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Report Highlights:

This report gives an overview of the foodservice – hotel, restaurant, and institutional (HRI) sector in Slovakia and outlines current market trends, including best product prospects. As in other countries, Slovakia's foodservice sector was one of the hardest hit by the Covid-19 pandemic. In 2020, Slovak foodservice sales were valued at $ 1.68 billion (EUR 1.49 billion). Despite being down by 35 percent compared to 2019, foodservice sales have slowly recovered as Covid case counts decrease. Pandemic-related social restrictions led to a change in consumer behavior and an increase in sales through takeout and delivery channels. Limited-service restaurants and specialist tea and coffee shops were the least affected foodservice sub-sector reporting relatively successful sales numbers despite the pandemic.

Market Fact Sheet: Slovakia

Executive Summary

Slovakia is strategically located in the center of Europe and is closely tied to other European Union (EU) economies. Slovakia is a part of the EU single market and customs union and is a Eurozone member. Slovakia has an export-driven economy and EU countries are its most important trading partners.

Slovak Agricultural Imports

In 2020 total Slovak agricultural and food product (HS[1] chapters 01-24) imports from the world reached $5.52 billion and the estimate for 2021 is $ 6.2 billion. The U.S. share remains generally unchanged ($10.6 million in 2020). Consumer-oriented food and beverage products are the most important agricultural imports from the United States.

Food Processing Industry

Slovakia's 3,200 food processing companies employ more than 50,000 people, which accounts for almost 10 percent of all industrial sector employees in Slovakia. Food processing is one of the largest sectors, accounting for 15 percent of total industrial output. The sectors with the highest revenue are dairy, meat, and poultry production, beer brewing, and confectionary-baking.

Food Retail Industry

Slovak food retail sales in 2020 reached $7.6 billion. The sector is saturated and relatively consolidated. The top four retail chains together account for 81 percent of revenue in the sector.

Food Service Industry

There are around 20,000 food and beverage serving establishments in Slovakia. In 2020, Slovak food service sales were valued at $ 1.68 billion (EUR 1.49 billion), down by 35 percent when compared to 2019. Two years of pandemic-related restrictions affected consumers' dining behavior and drove sales down, causing a number of small/medium sized restaurants to permanently go out of business.

[1]*Harmonized Commodity Description and Coding System*

Imports of Agricultural Products from USA (USD million)
10.6

List of Top 10 Growth Products from USA exported to Slovakia

1) Whiskey & Rum 2) Alaska Pollock
3) Frozen Hake 4) Almonds
5) Gelatin 6) Pistachios
7) Sunflower Seeds 8) Protein Concentrate
9) Peppermint Oil 10) Veneer Sheets

Food Industry by Channels (USD billion)

Agricultural & Food Exports	3.53
Agricultural & Food Imports	5.51
Retail	7.6

Food Processing Industry Revenues:
USD 5.45 billion

Top 10 Food Retailers

1) Tesco Stores SR
2) Lidl SR
3) COOP Jednota
4) Kaufland
5) Billa
6) Metro Cash & Carry
7) CBA Slovakia
8) Terno
9) Labas
10) Milk-Agro

GDP/Population 2021

Population: 5.46 million
GDP: $ 99.8 billion (EUR 88.00 billion)
GDP per capita: $18,145

Exchange rate (U.S. Bureau of Fiscal Service):

December 31, 2021: $1 = Euro 0.882

Data and Information Sources:
Trade Data Monitor, Slovak Ministry of Agriculture and Rural Development, FinStat Slovakia, Euromonitor

SECTION I. MARKET SUMMARY

Since March 2020, Slovakia's foodservice sector has been impacted by Covid-19 lockdowns and control measures. Government assistance programs aimed at mitigating the economic damage of the pandemic saved many foodservice outlets that would have otherwise closed their businesses permanently. This applies mainly to independent, family-owned outlets that faced large difficulties due loss of revenue and ongoing costs, such as rent and salaries.

As restrictions are lifted, the return to pre-pandemic dining routines is slow and careful.
Many customers avoid busy places due to health and safety concerns and prefer eating at home. This has driven growth in takeout and delivery services. Although the total number of foreign tourists significantly declined due to closed borders and general difficulties in international travel, the summer of 2020 saw an uptick in domestic tourism with many people staying in their home country for a 'staycation' rather than crossing borders for a foreign holiday. Additionally, the number of incoming tourists from the neighboring Czech Republic increased.

