SLOVAKIA : MACRO OUTLOOK

# SLOVAKIA WITH RISKS ON THE RADAR

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Economy Slovakia - Analyses and Forecasts | Erste Group Bank AG
December 11, 2025

Spot Rates as of: December 11, 2025
Note: Information on past performance is not a reliable indicator for future performance.
Forecasts are not a reliable indicator for future performance.

# Summary

**Slovakia's economy remains under pressure, with GDP growth stuck below 1% y/y**. In 3Q25, growth reached 0.9% y/y and 0.3% q/q, confirming a weak trend. Foreign trade was the main growth driver in 3Q, while investment contributed positively thanks to EU funds. Household consumption grew modestly, but at its weakest pace since late 2023. Our full-year estimate for 2025 remains at 0.7%, unchanged from the previous revision. Looking ahead, growth should improve slightly to around 1.3% in 2026, supported by Recovery Plan funds, a gradual rebound in foreign trade and the ECB's accommodative policy. However, risks persist due to the slow recovery in Germany and further fiscal consolidation, which will again dampen activity next year.

**Inflation remains elevated**, driven by VAT hikes and the introduction of a transaction tax, partly offset by energy price regulation. For 2025, average inflation is projected at 4%. A new support scheme, including subsidies and vouchers, will help mitigate rising energy costs. For 2026, we forecast inflation in the range of 3.5% to 4.2%, depending on how the Statistical Office accounts for energy vouchers in its calculations.

**Public debt is forecast to exceed 60% of GDP this year.** Since the exemption from the debt brake law expires two years after the new government takes office, the strictest debt brake rules and new obligations for the government will apply. Therefore, fiscal consolidation will need to continue.

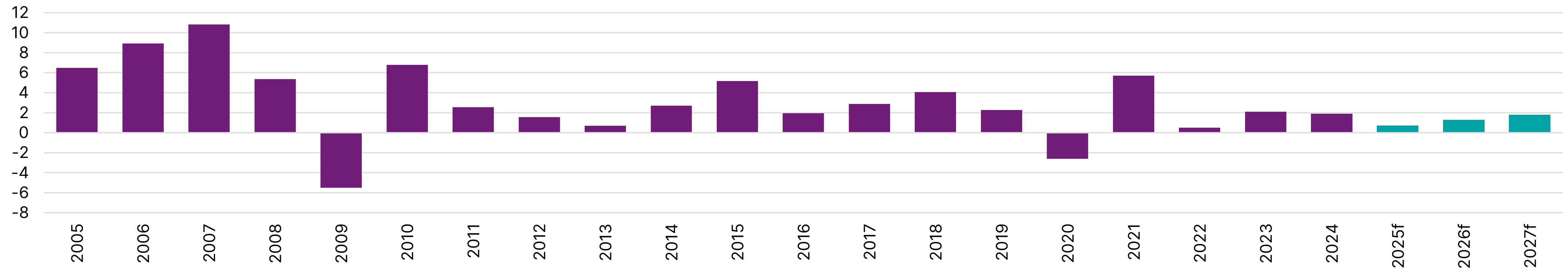
**Unemployment has started to rise**, reaching 5.5% in 3Q, and is expected to climb further, averaging 5.8% in 2026, signaling a slight cooling of the labor market.

# GDP growth struggles to gain momentum

**Economic activity in Slovakia remains under pressure, as y/y GDP growth continues to fall short of one percent.** In 3Q25, the Slovak economy grew by 0.9% y/y, with moderate quarterly growth of 0.3%.

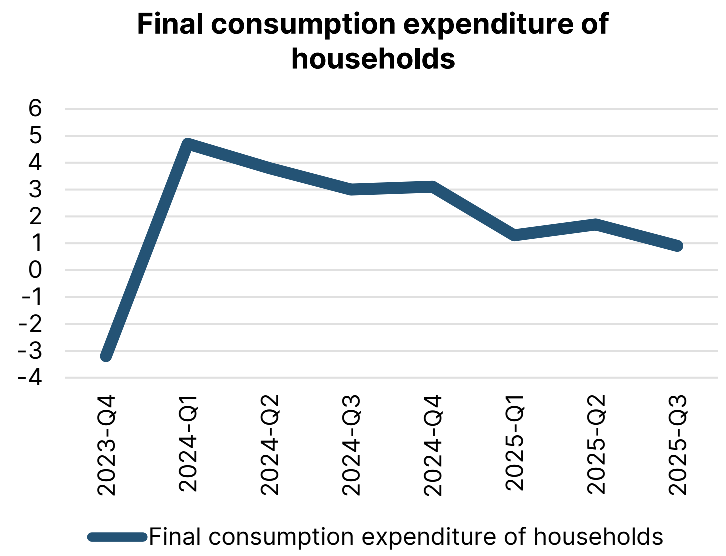
**We already lowered our full-year growth estimate in the previous quarter due to very weak economic performance**, and the **current estimate of 0.7% y/y for this year remains unchanged** for now. One of the key factors for future growth will be the further development of foreign trade and the related recovery of the European economy, especially Germany. We assume that the fiscal package there could help restart the German economy, although given its nature, the impulse for the Slovak economy will be smaller. Positive effects will also come from the ECB's accommodative monetary policy and funds from the Recovery Plan. Economic growth is also influenced by ongoing fiscal consolidation, which affects this year's performance, while its next round next year will again have a dampening effect on growth. **At this point, we expect next year's economic growth at around 1.3%.**

