HORVÁTH

Ost-Ausschuss der Deutschen Wirtschaft

Horváth

Business Trends in Central and Eastern Europe 2025

Heiko Fink
Dr. Ralf Sauter

6th Annual CxO Priorities Study
Deep dive | CEE

Content

6th Annual Horváth CxO Priorities Study – Global Perspective Fundamentals: The New Strategic Advantage

Trade conflicts

Evolving trade tensions such as export restrictions or **tariffs**, and **cost pressure** are forcing companies to **rethink their global footprint**. Many are relocating to **regionalize supply chains, optimize costs,** and **reduce dependencies on global powers**. Yet, **investments in the big global markets** remain strong, signaling their continued strategic value

Tech disruptions

AI is advancing rapidly, but many firms are still immature in their adoption efforts. As investments rise, the focus shifts to measurable productivity gains in IT, digitalization, and operations. Clear, **business-relevant use cases** are now essential for realizing impact

Fundamentals

As the world economy becomes increasingly fragmented, **CxOs must navigate trade conflicts and tech disruptions**. They are shifting their focus to the true drivers of performance: competing in established markets with proven products & services while managing costs to protect margins. **Fundamentals** are critical to success:

- **Operational excellence:** Improve efficiency & cost competitiveness
- **Sharpened product & service portfolio:** Prioritize growth & high-value offerings
- **Balanced global value chain:** Build a resilient & competitive footprint
- **Future-ready core:** Innovate through technology & AI

The **6th Annual CxO Priorities Study** unveils a clear perspective:

Fundamentals are the New Strategic Advantage

6th Annual Horváth CxO Priorities Study – CEE Report | 130 CxOs reveal what really matters

130 CEE CxOs
engage in personal dialogue

8 weeks of interviews
between March and May 2025

~65% CEOs
out of all participants

~24% CFOs
out of all participants

8 HQ countries
reflect the global perspective

5 focus topics
- Strategic priorities
- Sales, margin & employee development
- Growth ambitions & profit optimization
- Resource relocation & geopolitical challenges
- Further strategic initiatives: Digital & Green

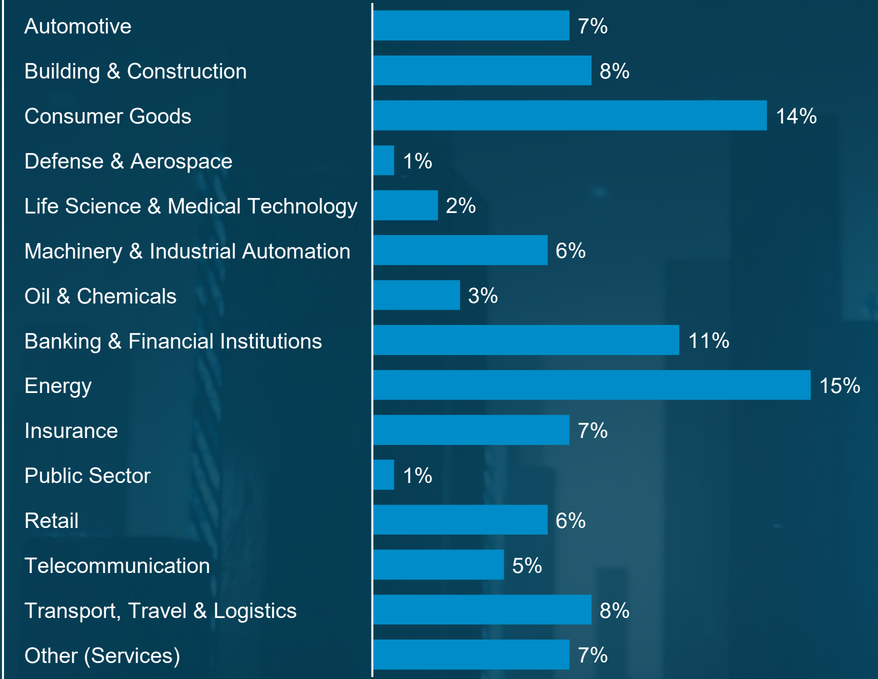
~20% multinationals
with revenue of more than EUR 1b

~30% family-owned
businesses share their priorities

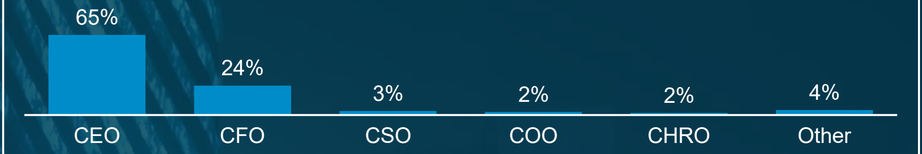
14 industries
report on industry-specific trends

6th Annual Horváth CxO Priorities Study – CEE Report | A 360° view: Insights across industries and company scales

Distribution of industries

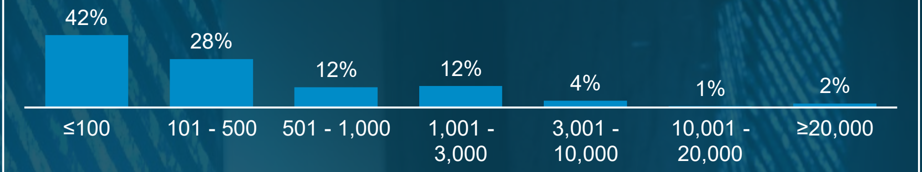


Distribution of participants' positions



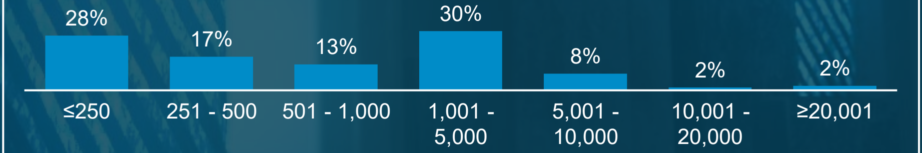
C-level roles

Distribution of revenue / income



Revenue EUR m (last business year)

