Creditreform Sovereign Rating

Creditreform Rating

Rating Object	Rating Information	
SLOVAK REPUBLIC	Assigned Ratings/Outlook: **A+ /stable**	Type: Monitoring, unsolicited
Long-term sovereign rating Foreign currency senior unsecured long-term debt Local currency senior unsecured long-term debt	Initial Rating Publication Date: Rating Renewal: Rating Methodologies:	28-10-2016 25-10-2019 "Sovereign Ratings" "Rating Criteria and Definitions"

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Rating Action

Neuss, 25 October 2019

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

Key Rating Drivers

1. Strong economic growth likely to ease, but still remain well above euro area levels; solid investment and household spending should cushion slowdown which is mainly due to pronounced external headwinds; while benign labor market conditions create favorable backdrop for consumption, higher export capacities should buoy export growth
2. Relatively wealthy and productive economy, converging towards EU levels; hefty credit and wage growth continue to require close attention; while current development underscores pivotal role of auto industry, structural changes may carry some risks to long-term viability of Slovak industry sector
3. While being of generally high quality, reservations regarding the sovereign's institutional conditions persist, as it underperforms rating peers and displays room to improve on rule of law and control of corruption; governing may become more challenging in view of an increasingly fragmented parliament in the aftermath of elections next March
4. Healthy fiscal metrics which we expect to remain in place; still robust tax revenues should offset higher government outlays, catering for moderate headline deficits this and next year; public debt ratio is likely to continue on its downward trajectory given our expectation of recurrent primary surpluses and still solid economic activity
5. External risks stemming from highly negative NIIP continue to be mitigated by its composition reflecting large net inflows of foreign direct investment

Reasons for the Rating Decision

Creditreform Rating has affirmed the Slovak Republic's credit ratings, which mirror a low risk that the sovereign may not meet its financial obligations fully and on time. The sovereign's high creditworthiness is backed by its strong macroeconomic performance profile and sound public finances, while weaknesses pertaining to some institutional shortcomings and external finances persist.

Macroeconomic Performance

Slovakia's credit assessment continues to be underpinned by strong and stable economic growth, and relatively high per capita incomes. Still elevated credit growth weighs on the country economic resilience and flexibility, while we closely monitor risks to price competitiveness implied by vivid wage growth and risks to medium- and long-term growth due to a high dependence on the automotive industry.

Firstly, the Slovakian economy continues to exhibit high and solid economic growth rates. After posting at 3.0% in 2017 and 2.1% in 2016, real GDP growth picked up some steam in the previous year, expanding by 4.0% - well above the annual average of 2.7% witnessed in 2013-17. In this vein, the Slovakian economy also grew faster than the euro area as a whole (2018: 1.9%), and has now outpaced the euro area average in every single year since 2010. Vivid economic growth translated into further increasing income levels. According to latest IMF estimates, Slovakia's GDP per capita rose from USD 32,994 in 2017 to USD 35,136 in the previous year (in PPP terms). The Slovak Republic's GDP per capita is in line with the median of our A-rated universe and surpasses most other Central and Eastern European (CEE) countries, and is still only outstripped by Slovenia and the Czech Republic with USD 36,741 and 37,340 respectively. What is more, income convergence appears to have progressed on that count, as its GDP per capita accounted for 81% of the weighted EU-28 average, up from 80% in the year before and 77% in 2014.

