



# REVIEW 2023 AND OUTLOOK 2024

## KEY INFORMATION

Challenging circumstances continued also in 2023. Continuing war in Ukraine, energy crisis subsidies, faded inflation budget revenues with combination of care taker government and early election in September impacted activities of ARDAL in 2023. Due to uncertainty in the budget deficit, ARDAL had to adjust previously announced gross issuance plan from EUR 8 billion to final number EUR 10.4 billion.

Gross Debt to GDP ratio is expected to decrease from 57.8% in 2022 to around 56.8% at the end of 2023. Net debt to GDP should oscillate around 50% of GDP. During the 2023, ARDAL managed prudent liquidity buffer between 7-10% of GDP.

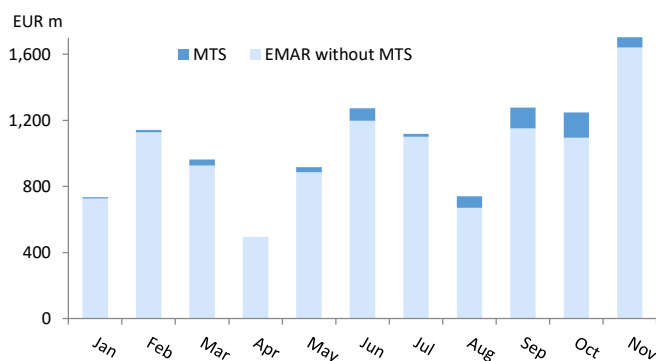
ARDAL held 9 multiple bond auctions with total demand of EUR 9 billion and average bid to cover ratio of 1.8. In the auctions, ARDAL sold bonds worth EUR 4.9 billion. Agency also recorded the highest demand in regular auction ever (four bonds), in September 2023 the demand reached EUR 1.3 billion.

Due to comfortable liquidity position and supportive increase of State Treasury balance sheet, no T-Bills auction was held. Aside from the regular auctions, Slovakia also opened new 10, 12 and 20y benchmarks through 2 syndicated transactions in the total size of EUR 5.5 billion, with total demand EUR 18 billion.

The average yields of new bond issuance in 2023 increased to 3.74% p.a. (from previous year 2.43% p.a.) with average maturity of 11.7 years. Although the new issuance yields increased significantly, average costs on outstanding bonds were maintained at 1.98% p.a. Total average costs, together with the State Treasury and other liabilities funds reached 1.85% p.a.

Slovakia maintained its average maturity and other risk indicators at the OECD and Euro area average or in lower areas. Average maturity reached 8.4 years.

Chart 1: Slovak Primary Dealers Secondary Market (EMAR) in 2023



\* EMAR for December 2023 is not available at time of publication

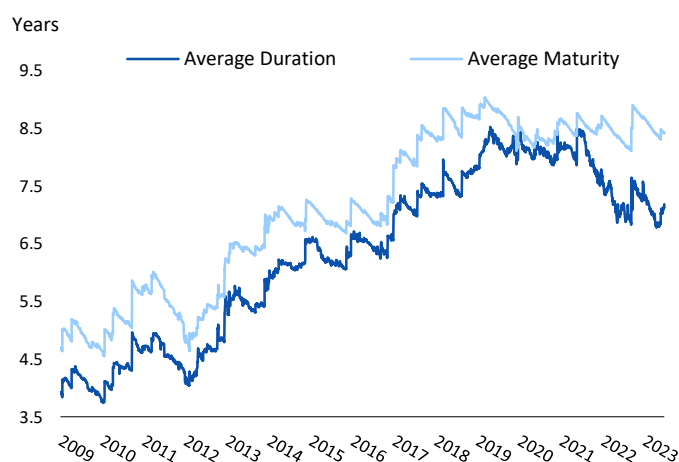
Table 1: Government Bond Auctions Results by Bond Line in 2023

	Total Bids (EUR million)	Accepted Bids (EUR million)
May 2025	483	300
June 2027	1,330	977
October 2032	2,139	1,435
June 2033	947	608
February 2035	1,671	909
April 2036	718	396
October 2047	163	137
October 2051	220	180

