

Republic of Slovenia

Rating Report



A

STABLE
OUTLOOK

Credit strengths

- Euro area membership
- Strong market access and debt profile
- Prudent fiscal policy
- Fiscal and external buffers

Credit challenges

- Moderately high public debt
- Fiscal cost of ageing population
- Labour market rigidities
- Weakening external competitiveness

Rating rationale:

Euro area membership: Slovenia's robust economic performance and resilience to external shocks is underpinned by a highly credible policy framework, based on ECB monetary policy and financial sector oversight, as well as European fiscal rules.

Strong market access and favourable debt profile: Sound debt management practices support Slovenia's debt affordability and mitigate risks stemming from higher interest rates and market volatility.

Prudent fiscal policy: Track record of effective and sound fiscal policy anchors the reduction of primary deficits. Yet, achieving a gradual fiscal consolidation is conditional upon the implementation of structural reforms to sustain growth and contain age-related spending in the longer run.

Fiscal and external buffers: Significant liquidity buffers strengthen Slovenia's shock-absorption capacity, while lower, albeit still comfortable current account surpluses support the steady improvement of the net external position.

Rating challenges include: i) the moderately high public debt; ii) a weak demographic outlook, with a rapidly ageing population pressuring long-term fiscal sustainability via rising pension and healthcare costs; iii) labour market rigidities that threaten to curb medium-term GDP growth potential; and iv) pressure on external competitiveness relative to regional peers.

Slovenia's sovereign rating drivers

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

Note: *The reserve-currency adjustment applies to currencies in the IMF's SDR basket. **The qualitative-scorecard 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.

Outlook and rating triggers

The Stable Outlook reflects Scope's view that risks to the ratings are balanced.

Positive rating-change drivers

- Fiscal outlook improves; public debt on a firm downward trajectory and age-related pressures sustainably addressed
- Sustained growth raises income, supported by structural reforms

Negative rating-change drivers

- Medium-term growth prospects deteriorate
- Fiscal outlook weakens materially
- Political fragmentation and policy uncertainty curtail reform implementation

Ratings and Outlook

Foreign currency

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

Local currency

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

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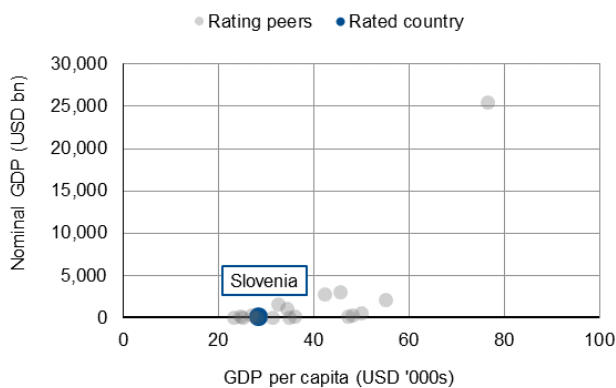
Bloomberg: RESP SCOP

Domestic Economic Risk

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

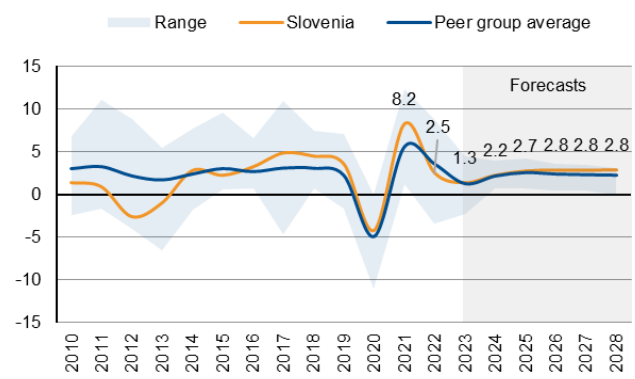
CVS indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
a-	Growth potential of the economy	Neutral	0	Medium-run growth potential faces challenges from adverse demographic trends; sustained public investment
	Monetary policy framework	Neutral	0	ECB is a highly credible and effective central bank; effective policy framework and transmission over the cycle
	Macro-economic stability and sustainability	Weak	-1/3	High degree of trade openness and reliance on external markets; close integration with euro area partly mitigated by diversified industries and partners; labour market rigidities

