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SEV Hellenic Federation of Enterprises

COUNTRY REPORT

Slovakia

November 2017

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For further information

Division of Industry, Growth and Infrastructure

SEV Hellenic Federation of Enterprises

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1. General information

1.1 Geography

- Area: 49,035 km²
- Capital: Bratislava
- Main cities: Bratislava (422,932) ; Kosice (239,200) ; Presov (89,959) ; Zilina (81,114) Banská Bystrica (78,758) ; Nitra (77,670)
- Border countries: Poland, Hungary, Czech Republic, Austria, Ukraine

1.2 Population

- Total Population: 5,428,704
- Natural Increase: 0.1%
- Urban Population: 53.5%

1.3 Religion: Language

- Official Language: the official language of Slovakia is Slovak which is spoken by 85% of the population.
- Other Languages Spoken: It is important to note that other languages are used in this country such as Hungarian, Ukrainian, Polish and Czech. Hungarians represent the largest minority in Slovakia, with more than 10% of the total population. Most Hungarians speak their mother tongue and live in the south of the country. Finally, Czechs represent the third national minority and keep their own language: Czech.
- Business Language(s):Slovak, German and English

1.4 Government

- Type of State: A Republic based on parliamentary democracy
- Current Political Leaders:

  President: Andrej KISKA (since 15 June 2014) – Independent

  Prime Minister: Robert FICO (since 4 April 2012) - SMER - sociálna demokracia
- Next Election Dates:

  Presidential: 2019

  National Council: 2020

2. Economy

2.1 General Overview

Slovakia has experienced sustained and steady GDP growth since its integration into the European Union in 2004, except for the financial crisis of 2008-2009 and the Eurozone crisis of 2011-2012.

In recent years, the Slovak economy has made a comeback, fueled by the return of internal and European demand. The GDP growth rate is estimated to have reached 3.4% in 2016 and to remain about constant at 3.3% in 2017.

Parliamentary elections were held in March 2016. The governing Social-democrats (Smer-SD) remained the strongest party, but lost its majority, while the far-right nationalist party Kotleba entered parliament for the first time. Social-democrats are keen to pursue their social programs, but not at the expense of widening the deficit or public debt.

Slovakia's taxation system is well adapted to the needs of trade, and the workforce is highly qualified.

The country also benefits from an advantageous geographical location at the crossroads of Central Europe.

The budgetary deficit reduction continued in 2016, with an estimated deficit of 2.4%.

However, during the electoral campaign, the Government promised a number of measures to compensate for wage stagnation and years of budgetary rigor, including welfare increases, free train transport for retirees and holiday vouchers.

Slovakia remains a small economy, but has a strong financial system and offers a production platform for the European automotive and electronic industries.

In 2016, its trade balance is in surplus of about EUR 4 billion. Inflation was situated at -0.2% in 2016.

Unemployment has declined to below 10% in 2016, with a further decline expected in 2017.

The country's debt reached 52% in 2016. Indeed, much of the Slovak foreign debt depends on the Eurozone, with mainly exports driving growth.

Exports should remain dynamic in 2017, but will evolve in proportion to the economic dynamism of the country's European partners.

Standard and Poor's rating agency confirmed a rating of A+ for Slovakia in January 2017.

Structural problems that Slovakia faces are regional disparities, poor infrastructure, an ageing population and long-term (though declining) unemployment.

Real GDP growth moderated to +3.3% in 2016 from +3.8% in 2015, mainly because fixed investment dropped by -9.3% (after a very strong performance in 2015, at +16.9%) as a result of reduced EU fund absorption.

Strengths

- Low systemic political risk
- Good regional and international relations; EU membership
- Eurozone membership providing for low transfer and convertibility risk
- Solid banking sector

- Strong business environment overall; very attractive for foreign investors
- Weaknesses
- High dependence of the economy on the automobile sector and on exports
- Large income inequality and high unemployment
- Relatively high external debt level