Distribution of workforce size



Headcount (last business year)

N = 130

Navigating growth and risks: Current dynamics of the CEE economy

CEE's growth is increasingly decoupled from external demand, signaling a shift toward internally driven expansion models

The region is no longer just catching up; it is repositioning, with industrial nearshoring and strategic public investment reshaping its economic role

Poland is emerging as the region's economic anchor, attracting the most investment and showing resilience to external shocks

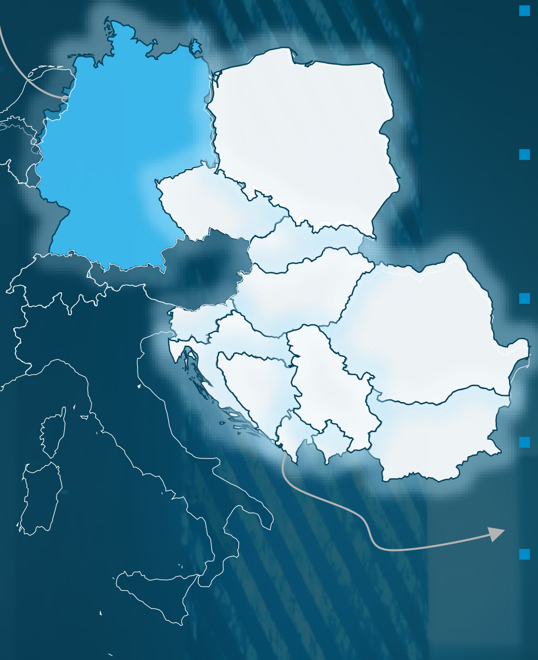
Political instability in Slovakia and Hungary heightens domestic economic risks while challenging regional stability in the entire CEE region

Export exposure to Germany remains a key vulnerability, especially for Czechia, Hungary, and Slovakia

CEE vs Germany: Interconnected economies, diverging growth trajectories

GERMANY

- Remains the **key export destination** for most of the **CEE** countries (20–30% of exports)
- 2025 **GDP growth** forecast of **0.0%** reflects weak external demand and industrial stagnation
- Inflation is easing to ~2.4%, with wage pressures remaining relatively contained
- Cross-border investment with CEE remains solid, but German **slowdowns** continue to affect the region. **U.S. tariffs** alone are expected to cut Czech and Hungarian growth by 0.5 %
- **Germany's industrial repositioning**, driven by global tensions and domestic stimulus, is **reinforcing CEE's** role in key value chains



CEE REGION

- Deep trade integration with Germany creates **uneven exposure** in CEE: Czechia, Slovakia, and Hungary are **highly reliant**, while Poland is more **resilient** (15% of exports)
- The CEE region is **growing** faster than Germany and the eurozone average, with Poland (3.3%) and Croatia (3.2%) leading the way
- CEE inflation rate **exceeds** Eurozone levels (~2.1%), as seen in Romania (~5%) and Hungary (~4%), due to factors like **wage growth** and **services inflation**
- Poland **leads** CEE in output and investment, Croatia **grows rapidly**, and Czechia and Slovakia **outperform** the EU average
- **Political uncertainty**, incl. policy shifts in Hungary and Romania, poses **risks** to investment and economic **stability** in CEE

Source: European Comission; Reuters; Horváth Research

Content

Digital transformation and a strong focus on cost optimization are on top of CxO priority list

Strategic priorities | All industries

Strategic priority	Rank (CEE)	Rank (Global)		Score[1] (CEE)	Score (Global)
Digital transformation	1	2	↑	3.54	3.46
Improvement of cost & profit structures	2	1	↓	3.48	3.50
Cyber security	3	3	→	3.42	3.26
People-driven topics	4	4	→	3.39	3.13
Improvement of financial performance & risk management	5	7	↑	3.10	2.95
Improvement of liquidity range	6	6	→	3.07	2.96
Reorganization of structures & processes	7	5	↓	2.92	3.07
Realignment of group strategy & business model	8	9	↑	2.91	2.89
Ecological sustainability	9	12	↑	2.90	2.65
Innovation and R&D	10	7	↓	2.89	2.95
Realignment of pricing & revenue models	11	11	→	2.75	2.71
Optimization of supply chain & production footprint	11	10	↓	2.75	2.87
M&A or divestments of business areas	13	13	→	2.58	2.50

↑ Higher rank ↓ Lower rank → Same rank

Key findings

- **Digital transformation tops the top executive agenda** in CEE, reflecting the region's pivot toward internally driven growth and the ambition to move up the value chain
- **CEE firms** place greater weight on continuous improvement of their cost & profit structures, reflecting **exposure** to regional **instability** and external **shocks**
- **Sustainability and innovation rank low** across all industries, suggesting near-term priorities currently outweigh long-term transformation
- **M&A** remains a **low priority** in both CEE and globally, underscoring a broad **strategic pause** on inorganic growth in the face of **market** and **policy volatility**

N = 130
[1] Importance of priorities on a scale of 1-4:
4-very important, 3-important, 2-slightly important, 1-not important
Rounding differences may occur

Manufacturing firms emphasize cost & profit mngt. while exploring digitalization potential

Strategic priorities | Manufacturing industries

Strategic priorities	Rank (CEE)	Rank (Global)		Score[1] (CEE)	Score (Global)
Improvement of cost & profit structures	1	1	➡	3.54	3.61
Digital transformation	2	2	➡	3.51	3.36
People-driven topics	3	6	⬆	3.37	3.13
Cyber security	4	4	➡	3.32	3.26
Improvement of financial performance & risk management	5	9	⬆	3.18	2.97
Improvement of liquidity range	6	7	⬆	3.15	3.09
Innovation and R&D	7	3	⬇	3.13	3.28
Optimization of supply chain & production footprint	8	5	⬇	3.09	3.19
Ecological sustainability	9	11	⬆	3.06	2.76
Realignment of group strategy & business model	10	10	➡	2.94	2.94
Reorganization of structures & processes	11	7	⬇	2.85	3.09
M&A or divestments of business areas	12	13	⬆	2.76	2.56
Realignment of pricing & revenue models	13	12	⬇	2.69	2.73

