

Slovak Republic

Rating report

Rating rationale

European Union (EU) and euro-area memberships: Slovakia benefits from EU- and euro area memberships with access to significant EU cohesion and recovery funding, a strong reserve currency, access to the European Central Bank (ECB) asset purchases programmes and refinancing operations, as well as supervision under the European fiscal framework. EU- and euro area-memberships constitute a strong anchor for policy making and support resilience against external crises.

Competitive export-oriented industries: Slovakia has a competitive export-oriented industrial base, anchored by a robust manufacturing sector benefitting from sustained foreign direct investments, especially into the nation’s automotive sector, amid the ongoing global transition towards electric and hybrid vehicles. Although the manufacturing industry is highly reliant on external demand, the sector underpins the economy’s growth with output growth seen at 2.0% this year, similar to last year’s, followed by 2.2% in 2026.

Moderate although rising levels of government debt: General government debt is moderate, at an estimate of 57.6% of GDP at end-2024, but is exposed to continued budgetary deficits and rapidly rising ageing-related costs. The anticipated rise in the public debt ratio over the forthcoming years exerts downside pressure on the ratings. Nevertheless, the government unveiled a budget-consolidation plan reducing budget deficits by about 1pp of GDP a year from this year on reaching 3.0% of GDP by 2027, after an Excessive Deficit Procedure was opened by the European Commission in 2024.

Rating challenges: i) significant budget deficits although moderated by recent announcements of budgetary consolidation and a steady rise of the government debt ratio; ii) institutional risks and governance challenges, as well as associated effects for EU fund absorption; iii) the high dependence on external demand and on global value chains; and iv) the effects of adverse demographics.

Figure 1: Slovakia’s sovereign-rating drivers

Risk pillars	Quantitative		Reserve currency*	Political risk**	Qualitative***	Final rating	
	Weight	Indicative rating	Notches	Notches	Notches		
Domestic economic risk	35%	a	EUR	Slovakia	0	A	
Public finance risk	20%	a-			0		
External economic risk	10%	ccc			0		
Financial stability risk	10%	aaa			0		
ESG risk	Environmental factors	5%	[+1]	[-0]	0		
	Social factors	7.5%			bbb+		0
	Governance factors	12.5%			a-		0
Sovereign Quantitative Model			a		0		
Additional considerations					0		

*The reserve-currency quantitative adjustment applies to currencies in the IMF’s Special Drawing Rights (SDR) basket.

**The political-risk quantitative adjustment is based on the World Bank’s Political Stability & Absence of Violence/Terrorism index.

***The qualitative scorecard analyst adjustments, capped at one notch per rating pillar, are weighted equally with an aggregate adjustment rounded to the nearest integer. For details, please see Scope’s [Sovereign Rating Methodology](#). Source: Scope Ratings.

Foreign currency

Long-term issuer rating/Outlook

A/Stable

Senior unsecured debt

A/Stable

Short-term issuer rating/Outlook

S-1/Stable

Local currency

Long-term issuer rating/Outlook

A/Stable

Senior unsecured debt

A/Stable

Short-term issuer rating/Outlook

S-1/Stable

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Credit strengths and challenges

