Slovenia

By Jelena Ćirjaković, Banka Slovenije and Tanja Tomat, OTP banka

IN A NUTSHELL

- → GDP growth slowed to 1.1%, while inflation increased to approximately 2.5%.
- → Housing prices increased by 5.8% in 2025 (HPI), while the number of transactions rose after three consecutive years of decline.
- → Outstanding housing loans grew by around 8.9% year on year, supported by declining interest rates.
- → Banks' funding remained dominated by deposits in 2025 (+6.9%), with low reliance on wholesale and central bank funding.

MACRO-ECONOMIC OVERVIEW

Economic growth weakened further in 2025, with GDP expanding by around 1.1%, representing a decline of approximately 0.6 percentage points compared with the previous year. Growth reflected subdued economic activity at the beginning of the year and was constrained by elevated uncertainty in the global environment.

Growth was primarily driven by domestic demand, with both household consumption and investment contributing positively, while net exports made a negative contribution to GDP growth.

Household consumption increased moderately, supported by rising real wages (around 3.4%) and a still relatively tight labour market. Employment growth slowed, and the unemployment rate increased slightly to around 3.9%, while government consumption provided limited additional support.

Investment activity recovered after a weak start in early 2025 and became an important contributor to growth, increasing by 5.5% and contributing 1.2 percentage points to GDP growth, supported by both gross fixed capital formation and inventory accumulation.

External trade remained weak against a backdrop of elevated global uncertainty. Export growth was subdued, increasing by just 0.3% and contributing 0.2 percentage points to GDP growth, while imports increased by 2.1%, contributing 1.6 percentage points. As a result, net exports made an overall negative contribution of 1.3 percentage points.

The disinflationary trend temporarily paused, with inflation averaging around 2.5%, driven primarily by higher food and services prices and the delayed pass-through of labour cost pressures.

Fiscal developments reflected a more expansionary stance, with higher public expenditure supporting domestic demand. The general government balance recorded a deficit of around 2.5% of GDP, while the debt-to-GDP ratio stood at approximately 65.7%, continuing its gradual decline, supported by nominal GDP growth.

Overall, 2025 was characterised by weak but positive economic growth, with domestic demand acting as the main stabilising factor, while external trade weighed on economic activity.

LOOKING AHEAD

Risks remain predominantly on the downside, primarily reflecting geopolitical tensions, potential supply disruptions, and continued global trade uncertainty. Domestic risks relate to the implementation capacity of major investment projects and rising labour costs, while upside potential stems from continued defence and infrastructure spending, the successful attraction of highly skilled workers, and the effective implementation of reforms.

In the real estate market, the multi-year decline in transaction volumes appears to have stabilised, with a rebound in residential transactions observed in 2025. Provided no significant adverse shocks materialise, this positive trend is expected to continue. Limited supply and resilient demand are expected to support residential property prices, which are projected to remain broadly stable, with more moderate growth in 2026.

HOUSING MARKETS

Data for 2025 indicate a stabilisation of the residential real estate market following three consecutive years of declining transaction volumes. The number of transactions increased significantly, with sales of apartments rising by approximately 25–30% and sales of houses by 20–25% compared with 2024, although activity remained below the peak levels observed in 2021.

The recovery in market activity was primarily driven by improving financing conditions, including declining interest rates and increased availability of housing loans, alongside strong underlying demand supported by high employment levels and real wage growth. Despite this rebound, housing affordability continued to deteriorate for a large part of the population because of persistently rising prices.

Residential property prices continued to increase in 2025, albeit at a more moderate pace than in previous years. According to the House Price Index (HPI), prices increased by around 5.8% year on year. However, transaction-based evidence indicates stronger price dynamics in the secondary market, with apartment prices increasing by around 11.0% year on year, while house prices increased by approximately 10.0%. The median price of apartments at the national level exceeded EUR 3,200/m^2, while the median price of houses reached around EUR 182,000.

