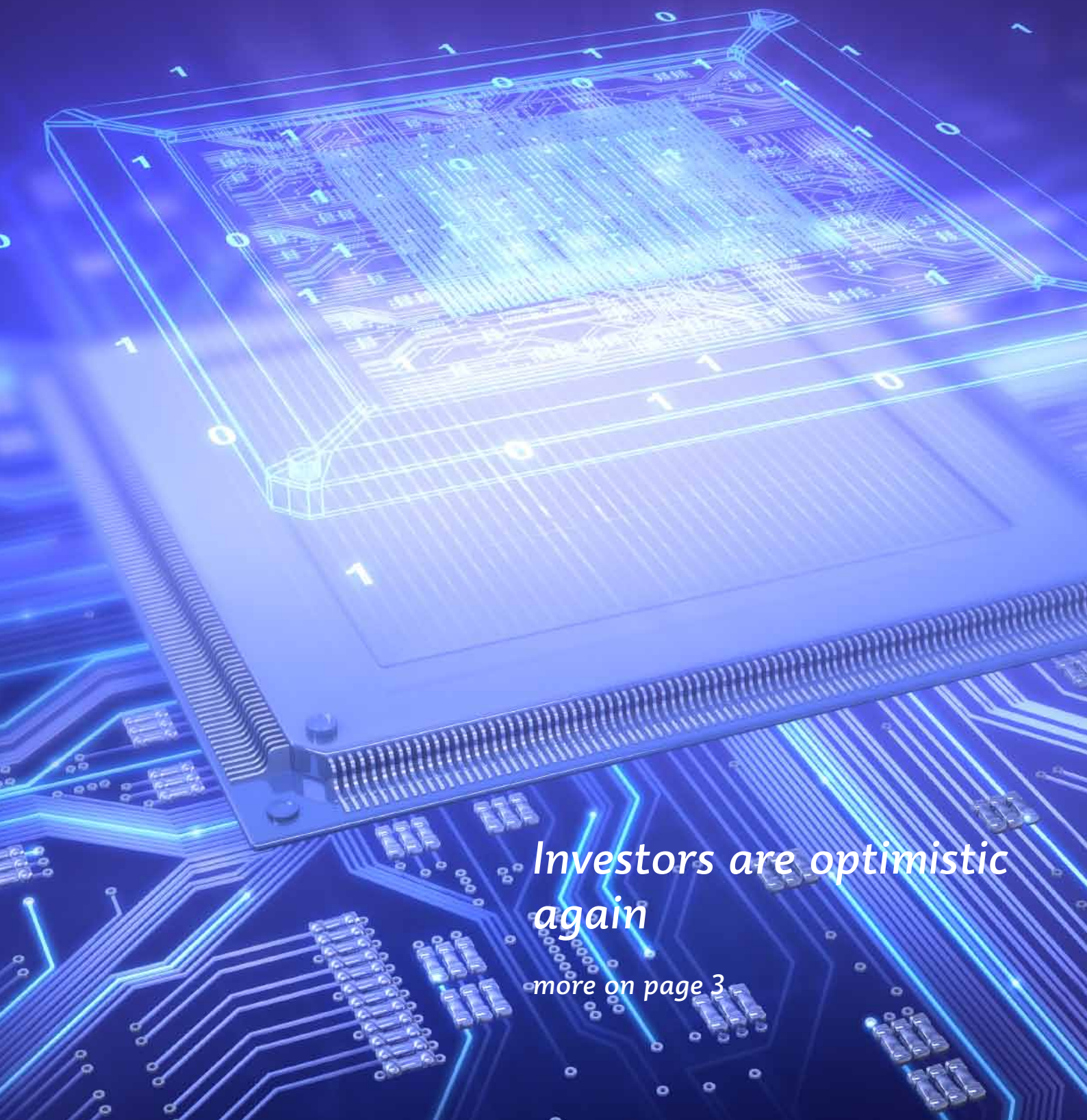


# Newsletter

Slovak Investment and Trade Development Agency

April / 2011



*Investors are optimistic  
again*

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## Investors are optimistic again

Foreign investors in Slovakia are leaving the crisis behind. According to the poll organized by foreign chambers of commerce in Slovakia among 166 European companies, its participants expect better business. Almost two thirds of polled subjects expect the economic situation in Slovakia will improve already this year and the same is true for their expectations for their own company. About 40% companies want more invest to their operations and increase number of employees and about 60% of foreign investors plan to increase salary expenditures in their companies. The polled investors answered that Slovakia is characterized mainly by its membership in the EU, labor force willing to work at relatively low cost and calculated tax system. In the comparison with other countries of CEE, the Slovak Republic is the most attractive investment location, just as during previous years. Clear majority of foreign companies (83%) would again bring their investment to Slovakia.