Nominal GDP and GDP per capita, USD



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

Real GDP growth, %



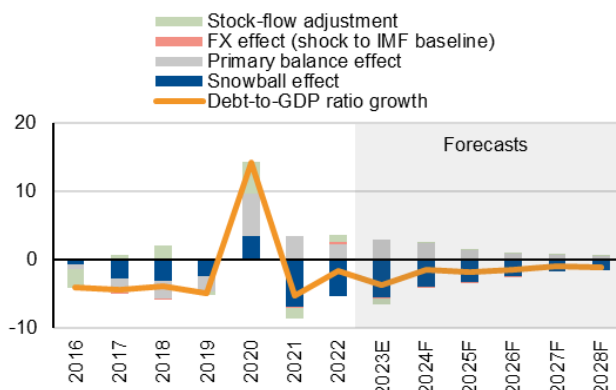
Source: IMF WEO, Scope Ratings forecasts

Public Finance Risk

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

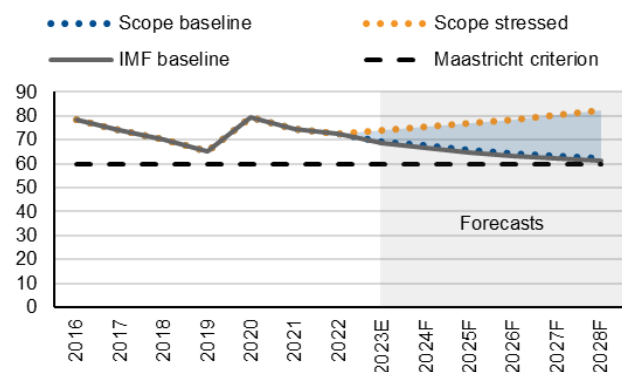
CVS indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
a+	Fiscal policy framework	Neutral	0	Robust and credible fiscal policy framework in line with peers
	Debt sustainability	Neutral	0	Declining debt trajectory in a baseline scenario; elevated pension and healthcare liabilities over the medium- to long-run
	Debt profile and market access	Neutral	0	Low interest-payment burden; substantial public sector liquid assets

Contributions to changes in debt levels, pps of GDP



Source: IMF WEO, Scope Ratings forecasts

Debt-to-GDP forecasts, % of GDP



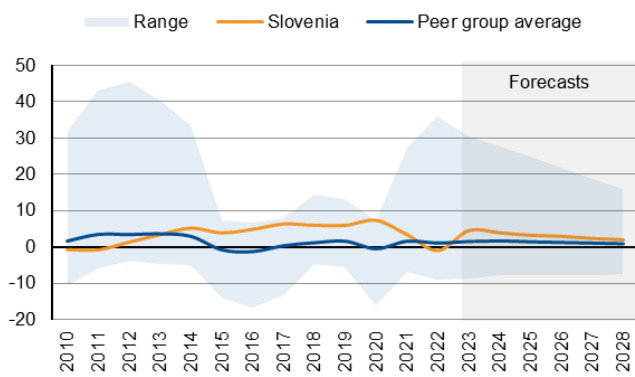
Source: IMF WEO, Scope Ratings forecasts

External Economic Risk

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

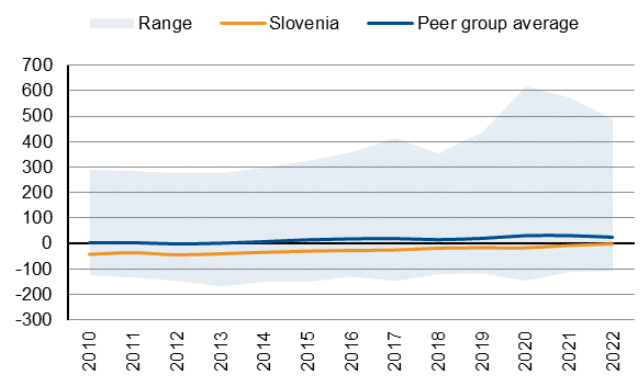
CVS indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
a-	Current account resilience	Neutral	0	Competitive industrial base; strong manufacturing industry
	External debt structure	Neutral	0	Moderate rise in external debt stock; significant external assets
	Resilience to short-term external shocks	Neutral	0	Small, open economy; strong reliance on external demand and foreign direct investment; benefits from euro area membership

