Slovakia

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IN A NUTSHELL

- → GDP growth slowed to 0.8% amid weaker domestic demand and external headwinds.
- → Asset quality remained resilient, with NPL ratios remaining low.
- → Geopolitical risks threaten trade flows, energy prices, and inflation.
- → Housing affordability is expected to remain under pressure.
- → The mortgage market rebounded, supported by lower interest rates.

MACRO-ECONOMIC OVERVIEW

In 2025, the Slovak economy slowed noticeably, with GDP growth reaching 0.8%, down from 1.9% in the previous year. The slowdown was driven mainly by weaker household consumption, elevated inflation, slower wage growth, and negative consumer sentiment. Corporate performance remained subdued due to weaker external demand, trade disruptions, and reduced competitiveness in parts of the domestic corporate sector. Investment activity remained under pressure despite the availability of EU funds. Geopolitical developments and shifts in international trade added further pressure. US protectionist trade measures and import tariffs created risks for Slovakia's export-oriented economy, particularly the automotive sector. Around 4.0% of Slovak exports are destined for the US, with passenger cars representing a significant share. Indirect effects are also expected through weaker demand from Slovakia's trading partners, particularly EU countries. Industrial production declined year on year throughout most of 2025, reflecting weak foreign demand, especially from Germany.

The labour market remained relatively resilient in 2025, although signs of cooling became more evident towards the end of the year. The unemployment rate averaged 5.4% over the full year and rose to 5.6% in the fourth quarter, while nominal wage growth slowed to 6.3% year on year. Inflation averaged around 4.0% in 2025, driven mainly by the VAT increase, services inflation, energy price re-regulation, and the transaction tax. Energy regulation prevented a sharper increase in gas and heating prices but added pressure to the state budget. Fiscal policy remained constrained by elevated deficits and rising debt. Fiscal consolidation in 2025 focused mainly on increasing revenues through higher excise duties, levies, and corporate income taxes. Despite these measures, the general government deficit remained close to 5.0% of GDP, while gross public debt exceeded 60.0% of GDP. Further fiscal consolidation planned for 2026 will again focus primarily on revenue measures, including higher health insurance contributions, fewer public holidays, and greater tax progressivity. These measures are expected to reduce households' net incomes and may require additional measures in the future.

LOOKING AHEAD

Looking ahead to 2026, the Slovak economy faces a complex macroeconomic environment, with real GDP growth expected to remain around 1.0%. Planned fiscal consolidation measures, including higher health insurance contributions and greater progressivity in personal income taxation, are likely to reduce households' net incomes and may dampen private consumption. Geopolitical uncertainty also remains a significant risk. As a highly export-oriented economy, Slovakia is vulnerable to disruptions in global trade, including protectionist tariffs imposed by the United States, which may affect the automotive sector and its supply chains. Conflicts in the Middle East, including the situation surrounding Iran, also carry the risk of sudden oil and gas price shocks. These could place renewed upward pressure on inflation and limit the scope for further declines in market and mortgage interest rates. These macroeconomic and geopolitical headwinds may influence developments in the housing and mortgage markets.

The mortgage market rebounded strongly in 2025, supported by lower lending rates, improved housing market sentiment, and deferred demand. However, the expected decline in households' net incomes in 2026, combined with rapid house price growth, may further weaken housing affordability. Around the middle of 2026, the ECB also began raising interest rates, which had already been reflected in higher average mortgage lending rates. Despite slower economic growth, fiscal consolidation, and potential external price shocks, the housing loan portfolio is expected to remain broadly resilient. Recent real wage growth and still relatively low unemployment have helped many borrowers absorb higher mortgage instalments. In terms of price developments, a slowdown in house price growth is expected.

HOUSING MARKETS

In 2025, the Slovak residential property market returned to strong price growth, marked by double-digit increases and a persistent supply-demand imbalance. According to NBS data based on offer prices, residential property prices increased by 12.0% over the year, compared with growth of less than 1.0% in 2024. The average residential property price rose by almost EUR 300 per square metre, reaching EUR 2,906/m^2 in the fourth quarter of 2025. The upward trend continued at the beginning of 2026. According to NBS, the average residential property price increased further to EUR 3,005/m^2 in the first quarter of 2026, up 11.3% year on year. Data from the Statistical Office of the Slovak Republic, based on realised transaction prices from the Real Estate Cadastre, showed even stronger growth, with residential property prices rising by 3.6% quarter on quarter and 14.4% year on year. New dwellings drove the quarterly increase, while existing dwellings continued to record stronger year-on-year growth.

