

Donath Business & Media
Herzmann

CFA Society Forecasting Dinner 2016 Survey

Final report of survey
February 2016

Dear reader,

We present herewith the final report of another survey we conduct traditionally on the occasion of the annual CFA Society Forecasting Dinner 2016, organized by the CFA Society Czech Republic.

This year Donath Business & Media and the consulting company Herzmann **again** polled the opinion of the professional community concerning selected economic and political topics. In addition to the traditional focus on monetary matters, the survey included, similarly to last year, questions about Russian and Chinese investments. New questions have been included in relation to the European problems of migration, corporate cyber security, and terrorism.

We do believe you will find the results of the survey interesting.

Marek Jindra, CFA
President
CFA Society Czech Republic

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About the survey

The survey was conducted on the occasion of the 14th annual CFA Society Forecasting Dinner 2016, organized regularly by the CFA Society Czech Republic. The theme of the annual meeting of leading domestic and foreign economists under the auspices of Miroslav Singer, Governor of the Czech National Bank, is a discussion of the trends in the Czech economy and on the world markets.

PR agency Donath Business & Media, in cooperation with the consulting company Herzmann, conducted the on-line survey for the CFA Society Czech Republic on January 7-19, 2016. The purpose of the survey was to map out the views of economic and financial experts on selected aspects of the Czech economy and some general social issues.

Invitation to take part in the survey was extended to

- members of the CFA Society Czech Republic, and candidates of the CFA Program;
- leading figures of the Czech business and financial sector (VIP);
- readers of the electronic bulletin *The Fleet Sheet's Final Word*.

The questions focused on:

- policies of the Czech National Bank;
- Russian and Chinese investment in the country;
- Economic impact of the inflow of refugees.

A total of 1,410 respondents took part in the survey. The invitation was extended to 9,261 individuals, i.e. the rate of response was 15.2%. The respondents' views of the matters polled are described below.

Key findings

The CNB will not refrain from its policy of interventions

The majority of the respondents (53.6%) expect the CNB to continue its current policy of intervention till the end of the year. Fewer than one-fourth (23.6%) expect the Bank's new board to terminate the policy later this year.

Although joining the Eurozone is a strategic goal of the cabinet, 78.3% of the respondents do not expect the Bank's new board to recommend the adoption of the euro as of a specific date.

Russian investment a threat, geopolitical interests behind Chinese investment

The perception of the effect of Chinese and Russian investment has not changed significantly since last year. Whilst the majority of the respondents (53.1%) see Russian investment in Central Europe as a threat, most respondents (61.8%) see Chinese investment as an opportunity.

Last year's figure of 74.3% of the respondents expecting an inflow of Chinese investment in the Czech economy has grown to 86.6%. The view of Russian investment is similar to that of last year. Most respondents (44.1%) believe it will not change in size, 29.2% expect an increase, and 20.8% expect a drop.

The majority of the respondents (63.0%) see geopolitical interests and goals as the predominant strategy of Chinese investment. Less than a third (30.9%) believe China is mainly looking for long-term investment.

Nearly every other respondent (49.7%) believe the importance of Chinese investment in the Czech Republic is overrated. Less than one-fourth (24.4%) regard the public assessment as adequate; 17.6% believe the contribution of Chinese importance is underestimated.

