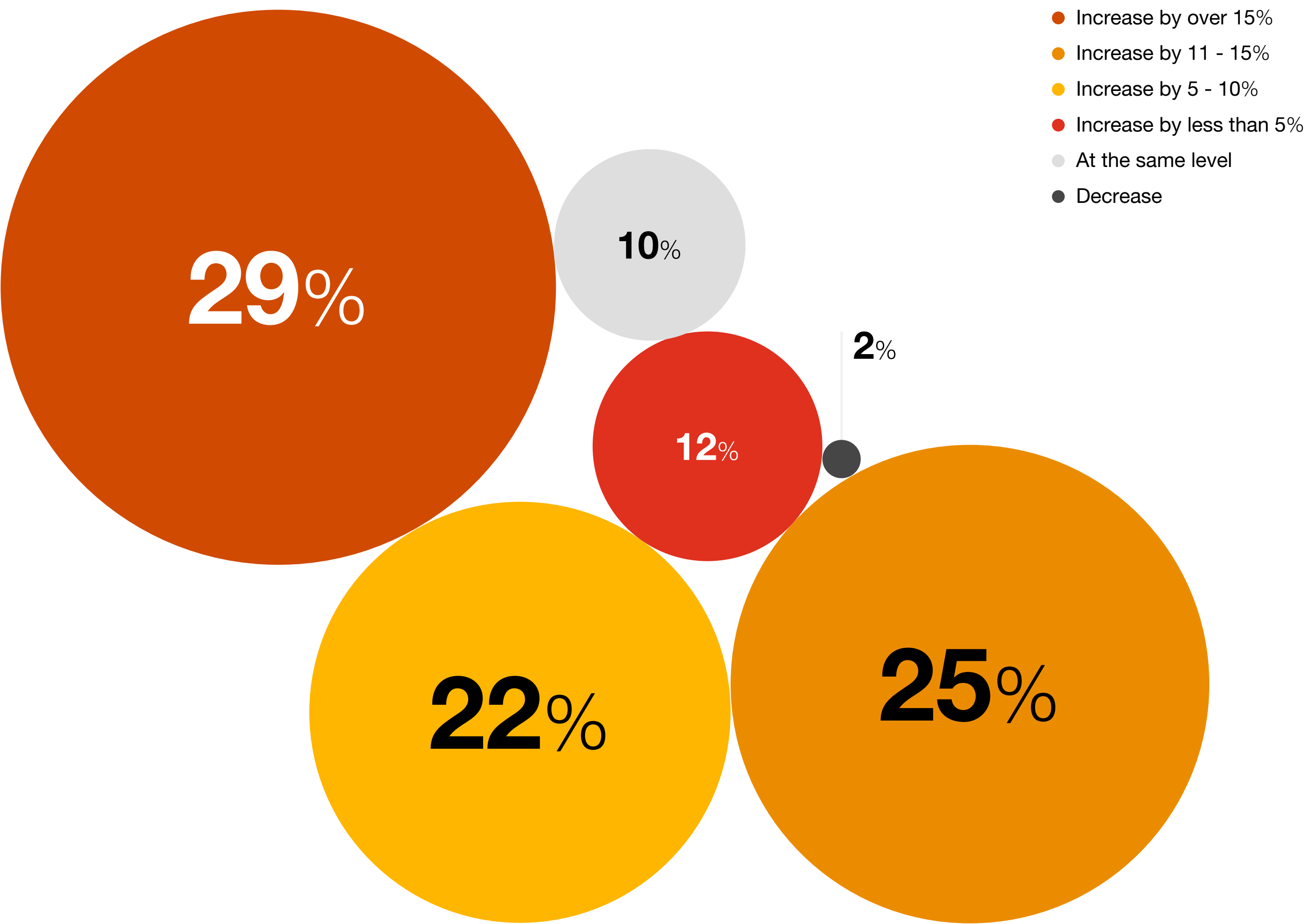
Never

# Uncertainty and risk



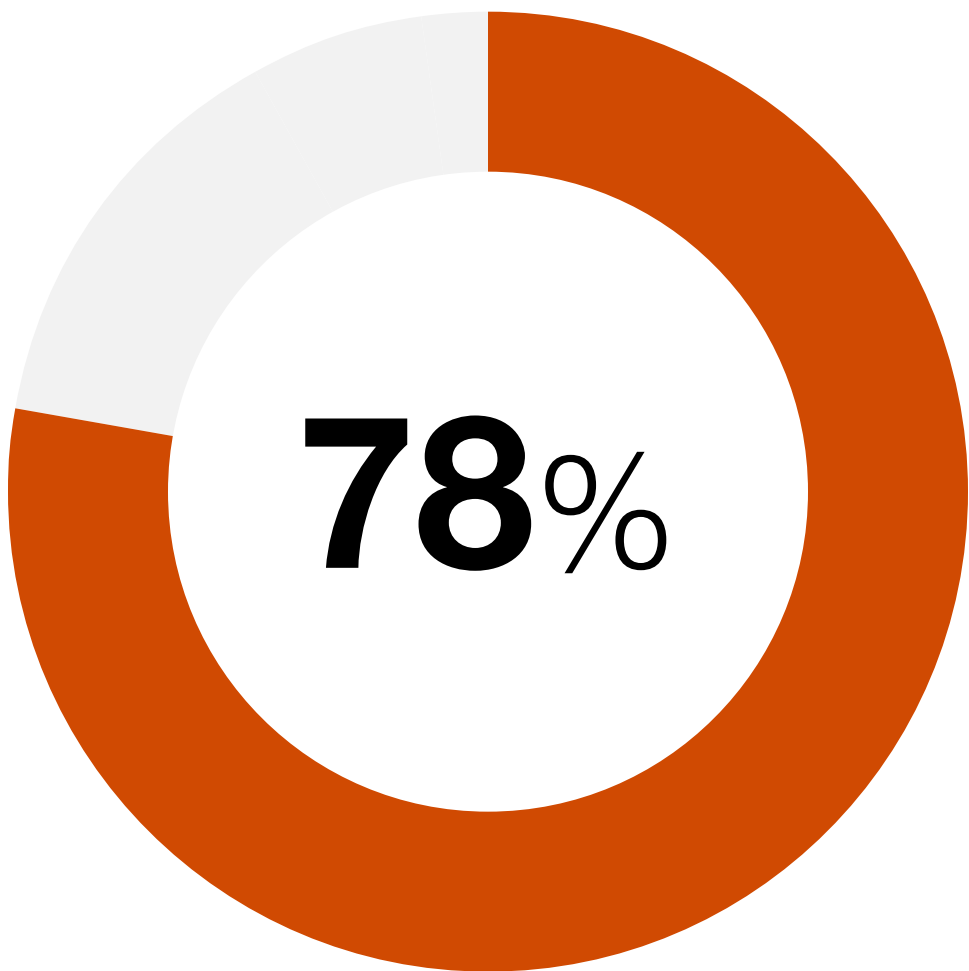


How have the prices of your products and services changed on a year-on-year basis?

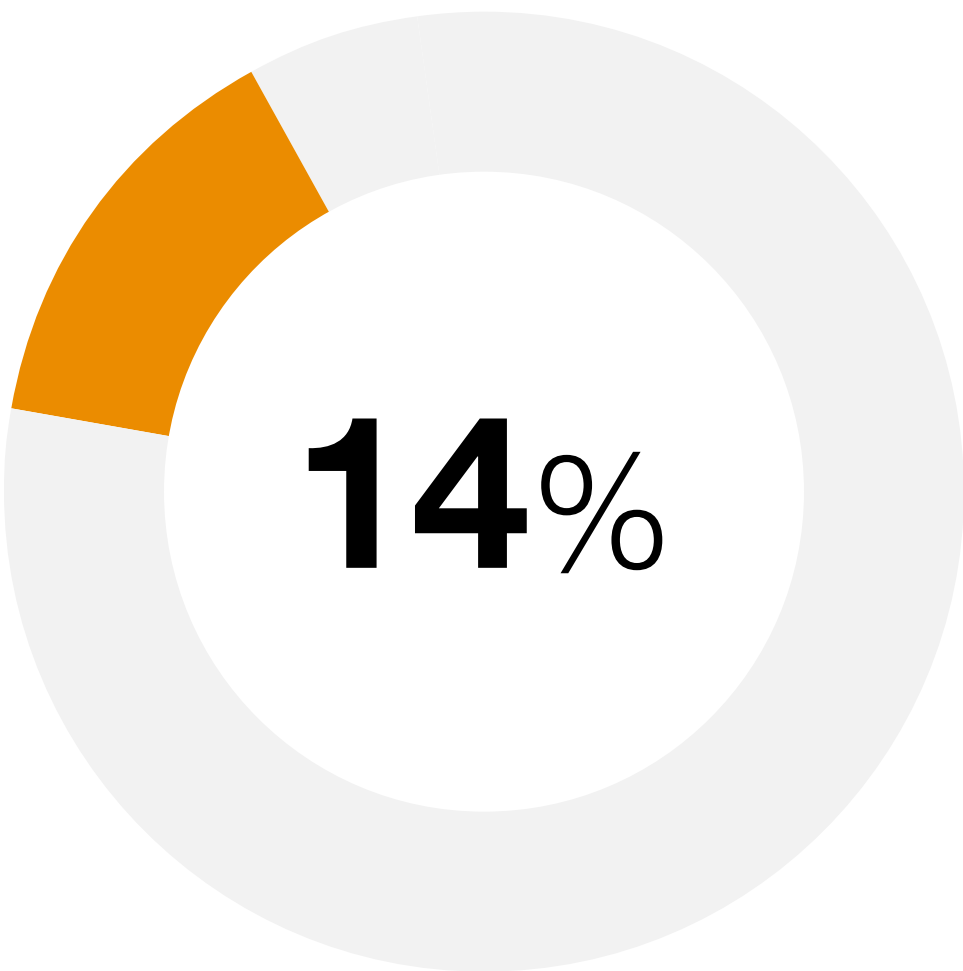


Would you say that, over the upcoming 12 months, the initial costs for entrepreneurship in your field will:

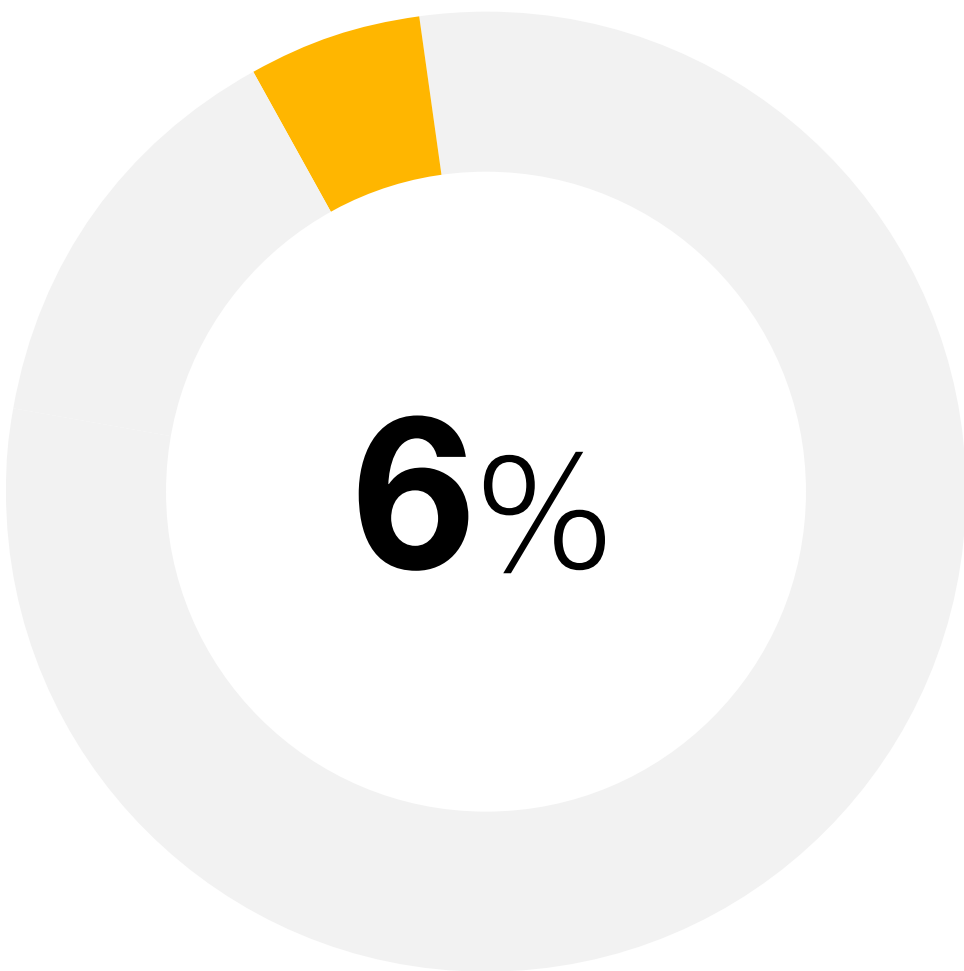
Over three quarters of CEOs expect business-related costs to increase in 2023. This means that they will reflect the consumer price growth, i.e., inflation.



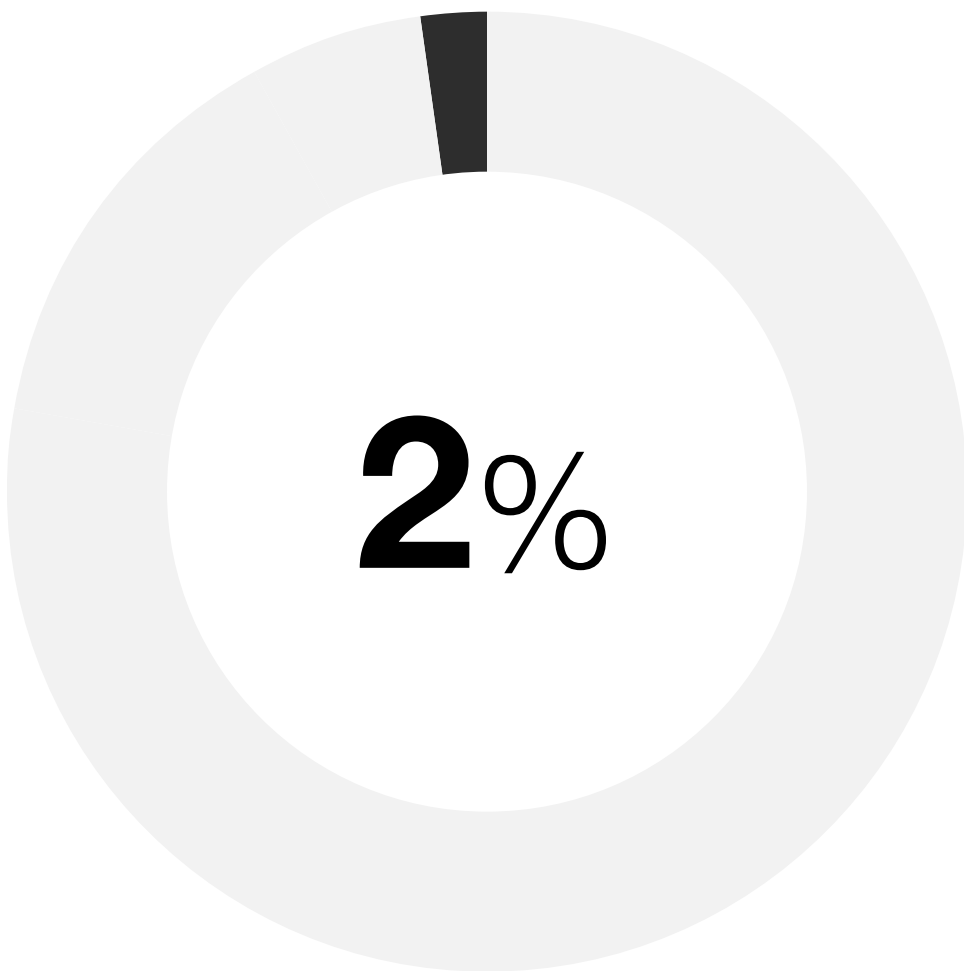
Increase



Remain unchanged

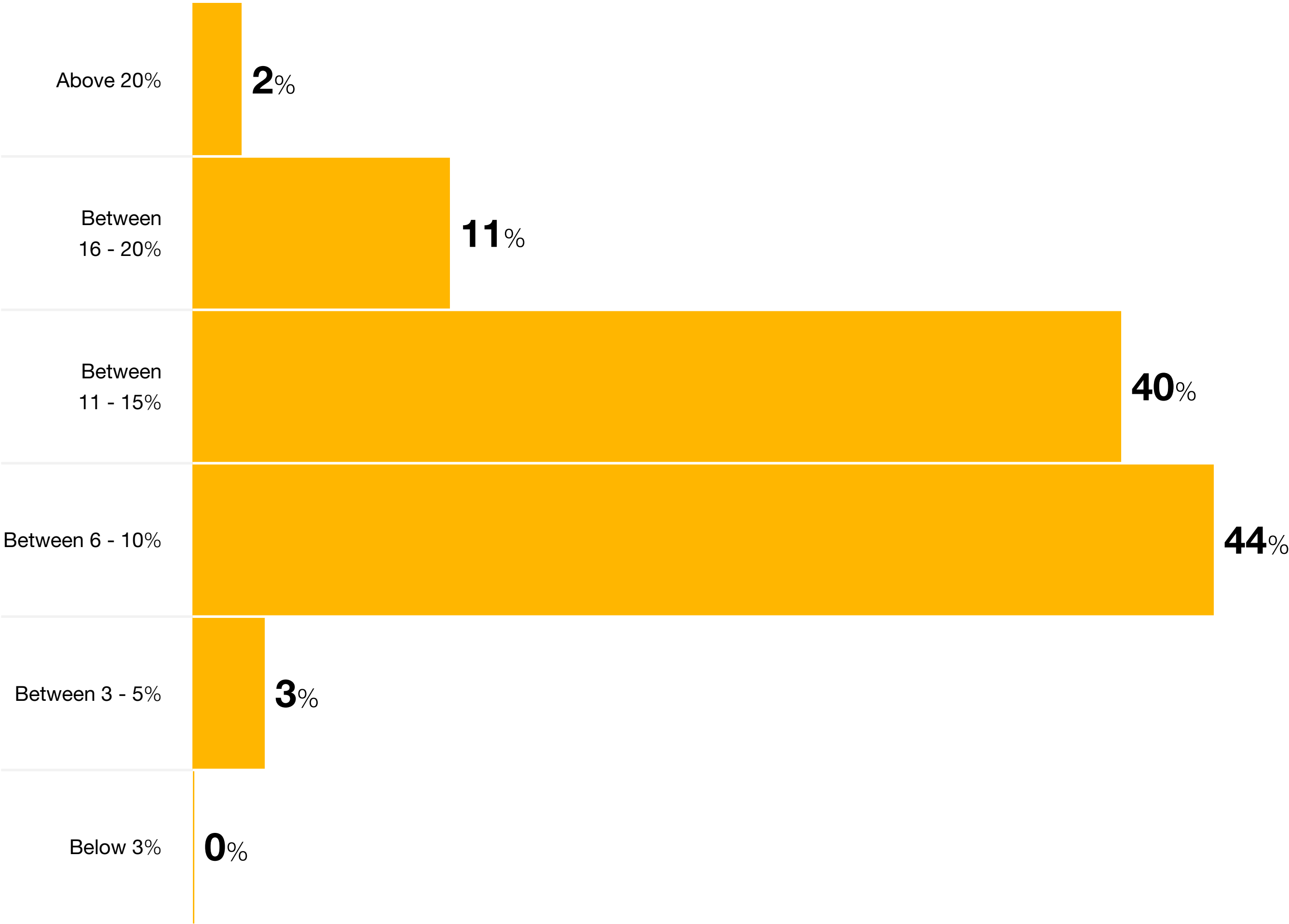


Decrease



I don't know

# What is the average annual inflation rate you expect in 2023?



”

Even if the inflation rate falls, it is likely to remain in double digits. The disadvantage of this current greatest threat is that companies can hardly do anything about it. Basically, the only thing they can do is to set a flexible price policy. Nevertheless, that is easier said than done.

