

# BREXIT

## SLOVAKIA AND

## THE UNITED KINGDOM

**CHALLENGES, IMPLICATIONS AND OPPORTUNITIES.**

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# Foreword from His Excellency Nigel Baker; His Majesty's Ambassador of the United Kingdom to the Slovak Republic:

The trade and investment partnership between the UK and Slovakia has flourished since the UK left the EU. Businesses from both nations have demonstrated commendable resilience and adaptability, navigating the complexities introduced by new trade rules. Particularly noteworthy is the proactive approach adopted by enterprises, leveraging support mechanisms and optimising supply chains to overcome initial challenges.

This period of adjustment has, in fact, become an opportunity for innovation and strategic recalibration. The success of trade is evident in the dynamic collaboration across various sectors and continued investment between countries. British investors in Slovakia continue to expand their footprint. And exporters in both directions have grown their businesses, thanks in part to the excellent support of the Slovak Council of Exporters and the commercial teams in British and Slovak embassies in our countries. Both the UK and Slovakia have shown a commitment to nurturing this burgeoning partnership.

The ongoing success of UK-Slovak commercial relations is testament not only to the agility and resilience of businesses but also to the clear determination shown by UK and Slovak business to transform challenges into opportunities. The mutual dedication to fostering economic growth and collaboration positions both countries well for a promising and prosperous bilateral trade and investment future.

**Nigel Baker**



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# Abstract

## Brexit & Its Origin

It is by now pretty evident to large tranches of the World, that on the now very infamous day of the 23rd of June of 2016, a referendum was held in the United Kingdom to determine the fate of Britain in Europe. Over seven years have passed since that very day, and the result as is now of global public record, saw the “Vote Leave” camp collecting 17,410, 742 votes and percentage of 51.89% with the “Britain Stronger in Europe” (later to be referred to the Remain) camp collecting slightly less votes at 16, 141, 241 and thus 48.11% in terms of percentage, therefore triggering the motion to facilitate the laboriously and intricately complicated process for the United Kingdom to remove itself from the European Union. During the campaigning the term ‘Brexit’ was forged (which was an abridgement of the words Britain and Exit), and has since been adopted and infused into modern day vernacular for UK citizens and foreign observers alike. Much like the term, the notion and extrication of the United Kingdom from the European Union still polarizes opinions some several years later.

The vote was facilitated and established through “European Union Referendum Act, 2015”

## Thesis

The purpose of this publication is to highlight how Brexit may have impacted its trade and other multilateral relations with Slovakia; the affect adverse or otherwise it may have had economically and highlight areas of burgeoning opportunity and explore the strong relationship the two nations possess even within the prism of Brexit. It may well be that amid the flurry of media hype and fear mongering, it is business as usual – or may well be that without the shackles of European conformity bilateral economic relations may prosper more robustly than ever previously. The conjecture will always be open to scrutiny and the impact still may not be felt for some years to come, but we will take a look at some of the figures between the countries; the sectors of interest and the areas for growth opportunity with a high-level view of some champion industry leaders paving the way both in Slovakia and in the United Kingdom.

## Brexit as of 2023 and it's Economical Impact to the United Kingdom

One has to try as best as feasibly possible to divorce oneself from the very divisive sentiment that both the campaign, aftermath and subsequent settlement felt like to large tranches of the population and try and get a palpable feeling from the public to see what the street feeling is currently; see below for a current assessment.

Two-thirds of the British public think Brexit has damaged the economy, while even among Leave voters only one in five think the impact has been positive. A cursory glance at the evidence across three key dimensions – trade, migration and investment – as well as the overall macroeconomic impacts can be basely assessed in these areas. The impact on trade overall appears to have been broadly consistent with predictions so far, that on immigration much less negative (and perhaps even positive) and on

investment somewhat worse. Perhaps the best estimate of the negative impact on Brexit on UK GDP to date is 2–3% of GDP.

Since then, the British public appears to have made up its mind on this topic: two-thirds think Brexit has damaged the economy, while even among Leave voters only one in five think the impact has been positive (UK in a Changing Europe 2023). The vast majority of economists would agree (and many would add a resounding ‘we told you so’). But that does not mean that we fully understand how, and to what extent, Brexit has affected the UK economy. <sup>1</sup>

As a footnote to renowned Professor of Economics and Public Policy; Jonathan Portes’ laudable analyses on Brexit, much like the topic itself there are countless others that may contend this data and these findings. However, for the purpose of this document, I wanted to paint a picture of the layman’s feeling in the UK, prior to understanding what thoughts if any Slovaks had with this in mind.



1. <https://cepr.org/voxeu/columns/impact-brexit-uk-economy-reviewing-evidence>



# THE POLITICAL DIMENSION & OPINION IN SLOVAKIA

As a British person living and working in Slovakia, as well as being an educator at Comenius University; I am perpetually asked and probed by colleagues and students as to my thoughts on Brexit with alarming regularity – and due to the aforementioned emotionally driven element of the whole process, my only comment now is that, it’s happened and must be respected regardless of opinion, like it or not. Far more interesting than my ramblings were the commentaries of Slovak politicians at the time of Brexit just to contextualize the picture; See below;

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## Notable quotations from Prominent Slovaks on Brexit



“The Slovak government fully respect the British electors’ decision and does not see the need to comment it.”<sup>1</sup>

Robert Fico, June 24, 2016, then Prime-Minister of the Slovak republic

“The results of the British referendum should be seen as a warning signal for the administration in Brussels to listen more to the Member States’ opinions and requirements and to impede reforms.”<sup>1</sup>

coalition party Most-Híd’s reaction, June 24, 2016

“There is nothing worse than the uncertainty for our citizens working in the United Kingdom or for the traders involved with transaction with the UK.”<sup>1</sup>

Veronika Remišová, then deputy of the National Council of the Slovak Republic, June 24, 2016

“The decision by the British electors who voted for Brexit in the referendum will lead to both political and economic deliberation of the Western world.”<sup>1</sup>

Radoslav Procházka, then chairman of the Network coalition party, June 24, 2016

“Starting from today’s morning, we are the witnesses of the new era of the European political integration project. The era that will be marked by disintegration, rise of separatist tendencies in the Member States and by economic uncertainty.”<sup>1</sup>

Martin Klus, then deputy of the National Council of the Slovak Republic and academic with the expertise in foreign policy, June 24, 2016

