

Republic of Slovenia

Rating report

Rating rationale

A resilient economy driven by economic diversification and external demand. Slovenia has weathered external shocks well thanks to its economic diversification, countercyclical measures, and a rapid diversification of energy supply. However, real GDP growth is projected to slow down, from 2.1% in 2023 to 1.5% in 2024, because of lower foreign demand from the main EU trading partners, higher unit labour costs and energy prices in the manufacturing industry, and high geopolitical risks. Domestic economic activity is expected to recover with real GDP growth of 2.2% in 2025 and 2.3% in 2026 thanks to a stronger rebound in private consumption supported by the rise in real income, the gradual recovery in exports, and robust investment.

A credible policy framework and favourable debt profile support funding flexibility. Slovenia's euro membership, long record of budget discipline and surpluses underpin fiscal sustainability. The moderate budget deficit is projected to decline from 2.7% of GDP in 2024 to 2.5% in 2025 thanks to the projected rebound in economic activity, the phasing out of energy and flood recovery measures, as well as the adaptation of the national fiscal framework to revised EU rules. The prospects for a pension reform could contribute to contain long-term age-related costs, alongside the reform of the healthcare system and the levy of a new long-term care contribution from July 2025 onwards.

Rating challenges include: i) a weak demographic outlook pressuring long-term fiscal sustainability through rising ageing costs in a no policy change scenario; ii) labour market shortages threatening GDP growth momentum and external competitiveness relative to regional peers.

Figure 1: Slovenia'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	Slovenia	-1/3	A	
Public finance risk	20%	aa-			0		
External economic risk	10%	a-			0		
Financial stability risk	10%	aaa			0		
ESG risk	Environmental factors	5%	[+1]	[0]	-1/3		
	Social factors	7.5%			b		0
	Governance factors	12.5%			aa+		0
Sovereign Quantitative Model					a+		-1
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. The rating committee approved an implied SQM rating of 'a+'.
 For details, please see Scope's [Sovereign Rating Methodology](#). Source: Scope Ratings.

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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Credit strengths and challenges

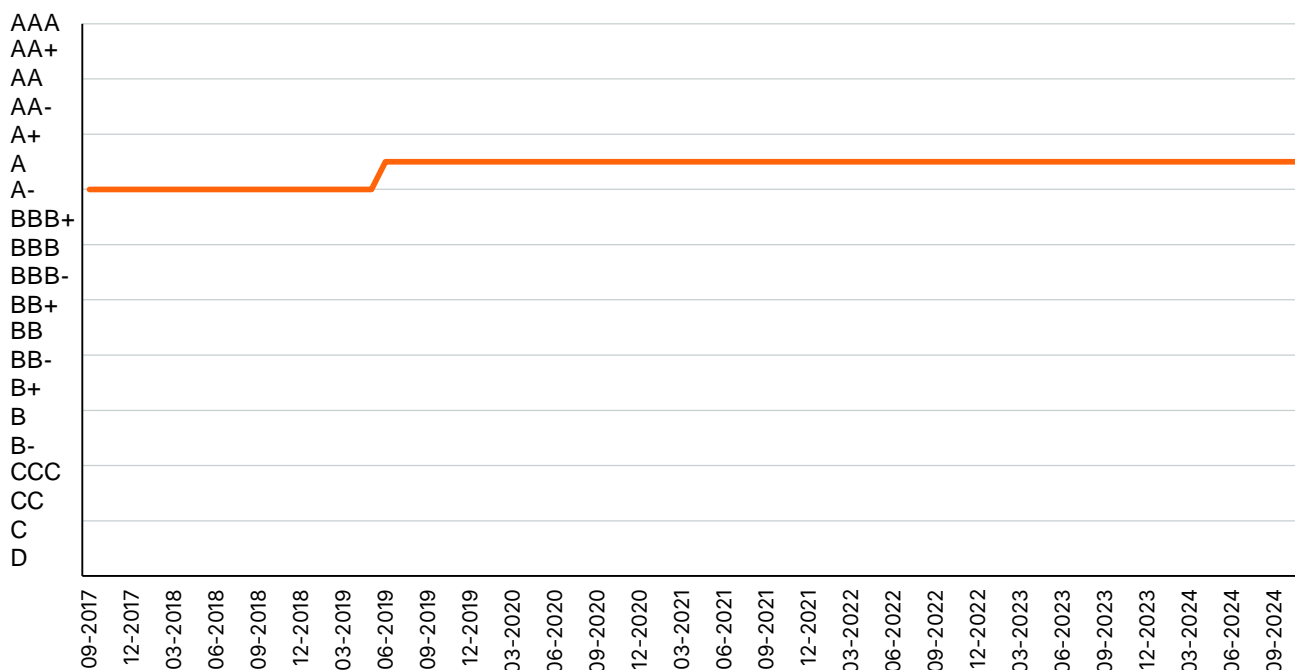
Credit strengths	Credit challenges
<ul style="list-style-type: none"> Euro area membership Prudent fiscal policy, progress on structural reforms Strong market access, favourable debt profile Fiscal and external buffers 	<ul style="list-style-type: none"> Economic and fiscal cost of ageing population Labour market shortages

