

Donath Business & Media  
Factum Invenio

# CFA/OVB Forecasting Dinner Survey

Final Report  
February 2011

Dear Readers,

We are happy to present to you the final report of our traditional survey on the occasion of the Czech CFA Society's prestigious annual Forecasting Dinner, which takes place with the significant support of the main sponsor, OVB Allfinanz. This year, again with the help of Donath Business & Media and Factum Invenio, we surveyed the opinions of key groups of respondents with regard to some of the latest topics in Czech economics and politics—this time specifically the reform of the pension system and the future of the single European currency.

The reason we decided to research these topics is the conviction that when assessing issues as serious as pension reform or the adoption of the euro, open communication between those who have something to say about the issue is important. The organisers of the survey therefore approached not only financial analysts with an expert view of the matter, financial advisors and other qualified respondents familiar with the business and political environment in the Czech Republic, but also all currently sitting legislators, who determine our future in this area in a decisive way. We wanted to ascertain, in particular, their attitudes about the suitability of the various possible solutions, but also to get an estimate of their chances in the approval process. When assembling the database of respondents we started from the basic belief that the better people with decision-making powers are informed of the opinions of other groups, the more beneficial and qualified decisions can be expected.

One of the things the survey showed was that respondents are cautious in their opinions on the introduction of mandatory savings in a private pension pillar. Despite the euro's current problems, most respondents are optimistic about its future and its adoption by the Czech Republic.

We wish you an interesting, inspirational and equally optimistic read and would like to thank DBM and Factum Invenio for preparing and carrying out this survey.

Lukáš Brych  
President  
Czech CFA Society

Michal Knapp  
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## About the Survey

The survey was performed to mark the occasion of the 2011 Forecasting Dinner. It is a prestigious annual gathering of members and candidates of the Czech CFA Society, an association of chartered financial analysts, as well as leading domestic and foreign economists for the purpose of forecasting economic trends in the coming year. This year's ninth annual Forecasting Dinner is being held under the patronage of the Governor of the Czech National Bank, Miroslav Singer.

The survey was conducted on behalf of the Czech CFA Society and its general partner, the financial advisory company OVB Allfinanz, by Donath Business & Media in co-operation with Factum Invenio between 19 and 31 January 2011.

The aim of the survey was to map the opinions of economic and financial experts on key issues of the Czech and European economies. Another aim was to compare them with the opinions of legislators on the same matters.

The following people received an invitation to participate in the research:

- Members and candidates of the Czech CFA Society;
- Leading professionals of OVB Allfinanz;
- Deputies and senators at the Parliament of the Czech Republic;
- Leading figures in the Czech business and financial sector;
- Readers of the Fleet Sheet's Final Word news bulletin.

The last two groups were merged for the sake of simplification in the graphical presentation in this final report. Their replies, partly due to their similar professional backgrounds, were markedly similar in the vast majority of areas, as is shown by the tables for the various questions.

The questions concerned:

- Reform of the pension system;
- The future of the euro;
- Expected trends in key parameters of the Czech economy this year.

A total of 1,838 of the 8,033 people approached responded. The respondents' opinions on the various questions are specified in the next part of this report.

## Main Findings

The respondents regard as the most suitable a government pension system that, in addition to the existence of the pay-as-you-go state pillar, motivates people to voluntarily save in a private pillar.

There is no clear agreement on which pension-reform option respondents realistically expect to be approved. Most frequently the respondents think that it will either be unreduced contributions to the public pillar with voluntary contributions into the private pillar and government support, or reduced payments to the public pillar and mandatory payments to a private pillar.

The respondents agree that today's thirtysomethings should save for their old age both with the help of supplementary pension insurance and life insurance, and also by investing in real estate and human capital (education, professional qualifications, etc.).

The eurozone will survive, the vast majority of respondents believe. Shifts in membership of the eurozone are expected most frequently: either its expansion and/or the departure of the weakest economies.

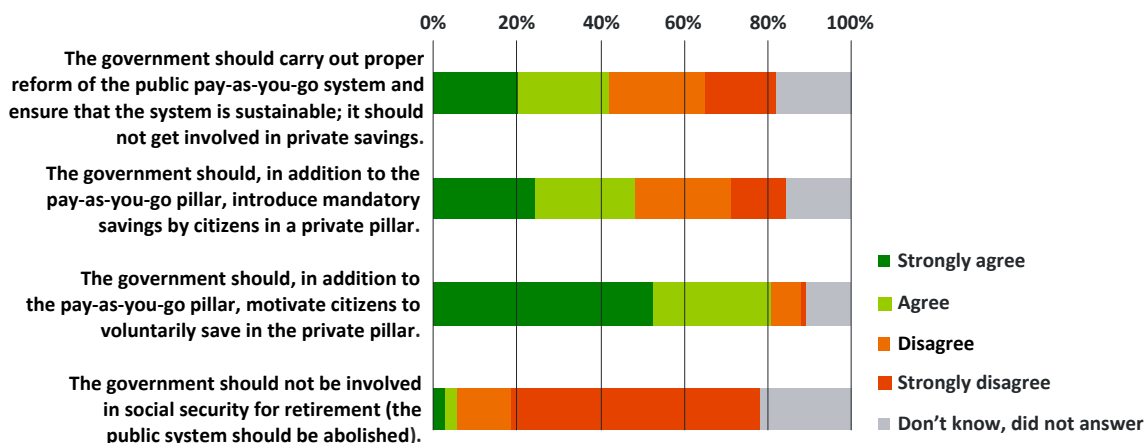
The vast majority of respondents think that in the next three years the Czech government will not set a date for euro adoption. At the same time, a number of respondents think that the government will present reforms as steps to meet the Maastricht criteria. An opt-out from the adoption of the euro, proposed by President Klaus, is a not very probable option in the respondents' opinion.

Most respondents are also of the opinion that the Czech Republic should adopt the euro, however most favour this only around 2020 or later. Only a minority believe that it should be as soon as possible. Respondents who reject the euro completely are in a marked minority.

