

Brussels, 22 May 2026
(OR. en)

9553/26

ECOFIN 659	RECH 240
UEM 184	ENER 271
SOC 279	JAI 632
EMPL 125	GENDER 42
COMPET 601	ANTIDISCRIM 58
ENV 548	JEUN 81
EDUC 176	SAN 332
ECB	EIB

COVER NOTE

From:	Secretary-General of the European Commission, signed by Ms Martine DEPREZ, Director
date of receipt:	20 May 2026
To:	Ms Thérèse BLANCHET, Secretary-General of the Council of the European Union

No. Cion doc.:	SWD(2026) 142 final
Subject:	COMMISSION STAFF WORKING DOCUMENT In-depth review for Slovakia Prepared under Regulation 1176/2011 on the prevention and correction of macroeconomic imbalances

Delegations will find attached document SWD(2026) 142 final.

Encl.: SWD(2026) 142 final



Brussels, 20.5.2026
SWD(2026) 142 final

COMMISSION STAFF WORKING DOCUMENT

In-depth review for Slovakia

**Prepared under Regulation 1176/2011 on the prevention and correction of
macroeconomic imbalances**



European
Commission

Slovakia

In-Depth Review 2026



This in-depth review presents the main findings of the Commission's staff assessment of macroeconomic vulnerabilities for Slovakia for the purposes of Regulation (EU) No 1176/2011 on the prevention and correction of macroeconomic imbalances. It provides technical input to the Commission for the Communication "European Semester – 2026 Spring Package" that will set out the Commission's assessment as to the existence of imbalances or

CONTENTS

1.	INTRODUCTION	1
2.	ASSESSMENT OF MACROECONOMIC IMBALANCES	3
2.1.	External and government sectors	3
2.2.	Competitiveness	5
2.3.	Housing market and household debt	7
	Conclusions	12

1. INTRODUCTION

This in-depth review (IDR) analyses the evolution of Slovakia's vulnerabilities mainly related to cost competitiveness, external accounts, housing market and household debt ⁽¹⁾. This year's IDR, which follows the 2026 Alert Mechanism Report (AMR) published in November 2025, assesses the persistence or unwinding of the vulnerabilities identified in last year's IDR, potential emerging risks, and relevant policy progress and policy options that could be considered for the future ⁽²⁾.

Vulnerabilities are assessed against a context of subdued growth. Slovakia's real GDP growth in 2025 slowed substantially to 0.8%, following the growth of 1.9% in 2024. Amid trade tensions and uncertainty and the necessary fiscal consolidation, real GDP growth is projected at 1.0% in 2026 and 1.4% in 2027. Against domestic and external economic challenges faced by Slovakia, EU funds are expected to be key in supporting growth. Risks to growth are tilted to the downside in the view of additional external uncertainty, including in the automotive industry, and further domestic consolidation efforts.

Inflationary pressures increased in 2025. Headline inflation increased to 4.2% in 2025 on the back of tax increases, high food prices and services price pressures, following the inflation of 3.2% in 2024. Core inflation reached 5.0% in 2025 but is expected to slow down. Nevertheless, going forward, based on Commission's Autumn 2025 Forecast, inflation is expected to remain elevated at 4.1% in 2026 before moderating to 3.2% in 2027, primarily due to energy prices.

The cut-off date for the data for preparing this IDR was 23 April 2026. Unless stated otherwise, all the forecast data used in this IDR were taken from the Commission's Autumn 2025 Forecast ⁽³⁾ to ensure the coherence of the various figures and calculations. However, if actual outturn data become available after the publication of the autumn forecast, those are used. Assumptions concerning energy prices, other commodities prices, and other general assumptions were taken from the Autumn 2025 Forecast and do not reflect developments related to the war in the Middle East and its impact on energy prices ⁽⁴⁾.

⁽¹⁾ European Commission (2025), Slovakia – In-depth Review 2025, Staff Working Document, SWD(2025) 125 final (published as European Economy, [Institutional Paper 315](#), May 2025); and European Commission (2025), 2025 European Semester - Spring package, Communication from the Commission to the European Parliament, the Council, the European Central Bank, the European Economic and Social Committee, the Committee of the Regions and the European Investment Bank, [COM\(2025\) 200 final](#).

⁽²⁾ European Commission (2025), Alert Mechanism Report 2026, Communication from the Commission to the European Parliament, the Council and the European Economic and Social Committee, [COM\(2025\) 956 final](#); and European Commission (2025), Alert Mechanism Report 2026, Staff Working Document, [SWD\(2025\) 956 final](#).

⁽³⁾ European Economy, [Institutional Paper 327](#)

⁽⁴⁾ The Commission is assessing the sensitivity of Member States to major economic shocks originating abroad, including in the context of the recent sharp increase in energy prices and trade tensions. The results of this analysis will be published in the forthcoming European Commission Institutional Paper dedicated to spillovers analysis.

2. ASSESSMENT OF MACROECONOMIC IMBALANCES

In recent years, Slovakia has been facing an elevated current account deficit, relatively high inflation, increasing unit labour costs, and rapidly growing house prices, while household debt rebounded in 2025. The current account deficit remained wide and is forecast to increase slightly amid persistently negative net international investment position. Although inflation fell significantly since 2022, a substantial inflation differential with the euro area is expected to persist. Slovakia's cost competitiveness has been hindered by increasing unit labour costs, surpassing growth rates in the EU and the euro area, as wages climbed faster than productivity. Following a decline in 2023, house prices began rising again in 2024 and grew fast in 2025, increasing the strain on housing affordability. The housing supply remains inadequate, while demand for mortgages has risen in 2025 with falling interest rates, leading to a rebound. Household debt as a percentage of GDP increased again in 2025.

