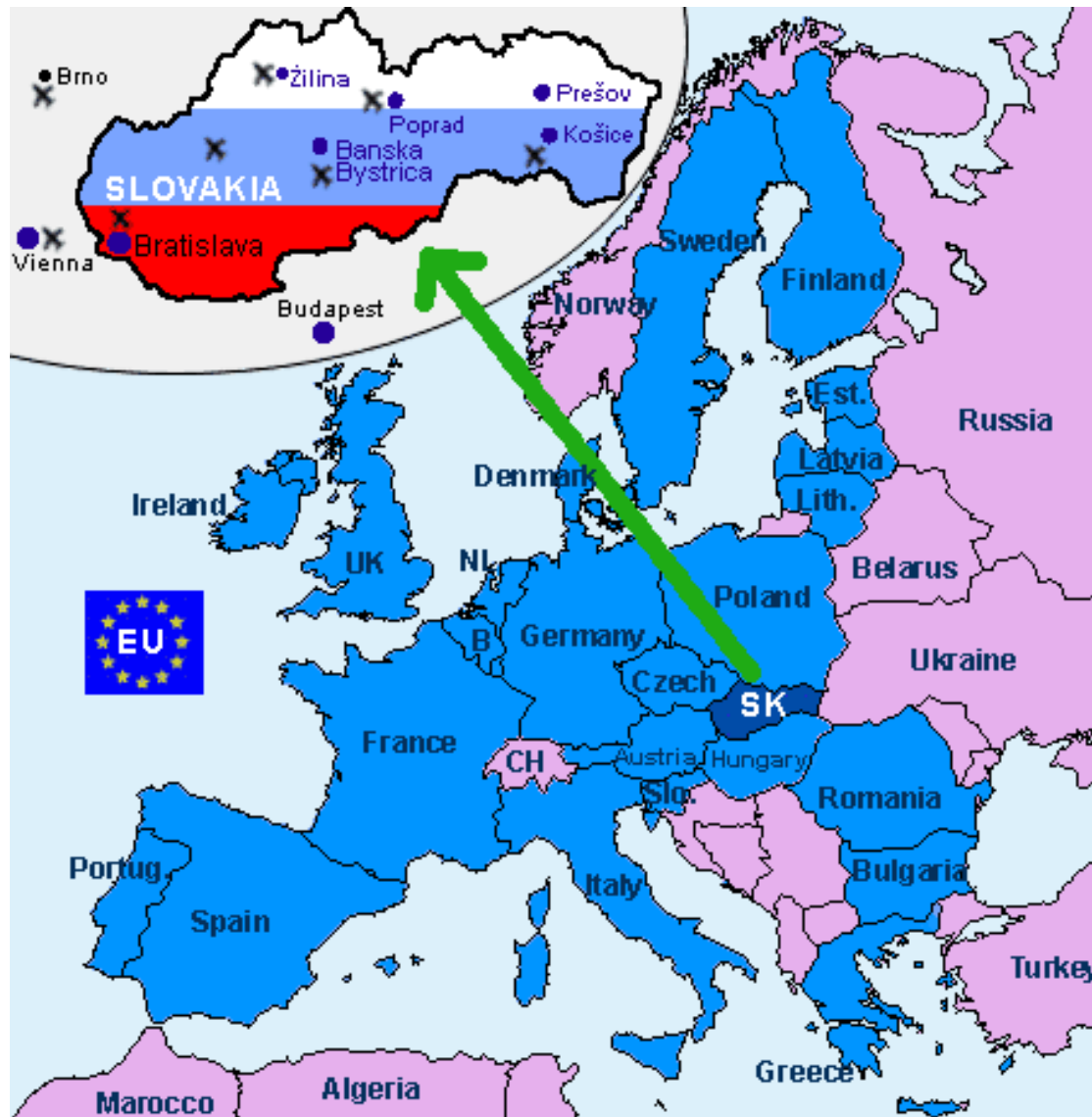




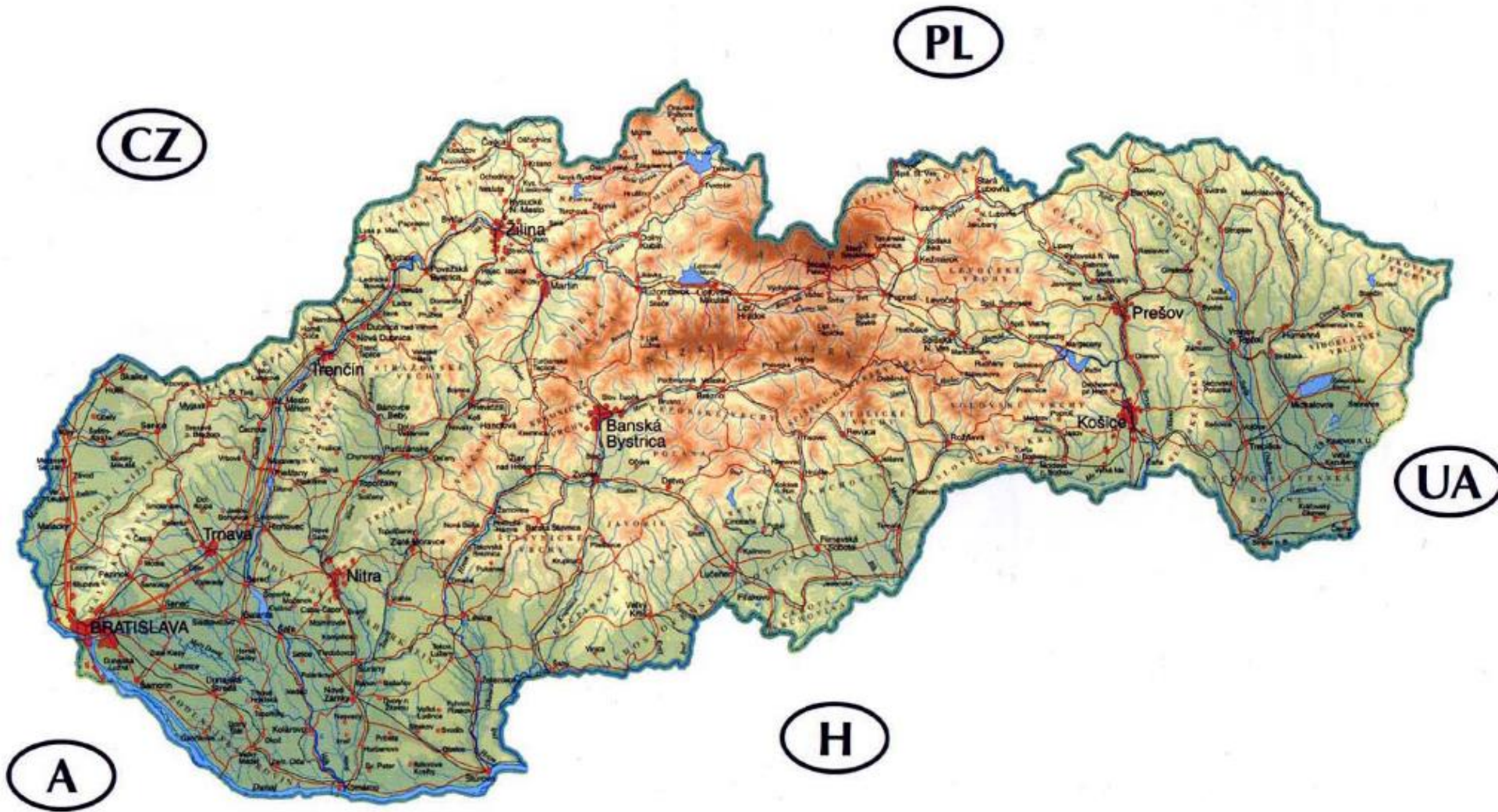
# SLOVAK ECONOMY

Assoc. Prof. Tomáš Dudáš, PhD.  
Martin Grančay, PhD.

