Slovenia

By Jelena Ćirjaković, Banka Slovenije

IN A NUTSHELL

- → GDP growth slowed to 1.6%, while inflation decreased to 2.0%.
- → Outstanding residential loans grew 3.9% y-o-y as interest rates decreased.
- → House prices grew 7.4% y-o-y, while sales fell further by 21.1%.
- → The government aims at building new rental flats and curbing short-term residential rentals.

MACROECONOMIC OVERVIEW

GDP growth slowed down by 0.5 pps to 1.6%. With inflation easing, real wages grew, which increased the growth in private consumption to 1.6%. The growth in government consumption was even higher, 8.5%, mostly due to the shift from the voluntary complementary health insurance into a compulsory health contribution, but also due to higher employment in the state sector and higher funds for post-flood reconstruction. Gross fixed capital formation declined by 3.7% mostly due to high uncertainty, high energy prices and a smaller contribution of the government as the last European financial support ended. Imports increased by 3.9% and exports by 3.2%. At year end, both the sentiment and the consumer confidence indicators improved over a year earlier, however remained lower than their long-term average.

The labour market remained tight with rising employment and a fall in unemployment. The growth in employment was easing through the year, while unemployment fell to 3.7%, a historic low. Employment of foreign workers has again increased, their share of all employment was 15.7%. Due to high inflation in recent years and a tight labour market, average wage growth remained high. Nominal wage growth was 6.2%, 3.3 pps lower than a year earlier. With inflation easing, real wage growth was 4.2% at year-end (4.7% a year earlier).

Consumer price inflation (HICP) averaged 2.0% over the year, 5.2 pps lower than a year earlier. As the pressures on commodity and energy markets eased, the slowdown in inflation in the first half of the year was mostly due to slower growth in food prices, which averaged at 1.9% (11.8% a year earlier). Energy inflation decreased by 2.3% in average over the year.

With nominal economic growth, the general government debt decreased further, from 69.2% in 2023 to 67.0% of GDP. The deficit decreased by 1.7 pps to 0.9% of GDP, as support measures to mitigate high energy costs decreased.

LOOKING AHEAD

Economic growth is expected to strengthen to 2.1% in 2025 according to IMAD[1]. Domestic consumption is expected to be a key driver of higher GDP growth, in particular private consumption, supported by rising wages and social transfers, as well as a recovery in investment. The investment activity of the government sector is expected to strengthen, supported by funds from the Recovery and Resilience Plan and the Fund for the Reconstruction of Slovenia, established in response to the 2023 floods. Lower interest rates may have a particular impact on housing investment in the medium term. There are however significant downside risks to the forecast, especially due to the heightened uncertainty in the international environment, arising from trade policies.

The government has proposed legislation to build 20,000 public rental flats over ten years, supported by EUR 100 million annually. The government is preparing a new Hospitality Act that will limit short-term rental of residential real estate to up to 60 days per year in multi-apartment buildings and up to 150 days in single- and two-family houses (with the option for municipalities to adjust this timeframe).

According to Banka Slovenije, from January 1, 2025, banks must comply with the countercyclical capital buffer (CCyB) rate of 1% of the total risk exposure amount. This is considered a positive neutral[2] CCyB rate. Furthermore, banks must comply with the systemic risk buffer (SRB) for all retail exposures to natural persons secured by residential real estate of 0.5%.

HOUSING MARKETS

Along with shortages in supply of housing, house prices continued to grow. They increased most in the less urbanized areas of the country. The SORS[3] data shows, house prices rose for 10 successive years, rising by 7.4% y-o-y in 2024. In Ljubljana the growth in prices of existing flats increased, to 7.3%, while prices in Maribor rose by 6.1% and in the rest of Slovenia by 7.0% y-o-y. Prices of newly-built flats increased by 11.6%, while prices of existing family houses rose by 6.2% y-o-y. Nominal house prices were higher by more than 50% since 2008, while real house prices increased by 13.7%. House price growth in Slovenia exceeded price increase in the EU as a whole, which average 3.3%.

The number of new building permits for residential buildings and flats decreased by 10.3% to 2,511 and by 14.1% to 4,339, respectively. Osrednjeslovenska region (including Ljubljana) accounted for about 21.8% of new building permits for residential buildings and 28.6% for flats. In 2023, construction starts were made on 5,197 new flats, down 3.9% on the previous year, when construction starts were highest in over a decade. Furthermore, new flats that were completed rose by 14.8% to 4.919 on the previous year.

---

1 The Institute of Macroeconomic Analysis and Development of the Republic of Slovenia (IMAD). Source: Spring Forecast of Economic Trends 2025 - Institute of Macroeconomic Analysis and Development of the Republic of Slovenia.