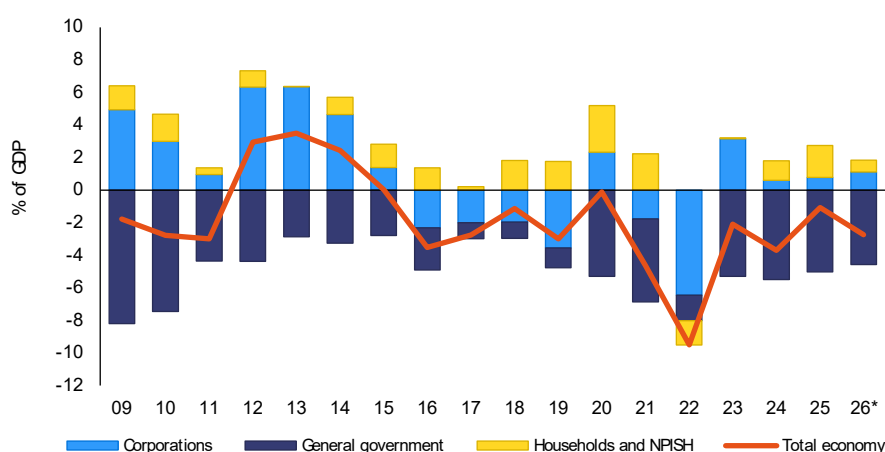
2.1. EXTERNAL AND GOVERNMENT SECTORS

Assessment of gravity, evolution and prospects of vulnerabilities

The current account deficit decreased from its peak in 2022, but remains high. Over the 2016-2020 period, Slovakia's current account deficit averaged 2.2% of GDP. Current account deficits have historically reflected primary and secondary income deficits outweighing the trade balance surplus (Graph 2.3.a). After a strong increase in 2022, to 9.6% of GDP, following the energy price and supply shocks, the current account deficit narrowed to 4.6% in 2024 and 3.6% in 2025. The nature of the energy-driven shock in 2022 was temporary but underlined the vulnerability of Slovakia and its high energy import dependence. The resulting price spikes contributed significantly to the deterioration of the current account (see also section below on competitiveness). A level of current account balance that would be explained by economic fundamentals, is estimated at around 0.3% of GDP for 2024, while an average current account balance of -3.4% of GDP would be required to stabilise the net international investment position (NIIP) over the next 10 years. The current account balance is forecast at around -5% of GDP until 2027, according to the Commission's 2025 Autumn Forecast and therefore expected to remain more negative than the levels required to stabilize the NIIP.

Both the trade and primary income balance are expected to contribute negatively to the current account over the next years. The trade balance remained broadly neutral at 0.1% of GDP in 2025, following -0.3% in 2024 and 1.5% in 2023 and is forecast to decrease further in 2026 and 2027. This is in a sharp contrast with a positive trade balance seen in the previous decade and is an outcome of weaker export performance and trade tensions. Weak cost competitiveness, on the back of elevated unit labour costs and inflation, also contributes

Graph 2.1: Net Lending/Borrowing by Sector



Source: Eurostat

to the negative trade balance. The growth of export volumes is expected to stagnate in 2026 amid trade tensions and global uncertainty, while weaker domestic demand is expected to tame import growth. The recovery of exports is expected to materialise from 2027 onwards, supported by a pick-up in foreign demand and the launch of a new automotive factory. Defence exports are increasing, but due to their strong import intensity, their net effect on the trade balance is limited. Recent increases in energy prices pose risks of further trade balance deterioration. In addition, the negative impact of primary income, including through the interest payments on public debt, will continue to weigh on the current account.

From a sectoral savings-investment perspective, general government has been the only contributor to the economy's net borrowing since 2023, and that is forecast to persist.

Since 2023, corporations and households have been net lenders while the government has been a net borrower (Graph 2.1). The large government deficit narrowed from 5.3% of GDP in 2024 to 4.5% in 2025. According to the Commission's 2025 Autumn Forecast, the government deficit is expected to reach 4.6% of GDP in 2026 in view of fiscal consolidation efforts, before increasing to 5.3% in 2027 under a no-policy-change assumption. As government expenditure also contributes to domestic demand and stimulates imports, it continues to weigh negatively on the economy's net external balance. Interest spending has been rising in recent years, and Slovakia faces rates above euro area average on its long-term sovereign debt. The share of public debt held by foreign investors, relevant for external sustainability, stands at more than 50%. The positive contribution of corporations to net lending and borrowing is reflecting strong gross operating surpluses. The lending position of households is expected to shrink going forward as the growth in gross disposable income is set to slow down. However, the contribution of households is expected to remain positive.

Though the net international investment position (NIIP) has strengthened since 2023, it remains persistently below -50% of GDP.

The NIIP increased from -60% of GDP in 2021 to around -50% in 2024, primarily due to a strong growth in nominal GDP and valuation changes. However, the net position of the general government has worsened. Moreover, although the stock of foreign direct investment (encompassing primarily equity and intercompany loans) still forms a significant portion of liabilities, FDI inflows have decreased recently while more volatile types of financing such as portfolio debt investment have

increased since 2023, contributing negatively to the NIIP (Graph 2.3.b). At the same time, the NIIP excluding non-defaultable instruments (NENDI) stood at –12% of GDP in 2024, somewhat limiting the risk associated with capital outflows. The NIIP is projected to worsen somewhat in the medium term (under the baseline scenario) due to persistent current account deficits (see Box 2.1).

Assessment of MIP-relevant policies

Continued fiscal consolidation is essential to put debt on a sustainable downward trajectory, and to reduce the pressure on external balances. Slovakia is under the excessive deficit procedure as its deficit exceeds 3% of GDP. In its medium-term fiscal-structural plan, Slovakia commits to a net expenditure growth that does not exceed 14.8% in cumulative terms by 2028. In particular, Slovakia commits to a net expenditure growth that does not exceed 3.8% in 2025, 0.9% in 2026, 1.6% in 2027 and 1.5% in 2028. According to the plan, general government debt would increase from 58.5% of GDP in 2024 to 62.1% in 2027, before starting to decline to 61.4% of GDP in 2028 (the end of the adjustment period of Slovakia’s plan). The fiscal consolidation efforts have largely relied up to now on revenue-increasing measures, particularly consumption, labour and corporate tax increases (Table A). Following Slovakia’s request of a national escape clause to finance defence spending, the Council Recommendation of 8 July 2025 allowed Slovakia to deviate from the maximum net expenditure growth rates by (up to) 1.5% of GDP.

Slovakia maintains a high dependency on energy imports, increasing its vulnerability to energy-driven shocks to the current account balance. A relatively high dependence on oil and gas supply from Russia increases the country’s vulnerability to energy shocks. In 2025, Slovakia imported (in value) 92.3% of its gas and 82.1% of its crude oil from Russia. Diversifying energy sources is key in the context of the envisaged ban on imports of crude oil and gas from Russia by autumn 2027. Both Slovakia’s Recovery and Resilience Facility (RRF) and the RePowerEU chapter include several reforms and investments aiming to reduce energy consumption and promote renewable energy sourcing. These include investments in renewables, grid capacity and energy efficiency of buildings, as well as reforms reducing administrative hurdles and improving the regulatory framework for renewables.