# Geography



# Geography



# Slovakia is...

- *a free market economy* (around 90% of the GDP is created in the private sector)
- *a small economy* (GDP in 2020 – 174 billion USD PPP – 71<sup>st</sup> place)
- *a developed economy* (GDP/c in 2020 – 33 000 USD which made approx. 77 % of the EU27 average GDP/c)
- *a very open economy* (the combined export and import made up almost 200 % of the GDP in 2019)
- *a well-connected economy* – member of the European Union, the Eurozone, OECD, WTO, IMF, World Bank
- *a eurocentric economy* – more than 85 % of our export goes to EU countries
- *a stronghold of automotive industry* (4 big production facilities – VW, PSA, Kia, Jaguar-Land Rover)

# 25 years of transformation

- **1989** – Fall of the Socialist regime
  - Slovakia is a part of Czechoslovakia
- **1990** – Start of the economic reforms
  - Shock therapy
  - Main tasks – stabilization, liberalization, institution building and privatization
- **1993** – Slovakia gains independence
  - Independent economic policies

# 25 years of transformation

- **1994-1998** – Era of crony capitalism
  - Economic growth based on increased public debt
  - Devastation of state banks
  - Questionable privatization decisions
  - Lack of foreign investors
  - Downgrading of the economy by international rating agencies
  - Dangerous double deficit (trade balance and public finances)
  - **Result: Slovakia was not invited to the EU in 1997**

# 25 years of transformation

- **1998-2002** – Economic consolidation
  - under the leadership of the first government led by Mikuláš Dzurinda
  - Restructuralization and privatization of state banks
  - Catch up in European integration process (invitation to the EU in 1999 – Helsinki summit)
  - Increasing attractiveness for foreign investors
  - Improving international ratings



# 25 years of transformation

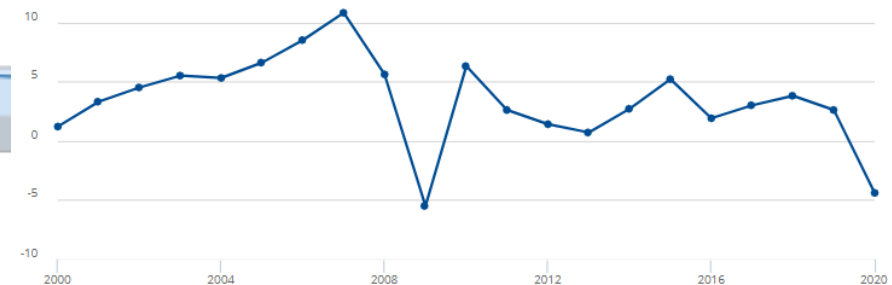
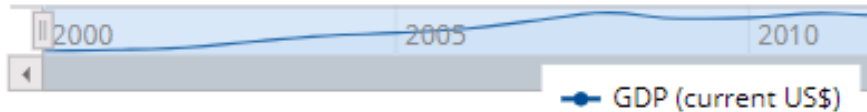
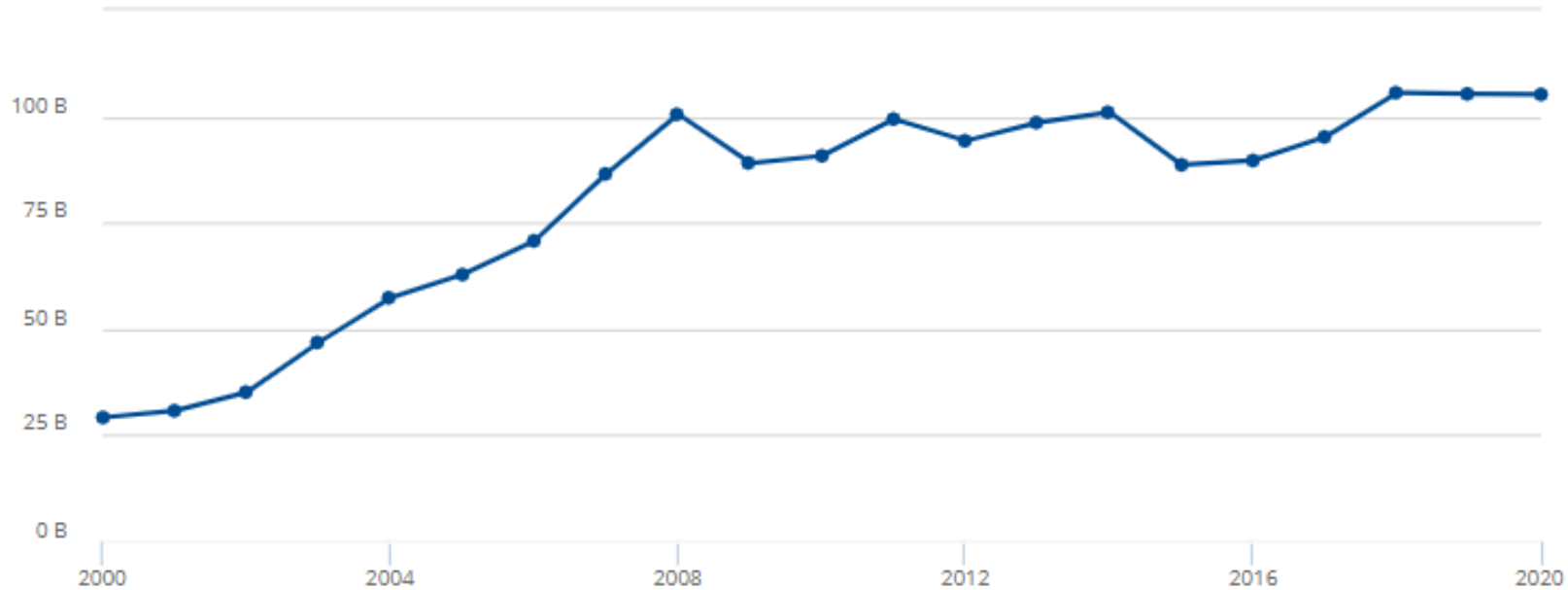
- **2002-2006** – Economic reforms, „Tatra Tiger“
  - Second government of Mikuláš Dzurinda
  - Economic reforms
    - Tax system reform – flat tax, very simple system
    - Labour market reforms – active labor market policy
    - Pension reform – 2<sup>nd</sup> and 3<sup>rd</sup> capital pillars
    - Social, healthcare and education system adjustments
  - Increased interest of foreign investors
  - 2004: EU accession and start of the Euro adoption process



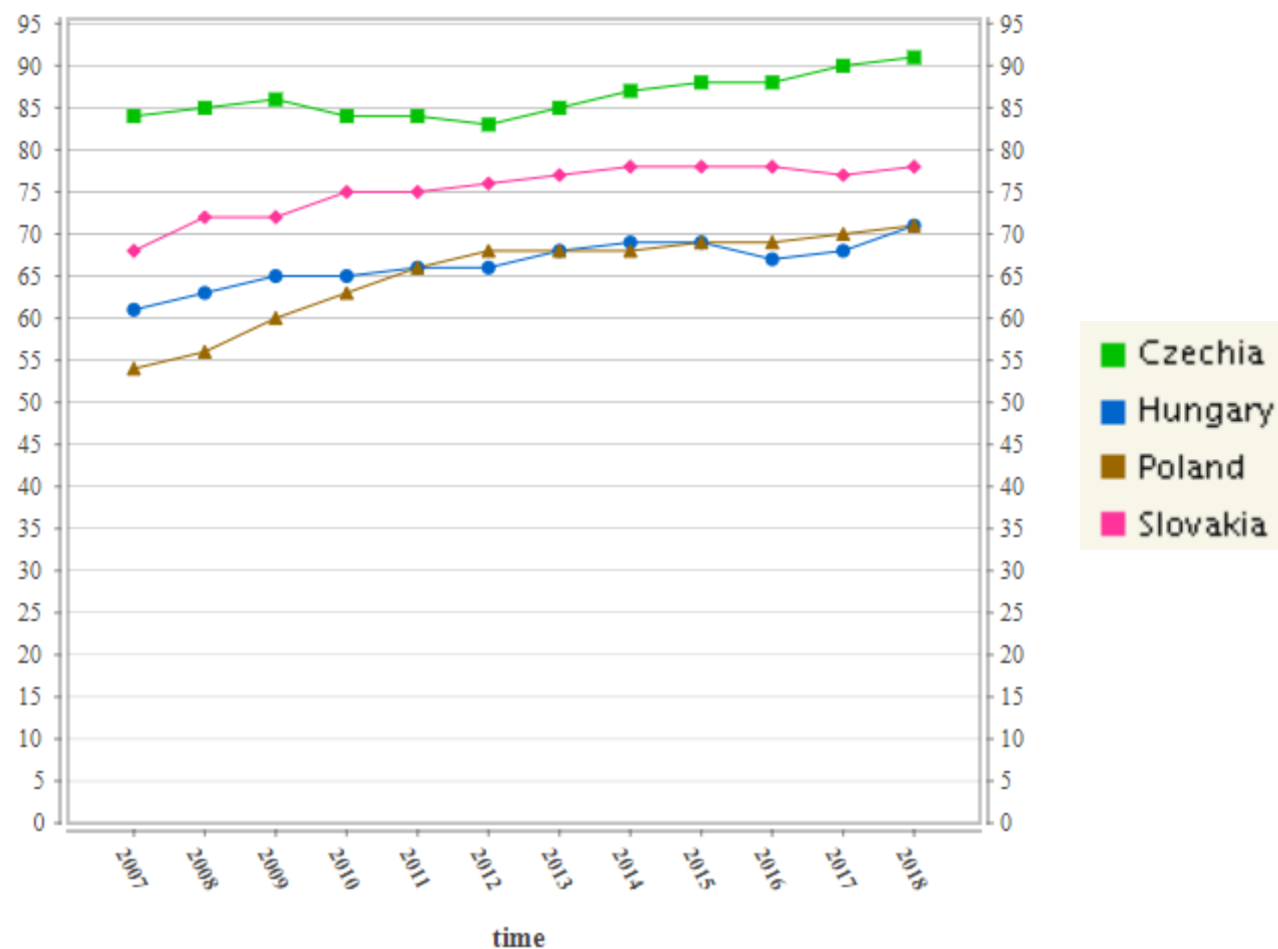
# 25 years of transformation

- **2007-2020** – Steering towards left-wing policies
  - 3x left wing & 1x right wing government
  - 2009: successful adoption of euro
  - Global economic crisis = anti-crisis policies
  - Left-wing policies leaning towards state interventionism and welfare state
  - Tax reform (demolition of the flat tax system)
  - Strong EU supporter and partner (but migration!)
- **2020+** – COVID-19, war in Ukraine

