Rating Object	Rating Information	
Slovak Republic Long-term sovereign rating Foreign currency senior unsecured long-term debt Local currency senior unsecured long-term debt	**Assigned Ratings/Outlook:** A /stable	**Type:** Monitoring Unsolicited with participation
	Initial Rating Publication Date: 28-10-2016 **Rating Renewal:** 20-09-2024	**Rating Methodologies:** "Sovereign Ratings" "Rating Criteria and Definitions"

Rating Action

Creditreform Rating has lowered its unsolicited long-term sovereign rating on the Slovak Republic to "A" from "A+". Creditreform Rating has also lowered Slovakia's unsolicited ratings for foreign and local currency senior unsecured long-term debt to "A" from "A+". The outlook is stable.

The rating downgrade on the Slovak Republic reflects

(i) a deteriorating tendency in the World Bank's Worldwide Governance Indicator (WGI) 'Government Effectiveness' over a prolonged period, which, in combination with our perception of a complex domestic political backdrop, entails a higher degree of uncertainty over policy predictability;

(ii) based on the above, and in light of ongoing challenges with regard to elements of competitiveness and structural shifts in the automotive industry, as well as the more or less stagnating income convergence towards EU level in recent years, higher uncertainty over medium-term growth prospects; and

(iii) our expectation of a further widening of the already pronounced general government deficit in the near term and a higher level of uncertainty as regards fiscal consolidation over the medium term, resulting in a less favorable forecast regarding the debt-to-GDP path

Rating Outlook and Sensitivity

Our rating outlook on the Slovak Republic's long-term credit ratings is stable, as we assume that the risk situation underlying the key factors affecting sovereign credit risk – including macroeconomic performance, institutional structure, fiscal sustainability, and foreign exposure – is likely to remain fundamentally unchanged over the next twelve months.

We could consider raising the outlook or the rating if medium-term growth far exceeds expectations, possibly spurred by a swift absorption of EU funds and supported by significant further advancements in terms of lowering energy dependency on Russia. An acceleration in the recently more or less stagnating income convergence process towards the EU level could also put upward pressure on the ratings or the outlook, as could a marked reduction in the public debt ratio over a protracted period and/or sustained improvements in aspects of governance.

Conversely, we could lower the sovereign's credit rating or the outlook if, possibly due to failure to consolidate, deteriorating public finances become more entrenched, leading to an unfavorable debt trajectory. A sustained deterioration in the medium-term growth outlook, potentially due to an erosion of competitiveness and/or a further escalation of the wars in Ukraine and the Middle East, as well as sustained stagnation or a reversal of income convergence towards the EU level, could also warrant a negative rating action.

Rating Summary

Indicative result of the scoring model (preliminary sovereign rating, PSR) and final score after adjustments.

Risk factors	Weight (%)	Core indicators	Score	Preliminary Score	PSR	Adjust-ments	Final Score	Final Rating
Macroeconomic Performance	60	GDP per capita	S	S-	A	0	S-	A
	20	GDP trend growth	M					
	20	GDP volatility	M					
Institutional Structure	20	Monetary policy effectiveness	S-	M		0	M	
	80	Good governance						
	40	*Government effectiveness*	*E*					
	20	*Voice & accountability*	*S-*					
	20	*Control of corruption*	*S-*					
	20	*Rule of law*	*S-*					
Fiscal Sustainability	40	Change in government debt/GDP	M	S-		0	S-	
	20*	Government debt/GDP	S-					
	40*	Interest payments/Revenue	S					
Foreign Exposure	30*	(Current account balance + net FDI)/GDP	I+	I+		0	I+	
	20*	International reserves/Imports	I					
	25	Sovereign external debt/Government debt	I+					
	25	Sovereign external debt/Total external debt	I+					
Currency Status								2

LR	S+	S	S-	M	E	I+	I	I-	HR
low risk		stable		moderate	elevated		impaired		high risk

