

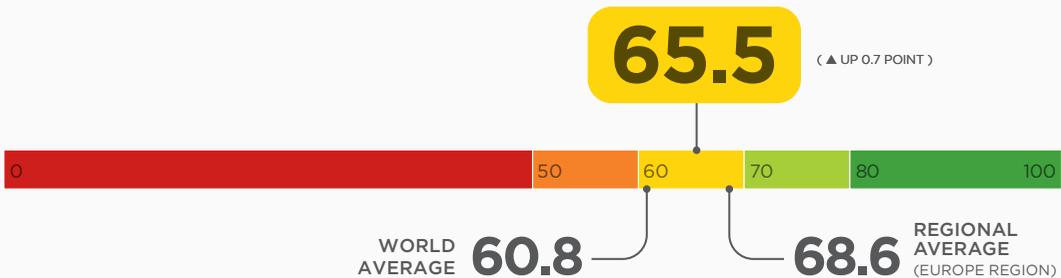
SLOVENIA

Slovenia's economic freedom score is 65.5, making its economy the 58th freest in the 2019 *Index*. Its overall score has increased by 0.7 point, with sharply higher scores on **fiscal health** and **government spending** outpacing significant declines in **judicial effectiveness** and **monetary freedom**. Slovenia is ranked 29th among 44 countries in the Europe region, and its overall score is below the regional average but above the world average.

Challenges facing the new government include the need to privatize the country's largest bank and reform the public health and pension systems. Its plans for higher taxes and spending threaten to undo the fiscal consolidation measures taken by the previous government to ensure the long-term stability of public finances. Institutional weaknesses continue to undermine prospects for long-term economic development. In particular, the judicial system remains inefficient and vulnerable to political interference. Corruption continues to be perceived as widespread.



ECONOMIC FREEDOM SCORE

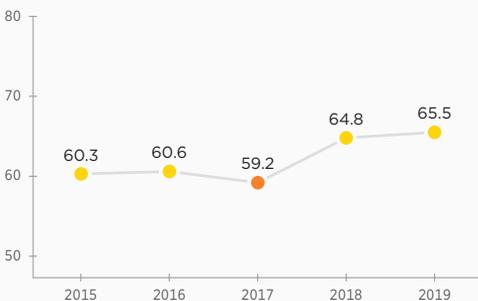


RELATIVE STRENGTHS:
Trade Freedom and Monetary Freedom

HISTORICAL INDEX SCORE CHANGE (SINCE 1996):
+15.1

CONCERNS:
Government Spending and Judicial Effectiveness

FREEDOM TREND



QUICK FACTS

POPULATION:
2.1 million

GDP (PPP):
\$71.1 billion
5.0% growth in 2017
5-year compound annual growth 2.5%
\$34,407 per capita

