

# Slovakia in Figures

2018

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## Developed Infrastructure



Petřalka in Bratislava - The most dense urban area in Central Europe

## Productive and Modern Industry



Automotive - State-of-the-art production facilities

## Talented People



AeroMobil - a flying car invented and built in Slovakia

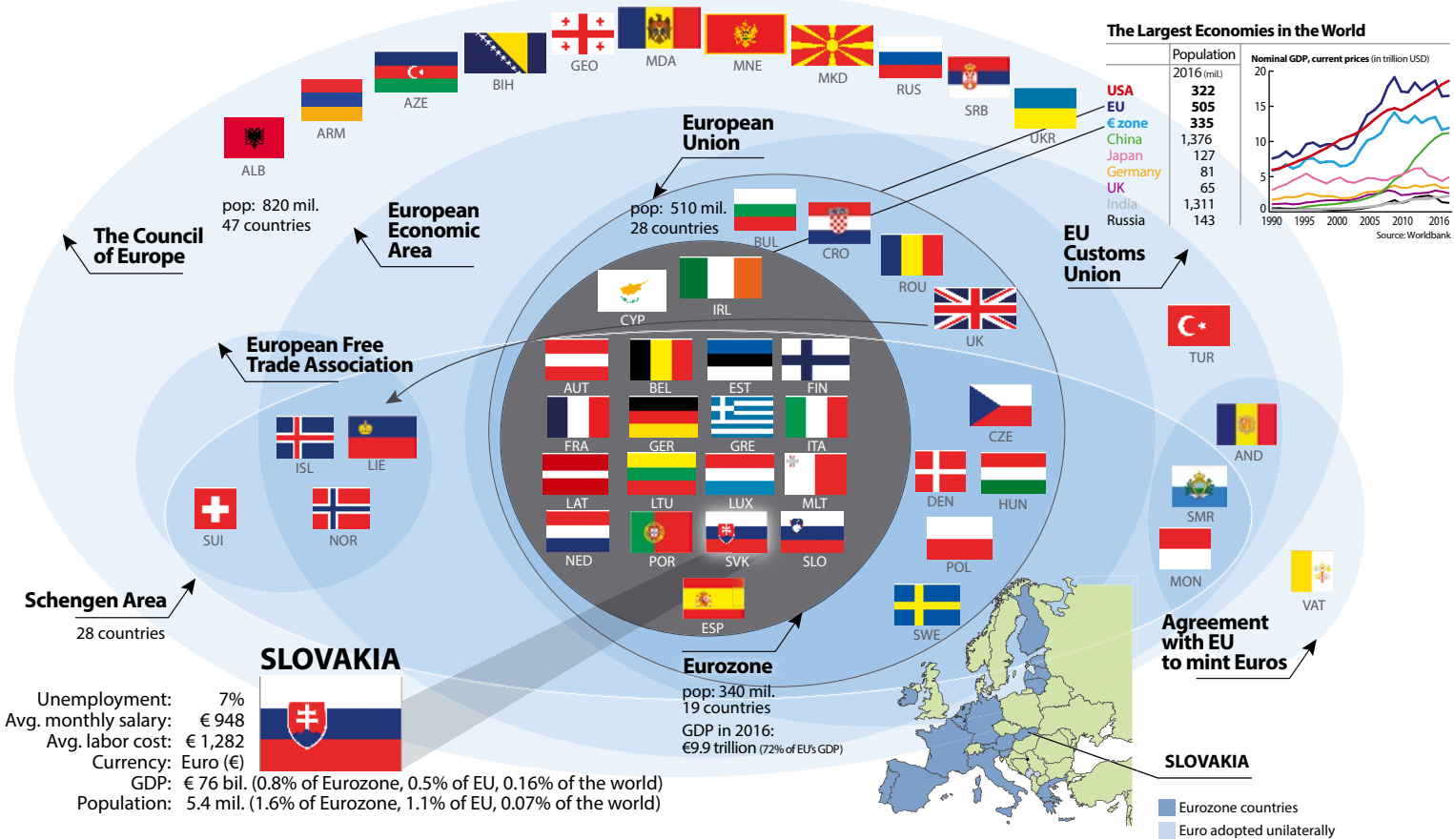
## Beautiful Nature



Kriváň - Symbol of Slovakia located in High Tatras

# Slovakia - The Best Deal in Europe

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65 EVENTS	12 POLICY PLATFORMS
210 LEGISLATIVE COMMENTS	280 STUDENTS & TEACHERS INVOLVED IN OUR PROJECTS

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Population – 5.4 mil.

