

SARIO Newsletter

DEVELOPING YOUR BUSINESS IN SLOVAKIA

Investment seminar in Japan

Tokyo, Japonsko



Meetings
with Japanese
companies that
are successfully
established in
Slovakia

40
Japanese
companies had the
opportunity to get a
comprehensive overview
of the investment
environment in
Slovakia

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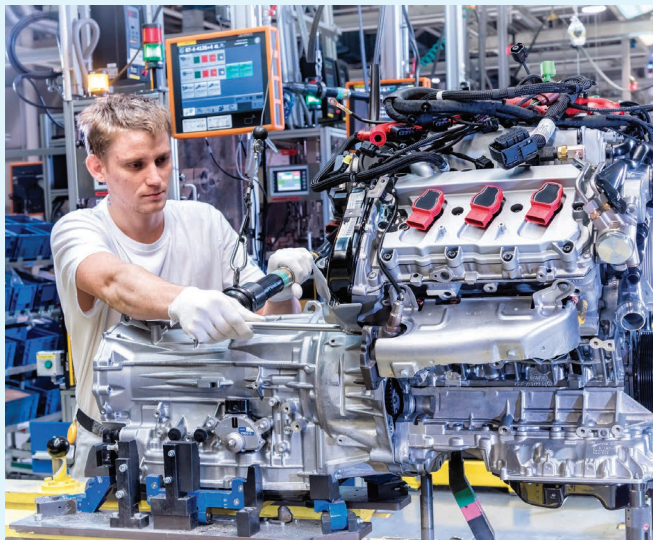
ECONOMY

EMPLOYMENT

The expectations of employers in Slovakia for the fourth quarter of this year are very optimistic. Companies are planning the strongest hiring since the beginning of last year in the fall, shows a regular Manpower employment outlook survey on a sample of 510 employers in the country. An increase in the number of employees in October to December of this year is expected by 31% of the interviewed employers and 17% of those polled expect a drop. 47% of employers do not expect any changes in the number of workers in the fourth quarter of this year, the remaining employers could not comment on recruitment plans. Net of seasonal influences, which removed the influence of seasonal fluctuations in recruitment activities, the value of the index represented a positive 15. Mainly companies engaged in communications services, finance, and real estate and the IT sector report the best outlooks for jobseekers.

SURVEY

Financial wellbeing has fallen across Europe. As a survey conducted by Intrum showed, most households cannot stick to their budgets. Three-quarters of Slovaks spend either their entire income or even more every month. This is also reflected in a one-third increase in the number of people who are late with their bill payments. Up to three-quarters of consumers in Slovakia spend their entire income every month or resort to savings or go into the red. Only 24% of respondents said that they have lower expenses than income. A quarter of respondents from Slovakia stated that they did not pay at least one bill on time in the last 12 months. Compared to other monitored European countries, this is one of the best results. However, the share increased by a third y-o-y. The main reason they are not paying on time is that they are going through financial distress. Four out of ten consumers state they do not have money to pay. That is, from those who were late with a payment at least once in the last 12 months.



The expectations of employers in Slovakia for the fourth quarter of this year are very optimistic — companies are planning the strongest hiring since the beginning of last year

BUDGET

Unless the next government and parliament adopt new permanent consolidation measures, Slovakia's economy will continue to show high deficits and growing public debt, the Council for Budget Responsibility (RRZ) writes in its latest prognosis. The structural deficit will rise from 4.5% of the country's GDP expected this year to 5.6% of GDP next year, rising to 6.3% of GDP in 2027. Over the same period, the net debt will increase by 15 percentage points of GDP to 64% of GDP. The general government deficit is expected to reach 5.7% of GDP this year. The deficit is expected to rise to 6.6% of GDP in 2025 before stabilizing around 6.2% sometime between 2026 and 2027. In case the requirements of spending limits are met, i.e., consolidation by 0.5% of GDP per year compared to the scenario of unchanged policies, the deficit would decrease over the entire forecast horizon to 4% of GDP in 2027. In the case of higher consolidation at the level of 0.75% of GDP annually, the deficit would gradually decrease to 3% of GDP in 2027, which would already stabilize the debt. From 2024, according to the fiscal watchdog, the deficit will gradually increase mainly as a result of higher expenditure on pensions influenced by the high rate of inflation and wage increases in the public administration, especially in the health sector. Higher spending on interest costs resulting from persistently high levels of deficits will also be a negative contributor.

