INTERNATIONAL MONETARY FUND

IMF Country Report No. 26/65

SLOVAK REPUBLIC

2026 ARTICLE IV CONSULTATION—PRESS RELEASE AND STAFF REPORT

March 2026

Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. In the context of the 2026 Article IV consultation with the Slovak Republic, the following documents have been released and are included in this package:

- A **Press Release** summarizing the views of the Executive Board as expressed during its March 18, 2026, consideration of the staff report that concluded the Article IV consultation with the Slovak Republic.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on March 18, 2026, following discussions that ended on January 27, 2026, with the officials of the Slovak Republic on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on March 3, 2025.
- An **Informational Annex** prepared by the IMF staff.

The documents listed below have been or will be separately released.

Selected Issues

The IMF's transparency policy allows for the deletion of market-sensitive information and premature disclosure of the authorities' policy intentions in published staff reports and other documents.

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International Monetary Fund
Washington, D.C.

PRESS RELEASE

PR 26/088

IMF Executive Board Concludes 2026 Article IV Consultation with the Slovak Republic

FOR IMMEDIATE RELEASE

- *The economy slowed sharply in 2025, to 0.8 percent from 1.9 percent in 2024*
- *Growth is forecast to increase modestly to 0.9 percent in 2026, while headline inflation is projected to remain elevated at 3.4 percent in 2026*
- *Structural headwinds related to adverse demographic trends and weaker total factor productivity are weighing on medium-term growth*

Washington, DC – March 26, 2026: The Executive Board of the International Monetary Fund (IMF) completed the Article IV Consultation for the Slovak Republic.[1] The authorities have consented to the publication of the Staff Report prepared for this consultation.[2]

After robust growth in 2023-24, the economy slowed in 2025, to 0.8 percent from 1.9 percent in 2024, as fiscal consolidation and subdued consumer confidence restrained consumption and private investment contracted amid elevated uncertainty. Public consumption growth slowed, although this was partly offset by strong EU-funded public investment. Meanwhile, net exports rebounded as strong export growth more than offset an increase in imports linked to capacity expansion in the automotive sector.

Growth is forecast to increase modestly to 0.9 percent in 2026, with domestic demand constrained by another year of fiscal consolidation and a cooling labor market, before rising to 1.8 percent in 2027. Headline inflation is projected to remain elevated at 3.4 percent in 2026 due to the gradual phasing out of energy price subsidies, while core inflation continues to ease. Structural headwinds related to adverse demographic trends and weaker total factor productivity are weighing on medium-term growth.

The recent increase in energy prices is likely to weigh on growth and raise inflation but does not change the thrust of staff's policy advice.

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1 Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board.

2 Under the IMF's Articles of Agreement, publication of documents that pertain to member countries is voluntary and requires the member consent. The staff report will be shortly published on the www.imf.org/en/countries/svk page.

Executive Board Assessment[3]

Executive Directors agreed with the thrust of the staff appraisal. They noted that inflation remains elevated while growth slowed sharply and medium-term prospects face structural headwinds from adverse demographics and weak productivity growth. With the outlook subject to significant downside risks, including from recent geopolitical tensions and developments in energy markets, Directors stressed the importance of restoring fiscal sustainability and advancing reforms to strengthen resilience and support economic convergence.

Directors agreed that the fiscal consolidation in the 2026 budget is appropriate, but significant further growth-friendly fiscal consolidation will be required over the medium term to offset spending pressures while placing public debt on a downward trajectory and safeguarding the vulnerable. They called for key political decisions on revenues and spending efficiency as part of a multi-year fiscal strategy, supported by a strong fiscal framework, including reform of the debt brake rule ahead of its reactivation.

Directors agreed that the financial sector appears resilient but continued vigilance is warranted given the economic slowdown. They concurred that the current macroprudential stance is broadly appropriate and called for continued strengthening of the supervisory framework, including by implementing remaining FSAP recommendations and further strengthening the AML/CFT framework.

Directors stressed that well-communicated and sequenced structural reforms are essential to lift potential growth and support fiscal sustainability. Reforms are needed to raise labor force participation, address skills mismatches, foster innovation and technology adoption, improve access to risk capital, increase education quality, and strengthen governance. Directors also noted that Slovakia would benefit from complimentary EU-level reforms aimed at deepening the single market. They stressed the importance of continued progress in reducing energy intensity, diversifying supply and improving energy security—including through phasing out of subsidies and investments in clean technology, complemented by EU wide reforms—to reduce the economy’s high vulnerability to energy price volatility.

It is expected that the next Article IV consultation with the Slovak Republic will be held on the standard 12-month cycle.

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3 At the conclusion of the discussion, the Managing Director, as Chair of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country's authorities. An explanation of any qualifiers used in summings up can be found here: http://www.IMF.org/external/np/sec/misc/qualifiers.htm.

Table 1. Slovak Republic: Selected Economic Indicators, 2021–31

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
					Est.	Projections					
Output/Demand											
Real GDP	5.7	0.5	2.1	1.9	0.8	0.9	1.8	2.4	2.3	2.1	1.8
Domestic demand	6.3	1.8	-4.8	4.3	0.8	0.4	1.0	2.4	2.4	2.1	1.8
Public consumption	3.7	-2.9	-2.5	4.0	1.1	-0.5	0.9	1.2	1.3	1.1	1.1
Private consumption	3.0	5.0	-2.8	3.4	0.7	0.1	0.9	2.1	1.9	1.6	1.4
Gross fixed capital formation	5.1	4.3	4.0	1.6	0.5	1.6	0.8	3.7	4.1	3.9	2.9
Exports of goods and services	10.6	2.9	-0.2	-0.3	4.3	3.1	3.7	3.7	3.6	3.5	3.5
Imports of goods and services	11.6	4.4	-7.1	2.0	3.6	2.6	2.8	3.8	3.7	3.6	3.6
Potential Growth	1.1	1.7	2.0	2.0	1.9	1.9	1.8	1.8	1.8	1.8	1.8
Output gap	1.7	0.6	0.7	0.7	-0.5	-1.4	-1.4	-0.8	-0.4	0.0	0.0
Prices											
Inflation (HICP)	2.8	12.1	11.0	3.2	4.2	3.4	3.0	2.8	2.3	2.0	2.0
Inflation (HICP, end of period)	5.1	15.1	6.6	3.2	4.1	2.7	3.0	2.8	2.3	2.0	2.0
Core inflation	3.5	10.4	11.4	4.1	5.2	3.0	2.1	2.0	2.0	2.0	2.0
Core inflation (end of period)	5.6	13.8	6.8	4.2	5.1	2.1	2.0	2.0	2.0	2.0	2.0
GDP deflator	2.2	7.3	10.0	3.4	4.2	3.2	3.0	2.9	2.3	2.0	2.0
Employment and Wages											
Employment	-0.6	1.8	0.3	-0.2	-0.1	-0.7	-0.1	-0.1	-0.1	-0.2	-0.2
Unemployment rate (Percent)	6.8	6.2	5.8	5.4	5.4	5.8	5.7	5.6	5.6	5.6	5.6
Nominal wages	6.8	7.8	9.6	6.6	5.8	4.3	4.5	4.9	4.3	3.9	3.9
Public Finance, General Government											
Revenue	39.8	41.5	42.9	42.0	43.7	44.3	41.9	41.3	41.2	41.1	41.1
Expenditure	44.8	43.1	48.2	47.5	48.7	48.7	46.8	46.4	46.4	46.5	46.6
Overall balance	-5.1	-1.6	-5.3	-5.5	-5.0	-4.4	-4.9	-5.1	-5.2	-5.4	-5.5
Primary balance	-4.2	-0.8	-4.7	-4.7	-3.9	-3.1	-3.4	-3.5	-3.5	-3.6	-3.7
Structural balance (Percent of potential GDP)	-2.5	-1.0	-3.7	-5.0	-4.3	-3.5	-4.1	-4.7	-5.0	-5.3	-5.5
General government debt	60.2	57.8	55.8	59.7	61.7	63.4	65.8	67.7	70.0	72.8	75.9
Monetary and Financial Indicators											
Credit to private sector (Growth rate)	7.6	10.2	3.2	2.7	6.7	4.1	5.1	5.8	5.3	5.0	4.6
Mortgage lending rates	1.0	2.0	3.8	4.1	...	...	...	...	...	...	...
Government 10-year bond yield	0.0	2.2	3.7	3.5	3.4	3.8	3.8	3.9	4.0	4.1	4.1
Balance of Payments											
Trade balance (goods)	-1.4	-6.6	0.7	-0.8	-0.2	0.4	1.4	1.6	1.9	2.0	2.0
Current account balance	-4.8	-9.6	-3.0	-4.6	-3.6	-2.9	-1.8	-1.5	-1.2	-1.2	-1.1
Gross external debt	132.0	105.6	98.1	101.4	102.5	100.8	97.6	93.9	91.0	88.5	86.4
Memo Item											
EU grants (Percent of GDP)	1.2	1.6	3.0	1.7	2.3	3.1	1.9	1.4	1.4	1.4	1.4
Nominal GDP (Millions of euros)	101,892	109,960	123,539	130,208	136,742	142,401	149,355	157,360	164,676	171,515	178,083

Sources: National Authorities; and IMF staff estimates and projections.

INTERNATIONAL MONETARY FUND

SLOVAK REPUBLIC

STAFF REPORT FOR THE 2026 ARTICLE IV CONSULTATION

March 3, 2026

KEY ISSUES

Context: Growth slowed sharply in 2025, complicating efforts to reduce the fiscal deficit and put debt on a sustainable path. Meanwhile, structural headwinds related to geoeconomic fragmentation and aging weigh on medium-term growth and raise concerns about Slovakia's ability to converge to living standards in more advanced EU countries. The key objectives now are to put in place a multi-year strategy for restoring debt sustainability, while implementing structural reforms to strengthen productivity and support medium-term growth.

Economic Developments and Outlook. The economy slowed sharply in 2025, mostly due to the fiscal consolidation and elevated uncertainty. Growth is expected to remain subdued in 2026, as robust net exports are offset by fiscal consolidation. Inflation will remain elevated due to the gradual withdrawal of energy price support but core inflation is expected to decline to 2 percent by mid-2027. The fiscal deficit declined in 2025 and is projected to fall further in 2026 due to fiscal consolidation, before increasing over the long term due to rising spending pressures. Risks to growth, primarily from rising trade barriers and geopolitical tensions, are tilted to the downside.

Fiscal Policy. The fiscal consolidation envisaged in 2026 is broadly appropriate though likely insufficient to meet budget targets. The greater emphasis on expenditure cuts is welcome given the increase in spending since 2023, but the consolidation package as a whole lacks strategic direction. The priority should be to formulate a growth-friendly strategy to reduce the fiscal deficit beyond 2026 and put debt on a downward path.

Financial Sector Policy. The credit gap is closing due to the pickup in credit growth, but remains negative. However, the current level of macroprudential policies remains appropriate given elevated uncertainty and potential vulnerabilities in the household and corporate sectors. Maintaining the strong progress on FSAP implementation will require sustained efforts and robust interagency coordination.

Structural Policies. Policies to bolster innovation, facilitate technology adoption, increase the labor force, reduce skills mismatches, and improve firms' access to risk capital would support medium-term growth and efforts to keep debt on a sustainable trajectory. EU-level reforms to lower intra-EU trade and investment barriers, advance the capital markets union, and integrate energy markets would complement these efforts. Strengthening governance would help maintain a favorable investment climate.

Approved By
Oya Celasun (EUR) and Cemile Sancak (SPR)

Discussions took place in Bratislava, Slovakia, during Jan 14-27, 2026. The mission met with National Bank of Slovakia Governor Kažimír, Minister of Finance Kamenický, other senior officials from the Finance, Economy, Education, Environment, Health, Interior, Justice, and Labor ministries, the National Bank of Slovakia, the Council for Fiscal Responsibility, ARDAL, and representatives from the private sector, the European Commission, and the ECB. The staff team comprised Mr. Saxegaard (head), Mr. Indraccolo, Mr. Kotera, and Ms. Mooi (all EUR). Mr. Alasal and Ms. Mitchell (all EUR) supported the mission. Mr. Hagara (advisor to the Executive Director) participated in the discussions.

CONTENTS

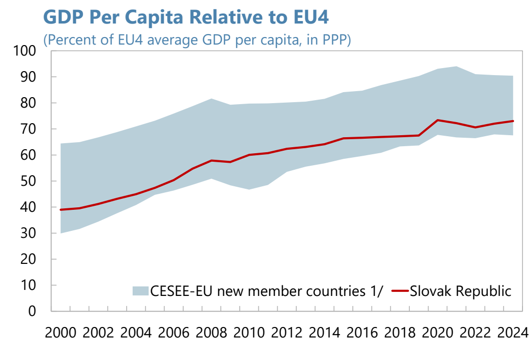
TABLES

ANNEXES

CONTEXT AND RECENT DEVELOPMENTS

1. **Declining economic growth has stymied efforts to reduce the fiscal deficit and narrow the income gap to advanced EU countries.** 2025 marked the second year of substantial fiscal adjustment, with net consolidation measures totaling 2.1 percent of GDP enacted during this period. Yet the fiscal deficit remains high at around 5 percent of GDP (about 4 percentage points above the 2017-19 average) due to lower growth, a decline in indirect tax buoyancy, and rising mandatory spending (Box 1). Income convergence has slowed as productivity gains from the transition to a market economy and EU accession have run their course (Figure 1). Like other EU countries, Slovakia now faces challenges from geopolitical tensions, high energy costs, competition from China, and costs associated with demographic change and defense spending. The priority is to establish a credible medium-term fiscal plan to put debt on a sustainable path, while implementing domestic and EU-wide structural reforms to reignite growth and accelerate convergence with more advanced EU countries.

Figure 1. Slovak Republic: Convergence



Sources: IMF World Economic Outlook and IMF staff calculations.
1/ The band captures the min and max of CESEE countries joining the EU in 2004. EU4 countries are: Germany, Italy, France and Spain.

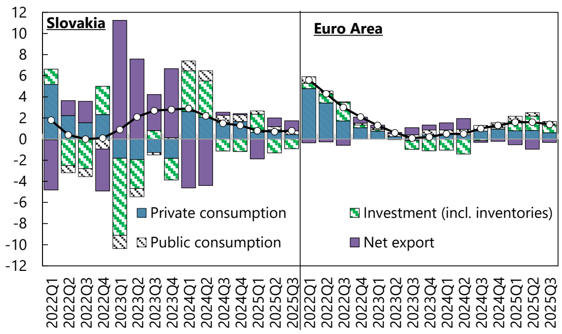
2. **The economy slowed in 2025, with growth dropping to 0.8 percent from 1.9 percent in 2024**. The deceleration was driven primarily by weaker private consumption, reflecting the impact of fiscal consolidation and subdued consumer confidence (Figure 19). Private investment contracted amid elevated uncertainty. Public consumption growth slowed, though EU-funded public investment remained strong. Net exports rebounded as strong export growth more than offset an increase in automotive-related imports.

3. **Inflation rose in 2025 mainly due to the VAT hike and strong wage growth in the services sector.** Headline inflation reached 4.2 percent in 2025Q1, up from 3.2 percent at end-2024, as the VAT increase at the start of the year passed through to consumer prices (Figure 2). Inflation rose further to 4.5 percent by 2025Q3 before decelerating to 4.1 percent by the end of the year.[1] Inflation is primarily driven by elevated services inflation, reflecting high, albeit slowing, wage growth in recent years and the greater labor intensity of services compared to goods. Food inflation remains high, fueled by elevated global food prices and cost pressures. Both headline and core inflation (4.2 and 5.2 percent in 2025, respectively) are well above the euro area median.

[1] Inflation at constant taxes amounted to 3.4 percent in 2025Q4, implying a 0.7 percentage point impact from the VAT hike.

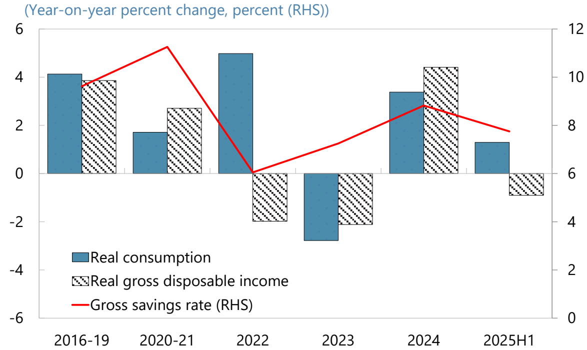
Figure 2. Slovak Republic: Real GDP and Inflation Developments

Contribution to Real GDP Growth
(Percentage points of GDP, year-on-year)



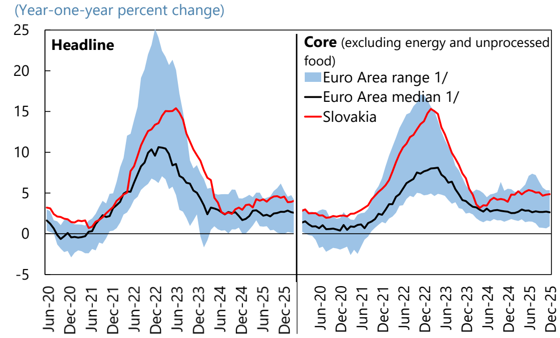
Sources: Haver Analytics and IMF staff calculations.

Household Consumption, Income, and Savings
(Year-on-year percent change, percent (RHS))



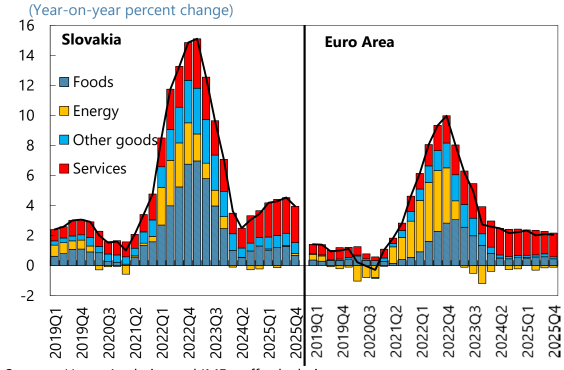
Sources: Haver Analytics and IMF staff calculations.

Inflation Rate Across Euro Area Countries
(Year-one-year percent change)



1/Euro Area range and median exclude Slovakia.
Sources: Eurostat and IMF staff calculations.

HICP Headline Inflation Rate
(Year-on-year percent change)

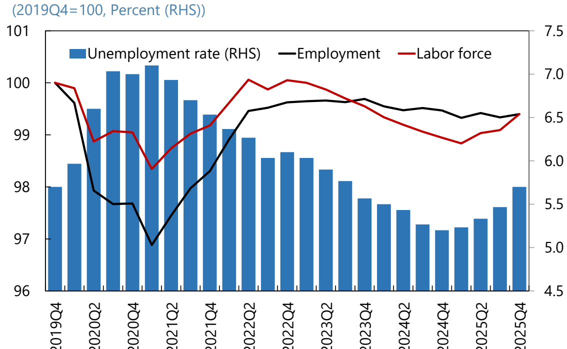


Sources: Haver Analytics and IMF staff calculations.

4. **The labor market is cooling.** Employment declined modestly in 2025 although unemployment remains low (5.4 percent). There are other signs of labor market cooling including fewer firms reporting labor shortages and a decline in the vacancy-to-unemployment ratio (Figure 3). Real wage growth slowed to 1.1 percent in 2025Q3. Youth unemployment has declined partly due to EU-funded employment programs (Figure 20).

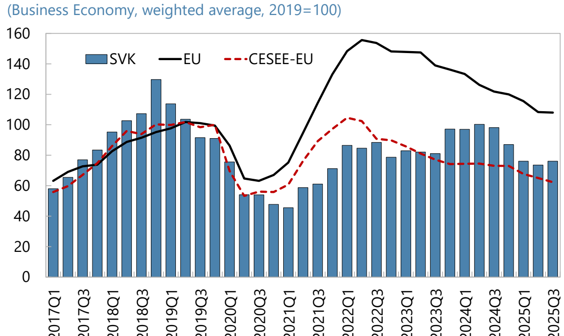
Figure 3. Slovak Republic: Labor Market

Labor Market Development
(2019Q4=100, Percent (RHS))



Source: Haver Analytics.

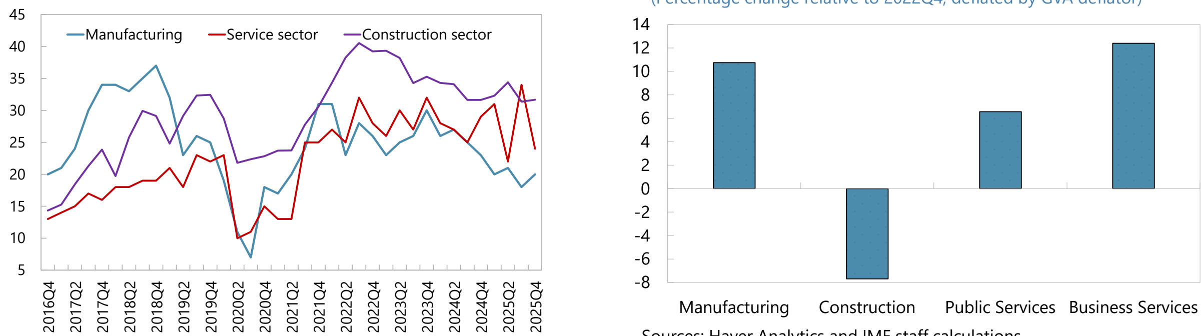
Index of Vacancy to Unemployment Ratio
(Business Economy, weighted average, 2019=100)



Note: CESEE- EU: Central, Eastern and Southeastern Europe, EU member states
Sources: Haver Analytics and IMF staff calculations.

Figure 3. Slovak Republic: Labor Market (Continued)

Firms Reporting Labor Shortage (Percent balance, SA) | **Compensation per Employee, 2025Q3** (Percentage change relative to 2022Q4, deflated by GVA deflator)

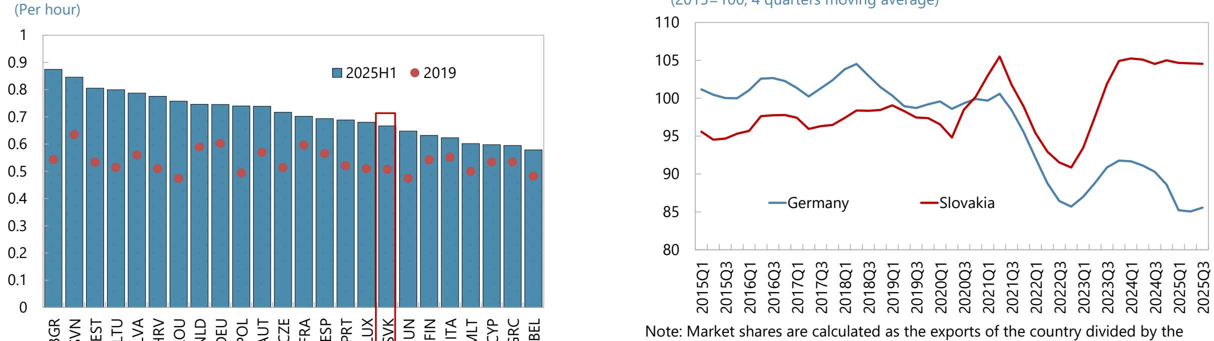


Sources: Haver Analytics and IMF staff calculations. | Sources: Haver Analytics and IMF staff calculations.

5. **The external position is moderately weaker than the level implied by fundamentals and desirable policies, but competitiveness remains strong (Annex I)**. The current account deficit improved to 3.6 percent of GDP in 2025 from 4.6 percent in 2024, supported by robust intra-EU exports that more than offset a decline in exports to the U.S. (Figure 21). Despite this, the external position is moderately weaker than fundamentals (and weaker than pre-COVID) due to high primary income outflows stemming from strong profitability and associated dividend payments by foreign-owned firms. Still, Slovakia's ability to weather tariffs and rising competition from China reflects in part its strong competitiveness, as evidenced by relatively low unit labor costs (Figure 4). Slovakia's export market share—which historically has been tightly linked to Germany's—has remained broadly stable.

Figure 4. Slovak Republic: Unit Labor Cost and Competitiveness

Real Unit Labor Cost (ULC) (Per hour) | **Market Share** (2015=100, 4 quarters moving average)



Sources: Haver Analytics, and IMF staff calculations.

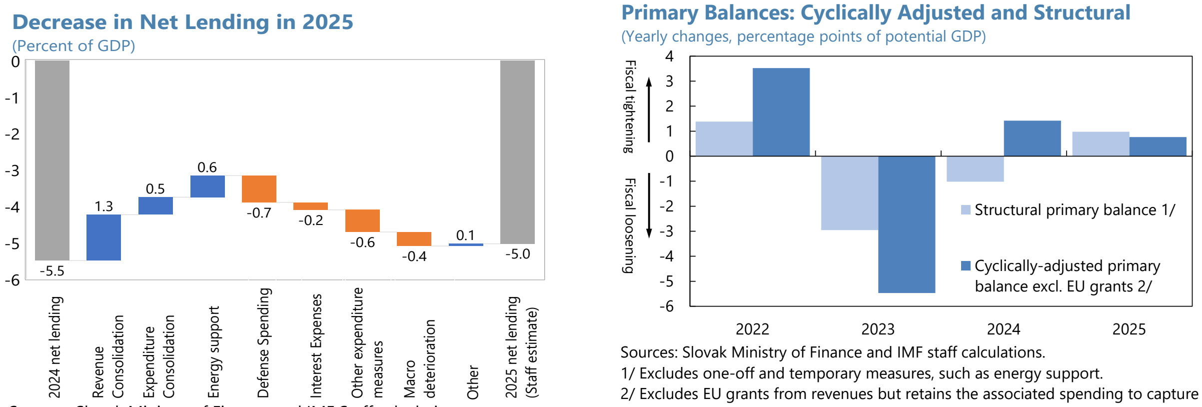
Note: Market shares are calculated as the exports of the country divided by the weighted imports of the countries with which the country trades.
Sources: Haver Analytics and IMF staff calculations.