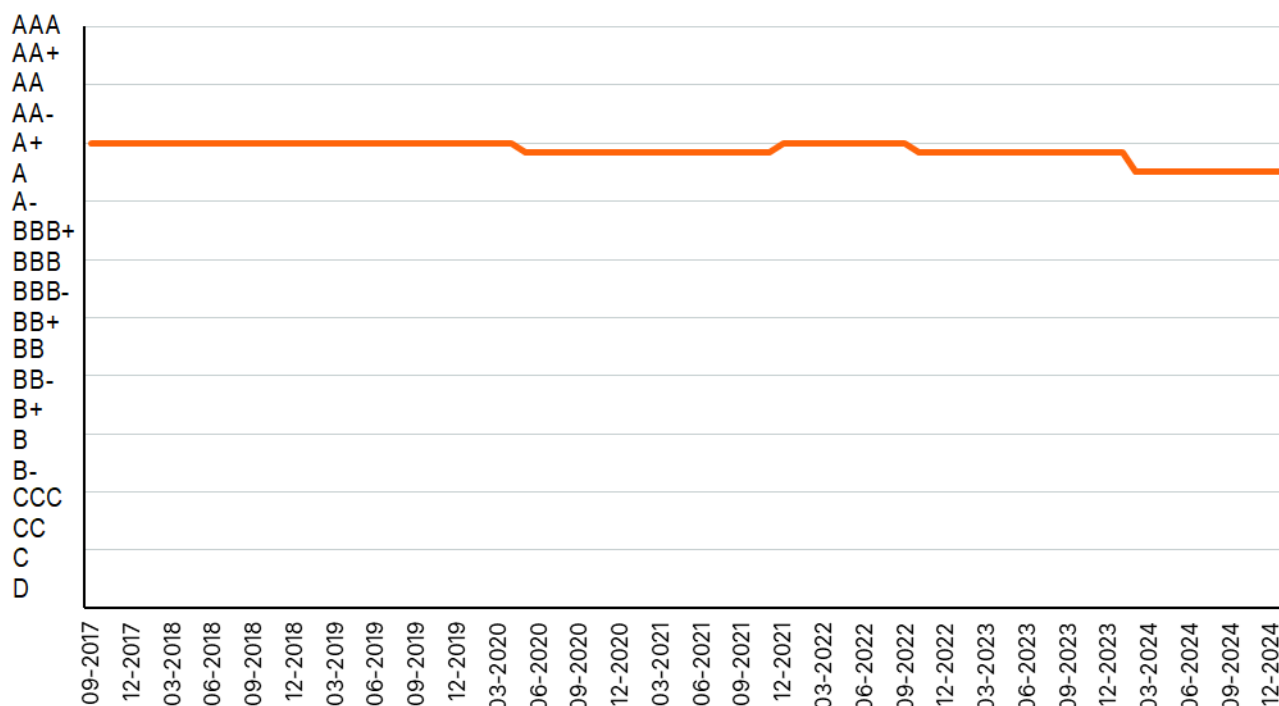
Credit strengths	Credit challenges
<ul style="list-style-type: none"> • EU and euro-area memberships • Competitive, export-oriented industries • Moderate levels of government debt 	<ul style="list-style-type: none"> • Wide budget deficits and a rising government debt stock • Institutional and governance risk • Vulnerabilities to disruptions in global value chains • Adverse demographics

Outlook and rating triggers

The Stable Outlook underscores the view that risks for the ratings are balanced.

Positive rating-change drivers	Negative rating-change drivers
<ul style="list-style-type: none"> • The fiscal outlook improves, as an example due to a sustained reduction of budgetary deficits, seeing the stabilisation of the general government debt ratio • Institutional risks decrease and/or political stability improves, enhancing governance standards and ensuring continued EU funding • The outlook on trend growth improves meaningfully 	<ul style="list-style-type: none"> • A weak fiscal outlook, as an example due to continued budget deficits resulting in steadily rising government debt • Institutional risks or political instability rises, increasing the materiality of governance concerns and/or challenging EU funding • The economic outlook weakens, as an example due to an external crisis

Figure 2: Rating history



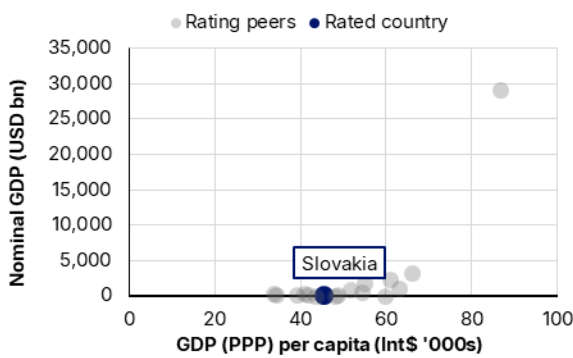
Foreign-currency long-term issuer rating. Positive/Negative Outlooks are treated with a +/-0.33-notch adjustment. Credit Watch positive/negative with a +/-0.67-notch adjustment. Source: Scope Ratings.

