

SLOVENIA

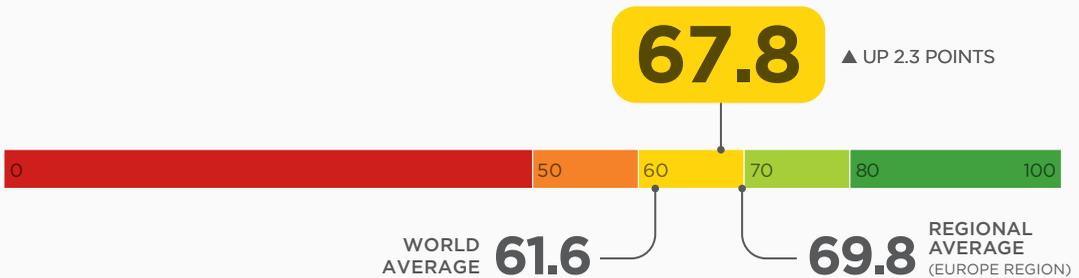
Slovenia's economic freedom score is 67.8, making its economy the 52nd freest in the 2020 *Index*. Its overall score has increased by 2.3 points, primarily because of a higher **government integrity** score. Slovenia is ranked 27th among 45 countries in the Europe region, and its overall score is slightly below the regional average and well above the world average.

The Slovenian economy has climbed higher in the moderately free category for the third year in a row. Higher rates of GDP growth mirror that performance.

Government economic policy is focused on three areas: privatization, including banks; public-sector wage negotiations; and reforms in several public-sector systems, including the judiciary. Success in all three could improve such lagging *Index* indicators as financial freedom, government spending, and judicial effectiveness. The new center-left government, however, is already pushing the budget into deficit with new programs that will increase spending. The fractious minority government might also have difficulty implementing the reforms.

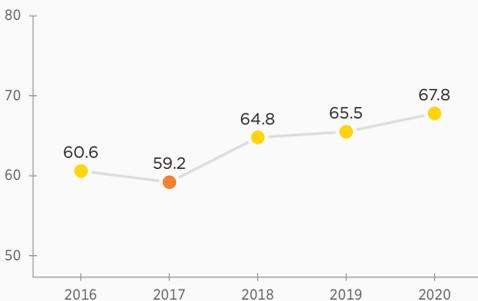


ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1996): +17.4

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
2.1 million

GDP (PPP):
\$76.0 billion
4.5% growth in 2018
5-year compound annual growth 3.5%
\$36,746 per capita