“The result of the British referendum is both surprising and disconcerting. It brings a large number of negative impacts for the EU. It is to be seen as a step backwards that brings considerable unpredictability.”<sup>1</sup>

Ivan Mikloš, former Minister of Finance and depute of the National Council of the Slovak Republic, respected expert in the area of finance, June 24, 2016

“Brexit, once it becomes a reality, implies

many restrictions for workers and students. On the other hand, the prospects of continuance in trade exchange and even broader economic cooperation are to be seen as a huge opportunity that we might benefit from.”<sup>2</sup>

Luboš Blaha, then deputy of the National Council of the Slovak Republic and academic with the expertise in comparative politics and economics; January 31, 2020

“Brexit represents a great loss not only for the UK but also for the EU. From the Slovak perspective, it is important to set future relations in a way that will not only maintain but even enlarge opportunities of Slovak companies in the UK. The same applies for the Slovak export to the UK. Therefore, the final version of the trade agreement will be crucial for the Slovak economy whose growth is led by export.”<sup>2</sup>

Tomáš Valášek; then foreign-policy team leader of the For people party; January 31, 2020

“It is difficult to predict the impact of Brexit as the situation changes from day today. Brexit may hurt especially those Slovaks who are not guaranteed permanent residence in the United Kingdom, i.e. who have not lived here for more than five years. We need such hard-working people with good language skills at home like salt”

Richard Raši, the current Minister for Investment, Regional Development and Informatisation

“The result of the British referendum is not a tragedy, but a reality to which the remaining 27 Member States of the Union will have to react very quickly.”

Robert Fico, the then and now current Prime Minister

“While for more than 60 years European countries have been coming together, this is the first time a decision in the opposite direction has been taken. We also regret this because the decision will play into the hands of radicals and extremists throughout the European Union.”

Most-Híd party statement

“I am convinced that in time Britain will regret leaving the EU, and I believe that the Union will then welcome the British back. The EU is facing a difficult time with regard to Brexit.”

Andrej Danko, politician of the Slovak National Party

“A no-deal Brexit will have an impact on car production.”

Zuzana Čaputová, the current President of the Slovak Republic

“We need to listen to each other, to maintain the unity of the EU, but also to refrain from escalating negative emotions in the dialogue with the United Kingdom. Europe’s future lies in unity and cooperation, not in building new walls and borders.”

Zuzana Čaputová, the current President of the Slovak Republic

“Brexit is the exemplary result of the populism we face in several countries, and what we certainly need is a Brexit with a deal, not without a deal.”

Zuzana Čaputová, the current President of the Slovak Republic

“Leaving without a deal is a bad solution, but we need to start thinking pragmatically about how to organise relations. The rights of our citizens in the UK are guaranteed by the British side. The second thing is our bilateral relations, and here we have to work. We have an opportunity to attract British investors here.”

Luboš Blaha, SMER-SD politician

“Prime Minister Theresa May is trying to push through often contradictory objectives that the EU cannot accept. Brexit is the result of irresponsible politicians who did not hesitate to mislead the whole nation with many lies before the referendum. Instead of solving the country’s problems, for two years now the UK



has solved nothing but leaving the EU, and in doing so has burdened the other Member States of the Union, too.”

Veronika Remišová, Chairwoman of the political party ZA ĽUDÍ

“This is a huge problem because it is the first time that Europe is disintegrating and it will also have an impact on our functioning within the security rules.”

Robert Kaliňák, Minister of Defence of the Slovak republic

“The European Union is stronger with Britain, but we need to reflect on what has happened.”

Miroslav Lajčák, Slovak diplomat

“I don’t think Slovaks will be significantly threatened even in the event of a hard Brexit. I don’t think they would all have to leave in droves. I don’t see a major impact on our economy.”

Peter Pellegrini, president of the National Council of the Slovak Republic

“In 2016, the people of the UK decided to leave the European Union. Whether they did so on the basis of true or false information must be left to the people of Great Britain. Politicians simply have to respect the results of elections or referendums. What good would a referendum be if it could be repeated until the result we want to see comes.”

Monika Beňová, MEPs

“It’s a perfect paradox. The British are renowned for their detachment, their centuries of experience in the workings of democracy and their empire. When the revolutionary wars raged on the continent, it was a philosopher from the British Isles, Edmund Burke, who effectively defined conservatism as a bulwark against radicalism. Now that has been reversed. Continental Europe is proceeding pragmatically and rationally in

Brexit, while fanaticism has taken over the British Isles.”

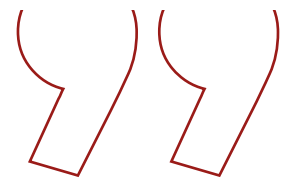
Michal Šimečka, Deputy President of the National Council of the Slovak Republic

“The EU needs to come together and organise itself so that the loss of the UK weakens Europe as little as possible.”

Katarína Cséfalvayová, politician

“Regardless of Brexit, we belong to each other, the UK and EU countries.”

Mikuláš Dzurinda, politician



1. [https://tvnoviny.sk/domace/clanok/49035-velka-britania-odchadza-z-eu-reakcie-slovenskych-politikov?campaignsrc=tn\\_clip-board](https://tvnoviny.sk/domace/clanok/49035-velka-britania-odchadza-z-eu-reakcie-slovenskych-politikov?campaignsrc=tn_clip-board)

2. <https://www.teraz.sk/slovensko/sas-odchod-velkej-britanie-z-eu-nie/443854-clanok.html>



**Practical Implications  
of Brexit on Businesses**

## Customs

The very first concerns levied by all European nations and others towards the United Kingdom, were invariably what would differ post-Brexit in terms of the transfer of goods, shipping, tariffs and so forth.

In practice, this means that mutual business relations are governed by the rules of the Departure Agreement. This mitigates the effects of Brexit, mainly in the area of import duties and quotas, which are completely removed but subject to the fulfilment of the rules of origin of goods in the United Kingdom set out in the agreement. However, this does not mean the free movement of goods as it was during the transition period. When trading between the EU and the United Kingdom, we have to consider customs controls at the borders as well as other customs formalities for goods transported between both parties.