Islamic terrorism is unlikely, corporate cyber security is inadequate

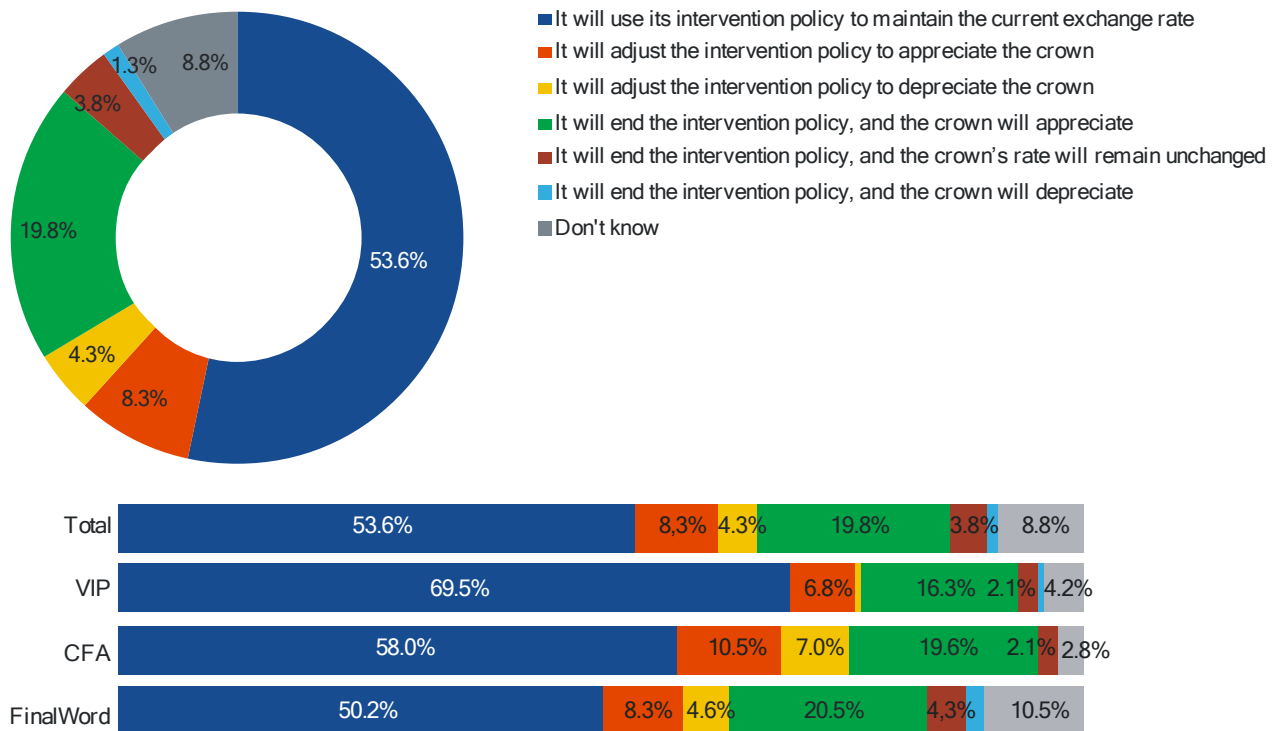
Given the international situation and Czech support of the fight against the Islamic State, the respondents regard the risk of Islamic terrorist attacks on the Czech territory to relatively small (average likelihood 33%). CFA members and candidates assess the risk as even lower (average likelihood 19.1%).

The majority of the respondents (63.1%) believe Czech firms do not pay adequate attention to the problems of their own cyber security. Only 17.6% believe the attention is adequate.

The wave of refugees will cause economic problems and burdens to Europe. Such is the opinion of nearly four-fifths (79.4%) of the respondents. Fewer than one-fifth (18.2%) see the current migration problem in general as new opportunities and potential.

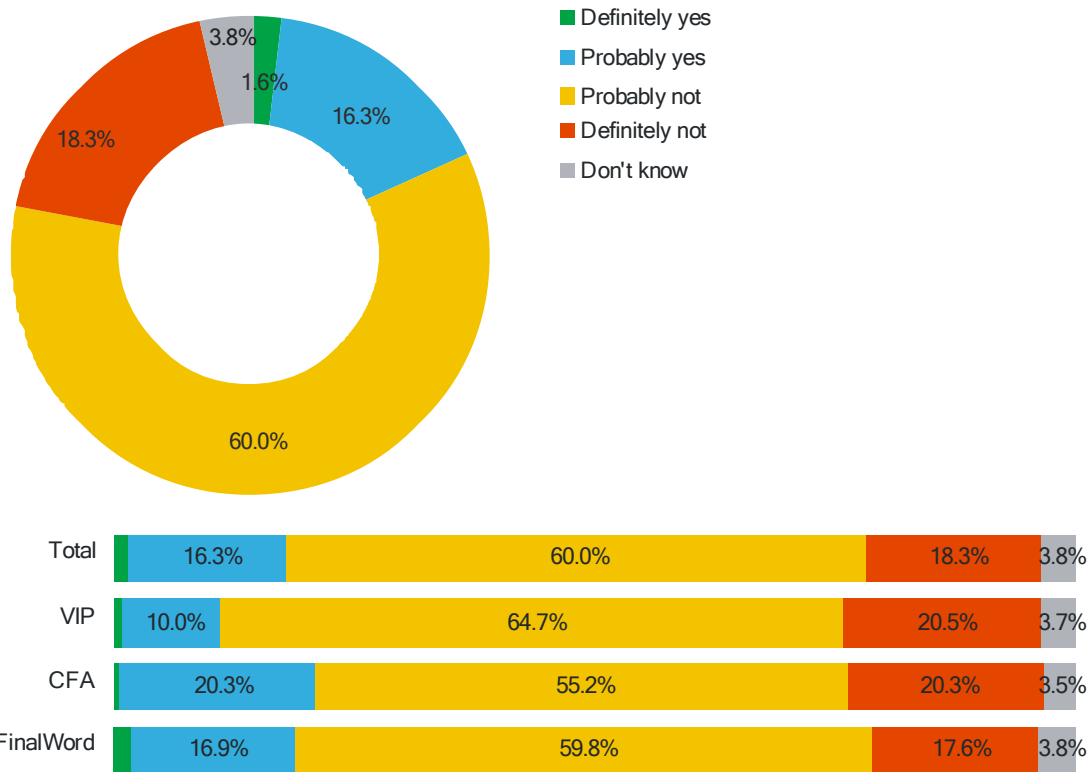
What can be expected of the new Board of the CNB?

