

Republic of Slovakia

Rating Report



A+

NEGATIVE
OUTLOOK

Credit strengths

- EU and euro area memberships
- Strong fiscal framework; moderate debt
- Competitive export-oriented industry

Credit challenges

- Uncertain policy framework
- Concerns on energy security
- External vulnerabilities
- Unfavourable demographics

Rating rationale:

European Union (EU) and euro area memberships: Slovakia benefits from EU- and euro area memberships supporting large and regular access to EU structural and recovery funds, a strong reserve currency, access to the European Central Bank (ECB) asset purchases and refinancing operations, as well as the European fiscal framework.

Strong fiscal discipline and moderate levels of government debt: Slovakia has a robust fiscal framework that includes debt brake and correction mechanism to prevent excessive rise in public debt levels. The government debt is modest relative to the euro area average, although it follows an upward trajectory based on a slower-than-expected fiscal consolidation.

Competitive export-oriented industry: Slovakia has a competitive export-oriented industrial base, anchored by robust foreign direct investment inflows. The automotive industry is among the largest contributors to exports, although the country is reliant upon external demand.

Rating challenges include: i) uncertain policy framework amid high political uncertainty; ii) ongoing diversification of energy supply from Russian fossil fuels; iii) fragile external demand amid challenging economic outlook among European trading partners and high exposure to global value chains; and iv) public debt trajectory exposed to adverse demographic trends.

Republic of Slovakia's sovereign rating drivers

Risk pillars	Quantitative		Reserve currency	Qualitative*	Final rating	
	Weight	Indicative rating	Notches	Notches		
Domestic Economic Risk	35%	bbb	EUR [+1]	-1/3	A+	
Public Finance Risk	20%	a		+2/3		
External Economic Risk	10%	cc		+2/3		
Financial Stability Risk	10%	aaa		+2/3		
ESG Risk	Environmental Factors	5%		a+		0
	Social Factors	7.5%		bbb+		0
	Governance Factors	12.5%		bbb-		0
Indicative outcome		a-		+2		
Additional considerations				0		

Note: The qualitative scorecard adjustments, capped at one notch per rating pillar, are weighted equally with an aggregate adjustment rounded to the nearest integer. The reserve currency adjustment applies to currencies in the IMF's SDR basket. For details, please see Scope's [Sovereign Rating Methodology](#). Source: Scope Ratings

Outlook and rating triggers

The Negative Outlook represents Scope's view that risks to the ratings are tilted to the downside.

Positive rating-change drivers

- Trajectory of public-debt-to-GDP ratio was more favourable than anticipated based on a timely and sustained reduction of the fiscal deficit
- GDP growth prospects were stronger than anticipated due to robust growth among European trading partners, a strong reform momentum, and/or a swift diversification of energy supplies

Negative rating-change drivers

- Fiscal consolidation was delayed due to weaker commitment to budgetary consolidation or political uncertainty
- Shift in policy priorities weakened the reform agenda and undermined the disbursement of EU funds
- GDP growth outlook deteriorated due to weaker external demand and/or disorderly energy supply diversification

Ratings and Outlook

Foreign currency

Long-term issuer rating A+/Negative
Senior unsecured debt A+/Negative
Short-term issuer rating S-1+/Negative

Local currency

Long-term issuer rating A+/Negative
Senior unsecured debt A+/Negative
Short-term issuer rating S-1+/Negative

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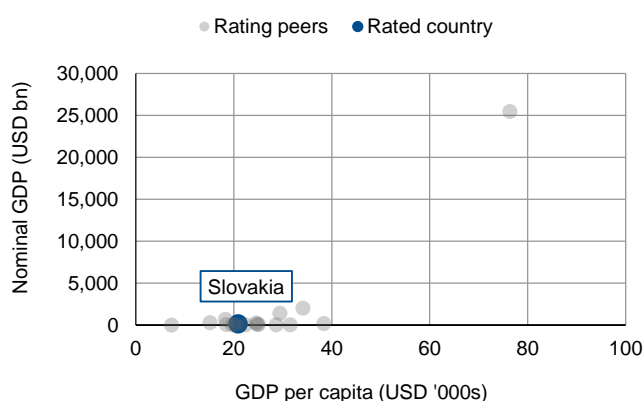
Bloomberg: RESP SCOP