Goods will be imported into the EU from the United Kingdom (import) and goods that will be exported from the EU to the United Kingdom (export) will be subject to customs supervision and possible customs controls in accordance with Regulation (EU) no. 952/2013 of 9 October 2013 establishing the Customs Code of the Union. Restrictions on the amount of goods, especially tobacco products and alcoholic beverages, which can be imported into the EU without having to pay customs duties, VAT and consumption tax will apply to tourist traffic. Baggage may be subject to customs control when entering the EU from the UK. UK travellers will be entitled to a VAT refund when leaving the EU.

## Entrepreneurs

Economic entities that will regularly and frequently trade with the United Kingdom can, in order to shorten the process of customs procedures related to the import / export / transit of goods, ask the customs office for permission to use simplified procedures in customs procedures. At the same time, however, they must also take into account post-release controls, in which the customs authorities verify the accuracy and completeness of the information provided in the customs declaration, temporary storage declaration, preliminary customs entry declaration, preliminary customs exit declaration, re-export declaration or notification on re-export and the existence, authenticity, accuracy and validity of each supporting document and may examine the declarant's accounting records and other records relating to operations with the goods in question or to previous or subsequent business operations with those goods after their release

## Customs Procedures

From January 1, 2021, the import or export of goods will be subject to customs procedures in which a customs declaration is also submitted. Depending on the type of goods (whether they are of a non-commercial or commercial nature), it will be possible to submit the relevant type of customs declaration (either an oral customs declaration or an electronic customs declaration). In the event that an electronic customs declaration will be submitted through the relevant portal, registration in the Central Register of Financial Administration (APV CReg) is required. This registration is fully automated as part of the establishment of electronic communication with the customs authorities through the relevant portals. In the event that the registration does not take place automatically, it is followed according to the instructions

published in the System of identification and registration for natural persons .

The Treasury has published comprehensive information for citizens on its website about the consequences of the Agreement on consignments and imports from the United Kingdom under number 15/CLO/2021/IM<sup>3</sup>

## Taxation

### Direct taxes area

From January 1, 2021, the UK **will no longer be considered as a taxpayer of EU member state or as a taxpayer of a state who is a contracting party to the EEA Agreement**. The exclusion of the UK from this group will affect the application of certain provisions of the Income Tax Act, and transactions with the UK will no longer be eligible for certain benefits granted by the Income Tax Act to the transactions until the end of the transition period as EU member state.

Exemption of royalties and interest from a source in the Slovak republic, which under other circumstances are subject to the withholding tax, in accordance with Section 13 par. 2 letter f) and h) of the Income Tax Act, can be applied only if the recipient of the income has its seat or a permanent establishment in an EU member state. The above exemption will no longer be considered when assessing the taxation of royalties and interest which have their source in the Slovak republic and paid in the UK.

In the case of some business combinations (contributions in-kind, merges, division), if one of the parties is a UK company, it will no longer be possible to perform this business combination at historical values (instead of fair values) even if the conditions are met. From the perspective of tax consequences of such a transaction, taxation may be less favourable for some parties of such a business combination than if the participants were EU member states.

The tax bonus and other incomes specified in the provisions of Section 9 par. 2 letter b) and n) of the Income Tax Act (e.g. material need, state benefits, state social benefits) paid from the UK to the tax residents of the Slovak republic will no longer be exempt from tax, but will be included in the taxable income of natural persons.

To secure the tax on the taxable income in the Slovak republic paid to taxpayers from the UK, the institute of tax security will be applied according to Section 44 of the Income Tax Act.

The assessment of tax obligations in the area of direct taxes will have to be based on the valid Income Tax Act and the valid Double Tax Treaty concluded between the UK and the Slovak republic.<sup>4</sup>

### VAT

Export of the goods to the UK after the end of the transition period will no longer be considered as a supply of goods to another EU member state, but the goods will be exempt from VAT if the standard

3. [https://www.financnasprava.sk/sk/danovi-a-colni-specialisti/clo/brexit/\\_1](https://www.financnasprava.sk/sk/danovi-a-colni-specialisti/clo/brexit/_1)

4. <https://accace.com/brexit-from-the-tax-point-of-view-in-slovakia-news-flash/>



conditions are met. Due to this reason, the export of goods to the UK will not be included in the EC Sales List, but only in the relevant line of the tax return.

Similarly, imports of goods from the UK will not be considered as acquisition of goods from another EU member state, but it will be a subject to VAT within a customs procedure.

In the case of services, the place of the supply will be determined in the same way as before, since whether the supplier or the customer of the service is a person from a member state or from the third country does not affect the determination of the place of the supply of the service. In the case of services received from the UK, if the place of the supply of the service is in the Slovak republic, the domestic taxable person will be obliged to apply the reverse-charge to the transaction and pay the VAT in the Slovak republic. The change occurs in the case of services delivered to the counterparty to the UK, if the place of the delivery of the service is determined according to the basic principle at the customer's seat. These services shall be included in the EC Sales List until December 31, 2020, however, from January 1, 2021, these transactions will no longer be subject to the reporting in any of the VAT returns in the Slovak republic.

## VAT refund from the UK

For the period of 2020, the VAT payers may apply for the VAT refund paid in the UK **in the standard electronic way no later than on March 31, 2021**. The deadline is relatively strict compared to the standard deadline of September 30 of the following calendar year, which applies to the application for VAT refund paid in other EU member state and until the end of the transition period was also applied to the VAT from the UK. The same deadline for submitting the application for VAT refund paid in the EU member state for the mentioned period will apply to VAT payers established in the UK.

It will no longer be possible to apply for the VAT refund paid in 2021 in the UK, as has been the case so far, but it will be necessary to validate the method and conditions under the UK legislation, which can cause significant complications for the entrepreneurs in the EU.

## VAT and customs exception for the Northern Ireland

The application of condition to the counterparty from the UK, as well as to the third countries will not be applied to the supply of goods from and to the Northern Ireland area. Under a mutual agreement between the EU and the UK, the supply of goods and service to and from the Northern Ireland will be a subject to an exception over a period of at **least 4 years** from the end of the transition period, allowing the Northern Ireland to be treated as an EU member state during this period.

Please note that the exception only applies to the transactions of goods; in the case of services with the counterparty from the Northern Ireland, they will be subject to the same VAT rules as applies to the third countries. This means, that **the delivery of the service to the customer in the Northern Ireland will not be included in the EC Sales List**.

At the same time, the so far **unused country code "XI"** is being introduced, which will be used for deliveries of goods to the territory of Northern Ireland **in the EC Sales Lists and Intrastat declarations**.