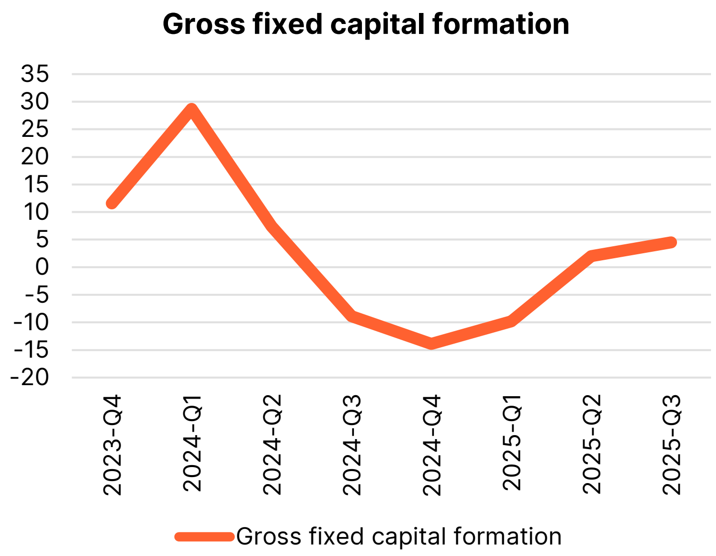
**Annual GDP growth, percent**

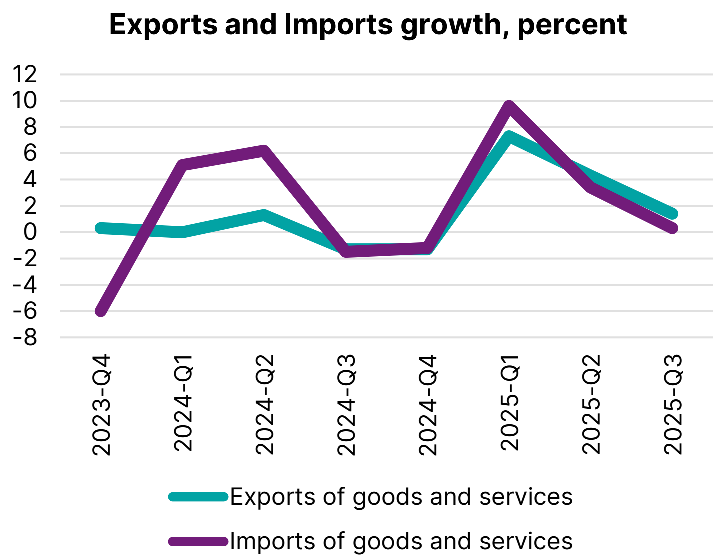



Source: Eurostat, Refinitiv, Erste Group Research

# Amid global headwinds, foreign trade takes lead




**The breakdown revealed a few surprises**. One of the biggest was **foreign trade**, which became the main driver of economic growth in 3Q. The reason is a y/y increase in exports of more than one percent, while imports grew only slightly by 0.2%. Although weak foreign demand remains a challenge for our export-oriented economy, Slovak exporters managed to cope with the difficult situation in international trade during the third quarter, as monthly data also indicated. However, we expect that the slowdown in foreign activity will eventually spill over into the Slovak economy and export performance.

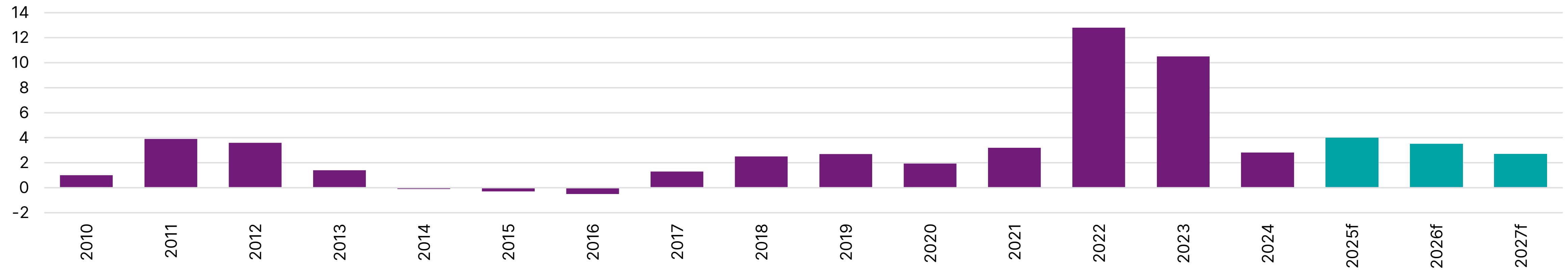
Another key factor was **investment activity**, which contributed about one percentage point to economic growth, supported by the Recovery Plan. **Household consumption** also made a positive contribution, although it recorded the lowest growth since the end of 2023. As expected, economic activity was most negatively affected by inventory changes.

# Another round of energy subsidies announced

One of the key reasons for the rise in inflation this year was the **increase in value-added tax,** which applied to most goods and services in the economy. Another measure introduced within the consolidation package that affected inflation was the transaction tax. The cost of carrying out financial transactions represents a net burden for businesses, which is passed on to consumer prices. On the other hand, the reintroduction of energy price regulation had a significant dampening effect on this year's inflation.

