

Slovak Republic

Rating report

Rating rationale

European Union (EU) and euro-area memberships: Slovakia benefits from EU and euro area memberships, access to significant EU cohesion and recovery funding, a strong reserve currency, ECB asset purchase programmes and refinancing operations, and supervision under the European fiscal framework, which anchors policymaking and enhances resilience to external shocks.

Competitive export-oriented industries, but higher external and domestic economic challenges: Slovakia has a competitive export-oriented industrial base, anchored by a robust manufacturing sector benefitting from sustained foreign direct investments, especially into the automotive sector. However, the recent US protectionist policy shift and the heightened global trade uncertainty will weigh significantly on Slovakia's manufacturing industry, curbing external demand. In addition, the current fiscal consolidation efforts lower domestic demand and consumption. We expect subdued economic growth at 1.5% in 2025 and 1.7% in 2026, before gradually converging to the 2.25% medium-term growth potential by 2030.

Excessive fiscal deficit and rising, albeit moderate, government debt levels: The European Commission opened an Excessive Deficit Procedure (EDP) in 2024 given elevated fiscal deficits. The headline fiscal deficit stood at 5.3% of GDP in 2024, increasingly only by 0.1pp from the previous year due to fiscal consolidation efforts. Further consolidation measures are planned until 2027, although their effectiveness is likely to be challenged by the economic slowdown, spending pressures and political uncertainty. Consequently, we expect the general government debt to rise from 59.3% of GDP in 2024 to around 66.5% by 2030.

Rating challenges: i) wide budget deficits and a steady rise of the government debt ratio; ii) the high dependence on external demand and on global value chains; iii) institutional risks and governance challenges, as well as associated effects for EU fund absorption; 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	- 1/3	A
Public finance risk		20%	a-			0	
External economic risk		10%	ccc			0	
Financial stability risk		10%	aaa			0	
ESG risk	Environmental factors	5%	bbb-	[+1]	[-0]	0	
	Social factors	7.5%	bb			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 Rating Committee approved an indicative SQM rating of 'a'.

****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/Negative

Senior unsecured debt

A/Negative

Short-term issuer rating/Outlook

S-1/Stable

Local currency

Long-term issuer rating/Outlook

A/Negative

Senior unsecured debt

A/Negative

Short-term issuer rating/Outlook

S-1/Stable

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Credit strengths and challenges

Credit strengths

- EU and euro-area memberships
- Competitive manufacturing industries
- Favourable government debt profile

Credit challenges

- Wide budget deficits and a rising government debt stock
- Vulnerabilities to tariffs & disruptions in global value chains
- Institutional and governance risk
- Adverse demographics

Outlook and rating triggers

The Negative Outlook underscores the view that risks for the ratings are skewed to the downside over the coming 12-18 months.

