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ECONOMIC AND POLITICAL OVERVIEW

ECONOMIC OVERVIEW

Slovakia has experienced sustained and steady GDP growth since its integration into the European Union in 2004, except for the financial crisis of 2008-2009, the Eurozone crisis of 2011-2012, and the COVID-19 pandemic. After growing 1.7% in 2022, the Slovak economy decelerated to 1.1% in 2023 due to reduced private and public consumption accompanied by a decline in exports and imports, coupled with inventory reductions, reflecting the weakening economic prospects in its primary export markets (EU Commission). The economic growth outlook for 2024 and 2025 stands at 2.3% and 2.6% respectively. Real wage hikes are expected to bolster private consumption, offering an additional stimulus. Furthermore, the absorption of EU funds is anticipated to significantly contribute to investment growth (EU Commission).

In 2023, the general government budget saw a significant deterioration due to heightened social transfers, raises in public sector wages, increased interest rates, amplified military spending, and temporary measures to support energy schemes benefiting households and firms. The deficit was estimated at 6.5% of GDP by national authorities. The EU Commission raised concerns about the 2024 budget, projecting the deficit at 6.3% in 2024. Similarly, the debt-to-GDP ratio is on an upward trajectory according to Fitch Ratings, which expects it to rise to 62.1% by end-2025 from 57.8% at end-2022. Interest costs, however, are anticipated to increase gradually, attributed to a favorable redemption profile characterized by an average maturity of 8.5 years and predominantly fixed-rate debt structures. As per the EU Commission, inflation surged to 11% in 2023, driven by elevated energy prices and their subsequent influence on other components. In 2024, the inflation rate is projected to decrease to 3.5%, largely due to the anticipated moderation in energy and consumer food prices. However, the persistent effects of energy prices and a constrained labor market are expected to exert upward pressure on prices within the service sector. By 2025, inflation is forecasted to decline further to 2.6%.

The unemployment rate decreased to 6.1% in 2023 (from 6.2% one year earlier) and is expected to hover around 5.9% in the short term, while the labor market remains tight. Overall, around 15.6% of the population is at risk of poverty (especially in the eastern part of the country), less than the EU average of 21.6% (Eurostat, latest data available). The country’s GDP per capita (PPP) was estimated at USD 37,459 in 2022 by the World Bank, 31% below the EU average.

Main Indicators	2022	2023 (E)	2024 (E)	2025 (E)	2026 (E)
GDP <i>(billions USD)</i>	115.56	133.04	145.25	153.90	161.48
GDP <i>(Constant Prices, Annual % Change)</i>	1.7	1.3	2.5	2.8	2.8
GDP per Capita <i>(USD)</i>	21,263	24,471	26,714	28,311	29,719
General Government Balance <i>(in % of GDP)</i>	-0.8	-3.7	-4.3	-4.4	-4.5
General Government Gross Debt <i>(in % of GDP)</i>	57.8	56.7	56.5	57.5	60.3
Inflation Rate <i>(%)</i>	n/a	10.9	4.8	2.3	1.9

Main Indicators	2022	2023 (E)	2024 (E)	2025 (E)	2026 (E)
Unemployment Rate <i>(% of the Labour Force)</i>	6.2	6.1	5.9	5.9	5.9
Current Account <i>(billions USD)</i>	-9.42	-3.55	-5.75	-5.23	-4.36
Current Account <i>(in % of GDP)</i>	-8.2	-2.7	-4.0	-3.4	-2.7

Source: IMF – World Economic Outlook Database , October 2021

Country Risk

See the country [risk analysis](#) provided by [La Coface](#).

MAIN SECTORS OF INDUSTRY

The Slovak Republic boasts a highly qualified labor force of 2.81 million out of its 5.44 million population. The agriculture sector is minimally developed and represents only 2.2% of the GDP and 3% of employment (World Bank, latest data available), although nearly two-fifths of the land is arable. The main agricultural products in the country are cereals, potatoes, sugar beets, and grapes. The mountainous area of Slovakia features vast forests and pastures, which are utilized for intensive sheep grazing, and it is rich in mineral resources including iron, copper, lead, and zinc. According to the second estimate of yield by the Statistical Office of Slovakia, farmers expected to harvest approximately 3.2 million tons of densely sown cereals in 2023, representing an increase of 469,000 tons compared to the previous year. This marks a double-digit year-on-year growth of over 17%, primarily driven by significantly higher yields per hectare, reaching 5.7 tons. These yields surpass the five-year historical average.