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Main Indicators	2014	2015	2016	2017 (e)	2018 (e)
GDP *(billions USD)*	100.92	87.31	89.53e	89.13	93.55
GDP *(Constant Prices, Annual % Change)*	2.6	3.8	3.3e	3.3	3.7
GDP per Capita *(USD)*	18,634	16,105	16,499	16,412	17,209
General Government Balance *(in % of GDP)*	-3.3	-2.7	-1.9e	-1.8	-1.1
General Government Gross Debt *(in % of GDP)*	53.6	52.5	52.3	51.9	50.9
Inflation Rate *(%)*	-0.1	-0.3	-0.5	1.2	1.5
Unemployment Rate *(% of the Labor Force)*	13.2	11.5	9.7	7.9	7.4
Current Account *(billions USD)*	1.20	0.19	0.32	0.23	0.22
Current Account *(in % of GDP)*	1.2	0.2	0.4	0.3	0.2

Table 1: Main Economic Indicators.
Source: IMF – World Economic Outlook Database - Latest available data

2.2 Structure of the Economy

The agriculture sector is little developed in Slovakia and represents only 3.6% of the GDP and 4.2% of employment in 2016.

The main agricultural products in the country are cereals, potatoes, sugar beets and grapes.

The mountainous area of Slovakia has vast forests and pastures, which are used for intensive sheep grazing, and it is rich in mineral resources including iron, copper, lead and zinc.

The secondary sector represented about one-third of the GDP in 2016.

Heavy industry sectors, such as metal and steel, are still in a restructuring phase.

High value-added industries, such as electronics, engineering and petro-chemicals, are installed in the western part of the country.

Some sectors, like the automobile and consumer goods sectors, offer attractive opportunities to foreign investors.

In 2016, the services sector represented around 64.8% of the GDP and employed around 73.2% of the workforce. It is dominated by trade and real estate. The development of tourism may also become important for the Slovak economy in the coming years. Tourism is currently the country's most dynamic sector.

Breakdown of Economic Activity By Sector	**Agriculture**	**Industry**	**Services**
Employment By Sector *(in % of Total Employment)*	**3.2**	**36.1**	**60.7**
Value Added *(in % of GDP)*	**3.8**	**34.8**	**61.4**
Value Added *(Annual % Change)*	**12.1**	**5.2**	**1.2**

Table 2: Economic Activity by Sector. Source: World Bank, 2016

2.3 Taxation

- Value Added Tax (VAT): 20%
- Corporate tax: 21%
- Withholding Taxes :Dividends: 35% (for residents of countries that have not concluded a tax treaty or exchange of information agreement with Slovakia)
- Social Security Contributions Paid By Employers :35.2%

3. Trade Relations

3.1. Imports-Exports

Slovakia's strong industrial tradition, tax incentives, inexpensive and skilled workforce, rapidly developing infrastructure (boosted by an influx of EU funds) and fragile but real growth, make the country a preferred base for trade.

Since 2009, the economic growth of Slovakia has been driven by its exports. The share of foreign trade in the GDP also remains very high, at around 184% in 2016, making Slovakia the most open country of the EU.

Since 2011, exports have been increasing continuously, representing 93% of GDP.

Trade surplus stood at EUR 3.65 billion in 2016 and reached EUR 1.83 billion in the first seven months of 2017 (EUR 655.2 million lower than in the same period last year).

The Slovak trade balance had been in deficit until 2011, mainly because of energy imports from Russia and the substantial imports of machinery and electrical and electronic equipment used in the automotive and energy sectors.

Nevertheless, the dynamism of the tertiary sector has contributed to improving the situation. The country represents a platform of re-exportation for the European automotive industry (Slovak production in this sector represents over 44% of the GDP).

The country's main suppliers are Germany, the Czech Republic, China, South Korea and Russia. Its main customers are Germany, the Czech Republic, Poland, Austria and France.

Foreign Trade Indicators	2012	2013	2014	2015	2016
Imports of Goods *(million USD)*	77,398	81,735	81,953	73,509	75,471
Exports of Goods *(million USD)*	80,612	85,750	86,460	75,584	77,634
Imports of Services *(million USD)*	7,164	8,586	8,948	7,933	7,950
Exports of Services *(million USD)*	7,761	9,143	9,062	8,031	8,323
Imports of Goods and Services *(Annual % Change)*	2.5	5.6	4.4	8.1	2.9
Exports of Goods and Services *(Annual % Change)*	9.3	6.7	3.7	7.0	4.8
Imports of Goods and Services *(in % of GDP)*	87.8	89.6	88.2	91.1	90.1
Exports of Goods and Services *(in % of GDP)*	91.4	93.8	91.8	93.5	93.8
Trade Balance *(million USD)*	3,228	3,837	3,703	2,246	2,531
Foreign Trade *(in % of GDP)*	179.2	183.4	180.0	184.6	183.9