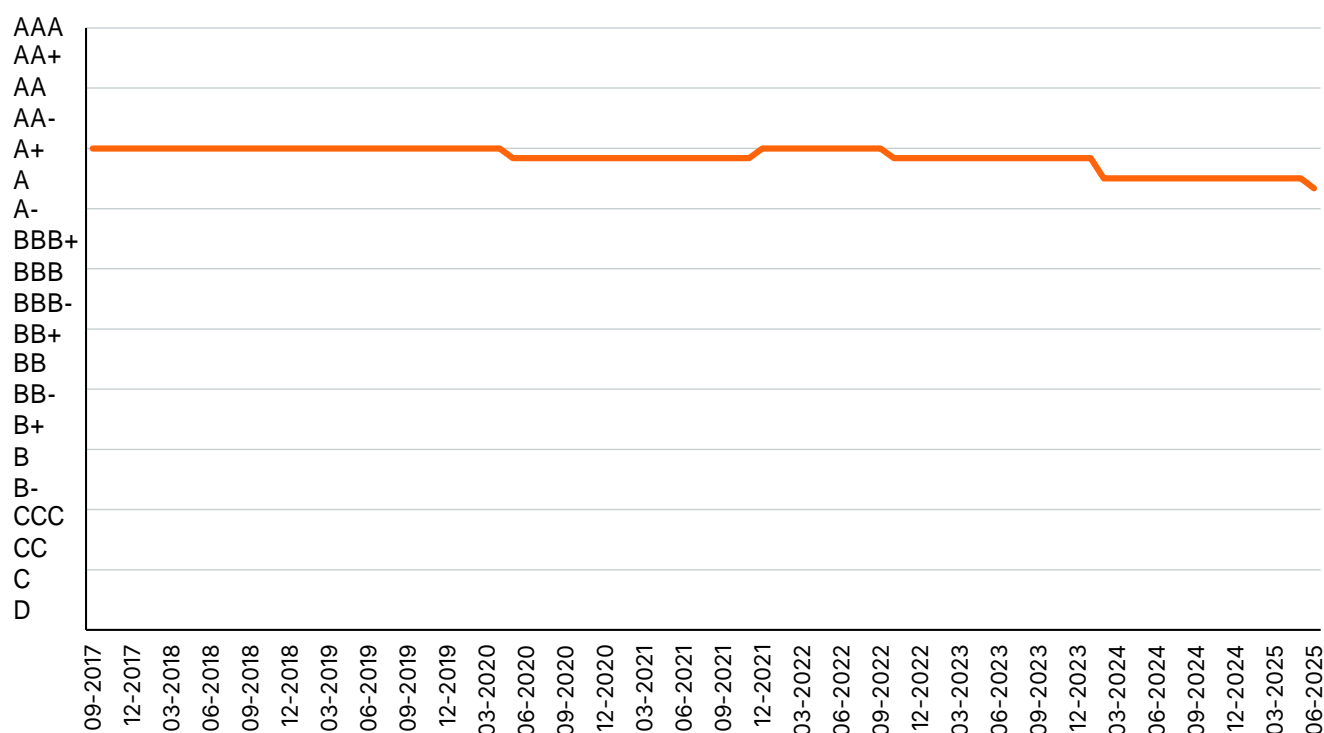
Positive rating-change drivers

- The fiscal outlook improves, for example, due to a sustained reduction in budgetary deficits, leading to a stabilisation or even decline of the government debt ratio.
- The near- and medium-term growth outlook improves.

Negative rating-change drivers

- Weaker fiscal outlook, larger-than-expected fiscal deficits and continued rise in government debt above projections.
- Weaker economic outlook, for example, due to a domestic or external shock lowering economic growth and/or the country's medium-run growth potential.
- Institutional risks or political instability increases, raising the materiality of governance concerns and/or challenging EU funding.

Figure 2: Rating history



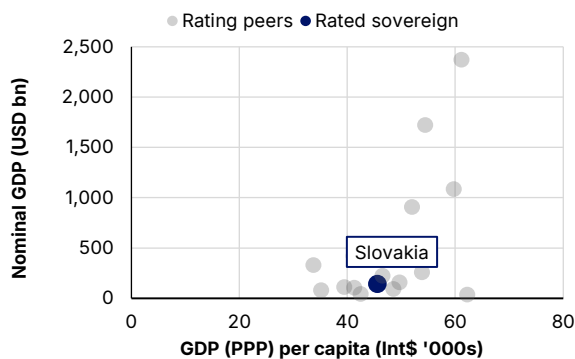
Foreign-currency long-term issuer rating. Positive/Negative Outlooks are treated with a +/-0.33-notch adjustment. Credit Watch positive/negative with a +/-0.67-notch adjustment. Source: Scope Ratings.

Domestic economic risk

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

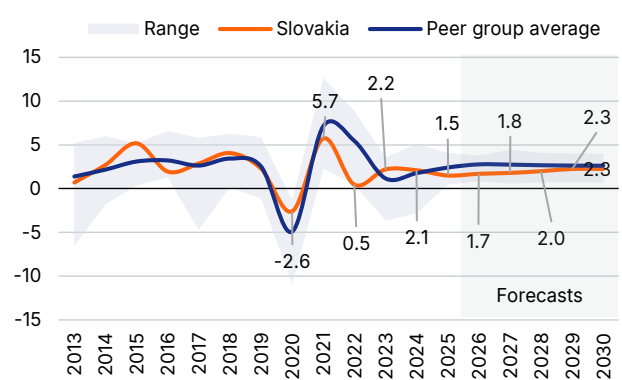
SQM ¹ indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
a+	Growth potential and outlook	Neutral	0	Moderate growth potential, supported by a competitive manufacturing industry and high FDIs; risk of declining in case of lower investments
	Monetary policy framework	Neutral	0	The ECB is a reserve-currency central bank; an effective monetary framework and enhanced lender-of-last-resort supports euro-area Member States
	Macroeconomic stability and sustainability	Weak	- 1/3	Low export and industrial production diversification, significantly concentrated in the machinery and transport equipment sector, particularly the automotive sector, increasing vulnerability to tariffs/ external shocks.

