

Slovak Republic

In BEEPS V, the top three business environment obstacles identified by Slovak firms were competitors' practices in the informal sector; electricity issues; and access to finance. SMEs were more concerned about access to finance than electricity issues, while corruption topped the list for large firms, followed by courts and labour regulations. Young firms also complained about crime, theft and disorder. In BEEPS IV crime, theft and disorder were among the top obstacles instead of competitors' practices in the informal sector.

Relatively high energy prices and increased competition with the informal sector

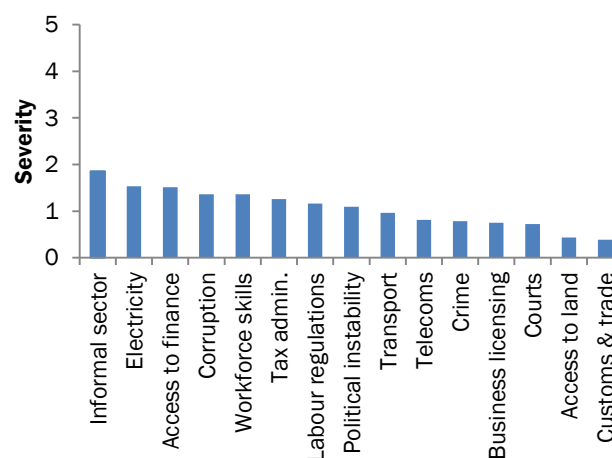
Competitors' practices in the informal sector were identified as the top obstacle facing Slovak firms. The share of firms that reported to compete against informal firms increased slightly, from 40% in BEEPS IV to 43% in BEEPS V, exceeding the central Europe and the Baltic states (CEB) average of 35%.

Electricity issues were the second-most severe obstacle. The wait for an electrical connection, while just below the CEB average, increased from 25 to 39 days. The average number of outages in a typical month was 2.8, higher than the CEB average of 2.3. In addition, the electricity prices are higher than the European Union (EU) average. According to Eurostat, the electricity price for industrial consumers in the Slovak Republic in 2012 was €0.1227 per kilowatt hour (kWh), above the EU average of €0.0942 per kWh.

Access to finance moved from the first to the third place, but remains an important issue, particularly for SMEs. Firms now rely less on internal funding (47% in BEEPS V compared with 59% in BEEPS IV) and more on suppliers/customers in financing fixed-assets purchases; the share of bank financing has not dropped as drastically as in most other CEB countries. The shares of firms with a loan or a credit line as well as the required collateral as a share of loan value remained roughly the same as in BEEPS IV and were above the CEB average.

Workforce skills were also a major concern. The Slovak Republic faces high structural unemployment, particularly among the young and the low-skilled workers. Tertiary educational outcomes as well as vocational training do not match the needs of the labour market. Another explanation for firms complaining about workforce skills could be "brain drain". Emigration to Western Europe increased after the country joined the EU in 2004. The total number of migrants in 2010 was estimated to be more than half a million people (9.6% emigration rate).

Chart 1. Business environment obstacles



Estimated for a hypothetical "average" firm. Higher values correspond to a weaker business environment.

Chart 2. Competition from the informal sector

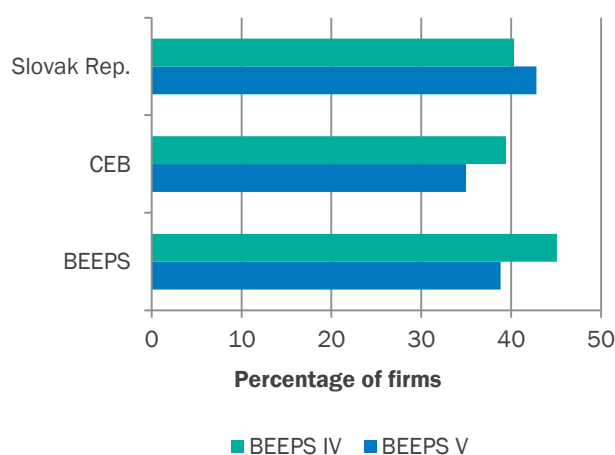


Chart 3. Sources of financing of fixed asset purchases