The price recovery was already broad-based in 2025. Residential property prices recorded double-digit year-on-year growth in all quarters of the year. In the fourth quarter, dwellings were sold at prices 12.8% higher than a year earlier, with existing dwellings increasing faster than new dwellings. Regional differences remained substantial, but price growth was widespread. According to NBS, no region dampened overall price growth in 2025, while the strongest contributions came from the Bratislava and Košice regions. Bratislava remained the most expensive market, while Košice made an important contribution to the national increase in house prices. Statistical Office data show that prices increased year on year in all eight regions in the fourth quarter of 2025, with six regions recording double-digit growth. Regional price growth continued in the first quarter of 2026, with prices increasing both quarter on quarter and year on year across all regions.

The increase in prices was supported by renewed demand at a time when housing supply remained constrained. In 2025, 14.3 thousand dwellings were completed, a year-on-year decrease of 19.0% and almost one-quarter below the average of the previous ten years. The highest numbers of completed dwellings were recorded in the Trnava, Žilina, and Bratislava regions. Completions declined year on year in seven of the eight regions, with only the Nitra region recording a slight increase. New housing starts also remained weak. Construction began on 15.1 thousand dwellings in 2025, only slightly below the previous year but 26.0% below the ten-year average. At the end of the year, 77.7 thousand dwellings were under construction, slightly more than at the end of 2024. The weak supply situation persisted into the first quarter of 2026, when only 2,210 dwellings were completed, the lowest first-quarter figure since 2000, while construction began on just over 2,000 dwellings.

Overall, the recovery of the housing market in 2025 was driven by broad-based price growth and limited new supply, and the first quarter of 2026 confirmed that these trends remained in place. The market clearly moved out of the correction phase observed in previous years, but the weak pace of housing completions suggests that the supply-demand imbalance remains unresolved. This continued to support house price growth, although affordability constraints may limit the pace of further increases.

MORTGAGE MARKET

MARKET DYNAMICS

After two weaker years, the Slovak mortgage market recovered in 2025. This was supported by a gradual decline in lending rates and improved sentiment in the housing market. New housing loan production moved closer to its long-term average, supported by stronger demand across household segments. At the end of 2025, the sector-wide stock of housing loans, including building-savings loans, stood at approximately EUR 48.5 billion, representing year-on-year growth of around 8.0%. By April 2026, this stock had approached EUR 50.0 billion. The acceleration in loan-volume growth should therefore be seen as a significant recovery rather than an uncontrolled boom. Since autumn 2025, the growth dynamics of the overall loan stock have stabilised.

The mortgage market and the broader financial market were influenced in 2025 by several government and legislative interventions. The introduction of the transaction tax, higher excise duties, and the increase in corporate income tax affected households as well as the cost structures of companies, including banks. Further fiscal consolidation measures planned for 2026, including higher health insurance contributions and greater progressivity in personal income taxation, are expected to affect households' disposable incomes and may reduce their future borrowing capacity.

A separate factor was mortgage assistance related to higher instalments following loan refixation. From 2026, responsibility for providing this assistance shifted from the state to the banking sector, with participation being voluntary. Most banks joined the scheme, helping some households mitigate the impact of higher instalments following refixation, although this is not a broad-based solution to housing affordability.

Asset quality remained resilient. The share of non-performing loans remained at low levels, while mild signs of deterioration were more visible in consumer lending than in mortgages. Slower wage growth, weaker disposable incomes, and still-elevated living costs are likely to keep households' debt-servicing capacity under close scrutiny in 2026, especially among more vulnerable borrowers and self-employed clients.

As interest rates declined in 2025, competition among banks intensified, supporting refinancing activity and a stronger focus on digitalisation and process efficiency. Some banks also promoted loan consolidation, with borrowers refinancing more expensive unsecured consumer loans into lower-cost housing loans.