**For 2025, the average inflation rate is expected to end at around 4%.** The Slovak government has introduced a new energy support scheme for households, which will directly subsidize gas and electricity prices and provide energy vouchers for heating bills. While heat prices are set to rise significantly, this impact will be partly offset by higher disposable household income. It is possible that the Statistical Office will adjust inflation calculations for the effect of energy vouchers. Therefore, **we forecast the inflation rate for 2026 in the range of 3.5% to 4.2%,** depending on the chosen methodology and calculation approach.

**Annual inflation, percent**



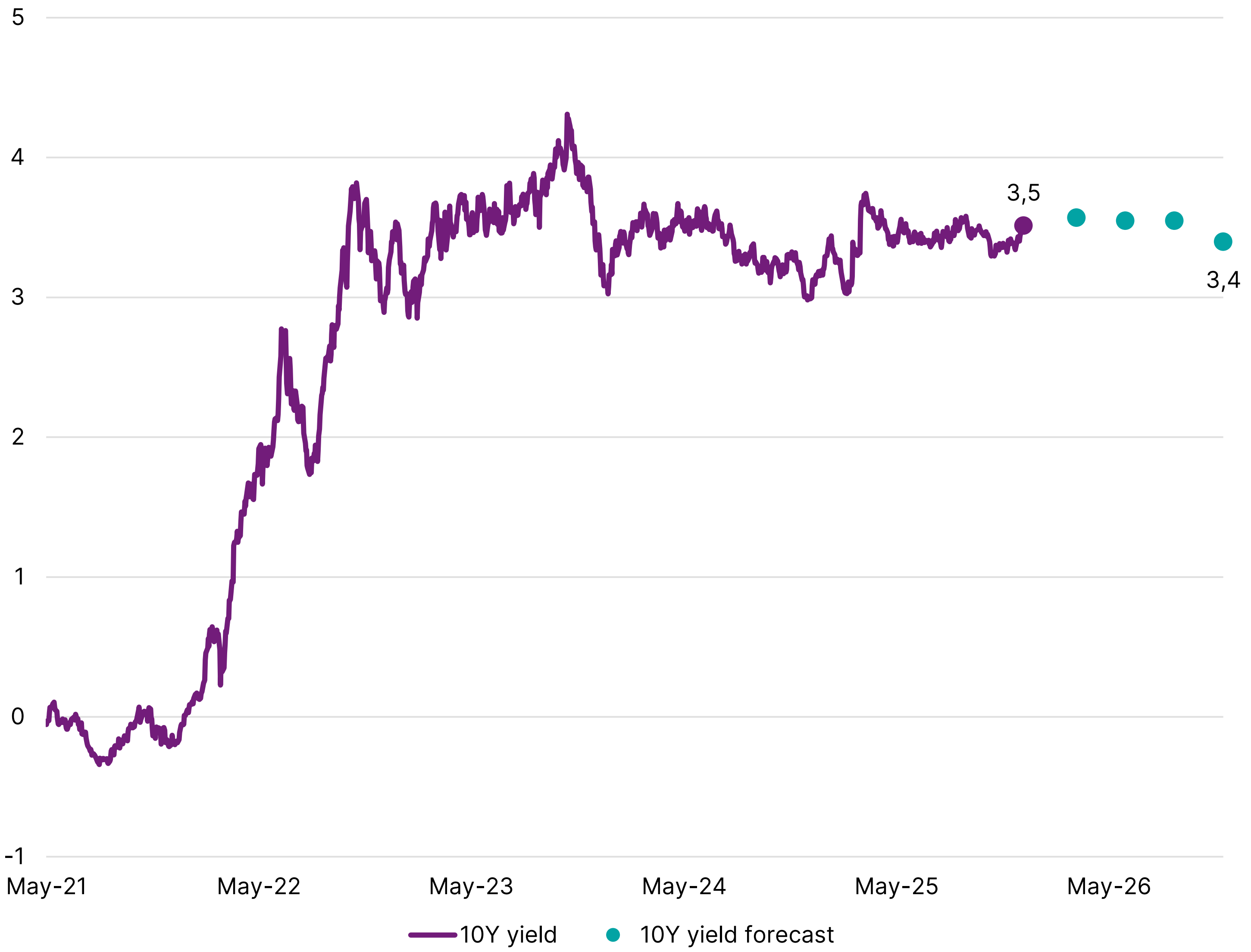

Source: Eurostat, Refinitiv, Erste Group Research

# Risk premia around 70bp

The risk premium on Slovak 10-year bonds compared to German ones has fallen by 50bp over the past year and is now around 70bp. The risk premium is affected mainly by international events rather than domestic issues (such as the war in neighboring Ukraine and tariffs).

In recent weeks, Fitch Ratings affirmed Slovakia's rating at ‘A-’ with a Stable Outlook. The rating is constrained by high deficits and rising debt, medium-term growth limitations stemming from an ageing population, high exposure to the automotive sector, Germany and the US, and reliance on Russian energy imports. Standard & Poor’s (S&P) has also affirmed Slovakia’s A+ rating with a Negative Outlook.

