

Quarterly Report on the Greek Economy

01 / 25

April 15th, 2025



ΙΔΡΥΜΑ ΟΙΚΟΝΟΜΙΚΩΝ & ΒΙΟΜΗΧΑΝΙΚΩΝ ΕΡΕΥΝΩΝ

Overview of the report





Turbulent global environment – Europe needs to readjust its strategy

The rules of the global economy are changing drastically

- Sharp, successive changes in US tariff policy
- New equilibrium at a higher tariff level? Impact on prices, production costs
- Uncertainty: impact on productive investments, volatility in financial markets
- Reshuffles in international market shares
- Suppressing free trade has a welfare cost

New strategy for Europe

- Configuration of new rules of international trade
- Competitiveness
- Strategic autonomy
- Defense



Enhancing domestic investment is crucial for medium-term growth

The Greek economy is reaching its pre-crisis levels

- Good performance in labor, real estate, capital, banking, credit rating markets

How resilient is the Greek economy in the face of international turmoil?

- Non-trivial progress in economic and social indicators
- A severe crisis is unlikely in the short term

Has an inherent dynamic been created for high domestic growth in the medium term?

- Risks stem from low productivity and the external deficit
- Investment is key to increasing real incomes
- Political and social support for changes that increase productivity and social mobility is crucial



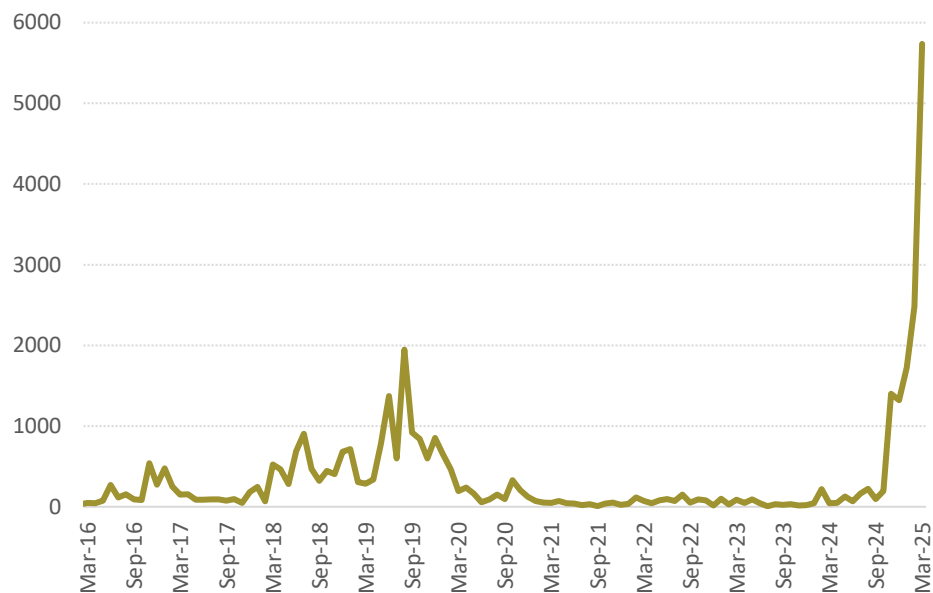
Global environment: resilient economic activity in 2024, with tariffs disrupting stability in 2025

- **The global economy continued to grow in the fourth quarter of 2024** at a moderate pace, under the **shadow of rising uncertainty** in global trade policy.
 - 1.2% y/y growth in the Eurozone in Q4 (up from 1.0% in the previous quarter), 2.5% in the US (down from 2.7%), 5.4% in China (up from 4.6%), 1.9% (up from 1.7%) in OECD countries.
- **Inflation** in OECD countries remains high (4.5% in February, core inflation stood at 4.7%), but is decelerating in developed countries
- Possible delay in further interest rate cuts by **central banks**, due to uncertainty about the effects of trade protectionism policies
- Global **economic sentiment** is volatile; high volatility in **capital markets and international energy prices**
 - Continuing tensions in the **Middle East**; **uncertainty** remains about the course of the **war in Ukraine**.
- **International institutions (March 2025)** forecast...
 - OECD: 3.1% global growth in 2025 and 3.0% in 2026 (down from 3.2% in 2024).
 - ECB: +0.9% growth in the Eurozone in 2025 and 1.2% in 2026 (up from 0.8% in 2024), 2.3% and 1.9% inflation, respectively



