

Business-Friendly City Perception Index 2021



Business-Friendly City Perception Index 2021

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ISSN 2399-7605

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Foreword



Andrew Wrobel
Founding Partner
Emerging Europe

Reality is the state of things as they actually exist. Reality is fact, reality is truth. However, it is not always known where reality begins and perception ends. Often, perception is more important than reality, for a person's perception *is* their reality.

Everyone has a different perception of reality and a different way of perceiving the world through their own eyes. Reality itself changes from person to person, and that has an impact on their decisions or their choices.

Over the last decade I have spoken with hundreds of international business leaders and I have always been taken aback by the wide spectrum of perceptions of the emerging Europe region they represent.

There were those who would refer to some of our geographies as the "Wild East" and those who would not imagine doing business anywhere else. Sometimes, the perception of businesspeople from or operating in the region could not have been more different from reality and other times, those with little knowledge or experience were more understanding and saw the unlimited opportunities that could unfold.

Every single country, region and city within emerging Europe wants to attract as many investors as possible. But without any knowledge of how their location is perceived by the majority of business leaders responsible for site selection, those cities, regions and countries might not be able to take the right approach in promoting their value proposition.

It is therefore essential to understand how business perceives the region, so that locations can adapt accordingly.

In 2019, as a part of the Emerging Europe Awards Programme, we launched the Business-Friendly City Perception Index. In that exercise, we focused on international site selection experts, location consultants and FDI advisers who provide assistance to those business leaders seeking to expand their operations.

This perception-based survey demonstrates just how much these experts already know about our region, as well as how much they don't: there is still over a dozen cities in the region (out of 100) that do not get mentioned. The Index also, together with Emerging Europe's [FDI Destination](#) initiative, raises awareness about all of them.

I would like to offer my congratulations to all of the winners, especially Łódź, which ranks first overall, and look forward to working jointly on changing the perception of emerging Europe.



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Business-Friendly City Perception Index 2021

Not only is the Polish city of Łódź the biggest winner of the 2021 edition of the Business-Friendly City Perception Index but its performance is also something of a revelation: it is the first non-capital city to top the index, which is based on the responses of over 100 global FDI experts, site selection advisors and location analysts.

Top spot was previously occupied by Warsaw (in 2019) and then by Budapest in 2020. The rankings of both those cities dropped compared to last year, but they remain in the top 10.

With almost 700,000 inhabitants, Łódź is Poland's third-largest city, and before World War I was one of the world's 35 largest cities. As a major textile industry centre, it once had the highest population growth rate in Europe, expanding from 13,000 in 1840 to over 500,000 in 1913.

With almost 700,000 inhabitants, Łódź is Poland's third-largest city, and before World War I was one of the world's 35 largest cities. As a major textile industry centre, it once had the highest population growth rate in Europe, expanding from 13,000 in 1840 to over 500,000 in 1913.

Today, Łódź is surrounded by a network of motorways and expressways which makes the city a logistics and transport hub. A major educational and scientific centre and the home of a globally renowned film school, the city attracts companies in the creative industries as well as business process outsourcing and research and development.

In both previous editions of the index, Łódź ranked 13th. However, its upwards mobility was evident in 2020, when it topped the business climate category and ranked second in the local



		Index 2021			Index 2020	
Rank	City	Country	No of mentions	Change compared to 2020	Rank	
1	Łódź	Poland	209	↑	13	
2	Prague	Czechia	184	=	2	
3	Ljubljana	Slovenia	167	↑	4	
4	Budapest	Hungary	166	↓	1	
5	Kyiv	Ukraine	149	↑	17	
6	Warsaw	Poland	144	↓	3	
7	Vilnius	Lithuania	140	↑	8	
8	Cluj-Napoca	Romania	128	↑	15	
9	Belgrade	Serbia	124	↑	24	
10	Bucharest	Romania	123	↑	16	
11	Poznań	Poland	122	↑	19	
12	Kraków	Poland	121	↓	11	
12	Tallinn	Estonia	121	=	12	
14	Brno	Czechia	114	↓	8	
14	Lviv	Ukraine	114	↓	6	
16	Wrocław	Poland	113	↑	17	
17	Gdańsk	Poland	104	↓	10	
18	Sofia	Bulgaria	102	↓	7	
19	Debrecen	Hungary	101	↑	27	
20	Tbilisi	Georgia	94	↓	14	
21	Riga	Latvia	89	↑	26	
22	Bratislava	Slovakia	85	↓	5	
23	Kaunas	Lithuania	83	↓	22	
23	Zagreb	Croatia	83	↓	20	
25	Katowice	Poland	61	↓	24	