(Similar to Denmark, Finland, Singapore, Minnesota, or New Zealand)



Bratislava

Trnava

Trenčín

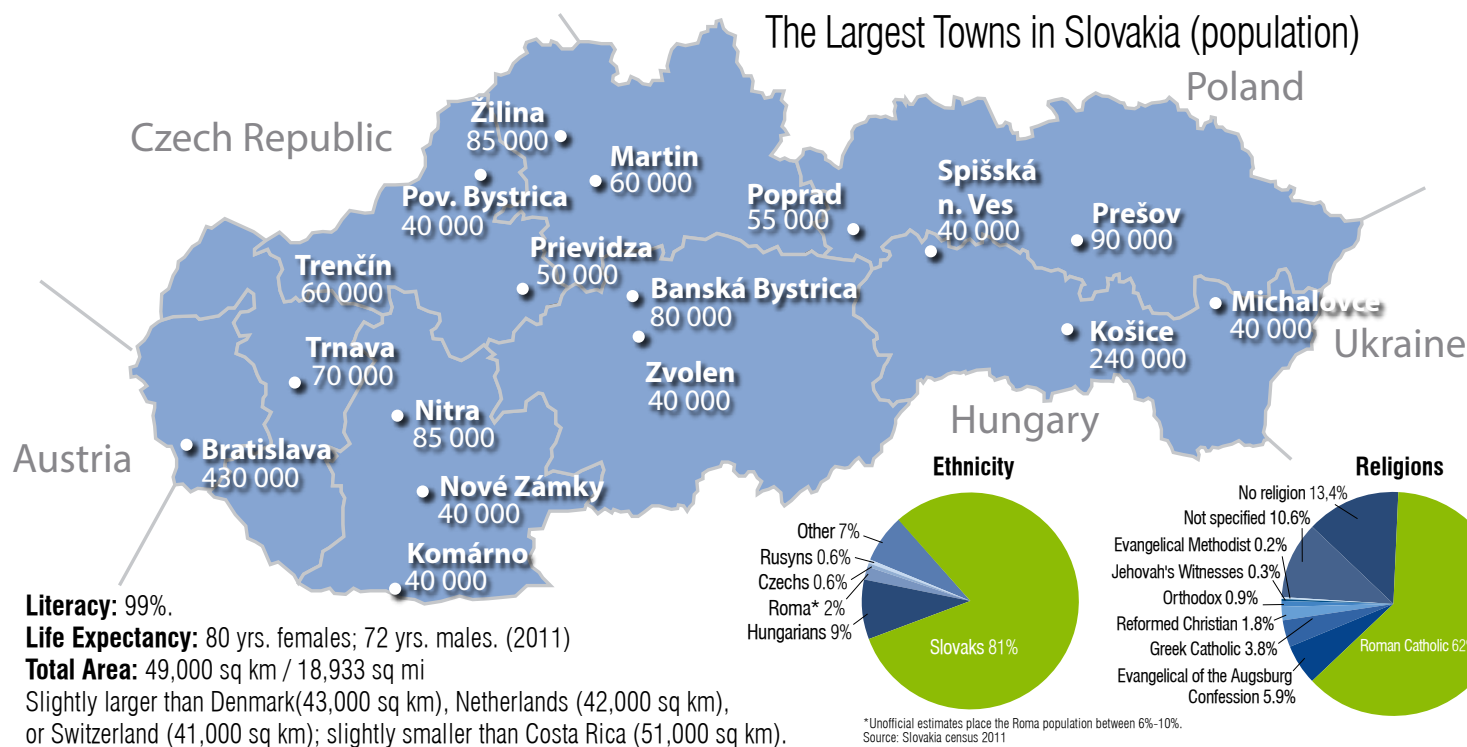
Nitra

Žilina

Banská Bystrica

Prešov

Košice



## Politics & Ratings

Higher rating than Greece, Portugal, Spain and Italy; 2nd highest in V4 region



President  
Andrej Kiska  
(2014 - 2019)



Prime Minister  
Peter Pellegrini  
(2018 - 2020)  
Smer-SD

### Government

**Type:** Parliamentary democracy.

**Independence:** The Slovak Republic was established on January 1, 1993 (former Czechoslovak Republic established in 1918).

