



Slovakia



Did you know...?

History The Slovak capital Bratislava is a melting pot of cultures and a political hub for the region. It was the capital of the Hungarian Empire from 1526-1784.

Geography The Slovak landscape is dominated by the Carpathian Mountains, which are home to one of the largest European populations of brown bears.

Music The Fajara is a unique, traditional shepherd's flute that gained popularity in folk festivals across Europe. It is protected by the United Nations as intangible cultural heritage.

Sports The Slovak national ice hockey team is ranked as the seventh strongest in the world. A notable number of Slovaks play in the NHL, for the New York Rangers, for example.

Fun Fact Štefan Banič, a Slovak immigrant to the US, invented the first actively used parachute. He tested it himself by jumping out of a high building in Washington DC.

An overview of Slovakia's economy

A success story of strong growth led by exports and foreign direct investment, the Slovak economy weathered the financial crisis well.

In 1993, after the first years of post-communist restructuring, Slovakia peacefully broke away from the Czech Republic in what later became known as the "Velvet Divorce". Following the establishment of the Slovak Republic, the country saw robust economic growth. In 2004, Slovakia, along with seven other Central and Eastern European countries, plus Cyprus and Malta, became a member of the European Union.

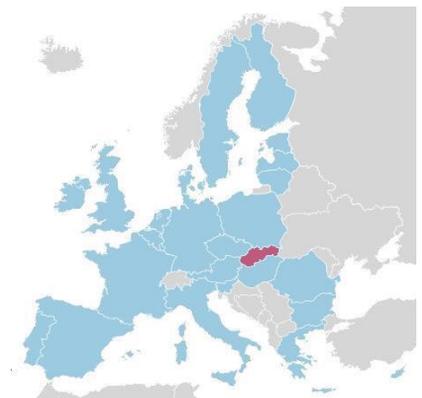
Slovakia subsequently joined the Economic and Monetary Union, and introduced euro notes and coins in January 2009. In the years from 2005 to 2009, when the country was preparing for euro adoption, fiscal sustainability became a key government priority. Aided by institutional and structural reforms, the Slovak economy rapidly integrated with its EU neighbors.

After joining the EU, strengthened external competitiveness and macroeconomic stability were overarching policy priorities for the Slovak authorities. Solid progress on privatization and low labor costs attracted substantial foreign direct investment (FDI). Low taxes, both for corporations and individuals, as well as a favorable geographical location were also seen as assets for investors. FDI inflows were particularly concentrated in high value added export industries such as transport equipment (mainly automobile manufacturing and

related activities) and electronic goods.

After declines in investment, Slovakia is projected to return to investment growth. Private investment projects in the automotive industry are leading the way along with public infrastructure investment, such as the Bratislava ring road. However, due to litigation, other major infrastructure projects are on hold and EU investment funds are being used slowly.

With the rebounding investment, economic growth is set to continue its robust path. A tightening labor market and increased exports are supporting growth and wage pressures. These are creating more favorable demand conditions and fostering renewed private consumption. The growth is helping boost tax revenues allowing for new policy measures, including higher social and healthcare contribution ceilings.





Slovakia's Economy – Key Facts

- Slovakia is a relatively small, landlocked, but well-integrated, export-oriented economy. Slovakia is well placed as a first-class world exporter, and it has Germany and the Czech Republic as its largest trading partners.
- The World Economic Forum (WEF) Global Competitiveness Report for 2017/2018 ranked Slovakia 59th out of 137 countries in terms of competitiveness. The country ranked relatively favorably in macroeconomic environment, technological readiness, and financial market development. On the other hand, an inefficient government bureaucracy, corruption and restrictive labor regulations are cited as the most problematic factors for doing business.
- The World Bank's Doing Business Report ranked Slovakia 39th out of 190 countries on the ease of doing business in 2018. Improvements in enforcing contracts have helped Slovakia's ranking, however, there is still room for improvement as it ranks 84th in the category. A major strong point is the ability to register property.
- According to the European Commission's Autumn 2017 forecast the Slovak economy will continue its strong growth, with GDP growing by 3.3% in 2017 and 4.0% by 2019. Economic activity will be increasingly driven by private consumption with help from increased investments and a positive net exports.
- Inflation is set to increase from 1.6% in 2017 to 2.8% in 2019, due to increases in food and service prices.

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Exports Thanks to increases in foreign demand and production expansions in the automotive industry, Slovakia is seeing increased export growth and a positive net exports contribution to GDP.

Unemployment remains relatively high but is decreasing markedly, from 9.7% in 2016 to 8.3% in 2017. By 2019, it is anticipated to reach 6.6%.

Wage Decreasing unemployment is thanks to cross-sector employment prospects. This recovery has caused increases in participation of previously inactive people. Despite this, some sectors and regions are seeing labor shortages resulting in nominal wage increases.

Fiscal Policy Revenue increasing measures, such as a new dividend revenue tax, are met with revenue decreasing measures, such as the abolition of a minimum corporate income tax and a change to pensions. Nonetheless, general government debt is forecast to decline to 50.6% in 2017 and be below 50% in 2018-2019. The government deficit should decline from 1.6% in 2017 to a 0.2% deficit in 2019.