AUSTRIA IN SERBIA

BUSINESS CONFIDENCE SURVEY 2023


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In the vibrant tapestry of economic collaboration between Austria and Serbia, the Austrian Business Confidence Survey serves as a crucial lens, capturing the intricacies and trends that define the landscape. With over 800 subsidiaries and representations anchoring Austrian investment in Serbia, the bilateral ties have not only endured but flourished. 2022 has proven to be a record-breaking year as the export of goods from Austria to Serbia has surpassed the € 1 billion mark for the first time whilst imports of services to Austria has increased by over 50 % and thus far, it seems as if 2023 will push these records even more. In fact, Austria was one of the few countries that managed to increase the export of goods to Serbia in 2023 in the first 9 months.

With the current geopolitical changes and external influences outside of Serbia, I would say it has been an interesting year for doing business. We could feel the effects of it not just in Serbia but rather worldwide and it has been interesting to see just how much Austrian businesses are affected by it and how it will play out in the next 12 months. Whilst the outlook on the overall business climate in 2022 – if you remember last years' report – has been rather positive, our look back on the past 12 months with this years' report do not reflect this and similar can be said in concerns to total turnover, workforce size and orderbook as they have rather stayed the same or worsened.
Looking ahead on 2024, the expectations are mixed but similar to last year, there is an expectation that the business environment will remain the same or experience another downturn.

Except from geopolitical influences there has also been a rise of new, innovative technologies worldwide with for example the rise of Artificial Intelligence (AI). Although currently, it is not expected that AI will sharply change the business environment in Serbia in the next 12 months, we can still expect a change but just as in recent year, this is what companies like about Serbia.
The high level of digitalization accompanied with the quality and availability of local supplies and good infrastructure, continues to foster a conducive business environment.

This handbook aims to provide a nuanced understanding of the overall perceptions of Austrian subsidiaries and offices in Serbia, shedding light on motivations for operating in the country, the impact of global political and economic developments, and experiences over the past five years. We trust that this exploration will kindle your interest, not just in Austrian-Serbian businesses but also in the broader landscape of bilateral trade between these two nations.

I also want to thank all participants for taking place in the survey and all companies who put their trust into ADVANTAGE AUSTRIA to represent their interests in Serbia.

Jürgen Schreder
Commercial Counsellor
Head of ADVANTAGE AUSTRIA Serbia

Belgrade, December 2023

1. AUSTRIAN BUSINESS IN SERBIA

1.1. BUSINESS CLIMATE AND ECONOMIC SITUATION

Serbia continues to be one of the biggest and most important trading partners in the Western Balkans and with Belgrade being selected to host the specialized Expo in 2027, we expect an increase of the general interest to business in and with Serbia in the coming years. After the record-breaking year 2022, where Austrian exports to Serbia has surpassed € 1 billion for the first time, we expect another increase in 2023, if the first 9 months of the year are any indication for the end result. Furthermore, Austria was one of the few countries that was able to increase the import of goods to Serbia in 2023 thus far.

To make a prediction of the future however, an analysis of the past is somewhat necessary. This is why participants were asked to evaluate the past 12 months – November 2022 to November 2023. Roughly 53 % stated, that the business environment remained the same, whilst 35 % stated a decrease in the overall climate. 5 % stated that it increased whilst 5 % chose not to answer.
In comparison to the last years the answers have roughly remained the same, the only major difference in 2023 is, that less companies have stated that it has not improved and rather opted to state that is has remained the same.