Price growth remained primarily driven by structural supply constraints. The supply of newly built housing remains insufficient, particularly in urban areas, reflecting the limited availability of building land, lengthy permitting procedures, and elevated construction costs. At the same time, demand remained resilient, supported by favourable labour market conditions.

Regional disparities in prices remained significant. The highest price levels were recorded in Ljubljana, where median apartment prices exceeded EUR 5,000/m^2, compared with around EUR 2,700/m^2 in Maribor, while coastal areas also recorded elevated price levels of around EUR 4,800/m^2. The distribution of prices, as reflected by the 25th and 75th percentiles, indicates substantial variation within individual markets. Overall, prices in the most expensive regions were several times higher than in the most affordable parts of the country, highlighting pronounced spatial imbalances in the housing market.

Overall, the Slovenian housing market in 2025 was characterised by a recovery in transaction activity and continued price growth, underpinned by strong demand and structural supply shortages. Compared with the EU average, residential property price growth in Slovenia remained somewhat more moderate.

MORTGAGE MARKETS

MARKET DYNAMICS

Mortgage market developments in 2025 were shaped primarily by the easing of financing conditions, reflected in the decline in banks' lending rates, which supported households' borrowing capacity. The stock of outstanding housing loans to households increased from around EUR 8.4 billion in December 2024 to approximately EUR 9.2 billion in December 2025, implying year-on-year growth of about 8.9%.

Bank lending activity in the housing segment strengthened notably over the course of 2025. The total annual volume of new housing loan business increased from roughly EUR 1.41 billion in 2024 to approximately EUR 2.15 billion in 2025, corresponding to growth of about 52.5%. This is consistent with the recovery in transaction activity in the housing market.

Interest rate developments played a key role in shaping mortgage market conditions. Average interest rates on new housing loans declined materially: the annual average rate fell from around 3.6% in 2024 to about 2.9% in 2025, while the year-end level decreased from approximately 3.18% to around 2.86%. This improvement is also reflected in the Annual Percentage Rate of Charge (APRC) on new housing loans, which declined from an average of around 3.9% in 2024 to about 3.4% in 2025. The decline in key policy rates was therefore clearly transmitted to bank lending rates and contributed to the recovery in lending activity.

In terms of loan structure, new housing lending in 2025 remained strongly dominated by longer interest rate fixation periods. Based on the distribution of new housing loan volumes by fixation bucket, loans with an interest rate fixation period of more than one year accounted for almost all new housing lending in 2025 (around 98.5% on an annual basis), while loans with fixation periods of more than ten years represented the largest share (around 81.9% of new lending in 2025).

This indicates that borrowers continued to favour longer fixation periods, supporting the predictability of debt-servicing costs while contributing to a lengthening of the repricing horizon of newly originated mortgage portfolios.

Borrower-based indicators suggest that lending standards remained broadly stable and relatively conservative in 2025. The average loan-to-value (LTV) ratio for new residential loans stood at around 62.0% in 2025 (slightly below 62.5% in 2024), while the LTV ratio for primary residences remained higher (around 63.0% in the fourth quarter of 2025) than for secondary properties (around 56.0%). At the same time, the share of loans exceeding the recommended LTV threshold declined to approximately 13.1%. The average debt service-to-income (DSTI) ratio increased slightly to around 34.9%, while the share of loans breaching DSTI limits remained very low (around 1.8%), indicating continued compliance with macroprudential requirements.

From a credit risk and loan performance perspective, indicators remained broadly stable in 2025. The non-performing exposure (NPE) ratio for households declined from 1.7% in December 2024 to 1.5% in December 2025, while the share of household loans more than 90 days past due decreased from 1.6% to 1.4% over the same period. At the aggregate banking system level, the share of loans more than 90 days past due remained stable at 0.7% at the end of 2024 and 2025, while the total NPE ratio increased from 1.0% to 1.6%, suggesting that the increase in non-performing exposures was driven by segments outside the household sector.

