

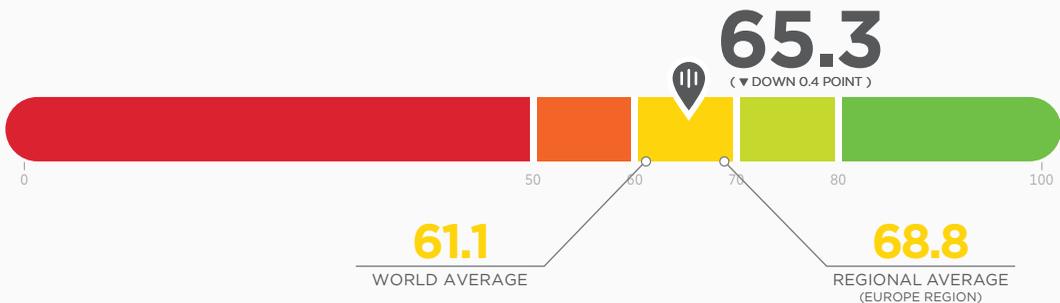
SLOVAKIA

Slovakia's economic freedom score is 65.3, making its economy the 59th freest in the 2018 *Index*. Its overall score has decreased by 0.4 point, with lower scores for the **government spending** and **government integrity** indicators outweighing an improvement in **fiscal health**. Slovakia is ranked 29th among 44 countries in the Europe region, and its overall score is below the regional average but above the world average.

Slovakia's transition to a market-based system was interrupted by political instability that damaged its institutions after its separation from the Czech Republic. It is still affected by widespread corruption and a weak judicial system that remains inefficient and vulnerable to political interference. Continued transformation and restructuring are needed to capitalize on the well-educated labor force and broaden the production base. Progress to enhance the quality of the public sector has been uneven, and additional reforms have been resisted by influential politicians.



ECONOMIC FREEDOM SCORE

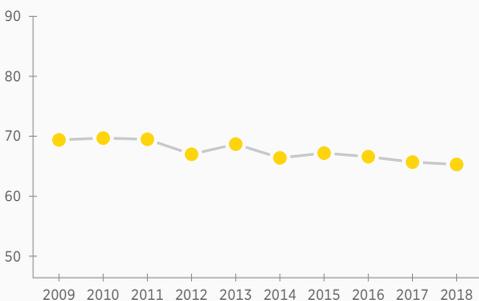


NOTABLE SUCCESSES:
Open Markets and Monetary Stability

CONCERNS:
Government Integrity, Judicial Effectiveness, and Government Spending

OVERALL SCORE CHANGE SINCE 2014:
-1.1

FREEDOM TREND



QUICK FACTS

POPULATION:
5.4 million

GDP (PPP):
\$170.1 billion
3.3% growth in 2016
5-year compound annual growth 2.6%
\$31,339 per capita

UNEMPLOYMENT:
10.0%

INFLATION (CPI):
-0.5%

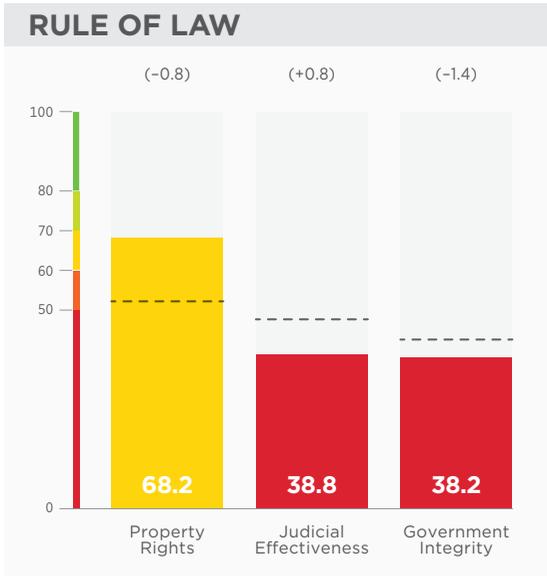
FDI INFLOW:
-\$295.4 million

PUBLIC DEBT:
52.3% of GDP

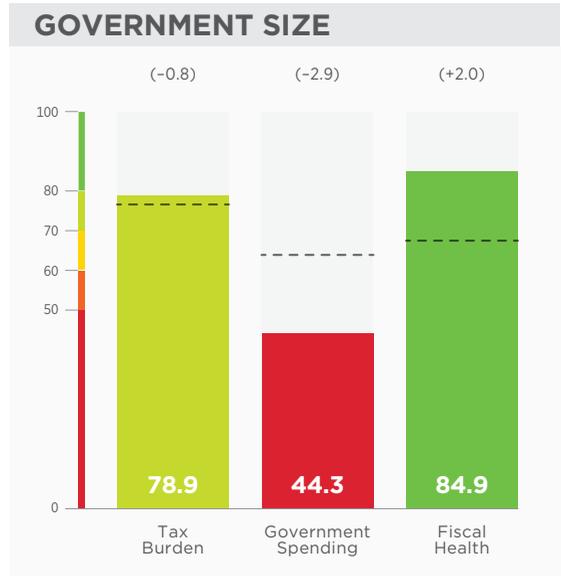
2016 data unless otherwise noted. Data compiled as of September 2017

