

COFACE CEE TOP 500 RANKING

Automotive and transport is the leading sector in the region CEE

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35 ECONOMIC OUTLOOK by Grzegorz Siewicz, Regional Economist CEE

The Top 500 companies generated EUR 580 billion in 2016 – a minor decrease of 0.6% – and experienced a greater downturn in net profit by -3.1% to EUR 26.3 billion. In contrast to the decrease in turnover and net profit, employment rates boomed. The CEE Top 500 companies employed 4.5% of the total labour force in the region, strengthening their workforce significantly by +3.9% to 2.2 million people. This development was reflected in the declining unemployment rates in the region. In ten countries the unemployment rates decreased by even more than 10%, most notably Hungary with -25.0% to 5.1% and the Czech Republic with -21.6% to 4.0%. In most of the CEE countries unemployment rates are now even lower than in Western European countries. The only country which registered higher unemployment figures than the year before is Estonia with +9.7% to 6.8%.

Diverse sector landscape: automotive industry up, oil & gas sector down

The analysis by sectors showed a changing market. Traditional industries declined and new ones were ready to take over. Although the overall turnover decreased by -0.6%, nine out of 13 sectors increased their turnover in comparison to the previous year. The decrease in the Top 500 turnover can be attributed to four sectors: oil & gas (-5.4%), energy (-7.3%), mechanical & precision engineering (-59.1%) and metals (-6.4%).

Their revenue losses were too large to be offset by the positive performance of the other sectors.

The downturn in the oil & gas sector, which has previously dominated the ranking, has been monitored over the last few years. With 92 companies (18.4%) remaining in the Top 500, compared to 111 in 2015 (22.2%), the sector lost in turnover due to the difficult global commodities market. As a result, over 50% of the 92 firms from this industry lost ground in the ranking.

The automotive and transport sector took over the lead position with a turnover of EUR 128 billion. Car manufacturers and producers of components and spare parts in the region increased their capacities for Western Europe, their main export destination. In 2016, more than 20% of all CEE Top 500 companies (102 companies) worked in this field whereas in 2015 it was only 17%. Revenues rose by +8.6% and net profit increased by +6.8%. This result is due to a very favourable economic environment with increasing demand.

Good outlook for the CEE region in 2017 and 2018

Growth in CEE economies is expected to recover following last year's slowdown. Coface forecasts that the average Central and Eastern Europe GDP growth rate will increase to 3.4% in 2017 and 3.3% in 2018. Both years will be fuelled by stable growth in private consumption, supported by continued improvements on the labour market.