# GDP growth 2000-2020

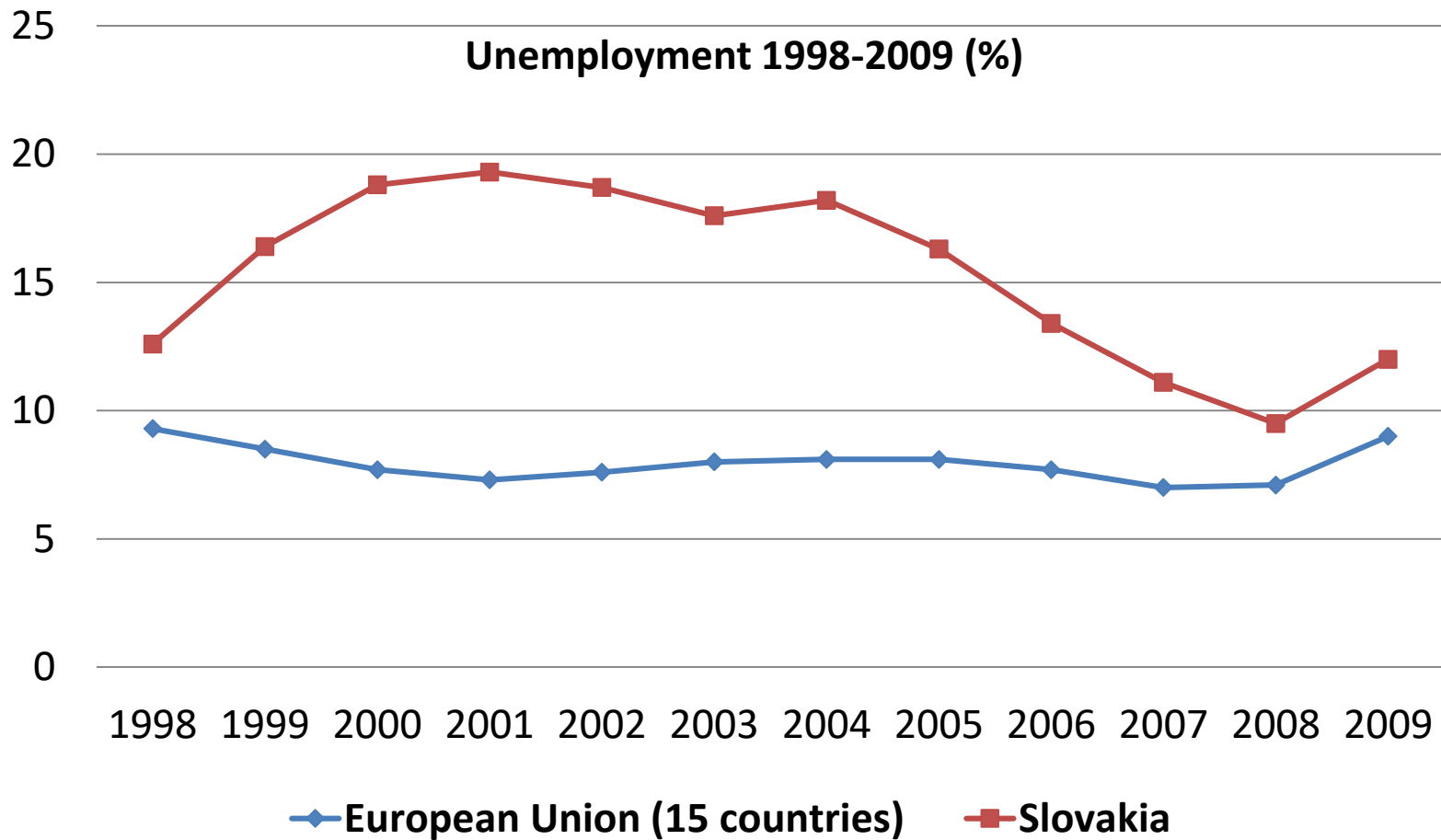


# GDP/pc as % of EU28



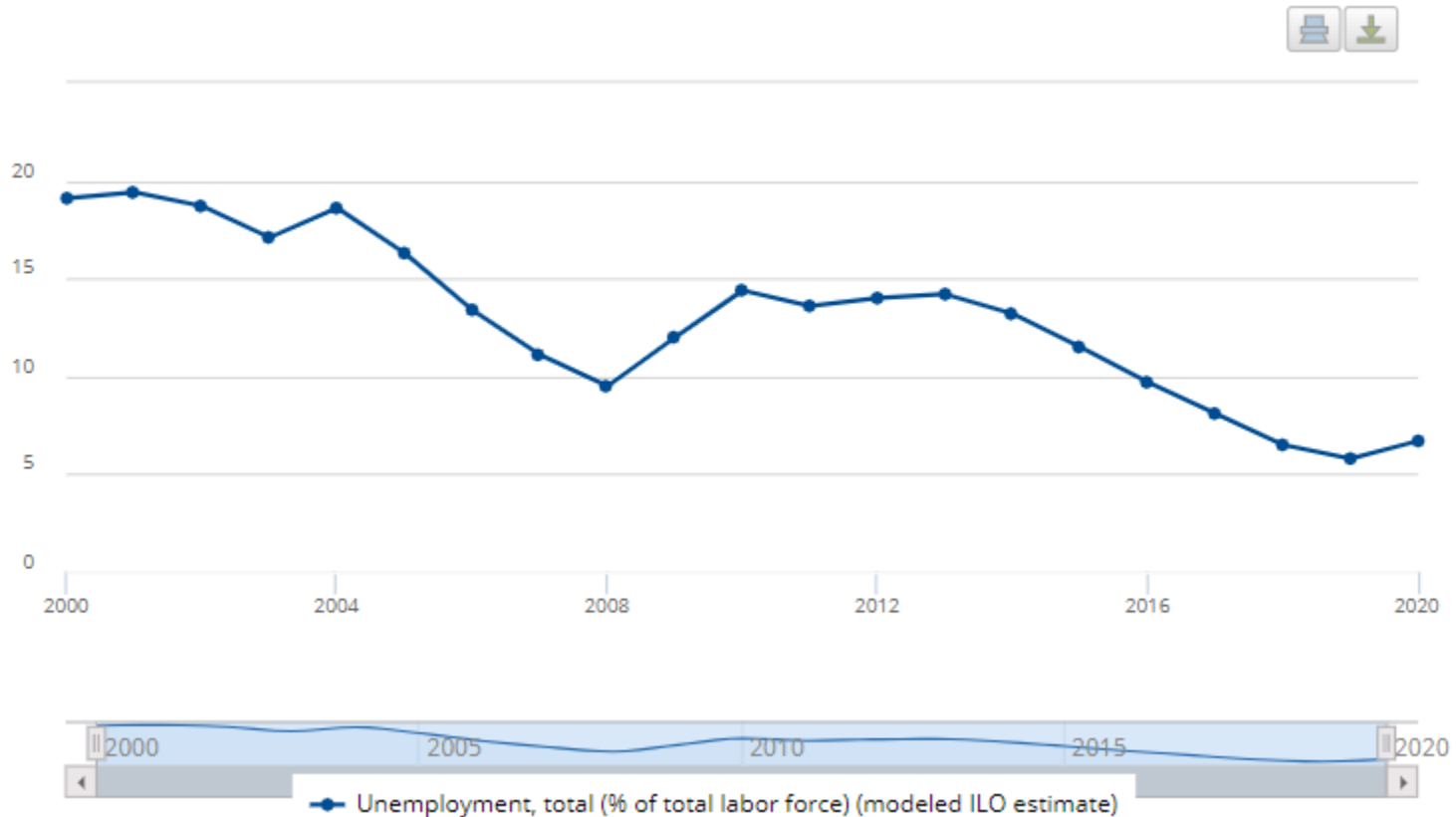
# Unemployment

-originally the biggest problem of the country



# Unemployment

-decreasing since 2010



# Current economic development

- Slovakia belonged to the fastest growing countries in the Eurozone; during COVID-19 the GDP decrease (-4.4% in GDP) was similar to EU average
- as a very open country, the economy copies global GDP trends
- improving labor market
- inflation on the rise (approx. 15 %)
- plan to have a balanced budget???