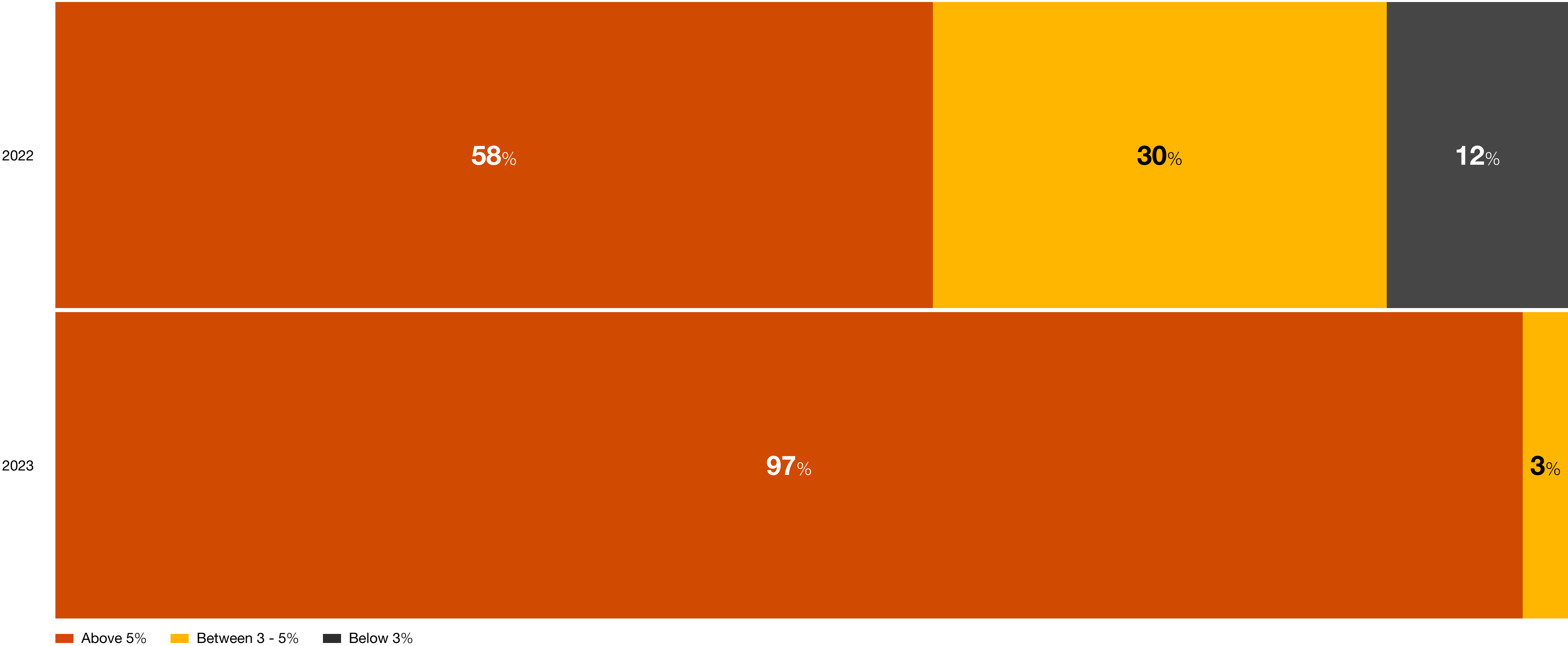
Better options are provided to companies with respect to hedging against two factors linked to and associated with inflation: rising interest rates and the foreign exchange risk. In particular, the strengthening of the Czech crown at the end of the year proved the unpredictability of this risk. Luckily, it is possible to use hedging instruments as well as natural hedging reflecting the company’s unique structure combined with a foreign exchange policy. When done cleverly, even commercial derivative costs can be avoided.



**Olga Cilečková**  
Partner, CMAAS  
PwC Czech Republic



# Expected average annual rate of inflation in 2022 and 2023



# How concerned are you, if at all, about each of these threats?

Rizika	2022	2023	change	
			2023/2022	2023/2021
High inflation	84%	90%	6%	37%
Growth in labour costs	85%	85%	0%	37%
Volatile energy costs	67%	85%	18%	48%
Availability of qualified workers	94%	81%	-13%	10%
Geopolitical risks	46%	77%	31%	36%
Volatile commodity prices	69%	77%	8%	31%
Uncertain economic growth	60%	74%	14%	6%
Cyber threats	54%	71%	17%	22%
Increasing tax and deductions burden	55%	69%	14%	-2%
Over-regulation	56%	65%	9%	-12%
Questionable or unpredictable legislation	60%	65%	5%	-16%
Permanent shift in consumer spending and behaviour	40%	64%	24%	19%
Uncertain political developments	34%	63%	29%	-1%
Supply chain security	59%	61%	2%	24%
Misinformation	48%	60%	12%	-1%
Exchange rate volatility	51%	59%	8%	0%
Energy shortage	-	55%	-	-
Capital market instability	41%	54%	13%	12%
Interest rate hikes and lower availability of financing	34%	51%	17%	-
Economic inequality	43%	48%	5%	-2%
Climate change and environmental damage	45%	44%	-1%	-6%
Future of the Eurozone	35%	43%	8%	0%
Inadequate national infrastructure	39%	42%	3%	-8%
Access to affordable capital	18%	39%	21%	20%
Social unrest	22%	38%	16%	5%
Declining health and well-being of your workforce	38%	35%	-3%	-4%
Bribery and corruption	24%	28%	4%	-19%
Unfair / unethical business practices of our employees or trading partners	17%	24%	7%	-1%
Unemployment	19%	23%	4%	-5%
Speed of technological change	29%	22%	-7%	-10%
New competitors on the market	20%	21%	1%	-2%
Pandemics and other health crises	73%	20%	-53%	-58%

**Note:** Sum of “somewhat concerned” and “extremely concerned”

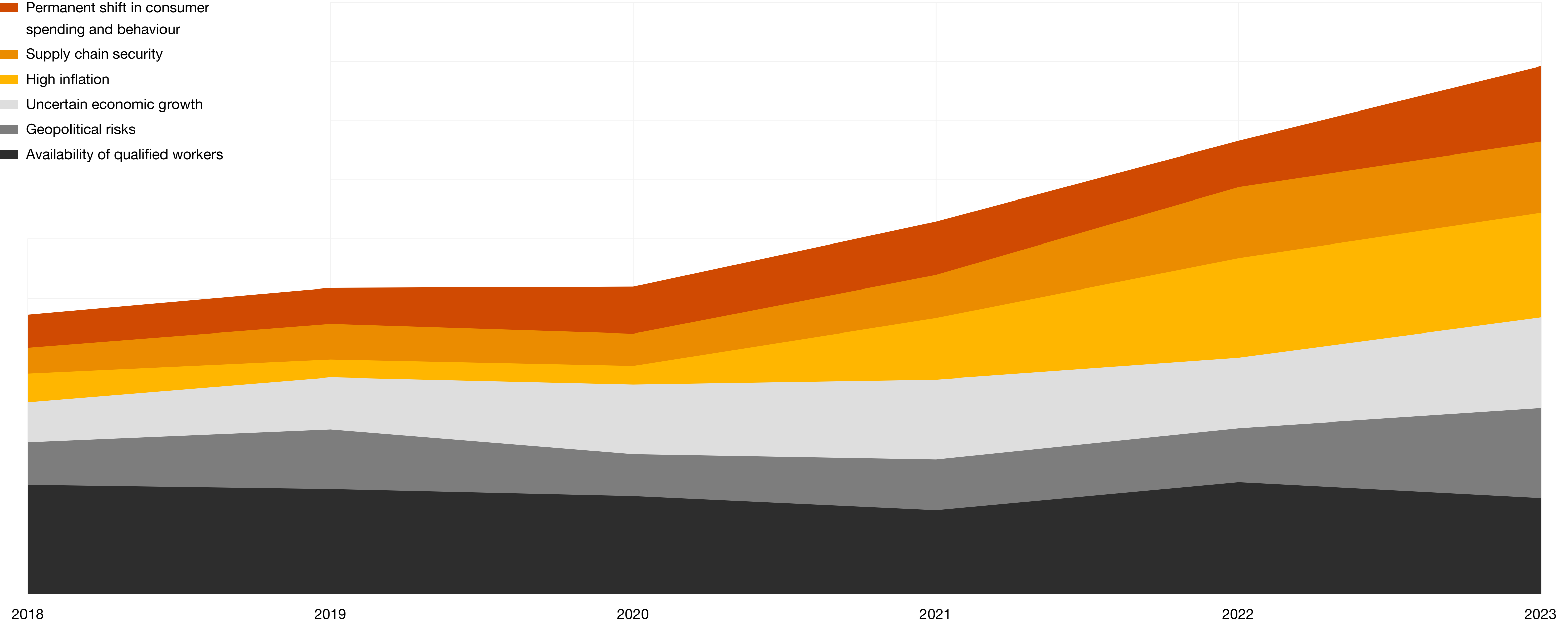
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Inflation risk fears are only natural; however, one may expect them to subside once inflation gets back to standard rates. As for the 17% year-on-year increase concerning cyber security threats, that is something different. The risk in this area keeps growing continuously, and so this figure is more likely to reflect the increasing number of CEOs who are aware of it. Therefore, it seems responsible that 33% of Czech CEOs plan to increase investment in cyber security in response to the rising geopolitical risks. Actually, the EU-average is 48%, and in Germany 70% of CEOs plan to make such an investment.



**Tomáš Kuča**  
Lead Partner, Assurance  
PwC Czech Republic

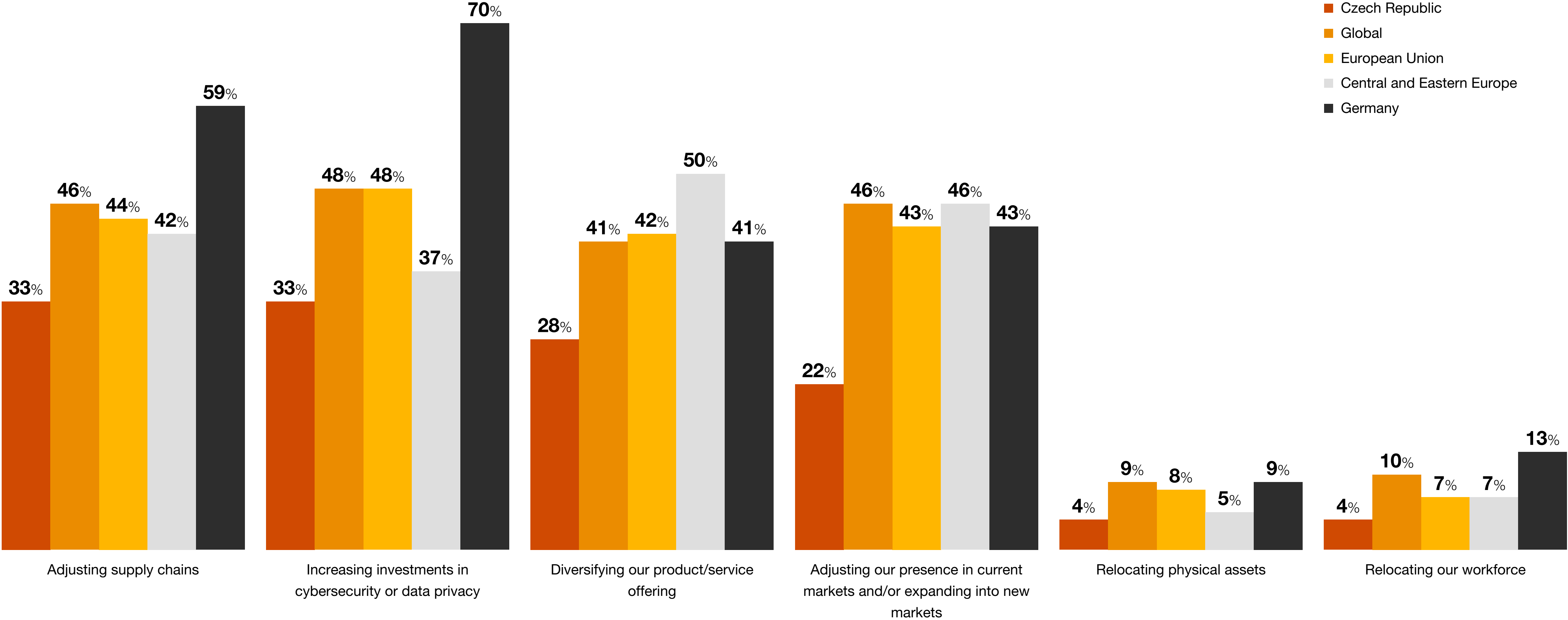
# Evolution of the perception of selected threats over time