An important structural trend is the gradual shift in mortgage financing towards sustainability and energy efficiency in housing. This shift is linked to banks' growing focus on the energy intensity of financed properties, the renovation of the older housing stock, and the better use of data on buildings' energy performance.

Looking ahead, mortgage demand is likely to be shaped by several opposing forces. On the one hand, demand is supported by lower interest rates compared with the 2023–2024 peak. On the other hand, it is constrained by weaker housing affordability resulting from rapid house price growth, fiscal consolidation, and slower real income growth. From the second quarter of 2026, average lending rates also began to increase, partly because of higher inflation expectations related to the war in the Middle East and its potential impact on energy prices. This may limit any further decline in mortgage rates and further reduce financing affordability. The market's underlying resilience remains solid, but first-time buyers are likely to continue facing housing affordability pressures, particularly in regions where prices have risen most rapidly.

MORTGAGE FUNDING

The Slovak banking sector continues to rely predominantly on a traditional deposit-funded lending model, which supports overall funding stability. By the end of the fourth quarter of 2025, deposits and loans received represented the main funding source for credit institutions, accounting for 72.14% of total liabilities and amounting to approximately EUR 97.0 billion. This funding base recorded solid year-on-year growth of 7.0%.

Issued debt securities represented an important supplementary source of funding, accounting for 11.25% of total liabilities. Their volume reached EUR 15.1 billion by December 2025, an increase of 8.4% year on year. This points to a gradual diversification of bank funding towards capital markets, partly supplementing deposit-based lending.

Overall, the deposit-heavy funding structure supports stability and reduces reliance on wholesale markets. However, Slovak banks are not fully insulated from market volatility, as bond issuance costs, deposit competition, liquidity requirements, and investor sentiment can still affect funding conditions. The funding structure therefore supports the continued availability of mortgage financing but does not fully eliminate refinancing or market-related risks.

GREEN FUNDING

The Slovak banking market is moving towards a more formal, data-driven model for financing building energy efficiency. The main regulatory pressure stems from **EU** sustainability rules, including Taxonomy alignment, **Green Asset Ratio (GAR)** reporting, and supervisory expectations regarding climate risk. In practice, this is encouraging lenders to collect **Energy Performance**

Certificate (EPC) data, classify mortgages and renovation loans, monitor financed emissions from real estate, and incorporate energy efficiency into collateral valuation and credit risk assessment. The renovation of the existing housing stock is increasingly treated as a dedicated sustainable finance category rather than simply an extension of traditional mortgage lending.

Common initiatives include preferential pricing or fee reductions for mortgages on energy-efficient homes, incentives for borrowers to provide an **EPC**, and renovation or home-improvement loans for insulation, window replacement, efficient heating systems, photovoltaic panels, solar panels, and similar energy-efficiency upgrades. In commercial real estate, financing is increasingly directed towards green buildings, sustainable construction, redevelopment, and energy-saving investments.

Another visible trend is the combination of financing with advisory tools and public support mechanisms, including energy-saving calculators, renovation calculators, assessment tools, subsidy- or guarantee-linked loans, and sustainable funding through green or sustainability bonds. Overall, the market is shifting from generic mortgage and renovation lending towards **EPC**-based pricing, dedicated renovation finance, advisory support, and sustainable funding channels.

	SLOVAKIA 2024	SLOVAKIA 2025	EU 27 2025
MACROECONOMIC VARIABLES			
Real GDP growth (%) (1)*	1.9	0.8	1.5
Unemployment Rate (LSF), annual average (%) (1)	5.3	5.4	6.0
HICP inflation (%) (1)	2.8	4.0	2.0
HOUSING MARKET			
Owner occupation rate (%) (1)	93.1	93.8	68.5
Gross Fixed Investment in Housing (annual change) (1)	n/a	n/a	2.8
Building Permits (2015=100) (2)	n/a	n/a	86.9
House Price Index - country (2015=100) (1)	201.7	204.2	161.92
House Price Index - capital (2015=100) (2)	188.4	212.52	n/a
Nominal house price growth (%) (1)*	0.82	1.25	5.5
MORTGAGE MARKET			
Outstanding Residential Loans (mn EUR) (1)	40,720.14	43,758.83	5,617,435.11
Outstanding Residential Loans per capita over Total Population (EUR) (2)	7,511.76	8,081.89	12,472.10
Outstanding Residential Loans to disposable income ratio (%) (1)	50.9	50.66	81.39
Gross residential lending, annual growth (%) (1)	n/a	n/a	2.8
Typical mortgage rate, annual average (%) (2)	4.5	3.48	3.31