Table 3: Foreign Trade Indicators. Source: WTO – World Trade Organization

Main Customers	(% of Exports)
Germany	22.0%
Czech Republic	12.7%
Poland	8.2%
Austria	6.1%
Hungary	6.1%
United Kingdom	5.1%
France	4.9%
Italy	4.6%
Russia	3.2%
Netherlands	2.5%

Table 4: Main Customers-Exports. Source: Comtrade, 2017

Main Suppliers	(% of Imports)
Germany	15.7%
Czech Republic	10.9%
China	8.2%
Russia	8.0%
South Korea	7.3%
Poland	5.0%
Hungary	4.8%
Italy	3.4%
France	3.1%
Vietnam	3.1%

Table 5: Main Suppliers-Imports. Source: Comtrade, 2017

Products Exported	
Motor cars and other motor vehicles principally...	17.3%
Television receivers, whether or not incorporating...	8.3%
Transmission apparatus for radio-telephony,...	5.1%
Parts and accessories for tractors, motor vehicles...	4.6%
Petroleum oils and oils obtained from bituminous...	3.6%
Bodies, incl. cabs, for tractors, motor vehicles...	2.3%
New pneumatic tyres, of rubber	2.0%
Automatic data processing machines and units...	1.8%
Insulated incl. enamelled or anodised wire, cable...	1.6%
Flat-rolled products of iron or non-alloy steel,...	1.4%

Table 6: Products Exported. Source: Comtrade, 2017

Products Imported	
Parts and accessories for tractors, motor vehicles...	9.1%
Transmission apparatus for radio-telephony,...	6.0%
Petroleum oils and oils obtained from bituminous...	4.8%
Petroleum gas and other gaseous hydrocarbons	2.9%
Motor cars and other motor vehicles principally...	2.6%
Automatic data processing machines and units...	2.2%
Parts suitable for use solely or principally with...	2.2%
Liquid crystal devices not constituting articles...	2.1%
Medicaments consisting of mixed or unmixed...	2.0%
Petroleum oils and oils obtained from bituminous...	1.7%

Table 7: Products Imported. Source: Comtrade, 2017

3.2 Investments

The 2008-2009 fall in international investment and the subsequent Eurozone crisis, have had an impact on Slovakia and continue to weigh on foreign investment flows bound for the country.

Given that a very large share of Slovakia's FDI directly depends on the Eurozone, the country is dependent on the economic health of its European neighbors, especially Germany and France, and is sensitive to regional tensions (the Russia-Ukraine conflict).

French and German companies are the biggest investors in Slovakia, especially in the key energy, automotive, telecommunications and services sectors.

The continued upgrading of national infrastructure since 2012 still presents great opportunities for FDI, and the strategically located country remains attractive to foreign investors. Slovakia ranks 33rd out of 190 economies in terms of ease of doing business, according to the 2017 World Bank Doing Business Report. The FDI influx in the first 11 months of 2016 was near EUR 4 billion. Acceleration is expected with recent investments in the automotive sector (Jaguar Land Rover USD 1.45 billion facility project).

Recent increases in corporate taxes, changes to the Labor Code, slow dispute resolution as well as corruption are the factors that can undermine the attractiveness of the Slovak market.

4. Greece –Bilateral Relations

Exports to Slovakia (€)	2014	2015	2016
Food & Live Animals	17.304.908	14.057.943	15.355.629
Beverages & Tobacco	785.630	929.675	1.000.232
Crude Materials Inedible	1.459.857	12.992.074	7.930.480
Mineral Fuels, Lubricants	57.494	741.064	499.506
Animal and Vegetable Oils, Fats	99.239	182.980	231.834
Chemicals and Related Products	4.665.035	5.455.587	3.792.699
Manufactured Goods	9.643.114	14.509.248	12.991.341
Machinery & Transport Equipment	3.910.925	6.312.908	11.981.824
Miscellaneous Manufactured Items	2.820.893	2.221.832	2.564.177
Other Commodities	21.249.908	23.300.937	22.556.899
Total	61.997.003	80.704.248	78.904.621