### Branches:

Executive - President (head of state), Prime Minister (head of government), Cabinet.

Legislative - National Council of the Slovak Republic (150 seats).

Judicial - Supreme Court, Constitutional Court.

### Political parties:

Coalition parties: • Smer-SD, • SNS, • Most-Híd

Opposition parties: • SaS, • OĽaNO, • LSNS, • Sme rodina, • No party affiliation

**Next parliamentary elections:** 2020

V4 - Visegrad countries: Czech Republic, Hungary, Poland and Slovakia

### Countries Ratings (Jan 15, 2018)

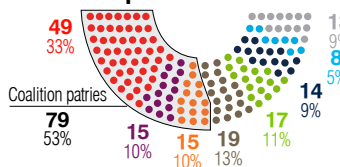
	S&P	FITCH	MOODY
SK	A+	A+	A2
HU	BBB-	BBB-	Baa3
PL	BBB+	A-	A2
CZ	AA-	A+	A1
IT	BBB	BBB	Baa2
ES	BBB+	BBB+	Baa2
PT	BBB-	BBB	Ba1
GR	B-	B-	Caa2

Lowest rating Highest rating  
Source: Wikipedia, January 15, 2018

**Suffrage:** Universal at 18 years.

**Administrative divisions:** 8 administrative regions, 79 districts.

### Slovak parliament: 150 seats



## Economy, R&D and Knowledge Centers

High Quality Labor: a hub for ICT and shared service centers

### Main Slovak Academic and Research Clusters



### Top 10 ICT and Shared Service Centers (Employees at Year End)

#	Company	2016	2015	2014	2013	2012
1	IBM <sup>1)</sup>	5500	5100	4900	4700	4330
2	T-systems	3871	3668	3227	2922	2596
3	AT&T	3413	3026	3078	3000	2900
4	Dell	1772	1667	1718	1833	1839
5	Enterprise <sup>2)</sup>	1475	1497	1700	1700	1700
6	Henkel Slovensko	1450	1400			
7	Swiss Re Management	1201	1010			
8	Johnson Controls <sup>3)</sup>	1189	1537	1 457	1328	1249
9	Adient Slovakia	918				
10	Accenture Technology	910	860	833		
<b>Total</b>		<b>20061</b>	<b>18744</b>	<b>18094</b>	<b>17496</b>	<b>16626</b>
<b>Y/Y Growth</b>		<b>9%</b>	<b>2%</b>	<b>3%</b>	<b>5%</b>	<b>15%</b>

1) Trend's estimate, 2) Until December 31, 2016 called Hewlett-Packard Slovakia s.r.o., Bratislava, 3) At the end of October 2016 JCI spun off the production of car seats and interior components into a new company Adient Slovakia, s.r.o., Bratislava. Source: Trend, Nov. 2017



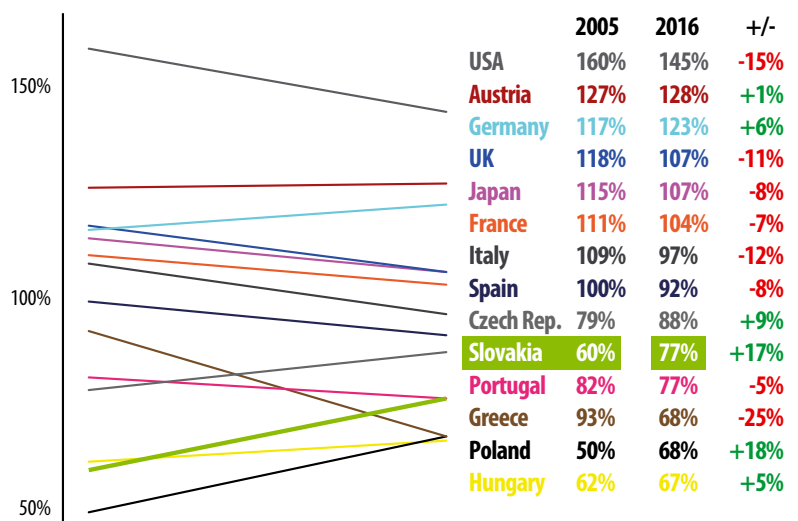


## Labor Productivity and Export/Import

*SLOVAKIA produces high quality products, mostly for Germany*

### GDP per capita in Purchase Parity Standard

(EU average = 100%)



