

Slovak Republic

This annex refers to the release of the monitoring note of 22 January 2021

Annex I: Summary of core variable scorecard, reserve currency adjustment and qualitative scorecard¹

Implied rating of core variable scorecard (CVS)		a-
Reserve currency adjustment		1
Weight	Qualitative scorecard (QS) for long-term issuer ratings	
20%	Growth potential of the economy	Neutral
	Monetary policy framework	Neutral
	Macro-economic stability and sustainability	Neutral
20%	Fiscal policy framework	Neutral
	Debt sustainability	Neutral
	Debt profile and market access	Strong
20%	Current account resilience	Neutral
	External debt structure	Strong
	Resilience to short-term shocks	Neutral
20%	Banking sector performance	Neutral
	Banking sector oversight	Neutral
	Financial imbalances	Neutral
20%	Environmental risks	Neutral
	Social risks	Neutral
	Institutional and political risks	Neutral
QS adjustment (notches)		1
Additional considerations (notches)		0
Final rating		A+ NEG

Annex II: Selected indicators

	2016	2017	2018	2019	2020E	2021F	2022F
GDP per capita (EUR '000s)	14.9	15.5	16.4	17.2	16.4	17.3	18.3
Real GDP, % change	2.1	3.0	3.8	2.3	-6.0	5.2	4.3
HICP, % change	-0.5	1.4	2.5	2.8	2.0	0.7	1.4
General government balance, % of GDP	-2.6	-0.9	-1.0	-1.4	-8.0	-6.5	-5.0
General government debt, % of GDP	52.4	51.7	49.9	48.5	61.5	64.0	65.0
Current account balance, % of GDP	-2.7	-1.9	-2.6	-2.7	-3.1	-3.0	-3.0
Gross external debt, % of GDP	92.5	108.3	114.7	112.4	-	-	-

Source: Macrobond, IMF, European Commission, Slovakian statistical office, Central Bank of Slovakia, Scope Ratings GmbH

Annex III: Economic development and default indicators

IMF Development Classification²

AE

5y USD CDS spread (bps) as of 21 January 2021

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¹ The weighting and explanation of all rating factors are described in Scope's 'Sovereign Ratings' methodology, available on www.scooperatings.com

² AE = advanced economy; EMDE = emerging market and developing economy

Annex IV: Analytical rationale for QS assessments

Slovakia	January 2021	Assessment	Rationale
Peers*	Poland, Latvia, Bulgaria, Belgium		
Domestic economic risk	Growth potential	Neutral	Medium-run growth potential in line with peer average, but moderate productivity growth
	Monetary policy framework	Neutral	ECB is a highly credible and effective central bank; appropriate central bank response to the 2020 global crisis
	Macro-economic stability & sustainability	Neutral	Competitive manufacturing industry but uncertainty for medium-term dynamics in automotive production due to rising demand for electric cars with spillover risks for labour market
Public finance risk	Fiscal policy framework	Neutral	Credible constitutional budgetary framework, but moderate fiscal deficits before the Covid-19 crisis
	Debt sustainability	Neutral	Moderate but rising debt levels over the medium-term
	Debt profile & market access	Strong	Strong debt structure, ability to issue long-term bonds on favorable terms
External economic risk	Current account resilience	Neutral	Limited export diversification, also given high reliance on automotive sector but resilience of global supply chains
	External debt structure	Strong	Significant share of direct investment and ECB holdings of Slovak government debt in external liabilities
	Resilience to short-term shocks	Neutral	Small-open economy; but benefits from euro area membership
Financial stability risk	Banking sector performance	Neutral	Well-capitalized banking sector with a low NPL ratio; but profitability and asset quality to be affected by the Covid-19 crisis
	Banking sector oversight	Neutral	Oversight under the National Bank of Slovakia and the ECB as part of Banking Union
	Financial imbalances	Neutral	Gradual build-up of private sector credit, mitigated by a decline in interest rates and the central bank's macroprudential actions
ESG risk	Environmental risks	Neutral	Potential pressures from emission standards, below-EU-average but increasing share of renewable energy in total energy consumption, transition risks in line with peers
	Social risks	Neutral	Employment rates around the EU-average, a below EU-average poverty level, demographic trends less adverse than in CEE peers, but high regional economic disparities
	Institutional and political risks	Neutral	Comparatively stable governance framework, supported by EU and euro area memberships

*Peers relate to selected sovereigns with a similar indicative rating per Scope's Core Variable Scorecard.