Q1: The President will appoint a new Governor of the National Bank in mid-year, and he may also replace another Board member. Do you believe the Bank will refrain before the end of the year from its policy of interventions to weaken the crown?



President Miloš Zeman has a long record of criticizing the CNB's policy of interventions to keep the crown weak. Although it could seem that he wields substantial influence in shaping monetary policy by his authority to appoint the members of the CNB Board, most economic experts do not expect his preferences to materialize. The majority of the respondents (53.6%) expect the CNB to continue applying its current policy (CFA members and VIP respondents are more strongly in favor of this view). A small minority (8.3%) believes the CNB could change the policy of interventions and allow the crown to grow stronger. Less than one-fourth of the respondents believe the CNB will end the interventions by the end of the year.

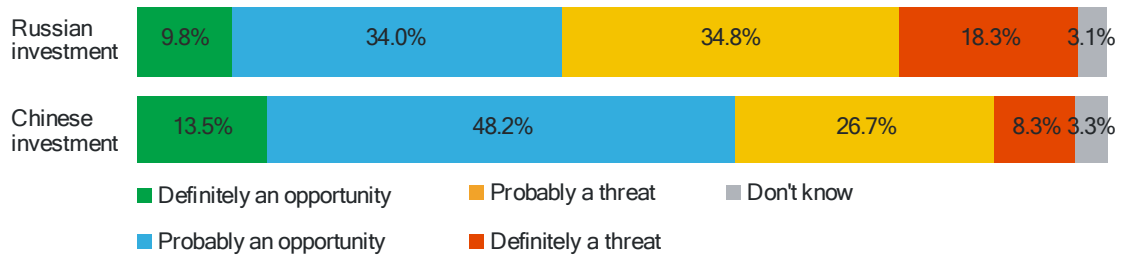
Q2: Do you expect the new Board of the Czech National Bank to advise the government to fix the date for adopting the euro?



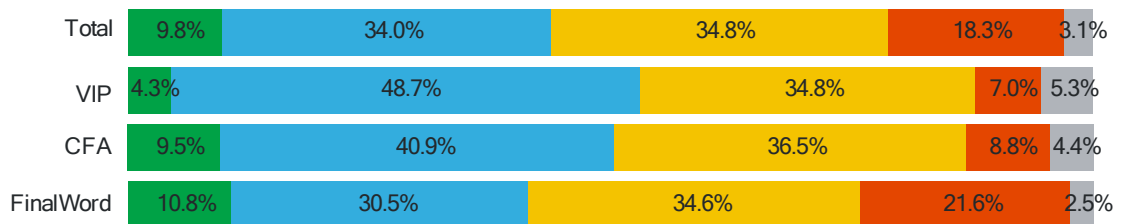
Views on adopting the euro were quite controversial in the past CFA Forecasting Dinner surveys. The respondents were most often of the opinion that the country should adopt the euro as soon as further trends of the Euro zone were clear. More than three-fourths of the participants in this year's survey (78.3%) do not expect the new CNB Board to recommend to the government that it adopt the euro within a fixed period.

Chinese and Russian investment

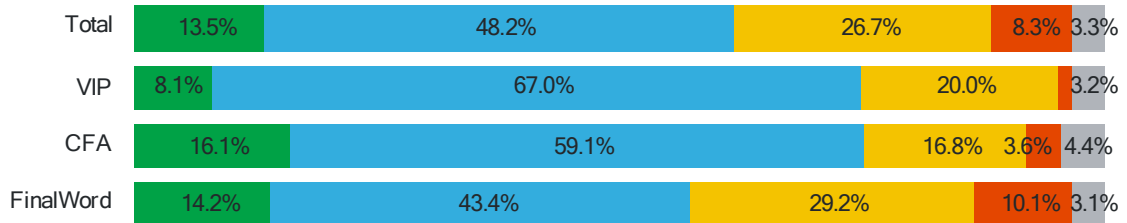
Q3: Are Russian and Chinese investments in Central Europe an opportunity or a threat?