6. **The fiscal deficit is estimated to decline to 5.0 percent of GDP in 2025 from 5.5 percent in 2024.** The improvement reflects a 1.0 percentage point improvement in the structural primary balance, which more than offsets the drag from a weaker economy (Figure 5).[2] The 0.8 percentage

[2] The increase in the primary deficit includes a 0.6 percentage point cyclical component reflecting the swing of the output gap from positive to negative in 2025.

point reduction in the cyclically-adjusted primary balance (excluding EU grants) contributed significantly to the economic slowdown. Nonetheless, the headline deficit is expected to exceed the 4.7 percent of GDP budget target, and remains 4 percentage points above pre-pandemic levels. Public debt is estimated to reach 61.7 percent of GDP (up from 48.0 percent in 2019) and Slovakia is at moderate overall risk of sovereign stress (Annex III.)

Figure 5. Slovak Republic: Fiscal Developments

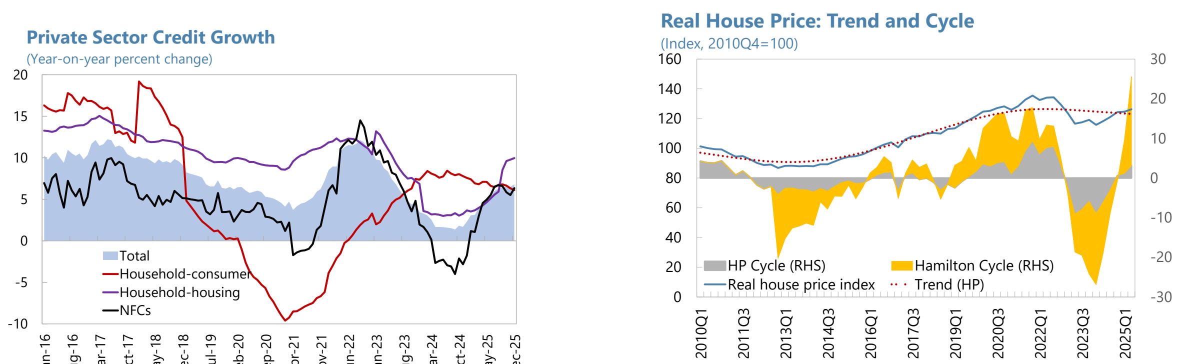


Sources: Slovak Ministry of Finance and IMF Staff calculations.

Sources: Slovak Ministry of Finance and IMF staff calculations.
1/ Excludes one-off and temporary measures, such as energy support.
2/ Excludes EU grants from revenues but retains the associated spending to capture the impact on the domestic economy.

7. Credit growth increased in 2025, supported by lower interest rates, and house prices remain elevated. Mortgage credit rose due to a recovery in new loans and an increase in the average mortgage size due to higher house prices (Figure 6). Credit to non-financial corporations is recovering, but loans to industrial and commercial real estate (CRE) firms remain subdued. House prices are increasing, though the growth rate has moderated recently. While real house prices remain below their 2022 peak, they are high relative to standard valuation metrics and appear somewhat overvalued (Figure 23). The yield on government bonds has remained stable. As in most euro area countries, the spread over German government bonds has declined but remains elevated.

Figure 6. Slovak Republic: Macro-Financial Conditions



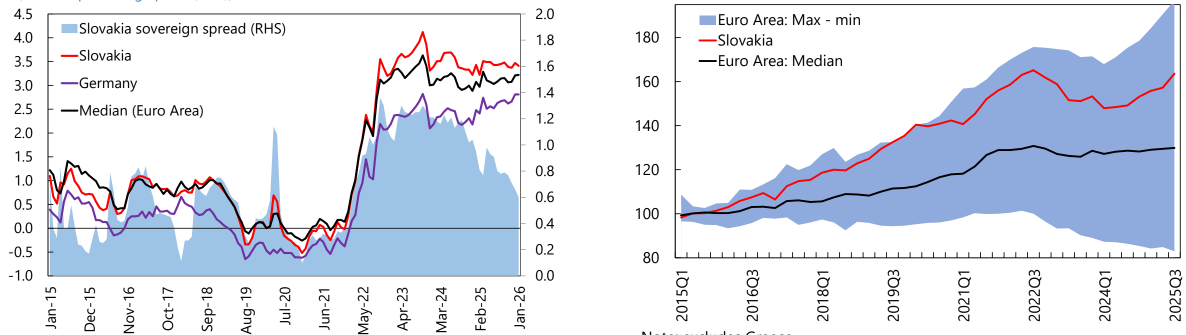
Sources: Haver Analytics and IMF staff calculations.

Sources: Haver Analytics, and IMF staff calculations.
Note: Trend and cycle are constructed using Hodrick-Prescott (HP) and Hamilton filters.

Figure 6. Slovak Republic: Macro-Financial Conditions (Continued)

10 Years Government Bond Yield
(Percent, percentage point (RHS))

House Price Index
(Rental price, 2015=100, NSA)



Sources: CEIC and IMF staff calculations.

Note: excludes Greece
Sources: Eurostat and IMF staff calculations.

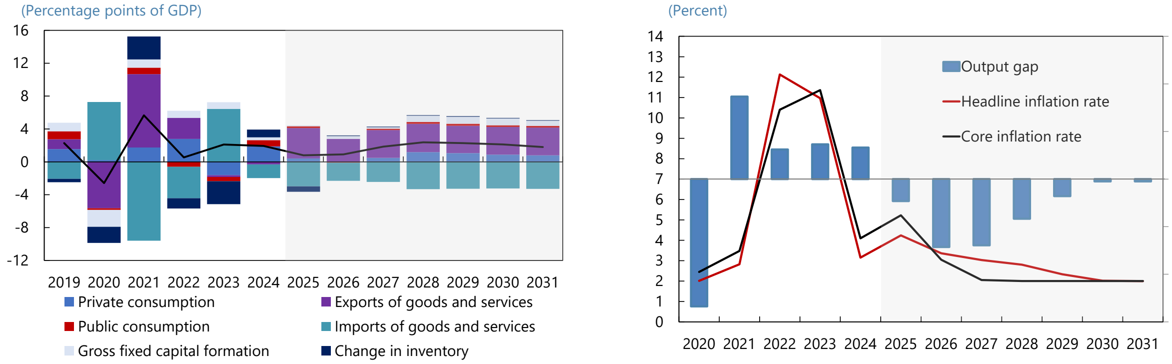
OUTLOOK AND RISKS

8. **The near-term outlook is shaped by fiscal consolidation, the end of the Recovery and Resilience Plan (RRP), and an improvement in external demand.** Fiscal consolidation will continue to put significant downward pressure on growth.[3] EU funds inflows will accelerate in 2026 before slowing in 2027 as the RRP expires. External demand is anticipated to improve, supported by stronger growth among trading partners. Monetary conditions are projected to remain supportive.

Figure 7. Slovak Republic: Outlook

Contribution to Real GDP Growth
(Percentage points of GDP)

Inflation and Output Gap
(Percent)

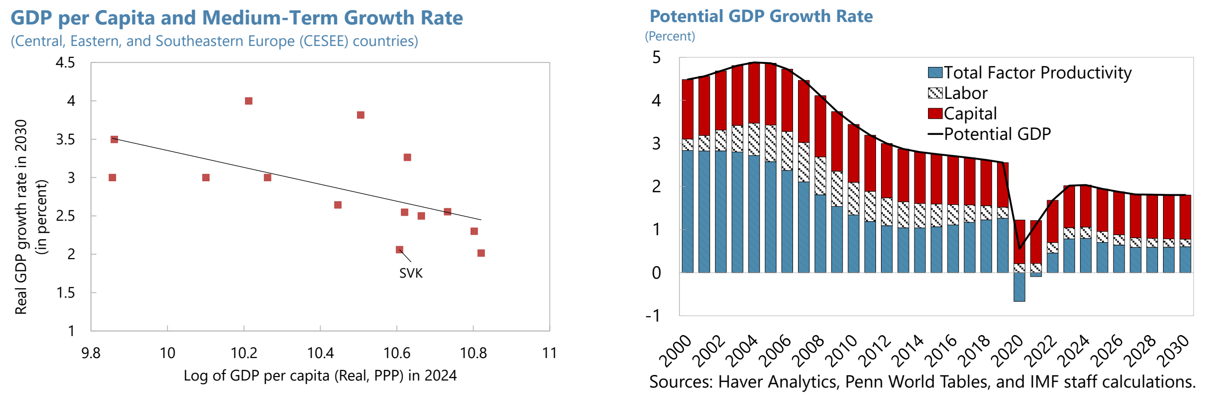


Sources: Haver Analytics, WEO and IMF staff calculation.

Sources: WEO and IMF staff calculations.

[3] The impact of the fiscal consolidation is calculated using an impact multiplier of 0.48 which increases to 0.6 in the second year before declining to 0.36 and 0.18 in the third and fourth years respectively (Batini et al., 2014). Fiscal consolidation in 2026 and preceding years is estimated to reduce 2026 growth by 0.8 percentage points with no impact in 2027 due to the drag from fiscal consolidation in 2026 fully offsetting the boost to growth from the waning effect of the consolidation in 2025. The consolidation is not assumed to impact on potential growth.

Figure 7. Slovak Republic: Outlook (Continued)

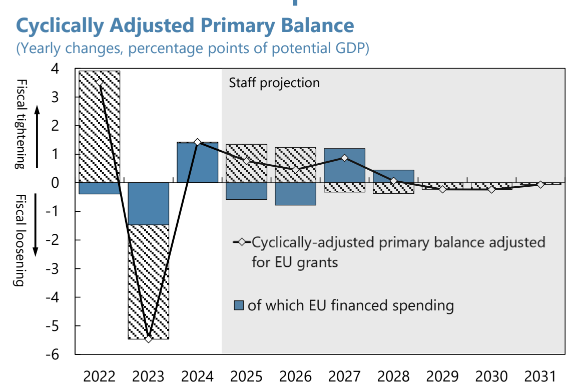


Sources: WEO October 2025 database and IMF staff calculations.

Sources: Haver Analytics, Penn World Tables, and IMF staff calculations.

9. Growth is projected at 0.9 percent in 2026 before increasing to 1.8 percent in 2027. Fiscal consolidation will slow public consumption growth in 2026. Higher taxes and social security contributions—partially offset by targeted energy support—and modest real wage growth due to elevated inflation and a cooling labor market, are expected to depress private consumption (Figure 7). Private investment is expected to recover modestly, while the level of public investment will remain elevated as the authorities push to complete RRP-financed investments. Growth in 2027 will be supported by private consumption and higher automotive exports as additional capacity comes online—more than offsetting a decline in public investment following the end of the RRP (Figure 8).[4] Although wage pressures, particularly in the service sector, are expected to ease, inflation will remain elevated due to the phasing out of energy price subsidies and ETS II implementation in 2028, reaching 2 percent only in 2030. Core inflation is projected to decline to 2 percent by mid-2027.

Figure 8. Slovak Republic: Contribution of EU Funds to Fiscal Impulse



Sources: Slovak Ministry of Finance and IMF staff calculations.

10. Structural headwinds are weighing on medium-term growth. Medium-term potential growth of 1.8 percent is significantly below the pre-pandemic average due to weaker total factor productivity (TFP) growth and adverse demographics.[5]

11. Risks to growth are to the downside, while risks to inflation are broadly balanced (Annex II).

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[4] Staff's baseline projections do not assume any fiscal consolidation beyond 2026.

[5] Projected TFP growth of 0.7 percent is in line with the average in recent years. The working age population is projected to decline by 0.7 percent per year, consistent with pre-pandemic trends.

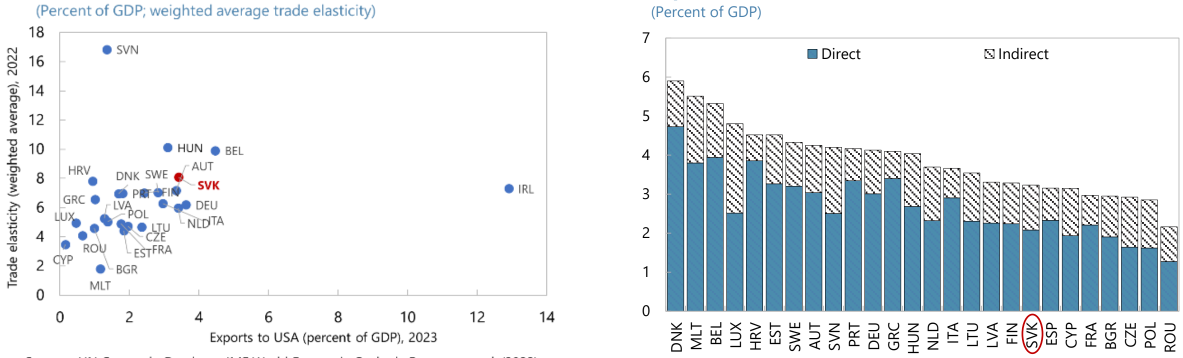
- Global risks include escalating trade tensions and trade-related risks which would weigh on investment and exports (Figure 9). Geopolitical tensions and commodity price volatility could raise energy prices and disrupt supply chains, triggering an increase in inflation and weakening growth. A disorderly AI correction and rising fiscal risks globally could spill over to Slovakia and raise sovereign bond yields. A downside scenario in which many of these risks materialize could reduce GDP in 2026 and 2027 by 1.1 and 1.7 percent relative to the baseline, and trigger a temporary increase in the fiscal deficit of about 0.5 percentage points.[6] Given Slovakia's fiscal constraints, staff would not recommend discretionary fiscal measures to counter the shock.

- Domestic risks include fiscal consolidation delays, triggered for example by elections in 2027. This would support growth but could raise future consolidation needs. Conversely, fiscal consolidation in line with the authorities' targets could reduce growth in 2027-28 by 0.6 percentage points relative to the baseline. Absorption constraints and governance concerns could slow EU funds disbursements and weaken investment. Declining house prices combined with lower growth could trigger losses for financial institutions. The EU agreement to phase out Russian gas by 2027 could raise energy prices and inflation, and reduce competitiveness.

Figure 9. Slovak Republic: Exposure to Trade Policy Shocks

Exports to USA and Trade Elasticity
(Percent of GDP; weighted average trade elasticity)

Export Share to US, 2022
(Percent of GDP)



Sources: UN Comtrade Database; IMF World Economic Outlook; Fontagne et al. (2022); and IMF staff calculations.

Sources: OECD TiVA data and IMF Staff calculations, based on year 2022.

Authorities' Views

12. The authorities broadly agreed with staff's assessment of the outlook and risks. They acknowledged that fiscal consolidation will continue to weigh on growth and that inflation is likely to remain elevated but expressed optimism that export growth would support the economy in the years ahead. They expressed concern about rising protectionism and geopolitical tensions and concurred that risks to growth were to the downside.

[6] Calibrated based on Scenario A in Box 1.2 of the October 2025 World Economic Outlook. The impact on Slovakia is estimated using input from the IMF's GIMF model.

POLICY DISCUSSIONS

Macroeconomic policies should prioritize fiscal sustainability while supporting strong and sustained medium-term growth. Fiscal consolidation in the 2026 budget and the authorities' targets for 2027-28 will help stabilize public debt, but further adjustment will be needed beyond 2028 to offset rising spending pressures. Consolidation measures should be carefully designed to support growth while protecting the vulnerable. Fiscal adjustment should be accompanied by structural reforms to support growth and efforts to ensure debt sustainability, while maintaining financial stability.

A. Fiscal Policy

13. The fiscal consolidation in the 2026 budget is appropriate, but the consolidation package as a whole lacks strategic direction.

- The 2026 budget targets a fiscal deficit of 4.1 percent of GDP (5.0 percent in 2025). Staff's more conservative growth forecasts suggest the deficit could reach 4.4 percent of GDP, though the reduction in the structural deficit—0.8 percentage points—is consistent with the budget and appropriate. If slippages occur, the authorities should let automatic stabilizers operate, while saving available buffers to contain the increase in the deficit.

- Most savings in the 2026 budget (Text Table 1) come from revenue measures. The greater emphasis on expenditure cuts compared to previous budgets is welcome given the nearly 8 percentage points increase in spending since 2019.[7] The decision to return district heating prices to market levels and deliver more targeted energy support is a step forward. However, other measures, including abolishing some public holidays and increasing sin taxes, lack a strategic approach to comprehensive deficit reduction.[8] Steps to improve tax compliance (e.g., introducing QR payments and e-invoicing) are welcome, as is treating most of these measures as an upside risk rather than including them in the baseline. Tax amnesties should be approached with caution as they can lower voluntary compliance and increase money laundering risks.

Text Table 1. 2026 budget consolidation measures
(Percent of GDP)

	Estimated yield
Revenue measures	
Increase in social contributions	0.4
Increase in the progressivity of taxation	0.1
Tax evasion and tax/social-contribution optimization	0.1
Reduction in public holidays	0.2
Taxation of negative externalities	0.1
Expenditure measures	
Savings in government administration	0.3
Dampening of public sector wage growth	0.1
Curbing expenditure growth in local governments	0.1
Savings on social transfers	0.1
Total gross consolidation measures	*1.6*

Source: Slovak Ministry of Finance

[7] The increase in government expenditure since 2023 largely reflects a structural increase in social benefits and pensions, and healthcare wages.

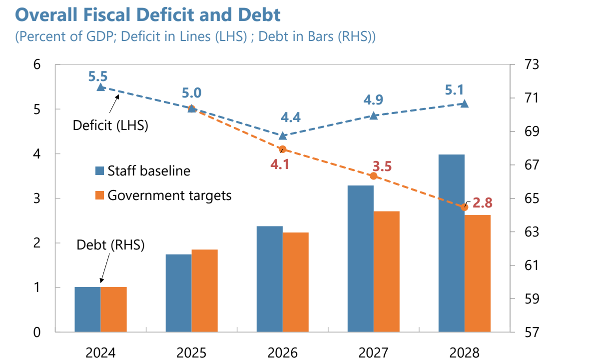
[8] Except for the cancellation of two public holidays, the tax amnesty, and the three-year freeze of the 13th pension for three years, all other measures are permanent. In total, permanent measures amount to 1.5 percent of GDP.

14. Sustained fiscal adjustment is required over the medium term to ensure fiscal sustainability in the face of rising spending pressures and structural revenue challenges.

- Under the baseline of no further fiscal consolidation from 2027 onwards, the deficit is projected to widen, as aging-related spending and higher debt service costs more than offset lower spending on education and non-pension social transfers (Figure 22). A decline in the buoyancy of indirect taxes—particularly excises and VAT—will add to these pressures. In such a scenario, staff simulations (Annex III) suggest public debt could approach 105 percent of GDP by 2040. Additional spending pressures (e.g., defense outlays exceeding 2 percent of GDP and climate-related expenditures) not in staff's baseline could add further to debt.

- Stabilizing debt under these circumstances will require significant fiscal measures beyond those in the 2026 budget. The budget already envisages reducing the deficit to 2.8 percent of GDP by 2028 (Figure 10), but the estimated 2.3 percent of GDP in measures needed to achieve this remain unspecified. If met, these targets would place public debt on a declining trajectory by 2028. Between 2028-2040, staff simulations suggest a further 1.5-2.0 percent of GDP in measures will be needed to offset rising spending pressures and lower Slovakia's risk of long-term distress from high to moderate, bringing overall consolidation needs to around 4-4.5 percent of GDP.

Figure 10. Slovak Republic: Fiscal Outlook



Sources: Slovak Ministry of Finance and IMF staff calculations

15. Measures to achieve this consolidation should be carefully designed to support Slovakia's growth objectives while safeguarding the most vulnerable (Text Table 2).

- *Revenues*: Increasing the reduced VAT rate from 5 to 10 percent, streamlining eligibility for reduced VAT rates, and reforming property taxation—including transitioning to a market value–based system and higher taxation of secondary homes and investment properties could deliver up to 1.6 percent of GDP in additional revenue. Also, indexing excise taxes to inflation would help prevent their erosion over time. However, Slovakia's relatively large tax wedge compared to neighboring countries suggests further increases in labor taxation should be avoided as these could exacerbate challenges with attracting and retaining workers, particularly given significant cross-border labor mobility (Figure 11). Similarly, the already high corporate tax burden suggests further increases in CIT taxes

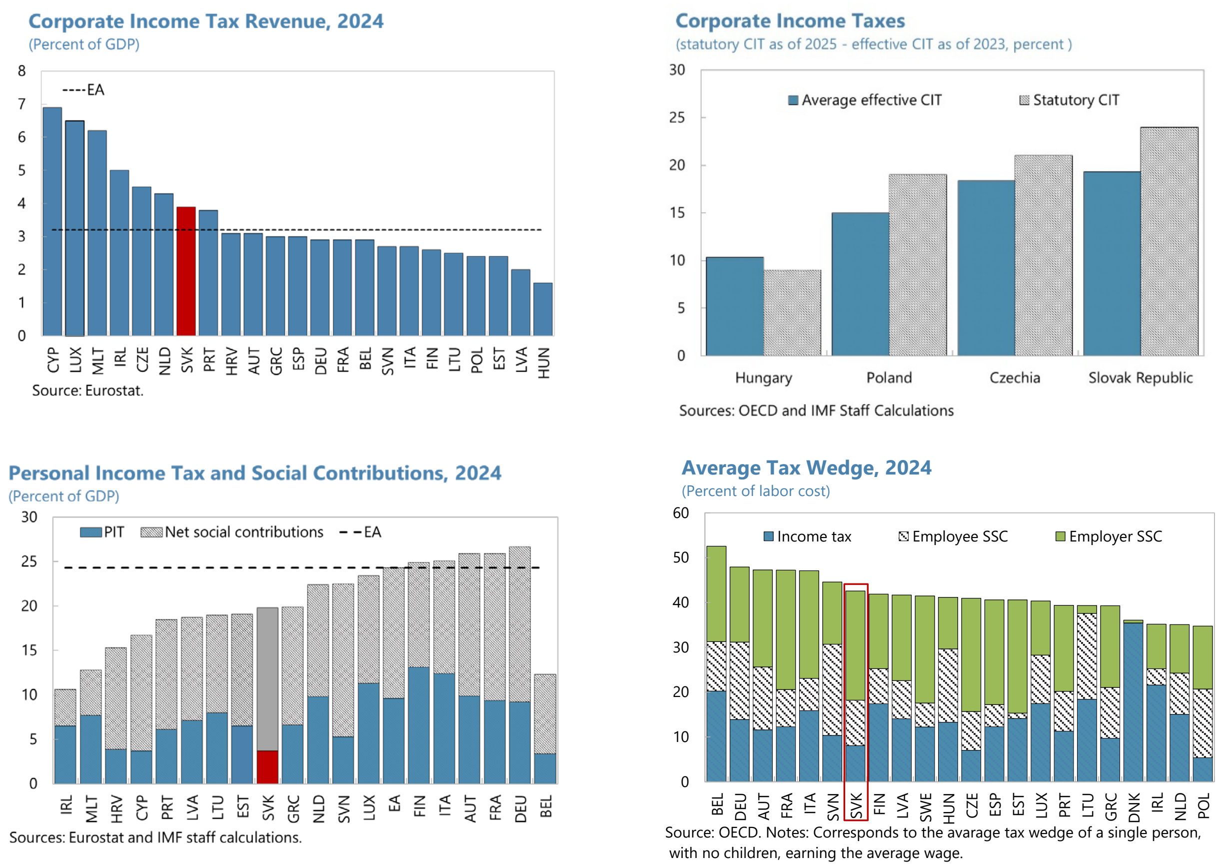
Text Table 2. Recommended measures 1/
(Percent of GDP)

	Estimated yield
Increase the reduced VAT rate from 5 to 10 percent	0.3
Streamline items subject to reduced VAT rates	1.0
Raise property taxes by transitioning to a market value-based system 2/	0.3
Indexing excise taxes to inflation 2/	0.1
Halving VAT compliance gap	0.5
Better targeting of social spending	0.8
Reverse the recent increase in the 13th pension 3/	0.4
Abolish the initial indexation of new pensions 3/	0.1
Implement Value for Money initiatives	0.5
Total	*4.0*

Sources: Slovak Ministry of Finance, IMF staff calculations
1/ Estimated full-year yield
2/ Estimated yield by 2030
3/ Estimated long-term yield

should be avoided, though replacing size-based CIT rates (i.e. rates that vary by firm size) with a uniform rate would remove growth disincentives and support productivity growth. Narrowing the gap between VAT rates and returning to a two-rate system could limit misclassification and fraud. The authorities should also evaluate whether recent changes to the Criminal Code, including higher thresholds for criminal liability, have weakened deterrence against tax fraud. Implementing recommendations from the 2024 tax administration diagnostic assessment (TADAT) could strengthen revenue collection further, including by reducing the VAT compliance gap, which remains high by EU standards.[9]

Figure 11. Slovak Republic: Taxes on Business and Labor



- *Spending*: Building on recent progress in targeting energy support to better target social spending and implementing already identified Value for Money initiatives (e.g., subsidy reductions) could yield 1.3 percent of GDP in savings. Reversing the recent increase in the 13th

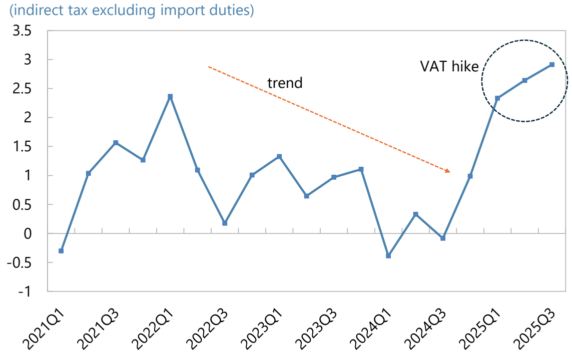
[9] The recommendations include better prioritization of compliance risks, stronger management of operational and human capital risk, and improvements to the audit function. Baer et al. (2025), "Closing the Gap: How Tax Administration Performance Shapes Compliance", IMF Working Paper 25/29 finds that even a modest increase in tax administration effectiveness—as measured by the TADAT score—can yield significant additional revenues.

- pension and abolishing the initial indexation of new pensions would help lower Slovakia's relatively high replacement rates and yield an estimated 0.5 percent of GDP in long-term savings (Figure 12). Staff recommend avoiding cuts to domestically financed public investment and education spending, given their significant economic benefits.[10] Finally, energy support measures (projected to cost 0.3 percent of GDP in 2026) should be phased out.