*) *Risk weights for sovereigns with currency status=2*
Adjustments with a positive sign indicate a negative impact, i.e., downward pressure on the rating and vice versa

Key Rating Drivers

1. Robust growth trend and overall resilient labor market performance; easing monetary policy and recovery in private consumption should support an acceleration of Slovakia's economic growth this year and a further strengthening in 2025; notwithstanding reduced dependency on Russian energy, there remain downside risks with regard to energy price developments and the wider geopolitical backdrop
2. While in terms of income convergence there has been very little progress recently, we expect improvements of the underlying macroeconomic backdrop in the medium term driven by investments linked to the Recovery and Resilience Plan (RRP), with a timely absorption of EU funds appearing instrumental for this; structural challenges related to non-cost competitiveness, and with regard to the transformation the important automotive sector, pose some constraints to medium-term growth prospects, while risks linked to credit growth and private sector debt have diminished somewhat
3. Integration into EU/EMU structures and NATO membership underpin the robust institutional set-up, whilst the WGI 'Government Effectiveness' points to challenges regarding aspects of governance in a complex domestic political environment with recently increased political uncertainty; marked scope for improvement as regards the justice system and anti-corruption measures
4. Public finances have deteriorated via the spending side; we expect the overall moderate debt-to-GDP ratio to rise beyond the threshold of 60% of GDP over the medium term on the back of likely pronounced general government deficits; risks to fiscal sustainability are mitigated by affordable debt and the benign sovereign debt profile; financial stability risks related to residential real estate have further ebbed
5. External vulnerabilities related to Slovakia's pronounced integration into global value chains and its status as small open economy; whilst Slovakia is a net external debtor, its markedly negative net international investment position (NIIP) is largely shaped by foreign direct investment; the current account balance is likely to remain in negative territory after the deficit narrowed significantly in 2023

Reasons for the Rating Decision and Latest Developments[1]

Macroeconomic Performance

Adjustment variables	Range	Rationale	Adjustments
Credit Development	up to 2	-	-
Economic resilience and flexibility	up to 4	-	-
Qualitative overlay		*Ongoing progress in RRP-related disbursements generally maintain favorable medium-term growth prospects*	-1
		Stalling income convergence; challenges regarding non-cost competitiveness persist	+1
Net Adjustment			**0**

Slovakia's economic output expansion moderated somewhat to 1.6% in 2023, nevertheless markedly exceeding euro area (EA) GDP growth of 0.4%, given a more robust performance at the beginning of last year. That said, faced with declining disposable income in real terms on the back of still high - albeit receding - inflation, households cut back on consumption. Gross fixed capital formation, on the other hand, saw a sharp acceleration in the final quarter of last year, aided by a boost from the approaching termination of the cohesion fund programming cycle 2014-2020. Net exports added to growth in 2023, but with imports posting a stronger decline than exports.

Quarter-on-quarter GDP growth has continued in the first half of the current year, posting at 0.4% in Q2-24. Economic sentiment indicators paint a mixed picture, with the mood remaining subdued in the construction sector and among consumers. After averaging 11.0% in 2023, Slovakia's inflation has decreased significantly. However, moving at 3.2% in Aug-24, still compares as somewhat elevated.

This notwithstanding, household expenditure looks set to strengthen against the backdrop of higher wages, although part of these may go towards savings that were run down, potentially constraining growth in private consumption. Strong wage increases should remain supported by the ongoing tightness of Slovakia's labor market, partly reflected in a rising job vacancy rate. Slovakia's unemployment rate was broadly stable recently, posting at 5.3% in Jul-24, below the average level of the EA (Jul-24: 6.4%). Employment growth has been weaker by comparison (2023: 0.3% y-o-y, EA: 1.4%, Eurostat data, domestic concept), with broad stagnation continuing in the first half of 2024. Early retirements of older members of the workforce may have contributed to this to some degree.

