Slovakia

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IN A NUTSHELL

→ GDP grew by a solid 2.1% in 2024, driven by household consumption and inventory buildup, while foreign demand had a negative impact on overall activity.

→ Real estate prices increased by less than 1 %Interest rates on new housing loans peaked in H1, demand for new loans recovered as rates declined in H2.

→ The loan-to-deposit ratio declined due to weak lending growth and deposit inflows.

MACROECONOMIC OVERVIEW

In 2024, the Slovak economy grew by 2.1% y-o-y, supported mainly by the strong performance at the beginning of the year, when annual growth climbed above 3%. However, economic performance slowed throughout the year, reaching around 1% in the third quarter, with a slight acceleration towards the end of the year, approaching 2% y/y. The economy was supported by household consumption and inventory buildup. However, imports grew faster than exports creating a significantly negative contribution to GDP.

The labor market remained stronger, with average unemployment falling to 5.3% (from 5.8%), the lowest in Slovakia's history. Nominal wage growth decelerated to 6.6%.

The average inflation rate landed at 2.8% in 2024, significantly lower than the double-digit level recorded in 2023 (10.5%). One of the key factors behind the decline was a cap on household energy prices, which kept inflation subdued throughout the year. On a year-on-year basis, food prices were the most prominent contributor to price growth, along with recreational services. Core inflation stood at 2.6%, down from 11.5% in 2023.

Public deficit remained elevated at 5.3% in 2024, comparable to the previous year (5.2%). The debt-to-GDP ratio rose significantly, ending slightly above 59%. Despite fiscal consolidation, elevated deficits and a mild increase in the debt-to-GDP ratio are forecasted. In recent years, the indebtedness of Slovak households has grown the most in the Eurozone, however, in 2024, it declined due to strong nominal GDP growth and a decrease in the growth of retail lending. Stabilization in the range of 40-45% is expected in coming years.

HOUSING MARKET

Slovakia has the second highest homeownership rate in Europe (behind Romania) at 93.1% (the EU average is 68.4%), due to a long period of relatively low interest rates, an underdeveloped rental market, historical and cultural factors.

Prices grew strongly in recent years in Slovakia, largely due to low interest rates. The compound annual growth rate (CAGR) reached almost 10% over the last 5 years peaking between 2021 and 2022, when average prices rose by more than 20%. After that, property prices declined by 6% in 2023, (the first decline since 2014). In 2024, prices s increased just marginally by 1% y-o-y. Since the beginning of 2025, demand has increased, in Q1 2025, average prices increased by 4%. The highest property prices are in Bratislava region (3,190 EUR per sqm) and the lowest in Nitra region (1,389 EUR per sqm). In terms of property types, the average price of flats increased by more than 2% y-o-y while the price of houses remained unchanged year-on-year in 2024.

Real estate activity slowed visibly in 2024, the number of building permits issued declined roughly by 25% as developers were more cautious especially due to elevating interest rates. Similarly, the number of dwellings started declined by more than 20% y-o-y in 2024. Both of these declined for the third consecutive year, which could create upward pressure on property prices in the coming years.

Real estate activity is also influenced by challenging bureaucratic processes for developers, with slow and fragmented processes despite some digital and legislative progress. After COVID-19, the demand for office and administrative building has lessened, while demand for residential units increased. As a result, some developers have revised their plans and converting originally office-based projects into residential developments.

Overall, the housing market in 2024 was shaped more by interest rates and expectations around property prices than by the current financial capacity of households to afford housing.

MORTGAGE MARKET

Mortgage loan growth slowed sharply—from double-digit rates to below 3% in 2024—mainly due to rising interest rates. Naturally, the peak in interest rates reduced new lending. in Q1 2024, the volume of new housing loans was nearly 20% lower than in the same period a year earlier. However, as interest rates began to decline, new loan volumes started to recover. For the full year, the total volume of new housing loans was approximately 13% lower than in the previous year.

The Slovak banking market was known for the popularity of both internal refinancing (renegotiation with the same bank) and external refinancing (switching between banks). However, higher interest rates also caused refinancing activity to nearly come to a halt, as well as significantly reducing the number of purchases for investment purposes. Most households chose to keep their existing interest rates and fixated rate periods unchanged, as adjusting them would not have been economically beneficial. Those who intended to change their rates or fixed periods had generally already done so earlier.