**10Y yield development and forecast**




Source: Eurostat, Refinitiv, Erste Group Research
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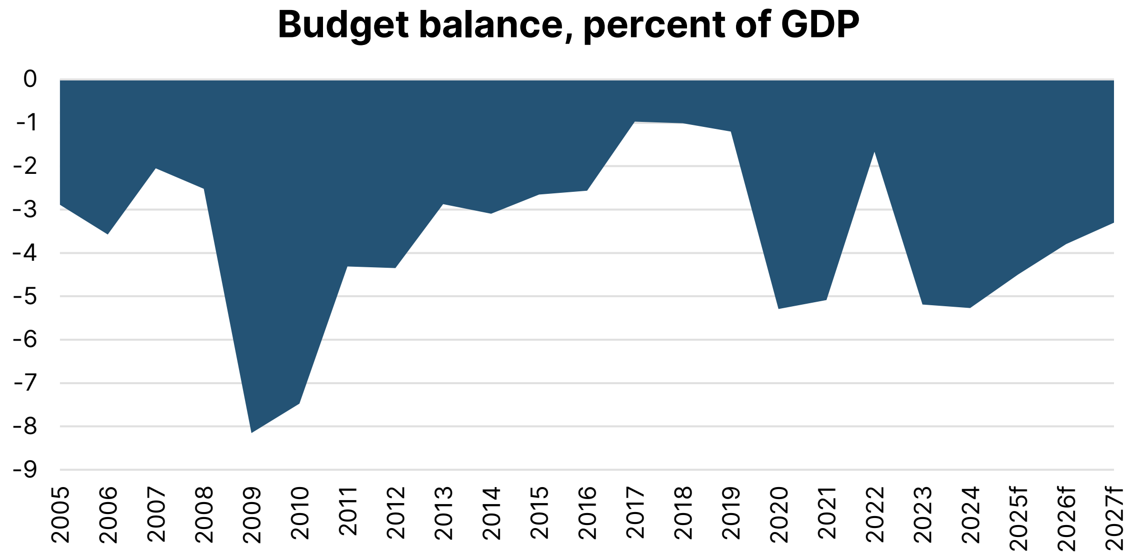
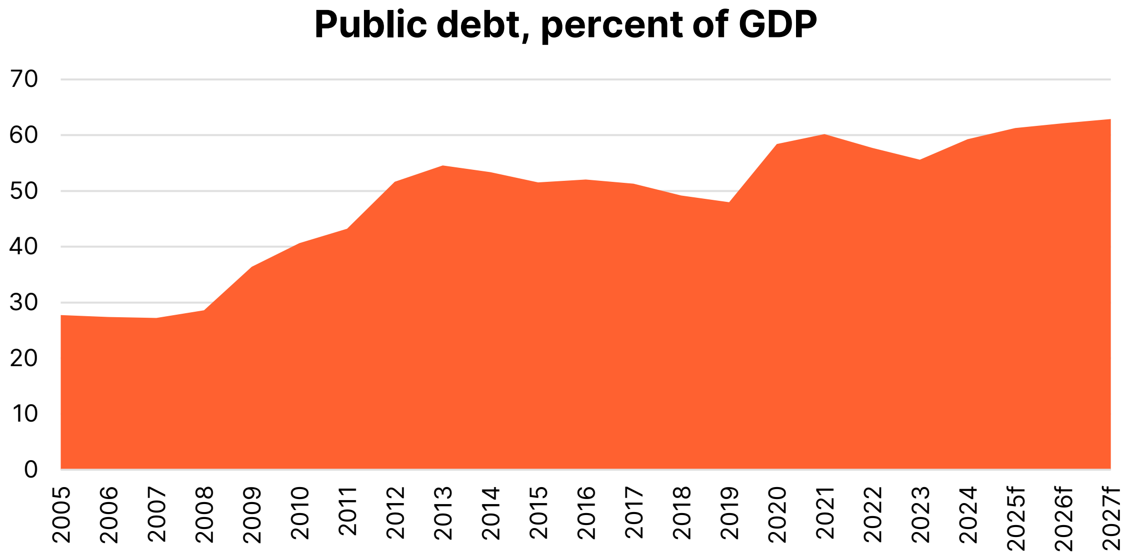
# New consolidation package for 2026 approved