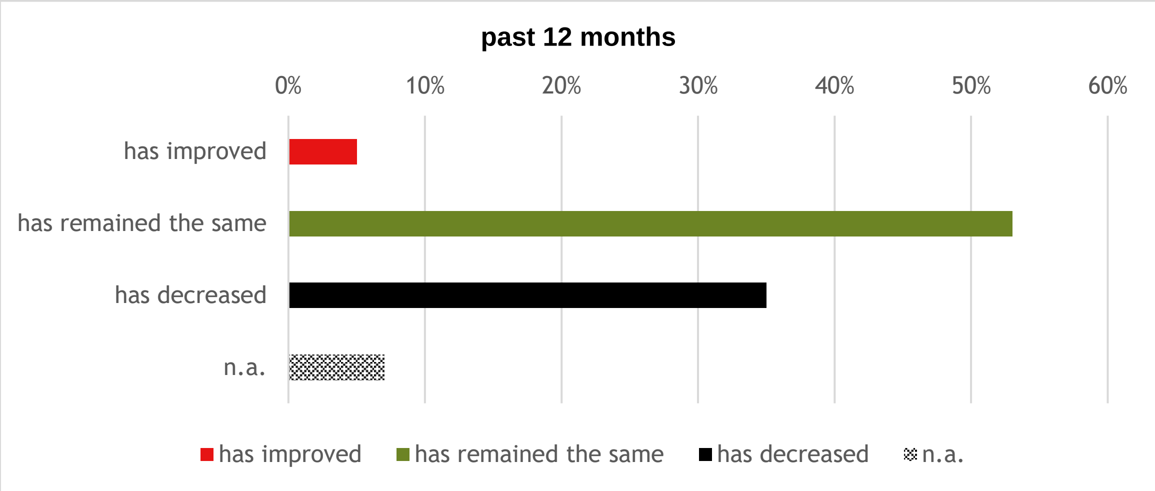
It is also very interesting to compare the outlook for the next 12 months from 2022 to the look back from 2023, as it condenses the same time frame.

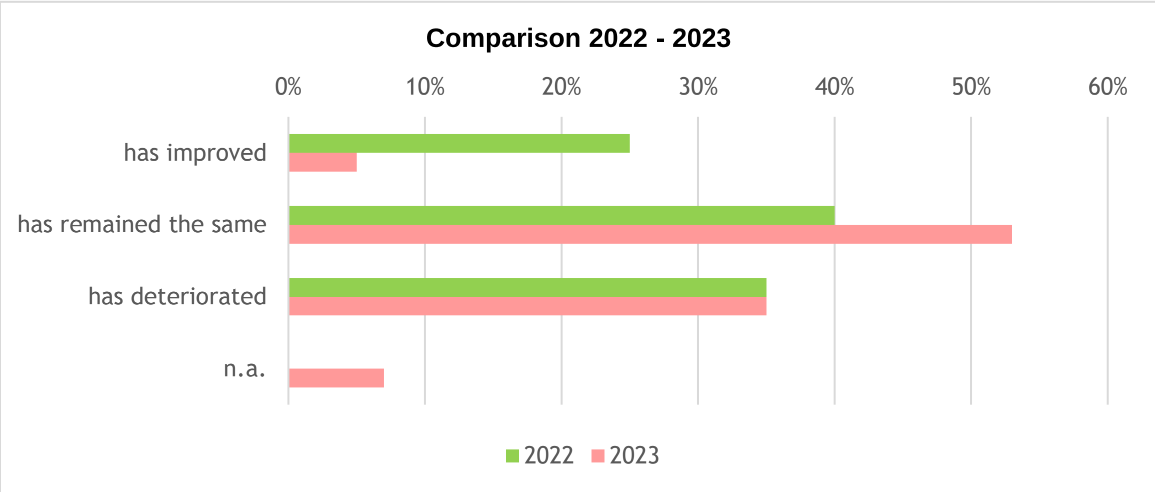
	Outlook in 2022	Evaluation in 2023
Improvement	20 %	5 %
The same	42 %	53 %
Decrease	38 %	35 %
n.a.	- %	7 %

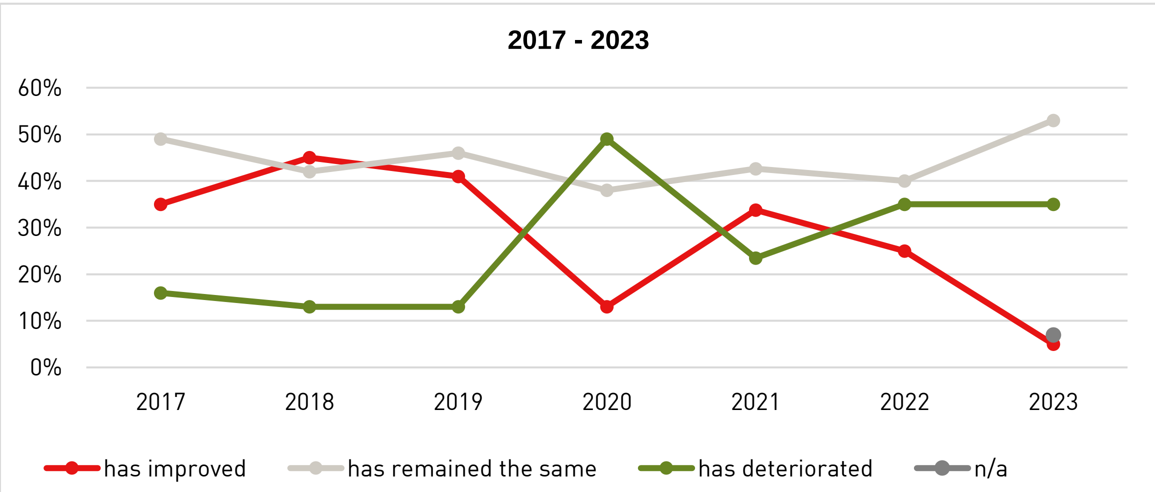
The outlook in 2022 has been rather bright, whilst the look back does not reflect this. More participants have opted to say, that instead of an improvement the environment has roughly remained the same, whilst the decrease has been less in hindsight than it has been projected to be.