⬆ Higher rank ⬇ Lower rank ➡ Same rank

Key findings

- Cost and profit structure improvement is the **top priority** both in CEE **and globally**, reflecting **margin pressures** across the manufacturing sector
- **People-driven topics** rank higher in CEE, reflecting persistent labor market **tightness**, while digital transformation holds its ground as a shared **strategic focus** across regions
- Risk management and financial resilience are gaining **attention** amid **regional uncertainties** and **external economic pressures**
- While **innovation** ranks top-three globally, CEE manufacturers place it **lower**, focusing instead on **optimizing existing operations** before expanding into R&D-intensive initiatives

N = 52
[1] Importance of priorities on a scale of 1-4:
4-very important, 3-important, 2-slightly important, 1-not important
Rounding differences may occur

CEE service sector is harnessing digital change and cost discipline to foster its resilience

Strategic priorities | Service industries

Strategic priorities	Rank (CEE)	Rank (Global)		Score[1] (CEE)	Score (Global)
Digital transformation	1	1	→	3.57	3.57
Cyber security	2	3	↑	3.48	3.25
Improvement of cost & profit structures	3	2	↓	3.44	3.37
People-driven topics	4	4	→	3.40	3.14
Improvement of financial performance & risk management	5	6	↑	3.04	2.94
Improvement of liquidity range	6	8	↑	3.00	2.79
Reorganization of structures & processes	7	5	↓	2.96	3.04
Realignment of group strategy & business model	8	7	↓	2.89	2.84
Ecological sustainability	9	11	↑	2.79	2.54
Realignment of pricing & revenue models	9	9	→	2.79	2.68
Innovation and R&D	11	10	↓	2.72	2.57
M&A or divestments of business areas	12	12	→	2.48	2.43
Optimization of supply chain & production footprint	13	13	→	2.47	2.35

↑ Higher rank ↓ Lower rank → Same rank

Key findings

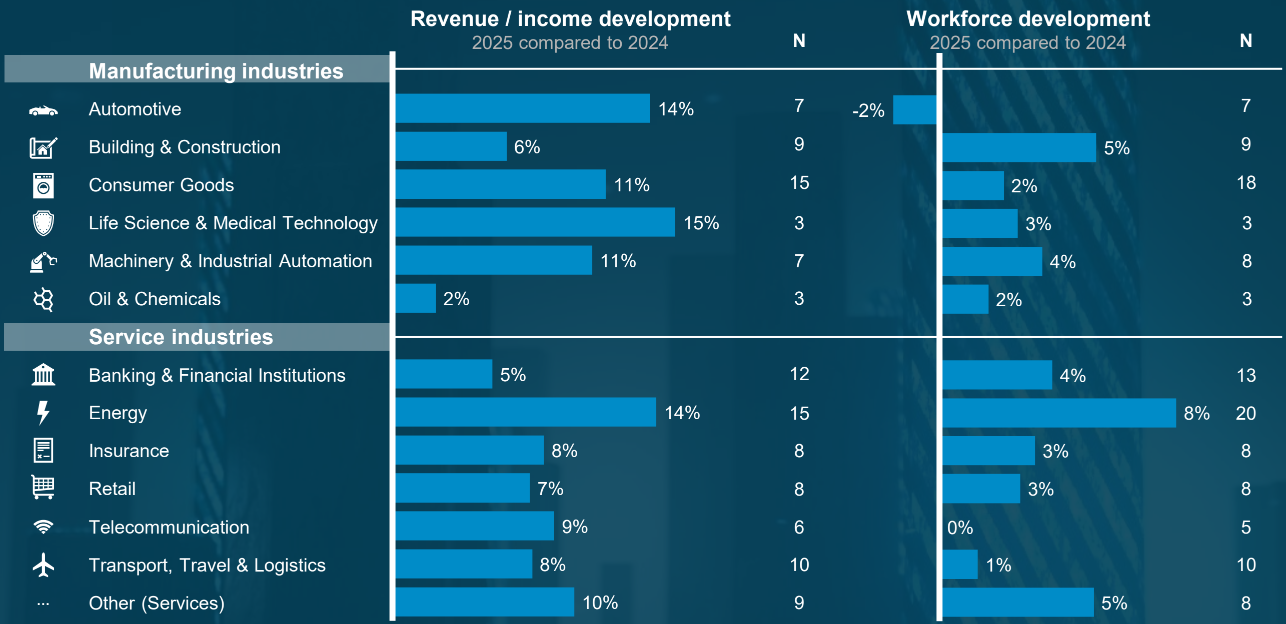
- CEE service industry priorities **closely mirror global trends**, showing a strong alignment
- **Digital transformation** tops the CxO priority list, resulting from a strong pressure on optimization of internal processes while innovating (digital) customer experience
- **Cybersecurity rises in importance**, as digital acceleration across the region increases vulnerability and puts pressure on service firms to secure operations and client trust
- **Cost** and **profit structure** improvements remain a shared **top-three priority**, as companies across both CEE and the globe face persistent **margin pressures** and respond with **efficiency-driven strategies**

N = 78
[1] Importance of priorities on a scale of 1-4:
4-very important, 3-important, 2-slightly important, 1-not important
Rounding differences may occur

Content

Revenue ambitions remain strong across sectors, even as workforce development diverge

Development of revenue / income & workforce size[1]



Key findings

- Across all industries, **companies remain optimistic** about revenue growth in 2025, even as **margin pressures** and **cost-efficiency** efforts continue to impact their strategic ambitions
- Compared to other regions, the CEE expectations regarding **revenues and workforce development** are higher except in insurance and retail
- Revenue development in CEE service industries shows a **stronger link to workforce** growth than in manufacturing, underlining the sector's **reliance** on **labor-intensive operations**
- Despite anticipating **workforce reductions** in 2025, automotive companies expect **strong revenue growth**, pointing to **productivity gains**, **automation,** and / or **value-added shifts** in the industry

