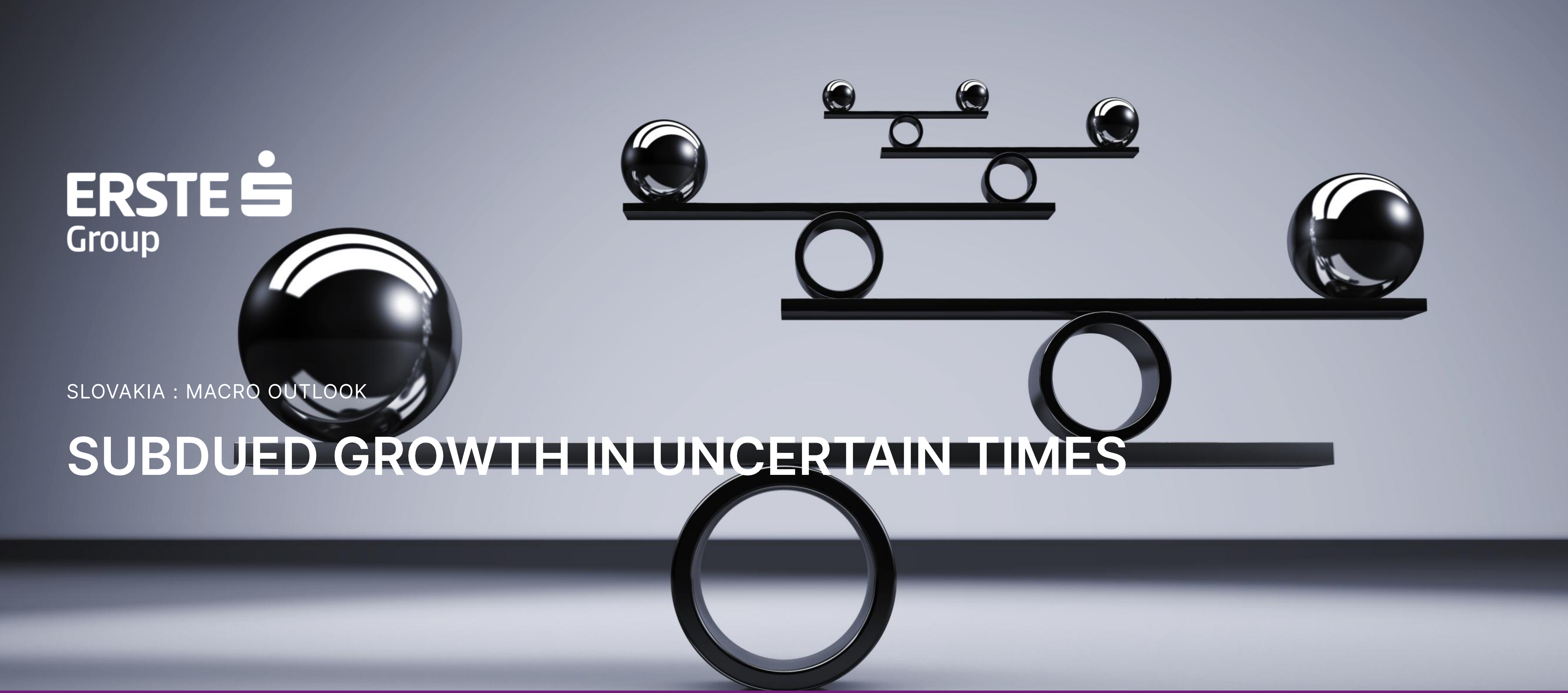


SLOVAKIA : MACRO OUTLOOK

SUBDUED GROWTH IN UNCERTAIN TIMES

Marián Kočiš, Maximilián Wéber
Economy Slovakia - Analyses and Forecasts | Erste Group Bank AG
June 17, 2026

Spot Rates as of: June 17, 2026
Note: Information on past performance is not a reliable indicator for future performance.
Forecasts are not a reliable indicator for future performance.

Summary

The Slovak economy entered 2026 with subdued growth. Household consumption increased only moderately, while investment disappointed with a sharp decline. For the year as a whole, we expect economic growth to remain close to 1%. Risks stem mainly from the external environment, including trade tensions, geopolitical uncertainty, and developments in energy prices, but also from domestic factors, particularly the consolidation of public finances.

Inflation remains elevated. In our 2026 forecast, we expect average inflation to reach 4%, before slowing towards 3% in 2027. Price developments are being influenced mainly by services prices, energy, the January increase in heating prices, and still relatively strong wage growth.

The labour market is gradually cooling, as the subdued economy is not generating sufficient demand for labour. Unemployment rose to 5.9% in the first quarter and could approach 6% on average for the full year. The greatest pressure is likely to be felt in industry, which is facing weaker demand and higher input costs. Nominal wage growth remains above the eurozone average, but it is gradually slowing and should reach around 5% for the year as a whole.

Government bond yields remain affected by elevated inflation risks, tighter ECB monetary policy, and a higher risk premium. S&P downgraded Slovakia's rating to A, but euro area membership and integration into European financial markets continue to support investor confidence.