authority's support category. In 2021, Łódź beat all other cities in emerging Europe in both. Earlier, in 2019, the city had received the highest score in the economic potential category.

The overall top 10 also features another city that is not a country capital — the Romanian city of Cluj-Napoca, which also won the smart city development category beating last year's winners — Tallinn and Sofia.

The biggest improvers in this year's index include Hungary's second-largest city of Debrecen, up 27 places, Latvia's capital Riga (up 26 places), and Serbia's capital Belgrade (up 24 places).

The Polish city of Katowice meanwhile dropped 24 places, the biggest fall in 2021. Zagreb in Croatia (22 places) and Kaunas in Lithuania (20 places) also saw their overall rankings fall considerably.

There are 12 cities in emerging Europe with a population of over 200,000 people that were not selected by our experts at all, most in Ukraine: Bobruisk, Brăila, Cherkasy, Chernivtsi, Gorlivka, Ivano-Frankivsk, Kamianske, Kherson, Khmelnytsky, Kremenchuk, Poltava, Sevastopol, Sumy and Vinnytsia.

The overall Index looked at the total number of mentions across eight different categories: brand, economic potential, business climate, pool of talent, smart city development, infrastructure and connectivity, quality of life and local authority support. All these categories are looked at in detail in the following sections.

The Perception Index takes into account cities located in disputed territories as long as they have a population higher than 200,000. That includes cities in Crimea and Donbas.