## Simplified mini one stop shop scheme (so-called MOSS)

The taxable persons established in the UK or in other third countries who will be interested in using the so-called mini one stop shop scheme (“MOSS”) from January 1, 2021, for the provision of telecommunications services, TV and radio broadcasting services or electronically supplied services to the non-taxable person from the EU member states will have to register with the MOSS scheme in the EU member state; they will no longer be able to be registered in the UK.

The taxable persons currently registered in the MOSS scheme who will provide the telecommunications services, TV and radio broadcasting services or electronically supplies services 4after December 31, 2020 to the non-taxable persons in the UK, will no longer be able to use the MOSS scheme. They will have to comply in accordance with the legislation valid in the UK.

## Direct taxes area

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In the case of some business combinations (contributions in-kind, merges, division), if one of the parties is a UK company, it will no longer be possible to perform this business combination at historical values (instead of fair values) even if the conditions are met. From the perspective of tax consequences of such a transaction, taxation may be less favourable for some parties of such a business combination than if the participants were EU member states.

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To secure the tax on the taxable income in the Slovak republic paid to taxpayers from the UK, the institute of tax security will be applied according to Section 44 of the Income Tax Act.

The assessment of tax obligations in the area of direct taxes will have to be based on the valid Income Tax Act and the valid Double Tax Treaty concluded between the UK and the Slovak republic.<sup>4</sup>

4. <https://accace.com/brexit-from-the-tax-point-of-view-in-slovakia-news-flash/>

# UNITED KINGDOM TRADE IN SLOVAKIA

## Bilateral trade

Trade relations are still strong between Slovakia and the UK with Jaguar Land Rover (JLR) and Tesco being the two largest UK investors in Slovakia. The UK is Slovakia's 8th largest export market (2022).

**Total trade in goods and services (exports plus imports) between the UK and Slovakia was £4.4 billion** in the four quarters to the end of Q2 2023, an increase of 18.8% or £695 million in current prices from the four quarters to the end of Q2 2022.

Of this £4.4 billion:

**Total UK exports to Slovakia** amounted to **£1.4 billion** in the four quarters to the end of Q2 2023 (an increase of 16.8% or £195 million in current prices, compared to the four quarters to the end of Q2 2022);

**Total UK imports from Slovakia** amounted to in the four quarters to the end of Q2 2023 (an increase of 19.6% or £500 million in current prices, compared to the four quarters to the end of Q2 2022).

Slovakia was the UK's 49th largest trading partner in the four quarters to the end of Q2 2023 accounting for 0.2% of total UK trade.<sup>1</sup> In 2021, the outward stock of foreign direct investment (FDI) from the UK in Slovakia was £376 million. In 2021, the inward stock of foreign direct investment (FDI) in the UK from Slovakia was £22 million.<sup>5</sup>

In terms of UK investment in Slovakia, over 100 UK owned companies operate in Slovakia. Tesco is Slovakia's largest retailer and one of the main private sector employers in the country. Other major UK investors include JLR as previously mentioned; located in Nitra where the new Defender model is being made, Shell, CP Holdings (owner of Slovakia's largest Spa), Haleon, DS Smith, Tate & Lyle, Cobra, GlaxoSmithKline, Hi-Technology Mouldings, Gleeds and Allen and Overy. Most recently Freshfields Bruckhaus Deringer opened its new shared service centre in Bratislava complementing an existing centre in Manchester, with further news that the British company Eminox is preparing to set up a new plant in East Slovakia in Svit.

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5. Trade and investment Factsheet, <https://assets.publishing.service.gov.uk/media/653fc74c46532b001467f55d/slovakia-trade-and-investment-factsheet-2023-11-01.pdf>





## Top goods traded with the world by Slovakia, in current prices (UN Comtrade)<sup>37 38</sup>

Data presented here shows the top commodities traded to the world, not solely the UK, by Slovakia. These commodities are presented on a different classification from the earlier data by commodity from the ONS and should not be directly compared.

### Top goods exported to the world by Slovakia in 2021:

Rank	HS Commodity	\$USD billion	% of total goods exported
1	87 - Vehicles other than railway or tramway stock	33.5	32.0%
2	85 - Electrical machinery and equipment	17.7	16.9%
3	84 - Machinery and mechanical appliances	12.8	12.3%
4	72 - Iron and steel	5.8	5.5%
5	27 - Mineral fuels or oils, products of their distillation	3.4	3.2%
6	39 - Plastics and articles thereof	3.3	3.2%
7	73 - Articles of iron or steel	2.6	2.5%
8	40 - Rubber and articles thereof	2.5	2.4%
9	94 - Furniture; bedding, mattresses, cushions	1.7	1.6%
10	76 - Aluminum and articles thereof	1.6	1.5%
	<b>All goods exported</b>	<b>104.7</b>	<b>100.0%</b>

### Top goods imported from the world by Slovakia in 2021:

Rank	HS Commodity	\$USD billion	% of total goods imported
1	85 - Electrical machinery and equipment	21.7	20.7%
2	87 - Vehicles other than railway or tramway stock	16.4	15.6%
3	84 - Machinery and mechanical appliances	13.0	12.4%
4	27 - Mineral fuels or oils, products of their distillation	9.0	8.5%
5	39 - Plastics and articles thereof	4.4	4.2%
6	72 - Iron and steel	3.9	3.7%
7	73 - Articles of iron or steel	2.8	2.6%
8	30 - Pharmaceutical products	2.6	2.5%
9	94 - Furniture; bedding, mattresses, cushions	2.2	2.1%
10	40 - Rubber and articles thereof	2.0	1.9%
	<b>All goods imported</b>	<b>105.1</b>	<b>100.0%</b>

Figure 1.

## Trade with Slovakia, in current prices (ONS)<sup>7 8 9</sup>

### Trade definitions

**UK exports** - Goods and services that were produced or sourced in the UK, which were sold to Slovakia.

**UK imports** - Goods and services that were sold to the UK, which were produced or sourced by Slovakia.

**Total or 'bilateral' trade** - The value of total trade between the UK and Slovakia (exports plus imports).

**Trade balance** - The difference between exports and imports, calculated by UK exports minus UK imports.

**Trade surplus** - This occurs when the value of UK exports to Slovakia is greater than the value of UK imports from Slovakia.

**Trade deficit** - This occurs when the value of UK exports to Slovakia is less than the value of UK imports from Slovakia.