The share of externally secured intermediate loans declined slightly by 3 percentage points y-o-y close to 60% in 2024. Third-party (Externally secured) intermediated loans are loans provided by the bank through external intermediaries or partners, such as financial advisors or brokers.

After years of gradual declines, the average interest rate on new housing loans rose sharply—from just below 1% in December 2021 to 4.5% in March 2024. The market has long been dominated by relatively short fixed rates (3 to 5 years), typically around 90% of new production. However, due to anticipated rate hikes, the share of longer fixation periods (over 5 years) increased to nearly one-fifth of new production in 2021 and rose further to 40% in early 2022. In 2023, as interest rates continued to rise, the 3 to 5-year fixated period remained dominant. This trend changed in 2024, when interest rates peaked and started to decline, households' preferences changed and shifted to shorter fixed periods of 1 to 3 years, reflecting expectations of further rate reductions in the near future.

The average maturity of new contracts increased marginally and remained below 27 years. This trend of long maturities has been present in the market for several years. Naturally, with higher interest rates and relative economic uncertainty, households have sought lower monthly installment payments by opting for longer loan terms. The average LTV ratio on new loans increased marginally (+15 bps y-o-y), close to 70%. The share of new loans with an LTV ratio between 80% and 90% accounts for 12% of new production, while new loans with an LTV greater than 90% are not permitted.

Other measures to combat rising indebtedness include debt-to-income (DTI) ratio limits, set at 8 times income since mid-2018, and the debt service-to-income (DSTI) ratio, which requires a minimum reserve to be set aside from monthly net income after deducting debt repayments and minimum living costs. This reserve has been set at a minimum of 40% since mid-2020. These limits were not changed during the pandemic or amid rising interest rates. Additionally, there are also limits for the loan maturity for mortgages.

Borrowers were able to manage the period of higher interest rates without a significant increase in non-performing loans. Although the volume of non-performing housing loans increased slightly throughout 2024, it remained relatively stable and close to its historical low of 1.1%. It is also important to note that the government introduced a subsidy program to help borrowers cope with higher mortgage payments due to rising interest rates.

LOOKING AHEAD

The growth of the housing loan market accelerated in H2, with data from Q1 2025 confirming a continuation of this. As interest rates gradually decline, demand is expected to grow but a return to double-digit growth rates appear unlikely. It is more probable that the growth rate will align with Slovakia's nominal GDP growth, settling around 4–5% annually. While there is still room for banks to further reduce interest rates, a return to the historically low levels of previous cycles remains improbable. Additionally, following the period of elevated interest rates in recent quarters, a large number of housing loans are expected to reach the end of their fixed-rate periods in the coming quarters and years. To gain market share, banks may adopt more aggressive pricing strategies, which could put pressure on their profit margins.

MORTGAGE FUNDING

Deposits are, for banks, one main source and for the building societies, the only source of funding for mortgages. Short-term deposits and current accounts have offered stable, low-cost funding for banks and building societies for a long time. Retail deposits grew by7% in 2024, driven largely by the better financial situation of households. Interest rates on retail deposits remained low at virtually 0%, but banks have started to provide attractive interest rates on term deposits, the average interest rate was around 2.8% at year end. Naturally, with declining interest rates in Q1 2025, the banks also decreased interest rates on new term deposits. On the other hand, the growth of more volatile and price sensitive corporate deposits decelerated from double digit numbers to below 5%. Interest rates for corporate term deposits were around 2.9% at yearend.

Overall Loan-to-deposit ratios declined from 107% to 103% in 2024, this is seen as acceptable as banks can also issue covered bonds. Covered bonds are an attractive funding tool for Slovak banks as they are typically cheaper than senior unsecured bonds, as they are asset-backed, highly rated (triple A or slightly lower), therefore are perceived as lower risk by investors. TLTRO funding was successfully used by the largest banks, mostly due to its positive effect on profitability rather than as a necessary source of funding, although this has been repaid.