2 The calibration of the level of the positive neutral rate is based on the historical average of the signalled value of the CCyB, based on the results of stress tests and expert judgment. The decision on the level of the positive neutral rate also took account of the effectiveness of the potential release of CCyB. The buffer rate must be sufficiently high to also allow for an effective partial release.

3 Statistical Office of the Republic of Slovenia.

New investment in housing fell to 2.6% of GDP in Q4 and remained significantly lower than the euro area average (5.6%). Construction activity continued to be faced with labour shortages and sharply increasing construction costs. In Q4, construction costs for newly-built flats were higher by 31.3% than in 2021. The value of construction of buildings put in place decreased by 12.3% over the previous year. Confidence in construction continued to decrease but remained positive. The European financial support[4] ended, which weakened government investment, with the largest impact on construction activity, as added value decreased by 1.4%. Sales of land for construction of buildings declined by around 20% on the previous year and by 45% compared to the peak in 2021.

House sales fell by 21.1% y-o-y to 8,124 units, the lowest level since 2011. In Ljubljana sales of existing flats fell by 11.7%, in Maribor by 13.1% and in the rest of Slovenia by 22.5%. Ljubljana had the largest share of the national market, with 28.1%, followed by Maribor with 13.0%. Sales of newly built dwellings fell the most, by 50.8%. The value of house sales fell by 14.7% to EUR 1,341 bn. Demand for housing is supported by decreasing interest rates, low unemployment and low household indebtedness.

Homeownership was 74.8%, down by 0.4 pps from 2023, while 16.3% of homeowners had a mortgage or a loan. Rents, measured as a part of HICP, increased by 6.4%, slowing down from 12.4% in 2023 and 18.9% in 2022.

MORTGAGE MARKETS

Demand for housing loans increased, as with declining interest rates, the cost of financing decreased. New residential loans increased by 20% to EUR 1.4 bn after falling by a half a year earlier. At year end, the average maturity of new residential loans increased from 17.9 a year earlier to 19.0 years, while 47% of residential loans had an average maturity from 15 to 20 years and almost a third equal or below 15 years.

In 2024, 16.3% of owners of residential real estate had a mortgage or a loan. Outstanding residential loans grew by 3.9% y-o-y by year end (from 0.7% in 2023), above the euro area average of 0.6%. By year end, the stock of outstanding residential increased from EUR 8.2 bn to EUR 8.6 bn, equivalent to 13% of GDP, much lower than the Euro area average (35%). The share of fixed rate residential loans outstanding increased further to 76% by year end. The NPL ratio for residential loans has continued to decline to 1.0% (1.1% at the end of 2023), the lowest in over a decade.

In new residential loans, 97.6% were on fixed rates at year end. The average interest rate on new residential loans was 3.18% at year end, (3.96% at the end of 2023). The average LTV for new residential loans increased to 65.0% (59.2% at the end of 2023), the average DSTI was 34.3% by year end (34.2% at the end of 2023). The share of new residential loans above the recommended LTV value (80% or 70%, see below) increased from 11.5% in Q4 2023 to 17.3% in Q4 2024 and the share of loans with a non-compliant cap on DSTI (50%) decreased from 2.5% to 1.5% over the same period.

The BLS (Bank Lending Survey) shows demand for housing loans slightly increased in the first half of 2024, mostly due to the impact of decreasing interest rates. The credit standards for new residential lending eased slightly in the first half of the year, while slightly tightening in Q4.

Banka Slovenije maintained its macroprudential restrictions on household lending at the same level as a year earlier. The recommended LTV for residential property was of up to 80% for primary property and of up to 70% for other loans secured by residential real estate. The debt servicing-to-income ratio (DSTI) was not to exceed 50% and allowable deviations were 3%. Irrespective of their level of income, the consumer must be left with the minimum creditworthiness[5] amount each month after paying all instalments under credit agreements.

MORTGAGE FUNDING

The main source of bank funding were the non-banking sector deposits (mostly household and corporate deposits). In 2024, they increased by 1.4% to EUR 41.6 bn, the least in the last six years. Household deposits increased by 3.0% to EUR 27.3 bn, while corporate deposits decreased by 0.3% to EUR 10.9 bn, the first decline since 2019.

The loan-to-deposit ratio (LTD) increased slightly to 68.2%. Wholesale funding has increased by EUR 206.6 mn to 8.7% of banks' balance sheet, as some banks' issued debt securities to meet minimum capital requirements and qualified obligations (MREL). Debt securities issued increased by EUR 0.3 bn to EUR 3.5 bn. Some banks decreased their liabilities to foreign banks, which stood at 2.2% of banks' balance sheet. Banks had no debt to the ECB. With large amount of non-banking sector deposits and liquid assets, banks had less need for other sources of financing.