While last year's economic expansion was broad-based, it came mainly on the back of vivid private consumption which grew by 3.9%, thereby contributing 2.2 p.p. to real GDP growth, broadly comparable to the year before when consumption increased by 4.3%. Healthy household spending benefited from affordable loans for housing and consumption and the favorable situation on the labor market, characterized by strong employment and nominal wage growth, overcompensating comparatively elevated HICP inflation (2018: 2.5%). Investment growth came in at 3.7%, broadly stable as compared to 2017 (+3.9%), thanks to low funding costs, investments related to the new car plant built by Jaguar Land Rover (JLR), and a larger drawdown on European Structural and Investment Funds (ESIF) funding. While investment in machinery and equipment was down by 3.5% after virtually stagnating in 2017 (+0.8%), gross fixed capital formation was mainly buttressed by construction investment which jumped by 6.4%, now equating 9.5% of GDP. Net external trade also made a meaningful contribution to growth in 2018 (0.5 p.p.). Regardless of the weaker external backdrop with softer external demand and substantial economic uncertainties, export growth held up relatively well at 5.4%, partly owing to enhanced capacities at VW.

Looking forward, we expect that real GDP growth will level off amid significant external headwinds, coming in at 2.5% this year and 2.4% in 2020. We assume that growth will remain robust and the Slovak economy will perform well above euro area levels, mainly underpinned by solid investment and household spending prospects.

The Slovak economy is highly susceptible to global growth and trade dynamics. In fact, Slovakia can be regarded as one of the countries which appears to be most integrated into global value chains. As highlighted by OECD TiVA data for 2015, the share of domestic value added embodied in foreign final demand stood at 43.9%. Hence, export growth is set to slow down, as the Slovak economy is hit by the geographically broad-based downturn in global manufacturing and international trade and easing external demand from the euro area in particular. The recent contraction in export volumes is a case in point, with export of goods and services going down by 1.7% on the year in the second quarter, corresponding to the first decline in years (4Q14: -0.4%) after the Slovak export industry had proven rather resilient before. Moreover, survey data on export expectations in the industry sector disappointed in the second and third quarter of 2019, turning negative for the first time since 2012. We view higher export capacities following the JLR car factory gradually expanding its production as a mitigating factor which is likely to increasingly cushion the fallout of the substantially weaker momentum in global manufacturing going forward. That being said, full production capacity may reportedly be reached only in 2021.

Households were somewhat more cautious in the first half of the year as household spending increased at yearly rates of 1.7 and 2.0% in the first and second quarter of 2019 as opposed to 3.6 and 2.9% in 1Q18 and 2Q18 respectively. Yet, we believe that private consumption is set to foster real GDP growth, with upbeat consumer confidence, still strong lending growth, and benign labor market conditions creating a favorable backdrop for consumption. Employment growth should slacken going forward, but accelerated wage growth in the private and public sectors, coupled with government measures such as higher parental and tax allowances, and lower VAT rates on certain products (also see below) should provide for higher disposable incomes. According to data sourced from the Statistical Office of the Slovak Republic, nominal average wages increased sharply in the first half of this year. While wages rose by 9.7% y-o-y in the economy as a whole, we see an increase of 6.0% in the pivotal industry sector, and hefty pay rises in public administration (+20.3%) and education (+12.6%). In addition, minimum wages were shored up by 8.3% to 520 EUR at the beginning of 2019.

We believe that investment activity will be somewhat more sluggish, but still supportive of economic growth. Private investment is likely to decelerate after years of significant investments in the automotive sector and in view of increased uncertainty due to rising trade and geopolitical tensions, with the latter taking a toll on business confidence, as visualized by Eurostat data on sentiment in the industry sector. Indeed, investment decisions appear to be pushed backed into the next quarters amid heightened economic and political uncertainties, with gross fixed capital formation growing by only 1.9% y-o-y in Q1 and contracting by 3.7% in the second quarter. On the other hand, favorable financing conditions are set to remain in place, and survey data hints at a still high need for expansion investments in the industry sector, as capacity utilization increased from 84.0 to 89.4% in the year

up to 3Q19 (1994-2019 average: 80.7%). Furthermore, gross fixed capital formation should be fostered by public investment, aided by ESIF absorption and compensating for moderating private investment.