Domestic economic risk

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

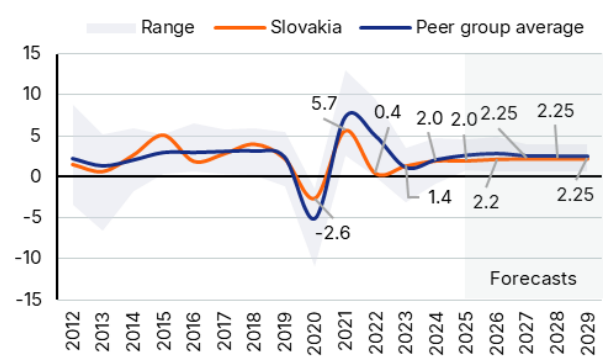
SQM ¹ indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
a	Growth potential and outlook	Neutral	0	Growth potential in line with the economies of sovereign peers, but at risk of declining in case of lower investment
	Monetary policy framework	Neutral	0	The ECB is a core reserve-currency central bank; an effective monetary framework and enhanced lender-of-last-resort functions supporting euro-area Member States
	Macroeconomic stability and sustainability	Neutral	0	A competitive manufacturing industry; challenges for medium-run dynamics in the automotive sector

Figure 3: Nominal GDP and GDP per capita (2024E)



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

Figure 4: Real GDP growth, %



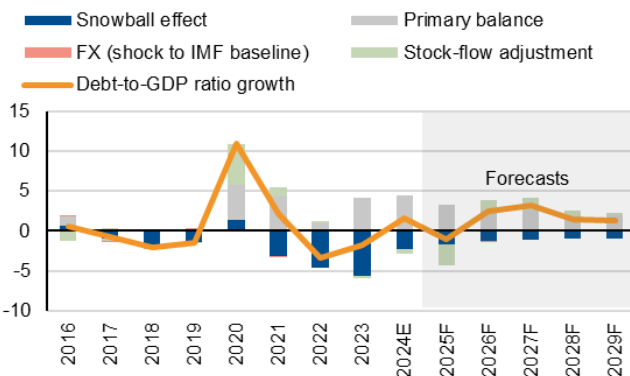
Source: Slovakian Statistical Office, Scope Ratings forecasts

Public finance risk

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

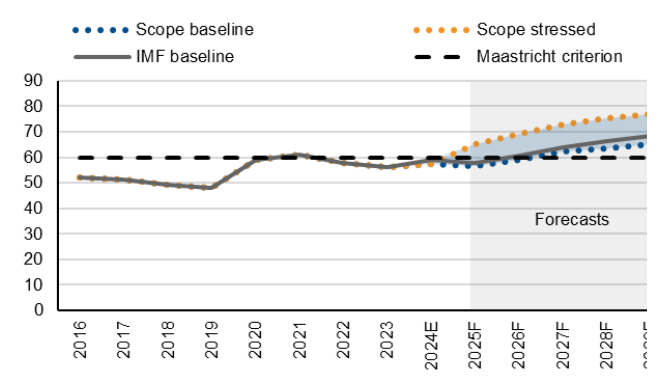
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
a-	Fiscal policy framework	Neutral	0	A credible and flexible constitutional budgetary framework, but continued excessive budget deficits even recognising recent consolidation
	Long-term debt trajectory	Neutral	0	Moderate levels of government debt, although rising due to meaningful primary fiscal deficits and adverse long-run demographics
	Debt profile and market access	Neutral	0	A favourable government debt structure, and significant holdings of the sovereign's debt by the ECB

Figure 5: Contributions to change in debt levels, pps of GDP



Source: IMF WEO, Scope Ratings forecasts

Figure 6: Debt-to-GDP forecasts, % of GDP



Source: IMF WEO, Scope Ratings forecasts

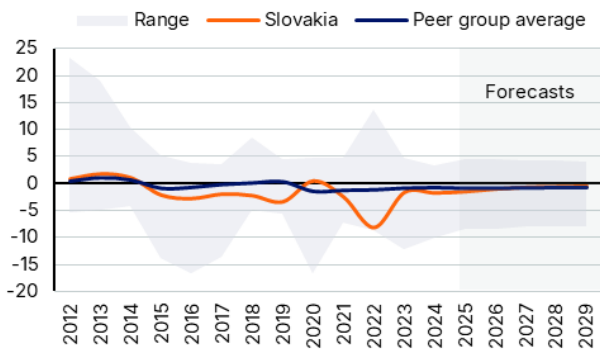
¹ Sovereign Quantitative Model

External economic risk

Overview of Scope's assessments of Slovakia's External Economic Risk

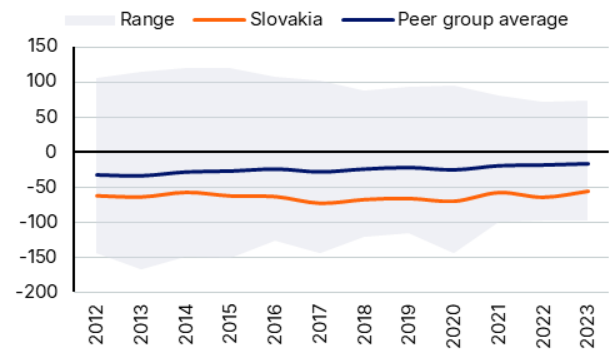
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
CCC	Current account resilience	Neutral	0	An export-oriented economy having modest current-account deficits
	External debt structure	Neutral	0	Moderate levels of gross external debt (101% of GDP); a significant share of external debt having a short-term maturity
	Resilience to short-term external shocks	Neutral	0	A small, open economy benefitting from the economy's memberships of the EU and the euro area