**Headline trade statistics include trade in non-monetary gold (reported within the unspecified goods category), which can significantly affect trends for some partners. Please see the factsheet [quality and methodology report](#) for more information. These statistics are given on a balance of payments (change of ownership) basis.**

**Note:** *The latest data include trade between July 2022 and June 2023. Trade has been affected by the COVID-19 pandemic and the associated lockdown measures globally. Consequently, data quality has been affected and may be subject to larger revisions than normal. All figures are reported in current prices (not adjusted for inflation), unless otherwise stated. We recognise that some of the recent increases in UK trade values will be partly due to price increases.*

**Total trade** in goods and services (exports plus imports) between the UK and Slovakia was £4.4 billion in the four quarters to the end of Q2 2023, an increase of 18.8% or £695 million in current prices from the four quarters to the end of Q2 2022.

In the four quarters to the end of Q2 2023, **total UK exports** to Slovakia amounted to £1.4 billion (an increase of 16.8% or £195 million in current prices, compared to the four quarters to the end of Q2 2022).

Of all UK exports to Slovakia in the four quarters to the end of Q2 2023, £862 million (63.7%) were **goods** and £492 million (36.3%) were **services**. In the four quarters to the end of Q2 2023, **UK exports of goods** to Slovakia increased by 19.9% or £143 million in current prices, compared to the four quarters to the end of Q2 2022 while **UK exports of services** to Slovakia increased by 11.8% or £52 million in current prices, compared to the four quarters to the end of Q2 2022.

In the four quarters to the end of Q2 2023, **total UK imports** from Slovakia were £3.0 billion (an increase of 19.6% or £500 million in current prices, compared to the four quarters to the end of Q2 2022).

Of all UK imports from Slovakia in the four quarters to the end of Q2 2023, £1.9 billion (62.8%) were **goods** and £1.1 billion (37.2%) were **services**. In the same period, **UK imports of goods** from Slovakia increased by 6.5% or £117 million in current prices, compared to the four quarters to the end of Q2 2022 while **UK imports of services** from Slovakia increased by 51.0% or £383 million in current prices, compared to the four quarters to the end of Q2 2022.

This means the UK reported a **total trade deficit** of £1.7 billion with Slovakia, compared to a trade deficit of £1.4 billion in the four quarters to the end of Q2 2022. In the four quarters to the end of Q2 2023, the UK had a **trade in goods deficit** of £1.1 billion with Slovakia, compared to a trade in goods deficit of £1.1 billion in the four quarters to the end of Q2 2022. Meanwhile, in the four quarters to the end of Q2 2023 the UK reported a **trade in services deficit** of £642 million with Slovakia, compared to a trade in services deficit of £311 million in the four quarters to the end of Q2 2022.

Figure 2.



# Trade in goods by UK countries and English regions, in current prices (HMRC)<sup>17 18</sup>

## Regional trade definitions

**UK regions** - The UK is categorised into 12 regions based on the International Territorial level 1 (ITL1). This level includes 9 regions in England, as well as Wales, Scotland and Northern Ireland.

**Regional trade data** - The data are compiled by merging HM Revenues & Customs (HMRC) trade data with employment data from the Interdepartmental Business Register (IDBR) so a business' trade can be allocated to a UK region based on the proportion of its employees employed in that region. Where a trader is not matched with the IDBR, its trade is matched with ONS postcode data to obtain the UK region in which the Head Office of the VAT-registered business is based.

The maps below show the value of UK goods exports and imports between each UK region and Slovakia in 2022. The maps are shaded with the 3 UK regions with the highest amount of trade as the darkest colour, and the 3 UK regions with the lowest amount of trade as the lightest colour.



The data that are presented in the maps above for 2022 in £ million are also given in the table below:

UK country or English region	North East	North West	Yorkshire and the Humber	East Midlands	West Midlands	East	London	South East	South West	Wales	Scotland	Northern Ireland
Value of goods exports to Slovakia	47	120	32	41	586	32	21	132	31	50	20	7
Percentage of total goods exports to Slovakia	4.1%	10.5%	2.8%	3.6%	51.4%	2.8%	1.9%	11.6%	2.7%	4.4%	1.8%	0.6%
Value of goods imports from Slovakia	24	141	33	117	652	121	142	487	37	71	23	7
Percentage of total goods imports from Slovakia	1.2%	7.4%	1.7%	6.1%	34.0%	6.3%	7.4%	25.4%	2.0%	3.7%	1.2%	0.4%

Note that these figures from HMRC are reported on a physical movement basis and are **not directly comparable** to trade data from ONS which are reported on a change of ownership basis. **Percentages will not total 100%** as data not allocated to a single UK country or English region are not presented.

Figure 3.

Figure 3., Source: Trade and investment Factsheet, <https://assets.publishing.service.gov.uk/media/653fc74c46532b001467f55d/slovakia-trade-and-investment-factsheet-2023-11-01.pdf>



## Economic data and projections for Slovakia (IMF)<sup>34 35</sup>

The following table presents economic statistics for Slovakia. Projections include assumptions of the effects of COVID-19 and may be subject to change in the future. Estimated data, as well as projections up to 2028, are presented in italics and are subject to revision.

Year	2020	2021	2022	2023	2024	2025	2026	2027	2028
<b>TRADE GROWTH</b>									
Change in exports (%)	-6.4	10.9	2.4	0.5	5.7	3.4	3.5	2.9	2.9
Change in imports (%)	-8.3	12.0	4.2	-3.8	7.6	3.1	3.0	2.9	2.8
<b>CURRENT ACCOUNT</b>									
Current account balance (% of GDP)	0.6	-2.5	-8.2	-2.7	-4.0	-3.4	-2.7	-2.4	-2.1
<b>GDP</b>									
Change in real GDP (%)	-3.3	4.9	1.7	1.3	2.5	2.8	2.8	2.7	2.7
GDP per capita (1,000 SUSD)	19.5	21.7	21.3	24.5	26.7	28.3	29.7	31.0	32.3
GDP PPP (Int'l \$billion)	183.3	200.9	218.5	229.6	240.7	252.4	264.5	276.6	289.3
<b>INFLATION</b>									
Inflation, year average (CPI %)	2.0	2.8	12.1	10.9	4.8	2.3	1.9	1.8	1.8
<b>UNEMPLOYMENT</b>									
Unemployment rate (% of total labour force)	6.6	6.8	6.2	6.1	5.9	5.9	5.9	5.9	5.9
<b>POPULATION</b>									
Population (million)	5.5	5.5	5.4	5.4	5.4	5.4	5.4	5.4	5.4
<b>INVESTMENT-SAVINGS</b>									
Total investment (% of GDP)	19.4	22.1	23.8	16.4	21.9	23.6	23.4	23.5	23.8
Gross national savings (% of GDP)	20.0	19.7	15.6	13.8	17.9	20.2	20.7	21.0	21.7
<b>BUDGET DEFICIT-DEBT</b>									
General government net lending/borrowing (% of GDP)	-5.4	-5.4	-2.0	-5.5	-4.4	-4.4	-4.5	-4.0	-3.9
General government gross debt (% of GDP)	58.9	61.0	57.8	56.7	56.5	57.5	60.3	61.7	63.0