Outlook and rating triggers

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

Positive rating-change drivers	Negative rating-change drivers
<ul style="list-style-type: none"> Fiscal outlook improved with lower budget deficit and declining public debt Progress on supply side reforms addressing labour market shortages and/or the sustainability of the pension system 	<ul style="list-style-type: none"> Medium-term growth prospects decreased, heightened labour shortages, continued erosion of external competitiveness Fiscal outlook weakened, stalled reform agenda Political fragmentation and policy uncertainty weighed on foreign direct investment, undermined the disbursement of EU funds

Figure 2: Rating history¹



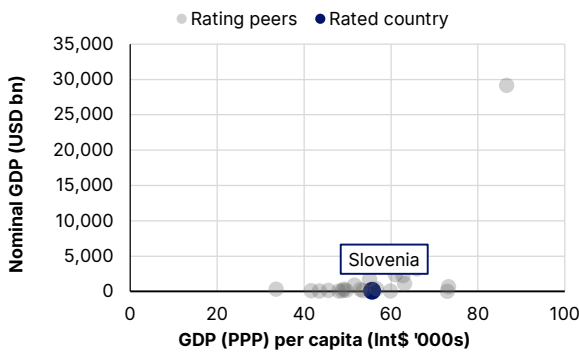
¹Foreign-currency long-term issuer rating. Positive/Negative Outlooks are treated with a +/-0.33-notch adjustment. Credit Watch positive/negative with a +/-0.67-notch adjustment. Source: Scope Ratings

Domestic economic risk

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

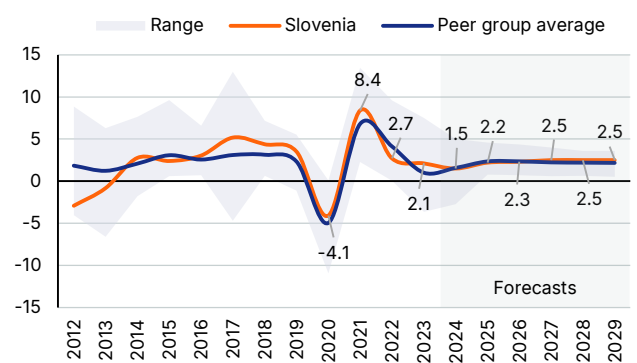
SQM* indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
a	Growth potential and outlook	Neutral	0	Medium-run growth faces challenges from adverse demographic trends; sustained public investment
	Monetary policy framework	Neutral	0	ECB is a highly credible and effective central bank; effective policy framework and transmission over the cycle
	Macroeconomic stability and sustainability	Weak	-1/3	Labour market rigidities and skill shortages; reliance on external demand

Figure 3: Nominal GDP and GDP per capita



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

Figure 4: Real GDP growth, %



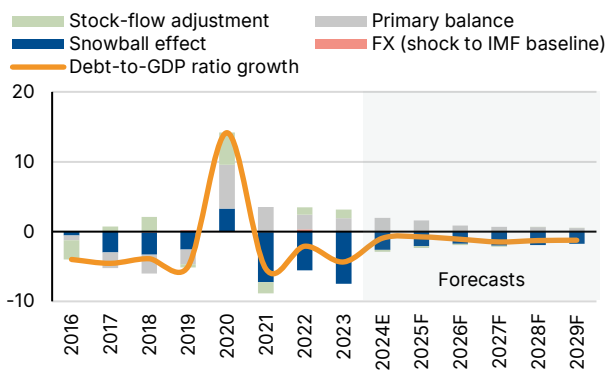
Source: IMF WEO, Scope Ratings forecasts

Public finance risk

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

SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
aa-	Fiscal policy framework	Neutral	0	Robust and credible fiscal policy framework based on effective national rules
	Long-term debt trajectory	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 thanks to favourable debt profile; substantial public sector liquid assets