# Challenges

## The paradox of the labor market

- Despite relatively high unemployment there is a labor shortage in Slovakia
- Cause – long-term unemployment of low-skilled labor and problematic internal migration

## Still deficient infrastructure

- The highway construction process is way too slow and the southern underdeveloped regions are low in the priorities of the construction plans
- The debt brake complicates the financing of the highway construction

## State of business environment

- High level of bureaucracy and above average tax/social contribution burden especially for small and medium enterprises

## Education system

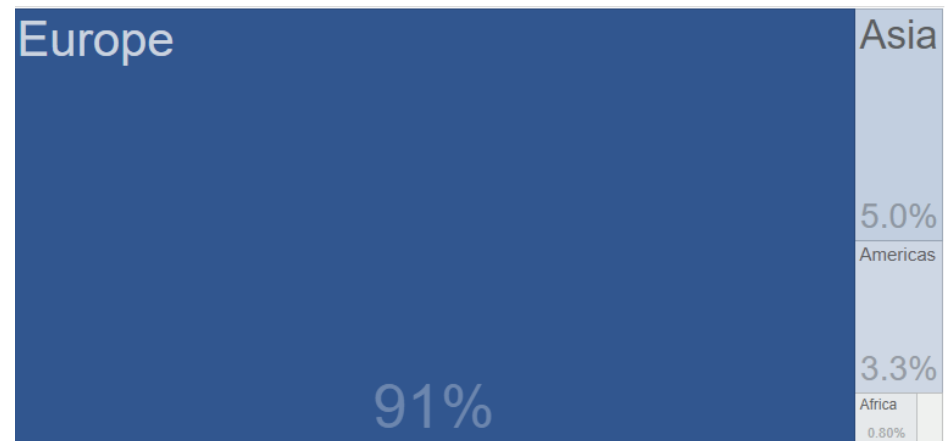
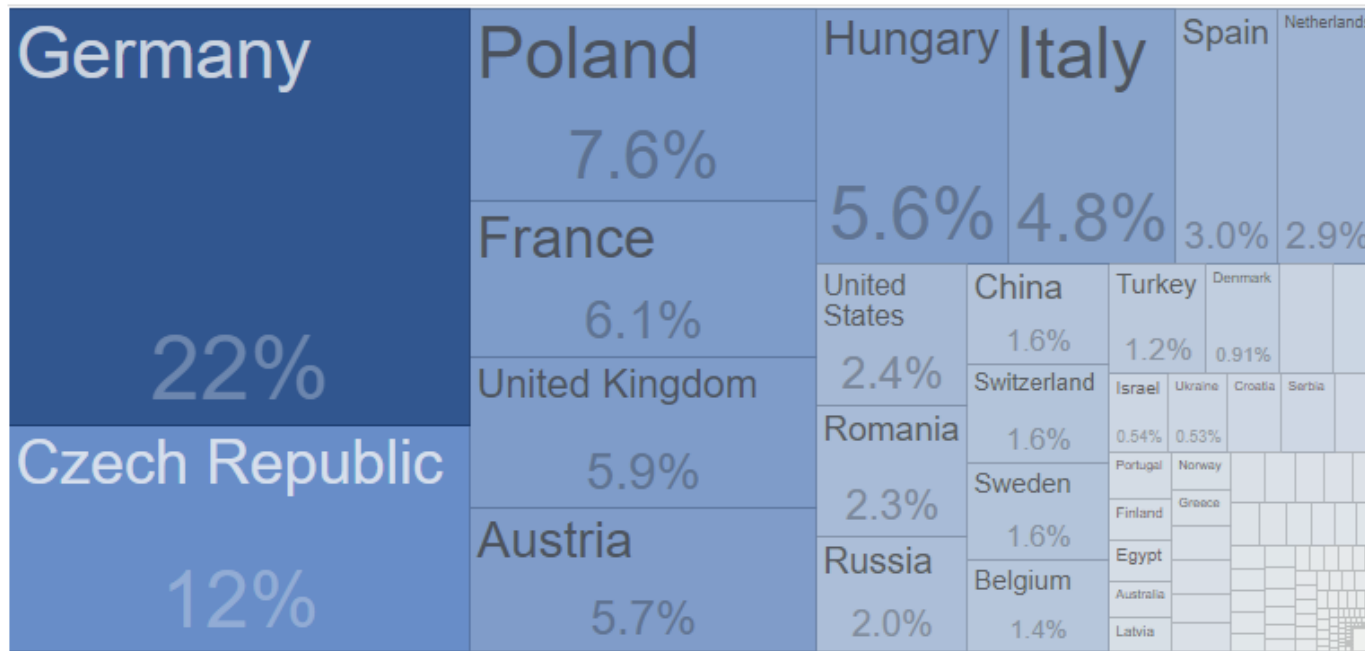
- Underfinanced and outdated

## Social exclusion of the Roma population

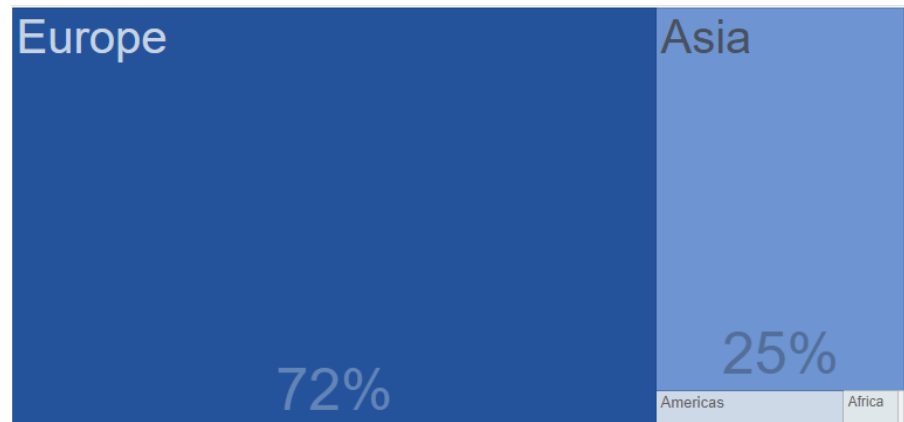
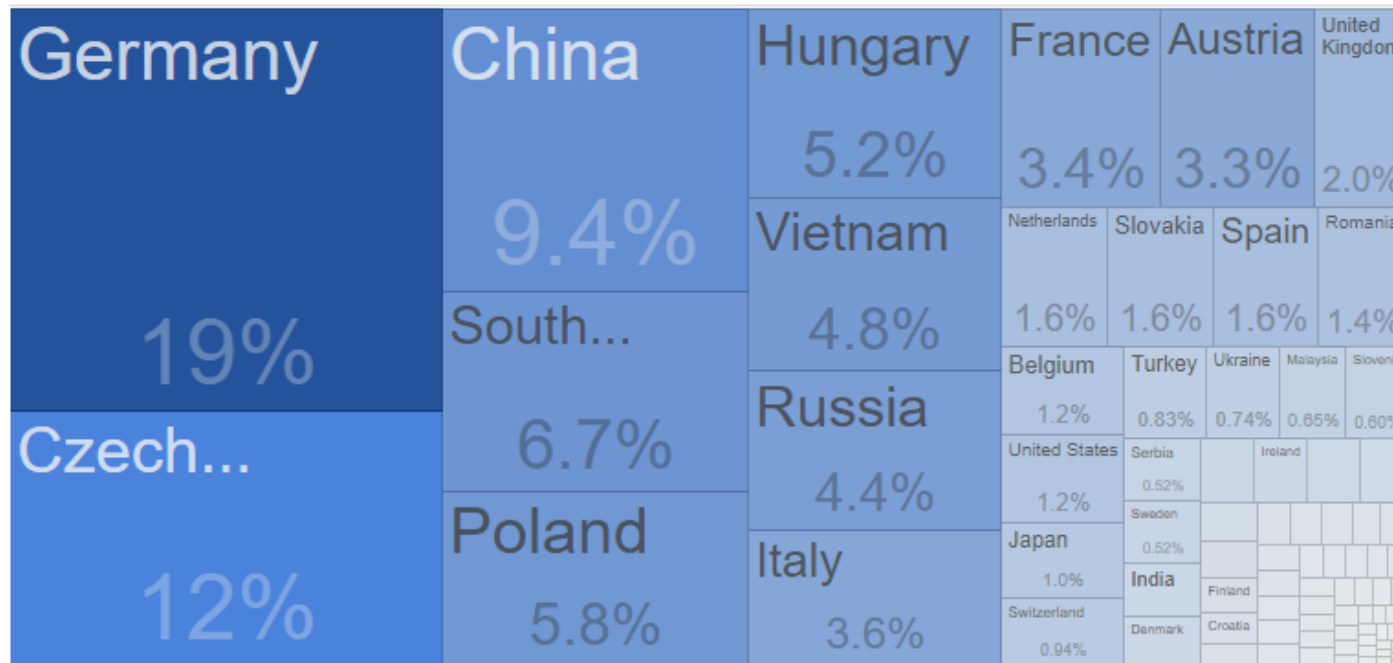
## Corruption, nepotism



