

## Slovak Republic

This annex refers to the release of the monitoring note of 25 June 2021

### Annex I: Summary of core variable scorecard, reserve currency adjustment and qualitative scorecard<sup>1</sup>

<b>Implied rating of core variable scorecard (CVS)</b>		<b>a-</b>
<b>Reserve currency adjustment</b>		<b>1</b>
<b>Weight</b>	<b>Qualitative scorecard (QS) for long-term issuer ratings</b>	
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
<b>QS adjustment (notches)</b>		<b>1</b>
<b>Additional considerations (notches)</b>		<b>0</b>
<b>Final rating</b>		<b>A+ NEG</b>

### Annex II: Selected indicators

	2016	2017	2018	2019	2020E	2021F	2022F
<b>GDP per capita (USD '000s)</b>	16.5	17.6	19.4	19.3	19.1	21.5	23.1
<b>Real GDP, % change</b>	2.1	3.0	3.7	2.5	-4.8	4.3	4.7
<b>Unemployment rate, %</b>	9.7	8.1	6.5	5.8	6.7	7.3	6.7
<b>HICP, % change</b>	-0.5	1.4	2.5	2.8	2.0	1.5	2.0
<b>Policy rate, %, EOP*</b>	-0.4	-0.4	-0.4	-0.5	-0.5	-0.5	
<b>Fiscal balance, % of GDP</b>	-2.6	-1.0	-1.0	-1.3	-6.2	-6.8	-4.7
<b>Government debt, % of GDP, EOP</b>	52.4	51.5	49.6	48.2	60.6	62	63
<b>Current account balance, % of GDP</b>	-2.7	-1.9	-2.2	-2.7	-0.4	-1.2	-2.0

Yearly averages except where stated otherwise. \*Shown for the ECB deposit facility rate  
Source: Macrobond, European Commission, IMF, National bank of Slovakia, Slovakian Statistical Office, Scope Ratings GmbH

### Annex III: Economic development and default indicators

IMF Development Classification <sup>2</sup>	AE
5y USD CDS spread (bps) as of 23 June 2021	50

<sup>1</sup> The weighting and explanation of all rating factors are described in Scope's 'Sovereign Ratings' methodology, available on [www.scooperatings.com](http://www.scooperatings.com)

<sup>2</sup> AE = advanced economy; EMDE = emerging market and developing economy

Annex IV: Analytical rationale for QS assessments

Slovakia	June 2021	Assessment	Rationale
Peers*	Hungary, Poland, Bulgaria, Italy, Portugal, Spain		
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 pandemic crisis
	Macro-economic stability & sustainability	Neutral	Competitive manufacturing industry but challenges for medium-term dynamics in automotive production due to rising demand for electric cars
Public finance risk	Fiscal policy framework	Neutral	Credible constitutional budgetary framework, but pre-existing worsening in fiscal dynamics
	Debt sustainability	Neutral	Moderate but rising debt levels over the medium-term
	Debt profile & market access	Strong	Favourable debt structure, significant debt holdings by the ECB
External economic risk	Current account resilience	Neutral	Limited export diversification, moderate current account deficits
	External debt structure	Strong	Substantial share of direct investment 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 materially affected by the 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 indebtedness, 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 CEE peers
	Social risks	Neutral	Unemployment rates around EU-average, below EU-average poverty level, negative demographic trends, 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.