## RISK MANAGEMENT

Government Debt Management Strategy together with the methodology and definitions agreed at EFC Sub-Committee on EU Sovereign Debt Markets play key role at ARDAL risk management of debt portfolio. Based on these, ARDAL monitors risk indicators e.g. average maturity and duration of state debt portfolio and both refinancing and refixing risks. The weighted average maturity of the state debt portfolio reached the value of 8.4 years and the duration was 7.2 years at the end of 2023. Presented figures are in line with the debt characteristics of the Eurozone countries. In regards to the refinancing risk, the values of 19.0 and 43.4 per cent of total liabilities were reached and thus maintained within the intended thresholds of 20 and 55 per cent for one and five years, respectively. Additionally, the goal to maintain the one/five years of refixing risk close to 25 and 55 per cent of total liabilities was reached at the same level as refinancing risk since the current debt portfolio consists almost fully of fixed rate instruments.

Chart 2: Average Maturity and Duration of the Slovak Debt Portfolio



### Current Ratings of the Slovak Republic

Agency Grade Confirmation Date	Standard&Poor's	Moody's	FITCH	DBRS Morningstar
	A+ stable outlook	A2 negative outlook	A- stable outlook	AH stable outlook
	November 2023	November 2023	December 2023	February 2023

# GOVERNMENT DEBT SECURITIES ISSUES AND AUCTION CALENDAR FOR 2024

Gross issuance should reach around EUR 10.0 billion in 2024. This amount is in line with the Act on the State Budget for 2024 and with the Act on State Debt and Guarantees. ARDAL intends to open 2 or 3 new lines of government bonds via syndicated sale and/or auction in 2024:

- new bond line with issue size of EUR 3 billion with fixed or floating coupon and time to maturity of 4 to 7 years;
- new bond line with issue size of EUR 5 billion with fixed coupon and time to maturity of 10 years;
- new bond line reflecting market conditions.

The total expected amount to be sold via syndicated sales is EUR 4.5 to 5.5 billion, regardless of the number of transactions.

Other lines of bonds can be opened based on debt management requirements and investors' demand.

**Table 2: Principal Liabilities Structure as of 31.12.2023**

Liabilities	EUR (million)	Average Costs
Issued Bonds	60,286	1.98% p.a.
Issued T-Bills	0	0.00% p.a.
Loans	4,024	1.54% p.a.
<b>Total</b>	<b>64,310</b>	<b>1.95% p.a.</b>

## KEY CHALLENGES

With the new Government in place since October 2023, there are no expected changes in Slovakia's overall geopolitical direction. The country remains firmly anchored in EU structures, and the new Government is committed to continuing its pro-EU orientation. The planned structural changes and a credible consolidation plan could contribute to sustainable economic growth in Slovakia. Looking ahead, there will be a presidential election in the spring, followed by EU elections in June.

After a decade of the prudent Act on Fiscal Responsibility, also known as the Debt Brake, the political debate on improvement is ongoing. The Act was originally designed for stable times, but the unpredictable nature of various crises revealed its weaknesses. Transitioning from the gross debt to net debt formula could reintroduce flexibility and establish a standard approach to debt management.

Despite variety of challenges such as the energy crisis, COVID-19 pandemic consequences, war and high inflation, Slovakia's debt portfolio risk parameters remain in excellent shape. The country boasts a smoother and feasible redemption profile, an average debt maturity at the OECD level, and a sufficient liquidity position, all of which act as buffers against potential market distortions.

While higher yields have restored normal market conditions quickly, in the medium to long term, the European Central Bank's Quantitative Tightening (ECB QT) will need to be replaced by real money investors. This shift will entail broadening the existing investor base and maintaining a regular presence in markets beyond the Eurozone. For ARDAL this means more roadshows and direct communication with investors regarding fiscal consolidation efforts in Slovakia.