Russian investment

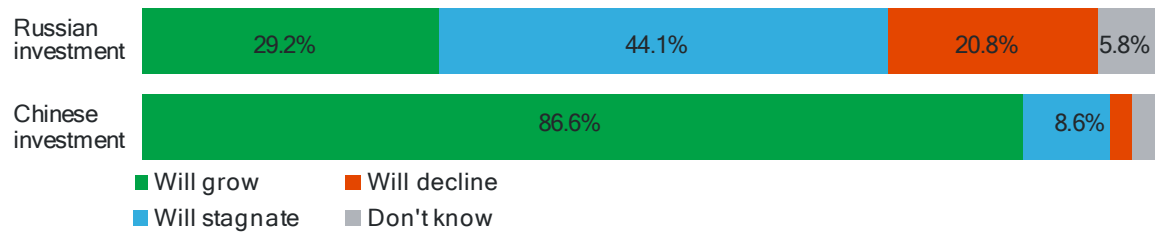


Chinese investment

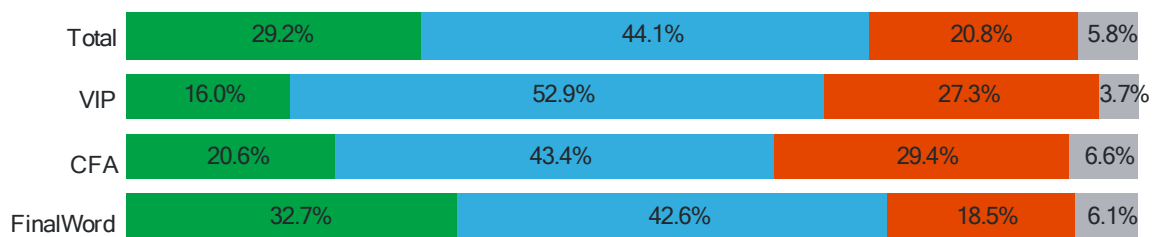


The perception of the effect of Chinese and Russian investments has not changed significantly since last year. Whilst the majority of the respondents (53.1%) regard Russian investment as a threat, Chinese investment is seen by the majority (61.8%) as an opportunity. Unlike the Final Word readers, the community directly related to the Forecasting Dinner (CFA and VIP) sees both Russian and Chinese investments more often as an opportunity. A minor difference between the views of male and female respondents shows in relation to Chinese investment. Ladies are more cautious in their perception of Chinese investment: only 55.2% see it positively, compared with 62.5% of men.

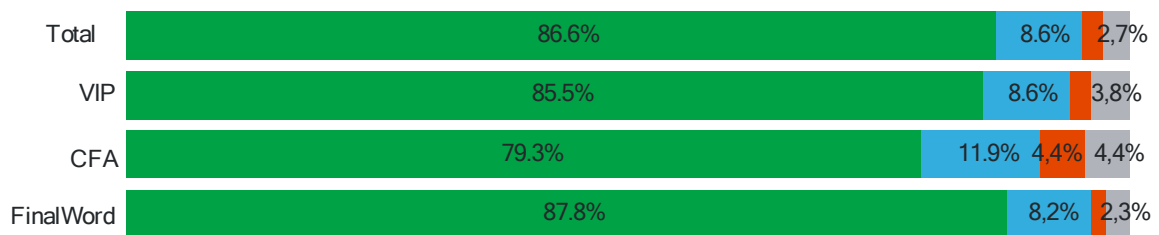
Q4: Do you expect Russian and Chinese investment into the Czech economy to grow in the years to come?