As was mentioned above, the Slovak labor market continues to recover. Improving labor market conditions are mirrored by the harmonized annual unemployment rate, which dropped from 8.1% in 2017 to 6.5% last year, after having peaked at 14.5% back in 2010. Likewise, the share of long-term unemployed people decreased from 5.1 to 4.0% in 2018, though remaining seriously high, representing the fourth highest reading in the EU-28. The downward trending unemployment rate is underpinned by brisk employment growth and rising participation rates. The number of people employed has climbed from one all-time high to the next over the last quarters, reaching 2.45m in the second quarter of 2019. Driven by the cyclical slowdown, we expect labor demand to subside. After having expanded by yearly rates of 2% or more for eleven consecutive quarters, employment growth (s.a.) receded to 1.5% in 2Q19 (via 1.8 and 1.7% in 4Q18 and 1Q19). Meanwhile, Slovakia's participation rate is upward-trending and equated to 72.4% in 2018, somewhat below the EA-19 average of 73.5%.

While labor market segmentation associated with the Roma people remains in place, historically low unemployment rates, intense labor shortages, and high vacancy rates have resulted in tightening labor market conditions, pushing up wages (see above), but also pointing to some skill mismatches. While the situation has eased to some degree more recently, the share of enterprises in the industry sector citing labor as a factor limiting production stood at still high 24.9% in 3Q19 (3Q18: 34.9%), and the vacancy rate equaled 1.1% in 2Q19 (2Q18: 1.2%).

We remain concerned about household credit growth, although risks have slightly abated since our last review. Credit growth has thus been moderating in tandem with the economy shifting into a lower gear. Since the turn of the year, we saw the outstanding volume of household credit falling from 9.9% y-o-y in January to 8.0% this August. That being said, mortgage loans continue to grow at double-digit rates and remain among the highest in the EU-28 (Aug-19: 11.1% y-o-y), further fueling the build-up of macro-financial imbalances. Accordingly, the growth of loans for house purchase has to be monitored vigilantly in a context of increasing household debt and house prices. The three-year-growth rate of residential property prices climbed to 23.5% in 2Q19 and has stood above 20% for eight consecutive quarters. According to Eurostat consolidated financial accounts data, private debt in the household sector rose further, posting at 42.0% of GDP in 2018 (2017: 41.2%). While seeming low from a European perspective, the 12.4 p.p. increase since 2013 is the largest in the EU-28. At the same time, housing affordability does not appear to be an issue at the current juncture, judging by the price-to-income ratio which is aligned with its long-term average (2005-2018).

National Bank of Slovakia (NBS) continues to be wary of elevated credit, debt, and house price growth, as evidenced by frequent interventions in terms of seizing macroprudential measures. The countercyclical capital buffer (CCyB) rate has been raised three times since August 2018. The latest action took place in July 2019, having increased the CCyB rate to 2.0% with effect from August 2020. Furthermore, the provision of loans has been limited

through stricter debt-to-income and loan-to-value ratio limits, which were reduced to 5% and 20% respectively (as of July 2019).

For now, we do not view the Slovak Republic gradually eroding cost competitiveness and the relatively undiversified export base as factors constraining its credit assessment. However, we continue to follow risks to price competitiveness implied by prospectively buoyant wage growth closely. As touched upon before, unabated rapid wage growth continues to have a significant bearing on the economy's cost competitiveness. Approximated by real compensation per employees (AMECO data), wages grew by 3.3% in 2018 and 10.0% in 2015-18, outpacing the euro area growth by far (+0.4 and -0.1%), and also rising faster than real labor productivity. Against this backdrop, real unit labor costs leapt by 6.0% between 2015 and 2018 as compared to -0.1% in the EA-19. Yet, we observe no adverse effects on cost competitiveness at the moment, since Slovakia's share in global export markets has slightly increased over the last five years.