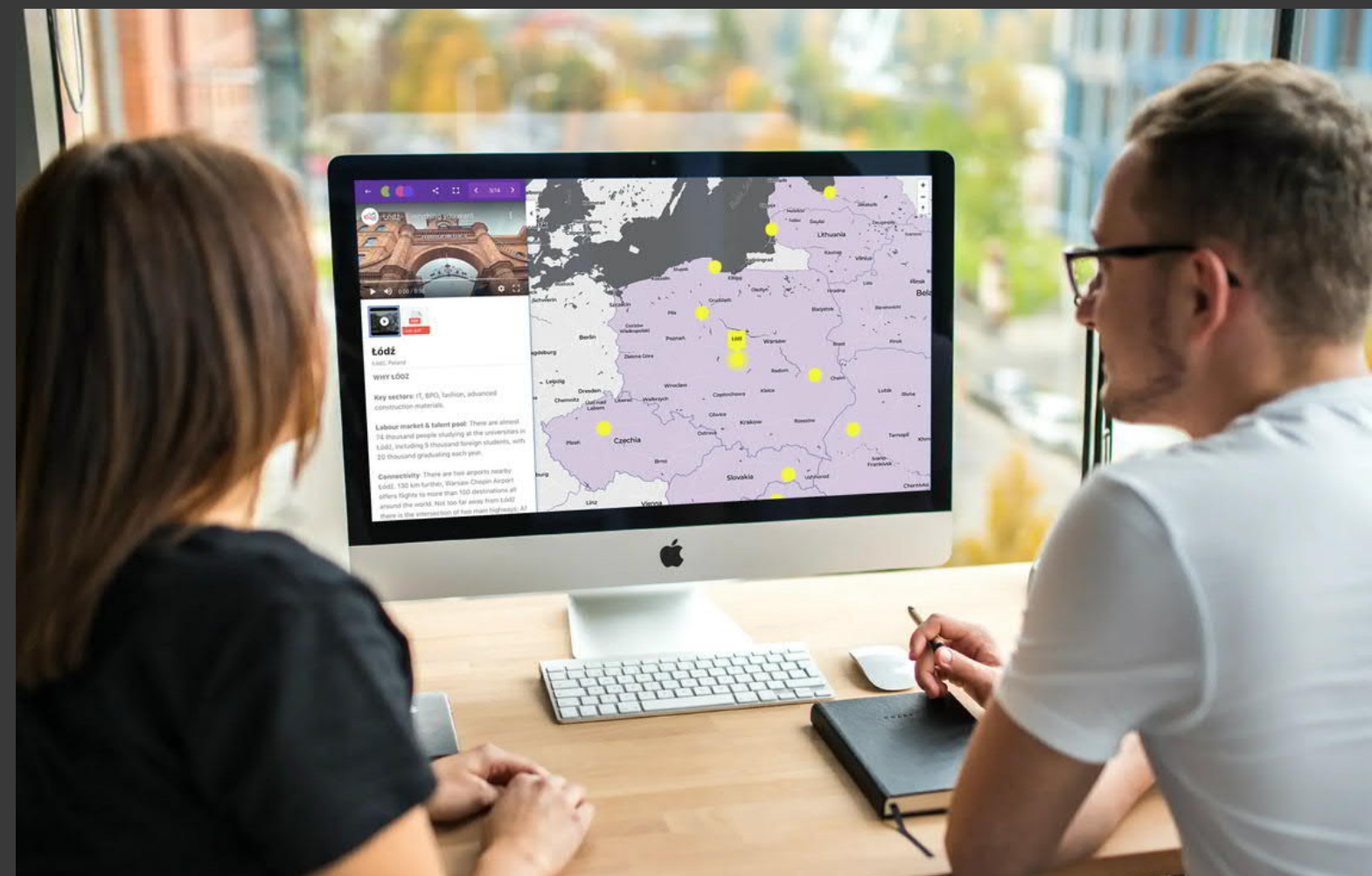
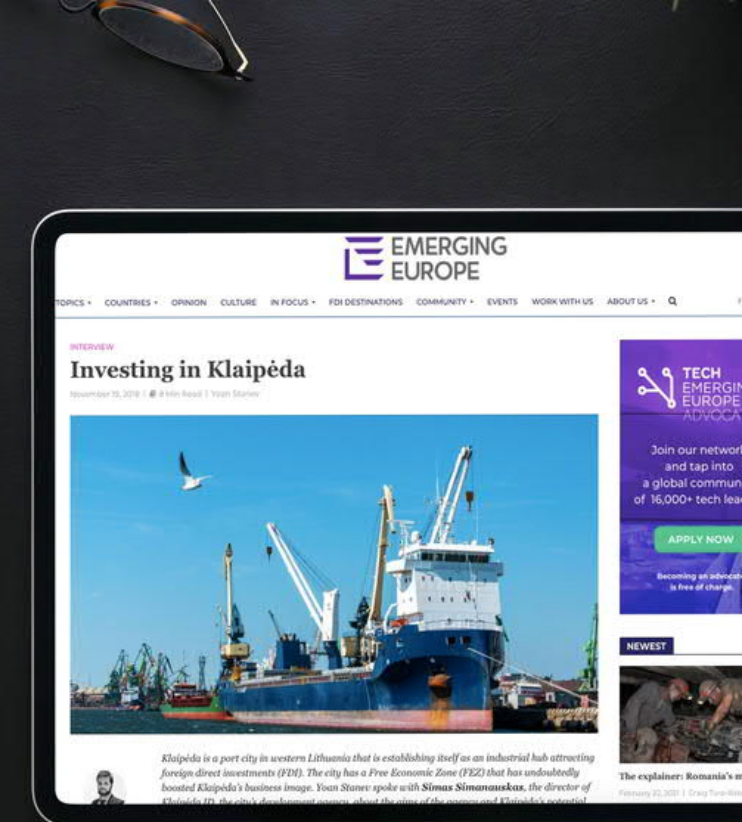
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Business-Friendly City Perception Index 2021

BRAND

In the brand category, respondents were asked to choose five cities that communicate and promote their value proposition in a clear and comprehensive manner; cities that are immediately associated with a specific industry that has been developed there.