As for the outlook from 2023 for the next 12 months most participants believe that the climate will remain the same (44 %) or decrease (44 %). Only 7 % believe that it will improve, which is a stark contrast to the previous years, and it will be interesting to see how it continues to develop in the future, not just in Serbia but worldwide with the current economic and political shifts.
As for the comparison of just 2022 and 2023, participants in 2023 are less optimistic than in 2022, however the expectation that it will remain the same continues to be the one with the highest approval rate.

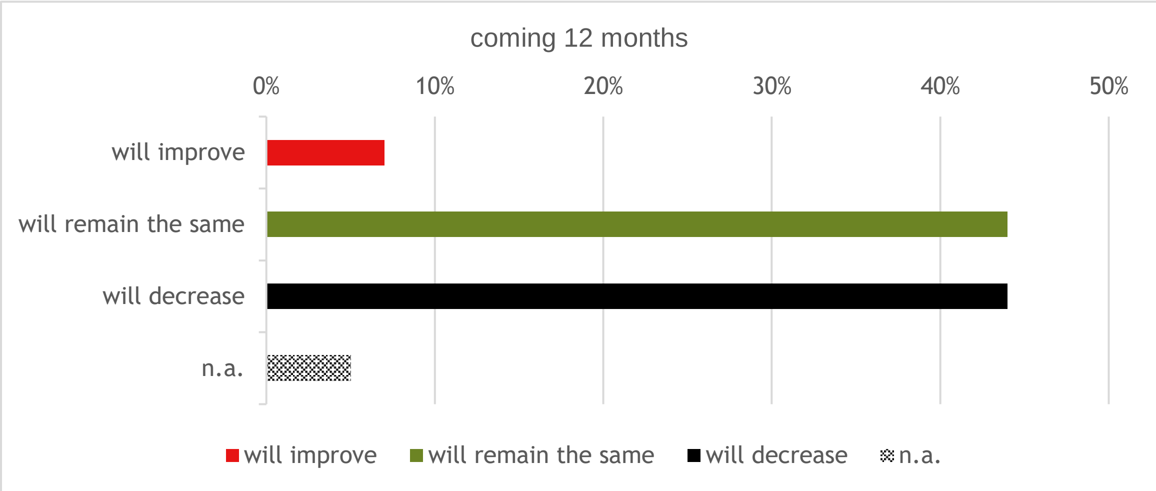
How would you assess the general economic situation / climate from a business perspective over the past 12 months?