As regards another source of vulnerability, namely challenges to medium- and long-term growth due to a high dependence on the automotive industry and the relatively undiversified export base, we caution of structural changes which may carry some risks to long-term viability of Slovak industry sector. Slovakia's export base is highly concentrated, both from a sectoral and geographical point of view. Electrical and machinery components account for 31.1% of Slovakia's exports, vehicles for another 30.3%. In addition, Germany and Czechia stand for almost one third of exports of goods and services. The dependence on Germany and car manufacturing stand out in particular. Germany is Slovakia's single most important trading partner and the Slovakian economy is deeply integrated into Germany's supply chains, especially in the automotive sector.

We believe that the affinity of diesel cars is unlikely to fade anytime soon unless auto manufacturers achieve significant economies of scale in producing affordable electric cars to lure consumers and steer material growth to meet the CO2 emission targets. Meanwhile, consumers remain hesitant to shift towards electric cars in light of the lack of charging infrastructure and relatively higher cost. However, structural changes going hand in hand with stricter regulatory environmental requirements represent a tail risk to the Slovak economy, meaning that its industry sector may have to suffer material adverse effects if the country does not adapt to imminent trends in car production.

Institutional Structure

Slovakia's credit ratings continue to reflect its institutional set-up which can be described as generally strong. The intuitional assessment is aided by the country's EU/EMU membership and benefits involving significant trade integration, financial support via EU funds, the adoption of common standards and rules, as well as advantages associated with the euro as a reserve currency.

However, our reservations regarding the sovereign's institutional conditions persist, underscored by the most recent edition of the World Bank's Worldwide Governance Indicators (WGI), our preferred metrics on global governance. In this vein, Slovakia's WGIs stand well below the respective euro area and EU-28 averages on all WGIs we assess. Moreover, the

sovereign considerably underperforms its rating peers as measured by the median of our A-rated universe, although it has to be mentioned that its WGI scores are broadly aligned with respective CEE median readings.

Slovakia's WGIs suggest that the most ample room to improve lies in the fields rule of law and control of corruption, which displays the largest gap towards the euro area. Concerning the former, the perceived quality of property rights and contract enforcement, the Slovak Republic reaches only a comparatively poor rank 63 out of 209 economies as compared to a euro area median rank 31. We also take note of a gap of 30 or more ranks when it comes to the perception as to what degree public power is exercised for private gains, with Slovakia taking rank 71 (EA-19: rank 41). With a view to the quality of policy formulation and implementation, the World Bank also attests a rather mediocre performance, placing the sovereign at rank 52. The best relative outcome can be observed with regard to freedom of speech (voice and accountability, rank 48), although underperforming the euro area figure by far (rank 25).

The apparent catching-up potential on its instructional strength is affirmed by the World Economic Forum's (WEF) evaluation of global competitiveness. While Slovakia remained broadly stable at rank 42 (2018: rank 41), it is noteworthy that the sovereign displays a deterioration on the sub-index institutions, according to which Slovakia fell from rank 55 to 61 in 2018-19. In this respect, we note significant shortcomings regarding burden of government regulation (rank 135 out of 141 economies), efficiency of legal framework in challenging regulations (rank 132), and efficiency of legal framework in setting disputes (rank 130).

While we now are more than one and a half year beyond the political turmoil and public protests following the murder of the journalist Ján Kuciak, which prompted the resignation of then-PM Fico, repercussions are still being felt. Zuzana Čaputová, a vocal government critic and anti-corruption activist, won the presidential election and became the first female president in Slovakia's history in March 2019. Furthermore, a state secretary at the Ministry of Justice resigned from her post because of leaked communication related to Marian Kočner who was arrested in March 2019 for being a suspect in the Kuciak case.

What is more, the political environment may not be described as having become more tranquil. The Slovakian ruling coalition lost its formal majority after the departure of two parliamentarians from a junior coalition party. As a result, a no-confidence vote took place in September 2019, which was survived by PM Pellegrini. Still, the loss of the parliamentary majority increases the fragility of the Slovakian government and, although we view this as rather unlikely, a snap election before the parliamentary election next March cannot be ruled out.