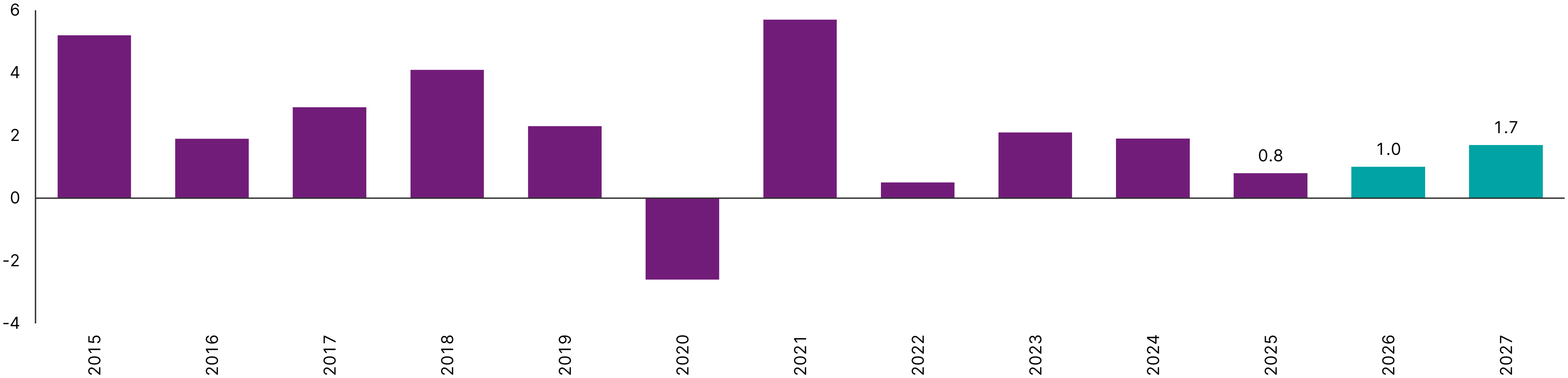
Public finances remain one of the key risks to the outlook. The deficit reached 4.5% of GDP in 2025, with the result also affected by one-off factors. Gross public debt exceeded 60% of GDP. The deficit is likely to remain elevated this year, while further consolidation will be complicated by weaker economic performance and the approaching electoral cycle.

Global tensions and consolidation slow economy

The Slovak economy grew by 0.9% year-on-year in Q1 of 2026. Compared with Q4 of 2025, the economy grew by 0.2% after seasonal adjustments. Economic growth remained muted at the beginning of 2026, in line with our expectations.

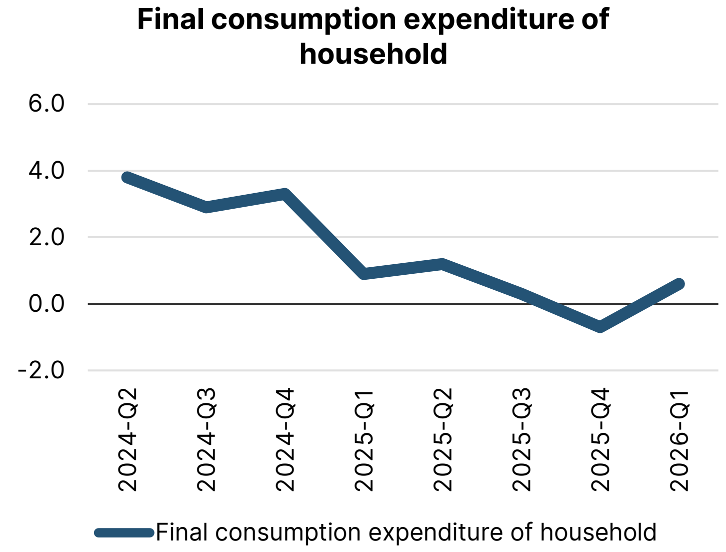
We expect the growth in the Slovak economy to remain generally subdued this year and to hover close to the level of 1% the entire year round. Households remain sensitive to prices, consumer confidence is below the long-term average, and consolidation measures have affected the disposable income of households. Overall household consumption will grow only slightly or stagnate this year. The open Slovak economy will continue to be under pressure from geopolitical tensions, overall uncertainty, and ongoing trade wars. The key external factors will be the development of energy prices, the state of foreign demand, and the degree of trade uncertainty. Conversely, growth will be supported by the need to draw down the remaining funds from the Recovery and Resilience Plan.