The secondary sector represents 28.5% of the GDP and employs 36% of the workforce. Heavy industry sectors - such as metal and steel - are still undergoing a restructuring phase. High-value-added industries, like electronics, engineering, and petrochemicals, are concentrated in the western part of the country. Sectors like automobiles and consumer goods experienced a significant contraction during the pandemic but have started to recover relatively fast and are offering attractive opportunities to foreign investors. Although Slovakia's competitiveness supports the recovery of the sector, global automotive demand remains sluggish. The World Bank estimates that the manufacturing sector alone accounts for one-fourth of Slovakia's GDP. Figures from the national statistical office show that industrial production decreased by 0.6% year-on-year in 2023. The automobile industry experienced a year-on-year growth of 4.9%, the highest seen since 2018. Additionally, the manufacture of electrical equipment saw a positive impact with a growth rate of 7.4%. However, the manufacturing of rubber and plastic products witnessed a significant negative influence, declining by 8.9%, while manufacturing computer products experienced a notable 22% decrease.

The services sector contributes 58.5% of the GDP and employs around 62% of the active population. It is dominated by trade and real estate. The development of tourism may also become important for the Slovak economy in the coming years, as it has been one of the country's most dynamic sectors before the outbreak of the COVID-19 crisis. The sector showed signs of recovery in 2023 when accommodation establishments achieved a turnover worth almost EUR 563 million (excluding VAT), representing a year-on-year increase of 30%. The country's banking sector consists of 26 financial institutions, it is strong and largely owned by foreign groups (mostly from Austria, Italy, and Belgium; whereas only four are owned by Slovaks, of which one is controlled by the government – data EBF). In 2023, turnover in retail trade reached a 4.5% lower value in constant prices than in 2022 (Statistics Slovakia).

Breakdown of Economic Activity By Sector	Agriculture	Industry	Services
Employment By Sector <i>(in % of Total Employment)</i>	2.5	36.7	60.8
Value Added <i>(in % of GDP)</i>	2.2	28.6	58.3

Breakdown of Economic Activity By Sector	Agriculture	Industry	Services
Value Added <i>(Annual % Change)</i>	2.3	-0.4	2.5

Source: World Bank - Latest available data.

Monetary Indicators	2016	2017	2018	2019	2020
Euro (EUR) - Average Annual Exchange Rate For 1 USD	0.94	0.89	0.85	0.89	0.88

Source: World Bank - Latest available data.

FOREIGN TRADE

Slovakia remains strongly dependent on external markets, with foreign trade representing 170.6% of its GDP (World Bank, latest data available). The country's strong industrial tradition, tax incentives, inexpensive and skilled workforce, rapidly developing infrastructure (boosted by an influx of EU funds), and fragile but real growth make it a preferred base for trade. Slovakia also benefits from an advantageous geographical location at the crossroads of Central Europe, representing a platform for re-exportation for the European automotive industry. In terms of product categories, in 2022, the country mainly exported machinery and transport equipment (57.7%), manufactured goods (16.9%), and chemical products (4.9%); while imports were led by machinery and transport equipment (43.8%), manufactured goods (14.2%), mineral fuels (14.1%), and food (5.1% - data Statistics Slovakia).

In 2022, Europe accounted for 88.6% of total exports and 73.9% of imports. On a country basis, Germany (20.9%), the Czech Republic (12.1%), Hungary (8.7%), Poland (7.7%), and France (58%) were the main destinations of Slovakia's exports; whereas the main suppliers were Germany (14.1%), the Czech Republic (9.1%), China (7.5%), Russia (7.4%), South Korea (5.7%), and Poland (5.5% - data WTO).

Historically, Slovakia has an overall positive trade balance, though it has been decreasing over the last few years. For the last 14 years, the export of goods exceeded the import, but in 2022 the balance ended with significantly negative values: exports of goods totaled EUR 95.1 billion (+16.1 year-on-year) against EUR 98.2 billion in imports, up by 23.6% y-o-y. Higher prices of selected energies and materials had a significant impact on the record-high import. Nevertheless, according to preliminary data by Statistics Slovakia, the trade balance in goods returned to positive territory in 2023: exports surged by 5.4%, surpassing EUR 108 billion, while imports dropped by 2.9% totaling EUR 104 billion. Both export and import values crossed the EUR 100 billion mark, marking the highest volume since 2010.

Foreign Trade Values	2018	2019	2020	2021	2022
Imports of Goods <i>(million USD)</i>	92,902	90,001	84,393	103,891	112,471
Exports of Goods <i>(million USD)</i>	93,425	89,509	86,640	103,891	107,771
Imports of Services <i>(million USD)</i>	10,983	10,929	9,074	10,685	12,165
Exports of Services <i>(million USD)</i>	12,078	12,294	10,316	11,330	12,564

Source: World Trade Organisation (WTO) ; Latest available data

Foreign Trade Indicators	2018	2019	2020	2021	2022
Foreign Trade <i>(in % of GDP)</i>	189.8	183.5	168.5	184.7	203.9
Trade Balance <i>(million USD)</i>	-252	-1,261	1,241	-574	-6,960
Trade Balance (Including Service) <i>(million USD)</i>	847	103	2,332	72	-6,561