Implementation should prioritize quick, high-yield wins that require minimal administrative effort, such as VAT changes. More complex reforms (including better targeting of social spending, Value for Money initiatives, and property tax reform) should follow as they need more preparation. Pension adjustments, given their political sensitivity, should be phased in gradually with careful communication. Additional measures may be needed if downside risks materialize.

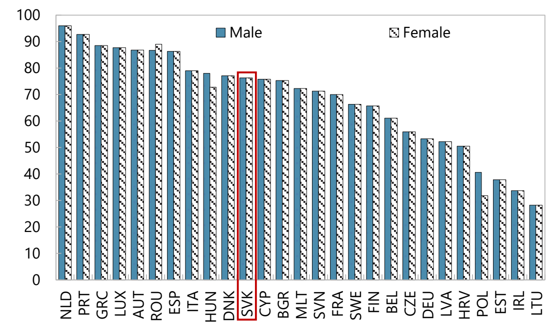
Figure 12. Slovak Republic: Structural Fiscal Challenges

Indirect Tax Revenue Buoyancy
(indirect tax excluding import duties)



Sources: Haver and IMF staff calculation.

Net Pension Replacement Rate*
(Percentage of net pre-retirement earnings at the same income level)



Source: OECD.
Note: at 100% of average wage, mandatory.

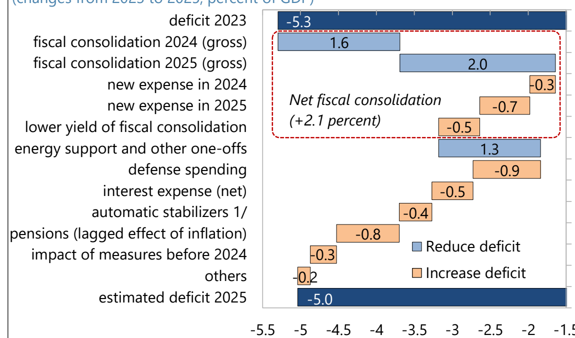
16. A multi-year fiscal strategy for reducing the deficit would strengthen policy credibility and reduce uncertainty. Key political decisions on the size and composition of the adjustment are typically made near the draft budget submission deadline to the European Commission. Advancing the political timetable would allow more time to prepare growth-friendly reforms—e.g., property taxation or carbon pricing—and to implement complex spending efficiency initiatives. Providing more forward guidance on the deficit reduction strategy in future years—as in Australia—would also help reduce uncertainty and support the execution of domestically financed public investment projects.[11] In parallel, limiting the scope for in-year reallocations across programs and ministries would encourage strategic planning and strengthen fiscal discipline. Clarifying rules for the use of contingency reserves and conducting regular ex-post evaluations would improve expenditure control and transparency. Finally, ongoing efforts to strengthen fiscal risk monitoring will help mitigate threats to debt sustainability and improve the resilience of public finances.

[10] For further details see Slovak Republic: Selected Issues Papers: "Efficient Public Spending: Pathways for Fiscal Sustainability", IMF Country Report No. 26/XX.

[11] See for example Australian Government Budget October 2022-23, Budget Overview, page 61.

Box 1. Slovak Republic: Why has the Fiscal Deficit Declined Less than Anticipated?

Main Contributions to Changes in Fiscal Deficit
(changes from 2023 to 2025, percent of GDP)



Sources: MOF and IMF staff estimation
1/ Based on estimates by Bouabdallah et al. (2020).

Despite two announced fiscal consolidation packages totaling around €5.0 billion (3.7 percent of GDP), Slovakia's fiscal deficit has declined by only 0.3 percentage points in 2024 and 2025 after increasing by 3.7 percentage points in 2023. This mainly reflects the combination of: (i) an increase in discretionary spending in the 2024 and 2025 budgets which reduced the net amount of fiscal consolidation at the time of the budget to 2.7 percent of GDP; (ii) the lower-than-anticipated yield from certain fiscal measures in the initial consolidation package (e.g., the Financial Transaction Tax) which reduced the net fiscal consolidation further to 2.1 percent of GDP; (iii) a significant increase in defense spending and interest costs, though this was offset by a sharp decline in the cost of energy support; (iv) automatic stabilizers on the revenue and expenditure side triggered by the sharp deceleration in economic growth which are estimated to have increased the deficit by 0.4 percent of GDP; (v) the lagged effect of past inflation due to the partial indexation of pensions which increased the deficit by 0.8 percent of GDP; and (vi) a 0.3 percent of GDP increase in the deficit due to measures adopted prior to 2024.[1,2]

[1] Based on an automatic fiscal stabilizer of 0.35 estimated in Bouabdallah et al. (2020), "Automatic fiscal stabilizers in the euro area and the COVID-19 crisis", ECB Economic Bulletin 6/2020.

[2] The decline in the tax buoyancy of indirect taxes also likely played a role, though this was partly offset by an increase in the buoyancy of direct taxes.

17. Maintaining Slovakia's strong fiscal framework is essential for the credibility and transparency of the fiscal consolidation. Slovakia's strong and independent Council for Budgetary Responsibility remains important given its key role in assessing the long-term sustainability of public finances. Also, reforming the debt brake ahead of its reactivation in 2026—e.g., by lowering the thresholds that trigger the escape clause—would help reduce the risk of a sharp fiscal consolidation that would further weaken the economy.[12]

18. EU funds have helped catalyze growth-enhancing structural reforms and investments. While disbursement of all Recovery and Resilience Plan (RRP) funds is expected by 2026, EU structural funds drawing remains low relative to other EU countries (Figure 13). The ongoing development of a national investment plan to guide the timely selection of projects, alongside efforts to standardize project milestones and monitoring—building on RRP experience—should help strengthen absorption capacity. The RRP has provided important impetus for key structural reforms

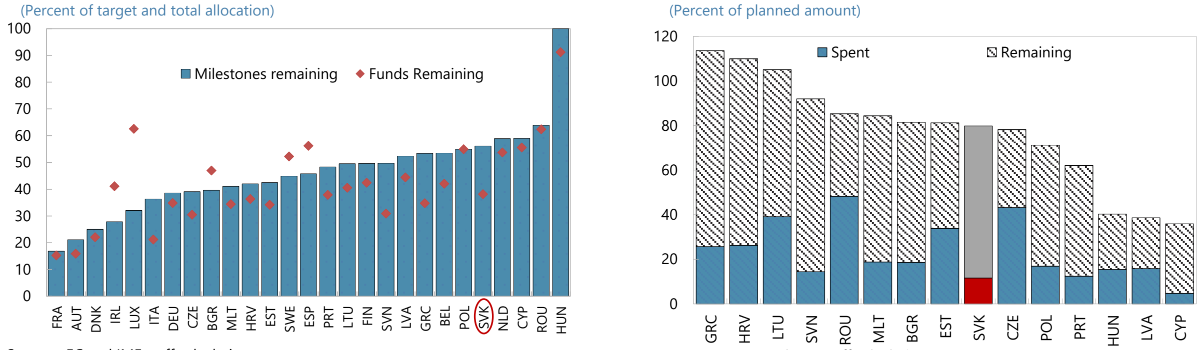
[12] Slovakia's national debt brake, which sets a gradually declining upper limit for public debt (reaching 50 percent of GDP by 2028), would ordinarily have required a balanced budget for 2026. To bypass this requirement the government brought forward approval of the 2026 budget.

for Slovakia such as education, health care, and digitization, though these were largely frontloaded and the focus has shifted to meeting investment milestones. Including financial incentives for structural reforms in the EU's next Multiannual Financial Framework (MFF), as currently discussed, would help reignite reform momentum.

Figure 13. Slovak Republic: EU Fund Disbursements

RRP: Milestones and Funds Remaining (Percent of target and total allocation)

Implementation for EU Cohesion Fund, 2025* (Percent of planned amount)



Sources: EC and IMF staff calculations.
Note: Based on information from the EC website, accessed on February 20, 2026.

Sources: EC; and IMF staff calculations.
Note: Period covered up to December 31, 2025.

Authorities' Views

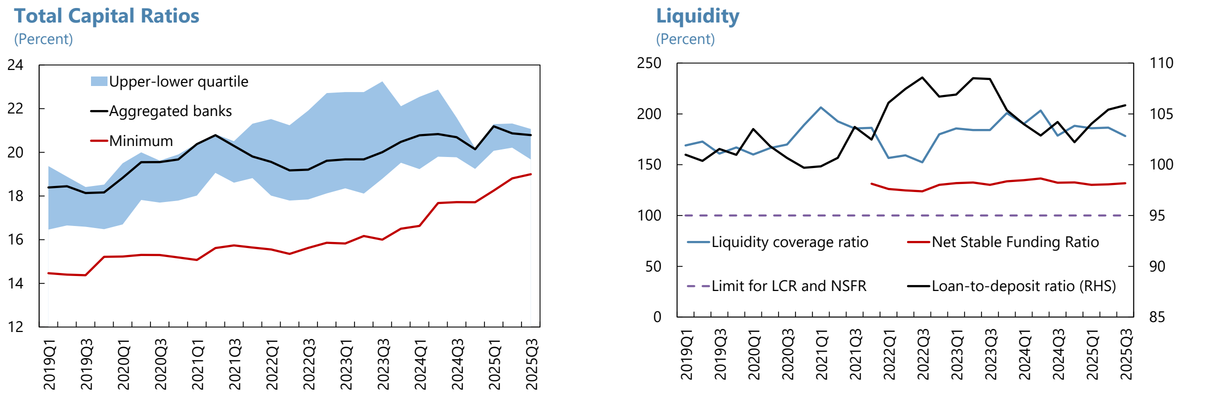
19. The authorities noted that growth headwinds had complicated fiscal consolidation efforts but stressed that absent these efforts debt would have been even higher. They recognized that further consolidation was needed to stabilize debt. In that context, they acknowledged there was limited room for further increases in taxes on business and labor and agreed that there was scope to increase spending efficiency and tax compliance. The authorities saw merit in providing forward guidance on the strategy for reducing the fiscal deficit but noted that this would be politically challenging. They took note of staff's views about the ongoing tax amnesty but argued its one-off nature would limit adverse effects on compliance. They welcomed staff's recognition of Slovakia's strong fiscal framework and pointed to ongoing efforts to reform the debt brake.

20. The authorities are committed to improve EU funds absorption. They noted that the seventh payment request under the RRP has been submitted and expressed confidence that all RRP funds would be disbursed by the August 2026 deadline. They also underscored their commitment to build on lessons from the RRP to improve EU structural funds absorption.

B. Financial Sector Policy

21. The banking sector remains well capitalized, liquid, and profitable, with systemic risks broadly contained. Profitability remains robust—supported by strong net interest income, fees and commission income, and the gradual phase-out of the bank levy—although it is below that in most other EU countries.[13] Capital adequacy ratios increased in 2025, reflecting mainly changes to risk weights under the Capital Requirements Regulation (CRR) III, and remain well above regulatory minima (Figure 14). Meanwhile, the quality of banks' credit portfolio is stable, with non-performing loans (NPLs) at historically low levels of around 2 percent. Liquidity buffers have decreased slightly due to increased lending but remain ample. Overall, systemic risks remain broadly unchanged from last year.

Figure 14. Slovak Republic: The Banking Sector



Source: National Bank of Slovakia.

Sources: National Bank of Slovakia and IMF staff calculations.

22. While credit risk remains moderate, the economic slowdown suggests continued vigilance is warranted.

- *Households*: Most mortgages have reset to higher rates, with little impact on NPLs thus far (Figure 15). However, higher rates and lower disposable income have increased households' debt-service burden and vulnerability to adverse shocks. An economic slowdown and labor market softening could strain repayment capacity, raising the riskiness of banks' retail lending portfolio. In this context, the rising share of mortgages to self-employed borrowers who are more sensitive to macroeconomic conditions, merits close monitoring.[14] These risks are partially mitigated by low loan-to-value (LTV) ratios and relatively tight borrower-based macroprudential measures (BBMs).[15]

- *Corporates*: Profitability increased in 2025 after falling in 2024, and NPLs remain low and broadly stable. However, rising debt service costs have increased corporates' vulnerability to adverse shocks. A slowdown in revenue growth as the economy decelerates could strain repayment capacity and raise credit risk.

[13] The bank levy was reduced from 30 percent to 24.96 percent in 2025. This decline helped offset an increase in the corporate income tax rate.

[14] Mortgages where more than half of the borrower's declared income comes from self-employment or business activity account for around 27 percent of all new mortgages.

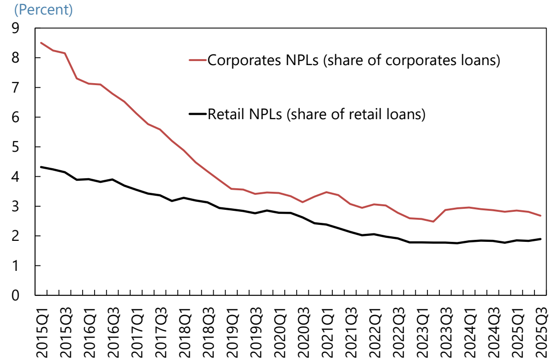
[15] The BBMs in Slovakia include an 80 percent loan-to-value (LTV) limit, a 60 percent "stressed" debt-service to income (DSTI) limit, an age-dependent debt-to-income (DTI) limit, and a 30-year maturity limit for housing loans.

- *Commercial real estate*: Risks in the CRE sector remain elevated due to high leverage and low margins. However, NPL ratios are significantly lower than in the broader corporate sector and remain near historical lows, while the share of overdue (stage 2) loans is broadly unchanged. Looking ahead, risks are expected to ease due to falling interest rates, declining vacancy rates (including in the vulnerable office segment), and higher rental prices.

23. The current macroprudential stance is broadly appropriate. The credit gap remains negative (Figure 15), but risks remain elevated in certain segments of banks' credit portfolio and house prices appear somewhat overvalued.[16] On balance, the current 1.5 percent countercyclical capital buffer (CCyB) remains appropriate. BBMs have helped contain household credit risk and should remain unchanged. Finally, the authorities should phase out the bank levy as planned.

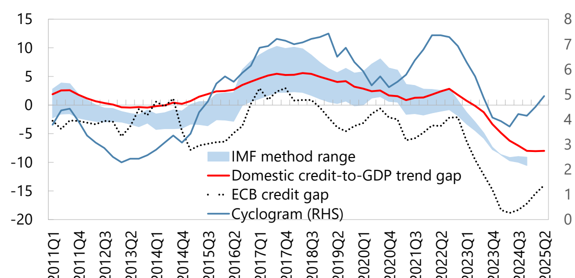
Figure 15. Slovak Republic: Macro-Financial Risks and Policies

Non-Performing Loans by Sector
(Percent)



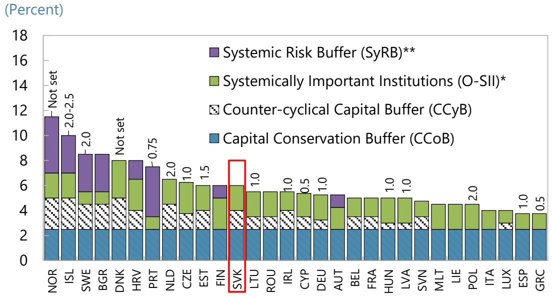
Source: National Bank of Slovakia.

Credit Gap Estimates
(Percent, Indicator (RHS))



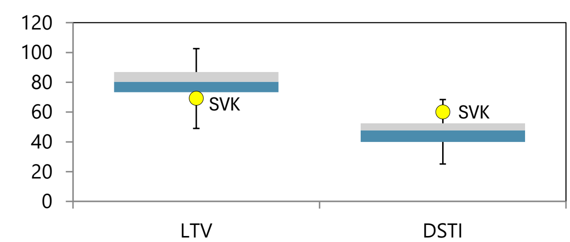
Note: The IMF method range uses five different methodologies for estimating the credit gap: (i) one-sided HP filter; (ii) Hamilton filter; (iii) Christiano-Fitzgerald filter; (iv) growth rate; and (v) moving average.
Source: NBS, ECB, and IMF.

Macroprudential Capital Buffers, 2024
(Percent)



Sources: ESRB, and IMF staff calculations.
Note: Number denotes level of positive neutral CCyB. 'Not set' denotes a positive neutral CCyB has been announced but not quantified. ** Includes sectoral SyRB where set when applied to all exposures in the country, * Maximum value of O-SII.

Cap on LTV and DSTI Ratios in Europe
(Percent)



Notes: The lines represent the minimum and maximum values, and the box the median and interquartile range. The data represents a simple average of regulatory LTV limits of all existing categories, based on the IMF's Macroprudential Survey of 2024.
Source: IMF, calculations based on IMF's Macroprudential Survey

24. Sustaining momentum in implementing FSAP recommendations will require continued efforts and robust interagency coordination (Annex V). Since the 2025 FSAP, the NBS has

[16] The NBS uses a composite indicator (the Cyclogram) to assess the financial cycle. While Cyclogram dynamics largely mirror the credit gap, the NBS considers it better suited in capturing financial cycle turning points.

strengthened legal protection for NBS supervisors by providing access to legal assistance, and enhanced systemic risk analysis capabilities, including by incorporating IFRS 9 into credit risk monitoring and expanding sensitivity analysis. A decree expanding the NBS's ability to collect loan-level data entered into force in January 2026. Other recommendations—such as streamlining off-site supervisory activities and strengthening on-site inspections in key risk areas—are ongoing. However, more effort is needed to close potential leakages in BBMs (e.g., using consumer loans to circumvent LTV limits) before these become a source of risk, and to limit banks' right to appeal to finalized prudential decisions. Implementation of recommendations to strengthen legal protection for non-NBS members of the Resolution Council, ensure the legal protection framework is enforced, and restrict judicial powers to suspend or reverse resolution decisions is pending finalization of EU-level reforms to the Crisis Management and Deposit Insurance (CMDI) framework.

25. Further efforts are needed to strengthen the AML/CFT framework. Progress has been made in conducting targeted risk assessments and amending the AML/CFT Act to require the Financial Intelligence Unit (FIU) to publish a list of FATF high-risk jurisdictions. However, further efforts are needed to improve beneficial ownership transparency, and address tax crime and related ML risks. Additional priorities include strengthening risk-based monitoring of ML/FT risks associated with cross-border financial flows and ensuring implementation of EU-level regulations related to virtual asset service providers (VASPs).

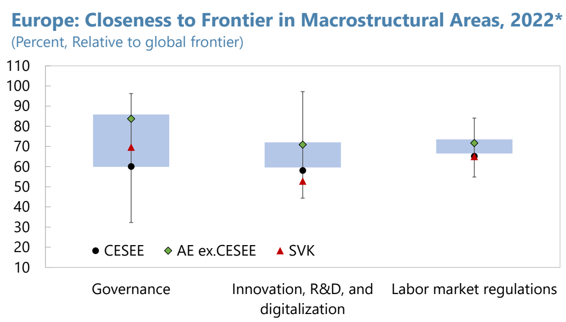
Authorities' Views

26. The authorities concurred with staff's assessment of the financial sector and macroprudential policies. They took note of the positive assessment of financial sector resilience and agreed that the macroprudential stance was broadly appropriate. The authorities emphasized their commitment to implementing FSAP recommendations, including those that require legislative changes. They emphasized that they do not view potential leakages in BBMs identified by the FSAP as a material source of risk but stand ready to act if needed. The authorities confirmed that strengthening their AML/CFT framework remains a priority.

C. Structural Policies

27. With the benefits of the transition to market economy and EU accession largely exhausted, further income convergence depends on structural reforms to address long-standing growth barriers. IMF analysis highlights areas where Slovakia lags other advanced economies and CESEE-EU peers—gaps that, if closed, could boost medium-term growth and support efforts to ensure debt

Figure 16. Slovak Republic: Structural Reform Priorities



Sources: Fraser Institute; OECD; GTA; Eurostat, Berkley; IMF, World Bank; and IMF staff calculations.
Note: *Global frontier is defined as the average of top 3 countries. Frontier = 100; all other values are normalized to this reference.The whiskers represent the range between the minimum and maximum values, while the bars indicate the interquartile range, spanning from the 25th to the 75th quartile. Regional numbers are simple average.

sustainability.[17] Priorities include: (i) boosting labor force participation and addressing skill shortages, (ii) facilitating innovation and technology adoption, (iii) access to risk capital for firms, and (iv) governance reforms to maintain a favorable investment climate (Figure 16). Given its small size and close integration with the EU, Slovakia would also benefit from complimentary EU-level reforms aimed at deepening the single market.

28. Structural reforms in these areas would strengthen productivity and lift the economy's growth potential, while supporting the fiscal position over the medium term.

- *Labor market reforms:* Slovakia is particularly exposed to the challenges of an aging population (Figure 24), which absent reforms, could result in stagnating living standards and rising fiscal pressures.[18] Reforms to raise labor force participation—especially among the elderly and women—should proceed when fiscal space allows (see Figure 17). The tightening of early retirement rules in 2024 is welcome; additional tightening, along with tax credits for older workers, could increase labor force participation further and help ease long-term pension pressures. Reducing the almost three-year maximum parental leave (one of the longest among OECD members), expanding childcare and elderly care, promoting flexible work arrangements and removing the early retirement option for women with children would support female employment and boost tax revenue. Expanding active labor market policies (ALMPs), including reskilling and upskilling programs, and using data-driven job-matching tools could improve the prospects of the long-term unemployed (Figure 24).[19] Finally, policies to raise employment rates among the Roma would allow Slovakia to better mobilize the potential of this untapped labor force.

- *Addressing skill shortages:* Measures to support life-long learning and reskilling in the Act on Adult Education and the easing of visa rules for highly skilled nationals are welcome. However, further efforts are needed to integrate and retain foreign workers, including by scaling up language training and streamlining certification recognition. Removing remaining barriers to labor mobility within the EU would result in productivity gains for the EU as whole but could increase outward migration, underscoring the importance of national reforms to address the root causes of emigration. These include raising the quality of tertiary education (e.g., linking funding more closely to performance outcomes), supporting a business environment conducive to the creation of high-quality jobs, and fostering confidence in Slovakia's long-term prospects and institutions (Figure 24).

- *Innovation and technology adoption*: Efforts to strengthen the innovation ecosystem—e.g., consolidating funding mechanisms, introducing a single evaluation system, and enacting a new

[17] See Budina et al. (2025), "Europe's National-Level Structural Reform Priorities", IMF Working Paper 25/104 for details.

[18] For further details see Slovak Republic: Selected Issues Papers: "The Impact of Aging on Growth", IMF Country Report No. 24/76.

[19] Croatia, Slovenia and Austria have pioneered the use of statistical profiling tools to better match workers' skills with job requirements. For further details see OECD, "Reforms of active labor market policies and impact evaluation".

Research, Development, and Innovation Act—are welcome, as is the higher R&D spending in the 2026 budget. However, additional efforts are needed to promote innovation-driven firm growth.[20] Redirecting R&D spending toward targeted tax incentives—including for startups that are not yet profitable—would stimulate firm-level innovation. In addition, introducing tax allowances for human capital investment, when fiscal space permits, could accelerate the adoption of digital technologies. Finally, initiatives to deepen collaboration between businesses and universities, and programs to attract and retain talent (e.g., mobility schemes for foreign academics) can enhance knowledge spillovers and technology adoption.

- *Strengthening access to risk capital:* Early-stage equity financing is essential for young firms to secure financing to invest and scale up their operations. Slovakia's financial markets provide limited access to such financing, as reflected in an underdeveloped domestic venture capital market (see Figure 17). At the national level, there is scope to encourage greater participation by institutional investors in early-stage equity financing.[21] Meanwhile, advancing the Capital Markets Union would facilitate cross-border flows of capital and help overcome the constraints associated with underdeveloped domestic capital markets. Finally, simplifying the tax treatment of non-resident equity holdings could increase predictability for prospective investors.

- *Deepening the single market*: Removing remaining barriers to the free flow of goods and services within the EU would help domestic firms leverage economies of scale to boost productivity and growth. Recent IMF research finds that even a modest 0.5 percentage point reduction in intra-EU trade costs could offset the GDP impact from higher U.S. tariffs on Slovakia.[22] Meanwhile, an effectively designed and implemented 28th corporate regime would facilitate Slovak firms' expansion abroad and increase investments from other EU countries.