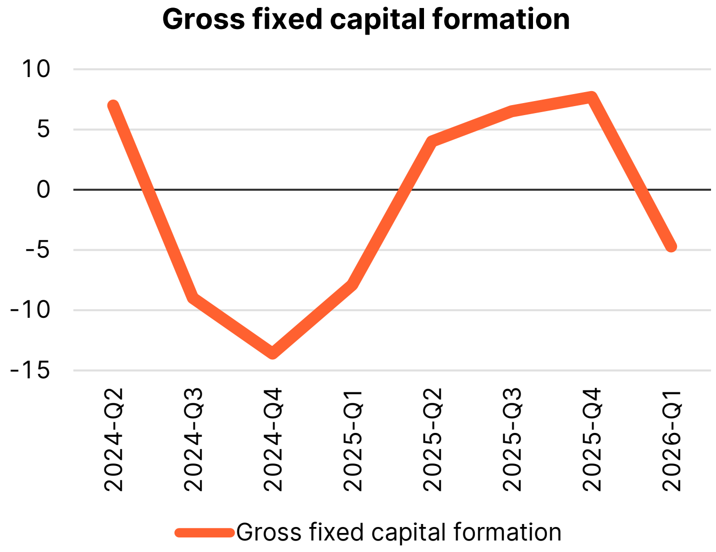
Annual GDP growth, percent

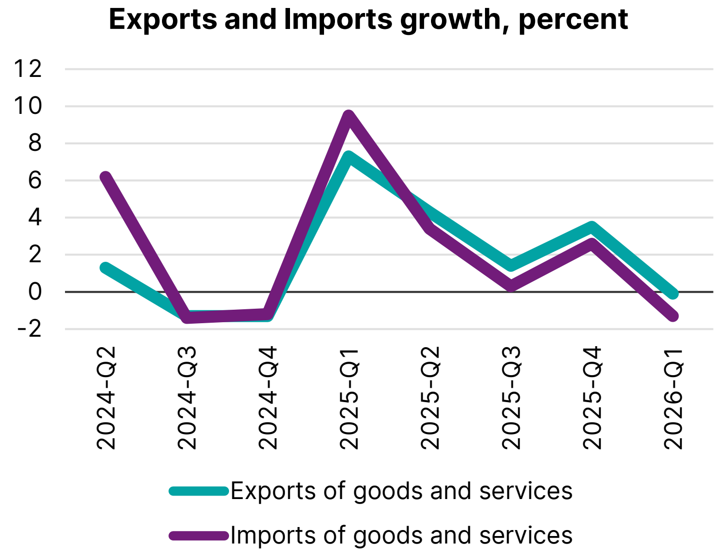


Source: Eurostat, Refinitiv, Erste Group Research

Key economic drivers remain muted







Household consumption increased by 1.1%, which was more than we expected but still represented mild growth. Foreign trade contributed positively to economic growth, with a contribution of 1.1 percentage points. However, the positive contribution of foreign trade primarily reflected a more significant decline in imports (-1.3%) compared to exports (-0.1%). The development of private investments was particularly disappointing, with gross fixed capital formation falling by 6.4% year-on-year. However, in the following quarters, we expect a turnaround to positive numbers in this category.

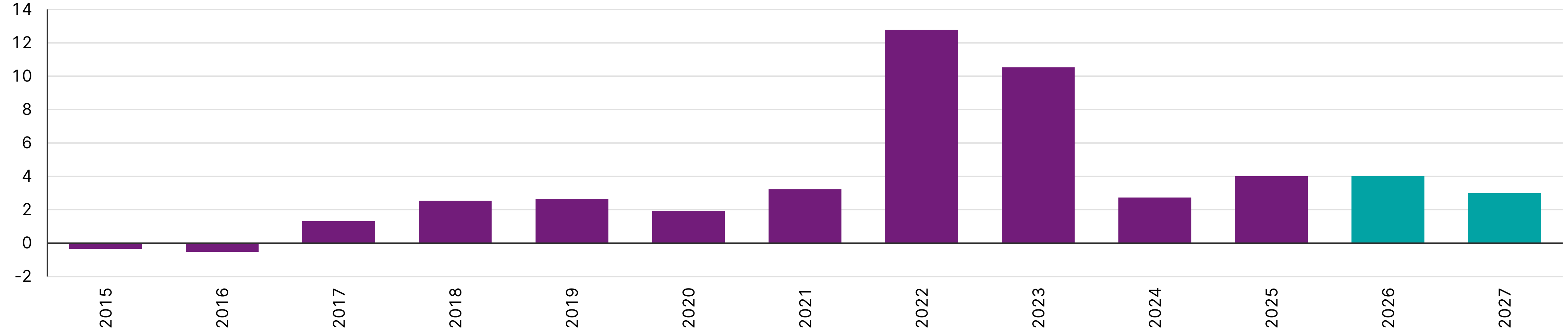
Source: Eurostat, Refinitiv, Erste Group Research

Inflation remains elevated, with risks tilted to the upside

In the first four months of 2026, consumer price developments were mainly shaped by higher services prices, slower-than-expected growth in food prices, and an increase in fuel prices related to the war in the Middle East. Higher energy costs are feeding into inflation mostly indirectly, as household gas and electricity prices remain largely capped. For now, our inflation forecast for 2026 remains unchanged at 4%. However, the ongoing situation in Iran and the related inflationary pressures pose a significant upside risk. In 2027, we expect inflation to slow towards 3%.

In addition to current pressures from energy commodities, inflation this year has also been supported by higher heating costs, which increased by 28% year-on-year. This price increase was compensated through energy vouchers. Another source of pressure is the pass-through of higher labour costs to consumers. Nominal wage growth in Slovakia remains above the eurozone average, although it is showing gradual signs of slowing. Amid elevated uncertainty, households may choose to save more, which would dampen overall consumption and have a mild disinflationary effect.

