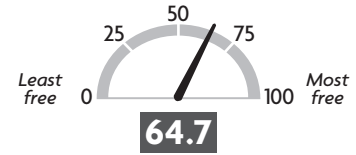


World Rank: **61**

Regional Rank: **27**

SLOVENIA

Economic Freedom Score



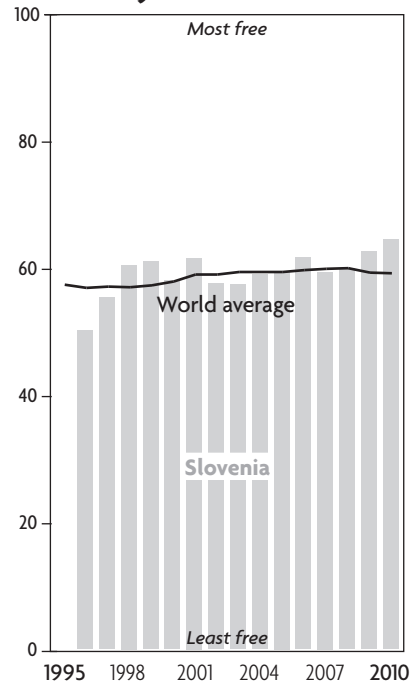
Slovenia's economic freedom score is 64.7, making its economy the 61st freest in the 2010 *Index*. Its score has increased by 1.8 points since last year, reflecting improvements in six of the 10 economic freedoms. Slovenia is ranked 27th out of 43 countries in the Europe region, and its overall score is well above the world average.

The transition of the Slovenian economy to greater economic freedom continues, facilitated by structural reforms and an increasingly vibrant private sector. The economy enjoys relatively high levels of business freedom, trade freedom, investment freedom, property rights, and freedom from corruption. Business regulations have become more straightforward and transparent, and recent reductions in the corporate tax rate have increased competitiveness. Foreign investment is encouraged, and the streamlining of investment rules has eliminated burdensome restrictions.

Weak scores in government spending and labor freedom hold down Slovenia's overall economic freedom. Government spending is more than 40 percent of GDP, and the privatization of state-controlled enterprises has been sluggish. Labor market reforms have also been delayed, hampering employment and productivity growth.

BACKGROUND: As the first entity to secede from the former Yugoslavia in 1991, Slovenia largely managed to avoid the bloody conflict that followed Croatia's secession. As a result, Slovenia's relatively strong economic infrastructure was left intact, and its economy became prosperous and stable, experiencing solid growth in recent years. However, the global recession has had a serious impact on Slovenian exports. Slovenia joined both the European Union and NATO in 2004 as part of a broader strategy of integration into the Euro-Atlantic community. It also adopted the euro as its currency on January 1, 2007, and chaired the European Union in 2008 and the Council of Europe in 2009.

Country's Score Over Time



Quick Facts

Population: 2.0 million

GDP (PPP): \$56.3 billion

3.5% growth in 2008

5.1% 5-year compound annual growth

\$27,605 per capita

Unemployment: 4.4%

Inflation (CPI): 5.7%

FDI Inflow: \$1.8 billion

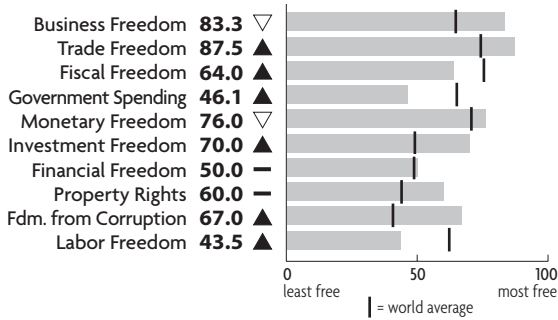
2008 data unless otherwise noted

Data compiled as of September 2009

How Do We Measure Economic Freedom?