Inflow of Russian investment

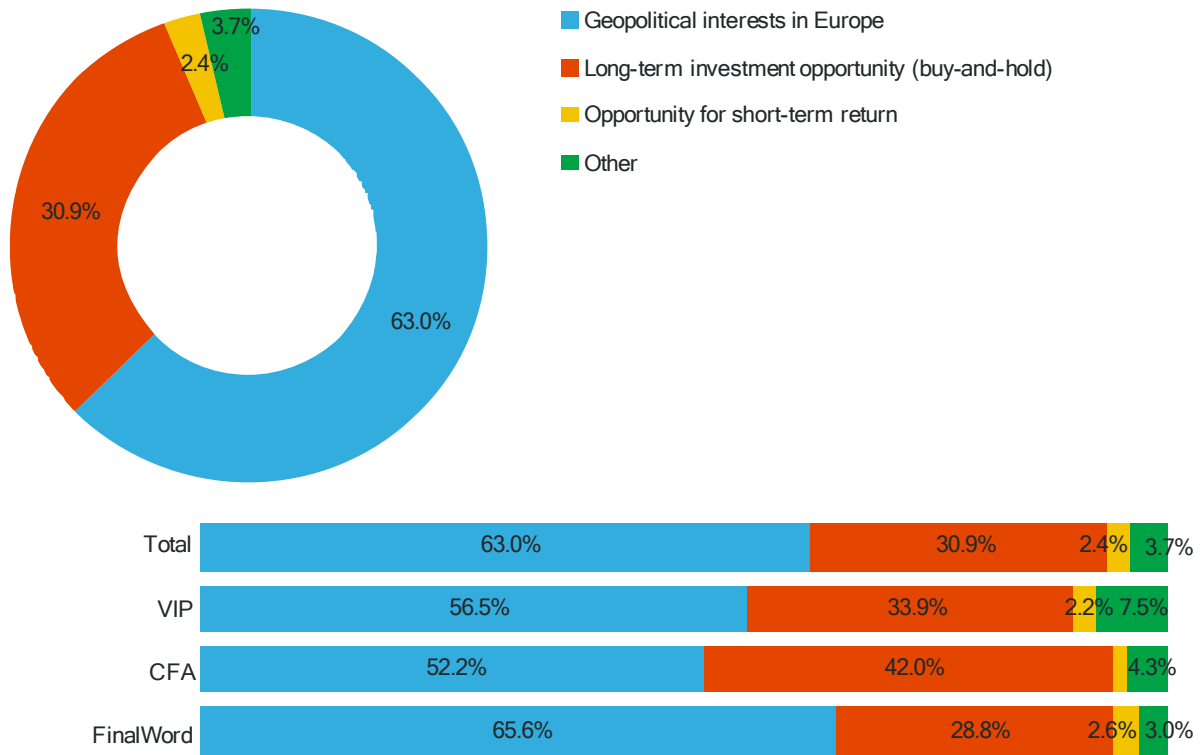


Inflow of Chinese investment



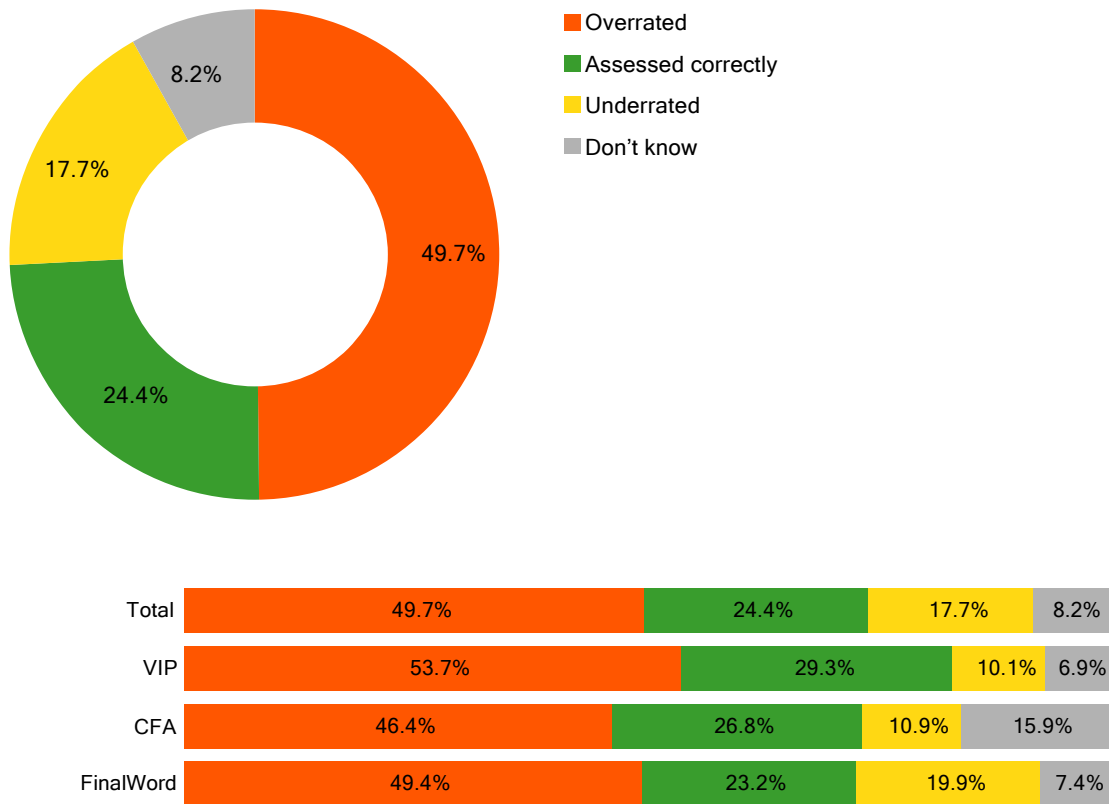
The group of respondents expecting an inflow of Chinese investment into the Czech Republic in the coming years has grown over last year from 74.3% to 86.6%. The view of Russian investment is similar to that of last year: most respondents (44.1%) expect its extent to remain unchanged, 29.2% expect an increase and 20.8% expect a drop.

Q5: What do you think is the main strategy behind Chinese investment in the Czech Republic?



The majority of the respondents (63.0%) see geopolitical interests and goals in Europe as the predominant strategy of Chinese investment. Fewer than a third (30.9%) believe China is looking mainly for long-term investment opportunities. Respondents citing other strategies suggested most often a mix of long-term investment and geopolitical interests.