Annual inflation, percent

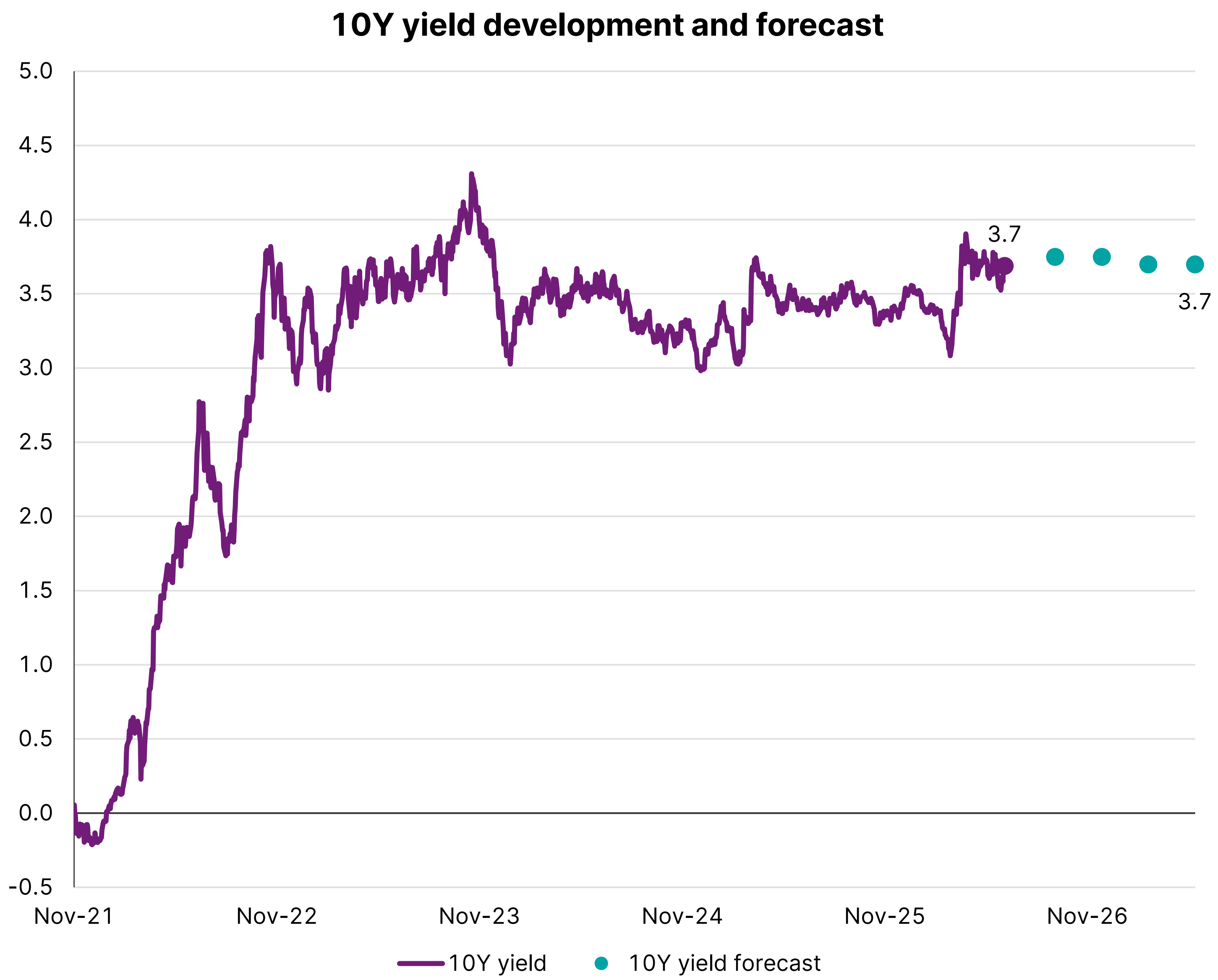


Source: Eurostat, Refinitiv, Erste Group Research

Bond yields follow the market trend

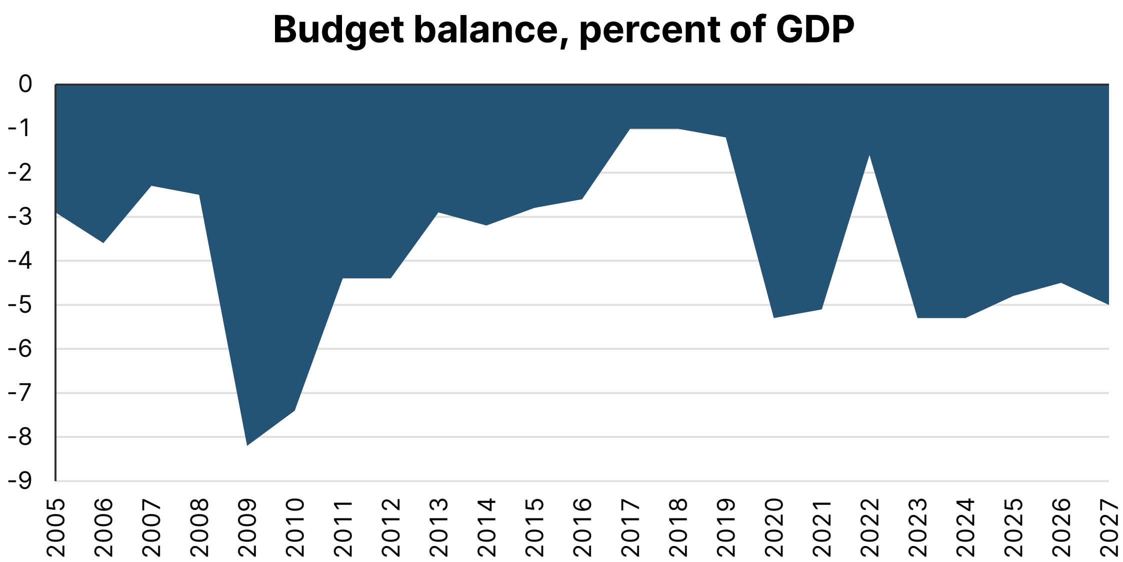
Slovakia issued about 65% of the planned annual volume of bonds in the first third of 2026, and is therefore in a relatively favorable position in terms of fulfilling its issuance plan. Three auctions remain planned before the year's end. Slovak bond yields remain elevated, reflecting risks facing the economy with markets also expecting at least one more rate hike. The risk premium on ten-year Slovak bonds versus the German benchmark is around 70 basis points.

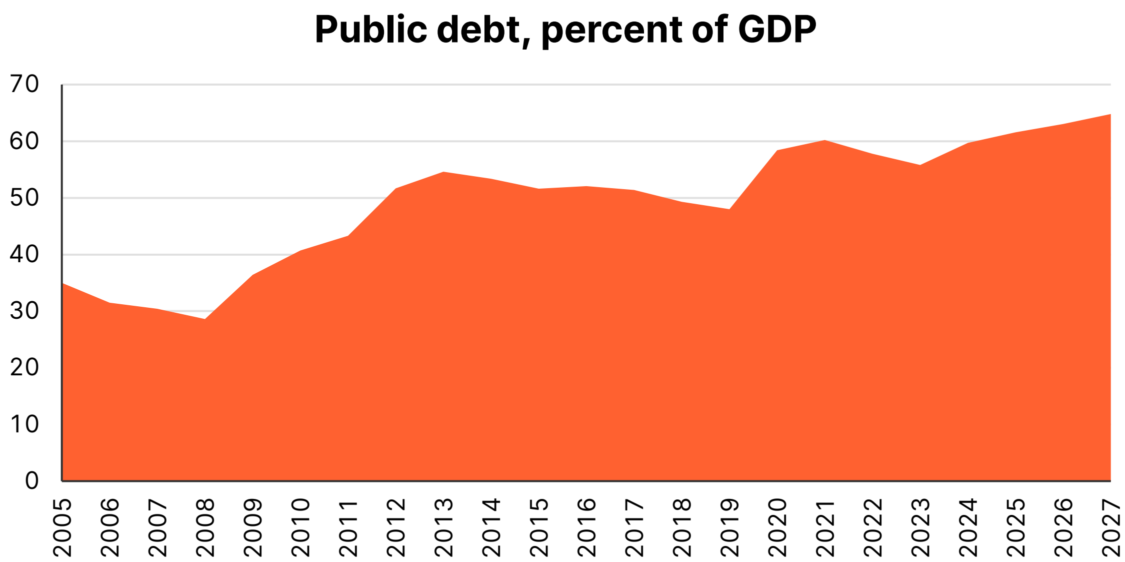
In the spring, S&P agency downgraded Slovakia's rating from A+ to A level, a category, which still signals a strong ability to meet financial obligations. Slovakia meeting the criteria for inclusion in the FTSE World Government Bond Index could support demand from passive and index investors