The average liquidity coverage ratio (LCR) decreased by 19 pps to 316% by year-end. The liquidity surplus above minimum regulatory requirement decreased by 8.6% to EUR 11.7 bn. The average net stable funding ratio (NSFR) fell by 7 pps to 167%. Slovenia continues to be ranked among the top in the Euro area in terms of these two indicators. The Slovene banking sector remained well capitalized.

GREEN FUNDING

Slovenia is supporting the green transition with reforms and investments towards a greener economy. The Recovery and Resilience Plan aims to promote renovation of buildings, with a focus on the national building stock. In 2024, the Government has adopted the updated Integrated National Energy and Climate Plan (NECP 2024), which sets targets by 2030 to reduce greenhouse gas (GHG) emissions, increase energy independence and accelerate the transition to clean energy sources.

Several banks provide green housing loans with favourable conditions, such as discounted interest rates, for the purchase of a flat or a house with an appropriate energy certificate, for the construction of a passive or low-energy house and for the energy renovation of the property. Banks also offer companies a variety of options for financing the green transition. In March, 2025, the government adopted a framework for the issuance of bonds of the Republic of Slovenia, linked to the fulfilment of the sustainable goals, Sustainability-linked bond (SLB).

4 The Multiannual Financial Framework (MFF) of the EU (the financial perspective).

5 In determining the minimum creditworthiness amount banka Slovenije took account of the minimum cost of living by the Institute for Economic Research. The minimum creditworthiness amount stood at EUR 745 in 2024.

	SLOVENIA 2023	SLOVENIA 2024	EU 27 2024
MACROECONOMIC VARIABLES			
Real GDP growth (%) (1)*	2.1	1.6	1.0
Unemployment Rate (LSF), annual average (%) (1)	3.7	3.7	5.9
HICP inflation (%) (1)	7.2	2.0	2.6
HOUSING MARKET			
Owner occupation rate (%) (1)	75.2	74.8	68.4
Gross Fixed Investment in Housing (annual change) (1)	18.1	-2.9	-4.3
Building Permits (2015=100) (2)	114.6	102.9	136.9
House Price Index - country (2015=100) (2)	186.1	199.9	179.8
House Price Index - capital (2015=100) (2)	187.8	201.5	171.5
Nominal house price growth (%) (2)	7.2	7.4	4.9
MORTGAGE MARKET			
Outstanding Residential Loans (mn EUR) (2)	8,272	8,598	6,879,667
Outstanding Residential Loans per capita over Total Population (EUR) (2)	3,908	4,048	15,311
Outstanding Residential Loans to disposable income ratio (%) (2)	21.7	21.8	71.3
Gross residential lending, annual growth (%) (2)	-48.0	20.3	3.9
Typical mortgage rate, annual average (%) (2)	4.0	3.2	4.34

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

SLOVENIA FACT TABLE

Which entities can issue mortgage loans in your country?	Credit institutions, which includes banks, savings banks and branches of foreign banks as well as the National Housing Fund (NHF).
What is the market share of new mortgage issuances between these entities?	Commercial banks dominate the market. Banks held a market share in the balance sheet total of 91.6%, while savings banks held a share of 5.5% and branches of foreign banks a share of 2.9%. At year end there were 9 banks, 3 savings banks and 2 banks' branches.
Which entities hold what proportion of outstanding mortgage loans in your country?	The outstanding amount hold by commercial banks, savings banks and banks' braches is close to 100%, since share of the NHF is negligible.
What is the typical LTV ratio on residential mortgage loans in your country?	The average LTV ratio on new residential mortgages at origination was of 65.0%.
How is the distinction made between loans for residential and non-residential purposes in your country?	Residential loans are loans, granted to households for the purchase or renovation of housing, while commercial loans are loans, granted for the purchase or renovation of commercial real estate.
What is/are the most common mortgage product(s) in your country?	Around 98% of the value of new residential loans were on fixed rates.
What is the typical/average maturity for a mortgage in your country?	Average maturity of new residential loans was 19.0 years.
What is/are the most common ways to fund mortgage lending in your country?	Banks fund their mortgage lending mainly through domestic deposits.
What is the level of costs associated with house purchase in your country (taxes and other transaction costs)?	Real estate transfer tax of 2% of the purchase price (except if subject to VAT, then 22% or 9.5%), capital gains tax (from 0% to 25%, depending on the holding period), real estate agency's fee of up to 4% of the purchase price, notary and court fees.
What is the level (if any) of government subsidies for house purchases in your country?	There are no government subsidies for house purchase.