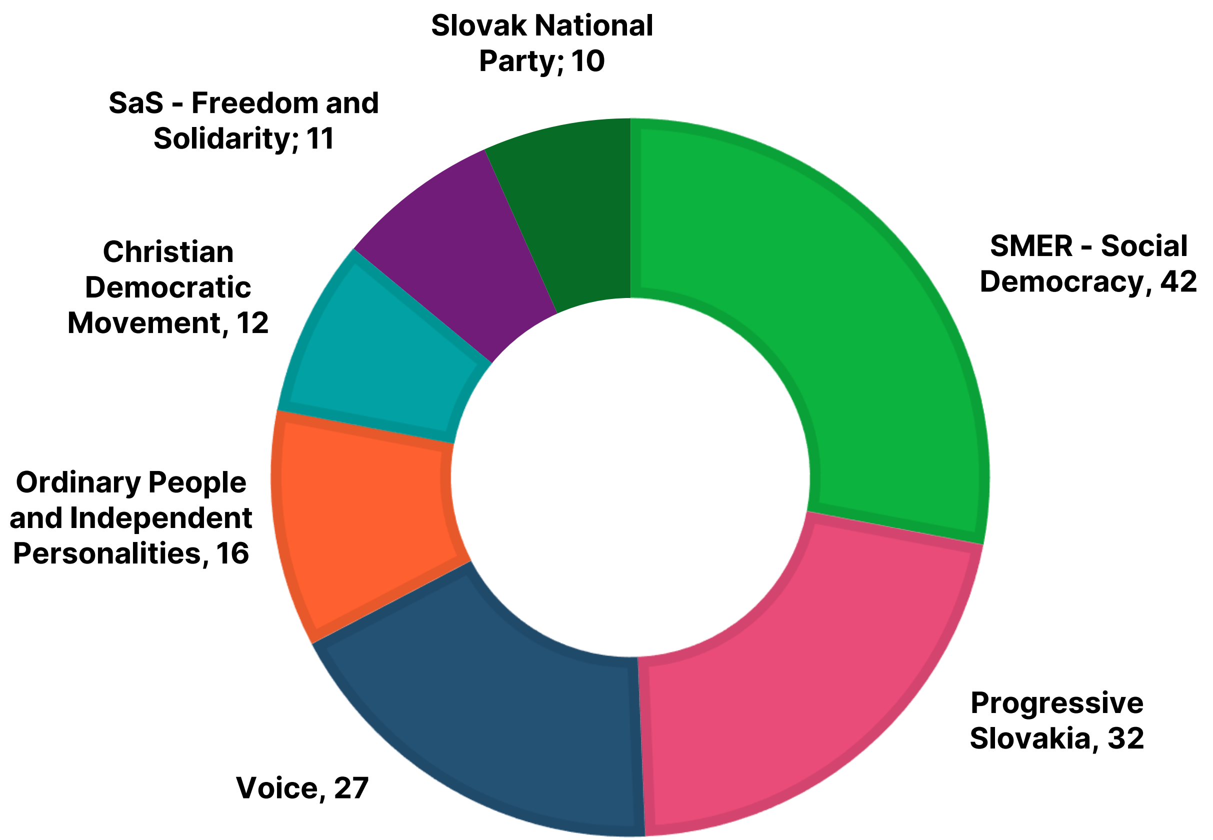

The government has approved a consolidation package for 2026 and once again, most of the measures focus on **higher revenues** (higher healthcare contributions, higher progressive personal income tax, etc.). Government expenditures are expected to grow in 2026, with only capital expenditures being cut, which is sub-optimal for future growth and investment. We would welcome deeper cuts in the state's everyday (current) expenditures instead.

Slovakia is attempting to reduce its deficit, aiming for **4.1% of GDP** next year (our forecast is **4.5%**). Additional consolidation measures will be required to reach a **3% deficit by 2028**. Public debt is forecast to exceed 60% of GDP this year. Since the exemption from the debt brake law expires two years after the new government takes office, the government will fall under the highest, fifth sanction band. This will bring new obligations (e.g., presenting a surplus or balanced budget, requesting a vote of confidence in the government, freezing budget expenditures). The highest, fifth sanction band starts at a debt level of 54% of GDP.

# Political landscape

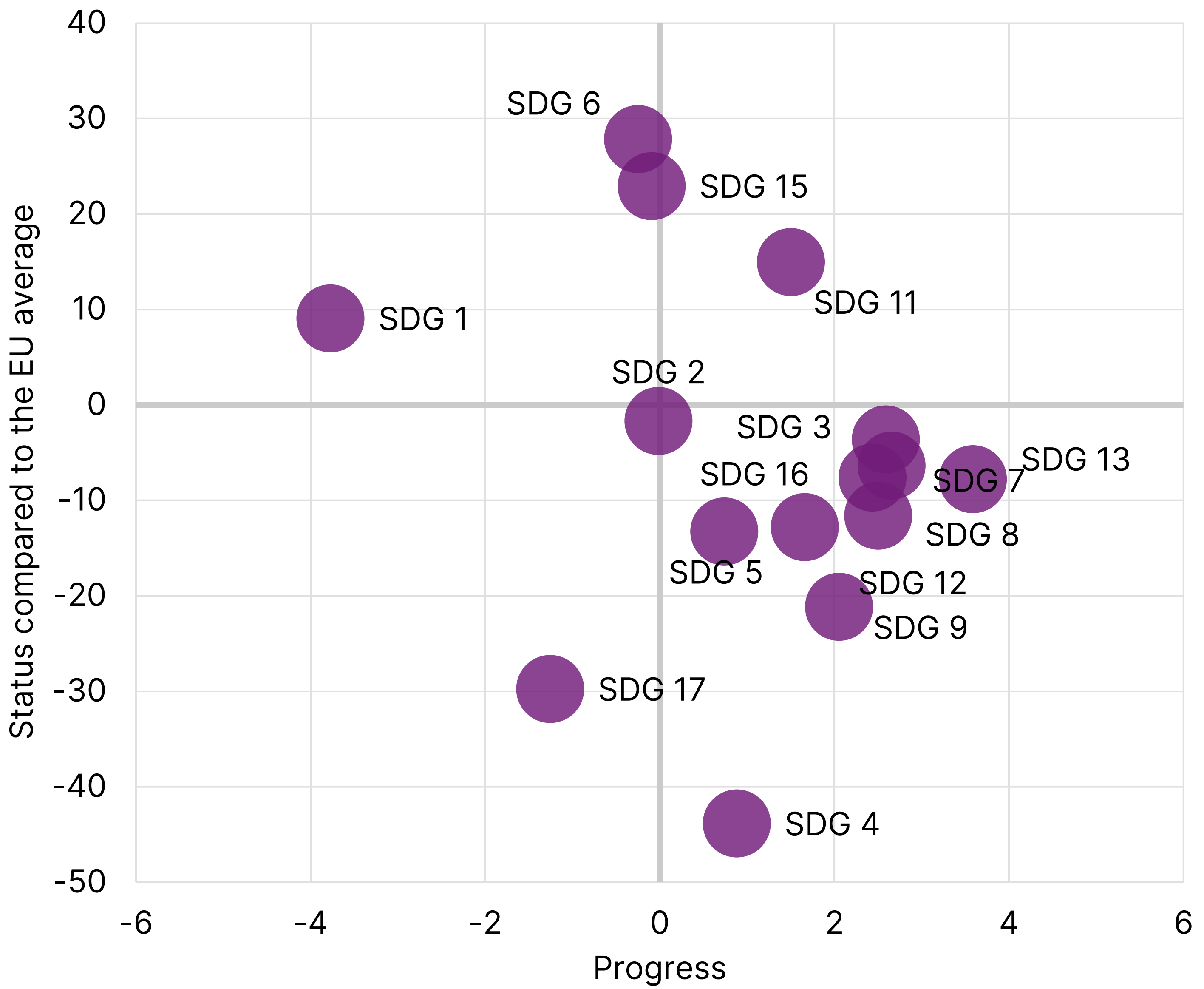
Peace within the coalition did not last long, and Prime Minister Robert Fico now has to address coalition relations once again. In recent weeks, **tensions have escalated between the two strongest governing parties – Smer and Hlas** – mainly due to disputes over the perceived lack of activity by Interior Minister Matúš Šutaj Eštok, who is also the leader of Hlas. Another reason was a scandal involving an overpriced purchase of a property by the Ministry of Investments, which led to the dismissal of a minister from this party, which members of Hlas perceived as an injustice on the part of the Prime Minister. This has further contributed to the escalation of the conflict. The dismissed minister has returned to parliament, and the party intends to nominate him as the head of the European Affairs Committee, which is currently chaired by one of the recently rebellious MPs. However, there is a risk that the coalition could lose his support by this step and will have to rely on an even narrower majority of 78 out of 150 votes.