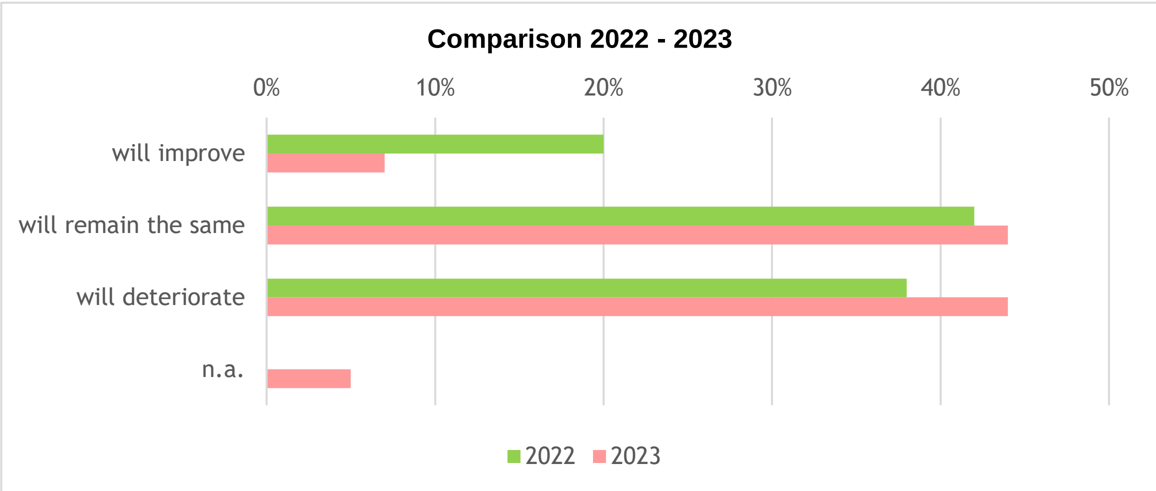


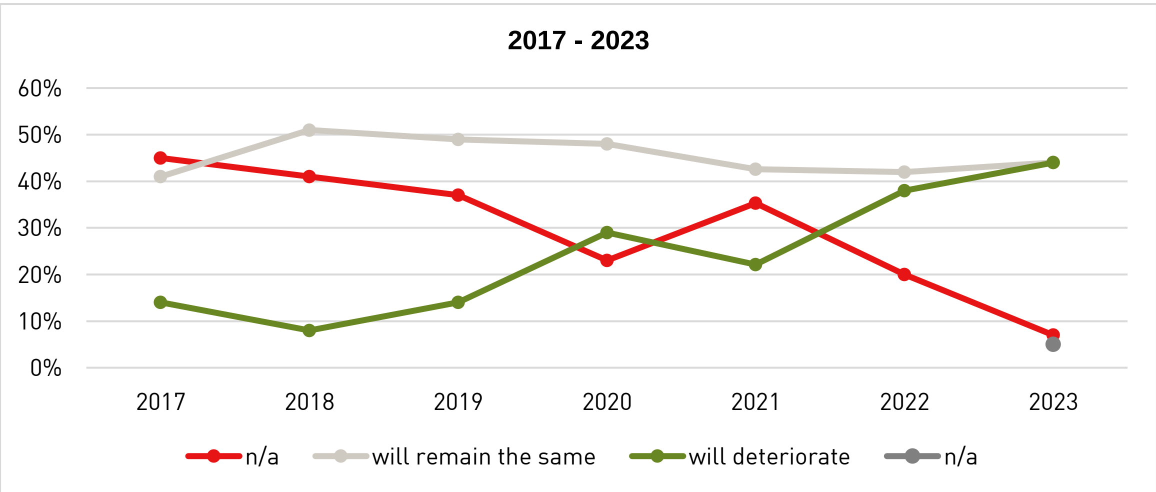




How would you assess the general economic situation / climate from a business perspective over <u>the next 12 months</u>?



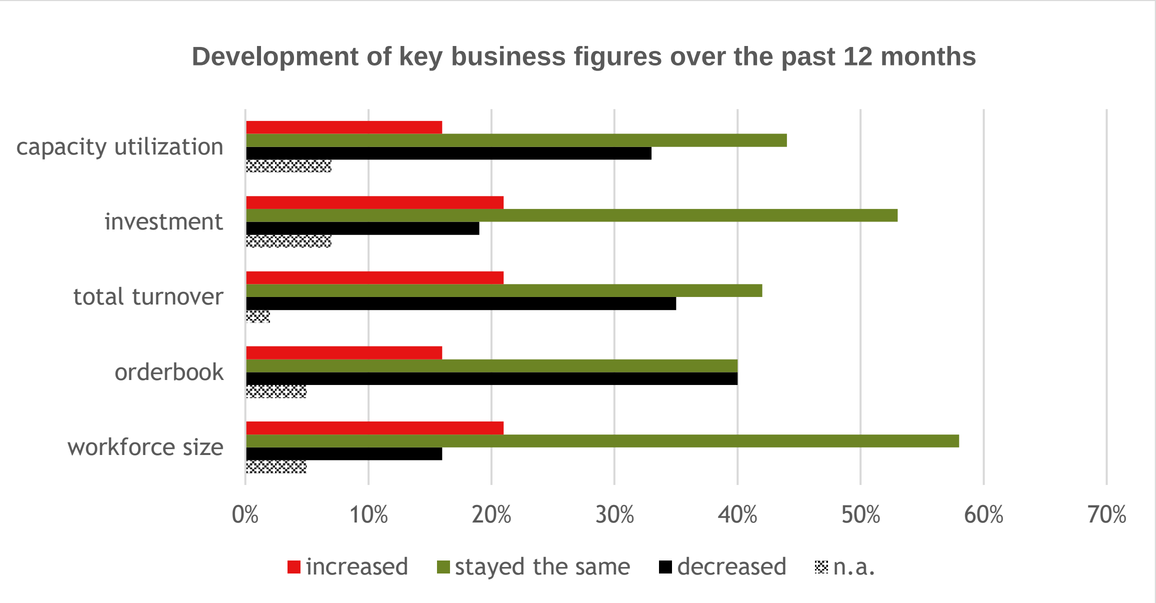




1.2. KEY BUSINESS FIGURES

Please note, the following statistics are based on single choice questions, where participants had to answer for every key figure.