Source: Eurostat, Refinitiv, Erste Group Research
June 17, 2026

Fiscal deficit improves, but pressures remain





The general government deficit reached EUR 6.1 billion, or 4.45% of GDP, in 2025. This represents a significant improvement compared with 2024, when the deficit stood at 5.35% of GDP. The result was also slightly more favourable than both the government budget and our forecast had anticipated. While this development is positive, it was largely driven by one-off factors. For example, delayed deliveries of military equipment helped improve the deficit through accounting effects.

Expenditure on social benefits was also lower than assumed in the budget. As expected, gross public debt exceeded the 60% of GDP threshold, while net debt reached a historical high of 54.4% of GDP. We expect this year’s deficit to remain close to last year’s level. So far, the government has focused on reducing the deficit mainly by increasing tax revenues rather than by curbing expenditure, which has also contributed to the slowdown in economic activity. Next year, consolidation efforts are likely to come under pressure from the electoral cycle.

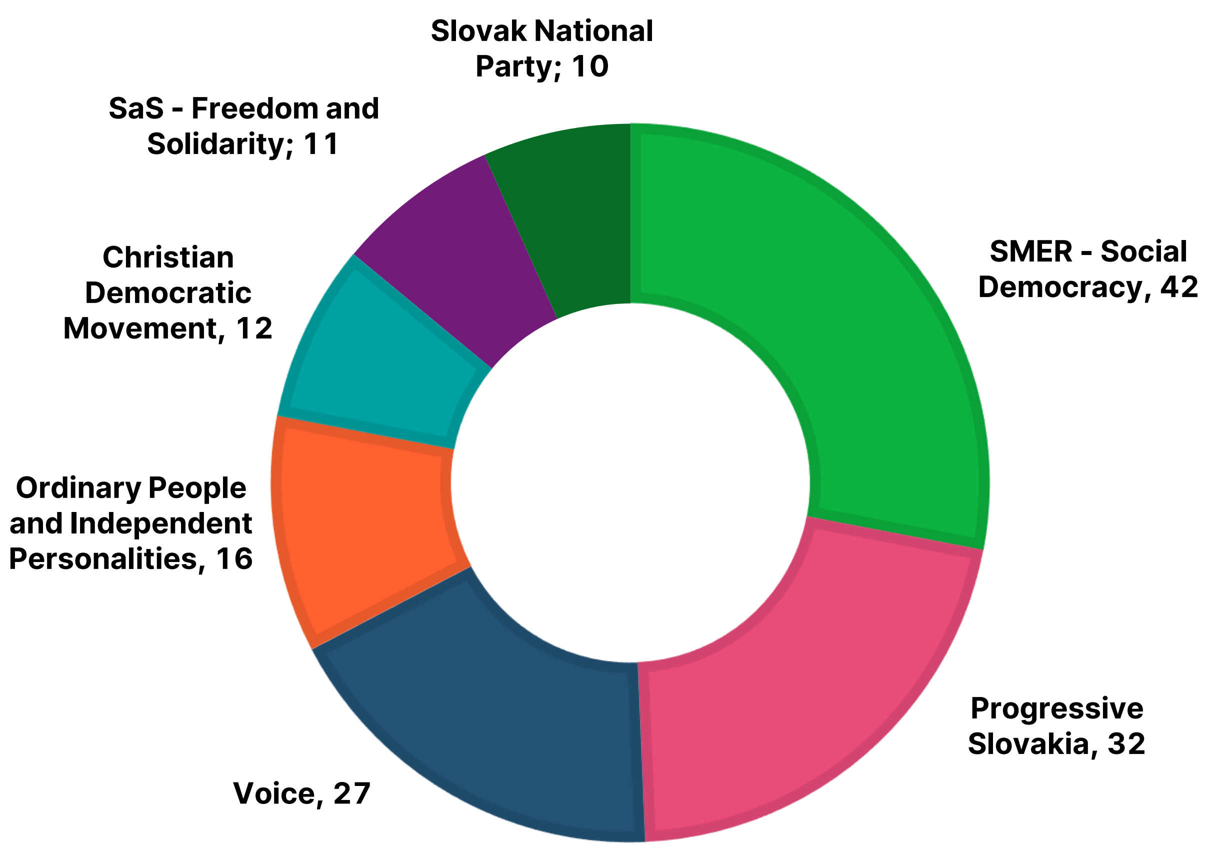
Source: Eurostat, Refinitiv, Erste Group Research

Political landscape

Slovakia is entering a period of elevated political-cycle risk, with local and regional elections scheduled for October 2026 and parliamentary elections expected in September 2027. Given the relatively narrow polling gap between the senior coalition party SMER-SD and the opposition leader Progressive Slovakia, fiscal policy is likely to face increasing pressure in 2027.