Foreign Trade Indicators	2018	2019	2020	2021	2022
Imports of Goods and Services <i>(Annual % Change)</i>	4.8	2.2	-8.1	12.1	4.0
Exports of Goods and Services <i>(Annual % Change)</i>	5.1	0.8	-6.3	10.9	2.3
Imports of Goods and Services <i>(in % of GDP)</i>	94.0	91.6	83.4	92.4	104.8
Exports of Goods and Services <i>(in % of GDP)</i>	95.8	91.9	85.1	92.4	99.1

Source: World Bank ; Latest available data

Foreign Trade Forecasts	2023	2024 (e)	2025 (e)	2026 (e)	2027 (e)
Volume of exports of goods and services (Annual % change)	0.5	5.7	3.4	3.5	2.9
Volume of imports of goods and services (Annual % change)	-3.8	7.6	3.1	3.0	2.9

Source: IMF, World Economic Outlook ; Latest available data

Note: (e) Estimated Data

International Economic Cooperation

Slovakia is a member of the European Union. It is also a member of the European Economic Area (EEA) which has guaranteed, since 1 January 1993, the free movement of most goods between the European countries.

Multilateral and bilateral agreements with many countries.

Main Partner Countries

Main Customers <i>(% of Exports)</i>	2022
Germany	20.9%
Czech Republic	12.1%
Hungary	8.7%
Poland	7.7%
France	5.8%
See More Countries	44.7%

Main Suppliers <i>(% of Imports)</i>	2022
Germany	14.1%
Czech Republic	9.1%
China	7.5%
South Korea	5.7%
Poland	5.5%
See More Countries	58.2%

POLITICAL OUTLINE

Current Political Leaders

President: Zuzana Čaputová (since 15 June 2019)

Prime Minister: Robert Fico (since 25 October 2023)

Next Election Dates

Presidential: 23 March 2024

National Council: 2027

Main Political Parties

Slovakia has a multi-party system, and parties need to work with each other to form coalition governments. The main political parties in the country are:

- **Direction-Social Democracy (Smer-SD)**: left-wing
- **Progressive Slovakia (PS)**: centre, social-liberalism, pro-environment
- **Voice – Social Democracy (HLAS-SD)**: social-democratic, pro-European
- **Slovak National Party (SNS)**: right-wing, nationalist
- **Ordinary People and Independent Personalities (OLaNO)**: catch-all, populist, anti-corruption
- **Christian Democratic Movement (KDH)**: centre-right
- **Freedom & Solidarity (SaS)**: centre-right, described as eurosceptic

Other parties include:

- **For the People (Za ľudí)**: centrist, liberalism
- **We Are Family (Sme rodina)**: centre-right
- **Most-Híd**: centre, liberal, looks to expand understanding between ethnic Slovaks and Hungarians
- **New Majority (NOVA)**: centre-right, liberal
- **Slovak Conservative Party (SKS)**: centre-right, social conservatism
- **Party of the Hungarian Community (SMK-MKP)**: centre-right, Hungarian minority
- **Together (SPOLU)**: liberal-conservative

Executive Power

The **President** is the head of state and is elected by direct universal suffrage for a five-year term renewable once. Following the parliamentary elections, the leader of the majority party or the leader of a majority coalition is usually designated Prime Minister by the President and approved by the National Council with a vote of confidence, to serve a four-year term. The Prime Minister is the head of the **Government** and enjoys the executive powers, which include implementation of the law in the country and running the day-to-day affairs. The cabinet is appointed by the President on the recommendation of the Prime Minister.

Legislative Power

The legislature is unicameral in Slovakia. The parliament, called National Council, consists of 150 seats; its members are elected on the basis of proportional representation to serve four-year terms. The executive branch of government is directly or indirectly dependent on the support of the National Council, often expressed through a vote of confidence. Legislative power is vested in the National Council. The Prime Minister cannot

dissolve the parliament, but the President has the authority to do it if circumstances require so. The people of Slovakia enjoy considerable political rights.

COVID-19 COUNTRY RESPONSE

Travel restrictions

Regularly updated travel information for all countries with regards to Covid-19 related entry regulations, flight bans, test and vaccines requirements is available on [TravelDoc Infopage](#).

To find information about the current travel regulations, including health requirements, it is also advised to consult Travel Regulations Map provided and updated on a daily basis by [IATA](#).

Import & export restrictions

A general overview of trade restrictions which were adopted by different countries during the COVID-19 pandemic is available on the [International Trade Centre's COVID-19 Temporary Trade Measures](#) webpage.

Economic recovery plan

The summary of the EU's economic response to the COVID-19 pandemic is available on the website of the [European Council](#).

For the general overview of the key economic policy responses to the COVID-19 outbreak (fiscal, monetary and macroeconomic) in Slovakia, please consult the country's dedicated section in the [IMF's Policy Tracker platform](#).

Support plan for businesses

For an evaluation of impact of the Covid pandemic on SMEs and an inventory of country responses to foster SME resilience, refer to the OECD's [SME Covid-19 Policy Responses](#) document.

You can also consult the World Bank's [Map of SME-Support Measures in Response to COVID-19](#).