Revenue / income development N = 112
Workforce development N = 120
[1] Estimated average of all companies within a specific industry cluster
Statistical outliers excluded, rounding differences may occur

Service firms show more confidence in turning growth into profits than manufacturers

Development of EBIT margin[1]

	EBIT margin 2024	N	EBIT margin 2025	N
Manufacturing industries				
Automotive	7%	5	5%	4
Building & Construction	12%	7	10%	6
Consumer Goods	10%	9	9%	10
Machinery & Industrial Automation	17%	4	18%	4
Oil & Chemicals	4%	3	4%	3
Service industries				
Banking & Financial Institutions	15%	6	17%	5
Energy	14%	11	16%	11
Retail	8%	5	9%	4
Transport, Travel & Logistics	9%	9	9%	9
Other (Services)	9%	3	8%	3

Key findings

- EBIT margin **expectations remain rather stable**, indicating that anticipated revenue growth will **not translate** into improved **profitability** in the short term
- Service industries expect a **stronger rise in EBIT margins** than manufacturing, reflecting their **greater confidence** in translating **growth and efficiency** gains into **bottom-line improvements**
- Selected manufacturing industries expect **EBIT margins to decline** despite forecasting **revenue growth**, suggesting **rising input costs**, **supply chain inefficiencies**, or **delayed returns on investment** are weighing **profitability**

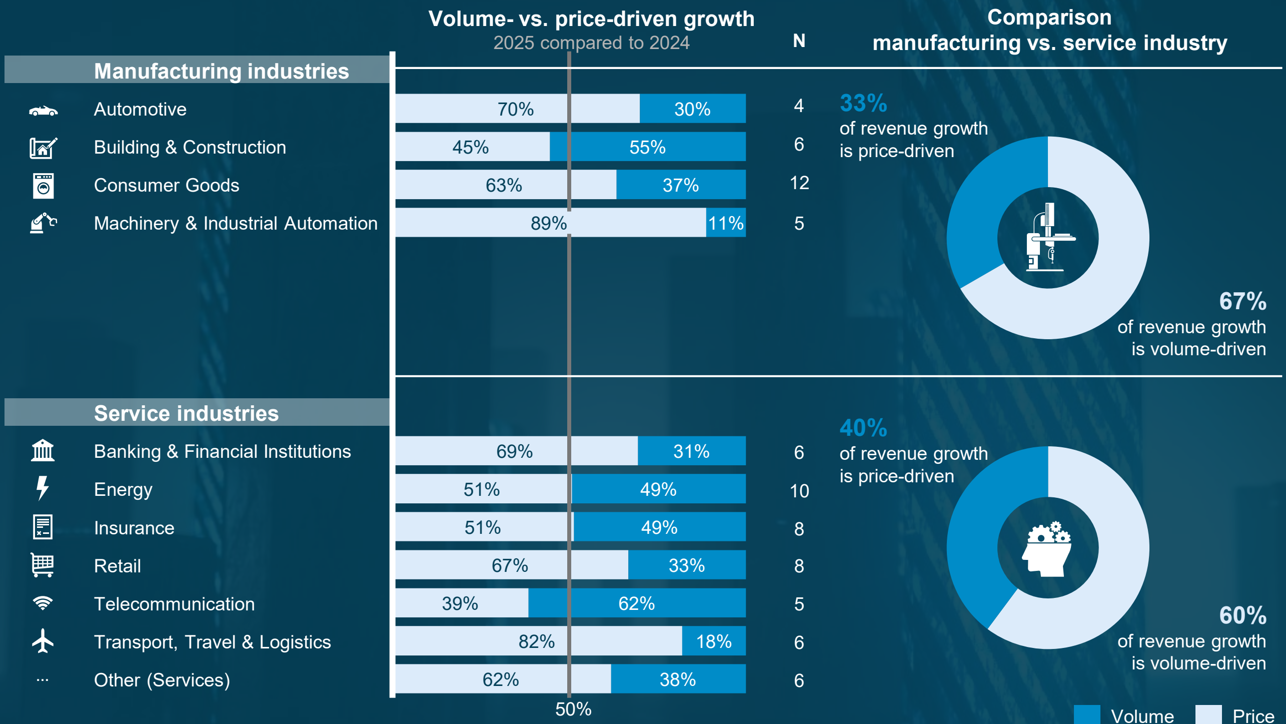
2024 N = 62, 2025 N = 59

[1] Estimated average of all companies within a specific industry cluster

Statistical outliers excluded, rounding differences may occur

Companies prioritize volume-driven growth as price adjustments remain limited

Share of volume- vs. price-driven revenue / income growth[1]



Key findings

- Across manufacturing and service industries, revenue growth is mostly driven by **higher sales volumes**, highlighting a continued focus on **expanding market demand** over the adjustment of **pricing strategies**
- Sectoral differences show that manufacturing might rely more heavily on **volume growth** due to **contract-driven sales**, while services may **experiment** more **with price adjustments** tied to customization or value-added features
- Service industries exhibit a **greater proportion** of price-driven growth than manufacturers; however, volume remains the primary driver

N = 76
[1] Does only include companies with increasing revenue from 2024 to 2025
Statistical outliers excluded, rounding differences may occur

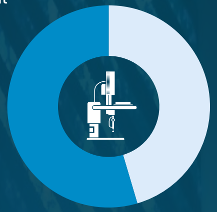
Boardroom agenda skews towards strategic growth discussions over cost control

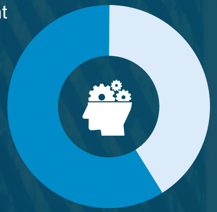
Share of time spent in board meetings on bottom-line cost optimization vs. top-line growth

	Bottom-line cost optimization vs. top-line growth: Bottom-Line	Top-Line	N
Manufacturing industries			
Automotive	52%	48%	8
Building & Construction	44%	56%	10
Consumer Goods	42%	58%	17
Machinery & Industrial Automation	41%	59%	8
Oil & Chemicals	63%	37%	3
Service industries			
Banking & Financial Institutions	35%	65%	13
Energy	47%	53%	19
Insurance	36%	64%	8
Retail	40%	60%	8
Telecommunication	45%	56%	6
Transport, Travel & Logistics	47%	53%	9
Other (Services)	31%	69%	8