Although chain restaurants, including fast food outlets, account for a small share of all restaurant outlets, they performed much better during the Covid-19 pandemic as they work with larger margins and more staff. For instance, the limited-service restaurant sub-sector's leader, McDonald's Slovakia, increased its foodservice value share during the pandemic (35.8 percent in 2020, *source: Euromonitor International*).

The HRI sector faces the challenge of a workforce shortage since many employees left the sector. This constraining factor continues to make the return to business complicated as many workers changed careers due to long-term uncertainty in the hospitality industry.

SECTION II. MARKET STRUCTURE

Unlike the retail sector, the Slovak foodservice industry is fragmented with many independent players. This is particularly the case for cafés/bars, restaurants, cafeterias, and street kiosks. Most fast-food outlets, however, are consolidated and part of international chains. Well-known examples of foodservice chains from the United States include McDonalds, KFC, Burger King, and Starbucks. Chains from the United States are popular because of their consistency and an affordable price point.

Most hotels, restaurants, and institutions purchase either from large retail outlets or from wholesalers. Major wholesalers in Slovakia include Bidfood (provides delivery services) and Metro (cash & carry shops and limited delivery services). Fast-food chains may import some specialty ingredients directly from the United States, but they mainly depend on local suppliers. Imported products from the United States often enter Slovakia indirectly from Germany or the Netherlands and these transshipments are therefore not reported in Slovak statistical data as U.S. agricultural imports.

Table 1: Company Shares in Chained Consumer Foodservice
% Foodservice Value 2018-2020

Company	2018	2019	2020
McDonald's Corp	33.5	33.3	35.8
MOL Group	7.5	8.5	9.6
Minit Slovakia spol sro	9.7	8.7	8.5
Medusa Group spol sro	6.3	5.9	4.9
OMV Tankstellen AG	3.6	3.5	4.0
Doctor's Associates Inc	3.6	3.6	3.7
Bencik Culinary Group	4.8	4.6	3.6
Inter IKEA Systems BV	3.9	3.7	2.7
Royal Dutch Shell Plc	2.0	1.9	2.0
Yum! Brands Inc	1.8	1.9	1.9
Regal Burger sro	1.3	1.7	1.9
Unitas Group sro	1.6	1.7	1.6
Vita Royal sro	1.2	1.4	1.5
Tchibo GmbH	1.7	1.6	1.4
Starbucks Corp	1.2	1.5	1.4
Restaurant Brands International Inc	0.1	1.0	1.2
Lucie Volfova Co	1.0	1.0	1.1
Other	15.2	14.2	13.2
TOTAL	100	100	100

Source: ©Euromonitor International

SECTION III. COVID-19 IMPACT ON THE FOODSERVICE SUB-SECTORS

Full-Service Restaurants

Generally, all full-service restaurants in Slovakia were hit extremely hard by the Covid-19 pandemic. Eat-in sales were negatively impacted by lockdown restrictions, reduced opening hours, and lower consumer spending. Not all places were able or flexible enough to offer takeout or home delivery. In addition, the decline of the tourism industry had a negative impact on this sub-sector.

In 2020 full-service restaurants recorded a sales value decline of 36 percent (EUR 286 million), while the number of outlets and transactions decreased by nine percent and by 33 percent, respectively.

Most of Slovakia’s full-service restaurants are independent, with Medusa Group and Minit Slovakia being the largest local companies. Many full-service restaurants did not change their business models enough to adapt to the new conditions and suffered major losses. Nevertheless, Medusa Group remains the culinary leader in Slovakia reporting a foodservice value share of five percent in 2020. The company has 1,400 employees and owns/operates 40 restaurants in Slovakia and several in Czech Republic (Prague) and Austria. Besides popular restaurants with different regional cuisines (Italian, Brazilian, Asian), the company continues to expand its business by adding beer pubs, night clubs, cafes, and modern canteens for major Slovak employers to their portfolio. Additionally, it has its own catering division; the benefit Medusa Card program for loyal customers; and an education Medusa Academy platform.

Table 2: Foodservice Value Sales 2017-2020

	2017	2018	2019	2020
Units	21,684.0	22,122.0	22,406.0	20,351.0
Transactions (million)	458.4	473.4	492.2	329.1
EUR million current prices	1,995.1	2,132.1	2,305.9	1,493.7
EUR million constant prices	1,979.5	2,063.6	2,173.9	1,381.1

Source: ©Euromonitor International

Consumer trends such as increased cooking at home, use of takeaway services, and avoiding places with high concentrations of people are likely to continue to have a negative effect on full-service restaurants in the near future. Additionally, lower disposable incomes and increased post-pandemic unemployment are expected to lower the value spent per transaction in full-service restaurants, with many Slovaks preferring less expensive alternatives such as limited-service restaurants.