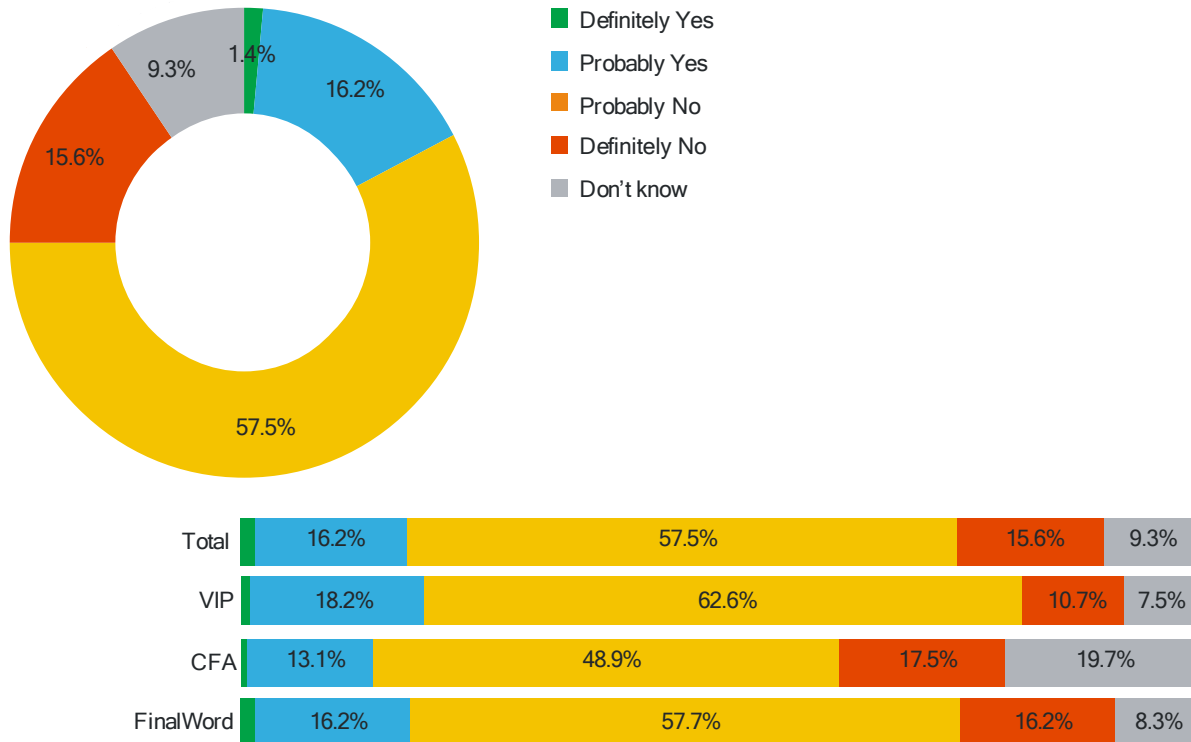
Q6: Do you believe the importance of Chinese investment for the Czech Republic, as reflected in the public discourse, is overrated, assessed correctly, or underrated?



Czech media extensively reported growing Chinese investment during the last year. The Shanghai company CEFC chose the building of the former Živnobanka for its Central European headquarters. Czech leaders talked in China about the intensification of mutual economic relations. Nearly one-half of the respondents (49.7%) believe the importance of Chinese investment for the Czech Republic, as reflected in the public discourse, is overrated. Fewer than one-fourth (24.4%) regard the public assessment as adequate, and 17.7% believe the effect of Chinese investment is underestimated.

Cyber security in Czech firms

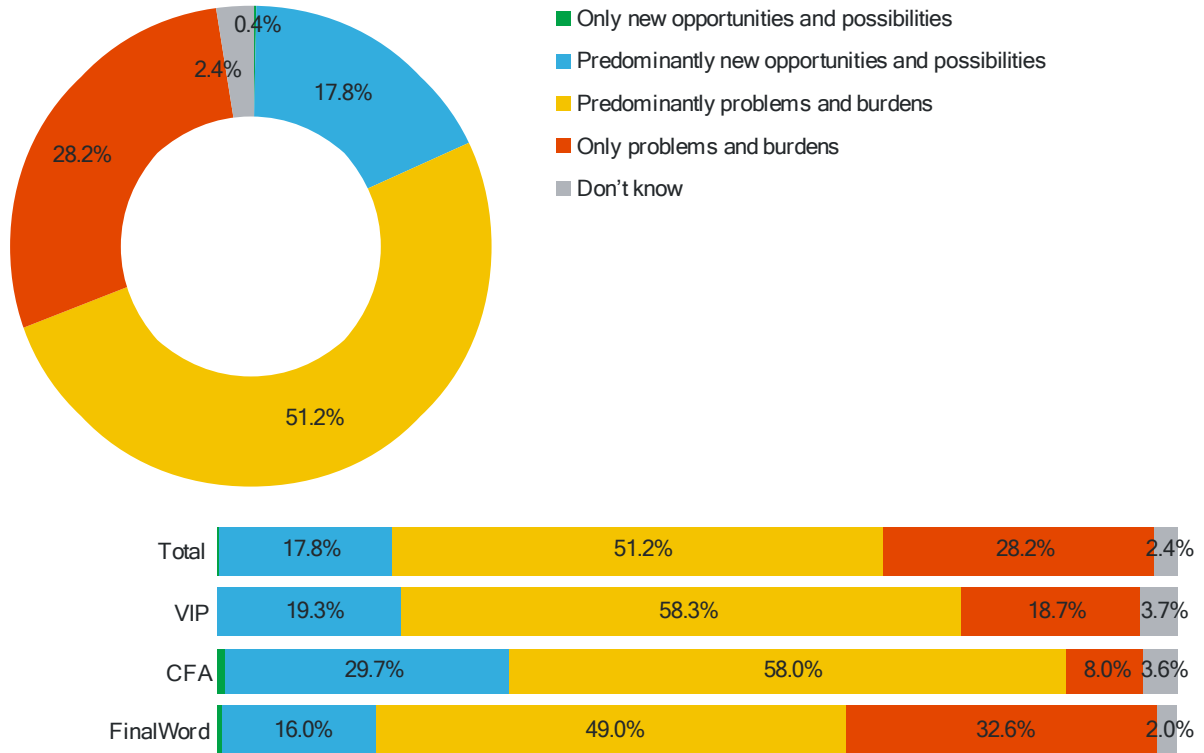
Q7: Do Czech firms pay adequate attention to their own cyber-security to protect their competitiveness?