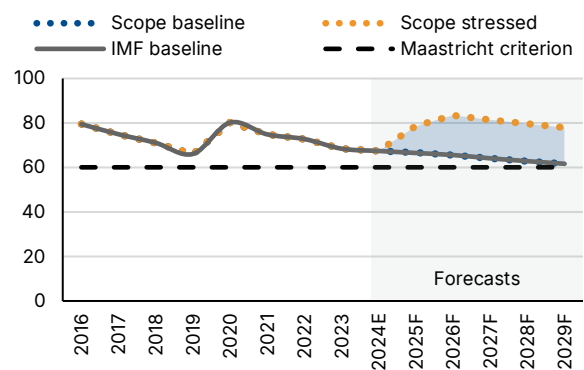
Figure 5: Contributions to change in debt levels, pps of GDP



Source: IMF WEO, Scope Ratings forecasts

*Sovereign Quantitative Model

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



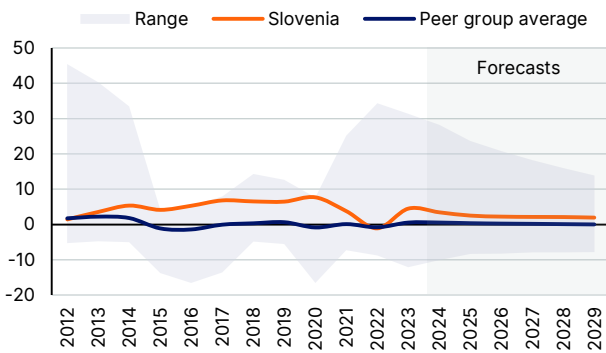
Source: IMF WEO, Scope Ratings forecasts

External economic risk

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

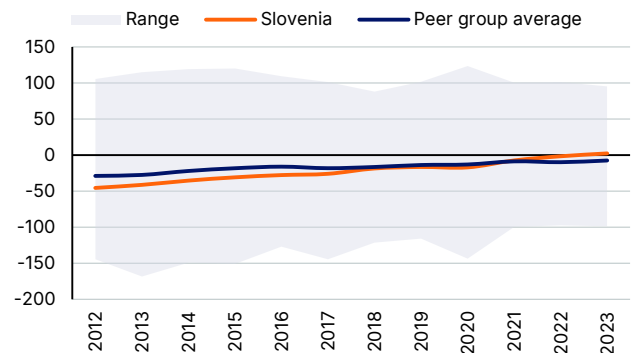
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
a-	Current account resilience	Neutral	0	Competitive industrial base; strong manufacturing industry
	External debt structure	Neutral	0	Moderate rise in external debt stock; significant external assets
	Resilience to short-term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

Figure 7: Current-account balance, % of GDP



Source: IMF WEO forecasts, Scope Ratings

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



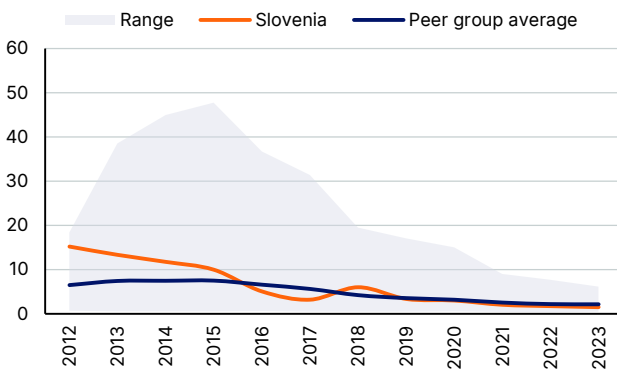
Source: IMF, Scope Ratings

Financial stability risk

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

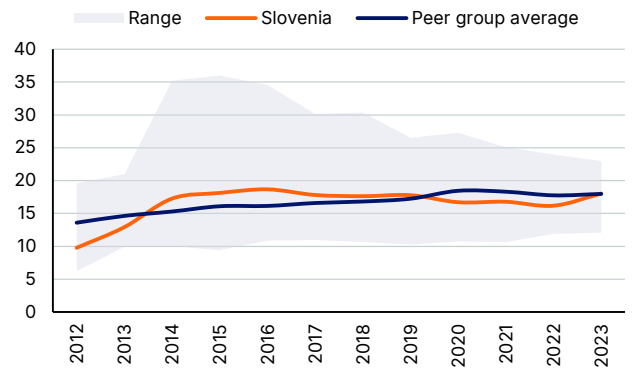
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
aaa	Banking sector performance	Neutral	0	High capitalisation, robust profitability and liquidity, balanced by record of banking sector crisis
	Financial sector oversight and governance	Neutral	0	Rigorous oversight under 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