In contrary to the past years, the primary findings of the business environment do not show any indication of the financial year subsidiaries and offices have had.
21 % of participants have stated that they were able to increase their total turnover, investments, or workforce size, whilst most participants opted for the option of "stayed the same".



Another interesting aspect is once again the comparison of the outlook for the next 12 months from 2022 to the look back from 2023.

Prediction in 2022

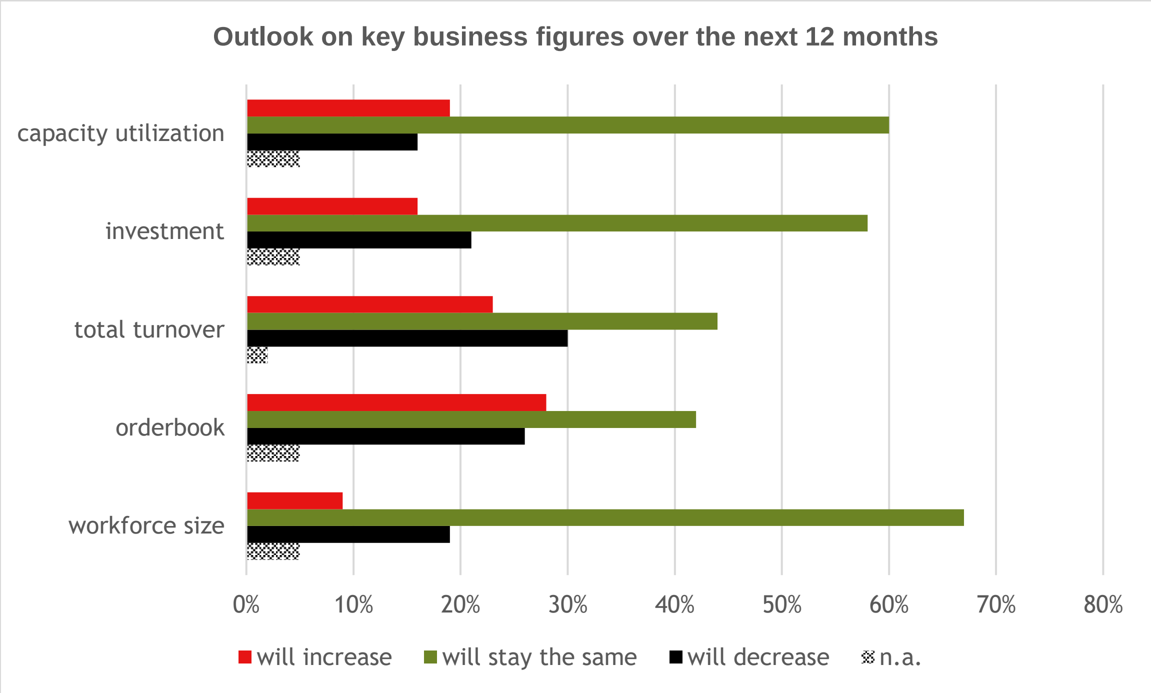
	will increase	will stay the same	will decrease
workforce size	32 %	62 %	7 %
orderbook	33 %	45 %	22 %
total turnover	47 %	38 %	15 %
investment	35 %	48 %	15 %
capacity utilization	30 %	58 %	12 %

Evaluation in 2023

	increased	stayed the same	decreased	n.a.
workforce size	21 %	58 %	16 %	5 %
orderbook	16 %	40 %	40 %	5 %
total turnover	21 %	42 %	35 %	2 %
investment	21 %	53 %	19 %	7 %
capacity utilization	16 %	44 %	33 %	7 %

The outlook for the key business figures in the coming 12 months remains rather neutral, as most participants believe that they will remain the same, especially in regard to workforce size, capacity utilization and investments.