**Note:** Sum of “somewhat concerned” and “extremely concerned”

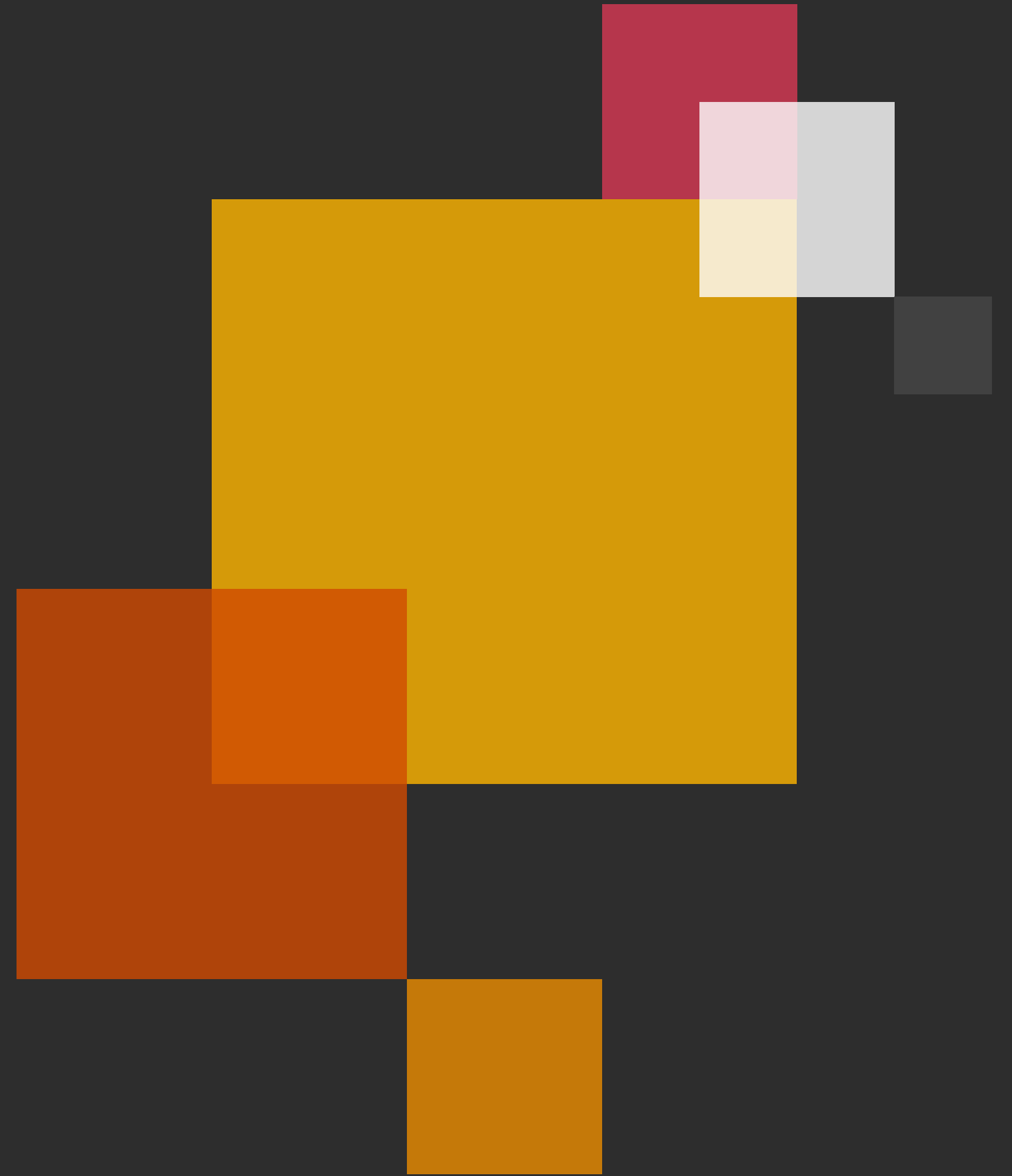


# Which of the following actions, if any, is your company considering to mitigate against exposure to geopolitical conflict in the next 12 months?