Source: Eurostat, 2017

### Export/Import by countries in 2016

#	Export	(mil. €)	%	#	Import	(mil. €)	%
1	Germany	15 324	21.9	1	Germany	11 289	17.0
2	Czech Rep.	8 276	11.8	2	Czech Rep.	7 158	10.8
3	Poland	5 321	7.6	3	China	5 616	8.5
4	France	4 319	6.2	4	South Korea	3 947	5.9
5	UK	4 144	5.9	5	Italy	2 216	3.3
6	Austria	3 987	5.7	6	Austria	1 983	3.0
7	Hungary	3 923	5.6	7	Poland	3 526	5.3
8	Italy	3 387	4.8	8	Hungary	3 173	4.8
9	Spain	2 079	3.0	9	France	2 065	3.1
10	Holland	1 999	2.9	10	UK	1 239	1.9
11	USA	1 703	2.4	15	USA	1 703	1.1
	Other	15 571	22.2		Other	22 472	35.3
	EU-28	59 660	85.2		EU-28	44 572	67.1
	Total	70 032	100		Total	66 386	100

Source: Ministry of Economy, 2017

Year	Export (mil. €)	Import (mil. €)	Trade Balance
2015	67 680	64 361	+3 319
2016	70 032	66 386	+3 646
Change	+2 352	+2 025	+327

Source: Ministry of Economy, 2017

## Labor Market

*SLOVAKIA offers the third lowest labor cost in Europe and advantageous labor laws*

### Unemployment rate (7.1%) and number of unemployed people in regions (Jan 2018)



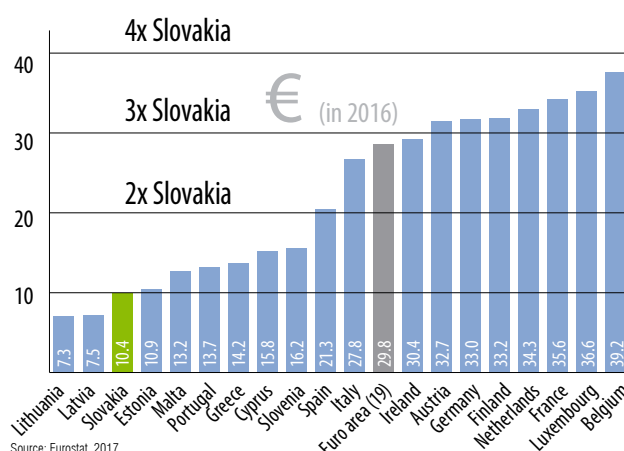
### Labor Cost Structure (simplified)

	Employee	Employer	Total
Social Security	9.4%	25.2%	34.6%
Healthcare Insurance	4.0%	10.0%	14.0%
Total	13.4%	35.2%	48.6%

The fees are derived from employees' gross salaries

National Holidays: 15 days

Labor **costs** are among the **lowest** in Eurozone. Labor **laws** allow **more flexibility** for employers than those in the other Eurozone countries.



Source: Eurostat, 2017

## Logistics & ICT Infrastructure

*Modern and developed infrastructure*

### Easily accessible from Western Europe - Bratislava only 70km from Vienna, Austria



**Direct flights to over 130 cities** are available within 1 hour drive from Bratislava city center.

### High speed mobile services with excellent coverage

Provider	Mobile Network Coverage		Data Connection	
	Population	Population 4G	Download	Upload
Orange	99.8%	90%	225 Mbps	50 Mbps
Slovak Telekom	99%	89%	375 Mbps	50 Mbps
O2	98%	91%	73 Mbps	23 Mbps
4ka	99.8%	71%	73 Mbps	23 Mbps