Figure 9: Non-performing loans (NPLs), % of total loans



Source: World Bank (WB), Scope Ratings

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



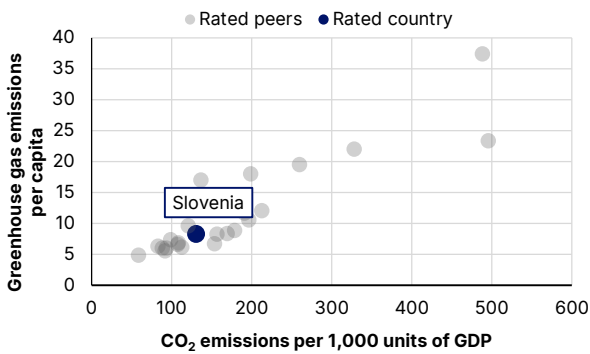
Source: IMF, Scope Ratings

Environmental, Social and Governance (ESG) risk

Overview of Scope's assessments of Slovenia's ESG risk

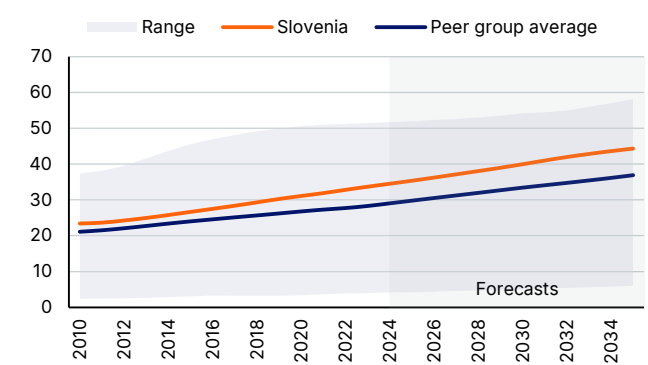
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
a-	Environmental factors	Weak	-1/3	Energy mix represents transition risks relative to peers; recent record of natural disaster with economic and fiscal implications
	Social factors	Neutral	0	Well-educated labour force and 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

Figure 11: CO₂ emissions per GDP, mtCO₂e



Source: European Commission (EC), Scope Ratings

Figure 12: Old age dependency ratio, %



Source: United Nations (UN), Scope Ratings

Reserve-currency adjustment

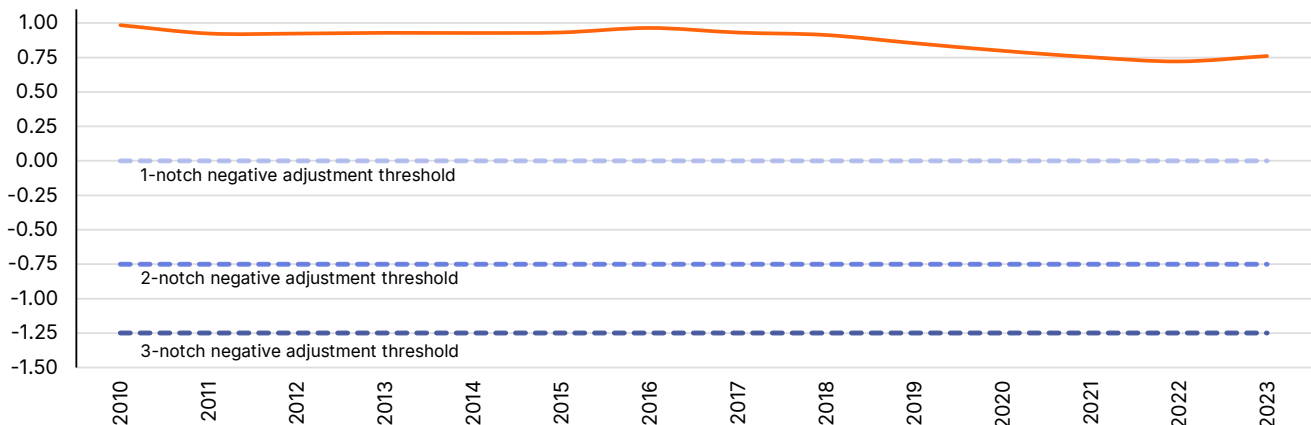
Figure 13: IMF SDR basket and Scope reserve-currency adjustment

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 14: WB Political Stability & Absence of Violence/Terrorism index, Slovenia, 3-year moving average