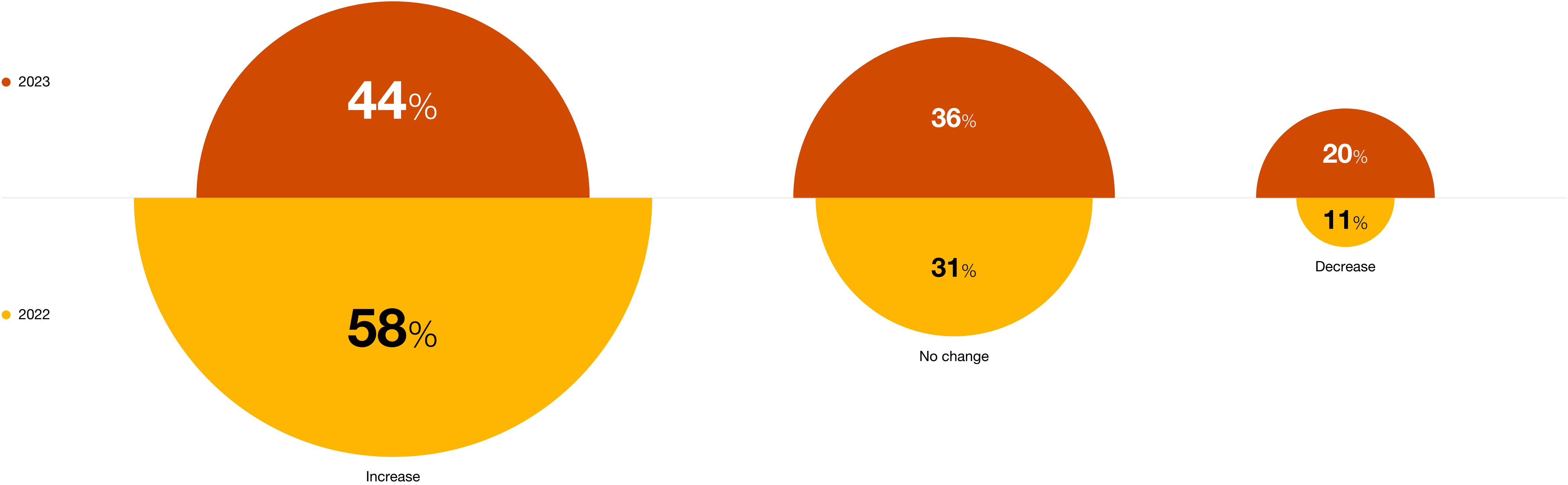


**Note:** Only respondents who answered “somewhat concerned” or “extremely concerned” about geopolitical risks

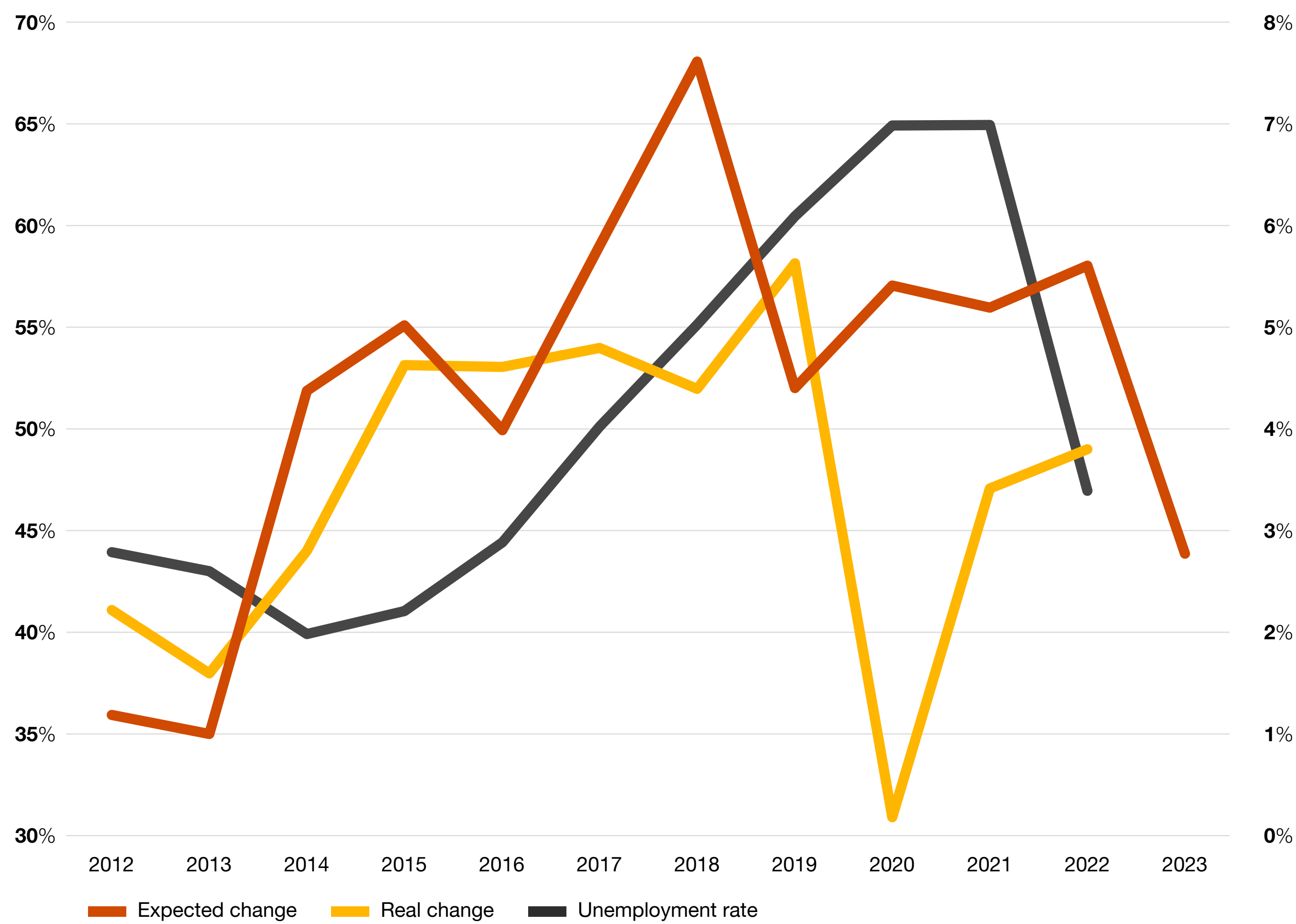
# People and society



# Expected change in the number of employees in 2022 and 2023



# Unemployment and expected growth number of employees over time



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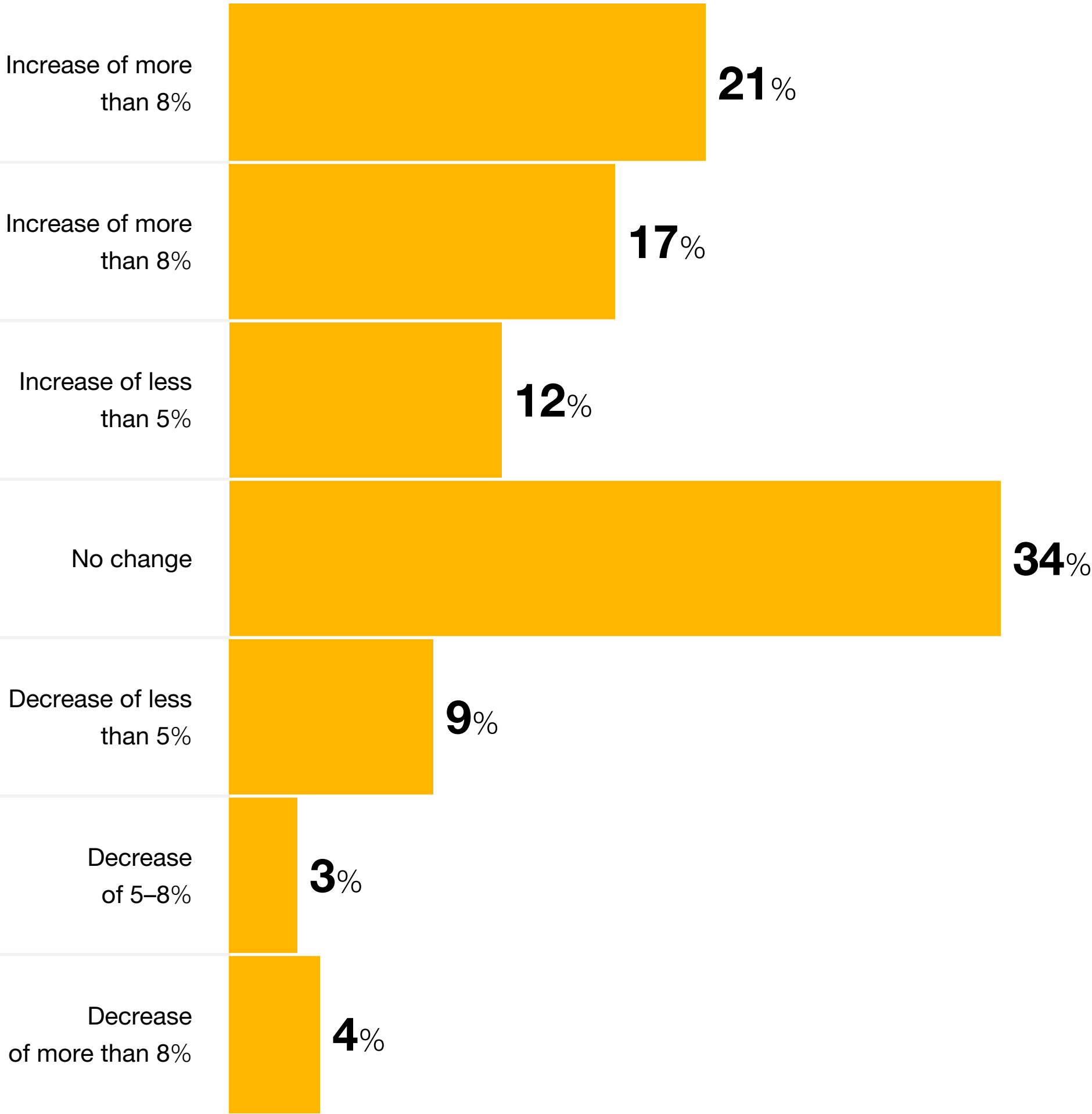
Over the last three years, we could already see that, despite the unprecedented shock caused by the pandemic and subsequent uncertainties or growing inflation rates, the rise in the unemployment rate in the Czech Republic was always insignificant and continues to hover at all-time lows. Within this year’s survey, CEOs indicate that this trend may continue. On the labour market, it still applies that the lack of qualified workforce is perceived as the greatest problem. Although layoffs might not be avoided in areas where optimisation is essential, blanket layoffs can evidently be prevented.



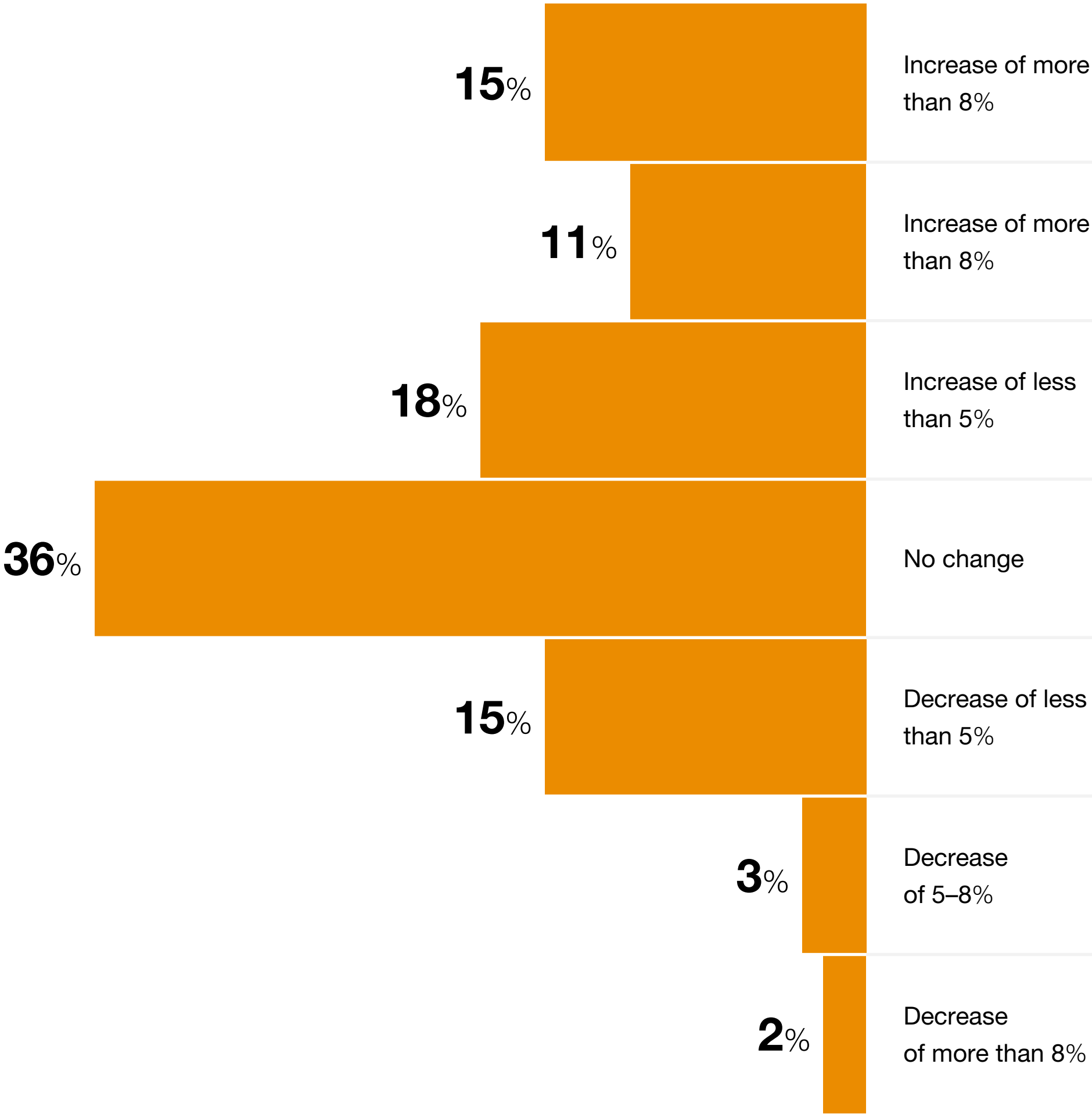
**Andrea Linhartová Palánová**  
Senior Manager, People & Organisations  
PwC Czech Republic



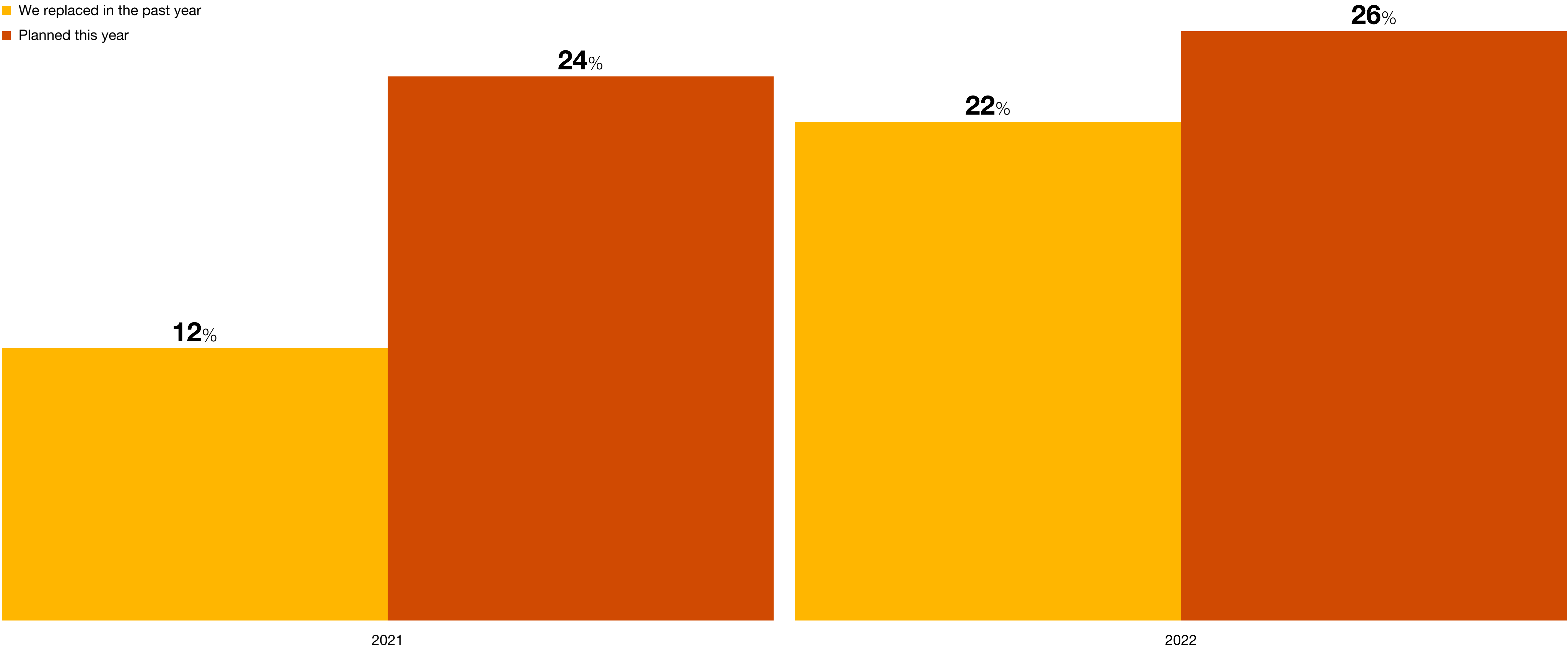
# How has the headcount changed in your company over the past 12 months?