Despite our belief that policy continuity in Slovakia will be broadly given, in particular with a view to fiscal policy-making, we think that governing will become more of a challenging in view of an increasingly fragmented parliament in the aftermath of elections held in March 2020. As signaled by latest polls, the ruling coalition of Smer, SNS and Most-Hid is likely to lose votes as compared to 2016. It may thus be unlikely that the ruling coalition

will remain in place in this constellation, in particular with Smer lagging behind the results of its last parliamentary election.

Fiscal Sustainability

The sovereign's ratings are backed by strong public finances and improving fiscal metrics which we continue to view as a key credit strength.

Following the Eurostat autumn notification on government finance statistics, readings on the headline deficit turned out to be somewhat higher. Nevertheless, public finances are still in good shape and headline deficits are on a firm downward path. Thus, the Slovak budget deficit amounted to 1.1% of GDP in 2018, having ticked up marginally from 1.0% of GDP in 2017. While spring notification data pointed to some overachievement as compared to the target of 0.8% of GDP stipulated in the Draft Budgetary Plan and Stability Program 2018, the final outturn data shows a slight deterioration. At the same time, last year's result is one of the lowest readings for Slovakia on record. The same applies to the renewed primary surplus, coming in at 0.3% of GDP (2017: 0.5%).

The moderate deficit of 2018 came on the back of government expenditure expanding noticeably faster than nominal GDP, but was kept in check by tax-rich growth. Robust economic activity and benign labor market development generated sizable gains in current taxes on income and wealth which grew by 6.5% on the year, while VAT receipts jumped by 6.8%, partly due to improvements in VAT collection. Also, net social contributions continued to increase vividly by 6.7% after already having recorded +8.0% in 2017. On the spending side, the public wage bill grew by 5.5%, but slower than GDP, thus decreasing by 0.1 p.p. GDP. At the same time, public investment and current transfers edged up by 0.5 and 0.4 p.p. to 3.8 and 1.9% of GDP respectively.

With regard to this and next year, we expect Slovakian public finances to remain in good shape, and the headline deficit to come in at 0.8 and 0.9% of GDP. Solid tax revenues should offset higher government outlays, catering for moderate headline deficits. Robust domestic demand and the favorable labor market conditions are likely to aid VAT and income tax receipts as well as the intake of social and health benefits. The revenue side should also benefit from an increase in excise duties for tobacco products and enhanced tax collection, also related to measures aiming at the fight of tax evasion, e.g. the introduction of a fuel identification substance and eKasa. Nevertheless, we expect tax revenues to evolve less dynamically than previously assumed, as a more pronounced economic slowdown and policy actions implemented since our last review exert downward pressure on tax receipts. As regards legislative measures, revenues will be primarily affected by the increase of the non-taxable part of the tax base (21 x subsistence minimum), a lower VAT rate for certain food and print media items, and a reduction in the CIT rate for smaller corporates and the self-employed (turnover up to EUR 100T).

At the same time, we see considerable deficit-increasing items on the expenditure side. Most importantly, authorities hiked civil servant wages this year and envisaged further substantial increases in the public wage bill going forward. According to the Draft Budgetary

Plan 2020, outlays sum up to EUR 4.3bn or 4.8% of 2018 GDP in 2019-22. Further discretionary measures, which can be expected to lift government expenditure, include free school meals, rising Christmas pensions, higher tax bonuses for parents of children under 6y, an increase in the parental and primary school allowance, and ramped-up healthcare costs.

General government gross debt has fallen below 50% of GDP for the first time since 2011. After its peak of 54.7% of GDP in 2013, government debt is gradually declining, and edged down from 51.3 to 49.4% of GDP in 2017-18, mainly due to robust real GDP growth. Slovakia's public debt ratio is thus significantly lower than that of most other euro area members, standing well below the euro area average of 85.9% of GDP and in line with our "A" median. Facilitated by solid economic growth and recurring primary surpluses, we expect the government's debt-to-GDP ratio to remain on its downward trajectory, gradually converging towards 40% of GDP in the medium term.