50%

Comparison manufacturing vs. service industry





Bottom-Line Top-Line

Key findings

- Both manufacturing and service industries allocate **more board meeting** time to top-line growth than to bottom-line cost optimization, high-lighting a **general focus on strategic revenue expansion initiatives**
- Manufacturing companies divide their board meeting time **almost evenly** between top-line growth and bottom-line cost optimization, reflecting current cost optimization pressure
- Service industry companies dedicate a **larger share of board meeting time** to top-line growth, underscoring a stronger emphasis on **exploring new revenue opportunities** and **market expansion**

N = 117
Statistical outliers excluded, rounding differences may occur

CEE companies are leaning towards targeted growth strategies instead of broad diversification

Distribution of top-line growth strategies[1] | All industries

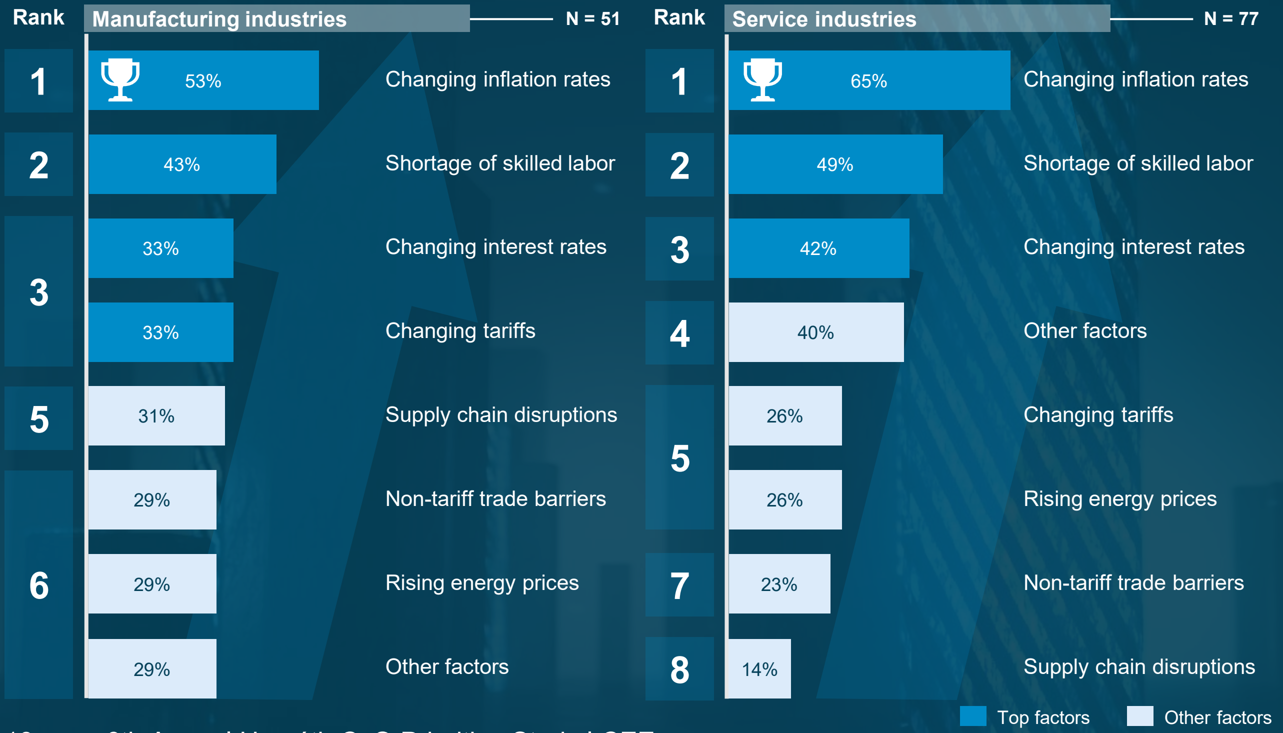
Key findings

- Companies show **clear strategic patterns** that favor **stability** and **controlled growth**, with a strong preference for **familiar markets** and **proven products**
- The leading strategy across industry is to **deepen the presence in existing markets with existing offerings**, signaling **risk aversion** and focus on **core strengths**
- **Full diversification** remains a **minority strategy**, with only **16%** of companies opting for it, reflecting **caution** amid **macroeconomic volatility** and **rising execution complexity**
- Nonetheless, CEE companies show **greater diversification tendencies** compared to organizations from othe regions

N = 115
[1] Estimated cumulative revenue growth over the next five years attributed to growth strategies
Statistical outliers excluded, rounding differences may occur