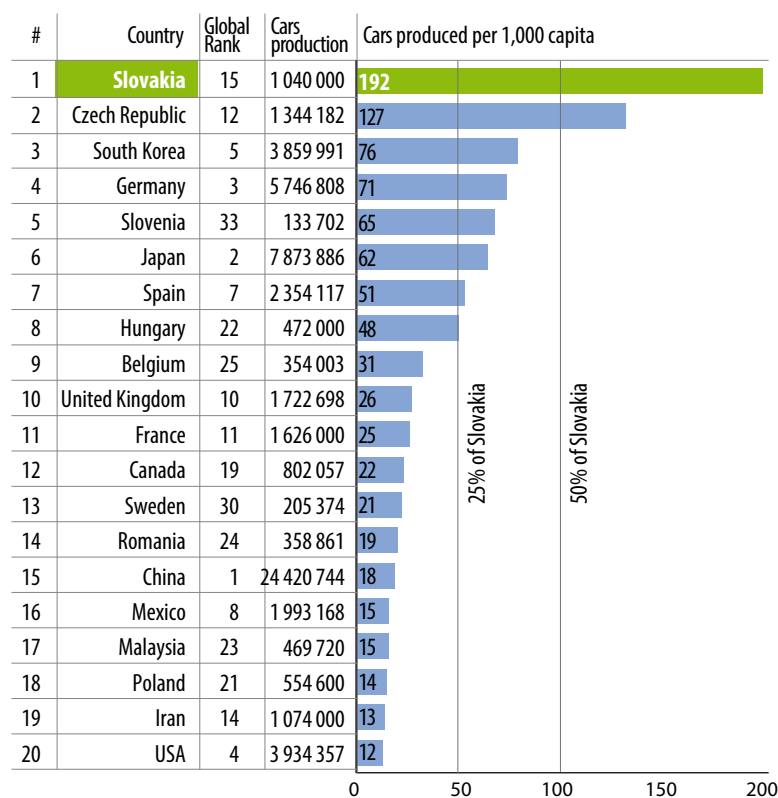
Source: Orange, Slovak Telekom, O2, 4ka

Various options of high-speed Internet are available through landlines and satellite operators including FTTH (fiber-to-the-home).



## Cars produced per 1,000 inhabitants in 2016

Jaguar Land Rover will start assembling cars in Slovakia in 2018. Their expected output is 300,000 cars per year. It will further enhance Slovakia's global leadership.



## Recent news

"A Hidden Startup Gem." Inc.com Feb, 2017

## Jan-2018

- "Slovakia enjoyed one of its best years for attracting investments in 2017"
- "Slovakia signed a declaration pledging to maintain a pro-European and pro-North Atlantic Treaty Organization (NATO) path"

## Dec-2017

- "Business service centres in Slovakia are growing... BSCs are one of the quickest-growing economic sectors in Slovakia. They are the second main pillar of the economy, following the automotive sector. While in 2015 there were 36 such centres, now there are at least 62."

## Nov-2017

- "Bratislava is the brainiest EU capital... Bratislava has the highest share of brain business jobs in all of Europe."
- "Slovakia may benefit from Chinese transport corridors... By the end of 2018, the number of trains on the route may be as high as 500."
- "Covestro, a German producer of polymers, has opened its transaction centre in Slovakia. It is located in Bratislava's borough of Ružinov. During the first three months it hired 210 people, mostly with accounting qualifications, who will process its finances."
- "A record number of British companies are locating to Slovakia... a 35 percent annual increase, with almost 400 new companies registered in Slovakia since 2016, according to Bisnode."
- "Slovakia in the running for fifth car manufacturer... Jaguar Land Rover will become the fourth carmaker in Slovakia after it starts production in late 2018. Slovakia is already in the running for the fifth car manufacturer. Chinese producer of e-cars Zhi Dou is looking for a place to build a new plant."

The [www.spectator.sk](http://www.spectator.sk) website is the only portal of its kind that provides comprehensive news about Slovakia, prepared by both Slovak and native-English journalists and editors, on a daily basis.

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**Feb-2017** "Why This Tiny Slovakian City Is a Hidden Startup Gem. As of 2017, the capital city of Slovakia--Bratislava--is home to 107 companies on the list, coming in just behind Stockholm, Sweden, which has 134, and London, which has 177"

Source: [www.inc.com/zoe-henry/bratislava-slovakia-top-city-for-startups-inc-5000-europe-2017.html](http://www.inc.com/zoe-henry/bratislava-slovakia-top-city-for-startups-inc-5000-europe-2017.html)