Table 8: Greek Exports to Slovakia. Source: Eurostat

Imports from Slovakia (€)	2014	2015	2016
Food & Live Animals	5.801.352	6.730.451	9.211.055
Beverages & Tobacco	1.308	69.044	58.362
Crude Materials Inedible	3.141.588	3.427.979	3.309.196
Mineral Fuels, Lubricants	1.395.377	13.549.789	4.441.653
Animal and Vegetable Oils, Fats	27.684	1.316	12.411
Chemicals and Related Products	10.593.495	9.422.658	7.835.965
Manufactured Goods	29.293.945	27.446.382	21.871.522
Machinery & Transport Equipment	100.025.169	94.591.444	101.746.409
Miscellaneous Manufactured Items	5.820.295	3.975.781	4.340.917
Other Commodities		6.510	88.000
Total	156.100.213	159.221.354	152.915.490

Table 9: Greek Imports from France. Source: Eurostat

5. Business Culture and Communication

5.1 Relationships & Communication

When speaking to someone, people maintain a shoulder length distance—social distance. Of course, among friends and family members the distance is shorter and there is much more touching. In formal situations, touching others is very uncommon and is rather unacceptable.

Making and maintaining an eye contact is very important; it is actually an indicator that a person is serious, trustful, and polite. If you avoid an eye contact, people may doubt your sincerity.

Note: Eye contact is extremely important when you make a toast. While you clink your glass with your counterpart's glass, make sure that you look directly into his/her eyes; not doing so is regarded as being very impolite and disrespectful, although he/she would not convey this feeling to you.

Slovaks use many gestures; however, in formal situations, they are rather conservative. In terms of facial expressions they are rather moderate.

When you are offered with something (food, drink, presents), especially in the country, you are supposed to refuse it at first. Only after your host repeats the offer for the second or third time, do you accept it. The reverse is also true: when you offer something to a Slovak, he/she will automatically refuse it. That does not necessarily mean that he/she does not want it and the person will wait for multiple offers before accepting.

Being assertive and self-confident is sometimes perceived as being self-centred.

The public displays of affection, anger and other emotions are acceptable, even if not generally welcome. In particular, shouting, kissing, screaming, fighting, or laughing too loudly in public will trigger considerable scorn. Sadly, Slovaks are not generally very expressive in public.

It is fairly important to establish a personal relationship with a colleague before getting to business. Stakeholders engage in a small talk before they get to business; however, this does not take long and would not require multiple meetings.

5.2 Punctuality

Slovaks take time very seriously. Punctuality indicates seriousness, politeness, and more importantly, respect.

Arriving late for a meeting means that he/she does not respect the other person(s), although, a 5-10 min. delay is acceptable as long as you have a reason to be late. You are expected to apologize and explain the reason why you are late.

As time is taken seriously, so are deadlines. An inability to meet a deadline is perceived as poor time management, inefficiency, disrespect, and carelessness.

Deadlines for project completion can slide and seem to be accepted with a shrug. Slovaks do not seem to always feel the same urgency as a Canadian might in seeing that an objective is identified and met in a timely fashion.

5.3 Dress Etiquette

For Men- Men typically wear conservative-style suits. Dark colors are the most prevalent.

For Women- Women also wear darker colored conservative clothing such as skirts or slacks with a suit jacket.

6. Useful Contacts

6.1 Embassy of Greece in Bratislava

Address: Hlavne Namestie 4, 81101 Bratislava

Tel.: +4212 54434143, 54434144

Fax: +4212 54434064

Emergency Tel: +421948461990

E-mail: gremb.brt@mfa.gr

Web-Site: http://www.mfa.gr/bratislava

Head of Mission: Maria Luiza Marinaki

Consular Section

Δ/νση: Hlavne Namestie 4, 81101 Bratislava Slovak Republic

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Fax: (004212)54434064

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Head: Nikolaos Fougias

6.2 Embassy of Slovakia in Athens

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7. Sources

International Organizations

- OECD: Global Economic Outlook, Economic Surveys
- World Economic Forum: Global Competitiveness Reports
- IMF: Country Information
- International Trade Center
- UNCTAD
- The World Bank
- World Trade Organization: Trade Policy Reviews
- European Commission: Market Access Database, Eurostat
- Fitch Group: BMI Research
- The Economist Intelligence Unit
- Global Affairs Canada: Country Insights
- Euler Hermes: Economic Research, Country Reports

Financial Institutions

- Eurobank: Export Gate
- Rabobank: RaboReseach
- Banco Santander: Santander Trade