BEST'S COUNTRY RISK REPORT

Slovenia

CRT-2

August 22, 2018

Region: Europe

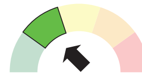
Country Risk Criteria Procedures

Guide to Best's Country Risk Tiers

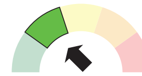
- The Country Risk Tier (CRT) reflects A.M. Best's assessment of three categories of risk: Economic, Political, and Financial System Risk.
- Slovenia is a CRT-2 country, with low levels of economic and political risk and a moderate level of financial system risk. The country enjoys strong ties to Western Europe and a stable democracy.
- GDP grew 4.0% in 2017, driven by domestic consumption and fixed capital investment. Medium-term growth is projected at between 2.0% and 3.5%.
- The majority of countries pictured are categorized as CRT-1, CRT-2 and CRT-3. The notable exceptions are the Eastern European countries of Bosnia and Herzegovina, Belarus, and Ukraine.

Vital Statistics 2017		
Nominal GDP	USD bn	48.87
Population	mil	2.1
GDP Per Capita	USD	23,654
Real GDP Growth	%	5.0
Inflation Rate	%	1.4
United Nations Estimates		
Literacy Rate	%	99.7
Urbanization	%	49.6
Dependency Ratio	%	48.7
Life Expectancy	Years	78.3
Median Age	Years	44.5
Insurance Statistics		
Insurance Regulator	Insurance Supervision Agency	
Premiums Written (Life)	USD mil	738
Premiums Written (Non-Life)	USD mil	1,724
Premiums Growth (2016 - 2017)	%	5.7
Regional Comparison		
	Country Risk Tier	
Slovenia	CRT-2	
Austria	CRT-1	
Germany	CRT-1	
Italy	CRT-2	
Poland	CRT-2	
Czech Republic	CRT-2	

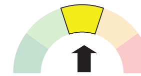
Source: IMF, UN, Swiss Re, Axco and A.M. Best



Economic Risk



Political Risk



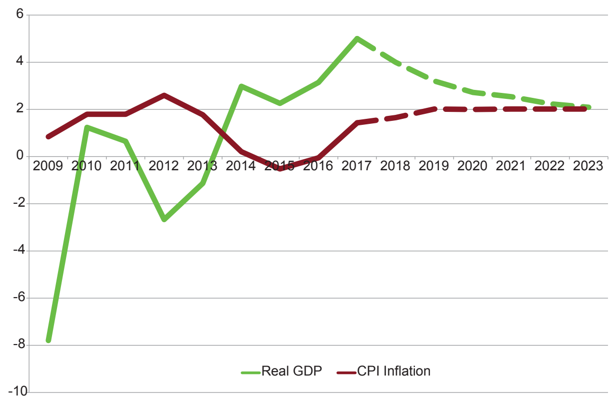
Financial System Risk

- **Country Risk Tier 1** (CRT-1) Very Low Level of Country Risk
- **Country Risk Tier 2** (CRT-2) Low Level of Country Risk
- **Country Risk Tier 3** (CRT-3) Moderate Level of Country Risk
- **Country Risk Tier 4** (CRT-4) High Level of Country Risk
- **Country Risk Tier 5** (CRT-5) Very High Level of Country Risk

Regional Summary: Eastern Europe

- The Eastern European countries are at various stages of bringing their legal, economic, and political frameworks to be more in line with European Union standards. The region has economic potential, as it further integrates with the global markets of the European Union, but all of its countries would ultimately benefit from more transparent and less cumbersome regulatory environments.
- Economic growth in 2017 was robust and is expected to continue in 2018 on growing domestic consumption, fueled by rising wage and falling unemployment rates. Additionally, funds provided by the EU's Structural and Investment Funds will continue to drive public spending.
- Although many Eastern European countries are classified as emerging markets or frontier markets, reforms have enhanced economic stability and regional political power.
- Risks for the region include the potential for tightening global financial conditions, currency volatility, an increase in government influence on state-run institutions potentially undermining independence, and high levels of corruption.