On average the respondents expect that the Czech economy will grow by 2.2%. The respondents who are the biggest optimists are from the Czech CFA Society and OVB Allfinanz, and on average they forecast GDP growth of 2.4%; on the contrary, the most pessimistic were deputies and senators, who only estimated 2.0% growth.

Respondents on average expect that the euro will be worth CZK 24.20 at the end of 2011. As far as the euro/dollar exchange rate is concerned, the largest number of respondents think that the euro will remain at the same level against the dollar until the end of the year or that it will weaken somewhat.

## What principles of the state pension system are, in your opinion, currently suitable for the Czech Republic?

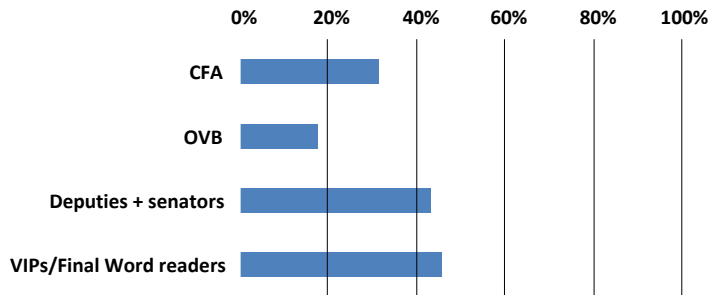


Respondents think the best principle for the state pension system is the situation where the government, in addition to the pay-as-you-go pillar, motivates citizens to save in a private pillar. The principle of mandatory private savings for pensions is, in the respondents' opinion, only a little more desirable than the option of reforming just the public pay-as-you-go pillar without government intervention in private savings. A vast majority of the respondents did not agree with the extreme principle that the government should not get involved in social security for retirement (and abolish the public pension system).

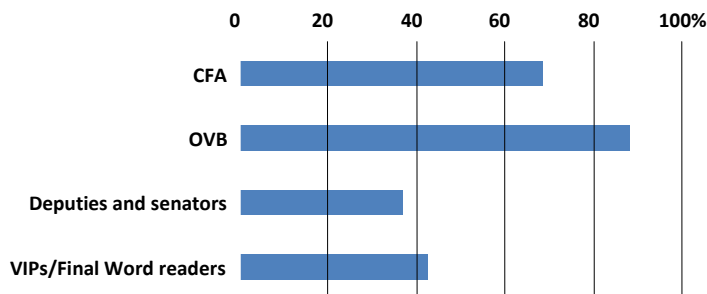
N	The government should carry out proper reform of the public pay-as-you-go system and ensure that the system is sustainable; it should not get involved in private savings.		The government should, in addition to the pay-as-you-go pillar, introduce mandatory savings by citizens in a private pillar.		The government should, in addition to the pay-as-you-go pillar, motivate citizens to voluntarily save in the private pillar.		The government should not be involved in social security for retirement (the public system should be abolished).	
	Agree	Disagree	Agree	Disagree	Agree	Disagree	Agree	Disagree
Total	774	733	886	664	1489	151	105	1332
CFA	29	55	63	27	80	5	6	78
OVB	33	114	163	10	136	27	16	129
Deputies and senators	20	18	17	22	34	8	1	36
VIPs	76	74	110	47	144	13	13	125
Final Word Readers	616	472	533	558	1095	98	69	954

## Percent expressed agreement

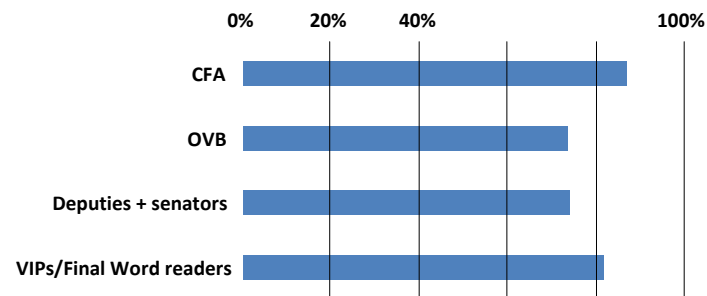
The government should carry out proper reform of the public pay-as-you-go system and ensure that the system is sustainable; it should not get involved in private savings:



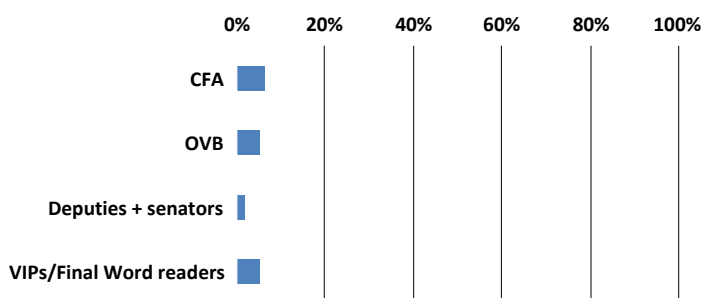
The government should, in addition to the pay-as-you-go pillar, introduce mandatory savings by citizens in a private pillar:



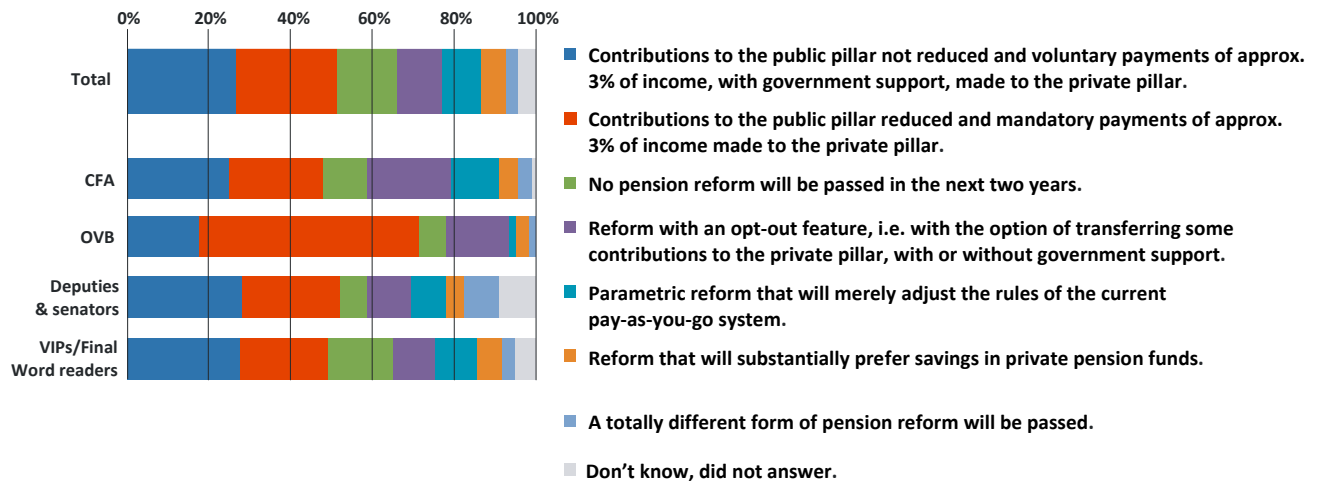
The government should, in addition to the pay-as-you-go pillar, motivate citizens to voluntarily save in the private pillar:



The government should not be involved in social security for retirement (the public system should be abolished):



## What form of pension reform will, in your opinion, be passed in the following two years?



Among respondents there is no clear agreement in expectations about which of the pension reform options currently under discussion will actually be passed. Respondents most frequently think that either the option with unreduced contributions to the public pillar and voluntary savings with government support in the private pillar or the option with reduced contributions to the public pillar and mandatory contributions to the private pillar will be adopted.

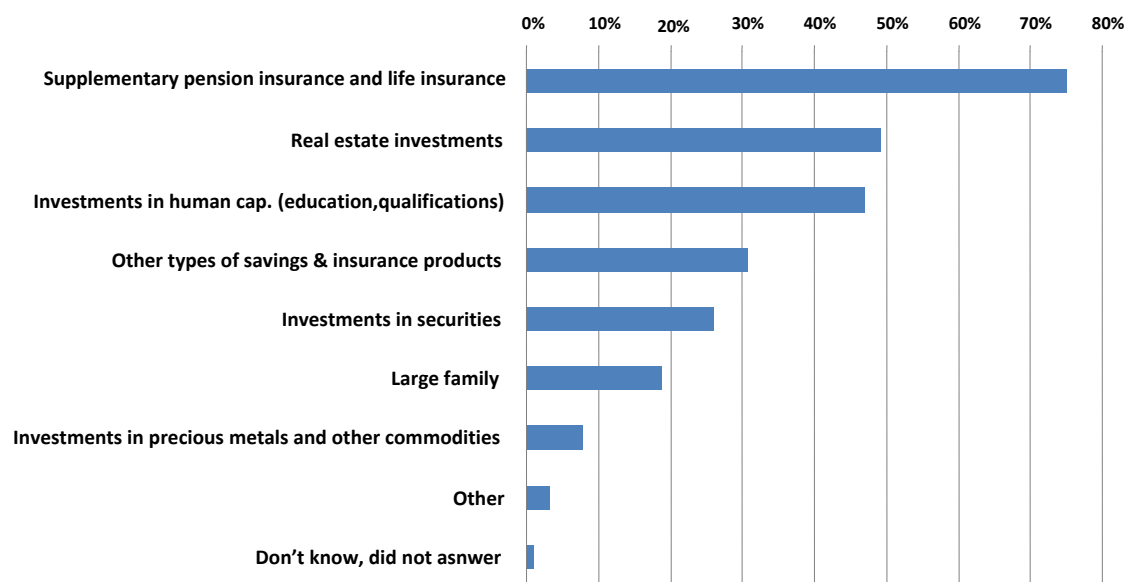
It is the OVB group that leans towards this second opinion, whereas Final Word readers are inclined towards the first option. The other groups were divided equally between the two statements. Attention is certainly deserved by the answers of legislators, as they can be expected to have the best understanding of the options' political viability: the option with voluntary, government-supported contributions wins here as well. It must please voters that it is legislators who, of all the groups, have the least doubts that one option of reform will be passed.

N	Contributions to the public pillar not reduced and voluntary payments of approx. 3% of income, with government support, made to the private pillar.	Contributions to the public pillar reduced and mandatory payments of approx. 3% of income made to the private pillar.	No pension reform will be passed in the next two years.	Reform with an opt-out feature, i.e. with the option of transferring some contributions to the private pillar, with or without government support.	Parametric reform that will merely adjust the rules of the current pay-as-you-go system.	Reform that will substantially prefer savings in private pension funds.	A totally different form of pension reform will be passed.	Don't know, did not answer.
Total	493	449	271	206	180	100	57	82
CFA	23	21	10	19	11	4	3	1
OVB	33	99	13	28	3	6	3	0
Deputies and senators	13	11	3	5	4	2	4	4
VIPs	54	55	23	20	9	7	2	7
Final Word readers	370	263	222	134	153	81	45	70



There is a lot of talk about how people should independently save for their old age. How should a typical thirtysomething Czech save for their old age?

Select the three most suitable ways.

