SLOVAK REPUBLIC

Slovakia’s economic freedom score is 66.8, making its economy the 60th freest in the 2020 Index. Its overall score has increased by 1.8 points due to an improved government integrity score. Slovakia is ranked 32nd among 45 countries in the Europe region, and its overall score is slightly below the regional average and well above the world average.

The Slovakian economy has maintained its moderately free ranking for more than a decade, although scores have slackened in recent years. Nevertheless, GDP continues to expand at a healthy rate.

The government’s priorities are to combat corruption and improve the quality of the public sector, but efforts in the first years of its term have been limited. Parliament approved a budget for 2020–2022 that projects a deficit of 0.5 percent of GDP in 2020, which would improve the government spending indicator, but most observers think the deficit will be higher.

BACKGROUND: After it gained independence from the former Czechoslovakia in 1993, market reforms made Slovakia one of Europe’s rising economic stars. It entered the European Union and NATO in 2004 and the eurozone in 2009. After the resignation of longtime Prime Minister Robert Fico in 2018 following massive protests against corruption, Prime Minister Peter Pellegrini of the center-left Direction-Social Democracy Party (Smer) formed a coalition with the Slovak National Party and the center-right Bridge (Most-Híd) party. Slovakia’s first female president, independent Zuzana Čaputová, was elected in May 2019. Slovakia has rebuffed EU plans for mandatory migrant quotas. Its small, open economy is driven mainly by automobile and electronics exports. The jobless rate has dropped, but youth unemployment remains high.

**ECONOMIC FREEDOM SCORE**

![Economic Freedom Score Graph]

**RECENT FREEDOM TREND**

- 2016: 66.6
- 2017: 65.7
- 2018: 65.3
- 2019: 65.0
- 2020: 66.8

**QUICK FACTS**

- **POPULATION:** 5.4 million
- **GDP (PPP):** $191.2 billion
- **4.1% growth in 2018**
- **5-year compound annual growth 3.5%**
- **$35,130 per capita**
- **UNEMPLOYMENT:** 6.8%
- **INFLATION (CPI):** 2.5%
- **FDI INFLOW:** $475.1 million
- **PUBLIC DEBT:** 48.8% of GDP

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## 12 Economic Freedoms | Slovak Republic

### Rule of Law

<table>
<thead>
<tr>
<th>Property Rights</th>
<th>Judicial Effectiveness</th>
<th>Government Integrity</th>
</tr>
</thead>
<tbody>
<tr>
<td>73.1</td>
<td>41.7</td>
<td>49.7</td>
</tr>
</tbody>
</table>

Secured interests in property and contractual rights are recognized and enforced. Despite laws that guarantee judicial independence, there is a widespread perception of a lack of transparency and an abundance of corruption in the judicial system. Corruption is a long-standing problem, and few high-profile anticorruption cases have led to convictions. Critics claim that political influence impedes investigations of corruption.

### Government Size

<table>
<thead>
<tr>
<th>Tax Burden</th>
<th>Government Spending</th>
<th>Fiscal Health</th>
</tr>
</thead>
<tbody>
<tr>
<td>78.5</td>
<td>50.2</td>
<td>92.6</td>
</tr>
</tbody>
</table>

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 32.9 percent of total domestic income. Government spending has amounted to 40.8 percent of the country’s output (GDP) over the past three years, and budget deficits have averaged 1.3 percent of GDP. Public debt is equivalent to 48.8 percent of GDP.

### Regulatory Efficiency

<table>
<thead>
<tr>
<th>Business Freedom</th>
<th>Labor Freedom</th>
<th>Monetary Freedom</th>
</tr>
</thead>
<tbody>
<tr>
<td>55.3</td>
<td>52.6</td>
<td>75.9</td>
</tr>
</tbody>
</table>

Public administration is weak, and businesses sometimes face challenges caused by an inefficient judiciary. Workers are known for their motivation and productivity, but there is a skills mismatch that is due in part to inadequate secondary and higher education systems. Farmers took to the streets in 2019 to protest what they saw as inequalities in the distribution of EU agricultural subsidies in the country.

### Open Markets

<table>
<thead>
<tr>
<th>Trade Freedom</th>
<th>Investment Freedom</th>
<th>Financial Freedom</th>
</tr>
</thead>
<tbody>
<tr>
<td>86.4</td>
<td>75.0</td>
<td>70.0</td>
</tr>
</tbody>
</table>

The total value of exports and imports of goods and services equals 192.3 percent of GDP. The average trade-weighted applied tariff rate (common among EU members) is 1.8 percent, with 637 EU-mandated nontariff measures reportedly in force. Slovakia has an additional 44 country-specific nontariff barriers. Full foreign ownership is permitted in most sectors. The financial sector has undergone significant liberalization, and the banking sector remains relatively sound.