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Slovenia economy briefing: A survey of Slovenian companies conducted in June showed that the COVID-19 pandemic affected almost all aspects of business life

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A survey of Slovenian companies conducted in June showed that the COVID-19 pandemic affected almost all aspects of business life

Summary

Between May 20 and June 15, the Chamber of Commerce and Industry of Slovenia conducted a survey on the economy in relation to the impact of COVID-19 and loans. 272 companies responded to the survey. 44 % of the enterprises were micro and small enterprises, the rest were large and medium-sized enterprises. Almost half of them were in the manufacturing sector and the rest in the service sector. The results of the survey showed that the Coronavirus pandemic affected almost all aspects of business. On average, companies will see their revenues 17 % lower in 2020 than in 2019. Exports are expected to decline by an average of 14 % in 2020 compared to 2019. Companies will spend 14.4 % less on investment than in 2019. The reduction in the number of employees in companies in 2020 is estimated at an average of 9 %. It is expected that the majority of companies will not return to annual sales growth until 2021. COVID-19 is also expected to halve its presence in the European market. In particular, COVID-19 has increased the introduction of new technologies and financing of employees who are on a temporary layoff is the most exploited measure of the Anti-Corona Act in Slovenia.

Expected business results in 2020

80 % of the companies surveyed expect sales to fall in fiscal year 2020 compared to 2019. Only 13 % expect sales to increase this year and 8 % expect sales to be the same as in 2019. 18 % of the companies expecting sales to fall in 2020 expect them to fall by 10 %, 16 % of companies believe that sales will fall by 20 % and 13 % of companies believe that sales will fall by 30 %. In 2020, 5 % of companies expect sales to fall by 50 % or more compared to 2019.

The companies surveyed believe that in 2020 total sales will fall more sharply than exports. As many as 63 % of companies expect exports to fall in fiscal year 2020 compared with 2019, while just under one-fifth (19 %) expect revenues to increase this year and just under one-fifth (19 %) believe that the value of exports will not change compared with 2019. Of the companies expecting exports to fall in 2020, as many as 14 % expecting revenues to fall by 20

%, 12 % of companies believe their exports will fall by 10 % and 7 % of companies believe they will fall by 15 % and 30 % respectively. This year, 7 % of companies expect exports to fall by 50% or more compared to 2019. In most cases, companies will allocate less resources to investment this year than in 2019. 54 % of companies expect a decrease in investment compared to last year, a good third (35 %) expect an increase in investment, and 15 % of companies believe that the value of investment will not change compared to 2019. The overwhelming majority of companies that will allocate more funds to investments this year plan to increase investments by 5 to 10 % compared to last year. Among those who will invest less, the vast majority will invest 10 % less (8 % of companies), 50 % less (7 % of companies) and 20 % less (6 % of companies). 21 % of enterprises that intend to reduce their investment expenditure will reduce it by 50 % or more.

In 2020 companies will lay off more employees

As many as 53 % expect the number of employees to decrease compared to the previous year. Just under one-fifth (19 %) plan to increase the number of employees, while 28 % of companies believe that the number of employees will remain unchanged compared to 2019. Of those who will lay off, 26 % said they would lay off 10 % of employees, 9 % of the companies said they would lay off 20 % of employees, and 50 % or more said they would lay off 5 % of company's employees.

31 % of the companies expect a return to annual sales growth by June 30 2021, 30 % of the companies believe that they will reach this target only by the end of this year. 39 % of the companies indicate a return to sales growth after June 31, 2021 or after another period.

On the Western European market, the export presence of Slovenian companies is expected to decrease by 46 percentage points, by 44 percentage points on the markets of Central and Eastern Europe, by 14 percentage points on the markets of Central America, and slightly less on other continents because they are also less active on these markets.

The COVID-19 pandemic has reduced exports to the markets of Western, Central and Eastern Europe, according to information from about 50 % of companies. Almost 30 % of companies are not present in these markets, 17-19 % of companies believe that there has been no change, and only a small number feel that exports are increasing. In other, more distant markets outside Europe, a larger number of companies predominates, where exports have fallen rather than risen, with only around 11 % of companies believing that there has been no change in exports.

As a result of COVID-19, the number of domestic suppliers fell by 14 percentage points, as did the number of foreign suppliers (by 16 percentage points). Online sales rose by 15 percentage points, while the introduction of new technologies and the formation of virtual teams increased by 35 percentage points.

Companies responding to COVID-19 by introducing new technologies

When asked about the responses to COVID-19 or changes in the company, about half of the enterprises answered that there were no changes in most questions, with the exception of digitisation activities. This includes the introduction of new technologies (digitisation, automation), where enterprises introduced new technologies more than they reduced them by 35 percentage points. Online sales also increased significantly more than they decreased and remained unchanged at 27 %. The formation of virtual teams increased by 36 %, decreased by 1 %, remained unchanged in 33 %, and 30 % were not active in this area, or such solutions were not used. As a result of COVID-19, the companies were more dynamic in reducing the number of export markets than in increasing them. The same applies to the number of export products. The number of suppliers was largely maintained by the enterprises and there were no changes (74 % for domestic suppliers and 65 % for foreign suppliers), but they recorded a greater decline in the number of suppliers than an increase. During this period enterprises also recorded more employee training (57 %) because new ways of working and working from home required new skills from employees.

Of the measures in the Anti-Corona Act, companies used lay off from work in 55 %, followed by tax deferral in 24 %, credit deferral in 19 % and 14 % of loans under the adopted guarantee program, which came into force on 1 January 2020.

At the time of the survey, 45 % of companies laid off their employees up to 5 to 50 %. Among them, those (12 %) who laid off 5 employees were predominant. 8 % of the enterprises benefiting from this measure laid off 30 employees and 7 % laid off 10 employees. At the time of the survey 35 % of enterprises laid off 50 or more employees. Among them, enterprises that laid off 50 employees predominate (13 % of enterprises reported), while 8 % of enterprises laid off all employees. The main reason for this was the ban on selling goods and services to final consumers by government decree. More than one-fifth (21 %) of enterprises did not apply for this measure at the time of the survey.

Loans and guarantee scheme

In half of the cases the companies applied for a loan of between EUR 100,000 and EUR 1 million. 88 % of companies have not yet been granted a loan application. The results of the survey show that 96 % of the enterprises have applied for a loan under a guarantee scheme, while only 4 % have applied to a bank. 29 % of enterprises also turned to banks to obtain a loan, with which they had not previously established a credit relationship. The rest did not apply for a loan from other banks at the time of the survey. According to the survey, 54 % of the enterprises interested in a loan applied for a loan of 100,000 to 1 million euros, 33 % for a loan of 1 million euros and 13 % for a loan of up to 100,000 euros. The companies that were interested in the loan would use this money to finance working capital in 67 %, to finance a new investment in 21 % and to finance and complete an investment already started in 13 %. Companies that applied for a loan were approved in 13 % of cases and not (yet) approved in 88 %.

Conclusions

While the results of the survey showed that COVID -19 has had a major impact on business life in Slovenia (i.e. falling revenues, declining exports, less investment, reduction in the number of employees), it has also brought new forms of work, particularly through the introduction of new technologies, which require employees to acquire new knowledge and skills and be more flexible. Among the most used measures of the Anti-Corona Act, the temporary layoff for employees and applying for a loan under the state guarantee scheme.