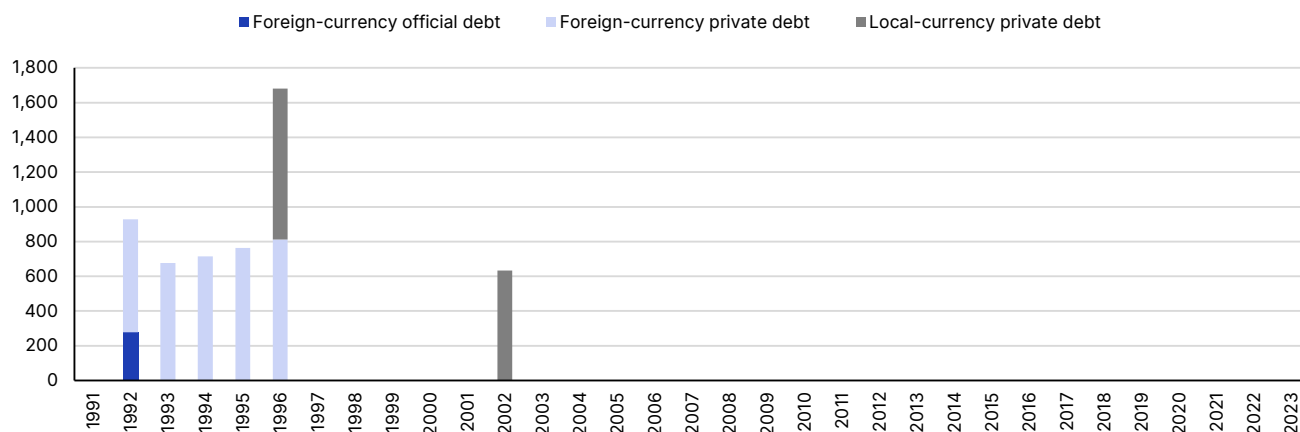
Source: WB, Scope Ratings

Additional consideration

No adjustment was applied to the rating from additional considerations.

Appendix I. Sovereign default history

Figure 15: Sovereign default history, USD m



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 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 sovereign quantitative model after accounting for methodological reserve-currency and political-risk adjustments.

Peer group*
Croatia
Czech Republic
Estonia
Lithuania
Slovakia

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

Appendix III. Economic development and default indicators

IMF Development Classification	Advanced economy
5y USD CDS spread (bp) as of 5 December 2024	43

Appendix IV. 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	2018	2019	2020	2021	2022	2023
Domestic Economic	GDP per capita (PPP), Int\$ '000s	IMF	38.8	42.5	41.9	46.3	50.9	53.6
	Nominal GDP, USD bn	IMF	53.7	53.9	53.3	61.6	60.0	69.2
	Real growth, %	IMF	4.4	3.5	-4.1	8.4	2.7	2.1
	CPI inflation, %	IMF	1.7	1.6	-0.1	1.9	8.8	7.4
	Unemployment rate, %	WB	5.1	4.4	5.0	4.7	4.0	3.6
Public Finance	Public debt, % of GDP	IMF	71.0	66.0	80.2	74.8	72.7	68.4
	Net interest payment, % of government revenue	IMF	4.0	3.2	3.1	2.5	2.1	1.5
	Primary balance, % of GDP	IMF	2.7	2.1	-6.3	-3.5	-2.1	-1.9
External Economic	Current-account balance, % of GDP	IMF	6.5	6.4	7.7	3.8	-1.1	4.5
	Total reserves, months of imports	WB	0.3	0.3	0.4	0.5	0.5	0.5
	NIIP, % of GDP	IMF	-18.5	-16.5	-17.0	-7.4	-1.6	-
Financial Stability	NPL ratio, % of total loans	IMF	6.0	3.4	3.0	2.1	1.8	1.5
	Tier 1 ratio, % of risk-weighted assets	IMF	18.0	17.6	16.3	16.5	15.7	17.7
	Credit to the private sector, % of GDP	WB	43.3	42.3	43.3	40.9	41.1	36.9
ESG	CO ₂ per EUR 1,000 of GDP, mtCO ₂ e	EC	167.9	155.6	148.2	140.4	130.7	118.4
	Income share of bottom 50%, %	WID	23.1	23.0	22.8	22.1	22.1	-
	Labour-force participation rate, %	WB	74.7	74.7	74.8	75.7	76.6	-
	Old-age dependency ratio, %	UN	29.3	30.2	31.1	31.9	32.8	33.7
	Composite governance indicators*	WB	0.9	1.0	1.0	0.9	0.9	0.9
	Political stability, index	WB	0.9	0.9	0.8	0.8	0.7	0.8

*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 methodology

[Sovereign Rating Methodology](#), 29 January 2024

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