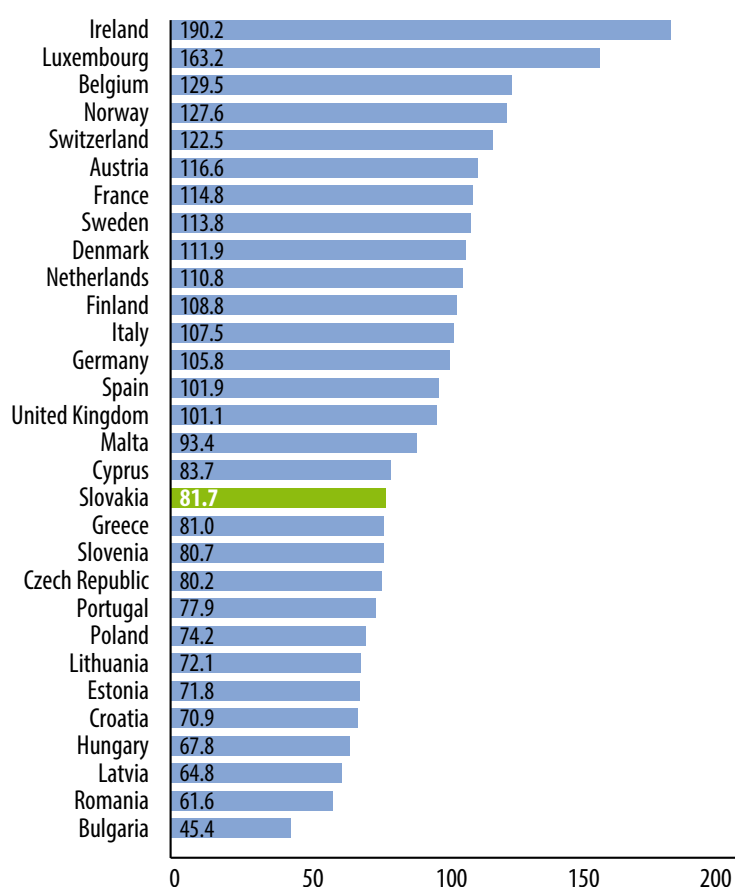
**Nov-2017** Amazon has opened its largest and one of the most technologically advanced reverse logistics centres in Slovakia.

Source: [www.visehradgroup.eu/news/amazon-opens-reverse](http://www.visehradgroup.eu/news/amazon-opens-reverse)

## Labor Productivity and Cost

## High labor productivity at advantageous cost

## Labor productivity per person employed; Index (EU28=100)



## Labor cost in Slovakia in various industries in 2016 (€)

Indicator	Basic (tariff wages and salaries *)	Total labour costs	Direct labour costs	Indirect labour costs
Slovak Republic (Average)	688	1 406	1 025	381
Agriculture, forestry and fishing (A)	573	1 138	824	315
Mining and quarrying (B)	723	1 643	1 182	461
Manufacturing (C)	662	1 448	1 049	400
Electricity, gas, steam and air conditioning supply (D)	964	2 383	1 671	712
Water supply; sewerage, waste management and remediation activities (E)	600	1 289	943	369
Construction (F)	607	1 233	907	326
Wholesale and retail trade; repair of motor vehicles and motorcycles (G)	646	1 331	979	352
Transportation and storage (H)	601	1 240	897	350
Accommodation and food service activities (I)	486	839	621	218
Information and communication (J)	1 293	2 575	1 909	666
Financial and insurance activities (K)	1 192	2 566	1 870	696
Real estate activities (L)	720	1 430	1 047	383
Professional, scientific and technical activities (M)	920	1 757	1 303	454
Administrative and support service activities (N)	538	1 031	762	269
Public administration and defence; compulsory social security (O)	701	1 409	1 012	397
Education (P)	654	1 266	922	344
Human health and social work activities (Q)	751	1 404	1 032	373
Arts, entertainment and recreation (R)	538	1 071	788	283
Other service activities (S)	528	970	716	254