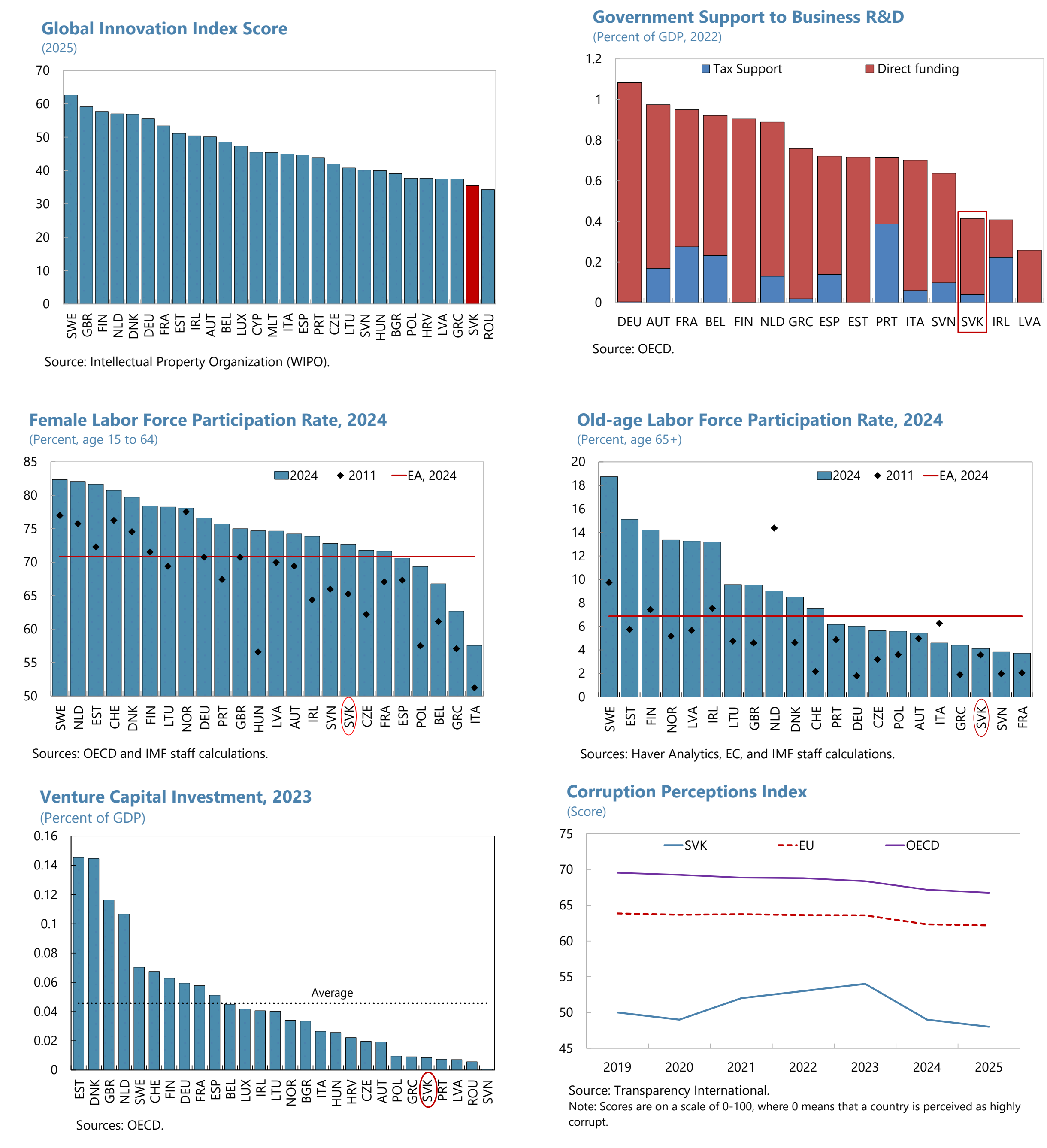
- *Strengthening governance and reducing corruption vulnerabilities:* Concerns remain regarding the effectiveness of anti-corruption policies and the rule of law, as highlighted by GRECO's report on the 2024 legislative amendments to the Criminal Code. While investigations and prosecutions of corruption appear to have increased (see Annex IV), the effectiveness of the new institutional framework for anti-corruption will need to be demonstrated over time. Ongoing legislative efforts to limit the scope for recalling Judicial Council members and tighten safeguards related to the crime of "abuse of law" are welcome. As noted in the 2025 Article IV consultation, other priorities include strengthening asset declaration and conflict of interest rules and reinforcing safeguards around the Prosecutor General's authority to annul decisions by lower-level prosecutors. Swift implementation of these reforms is essential to strengthen the governance framework, improve investment climate, and enable Slovakia to fully capture the benefits of domestic and EU-wide structural reforms.

[20] See, for example, the proposals to reform the R&D tax-deduction scheme in the Research and Innovation Authority's (VAIA) 2024 report.

[21] Estonia is an example of a country where the role of pension funds in early-stage equity financing has increased significantly in the last decade.

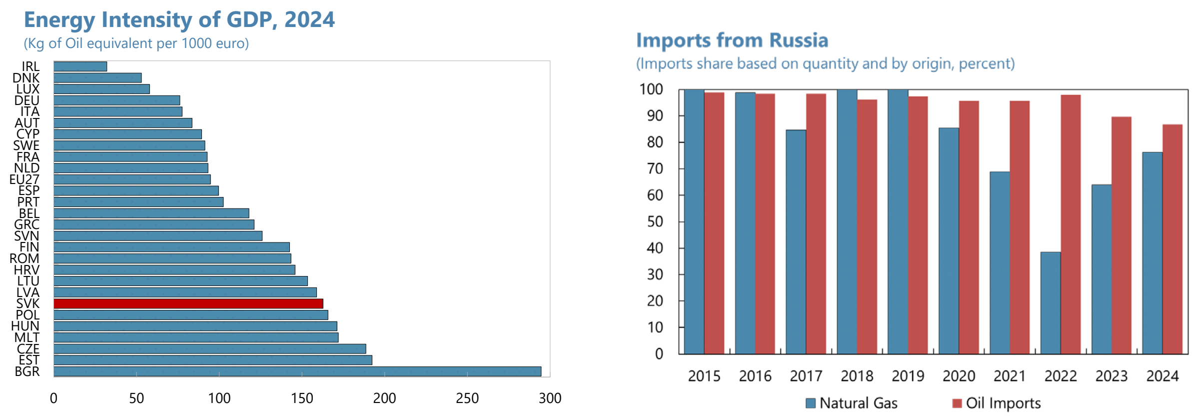
[22] For further details see IMF (2025), "Regional Economic Outlook for Europe, October 2025"

Figure 17. Slovak Republic: Domestic Reform Priorities



29. Secure access to affordable energy is critical for competitiveness, productivity, and growth. Slovakia remains among the most energy-intensive economies in Europe and is highly dependent on oil and gas imports from Russia (Figure 18). Reliance on Russian gas has declined following the expiry of the transit agreement through Ukraine at end-2024, and preparations are underway for the EU ban on Russian gas imports by 2027. Work is also ongoing to enable Slovakia's sole oil refinery to process non-Russian crude oil. While progress with diversifying Slovakia's energy supply is welcome, it could raise energy prices given the higher cost of non-Russian oil and gas, infrastructure bottlenecks (e.g., pipeline capacity constraints and interconnector bottlenecks), and higher transit fees. This underscores the need for a combination of domestic measures (e.g., phasing out fossil-fuel subsidies, investing in clean technologies like heat pumps, and expanding renewable energy resources) and EU-wide reforms (e.g., expanding interconnection capacity and harmonizing regulatory frameworks) to lower energy costs and volatility, enhance energy security, and promote energy efficiency. These reforms would also support decarbonization efforts and Slovakia's goal of net-zero emissions by 2050.

Figure 18. Slovak Republic: Energy Security



Sources: Eurostat and IMF staff calculations.

Sources: OECD and IMF staff calculations.

Authorities' Views

30. The authorities broadly concurred with staff's recommendations on structural policies. They agreed that raising labor force participation was necessary given intensifying demographic pressures, while pointing to reforms in the education sector to reduce skill shortages and address outward migration. The authorities acknowledged that efforts were needed to diversify the economy and support income convergence. They pointed to the preparation of national strategy—Slovensko 2040—that will lay out a strategy for improving quality of life in Slovakia. They concurred that EU-level reforms would complement domestic reform efforts. The authorities agreed that a strong governance framework is essential for fostering a favorable investment climate and pointed to legislative efforts to strengthen judicial independence that they argued were not reflected in recent assessments by GRECO and the EC.

STAFF APPRAISAL

31. Growth slowed to 0.8 percent in 2025 and is projected to remain stable at 0.9 percent in 2026 amid necessary fiscal consolidation, elevated uncertainty, and a softening labor market. Adverse demographic trends and lackluster productivity are projected to weigh on medium-term growth. Headline inflation picked up to 4.2 percent in 2025 and is expected to remain elevated in 2026 as energy price subsidies are gradually withdrawn. Risks to growth—including escalating trade tensions, fiscal consolidation delays and a slowdown of EU funds—are to the downside. Slovakia's external position is assessed to be moderately weaker than the level implied by fundamentals and desirable policies.

32. The fiscal consolidation in the 2026 budget is appropriate, but the consolidation package, as a whole, lacks strategic direction. While the headline deficit is projected to exceed budget targets, the estimated 0.9 percentage point reduction in the structural primary deficit is broadly consistent with the budget and strikes a good balance between avoiding a further economic slowdown and the need for fiscal consolidation. The greater emphasis on expenditure cuts compared to previous years is welcome. However, other measures, including abolishing some public holidays and increasing sin taxes, appear driven by decisions taken late in the budget process and do not appear to be part of a comprehensive deficit-reduction plan.

33. Additional deficit-reducing measures will be required over the medium term. Stabilizing debt amid rising spending pressures will require additional consolidation measures in 2027 and beyond. There are options for achieving this in a way that supports growth while safeguarding the vulnerable. Reducing items subject to lower VAT rates, increasing the reduced VAT rate, reforming property taxation and indexing excises to inflation could generate additional revenue. On the spending side, there is scope to better target social spending and implement Value for Money initiatives (e.g., a reduction in subsidies). Household energy support should be phased out as they are costly and discourage energy conservation.

34. A multi-year fiscal strategy for reducing the deficit would strengthen policy credibility. Advancing key political decisions and providing more forward guidance on the medium-term fiscal plan would facilitate complex tax and spending-efficiency measures, reduce uncertainty, and support domestically financed public investment. Reforming the debt brake before its reactivation in 2026 would reduce the risk of a sharp fiscal consolidation that could further weaken the economy.

35. The financial sector remains resilient but continued vigilance is warranted given the economic slowdown. An increase in the debt-service burden of households and corporates has raised their vulnerability to further labor market weakening or lower revenue growth. Risks in the CRE sector remain elevated due to high leverage and thin margins. On balance, the current level of the CCyB remains appropriate. BBMs have effectively contained household credit risks and should be maintained, while the bank levy should be phased out as planned.

36. Significant progress has been made in implementing FSAP recommendations, though more is needed. Priorities include closing potential gaps in BBMs, strengthening legal protection for non-NBS supervisors, confining banks' appeal powers to finalized prudential decisions, restricting judicial powers to suspend or reverse resolution decisions, and strengthening the AML/CFT framework.

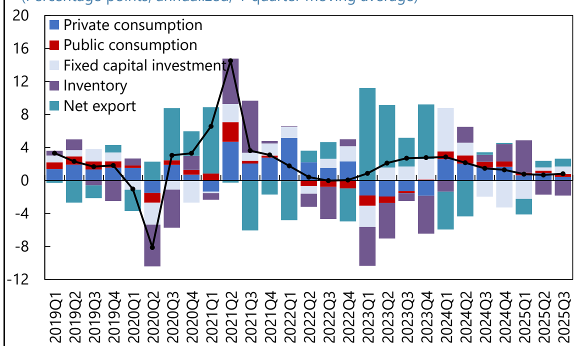
37. Structural reforms are necessary to lift the economy's growth potential, while supporting efforts to keep public debt on a sustainable trajectory. Priorities include policies to boost labor force participation and address skill shortages, support for innovation and technology adoption, and raising the quality of tertiary education. Strengthening the governance framework is key to the success of other reforms and would help lift the economy's growth potential. Slovakia would also benefit from EU-level reforms aimed at deepening the single market and expanding access to risk capital. Investing in clean technologies and phasing out fossil-fuel subsidies, while advancing EU-wide reforms to integrate energy markets in Europe would strengthen energy security and efficiency, and promote decarbonization.

38. It is recommended that the next Article IV consultation take place on the standard 12-month consultation cycle.

Figure 19. Slovak Republic: Real Sector Developments

Growth in recent years has been driven by private consumption growth and inventory accumulation.

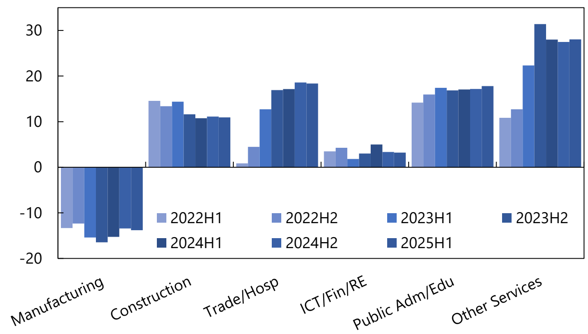
Contribution to Real GDP Growth
(Percentage points, annualized, 4-quarter moving average)



Sources: Haver Analytics and IMF staff calculation.

While value-added has increased in the services sector, activity in the manufacturing sector remains subdued.

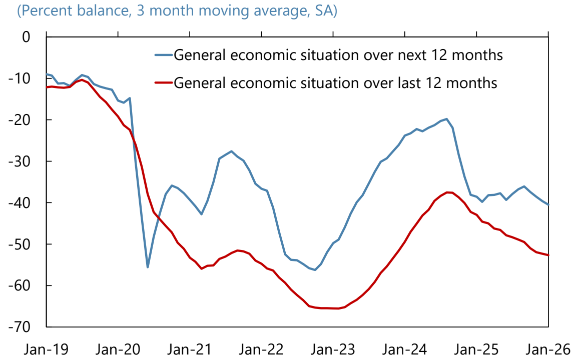
Real Gross Value Added by Sector
(Percent change relative to 2019Q4)



Sources: Haver Analytics and IMF staff calculations.

Consumer confidence has declined.

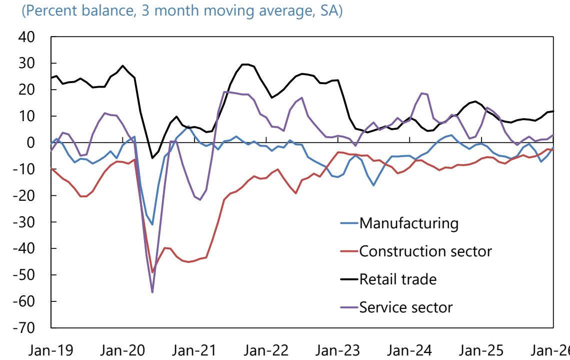
Consumer Confidence Indicator
(Percent balance, 3 month moving average, SA)



Source: Haver Analytics.

Business confidence has declined somewhat, especially in the services sector.

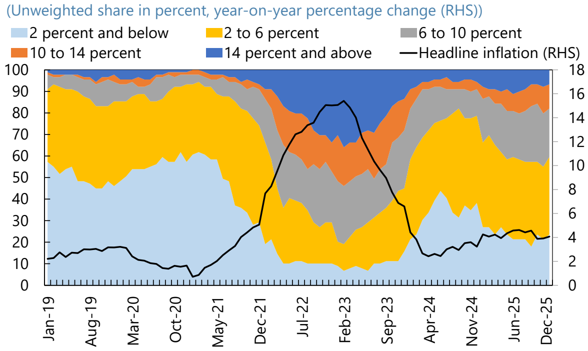
Business Confidence Indicators
(Percent balance, 3 month moving average, SA)



Source: Haver Analytics.

The pickup in inflation has been broad-based.

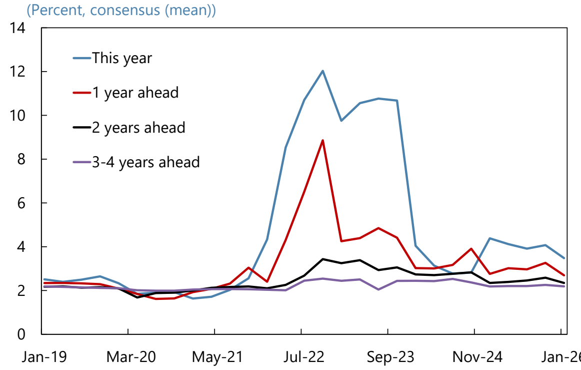
Distribution of Inflation Component Price Change
(Unweighted share in percent, year-on-year percentage change (RHS))



Note: Distribution based on year-on-year rates of 89 HICP items.
Sources: Haver Analytics and IMF staff calculations.

Medium-term inflation expectations are well-anchored.

Inflation Expectations
(Percent, consensus (mean))



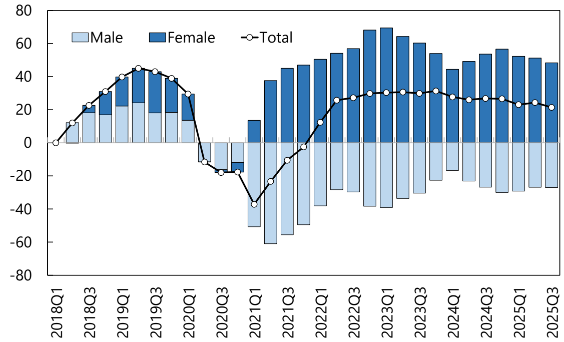
Sources: Consensus Forecasts and IMF staff calculations.

Figure 20. Slovak Republic: Labor Market Developments

Employment has remained declined modestly in recent years.

Employment

(Cumulative changes from 2018Q1, thousand persons, SA)

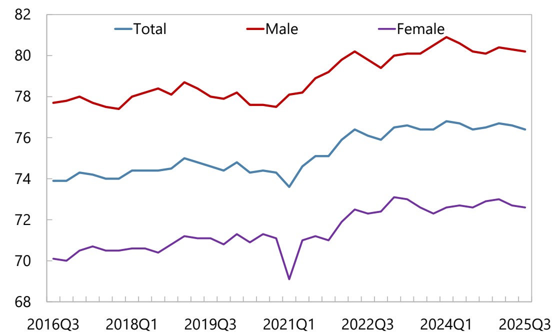


Sources: Haver Analytics and IMF staff calculations.

Labor force participation has remained broadly stable.

Labor Force Participation Rate

(Percent, age 15 to 64 years, SA)

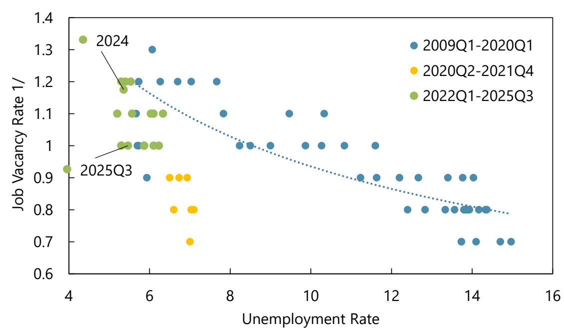


Source: Haver Analytics.

A decline in the vacancy rate suggests the labor market is cooling, though this has yet to result in higher unemployment.

Beveridge Curve

(Percent)

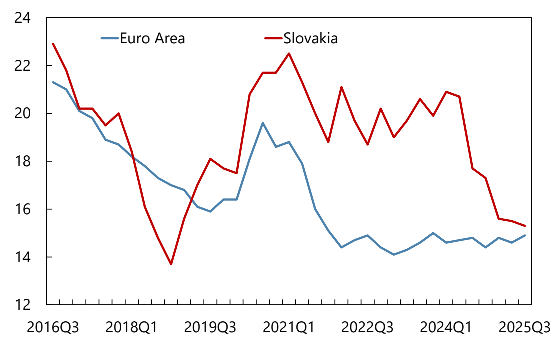


1/ Number of job vacancies / (Number of occupied posts+Number of job vacancies).
Source: Haver Analytics.

Youth unemployment has declined in recent years.

Youth Unemployment Rate

(Percent of labor force, SA)

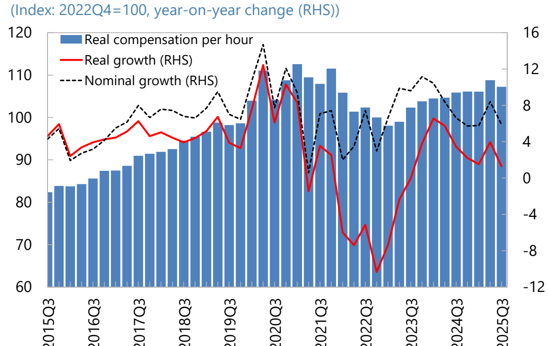


Source: Eurostat.

Despite positive real wage growth, compensation of employees per hour has not yet returned to where it was prior to the inflation surge.

Compensation of Employees Per Hour

(Index: 2022Q4=100, year-on-year change (RHS))

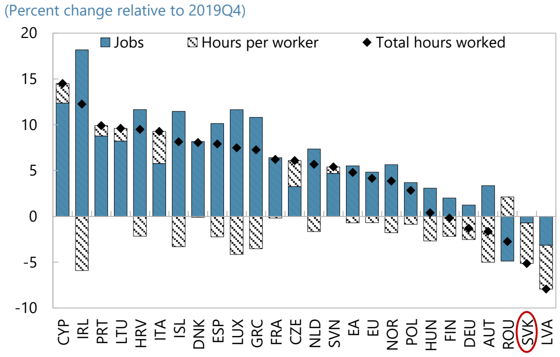


Sources: Haver Analytics, and IMF staff calculations.

Hours worked lag employment and remain well below pre-pandemic levels.

Working Hours Growth Decomposition, 2025Q3

(Percent change relative to 2019Q4)



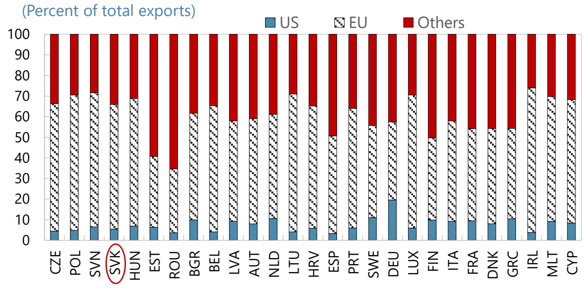
Sources: Eurostat; and IMF staff calculations.

Figure 21. Slovak Republic: External Sector Developments

Slovakia's exports are heavily dependent on intra-EU trade.

Exports of EU Countries by Destination, 2022

(Percent of total exports)

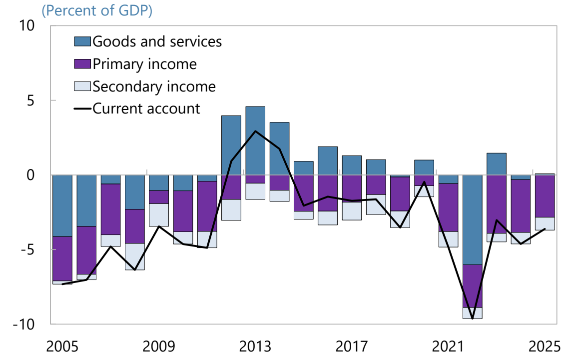


Sources: OECD TiVA 2025 and IMF staff calculations.

Primary income outflows kept the current account deficit elevated in 2025…

Current Account Balance

(Percent of GDP)

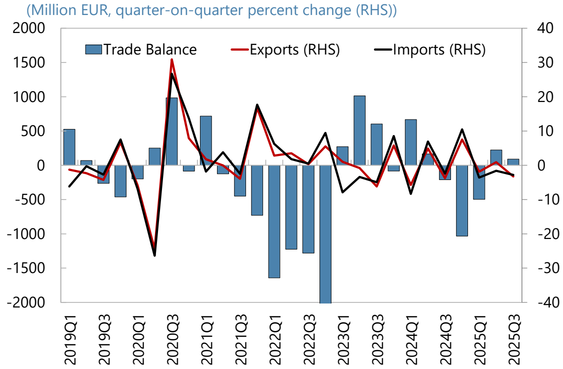


Sources: Haver Analytics and IMF staff calculations.

…although the trade balance strengthened in 2025.

Foreign Trade

(Million EUR, quarter-on-quarter percent change (RHS))

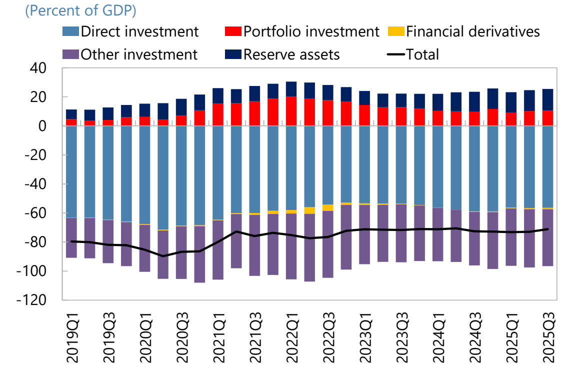


Source: Haver Analytics.

The net international investment position remains negative due to large FDI liabilities.

Net International Investment Position

(Percent of GDP)

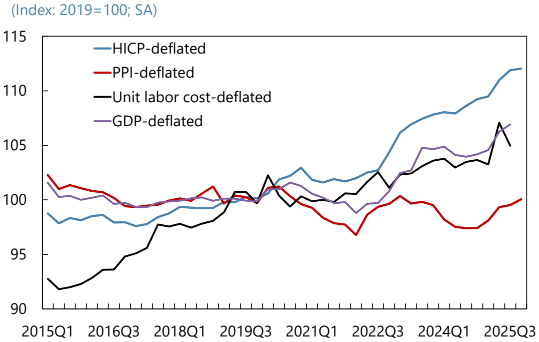


Sources: Haver Analytics and IMF staff calculations.

The real effective exchange rate has appreciated…

Real Effective Exchange Rate

(Index: 2019=100; SA)

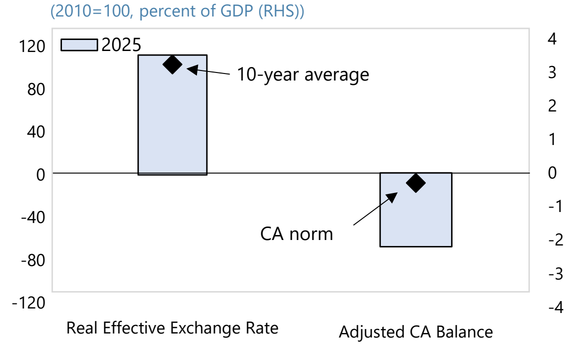


Sources: Haver Analytics and IMF staff calculations.

…and staff assesses the external position to be moderately weaker than fundamentals.

External Position

(2010=100, percent of GDP (RHS))

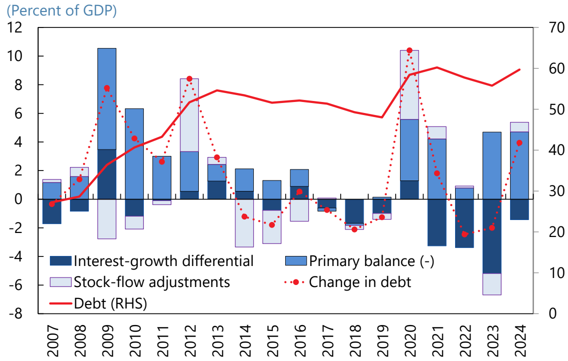


Sources: IMF INS database and IMF staff calculations.

Figure 22. Slovak Republic: Fiscal Sector Developments

Public debt continues to increase…

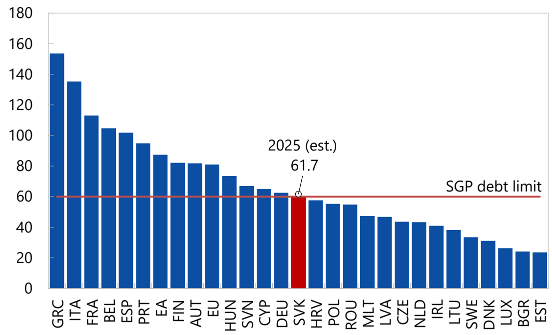
Public Debt
(Percent of GDP)



Sources: Haver Analytics and IMF staff calculations.