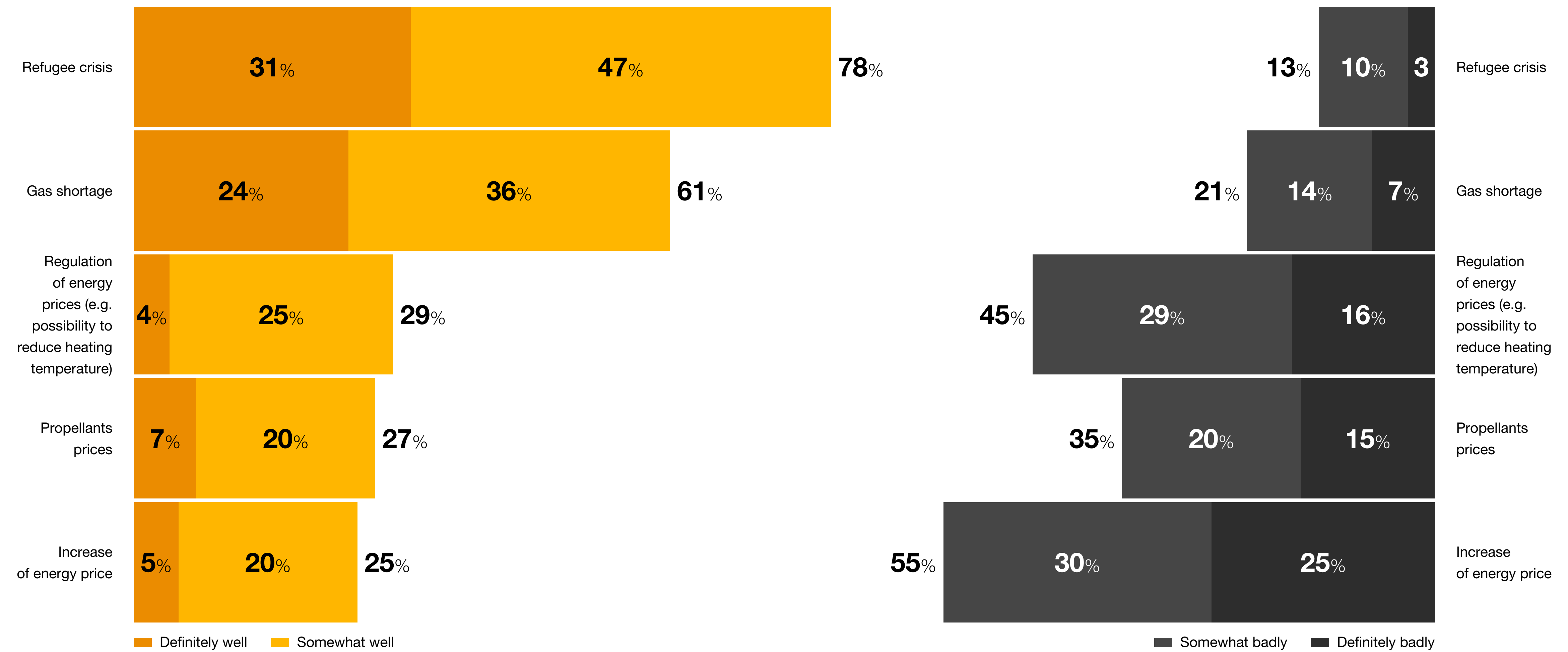
# How do you expect the headcount in your company to change in the next 12 months?



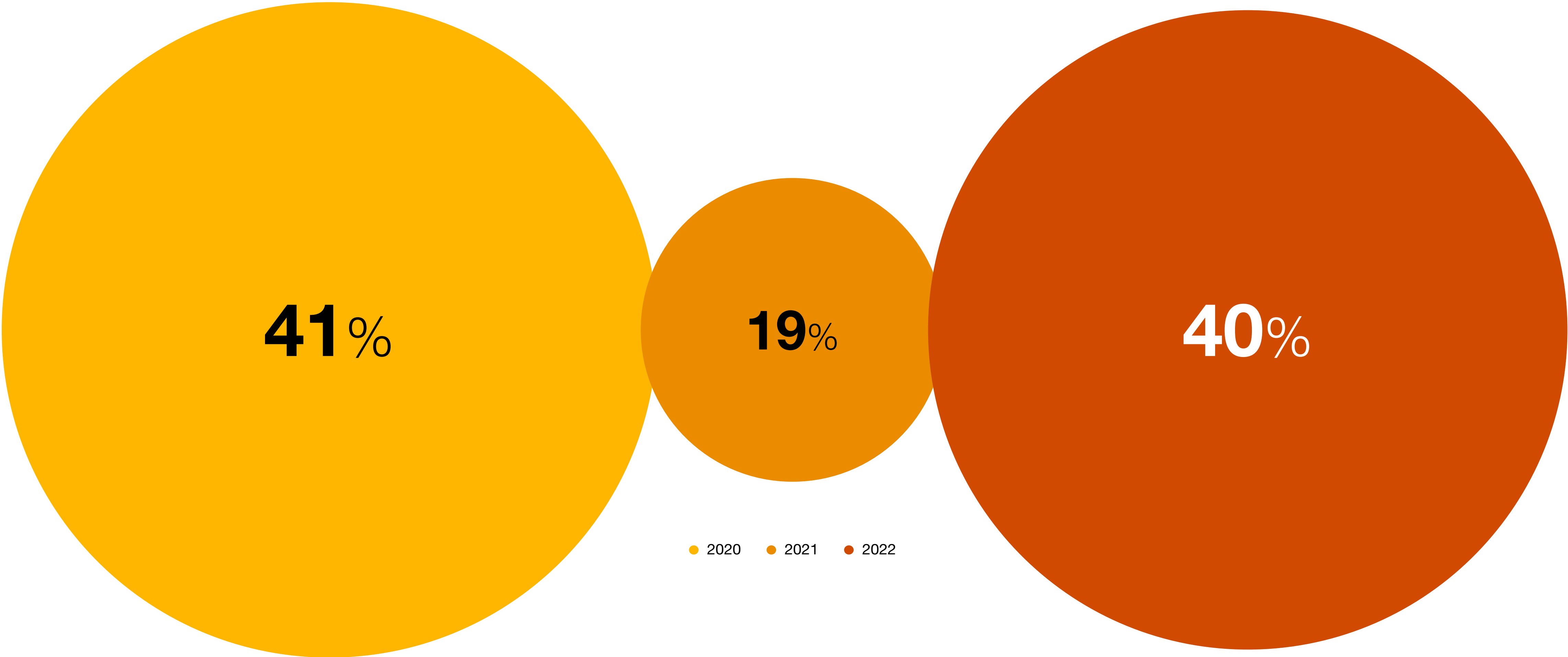
# We have replaced / plan to replace at least 5% of employees by automation or robotics



# In your opinion, how is the Czech government tackling the following issues?

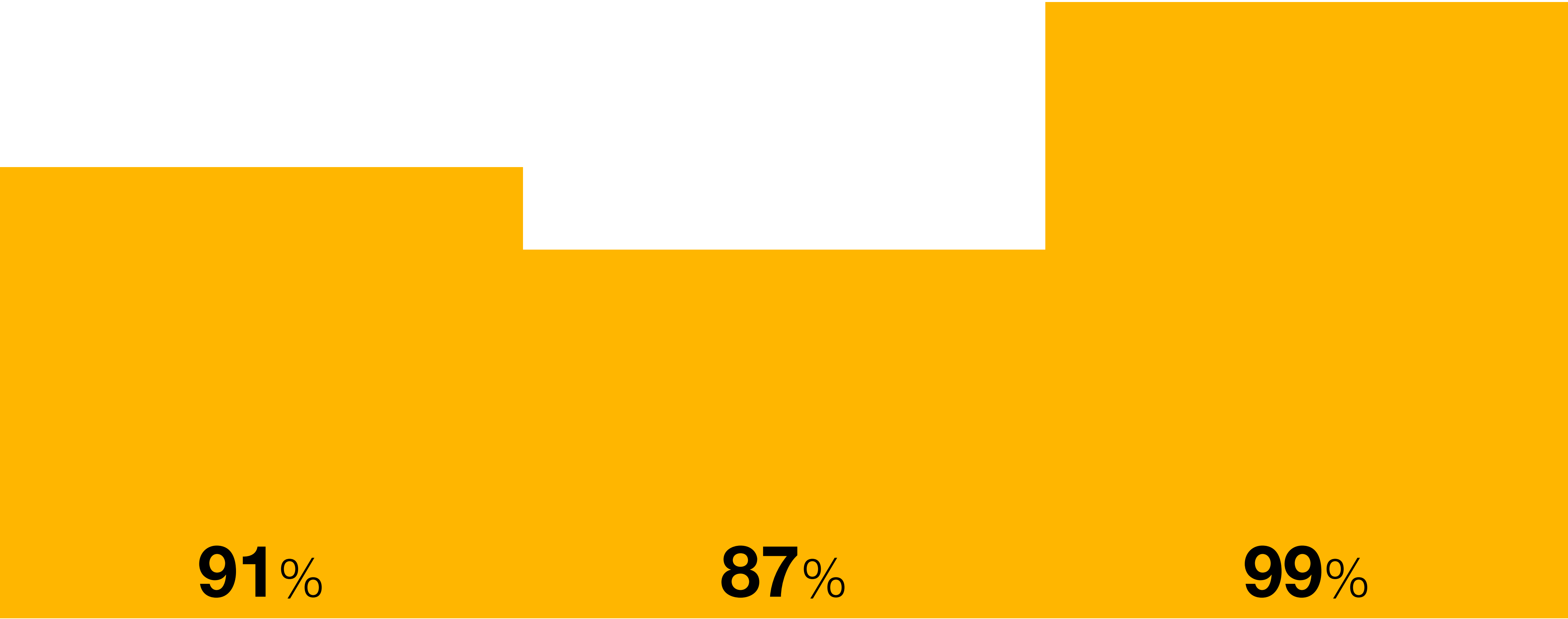


Which of the following years did you find (professionally) the most challenging?