Domestic Economic Risk

Overview of Scope's qualitative assessments for Slovakia's Domestic Economic Risk

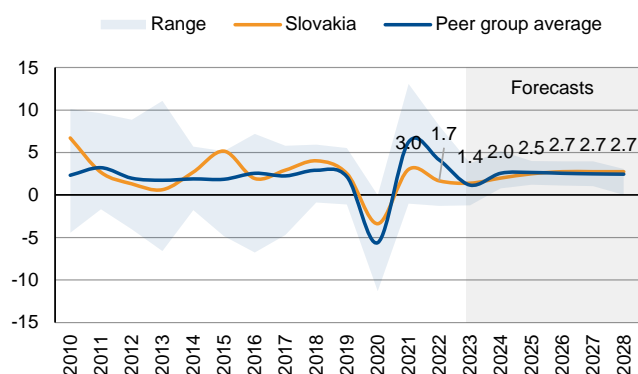
CVS indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
bbb	Growth potential of the economy	Neutral	0	Growth potential in line with peer average, but at risk of declining should the energy supply shock have a permanent impact
	Monetary policy framework	Neutral	0	ECB is a highly credible and effective central bank; effective policy framework and transmission over the cycle
	Macro-economic stability and sustainability	Weak	-1/3	Lingering risks on energy supply; competitive manufacturing industry but challenges for medium-term dynamics in the automotive industry

Nominal GDP and GDP per capita



Source: IMF World Economic Outlook (WEO), Scope Ratings

Real GDP growth, %



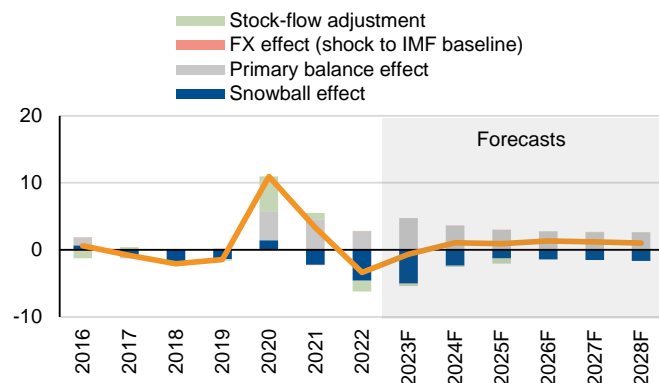
Source: IMF WEO, Scope Ratings forecasts

Public Finance Risk

Overview of Scope's qualitative assessments for Slovakia's Public Finance Risk

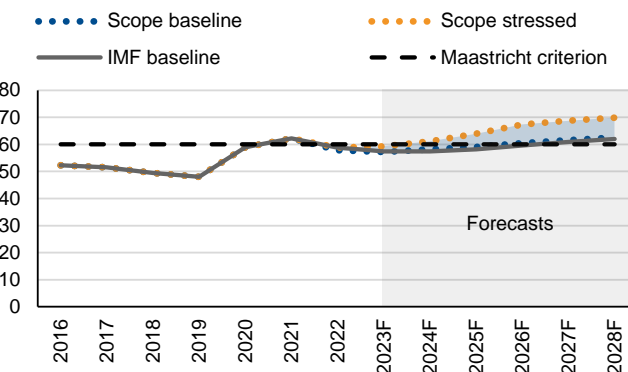
CVS indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
a	Fiscal policy framework	Strong	+1/3	Credible and flexible constitutional budgetary framework, regularly strengthened
	Debt sustainability	Neutral	0	Favourable debt levels and dynamics, although exposed to long term demographic trends and lower GDP growth prospects
	Debt profile and market access	Strong	+1/3	Favourable debt structure, and significant debt holdings by the ECB