Increasing the attractiveness of Slovakia for foreign direct investment (FDI) and supporting and diversifying exports would contribute to reducing external balance risks. Enhancing the country’s R&D and its innovation potential can further boost both the export potential in the long term and the attractiveness for foreign investors, while also supporting a move towards higher value-added sectors with stronger export performance and lower import intensity. Furthermore, developing an industrial strategy focusing on targeted attraction of foreign and domestic investment can increase FDI inflows, and export diversification, while improving the composition of external financing by reducing reliance on more volatile debt-based flows.

2.2. COMPETITIVENESS

Assessment of gravity, evolution and prospects of vulnerabilities

Slovakia's price competitiveness continues being negatively affected by high inflation differentials and euro appreciation. The HICP-based real effective exchange rate (REER) has appreciated by 2.1% in 2025. Out of this, 0.9 pp. appreciation is attributable to nominal exchange rate (NEER) dynamics, owing to a strengthened euro. The rest of REER appreciation is attributable to higher inflation rate differentials to the euro area, which continue to accumulate in line with past years developments, in particular after the 2022-2023 shock driven by energy prices. The cumulated inflation differential to the euro area (2022-2025) reached 14.4%. This adds to the already weakened cost competitiveness position of Slovakia. REERs based on unit labour costs and the GDP deflator also appreciated in 2025, by 1.6% and 1.4% respectively.

Future real appreciation risks persist in the context of projected high inflation and global uncertainty. HICP inflation increased to 4.2% in 2025, well above the euro area average of 2.1% (Graph 2.1.d). The increase was mainly driven by higher VAT base rate (which increased from 20% to 23% as of January 2025), other tax increases (corporate income tax and financial transaction tax), and by price pressures in services, exacerbated by strong wage increases in the sector. In 2026, according to the Commission's 2025 Autumn Forecast, inflation is expected to remain elevated at 4.1%, primarily due to energy prices, before moderating to 3.1% in 2027. Commodity price volatility constitutes an upward risk to the inflation outlook. In any case, the cumulated inflation differential against the euro area is expected to continue widening, contributing to the deterioration of the current account and worsening external sustainability.

Growing unit labour costs (ULCs) amid sluggish productivity growth could harm Slovakia's competitiveness, further deteriorating the current account balance. Nominal ULCs increased by 5.5% in 2024, experiencing stronger growth than the EU average at 4.8% or the euro area at 4.5%. The growth of ULCs in Slovakia maintained its pace in 2025, reaching 5.2%. Wage pressures in Slovakia were amplified by strong public sector wage increases, a tight labour market also in the view of skills and geographical mismatches, and demographic trends lowering the labour supply. In 2025, compensation of employees per head increased by 6.2% and is forecast to decelerate to around 4% in 2026 and 2027, as the labour market becomes less tight amid slower growth and public sector wage freezes. Compensation of employees vastly exceeded labour productivity growth which grew by 0.9% in 2025, compared to the EU average of 1.0%. Labour productivity growth is expected at around 1.5% over the next years. The productivity growth tends to be concentrated in larger and foreign-owned companies. If productivity growth continues to be lower than desired for a converging economy and largely outpaced by wage growth despite a loosening labour market, Slovakia's cost competitiveness will be further undermined, with negative consequences for external balances.

Assessment of MIP-relevant policies

Decreasing the labour tax wedge and addressing labour supply and skills mismatches would improve productivity and contain wage growth. The labour tax-wedge for Slovakia in 2025 was above the EU average at all earning levels but especially for lower-income households (e.g. 40.8% for single people earning 50% of the average wage, compared to an EU average of 31.6%), primarily due to flat-rate social and health contributions. The tax wedge further increased following the latest consolidation package presented in the budget

for 2026, which increased social and health contributions. Limiting the labour tax wedge would support increasing the labour supply, thus helping contain wage pressures. Furthermore, measures encouraging labour reskilling and labour mobility would help decreasing skills and geographical mismatches, alleviating wage pressures.

Consolidation measures increasing the tax burden for businesses continue to increase inflation and to pose risks to competitiveness. The fiscal consolidation measures rely largely on increasing the tax burden for businesses. In 2025, the corporate income tax rate was increased from 21% to 24% for companies with a yearly taxable income of above EUR 5 million, and a tax on the use of payment services was introduced for businesses with a differentiated tax rate per taxable service (0.4% for bank transfers with a maximum tax value of EUR 40 and 0.8% for cash withdrawals). These changes to the tax system increase cost and administrative pressures and create an additional burden for companies, adversely affecting competitiveness and contributing to the high inflation. Consolidation efforts that are designed in a more growth-friendly manner would preserve incentives for investment and avoid damaging the business environment, for instance by relying more on expenditure rationalisation, and on less distortive taxes such as property or environmental taxes.

2.3. HOUSING MARKET AND HOUSEHOLD DEBT

Assessment of gravity, evolution and prospects of vulnerabilities

In 2025, house prices picked up again, following the strong upward trend that preceded the 2023 correction. Against a backdrop of modest economic growth and low unemployment, a decrease in mortgage rates led to a dynamic year-on-year increase in nominal house prices by 12.4% in 2025 (Graph 2.2). This comes after a 3.8% growth in 2024, preceded by a short-lived negative growth in 2023. The strongest growth is observed in large, densely populated regions such as Bratislava and Košice, where demand remains robust. House prices also rose significantly in real terms as inflationary pressures receded following the easing of energy price shocks. Looking ahead, they are expected to continue rising, supported by favourable financing conditions and high levels of disposable income, while new housing supply is recovering slowly after a significant decline in previous years.

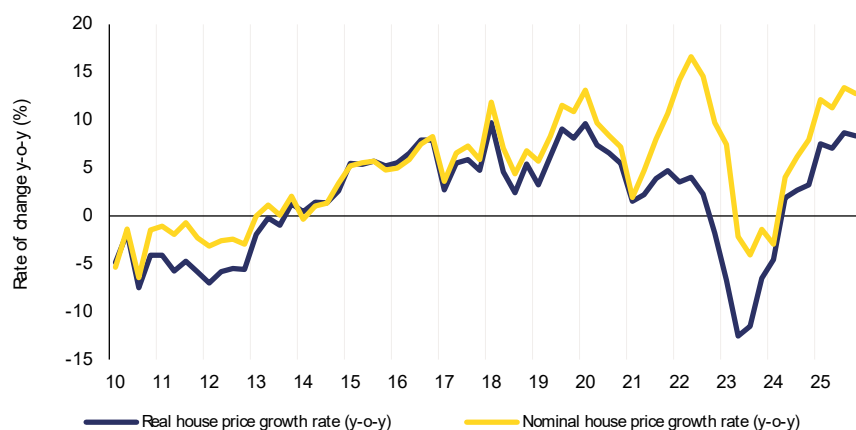
The overvaluation in the housing market increased again in 2025, following a price correction in 2023. According to the Commission's valuation methodology, the overvaluation of the housing market decreased significantly from its peak of 20.2% in 2022 to 8.8% in 2024, largely due to house price adjustment in 2023. However, amid strong house price growth in the past year, the valuation gap widened again to around 16% in 2025. While the price-to-income ratio, remained close to its long-term average in 2025, the price-to-rent ratio was 40% above it. This indicates that, on average, house price growth has outpaced rent increases, which was even more pronounced in case of new rental contracts.