Macroeconomic pressures mount as companies navigate cost and talent challenges

Top macroeconomic factors impacting companies' performance in 2025



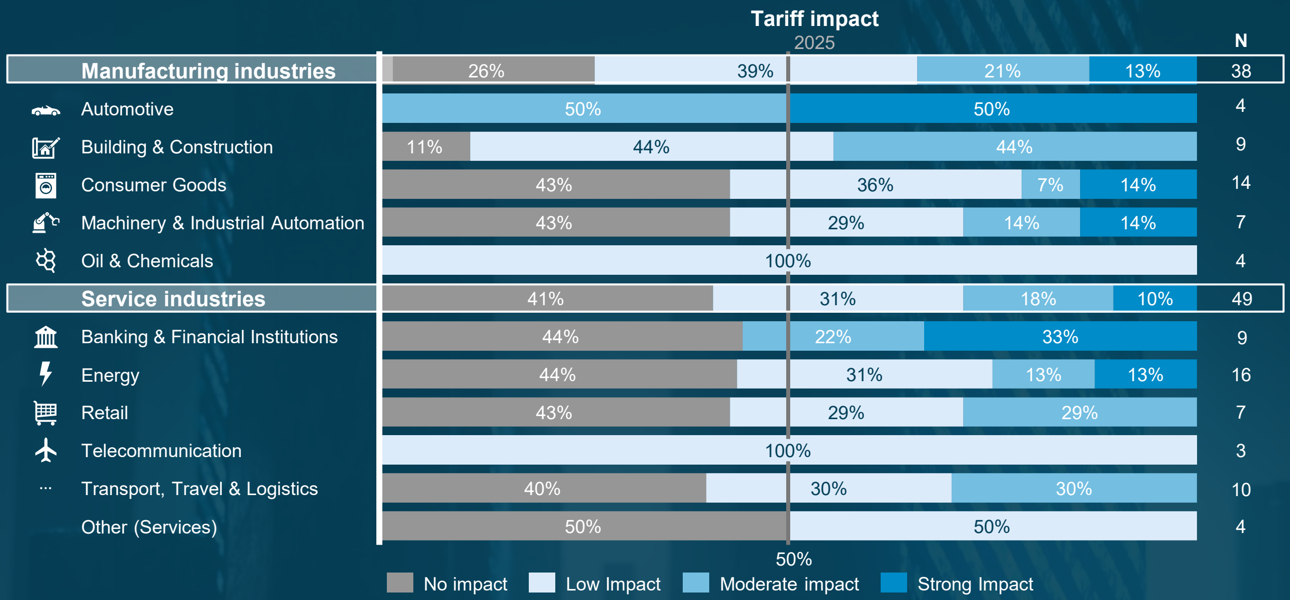
Key findings

- While companies in other global markets are preoccupied with tariffs and non-tariff trade barriers, CEE firms currently prioritize **local challenges**
- **Inflation** ranks as the **top macro factor** impacting company performance across both service and manufacturing industries in CEE, reflecting the region's **elevated price levels** and **heightened sensitivity** compared to other world markets
- **Skilled labor** shortages are on second rank, reflecting the **region's persisting tight labor markets and low unemployment rates**
- **Interest rates** rank third place for CEE's service and manufacturing sectors, with **rising prices** driving **cost pressures** and **higher borrowing costs** adding to **financial strain**

N = 128
Rounding differences may occur

US tariffs generally do not result in a tremendous impact on CEE companies, yet

Impact on US business revenue from US tariffs on EU goods[1, 2]



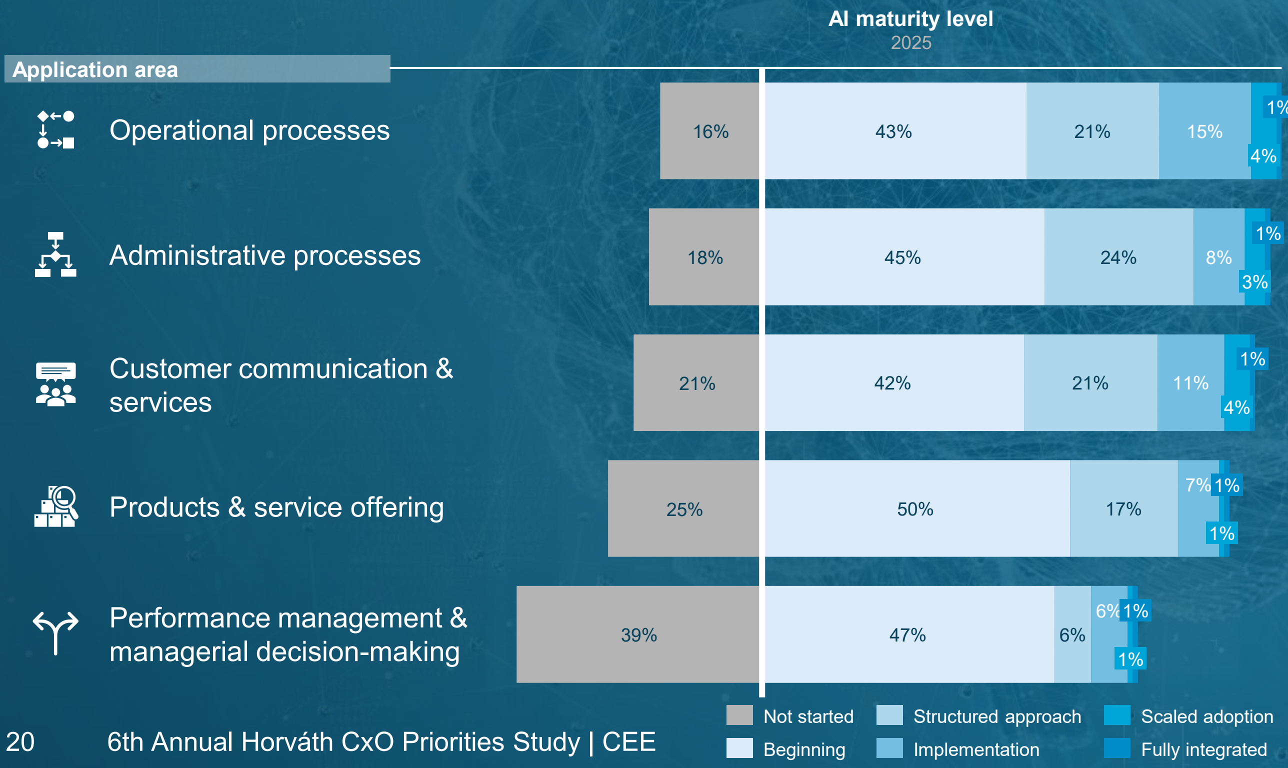
Key findings

- With the exception of Automotive and Banking sectors, most businesses across industries report mostly **little to no revenue impact** from US tariffs on EU goods, as their exports are largely directed to European markets (i.e. Germany), **reducing direct exposure to US tariff effects**
- Sectoral differences in exposure reflect **varying levels of export reliance** and **supply chain complexity**, with industries **heavily integrated into global networks** facing **greater risks** from **external shocks**
- The **automotive sector** expects the **largest revenue impact** among all industries, with US tariffs affecting the CEE region primarily through Germany, on which the sector is highly dependent