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



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

Figure 4: Real GDP growth, %



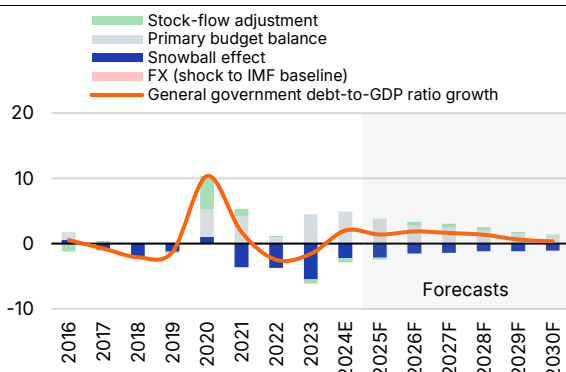
Source: Slovakian Statistical Office, Scope Ratings forecasts

Public finance risk

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

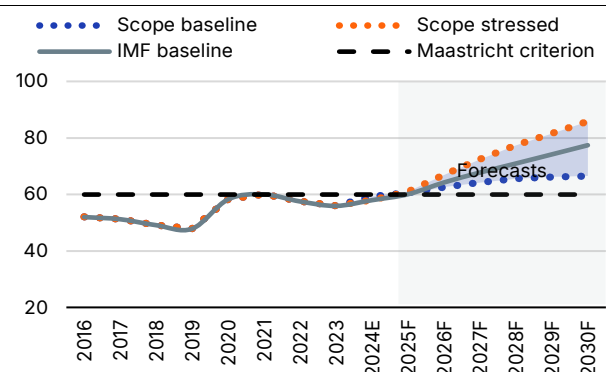
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
a-	Fiscal policy framework	Neutral	0	A credible constitutional budgetary framework is currently suspended; continued excessive budget deficits despite ongoing fiscal consolidation efforts.
	Long-term debt trajectory	Neutral	0	Rising, albeit moderate, government debt levels due to slowdown in economic growth, primary fiscal deficits and adverse long-run demographics. Additional fiscal consolidation measures likely to be announced in Autumn 2025.
	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



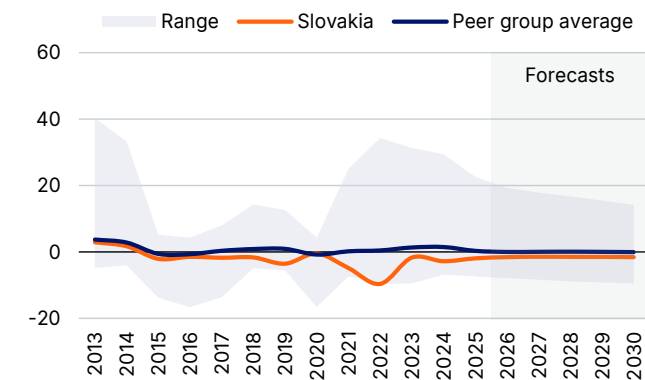
Source: IMF WEO, Scope Ratings forecasts

External economic risk

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

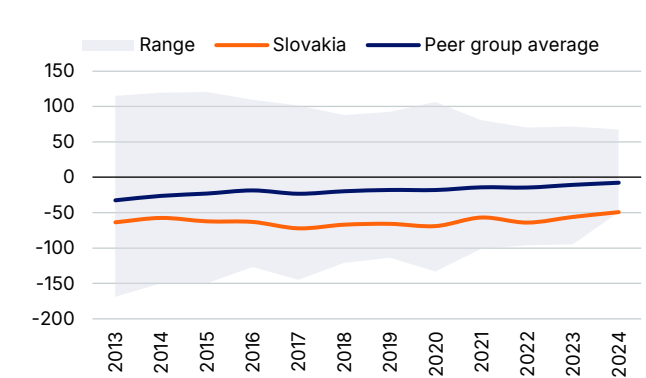
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
CCC	Current account resilience	Neutral	0	An export-oriented economy having modest current-account deficits
	External debt structure	Neutral	0	Moderate levels of gross external debt (101% of GDP); a significant share of external 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



