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Coface announces CEE Top 500 companies:
Household consumption boosts economic activity in CEE

- **2017 – a profitable year for Central and Eastern Europe: GDP growth rate reaches 4.5%, the highest level in eight years**
- **Better results for the region's 500 largest businesses in all three pillars: revenue, net profit and recruiting**
- **Sectors: Automotive & transport defends its pole position, oil and gas back on track after a recovery of oil prices in 2017**
- **Poland is home to most of the Top 500 giants**

The international credit insurance company Coface presents its tenth annual study on the biggest 500 companies in Central and Eastern Europe – the Coface CEE Top 500. It ranks the businesses by their turnover and additionally analyses further facts such as the number of employees, the framework of the companies, sectors and markets as well as the new Coface company credit assessments. The trend of the CEE Top 500 reflects developments in the region. Here are the main findings:

Overall, 2017 was an excellent year for CEE countries and their largest companies. Growth was mainly driven by higher private consumption, a rebound in external demand for exports, thanks to the recovery of the Eurozone, and improving demand from Russia. 80% of all exports from this region go to the EU, with Russia remaining an important trading partner for some countries, such as those in the Baltic region. Coface upgraded the Country Risk Assessments of several countries in the region, namely Bulgaria, the Czech Republic, Estonia, Hungary, Latvia, Russia and Serbia, leaving only Croatia and Serbia with a fairly high risk of business default.

"The economy in CEE is booming, the companies enjoyed a supportive macroeconomic environment in 2017, with the average GDP growth rate soaring to its highest level in the last eight years of 4.5%, after 3.1% in 2016 and 3.7% in 2015. As a result, the top 500 companies finished the year with an increase of turnover of 11.8% to EUR 652 billion and an increase in the employment rate of 4.7% to 2.4 million people," explains Declan Daly, CEO Coface Central and Eastern Europe.

Top 500 players: increase in turnover, net profit and recruiting

Analyses show a strong and expanding CEE region with decreasing risks in 2017, which also translated into higher revenues (+11.8%) and even a greater profitability with an increase in net profit of 16.2% at the region's 500 largest businesses. These companies have always been very important employers of the region in the past. Even if the labor market in CEE is getting tighter and it became more difficult to hire qualified staff, the top 500 giants increased the total staff number by 4.7%. The positive overall development of the labor market in CEE led to higher wages and improving consumer confidence.

Sectors: pole position for automotive & transport; oil & gas back on track

The three key sectors represented by the largest companies in the region (automotive & transport, oil & gas, non-specialized trade) continue to account for almost 60% of the revenue generated. Nevertheless, the increase in aggregated turnover was driven by all industries in 2017. The main contributors in absolute figures were energy, automotive and trade, which were also the most numerous in the sector ranking. Net profit also developed positively for most, with rises of between 5.0% (wood & furniture) and 51.4% (textiles, leather & clothing). The highest overall gains were made by minerals, chemicals, petroleum, plastics & pharma (EUR 9.5 billion). The construction sector struggled again and was the only industry to report a net loss (-118.6%) albeit with revenues increasing by 16%.

Automotive & Transport is the largest sector and benefitted from growing demand especially in Western Europe, to where the bulk of CEE production is exported. In the CEE region, there is a growing share of automotive companies, while those already present increased their capacities – recent examples include a new plant of Jaguar Land Rover in Slovakia and BMW in Hungary.

The traditional backbone of the top 500, the **minerals, chemicals, petroleum, plastics & pharma sector,** is back on track following a recovery of oil prices in 2017. Minerals and petroleum benefitted from a rebound in oil prices and increasing demand. Chemicals and plastics recorded higher production thanks to new investments and solid demand both domestic and externally. Pharma profited from increasing household consumption, an aging population as well as its experience of the positive impact of Foreign Direct Investments (FDIs) and higher demand on foreign markets.

The third sector on the podium is **non-specialized trade.** The main driving force of CEE growth is household consumption, which accelerated especially in 2017 thanks to decreasing unemployment and growing wages. Increased spending was recorded in wide-ranging trade categories. This sector is again the most important employer with nearly a third of all employees of the CEE Top 500 (608,000 people) working within this sector, which is an increase of +6.3% over 2016.

“Prospects for 2018 and beyond are optimistic, although weakening economic expansion should be expected. After reaching peak growth of 4.5% in 2017, Coface forecasts a decrease to 4.1% in 2018 and to 3.4% in 2019 in the CEE region. Such a slowdown won’t be extensive and businesses can still benefit from solid demand. Households will be still supported by low unemployment levels and growing wages. A rebound of investments will also make a positive contribution to growth. Nevertheless, labor shortages in the region have risen to high levels and became an important obstacle, limiting business and economic expansion,” adds Grzegorz Sielewicz, Regional Economist Coface Central and Eastern Europe.

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