N = 87
[1] Does only include companies headquartered in CEE
[2] Public Sector excluded
Rounding differences may occur

Most CEE companies currently start to explore AI potential in their internal and external operations

AI maturity levels within companies | All industries



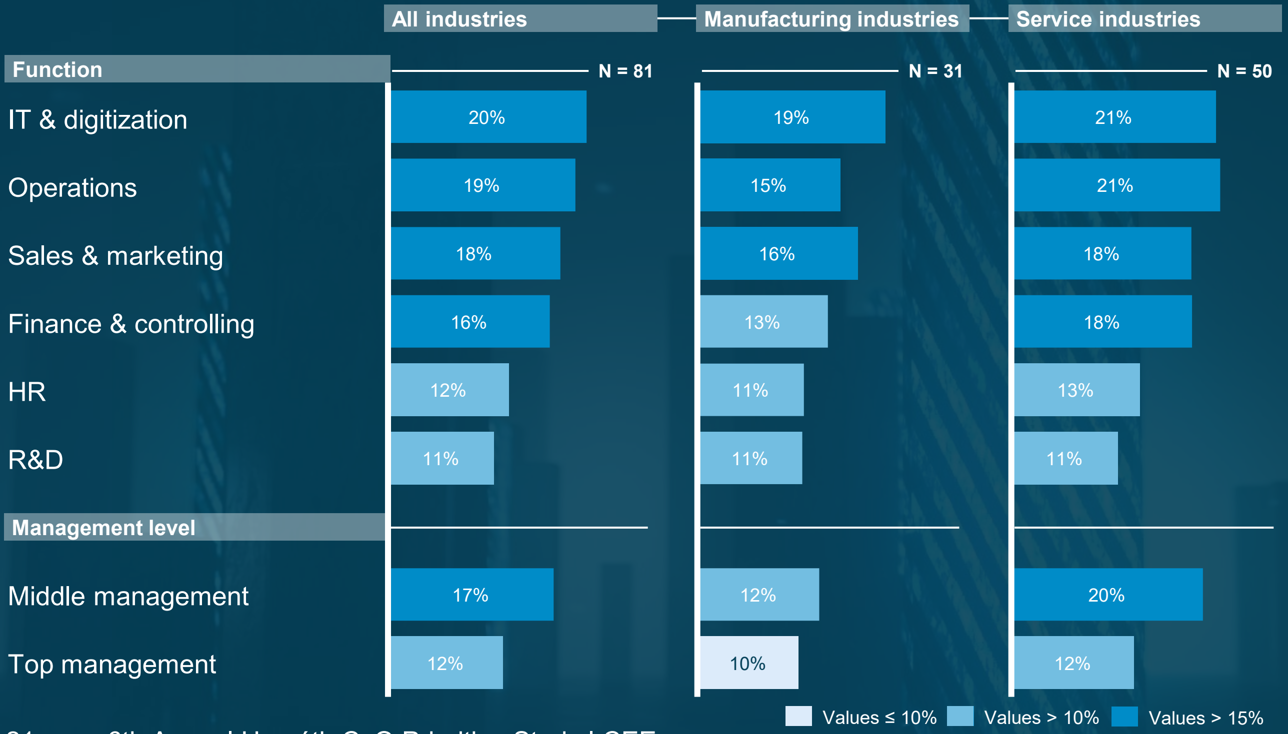
Key findings

- CEE companies are in the **beginning stages** of exploring the potential of Artificial Intelligence in their operations
- CEE AI adoption is most advanced in **operational and administrative processes**, indicating a focus on **day-to-day efficiency gains** in areas with clear, **measurable effects**, while strategic transformation still lags behind
- AI maturity remains **uneven** across functions, with the lowest adoption seen in **managerial decision-making** and **performance management**
- AI use in **customer communication** and client-facing services remains **limited**, held back by data governance and strong data security policies
- Finally, relative to other regions, CEE companies demonstrate a **modest lag in the adoption of AI technologies**

N = 125
Rounding differences may occur

AI is expected to increase labor productivity by double-digit percentages across all functions

Increase in labor productivity resulting from AI solutions over the next three years



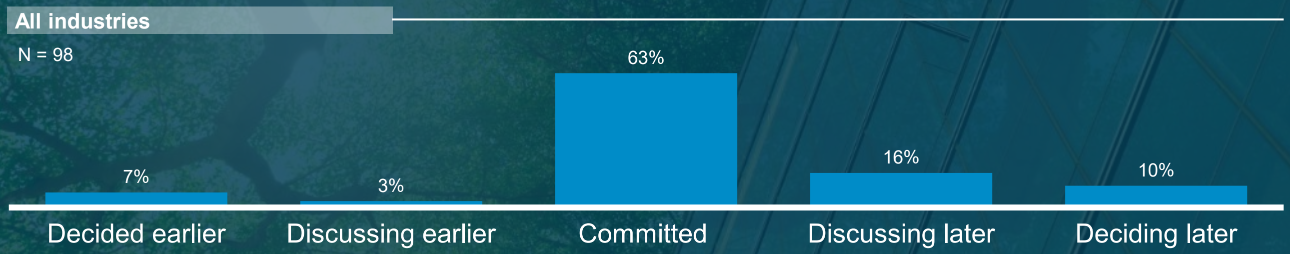
Key findings

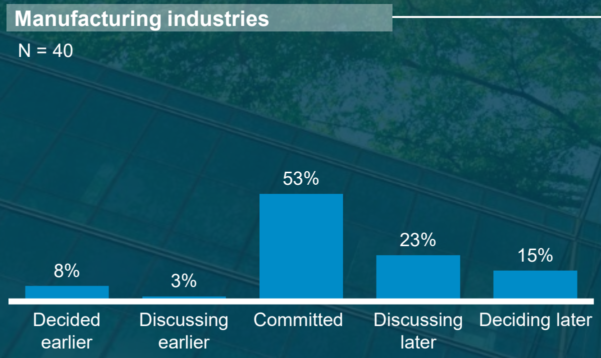
- AI is expected to **boost labor productivity** across **all functions** by double-digit percentage points, highlighting its **immense potential** for workforce **efficiency**
- Across both service and manufacturing industries, AI-driven labor productivity gains are expected to be **higher** in middle management than in top management, reflecting lower AI **adoption rates** in **strategic functions**
- Service industries expect **higher AI-driven productivity gains** than manufacturing, particularly in IT & digitalization and operations, reflecting **strong automation potential** in these areas