SOCIAL

Slovak industry has been suffering from a shortage of skilled labor for a long time.

Though the number of foreigners working in Slovakia has already reached almost 100,000, they will not fill a gap in the labor market. The Ministry of Economy of the SR came up with a proposal for measures to increase the employment of people from marginalized Roma communities. The ministry draws attention to the necessity to immediately solve the labor shortage, especially in industrial production and construction. According to the ministry, the demographic development helped the labor market until recently. However, the forecast for the development of the population in Slovakia already points to a decrease in the absolute number of the population of productive age. By 2040, the number of people of working age is expected to fall by more than 330,000 compared to 2023. One of the ways to reverse this trend is to make maximum efforts to activate and integrate people from the ranks of jobseekers from disadvantaged backgrounds, with an emphasis on people from marginalized Roma communities. The department proposes to create training centers. These would be established at secondary vocational schools, which focus on the education of low-qualified persons, or persons without qualifications. Training centers will prioritize education in subjects providing lower secondary vocational education, secondary vocational education, or in informal adult education programs. Another recommendation is to create a call for proposals for social innovation projects aimed at supporting the increase in employability and employment of disadvantaged jobseekers, including citizens from marginalized Roma communities.



Slovakia is slowly becoming an attractive destination for investments in the wind power — the Ministry of the Environment currently has 19 projects on the table waiting for the green light

BANKS

While a year ago loans and apartment prices were growing at a double-digit rate, today the situation is quite different in the lending and real estate markets. Although loans to households and businesses are growing according to the National Bank of Slovakia, the pace of their provision has slowed significantly. Apartment prices even fell for the third quarter in a row. According to the NBS outlook for the next period, cooling of the financial cycle should continue for some time, but the pace of easing should no longer be as dynamic as in the past quarters. Cooling in the financial sector came despite the economy continuing growth, albeit at a moderate pace and the labor market remaining stable. The change in market sentiment contributed significantly to demand cooling, when owing to the rising cost of debt financing and the rise in the cost of living, people significantly reduced their demand for loans. In the environment of growing inputs, companies are also more cautious about new loans. The cooling of demand was also reflected in the financial cycle indicator, which in the course of three quarters came significantly closer to pre-pandemic levels. Despite the similar pace of cooling as during the coro-

navirus crisis, the factors of the cooling of the financial cycle are different today. While three years ago the slowdown due to the lockdown of the economy could be observed both in the financial sector and in the real economy, today, according to the central bank, the cooling almost exclusively concerns only the lending and real estate markets.

ENERGY

Slovakia is slowly becoming an attractive destination for investments in the wind power. The Ministry of the Environment currently has 19 projects on the table waiting for the green light. According to the Slovak Photovoltaic Industry Association, investments amounting to 1.4 billion euros are in the pipeline. If completed, they could generate electricity for 736,000 households. The list of investors is long. They include the Danish-Slovak company Eurowind Energy (3 parks — Mocenok, Bab and Ludovitova), the Austrian company Oekostrom AG (in Sala surroundings), the Slovak WSB Invest (projects near Tvrdosovce, near the village of Pana, and two projects in the Zahorie region — Popudinske Mocihlany — Radosovce and Rohov), or the state-owned company SPP or the chemical company Duslo Sala.