…and is projected to exceed the Stability and Growth Pact's 60 percent of GDP limit in 2025.

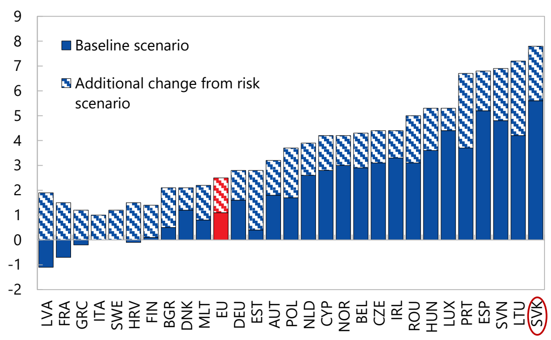
General Government Gross Debt
(Percent of GDP, 2024)



Sources: Haver Analytics and IMF staff calculations.

Aging-related spending pressures are expected to rise significantly…

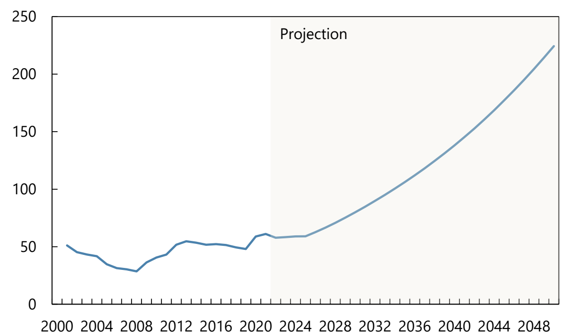
Change in Cost of Ageing (2022 to 2050)
(Percent of GDP)



Source: European Commission, EPC.

…which, absent adjustment, will put pressure on long-term debt sustainability.

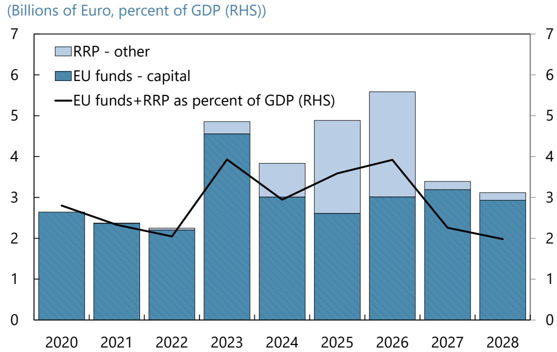
Government Debt With Ageing Related Costs
(Percent of GDP)



Source: OECD Economic Surveys Slovak Republic 2022.

The end of the RRP in 2026 will put downward pressure on public investment.

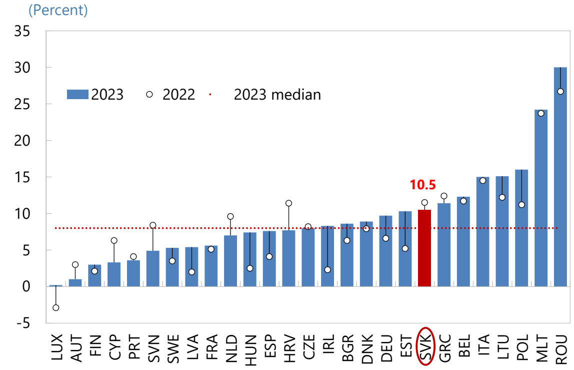
Investment Funded by EU Grants
(Billions of Euro, percent of GDP (RHS))



Source: Slovak Ministry of Finance.

While the VAT compliance gap has decreased, it remains above the median of EU countries.

VAT Compliance Gap
(Percent)

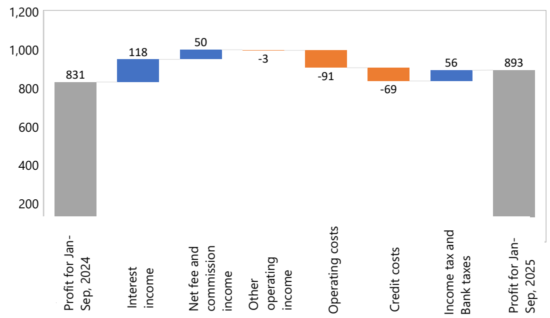


Source: VAT Gap in the EU 2025 Report, European Commission

Figure 23. Slovak Republic: Financial Sector and Real Estate Market Developments

Bank profits are supported by net interest income, fee and commission income, and the phase-out of the bank levy.

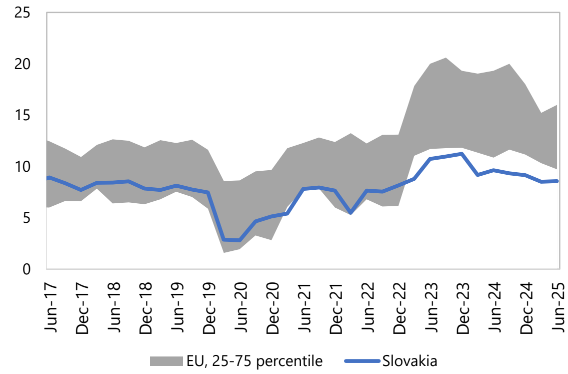
The Banking Sector's Net Profit and Contributions
(Year-on-year change, EUR millions)



Source: National Bank of Slovakia.

Slovak banks are less profitable than those in other EU nations, mainly because of the bank levy.

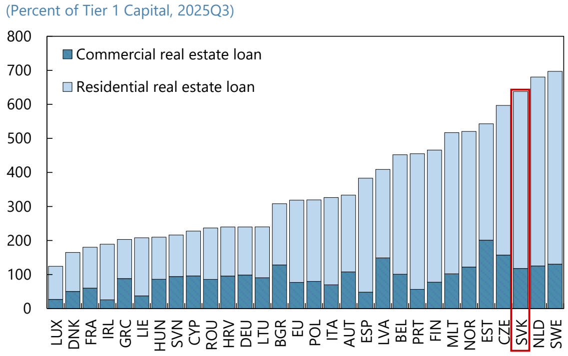
Return on Equity
(Annualized, percent)



Source: Haver Analytics.

Slovak banks are heavily exposed to residential and commercial real estate.

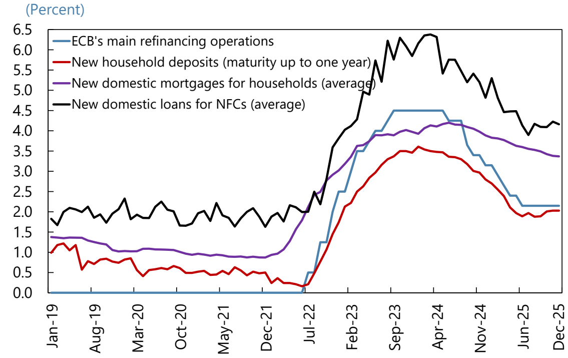
Bank Credit Exposure to Real Estate
(Percent of Tier 1 Capital, 2025Q3)



Sources: European Banking Authority and IMF staff calculations.

Deposit and lending rates have declined in line with the decline in the ECB's policy rate.

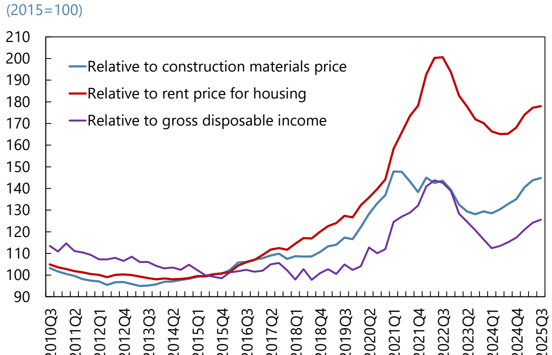
Interest Rate
(Percent)



Source: National Bank of Slovakia.

House prices remain elevated relative to standard valuation metrics.

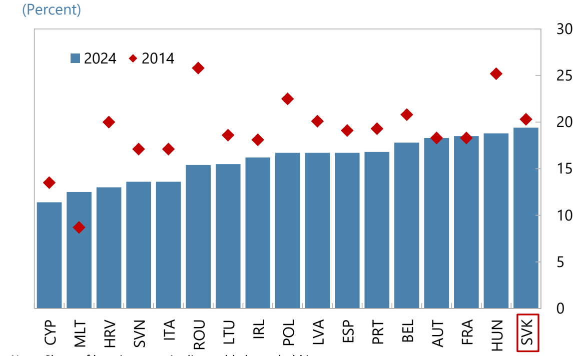
Residential Property Price Index
(2015=100)



Sources: Haver Analytics and IMF staff calculations.

Housing affordability remains low.

Housing Affordability
(Percent)

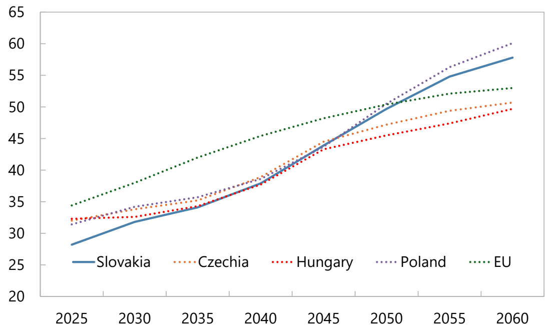


Note: Share of housing costs in disposable household income
Source: Eurostat.

Figure 24. Slovak Republic: Structural Developments

Slovakia is facing pressures from a rapidly aging society…

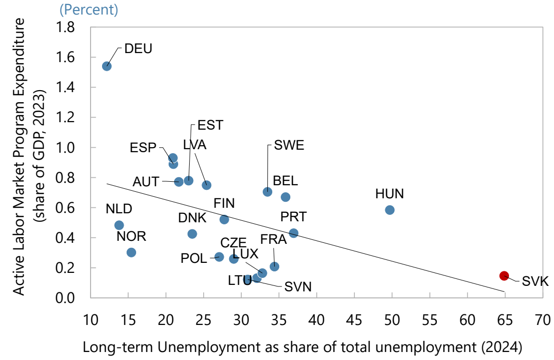
Old-Age Dependency Ratio
(65+/15-64, in percent)



Sources: Eurostat

…and spends relatively little on ALMPs that could raise labor force participation.

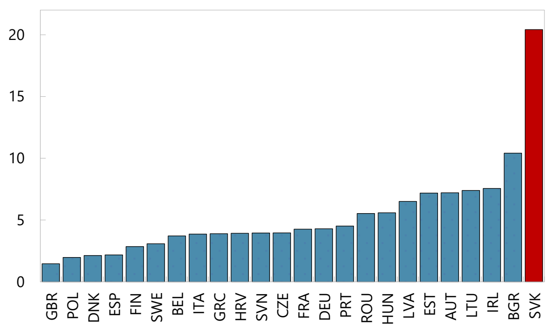
Active Labor Market Policies in Select EU Countries
(Percent)



Sources: OECD, Haver Analytics and IMF staff calculations.

The high share of tertiary students studying abroad is contributing to a loss of highly skilled human capital.

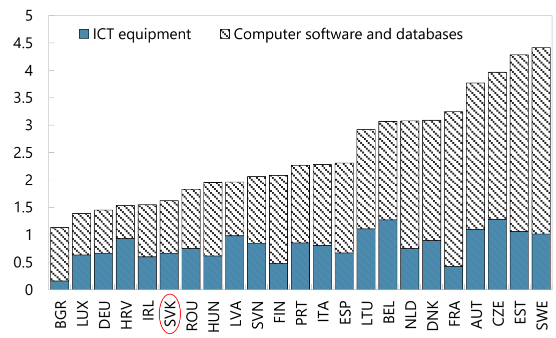
The Share of National Tertiary Students Enrolled Abroad
(Percent, 2023)



Source: OECD.

ICT investment is lower than in other EU countries.

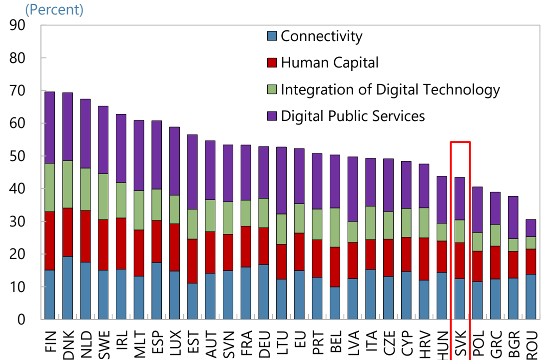
ICT Gross Fixed Capital Formation
(Percentage of GDP, average from 2017 to 2024 or the latest)



Source: OECD and IMF staff calculations.

Slovakia's economy is among the least digitalized in the EU…

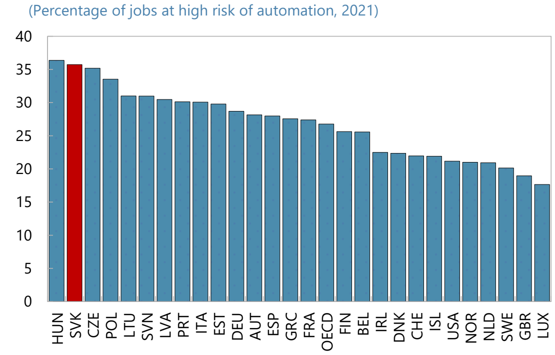
Digital Economy and Society Index, 2022
(Percent)



Source: European Commission.

…and a large share of jobs are at risk of automation.

Jobs have a High Risk of Automation
(Percentage of jobs at high risk of automation, 2021)



Source: Society at a Glance 2024 -OECD.

Table 1. Slovak Republic: Summary of Economic Indicators, 2021–31

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
					Est.	Projections					
	(Annual percent change, unless otherwise indicated)										
Output/Demand											
Real GDP	5.7	0.5	2.1	1.9	0.8	0.9	1.8	2.4	2.3	2.1	1.8
Domestic demand	6.3	1.8	-4.8	4.3	0.8	0.4	1.0	2.4	2.4	2.1	1.8
Public consumption	3.7	-2.9	-2.5	4.0	1.1	-0.5	0.9	1.2	1.3	1.1	1.1
Private consumption	3.0	5.0	-2.8	3.4	0.7	0.1	0.9	2.1	1.9	1.6	1.4
Gross fixed capital formation	5.1	4.3	4.0	1.6	0.5	1.6	0.8	3.7	4.1	3.9	2.9
Exports of goods and services	10.6	2.9	-0.2	-0.3	4.3	3.1	3.7	3.7	3.6	3.5	3.5
Imports of goods and services	11.6	4.4	-7.1	2.0	3.6	2.6	2.8	3.8	3.7	3.6	3.6
Potential Growth	1.1	1.7	2.0	2.0	1.9	1.9	1.8	1.8	1.8	1.8	1.8
Output gap	1.7	0.6	0.7	0.7	-0.5	-1.4	-1.4	-0.8	-0.4	0.0	0.0
Contribution to Growth	(Percent)										
Domestic demand	6.3	1.8	-4.1	3.9	0.1	0.4	0.9	2.3	2.2	2.0	1.7
Public consumption	0.8	-0.6	-0.5	0.8	0.2	-0.1	0.2	0.2	0.2	0.2	0.2
Private consumption	1.7	2.8	-1.6	1.9	0.4	0.0	0.5	1.2	1.1	0.9	0.8
Gross fixed capital formation	1.0	0.9	0.8	0.3	0.1	0.3	0.2	0.8	0.9	0.8	0.6
Inventories	2.8	-1.2	-2.8	0.9	-0.7	0.1	0.1	0.1	0.1	0.1	0.1
Net exports	-0.7	-1.2	6.2	-2.0	0.7	0.5	0.9	0.1	0.1	0.1	0.1
Prices											
Inflation (HICP)	2.8	12.1	11.0	3.2	4.2	3.4	3.0	2.8	2.3	2.0	2.0
Inflation (HICP, end of period)	5.1	15.1	6.6	3.2	4.1	2.7	3.0	2.8	2.3	2.0	2.0
Core inflation	3.5	10.4	11.4	4.1	5.2	3.0	2.1	2.0	2.0	2.0	2.0
Core inflation (end of period)	5.6	13.8	6.8	4.2	5.1	2.1	2.0	2.0	2.0	2.0	2.0
GDP deflator	2.2	7.3	10.0	3.4	4.2	3.2	3.0	2.9	2.3	2.0	2.0
Employment and Wages											
Employment	-0.6	1.8	0.3	-0.2	-0.1	-0.7	-0.1	-0.1	-0.1	-0.2	-0.2
Unemployment rate (Percent)	6.8	6.2	5.8	5.4	5.4	5.8	5.7	5.6	5.6	5.6	5.6
Nominal wages	6.8	7.8	9.6	6.6	5.8	4.3	4.5	4.9	4.3	3.9	3.9
Public Finance, General Government	(Percent of GDP)										
Revenue	39.8	41.5	42.9	42.0	43.7	44.3	41.9	41.3	41.2	41.1	41.1
Expenditure	44.8	43.1	48.2	47.5	48.7	48.7	46.8	46.4	46.4	46.5	46.6
Overall balance	-5.1	-1.6	-5.3	-5.5	-5.0	-4.4	-4.9	-5.1	-5.2	-5.4	-5.5
Primary balance	-4.2	-0.8	-4.7	-4.7	-3.9	-3.1	-3.4	-3.5	-3.5	-3.6	-3.7
Structural balance (Percent of potential GDP)	-2.5	-1.0	-3.7	-5.0	-4.3	-3.5	-4.1	-4.7	-5.0	-5.3	-5.5
General government debt	60.2	57.8	55.8	59.7	61.7	63.4	65.8	67.7	70.0	72.8	75.9
Monetary and Financial Indicators	(Percent)										
Credit to private sector (Growth rate)	7.6	10.2	3.2	2.7	6.7	4.1	5.1	5.8	5.3	5.0	4.6
Mortgage lending rates	1.0	2.0	3.8	4.1	...	...	...	...	...	...	...
Government 10-year bond yield	0.0	2.2	3.7	3.5	3.4	3.8	3.8	3.9	4.0	4.1	4.1
Balance of Payments	(Percent of GDP)										
Trade balance (goods)	-1.4	-6.6	0.7	-0.8	-0.2	0.4	1.4	1.6	1.9	2.0	2.0
Current account balance	-4.8	-9.6	-3.0	-4.6	-3.6	-2.9	-1.8	-1.5	-1.2	-1.2	-1.1
Gross external debt	132.0	105.6	98.1	101.4	102.5	100.8	97.6	93.9	91.0	88.5	86.4
Saving and Investment Balance	(Percent of GDP)										
Gross national savings	17.8	13.7	16.8	15.5	15.2	16.4	17.1	17.4	17.6	17.8	18.0
Private sector	19.8	12.1	18.4	17.4	15.1	15.6	17.9	18.8	19.2	19.6	20.0
Public sector	-2.0	1.6	-1.6	-1.9	0.1	0.8	-0.8	-1.5	-1.7	-1.8	-2.0
Gross capital formation	22.6	23.3	19.8	20.1	18.9	19.2	18.9	18.9	18.8	19.0	19.2
Memo Item											
EU grants (Percent of GDP)	1.2	1.6	3.0	1.7	2.3	3.1	1.9	1.4	1.4	1.4	1.4
Nominal GDP (Millions of euros)	101,892	109,960	123,539	130,208	136,742	142,401	149,355	157,360	164,676	171,515	178,083

Sources: National Authorities; and IMF staff estimates and projections.

Table 2. Slovak Republic: Statement of Operations of The General Government, 2021–31

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
					Est.	Projections					
				(Millions of euros)							
Revenue 1/	**40,505**	**45,653**	**53,054**	**54,649**	**59,757**	**63,136**	**62,600**	**64,938**	**67,813**	**70,518**	**73,133**
Taxes	19,884	22,387	24,589	25,676	27,837	28,965	29,892	31,212	32,502	33,718	34,905
Personal income tax	3,760	4,164	4,685	4,813	5,139	5,466	5,740	6,083	6,365	6,630	6,884
Corporate income tax	3,633	4,534	4,491	5,082	5,432	5,588	5,725	5,944	6,220	6,478	6,727
VAT	7,494	8,556	9,733	9,915	10,996	11,446	11,690	12,183	12,642	13,091	13,548
Excises	2,958	2,797	3,021	2,884	2,997	3,000	3,092	3,249	3,346	3,428	3,500
Other taxes	2,039	2,336	2,659	2,982	3,273	3,464	3,646	3,753	3,928	4,091	4,248
Social contributions	15,683	16,596	18,946	20,965	22,119	22,992	23,894	25,125	26,326	27,453	28,522
Grants	1,588	3,003	4,921	3,017	4,342	5,809	3,627	3,293	3,430	3,561	3,698
o/w EU Grants	1,196	1,732	3,751	2,154	3,086	4,371	2,773	2,197	2,288	2,375	2,466
Other revenue	3,349	3,668	4,598	4,992	5,460	5,370	5,187	5,309	5,556	5,786	6,008
Expenditure	**45,691**	**47,373**	**59,596**	**61,806**	**66,619**	**69,420**	**69,857**	**73,008**	**76,346**	**79,723**	**82,973**
Expense	42,534	43,928	55,006	57,113	59,562	62,051	63,800	67,249	70,537	73,691	76,710
Compensation of employees	11,411	11,896	13,551	14,847	15,641	16,329	17,126	18,044	18,982	19,822	20,581
Use of goods and services	5,719	6,600	6,676	7,423	8,380	8,071	8,295	8,735	9,108	9,497	9,872
Interest	1,099	1,139	1,428	1,850	2,212	2,420	2,730	3,085	3,282	3,555	3,850
Subsidies	1,369	1,196	4,182	2,216	1,530	1,379	986	932	975	1,016	1,055
Grants and transfers	3,765	2,589	2,657	2,756	2,921	4,772	5,045	5,137	5,376	5,599	5,813
Social benefits	18,456	19,738	24,446	27,261	27,887	27,631	28,520	30,338	31,790	33,136	34,431
Other expense	714	771	2,067	760	991	1,450	1,098	979	1,024	1,067	1,107
Net acquisition of nonfinancial assets	3,157	3,445	4,590	4,694	7,057	7,369	6,058	5,759	5,809	6,032	6,263
o/w Defense spending 3/	190	212	151	411	1,441	1,272	1,630	1,661	1,540	1,600	1,661
Gross Operating Balance	-2,029	1,725	-1,952	-2,463	196	1,085	-1,199	-2,311	-2,724	-3,173	-3,576
Net Lending(+)/Borrowing(-)	**-5,186**	**-1,719**	**-6,542**	**-7,157**	**-6,861**	**-6,285**	**-7,257**	**-8,070**	**-8,533**	**-9,205**	**-9,839**
				(Percent of GDP)							
Revenue 2/	**39.8**	**41.5**	**42.9**	**42.0**	**43.7**	**44.3**	**41.9**	**41.3**	**41.2**	**41.1**	**41.1**
Taxes	19.5	20.4	19.9	19.7	20.4	20.3	20.0	19.8	19.7	19.7	19.6
Personal income tax	3.7	3.8	3.8	3.7	3.8	3.8	3.8	3.9	3.9	3.9	3.9
Corporate income tax	3.6	4.1	3.6	3.9	4.0	3.9	3.8	3.8	3.8	3.8	3.8
VAT 2/	7.4	7.8	7.9	7.6	8.0	8.0	7.8	7.7	7.7	7.6	7.6
Excises	2.9	2.5	2.4	2.2	2.2	2.1	2.1	2.1	2.0	2.0	2.0
Other taxes	2.0	2.1	2.2	2.3	2.4	2.4	2.4	2.4	2.4	2.4	2.4
Social contributions	15.4	15.1	15.3	16.1	16.2	16.1	16.0	16.0	16.0	16.0	16.0
Grants	1.6	2.7	4.0	2.3	3.2	4.1	2.4	2.1	2.1	2.1	2.1
o/w EU grants 2/	1.2	1.6	3.0	1.7	2.3	3.1	1.9	1.4	1.4	1.4	1.4
Other revenue	3.3	3.3	3.7	3.8	4.0	3.8	3.5	3.4	3.4	3.4	3.4
Expenditure	**44.8**	**43.1**	**48.2**	**47.5**	**48.7**	**48.7**	**46.8**	**46.4**	**46.4**	**46.5**	**46.6**
Expense	41.7	39.9	44.5	43.9	43.6	43.6	42.7	42.7	42.8	43.0	43.1
Compensation of employees	11.2	10.8	11.0	11.4	11.4	11.5	11.5	11.5	11.5	11.6	11.6
Use of goods and services	5.6	6.0	5.4	5.7	6.1	5.7	5.6	5.6	5.5	5.5	5.5
Interest	1.1	1.0	1.2	1.4	1.6	1.7	1.8	2.0	2.0	2.1	2.2
Subsidies	1.3	1.1	3.4	1.7	1.1	1.0	0.7	0.6	0.6	0.6	0.6
Grants and transfers	3.7	2.4	2.2	2.1	2.1	3.4	3.4	3.3	3.3	3.3	3.3
Social benefits	18.1	17.9	19.8	20.9	20.4	19.4	19.1	19.3	19.3	19.3	19.3
Other expense	0.7	0.7	1.7	0.6	0.7	1.0	0.7	0.6	0.6	0.6	0.6
Net acquisition of nonfinancial assets	3.1	3.1	3.7	3.6	5.2	5.2	4.1	3.7	3.5	3.5	3.5
o/w Defense spending 3/	0.2	0.2	0.1	0.3	1.1	0.9	1.1	1.1	0.9	0.9	0.9
Gross Operating Balance	-2.0	1.6	-1.6	-1.9	0.1	0.8	-0.8	-1.5	-1.7	-1.8	-2.0
Net Lending(+)/Borrowing(-)	**-5.1**	**-1.6**	**-5.3**	**-5.5**	**-5.0**	**-4.4**	**-4.9**	**-5.1**	**-5.2**	**-5.4**	**-5.5**
Memorandum Items:											
Primary balance	-4.2	-0.8	-4.7	-4.7	-3.9	-3.1	-3.4	-3.5	-3.5	-3.6	-3.7
Structural primary balance 4/	-1.6	-0.2	-3.1	-4.2	-3.2	-2.2	-2.6	-3.0	-3.4	-3.6	-3.7
Cyclically-Adjusted Primary Balance adj. for EU grants 4/	-6.2	-2.6	-8.1	-6.7	-5.9	-5.5	-4.6	-4.5	-4.7	-5.0	-5.1
Gross public debt	60.2	57.8	55.8	59.7	61.7	63.4	65.8	67.7	70.0	72.8	75.9
Nominal GDP (Millions of euros)	101,892	109,960	123,539	130,208	136,742	142,401	149,355	157,360	164,676	171,515	178,083

Sources: National Authorities; and IMF staff estimates and projections.
1/ Baseline forecast only includes specified measures.
2/ The decline from 2026 to 2027 mainly reflects the end of the Recovery and Resilience Plan (RRP) and associated fall in VAT revenue
3/ Reflects the accrual recording for the acquisition of military equipment in line with ESA methodology with delivery starting 2022.
4/ Percent of potential GDP.