UNEMPLOYMENT:
5.5%

INFLATION (CPI):
1.7%

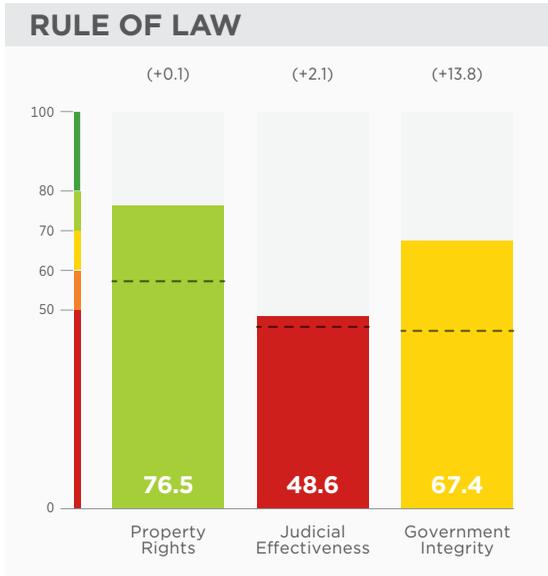
FDI INFLOW:
\$1.4 billion

PUBLIC DEBT:
68.5% of GDP

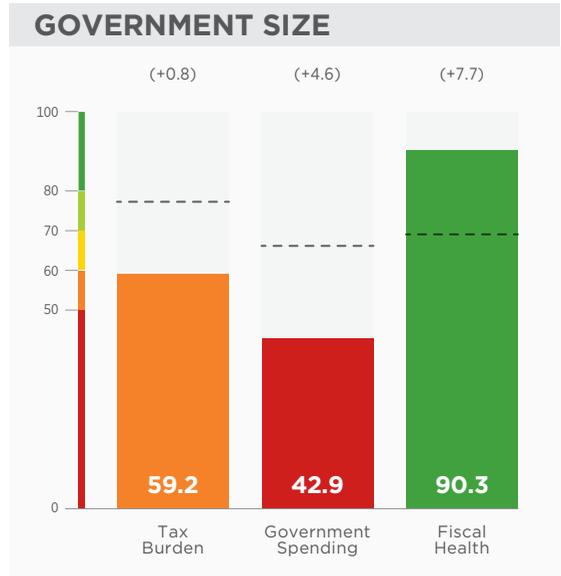
2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: Slovenia joined the European Union and NATO in 2004 and adopted the euro in 2007. The center-right and euroskeptic Slovenian Democratic Party won a plurality of seats in 2018 parliamentary elections after campaigning against the EU's migrant quotas and in favor of tighter border security and lower taxes. In September 2018, after a two-month deadlock, Prime Minister Marjan Sarec of the center-left List party, which placed second in the elections, formed a minority government. A series of resignations in 2019 weakened the fragile 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 continues to register strong growth, powered by exports.

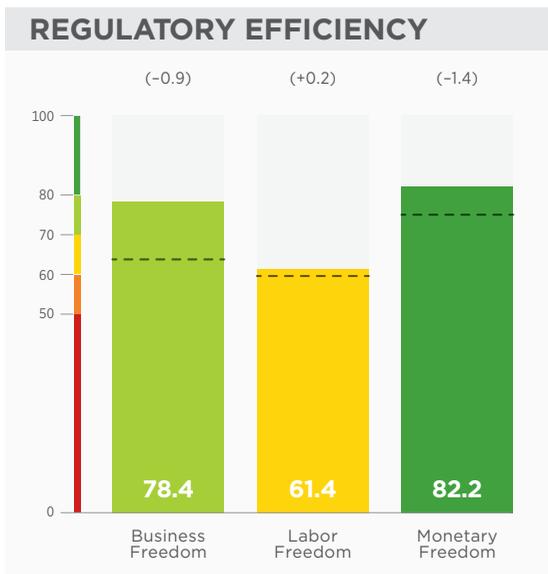
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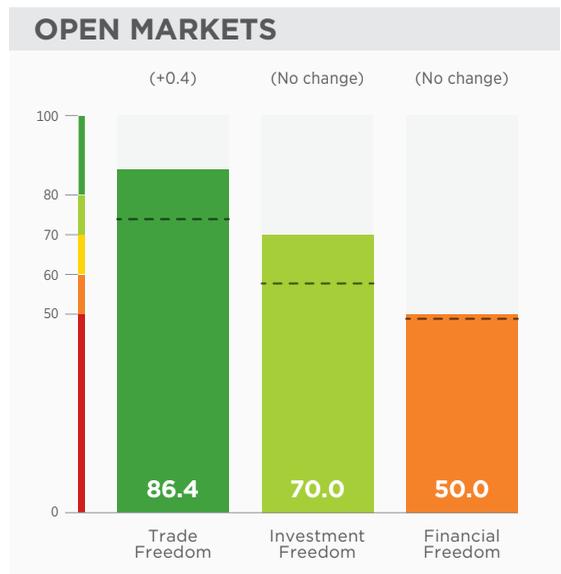
Virtually all land has a clear title. Increased automation in the land registry has greatly reduced property registration delays. The judiciary is independent and transparent, but courts are inefficient, overburdened, and inadequately resourced. The prevalence of corruption is relatively limited, although the small size of Slovenia's political and economic elite breeds a lack of transparency in government procurement as well as widespread cronyism.



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 36.0 percent of total domestic income. Government spending has amounted to 43.6 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 0.4 percent of GDP. Public debt is equivalent to 68.5 percent of GDP.



Slovenia recently made enforcement of contracts easier by improving the pre-trial process, but starting a business was made more complicated by a new requirement. At least half of Slovenia's economy is state-owned or state-controlled. Rigid labor regulations hamper the development of more dynamic employment growth. In 2019, the IMF urged the government to accelerate efforts to privatize several state-owned enterprises.



The total value of exports and imports of goods and services equals 160.9 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. Slovenia has an additional 31 country-specific nontariff barriers. Most sectors are open to foreign investment. Privatization of state-owned financial institutions is incomplete, and the banking sector has been under strain.