Current account balance, % of GDP



Source: IMF WEO, Scope Ratings

Net international investment position (NIIP), % of GDP



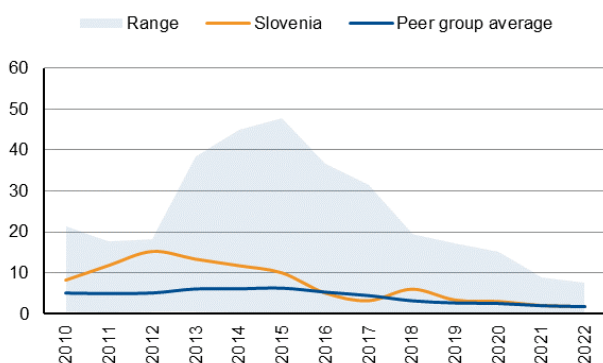
Source: IMF, Scope Ratings

Financial Stability Risk

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

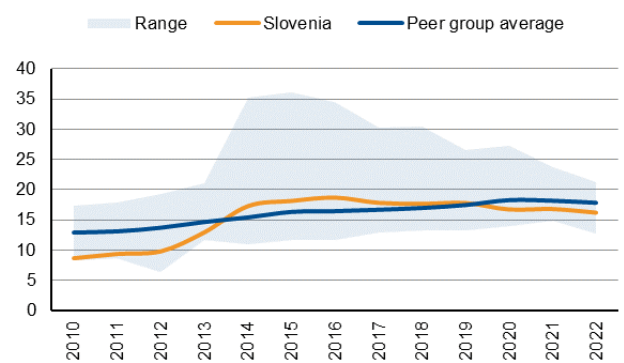
CVS indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
aaa	Banking sector performance	Neutral	0	High capitalisation, robust profitability and liquidity, balanced by record of banking sector crisis
	Banking sector oversight	Neutral	0	Rigorous oversight under the ECB as part of the Single Supervision Mechanism
	Financial imbalances	Neutral	0	High house price index balanced by the moderation of growth rates in real estate prices; low private debt

Non-performing loans, % of total loans



Source: IMF, Scope Ratings

Tier 1 ratio, % of risk-weighted assets



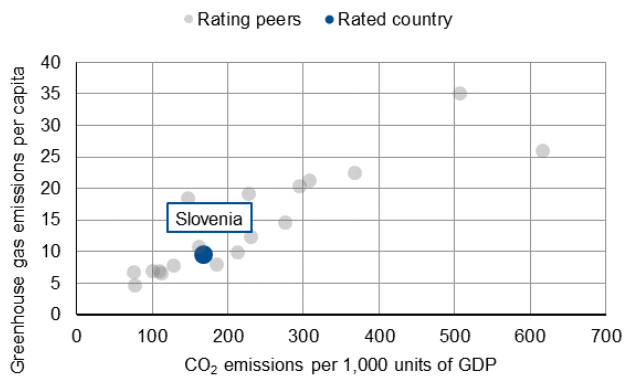
Source: IMF, Scope Ratings

ESG Risk

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

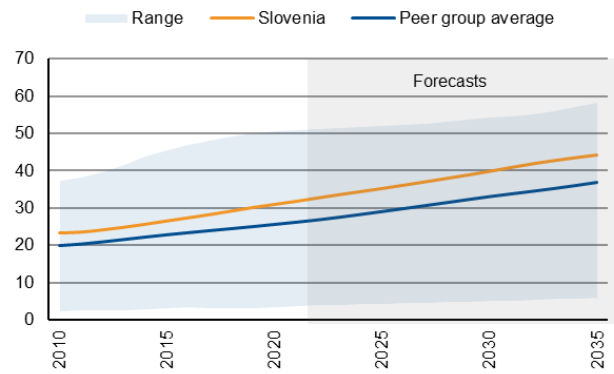
CVS indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
bbb+	Environmental factors	Weak	-1/3	Recent record of extreme weather events with economic and fiscal impact; transition risks mitigated by gradual ramp-up of renewables
	Social factors	Neutral	0	Well-educated labour force and low levels of income inequality, although rising old-age-dependency ratio
	Governance factors	Neutral	0	Strong mandate, but structural reform agenda to test effective policy making and ruling coalition agreement

