

# Central and Eastern Europe Business Opportunities



## DID YOU KNOW THAT...?

### POLAND

... is the 9th largest country in Europe and 69th in the world in terms of size?

### SLOVAKIA AND CZECH REPUBLIC

... are the two largest per capita car producers in the world with 103 and 102 cars produced per 1,000 people?

### HUNGARY

... Budapest has more thermal springs below the city than any other capital in the world?

### BULGARIA

... the one thing that Bulgarians insist upon owning as their exclusive invention is yogurt?

## COUNTRY NEWS

### POLAND

#### Toys“R”Us to open its first store in Warsaw, more to follow in 2012

This will be the first store in Central and Eastern Europe opened by the world's leading toy and juvenile products retailer. Toys“R”Us currently operates over 300 stores throughout Europe. In August, the company established a headquarters for the Polish operation employing approximately 25 people in merchandising, marketing, human resources, store operations and finance. The 25,000 square feet store in Warsaw will create approximately 30 additional local jobs. It will be stocked via existing European distribution channels.

### UKRAINE – power & gas

#### \$4.8 billion for gas transit pipeline upgrade to include small projects

A study by Mott MacDonald claims that Ukrtransgaz, a company servicing the gas transportation system in Ukraine, will need \$4.8 billion over seven years to reconstruct and modernize trunk gas pipelines, compressor stations and install gas metering units. About \$2.8 billion could be invested in mini projects in order to keep the system running.



### ESTONIA

#### GDP up by 7.9% - Estonia fastest growing in the EU

The country enjoyed the most robust GDP growth in the EU with a 7.9% increase in Q3 compared to 2010, exceeding official predictions of “only” a 7% rise. Estonia is estimated to remain in the lead next year as well. Its public debt of 6.6% is the lowest in Europe (EU's average reaching 80%), and keeps decreasing as the country maintains a budget surplus. This country was severely hit by the 2008 financial crisis, yet it chose temporarily lower GDP over mounting its public debt to fight the recession.

## CONSUMER TRENDS

### HUNGARY

#### Half of mobile handsets sold in Hungary in 2011 to be smartphones

According to Samsung, out of 2.5 million mobile phones sold in Hungary in 2011, smartphones should make up for 40 to 50%.

### CZECH REPUBLIC

#### Office space in Prague: best investment

Should another recession hit, office space in **Prague and London** would constitute the most secure real estate investment. DTZ estimates that in case of negative GDP growth, return on real estate investment would reach 3.2% throughout major European cities, while returns on Prague's and London's investments would amount to 7.4% and 6.6% respectively.

### POLAND

#### Polish e-commerce market predicted to double in 2010-2015

ResearchFarm, a market research company, estimates the value of the Polish e-commerce market to grow from EUR 3.3 billion in 2010 to EUR 5.9 billion by 2015. Poland is a European leader in terms of e-commerce growth.

### CEE

#### Entering Europe from the East – a new market entry trend?

Due to fierce competition in Western Europe a number of non-European franchises have selected the Czech Republic as their point of entry to the European market. They see it as an excellent testing market and a gateway to Europe. So far the established route to the CEE countries has been via London and continental Western Europe. A number of franchises (e.g. fast food chains Dairy Queen, Texas Chicken or A Buyer's Choice Home Inspection) have recently held talks with prospects interested in master licenses for the Czech Republic.



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**COUNTRY IN A NUTSHELL****CZECH REPUBLIC**

- ◆ One of most **prospering** countries of Central & Eastern Europe
- ◆ With a population of 10 million, it has a very **robust export-focused** economy with high quality production and **high purchasing power**; its GDP exceeds that of e.g. much larger Ukraine (40 mil. people) by 40%
- ◆ Ranks **second** in CEE in terms of GDP per capita (after Slovenia)
- ◆ Car production in Czech Republic has grown steadily since 2003, annual production volume exceeding 1 million for the first time in 2010

Area & Capital	78,867 sq. km / Prague
Population & Language	10.3 million / Czech language
Currency	Czech Crown (koruna, CZK)
GDP per capita (PPP, 2010)	USD 25,600 / EUR 20,089

**MARKET AND SECTOR HIGHLIGHTS****E-commerce: Romania****Romanian Internet users still consider shopping online too risky**

Results of a 2011 study by Gemius suggest the Romanian market has open opportunities for companies offering products and services related to **online payments** – making payments easier and more secure, as the lack of trust of customers in e-shops seems to be the main obstacle for wider acceptance of e-commerce. Currently 44% of Internet users in Romania consider shopping online too risky. The number of Internet users in Romania who have tried to shop online has only increased by 2% over the past two years. Only about half of Internet users in Romania have made an online purchase (for comparison, 84% of Czech Internet users shop online).

**Electro-mobility: CEE****CEE- a region with high potential for e-mobility**

According to a Roland Berger study by 2025 a quarter of vehicles sold in Central and Eastern Europe will be electric-powered. This would translate into over **640,000 new electric vehicles** in the streets each year. Major growth in the sector is not expected until 2015 when mass production is forecasted to take off with increased demand in the B2B sector. The use of electric vehicles by individual customers should increase around 2020 with a decrease in production costs of the vehicles, their batteries and infrastructure. The Czech Republic and Poland have already undertaken smaller projects, with 65 and 50 electric vehicles currently in use, respectively. Progress of Romania, Hungary, Slovenia, and Slovakia remains hindered by limited initiatives of their utilities and car producers.

**MARKET LEADER PROFILE****CZECH REPUBLIC - USA****Mitas increases investment and cuts construction time for its plant in Iowa, USA**

Mitas, a Czech producer of motorcycle, agricultural and industrial tires, will increase investment in its Charles City factory by 19% to \$51 million by the beginning of 2012. The company will also shorten the plant's construction from five to three years. Production is slated to start in early 2012. By end of 2013, the annual production capacity of the **Iowa factory** should reach 12,000 tons of tires. Mitas now operates three plants in the Czech Republic and one in Serbia. The company's distribution network spans into 13 countries, including the United States and Mexico. Mitas is **among top three European producers** of agricultural and construction equipment tires; its 2010 turnover exceeded \$427 million.

**CURRENT & RECENT EASYLINK'S PROJECTS**

- ◆ Identifying and pre-qualifying **elevator assembly contractors** for a German client
- ◆ **Recruiting Czech and Slovak buyers** for 6 trade fairs in Italy
- ◆ Distributor search in the Czech Republic and France for a U.S. producer of **industrial lubricants**
- ◆ Support for a **metal powder** exporter targeting Russia, Ukraine, Belarus and other CEE markets

Newsletter resources: Budapest Business Journal, Warsaw Business Journal, Kyiv Post, Company press releases, PMR, and other local media outlets