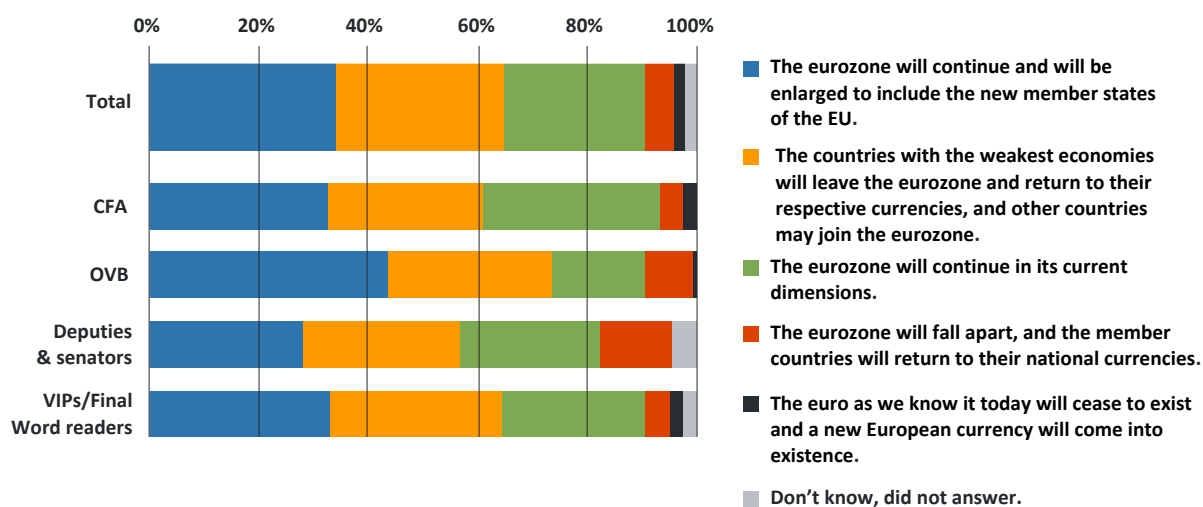


Overall, the respondents agreed that today's thirtysomethings should save for their old age with the help of supplementary pension insurance and life insurance, as well as investing in real estate and, last but not least, developing their human capital (education, professional qualifications, etc.). The replies did not significantly differ between the groups.

People 44 years old and younger and people working in the financial sector are much more frequently convinced that current thirtysomethings should invest in securities. People over 45 and people working in the government/public sector more frequently think that this segment of the population should invest more in human capital.

N	Supplementary pension insurance and life insurance	Real estate investments	Investments in human capital (education, professional qualifications)	Other types of savings and insurance products	Investments in securities	Large family	Investments in precious metals and other commodities	Other	Don't know, did not answer
Total	1379	903	865	566	478	348	144	61	21
CFA	55	46	43	21	53	28	6	6	0
OVB	172	80	55	60	99	9	19	7	0
Deputies and senators	36	26	30	12	4	8	2	1	2
VIPs	131	94	62	63	57	38	10	3	3
Final Word readers	985	657	675	410	265	265	107	44	17

## In your opinion, what will the eurozone look like in 5 years?

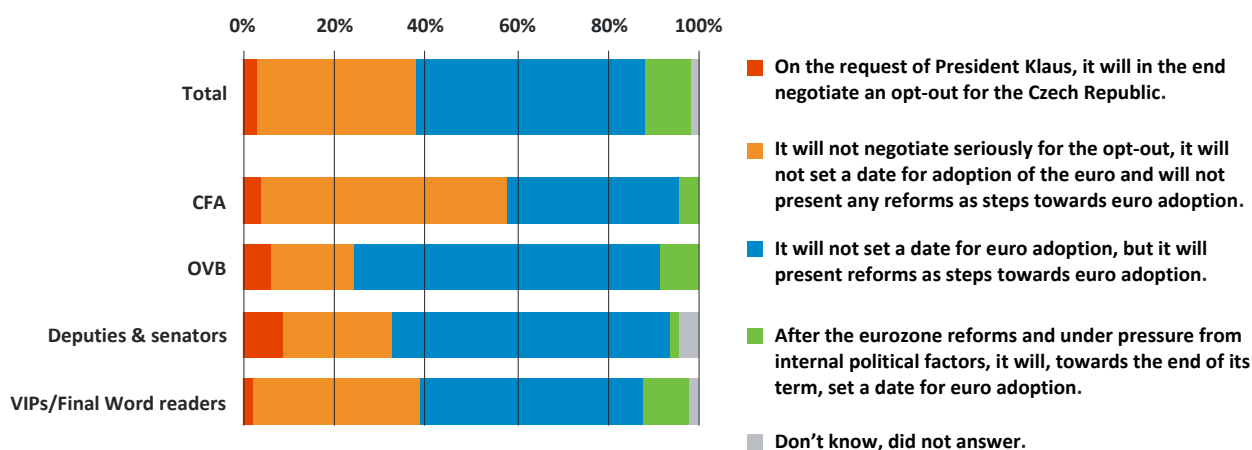


Although the single European currency has recently been going through a crisis strongly highlighted by the media, the respondents remain clearly optimistic about the eurozone's survival. What is expected most frequently are changes to the eurozone's membership: the expansion of the eurozone to include new member states and/or the departure of the weakest economies. The failure of the euro and its replacement by national currencies or a new European currency is only expected by a small fraction of the respondents.

A detailed look at the results shows that the most respondents hold the opinion that the eurozone will still be around in five years' time and will expand to include new EU member states. Almost the same number of respondents believe that the countries with the weakest economies will leave the eurozone, returning to their currencies, and other countries could join the eurozone. The third most-popular opinion is that the eurozone will continue in its current dimensions.

N	The eurozone will continue and will be enlarged to include the new member states of the EU.	The countries with the weakest economies will leave the eurozone and return to their respective currencies, and other countries may join the eurozone.	The eurozone will continue in its current dimensions.	The eurozone will fall apart, and the member countries will return to their national currencies.	The euro as we know it today will cease to exist and a new European currency will come into existence.	Don't know, did not answer.
Total	626	566	474	97	42	33
CFA	30	26	30	4	2	0
OVB	81	55	32	16	1	0
Deputies and senators	13	13	12	6	0	2
VIPs	66	59	46	4	1	1
Final Word readers	436	413	354	67	38	N

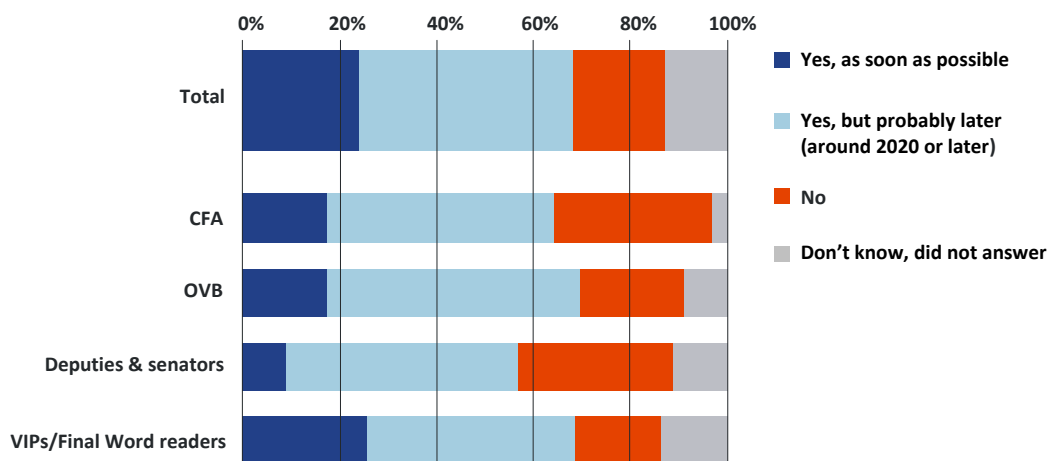
## What, in your opinion, will be the attitude of the Czech government towards euro adoption in the next three years?