The interconnection of the modern economy by ICT brings about new opportunities for business development, but at the same time it entails new risks. Firms of all sizes are subjected to cybernetic attacks today. The majority of the respondents (63.1%) believe Czech firms do not pay adequate attention to their own cyber security. Only 17.6% believe the attention is sufficient.

An economic view of refugees in Europe

Q8: What do you think the current wave of migration means for Europe in economic terms?



Surmounting the migration problem is Europe's main topic **for the time being**. However, crises can also bring about opportunities. What does the current wave of refugees mean to Europe in economic terms? Nearly four-fifths of the respondents (79.4%) expect the refugees to bring little more than problems and burdens. Fewer than one-fifth (18.2%) see mainly new opportunities and potential in the current migration problem. The graphs show that CFA members and candidates are more numerous in this group than Final Word readers.

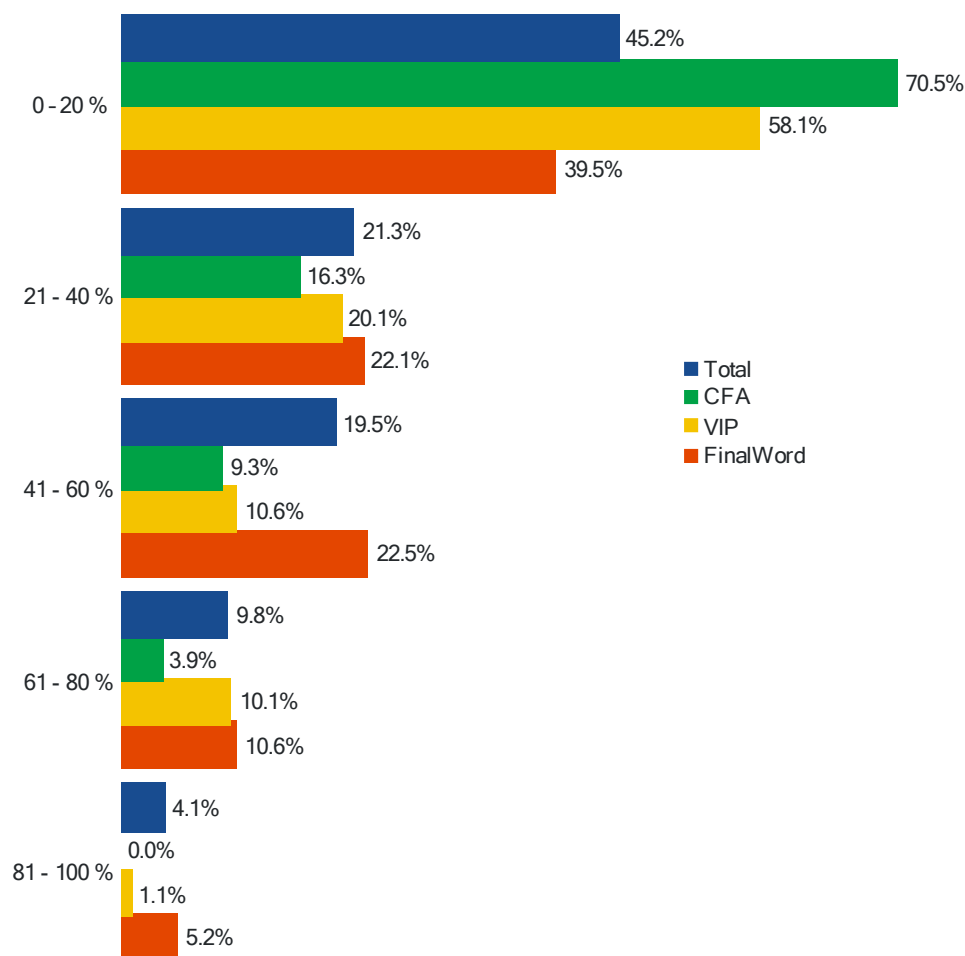
How much likely is a terrorist attack in the Czech Republic?