Focusing on other structural labor market aspects, Slovakia's labor participation rate rose to 76.8% in Q1-24 and is broadly aligned with the Visegrad-4 (V4) peers. However, skills shortages remain a widespread issue. Moreover, the share of long-term unemployment in total unemployment came to 65.1% in 2023 (Eurostat data), the highest in the euro area.

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[1] This rating update takes into account information available until 13 September 2024.

We expect investment to contribute less strongly to growth in 2024 due to a likely adverse base effect following last year's boost related to the end of the cohesion fund period 2014-2020. That said, the progressing intake of funds under the Recovery and Resilience Facility (RRF), as well as investment into the automotive industry and military equipment over the next few years, is set to support gross fixed capital formation. Subject to its fulfilment of agreed targets and milestones, Slovakia is set to receive EUR 6.4bn in grants via the EU's RRF in the period to 2026. The EC has made three disbursements to Slovakia under the RRF and endorsed Slovakia's fourth payment request more recently (Jul-24). In addition, corporate investment could see an acceleration as monetary policy continues to ease, although a greater effect is likely to be seen in 2025.

While we would generally expect foreign demand to strengthen amid monetary policy easing also among important trade partners beyond the euro area, the strong link to the German economy, which has displayed an extended weak phase, entails some downside risks, partly related to the challenges facing the automotive sector in the transition towards e-mobility. With the respective investment in the sector being stepped up, and trade policies concerning e-mobility representing a focus on the EU level, we think that export prospects regarding the medium term remain broadly favorable.

On the whole, we forecast real GDP to expand by 2.2% in 2024 and 2.7% in 2025, with risks concerning these projections being tilted to the downside. This is partly due to the geopolitical situation and its unpredictability, including the possibility of a renewed hike in energy prices, bearing in mind the still pronounced energy dependence on Russia.

Generally, Slovakia's medium-term growth outlook is constructive against the backdrop of access to sizeable EU funds, with the financial envelope of RRF grants over 2021-2026 and EU cohesion policy funds over 2021-2027 totaling EUR 19.0bn, or 15.5% of the 2023 GDP. That said, the combined absorption of RRF and EU cohesion policy funds could prove challenging given some limitations to administrative capacity, and bureaucratic hurdles including slow permitting procedures. Moreover, a lower degree of political stability could have some implications for maintaining the pace of RRP implementation. Demographic challenges could weigh on potential growth over the medium to longer term.

Effective absorption of EU funds appears instrumental to maintaining robust rates of underlying growth. Drawing on AMECO data, potential growth is estimated to be 2.3% in 2024 and 2.4% in 2025, which is broadly aligned with V4 peers and close to its long-term average of 2.5% over 2010-2019.

We observe that the income convergence process towards EU levels has almost stagnated recently, comparing unfavorably with the majority of CEE peers. At 74% of the EU income level in 2023, Slovakia's GDP per capita exhibits the third-lowest reading in the euro area, whilst rising by 5.0% to USD 42,170 last year (PPP terms, IMF data). Similarly, coming to 79.5% of the EU level (2023), Slovakia's nominal labor productivity per person is among the lowest in the EU in 2023, weighing on medium-term growth prospects. With productivity increases subdued, strong wage growth could weigh on Slovakia's cost competitiveness via rising unit labor costs going forward.

Recent developments in the global export market share of goods and services, however, do not point to significant adverse effects on Slovakia's competitiveness at this stage. Slovakia's worldwide share of goods and services rose to 0.39% in 2023, thanks to an increase in the goods share beyond its pre-pandemic level. We would nevertheless highlight current structural challenges in view of the shift towards electric and hybrid cars. Given that the automotive sector's production structure is firmly embedded in global value chains, the current geopolitical tensions and less cooperative global trade environment present additional headwinds.