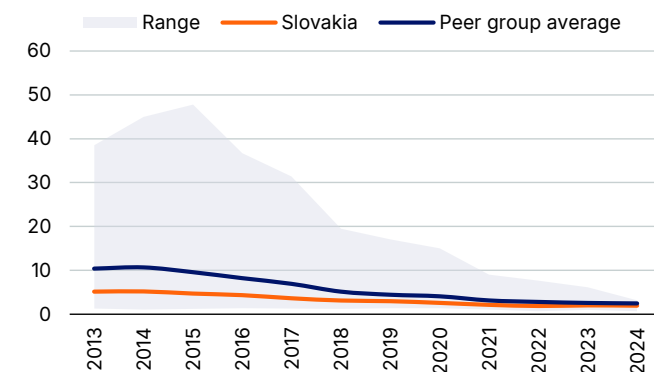
Source: IMF, Scope Ratings

Financial stability risk

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

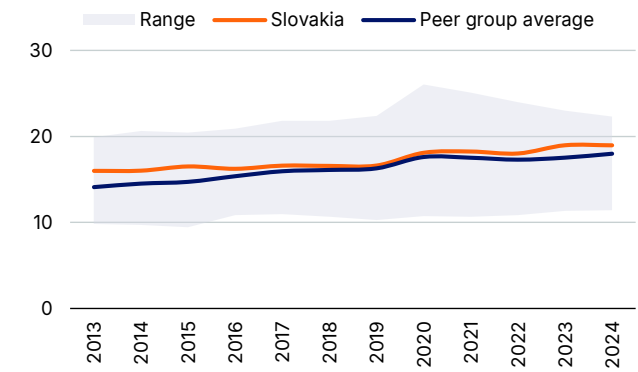
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
aaa	Banking sector performance	Neutral	0	A well-capitalised banking system and low levels of non-performing loans (NPLs)
	Financial sector oversight and governance	Neutral	0	Oversight under the National Bank of Slovakia 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



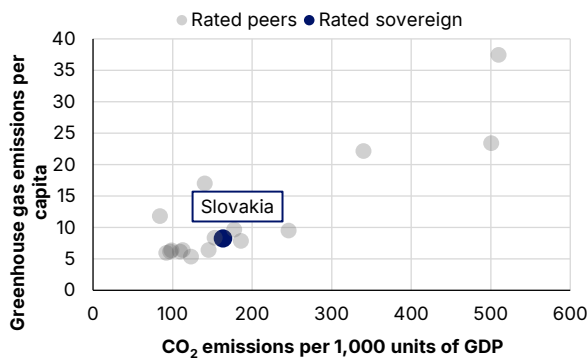
Source: IMF, Scope Ratings

Environmental, Social and Governance (ESG) risk

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

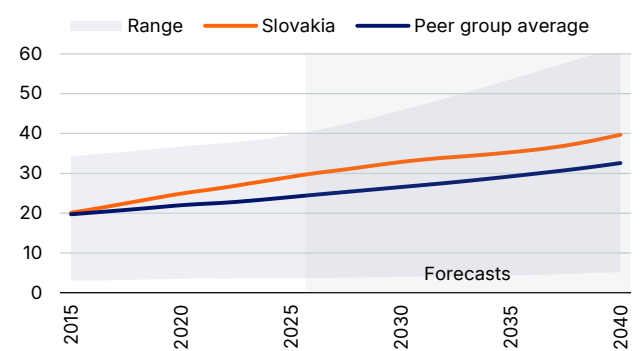
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
bbb	Environmental factors	Neutral	0	Increasing although still below-EU average shares of renewable energies in total energy consumption; transition risks in line with those of other central and eastern European economies
	Social factors	Neutral	0	Moderate unemployment, below EU-average poverty rates, adverse demographics and high regional economic disparities
	Governance factors	Neutral	0	Elevated political fragmentation and uncertainty. Weakening institutional quality due to deterioration in the rule of law. However, the government has so far cooperated with the EU to reduce tensions, recognizing the importance of EU financing.

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

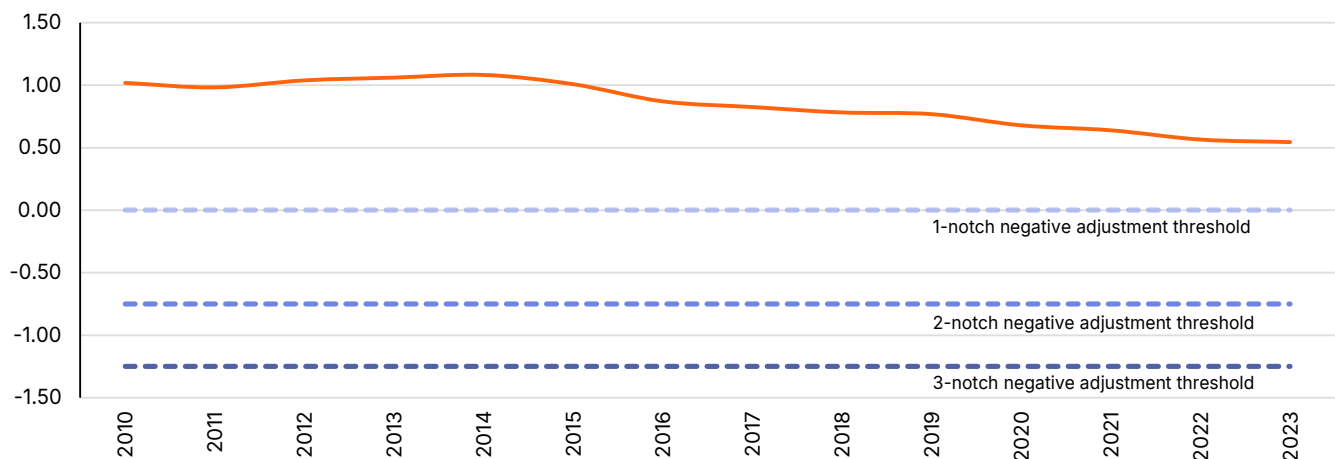
IMF SDR basket and Scope reserve-currency adjustment