Figure 7: Current-account balance, % of GDP



Source: IMF WEO forecasts, Scope Ratings

Figure 8: Net international investment position (NIIP), % GDP



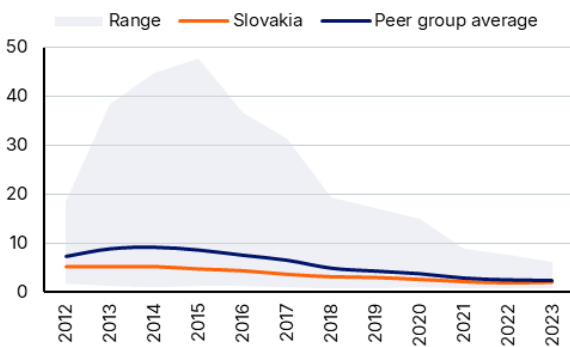
Source: IMF, Scope Ratings

Financial stability risk

Overview of Scope's assessments of Slovakia's Financial Stability Risk

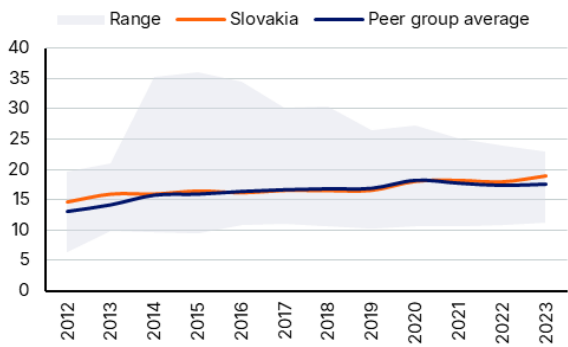
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
aaa	Banking sector performance	Neutral	0	A well-capitalised banking system and low levels of non-performing loans (NPLs)
	Financial sector oversight and governance	Neutral	0	Oversight under the National Bank of Slovakia and the ECB as a part of European Banking Union
	Financial imbalances	Neutral	0	Elevated private debt counterbalanced by the modest correction in real-estate prices and the macroprudential measures adopted

Figure 9: NPLs, % of total loans



Source: World Bank (WB), Scope Ratings

Figure 10: Tier 1 capital, % of risk-weighted assets



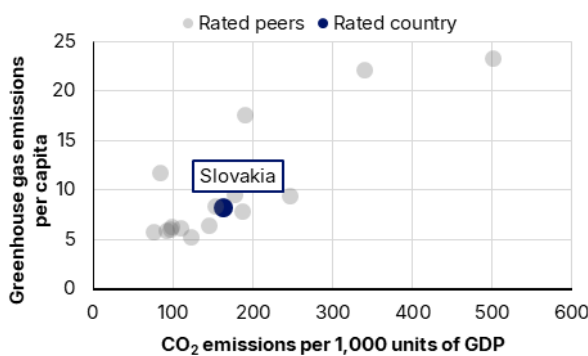
Source: IMF, Scope Ratings

Environmental, Social and Governance (ESG) risk

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

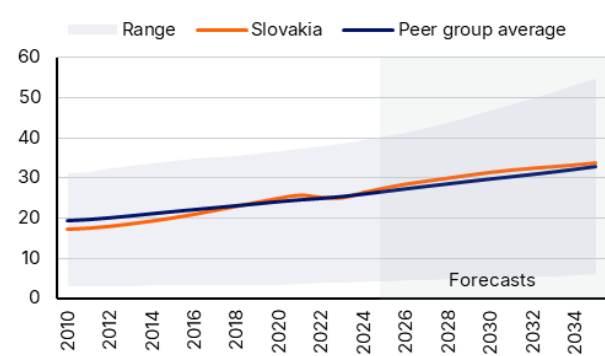
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
bbb+	Environmental factors	Neutral	0	Increasing although still below-EU average shares of renewable energies in total energy consumption; transition risks in line with those of other central and eastern European economies
	Social factors	Neutral	0	Moderate unemployment, below EU-average poverty rates, adverse demographics and high regional economic disparities
	Governance factors	Neutral	0	A recent record of political instability and the weakening of institutions; but EU financing remains essential and the government has made amendments to reduce confrontation with the European Union