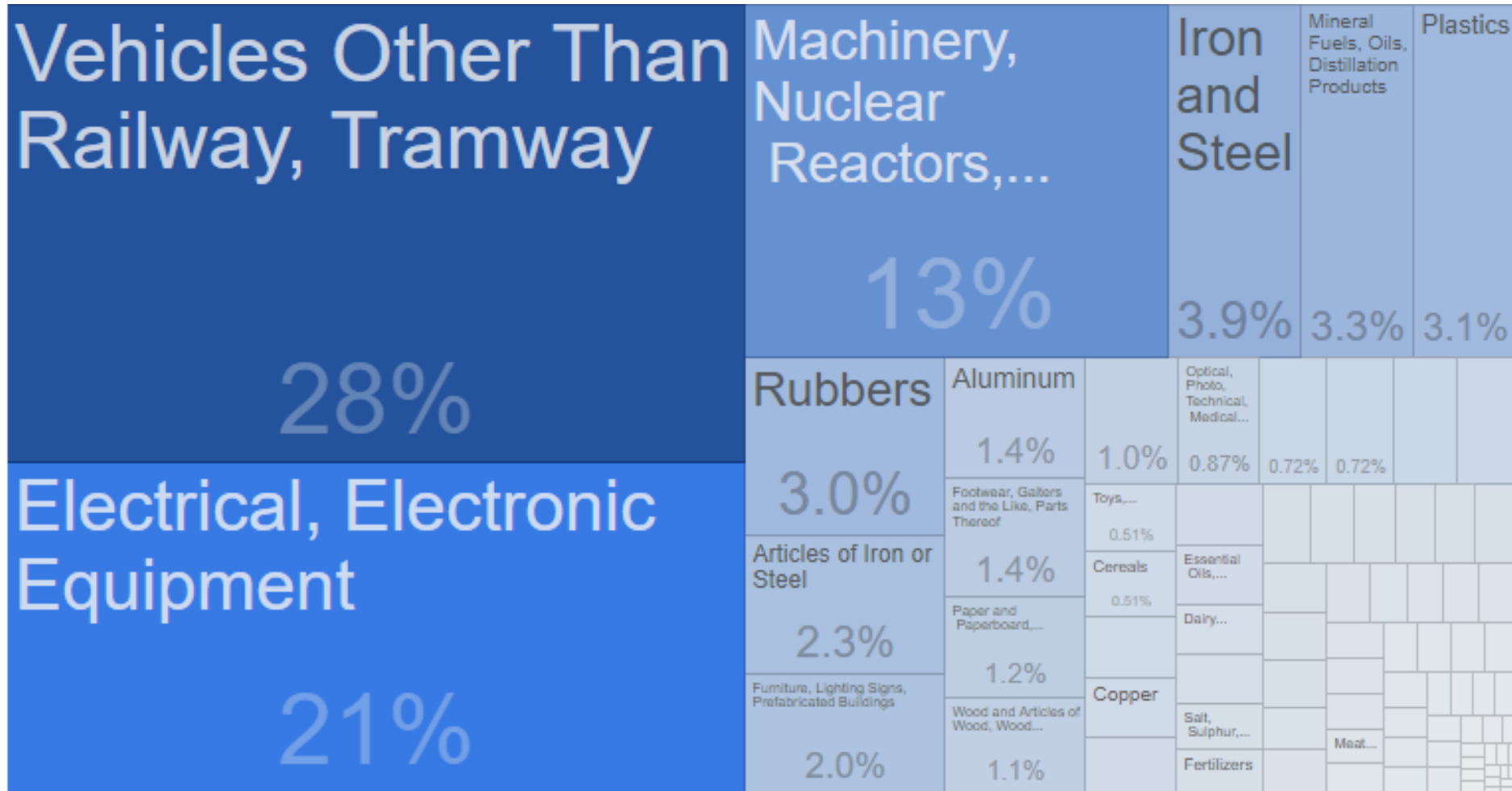
# Where do we export?



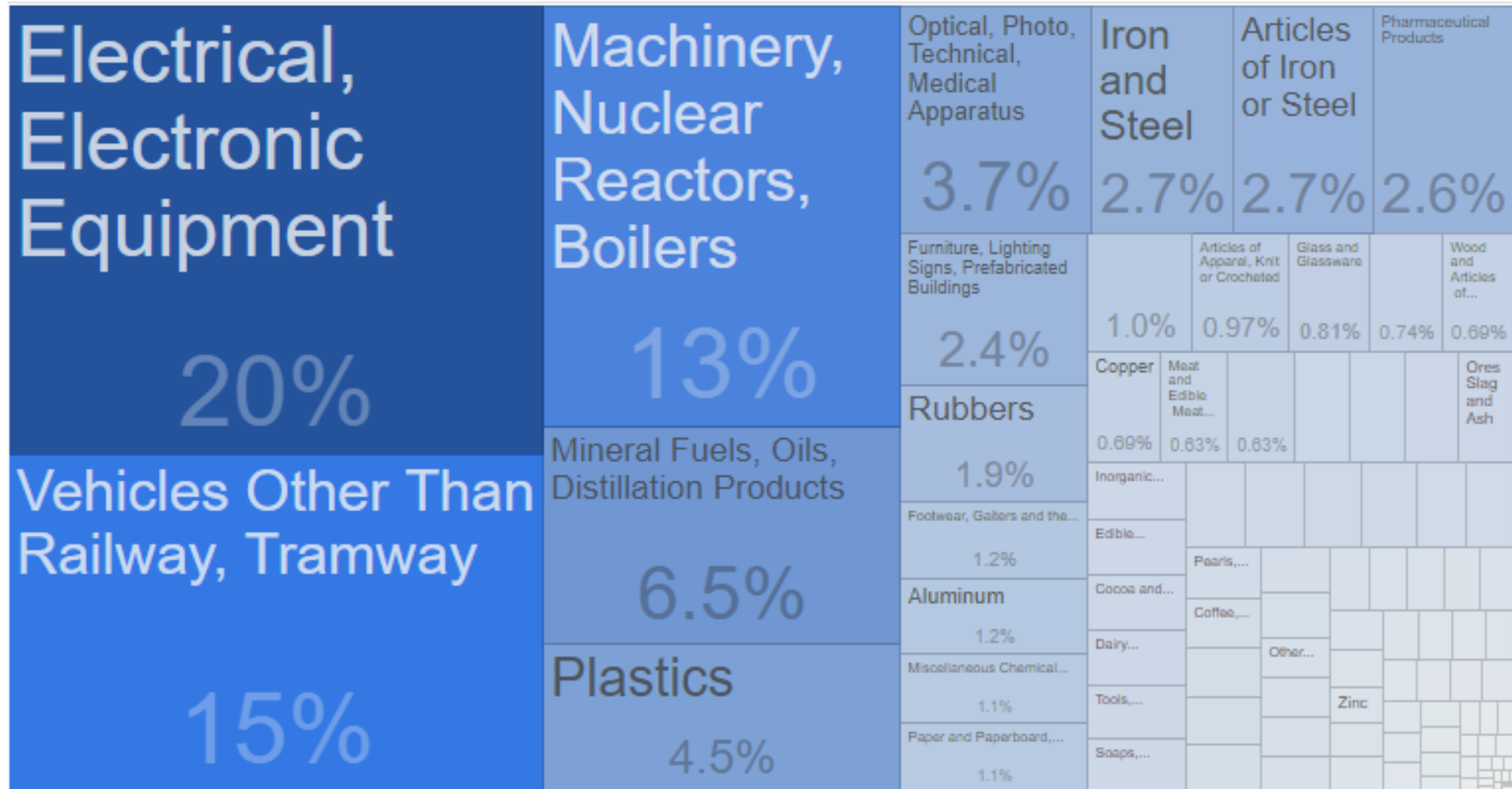
# Where do we import from?