BACKGROUND: After Slovakia gained independence from the former Czechoslovakia in 1993, market reforms made it one of Europe's rising economic stars. It entered the European Union and NATO in 2004 and the eurozone in 2009. Prime Minister Robert Fico's center-left Direction-Social Democracy Party (Smer) lost its parliamentary majority in 2016, but Fico remains leader of a coalition government that includes Smer, the Slovak National Party, and the center-right Bridge (Most-Híd) party. Independent Andrej Kiska was elected president in 2014. Slovakia has rebuffed EU plans for mandatory migrant quotas. Its small, open economy is driven mainly by automobile and electronics exports. Unemployment has mostly remained above the EU average but also has been falling; youth unemployment, however, remains high.

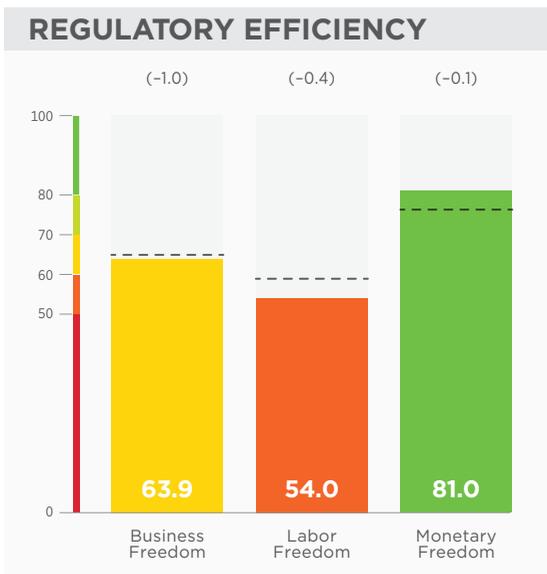
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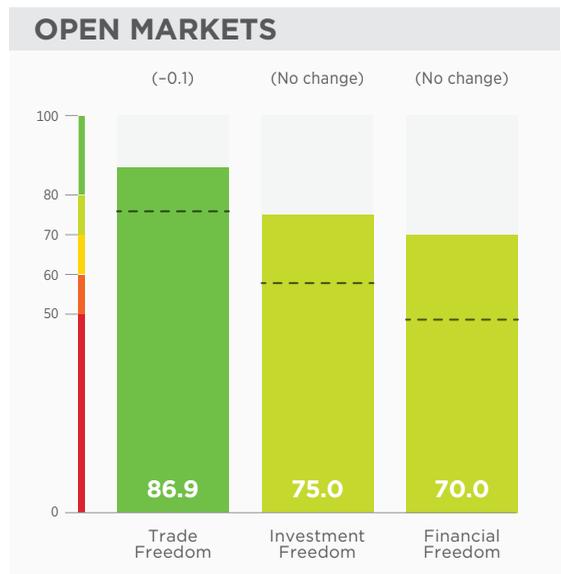
Contractual rights and secured interests in property are recognized and enforced. The constitution provides for an independent judiciary, but alleged corruption, inefficiency, and a lack of integrity and accountability undermine public trust in the judicial system. The law penalizes corruption, but the government does not always implement the law effectively, and some officials engage in corrupt practices with impunity.



The top individual income tax rate is 25 percent, and the top corporate tax rate is 21 percent. Other taxes include value-added and property taxes. The overall tax burden equals 32.3 percent of total domestic income. Over the past three years, government spending has amounted to 43.1 percent of total output (GDP), and budget deficits have averaged 2.5 percent of GDP. Public debt is equivalent to 52.3 percent of GDP.



Reform of business regulations has stagnated, and business freedom is significantly below the average for Europe. The nonsalary cost of employing a worker is roughly in line with costs in neighboring countries. Regulations on work hours are relatively rigid. Fuel prices at the pump are fully liberalized and determined by the market, but the government is subsidizing natural gas and electric vehicles.



Trade is extremely important to Slovakia's economy; the combined value of exports and imports equals 184 percent of GDP. The average applied tariff rate is 1.6 percent. Nontariff barriers impede some trade. Foreign and domestic investors receive equal treatment, and full foreign ownership is permitted in most sectors. The financial system has undergone significant liberalization, and banking remains relatively sound.