Slovakia was the 63<sup>rd</sup> largest economy in 2022, in terms of gross domestic product (GDP). The UK was the 6<sup>th</sup> largest economy in 2022.<sup>36</sup>

Figure 4.

## Top goods traded with the world by Slovakia, in current prices (UN Comtrade)<sup>37 38</sup>

Data presented here shows the top commodities traded to the world, not solely the UK, by Slovakia. These commodities are presented on a different classification from the earlier data by commodity from the ONS and should not be directly compared.

### Top goods exported to the world by Slovakia in 2021:

Rank	HS Commodity	\$USD billion	% of total goods exported
1	87 - Vehicles other than railway or tramway stock	33.5	32.0%
2	85 - Electrical machinery and equipment	17.7	16.9%
3	84 - Machinery and mechanical appliances	12.8	12.3%
4	72 - Iron and steel	5.8	5.5%
5	27 - Mineral fuels or oils, products of their distillation	3.4	3.2%
6	39 - Plastics and articles thereof	3.3	3.2%
7	73 - Articles of iron or steel	2.6	2.5%
8	40 - Rubber and articles thereof	2.5	2.4%
9	94 - Furniture; bedding, mattresses, cushions	1.7	1.6%
10	76 - Aluminum and articles thereof	1.6	1.5%
	<b>All goods exported</b>	<b>104.7</b>	<b>100.0%</b>

### Top goods imported from the world by Slovakia in 2021:

Rank	HS Commodity	\$USD billion	% of total goods imported
1	85 - Electrical machinery and equipment	21.7	20.7%
2	87 - Vehicles other than railway or tramway stock	16.4	15.6%
3	84 - Machinery and mechanical appliances	13.0	12.4%
4	27 - Mineral fuels or oils, products of their distillation	9.0	8.5%
5	39 - Plastics and articles thereof	4.4	4.2%
6	72 - Iron and steel	3.9	3.7%
7	73 - Articles of iron or steel	2.8	2.6%
8	30 - Pharmaceutical products	2.6	2.5%
9	94 - Furniture; bedding, mattresses, cushions	2.2	2.1%
10	40 - Rubber and articles thereof	2.0	1.9%
	<b>All goods imported</b>	<b>105.1</b>	<b>100.0%</b>

Figure 5.