In 2019, five out of the top cities in this category were located in Poland. The number decreased slightly in 2020 and 2021 but as the region's largest economy Poland still appears to be best

known for locations experts. Warsaw, Kraków, Gdańsk and Łódź have all been included in the top ten in each of the three editions so far.

In the 2019 edition, Warsaw led the category but was replaced by Budapest in both 2020 and 2021. Two other cities have also featured in the top 10 in all three editions - Vilnius and Prague - while Bratislava, Lviv, Sofia and Wrocław - which made the top 10 in either 2019 or 2020 have dropped out. Bucharest is the only newcomer in the 2021 ranking.

Index 2021			
Rank	City	Country	No of mentions
1	Budapest	Hungary	40
2	Kraków	Poland	32
3	Tallinn	Estonia	31
4	Łódź	Poland	27
5	Prague	Czechia	25
6	Ljubljana	Slovenia	21
6	Vilnius	Lithuania	21
8	Warsaw	Poland	20
9	Gdańsk	Poland	19
10	Bucharest	Romania	18
10	Cluj-Napoca	Romania	18



Business-Friendly City Perception Index 2021

ECONOMIC POTENTIAL

In the economic potential category, respondents were asked to choose five cities that can create surplus value, that are highly capable of producing goods and services thanks to available resources but have not yet been tapped and fully developed or exploited.

Belgrade is the leader in the economic potential category this year. In 2019 and 2020 Belgrade was not ranked in top 10 countries. Kyiv meanwhile is the only city that has featured in the top 10 in all three editions.

Three other cities in Ukraine, Lviv, Kharkiv and Dnipro, which were among the top 10 cities in 2019 and 2020, have dropped out. There are, this year, a number of debutants on the list – Debrecen, Vilnius, Prague, Tallinn and Gdańsk.

The previous year's winner – Tbilisi – is only ranked 23rd this year. Łódź – the leader in the category in 2019 – dropped out in 2020, but returned in 2021 and takes fourth position, sharing it with Bucharest, which is up two places from the previous year's ranking.

Index 2021			
Rank	City	Country	No of mentions
1	Belgrade	Serbia	38
2	Kyiv	Ukraine	33
3	Debrecen	Hungary	30
4	Bucharest	Romania	27
4	Łódź	Poland	27
6	Prague	Czechia	23
7	Vilnius	Lithuania	21
8	Kaunas	Lithuania	19
8	Tallinn	Estonia	19
10	Gdańsk	Poland	18



Business-Friendly City Perception Index 2021

BUSINESS CLIMATE

In the business climate category, respondents were asked to choose five cities which offer the most favourable regulations for business to flourish, where the level of corruption and red tape is the lowest, cities where all stakeholders have a positive attitude towards business activity.

In 2021 the most favourable conditions for business are created in Łódź – 39 respondents chose this city, eight more than the Georgian capital Tbilisi. Łódź has now held the first position for two years in a row, while in 2019 it was ranked sixth.

The city that held first place in the business climate ranking in 2019 and second spot in 2020 – Vilnius – drops to third, outperformed by Tbilisi. The Georgian capital saw a significant rise from 18th position in 2020.

Three cities have been chosen by respondents as top 10 locations in all three editions (2019, 2020 and 2021): Łódź, Vilnius and Ljubljana. Four Ukrainian cities – Dnipro, Kyiv, Lviv and Kharkiv – as well as Chişinău in Moldova - are this year's newcomers.

Index 2021			
Rank	City	Country	No of mentions
1	Łódź	Poland	39
2	Tbilisi	Georgia	31
3	Vilnius	Lithuania	25
4	Ljubljana	Slovenia	24
5	Prague	Czechia	22
6	Debrecen	Hungary	16
6	Dnipro	Ukraine	16
6	Kyiv	Ukraine	16
9	Lviv	Ukraine	14
10	Chişinău	Moldova	13
10	Gdańsk	Poland	13
10	Kharkiv	Ukraine	13



Business-Friendly City Perception Index 2021

POOL OF TALENT

In the pool of talent category, respondents were asked to choose five cities which offer the best access to a highly-skilled labour force, where competition for talent is relatively low and business and academia collaborate to ensure a higher inflow of skilled employees in the future.