Source: Statistics.sk, 2018

	Indicator (Slovakia, if not mentioned otherwise)	in	2012	2013	Real 2014	2015	2016	2017	Forecast 2018	2019	2020
GDP Related	GDP in current prices	bil. €	72.7	74.2	75.9	78.7	81.0	84.6	89.5	95.3	101.0
	Real GDP growth Slovakia*	%	1.7	1.5	2.6	3.8	3.3	3.3	3.7	3.9	3.5
	Real GDP growth Czech republic*	%	-0.8	-0.5	2.7	5.3	2.6	3.5	2.6	2.3	2.3
	Real GDP growth Germany*	%	0.7	0.6	1.9	1.5	1.9	2.0	1.8	1.5	1.4
	Real GDP growth Europe*	%	0.4	0.6	1.5	1.3	1.6	2.2	2	1.8	1.8
	Real GDP growth in Euro area*	%	-0.9	-0.2	1.3	2	1.8	2.1	1.9	1.7	1.6
	Real GDP growth United States*	%	2.2	1.7	2.6	2.9	1.5	2.2	2.3	1.9	1.8
	Real GDP growth World*	%	3.5	3.5	3.6	3.4	3.2	3.6	3.7	3.7	3.7
	Household consumption real growth	%	3.0	0.5	1.3	2.1	2.5	4.8	4.6	4.8	5.0
	Government consumption real growth	%	-0.3	3.2	5.6	6.1	2.9	3.4	3.7	4.0	4.0
	CPI Growth (Consumer Price Index - Inflation)	%	3.6	1.4	-0.1	-0.3	-0.5	1.3	1.7	1.9	2.1
	Account Balance (as a % of GDP)	%	0.9	1.8	1.2	0.2	-0.7	-0.9	-0.1	1.1	1.9
	Consumption of Public Administration (growth)	%	-0.3	3.2	5.6	6.1	2.9	3.4	3.7	4.0	4.0
Labor Related	Creation of Gross fixed capital (real growth)	%	-9.0	-0.9	1.2	16.9	-9.3	3.0	4.2	3.2	3.2
	Average monthly salary real growth	%	-1.2	1.0	4.2	3.3	3.8	2.6	2.9	2.9	3.1
	Salaries as % of GDP	%	29.1	29.0	29.9	30.3	31.2	31.6	31.7	31.5	31.6
	Average Nominal Monthly Salary	€	805	824	858	883	912	948	992	1 040	1 094
	Average Nominal Monthly Salary Growth (€ 912 in 2016)	%	2.4	2.4	4.1	2.9	3.3	3.9	4.6	4.8	5.2
	Private Sector (€ 901 in 2016)	%	2.2	2.0	4.0	2.8	2.7	3.9	4.7	4.9	5.4
	Public Sector (€ 953 in 2016)	%	3.7	3.5	4.6	3.3	5.2	4.2	4.4	4.5	4.7
	Labor Productivity (real growth)	%	1.6	2.3	1.1	1.8	0.9	1.3	2.7	3.3	2.9
	Unit labour cost	%	1.0	0.3	0.7	1.3	0.9	2.6	1.7	1.5	2.3
	Employment	1 000 ppl	2 191	2 176	2 205	2 252	2 307	2 350	2 383	2 407	2 431
	Employment: average growth	%	-0.1	-0.7	1.3	2.1	2.5	1.9	1.4	1.0	1.0
	Unemployment rate	%	13.6	14.1	12.8	11.5	9.5	7.2	6.4	5.8	5.2
	Real Monthly Income growth	%	-1.2	1.0	4.2	3.3	3.8	2.6	2.9	2.9	3.1
Trade & Finance	Export /products and services/ (real growth)	%	9.3	6.7	3.7	7.0	4.8	5.0	7.8	7.7	6.3
	Import /products and services/ (real growth)	%	2.5	5.6	4.4	8.1	2.9	4.8	6.8	6.3	5.4
	Exchange rate end of year	USD to €	1.31	1.37	1.23	1.09	1.05	1.17	1.19	1.20	1.24
	Exchange rate end of year	JPY to €	106.7	135.6	141.1	132.4	115.4	129.0	126.5	124.5	124.2
	Exchange rate end of year	CHF to €	1.22	1.28	1.19	1.08	1.06	1.10	1.09	1.08	1.09
	Exchange rate end of year	CZK to €	26.29	26.73	27.25	26.94	27.03	26.00	25.60	25.20	25.00
	Euribor (3 month average)	%	0.6	0.2	0.2	0.0	-0.3	-0.3	-0.2	-0.1	0.0
	Slovak 10-year bonds yield (average)	%	3.4	2.6	1.9	0.8	0.5	1.1	1.3	1.6	1.7
	GDP Growth Deflators	%	1.3	0.5	-0.2	-0.2	-0.4	1.1	1.6	2.0	2.1
	Crude oil (average price)	€/bl	87.0	81.9	74.6	48.3	40.7	46.1	43.2	43.0	42.9
	ECB Key Interest Rate	%	0.9	0.5	0.2	0.1	0.0	0.0	0.0	0.1	0.2
	Savings Interest Rates	%	1.21	0.99	0.77	0.58	0.42	0.29	0.27	0.24	0.24
	Disposable income (in current prices)	%	-0.7	0.0	2.6	4.1	3.2	2.3	2.6	2.5	2.7
	EU Funds (total)	mil. Eur	2 005	1 983	2 223	4 241	1 610	1 340	1 775	1 879	2 019
	- in public sector	mil. Eur	988	1 167	1 283	2 729	716	535	608	694	788
	- in private sector	mil. Eur	1 017	816	940	1 511	895	805	1 167	1 185	1 231