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FIRMS & FINANCES

WINKELMANN

The state could support the already confirmed investment of the German company Winkelmann in Rimavska Sobota with an investment incentive of over 41 million euros. The Economy Ministry has submitted this proposal for interdepartmental review. The aid is to be provided as a subsidy for long-term tangible and intangible assets. In late May 2023, the state definitively confirmed the investment in a plant that will make hot water tanks for heat pumps and heaters for an estimated 110 million euros. The operation is expected to open some 452 direct jobs, which are to be followed by hundreds of indirect positions. The estimated annual production is some 300,000 water tanks. Production is slated to start in March 2025.

VOLVO

Volvo originally announced that the plant in Slovakia, which will start up in 2026, will employ around 3,300 people and produce 250,000 battery-electric vehicles per year. The Swedes have said from the beginning that they have big plans for Slovakia. Volvo has bought more land than it needs, and it also submitted a plan to the authorities to build a second phase. This has the ambition to double capacity. The company also reportedly has a plan for a third phase of expansion in the drawer. The second phase of expansion envisages a doubling of production, i.e. half a million vehicles produced annually, and the third phase is expected to see production numbers of up to 750,000 vehicles. In the

event of such a massive expansion, the premium Polestar brand and the brands of the Chinese parent company Geely may end up on the same line as Volvo. The land under Volvo's future factory already belongs to the carmaker, but the state still has other tasks to do. The state company Valaliky Industrial Park has just completed work mainly on the priority area where Volvo is starting to build its plant. Landscaping continues in other zones in the park, where the archaeological survey and hard landscaping still need to be completed. The property settlement of the land that will serve Volvo subcontractors continues. These are already practically consolidated and will be ready by the end of October. Additional land plots are being negotiated for new investors and the park's public infrastructure, totalling 150 hectares of land. Valaliky Industrial Park in cooperation with the Ministries of Education and Labor are preparing specific educational programs, support for secondary vocational education in the entire region, support for international schools in Kosice, as well as mass recruitment, which will begin in 2025. The carmaker estimates the start of operations in the last quarter of 2026.

VOLKSWAGEN

The Bratislava plant of Volkswagen Slovakia is preparing for the production of new models by expanding and rebuilding the production premises. Ten years after the start of production, it is expanding its press shop. It currently covers more than 28,000 square meters. In connection

with new projects, it is being expanded to include logistics areas with an additional area of 21,000 square meters. The largest Slovak company Volkswagen Slovakia from Bratislava achieved a moderate growth in sales last year despite problems with the supply chain, uncertainty caused by a shortfall in exports, as well as the war conflict in Ukraine. The company confirmed its position not only with solid financial results, but especially with further investments in new projects amounting to more than 345 million euros, which it more than tripled year-on-year. The company posted a turnover of just under 9.8 billion euros and a pre-tax profit of 278 million euros. Net profit was 202 million euros, a year-on-year increase of 10 million euros. The positive news will also benefit the factory's employees, currently 11,000, and whose salaries, remuneration elements and benefits have been maintained despite the difficult times, with the plant looking to recruit hundreds more this year. The new investments, spread over time, will total almost 1.5 billion euros, and will not only bring the production of new models of combustion and plug-in hybrid vehicles already this year, they will also allow the plant to prepare for the announced production of the first pure electric SUV, the Porsche Cayenne, which is due to arrive on the market in the second half of this decade. In addition to the Volkswagen Passat, the Skoda Superb, these include an upgraded Porsche Cayenne, the Volkswagen Touareg and the Audi Q8. The plant did not specify the sixth novelty.



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FTE AUTOMOTIVE SLOVAKIA

The company FTE Automotive Slovakia plans an extensive production expansion near the city of Presov. The investment in the village of Maly Saris concerns the production of air conditioning and thermal insulation solutions for the automotive industry. It is expected to create 365 new jobs by late 2030. The company estimates the total costs at over 35 million euros. A document submitted for interdepartmental review reads that the company applies for state aid of more than 17.5 million euros in income tax relief. The Cabinet will decide on its final form. The investor was already granted investment stimuli when the state helped it with the construction of a technology center for repair of brake calipers in Presov in 2020. The company plans to launch new production in April of next year. FTE automotive Slovakia is part of the FTE automotive group, which focuses on the production of automotive parts for transmissions and powertrains, hydraulic clutches, hydraulic brakes and sensors. The company plans to start new production in April next year and reach full planned capacity in December 2028. FTE automotive Slovakia is part of the FTE automotive group, which focuses on the production of automotive parts for transmissions and drivetrains, hydraulic clutches, hydraulic brakes and sensors.