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



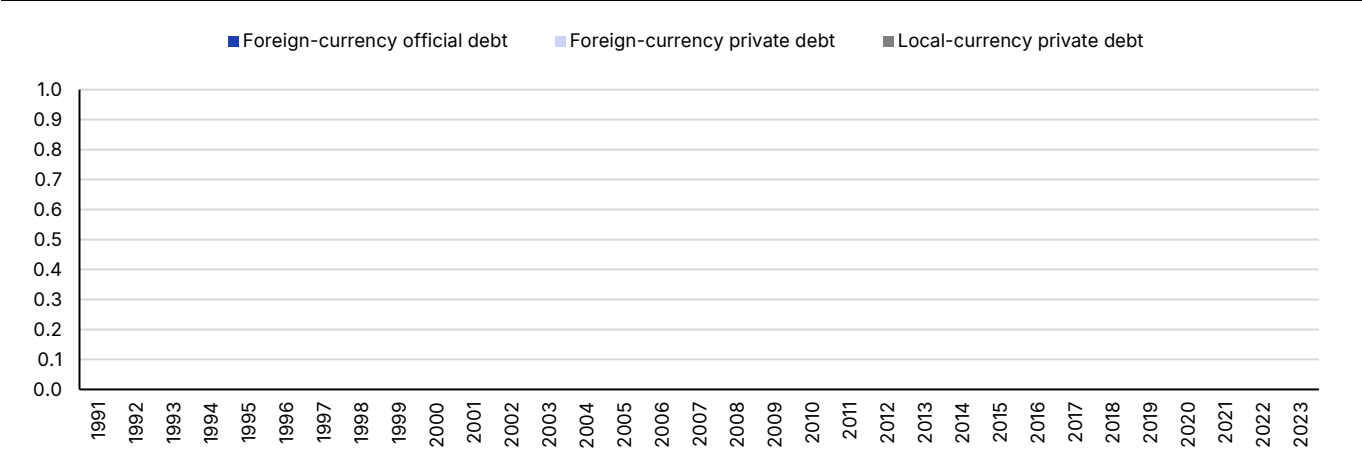
Source: WB, Scope Ratings

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
Croatia
Cyprus
Latvia
Poland
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 27 June 2025	34.2

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	2024
Domestic Economic	GDP per capita (PPP), Int\$ '000s	IMF	34.0	35.3	38.3	41.5	43.6	45.6
	Nominal GDP, USD bn	IMF	106	108	121	116	133	141
	Real growth, %	IMF	2.3	-2.6	5.7	0.4	2.2	2.1
	CPI inflation, %	IMF	2.8	2.0	2.8	12.1	11.0	3.2
	Unemployment rate, %	WB	5.8	6.7	6.9	6.1	5.8	-
Public Finance	Public debt, % of GDP	IMF	47.9	58.3	60.1	57.6	56.0	58.0
	Net interest payment, % of government revenue	IMF	2.7	2.6	2.2	1.9	1.4	2.2
	Primary balance, % of GDP	IMF	-0.1	-4.3	-4.2	-0.9	-4.5	-4.9
External Economic	Current-account balance, % of GDP	IMF	-3.5	-0.5	-4.8	-9.6	-1.7	-2.8
	Total reserves, months of imports	WB	0.8	1.2	1.0	1.0	1.1	-
	NIIP, % of GDP	IMF	-65.8	-68.9	-56.9	-64.0	-56.1	-49.4
Financial Stability	NPL ratio, % of total loans	IMF	3.0	2.6	2.1	1.9	2.0	1.9
	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	65.6	65.1	66.7	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	-	-	-	-	-	-
	Labour-force participation rate, %	WB	72.7	72.4	74.6	76.0	76.5	76.5
	Old-age dependency ratio, %	UN	23.9	24.9	25.7	26.4	27.3	28.2
	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 2025

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