Limited-Service Restaurants

Limited-service restaurants did not suffer to the same extent as full-service restaurants as they were better prepared for the switch to home delivery and takeaway sales prior to the pandemic. Although strong growth in this service did not fully compensate for the steep decline in eat-in sales, the total sales value declined by only 20 percent and reached EUR 306 million in 2020. The number of outlets dropped by three percent to 2,123 while transactions declined by 21 percent.

One reason chains performed better during the Covid-19 pandemic is that they were more flexible in switching to take away or home delivery services and are frequently located at food courts of large shopping centers that remained relatively unaffected by shutdowns. To give a few examples, McDonalds, Burger King, and Starbucks introduced their delivery services in 2020 to successfully compensate for sales losses in their outlets.

Cafes/Bars/Pubs

Bars, pubs, and clubs were the most severely affected by the Covid-19 control measures since only outdoor spaces were allowed to open for long periods during the Covid-19 pandemic and it is very difficult to implement any social distancing rules in these spaces. Additionally, reduced opening hours, absence of tourists, much slower foot traffic in shopping malls, and almost no option to introduce a backup business model such as takeaway or home delivery, negatively impacted the sales in the long term. Although many operators tried to implement home delivery services, this was not a viable a long-term business strategy as sales through this channel continued to decline in 2021. As a result, many, particularly independent, businesses were unable to survive several waves of the pandemic.

However, specialist coffee and tea shops were the least affected food service subsector, with a value decline of 25 percent in 2020 (EUR 15.5 million). This is a rather low number when compared to the decline of 41 and 38 percent, recorded by bars/pubs and cafes, respectively. Additionally, the total number of specialist coffee/tea outlets remained almost unchanged in 2020, whereas during the same time, there were 15 percent less bars/pubs and seven percent less cafes. This situation continued into 2021.

Tourism

In 2019, tourism revenues reached a record high of EUR 2.8 billion with more than 20,000 business units. The number of visitors to Slovakia grew steadily between 2015 and 2019, reaching 6.5 million in 2019. The share of foreign visitors accounted for 38-40 percent. The contribution of the tourism industry to the GDP increased from 5.7 percent to 6.4 percent between 2011 and 2019, proving the increasing importance of the industry in pre-pandemic years.

Travel-related restrictions had an immediate and massive impact on the way that many tourism-related businesses operated, in some cases closing them altogether. In spring 2020, tourism came to a stop in Slovakia as both demand and supply were hit by the Covid-19 pandemic and the actions implemented to slow its spread. Most control measures were lifted before or during the peak 2020 summer season, however, the new pandemic wave and the similar control measure scenarios resulted in the re-introduced in fall/winter 2020/2021.

The Covid-19 pandemic caused a 50 percent decrease in tourism in Slovakia in 2020, down to 3.2 million tourists (domestic and foreign), the lowest number in the last 20 years. The major decrease was caused by much lower numbers of foreign visitors, which made up only about 26.6 percent of the total number of tourists in 2020 (854,000 visitors compared to 2.5 million in 2019). Tourists from the neighboring Czech Republic accounted for the major share of visitors to Slovakia (44 percent). Due to the limited number of flights, difficulties in international travel, and uncertainty related to social restrictions, the return of international tourists, particularly from beyond Europe, has been very slow.

From January to October 2021, 2.5 million visitors were accommodated in tourist establishments, representing a year-on-year drop by 17.8 percent. Compared to the corresponding pre-pandemic period, the total number of guests decreased by 54 percent, while there was again a more significant drop in the visit rate of foreign tourists by 76 percent.

Government subsidy programs were implemented to help affected companies to continue their tourism business activities. Despite these assistance programs, the share of units expected to go out of the hotel business is estimated at about 15-25 percent. Others do not expect a full recovery for another three years. This will be a challenge for specific regions in Slovakia, such as the High or Low Tatra Mountains, where tourism-related activities play a dominant role in the local economy and employment.

Source: Ministry of Transport and Construction of the Slovak Republic, Statistical Office of the Slovak Republic, Association of Hotels and Restaurants of Slovakia

SECTION IV. MARKET TRENDS IN FOODSERVICE SECTOR

The pandemic significantly changed consumer spending trends causing a major increase in sales via off premise channels. Home delivery sales more than doubled in 2020 compared to the previous year, reporting 13.2 percent of the total food service sales value. Takeaway service generated 28 percent of total food service revenue, and 65 percent more revenue in total than in 2019. Eat-in outlets recorded a year-on-year decrease of 24 percent in 2020.