KUENZ-SK

The company Kuenz-SK plans to invest 19 million euros in innovating and expanding the manufacture of container cranes in Kechnec. The state could support the project. The Economy Ministry proposes a 2 million-euro incentive in the form of income tax relief. Its final shape will be decided by the government. The investment is expected to create 15 new jobs. The company plans to commence production in June 2025 and reach the full projected capacity in December 2028.



Najsilnejšie postavenie v papierenskom a celulózovom priemysle v SR má spoločnosť Mondi SCP z Ružomberka — jej tržby atakovali rekordných 870 miliónov eur pri medziročnom raste o takmer 48%

MUBEA

Mubea Tailored Products will be awarded almost 20 million euros in investment stimuli for the construction of a new car part plant. The state aid will be provided in the form of income tax concessions, the Cabinet decided on Wednesday. The investor intends to produce cooling plates regulating the temperature of batteries in electric vehicles. The company is to invest more than 60 million euros and open 105 new jobs by 2027.

LICHTGITTER FRP SLOVAKIA

The company Lichtgitter FRP Slovakia plans to manufacture molded GRP gratings in the Michalovce industrial park. It will use a resin mix and glass fibers, which, once hardened, secure the strength and resistance of gratings against various chemicals. The investment comprises a change in the production program while using the existing production facility connected to all utilities. The company did not state the sum to be invested or the estimated number of employees. Production and capacity will be gradually implemented over time in stages. In the current year, the company plans to implement production and operate on a minimal scale. Between 2024 and 2028, production is expected to gradually ramp up to full design capacity. In 2028, production should reach almost 34,000 pieces of grating per year.

MONDI SCP

Mondi SCP from Ruzomberok has the strongest position in the paper and pulp industry in the Slovak Republic. Its sales reached a record 870 million euros with year-on-year growth of almost 48 percent. The company's net profit jumped by 70% to over 16 million euros. Mondi SCP's consolidated sales were EUR 1.25 billion last year. Essity Slovakia, a producer of toiletries from Gemerska Horka, closed last year with a 22% increase in sales to 280 million euros, but a slight drop in net profit, to 13.9 million euros. Last year, Essity made investments in the modernisation of technologies. The company employs 1,000 people. Metsa Tissue Slovakia, formerly a producer of hygiene products Tento from Zilina, increased its sales by 45% last year and managed to reduce its loss from 3.4 million euros the year before to about half a million euros. Metsa Tissue Slovakia invested four million euros last year and employed 310 people. The net profit of the pulp producer Bukocel from Hencovce, Grafobal from Skalica and Smurfit Kappa Obaly Sturovo also dropped. In addition to Metsa Tissue, SHP Harmanec, Smurfit Kappa Obaly Sturovo, DS Smith Turpak Obaly and SHP Slavosovce also ended in losses. Harmanec-Kuvert grew both revenue and profit. Bukocel made several investments last year and employed 256 people.



Companies InoBat and Gotion High-Tech have signed a provisional agreement on a joint venture for the construction of a gigafactory (FOTOGRAFIA Trend/ Michal Smrčok)

INOBAT

Companies InoBat and Gotion High-Tech have signed a provisional agreement on a joint venture for the construction of a gigafactory. The battery plant is expected to reach a 20 GWh capacity in the first stage and create thousands of jobs. The companies announced that they are currently making a decision on the site of the gigafactory in the European region. One of the key factors is a strong support of the state and state institutions in building critical infrastructure, issuing construction permits, and providing competitive state aid. The construction is slated to start in 2024. The full operation is to begin in 2026. Moreover, Gotion High-Tech plans to erect Europe's biggest agrisol power plant as part of this investment scheme, which will supply the gigafactory with green energy.