After a few years of deleveraging, the household debt ratio started to increase again in 2025. The household debt ratio came down from its peak of 47% of GDP in 2022 to 43.3% in 2024 on the back of reduced lending and high inflation (Figure 2.3.f). However, as lending recovered, the debt ratio is expected to have rebounded to some 44% of GDP in 2025 and is expected to continue growing going forward (see Box 2.1). While Slovakia's household debt surpasses those of regional peers, it remains below the EU average.

Mortgage credit has surged in 2025 on the back of decreasing mortgage interest rates, which nevertheless remain above their historical average. In 2023 and 2024, mortgage demand was subdued due to a rise in mortgage rates from 1.0% in 2022 to a peak of 4.2% in 2024. In 2025, net new lending to households increased to 7.1% of the debt stock, up from 4.3% in the previous year. The mortgage segment saw the strongest growth in demand. As the mortgage interest rate gradually decreased to 3.4% by end-2025, even if it remains significantly higher than pre-2022 levels, the demand for mortgages rebounded. This development likely reflects the combination of two factors. On the one hand, mortgage demand has increased supported by rising employment and growing gross disposable income. On the other hand, households appear to have incorporated expectations of rising house prices into their decisions, prompting them to take out mortgages and purchase property sooner. The demand for properties is reinforced by a cultural preference for home ownership (93.5% vs 69.2% in the EU in 2023) compared to other investment options and the favourable property taxation system, including low recurrent property tax and no property transfer tax.

The composition of borrowers has shifted towards higher income groups, while all borrowers are increasingly using their own savings. Research by the Central Bank of Slovakia suggests that, since 2021, there has been a rise in the proportion of new borrowers from high-income backgrounds. At the same time, lower-income households have maintained access to mortgage financing, albeit at the cost of higher repayment burdens and a greater reliance on personal savings to complete home purchases. This development helps contain risks from a financial stability perspective. In parallel, obtaining a mortgage has become more challenging and less affordable overall, as higher interest rates contributed to an increase in debt service-to-income ratios, while median loan-to-value declined⁽⁵⁾.

⁽⁵⁾ NBS Financial Stability Report, November 2025.

Graph 2.2: **Nominal and real house prices**

Source: Eurostat

Housing supply remains weak, with the number of dwellings per thousand inhabitants among the lowest in OECD countries. Total investment in housing as a percentage of GDP consistently remains below the OECD and EU averages, a shortfall exacerbated by high construction costs in recent years⁽⁶⁾. The 2024 completion of 17,632 dwellings marked the lowest level since 2017⁽⁷⁾. By the end of 2024, the number of dwellings under construction had decreased by 2.6% compared to the previous year. In the first three quarters of 2025, the number of new building permits attained 10,852, which is slightly below the value recorded in first three quarters of 2024⁽⁸⁾. The Ministry of Transport estimates a housing deficit of around 400,000 units, considering current availability and demographic trends⁽⁹⁾. The primary drivers of this deficit are elevated construction costs and labour shortages, factors that could lead to even higher house prices and reduced affordability in the future. Moreover, Slovakia's inefficient permitting procedures, affected by administrative fragmentation and inadequate municipal resources, add strain to housing supply. In addition, vacant dwellings represent 17% of the housing stock in Slovakia, which is rather high among the OECD countries⁽¹⁰⁾. An estimated 400,000 unoccupied flats and 250,000 unoccupied houses constrain the availability of dwellings for purchase or rent⁽¹¹⁾, although these vacant properties are not always located in areas where demand is highest.

The rental market remains underdeveloped and supply-constrained, with the moderate overall rent growth masking strong increases in the rent of new listings. Apart from the cultural preference for owning rather than renting, the supply of rental units is constrained.

⁽⁶⁾ De Pace, F. (2024), "Enhancing the efficiency, inclusiveness, and environmental sustainability of housing in the Slovak Republic", OECD Economics Department Working Papers, No. 1806, OECD Publishing, Paris, <https://doi.org/10.1787/03157550-en>

⁽⁷⁾ Slovak Statistical Office [Started, completed and under construction dwellings by ownership - quarterly data [st2022q5] - DATAcube.]

⁽⁸⁾ Slovak Statistical Office [Building permits - quarterly data [st2024q5] - DATAcube.]

⁽⁹⁾ Ministry of Transport and Construction (2020), Housing Policy of the Slovak Republic until 2030.

⁽¹⁰⁾ OECD Affordable Housing database; and Slovak Republic's Population and Housing Census 2021.

⁽¹¹⁾ Ján Výboštok & Dušan Paur (2025) Housing in Slovakia: COVID-19 pandemics impacts on regions, affordability and residential development, *Regional Studies, Regional Science*, 12:1, 881-895, DOI: 10.1080/21681376.2025.2572482.

Only 6.9% of households were tenants in 2024, a share that has been on a downward trajectory, decreasing from 10.7% in 2015 and 17.9% in 2005⁽¹²⁾. Furthermore, rental offers remain scarce and are typically quickly absorbed in major urban markets, where demand consistently exceeds supply. In the first three quarters of 2025, rental prices (including existing and new rentals) increased by 3.7%, significantly lagging behind the 12.3% growth in house prices over the same period. While rents on existing contracts remain relatively stable, rents for newly listed properties have continued to rise, e.g. in Bratislava over 10% between 2024 and 2025⁽¹³⁾, indicating ongoing upward pressures in new rental agreements, even as overall rent growth remained subdued.