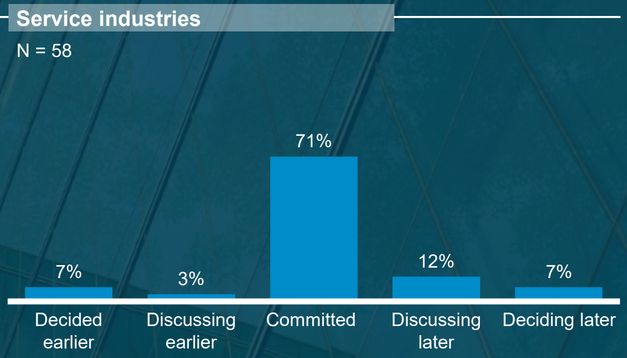
Statistical outliers excluded, rounding differences may occur

Though sustainability is less prioritized by CEE CxOs, net-zero commitments largely endure

Commitment to net-zero target







Key findings

- The majority of companies across industries are **committed to their net-zero targets**, despite sustainability ranking lower among strategic priorities. This suggests a growing recognition of its importance, even as firms balance other immediate pressures
- Commitment to net-zero targets is **stronger in service industries** than in manufacturing, which can be attributed to **limited emissions intensity and lower complexity** associated with transitioning to sustainable operations
- In **manufacturing**, a larger portion of companies **are considering or have decided to postpone their net-zero targets** compared to those in the service sector, attributed largely due to regulatory complexity and operational challenges

Rounding differences may occur

Content

CEE Outlook 2025
Resilient growth amid challenges and German economic ties

1

With rising internal demand and local investment, CEE is positioned for resilient growth

Growth is projected to be driven by rising domestic demand and investment, supporting resilience amid external risks

2

CEE companies explore top-line strategic growth while optimizing their cost structures

CEE companies are exploring new markets and product innovations to boost growth, while managing ongoing cost pressures from rising material and operational expenses

3

Structural risks persist: geopolitical instability and reliance on Germany continue to shape CEE development

These risks underscore the urgency for CEE to foster domestic industries and reduce reliance on Germany by diversifying trade and strengthening regional value chains

Content

Maria Boldor
Partner & Managing Director
Romania

Mobile: +40 749 040 518
E-Mail: MBoldor@horvath-partners.com

Bálint Palotai
Partner
Hungary

Mobile: +36 30 382 8804
E-Mail: Balint.Palotai@horvath-partners.com

Dr. Stefan Bergsmann
Partner & Managing Director
Austria, Czechia, Slovakia

Mobile: +43 664 9219911
E-Mail: SBergsmann@horvath-partners.com

Michael Harms
Managing Director
German Eastern Business Association

Mobile: +49 30 206167-116
E-Mail: m.harms@oa-ev.de

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Why is the 6th Annual CxO Priorities Study a must-read for CxOs?

- Discover the **top priorities** on executive agendas across industries and regions
- Benchmark **performance and growth ambitions** with industry peers
- Find out **where to shift workforce** and **where to invest** in an increasingly fragmented global economy
- Gain **insights into AI maturity and investment levels**, as well as **sustainability efforts**

Interested in industry-specific reports?
Contact us at cxostudy@horvath-partners.com

We asked CxOs which strategic initiatives need to be prioritized to ensure steady mid- and long-term growth

Explanations of the different strategic priorities

Cyber security
E.g., building competencies, policies, industry's role, efforts to improve cyber security, server location

Digital transformation
E.g., utilization of Gen AI technology, business models, products / services, customer interaction, value chain, agile organization, data & algorithms, use of technology, ecosystem partners

Ecological sustainability
E.g., climate neutrality / net zero, decarbonization, circular economy, sustainability strategy / measures / business models, anchoring in performance measurement, fulfilling sustainability regulations

Improvement of cost & profit structures
E.g., adjustment of overhead structures, SG&A, portfolio optimization, purchasing, break-even optimization

Improvement of financial performance & risk management
E.g., steering concept, operative performance management, data integration, scenario modelling, early warning systems, real-time reporting

Innovation and R&D
E.g., investment in R&D, breakthrough technologies, product and service innovation, emerging tech adoption, rapid prototyping, technology scouting

M&A or divestments of business areas
E.g., horizontal or vertical M&A transactions, strategic alliances, joint ventures, divest of business areas, and subsidiaries

Optimization of supply chain & production footprint
E.g., dual / multi-sourcing, regional sourcing, increased storage capacities, production footprint, production network

People-driven topics
E.g., shortage of skilled labor, corporate diversity & inclusion, new collaboration models, necessary / new competencies, leadership, employee motivation, employee health, employer branding, flexible work

Realignment of group strategy & business model
E.g., revenue and profitability targets, product / service portfolio, target customers, target markets, internationalization strategy, ecosystems, digital business models

Realignment of pricing & revenue models
E.g., positioning, pricing, subscription models, product / service bundling

Reorganization of structures & processes
E.g., centralization vs. decentralization, role of HQ, regions, functions and business units, shared services, span of control

Improvement of liquidity range
E.g., working capital, financing structure, operating cash flow

We differentiated between manufacturing and service industries

Sub-industries of the manufacturing and service industry clusters

Manufacturing industries

- Automotive
- Building & Construction
- Consumer Goods
- Defense & Aerospace
- Life Science & Medical Technology
- Machinery & Industrial Automation
- Metals & Mining
- Oil & Chemicals

Service industries

- Banking & Financial Institutions
- Energy
- Insurance
- Telecommunication
- Travel, Transport & Logistics
- Retail
- Public Sector