Overall, the combination of strong lending growth and easing financing conditions indicates that mortgage demand recovered in 2025, while the persistence of moderate LTV and DSTI ratios suggests that this expansion occurred without a material loosening of lending standards.

MORTGAGE FUNDING

Mortgage funding conditions in 2025 remained characterised by a strong reliance on deposits from the non-banking sector (primarily households and corporates), which continued to represent the main source of bank funding. Total deposits increased by 6.9% to around EUR 45.0 billion, with household deposits increasing by EUR 1.9 billion (6.8%) and corporate deposits by EUR 0.8 billion (7.4%).

The loan-to-deposit (LTD) ratio increased slightly to 69.0%, but remained below the euro area average, indicating continued low reliance on wholesale funding. Wholesale funding remained limited, as banks reduced their liabilities to foreign counterparties, and only one bank held minimal liabilities to the ECB at year-end. Debt security issuance to meet capital and MREL requirements remained modest.

At the same time, the structure of deposits shifted further towards overnight deposits, which accounted for 86.3% of household deposits and 77.0% of corporate deposits at the end of 2025. While this increases sensitivity to potential outflows, deposits remain a stable source of funding.

Liquidity conditions remained strong despite some deterioration. The average liquidity coverage ratio (LCR) declined to 291.0%, while the net stable funding ratio (NSFR) decreased to 165.0%, with both remaining well above regulatory requirements. Overall, the funding structure remained stable and conservative.

	SLOVENIA 2024	SLOVENIA 2025	EU 27 2025
MACROECONOMIC VARIABLES			
Real GDP growth (%) (1)*	1.7	1.1	1.5
Unemployment Rate (LSF), annual average (%) (1)	3.7	3.9	6.0
HICP inflation (%) (1)	2.0	2.5	2.0
HOUSING MARKET			
Owner occupation rate (%) (1)	74.8	n/a	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)	199.9	208.9	161.92
House Price Index - capital (2015=100) (2)	201.5	n/a	n/a
Nominal house price growth (%) (1)	7.42	4.5	5.5
MORTGAGE MARKET			
Outstanding Residential Loans (mn EUR) (1)	8,598	8,991.28	5,617,435.11
Outstanding Residential Loans per capita over Total Population (EUR) (2)	4,048.12	4,221.26	12,472.10
Outstanding Residential Loans to disposable income ratio (%) (1)	21.8	21.09	81.39
Gross residential lending, annual growth (%) (1)	n/a	52.5	2.8
Typical mortgage rate, annual average (%) (2)	3.6	2.9	3.31

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

SLOVENIA FACT TABLE

Which entities can issue mortgage loans in your country?	Credit institutions, which include banks, savings banks and branches of foreign banks, as well as the National Housing Fund (NHF), which may also provide housing-related financing.
What is the market share of new mortgage issuances between these entities?	Commercial banks continue to dominate the market, accounting for approximately 90% of total banking assets, while savings banks and branches of foreign banks represent a relatively small share. At the end of the year, there were nine banks, three savings banks and two branches of foreign banks.
Which entities hold what proportion of outstanding mortgage loans in your country?	The outstanding amount of mortgage loans is almost entirely held by commercial banks, savings banks and foreign bank branches, while the share of the National Housing Fund remains negligible.
What is the typical LTV ratio on residential mortgage loans in your country?	The average LTV for primary residence mortgage loans is around 63%, while the average LTV for secondary residence loans is 56%. Overall, the average LTV for mortgage loans is 62%.
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 residential property, while loans for non-residential purposes are granted for the purchase or renovation of commercial real estate.
What is/are the most common mortgage product(s) in your country?	The most common mortgage product is a long-term housing loan with a fixed interest rate. More than 95% of new housing loans are granted at a fixed interest rate.
What is the typical/ average maturity for a mortgage in your country?	The average maturity of new housing loans is around 19.3 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)?	Transaction costs include a real estate transfer tax of 2% of the purchase price (or VAT at 22% or 9.5%, where applicable), real estate agency fees of up to 4% of the purchase price, as well as 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 purchases.