Focusing on non-cost competitiveness issues, we note that Slovakia displayed the weakest performance among euro area economies in the UN's Global Innovation Index 2023 (rank 45 out of 132 countries). Apart from this, Slovakia slipped by six places to rank 59th out of 67 economies in the IMD World Competitiveness Ranking 2024. In terms of business environment, an above-EU-average share of SMEs has to deal with late payments (EC intelligence), posing a burden to their competitiveness.

In terms of risks pertaining to previously observed dynamic credit growth in a high-interest rate environment, lending dynamics have slowed down to some extent, with the exception of outstanding credit for house purchases. Household debt

measured against disposable income decreased slightly from 73.3% in 2022 to 71.1% in 2023, comparing as relatively high in the V4 group. However, expected further gradual monetary policy easing is likely to contribute to limiting risks related to private indebtedness.

Institutional Structure

Adjustment variables	Range	Rationale	Adjustments
Payment record	up to 3	-	-
Program country / Institutions	up to 2	*Advantages related to membership in EU/EMU and NATO, including trade, funding, and security*	-1
Sustainability of monetary policy	up to 1	-	-
Political risk	up to 3	*Relatively high level of political volatility in the recent past*	+1
Quality of statistics	up to 1	-	-
Qualitative Overlay		-	-
Net Adjustment			**0**

Slovakia's institutional framework benefits from the significant advantages linked to its membership in the EU/EMU and NATO. Referring to the base year 2022, the latest set of the four WGIs which we consider to be highly relevant for the assessment of a sovereign's institutional quality largely affirm Slovakia's robust institutional framework. Nevertheless, the sovereign continues to display a gap towards the euro area median ranking in each of the four pillars, and has exhibited a deterioration in its relative ranking in terms of 'Government Effectiveness' for a protracted period, underscoring perceived challenges regarding the quality of policy formulation and implementation. More recently, its relative ranking with regard to 'Rule of Law' has weakened as well, slipping to 85 out of 213 economies (euro area median rank: 49).

In this context, we gather that Slovakia's criminal law reform (Feb-24), among other things including the dissolution of the Special Prosecutor's Office, an institution entrusted with the prosecution of high-level crime including corruption, caused the European Commission to express concern over compatibility of the reform with EU guiding principles. We gather that amendments to the reform that were since made are currently under review by the EC.

Meanwhile, a new National Anti-Corruption Strategy 2024-2029 is underway. With a view to AML/CFT measures, we note that according to MONEYVAL's 2nd enhanced follow-up report and technical compliance re-rating, Slovakia has been upgraded in one of three recommendations. The level of digitalization of the justice system is advanced, but its efficiency exhibits room for improvement. Drawing on the EC's Justice Scoreboard 2024, Slovakia's justice system remains characterized by a relatively long period needed to resolve administrative cases.

The impression of a possibly higher degree of polarization has been strengthened with regard to the snap election held on 30 September 2023, which saw the Slovak Social Democracy (Smer) Party secure the majority of votes (23.0%), ahead of the Progressive Slovakia (PS) party (18.0%) and the Voice – Social Democracy (Hlas) party (14.7%). In a relatively short space of time, a new coalition was formed, consisting of SMER-SD, Hlas and the right-wing Slovak National Party (SNS), which had obtained 5.6% of the vote. The assassination attempt on the prime minister (May-24) may underscore an overall higher level of political uncertainty as observed over recent years.

Efforts concerning the further reduction of greenhouse gas emissions remain in place, with the 2023 National Energy and Climate Plan, e.g. aiming to incorporate road transport and buildings into the EU's Emissions Trading System from 2027. In this context, we reiterate that Slovakia's modified RRP puts a stronger emphasis on the green transition, allocating 46% of the program's financial envelope to climate objectives. Taking a look at the progress made, Slovakia cut greenhouse gas emissions per capita by 51.1% in 2022 compared to 1990 levels (Eurostat data), the third strongest reduction within the EU. At the same time, at 17.5% in 2022, Slovakia's overall share of energy from renewable sources has substantial room for improvement (Eurostat data).