Contributions to changes in debt levels, pp of GDP



Source: IMF WEO, Scope Ratings forecasts

Debt-to-GDP forecasts, % of GDP



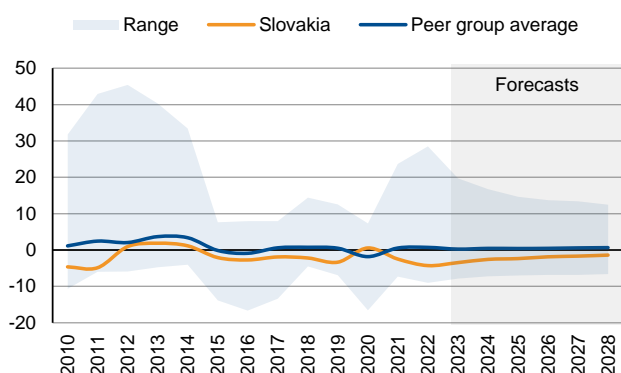
Source: IMF WEO, Scope Ratings forecasts

External Economic Risk

Overview of Scope's qualitative assessments for Slovakia's *External Economic Risk*

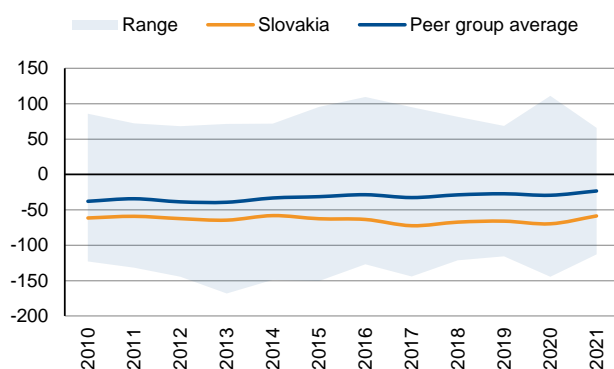
CVS indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
cc	Current account resilience	Strong	+1/3	Export-oriented economy with a competitive industry relative to peers and modest current account deficits over the medium term
	External debt structure	Strong	+1/3	Largely negative but overall stable NIIP; substantial share of direct investment in external liabilities
	Resilience to short-term external shocks	Neutral	0	Small-open economy that benefits from EU and euro area memberships

Current account balance, % of GDP



Source: IMF WEO, Scope Ratings

Net international investment position (NIIP), % of GDP



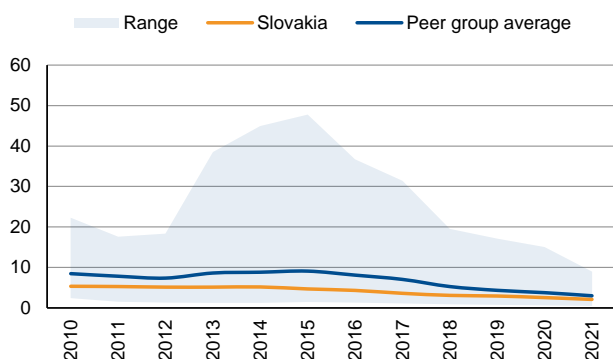
Source: IMF, Scope Ratings

Financial Stability Risk

Overview of Scope's qualitative assessments for Slovakia's *Financial Stability Risk*

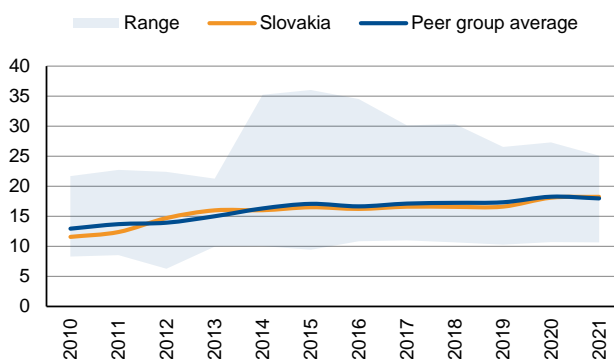
CVS indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
aaa	Banking sector performance	Strong	+1/3	Well-capitalized banking sector with still-low NPL ratio
	Banking sector oversight	Strong	+1/3	Oversight under the National Bank of Slovakia and the ECB as part of Banking Union
	Financial imbalances	Neutral	0	Elevated private debt balanced by the moderation of real estate prices and macroprudential measures