The biggest contrast in comparison of the outlooks from 2022 and 2023 is the fact, that fewer participants believe that the coming year will have an increase in any figure and but more believe that could be a potential decrease.



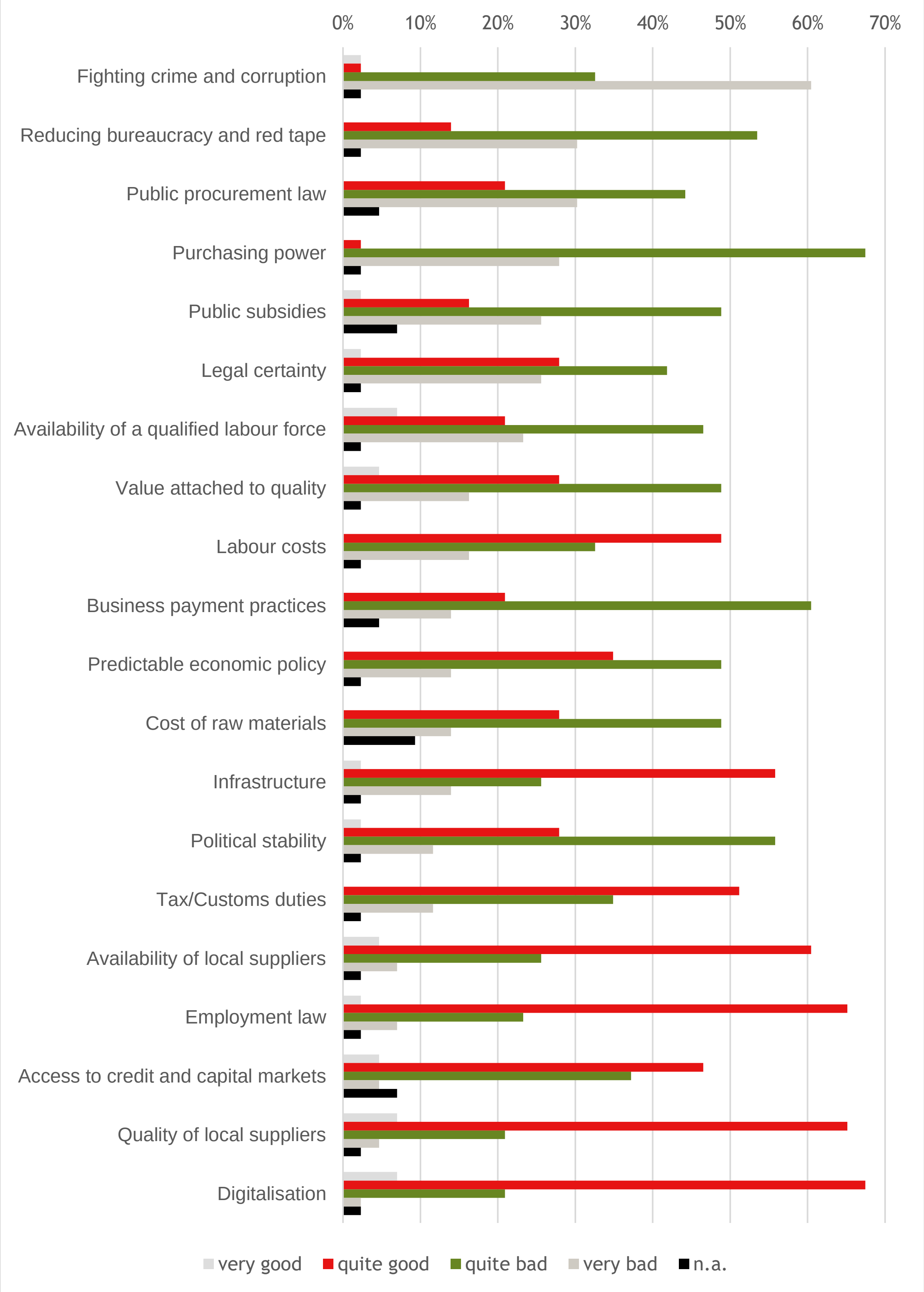
1.3. MARKET CHALLENGES, IMPROVEMENTS AND REFORMS

Please note, the following statistics are based on single choice questions, where participants had to answer for every key figure.

Over the past decades Serbia has implemented a vast number of substantial reforms to improve the business environment for current companies and potential investors. However, looking at the numbers and the satisfaction of people who do business in Serbia, there is still room for improvement in several sectors.
Similar to previous years a vast majority of participants continues to believe that the biggest reforms need to happen in regard to combating corruption and crime (60 %) and the red tape (30 %) and public procurement law (30 %), as most participants classified them as “very bad”.