Fiscal Sustainability

Adjustment variables	Range	Rationale	Adjustments
Fiscal policy framework	up to 3	-	-
Foreign currency debt	up to 2	-	-
Contingent liabilities/government assets	up to 3	-	-
Demographics	up to 1	-	-
Qualitative Overlay		-	-
Net Adjustment			-

While we continue to see fiscal sustainability risks as relatively limited, and Slovakia's debt-to-GDP ratio compares as moderate, we expect pronounced fiscal deficits in the near term, mostly driven by the expenditure side. Growing uncertainty about medium-term fiscal consolidation, also related to political volatility, add to a worsened outlook for fiscal metrics. Financial soundness metrics indicate an overall healthy state of the banking sector, while the cooling of the housing market suggests that risks from this side are less acute.

Slovakia's fiscal deficit increased substantially from 1.7% of GDP in 2022 to 4.9% of GDP in 2023. The deteriorating fiscal outturn was driven by expenditure-increasing measures related to education, healthcare, and pensions, but also to energy support, while growing net social contributions and tax receipts, in particular on production and imports, partly made up for the spending increase.

Due to the permanent nature of most of the adopted expenditure measures, as well as rising interest costs and higher defense spending, we expect the general government deficit to increase to 6.0% of GDP in the current year. We also note that the floods that recently hit Slovakia may require additional fiscal intervention. The fiscal deficit should subsequently moderate to 5.2% of GDP in 2025, partly thanks to the winding down of energy support, plans to dampen public sector wage growth, and the government's announcement to introduce a tax on sweetened beverages with effect from 2025.

Under the new EU fiscal governance framework in force since the end of Apr-24, a medium-term fiscal structural plan is due this autumn. According to the Stability Program 2024-2027 (SP24), the government intends to reduce the fiscal deficit to 3% of GDP by 2027. With regard to expenditure ceilings derived from the new set of fiscal governance rules, consolidation

efforts over several billion euros may be required by 2027 (CBR intelligence)[2]. We note that, based on the new EU fiscal governance framework, the European Commission considers Slovakia's deficit to be excessive, which under the new rules would call for agreeing on measures and a timeframe for its reduction.

High fiscal deficits will likely contribute to a rise in the debt-to-GDP ratio, to 58.4% in 2024 and 59.9% in 2025. At 56.0% of GDP in 2023, Slovakia's general government debt initially continued to decline from its pandemic-induced peak, albeit still moving well above the pre-pandemic level (2019: 48.0% of GDP). Latest available data, referring to Q1-24, show that Slovakia's public debt ratio climbed to 60.7% of GDP. While this remains well below the debt-to-GDP ratio of the euro area as a whole (Q1-24: 88.7%), we see increasing risks of an unfavorable debt trend over the medium term on the back of pronounced deficits and a higher level of uncertainty over fiscal consolidation, not least in a context of political volatility.

Several risk-mitigating factors with regard to sustainability of public finances remain in place. Slovakia continues to exhibit a favorable debt structure, with an average weighted maturity of 8.4 years as of Jul-24, 37% of government debt held by the official sector, and a low share of debt denominated in foreign currency. In addition, debt remains affordable, as underscored by the interest to revenue ratio of 2.9%, which is moderate by historical standards.

Picking up on debt affordability, easing monetary policy should tend to provide gradual relief on interest payments further out. Compared to our last review, Slovakia's yield on 10-year government bonds decreased to a still elevated 3.2% on 13-Sep-24 (weekly data). In its latest monetary policy meeting on 12-Sep-24, the ECB decided to lower its deposit rate by 25bp to 3.50% and, as announced earlier, narrowed the spread between the main refinancing rate and the deposit rate from 50bp to 15bp as of 18-Sep-24. We expect the deposit rate to be lowered one more time this year, and to stand at 2.75% by the middle of 2025.