Table 3. Slovak Republic: Balance of Payments, 2021–31

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
					Est.	Projections					
(Millions of euros)											
Current Account	**-4,925**	**-10,589**	**-3,736**	**-6,021**	**-4,953**	**-4,065**	**-2,657**	**-2,341**	**-1,997**	**-2,069**	**-2,022**
Trade balance (goods)	-1,462	-7,229	863	-1,049	-217	615	2,022	2,519	3,069	3,406	3,529
Exports, f.o.b.	82,331	96,336	100,520	98,281	103,209	106,613	110,609	115,111	119,774	124,746	129,895
Imports, f.o.b.	83,793	103,565	99,657	99,330	103,427	105,998	108,587	112,592	116,705	121,341	126,365
Services balance	873	614	941	639	322	451	656	754	716	494	542
Receipts	10,077	12,485	12,356	12,850	12,905	13,349	13,871	14,458	15,067	15,715	16,387
Payments	9,204	11,871	11,415	12,211	12,583	12,898	13,214	13,704	14,350	15,222	15,845
Primary income balance	-3,277	-3,154	-4,837	-4,609	-3,876	-4,272	-4,481	-4,757	-4,940	-5,148	-5,303
Credit	3,813	4,075	4,471	5,005	4,874	4,772	4,943	5,058	5,139	5,258	5,418
Debit	7,090	7,229	9,308	9,614	8,750	9,045	9,424	9,815	10,080	10,405	10,721
Secondary income balance	-1,059	-819	-703	-1,003	-1,181	-859	-854	-857	-841	-820	-790
Credit	1,444	1,565	1,775	1,643	1,526	1,950	1,958	2,021	2,092	2,159	2,224
Debit	2,502	2,385	2,478	2,646	2,707	2,809	2,812	2,877	2,934	2,980	3,014
Capital Account	**1,078**	**1,293**	**534**	**1,365**	**315**	**1,461**	**1,292**	**1,179**	**1,133**	**1,074**	**1,018**
Financial Account	**-2,952**	**-7,896**	**-4,250**	**-4,024**	**-6,627**	**-2,603**	**-1,365**	**-1,162**	**-864**	**-994**	**-1,004**
Direct investment, net	-1,288	-2,638	-1,382	-2,544	-1,245	-1,202	-1,261	-1,108	-922	-960	-997
Assets	1,011	1,969	-898	2,077	1,277	1,424	1,494	1,794	1,976	2,058	2,137
Liabilities	2,299	4,607	484	4,620	2,522	2,626	2,755	2,902	2,898	3,019	3,134
Portfolio investment, net	4,954	1,634	-7,682	-3,765	-4,160	-712	150	158	226	163	186
Assets	6,239	1,753	74	6,141	4,338	4,634	5,083	4,917	5,166	5,290	5,339
Liabilities	1,285	119	7,755	9,906	8,499	5,346	4,933	4,759	4,940	5,127	5,154
Other investment, net	-6,929	-7,142	4,199	-388	-2,190	-689	-254	-211	-168	-197	-193
Assets	16,270	-22,565	1,007	902	-2,598	-2,706	-2,838	-2,990	-3,129	-3,259	-3,384
Liabilities	23,199	-15,423	-3,192	1,290	-408	-2,017	-2,584	-2,779	-2,961	-3,062	-3,191
Financial derivatives, net	-106	-1,004	6	70	329	0	0	0	0	0	0
Reserve assets	418	1,254	608	2,602	639	0	0	0	0	0	0
Errors and Omissions	**895**	**1,400**	**-1,047**	**632**	**-1,989**	**0**	**0**	**0**	**0**	**0**	**0**
Net International Investment Position	**-60,634**	**-69,617**	**-71,422**	**-71,567**	**-78,194**	**-81,632**	**-85,796**	**-90,594**	**-95,071**	**-99,481**	**-103,474**
External Debt	**134,512**	**116,067**	**121,230**	**132,065**	**140,155**	**143,484**	**145,834**	**147,814**	**149,793**	**151,858**	**153,821**
(Percent of GDP)											
Current Account	**-4.8**	**-9.6**	**-3.0**	**-4.6**	**-3.6**	**-2.9**	**-1.8**	**-1.5**	**-1.2**	**-1.2**	**-1.1**
Trade balance (goods)	-1.4	-6.6	0.7	-0.8	-0.2	0.4	1.4	1.6	1.9	2.0	2.0
Exports, f.o.b.	80.8	87.6	81.4	75.5	75.5	74.9	74.1	73.2	72.7	72.7	72.9
Imports, f.o.b.	82.2	94.2	80.7	76.3	75.6	74.4	72.7	71.6	70.9	70.7	71.0
Services balance	0.9	0.6	0.8	0.5	0.2	0.3	0.4	0.5	0.4	0.3	0.3
Receipts	9.9	11.4	10.0	9.9	9.4	9.4	9.3	9.2	9.1	9.2	9.2
Payments	9.0	10.8	9.2	9.4	9.2	9.1	8.8	8.7	8.7	8.9	8.9
Primary income balance	-3.2	-2.9	-3.9	-3.5	-2.8	-3.0	-3.0	-3.0	-3.0	-3.0	-3.0
Credit	3.7	3.7	3.6	3.8	3.6	3.4	3.3	3.2	3.1	3.1	3.0
Debit	7.0	6.6	7.5	7.4	6.4	6.4	6.3	6.2	6.1	6.1	6.0
Secondary income balance	-1.0	-0.7	-0.6	-0.8	-0.9	-0.6	-0.6	-0.5	-0.5	-0.5	-0.4
Credit	1.4	1.4	1.4	1.3	1.1	1.4	1.3	1.3	1.3	1.3	1.2
Debit	2.5	2.2	2.0	2.0	2.0	2.0	1.9	1.8	1.8	1.7	1.7
Capital Account	**1.1**	**1.2**	**0.4**	**1.0**	**0.2**	**1.0**	**0.9**	**0.7**	**0.7**	**0.6**	**0.6**
Financial Account	**-2.9**	**-7.2**	**-3.4**	**-3.1**	**-4.8**	**-1.8**	**-0.9**	**-0.7**	**-0.5**	**-0.6**	**-0.6**
Direct investment, net	-1.3	-2.4	-1.1	-2.0	-0.9	-0.8	-0.8	-0.7	-0.6	-0.6	-0.6
Portfolio investment, net	4.9	1.5	-6.2	-2.9	-3.0	-0.5	0.1	0.1	0.1	0.1	0.1
Other investment, net	-6.8	-6.5	3.4	-0.3	-1.6	-0.5	-0.2	-0.1	-0.1	-0.1	-0.1
Financial derivatives, net	-0.1	-0.9	0.0	0.1	0.2	0.0	0.0	0.0	0.0	0.0	0.0
Reserve assets	0.4	1.1	0.5	2.0	0.5	0.0	0.0	0.0	0.0	0.0	0.0
Errors and Omissions	**0.9**	**1.3**	**-0.8**	**0.5**	**-1.5**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Net International Investment Position	**-59.5**	**-63.3**	**-57.8**	**-55.0**	**-57.2**	**-57.3**	**-57.4**	**-57.6**	**-57.7**	**-58.0**	**-58.1**
External Debt	**132.0**	**105.6**	**98.1**	**101.4**	**102.5**	**100.8**	**97.6**	**93.9**	**91.0**	**88.5**	**86.4**

Sources: National Bank of Slovakia; and IMF staff estimates.

Table 4. Slovak Republic: Financial Soundness Indicators for The Banking Sector, 2015–25

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025Q3
Capital adequacy											
Regulatory capital to risk-weighted assets	17.8	18.0	18.6	18.3	18.2	19.7	19.8	19.6	20.5	20.1	20.8
Regulatory Tier 1 capital to risk-weighted assets	16.5	16.2	16.6	16.6	16.6	18.1	18.3	18.0	19.0	19.0	19.8
Capital to assets	11.4	10.8	10.7	10.5	10.4	10.2	9.7	9.3	9.2	9.7	10.7
Asset quality											
Nonperforming loans to gross loans	4.7	4.3	3.6	3.1	3.0	2.6	2.1	1.9	2.0	1.9	2.0
Nonperforming loans net of provisions to capital	18.6	16.0	11.7	9.0	9.5	8.3	6.7	6.7	8.8	8.5	9.1
Earnings and Profitability											
Return on assets (after tax)	1.3	1.4	1.1	1.1	1.0	0.7	0.9	1.0	1.3	1.5	1.4
Return on equity (after tax)	8.5	10.0	7.7	7.8	7.5	5.1	7.7	8.2	11.2	9.2	8.6
Interest margin to gross income	76.9	67.2	74.4	72.8	71.5	63.9	61.8	60.6	65.9	66.9	67.2
Noninterest expenses to gross income	58.4	54.4	59.7	59.6	60.9	63.7	61.2	57.2	50.4	49.5	47.9
Liquidity											
Customer deposits to total (noninterbank) loans	102.7	98.3	94.3	93.4	92.1	95.5	93.3	87.8	89.0	92.4	90.1
Liquid assets to total assets	34.1	31.6	29.6	26.8	23.9	27.3	30.0	29.5	31.9	30.7	30.1
Liquid assets to short-term liabilities	45.9	42.1	39.5	35.4	31.9	37.7	43.7	39.7	43.4	42.0	41.2
Other indicators											
Nonfinancial corporation debt (in percent of GDP)	84.1	88.6	90.2	115.3	88.2	87.4	88.3	92.9	80.9	77.0	78.0
Households debt (in percent of GDP)	37.7	40.8	43.1	59.9	45.0	47.5	46.9	47.5	45.1	44.9	46.4
Households debt (in percent of disposable income)	65.6	69.7	74.0	99.2	74.2	75.5	75.9	76.2	74.5	72.9	77.0
Gross asset position in financial derivatives to capital	5.8	4.6	3.5	3.9	5.4	7.2	4.2	15.0	9.5	9.2	5.5
Gross liability position in financial derivatives to capital	7.4	6.0	4.4	4.4	5.4	7.0	4.2	15.7	11.5	9.3	7.0
Trading income to total income	4.0	7.3	5.8	2.7	1.8	3.5	3.7	4.7	4.2	4.2	3.4
Personnel expenses to noninterest expenses	40.5	42.7	44.2	44.7	46.4	41.0	41.8	42.5	44.2	45.1	45.3
Spread between reference lending and deposit rates (basis points)	…	…	…	…	…	…	203.3	244.0	248.0	282.0	297.0
Foreign currency-denominated loans to total loans	3.5	5.0	6.2	4.3	2.4	2.9	2.4	2.2	2.5	2.7	2.4
Foreign currency-denominated liabilities to total liabilities	3.8	3.3	3.5	3.2	2.9	2.8	2.5	3.3	3.4	3.5	3.7
Net open position in foreign exchange to capital	5.0	5.0	0.9	0.7	5.1	0.5	0.2	2.2	3.2	-0.9	-6.0

Sources: Haver; National Bank of Slovakia; IMF FSI Database; and IMF staff estimates.

Annex I. External Sector Assessment

Overall Assessment: *The external position of Slovakia in 2025 is moderately weaker than the level implied by fundamentals and desirable policies.* Slovakia's current account deficit (CAD) improved to 3.6 percent of GDP in 2025, from 4.6 percent of GDP in 2024. The improvement reflected a strengthening of the trade and primary income balances. Over the medium term, the current account deficit is expected to narrow, supported by a rebound in goods exports, particularly from recent capacity expansion in the automotive sector.

Potential Policy Responses: Continued fiscal consolidation would help reduce the current account deficit further, while advancing domestic and EU-wide structural reforms—including measures to strengthen the EU single market—would support investment and export growth.

Foreign Assets and Liabilities: Position and Trajectory

Background. Slovakia's net international investment position (NIIP) reached -57 percent of GDP by end-2025, a slight deterioration compared to 2024, but an improvement compared to the pre-COVID average (2015–2019). Gross liabilities amounted to 149 percent of GDP, while gross assets stood at 92 percent of GDP in 2025. Total external debt stood at 102 percent of GDP in 2025, up from 100 percent of GDP in 2024. Short-term debt accounted for 42 percent of total debt in 2025, broadly unchanged from the previous year and well below its 2021 peak.

Assessment. The negative NIIP does not necessarily imply significant risks to external sustainability. The NIIP is approximately 10 percentage points stronger than its pre-covid average (2015-2019) but is expected to deteriorate slightly over the medium term driven by persistent CA deficits. The liability structure—dominated by FDI and equity, along with long-term, euro-denominated debt—mitigates vulnerability to sudden capital outflows.

2025 (% GDP)	NIIP: -57	Gross Assets: 92	Debt Assets (2024): 59	Gross Liab.: 149	Debt Liab (2024).: 101

Current Account

Background. Slovakia's current account deficit (CAD) widened from 3.0 percent of GDP in 2023 to 4.6 percent in 2024 before improving to 3.6 percent in 2025. Despite rising trade tensions, the trade balance strengthened in 2025, supported by robust intra-EU exports which account for more than 70 percent of Slovakia's total exports The weakness of the CA in both 2024 and 2025 is largely explained by sustained high primary income outflows stemming from strong dividend payments by foreign-owned firms operating in Slovakia. Net primary income stood at -3.5 and -2.8 percent of GDP in 2024 and 2025 respectively.

Assessment. The EBA-lite CA model suggests a cyclically adjusted norm of -0.3 percent of GDP for 2025. The cyclically adjusted CA balance is at -2.2 percent of GDP, implying a CA gap of about -1.9 percent of GDP. Slovakia's external position is thus moderately weaker than implied by fundamentals and desirable policies, with a REER gap of 2.9 percent.

Slovak Republic: Model Estimates for 2025

	CA model 1/	REER model 1/
	(in percent of GDP)	
CA-Actual	**-3.6**	
Cyclical contributions (from model) (-)	0.0	
Natural disasters and conflicts (-)	-1.4	
Adjusted CA	**-2.2**	
CA Norm (from model) 2/	**-0.3**	
Adjustments to the norm (+)	0.0	
Adjusted CA Norm	**-0.3**	
CA Gap	**-1.9**	**-11.2**
o/w Relative policy gap	1.2	
Elasticity	-0.6	
REER Gap (in percent)	**2.9**	**17.4**

1/ Based on the EBA-lite 3.0 methodology
2/ Cyclically adjusted, including multilateral consistency adjustments.

Real Exchange Rate

Background. After being fairly stable between 2023 and 2024, the REER appreciated in 2025 on the back of an appreciation of the nominal exchange rate together with positive inflation differentials vis-a-vis key trading partners. The ULC-based REER also points to an appreciation in 2025, reflecting higher wage growth in Slovakia relative to trading partners.

Assessment. The REER EBA-lite approach points to a REER overvaluation of 17.4 percent. The CA model approach from the EBA-lite points to the same qualitative assessment, although the overvaluation is smaller in magnitude (2.9 percent). Staff relies on the CA model approach for assessment of the external position given large unexplained residuals from the REER regression model.

Capital and Financial Accounts: Flows and Policy Measures

Background. The capital account is expected to continue recording substantial inflows in the coming years, driven by EU funding from NextGenerationEU in the near term and allocations under the Multiannual Financial Framework over the medium term. Regarding the financial account, gross FDI inflows were substantial last year (at around 3 percent of GDP) and are expected to remain substantial.

Assessment. Foreign direct investment (FDI) inflows are projected to remain robust over the medium term, supported by substantial new investments in the automotive industry, particularly in electric vehicle production. The dominant role of FDI in overall capital inflows, combined with the relatively small share of short-term debt, helps mitigate vulnerabilities to sudden shifts in market sentiment.

FX Intervention and Reserves Level

Background. The euro has the status of a global reserve currency.

Assessment. Reserves held by euro area economies are typically low relative to standard metrics, but the currency is free floating.

Annex II. Risk Assessment Matrix

Source of Risks	Relative Likelihood[1]	Impact if Realized	Policy Response
Global Risks			
Geopolitical Tensions and Intensification of Conflicts. Rising geopolitical tensions, and a weakening of multilateralism, raise the risk of an escalation in military conflicts, accompanied by damage to key physical and financial infrastructure, disruptions in major transit routes and supply chains, higher migration pressures, additional financial frictions and market volatility.	High	**High.** A more fragmented world could give rise to production bottlenecks and reduce economic efficiency. This would weigh on medium-term growth and exacerbate fiscal challenges. An intensification of regional conflicts could lead to more volatile and higher energy prices and higher inflation.	(1) Diversify supply chains to prevent shortages of critical materials; (2) rely on automatic stabilizers to help cushion the impact of the shock while restoring market confidence by adhering to the envisaged structural fiscal adjustment; (3) continue implementing structural reforms to boost productivity.
Protectionism and Trade Disruptions. Tariff and nontariff measures disrupt global supply chains, weighing on activity while increasing inflation. Trade diversion triggers broader protectionism.	High	**High.** Higher trade barriers would disrupt supply chains and directly weigh on exports and investment, slowing economic growth.	(1) Rely on automatic stabilizers to help cushion the impact of the shock while restoring market confidence by adhering to the envisaged structural fiscal adjustment; (2) undertake structural reforms to boost competitiveness; (3) further diversify supply chains and export market destinations; (4) rely more on intra-EU trade by pushing for a deepening of the EU single market; (5) work with partners to resolve tensions, and diversify and deepen trade partnerships.
New Trade Agreements. Tangible progress in trade talks reduces uncertainty and trade barriers. Wider cooperation on services, FDI, and taxation boosts investment and bolsters public finances.	Low	**High.** New trade agreements that lower trade barriers would boost exports and strengthen cross-border financial flows, supporting investment and economic growth. Reduced uncertainty would further bolster consumer and business confidence, lifting consumption and investment.	(1) Work with partners to resolve trade tensions, diversify and deepen trade partnerships; (2) support and advance the deepening of the EU single market.
Commodity Price Volatility. Supply and demand imbalances—triggered by geopolitical tensions, coordinated production decisions, shifts in investor preferences, or structural changes in demand—fuel commodity price swings, amplifying external and fiscal pressures, social unrest, and macro instability.	High	**High.** Rising and volatile energy prices could trigger an adverse terms-of-trade shock, increasing inflation. They would also undermine the competitiveness of Slovak firms, particularly in the automotive sector, dampen investment and consumption, putting additional pressure on public finances.	(1) Further diversify the energy mix and sources; (2) provide targeted support for households and firms within existing fiscal targets, with a clear timetable for sunsetting; (3) reduce vulnerability to commodity price shocks by improving energy security and energy efficiency.

Source of Risks	Relative Likelihood[1]	Impact if Realized	Policy Response
Global Risks			
Disorderly AI Correction. An abrupt revision in expectations of strong AI-led productivity gains causes a sharp market correction, investment decline, and wealth loss, which suppress demand and tighten financial conditions globally.	**High**	**Medium.** A shift in risk sentiment could lead to asset price corrections and possible liquidity shortages with tighter financial conditions weighing on corporates and households.	(1) Close monitoring of liquidity and capital positions to identify potential vulnerabilities; (2) deploy macroprudential policies as warranted to mitigate systemic financial instability; (3) rely on automatic stabilizers to help cushion the impact of the shock while restoring market confidence by adhering to the envisaged structural fiscal adjustment.
Fiscal Vulnerabilities and Higher Interest Rates. Higher public debt and deficit levels put further upward pressure on long-term interest rates, sharply tightening global financial conditions, amplifying currency volatility, and reducing consumption and investment that exacerbate adverse debt dynamics. Disruptions are amplified by increased role of price-sensitive investors and leveraged NBFIs in sovereign debt markets, limited market absorption capacity when NBFIs offload debt securities, higher roll-over needs on shorter sovereign debt maturities, and strong sovereign-financial nexus. Concurrently, capital outflows from emerging and developing economies elicit a sharp increase in short-term rates.	**High**	**High.** Higher long-term interest rate costs would weigh on Slovakia's financing needs and amplify existing fiscal challenges. Sovereign bond market disruptions could spill over to the banking sector and lead to tighter financial conditions weighing on economic activity.	(1) Rely on automatic stabilizers to help cushion the impact of the shock while restoring market confidence by adhering to the envisaged structural fiscal adjustment; (2) communicate a clear and consistent medium-term fiscal strategy, including envisaged tax and spending measures; (3) increase spending efficiency to generate savings and restore fiscal buffers.
Social Discontent. Persistently high living costs, youth unemployment and inequality, amid an erosion in governance standards and pressures from geoeconomic realignments, trigger social unrest, political repression and instability, affecting countries' capacity to pursue economic reforms.	**Medium**	**Medium.** Social discontent and protests could increase pressure for populist policies and complicate policy implementation	(1) Maintain targeted support programs to protect the most vulnerable from the impact of high inflation and real income loss; (2) build political consensus around the need for steadfast policy implementation; (3) continue to strengthen the governance framework to enhance policy predictability and improve the business environment.
Labor Shortages and Remittances. Tighter immigration policies exacerbate labor shortages in aging destination economies, reducing potential output, fueling inflation, and straining fiscal balances through lower revenues. Origin countries see depressed remittances and incomes, and worsening external balances, though a larger labor force could partly offset the remittance decline over the medium term.	**High**	**Medium.** Restrictions to migration could exacerbate labor supply and skill shortages. This would place upward pressure on wages and inflation, while also eroding firms' competitiveness.	(1) Facilitate inflows of migrant workers through structural policies that lower barriers to factor mobility, including through easing regulatory constraints; (2) adopt active labor market policies to upskill the workforce and increase labor market efficiency.

Source of Risks	Relative Likelihood[1]	Impact if Realized	Policy Response
Domestic Risks			
Delays in fiscal consolidation and structural reform implementations. Fiscal deficits continue to increase, driven by either weaker-than-expected tax revenues or higher discretionary public spending. A lack of political will delays the implementation of structural reforms**.**	**Medium/High**	**High.** Delays in fiscal consolidation could undermine market confidence, drive up interest rates and slow down already sluggish economic growth. Failure to implement structural reforms would weigh on potential growth and exacerbate existing fiscal challenges.	(1) Adhere to a credible medium-term fiscal consolidation plan with clear tax and spending measures; (2) increase spending efficiency to generate savings and restore fiscal buffers; (3) implement structural reforms to boost productivity.
Real estate market downturn. A sharp and sudden decline in prices of residential and commercial properties combined with an economic downturn.	**Medium**	**Medium.** The quality of banks' credit portfolios deteriorates with a significant increase in NPLs, leading to tighter credit conditions and a slowdown in credit growth. The negative wealth effect would weaken confidence and weigh on economic activity.	(1) Continue to closely monitor and supervise banks credit portfolios; (2) recalibrate macro-prudential policies as needed.
Slowdown in EU funds. Absorption constraints and concerns over governance and institutional quality could slow the disbursement of EU funds	**Medium**	**Medium.** A slowdown in EU funds disbursements weakens investment and growth.	(1) Accelerate ongoing efforts to increase absorption capacity; (2) implement reforms to strengthen governance.
Dependence on Russian energy imports. The EU agreement to phase out Russian gas by 2027 could result in higher domestic energy prices.	**High**	**High.** Given Slovakia's still high reliance on gas and oil imports from Russia, the EU ban is likely to result in higher domestic energy prices eroding the competitiveness of the automotive sector, weakening growth and exerting upward pressure on inflation.	1) Further accelerate efforts to diversify the energy mix and sources; (2) provide targeted support for households and firms within existing fiscal targets, with a clear timetable for sunsetting.

1) The Risk Assessment Matrix (RAM) shows events that could materially alter the baseline path (the scenario most likely to materialize in the view of IMF staff). The relative likelihood is the staff's subjective assessment of the risks surrounding the baseline ("low" is meant to indicate a probability below 10 percent, "medium" a probability between 10 and 30 percent, and "high" a probability between 30 and 50 percent). The RAM reflects staff views on the source of risks and overall level of concern as of the time of discussions with the authorities. Non-mutually exclusive risks may interact and materialize jointly.

Annex III. Debt Sustainability Analysis

Annex III. Figure 1. Slovak Republic: Risk of Sovereign Stress

Horizon	Mechanical signal	Final assessment	Comments
Overall	...	Moderate	The overall risk of sovereign stress is judged to be moderate, reflecting moderate vulnerability in the medium term, and high risk in the long term.
Near term 1/			
Medium term	Moderate	Moderate	Medium-term risks are assessed to be moderate, consistent with the mechanical signal. The Debt Fanchart Module suggests a high risk, primarily due to a high probability that debt will not stabilize in the medium term, combined with the terminal debt level adjusted for institutional quality. The GFN Module indicates moderate liquidity risks, as gross financing needs are expected to remain elevated over the medium term. Liquidity risks are mitigated by the use of a cash buffer.
Fanchart	High	...	
GFN	Moderate	...	
Stress test		...	
Long term	...	High	Staff assess that the long-term risk of sovereign stress is high. Age-related costs are expected to lead to a significant increase in gross funding needs, with debt projected to exceed 100 percent of GDP by 2040.
Sustainability assessment 2/	Not required for surveillance countries	Not required for surveillance countries	Not applicable.
Debt stabilization in the baseline			No

DSA Summary Assessment

Commentary: Slovakia is assessed to be at a medium overall risk of sovereign stress. Debt is primarily issued in domestic currency (EUR), and reserves are considered high. However, medium-term risk is moderate, as debt is projected to gradually rise in the absence of additional fiscal consolidation. In the long term, the risk of sovereign stress is high, with fiscal costs related to aging expected to be among the highest in Europe. Fiscal consolidation, through measures on both the expenditure and revenue sides, is needed to place debt on a sustainable path and reduce the risk of sovereign stress.