	SLOVAKIA 2023	SLOVAKIA 2024	EU 27 2024
MACROECONOMIC VARIABLES			
Real GDP growth (%) (1)*	2.2	2.1	1.0
Unemployment Rate (LSF), annual average (%) (1)	5.8	5.3	5.9
HICP inflation (%) (1)	11.0	3.2	2.6
HOUSING MARKET			
Owner occupation rate (%) (1)	93.6	93.1	68.4
Gross Fixed Investment in Housing (annual change) (1)	-14.5	-13.4	-4.3
Building Permits (2015=100) (2)	95.9	78.9	136.9
House Price Index - country (2015=100) (2)	200.1	201.7	179.8
House Price Index - capital (2015=100) (2)	184.9	188.4	171.5
Nominal house price growth (%) (2)	-6.0	0.8	4.9
MORTGAGE MARKET			
Outstanding Residential Loans (mn EUR) (2)	39,035	40,749	6,879,667
Outstanding Residential Loans per capita over Total Population (EUR) (2)	7,190	7,512	15,311
Outstanding Residential Loans to disposable income ratio (%) (2)	51.4	50.9	71.3
Gross residential lending, annual growth (%) (2)	-59.7	16.6	3.9
Typical mortgage rate, annual average (%) (2)	4.3	4.4	4.34

(1) Eurostat Data
(2) European Mortgage Federation – Hypostat 2024, Statistical Tables
* Eurostat Reviewed
** EU 2024 to be confirmed

SLOVAKIA FACT TABLE

Which entities can issue mortgage loans in your country?	Housing finance is raised from banks, building societies and state funds (which only provide minimum funding).
What is the market share of new mortgage issuances between these entities?	The majority of new mortgages are issued by commercial banks (over 95%), followed by building societies (~3-4%) and state funds contributed with just marginal volumes.
Which entities hold what proportion of outstanding mortgage loans in your country?	Banks had a market share of 95%, building societies of 5% and the state funds just 0.1%.
What is the typical LTV ratio on residential mortgage loans in your country?	In 2024, the average LTV for newly provided mortgages was about 70%. Maximum LTV ratio of 90% is possible although only up to 20% of all newly provided mortgage can have an LTV between 80% and 90%. However, the share of mortgages with LTV between 80% and 90% was slightly below 12% of the total new production in 2024.
How is the distinction made between loans for residential and non-residential purposes in your country?	NBS regulations define the purpose and eligible cover (i.e. residential property – flat, house, apartment house or land designed for housing construction) for residential loans. Non-residential loans cannot be included in the cover pools of the covered bonds.
What is/are the most common mortgage product(s) in your country?	In 2024, the most common mortgage product in Slovakia is mortgage loans for purchase of properties intended for residential use, with fixed rates for period of 1 to 3 years. Previously, when interest rates were lower, households tended to have longer fixed periods.
What is the typical/ average maturity for a mortgage in your country?	The average maturity of a new mortgage loan was about 26 years in 2024. Mortgage loans can have a maturity of at least 4 years and a maximum of 30 years. There are certain exceptions (e.g. for some Building Societies' products the maximum maturity can be extended to 40 years) to these rules, but these are applied only to a fraction of volumes provided.
What is/are the most common ways to fund mortgage lending in your country?	For banks, deposits are one main source and for the building societies the only source of funding for their mortgage market activities. Banks also fund their lending activities through issuance of covered bonds.
What is the level of costs associated with house purchase in your country (taxes and other transaction costs)?	The costs associated with purchasing a property in Slovakia are relatively low. Legal, notarial, and registration fees typically range from hundreds to thousands of euros, depending on the property value and transaction specifics, with real estate agent fees typically ranging from 3% to 6%.
What is the level (if any) of government subsidies for house purchases in your country?	Subsidies are provided in two main forms: • **Mortgage loan for young** – tax bonus of interest costs, up to EUR 400 per annum, eligibility limited by income and age of debtor. • **State Housing Development Fund** – providing loans with lower interest rates. But the volume of state loans is low, and conditions apply. New measures by the government were introduced for 2024 as a compensation for increased debt service due to higher interest ratess: • Tax return for 2023: tax bonus of 75% of an instalment increase due to higher interest rate, up to EUR 150 per month (EUR 1,800 per annum) • For 2024: - Direct payment of 75% of an instalment increase, up to EUR 150 per month (EUR 1,800 per annum) - Mortgage loan for young – maximum tax bonus increased to EUR 1,200 per annum; debtor's income limit was increased; maximum loan volume was abandoned.