# Percentage of CEOs who said they were happy

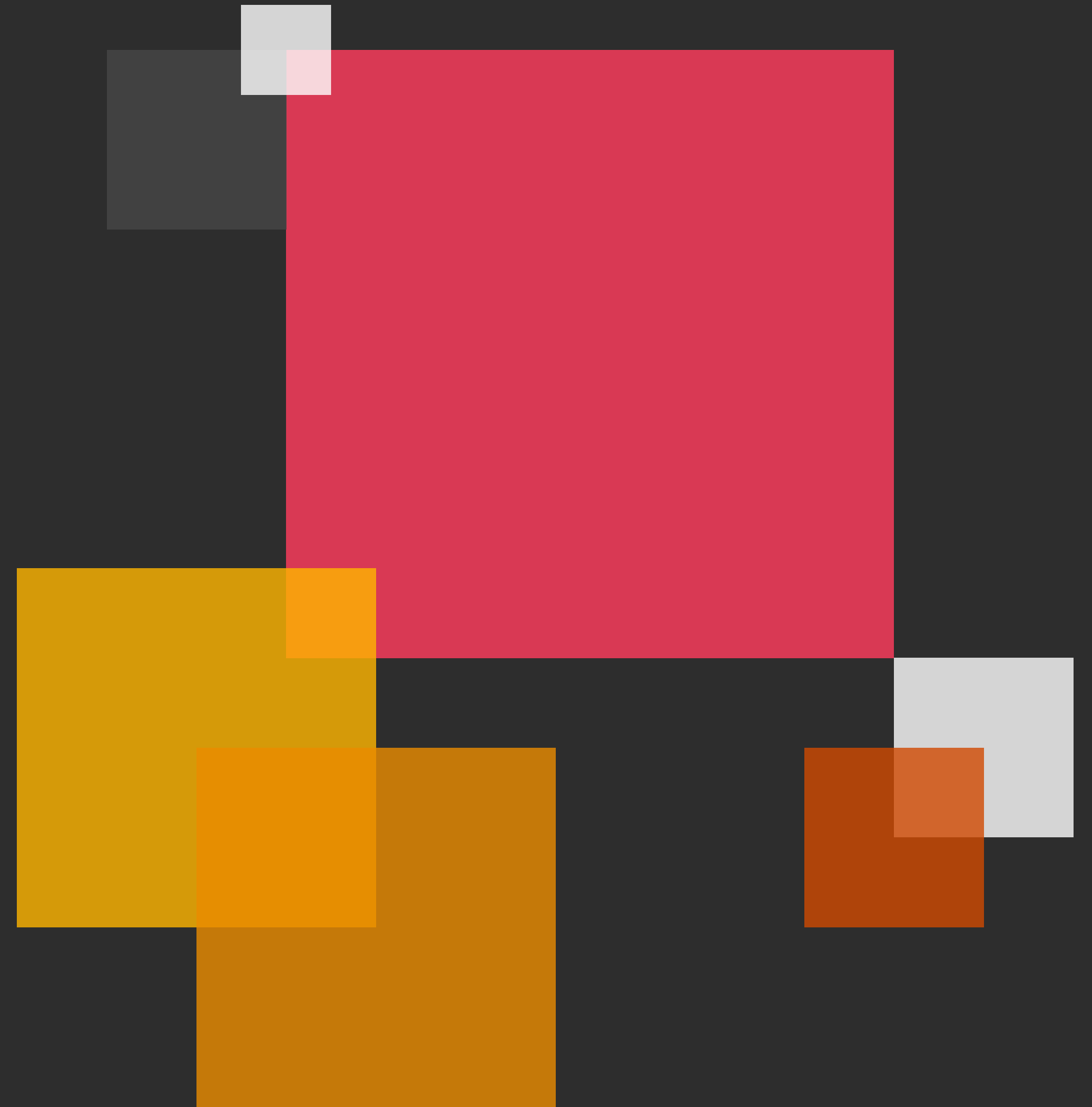


2023

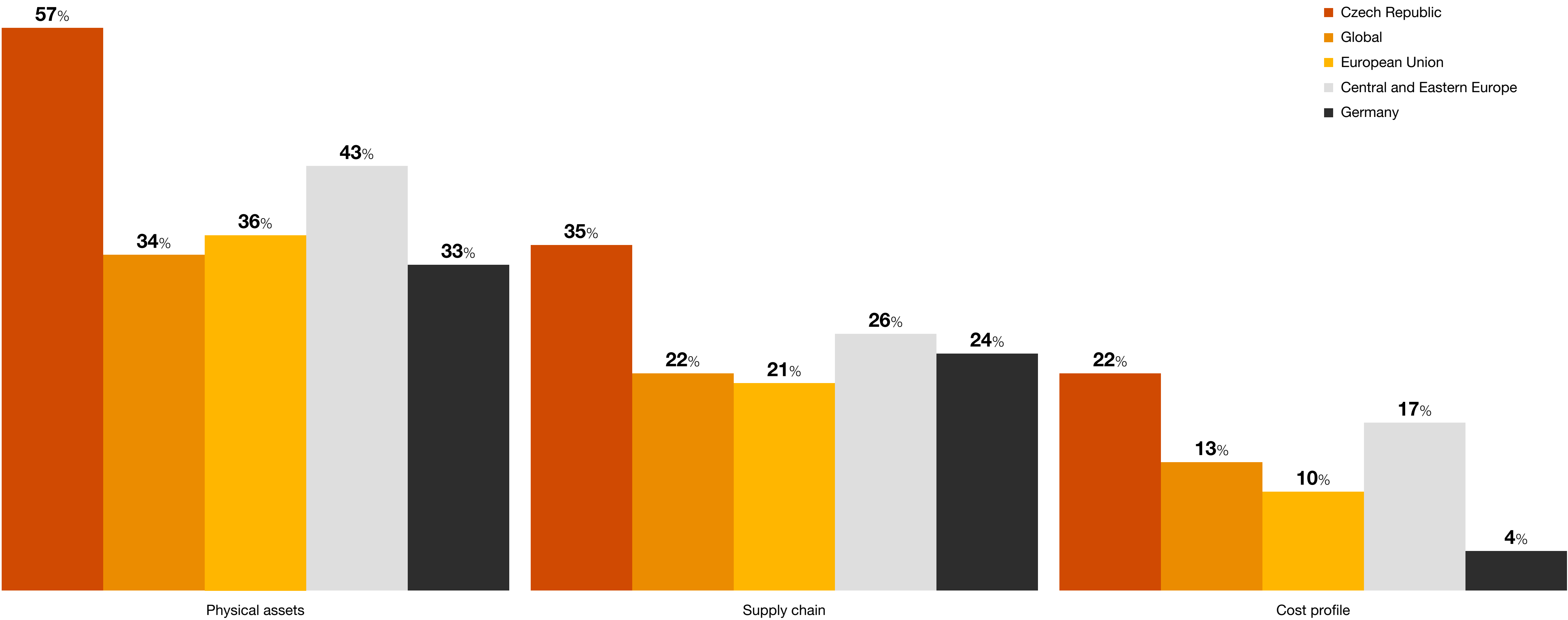
2022

2020

ESG

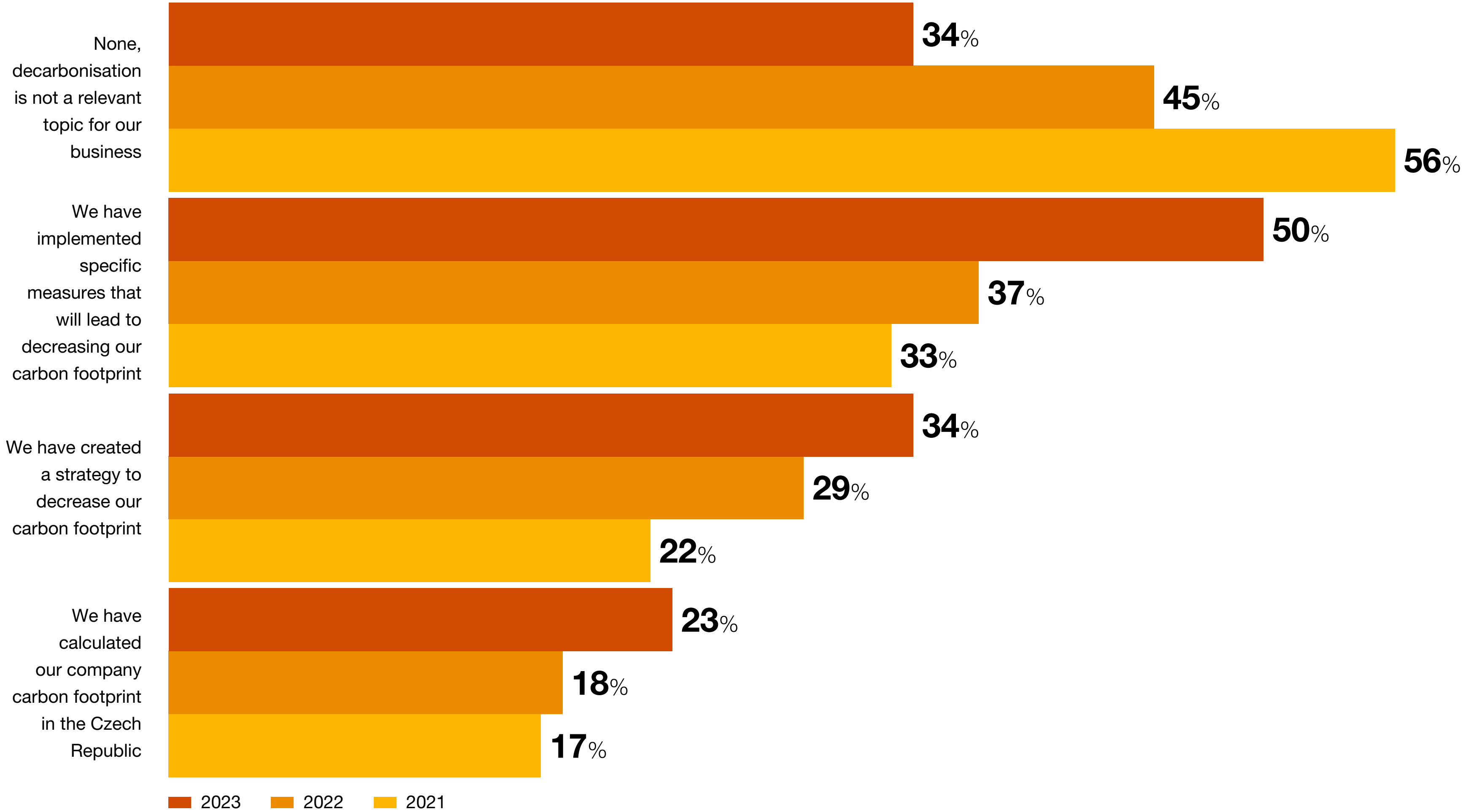


The share of CEOs who have no concerns that the following areas of their business will be in the next 12 months affected by climate risks