In this component Kyiv is ranked first in 2021, four positions up on 2020. Bucharest, which was ranked first in 2020, drops to third position this year. Budapest also seems to be losing momentum, falling from the third to the seventh place. The leader of the 2019 ranking meanwhile, Warsaw, only makes 16th this year.

Lviv and Brno are the only cities that have featured in the top 10 in all three editions of the survey. This year's newcomers are Wrocław, Łódź, Ljubljana and Tbilisi. Minsk returns to the top 10 after a year of absence, obtaining fourth position in 2021, which it also held in 2019.

When it comes to countries, Georgia, Slovenia and Belarus jumped into the leader board this year, while Armenia lost its representative.

Index 2021			
Rank	City	Country	No of mentions
1	Kyiv	Ukraine	38
2	Wrocław	Poland	33
3	Bucharest	Romania	31
4	Minsk	Belarus	29
5	Belgrade	Serbia	28
6	Łódź	Poland	22
7	Budapest	Hungary	19
7	Lviv	Ukraine	19
9	Brno	Czechia	16
10	Ljubljana	Slovenia	14
10	Tbilisi	Georgia	14



Business-Friendly City Perception Index 2021

SMART CITY DEVELOPMENT

In the smart city development category, respondents were asked to choose five cities which have introduced multiple policies and solutions, improving sustainability and city life on key fronts: mobility and infrastructure; connectivity and digitalisation; education and work; government and governance; real estate and environment.

The smart city development category was first introduced in the Business-Friendly City Perception Index in 2020. The leading four cities in 2020 were Tallinn, Sofia, Cluj-Napoca and Vilnius.

In 2021 those cities keep the top four places, but the leader has changed – Cluj-Napoca is now ranked first, replacing Tallinn and Sofia. However, just one mention separates the three cities. The position of Vilnius is stable - fourth place, the same as a year ago.

In 2021's ranking only Poland is represented by two cities in the top 10, although neither makes the top five. This year Riga reaches the ninth position, meaning that each of North-East European countries has a representative in the top 10. Another newcomer is Ljubljana, in fifth place.

Index 2021			
Rank	City	Country	No of mentions
1	Cluj-Napoca	Romania	35
2	Sofia	Bulgaria	34
2	Tallinn	Estonia	34
4	Vilnius	Lithuania	30
5	Ljubljana	Slovenia	26
6	Warsaw	Poland	20
7	Lviv	Ukraine	18
7	Poznań	Poland	18
9	Bratislava	Slovakia	15
9	Riga	Latvia	15



Business-Friendly City Perception Index 2021

INFRASTRUCTURE AND CONNECTIVITY

In the infrastructure and connectivity category, respondents were asked to choose five cities which have recently significantly improved their road, rail and air infrastructure to ensure better connectivity; cities which have improved their network of air connections.

The infrastructure and connectivity category is led by Warsaw for the second year in a row. This year respondents were more confident about the leader, with 14 mentions between first and second, Prague. Indeed, Poland has something of a monopoly in this section – five cities from Poland feature in the top 10.

In 2021 Łódź made the jump from seventh position in both 2019 and 2020 to third place. In the meantime, somewhat surprisingly not a single city from North-East Europe gained enough mentions to be present in the top 10.

Overall, the category is stable – the first seven positions are taken by the same cities as a year ago. The other three are held by newcomers – Brno, Lviv and Zagreb.

Index 2021			
Rank	City	Country	No of mentions
1	Warsaw	Poland	45
2	Prague	Czechia	31
3	Łódź	Poland	29
4	Budapest	Hungary	28
5	Wrocław	Poland	27
6	Kraków	Poland	23
7	Bratislava	Slovakia	19
8	Brno	Czechia	18
9	Lviv	Ukraine	17
10	Zagreb	Croatia	16



Business-Friendly City Perception Index 2021

QUALITY OF LIFE

In the quality-of-life category, respondents were asked to choose five cities which offer a high level of life satisfaction, including everything from physical health, leisure activities, family, education, employment, wealth, safety, freedom, religious beliefs, gender equality, diversity, and the environment.