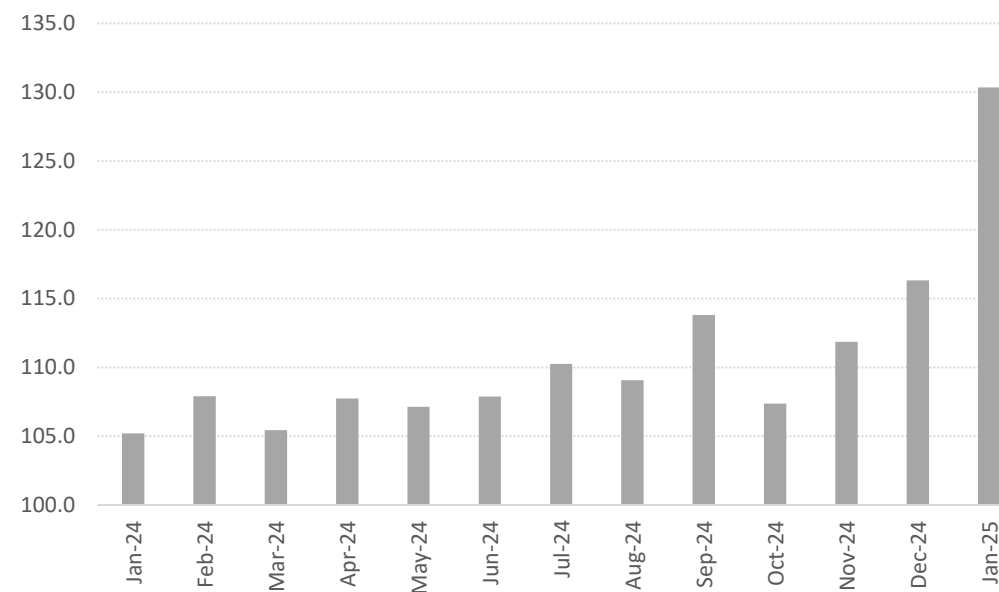
The recent protectionism measures have raised economic policy uncertainty to unprecedented levels globally

Trade policy uncertainty index
(long-term average =100)



Source: US Economic Policy Uncertainty

US goods imports volume
(Index 2021 =100)