Assessment of MIP-relevant policies

Measures have been taken to address lengthy and complex permitting procedures that constrain residential construction. The Amendment to the Construction Act, that came into effect in April 2025, aims to accelerate the creation of housing stock by streamlining the building permit process and reducing administrative burdens. The legislation also introduces stricter deadlines for the issuance of binding opinions by public authorities, with a “deemed consent” mechanism whereby a lack of response within the specified timeframe is treated as approval. In addition, the reform foresees greater digitalisation of procedures through a central electronic communication system and clarifies the responsibilities of construction authorities and project participants, which should further streamline administrative processes. While the exact impact of these changes on the permit procedure remains to be seen, the amendment is expected to encourage new construction projects. Additionally, already for some years, state-supported rental housing projects benefit from a reduced 5% VAT intended to improve the financial viability of such developments and encourage investment in the rental segment.

Slovakia’s property taxation system, which is based on property size rather than market value, could benefit from reforms that would make it more efficient and fairer. Similar to other countries in the region such as Poland and Czechia, Slovakia uses a system which fails to account for increasing property values and disproportionately favours owners of high-value properties. Conversely, a market value-based property tax system, used in some EU countries, offers greater equity and efficiency. By tying taxes to market value, wealthier property owners would pay proportionally more, increasing tax revenue, taming demand for house purchases, and promoting fairness between those owning and renting properties. Introducing such a system in Slovakia would require a market-based property valuation. Developing analytical tools, such as property price maps, could be a useful preliminary step towards adopting value-based property taxation.

The current exemption from the personal income tax (PIT) on capital gains from property sales after five years of ownership incentivises holding properties for speculative or investment purposes, potentially constraining supply and reducing tax revenues. This tax structure can also encourage the concentration of home ownership among investors rather than owner-occupiers, contributing to underutilisation of the

⁽¹²⁾ [Global Property Guide’s Slovakia Residential Real Estate Market Analysis](#).

⁽¹³⁾ Deloitte: Property Index: Overview of European Residential Markets, August 2024 and August 2025.

housing stock – as reflected in elevated vacancy rates - thereby exacerbating housing shortages. Moreover, the resulting scarcity contributes to higher house prices and reduced affordability for many potential buyers. Additionally, these practices represent a lost opportunity for revenue collection. Reforming the tax system, such as increasing taxes on owners of multiple properties, could improve fairness, strengthen public finances, and incentivise the sale of unoccupied homes, to stabilise house prices.

Borrower-based measures remain relatively tight, with Loan to Value (LTV) and Debt Service-to-Income (DSTI) ratios remaining broadly stable. As of 2023, adjustments have tightened the debt-to-income (DTI) limits for borrowers over the age of 41 who will be repaying their loans past the age of 65, which contributes to mitigating excessive leverage, reducing the risk of housing market overheating. The DSTI ratio generally restricts loans when repayment costs exceed 60% of the household's income, although a limited share (up to 5%) of new loans can be approved with a DSTI ratio between 60% and 70%. Similarly, the LTV limit - tightened in 2018 - mandates that no loan can exceed 90% of a property's value, with up to 20% of new loans allowed to reach this limit, contributing to sustainable lending environment. As a result of tighter macroprudential measures, the median LTV ratio for newly-originated mortgages has increased only slightly during the decline in house prices in 2023 and has remained broadly stable in 2024 and 2025 as borrowers increasingly relied on own funds. DSTI ratios have remained elevated but broadly stable⁽¹⁴⁾.

Vulnerability	Policies	Implementation status
External and government sectors	RRF and RePowerEU reforms and investments reducing the energy intensity and energy imports.	Ongoing implementation.
	Increases in various tax rates (see entries below) to comply with the Medium-term fiscal-structural plan (MTFSP).	Ongoing implementation.
Competitiveness	VAT adjustments, including a shift of the base rate from 20% to 23%.	Implemented in January 2025.
	CIT adjustments, including a rate increase from 21% to 24% for companies with a yearly taxable income of over 5 mil. EUR.	Implemented in January 2025.
	Tax on the use of payment services for businesses.	Implemented in April 2025.
	Increase in specific PIT rates, increase in social and health contributions.	Implemented in January 2026.
Housing markets and household debt	The amendment to the Construction Act aims to streamline building procedures and reduce administrative burdens.	The amendment became effective in April 2025.

Note: This table lists the main measures that may increase or reduce the risks of macroeconomic imbalances. The measures are described more at length and reviewed in the text of this IDR.

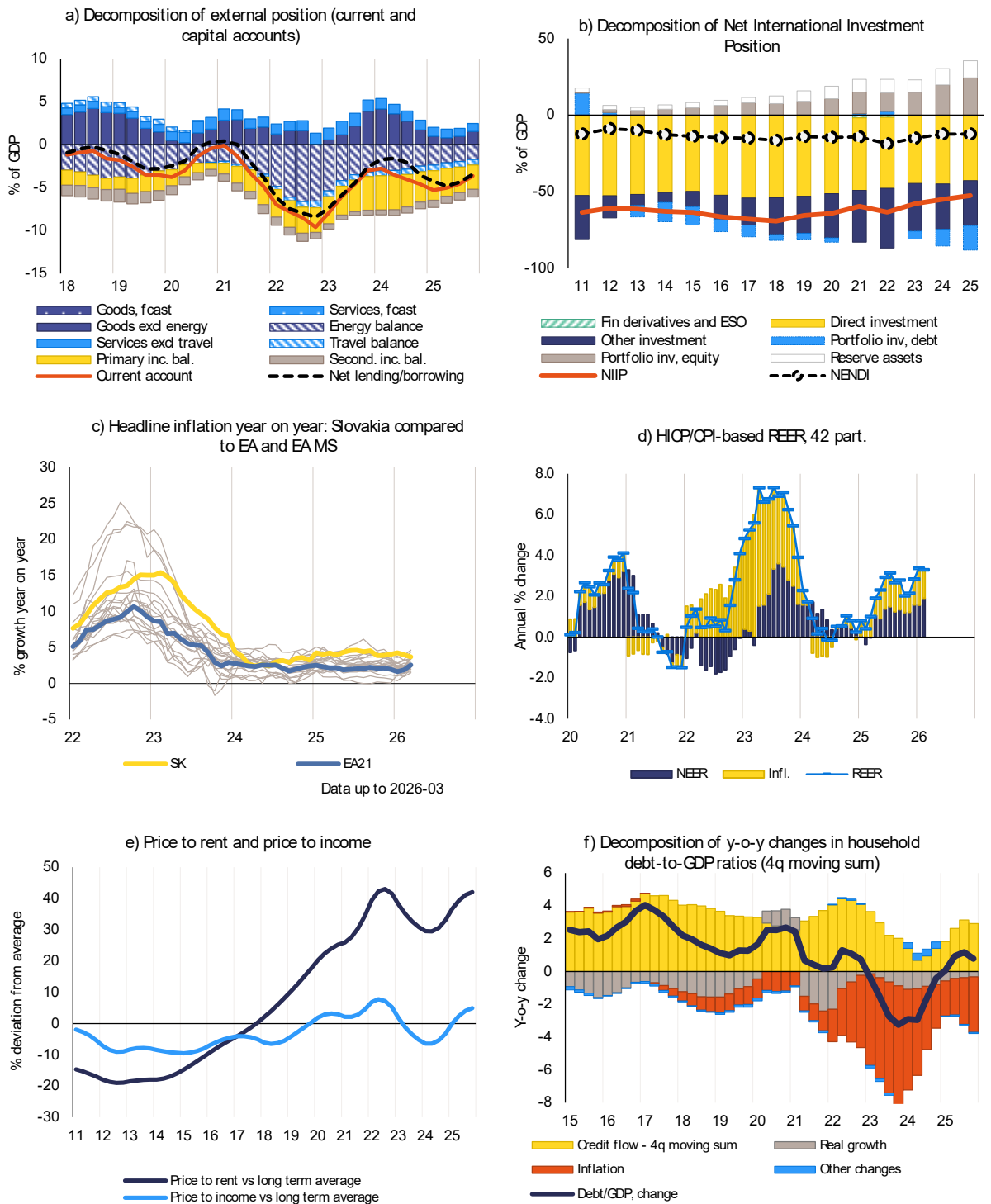
⁽¹⁴⁾ NBS Financial Stability Report, November 2025.