The first two countries in the category in 2019 and 2020 – Prague and Ljubljana – also lead in 2021, with 47 and 40 mentions respectively. Budapest is third, up one position compared to 2020. Poznań reaches the top 5 this year, up from eighth in 2020. Gdańsk loses momentum, down three places to sixth.

Poland is represented by the largest number of cities, three - Poznań, Gdańsk and Warsaw. However, in 2020 Poland was represented in the top 10 by four cities, while the 2019 ranking contained five Polish cities.

Kaunas and Belgrade are this year's newcomers. Kaunas represents Lithuania this year, replacing Vilnius, which drops out of the top 10 having been eighth in 2020.

Index 2021			
Rank	City	Country	No of mentions
1	Prague	Czechia	47
2	Ljubljana	Slovenia	40
3	Budapest	Hungary	36
4	Belgrade	Serbia	31
5	Poznań	Poland	30
6	Gdańsk	Poland	19
7	Kaunas	Lithuania	17
7	Sofia	Bulgaria	17
9	Lviv	Ukraine	16
10	Warsaw	Poland	15



Business-Friendly City Perception Index 2021

LOCAL AUTHORITY SUPPORT

In the local authority support category, respondents were asked to choose five cities which have developed professional investment support departments that offer excellent facilitation and after-care services, are proactive and responsive to new enquiries and existing investors' needs.

The previous year's vice-champion Łódź keeps the first position in 2021, five mentions ahead of Poznań. Poznań itself climbs two positions compared to 2020. Budapest dropped by five positions – it is sixth this time. Nevertheless, it is not the only Hungarian city in the top 10 this year, as Debrecen takes third place, up from the 24th in 2020.

This year's ranking is full of newcomers - Cluj-Napoca, Kyiv, Kraków and Riga. At the same time, last year's fourth place – Bucharest – is only 16th this year.

Just as in 2020, Poland is represented in the top 10 by multiple cities – three. This is one down however, on last year.

Index 2021			
Rank	City	Country	No of mentions
1	Łódź	Poland	37
2	Poznań	Poland	32
3	Debrecen	Hungary	30
4	Cluj-Napoca	Romania	27
5	Kyiv	Ukraine	26
6	Budapest	Hungary	20
6	Kraków	Poland	20
8	Vilnius	Lithuania	18
9	Riga	Latvia	17
10	Brno	Czechia	16



Methodology

The Business-Friendly Cities Perception Survey 2021 is part of a research project looking at what global FDI experts, site selection advisers and location analysts think about emerging Europe's largest cities.

Emerging Europe did not expect the respondents to have worked with, nor have extensive knowledge of, all the locations included in the survey. Indeed, due to a lack of any international promotional activities some locations are unknown to most of the respondents.

The aim of this exercise is therefore to understand how they see certain emerging Europe cities and their value proposition.

There are 100 cities in emerging Europe with populations above 200,000 inhabitants, as well as the capital of Montenegro (Podgorica) and the capital of Kosovo (Prishtina), where the population is below 200,000.

The cities

The cities were ordered alphabetically.

Albania — Tirana

Armenia — Yerevan

Azerbaijan — Baku, Gäncä, Sumqayit

Belarus — Bobruisk, Brest, Gomel, Grodno, Minsk, Mogilev, Vitebsk

Bosnia & Herzegovina — Banja Luka, Sarajevo

Bulgaria — Burgas, Plovdiv, Sofia, Varna

Croatia — Zagreb

Czechia — Brno, Ostrava, Prague

Estonia — Tallinn

Georgia — Tbilisi

Hungary — Budapest, Debrecen

Kosovo — Prishtina

Latvia — Riga

Lithuania — Kaunas, Vilnius

Moldova — Chişinău

Montenegro — Podgorica

North Macedonia — Skopje

Poland — Białystok, Bydgoszcz, Częstochowa, Gdańsk, Gdynia, Katowice, Kielce, Kraków, Łódź, Lublin, Poznań, Radom, Rzeszów, Sosnowiec, Szczecin, Toruń, Warsaw, Wrocław