UNEMPLOYMENT:
6.6%

INFLATION (CPI):
1.4%

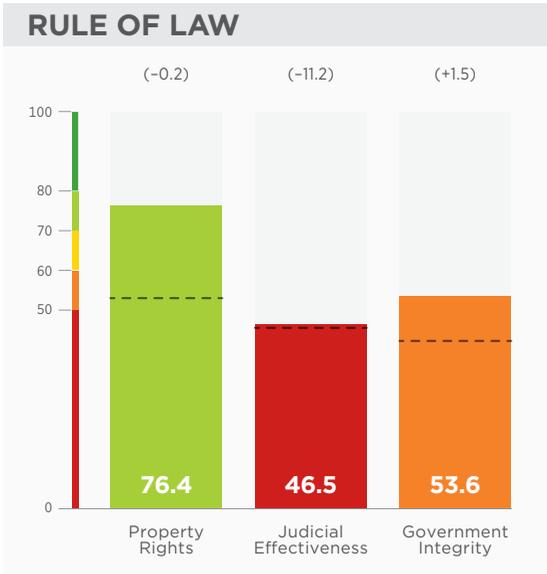
FDI INFLOW:
\$702.0 million

PUBLIC DEBT:
75.4% of GDP

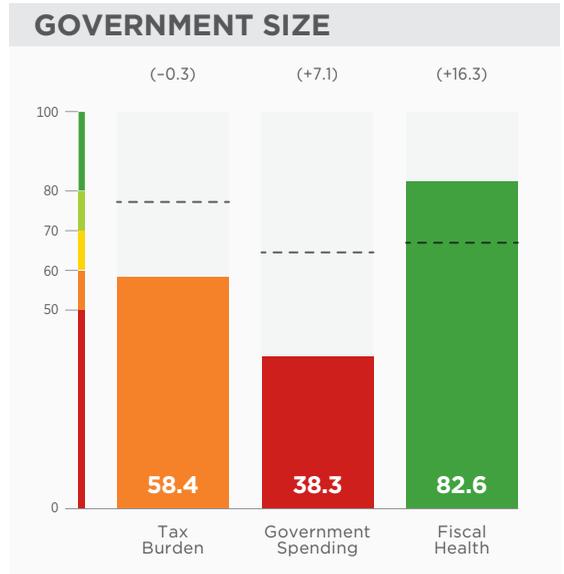
2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: Slovenia joined the European Union and NATO in 2004 and adopted the euro in 2007. The center-right and Euroskeptic Slovenian Democratic Party (SDS) won the most seats in June 2018 parliamentary elections but fell short of a majority. The SDS campaigned against the EU's migrant quotas and in favor of tighter border security and lower taxes. In September, after a two-month deadlock, Prime Minister Marjan Sarec of the center-left List party, which placed second, formed a fragile minority government. With its excellent infrastructure, well-educated workforce, and strategic location between the Balkans and Western Europe, Slovenia has one of Central Europe's higher per capita GDPs. Despite political uncertainty, the economy is registering strong growth, powered by exports.

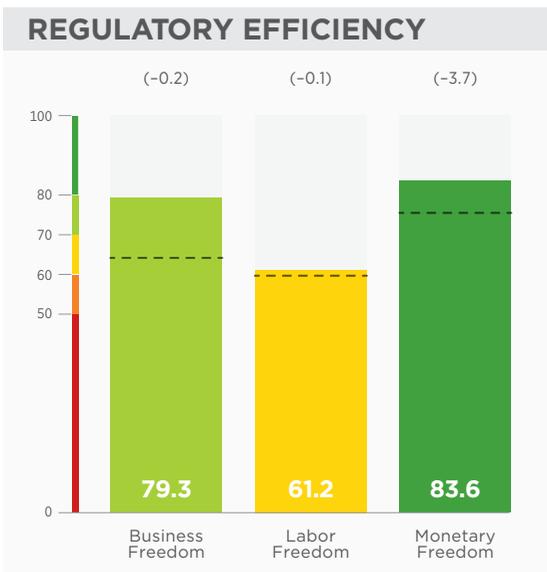
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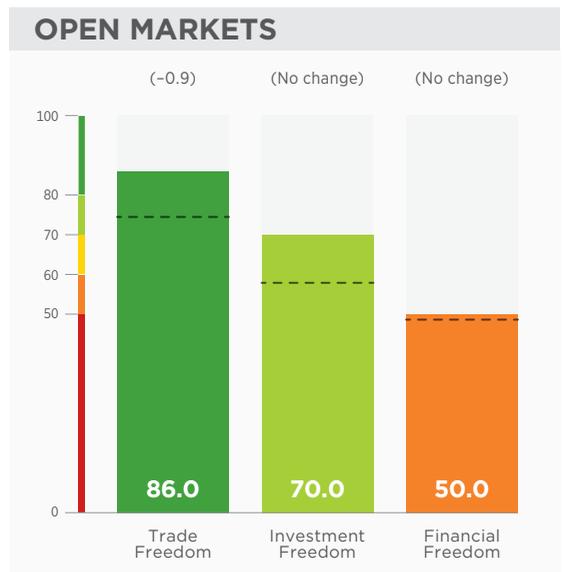
Virtually all land has a clear title. Enforcement of protections for private property rights, however, is slow. Dispute resolution requires an average of 1,160 days. The judicial system is transparent but inefficient, overburdened, and underresourced. Corruption is less prevalent in Slovenia than in many of its neighbors, but it still remains a problem. Law enforcement mechanisms are frequently inadequate.



The top individual income tax rate is 50 percent, and the top corporate tax rate is 17 percent. Other taxes include value-added and property transfer taxes. The overall tax burden equals 37.0 percent of total domestic income. Over the past three years, government spending has amounted to 45.4 percent of the country's output (GDP), and budget deficits have averaged 2.0 percent of GDP. Public debt is equivalent to 75.4 percent of GDP.



Despite progress in streamlining the process for launching a business, other time-consuming and costly business requirements reduce the regulatory system's overall efficiency. The labor market remains saddled with rigid labor regulations that hamper the development of more dynamic employment growth. The government spent €270 million on agricultural subsidies in 2017, but Slovenia's food self-sufficiency rate fell.



The combined value of exports and imports is equal to 154.8 percent of GDP. The average applied tariff rate is 2.0 percent. Slovenia implements a number of EU-directed nontariff trade barriers including technical and product-specific regulations, subsidies, and quotas. In general, foreign and domestic investors are treated equally under the law. About 97 percent of adult Slovenes have access to an account with a formal banking institution.