SKYETON

The Ukrainian company Skyeton opened a production plant in Kosice three months ago. Currently, it has already started producing the first unmanned aerial systems. The company produces, for

example, the Raybird-3 drone, which is included in the first class within the NATO classification, i.e. among small tactical unmanned vehicles.

STELLANTIS SLOVAKIA

Automaker Stellantis Slovakia will switch to a two-shift work schedule at some operations in Trnava as of October 1. It is a temporary solution pertaining to the preparation of a new large-scale production program and will not impact the total employment. The carmaker will resume three-shift production in 2024 and switch to four shifts following an increase in the production volume. All-electric vehicles will account for a big part of the new production program. The automaker canceled the weekend shift from April 1 this year, the reason was also preparation for a new production program. The Trnava automaker produced 136,023 vehicles in the first six months of this year.

MEDLINE ASSEMBLY SLOVAKIA

The American company Medline producing and distributing various types

of health aids has found its new home in the industrial park in Male Bielice near Partizanske. At the beginning of last year, the company opened its new factory there, in which it invested approximately 24 million euros. This year, for this investment in a new plant, the company is nominated for the TREND Investor of the Year 2023 award. 'The company is currently working on a deeper analysis of the next production strategy. According to today's results, we assume that next year we could start looking for a supplier to expand the plant, which we would open in 2027,' says the director. New production premises would be established on an area of 19,000 square meters. The company Medline Assembly Slovakia has been doing well for a long time also in terms of economic results. It has been growing continuously since 2015, while last year its sales reached approximately 43.2 million euros. This year, they should reach 51 million euros, i.e. roughly 20% more. Medline ended last year with 340 employees, by the end of this year there should already be 460.

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SARIO NEWS



Investment seminar in Japan

The Slovak Investment and Trade Development Agency (SARIO) in cooperation with the Embassy of the Slovak Republic in Tokyo organized an investment seminar entitled *DEVELOPING YOUR BUSINESS IN SLOVAKIA* which took place on 12th September 2023 in Tokyo on the premises of the EU Delegation — Europa House.

The seminar focused on the automotive, electronics, and ICT sectors of Slovakia in order to present investment opportunities to potential Japanese investors.

Roman Hauser, the Deputy Head of Mission of the Slovak Embassy in Tokyo, introduced the activities of Japanese companies in Slovakia, and at the same time, emphasized the continuous development of mutual relations between Japan and Slovakia.

Simona Jurkovičová and Stanislava Plascencia Lubinová, Senior Consultants of the Department of Investment Projects of SARIO, presented to the representatives of approximately 40 Japanese companies the Slovak business environment with a focus on investment opportunities, investment incentives, and other governmental support mechanisms, together with the success stories of Japanese companies established in Slovakia, as well as the services of SARIO agency.

Ryo Koba, Senior Director for Global Strategy (Europe) at JETRO (Japan External Trade Organization) brought up trends of Japanese investors established in Europe (e.g. restructuring of supply chain, transfor-

mation towards green technologies), as well as challenges that Japanese investors are currently facing in Europe, and highlighted the comparative advantages of Slovakia from a perspective of Japanese investors.

Manuel Hubert, Managing Director of the EU-Japan Center for Industrial Cooperation, presented the services that this organization provides to Japanese companies while entering the European market (e.g. internationalization of Japanese SMEs, participation in fairs and exhibitions, searching for business partners).

Takashi Kamioka, Director of Quality Assurance of MinebeaMitsumi, closed this event with an excellent example of a success story of Minebea Slovakia. The company has been successfully operating in Slovakia since 2016 and currently employs approximately 1,400 people in Košice. Takashi Kamioka stated that the company is extremely satisfied in Slovakia, he specifically highlighted the strong support from the Slovak government, the quality and expertise of the Slovak labour force, and among the positives he also mentioned the membership in the Eurozone and the transport infrastructure within Slovakia.