See page 457 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

SLOVENIA'S TEN ECONOMIC FREEDOMS



BUSINESS FREEDOM — 83.3

The overall freedom to start, operate, and close a business is relatively well protected under Slovenia's regulatory environment. Starting a business takes six days, compared to the world average of 35 days. Obtaining a business license takes less than the world average of 18 procedures and 218 days. Bankruptcy proceedings are fairly simple and straightforward.

TRADE FREEDOM — 87.5

Slovenia's trade policy is the same as that of other members of the European Union. The common EU weighted average tariff rate was 1.3 percent in 2008. However, the EU has high or escalating tariffs for agricultural and manufacturing products, and its MFN tariff code is complex. Non-tariff barriers reflected in EU and Slovenian policy include agricultural and manufacturing subsidies, quotas, import restrictions and bans for some goods and services, market access restrictions in some services sectors, non-transparent and restrictive regulations and standards, and inconsistent regulatory and customs administration among EU members. Pharmaceutical and government procurement regulations exceed general EU policy. Ten points were deducted from Slovenia's trade freedom score to account for non-tariff barriers.

FISCAL FREEDOM — 64

Slovenia has implemented another round of tax cuts. The top income tax rate is 41 percent. The corporate tax rate is now a flat 21 percent, down from 22 percent as of 2009, and is scheduled to be reduced further to 20 percent in 2010. Other taxes include a value-added tax (VAT), a property transfer tax, a special tax on insurance, and a sales tax on vehicles. The payroll tax was phased out in January 1, 2009. In the most recent year, overall tax revenue as a percentage of GDP was 38.4 percent.

GOVERNMENT SPENDING — 46.1

Total government expenditures, including consumption and transfer payments, are relatively high. In the most recent year, government spending equaled 42.4 percent of GDP. Privatization of state-controlled companies has slowed.

MONETARY FREEDOM — 76

Inflation has been moderate, averaging 4.9 percent between

2006 and 2008. As a participant in the EU's Common Agricultural Policy, the government subsidizes agricultural production, distorting the prices of agricultural products. It also controls the prices of pharmaceuticals, oil, electricity, natural gas, and railway transport and influences other prices through regulation and state-owned enterprises and utilities. Ten points were deducted from Slovenia's monetary freedom score to account for policies that distort domestic prices.

INVESTMENT FREEDOM — 70

Foreign investors receive national treatment, and all sectors are open to foreign investment with some restrictions. Investors seeking government incentives face job-creation requirements. Deterrents to investment include an incomplete commercial legal code, slowing privatization efforts, restrictive labor regulations, and burdensome bureaucracy. Residents and non-residents may hold foreign exchange accounts. There are some restrictions on foreign exchange or capital transactions, payments, and transfers. Foreign investors may acquire property.

FINANCIAL FREEDOM — 50

Despite the government's declared intentions, privatization of Slovenia's state-owned financial institutions has been rather slow. The three largest banks account for 50 percent of the sector's total assets. Established lending relationships are important in getting credit in Slovenia, and bank lending is biased toward existing big firms. Equity financing remains difficult for start-ups and smaller companies. Capital markets are relatively small and centered on the Ljubljana Stock Exchange. The impact of the global financial crisis on the banking sector has been relatively modest because of the sector's limited exposure to structured financial products and other toxic assets.

PROPERTY RIGHTS — 60

Private property rights are constitutionally guaranteed, but the courts are inadequately staffed and slow, and there are reports of corruption. Foreigners may own property. Comprehensive legislation to protect intellectual property reflects the World Trade Organization's Trade-Related Aspects of Intellectual Property Rights (TRIPS) agreement and various EU directives, but foreign investors complain about enforcement delays.

FREEDOM FROM CORRUPTION — 67

Corruption is perceived as present. Slovenia ranks 26th out of 179 countries in Transparency International's Corruption Perceptions Index for 2008. The number of cases of actual bribery is small and is generally limited to instances involving inspections and tax collection.

LABOR FREEDOM — 43.5

Slovenia's labor regulations are rigid. The non-salary cost of employing a worker is relatively high, and dismissing an employee is difficult. Regulations on work hours remain rigid.