Contingent liabilities in the form of public guarantees amounted to an elevated 10.8% of GDP in 2023 (SP24). Of these, the majority were linked to the EFSF and the ESM (6.9 p.p.), whilst guarantees pertaining to the COVID-19 pandemic were moderate (2.5 p.p.). We view contingent liability risks related to the banking sector as limited at this stage. Higher net interest margins led to an increase in the profitability of banks, part of which has been used to strengthen capital buffers. To be sure, banking sector profitability is likely to be affected by the 30% tax imposed on profits, which is envisaged to be reduced by 5 p.p. annually until 2027. Drawing on EBA data, the CET1 ratio rose from 15.6% in Q1-23 to 16.7% in Q1-24 (EU Mar-24: 16.0%). Stress tests appear to hint at sufficient capital adequacy to withstand adverse economic scenarios. The asset quality of banks has slightly deteriorated compared to our last report, but the NPL ratio remains broadly in line with the EU average (1.9% as of Mar-24, EBA data).

While fiscal pressure associated with an ageing population compares as relatively low currently, we note that age-related spending could cause higher risks for Slovakia's fiscal situation in the longer term. The EU Ageing Report 2024 projects Slovakia's old-age dependency ratio to more than double by 2055. Moreover, age-related costs, chiefly driven by pension costs, are projected to register a steep increase between 2022 and 2040, although still estimated to remain below the EU level.

[2] Our forecasts do not include fiscal measures of roughly EUR 2.7bn for 2025 to reduce the government deficit announced after the cut-off date for our current assessment, which we will take into account in our upcoming review.

Foreign Exposure

Adjustment variables	Range	Rationale	Adjustments
Sudden reversals in balance of payments	up to 2	-	-
FX regime	up to 2	-	-
Refinancing conditions	up to 2	-	-
Sustainability of external debt service	up to 2	-	-
Qualitative Overlay		-	-
Net Adjustment			**-**

Featuring a small size and deep integration into global supply chains, Slovakia's economy generally remains susceptible to external shocks. With regard to its large, negative NIIP, the sizeable stock of FDI represents a factor mitigating external vulnerabilities.

Having experienced a steep deterioration to -7.3% of GDP in 2022, Slovakia's current account balance improved markedly last year, posting at -1.7% of GDP (average 2010-2019: -1.8% of GDP p.a.). The narrowing in the current account deficit was due to the goods balance moving from deeply negative into low surplus territory, linked to the fall in energy prices and lower volume of energy imports. More recently (Q1-24), the current account deficit shrank to 1.0% of GDP, cumulatively over four quarters. However, we expect the likely strengthening domestic demand to lead to a moderate widening of the current account deficit this year and next.

At this stage, we do not expect a substantial decline in Slovakia's net external debtor position. Last year, Slovakia's NIIP improved to -53.9% of GDP from -60.9% of GDP in 2022. While this still compares as high among the EU members, the composition of the NIIP mitigates external risks. Moreover, excluding non-defaultable instruments, Slovakia's NIIP improved to -14.8% of GDP in 2023.

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Ratings*

Long-term sovereign rating	A /stable
Foreign currency senior unsecured long-term debt	A /stable
Local currency senior unsecured long-term debt	A /stable

*) Unsolicited

ESG Factors

Creditreform Rating has signed the ESG in credit risk and ratings statement formulated within the framework of the UN Principles for Responsible Investment (UN PRI). The rating agency is thus committed to taking environmental and social factors as well as aspects of corporate governance into account in a targeted manner when assessing creditworthiness.

While there is no universal and commonly agreed typology or definition of environment, social, and governance (ESG) criteria, Creditreform Rating views ESG factors as an essential yardstick for assessing the sustainability of a state. Creditreform Rating thus takes account of ESG factors in its decision-making process before arriving at a sovereign credit rating. In the following, we explain how and to what degree any of the key drivers behind the credit rating or the related outlook is associated with what we understand to be an ESG factor, and outline why these ESG factors were material to the credit rating or rating outlook.