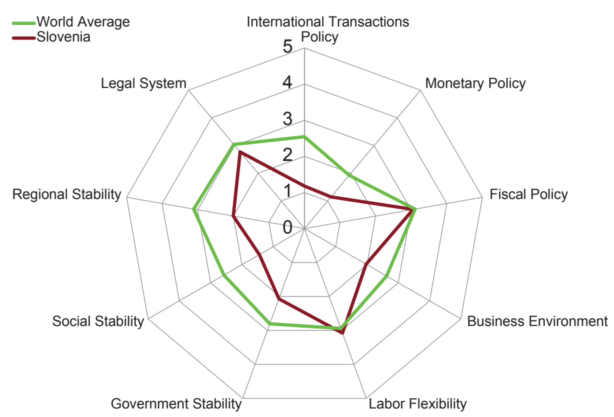
Economic Growth (%)



Source: IMF World Economic Outlook and A.M. Best

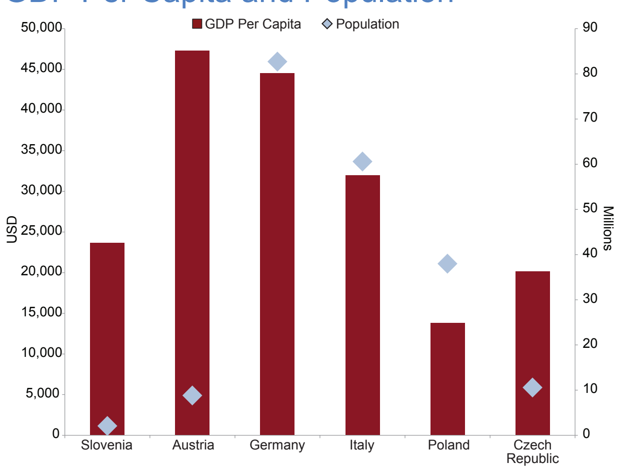
Political Risk Summary

Score 1 (best) to 5 (worst)



Source: A.M. Best

GDP Per Capita and Population



Source: IMF and A.M. Best

Economic Risk: Low

- Slovenia has a small economy focused on external trade and investment. The majority of its trading partners are members of the EU, which makes the country vulnerable to an economic slowdown in the EU, particularly in Italy, a key export destination for Slovenia.
- After narrowly avoiding an international bailout in 2013, Slovenia's economy has recovered strongly, resulting in an improved credit profile. Strong exports and tourism have driven growth.
- The economy is challenged by rigid labor markets, slow contract enforcement, high levels of bureaucracy, and the spillover effects of the migration situation.
- Domestic consumption has helped drive economic growth. Higher wages, increased access to credit for consumers, rising consumer confidence, and declining unemployment rates (8.1% as of May 2018) have all been positive drivers of growth.

Political Risk: Low

- The current president is Borut Pahor, who was re-elected in November 2017. He defeated his challenger, Majan Šarec, in a run off poll, capturing 53% of the vote. The next presidential and legislative elections are scheduled for 2022.
- Although the political environment in Slovenia is largely stable, there has been some volatility in recent years owing to the implementation of unpopular austerity measures and fiscal challenges.
- The three-party coalition government collapsed in March 2018 after the resignation of Prime Minister Miroslav Cerar. It had been in place since 2014 and had passed prudent macro-economic reforms and austerity measures. A parliamentary election was held in June 2018, which resulted in a highly fragmented parliament with nine different parties winning seats, making the formation of a coalition government difficult.
- The country joined the EU and NATO in 2004 and the eurozone in 2007. Its legal system aligns with EU standards.

Financial System Risk: Moderate

- The Insurance Supervision Agency regulates the insurance industry in accordance with the Insurance Act.
- Banking supervision is primarily the responsibility of the European Central Bank, under the Single Supervisory Mechanism. The Bank of Slovenia continues to supervise its "less significant" banking institutions.
- Non-performing loans have declined significantly, which has resulted in improved credit growth. Greater credit access has helped expand household consumption.