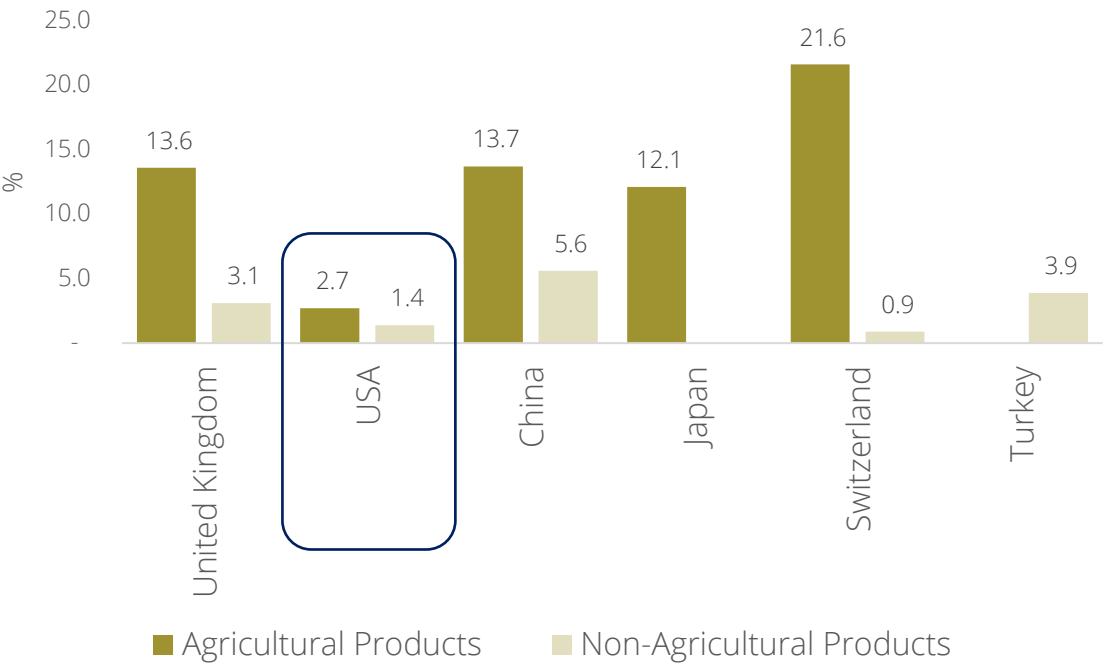


As a result, a **temporary increase in international trade flows was recorded in early 2025**. Indicatively, imports by companies in the US surged to build up inventories, anticipating a possible increase in costs due to the upcoming tariffs.



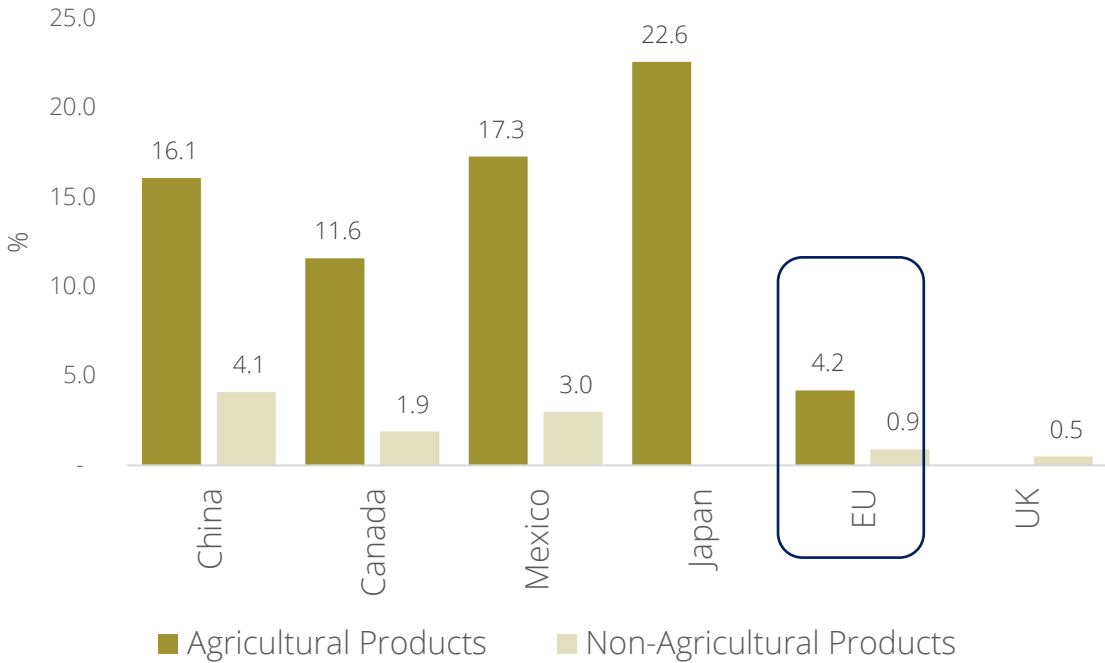
Until recently, the tariffs imposed by the EU and the US on each other's imports were among the lowest among their main trading partners.

Weighted average tariff rate on products exported by the EU by destination, 2023



The average tariff rate imposed by the EU on imported products was 2.7%.