For further information on the conceptual approach pertaining to ESG factors in public finance and the relevance of ESG factors to sovereign credit ratings and to Creditreform Rating credit ratings more generally, we refer to the basic documentation, which lays down key principles of the impact of ESG factors on credit ratings.

ESG Factor Box

Environ-mental Quality	Ecological Risks	Ressource Management	Education	Health	Demo-graphics
Labor	Equality	Technology & Infrastructure	Safety & Security	**Judicial System**	**Quality of Public Services**
Integrity of Public Officials	Quality and Efficacy of Regulations	**Civil Liber-ties/ Political Participation**	Market Access	Business Environment	Data Transparency

Environment	**Social**	**Governance**	**Highly significant**	**Significant**	**Less significant**	**Hardly significant**

The governance dimension plays a pivotal role in forming our opinion on the creditworthiness of the sovereign. As the World Bank's Worldwide Governance Indicators Rule of Law, Government Effectiveness, Voice and Accountability, and Control of corruption have a material impact on Creditreform Rating's assessment of the sovereign's institutional set-up, which we regard as a key rating driver, we consider the ESG factors 'Judicial System and Property Rights', 'Quality of Public Services and Policies', 'Civil Liberties and Political Participation', and 'Integrity of Public Officials' as highly significant to the credit rating.

While Covid-19 may exert adverse effects on several components in our ESG factor framework in the medium to long term, it has not been visible in the relevant metrics we consider in the context of ESG factors – though it has a significant bearing on public finances. To be sure, we will follow ESG dynamics closely in this regard.

Economic Data

[in %, otherwise noted]	2018	2019	2020	2021	2022	2023	2024e
Macroeconomic Performance							
Real GDP growth	4.0	2.5	-3.3	4.8	1.9	1.6	2.2
GDP per capita (PPP, USD)	32,924	34,271	33,520	36,723	40,181	42,170	44,081
Credit to the private sector/GDP	62.6	63.6	62.6	61.4	60.5	62.7	n/a
Unemployment rate	6.5	5.7	6.7	6.8	6.1	5.8	n/a
Real unit labor costs (index 2015=100)	108.4	111.3	114.6	113.6	111.4	110.2	111.3
World Competitiveness Ranking (rank)	55	53	57	50	49	53	59
Life expectancy at birth (years)	77.4	77.8	77.0	74.6	77.0	78.1	n/a
Institutional Structure							
WGI Rule of Law (score)	0.5	0.5	0.7	0.7	0.6	n/a	n/a
WGI Control of Corruption (score)	0.2	0.2	0.4	0.2	0.2	n/a	n/a
WGI Voice and Accountability (score)	0.8	0.9	0.9	0.9	0.9	n/a	n/a
WGI Government Effectiveness (score)	0.6	0.5	0.5	0.5	0.4	n/a	n/a
HICP inflation rate, y-o-y change	2.5	2.8	2.0	2.8	12.1	11.0	2.9
GHG emissions (tons of CO2 equivalent p.c.)	7.8	7.4	6.8	7.6	6.8	n/a	n/a
Default history (years since default)	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Fiscal Sustainability							
Fiscal balance/GDP	-1.0	-1.2	-5.3	-5.2	-1.7	-4.9	-6.0
General government gross debt/GDP	49.4	48.0	58.8	61.1	57.7	56.0	58.4
Interest/revenue	3.5	3.1	3.0	2.7	2.6	2.7	n/a
Debt/revenue	127.8	122.0	149.4	152.1	141.9	130.3	n/a
Total residual maturity of debt securities (years)	8.7	8.7	8.3	8.5	8.2	8.6	n/a
Foreign exposure							
Current account balance/GDP	-2.2	-3.3	0.6	-4.0	-7.3	-1.6	n/a
International reserves/imports	5.6	8.0	11.1	9.3	9.2	10.0	n/a
NIIP/GDP	-69.4	-65.6	-64.7	-60.5	-60.9	-54.1	n/a
External debt/GDP	114.5	112.3	119.6	134.2	103.0	96.0	n/a