Non-performing loans (NPLs), % of total loans



Source: World Bank, Scope Ratings

Tier 1 capital, % of risk-weighted assets



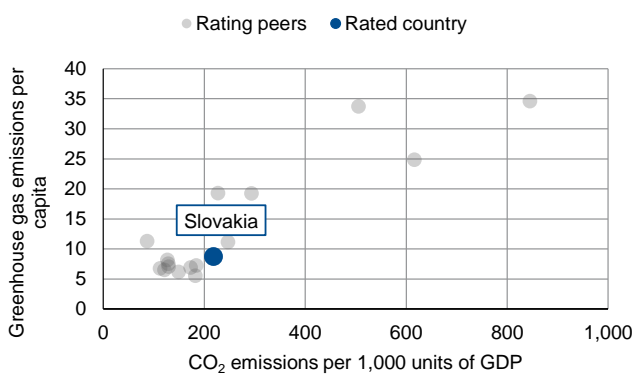
Source: IMF, Scope Ratings

ESG Risk

Overview of Scope's qualitative assessments for Slovakia's ESG Risk

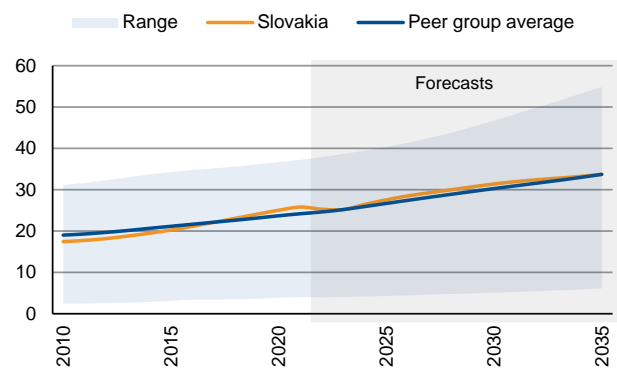
CVS indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
bbb+	Environmental risks	Neutral	0	Below-EU-average but increasing share of renewable energy in total energy consumption, transition risks in line with CEE peers
	Social risks	Neutral	0	Unemployment rates around EU-average, below EU-average poverty level, negative demographic trends, high regional economic disparities
	Institutional and political risks	Neutral	0	Comparatively stable governance framework, supported by EU and euro area memberships; track record of recent political instability

CO₂ emissions per GDP, mtCO₂e



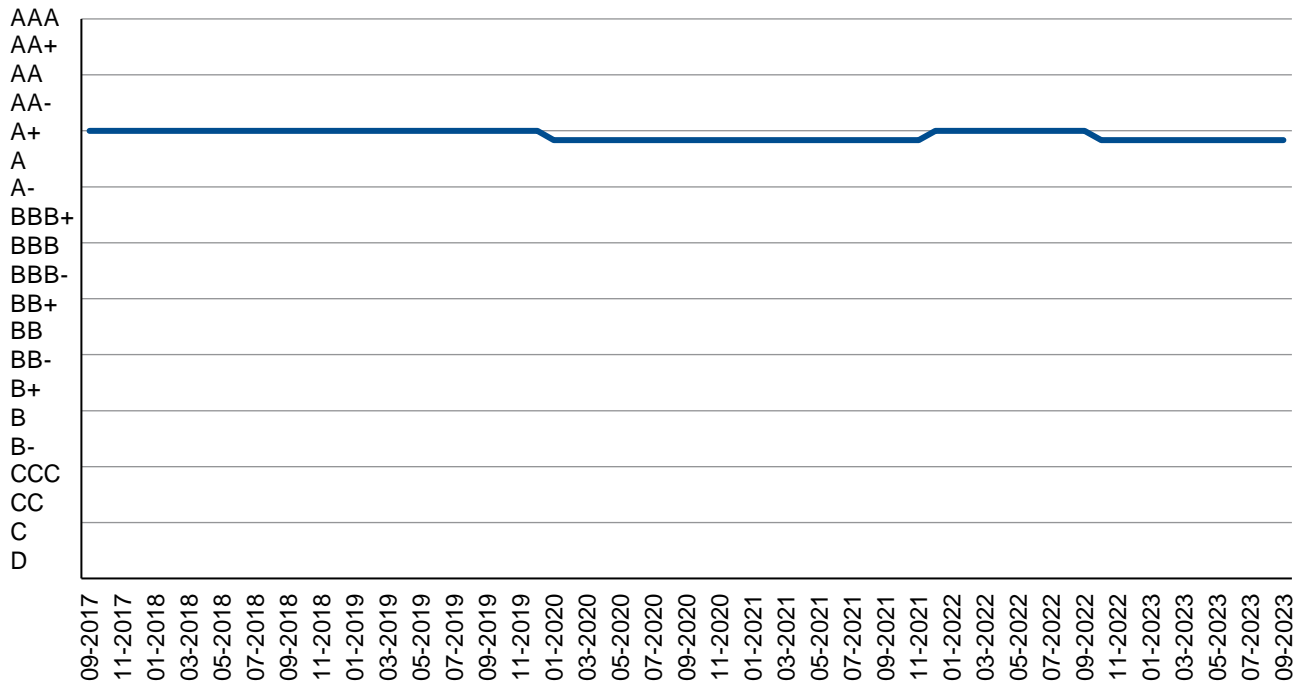
Source: European Commission, Scope Ratings