In any case, we believe that debt is affordable, as reflected by our preferred measure, the interest-to-revenue ratio. In this vein, interest expenses accounted for only 3.3% of general government revenue in 2018, down from 3.6% a year before. In addition, the Slovak Republic's maturity profile has continued to improve, with the average weighted maturity increasing to 8.5y at the end of 2018, having risen from some 5y at year-end 2012. What is more, the sovereign is facing very favorable financing conditions. Long-term government bond yields are at historically low levels and even shifted into negative territory at the end of July 2019; in October 10y bond yields stood at -0.24%.

Contingent liability risks stemming from the banking sector appear to be manageable, and public guarantees amounted to 11.8% of GDP in 2018, of which guarantees linked to the EFSF and ESM respectively accounted for the largest part (8.4% of GDP). To be sure, developments on the residential property market accompanied by buoyant credit growth and rising private debt entail some risks to the banking sector in Slovakia. However, favorable financial soundness metrics render fiscal sustainability risks arising from the banking sector unlikely at this stage. The banking sector is characterized by satisfactory capital buffers, with the CET1-ratio amounting to 15.3% in 2Q19, up from 14.7% in 2Q18, and slightly higher than the EU average (14.6%). Furthermore, the asset quality has improved over time; the NPL ratio decreased from 3.1% in last year's second quarter to 2.6% in 2Q19, also somewhat below the respective EU average of 3.0%. In any event, Slovakia has one of the smallest banking sectors in the EU-28, as measured by total assets which totaled 90.6% of GDP at the end of 2018 (2017: 91.5%).

In the longer term, we note significantly rising pension and healthcare expenditure in the context of the demographic development. While age-related costs will remain broadly unchanged over the next decade, a more pronounced increase is forecasted in the years beyond 2030. Costs are thus estimated to increase from 18.9 to 21.9% of GDP in 2016-70 (EU Ageing Report). Against this backdrop, we assess the adoption of a bill as negative, which will cap the increase of the minimum retirement age at the age of 64y and was adopted by Parliament this March. Hence, fiscal pressure from the pension system will increase. While pension expenditure was assumed to rise from 8.6 to 9.8% of GDP in 2016-70, the DBP 2020 envisions an increase to 11.5% of GDP.

Foreign Exposure

The Slovak Republic remains highly exposed to external risks. The Slovakian current account remained in deficit for the fourth year in a row, widening to 2.6% of GDP, after having improved from 2.7 to 1.9% of GDP in 2016-17. This was almost entirely driven by the trade in goods balance which entered negative territory, evolving from a surplus of 0.7% of GDP in 2017 to a deficit of 0.2% of GDP in 2018. The deterioration was somewhat cushioned by the primary and secondary income balances that recorded slight improvements in the amount of 0.1 p.p. respectively, to -2.0 and -1.4% of GDP. For the sake of completeness, it should be mentioned that the trade in services balance remained unchanged, totaling 1.0% of GDP.

In the near term, we expect the current account deficit to worsen somewhat, as export growth will be curbed by the marked slowdown in industrial production, due to multiple and intertwined factors (see above), and since the offsetting factor of higher JLR production capacities will materialize gradually. At the same time, import-intensive robust domestic demand should cater for more dynamic import growth.

As a corollary, the country's net international investment position (NIIP) should remain highly negative and improve slowly, largely driven by nominal GDP growth. Over the last three years, Slovakia's large and negative NIIP has remained broadly unchanged. In 2018, the NIIP inched up to -67.7% of GDP, having stood at -68.0% of GDP a year before. Accordingly, the Slovak Republic featured the most negative NIIPs among CEE economies and one of the most negative readings in the EU-28 as a whole, following four former program countries and Spain. That being said, we have to emphasize that we view risks as attenuated by the large and stable foreign direct investment (FDI) share in external liabilities. Last year, net FDI inflows – which are less crisis-prone as opposed to other forms of investment – thus covered four-fifth of the Slovak NIIP, posting at -52.1% of GDP.