# What do we export?



# What do we import?



# AUTOMOTIVE INDUSTRY IN SLOVAKIA



# Key facts

129,000

**129,000**

People employed directly by the 3 car producers — VW, PSA, Kia & Tier 1 suppliers

250,000

**250,000**

People employed directly & indirectly by the automotive industry

44%

**44%**

Share of the automotive industry of the country's total industrial production

40%

**40%**

Share of the automotive industry of the total industrial export of Slovakia

26 BN €

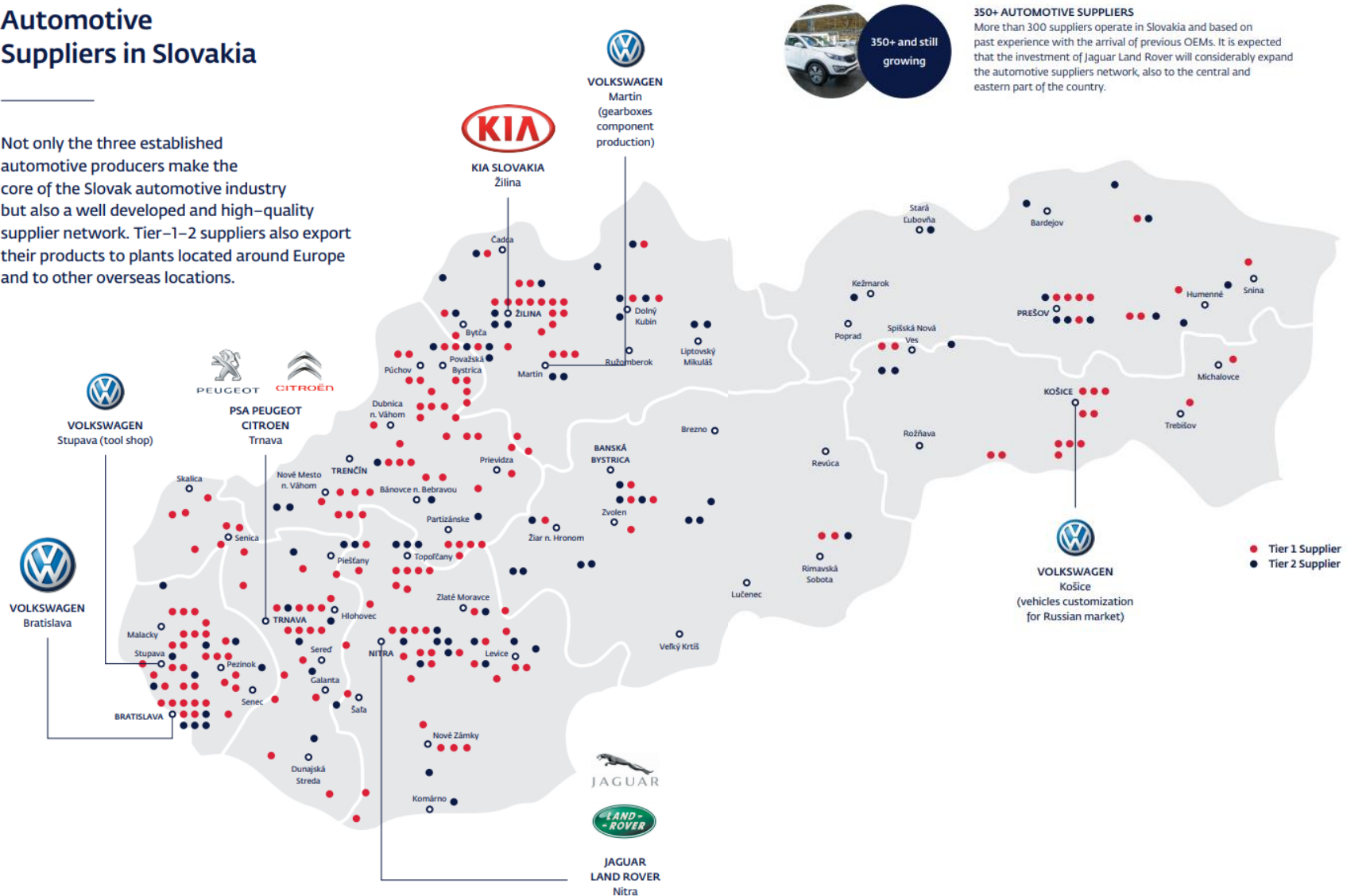
**26 BN €**

Volume of industrial export generated by the automotive industry

# Network of suppliers

## Automotive Suppliers in Slovakia

Not only the three established automotive producers make the core of the Slovak automotive industry but also a well developed and high-quality supplier network. Tier-1-2 suppliers also export their products to plants located around Europe and to other overseas locations.



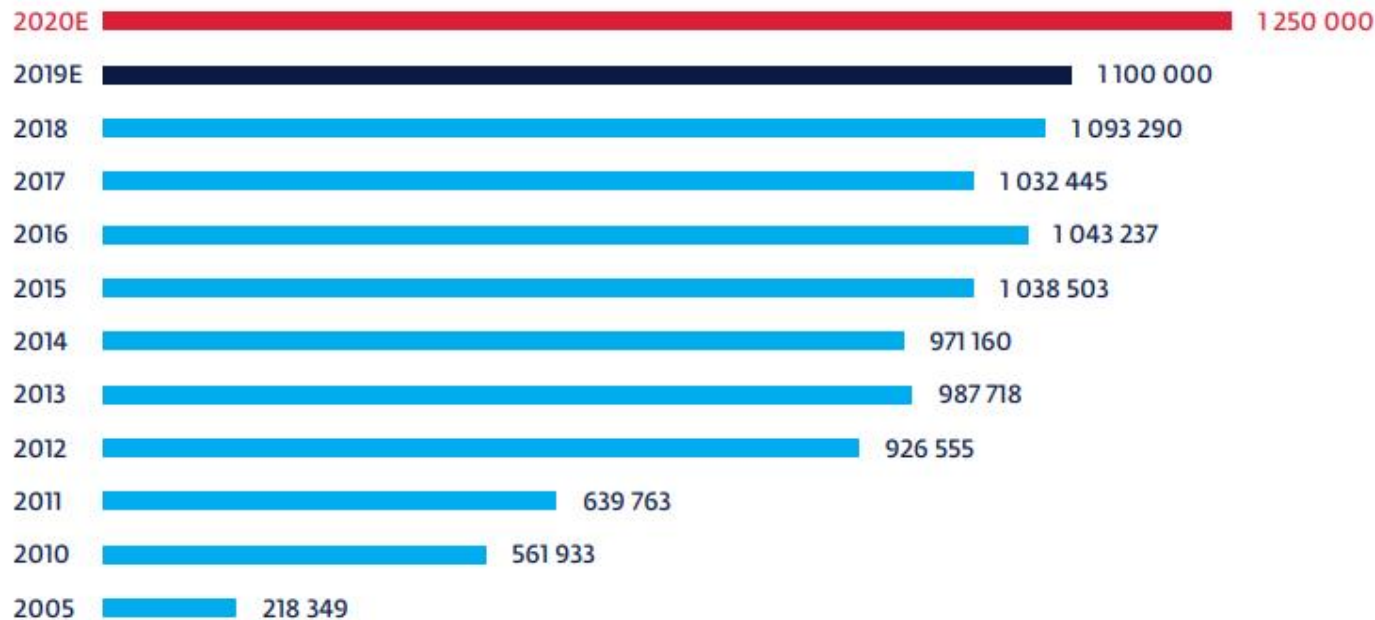


# Car production

Slovakia belongs to the 20 biggest car producers in the world with an annual production of more than one million cars per year



