



COFACE CEE TOP 500 RANKING

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ECONOMIC OUTLOOK
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The 13th edition of the CEE Top 500 – the CEE region weakened by the pandemic



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CEE economies have adapted to the new, pandemic environment, but its positive picture is challenged by the global and European perspective.

Central and Eastern Europe's 500 largest businesses faced a decrease of revenues and even a deeper drop in profits in 2020

A WORD FROM JAROSŁAW JAWORSKI

The CEE Top500 ranking provides essential information for businesses that are located or work within the CEE region. This year the 13th edition of Coface's annual publication CEE Top500 ranking, which refers to the biggest companies in CEE countries, is unique. For the first time in history, the ranking describes and analyzes companies in unpredictable circumstances and environments that have been changed as a result of the Covid-19 pandemic.

For the last few years, the CEE region was called the safe haven, with high GDP and a low unemployment rate, where companies willingly invested. In 2020 the reality and economic surroundings have changed, so for this reason it's hard to compare the region's economic situation year on year. The pandemic, lockdowns, and restrictive measures have forced many companies to change their businesses' strategies or rely on government subsidies. These new circumstances were a trap for some companies, but a great opportunity for others. The zombification is noticed in industries that were hit the hardest, like services, tourism, and aviation. These businesses have continued operating only through access to cheap credit, and without the government subsidies, they would not have survived this crisis. Moreover, many industries that already were undergoing restructuring before the pandemic, the crisis only deepened and accelerated this process. This applies, for example, to the automotive industry, which was hit hard by the first wave of the pandemic. That being said, this sector was already under pressure before the pandemic to meet tightening government standards for exhaust emission and the growing consumer demand for electric cars.

Even though all CEE countries experienced some kind of recession in 2020, some of them, like Lithuania, noticed just a minor contraction of growth, namely by only 0.9%. The CEE regional average GDP growth decreased by 4% in 2020. Nevertheless, the CEE economies experienced a fast recovery process. In the middle of 2021, countries such as the Baltics, Serbia, Romania, Poland, and Hungary came back to their pre-crisis levels, recording the fastest acceleration. Furthermore, manufacturing and competitive exports rebounded rapidly and strongly thanks to the wide integration of the European supply chain and the revival of global trade, while simultaneously the labour market has not experienced a significant deterioration with only slight increases of unemployment rates.

I trust you will find this 13th edition of the CEE Top500 interesting. Enjoy reading!

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**TURBULENT TIMES TRIGGERED
CHALLENGES FOR CEE
LARGEST COMPANIES**

COFACE CEE TOP 500

X ANALYSIS

Undoubtedly, the economic environment suffered significantly from the impact of Covid-19 pandemic. As a result, Central and Eastern Europe's 500 largest businesses faced a decrease of revenues and even a steeper decline in profits in 2020. However, the economic recovery that started in the second half of 2020 has partly averted the serious consequences of first lockdowns that were introduced while the Covid-19 swept across the region.

The COVID-19 pandemic caused significant economic deterioration worldwide, however it should be noted that the Central and Eastern European (CEE) region experienced the milder contraction of economic activity compared to most of its crucial trading partners, i.e. Western Europe. Indeed, while average GDP growth in Western Europe reached -7.1% in 2020, the CEE average reached -4.0% during the same period of time. There are still differences in the structures of West and East European economies. The CEE region is less dependent on services, including restaurants and the hospitality sector, which have been badly affected during the pandemic due to lockdowns, travel restrictions and low customer confidence. Nevertheless, there are also economies among CEE countries with a high share of tourism in GDP, primarily the Balkans.

Domestically, economies suffered mostly as a result of lockdowns. The health situation remained relatively good with a low number of Covid-19 infections during the first wave of pandemic. However, other waves resulted in the acceleration of cases as it seems governments were reluctant to impose strict restrictions that would come with the high price of economic deterioration. The sizeable contraction of demand in 2020, especially during its second quarter was not caused by a deep contraction of labour markets. Admittedly, employment dynamics deteriorated but an increase of unemployment was relatively mild thanks to the support measures that were introduced. Unemployment rates were still lower than in Western Europe in most of the countries, while Czechia and Poland enjoyed the lowest unemployment rate in the entire CEE. While the Western Europe's average amounted to 7.9% in 2020, unemployment rates reached 2.6% in the Czech Republic, 3.2% in Poland, 4.3% in Hungary and 5.0% in Romania.

Despite the fact the number of people with jobs were still low, unemployment rates increased in 2020 by around 0.5-1.0 percent in most CEE countries or even by 2 percent in the Baltics. Poland and Serbia were two exceptions as unemployment dropped in 2020, according to the Eurostat calculations, namely by 0.1 and 1.4 percent, respectively. The temporary deterioration of the labour market in CEE weakened its grip. Companies hoped that it would be easier to fulfil job vacancies once the pandemic had passed. However, several

months after the initial impact of pandemic, labour shortages returned along with decreasing unemployment and wages growing again by solid rates.

In 2020 CEE exports benefited from the revival of global trade and started to recover as one of first components of economic activity. As a result, export contributed to the acceleration of regional manufacturing sectors which have begun to experience higher processing costs. The higher processing costs have accelerated sharply since then and affect businesses to a large extent these days. The rebounding demand in the second half of 2020 triggered a higher capacity utilisation. Nevertheless, companies were rather unsure about the sustainability of economic recovery and the recovery of fixed asset investments was already recorded after several quarters, i.e. in 2021.

The results of the 2020 ranking of the region's largest companies revealed that the deteriorated economic environment translated into more challenging business activity. The CEE Top 500 outlines the economic situation at the 500 largest companies in Central and Eastern Europe measured by turnover. Overall turnover at the top 500 companies decreased by 3.3% to 667 billion euros. Average turnover contracted to 1,333 million euros compared to last year's 1,378 million euros. However, all that being said, the battle for the top spot is getting tougher. In our 2010 edition of the CEE Top 500 companies, the minimum revenue for a company to qualify for the ranking was 354 million euros, but this has increased to 466 million euros this year (+31.6%).

Aggregated net profits amounted to 19,185 million (-23.7% compared to the previous year) and employment at the 500 largest companies was 2.3 million people (-1.0%).

This study utilises Coface's online platform **iCON** to gather this financial data and it also provides individual company credit assessments. The Coface assessment indicates the probability of default for the company within 12 months of the date the score was set with values from 0 (insolvency/preliminary/debt regulation proceedings) to 10 (excellent risk). The average score for all 500 listed companies reflects a very low risk with a value of 6.2. Less than 3% has a score of 3 or less indicating a very high risk of default. The vast majority of