Table 3: Eat-In versus To-Go
% Foodservice Value 2017-2020

	2017	2018	2019	2020
Drive-Through	0.1	0.1	0.2	0.4
Eat-in	77.8	77.2	76.9	58.5
Home Delivery	5.0	5.6	6.0	13.2
Takeaway	17.1	17.1	16.9	28.0
Total	100.0	100.0	100.0	100.0

Source: ©Euromonitor International

- Slovakia remains a price-focused market. However, with increasing incomes and rising health awareness, some consumers, especially in cities, can afford and prefer premium-quality dining.
- As part of growing health consciousness, more Slovak consumers are interested in the origin of the foods they consume and their ingredients.
- In rural areas, price sensitivity will remain a major issue, favoring fast food or low-priced local pubs.
- An aging population and the rising number of single households are driving the demand for convenient ready-to-eat meals.
- Younger age groups do not earn the same disposable income as their parents; therefore, their spending decisions are more focused on lower prices. Millennials contribute to new trends such as eating-away-from-home, food delivery, healthy food, and the use of digital technologies.
- A professional labor shortage, especially of chefs, is a critical factor that has an additional negative impact on the full recovery of many businesses.
- Independent and small restaurants will be facing stiffer competition from chain foodservice outlets.
- A post-pandemic return to a full recovery of the tourism business is expected to take about three years at a minimum.

Table 4: Advantages and Challenges

Advantages	**Challenges**
Central location in Europe with many transportation and trade channels	Patriotic consumers demanding local and low-price products
Compliance with EU legislation and the common currency (Euro)	Lack of awareness of U.S. food brands
The crisis caused by the COVID-19 pandemic fuels upgrades and change of business strategy in the HRI sector, e.g., establishing home delivery/take-away services	U.S. exporters face competition from tariff-free products from other EU member states
Popularity of online grocery shopping is growing	Introducing new-to-market food products requires long-term marketing support
American food and lifestyle are popular in Slovakia	Non-tariff barriers such as phytosanitary restrictions and traceability requirements can make exporting complicated
Growth of urban population enjoying new trends, particularly among younger generations	Slovak language labelling requirements
Minimal or zero domestic production of specific agricultural products; Imports of agricultural products outpaces exports in long term	Retailers rarely import products directly into Slovakia. They prefer to purchase from central buyers, mostly located in other EU member states.

Source: FAS Prague

SECTION V. Best Product Prospects

U.S. exports of agricultural products to Slovakia (HS Codes 01-24) valued $10,573,453 in 2020. The estimate for 2021 (based on January-November 2021 data) is $10.5 million. The main competitors for U.S. suppliers include domestic producers and producers in other EU member states. Overall, Slovakia is a net importer of all major categories of food products. There are market opportunities for U.S. products such as distilled spirits, tree nuts, fruit juices, fish and seafood products, wine, cereals and snack foods, and high-quality beef.

Table 5: U.S. Exports to Slovakia – Prospects for U.S. Exporters

Product Category	U.S. Exports to Slovakia in 2020 (USD million)	U.S. Exports to Slovakia in 2021 (USD million)	Market Attractiveness for U.S. Exporters
Dried Fruits & Tree Nuts (HS Code 08)	1.4	2.8*	The best prospect category with almonds being particularly in demand. The U.S. exports decreased significantly in 2019 but has been growing again since then.
Miscellaneous Edible Preparations (HS Code 21)	1.8	2.4*	The year-by-year increase of U.S. exports in this category is 45 percent.
Fish and Crustaceans (HS Code 03)	4.2	2.7*	Although the share of U.S. exports decreased in 2021, global imports to Slovakia are growing. Czech Republic, Poland and Germany are the major suppliers.
Beverages & Spirits (HS Code 22)	2.7	2.3*	Consumption of imported wines and spirits is on the rise amongst Slovak consumers. Global imports increased by 10 percent in 2021 with Ukraine, Russia, and Armenia acquiring a significant increase in market share. The U.S. is a mainstay in the bourbon market.

**Based on extrapolation of January-November 2021 data*
Source: Trade Data Monitor/FAS Prague

SECTION VI. Key Contacts and Further Information

If you have questions or comments regarding this report, or need assistance exporting to the Czech Republic, please contact the Foreign Agricultural Service in Prague.

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Attachments:

No Attachments.