

## PRESS RELEASE

### COFACE PUBLISHES CEE TOP 500 COMPANIES: How do the biggest companies bounce back from the pandemic?

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- **2021 – a favourable environment for Central and Eastern Europe with 5.7% GDP growth after a recession of -3.7% in the first year of pandemic**
- **Top 500 players: increase in turnover, net profits and employment, due to the recovery from the slump of activity**
- **Sectors: the reliable backbone oil and gas comes in first in the top 500 followed by automotive & transport and non-specialized trade**
- **Poland is home to the largest businesses in the region with an increasing aggregated turnover by 26% in 2021 compared to previously**

The year 2021 brought a favourable environment for both economies and the largest businesses in Central and Eastern Europe (CEE). Although still faced with challenges from the Covid-19 pandemic, economic activity has recovered from the slump in 2020. As a result, the region's 500 largest businesses recorded soaring revenues and higher profits.

CEE recovered faster than most of its crucial trading partners. While the CEE region had recorded a milder recession in 2020 with average GDP growth reaching -3.7% compared to -5.5% in Western Europe, the CEE recovery in 2021 was also more impressive, reaching 5.7% compared to 4.7% in Western Europe. **Grzegorz Sielewicz, Regional Economist Coface Central and Eastern Europe**, explains the different structures of the regions: *“CEE is less dependent on services, including restaurants and the hospitality sector, which were badly affected during the pandemic due to lockdowns, travel restrictions and low customer confidence, taking a huge toll on various Western European economies”*.

The international trade credit insurance company presents its 14th annual study on the biggest 500 companies in CEE. The *“Coface CEE Top 500 study”* ranks businesses by their turnover and analyses further facts such as the number of employees, the framework of the companies, sectors, and markets, as well as the Coface company credit assessments. The economic development of the CEE Top 500 is representative of the market trend in the entire region.

#### **Top 500 players: increasing turnover, net profit and recruiting**

*“The results of the 2021 ranking of the region's largest companies revealed that businesses were able to benefit promptly from the economic recovery”*, explains **Jarosław Jaworski, CEO Coface Central and Eastern Europe**. Overall turnover of all 500 companies soared by 26.9% to 842 billion euros. The aggregated net profits almost doubled compared to 2020 to 41,428 million. In addition, the 500 companies employed 2.2 million people (+1.3% vs. 2020). *“Domestically, CEE economies benefited from solid internal demand. The labour market in 2021 was again in a favourable situation with low unemployment rates and solid wage growth. Measures introduced as a response to the impact of Covid-19 included a support for the labour market, meaning massive lay-offs were avoided,”* adds Jaworski.

### Poland and the automotive sector lead the pack

**PKN Orlen** remains unbeaten in the top spot, strengthening its position with a turnover that soared by 52%, while it had decreased by 23% in the previous year. **Czech Skoda Auto** (2nd), the multinational oil and gas company **MOL Hungary** (3rd), Polish state-controlled **PGNiG** (4th), retailer **Jeronimo Polska** (5th), the Polish energy company **PGE** (7th) and **Volkswagen Slovakia** (8th) were already at the top during previous rankings. Most of them recorded a higher turnover. Car manufacturers like Skoda Auto and Volkswagen Slovakia recorded only a slight increase of revenues by 0.4% and 2.3% due to supply chain disruptions.

### Sectors: leading position for oil & gas, followed by strong automotive & transport sector

Three key sectors (**automotive & transport, oil & gas, non-specialized trade**), represented by the largest companies in the region, continue to account for 53% of the total revenue.

This year, all sectors recorded the increase in turnover, due to an accelerating demand and a weak starting point from the previous year. This took a huge toll on companies' financials due to the initial stage of pandemic and related lockdowns. The most striking example comes from the **textile-clothing sector**, which suffered a slump in demand as well as changing consumer preferences in the pandemic year 2020. In 2021, the sector recorded the highest growth of turnover by 60.3%. By contrast, the weakest increase in turnover was recorded by **construction** (+9.5%) and **automotive & transports** (+9.6%) which still delivered solid growth rates anyway. A majority of sectors were able to generate higher net profits, the biggest winner being **metals** (+437%). On the contrary, **textile-clothing and agri-food** are the sectors that showed negative dynamics in that area.

The best-rated industry of the CEE Top 500 is a very small one: **wood & furniture** has only five representatives in the ranking, but recorded a growth in turnover of 27.9% and net profits more than doubled.

**The minerals, chemicals, petroleum, plastics & pharma sector** is again the largest in the CEE Top 500 ranking. The sector enjoyed one of the highest surges of net profits (+331.5%). During the course of 2021, oil prices soared by 52%, benefiting from recovering industries and economies. That created opportunities in generating profits from refining margins, especially considering increasing demand after lockdowns and the revival of global trade.

Although **automotive & transport** remains at the top, the sector developed relatively weakly compared to others. The industry remains dominant in four countries: Czech Republic, Hungary, Romania and Slovakia.

The third sector on the podium is **non-specialized trade**. As unemployment rates increased just slightly during the pandemic and the labour market delivered solid wage growth rates, the economy was helped by increased households' spending. The turnover in the largest businesses of this industry rose by +19.3% while companies were also able to record higher net profits (+22.8%).

*"As a result of the revival of global trade, CEE exports contributed to the acceleration of regional manufacturing sectors, which experienced higher processing costs. These costs have risen sharply since the rebound from pandemic doldrums started and those still affect businesses largely these days, especially now that energy and inputs costs have soared since the war in Ukraine started", explains **Grzegorz Sielewicz**. "Indeed, as Russia supplied Europe with energy commodities, those prices soared significantly in 2022, initiating the energy crisis. At the same time, disruptions with agro-food commodities' supplies have led to growing food price inflation due to the fact that both Russia and Ukraine take a sizable share in global agricultural exports."*



The war in Ukraine has hit the region hard and further challenges arose with related economic consequences. *“CEE economies are expected to have the most significant impact from the war that started in February 2022. That is due to their geographical proximity to both countries, export dependence, reliance on energy imports from Russia, a refugee influx from Ukraine, and logistics issues that emerged from the war. This means that the region is vulnerable across a range of factors and the next edition could show a different picture”*, adds **Jarosław Jaworski**.

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