Sources: IMF, World Bank, Eurostat, AMECO, ECB, IMD Business School, Statistical Office of the Slovak Republic, own estimates

Appendix

Rating History

Event	Publication Date	Rating/Outlook
Initial Rating	28.10.2016	A /stable
Monitoring	27.10.2017	A /stable
Monitoring	26.10.2018	A+ /stable
Monitoring	25.10.2019	A+ /stable
Monitoring	23.10.2020	A+ /negative
Monitoring	15.10.2021	A+ /negative
Monitoring	07.10.2022	A+ /negative
Monitoring	22.09.2023	A+ /negative
Monitoring	20.09.2024	A /stable

Regulatory Requirements

In 2011 Creditreform Rating AG (CRAG) was registered within the European Union according to EU Regulation 1060/2009 (CRA-Regulation). Based on the registration Creditreform Rating AG is allowed to issue credit ratings within the EU and is bound to comply with the provisions of the CRA-Regulation. The rating was not endorsed by Creditreform Rating AG from a third country as defined in Article 4 (3) of the CRA-Regulation.

This sovereign rating is an unsolicited credit rating. The Ministry of Finance of the Slovak Republic participated in the credit rating process as it provided additional information and commented on a draft version of the report. Thus, this report represents an updated version, which was augmented in response to the factual remarks of the Ministry of Finance during their review. However, the rating outcome as well as the related outlook remained unchanged.

Unsolicited Credit Rating

With Rated Entity or Related Third Party Participation	YES
With Access to Internal Documents	YES
With Access to Management	NO

The rating was conducted on the basis of CRAG's "Sovereign Ratings" methodology (v1.2, July 2016) in conjunction with its basic document "Rating Criteria and Definitions" (v1.3, January 2018). CRAG ensures that methodologies, models, and key rating assumptions for determining sovereign credit ratings are properly maintained, up-to-date, and subject to a comprehensive review on a periodic basis. A complete description of CRAG´s rating methodologies and basic document "Rating Criteria and Definitions" is published on our website.

To prepare this credit rating, CRAG has used the following substantially material sources: International Monetary Fund, World Bank, Organization for Economic Co-operation and Development, Eurostat, European Commission, European Banking Authority, European Central Bank, World Economic Forum, World Intellectual Property Organization (WIPO), IMD Business School, Council for Budget Responsibility, Národná Banka Slovenska (NBS), Statistical Office of the Slovak Republic, Ministry of Finance of the Slovak Republic.

A Rating Committee was called consisting of highly qualified analysts of CRAG. The quality and extent of information available on the rated entity was considered satisfactory. The analysts and committee members declared that the rules of the Code of Conduct were complied with. No conflicts of interest were identified during the rating process that might influence the analyses and judgements of the rating analysts involved or any other natural person whose services are placed at the disposal or under the control of Creditreform Rating AG and who are directly involved in credit rating activities or approving credit ratings and rating outlooks. The analysts presented the results of the quantitative and qualitative analyses and provided the Committee with a recommendation for the rating decision. After the discussion of the relevant quantitative and qualitative risk factors, the Rating Committee arrived at a unanimous rating decision. The weighting of all risk factors is described in CRAG´s "Sovereign Ratings" methodology. The main arguments that were raised in the discussion are summarized in the "Reasons for the Rating Decision."

As regards the rating outlook, the time horizon is provided during which a change in the credit rating is expected. This information is available within the credit rating report. There are no other attributes and limitations of the credit rating or rating outlook other than displayed on the CRAG website.

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