On the other hand, however, especially the degree of digitalisation, quality and availability of local supplies and workforce have been highlighted as “very good” and the degree of satisfaction is high in those regards.

Looking at your Serbia, how would you assess the factors listed below?

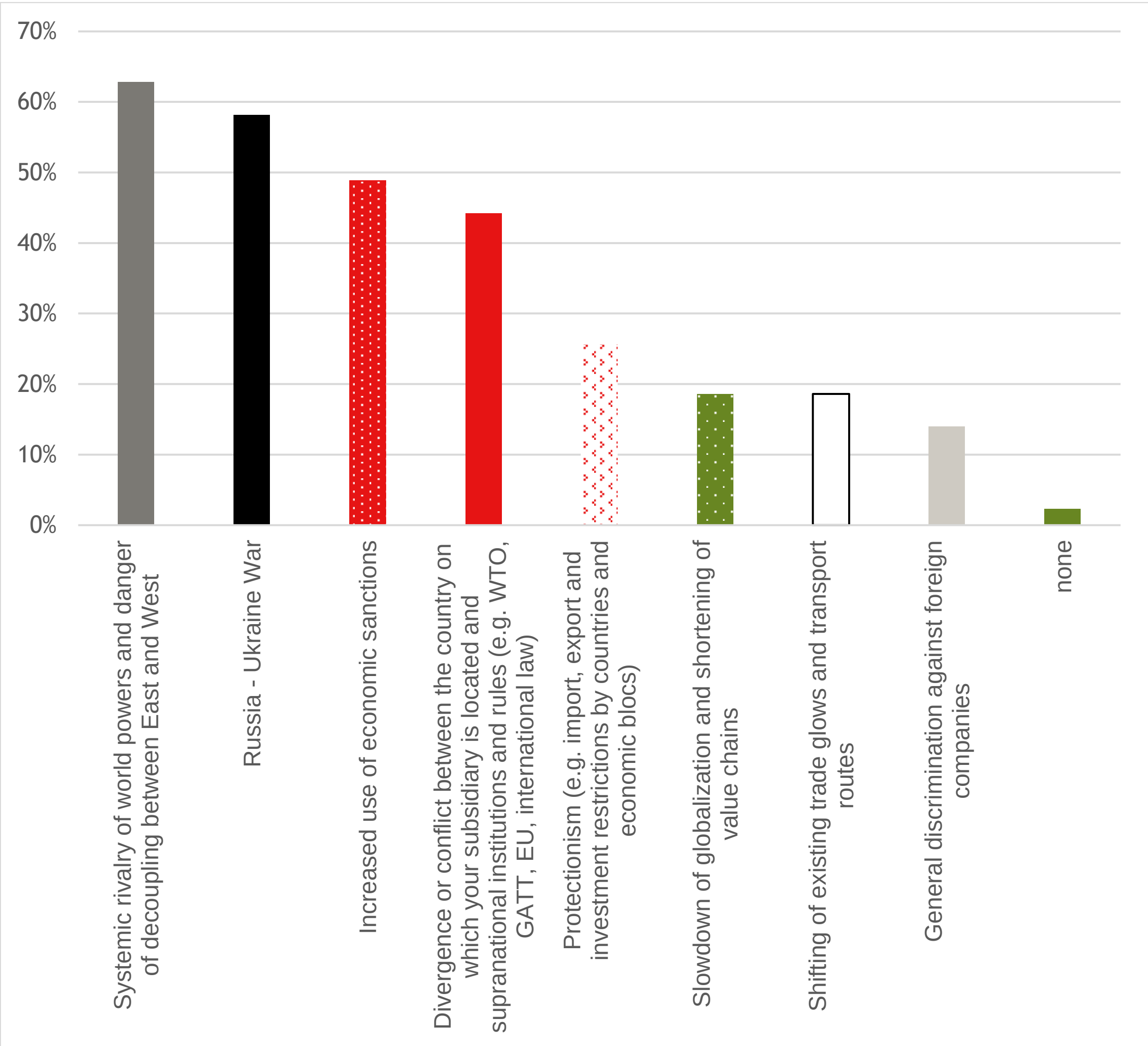


2. EXTERNAL EFFECTS ON BUSINESS AND INNOVATIONS IN THE BUSINESS SECTOR

Please note, the following statistics are based on multiple choice questions, where participants had the chance do pick multiple answers and therefore every single number has to be compared to 100 %.