Figure 11: CO₂ emissions per GDP, mtCO₂e (2023)



Source: European Commission (EC), Scope Ratings

Figure 12: Old-age dependency ratio, %



Source: United Nations (UN), Scope Ratings

Reserve-currency adjustment

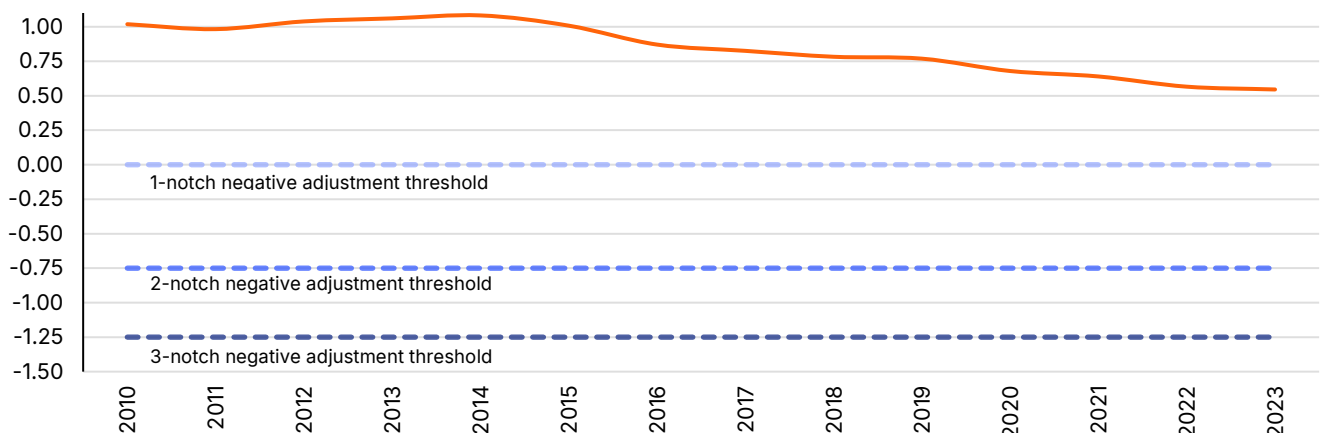
IMF SDR basket and Scope reserve-currency adjustment

Currency	U.S. dollar	Euro	Chinese yuan	Japanese yen	Pound sterling	Other
IMF SDR basket weights, %	43.4	29.3	12.3	7.6	7.4	0.0
Positive adjustment, notches	3	1	1	1	1	0

Source: IMF, Scope Ratings

Political-risk adjustment

Figure 13: WB Political Stability & Absence of Violence/Terrorism index, Slovakia, three-year moving average