The most respondents think that in the next three years the Czech government will not set a date for euro adoption but will present reforms as steps towards adoption. This opinion is the most popular in all groups, except the group of members and candidates of the Czech CFA Society. Its members incline towards the opinion that the Czech government will not seriously negotiate for an opt-out, but will not set a date for euro adoption and will not present the expected reforms in the context of the conditions for euro adoption.

N	On the request of President Klaus, it will in the end negotiate an opt-out for the Czech Republic.	It will not negotiate seriously for the opt-out, it will not set a date for adoption of the euro and will not present any reforms.	It will not set a date for euro adoption, but it will present reforms as steps towards euro adoption.	After the eurozone reforms and under pressure from internal political factors, it will, towards the end of its term, set a date for euro adoption.	Don't know, did not answer.
Total	60	639	926	180	33
CFA	4	49	35	4	0
OVB	12	33	124	16	0
Deputies and senators	4	11	28	1	2
VIPs	4	65	88	19	1
Final Word readers	36	481	651	140	30

## In your opinion, should the Czech Republic adopt the euro?

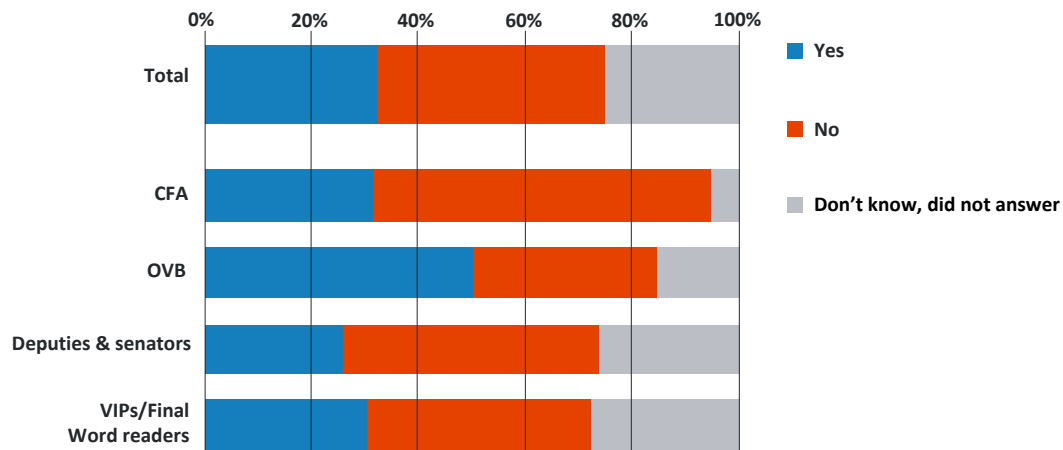


Despite the aforementioned crisis of confidence in the euro, most respondents think that the Czech Republic should adopt it. Two thirds of the euro adoption supporters say, however, that this should happen around 2020 or even later. On the contrary, a third are of the opinion that it should be as soon as possible. Within the groups there are always more “adopt” than “don’t adopt” replies, but the rejectionist stance is expressed a little more frequently than others by respondents among deputies and senators and the group of members and candidates of the Czech CFA Society.

People working in the financial sector and people who are 44 years old or younger think more frequently than people working in other sectors that the Czech Republic should either not adopt the euro at all or that it should join no earlier than around 2020. In contrast to this, people working in the government/public sector were more frequently in favour of more rapid adoption of the euro. Supporters of euro adoption, however, are in the majority in all groups.

N	Yes, as soon as possible	Yes, but probably later (around 2020 or later)	No	Don't know, did not answer
Total	441	809	360	228
CFA	16	43	30	3
OVB	32	97	40	16
Deputies and senators	4	22	15	5
VIPs	47	87	27	16
Final Word readers	342	560	248	188

Do you think that people in the Czech Republic should save for their retirement in euros as well, where possible?

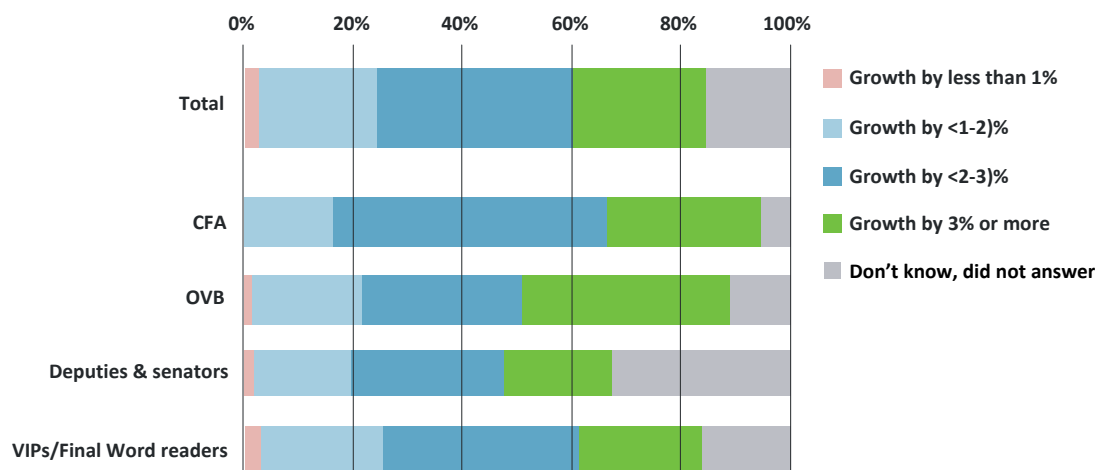


Respondents incline towards the opinion that people should not save for their pensions in euros. This opinion is the majority stance for all groups, except the OVB group. In it the respondents mostly think that the people of the Czech Republic should also, where possible, save for their pensions in euros.