Source: Ministry of Finance of the Slovak Republic, September, 2017, \*IMF, January 2018

## Taxes, State Aid, Subsidies, and Support

Simple tax system; Available state aid

## The tax system is compliant with EU tax systems

- Corporate income tax: 21%
- Capital gains tax for corporate entities: 21% (participation exemption possible)
- Withholding tax:
- Interest, Royalties: 19% (a 35% withholding tax may apply to payments to jurisdictions where no double tax treaty or tax information exchange agreement with Slovakia exists, i.e. non-treaty jurisdictions)
- Withholding tax rate may be reduced by an applicable Double Tax Treaty or EU Directive.
- Dividends paid to individuals from profits generated after 1 January 2017 are in general subject to a 7% tax rate. Dividends paid to legal entities domiciled in the EU or other treaty jurisdictions are in general not subject to tax.
- Dividends paid to, or received from, residents (individuals or legal entities) of non-treaty jurisdictions are subject to a special tax of 35 %.
- Thin capitalisation rules do not permit interest and other financing charges on any loan provided between related parties in excess of 25% of adjusted EBITDA. This also applies to cash-pooling or back-to-back funding arrangements.
- Transfer pricing rules apply to intra-group transfers and statutory documentation requirements are in place.
- Patent box: Tax exemption of 50% of income from intangibles (e.g. patent, software) created by a Slovak taxpayer; and 50% of certain part of income from selling

goods manufactured on the basis of a protected patent or a utility model.

- R&D super-deduction: Taxpayers involved in R&D are entitled for an extra deduction of at least 100% of qualifying R&D costs and expenses from their tax base.
- Personal Income tax: 19% and 25% if the tax base is more than EUR 35,268.06.
- Capital gains tax for individuals: 19% (exemption for listed shares may apply)
- VAT (Value Added Tax):
- 20% – almost all products and services
- 10% – textbooks and most healthcare related products and services, some specific basic food items, certain financial and insurance services
- VAT registration is obligatory for entities with revenues exceeding EUR 49,790 in a period of 12 consecutive months.
- Excise tax: imposed on certain types of goods: mineral oils, liqueurs, beer, wine, tobacco products, electricity, coal and natural gas.
- Real estate tax covers land tax, tax on apartments and non-residential premises in apartment buildings, and tax on buildings.
- Land tax is assessed by the municipality and its rates vary depending on the type of land and its location.
- Rate of tax on apartments and non-residential premises

and tax on buildings depends on the municipality. Final tax is calculated with reference to floor area and other physical attributes of the property.

- No real estate transfer tax, stamp duties or capital taxes apply.
- Special taxes are imposed on certain assets or businesses (e.g. vehicle road tax for cars for business purposes, special levy in regulated industries).

## Stimulus laws:

- Act no 561/2007 Coll. on investment aid, as amended\*
- Act No. 595/2003 Coll. on income tax, as amended
- Act No. 5/2004 Coll. on employment services, as amended
- Act No. 358/2015 Coll. on adjustment of some relations in the field of state aid and de minimis aid and amendment to certain acts (State Aid Act)
- Regulation 219/2015 on maximum intensity of investment aid and the amount of investment aid in individual regions of the Slovak Republic\*

\* With presumed applicability since 1 April 2018 it will be fully supplemented by new legal act.

## State aid in regions:

Bratislava:	0%
Western Slovakia:	25%
Central Slovakia:	35%
Eastern Slovakia:	35%

Percent value represents maximum level of state aid contribution per project in a specific region.

The maximum aid intensities may be increased by up to 20% for small enterprises or by up to 10% for medium sized enterprises.

Source: PwC, www.pwc.com/sk



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