## Parliamentary seats




Source: Eurostat, Refinitiv, Erste Group Research

# Social Development Goals




Compared to the EU, Slovakia ranks among the less successful countries in terms of meeting the Sustainable Development Goals (SDGs). **For two thirds of the goals, Slovakia's performance is below the EU average**. While there are positive developments in areas such as climate action, peace and strong institutions, and clean energy, significant gaps remain in goals such as no poverty, partnerships, and clean water and sanitation. These areas represent key challenges for the future, requiring stronger policies, investments, and cooperation to accelerate progress and close the gap with EU peers.

Source: Eurostat, Refinitiv, Erste Group Research

# Turning point in Slovak labor market?

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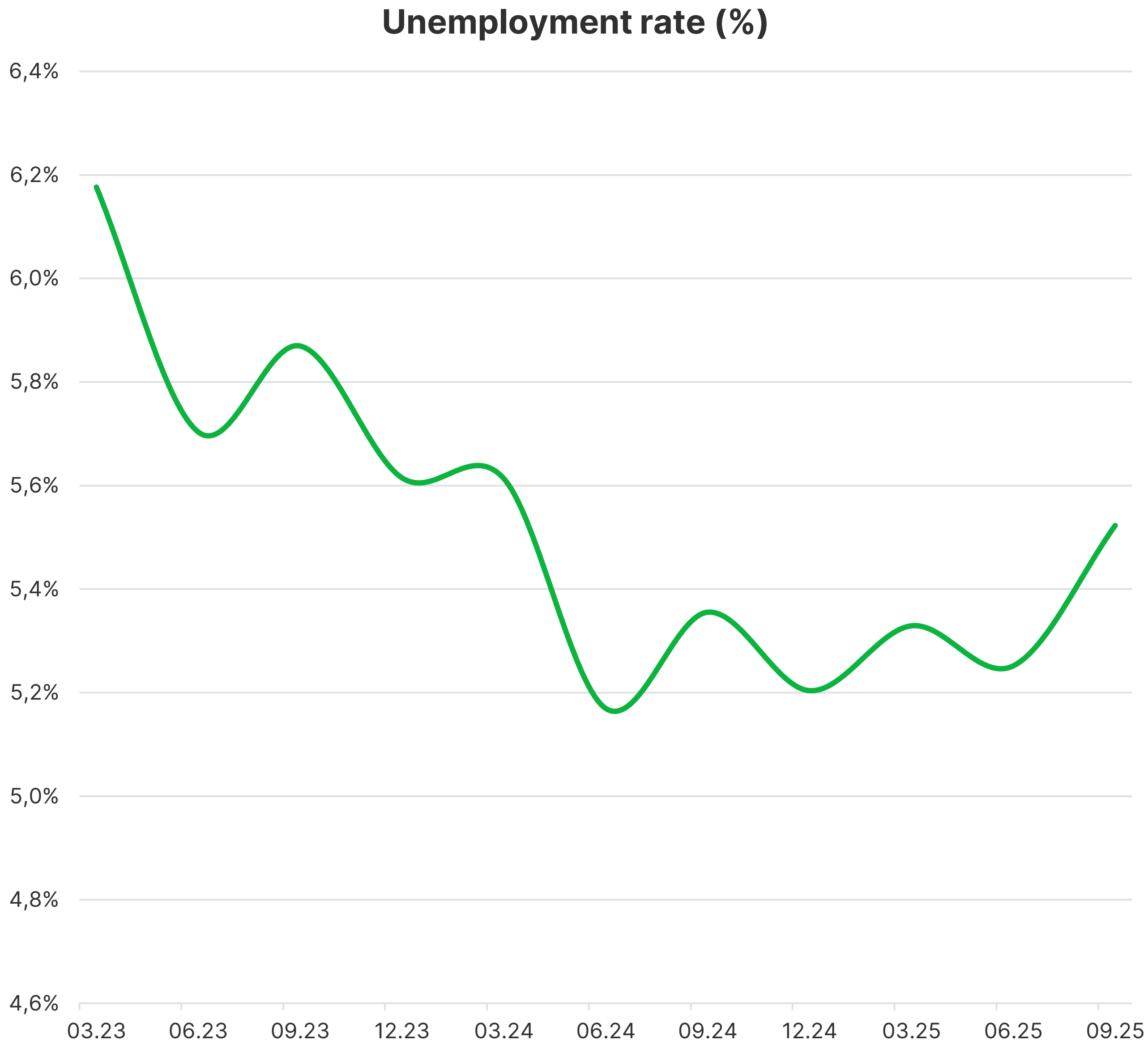
# Unemployment will rise