## Investment into cement

Holcim Slovensko plans to invest EUR 11 million this year in its plant in Rohoznik. The biggest local maker of construction materials and services wants to spend a third of this sum to improve reliability of its cement production and approximately 7 million euro should be put in further boosting of production effectiveness. Holcim (Slovakia) is currently in negotiations with the management of the Holcim group on further investments, which should reach up to EUR 40 million. The planned investments are based on innovations and are to improve protection of the environment. After their implementation the Rohoznik cement mill should become the European No. 1 in technology.

## Steel will give jobs to over 400 people

Other 400 jobs will be created in the eastern Slovakia. They will be created in the finishing steel works in the complex of the industrial park Chemko-Strazske. With its volume of more than EUR 240 million, the project of mini steel works Strazske is one of the biggest current investments in Slovakia. It will provide production of structural steel with the annual capacity of 600,000 tons with the option of further expansion in production up to 800,000 tons. Roughly 400 jobs will be created in the steel works and others will be added in the referring operations and at subcontractors.

## New impulses for Slovak automotive industry

An over 120-million-euro investment by French corporate group PSA Peugeot Citroen in production of a new car model in Slovakia will create 900 new jobs. The car plant in Trnava plans to commence the third work shift in the spring of 2012 and gradually increase output to its maximum annual capacity of 300,000 cars. PSA Peugeot Citroen Recruitment of staffers for some technical positions has already started and another round will be opened in September. New workers will start the job at PSA Peugeot Citroen in January 2012.

U.S. auto seat component manufacturer Lear Corporation Seating Slovakia in Presov will open 200 new jobs. It presently employs 820 people. The main recruitment round will start in June and July. The company needs new workers due to production expansion. Lear is enlarging its capacity because of new supplies to the Slovak part of PSA Peugeot Citroen. The investment covers new technology and enlargement of the production premises by some 10,000 square meters.

The core supplier of Kia in Slovakia, the South Korean company Mobis Slovakia, will take in hundreds of employees. The firm will build a new brake production plant and create 320 jobs in the proximity of Zilina city. "The plant is expected to open in December 2012," according to Slavomir Zbin of Mobis.

A new joint venture specializing in production and repairing of brake calipers for passenger cars, which is a joint investment of the German company FTE Automotive and Danish company SBS (Scandinavian Brake System A/S), is being established in Presov. Construction is planned to be launched in June 2011. The investment will amount to several millions of euros and the company will create a hundred new jobs, while it will hire about fifty workers by the end of this year and the rest will be taken on during 2012.

Faurecia Slovakia will employ about 150 new people in the press and painting shop after planned extension of its production. Production will be gradually expanded over two years, based on requirements of the Bratislava-based car producer Volkswagen Slovakia. Faurecia produces dashboards, door panels and bumpers for the car industry. The company already planned further expansion after its arrival in Hlohovec in 2006 and prepared sites for additional construction. The new press has already received occupancy permit but presses will be put into operation after completion of the paint shop, which is currently undergoing Environmental Impact Assessment. Investment into expansion of production is to reach EUR 11.5 million.

The new factory of the company Fremach Trnava should employ 100 people next year. The company, which produces mechanical plastic components for the car industry, is planning to build a new production hall for EUR 8 to 10 million in Trnava.



## Ahead of the Eurozone

The International Monetary Fund (IMF) forecasts in its latest prognosis that the Slovak economy will grow faster than the median for the entire currency club. The IMF prognosticates the euro zone's GDP growth at 1.6 percent of this year and 1.8 percent next year. Economic activity in Slovakia will bolster by 3.8 percent this year. Next year, GDP growth is to reach 4.2 percent. World Bank forecast the Slovak economy should grow by 4.1 percent this year and by 4.3 percent next year. According to the World Bank's estimates, Slovak economy will overstep the pre-crisis level in this year.



## Competitiveness of regions

The best conditions for development of business activities in Slovakia are in districts of Bratislava, followed by Trnava, Senec, Zilina and Malacky. On the contrary, the worst conditions were registered in the Gelnica municipality, according to the Competitive Regions 21 project, in which the Slovak Business Alliance (PAS) analyzed the competitive advantages and disadvantages of all Slovak districts. The project's outcome is the Index of Regional Business Environment, which the alliance drew up for all 79 of Slovakia's districts. The quality of road infrastructure is the main barrier in regional development.

## More money from taxes

Corporate and personal income tax revenue in the first three months of this year exceeded the Finance Ministry's expectations. Personal income tax collection totalled EUR 468.8 million in late March, which is 4.9 percent more than the aliquot budgeted projection. Corporate income tax collection amounted to EUR 527.3 million, overstepping the budgeted volume by 26 percent.

## Consolidation of State Treasury

The Cabinet has confirmed its plan to consolidate public finances and squeeze their deficit below the Maastricht criterion of 3 percent of GDP in 2013. The Finance Ministry confirmed this aim set already in the three-year general government budget in the approved National Program of Reforms. The biggest part of the planned consolidation of public finances should take place this year when the deficit should shrink from last year's 7.78 percent of GDP to 4.9 percent. Next year the deficit should narrow to 3.8 percent and should be at 2.9 percent on 2013.

