Coronavirus response in 2021: building back better

Update on the Slovak Republic (24 June 2021)

European Bank for Reconstruction and Development

Covid-19 policy response

- **The government responded to the Covid-19 crisis in 2020 with a package of support, amounting to around 5.1 per cent of gross domestic product (GDP),** focused on income support for vulnerable individuals, liquidity support for businesses and budgetary support for the health sector.
- **Covid-19-related fiscal measures in 2021** are projected at 2.2 per cent of GDP – to be spent on supporting the economy and social measures, in particular maintaining jobs via kurzarbeit.
- **Substantial EU funds are available to boost recovery.** The Slovak Republic is expected to receive €18.6 billion under the 2021-27 multiannual financial framework and €7.5 billion in grants under the Covid-19 recovery fund. It will be eligible to draw soft loans of up to €6.8 billion, repayable by 2058.

Macroeconomic indicators (%)

	2018	2019	2020
GDP growth	3.7	2.5	-4.8
Annual inflation (end-year)	-0.1	-0.1	-0.1
Government balance/GDP	-1.0	-1.3	-6.2
Current-account balance/GDP	-2.2	-2.7	-0.4
Net FDI/GDP	-1.3	-2.2	2.1
Public debt/GDP (end-year)	49.6	48.2	60.6
Unemployment rate (end-year)	5.9	5.6	6.9

Short-term indicators

EBRD GDP growth forecast (June 2021)
2021: 4.5%; 2022: 5.0%

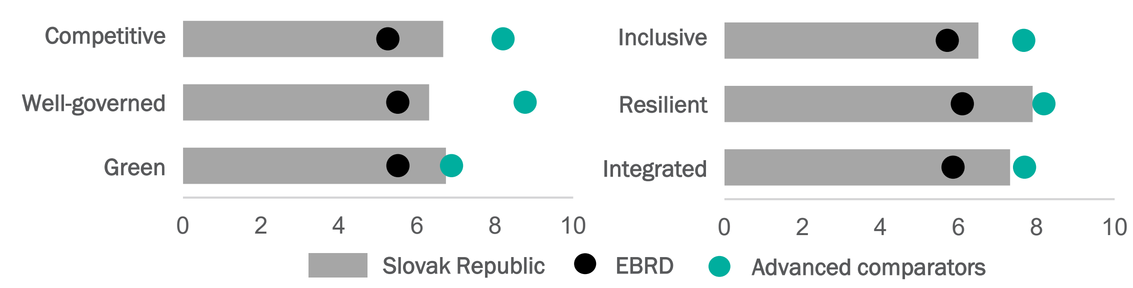
Quarterly GDP growth: 0.2% y/y (Q1 2021)

Economic sentiment: 98.4 (May 2021)

Bratislava SAX stock market: 370.76 (end-May 2021), up 0.7% m/m

Annual inflation: 2.1% y/y (May 2021)

EBRD assessment of transition qualities (ATQs), 2020[1]



Building back better: key ongoing initiatives

Competitive	A package of 100 measures, prepared by the Ministry of Economy and based on more than 2,500 suggestions from the public, is aimed at improving the business environment.
Green	"Green Slovakia", part of the Recovery and Resilience Plan, targets investments in renewables, energy networks, restoration of buildings and modernisation of railways.
Inclusive	A permanent kurzarbeit enables employers to receive 60 per cent of wage compensation for shortened working time due to unpredicted economic shocks in the future.
Resilient	The abolished special bank levy, effective from January 2021, enables each of the banks to increase their core capital by €150 million annually, thus strengthening their resilience to shocks.
Digital	The government's digital reform programme is based on six pillars: interconnectedness, cyber security, digital economy, digital skills, innovations and e-administration.

Key short-term priorities

- Targeted fiscal support should be continued for distressed companies and households.
- The government should continue revenue support to vulnerable workers and other individuals.
- A quick and wide distribution of vaccines needs to be implemented before a potential Covid-19 wave in the autumn of 2021.

To learn more about the EBRD's support for the Slovak Republic, visit: https://www.ebrd.com/slovak-republic.html.

[1] For more details on ATQs, see EBRD (2020), Transition Report 2020-21: The State Strikes Back, London.

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