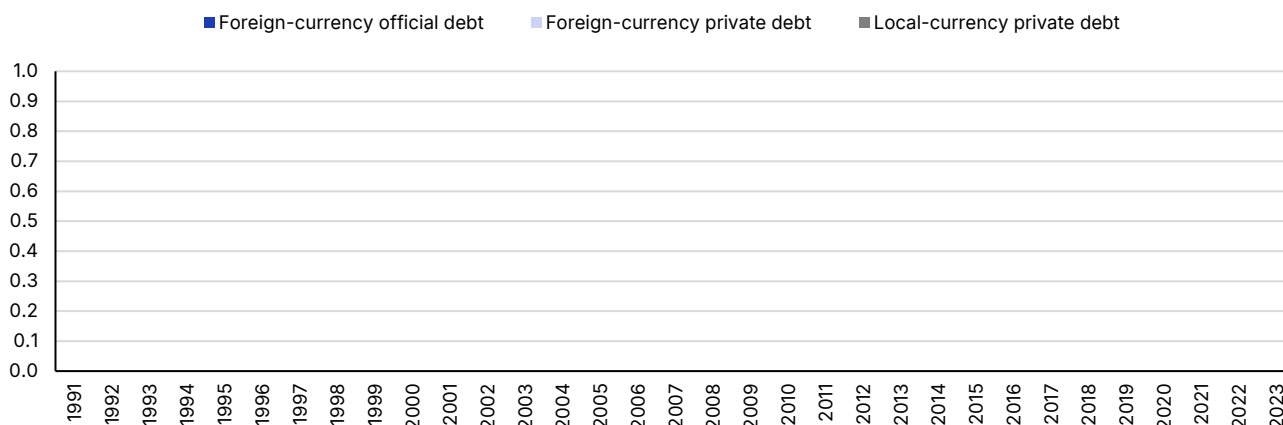
Source: WB, Scope Ratings

Additional considerations

No adjustment has been applied to the credit rating from additional considerations.

Appendix 1. Sovereign default history

Sovereign default history, USD bn



Depicted private-debt defaults may not always constitute a credit event under [Scope's credit-rating definitions](#).

Source: [Bank of Canada–Bank of England Sovereign Default Database](#), Scope Ratings.

Appendix 2. Rating peers

Rating peers are related to sovereigns with an indicative rating in the same rating category or adjacent categories, as assigned by Scope's sovereign quantitative model after accounting for methodological reserve-currency and political-risk adjustments.

Peer group*		
Bulgaria	Estonia	Latvia
Croatia	France	Poland
Cyprus	Italy	Spain

*Select publicly-rated sovereigns only; the full sample of sovereign-rating peers may be larger.

Appendix 3. Economic development and default indicators

IMF Development Classification	Advanced economy
5y USD CDS spread (bps) as of 16 January 2025	32.3

Appendix 4. Statistical table for selected SQM indicators

This table presents a selection of the indicators (24 out of 30 – with the governance indicator reflecting a composite of five indicators) used in Scope's quantitative model, in line with Scope's Sovereign Rating Methodology. The metrics and sources for the data presented here ensure comparability across global country peers and may therefore differ from data from national and other select international statistical series.

Pillar	Core variable	Source	2019	2020	2021	2022	2023	2024E
Domestic Economic	GDP per capita (PPP), Int\$ '000s	IMF	34.0	35.0	37.7	41.3	43.6	45.6
	Nominal GDP, USD bn	Slovakian Statistical Office, Scope Ratings	106	108	121	116	133	141
	Real growth, %	Slovakian Statistical Office, Scope Ratings	2.3	-2.6	5.7	0.4	1.4	2.0
	CPI inflation, %	IMF	2.8	2.0	2.8	12.1	11.0	2.8
	Unemployment rate, %	WB	5.8	6.7	6.9	6.1	5.8	-
Public Finance	Public debt, % of GDP	IMF	48.0	58.8	61.1	57.7	56.0	59.1
	Net interest payment, % of government revenue	IMF	2.7	2.6	2.2	1.9	1.4	2.4
	Primary balance, % of GDP	IMF	-0.1	-4.3	-4.3	-0.9	-4.2	-4.9
External Economic	Current-account balance, % of GDP	IMF	-3.3	0.6	-2.5	-8.1	-1.6	-1.7
	Total reserves, months of imports	WB	0.8	1.2	1.0	1.0	1.1	-
	NIIP, % of GDP	IMF	-65.9	-69.6	-57.9	-64.2	-	-
Financial Stability	NPL ratio, % of total loans	IMF	3.0	2.6	2.1	1.9	2.0	-
	Tier 1 ratio, % of risk-weighted assets	IMF	16.7	17.3	18.8	18.1	18.1	19.4
	Credit to the private sector, % of GDP	WB	62.5	66.3	66.2	66.9	61.8	-
ESG	CO ₂ per EUR 1,000 of GDP, mtCO ₂ e	EC	171.1	166.0	177.9	169.5	163.6	-
	Income share of bottom 50%, %	WID	24.9	24.7	24.6	25.0	-	-
	Labour-force participation rate, %	WB	72.9	72.7	75.0	75.8	-	-
	Old-age dependency ratio, %	UN	24.0	25.0	25.8	25.2	25.1	26.4
	Composite governance indicators*	WB	0.6	0.6	0.6	0.6	0.5	-
	Political stability, index	WB	0.8	0.7	0.6	0.6	0.5	-

*Average of the following five World Bank Worldwide Governance Indicators: Control of Corruption, Voice and Accountability, Rule of Law, Government Effectiveness, Regulatory Quality.

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Applied methodologies

[Sovereign Rating Methodology](#), January 2024

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