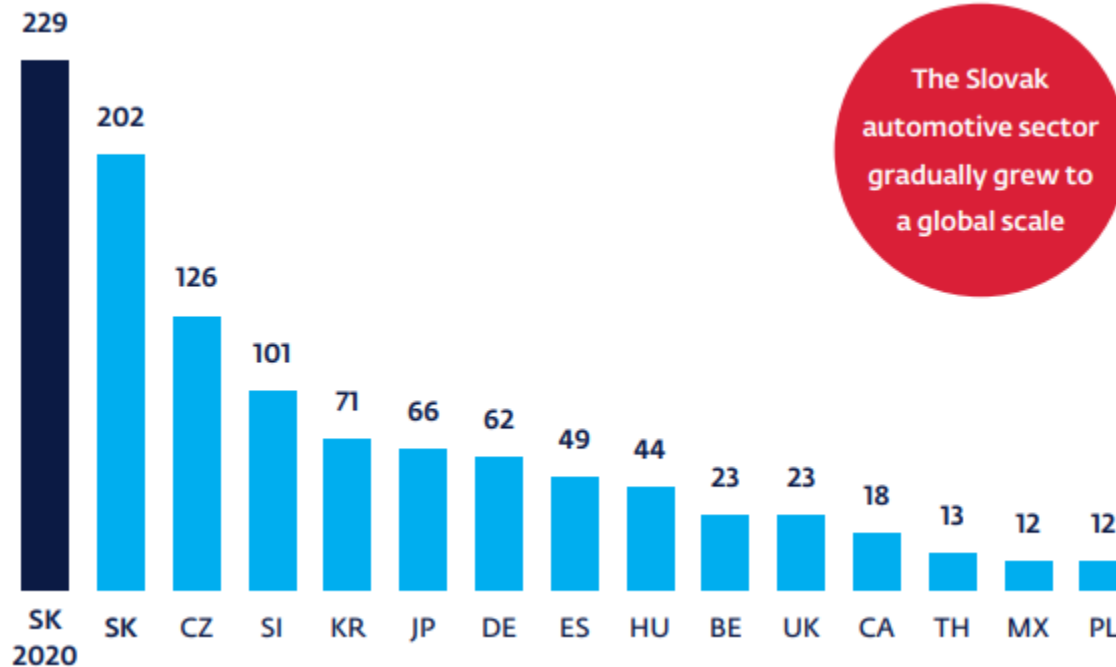
## Car Production in Slovakia



Source: SARIO, Financial Statements of the Respective car producers (2019), Automotive Industry Association of the Slovak Republic ZAP SR (2019)

# Car production

Taking into consideration the number of inhabitants, Slovakia is by far the global leader in car production per 1000 inhabitants.



The Slovak automotive sector gradually grew to a global scale

# Car production

## VOLKSWAGEN SLOVAKIA

Year of establishment: 1991  
Production (2018): 408,208 vehicles  
Turnover: € 10.4 bn  
Number of employees: 14,800  
Models: Škoda Karoq, Audi Q7 & Q8,  
Porsche Cayenne & Cayene Coupé,  
Volkswagen Tuareg, Volkswagen UP!,  
Škoda Citigo, Seat Mii



The only  
plant in the  
world producing  
5 brands under  
one roof

Transformer  
of the Year Award  
2019 for the highest  
increase of efficiency  
within the VW  
Group

Kia's first  
and only factory  
in Europe

Car  
manufacturer  
in Slovakia with  
its own engine  
production



## KIA MOTORS SLOVAKIA

Year of establishment: 2004  
Production (2018): 333,000 vehicles  
Turnover: € 5.2 bn  
Number of employees: 3,787  
Models: Kia Ceed SW, Kia XCeed, Kia Ceed GT,  
Kia ProCeed, Kia Sportage, Kia Ceed



# Car production

## PSA PEUGEOT CITROËN SLOVAKIA

Year of establishment: 2003  
Production (2018): 352,082 vehicles  
Turnover: € 2.8 bn  
Number of employees: 4,500  
Models: Citroën C3, Peugeot 208



Car manufacturer with its own applied engineering centre and exclusive production of EV model

Plant with the most silent press room and zero-waste production



JLR's first European manufacturing facility outside the UK

The most sophisticated production site of the JLR group

## JAGUAR LAND ROVER

Start of production: October 2018  
Production capacity: 150,000  
Estimated investment: € 1.5 bn  
Models: Land Rover Discovery, 3 versions of Land Rover Defender





# Flying car

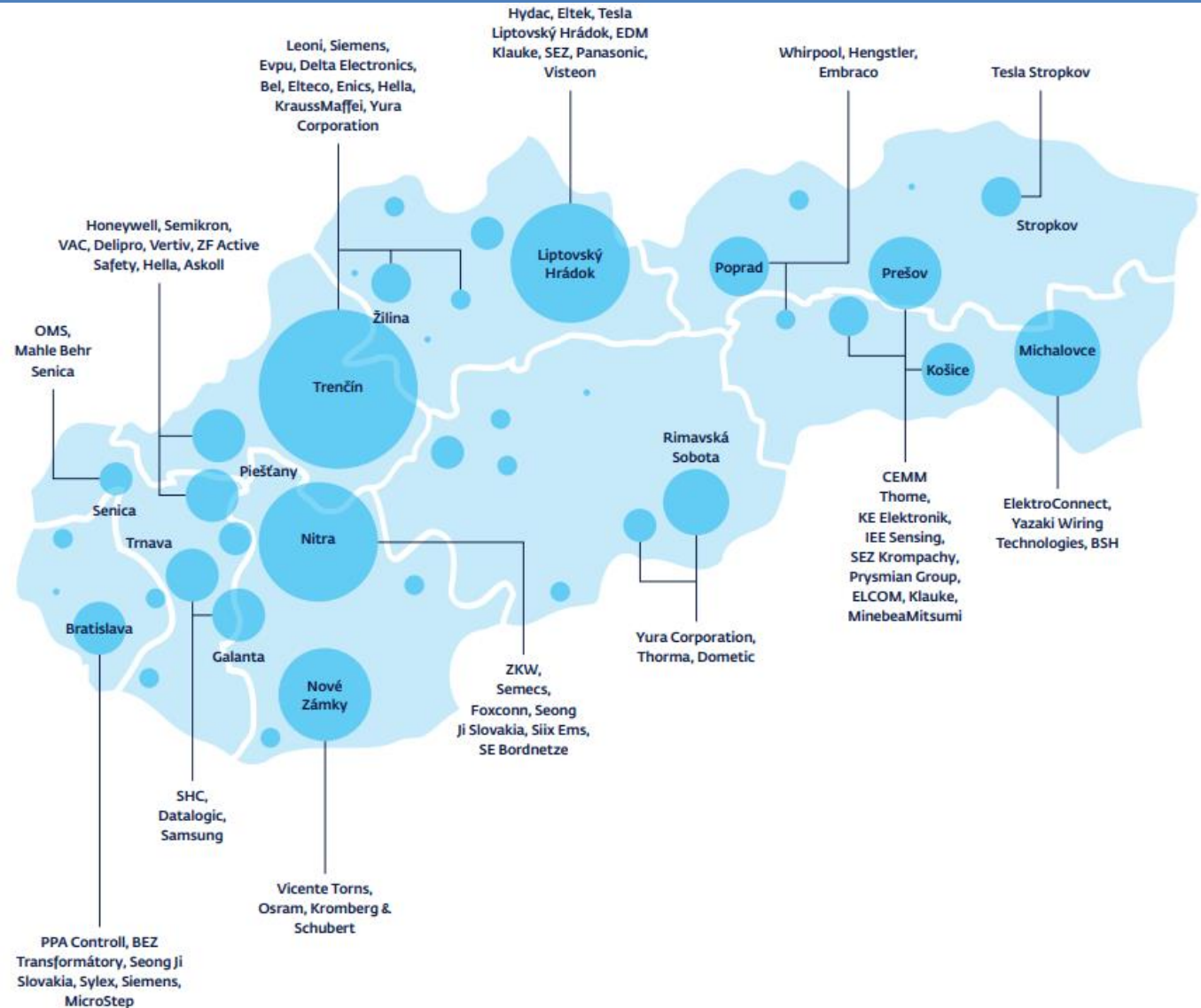


# OTHER MANUFACTURING INDUSTRIES



# Electrical engineering

-on a decline





# Mechanical engineering



**DEFENSE SYSTEMS**



**HEATING BOILERS**



**RAIL WAGONS**



**HYDRAULIC SYSTEMS &**



**FOOD  
PROCESSING MACHINES**



**METAL FORMING MACHINERY**



**GEARBOXES**



**PRODUCTION  
LINES EQUIPMENT**

# Hockey puck production

- 7 million pucks a year
- largest producer in the world (NHL, SM-liiga Finland...)