(1) Eurostat Data
(2) European Mortgage Federation – Hypostat 2026, Statistical Tables
* Eurostat Reviewed
** EU 2025 to be confirmed

SLOVAKIA FACT TABLE

Which entities can issue mortgage loans in your country?	In Slovakia, mortgage loans can be granted only by licensed banks (including foreign bank branches), while state funds like ŠFRB provide separate, subsidized housing loans that may also be secured by real estate but are not standard mortgages.
What is the market share of new mortgage issuances between these entities?	Licensed banks dominate the Slovak mortgage market and account for the overwhelming majority of new mortgage lending (well above 95%). Building societies and state programmes, such as ŠFRB, represent only a marginal share of new mortgage issuance.
Which entities hold what proportion of outstanding mortgage loans in your country?	Banks hold approximately 95%–98% of outstanding housing loans in Slovakia, building societies account for around 2%–5%, and state or other non-bank lenders (including ŠFRB) hold only a negligible share of below 1%–2%.
What is the typical LTV ratio on residential mortgage loans in your country?	In 2025, the typical LTV ratio on residential mortgages in Slovakia is around 70–80%, with a regulatory cap of 80% for most loans.
How is the distinction made between loans for residential and non-residential purposes in your country?	In Slovakia, the distinction between residential and non-residential loans is based mainly on the purpose of the loan. Only loans secured by real estate and specifically intended for housing purposes are classified as residential loans, while all other loans are classified as non-residential, regardless of the collateral provided.
What is/are the most common mortgage product(s) in your country?	The most common mortgage product in Slovakia is a purpose-specific residential mortgage with a fixed interest rate, typically fixed for three to five years, often combined with refinancing options. Non-purpose "American mortgages" are less common.
What is the typical/average maturity for a mortgage in your country?	The typical maturity of residential mortgage loans in Slovakia is around 20–30 years, with most loans commonly set up to 30 years.
What is/are the most common ways to fund mortgage lending in your country?	In Slovakia, mortgage lending is funded primarily through retail deposits and covered bonds issued by banks, while other funding sources, such as wholesale funding and securitisation, play only a minor role.
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 several hundred to several thousand euros, depending on the property value and the specifics of the transaction. Real estate agency fees generally range between 3% and 6% of the purchase price.
What is the level (if any) of government subsidies for house purchases in your country?	There is no broad-based government subsidy for new house purchases in Slovakia. However, Slovakia provides two targeted forms of support related to housing loans. First, since 2024, the State has provided temporary assistance to borrowers whose mortgage instalments increased following an interest rate refixation, subject to statutory eligibility conditions. As of 1 December 2025, the State subsidy was discontinued and the mechanism was transferred to the banking sector. Banks may voluntarily provide mortgage assistance under the Housing Loans Act, with participating banks required to start providing support no later than 1 May 2026. The assistance may be provided retroactively from 1 December 2025 and may continue until the next interest rate refixation, or no later than 30 November 2027. Eligible borrowers generally include clients with housing loans that entered repayment before 1 January 2024, whose mortgage instalments increased following refixation, and who meet the statutory income threshold of up to 1.6 times the average wage. The scheme is limited to qualifying owner-occupied housing loans and one eligible property or loan. The assistance amounts to 75% of the increase in the monthly mortgage instalment compared with the reference instalment, capped at EUR 150 per month. Second, Slovakia provides a tax credit on mortgage interest for young borrowers. For housing loans concluded from 1 January 2024, eligible borrowers aged 18–35 may claim a tax credit equal to 50% of mortgage interest paid, up to EUR 1,200 per year, for five consecutive years. The scheme is subject to an income threshold of 1.6 times the average monthly wage and applies to one residential property in Slovakia used as the borrower's permanent residence. For contracts concluded before 2024, a less generous regime applies, with an annual cap of EUR 400 and an income threshold of 1.3 times the average monthly wage.