Romania — Brăila, Braşov, Bucharest, Cluj-Napoca, Constanţa, Craiova, Galaţi, Iaşi, Oradea, Ploieşti, Timişoara

Serbia — Belgrade, Niš, Novi Sad

Slovakia — Bratislava, Košice

Slovenia — Ljubljana

Ukraine — Bila Tserkva, Cherkasy, Chernihiv, Chernivtsi, Dnipro, Donetsk, Gorlivka, Ivano-Frankivsk, Kamianske, Kharkiv, Kherson, Khmelnytskyi, Kremenchuk, Kropyvnytskyi, Kryvyi Rih, Kyiv, Luhansk, Lutsk, Lviv, Makijivka, Mariupol, Mykolaiv, Odesa, Poltava, Rivne, Sevastopol, Simferopol, Sumy, Ternopil, Vinnytsia, Zaporizhzhia, Zhytomyr

The categories

There were eight areas respondents were asked to consider.

Brand — cities that communicate and promote their value proposition in a clear and comprehensive manner; cities that are immediately associated with a specific industry that has been developed there.

Economic potential — cities that can create surplus value, that are highly capable of producing goods and services thanks to available resources but have not yet been tapped and fully developed or exploited.

Business climate — cities which offer the most favourable regulations for business to flourish, where the level of corruption and red tape is the lowest, cities where all stakeholders have a positive attitude towards business activity.

Pool of talent — cities which offer the best access to a highly-skilled labour force, where competition for talent is relatively low and business and academia collaborate to ensure a higher inflow of skilled employees in the future.

Smart city development — cities which have introduced multiple policies and solutions, improving sustainability and city life on key fronts: mobility and infrastructure; connectivity and digitalisation; education and work; government and governance; real estate and environment.

Infrastructure and connectivity — cities which have recently significantly improved their road, rail and air infrastructure to ensure better connectivity; cities which have improved their network of air connections.

Quality of life — cities which offer a high level of life satisfaction, including everything from physical health, leisure activities, family, education, employment, wealth, safety, freedom, religious beliefs, gender equality, diversity, and the environment.

Local authority support — cities which have developed professional investment support departments that offer excellent facilitation and after-care services, are proactive and responsive to new enquiries and existing investors' needs.

Respondents' profile

The Emerging Europe intelligence team invited almost 150 global FDI experts, site selection advisors and location analysts. From these, 103 responses were collected.

All respondents invited to take part in the survey are seasoned FDI experts, site selection advisers and location consultants and professionals, some being members of the Site Selectors Guild, the only association of the world's foremost professional site selection consultants. More than half of the respondents are focused on the business services sector. The vast majority of all respondents are based in Western Europe and North America.

All provide location strategy and support to corporations across the globe for every industry, sector, and function. They are, oftentimes, the first institutions companies approach when seeking advice regarding the location they should choose for their international expansion.

Analysis

Each respondent selected five cities per category or 40 cities in total with some of them being chosen several times within various categories, depending on the respondent's perception. Respondents were not asked to rank the cities they chose. All of their choices were given identical value — one point.

All selections per category were then added up to calculate the highest number of mentions. The city with the highest number of mentions was regarded as the winner of the category. Similarly, the overall result, the region's most business-friendly city, was chosen by adding up the total number of mentions across all the eight categories.

Acknowledgements

The Business-Friendly Cities 2021 report was prepared by the Emerging Europe Market Intelligence Team in close collaboration with the Editorial Team.

The report is a part of the Future of Emerging Europe Programme and the Emerging Europe Awards.

Emerging Europe would like to express appreciation to its partners and supporters, and most importantly, to the large cohort of **international site selection experts, location consultants and FDI advisers** who agreed to take part in the survey.

We would also like to extend our thanks to external and internal reviewers, as well as all the national and international organisations and governmental entities that helped us collect the statistics.