# Key facts

65+

**65+**  
BSCs already established  
in Slovakia

37,000+

**37,000+**  
People employed by Slovak  
BSCs

11%

**11%**  
Percentage of foreign nationals working  
in Slovak BSCs

80%

**80%**  
Provided services belong to advanced  
customer operations, financial and IT  
services

34

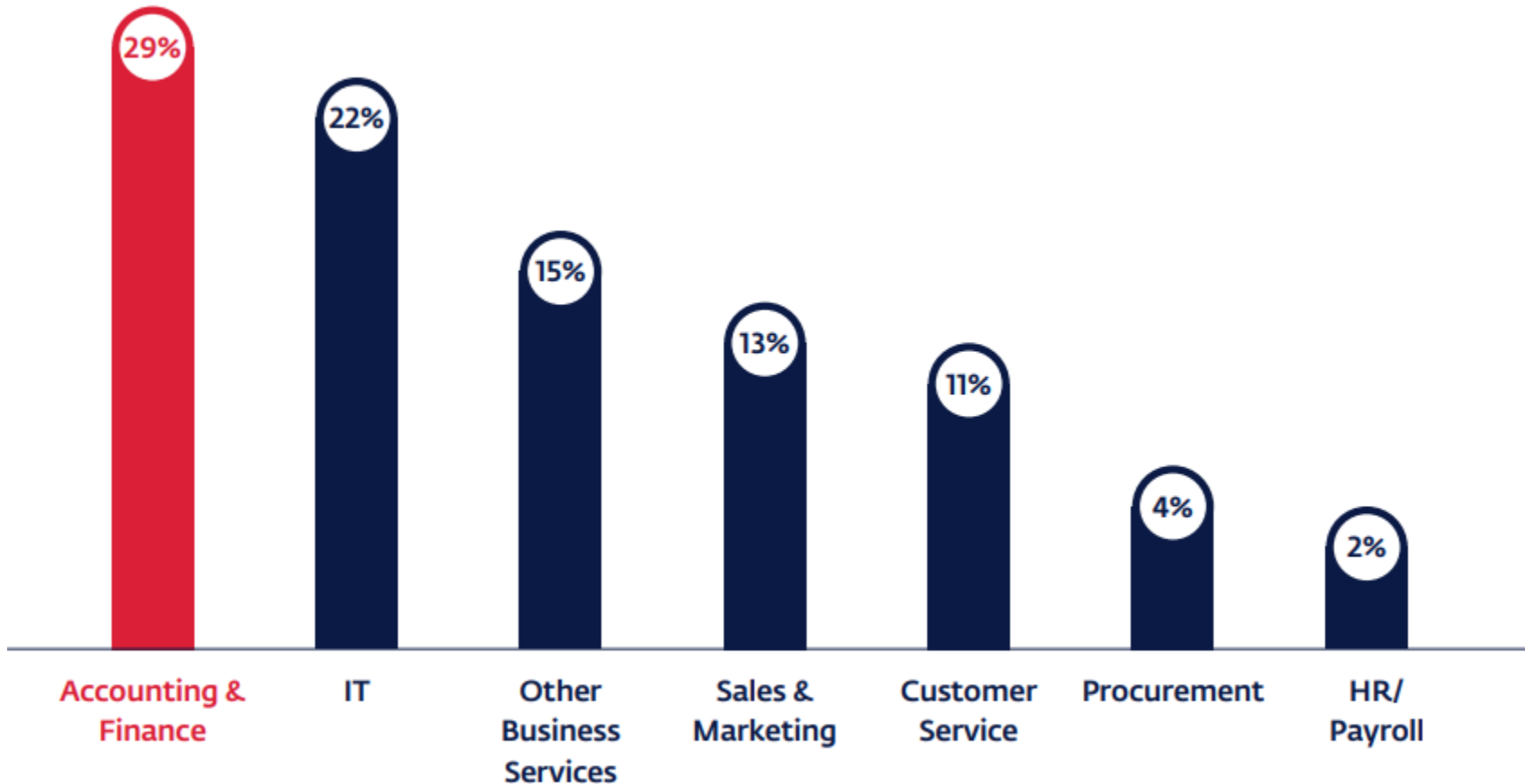
**34**  
Average age of Slovak BSCs  
employees

5%

**5%**  
Average annual headcount increase in  
the Slovak BSC sector in the last 3 years

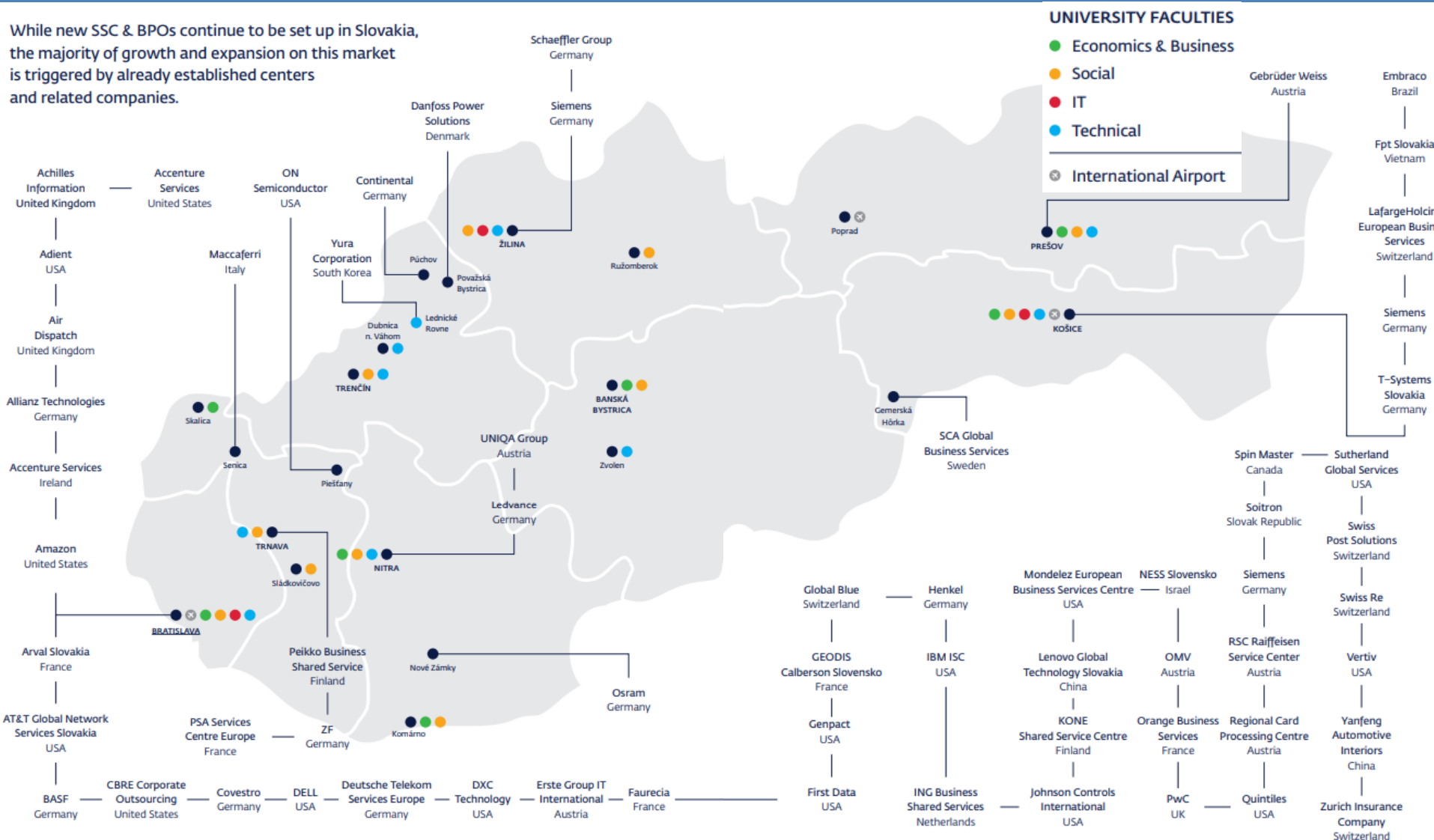
-good employment  
opportunity for foreigners

# SSC & BPOs



# SSC & BPOs

While new SSC & BPOs continue to be set up in Slovakia, the majority of growth and expansion on this market is triggered by already established centers and related companies.





# INFORMATION AND COMMUNICATION TECHNOLOGIES





# ICT



## ESET

Protects users in  
180 countries

Global leader in security software development including award winning NOD32® Antivirus



## RESCO

One of the global leaders in developing  
cross-platform mobile software solutions

Resco Cloud solution is the ultimate tool for offline access to data, interactive maps for businesses & more



## SOITRON

Soitron developed  
a system for intelligent police cars

Developer of IT solutions from integrated communication systems to mobile police units



## PIXEL FEDERATION

Games by Pixel Federation  
are played on the most popular  
social media

Development of browser-based  
and mobile games



## SLI.DO

Currently used on average  
at 600 events in U.S. per week

Application allows presenters  
directstreaming and participants  
to ask questions during  
public events



## INNOVATRICS

Wide range of application —  
from attendance system to  
presidential elections

Biometric Software  
for identity management  
based on fingerprint and face  
recognition technology

1<sup>st</sup>

### ICT Adoption

Based on the Global Competitiveness Report, Slovakia is the best in ICT adoption among Visegrad group countries (Poland, Czechia, Hungary, Slovakia)

85 THS.  
EUR

### Value added per employee

The value added per employee of TOP 200 IT companies ranked by revenue reaches over 85 ths. EUR

3.41%

### ICT share on the total employment

The sector creates more than 87,000 job opportunities

60%

### Growing employment in the ICT sector

The total number of employees in the sector grew by 60% between 2008 and 2020

4.20%

### ICT's contribution to Slovakia's GDP

Significant footprint in the Slovak economy