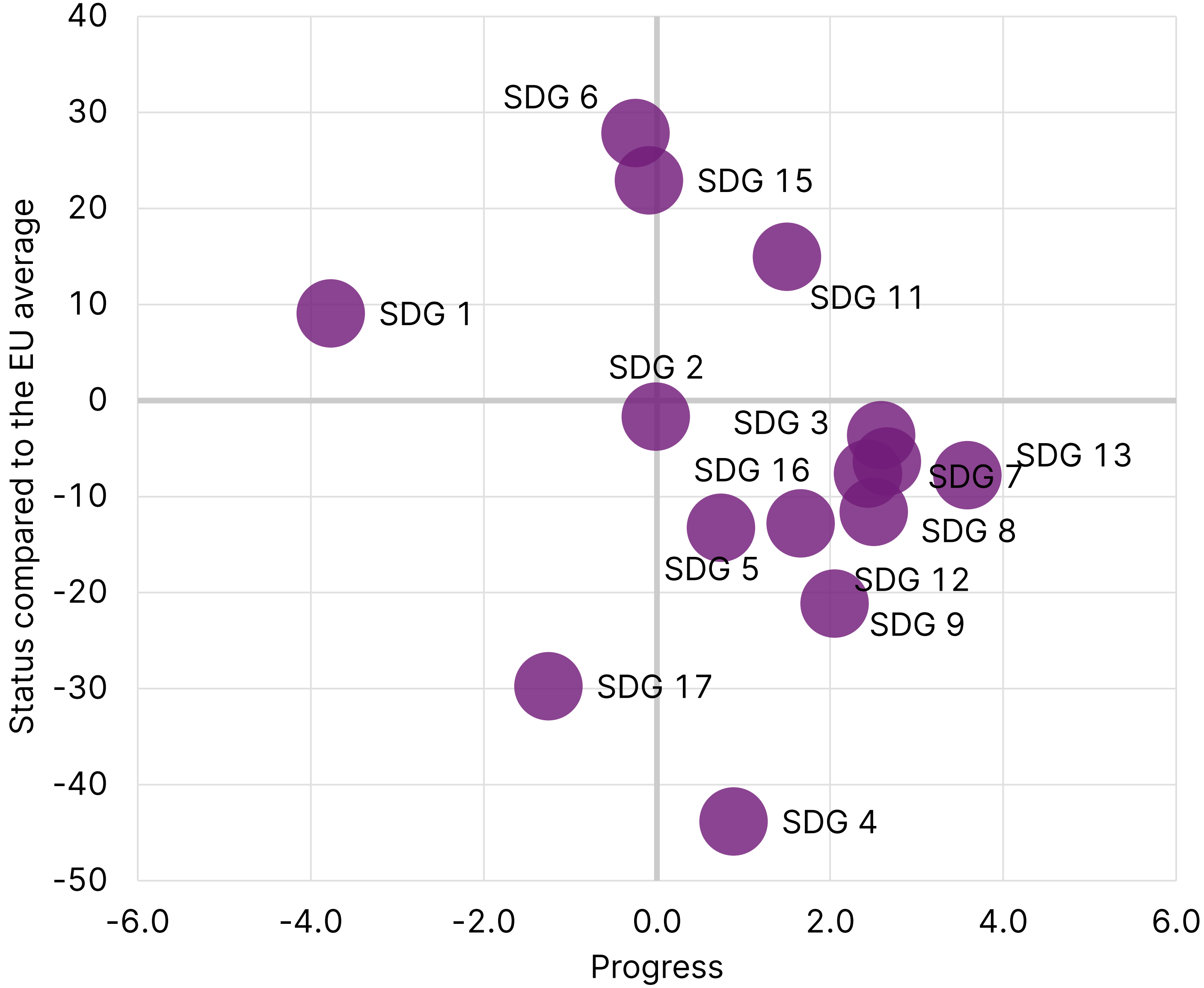
Pre-election measures could include not only one-off transfers, but also new permanent expenditure commitments. Such measures would complicate the consolidation path and increase the burden on future budgets. We therefore do not expect Slovakia's general government deficit to return below the 3% of GDP threshold under the Stability and Growth Pact before 2028.

Parliamentary seats



Source: Eurostat, Refinitiv, Erste Group Research

Sustainable 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

Prosperity Index: Is Slovakia well prepared for 2030?