The unemployment rate in the third quarter rose slightly to **5.5%**, after remaining at historically low levels of around **5.3%** during the first half of the year. Employment in Slovakia continues to decline and is **0.5% lower y/y**. Slovakia's industrial sector has long been under pressure due to adverse conditions in foreign economies, a key factor for our export-oriented industrial companies. Weak economic performance among our trading partners (especially Germany) is reducing demand, and therefore production, in Slovak factories. In addition, the number of job vacancies has fallen by one fifth compared to last year, indicating a further cooling of labor market conditions.

We expect unemployment to continue rising in the coming months, with current forecasts suggesting it will peak at the beginning of **2026**. For **2026 as a whole**, we expect the unemployment rate to reach **5.8%**.




Source: Eurostat, Refinitiv, Erste Group Research

# Slovakia: Forecasts

| | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025f | 2026f | 2027f |
|---|---|---|---|---|---|---|---|---|---|---|
| **Percent** | | | | | **Annual average** | | | | | |
| Real GDP growth | 4,1 | 2,3 | -2,6 | 5,7 | 0,5 | 2,1 | 1,9 | 0,7 | 1,3 | 1,8 |
| Private consumption growth | 4,1 | 2,9 | 0,7 | 3,0 | 4,8 | -3,2 | 3,8 | 1,0 | 1,3 | 2,0 |
| Fixed capital formation growth | 3,4 | 5,0 | -9,6 | 5,1 | 4,3 | 4,0 | 1,6 | 1,8 | 4,0 | -4,5 |
| Inflation | 2,5 | 2,7 | 1,9 | 3,2 | 12,8 | 10,5 | 2,8 | 4,0 | 3,5 | 2,7 |
| Unemployment rate | 6,5 | 5,8 | 6,7 | 6,8 | 6,1 | 5,8 | 5,3 | 5,4 | 5,8 | 5,6 |
| **Percent of GDP** | | | | | | | | | | |
| Budget balance | -1,0 | -1,2 | -5,3 | -5,1 | -1,6 | -5,3 | -5,5 | -4,8 | -4,3 | -4,0 |
| Public debt | 49,2 | 48,0 | 58,4 | 60,2 | 57,8 | 55,8 | 59,7 | 61,9 | 63,2 | 64,6 |
| Current account balance | -1,6 | -3,5 | -0,5 | -4,8 | -9,6 | -3,0 | -4,6 | -4,1 | -4,0 | -3,0 |
| | | | | | **End of year** | | | | | |
| 10Y Yield | 0,91 | 0,04 | -0,56 | 0,01 | 3,53 | 3,16 | 3,20 | 3,58 | 3,35 | 4,35 |
| Spread | 115,00 | 100,00 | 95,00 | 85,00 | 85,00 | 85,00 | 85,00 | 85,00 | 85,00 | 85,00 |



Source: Eurostat, Refinitiv, Erste Group Research

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# Slovakia: Country overview