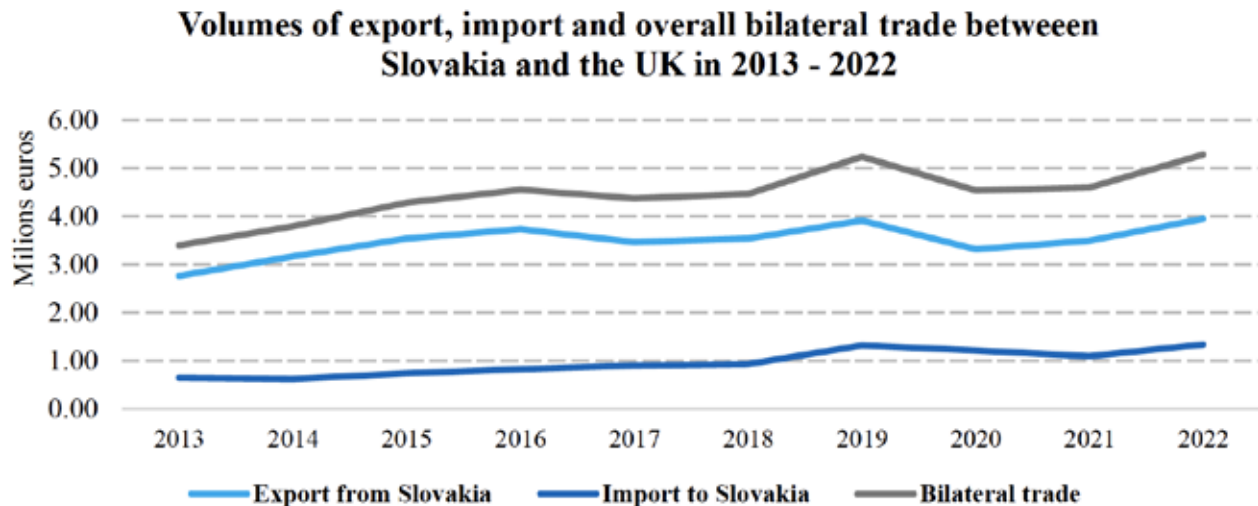


# SLOVAK TRADE IN UNITED KINGDOM

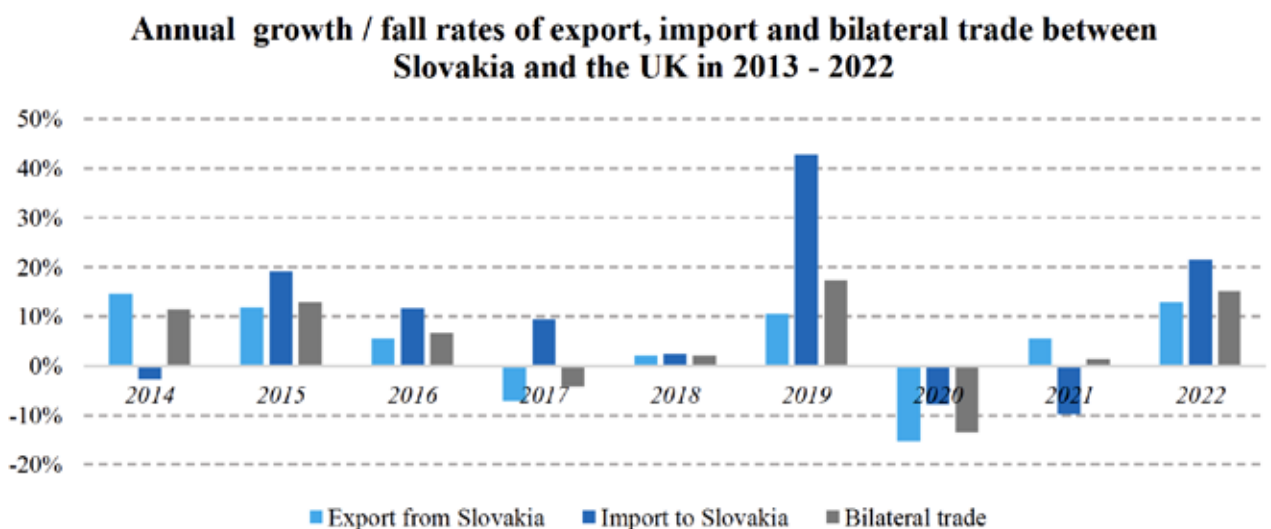


## How has Brexit impacted Slovak Trade to the UK?

- The overall volume of bilateral trade between Slovakia and the UK has been rising relatively steadily in 2013 – 2022
- In absolute terms, it increased from 3 396 573 euro in 2013 to 5 280 808 euro in 2022
- The average annual growth rate amounted to 4,08 %



- The imports from the UK have been rising approximately twice as quick as the exports from Slovakia: the average annual growth rate in 2013 – 2022 for imports is equal to 6,45 %, the same indicator for exports: 3,46%
- The only two exceptions from the general rising bilateral trade tendency were 2017 and 2020 when overall trade volume between the countries decreased by 4,14 % and 13,40 % respectively
- The decrease in bilateral trade in 2017 was caused by the decrease in exports from Slovakia (by 7,15 % p.a.) while imports from the UK continued to rise (by 9,45 % p.a.)



- On the contrary, the fall in the overall volume of bilateral trade between the UK and Slovakia in 2020 was recorded on both export and import side: the first decreased by 15,30 % while the second by 7,76 %



## Trade balance decreased other than pandemic related?

- Global trade decreased by 7,17 % in 2020 compared to 2019 and this indicator reveals the general impact of COVID-19 pandemics on global trade
- Within the EU, the fall of trade volumes was even lower due to the EU Commission adopted measures aimed at maintenance of four basic economic freedoms (freedom of trade in goods, freedom of trade in services, freedom of capital movement and freedom of movement for work force)
- In this context, the aforementioned trade volumes in 2020 might be interpreted as follows:
  - The fall in export from Slovakia to the UK in 2020 by 15,30 % was caused also by other than pandemics-related factors, predominantly by general uncertainty related to Brexit and the exporters' preference for markets with more stable and predictable perspectives
  - Generally decreasing tendency of exports was recorded among different goods categories except from the production of primary economic sector that is, by nature, more stable in time:
    - Export of food, beverages and mineral fuels continued to rise even in 2020 while the average growth rate was 24 %
    - For comparison, export of production from the secondary economic sector decreased by 13% in the very same year
    - The significant difference among export growth rates recorded by primary and secondary sector in 2020 is in line with development of trade between the UK and other EU Member States and thus cannot be interpreted purely as pandemics-induced phenomenon
  - The fall in import from the UK to Slovakia in 2020 by 7,76 % was marked by both primary (average decrease of import by 24 %) and secondary sectors (decreased by mean of 13 %)
  - This is comparable to general impact of the pandemic on global trade and therefore, there is no clear evidence that import from the UK to Slovakia will significantly impacted by Brexit
  - This might imply that British exporters were aware of the new terms of trade with the EU Member States in greater extent than their Slovak counterparts, adapted to them better and therefore, Brexit did not affect their economic ties with Slovak market significantly

# Highlights

## 1. Slovak Success in the UK

### Real estate

- HB Reavis
- JTRE
- MiddleCap



### Acquired Start-ups

- Slido (acquired by Cisco in 2021)
- Exponea (acquired by Bloomreach in 2021)



### IT

- IBL Software
- IPM Group
- ESET
- Sygic
- Pixel Federation



## Energy sector

- GA Drilling
- Energyco



**ENERGYCO**

## Med-tech

- SanaClis



SanaClis 

## 2. Areas of opportunities for bilateral trade to flourish (for Slovak businesses)

### Energy sector

The UK aims to achieve carbon neutrality by 2050. There are two complementary paths leading to the goal – renewable sources + clean energy and the decarbonisation of existing industry. In March 2023, when the Government published the Powering Up Britain package of policies and measures, a great emphasis has been placed on new impulses for the UK economy while increasing energy security and self-sufficiency. New opportunities will be created within alternative and renewable energy sources industry, especially wind and solar. With regards to the nuclear energy, it is worth mentioning the support for development of small modular reactors, as well as the construction project of a new unit of the Sizewell C nuclear power plant. The planned support of industries focused on the use of hydrogen as a clean energy source is also important. Companies that focus on the development of technologies for energy storage and the capture and





subsequent processing of CO2 could also find new opportunities in the UK.

## Transport and infrastructure, construction

Ecology will be a very important aspect in the transport and construction sectors in the coming years. Companies whose products and solutions can contribute to the development of electromobility (infrastructure of charging stations, technological development of vehicles, batteries etc.) will almost certainly have great opportunities for business. The UK government declares that it will continue to invest in the renewal and development of the transport network (including railway). There are also planned significant investments in projects aimed at the development of bicycle transport.



In the UK, the demand for modern building solutions is growing: modular construction, innovative and ecologically sustainable materials and constructions, green buildings. The UK government plans to support insulation policies and programs. There is an ambitious initiative to help householders to replace gas boilers with heat pumps.

## IT and Tech

UK has traditionally been among the world leaders in the field of ICT. During and after the pandemic, a significant part of business activities and services have permanently moved to the online world. The opportunities for Slovak IT companies are rather wide, the market is currently led by the trends of automation, digitization, AI, e-commerce, new materials, smart cities, mobility, innovations in finance, etc. The UK market is a significant consumer of information and telecommunications products. Several companies work closely with leading universities and academia to create stimulating partnerships and R&D-friendly environment. UK is well-known for its many events, expos, conferences etc. which attract businesses, start-ups and individuals who are interested in technology and the latest developments in this field. Due to favourable business environment and the concentration of investors and capital, many global technology companies allocate research and development of their new technologies in the UK.