Special topic

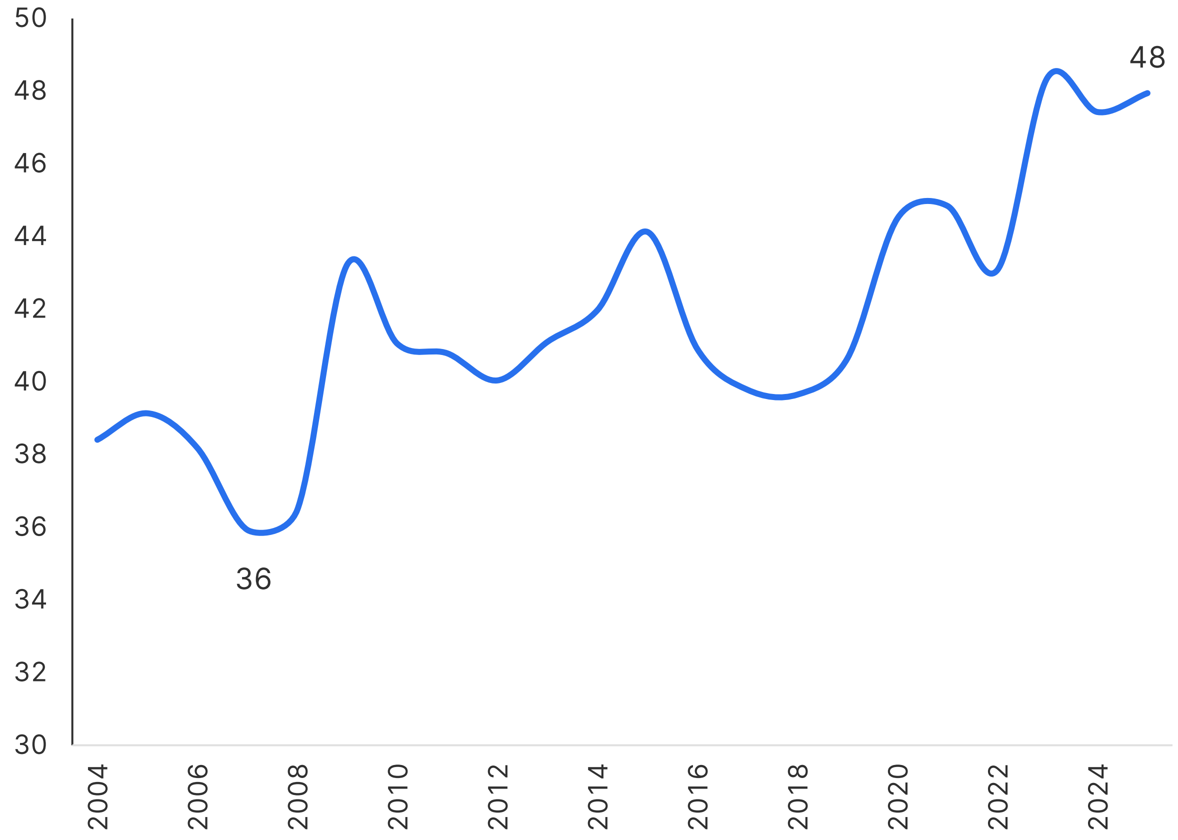
ERSTE Group

Slovakia needs a new growth story

The new Prosperity Index presents a mixed picture for Slovakia. Although the country moved up by one place year-on-year, from 24th to 23rd, it still ranks among the weaker EU performers and lags the most in economic performance. This matters especially at a time when Europe is facing rising geopolitical risks, pressure from trade barriers, and the need for greater strategic autonomy. Weaker economic performance also means fewer resources for defence, education, innovation, healthcare, and public services.

From an economic perspective, the main problem is weak growth in recent years. Slovakia, once among the fast-converging economies of the EU, is now closer to the lower end of the ranking. Low competitiveness, weaker innovation performance, and rising public expenditure without a corresponding increase in productivity suggest that the previous growth model has run its course. Slovakia's new growth story must therefore be built on higher productivity, investment, education, innovation, better institutions, and the ability to create more value added domestically.

A larger state has not delivered stronger growth
General government expenditure (% of GDP)



Source: Eurostat, Refinitiv, Erste Group Research

Slovakia: Forecasts

	2018	2019	2020	2021	2022	2023	2024	2025	2026f	2027f
Percent					**Annual average**					
Real GDP growth	4,1	2,3	-2,6	5,7	0,5	2,1	1,9	0,8	1,0	1,7
Private consumption growth	4,1	2,9	0,7	3,0	4,8	-3,2	3,8	0,4	0,4	1,5
Fixed capital formation growth	3,4	5,0	-9,6	5,1	4,3	4,0	1,6	2,2	0,8	1,8
Inflation	2,5	2,7	1,9	3,2	12,8	10,5	2,7	4,0	4,0	3,0
Unemployment rate	6,5	5,7	6,7	6,8	6,1	5,8	5,3	5,4	6,0	5,8
Percent of GDP										
Budget balance	-1,0	-1,2	-5,3	-5,1	-1,6	-5,3	-5,3	-4,5	-4,5	-5,0
Public debt	49,3	48,0	58,4	60,2	57,8	55,8	59,7	61,6	63,0	64,8
Current account balance	-1,6	-3,5	-0,5	-4,8	-9,6	-3,0	-4,6	-3,6	-2,7	-2,5
					End of year					
10Y Yield	0,91	0,04	-0,56	0,01	3,53	3,16	3,20	3,50	3,75	3,70
Spread	115,00	100,00	95,00	85,00	108,00	117,00	84,00	67,00	65,00	60,00