Emissions per GDP and per capita, mtCO₂e



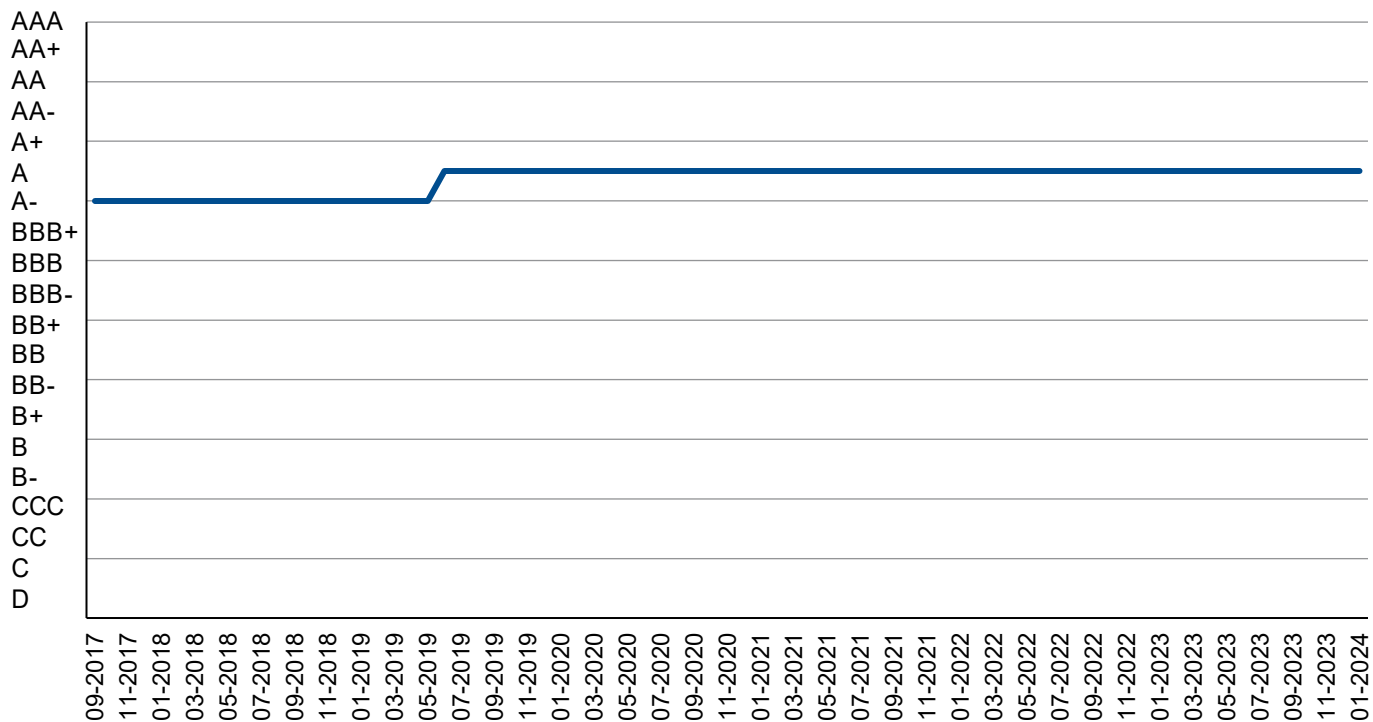
Source: European Commission, Scope Ratings

Old age dependency ratio, %



Source: United Nations, Scope Ratings

Appendix I. Rating history (foreign-currency long-term ratings)



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, as assigned by Scope's core variable scorecard after accounting for a methodological reserve-currency adjustment.

Peer group*
Belgium
Cyprus
Czech Republic
Estonia
France
Japan
Lithuania
Malta
Portugal
United Kingdom
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 country peers and may therefore differ from data from national and other select international statistical series.

Pillar	Core variable	Source	2018	2019	2020	2021	2022
Domestic Economic Risk	GDP per capita, USD '000s	IMF	26.2	26.1	25.6	29.3	28.5
	Nominal GDP, USD bn	IMF	54.2	54.4	53.7	61.9	60.1
	Real growth, %	IMF	4.5	3.5	-4.2	8.2	2.5
	CPI inflation, %	IMF	1.7	1.6	-0.1	1.9	8.8
	Unemployment rate, %	WB	5.1	4.5	5.0	4.7	4.2
Public Finance Risk	Public debt, % of GDP	IMF	70.3	65.4	79.6	74.4	72.6
	Net interest payment, % of revenue	IMF	4.1	3.4	3.2	2.5	2.2
	Primary balance, % of GDP	IMF	2.5	2.2	-6.2	-3.5	-2.2
External Economic Risk	Current account balance, % of GDP	IMF	5.9	5.9	7.2	3.3	-1.0
	Total reserves, months of imports	IMF	0.3	0.3	0.4	0.5	0.5
	NIIP, % of GDP	IMF	-18.4	-16.3	-16.9	-7.4	-1.6
Financial Stability Risk	NPL ratio, % of total loans	IMF	6.0	3.4	3.0	2.1	1.8
	Tier 1 ratio, % of risk-weighted assets	IMF	18.0	17.6	16.3	16.5	15.7
	Credit to private sector, % of GDP	WB	43.3	42.4	43.3	41.0	-
ESG Risk	CO ₂ per USD 1,000 of GDP, mtCO ₂ e	EC	204.5	192.0	184.5	168.3	-
	Income share of bottom 50%, %	WID	23.1	23.1	22.9	22.9	-
	Labour-force participation rate, %	WB	74.7	74.7	74.7	75.7	-
	Old-age dependency ratio, %	UN	29.3	30.2	31.1	31.9	32.8
	Composite governance indicators*	WB	0.9	1.0	0.9	0.9	0.9

* 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 17 January 2024

33.7



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