**Official EU language: Slovak**

**Capital: Bratislava**

**Geographical size: 49,035 km2**

**Population: 5,424,687**

**GDP per capita (PPS): EUR 27,400, below EU average**

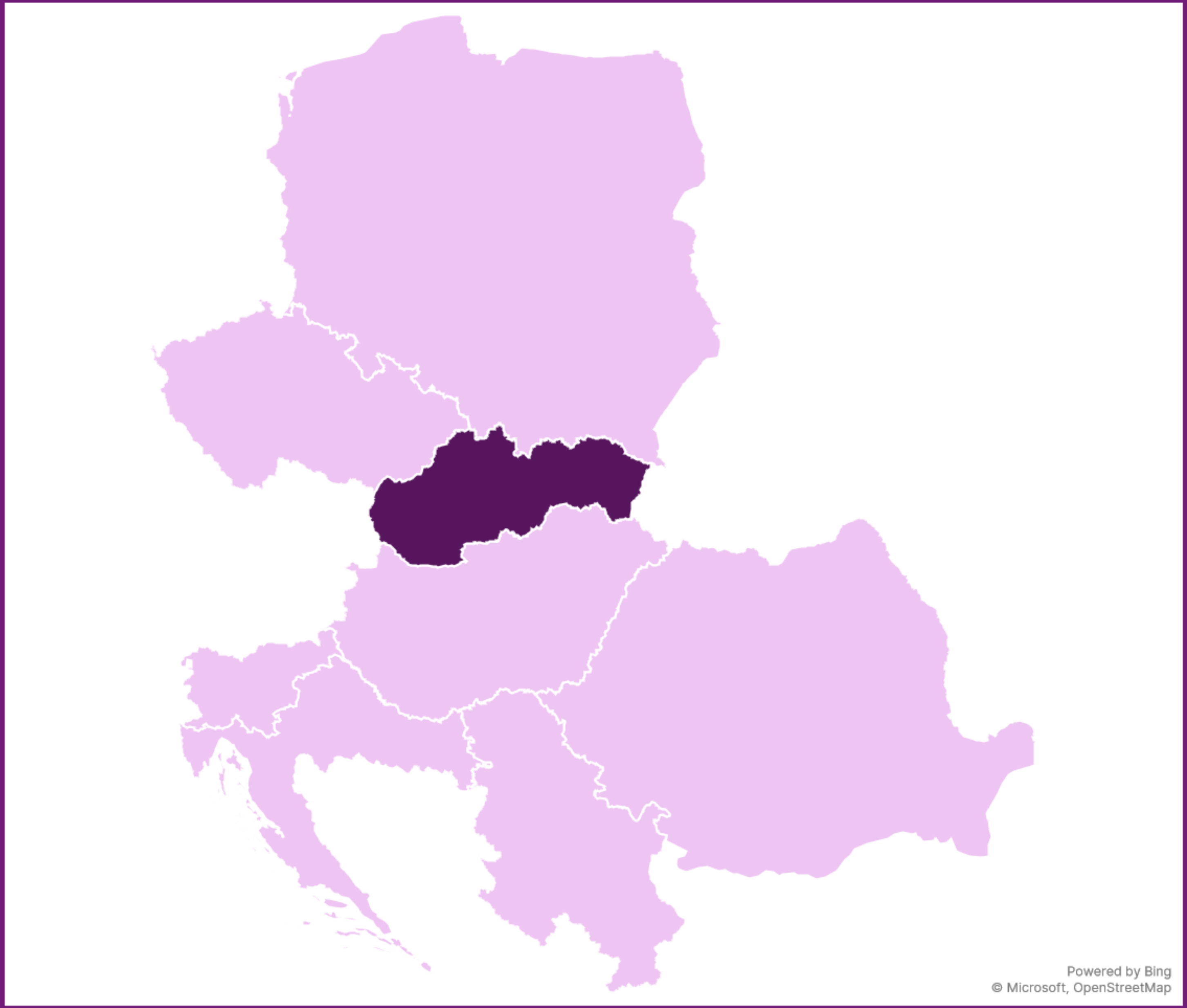
**Currency: Euro EUR since January 1, 2009**

**Credit ratings:**

- **Moody’s: A3, outlook stable**
- **S&P: A+, outlook negative**
- **Fitch: A-, outlook stable**

**EU member state: since May 1, 2004**

**Schengen: member since December 21, 2007**



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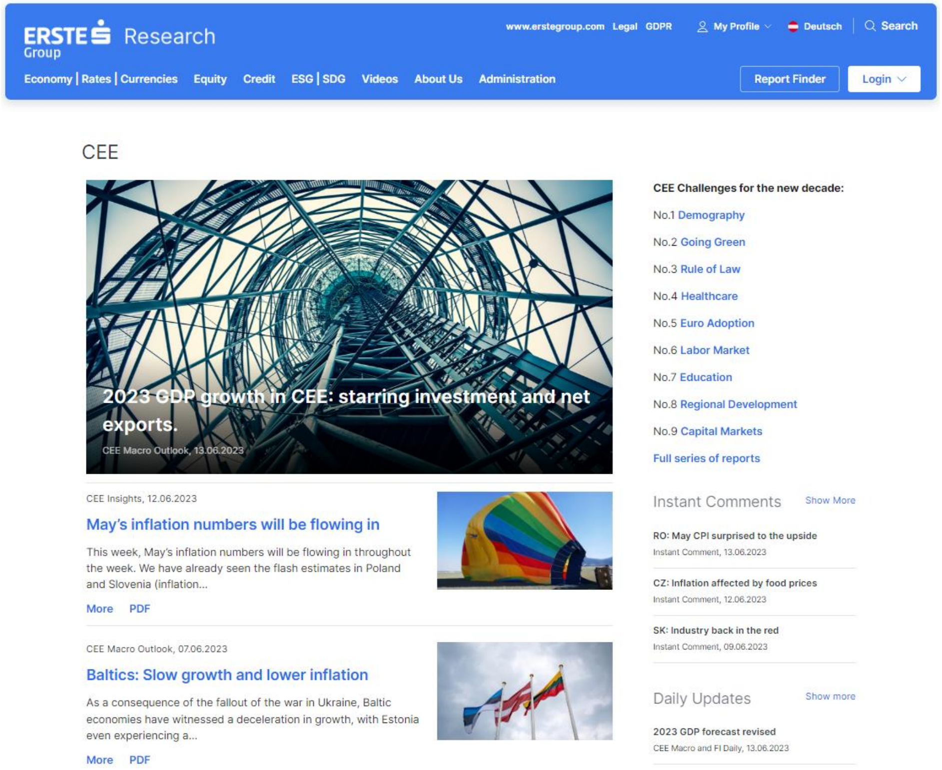


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