Source: Fund staff.
Note: The risk of sovereign stress is a broader concept than debt sustainability. Unsustainable debt can only be resolved through exceptional measures (such as debt restructuring). In contrast, a sovereign can face stress without its debt necessarily being unsustainable, and there can be various measures—that do not involve a debt restructuring—to remedy such a situation, such as fiscal adjustment and new financing.
1/ The near-term assessment is not applicable in cases where there is a disbursing IMF arrangement. In surveillance-only cases or in cases with precautionary IMF arrangements, the near-term assessment is performed but not published.
2/ A debt sustainability assessment is optional for surveillance-only cases and mandatory in cases where there is a Fund arrangement.

Annex III. Figure 2. Slovak Republic: Debt Coverage and Disclosures

						Comments
1. Debt coverage in the DSA: 1/	CG	GG	NFPS	CPS	Other	
1a. If central government, are non-central government entities insignificant?					n.a.	
2. Subsectors included in the chosen coverage in (1) above:						

CPS	NFPS	GG: expected	CG		Subsectors captured in the baseline	Inclusion
				1	Budgetary central government	Yes
				2	Extra budgetary funds (EBFs)	Yes
				3	Social security funds (SSFs)	Yes
				4	State governments	Yes
				5	Local governments	Yes
				6	Public nonfinancial corporations	Yes
				7	Central bank	Yes
				8	Other public financial corporations	Yes

3. Instrument coverage:	Currency & deposits	Loans	Debt securities	Oth acct. payable 2/	IPSGSs 3/
4. Accounting principles:	Basis of recording		Valuation of debt stock		
	Non-cash basis 4/	Cash basis	Nominal value 5/	Face value 6/	Market value 7/
5. Debt consolidation across sectors:		Consolidated		Non-consolidated	

Color code: chosen coverage; Missing from recommended coverage; Not applicable

Reporting on Intra-Government Debt Holdings

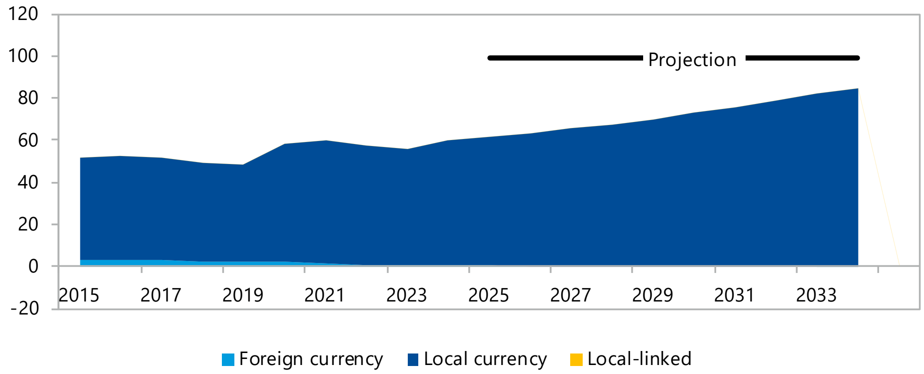
CPS	NFPS	GG: expected	CG		Issuer \ Holder	Budget. central govt	Extra-budget. funds	Social security funds	State govt.	Local govt.	Nonfin. pub. corp.	Central bank	Oth. pub. fin corp	Total
				1	Budget. central govt									
				2	Extra-budget. funds									
				3	Social security funds									
				4	State govt.									
				5	Local govt.									
				6	Nonfin pub. corp.									
				7	Central bank									
				8	Oth. pub. fin. corp									
					Total									

1/ CG=Central government; GG=General government; NFPS=Nonfinancial public sector; PS=Public sector.
2/ Stock of arrears could be used as a proxy in the absence of accrual data on other accounts payable.
3/ Insurance, Pension, and Standardized Guarantee Schemes, typically including government employee pension liabilities.
4/ Includes accrual recording, commitment basis, due for payment, etc.
5/ Nominal value at any moment in time is the amount the debtor owes to the creditor. It reflects the value of the instrument at creation and subsequent economic flows (such as transactions, exchange rate, and other valuation changes other than market price changes, and other volume changes).
6/ The face value of a debt instrument is the undiscounted amount of principal to be paid at (or before) maturity.
7/ Market value of debt instruments is the value as if they were acquired in market transactions on the balance sheet reporting date (reference date). Only traded debt securities have observed market values.

Commentary: Data on intra-government debt holdings are not currently available.

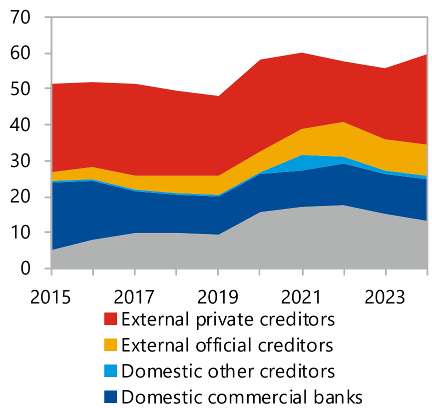
Annex III. Figure 3. Slovak Republic: Public Debt Structure Indicators

Debt by Currency (Percent of GDP)



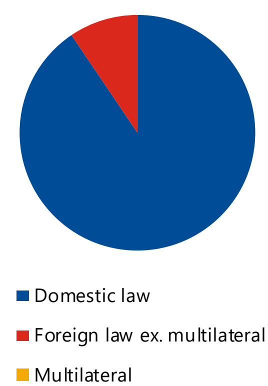
Note: The perimeter shown is consolidated public sector.

Public Debt by Holder (Percent of GDP)



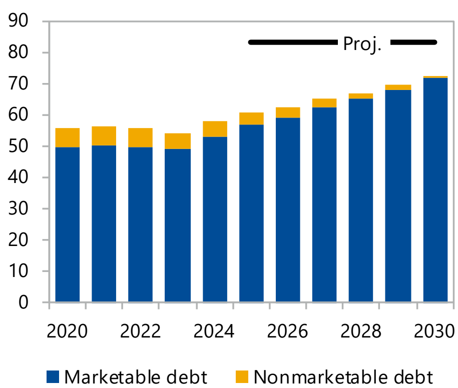
Note: The perimeter shown is general government.

Public Debt by Governing Law, 2024 (percent)



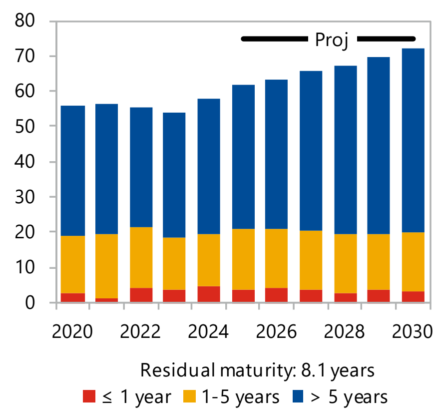
Note: The perimeter shown is general government.

Debt by Instruments (Percent of GDP)



Note: The perimeter shown is general government.

Public Debt by Maturity (Percent of GDP)



Note: The perimeter shown is general government.

Commentary: Public debt is issued in euros and residual maturity is around 8 years.

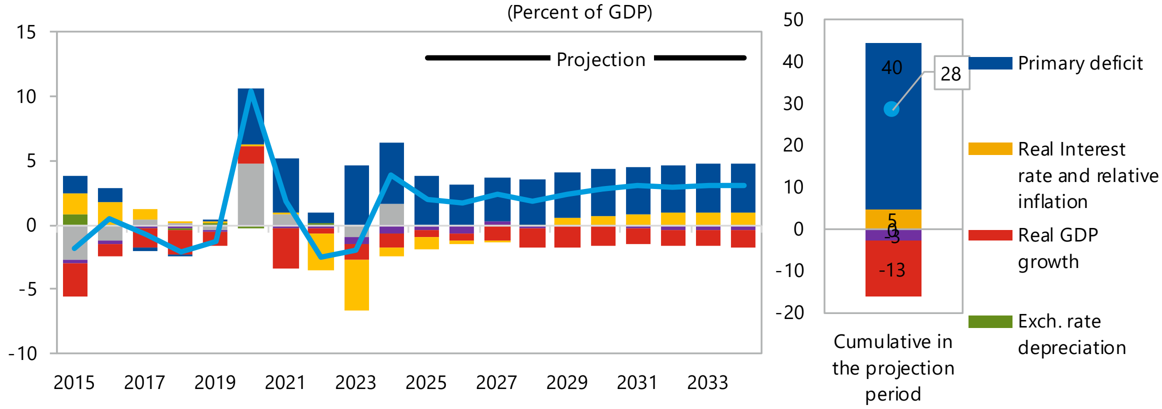
Annex III. Figure 4. Slovak Republic: Baseline Scenario

(Percent of GDP unless indicated otherwise)

	Actual	Medium-term projection						Extended projection			
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Public debt	59.7	61.7	63.4	65.8	67.7	70.0	72.8	75.9	78.9	82.0	85.1
Change in public debt	3.9	2.0	1.7	2.4	1.9	2.4	2.8	3.0	3.0	3.1	3.1
Contribution of identified flows	2.3	2.1	1.7	2.4	1.9	2.4	2.8	3.0	3.0	3.1	3.1
Primary deficit	4.7	3.9	3.1	3.4	3.5	3.5	3.6	3.7	3.7	3.8	3.8
Noninterest revenues	41.3	43.2	44.0	41.6	40.9	40.8	40.8	40.7	40.7	40.7	40.7
Noninterest expenditures	46.0	47.1	47.1	44.9	44.4	44.4	44.4	44.4	44.4	44.5	44.5
Automatic debt dynamics	-1.8	-1.5	-0.8	-1.2	-1.5	-1.0	-0.7	-0.4	-0.4	-0.4	-0.4
Real interest rate and relative inflat	-0.7	-1.1	-0.3	-0.1	0.1	0.5	0.8	0.9	0.9	1.0	1.0
Real interest rate	-0.7	-1.1	-0.3	-0.1	0.1	0.5	0.8	0.9	0.9	1.0	1.0
Relative inflation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Real growth rate	-1.1	-0.5	-0.6	-1.2	-1.5	-1.5	-1.5	-1.3	-1.3	-1.3	-1.4
Real exchange rate	0.0	...	...	...	...	...	...	...	...	...	...
Other identified flows	-0.6	-0.3	-0.6	0.3	-0.2	-0.2	-0.2	-0.2	-0.3	-0.3	-0.3
Contingent liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
(minus) Interest Revenues	-0.6	-0.5	-0.4	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3
Other transactions	0.0	0.2	-0.2	0.6	0.2	0.2	0.2	0.1	0.0	0.0	0.0
Contribution of residual	1.7	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Gross financing needs	8.8	9.8	8.8	10.4	10.7	10.7	12.4	13.2	14.7	15.2	16.2
of which: debt service	4.7	6.4	6.1	7.4	7.5	7.5	9.1	9.9	11.3	11.8	12.7
Local currency	4.6	6.0	5.9	7.3	7.3	7.5	9.1	9.8	11.3	11.8	12.5
Foreign currency	0.2	0.4	0.2	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.2
Memo:											
Real GDP growth (percent)	1.9	0.8	0.9	1.8	2.4	2.3	2.1	1.8	1.8	1.7	1.7
Inflation (GDP deflator; percent)	3.4	4.2	3.2	3.0	2.9	2.3	2.0	2.0	2.0	2.0	2.0
Nominal GDP growth (percent)	5.4	5.0	4.1	4.9	5.4	4.7	4.2	3.8	3.8	3.8	3.7
Effective interest rate (percent)	2.0	2.3	2.8	2.9	3.0	3.1	3.1	3.2	3.3	3.3	3.3

Contribution to Change in Public Debt

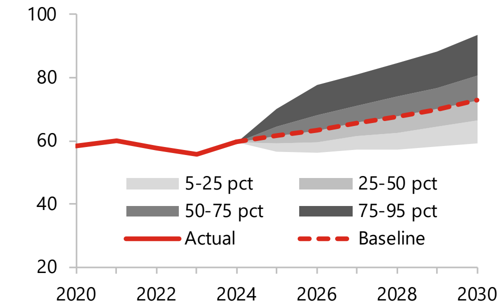
(Percent of GDP)



Commentary: Public debt will continue to rise in the medium term due to a sustained primary deficit.

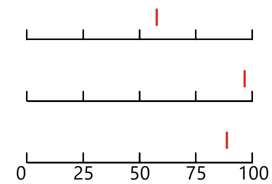
Annex III. Figure 5. Slovak Republic: Medium-Term Risk Analysis

Final Fanchart (Percent of GDP)

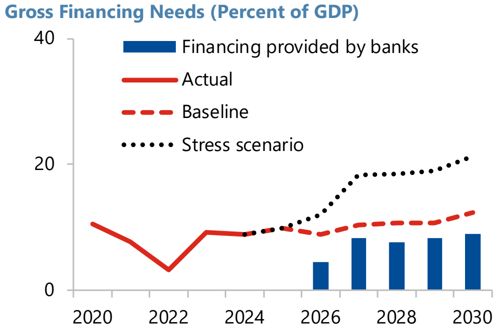


Debt fanchart module

	Value	Contrib 1/	Percentile in peer group 2/
Fanchart width *(percent of GDP)*	34.4	0.5	
Probability of debt non-stabilizaiton *(percent)*	100.0	0.8	
Terminal debt-to-GDP x institutions index	35.3	0.8	
Debt fanchart index (DFI)		2.1	
Risk signal: 3/		**High**	

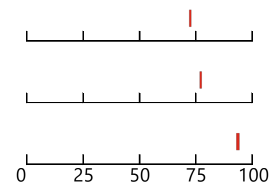


Gross Financing Needs (Percent of GDP)



Gross financing needs (GFN) module

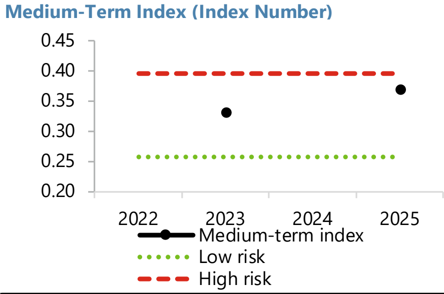
	Value	Contrib 1/	Percentile in peer group 2/
Average baseline GFN *(percent of GDP)*	10.5	3.6	
Initial Banks' claims on the gen. govt *(pct bank assets)*	10.4	3.4	
Chg. In banks' claims in stress *(pct banks' assets)*	21.0	7.0	
GFN financeability index (GFI)		14.0	
Risk signal: 4/		**Moderate**	



Triggered stress tests (stress tests not activated in gray)

Banking crisis | Commodity prices | Exchange rate | Contingent liab. | Natural disaster

Medium-Term Index (Index Number)



Medium-term risk analysis

	Value	(normalized)	Weight	Contribution
Debt fanchart index	2.1	0.5	0.5	0.2
GFN finaceability index	14.0	0.3	0.5	0.1
Medium-term index		0.4		
Risk signal: 5/		**Moderate**		
Final assessment:		**Moderate**		

Prob. of missed crisis, 2025-2030, if stress not predicted: 27.3 pct.

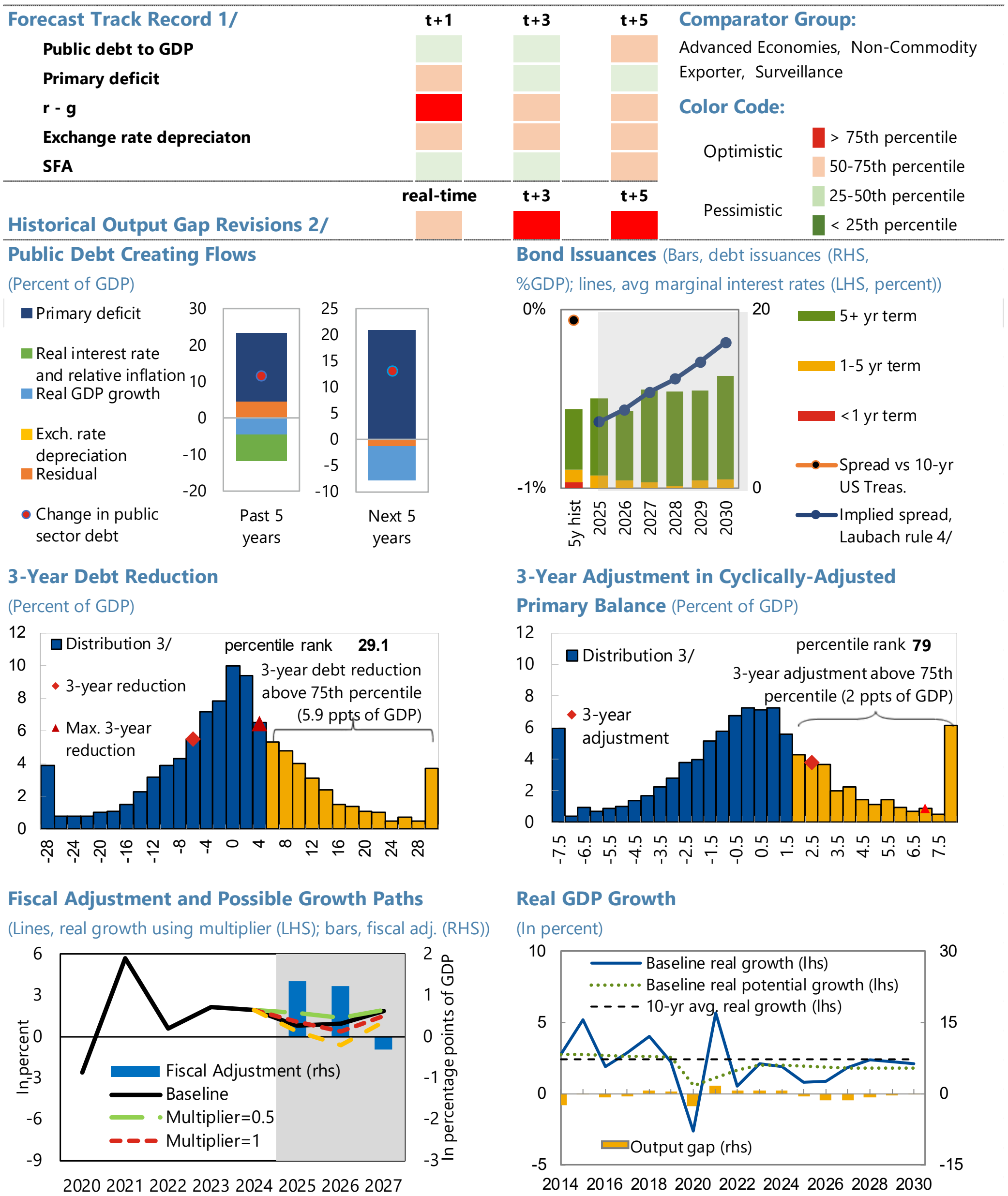
Prob. of false alarms, 2025-2030, if stress predicted: 15.9 pct.

Commentary: The probability of debt non-stabilization is high due to the growth in the debt-to-GDP ratio, while the risk related to gross financing needs is moderate.

Source: IMF staff estimates and projections.

1/ See Annex IV of IMF, 2022, Staff Guidance Note on the Sovereign Risk and Debt Sustainability Framework for details on index calculation.
2/ The comparison group is advanced economies, non-commodity exporter, surveillance.
3/ The signal is low risk if the DFI is below 1.13; high risk if the DFI is above 2.08; and otherwise, it is moderate risk.
4/ The signal is low risk if the GFI is below 7.6; high risk if the DFI is above 17.9; and otherwise, it is moderate risk.
5/ The signal is low risk if the GFI is below 0.26; high risk if the DFI is above 0.40; and otherwise, it is moderate risk.

Annex III. Figure 6. Slovak Republic: Realism of Baseline Assumptions



Commentary: The 3-year adjustment in the cyclically-adjusted primary balance is at the higher-end of the range.

Source : IMF Staff.

1/ Projections made in the October and April WEO vintage.

2/ Calculated as the percentile rank of the country's output gap revisions (defined as the difference between real time/period ahead estimates

3/ Data cover annual observations from 1990 to 2019 for MAC advanced and emerging economies. Percent of sample on vertical axis.

4/ The Laubach (2009) rule is a linear rule assuming bond spreads increase by about 4 bps in response to a 1 ppt increase in the projected debt-to-GDP ratio.

Annex III. Figure 7. Slovak Republic: Long-term Risk Assessment

Triggered Modules

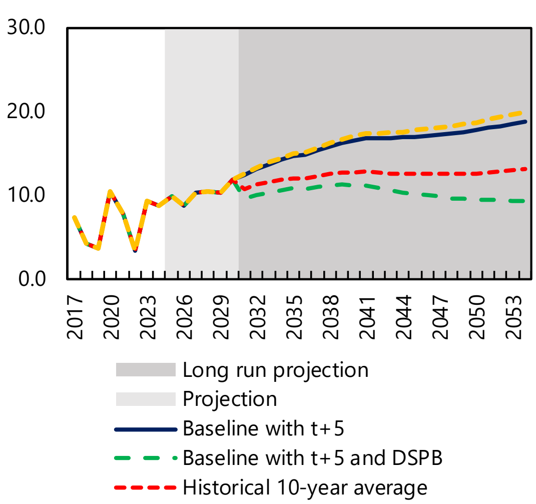
Large amortizations	Pensions	Climate change: Adaptation	Natural Resources
	Health	Climate change: Mitigation	

Long-Term Risk Assessment: Large Amortization Incl. Custom Scenario

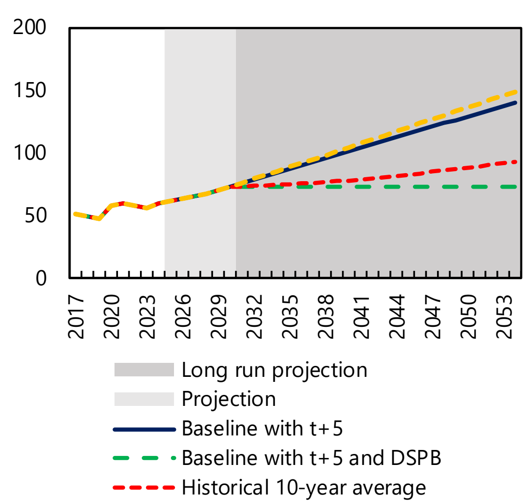
Projection	Variable	Risk Indication
Medium-term extrapolation	GFN-to-GDP ratio	
	Amortization-to-GDP ratio	
	Amortization	
Medium-term extrapolation with debt stabilizing primary balance	GFN-to-GDP ratio	
	Amortization-to-GDP ratio	
	Amortization	
Historical average assumptions	GFN-to-GDP ratio	
	Amortization-to-GDP ratio	
	Amortization	
Overall Risk Indication		

Variable	2030	2034 to 2038 average	Custom Scenario
Real GDP growth	2.1%	1.7%	1.8%
Primary Balance-to-GDP ratio	-3.6%	-3.8%	-3.7%
Real depreciation	-1.9%	-2.0%	-1.9%
Inflation (GDP deflator)	2.0%	2.0%	2.0%

GFN-to-GDP Ratio



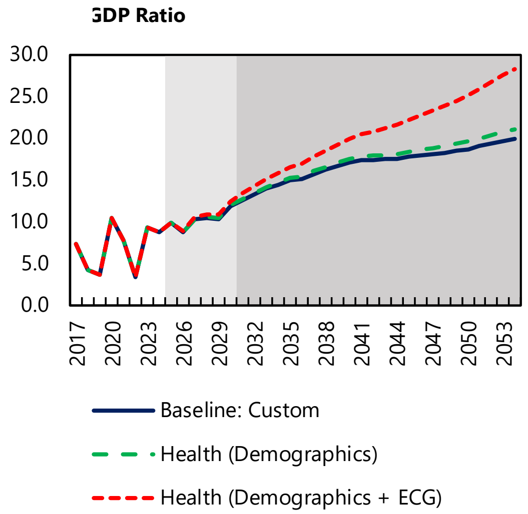
Total Public Debt-to-GDP Ratio

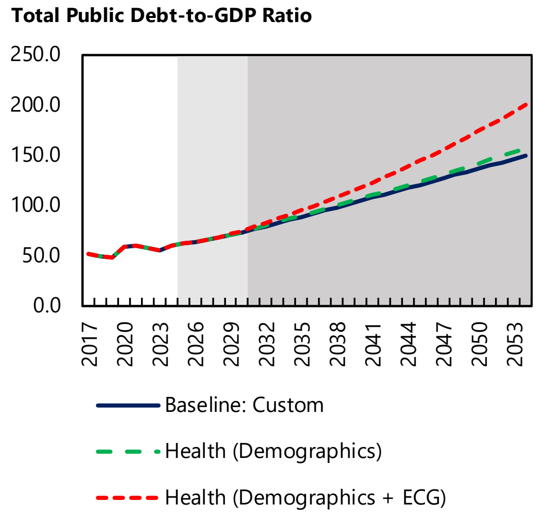


Commentary: Overall long-term risks are high and debt is expected to gradually increase over the next 30 years if no additional fiscal consolidation efforts are made.

Annex III. Figure 8. Slovak Republic: Long-term Risk Assessment 2

Demographics: Health





Commentary: The excess cost growth (ECG) simulation assumes a 1.4 percent increase in real healthcare costs.