People over 45 and people working in the financial sector were also in favour of retirement savings in euros more frequently.

N	Yes	No	Don't know, did not answer
Total	597	780	461
CFA	29	58	5
OVB	93	64	28
Deputies and senators	12	22	12
VIPs	58	88	31
Final Word readers	405	548	385

## What do you expect real GDP growth in the Czech Republic to be in 2011?



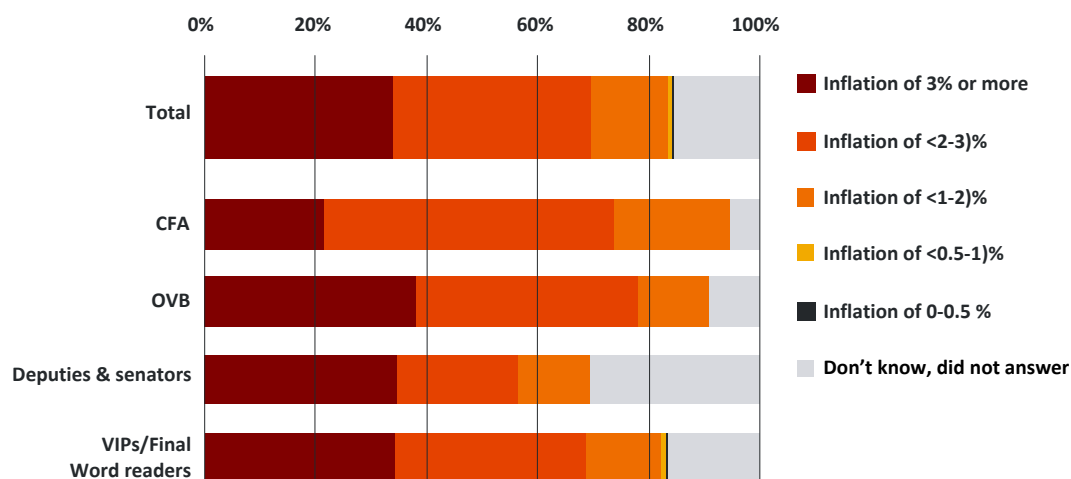
As far as growth of the Czech economy is concerned, the respondents clearly expect that it will grow, most frequently by 2 to 3 percent. This opinion is the majority opinion in all groups, except the OVB group, which expects GDP growth of more than 3%.

The average estimated growth in gross domestic product across all respondents is 2.2%. Whereas the CFA and OVB groups go for an average of 2.4%, the VIP and Final Word readers group estimated on average 2.2% GDP growth. The most pessimistic were deputies and senators, with an average growth estimate of only 2.0%.

For comparison, the Czech Ministry of Finance predicts GDP growth of 2.2% this year, the European Commission estimates the Czech economy will grow by 2.3% and the OECD opts for growth of 2.8%.

	Fall by more than 1%	Fall by 1% or less	Growth by less than 1%	Growth by <1-2)%	Growth by <2-3)%	Growth by 3% or more	Don't know, did not answer
Total	3	4	47	394	660	449	281
CFA	0	0	0	15	46	26	5
OVB	0	0	3	37	54	71	20
Deputies and senators	0	0	1	8	13	9	15
VIPs	0	1	1	42	70	45	18
Final Word readers	3	3	42	292	477	298	223

## What do you expect the average inflation rate (CPI) in the Czech Republic to be in 2011?



Respondents most incline toward the opinion that inflation will be between two and three percent, or even over three percent. We cannot find significant differences between the groups in this question.

People 44 years old and under tend toward the opinion that inflation will be between one and three percent, in contrast to this people over 45 think more often that it will break the three percent barrier.

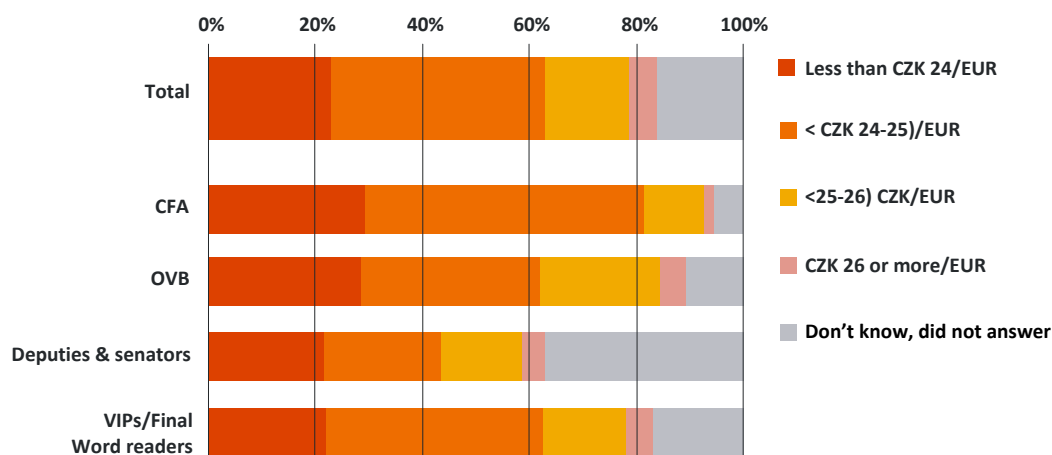
The inflation rate estimated by the respondents is, on average, 2.7%. The lowest inflation rate (2.3%) was predicted by the Czech CFA Society group, whereas the OVB group saw it at 2.5% on average. Deputies and senators estimated inflation would rise at 2.6% and the VIP and Final Word readers group averaged at 2.7%.