**Table 3: Open Lines of Bonds (Available for Tapping) as of 31.12.2023**

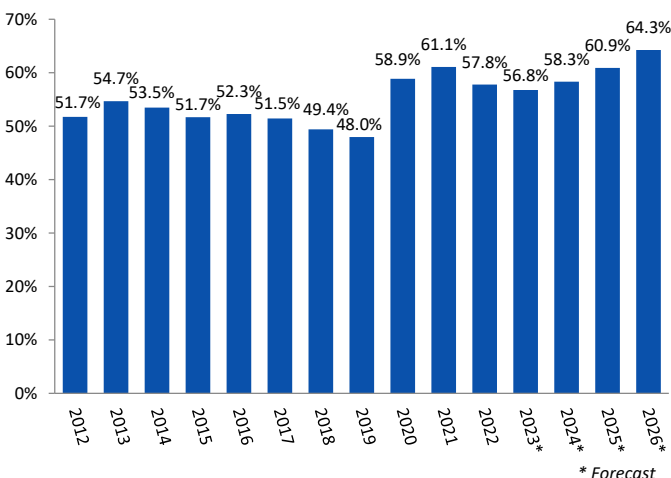
ISIN	Issue Date	Maturity	Coupon (% p.a.)	Available (EUR million)
SK4000017380	17.6.2020	17.6.2027	0.125	524.2
SK4000021986	19.10.2022	19.10.2032	4.000	407.2
SK4000018958	21.4.2021	21.4.2036	0.375	1,520.9
SK4120013400	17.10.2017	17.10.2047	2.000	1,727.7
SK4000019857	13.10.2021	13.10.2051	1.000	3,414.5
SK4120014184	12.6.2018	12.6.2068	2.250	4,324.7
SK4000022539	23.2.2023	23.2.2035	3.750	2,091.0
SK4000022547	23.2.2023	23.2.2043	4.000	3,500.0
SK4000023230	8.6.2023	8.6.2033	3.625	2,392.0
<b>Total Amount</b>				<b>11,919.2</b>

## Government Bond Auctions in 2024

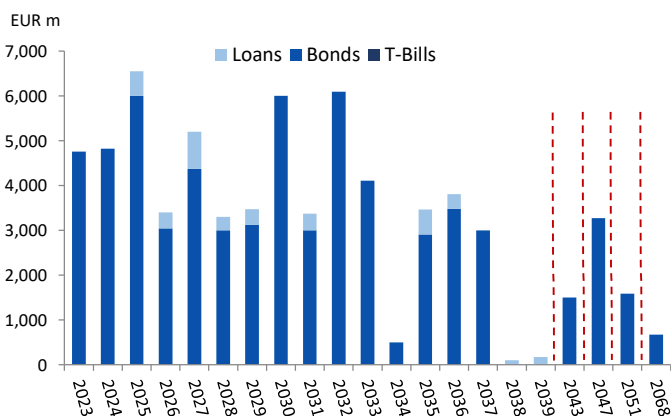
15.1.2024	15.4.2024	* 15.7.2024	21.10.2024
19.2.2024	20.5.2024	* 19.8.2024	18.11.2024
18.3.2024	17.6.2024	16.9.2024	* 16.12.2024

\*July, August and December auctions are not planned but can be carried out if needed.

**Chart 3: Public Debt to GDP**



**Chart 4: Maturity of the Securities and Loans**



Agentúra pre riadenie dlhu a likvidity  
Debt and Liquidity Management Agency  
Radlinského 32  
813 19 Bratislava  
Slovak Republic  
Tel: + 421 2 57262 503  
Fax: + 421 2 57262 525  
Webpage: [www.ardal.sk](http://www.ardal.sk)  
Bloomberg/Refinitiv: DLMA



Agentúra pre riadenie dlhu a likvidity (hereinafter referred to as the „ARDAL“), with its registered seat at Radlinského 32, Bratislava, Identification No.: 30792053 acting on behalf of the Ministry of Finance. ARDAL manages the state debt according to the Act. No. 291/2002 Coll. on State Treasury, as amended, in line with the Debt Management Strategy approved for the given period by the Government of the Slovak Republic. For the avoidance of doubt, ARDAL notes that all the data contained herein are informational only and should not be used for legal purposes. The submitted information has no influence on investments or sales of the government securities. ARDAL is not responsible for any claims, losses, liabilities or expenses incurred as a result of decisions of these investments based on the data provided in this document.