Source: Eurostat, Refinitiv, Erste Group Research

June 17, 2026

Slovakia: Country overview

Official EU language: Slovak

Capital: Bratislava

Geographical size: 49,035 km2

Population: 5,419,451

GDP per capita (PPS): EUR 31,107, 75% of EU Average

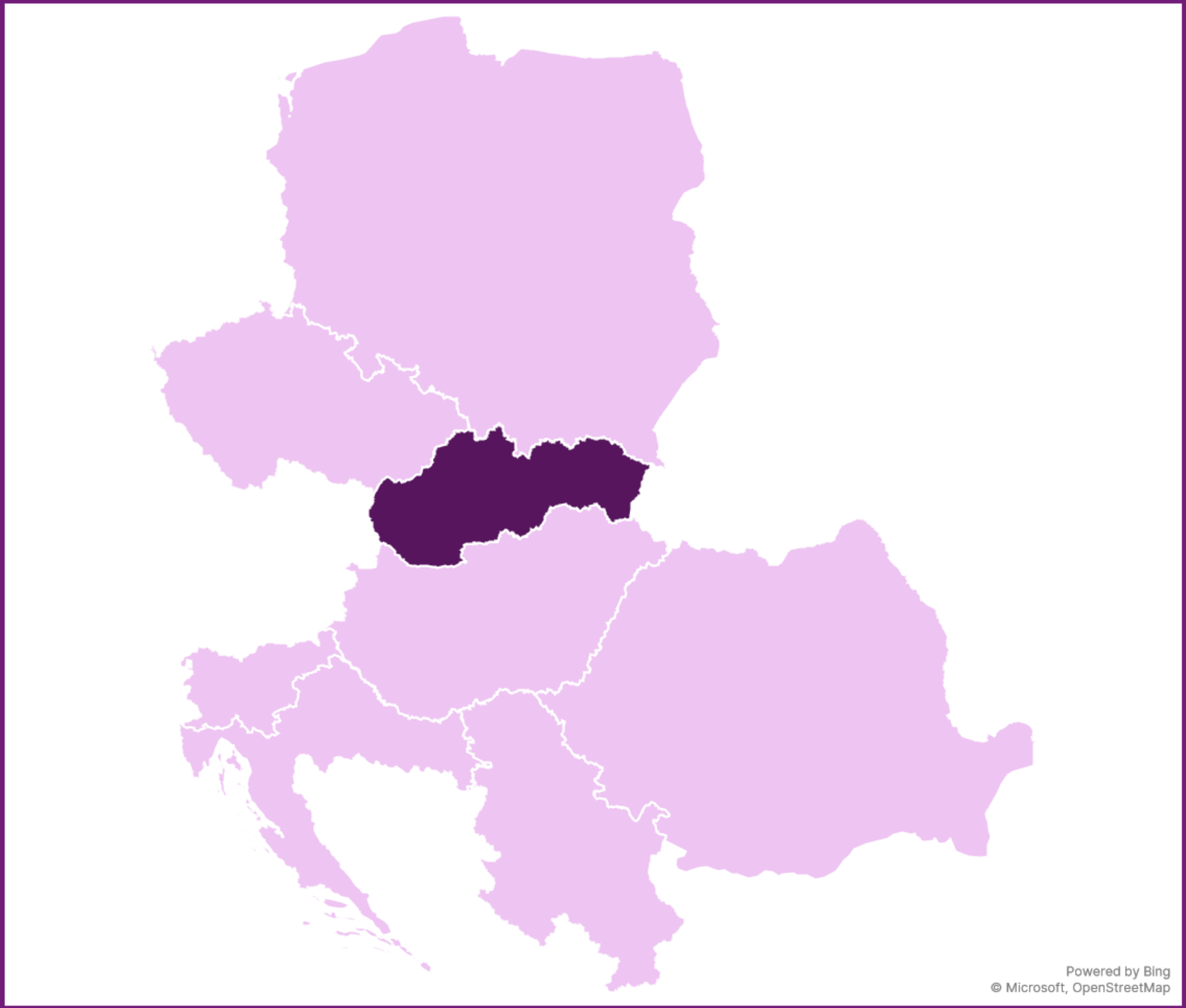
Currency: Euro EUR since January 1, 2009

Credit ratings:

- **Moody's: A3, outlook stable**
- **S&P: A, outlook stable**
- **Fitch: A-, outlook stable**

EU member state: since May 1, 2004

Schengen: member since December 21, 2007



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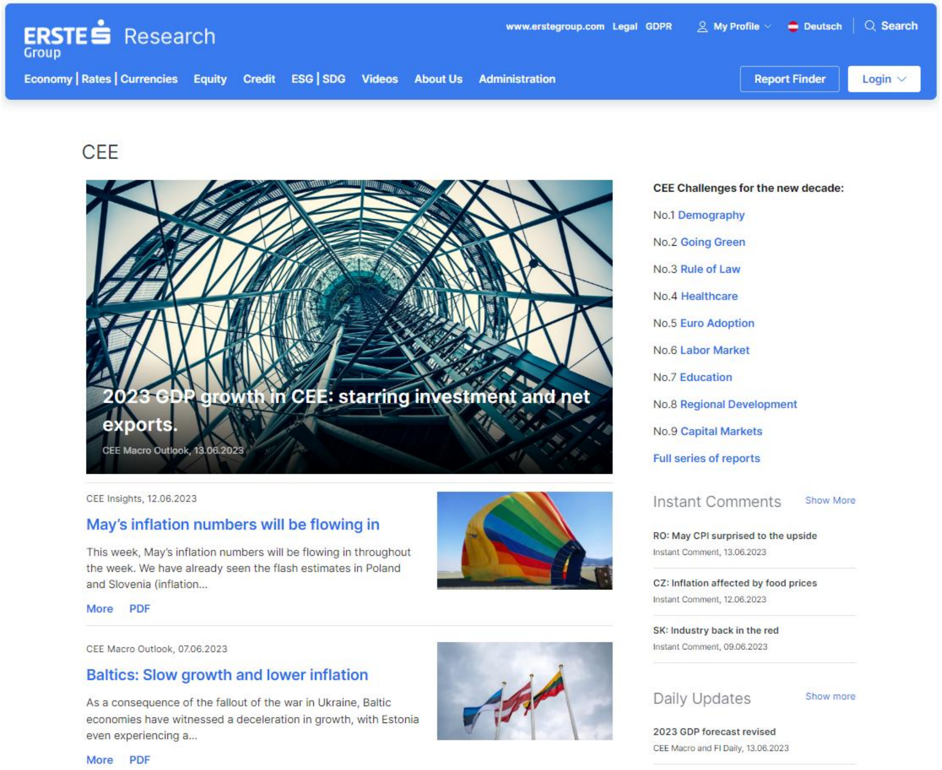

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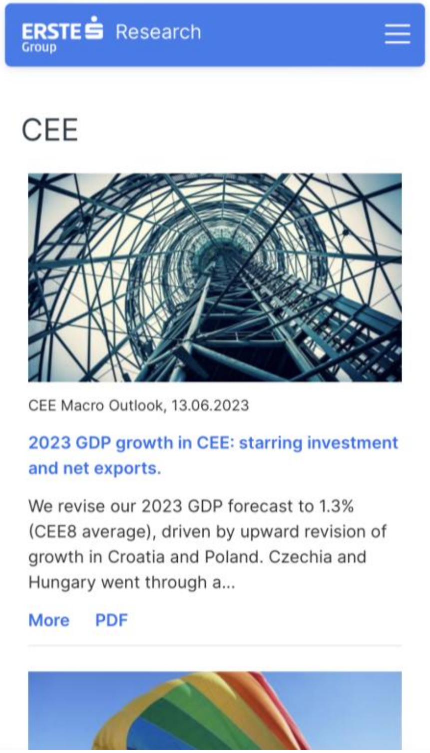

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