Thanks to the investment seminar, the participants of the event had the opportunity to get a comprehensive overview of investment opportunities in Slovakia and establish new contacts during a networking session. In addition to the investment seminar, Simona Jurkovičová and Stanislava Plascencia Lubinová attended additional meetings in Tokyo with 5 Japanese companies that are successfully established in Slovakia.

During the meetings, several topics were discussed, such as strategy and potential expansion plans in their Slovak entities, fruitful cooperation with the SARIO agency, as well as continuous support from the state.

Last but not least, among other meetings, SARIO representatives met a potential investor who is looking for a technology supplier in Slovakia for his European production plant, and also a Japanese bank that is currently establishing an investment fund in Europe.

PHOTO CREDITS
Stanislav Kogiku



THE FIRST SLOVAK-LATIN AMERICAN AND THE CARIBBEAN BUSINESS FORUM

On September 12, 2023, The First Slovak-Latin American and the Caribbean Business Forum took place on the premises of the Ministry of Foreign and European Affairs (MZVEZ).

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STUDY VISIT: GEOTHERMAL AND RENEWABLE ENERGY KNOW-HOW TRANSFER

The Slovak Investment and Trade Development Agency (SARIO) in cooperation with the Icelandic partner Green by Iceland organized a business-expert work trip aimed at exchanging know-how and mediating business opportunities in the geothermal and renewable energy sectors.

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SARIO IS ATTRACTING TECHNOLOGY COMPANIES ACTIVE IN WIND ENERGY

The representative of the Investment Projects Department of SARIO, Tomáš Salíni, took part in the last meeting of the Wind Europe's Board of Directors in Brussels. The association unites more than 500 leading companies in the field of production, operation of wind turbines, and distribution of electricity obtained from wind. **Read more**

THE 3RD EDITION OF THE THREE SEAS INITIATIVE SUMMIT

The 3rd edition of the Three Seas initiative summit with the aim of supporting investments and economic development of twelve Central European countries from the Baltic to the Black Sea was organized in Bucharest on 6–7 September, 2023.

[Read more](#)



SLOVAKIATECH — AI REVOLUTION IS HERE!

On September 19–20, 2023, the event SlovakiaTech — AI Revolution is here! was held in Košice intended for the professional public, representatives of technological and innovative companies, public administration, universities, colleges, sciences and research, but also for students of vocational high schools and universities. [Read more](#)



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EVENTS



NOVEMBER 29, 2023
Investment seminar in
Madrid, Spain



Madrid, Spain

NOVEMBER 6 — NOVEMBER 7, 2023

Webinar — Cyber security

NOVEMBER 12 — NOVEMBER 18, 2023

Business mission to Dubai Airshow 2023, Dubai, United Arab Emirates

NOVEMBER 12 — NOVEMBER 17, 2023

Business mission to Web Summit 2023, Lisbon, Portugal

NOVEMBER 23, 2023

Slovak Industry Vision Day 2023, X-Bionic® Sphere, Šamorín, Slovakia



NOVEMBER 29, 2023

Investment seminar in Madrid, Spain



DECEMBER 4 — DECEMBER 6, 2023

Business mission to Portugal with the President of the Slovak Republic



NOVEMBER 23 2023
Slovak Industry Vision Day 2023,
X-Bionic® Sphere, Šamorín, Slovakia

**Slovak
Industry
VISION Day
2023**

Sustainable industry

**NEW CHALLENGES
FOR COMPANIES & SUPPLIERS**

INTERNATIONAL BUSINESS FORUM

- planned B2B negotiations & networking
- individual consultations with professional experts
- panel discussions & case studies
- EXPO — interactive exhibition of products & services

X-Bionic® Sphere, Šamorín, Slovakia, November 23, 2023

Registration open until November 8, 2023!

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