For comparison: the Czech Ministry of Finance predicts an inflation rate of 2.3% this year.

N	Inflation of 3% or more	Inflation of <2-3)%	Inflation of <1-2)%	Inflation of <0.5-1)%	Inflation of 0-0.5%	Don't know, did not answer
Total	632	651	249	14	5	287
CFA	20	48	19	0	0	5
OVB	71	74	23	0	0	17
Deputies and senators	16	10	6	0	0	14
VIPs	48	83	26	1	0	19
Final Word readers	477	436	175	13	5	232

## What do you expect the CZK/EUR exchange rate to be at the end of 2011?

(Please state the value of EUR 1 in CZK to two decimal places.)



Most frequently respondents believe that at the end of 2011 the euro will be between CZK 24 and CZK 25. Legislators estimated less frequently and went mostly for higher exchange rates.

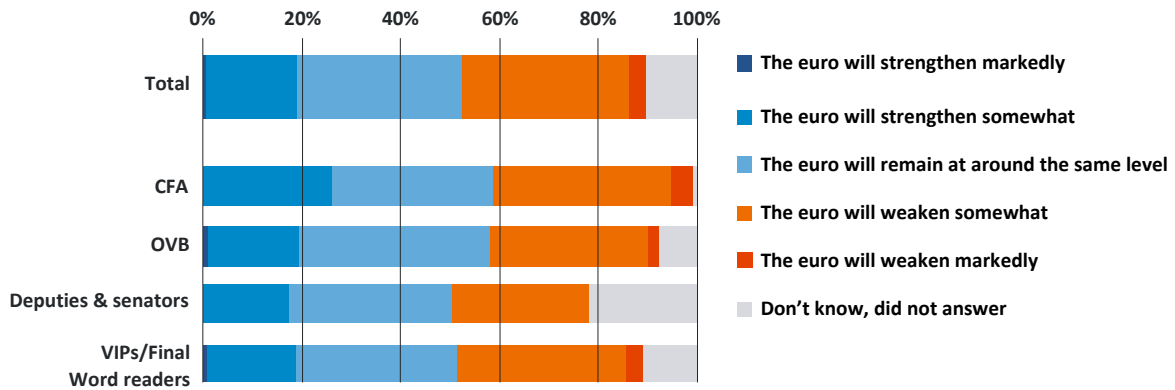
People 44 years old or under and people working in the financial sector more frequently tended towards the opinion that the euro would fall under CZK 24 and, on the contrary, people over 45 more frequently believe that at the end of the year the euro will be between CZK 25 and CZK 26.

If we express the respondents' estimates using average values, then the number that comes out is CZK 24.20/euro. The differences between the various groups are statistically insignificant but indicate that deputies and senators have most faith in the crown, as on average they estimate an exchange rate of CZK 24.15/euro. On the other hand, the most sceptical are OVB employees, who estimate CZK 24.26/euro. Final Word readers and VIPs estimate an exchange rate of CZK 24.19/euro and members and candidates of the Czech CFA Society an exchange rate of CZK 24.17/euro.

N	Less than CZK 24/EUR	< CZK 24-25)/EUR	< CZK 25-26)/EUR	CZK 26 or more/EUR	Don't know, did not answer
Total	424	735	289	92	298
CFA	27	48	10	2	5
OVB	53	62	41	9	20
Deputies and senators	10	10	7	2	17
VIPs	43	86	23	6	19
Final Word readers	291	529	208	73	237



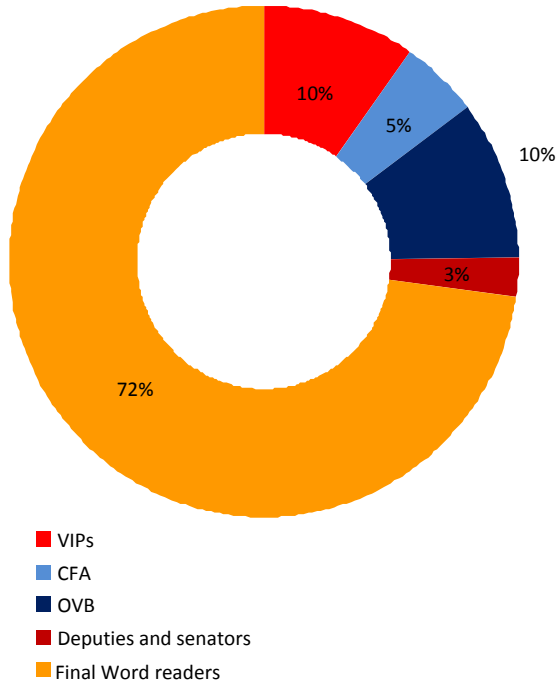
What exchange rate trend do you expect for the euro vs. the US dollar until the end of 2011?



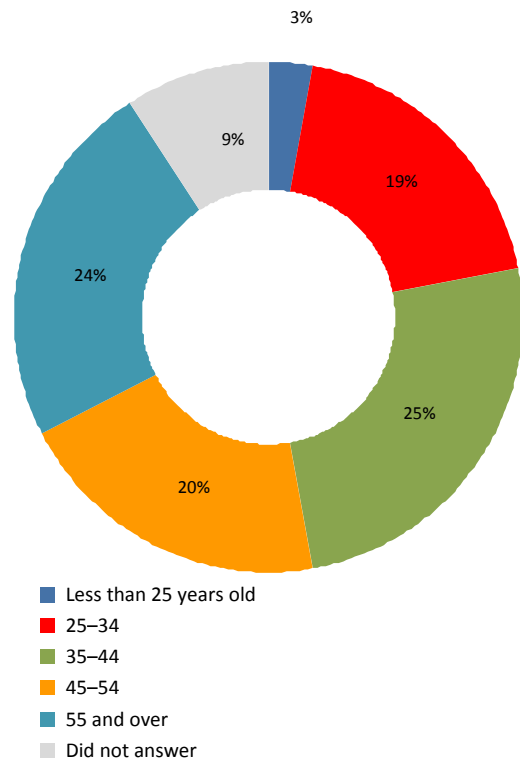
The largest number of respondents think that between now and the end of the year the euro will remain at the same level against the dollar or weaken somewhat. This opinion is dominant in all groups, with the exception of the OVB and the deputies and senators groups, where there is a somewhat more marked expectation that the euro will remain at the same level.