Q9: Given the international situation and the Czech Republic's support for the fight against the Islamic State, do you think that an Islamist terrorist attack can be expected in this country?

Rate its likelihood from 0 to 100%.

Average likelihood of a terrorist attack

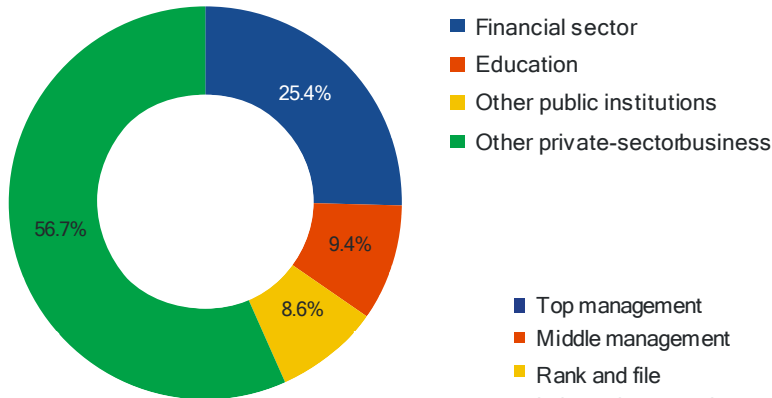
Total	Final Word	VIP	CFA
33.0 %	36.1 %	25.9 %	19.1 %



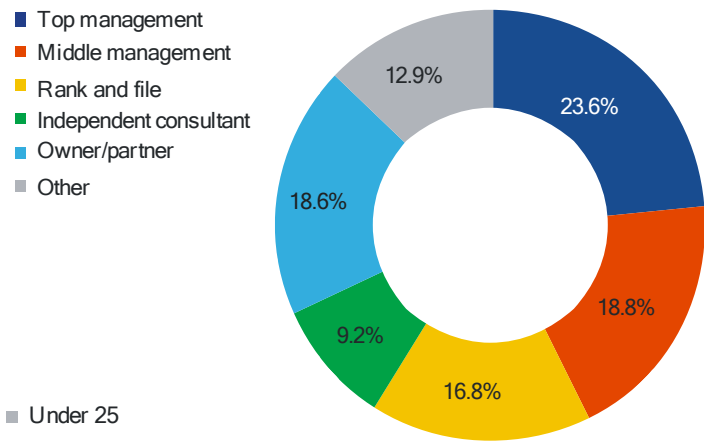
According to data from the University of Maryland (Global Terrorism Database), a total of 21 terrorist acts occurred in the Czech Republic in 1993 to 2014, with six victims killed and 28 injured. None of these acts are attributed to Islamic extremism. Given the international situation and Czech support for the fight against the Islamic State, the respondents regard the risk of Islamic terrorist attacks on the Czech territory in the next two years as relatively unlikely (average likelihood 33%). CFA members and candidates are significantly more skeptical of the risk than Final Word readers (19.1% vs. 36.1%).

Structure of the respondents

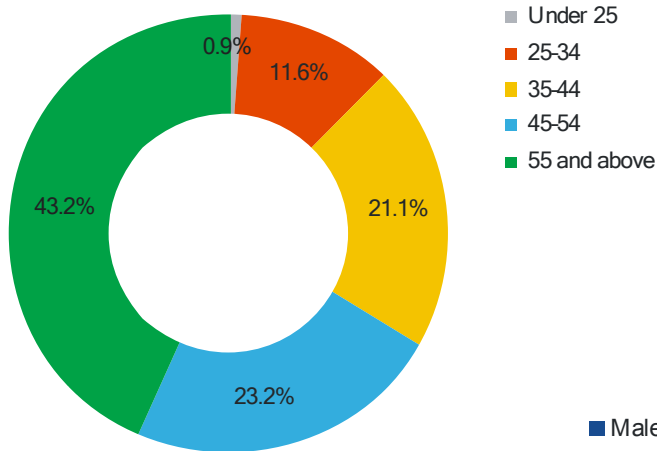
By the sector



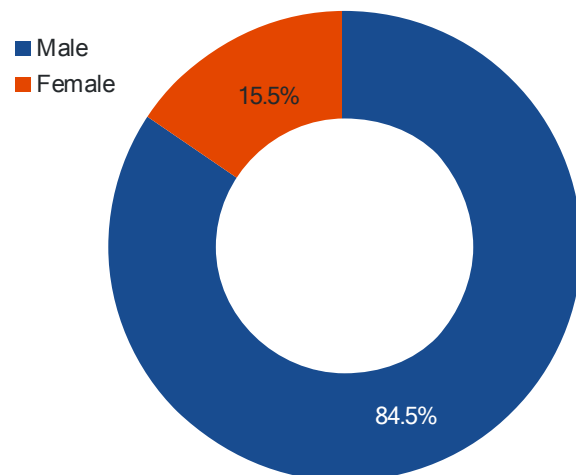
By position in corporate hierarchy



By age



By sex



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