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NEWSLETTER VALIANS

Trends and opportunities in Eastern Europe

November 2019

The content of this newsletter is based on:

- The reports and market analysis of PMR (www.pmrpublications.com), leader in market analysis and publications in Eastern Europe, and partner of VALIANS INTERNATIONAL.
- Contacts and experiences of our team of consultants gathered during their different projects on a daily basis. You will find below an overview of the trends and opportunities on the markets gathered from their main players.

Industry / Construction / Environment

Poland: From « made in China » to « Made in Europe »

From "made in China" to "made in Europe" ... Since few years, Asian groups are more and more likely to settle in Europe. This is the case of the Chinese manufacturer of motors and components for electric bicycles Bafang which has just inaugurated its new production site in Poland. Located in Wroclaw, this plant has a particular importance since it is the first industrial site installed by the group outside of China. During the first year, Bafang plans to manufacture up to 150,000 training units that will be used to equip the models of its various European partners. In three years, the goal of the group is to move to an annual output of 600,000 units.



Spread over 6000 m² of area, the plant represents an investment of EUR 16 million. It will initially employ 50 employees. New Eldorado for Asian groups, Poland welcomes more and more industrial sites. *Source: Le Monde*

Romania : Volume of construction work, up 35.4% in Q3 2019



The volume of construction works in Romania increased by 27.9% in January - September this year compared to the same period of 2018, according to data published by the statistics office INS. The growth rate accelerated to 35.4% year-on-year in the third quarter of the year (Q3) from 30.8% year-on-year in Q2, and 11.7% year-on-year in Q1. For the January - September period, the construction of non residential buildings (including industrial and logistic spaces but also shopping malls and office buildings) boasted the strongest growth rate: 38.3% year-on-year, compared to 32.1% year-on-year growth in the residential buildings segment and more modest 20% year-on-year advance in the civil engineering segment (that depends on the public budget). *Source: Romania insider*

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Slovakia: A new, ultra-modern logistics park to develop



Modesta Real Estate was able to support Mountpark Logistics, a leading developer of logistics real estate, in the purchase of a 30 ha development site for logistics purposes. The development of the logistics park is scheduled to begin in 2020 and will provide up to 120,000 sqm of ultra-modern logistics space. "Mountpark Bratislava" is located directly on the new motorway exit D1 Triblavina Bratislava. With its excellent connections to the city centre of Bratislava and Bratislava International Airport, along with to Austria, Hungary and the Czech Republic, the logistics site is an ideal location. Slovakia, especially the Bratislava area, has been in high demand as a logistics location for more than a decade, due in part to its excellent geographical location within Central Europe. *Source : The Slovak Spectator*

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On the field
Hungary
European Funds

Hungary has so far received € 276 million in EU funding dedicated to research and innovation under the Horizon 2020 program. These funds have financed 1,076 projects in the country. EUR 58.6 million was allocated to the framework of the European Research Council, € 26.9 million for research in information and communication technologies; 22.5 million in the area of food security, sustainable agriculture and forest management. EUR 90 million was awarded to companies; EUR 76.7 million to research institutes; EUR 73.1 million in secondary and tertiary education institutions and EUR 13.4 million in other public institutions

Railway industry

Metrans, the Czech railway company, launched its first container train between Budapest and China on 21 October, saying that the frequency of roundtrips would depend on the success of this new service, which is part of the strategy of the new silk route's transports. *Source DGtrèsor*

Retail / Food / Pharma / ITC

Czech republic: Strong growth of fair trade products

There has been a significant rise in Fairtrade product sales in the Czech Republic. The most significant increase was registered in cocoa beans sales, which grew by 155 % compared to last year's numbers, Hana Malíková, from the NGO Fairtrade Czech Republic and Slovakia, told journalists at a press conference on Wednesday. Fairtrade cotton sales also fared particularly well, increasing by 317 %. Meanwhile, coffee and tea sales rose by 37 % and 24 % respectively. Fair trade is an institutional arrangement designed to help producers in developing countries achieve better trading conditions. According to a recent survey, 52 % of Czechs recognise the Fairtrade logo and nearly a fifth of shoppers bought a product with this label in the last quarter-year. *Source : Radiopraha*



On the field

Poland

Dairy market in growth



Freddy Durand, directeur collecte Lactalis Pologne

Poland: Hermès to open its first shop in Poland



On November 28, Hermès will inaugurate its first outlet in Poland on the ground floor of the Hotel Europejski in Warsaw. In an area of 216 m2 with cherry wood furniture and pastel carpets, Hermès will present its collections of silk, leather goods, prêt-à-porter, shoes, perfumes, watches, jewelry

and fashion accessories. With the increase in the purchasing power of the Polish, the luxury market is booming (+ 13.8% in 2018). According to the latest report of KPMG, the number of affluent people in Poland has reached 1.3 million Polish in 2018 and is expected to reach 1.6 million by 2023. The luxury market in Poland has a bright future. *Source : Fashion network / Valians*

"In 15 years, the Polish dairy sector has been deeply restructured. While the number of producers has been divided by four in 15 years, the volume collected has increased by 50% over the same period, now exceeding 11.5 billion liters," says Freddy Durand, Lactalis Poland collection director. Delivery per farm increased from 20,000 to 100,000 liters on average, but with very heterogeneous trajectories. "Some farms have more than 1,000 dairy cows. Production per cow has also grown steadily in recent years, reaching 8,300 kg in 2018, compared to just 6,600 kg in 2004. "Contracts with volumes are being put in place with producers. They can increase according to the evolution of the sales. In Poland, farmers receive aid on machinery and buildings that can be significant, up to 50% of the investment. Overall, public policy favors agriculture. "

Source : paysan-breton

Romania: Software industry to reach EUR

6.2 bln this year

Romania's software industry is expected to reach a turnover of approximately EUR 6.2 billion this year, up by about 10.4% compared to 2018, when the turnover in this sector reached EUR 5.7 bln, according to



estimates by market research company KeysFin. Some 58% of the turnover is generated by firms located in the capital city Bucharest. Foreign investors control 53% of the equity of software companies in Romania, while the share of local investments saw an annual advance of about 5 percentage points to 47% in 2018. Foreign investors in the local software market come from over 60 countries, with Germany (10.7%), Luxembourg (7.3%), Netherlands (7.2%), UK (5.5%) and Cyprus (with 4.8% of the total), accumulating two thirds of the total foreign equity. As for the local investors, they come from the big cities of the country, such as Bucharest and Cluj-Napoca, as well as from medium-sized cities, such as Târgu-Mureş . *Source : Romania insider*