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Slovenia remains an attractive destination for Austrian investors: companies are very satisfied with the quality of local suppliers, while bureaucracy, tax burden on companies and lack of skilled workers remain the critical points

These are the main results of the latest survey of ADVANTAGE AUSTRIA Ljubljana. For the tenth time in row, the office of the Austrian Chamber of Commerce in Ljubljana surveyed Austrian subsidiaries in Slovenia on the investment and business climate in the country.

Austrian investors in Slovenia are satisfied with their performance and achievements in 2022. 74.5% of companies reported an increase in total turnover and 16.4% had roughly unchanged sales compared to 2021. Only 9.1% of the companies experienced sales losses in the past year. The order situation, capacity utilization, number of employees and investment volume have also increased or at least remained the same for the majority of companies in the past 12 months.

However, companies are very skeptical about the economic outlook for 2023. 64% of the companies surveyed expect the economic situation to deteriorate in 2023, a decline in total turnover, orders and capacity utilization is predicted.

Austrian companies in Slovenia are generally very satisfied with the quality and availability of local suppliers. Infrastructure, digitization, quality awareness and payment discipline are also rated very positively. On the other side, bureaucracy, tax burden on companies, shortage of skilled workers and high costs of raw materials remain the critical points of the investment environment. Potential for improvement is seen in a more predictable economic policy, in labor law and the fight against corruption.

The shortage of skilled workers is a growing problem, identified by 61.8% of respondents. To combat the skills shortage, companies are investing in training and retraining their employees (87.3%), increasing salaries above the industry average (72.7%) and increasing automation/digitization (83.6%).

However, the level of commitment to Slovenia as a business location remains high: 78% of Austrian entrepreneurs in Slovenia believe that the country remains very attractive as a business location. Wilhelm Nest, Austrian Commercial Counsellor in Slovenia, explains that several Austrian companies are currently expressing interest in setting up new operations in Slovenia, and some existing Austrian subsidiaries are also considering further investment in their locations in Slovenia: *“Due to the proximity, the logistical openness and the quality and availability of local suppliers, Slovenia of course is very attractive for Austrian investments, and often acts as a hub for the countries of the SEE region.”* In order to continue attracting investment in the future and to remain competitive in an EU comparison, some framework conditions must be improved. *“Our surveys also show that companies have been exposing the need to reduce bureaucracy and optimize the tax system and labor law for several years now. Reforms are overdue, but not much has happened in these areas.”*

The same critical points were emphasized by two company representatives. *“All Slovenian employer organizations have been pointing out the issue of bureaucracy for many years. Public administrations are growing, but their efficiency is not,”* exposed Marjan Trobiš, president of the Association of Employers of Slovenia (ZDS) and director of Boxmark Leather d.o.o. from Kidričevo, which concluded a profitable deal with the Emirates airline only recently and will equip their fleet. Florian Walchhofer from Technocare Electronic Systems - TES d.o.o., which manufactures electronic components in Postojna, indicated general satisfaction with the business location, their intention of further investments, and great satisfaction with their employees.

Austria by far the largest foreign investor in Slovenia

Austria is by far the largest foreign investor in Slovenia, with around EUR 4.6 billion in investments, which corresponds to about a quarter of all foreign direct investments. Around 1,000 Austrian companies secure more than 20,000 jobs in the country. Austrian companies are active in almost all areas of the economy and are often among the market leaders in their industry.

Austria has traditionally been an extremely important export and import partner for Slovenia. According to current statistics, the trade volume between the two countries from January to October 2022 has reached EUR 7.0 billion euros. In the period from November 2021 to October 2022, a trading volume of EUR 8.2 billion was achieved. *“In the last ten years, since our first survey was conducted, the trade volume between Slovenia and Austria has almost doubled. We are pleased that Slovenia remains such a reliable and competent partner for Austria and that economic relations between the two neighboring countries are developing excellently, despite all the crises,”* emphasizes Wilhelm Nest.

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Contact:

Mag. Wilhelm Nest

Director ADVANTAGE AUSTRIA Ljubljana
Commercial Counsellor in Slovenia

T 01 513 97 70

E ljubljana@advantageaustria.org

W www.advantageaustria.org/si/

In [ADVANTAGE AUSTRIA Slovenia](#)

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Marjan Trobiš

Director [BOXMARK Leather d.o.o.](#)

President [Association of Employers of Slovenia](#)

E Marjan.Trobis@boxmark.com



Florian Walchhofer

Procurator [Technocare Electronic Systems - TES d.o.o.](#)

E florian.walchhofer@wtronic.at