Rating Outlook and Sensitivity

Our Rating outlook on the Slovak Republic's sovereign 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 – will remain fundamentally unchanged over the next twelve months.

Slovakia's credit ratings could come under downward pressure if the economic slowdown becomes more entrenched, taking a toll on our medium-term growth expectations. Economic prospects could be particularly hit by structural change in the automotive sector, a prolonged phase of significantly weak growth in its main trading partners, further escalating trade tensions, and a disorderly Brexit. Risks surrounding a hard Brexit and US-China (US-EU) trade have waned most recently, but it remains to be seen how far this will go. A downgrade could also be considered, if macro-financial imbalances intensify, reflected in overheating credit accompanied by significantly rising household debt and house prices, if misaligned productivity and wage developments resulted in an erosion of cost competitiveness, and/or if fiscal slippages should lead to rapidly rising government debt.

By contrast, we could raise our ratings if the economic development turns out more favorable than expected and stronger medium-term growth raises GDP per capita and income convergence to higher levels than currently projected. A positive rating action could also be prompted by a steeper downward path of government debt and/or by significant and sustained improvement in institutional conditions.

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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

Economic Data

	2014	2015	2016	2017	2018	2019e	2020e
Real GDP growth	2.8	4.8	2.1	3.0	4.0	2.5	2.4
GDP per capita (PPP, USD)	28,718	30,198	31,436	32,994	35,136	36,640	36,640
HICP inflation rate, y-o-y change	-0.1	-0.3	-0.5	1.4	2.5	2.4	2.2
Default history (years since default)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Life expectancy at birth (years)	77.0	76.7	77.3	77.3	n.a.	n.a.	n.a.
Fiscal balance/GDP	-3.1	-2.7	-2.5	-1.0	-1.1	-0.8	-0.9
Current account balance/GDP	1.1	-2.1	-2.7	-1.9	-2.6	n.a.	n.a.
External debt/GDP	89.8	84.5	92.4	108.2	113.6	n.a.	n.a.

Source: International Monetary Fund, Eurostat, 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

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.

This sovereign rating is an unsolicited credit rating. The Ministry of Finance (MOF) participated in the credit rating process as it reviewed the draft rating report, but had no factual remarks. Between the disclosure of the credit rating to the rated entity and the public disclosure no amendments were made to the credit rating.

The rating was conducted on the basis of CRAG´s "Sovereign Ratings" methodology in conjunction with its basic document "Rating Criteria and Definitions". 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 the following internet page: www.creditreform-rating.de/en/regulatory-requirements/.

To prepare this credit rating, CRAG used 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, Národná banka Slovenska (NBS), Štatistický úrad Slovenskej republiky, 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. In case of providing ancillary services to the rated entity, CRAG will disclose all ancillary services in the credit rating report.

The date at which the credit rating was released for distribution for the first time and when it was last updated including any rating outlooks is indicated clearly and prominently in the rating report; the first release is indicated as "initial rating"; other updates are indicated as an "update", "upgrade or downgrade", "not rated", "affirmed", "selective default" or "default".

In accordance with Article 11 (2) EU-Regulation (EC) No 1060/2009 registered or certified credit rating agency shall make available in a central repository established by ESMA information on its historical performance data, including the ratings transition frequency, and information about credit ratings issued in the past and on their changes. Requested data are available on the ESMA website: https://cerep.esma.europa.eu/cerep-web/statistics/defaults.xhtml.

An explanatory statement of the meaning of each rating category and the definition of default are available in the credit rating methodologies disclosed on the website.

Disclaimer

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