## Investment incentives in new light

In the future, the state should support investment plans of local or foreign companies mainly through tax breaks, as suggests the draft amendment to the law on investment incentives. The Cabinet approved the document from the Economy Ministry's workroom. Slovakia will also prolong the eligibility for tax relief for recipients of investment assistance from five to ten years. The ministry also suggests keeping in effect the duty of writing off tax losses during the period of eligibility for tax relief.



## More than double growth

Turnover on the Bratislava Stock Exchange (BCPB) amounted to EUR 10.21 billion in the first quarter of this year, which is a y/y increase of over 115 %. Market players carried out 2,510 transactions. Shares worth EUR 154.1 million were purchased and sold. On the BCPB floor, bond deals worth EUR 10.1 billion were carried out in Q1 2011. The most active market player on the Bratislava exchange last year was Slovenska Sporitelna, with EUR 7.6 billion turnover representing 75 % share on the total traded volume.

## Investment seminars – part of the business trip to India

SARIO representatives took part in the official delegation of the Minister of Economy of the SR during his business trip to India. Slovak mission was supported by investment seminars prepared by SARIO in the cooperation with Indian partners and professional associations - Federation of Indian Chambers of Commerce and Industry (FICCI), Federation of Indian Micro, Small and Medium Enterprises (FISME) and The Confederation of Indian Industry (CII). Marian Tomasik, the Ambassador of the SR in India and Igor Melisek, Commercial Counselor of the Embassy of the SR in India participated at the seminars as well. Minister Miskov has opened all the seminars with his opening remarks and Andrea Gulova, the Deputy of the CEO of SARIO presented Slovak business environment. The aim of the investment seminar was to inform potential investors about business and investment environment in Slovakia in connection with the future steps prepared by the Slovak Government to improve it. Indian entrepreneurs were interested in strengthening mutual trade between the SR and India in the areas of IT, chemical, pharmaceutical, food, automotive, defense, textile, energy and construction industry and tourism and possible joint-venture creation.



## Visit to NOIDA Special Economic Zone (NSEZ)

After finishing the first one from the series of investment seminars during the business trip of the Minister of Economy of the SR to India, Andrea Gulova, Deputy CEO of SARIO visited, together with the Slovak businessmen that are part of the official delegation, premises of NOIDA Special Economic Zone (NSEZ). Commissary for Special Economic Zones Ralp Bakshi introduced their functioning in India. Indian government has created 7 zones in which they offer advantageous conditions for doing business. Companies that produce inside the economic zone and export their goods abroad may use various advantages, for example 100% tax relief during first 5 years of business and next 5 years 50% tax relief, and they also may import material, components and goods with zero customs duty etc. Deputy CEO of SARIO informed Indian party about functioning of industrial parks in Slovakia and support that the entrepreneurs may receive based on the Act. No. 561/2007 on investment stimuli.

## Slovak – Vietnamese Business Forum

The SARIO Agency in cooperation with the Vietnamese Chamber of Commerce and Industry (VCCI) has organized the Slovak – Vietnamese Business Forum taking place on the premises of the Chamber in Hanoi. The opening remarks were delivered by Dom Duy Khoung, Vice-Chairman of VCCI, Le Danh Vinh, Deputy Minister of the Ministry of Trade and Industry in Vietnam and Juraj Miskov, Minister of Economy of the Slovak Republic. Andrea Gulova, Deputy CEO of SARIO, has presented the trade and investment opportunities in order to increase mutual cooperation of Vietnam and Slovakia, especially in the field of infrastructure development, agriculture, construction, defense, waste water treatment facilities construction, export and import of primary food products, tourism and projects in education and culture. Within the forum, a Memorandum of Understanding (MOU) was signed between the Vietnamese Bank for Investment and Trade Development and the Slovak Eximbank. The MOU guarantees financial coverage in case of commercial risk in this territory. Bilateral meetings between businessmen followed after signing of the memorandum.

## Investment seminar in Singapore

Investment seminar in Singapore closed investment road show of the Ministry of Economy of the SR, SARIO and representatives of business community in Asia. The Ambassador of Singapore for Slovakia Jennie Chua prepared this event. First Slovak investment seminar in Singapore has opened opportunities to strengthen mutual trade exchange stressing production cooperation, creation of joint ventures, investment support and cooperation in R&D. Phillip Overmyer, the Executive Director of Singapore International Chamber of Commerce (SICC) said in his opening remarks that the economy of Singapore is highly competitive and belongs to the most opened economies of the world. After the speech of Juraj Miskov, Minister of the Economy of the SR, the presentation of our business environment followed by Robert Simoncic: *"The trade balance of our countries is only the beginning what we may achieve. Your country is global business leader and our real ideal. We are interested to learn from you to make business effective and sophisticated and how to implement your tools into our business environment. I am sure that also we have lots to offer to your country,"* stressed SARIO CEO and as one example he mentioned our software companies. Singapore offers an option for Slovak products to reach all key markets of south eastern Asia (Malaysia, Indonesia, Philippines, Japan and Korea).



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