Old age dependency ratio, %



Source: United Nations, Scope Ratings

Appendix I. Rating history



NB. Positive/Negative Outlooks are treated with a +/-0.33-notch adjustment. Credit Watch positive/negative with a +/-0.67-notch adjustment.

Appendix II. Rating peers

Rating peers are related to sovereigns with an indicative rating in the same rating category or adjacent categories, with Scope's core variable scorecard embedding a methodological reserve-currency adjustment.

Peer group*
Croatia
Cyprus
Estonia
Italy
Latvia
Lithuania
Poland
Portugal
Spain
United States

Publicly rated sovereigns only; the full sample may be larger.

Appendix III. Statistical table for selected CVS indicators

This table presents a selection of the indicators (24 out of 30 – with the governance indicator reflecting a composite of six indicators) used in Scope's quantitative model, the core variable scorecard, in line with Scope's [Sovereign Rating Methodology](#). The metrics and sources for the data presented here ensure comparability across global peers and may therefore differ from national and other selective international statistics.

Pillar	Core variable	Source	2018	2019	2020	2021	2022
Domestic Economic	GDP per capita, USD '000s	IMF	19.5	19.4	19.5	21.4	20.9
	Nominal GDP, USD bn	IMF	106.2	105.7	106.6	116.6	113.5
	Real growth, %	IMF	4.0	2.5	-3.4	3.0	1.7
	CPI inflation, %	IMF	2.5	2.8	2.0	2.8	12.1
	Unemployment rate, %	WB	6.5	5.8	6.7	6.8	6.1
Public Finance	Public debt, % of GDP	IMF	49.4	48.0	58.9	62.2	58.8
	Net interest payment, % of revenue	IMF	3.0	2.7	2.6	2.2	1.9
	Primary balance, % of GDP	IMF	0.1	-0.2	-4.4	-4.6	-2.8
External Economic	Current-account balance, % of GDP	IMF	-2.2	-3.3	0.6	-2.5	-4.3
	Total reserves, months of imports	WB	0.6	0.8	1.2	1.0	1.0
	NIIP, % of GDP	IMF	-67.3	-65.9	-69.6	-58.4	-62.9
Financial Stability	NPL ratio, % of total loans	IMF	3.1	3.0	2.6	2.1	1.9
	Tier 1 ratio, % of risk-weighted assets	IMF	16.4	16.7	17.3	18.8	18.1
	Credit to the private sector, % of GDP	WB	61.7	62.5	66.2	-	-
ESG	CO ₂ per EUR 1,000 of GDP, mtCO ₂ e	EC	218.3	200.0	198.8	218.5	-
	Income share of bottom 50%, %	WID	24.2	24.4	24.6	24.6	-
	Labour-force participation rate, %	WB	72.5	72.7	72.7	75.1	-
	Old-age dependency ratio, %	UN	23.0	24.0	25.0	25.8	25.2
	Composite governance indicators*	WB	0.6	0.6	0.7	0.6	-

* Average of the six World Bank Worldwide Governance Indicators.

Appendix IV. Economic development and default indicators

IMF Development Classification

Advanced economy

5y USD CDS spread (bps) as of 2 October 2023

49.10



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