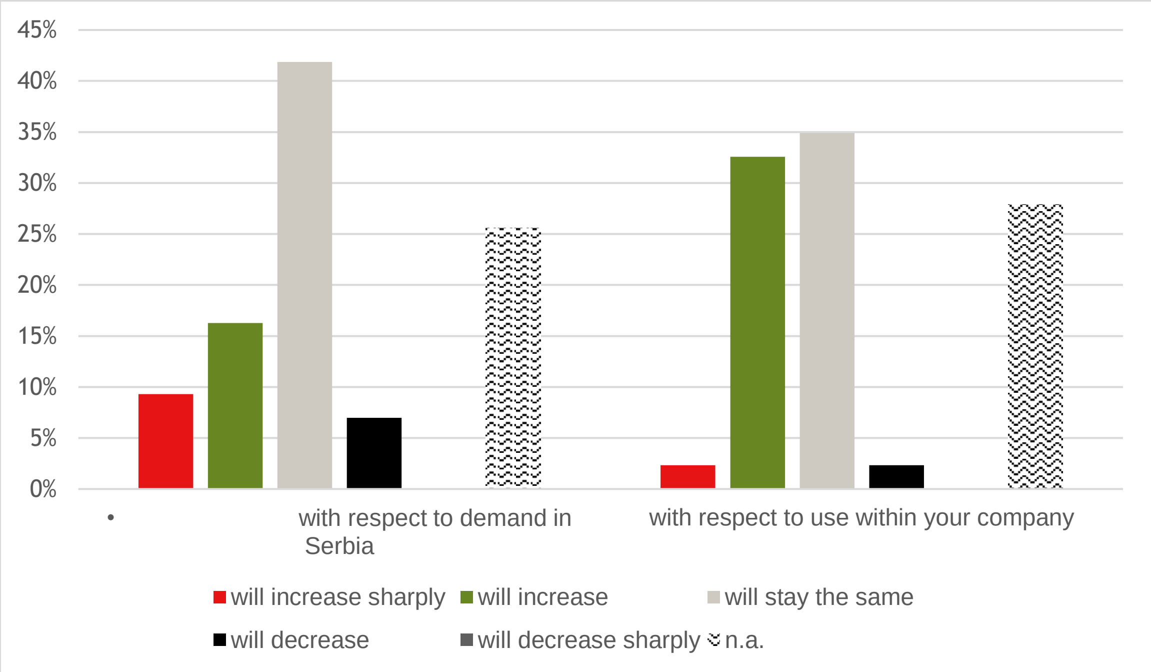
The business environment, however, does not only compose of one country but is rather influenced by worldwide geopolitical developments and changes.
The biggest influences/challenges are hereby posed by the systemic rivalry of world powers and danger of decoupling between East and West (63 %), the Russia – Ukraine war (58 %9 and the increased use of economic sanctions (49 %).
Those factors have been mentioned multiple times over the last couple years in various studies and analyses, so it should not be surprising that businesses are affected by them in their daily operations.

What current geopolitical developments pose the greatest potential risk to your subsidiary's business activities?



It has been mentioned beforehand that businesses appreciate the high level of digitalization in the Serbian business environment and with the rise of the use of AI in the business environment, an additional question regarding this has been added.
Whilst in other regions and countries a lot of participants believe that use of AI will make a significant change ("increase sharply") in the coming 12 months, most participants in Serbia believe that it will remain the same or increase to a certain extent.

How do you assess the development of products and services based on artificial intelligence from your company's perspective in the next 12 months?



3. METHOD

Advantage Austria conducts the Austrian Business Confidence Survey in its biggest Export- and Investment countries, which Serbia is a part of. Every year in the fourth quarter of the calendar year a qualitative online survey is being sent out to the subsidiaries in those markets. Managers of Serbian subsidiaries or offices have been able to answer a total of 10 question, either open or closed to add specific answers or general experience.
Participation in the Austrian Business Confidence is not mandatory; however, we can see an increase of participants across a wide range of industries every year and are therefore able to portray the business environment in Serbia.

4. PARTICIPANTS

As a wide range of industries takes part in the survey the subsidiaries and offices conclude a vast range of business in Serbia. 35 % of the respondents stated, that their main activity in Serbia was to act as a subsidiary of an Austrian company distributing Austrian products or services. 37 % participants identified themselves as providers of services in Serbia and 28 % identified themselves as subsidiaries with a local production facility.

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