Conclusions

Despite some recent improvements, Slovakia continues to face vulnerabilities related to competitiveness, external and government balance, housing sector, and household indebtedness. Slovakia's current account deficit has been declining since 2022, as lower energy prices and stronger exports have improved the trade balance. However, a worsened external environment is set to widen the current account deficit again. Meanwhile, persistent government deficits continue to weigh on external balances, increasing external sustainability risks. Inflation has decreased significantly but the inflation differential to the euro area remains elevated. Furthermore, despite the anticipated loosening in the labour market, high unit labour costs continue to undermine Slovak competitiveness. House prices began to rise again due to robust demand and slightly more favourable mortgage rates. Concurrently, the reduction in completed dwellings alongside a significant number of unoccupied properties is intensifying pressure on the already limited housing supply. Although household debt has recently diminished, it is expected to rise again due to the strong demand for housing purchases.

Policy progress has been limited, as deep structural challenges continue to impede the strengthening of Slovakia's economic growth and resilience. Key issues relating to labour taxation, business competitiveness, housing supply, and fiscal policy measures remain to be addressed, requiring sustained reforms rather than short-term fixes. Reducing the labour tax wedge and addressing skill mismatches could enhance labour market efficiency and productivity, while consolidation efforts should avoid burdening business competitiveness. Legislative reforms to streamline housing supply, combined with a transition to a market value-based property tax system, could improve affordability and equity. Reforming tax policies to counter speculative property holding would alleviate housing shortages and boost public finances. Meanwhile, effective macroprudential policies continue to uphold the stability of the banking sector. Tackling these interconnected challenges could go a long way in strengthening Slovakia's macroeconomic stability.

Graph 2.3: Selected graphs, Slovakia



Source: ECB, Eurostat and European Commission forecasts and calculations

Box 2.1: Medium-term external, private, and government debt projections

This Box summarises external and internal debt-to-GDP projections for Slovakia over the next decade, based on scenario analysis. It covers diverse scenarios to take into account different underlying assumptions and to understand how they affect the debt trajectories, as well as the outcomes of the latest government debt sustainability analysis conducted by the Commission.

The corporate debt-to-GDP ratio is projected to remain broadly stable over the next decade under the baseline scenario. The baseline scenario takes the 2025 nowcast of 40% of GDP as a starting point, integrates Commission 2025 autumn forecast data for growth, inflation and credit flows for 2026-27, and assumes an average annual real GDP growth rate of 1.5%, an average annual inflation rate of 2.5% and annual corporate credit flows of 1.9% of GDP (slightly above the debt-stabilising NFC credit-to-GDP of 1.6%) for the years 2028-2035. In the baseline scenario, the NFC debt-to-GDP ratio is projected to increase slightly by about 3 pp to 43% by 2035 (Graph 1.a). Under an alternative scenario of high corporate credit flows over the entire projection horizon, this ratio would increase to 47% by 2035. If in addition to high credit flows, annual inflation is assumed to be at the average of the 2010s, i.e. on average 1.6 pps below the baseline, the NFC debt-to-GDP ratio would increase to about 54%, well above its levels during the pandemic.

After a few years of deleveraging, the household debt-to-GDP ratio started to increase again in 2025, and this increase is projected to continue over the next decade under a broad range of scenarios. The baseline scenario takes the 2025 nowcast of 44% as a starting point, integrates Commission 2025 autumn forecast data for growth, inflation and credit flows for 2026-27, and assumes an average real GDP growth rate of 1.5%, an average inflation rate of 2.5% and annual credit flows of 3.5% of GDP (solidly above the debt-stabilising credit-to-GDP ratio of 1.8%) for years 2028 until 2035. As a result, the household debt-to-GDP ratio would increase by about 15 pps by 2035, to 59% (Graph 1.b). Under an alternative scenario of credit flows being higher for the entire period under consideration, the household debt-to-GDP ratio would increase by 17 pps by 2035. If in addition to high credit flows, annual inflation is at the average of the 2010s, i.e. on average 1.6 pps below the baseline, the debt ratio would increase by 25 pps by 2035.

Slovakia's net international investment position (NIIP) is projected to stabilise somewhat in the next ten years under the baseline scenario. In the baseline projection, due to a small trade balance deficit and a somewhat rising primary income deficit, the NIIP will stabilise over the years, staying very close to its current level of 55% of GDP, reaching some -53% of GDP by 2035 (Graph 1.c). Thus, the NIIP is projected to get closer to the estimated prudential benchmark of around -52% of GDP. In an adverse scenario of a lower trade balance and an annual inflation assumed to be at the average of the 2010s, i.e. on average 1.6 pps. below the baseline, the NIIP would deteriorate to around -70% of GDP by 2035. Under an optimistic scenario with a narrower trade deficit and higher real growth, the Slovak NIIP would increase to around 44% of GDP by 2035. Risks to the country's external position are partly mitigated by the favourable NIIP structure, as non-defaultable instruments account for the bulk of net liabilities and are composed mostly of foreign direct investments. The NENDI (NIIP net of non-defaultable instruments) was around -12% of GDP in 2024.