## Health and Pharmaceutical Industry

The British national healthcare system has been significantly underfunded for a long time. That created an environment where private healthcare has been flourishing immensely. The government has declared large-scale planned investments in the health sector and therefore there will be many opportunities for businesses specializing on medical equipment (e.g. diagnostic devices, IT, supply chain services, medical machinery etc.) as well as building, construction and infrastructure (significant amount of funds will go to the renovation of existing hospitals and building of new ones). Digitalization in the health care sector is progressive and there is still a high demand for platforms connecting doctors with patients.





## Food and Beverage

There is a high demand for high-quality and healthy food in the UK. Customers are looking for organic quality products, alternatives to animal products, meat and milk substitutes, vegan foods, as well as various nutritional supplements and fitness products. Online grocery shopping is widely popular (many households got used to regular online shopping orders and home delivery of groceries during lockdowns). Beverages also have a firm place in the consumption. There is a growing demand for Slovak wine production, fresh juices and drinks, as well as small, craft breweries' production.



## Bilateral trade

In trade of goods, we can see a balance surplus on the Slovak side. Until the pandemic, the bilateral trade grew steadily. The UK is Slovakia's eighth most important trading partner in terms of volume (2022 stats) and the sixth most attractive destination for exports. In 2022, the Slovak Republic and the UK had an active balance at the level of 2.62 billion EUR. Exports increased by 13.1%.



Mutual trade turnover reached a historical maximum in 2022 (EUR 5.28 billion). It is important to note that since the beginning of the pandemic, the effects global trade downturn have been significantly reflected in the decline in all business indicators.

However, while the level of trade was lower in 2021 compared to 2019, which can be linked to the combined impact of the corona crisis and Brexit, the data for 2022 showed growth in all indicators, which is related to the end of pandemic restrictions and adaptation of entrepreneurs to the post-Brexit regime. In 2022, the value of total trade reached 5.28 billion. EUR, which is by 0.69 billion. more compared to 2021. The effects of the war in Ukraine have not yet manifested themselves significantly on the development of mutual trade.

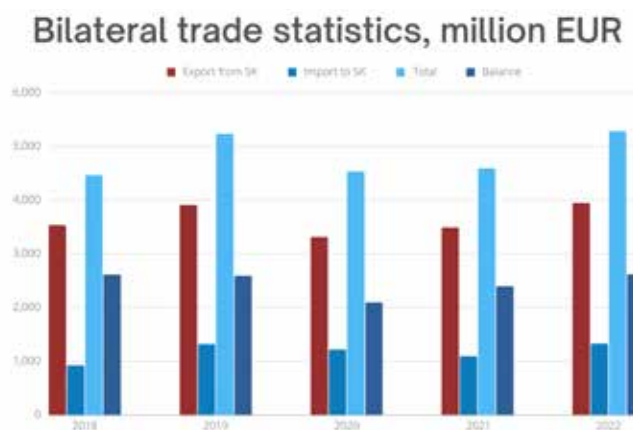


Figure 6.

# CONCLUSIONS

There are several extrapolations that one can glean from this document and the process of analysis thereof; primarily statisticians may argue that the Covid Pandemic has had more of a direct impact on trade balances in both directions, and that regardless of Brexit, the Tax, VAT and Trade Tariff implications haven't hampered business as much as previously anticipated and prognosticated, but business as usual has not been immune to the occasional bump on the road.

On a secondary note, it is obvious that United Kingdom needs investment and knowhow in the aforementioned sectors of; Renewables, IT & Infrastructure, Food and Beverage and several others, and the opportunities for Slovak companies are there.

The reassurances are the successes of large industries as exemplified by Tesco and Jaguar Land Rover in Slovakia and similarly by HB Reavis, Sygic, Eset et al in the United Kingdom. What is unclear is the pathway for Slovak export in the SME sectors and through the regions to create stronger pathways to meaningful partnerships and for regional growth in Britain to prosper from these sectoral strengths in Slovakia. The fear for Slovak industry, other than the aforementioned behemoths, is entering into a highly competitive market among global leaders.

The challenge for trade both ways to grow is an interesting one, Brexit may just be one small hurdle in a list of many culturally nuanced business development environments, but is clear through all the data is the strong partnership forged by both nations regardless of Brexit, and trade will not diminish as a result.

Dialogue is always an integral component of furthering enhanced cooperation and the necessary link between State and Private needed, certainly in Slovakia, to help navigate post-Brexit waters and any larger importing market, Britain is not an exception in this regard.

Much like Brexit, uncertainty abounds as to long term effects on both the economies of Slovakia and the United Kingdom for the purpose of this analysis, but Brexit should not act as deterrent to improve trade opportunities and none of the regulations adopted by EU nations as a result of the withdrawal agreement need necessarily cause undue alarm when pursuing bilateral opportunities.

## **Final Remarks His Excellency Dr. Róbert Ondrejcsák, Ambassador Extraordinary and Plenipotentiary, Embassy of the Slovak Republic to the United Kingdom**

The historical ties between Slovakia and the United Kingdom have paved the way for a strong partnership that we all benefit from today. Diplomacy together with economic engagement, shared cultural bonds, academic collaborations, and people-to-people exchanges contributed to a deeper understanding and appreciation of each other's heritage and values. I am glad to see that the economic development post-Brexit shows us the capacity of our two nations to adapt and even thrive in the face of change.

One of the most important parts of the business sector's DNA is its flexibility. Innovation, versatility, competition – all have played a major role in the recent past. The dynamic nature of commerce demands creative solutions. The aftermath of Brexit brought with it a ton of challenges and uncertainties, but both Slovakia and the UK demonstrated a remarkable ability to invent, pivot and respond effectively to the evolving economic landscape. The resilience of businesses on both sides became evident as they have learnt how to best proceed in new trade realities.

As we reflect on the narrative of post-Brexit economic relations between the UK and Slovakia, it is evident that the story is still unfolding. This era is a transition towards a future where we continue to navigate global economic relations, capitalizing on shared opportunities and addressing challenges with resilience and smart innovation. I wish us all the best of luck.

**Róbert Ondrejcsák**







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