Annex IV. Previous Article IV Recommendations

IMF 2025 Article IV Recommendations	Authorities' Response
Fiscal Policy	
Further fiscal consolidation to safeguard the sustainability of public finances.	The authorities have put forward an ambitious 4-year fiscal consolidation plan that targets a reduction of the headline deficit to 2.8 percent of GDP by 2028.
Introduce additional fiscal consolidation measures: • *Revenues*: reduce the number of items subject to reduced VAT rates; raise property taxes by transitioning to a market value-based system; reduce the VAT compliance gap (e.g. through e-invoicing) • *Expenditures*: further target social spending; reverse the recent increase in the 13th pension; eliminate the early retirement pension; implement already-identified Value for Money initiatives, including through a reduction in subsidies; remove remaining energy support measures.	The authorities are implementing several of these measures as part of the 2026 budget, including efforts to improve tax compliance (e.g., introducing QR payments and e-invoicing) and to better target energy support. Parameters of the early retirement pension were significantly tightened in 2024.
Reform the debt brake before it comes into effect in 2026.	Work is ongoing at a technical level to explore options for reforming the debt brake.
Increase absorption of EU funds, e.g. by strengthening project management capacity, especially at the municipal level.	The authorities are developing a national investment plan to guide the timely selection of projects, along with efforts to standardize project milestones and monitoring.
Financial sector	
Further develop the policy framework over the medium term by adopting a positive neutral countercyclical capital buffer (CCyB) and by closing leakages and refining the borrower-based measures.	See Annex V on FSAP recommendations.
Strengthen the supervision of LSIs as well as the crisis management framework.	See Annex V on FSAP recommendations.
Phase out bank levy as planned.	The authorities are phasing out the bank levy by 5 percentage points per year to 15 percent in 2027, before reaching the standard rate of 4.356 percent in 2028.
Sustain improvements to the AML/CFT framework.	The authorities are conducting targeted risk assessments and have amended the AML/CFT Act to require the Financial Intelligence Unit (FIU) to regularly update and publish a list of high-risk jurisdictions.

IMF 2025 Article IV Recommendations	Authorities' Response
Structural sector	
Encourage innovation across the entire domestic EV production supply chain, promote efforts to diversify the economy, and scale up Active Labor Market Policies (ALMPs) to facilitate the movement of workers across sectors.	The authorities are expanding training and reskilling programs in the automotive, mechanical, electrical, and green technology sectors, e.g., through the "Ready to Work in Industry" national project, which links education with practical training. In addition, the authorities are implementing ALMPs including retraining programs, counselling, digital skills diagnostics for youth, incentives for employers, support for self-employment, and targeted programs for disadvantaged groups.
Stimulate business R&D including in small firms and startups that are not yet profitable	The authorities are increasing direct R&D spending in the 2026 budget and are planning to consolidate multiple funding mechanisms and introduce a single evaluation system. Work is also ongoing on new Act on Research, Development and Innovation.
Deepen the European single market to allow innovative firms to leverage economies of scale and facilitate cross-border flows of capital including venture capital which are critical for startups.	Limited progress.
Increase the size and quality of the labor force, including by providing more vocational education and training, improving child and elderly care, and increasing efforts to integrate and retain migrants.	The authorities have introduced legislation to build an effective system of adult education, with an emphasis on supporting non-formal education and an individualized approach to learning, through tools such as micro-certificates, accredited programs, and Individual Learning Accounts (ILAs). The government is also expanding compulsory pre-primary education and investing heavily in kindergarten capacity to ease childcare constraints and enable women to re-enter the labor market earlier.
Fully implement the ETS II scheme for road transport and buildings and could consider gradually raising environmental levies in these sectors until the scheme becomes operational in 2027.	The Slovak Republic is not in a position to commit to full implementation of ETS II at this stage, and continues to explore options, including possible compensation schemes, withdrawal or a further postponement of the ETS II beyond 2030.
Governance	
Verify that the new institutional framework that replaced the dissolved Special Prosecutor's Office and the National Crime Agency does not weaken the institutional capacity to investigate and prosecute high-level corruption.	A detailed analysis of the impact of recent criminal law changes is planned two years after implementation when comprehensive statistical data becomes available. Partial data from the General Prosecutor's Office, show

IMF 2025 Article IV Recommendations	Authorities' Response
Governance	
	corruption prosecutions rising from 160 cases (76 indictments) in 2023 to 240 cases (136 indictments) in 2024. The Ministry of Interior confirms that the reorganization of the National Criminal Agency (NAKA) into specialized units has preserved investigative capacity for high-level corruption, ensured continuity of major cases, and improved efficiency by shifting minor offenses to regional criminal police departments.
Improve the asset declaration and conflict of interest framework for high-risk public officials by broadening the scope of covered public officials, centralizing and digitizing the submission and publication process, and introducing robust risk-based verification procedures and proportionate sanctions.	No legislative changes have been made to date to the system of asset declaration and rule for preventing conflicts of interest. These rules are governed by Constitutional Act No. 357/2004 Coll. on the Protection of Public Interest, which requires a three-fifths parliamentary majority for amendment. While IMF-recommended measures remain under discussion, a new module for monitoring asset declarations is in final testing.
Strengthen existing safeguards pertaining to the Prosecutor General's authority to annul decisions by lower-level prosecutors (e.g., limited to serious breaches of law and subject to the availability of remedies).	The Prosecutor General's powers under Section 363 of the Code of Criminal Procedure serve as an extraordinary remedy to ensure legality and prevent abuse, without deciding cases on their merits. These powers allow the annulment of unlawful decisions in preparatory proceedings when no other remedy is available, and must be exercised within strict legal limits, with detailed reasoning and adherence to subsidiarity. Such annulments do not halt prosecutions; cases where the errors or deficiencies are corrected may proceed.
Strengthen safeguards to ensure members of the Judicial Council can only be recalled based on specific and reasonable grounds.	The Ministry of Justice is considering a constitutional amendment to explicitly regulate grounds for dismissing members of the Judicial Council before their term ends. The proposal would include both facultative grounds (such as serious neglect of duties or adverse health) and mandatory grounds (loss of integrity or appointment as a judge for non-judge members). It draws on existing provisions for the termination of the office of the President of the Judicial Council and relevant Constitutional Court case law, with informal consultations already held with constitutional experts. All stakeholders will be consulted through a public consultation process.

IMF 2025 Article IV Recommendations	Authorities' Response
Governance	
Strengthen safeguards related to the crime of "abuse of law" whereby judges are subject to criminal liability for their decisions, to ensure the framework balances the accountability of judges and independent judicial decision-making.	Following recommendations from GRECO and the 2025 Rule of Law Report, the Ministry of Justice has prepared draft amendments to clarify the criminal offence of "abuse of law" and strengthen procedural guarantees for judges, aiming to prevent misuse of prosecutions. The draft, now under review by the Venice Commission, seeks to align with European standards and proposes revising substantive criminal law alongside reinforcing the Judicial Council's powers to oppose the prosecution of judges.

Annex V. Update on the Implementation of FSAP Recommendations

	Recommendations	Horizon[1]	Authorities' Response
	Cross-cutting		
1	Augment resources in the areas of financial stability and key risk areas (e.g., liquidity, IRRBB, IT and AML) to ensure technical capabilities (¶28, 37)	I	The banking supervision department has strengthened its internal resources and technical capabilities through organizational changes, including increasing FTEs and creating specialized teams. Key initiatives include establishing a section for quantitative analysis and IT supervision, forming horizontal teams for risk areas like IRRBB and liquidity, and expanding AML supervision staff. These efforts are complemented by the gradual filling of vacant positions to enhance overall capacity.
2	Enhance the legal protection for the supervisors; ensure that the legal protection framework for the Resolution Council and NBS staff involved in resolution is enforced (¶36, 40)	I	In 2024, the NBS introduced legal assistance for all current and former staff, including those performing Resolution Council tasks, effective January 2025. Under the amended NBS Work Rules, current and former employees and Bank Board members are entitled to obtain external legal representation in civil, administrative, or criminal proceedings arising from the performance of their official duties, including in pre-trial stages upon request.[2] This entitlement is supported by a framework agreement with an external law firm. Resolution Council members from other institutions remain subject to their own regulations. Amendments to the national resolution legislation are scheduled to start in 2026Q2 pending finalization of EU-level CMDI reforms.
	Systemic Risk Analysis		
3	Strengthen stress tests to assess the resilience of the banking sector to adverse macro-financial shocks by (i) incorporating the IFRS 9 approach into Credit Risk Monitoring, and (ii) complementing the adverse scenarios with sensitivity analyses on key macro variables (i.e., interest rates) (¶15, 17-18).	ST	Losses from Stage 2 loans were included in the stress-testing and two different adverse scenarios (inflationary and non-inflationary) were used stress-testing in the Financial Stability Report of May 2025.
4	Strengthen the monitoring for expected losses from emerging risks, especially in vulnerable segments including the CRE sector. (¶24).	I	Specific stress-testing exercises were done on the CRE sector, with the main objective being to assess losses at risk not covered by existing capital buffers. The NBS is also strengthening its monitoring of other emerging risks, including mortgages granted to sole traders.
5	Integrate the cash-flow analyses in the liquidity stress testing framework (¶22).	ST	Cash-flow analysis is part of regular liquidity risk monitoring. It was also published in the Discussion Note in October 2025.

	Recommendations	Horizon[1]	Authorities' Response
	Systemic Risk Analysis		
6	Publish more systematically the results of liquidity stress tests, along with the solvency stress tests in the Financial Stability Report (¶19-21).	I	Liquidity stress testing is part of regular liquidity risk monitoring. It was also published in the Financial Stability Report of November 2024 and Discussion Note of October 2025.
	Regulation and Supervision of LSIs		
7	Confine banks' appeal powers to finalized supervisory prudential decisions and corrective measures (¶36).	MT	NBS' banking supervision department launched an internal discussion on possible changes to appeal powers, which are currently governed by a cross-sectoral framework under the Act on financial market supervision. Legislative changes fall under the Ministry of Finance. Amendments to Slovakia's national resolution law are on hold pending finalization of EU-level CMDI reforms, which will significantly change the resolution regime. Once finalized, the Ministry of Finance in cooperation with the NBS will review existing legislation and propose amendments to ensure alignment with the new framework and FSAP recommendations. This work is expected to start in 2026Q2.
8	Streamline off-site supervisory activities (including SREP) to align them with risk classification and update the risk profile/classification of an LSI after material deficiencies are discovered (¶37).	I	A dedicated LSI supervision section was established to streamline off-site activities, with quarterly risk profile updates and a new indicator system planned for 2026 alongside a pragmatic, multi-year SREP approach. AML supervision uses Power BI for automated ML/TF risk assessments, classifying LSIs into four risk categories. It also coordinates annually, or as needed, with ongoing banking supervision to share risk assessment results.
9	Strengthen on-site inspections for key risk areas of credit, liquidity, IRRBB, IT and AML (¶37).	I	As of April 1, 2025, the banking supervision department merged the SI and LSI on-site sections into a single unit to improve efficiency and flexibility. This consolidation aims to enhance risk coverage, share expertise across teams, and optimize resource use, enabling more effective responses to supervisory needs. Starting in 2026, the number of AML/CFT targeted inspections for LSIs will increase.
	Macroprudential Framework and Policies		
10	Publish a macroprudential strategy document including objectives, communication, risk monitoring framework, and available toolkit (¶26).	I	The NBS Macroprudential Policy Strategy was approved by the Bank Board and published in April 2025.
11	Expand information collection powers to cover loan-level data from both banks and non-banks and data from unregulated entities (¶27).	MT	The Decree 6/2025 concerning bank loan-level data was approved in July 2025 and will enter into force as of January 2026. The NBS considers loan-level data collection from non-banks unnecessary, given their small share of the overall credit market.

	Recommendations	Horizon[1]	Authorities' Response
	Macroprudential Framework and Policies		
12	Maintain the availability of releasable capital in normal times by moving to a positive neutral CCyB framework (¶31).	MT	The CCyB is kept at a constant level of 1.50 percent, maintaining ample releasable capital. A dedicated policy brief on pnCCyB is expected to be published in 2026H1.
13	Refine the borrower-based measures and remove the possibility to circumvent LTV limits with consumer loans (¶32-33).	MT	The NBS considers their BBM toolkit as well-defined and in line with existing risks. The NBS is currently analysing new trends in the mortgage market that could potentially lead to higher systemic risks (e.g., lower housing affordability, rising share of mortgages granted to sole traders) and is ready to redefine the toolkit if there is a risk that needs targeting.
	Financial Integrity		
14	Strengthen the AML/CFT implementation by reviewing the criteria for the application of the sanctions by the NBS, enhancing collaboration between the NBS and the FIU and incorporating mechanisms for the verification of the beneficial ownership and sanctioning the submission of inaccurate information at the central register (¶39).	C	The banking supervision department introduced a manual for imposing fines and is revising it to define clear criteria for fines and other measures. The NBS signed a new MoU with the Slovak FIU to clarify roles and reduce oversight overlaps, including developing a common risk assessment methodology for banks. Additionally, a joint Supervision Working Group with FIU and the Gambling Authority meets regularly to address operational and strategic AML/CFT issues.
	Financial Safety Nets and Crisis Management		
15	Ensure that the resolution authority has adequate resources, staff, and organizational structure, capable of taking decisions quickly and in close cooperation with supervisors (¶40).	I	The Resolution Council discussed the upcoming EU resolution framework for the insurance sector, and NBS added one FTE to support resolution tasks starting April 2025, while work on transposing the IRRD directive continues. Amendments to Slovakia's national resolution law are on hold pending finalization of EU-level CMDI reforms, which will significantly change the resolution regime. Once finalized, the Ministry of Finance in cooperation with the NBS will review existing legislation and propose amendments to ensure alignment with the new framework and FSAP recommendations. This work is expected to start in 2026Q2.
16	Amend the Resolution Act to (i) restrict the Judiciary's powers to suspend or reverse resolution decisions; and (ii) ensure that resolution decisions are enforceable from the moment they are taken rather than from when affected parties are notified (¶41).	I	The NBS is exploring legislative amendments alongside drafting the IRRD transposition law, while maintaining that the likelihood of courts granting suspensive effect to resolution decisions is negligible due to overriding public interest. Amendments to Slovakia's national resolution law are on hold pending finalization of EU-level CMDI reforms, which will significantly change the resolution regime. Once finalized, the Ministry of Finance in cooperation with the NBS will review existing legislation and propose amendments to ensure alignment with the new framework and FSAP recommendations. This work is expected to start in 2026Q2.

	Recommendations	Horizon[1]	Authorities' Response
	Financial Safety Nets and Crisis Management		
17	Reform the Slovak deposit insurance framework to improve its governance by removing active bankers from its boards; expand its mandate; strengthen the financial position; and enhance the inter-agency cooperation (¶43, 46).	ST	Ongoing consultations on the proposed recommendations are taking place between the NBS, the MoF, and FOV, with legislative changes under MoF's authority. Amendments to the Slovak deposit insurance framework are tied to the broader review of Slovakia's resolution framework. These amendments are on hold pending finalization of EU-level CMDI reforms, which will significantly change the resolution regime. Once finalized, the Ministry of Finance in cooperation with the NBS and FOV will review existing legislation and propose amendments to ensure alignment with the new framework and FSAP recommendations. This work is expected to start in 2026Q2.
	[1] I, ST, MT and C stand for immediate (within one year), near-term (within 2–3 years), medium-term (within 3–5 years), and Continuous. [2] The protection of staff involved in supervision is expressed in the Sec. 2(4) of the Act on financial supervision and in the Sec. 5 (3) of the Act on the resolution of crisis situations in the financial market as a general principle for supervision. According to this the responsibility for the exercise of supervision lies with NBS or the Council. Authorized supervisors (employees and managers) are not accountable to third parties for the consequences arising from the conduct of supervision; this is without prejudice to their liability to NBS as employees or to their criminal liability.		

Annex VI. Data Issues

Table 1. Slovak Republic: Data Adequacy Assessment for Surveillance

Data Adequacy Assessment Rating 1/							
A							
Questionnaire Results 2/							
Assessment	National Accounts	Prices	Government Finance Statistics	External Sector Statistics	Monetary and Financial Statistics	Inter-sectoral Consistency	Median Rating
	A	A	A	A	A	A	A
Detailed Questionnaire Results							
Data Quality Characteristics							
Coverage	A	A	A	A	A		
Granularity 3/	A		A	A	A		
			A		A		
Consistency			A	B		A	
Frequency and Timeliness	A	A	A	A	A		

Note: When the questionnaire does not include a question on a specific dimension of data quality for a sector, the corresponding cell is blank.
1/ The overall data adequacy assessment is based on staff's assessment of the adequacy of the country's data for conducting analysis and formulating policy advice, and takes into consideration country-specific characteristics.
2/ The overall questionnaire assessment and the assessments for individual sectors reported in the heatmap are based on a standardized questionnaire and scoring system (see IMF *Review of the Framework for Data Adequacy Assessment for Surveillance* , January 2024, Appendix I).
3/ The top cell for "Granularity" of Government Finance Statistics shows staff's assessment of the granularity of the reported government operations data, while the bottom cell shows that of public debt statistics. The top cell for "Granularity" of Monetary and Financial Statistics shows staff's assessment of the granularity of the reported Monetary and Financial Statistics data, while the bottom cell shows that of the Financial Soundness indicators.

A	The data provided to the Fund are adequate for surveillance.
B	The data provided to the Fund have some shortcomings but are broadly adequate for surveillance.
C	The data provided to the Fund have some shortcomings that somewhat hamper surveillance.
D	The data provided to the Fund have serious shortcomings that significantly hamper surveillance.

Rationale for staff assessment. Data provision is adequate for surveillance. The authorities regularly publish a full range of economic and financial data. Slovakia is also subject to the statistical requirements of Eurostat and the European Central Bank, including the timeliness and reporting standards, and it has adopted the European System of Accounts 2010. However, net errors and omissions in the balance of payments statistics have averaged 1 percent of GDP in the last five years.

Changes since the last Article IV consultation. No changes.

Corrective actions and capacity development priorities. Not applicable

Use of data and/or estimates in Article IV consultations in lieu of official statistics available to staff. Staff does not use any data and/or estimates in the staff report in lieu of official statistics

Other data gaps. No macro-critical data gaps, though the central bank's capacity to target borrower-based macroprudential measures (BBMs) could be improved by differentiating between first- and second-time home buyers, once reliable data becomes available.

Table 2. Slovak Republic: Data Standards Initiatives

Slovak Republic adheres to the Special Data Dissemination Standard (SDDS) Plus since September 2019 and publishes the data on its National Summary Data Page. The latest SDDS Plus Annual Observance Report is available on the Dissemination Standards Bulletin Board (https://dsbb.imf.org/).

Table 3. Slovak Republic: Common Indicators Required for Surveillance

As of February 24, 2026

	Data Provision to the Fund				Publication under the Data Standards Initiatives through the National Summary Data Page			
	Date of Latest Observation	Date Received	Frequency of Data[6]	Frequency of Reporting[6]	Expected Frequency[6,7]	Slovak Republic[8]	Expected Timeliness[6,7]	Slovak Republic[8]
Exchange Rates	Current	Current	D	D	D	...	...	...
International Reserve Assets and Reserve Liabilities of the Monetary Authorities[1]	Jan-26	Feb-26	M	W	M	M	1W	7D
Reserve/Base Money	Dec-25	Jan-26	M	M	M	M	2W	NLT 12D
Broad Money	Dec-25	Jan-26	M	M	M	M	1M	1M
Central Bank Balance Sheet	Dec-25	Jan-26	M	M	M	M	2W	NLT 12D
Consolidated Balance Sheet of the Banking System	Dec-25	Jan-26	M	M	M	M	1M	1M
Interest Rates[2]	Current	Current	D	D	D	...	...	...
Consumer Price Index	Jan-26	Feb-26	M	M	M	M	1M	NLT 15D
Revenue, Expenditure, Balance and Composition of Financing[3]–General Government[4]	2024	Oct-25	A	A	A/Q	...	2Q/12M	...
Revenue, Expenditure, Balance and Composition of Financing[3]–Central Government	Jan-26	Feb-26	M	M	M	M	1M	NLT 7D
Stocks of Central Government and Central Government-Guaranteed Debt[5]	2025Q3	Nov-25	Q	Q	Q	Q	1Q	NLT 9W
External Current Account Balance	2025Q3	Jan-26	Q	Q	Q	Q	1Q	NLT 1Q
Exports and Imports of Goods and Services	Dec-25	Feb-26	M	M	M	M	8W	NLT 6W
GDP/GNP	2025Q4	Feb-26	Q	Q	Q	Q	1Q	70D
Gross External Debt	2025Q3	Dec-25	Q	Q	Q	Q	1Q	1Q
International Investment Position	2025Q3	Dec-25	Q	Q	Q	Q	1Q	3M

[1] Includes net market value of derivative positions.

[2] Both market-based and officially determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.

[3] Foreign, domestic bank, and domestic nonbank financing.

[4] The general government consists of the central government (budgetary funds, extra budgetary funds, and social security funds) and state and local governments.

[5] Including currency and maturity composition.

[6] Frequency and timeliness: ("D") daily; ("W") weekly or with a lag of no more than one week after the reference date; ("M") monthly or with lag of no more than one month after the reference date; ("Q") quarterly or with lag of no more than one quarter after the reference date; ("A") annual.; ("SA") semiannual; ("I") irregular; ("NA") not available or not applicable; and ("NLT") not later than.

[7] Encouraged frequency of data and timeliness of reporting under the e-GDDS and required frequency of data and timeliness of reporting under the SDDS and SDDS Plus. Any flexibility options or transition plans used under the SDDS or SDDS Plus are not reflected. For those countries that do not participate in the IMF Data Standards Initiatives, the required frequency and timeliness under the SDDS are shown for New Zealand, and the encouraged frequency and timeliness under the e-GDDS are shown for Eritrea, Nauru, South Sudan, and Turkmenistan.

[8] Based on the information from the Summary of Observance for SDDS and SDDS Plus participants, and the Summary of Dissemination Practices for e-GDDS participants, available from the IMF Dissemination Standards Bulletin Board (https://dsbb.imf.org/). For those countries that do not participate in the Data Standards Initiatives, as well as those that do have a National Data Summary Page, the entries are shown as "..."

INTERNATIONAL MONETARY FUND

SLOVAK REPUBLIC

March 3, 2026

STAFF REPORT FOR THE 2026 ARTICLE IV CONSULTATION—INFORMATIONAL ANNEX

Prepared By European Department

CONTENTS

FUND RELATIONS

(As of January 31, 2026)

Membership Status: Joined January 1,1993; accepted Article VIII

General Resources Account:	**SDR Million**	**Percent of Quota**
Quota	1,001.00	100.00
Fund holdings of currency	741.28	74.05
Reserve position	259.76	25.95

SDR Department:	**SDR Million**	**Percent of Allocation**
Net cumulative allocation	1,299.89	100.00
Holdings	1,306.66	100.52

Outstanding Purchases and Loans: None

Financial Arrangements:

Type	**Date of Arrangement**	**Expiration Date**	**Amount Approved (SDR Million)**	**Amount Drawn (SDR Million)**
Stand-by	7/22/1994	3/21/1996	115.80	32.15

Projected Payments to Fund:
(SDR Million; based on existing use of resources and present holdings of SDRs):

	Forthcoming				
	2026	**2027**	**2028**	**2029**	**2030**
Principal					
Charges/Interest	0.01	0.01	0.01	0.01	0.01
Total	0.01	0.01	0.01	0.01	0.01

Exchange Rate Arrangement:

The currency of the Slovak Republic is the euro. The exchange rate arrangement of the euro area is free floating. The Slovak Republic participates in a currency union (EMU) with 20 other members of the EU and has no separate legal tender. The Slovak Republic accepted the obligations under Article VIII, Sections 2, 3, and 4 of the IMF’s Articles of Agreement, and maintains an exchange system free of multiple currency practices and restrictions on the making of payments and transfers for current international transactions, other than those imposed for security reasons, based on UN Security Council Resolutions and Council of the European Union Regulations, which have been notified to the Fund in accordance with Executive Board Decision No. 144-(42/51).

Article IV Consultation:

The Slovak Republic is on a standard 12-month consultation cycle. The previous consultation with the Slovak Republic was concluded on March 24, 2025 (IMF Country Report No. 25/072).

FSAP Participation and ROSCs:

Two FSAP missions to Slovak Republic took place in 2024, and the Aide Memoire was presented to the authorities. The FSAP findings were summarized in the accompanying Financial System Stability Assessment (FSSA), which was discussed at the Board together with the 2025 Article IV consultation staff report.

The report on the Fiscal ROSC was issued in August 2002 (IMF Country Report No. 02/189), and updates were issued in August 2003 (IMF Country Report No. 03/236) and in March 2005 (IMF Country Report No. 05/73). The report on the Data ROSC was issued in May 2005 (IMF Country Report No. 05/161).

Technical Assistance: See the attached table.

Resident Representative Post: None (closed at end-April 2004).

Slovak Republic: Technical Assistance, 2018–2025[1/]		
Department	**Timing**	**Purpose**
FAD	April 2018	TADAT
	April 2018	International taxation
	May 2018	Expenditure review (preparing baselines)
	November 2018	Expenditure review
	February 2019	Public Investment Management Assessment
	July 2019	Expenditure review
	September-December 2020	Fiscal rules and budget reforms
	October 2020	Technical review of the Spending Review Process
	April-September 2021	Expenditure review (National Transport Modeling)
	April 2021–Sept 2022	Support on expenditure review (Health, RDI)
	January 2022	Fiscal transparency evaluation
	January–March 2023	Review of subsidies
	June 2023	Implementing Public Expenditure limits
	May–October 2023	Program Based Budgeting
	July 2023	Workshop on Behavioral Finance
	July 2022–April 2023	Supporting the Investment Authority
	June 2023	Whole-of-government expenditure review
	December 2023	Workshop to close FY22–24 project and plan FY24–26 project
	March – September 2024	Assessment of spending review process (DS component)
	April-September 2024	Education spending review 1
	May-August 2024	HQ: assessment of spending review process (FB component)
	June-September 2024	Education spending review 2
	September 2024	STX - preparation TADAT assessment (DGREFORM)
	October 2024-April 2025	Transport infrastructure modelling
	October-November 2024	HQ - TADAT assessment (DGREFORM)
	December 2024	HQ Mission on PEFA steering committee
	March 2025	STX - strategic planning (DGREFORM)
	October 2024 – April 2025	Transport infrastructure modelling
	June – July 2025	STX - reform implementation (DGREFORM)
	July 2025	Health pharmaceutical spending - desk support
	July – August 2025	Social benefits - disability - desk
	October 2025	High-level visit and project kick-off
	December 2025	Health pharmaceutical additional support

1/ See Appendix I of the IMF Country Report No. 21/133 for technical assistance prior to 2018.