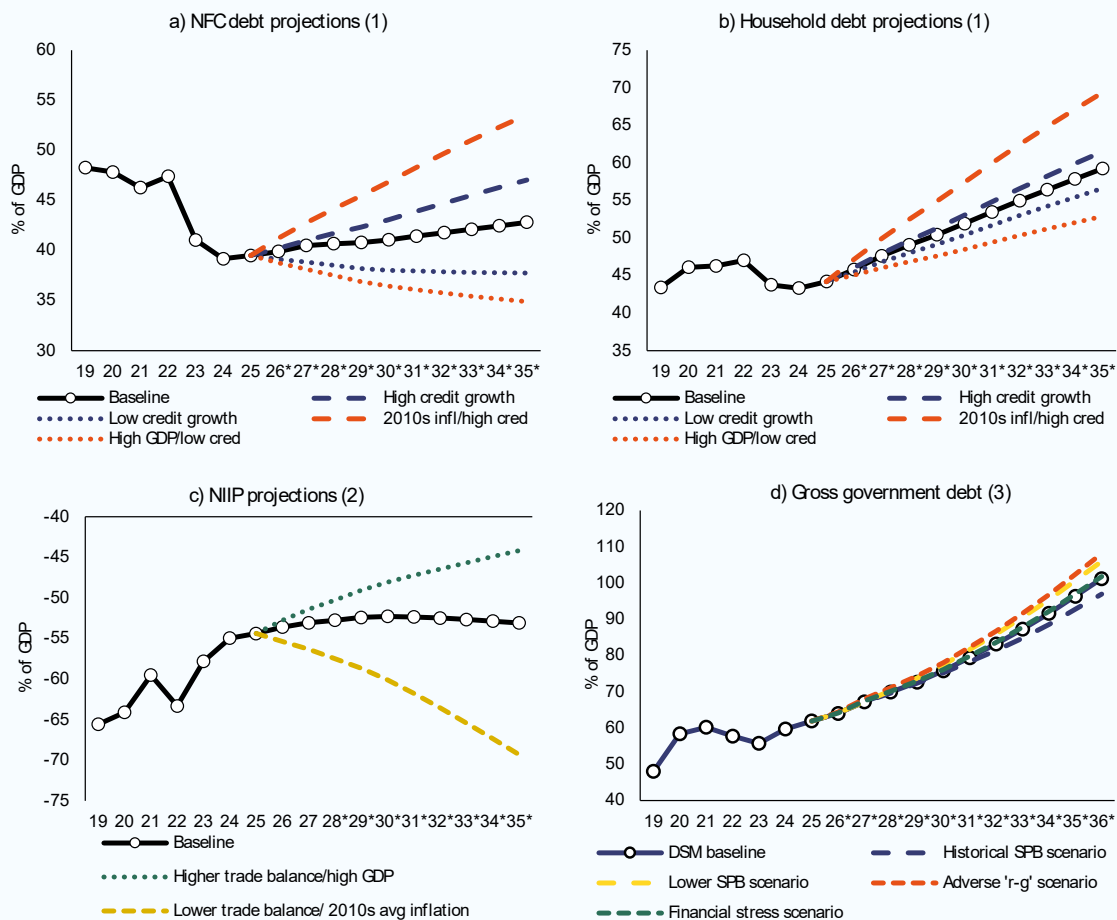
Medium-term fiscal sustainability risks for Slovakia are high, and long-term fiscal sustainability risks are high too⁽¹⁾. The debt sustainability analysis carried out by the Commission indicates that, under the baseline scenario, the government debt-to-GDP ratio is projected to increase to around 76% in 2030 and to around 96% in 2035 (Graph 1.d). The increase in the government debt ratio is partially driven by the assumed structural primary deficit of 2.6% of GDP as of 2026, excluding changes in cost of ageing (in line with the assumption of unchanged fiscal policy as from 2027). To assess the impact of changes in key assumptions, the baseline scenario is stress tested against alternative deterministic scenarios; by the end of the projection period the debt ratio would exceed the baseline the most in the case of the adverse interest rate-growth differential scenario, in which the interest rate-growth differential deteriorates by 1 pp. compared with the baseline (Graph 1.d).

⁽¹⁾ The sustainability risks and debt projections presented here are based on the European Commission (2026), Debt Sustainability Monitor 2025, [European Economy Institutional Paper 332](#).

(Continued on the next page)

Box (continued)

Graph 1: Private, external, and government debt projections, based on scenario analysis for Slovakia



(1) Both for the NFC and HH debt projections, the baseline assumes that after 2027 the annual credit flow-to-GDP ratio equals the country-specific median value over 2015-2027. The high (low) credit scenario assumes a higher (lower) credit flow-to-GDP ratio, with the difference to the baseline calculated as half the intertertile range of the annual credit flow-to-GDP ratio over 2015-27. The high GDP growth scenario reflects a permanent 1 pp increase in GDP growth relative to the baseline scenario. The low inflation scenario reflects a change rate in the GDP deflator equal to the country-specific average change rate in the GDP deflator observed over the 2010s. The debt stabilising credit-to-GDP ratio refers to the credit ratio between 2028 and 2035 that would stabilise the debt-to-GDP ratio at its 2027 level.

(2) The baseline NIIP projections are based on the Commission's medium-term forecasts for GDP and interest rates. Additionally, assumptions are made about the drawdown of NGEU and MFF funds, and the median value of the last three years is used for non-investment income. The 'higher trade balance/high GDP' scenario assumes higher trade balance in 2025 and beyond, with the difference to the baseline calculated as half the interquartile range of the annual 10-year average change in trade balance to GDP ratios over 2014-2024 and additionally reflects a permanent 1 pp increase in GDP growth relative to the baseline scenario. The 'lower trade balance/2010s avg inflation' scenario assumes a change in the trade balance of the same size as the previous scenario but with an opposite sign and, in addition, reflects a change rate in the GDP deflator equal to the country-specific average change rate in the GDP deflator observed over the 2010s.

