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## **MOODY'S CHANGED SLOVENIA OUTLOOK TO POSITIVE DUE TO LIKELY SUSTAINED IMPROVEMENT OF SLOVENIA'S FISCAL STRENGTH AND ACTIVE PENSION REFORM DISCUSSIONS**

On Friday, October 11, 2024, Moody's affirmed ratings at A3 for the Republic of Slovenia, and changed the outlook on Slovenia's ratings from stable to positive based on two factors.

The first factor was the increasing likelihood of a sustained improvement in Slovenia's fiscal strength as a country engages in a budgetary consolidation.

The Slovenian Government has adopted the Medium-Term Fiscal and Structural Plan 2025–2028 (hereinafter: the Plan), which is based on the new EU fiscal rules adopted in April 2024. The aim of this plan is to keep the general government deficit below 3% of GDP and to reduce the debt-to-GDP ratio towards 60% of GDP. The key variable for monitoring compliance with the fiscal targets is set at 4.5% growth in government net primary expenditure over the consolidation Plan period of 2025-2028 and a fixed limit for fiscal policy over this period. This approach ensures a predictable and stable fiscal stance and is in line with the European Commission's preliminary guidelines for Slovenia. In addition, the plan includes key reforms and investments in response to EU recommendations, ensuring both fiscal stability and compliance with fiscal rules.

The second important factor that has also been taken into account by Moody's is the comprehensive pension reform, that is currently being discussed and which the government has proposed as part of Slovenia's national recovery and resilience programme (NRRP), as it is focused on the pension system's long-term sustainability. Its adoption would significantly mitigate the long-term fiscal costs of ageing.

According to the Plan, the measures proposed as part of the pension reform make the long-term projections to pension expenditure as a percentage of GDP more favourable. The Institute for Economic Research has projected the overall impact of various possible measures on pension expenditure. Their simulation indicates that a combination of these measures would maintain the share of pensions as a percentage of GDP at approximately the current level for the next 20 years, following the adoption of changes to the recast legislation.

The full report can be found on Moody's website: <https://www.moodys.com/>.

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## **RATING AGENCY FITCH AFFIRMED SLOVENIA'S RATINGS WITH STABLE OUTLOOK**

**Rating Agency: Fitch (A, Stable Outlook)**

On Friday, October 11, 2024, Fitch reaffirmed its credit rating for Slovenia. Slovenia's rating remains unchanged at A. The rating trend remains stable. Fitch also takes note of Slovenia's progress in structural reforms.

The full report can be found on the Fitch website: <https://www.fitchratings.com/sovereigns>.

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