Slovenia’s economic freedom score is 70.5, making its economy the 32nd freest in the 2022 Index. Slovenia is ranked 22nd among 45 countries in the Europe region, and its overall score is above the regional and world averages.

Over the past five years, Slovenia’s economy has grown slowly with a contraction in 2020. A five-year trend of robustly expanding economic freedom has continued. Led by notable increases in scores for fiscal health and rule of law, Slovenia has recorded an impressive 11.3-point overall gain in economic freedom since 2017 and has climbed over the threshold into the “Mostly Free” category for the first time in the 28-year history of the Index. Monetary freedom is a high point, but government spending weighs heavily on the economy.

IMPACT OF COVID-19: As of December 1, 2021, 5,240 deaths had been attributed to the pandemic in Slovenia, and the government’s response to the crisis ranked 35th among the countries included in this Index in terms of its stringency. The economy contracted by 5.5 percent in 2020.

BACKGROUND: Slovenia joined the European Union and NATO in 2004 and adopted the euro in 2007. Janez Jansa of the center-right and Euroskeptic Slovenian Democratic Party returned to power as prime minister for the third time in March 2020. Former Prime Minister Marjan Šarec of the center-left List party had resigned in January 2020, citing the inability of his center-left coalition to pass legislation. Jansa leads a center-right coalition with the center-left Party of Modern Centre, the conservative New Slovenia party, and the Democratic Party of Pensioners of Slovenia. Economic recovery and improvements in health care are key agenda items. 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.
Property rights are protected, but enforcement is slow. Property registration procedures have been improved. Virtually all land has a clear title. The judiciary is independent, but courts are inefficient and have large case backlogs. Corruption remains an ongoing problem. The small size of the political and economic elite contributes to a lack of transparency in government procurement and widespread cronyism in the business sector.

The top individual income tax rate is 50 percent, and the top corporate tax rate is 19 percent. Other taxes include value-added and property transfer taxes. The overall tax burden equals 37.7 percent of total domestic income. Government spending has amounted to 46.0 percent of total output (GDP) over the past three years, and budget deficits have averaged 2.4 percent of GDP. Public debt is equivalent to 81.5 percent of GDP.

Business start-up costs are low. The government privatized two of the three largest state-owned banks in 2019. About 35 percent of Slovenia’s economy remains state-owned or state-controlled. Government impediments to firing employees create a less than dynamic labor market. To attract foreign investors, the government offers subsidies, loans, guarantees, subsidized interest rates, and purchase of land owned by municipalities at below-market prices.

As a member of the EU, Slovenia has 46 preferential trade agreements in force. The trade-weighted average tariff rate (common among EU members) is 2.9 percent with 640 EU-mandated nontariff measures in force. Slovenia has an additional 40 country-specific nontariff barriers. Most sectors are open to foreign investment, but the overall investment regime lacks efficiency. The financial sector is dominated by banks and remains relatively sound.