(3) The projections for government debt are taken from the Debt Sustainability Monitor 2025. The DSM baseline is stress-tested against alternative deterministic scenarios to assess the impact of changes in key assumptions: the 'historical structural primary balance (SPB)' scenario, in which the SPB returns to its historical 15-year average of -2% of GDP; the 'lower SPB' scenario, in which the SPB is 0.5 pp. lower than in the baseline; the 'adverse interest rate-growth differential' scenario, in which the interest rate-growth differential is 1 pp. higher compared with the baseline; and the 'financial stress' scenario, in which market interest rates temporarily increase by 1 pp. compared with the baseline.

Source: Eurostat, Debt Sustainability Monitor 2025, European Commission forecasts and calculations.

Table 2.1: Key economic and financial indicators, Slovakia

	average 2017-2019	average 2020-2022	2023	2024	2025*	forecast	
						2026	2027
Output and Prices							
Real GDP (1 year % change)	3.1	1.1	2.1	1.9	0.8	1.0	1.4
Real GDP per capita (1 year % change)	2.9	1.1	2.1	1.9	0.9	1.2	1.7
GDP deflator (1 year % change)	1.9	3.9	10.0	3.4	4.2	3.6	2.9
Harmonised index of consumer prices (1 year % change)	2.2	5.5	11.0	3.2	4.2	4.1	3.1
Core inflation (HICP excluding energy, food, alcohol and tobacco) (1 year % change)	1.8	4.6	9.5	4.3	5.6	2.6	2.1
External position							
Current account balance, balance of payments (% GDP, 3y average)	-1.9	-3.3	-5.8	-5.8	-3.8	-4.8	-5.1
Current account balance, balance of payments (% of GDP)	-2.3	-5.0	-3.0	-4.6	-3.6	-6.0	-5.8
of which: trade balance (% GDP)	0.7	-1.9	1.5	-0.3	0.1		
of which: income balance (% GDP)	-3.0	-3.1	-4.5	-4.3	-3.7		
Current account norm (% of GDP) (1)	0.1	0.3	0.1	0.3	0.4	0.4	0.5
Current account req. to reach fund. NIP (% of GDP) (2)	0.3	0.8	1.6	1.9	0.0		
Net international investment position (% of GDP)	-67.5	-62.3	-57.8	-55.0	-52.4	-55.0	-55.7
NENDI - NIP excluding non-defaultable instruments (% of GDP)	-15.2	-15.8	-15.0	-12.4	-12.4		
Net lending-borrowing (% of GDP)	-1.7	-4.0	-2.6	-3.6	-3.5		
Competitiveness							
Nominal unit labour cost index per hour worked (3y % change)	11.4	12.1	17.3	23.3	20.7	13.4	10.1
Nominal unit labour cost index per hour worked (1 year % change)	4.7	3.9	8.8	5.5	5.2	2.2	2.4
Real effective exchange rate - 42 trad. part., HICP defl. (3y % change)	1.1	4.1	7.5	8.3	9.1	3.5	4.0
Real effective exchange rate - 42 trading partners, HICP deflator (1 year % change)	0.9	1.3	6.2	0.7	2.1	1.7	0.9
Export performance against advanced economies (3y % change)	2.4	-0.5	-2.3	-4.5	5.3	-0.5	3.8
Export performance against advanced economies (1 year % change)	-0.2	-1.4	5.8	-3.9	2.7	0.1	0.9
Core inflation differential vis-à-vis the euro area (pps.)	0.8	2.6	4.5	1.4	3.1	0.4	0.2
Corporations							
Non-financial corporate (NFCs) debt, consolidated (% of GDP)	48.4	47.2	41.0	39.2	39.5	39.9	40.5
NFC (excl. FDI) credit flow, cons. (% debt stock t-1, excl. FDI)	1.7	7.1	-3.6	-1.1	10.9	7.5	7.8
Households and housing market							
Household debt, consolidated (% of GDP)	42.1	46.5	43.8	43.3	44.2	45.8	47.6
Household debt, consolidated (% of GDI)	60.7	63.3	61.0	59.2			
Household credit flow, consolidated (% debt stock t-1)	9.8	8.0	4.6	4.3	7.1	8.4	8.5
House price index, nominal (1 year % change)	7.5	9.8	-0.2	3.8	12.4	6.0	6.0
House prices over/undervaluation gap (3)	-0.1	14.4	12.3	8.8	16.2		
Standardised price-to-income ratio	95.9	103.6	97.0	93.6			
Building permits (m ² per 1000 inh)	428.4	434.1	366.5	293.1	311.6		
Government							
General government gross debt (% of GDP)	49.6	58.8	55.8	59.7	61.4	64.0	66.9
General government balance (% of GDP)	-1.1	-4.0	-5.3	-5.3	-4.5	-4.6	-5.3
Banking sector							
Return on equity of banks (%)	9.0	7.7	11.5	10.2			
Tier-1 capital ratio banking sector (% risk-weighted assets)	16.4	17.9	18.6	18.7			
Gross non-performing loans, domestic and foreign entities (% gross loans)	3.3	2.1	1.8	1.9	2.0		
Cost of borrowing for households for house purchase (%), new loans	1.6	1.4	3.8	4.1	3.6		
Cost of borrowing for NFCs (%), new loans	2.2	2.2	5.3	5.7	4.3		
Labour market							
Unemployment rate (% labour force Y15-74)	6.8	6.5	5.8	5.3	5.4	5.7	5.7
Labour force participation rate - % pop. aged 15-64 (3y change in pp)	1.4	0.7	2.0	2.0	0.4		

*If actual data were unavailable at the cut-off date, forecast or nowcast data are presented instead

(1) Current accounts in line with fundamentals (current account norms): derived from reduced form regressions capturing the main determinants of the saving-investment balance, including fundamental determinants, policy factors and global financial conditions. See Coutinho, Turini, and Zeugner (2018), "Methodologies for the Assessment of Current Account Benchmarks", European Economy, Discussion Paper 86, DG ECFIN, European Commission

(2) Current account required for a specific NIP target: calculations make use of Commission's T+10 projections. See Coutinho, Turini, and Zeugner (2018), "Methodologies for the Assessment of Current Account Benchmarks", European Economy, Discussion Paper 86, DG ECFIN, European Commission

(3) House prices over/undervaluation gap: is the simple average of the price-to-income, price-to-rent and model valuation gaps. The model valuation gap is estimated in a cointegration framework using a system of five fundamental variables: total population, real housing stock, real disposable income per capita, real long-term interest rate and price deflator of final consumption expenditure. Based on Philippon and Turini (2017), "Assessing House Price Developments in the EU", European Economy, Discussion Papers 48, DG ECFIN, European Commission

Source: Eurostat and ECB; European Commission for forecast figures (Autumn Forecast 2025).