N	The euro will strengthen markedly	The euro will strengthen somewhat	The euro will remain at around the same level	The euro will weaken somewhat	The euro will weaken markedly	Don't know, did not answer
Total	15	337	606	632	59	189
CFA	0	24	30	33	4	1
OVB	2	34	71	60	4	14
Deputies and senators	0	8	15	13	0	10
VIPs	0	32	51	66	11	17
Final Word readers	13	239	439	460	40	147

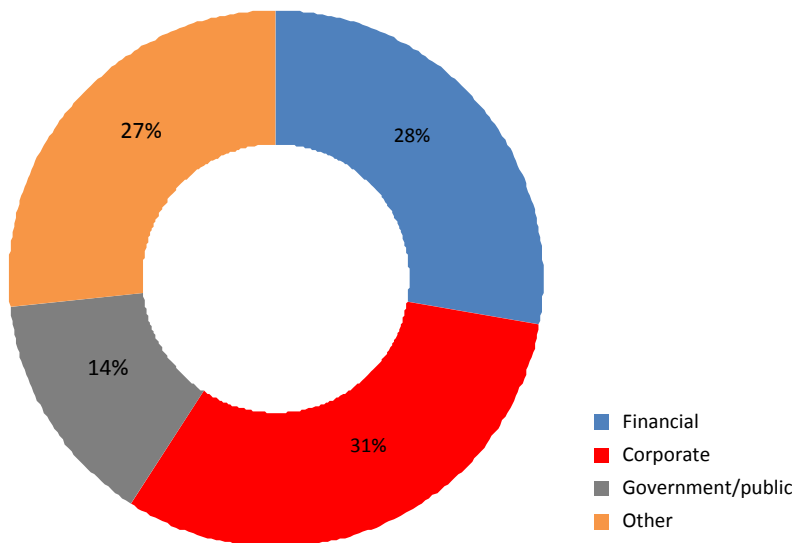
### Respondents' affiliation



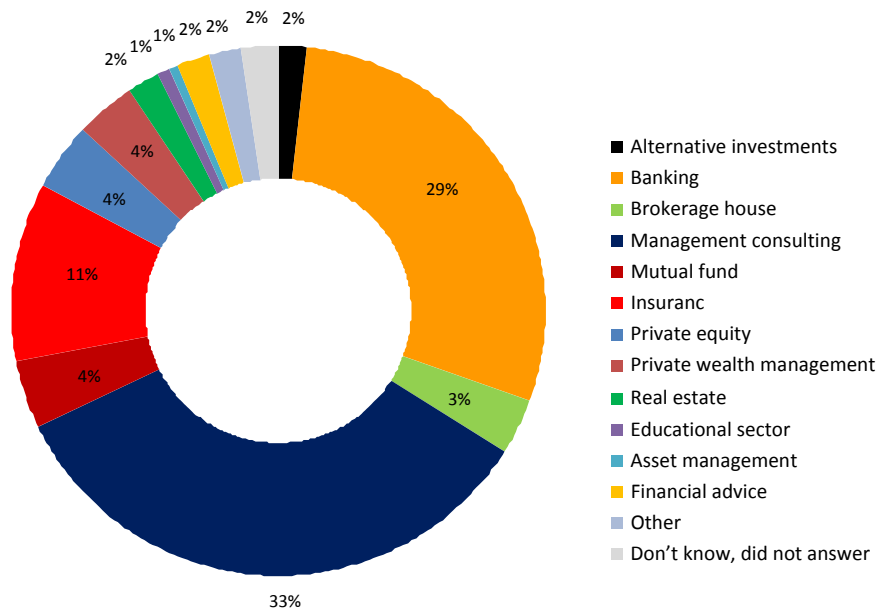
### Respondents' age



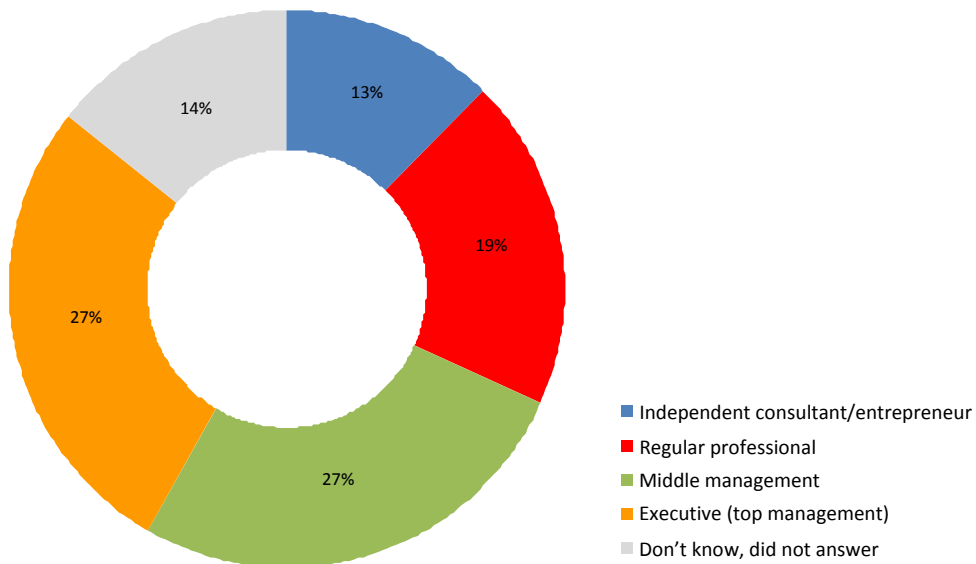
### Which sector do you work in?



## Which field of finance do you work in?



## What is your position in the corporate hierarchy?



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communications

Donath Business & Media has been active in public relations and public affairs since 1991. You can find more information about the agency at [www.dbm.cz](http://www.dbm.cz).

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## Survey Partner

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