**Note:** Only respondents who answered “not at all”

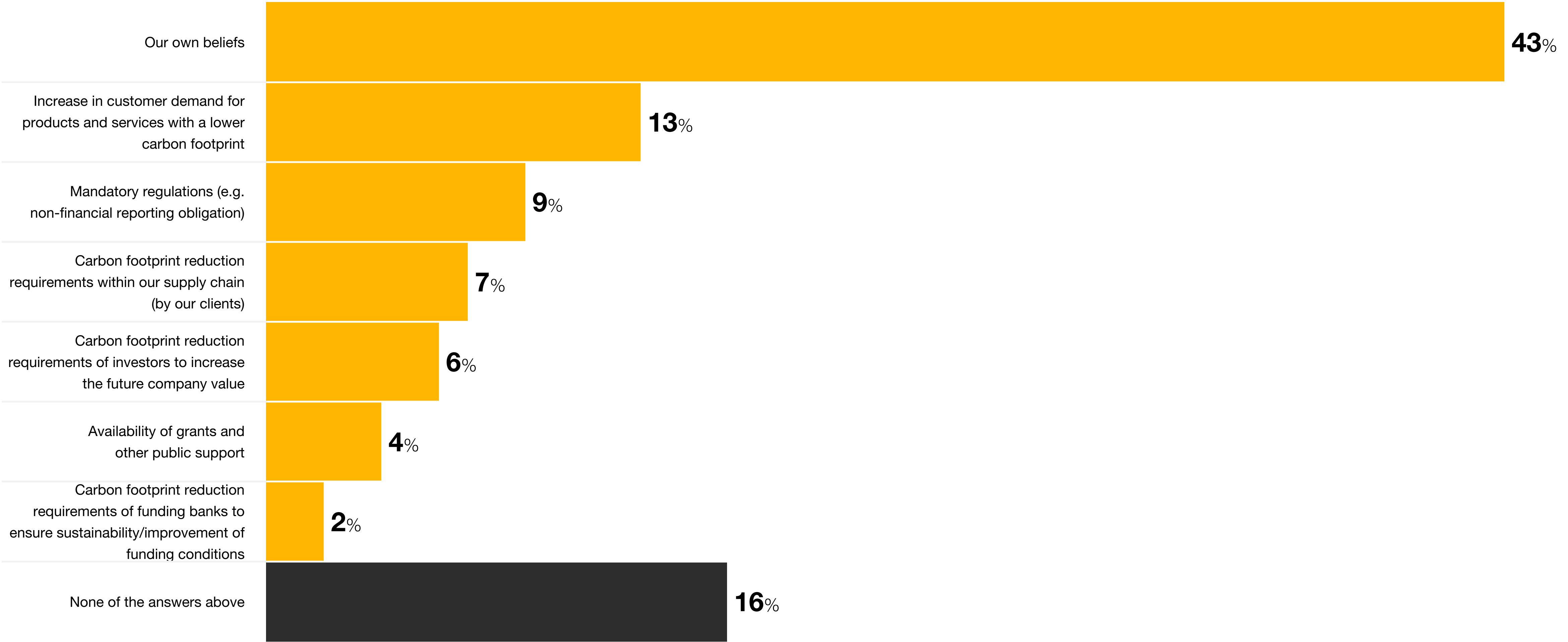
# Which actions has your company taken in order to decrease its carbon footprint?



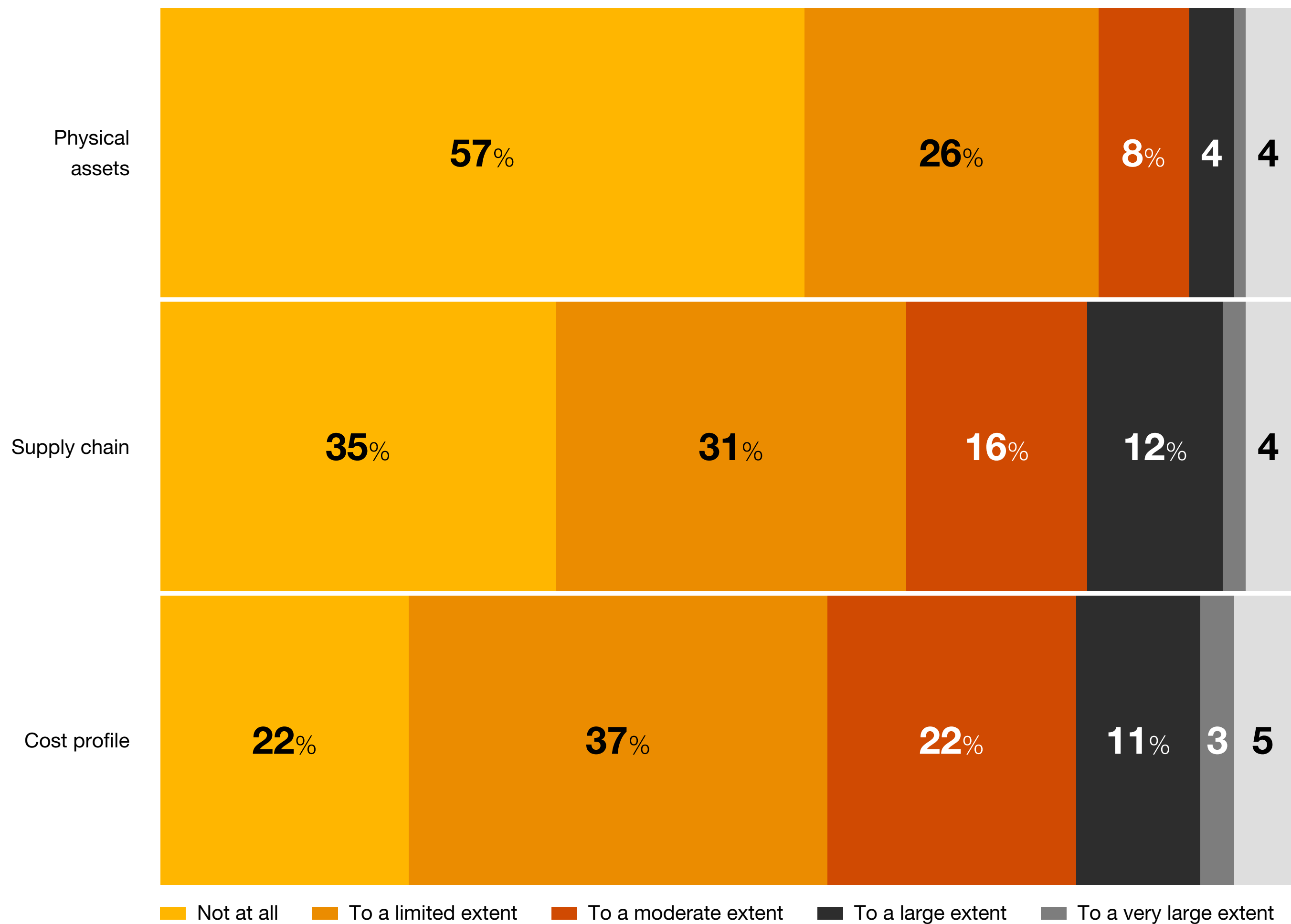
Over the last three years, we can see some progress in the way decarbonisation is perceived by CEOs – an increasing number of them consider it a topic that is relevant to their business. Specific measures to reduce the carbon footprint have already been implemented by one half of businesses, which means a 13% increase compared to the year before.



# What motivates your company most to make changes leading to carbon footprint reduction?



# To what extent do you expect the following areas of your business to be impacted by climate risk in the next 12 months?



”

Although the trend concerning active measures and perception of ESG issues is increasing year by year in the Czech Republic, progress is still not quite as quick as in other countries. Yet in fact, according to responses that keep recurring, organisations are not primarily motivated to positive changes by existing or potential economic/regulatory factors; they are mainly motivated by their own attitude. It will be interesting to monitor the responses of Czech CEOs in the upcoming year, as the majority of the EU set of proposals within the Fit for 55 package will be adopted and companies will be getting ready to fulfil their non-financial reporting obligation pursuant to the European CSRD. Moreover, mandatory risk assurance will be fully reflected within the European financial sector, which will be noteworthy due to the fact that only 2% of respondents of this year’s survey claimed that they are mainly motivated to decarbonise by the requirements of the funding banks.



**Jan Brázda**  
Lead Partner, ESG  
PwC Czech Republic

# About the survey



CEO Survey is a unique collection of data and analyses showing how the world is perceived by the top representatives of major market leaders. This means those whose opinions and decisions highly affect the national as well as global economy, or more precisely the entire development of the society and its ability to solve problems. The survey, as well as the follow-up study, deals with the traditional economic issues on the one hand, and with hot topics on the other. The global PwC network has just published the outcomes of the 26<sup>th</sup> CEO Survey; the Czech CEO Survey version was undertaken for the 14<sup>th</sup> time.

- Data collection was carried out in **November** and **December 2022** and a total of 202 CEOs of local companies decided to complete the survey this year.
- Participation in the global CEO Survey involved a total of **4,410 CEOs** worldwide.

## Kontakty



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Research Coordinator, PwC  
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### Answers

Number of companies involved	<b>202</b>
Subsidiary of a foreign company	<b>50%</b>
Czech company or a subsidiary owned by a Czech entity	<b>50%</b>

### Industries

Industry / Manufacturing	<b>41%</b>
Technology and Communications	<b>15%</b>
Retail & Logistics	<b>12%</b>
Financial Services	<b>12%</b>
Healthcare & Pharma	<b>9%</b>
Other	<b>5%</b>
Agriculture	<b>4%</b>
Real Estate	<b>2%</b>

### Company size

smaller company (up to 200 employees)	<b>56%</b>
larger company (over 201 employees)	<b>44%</b>

### Company type

Family business	<b>33%</b>
Other business	<b>67%</b>





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