Weighted average tariff rate on products exported by the US by destination, 2023



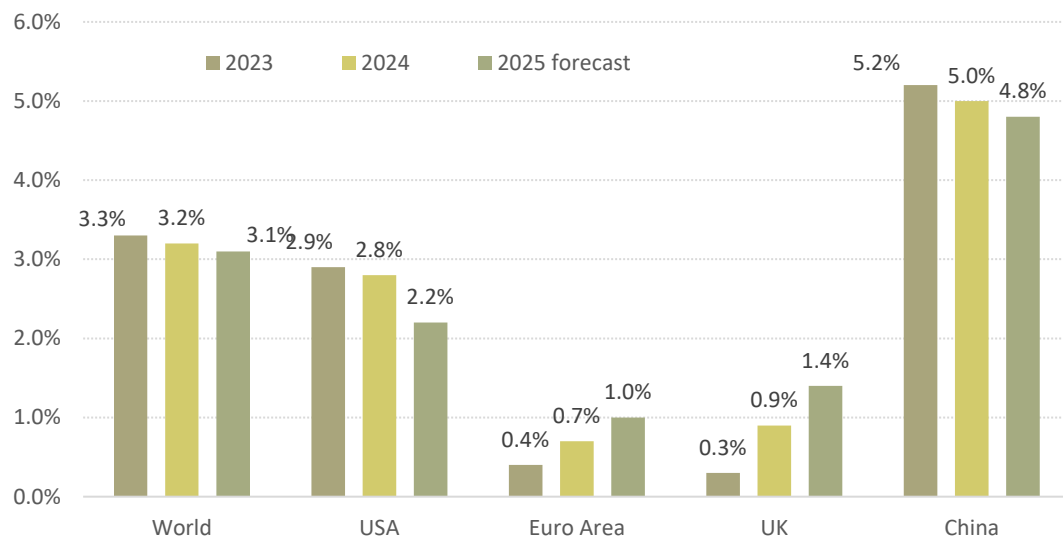
The average tariff rate imposed by the US on imported products was 2.2%, until recently.

Source: WTO (World Trade Organization)

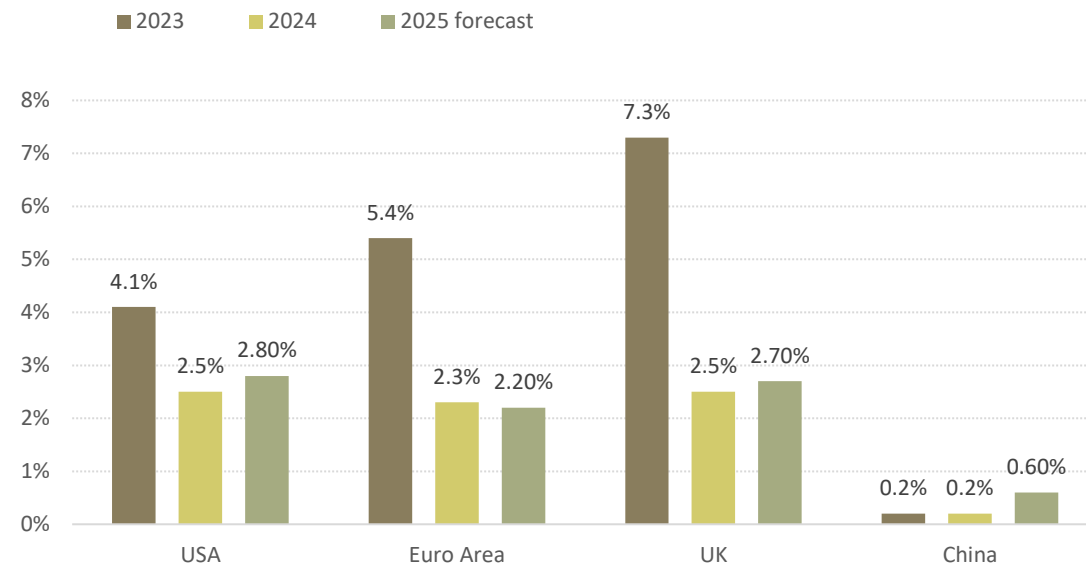


European growth rates have been lagging; inflation eased in 2024, but new pressure appears in 2025

Real annual GDP growth rate



Annual inflation rate



Source: OECD (March 2025)

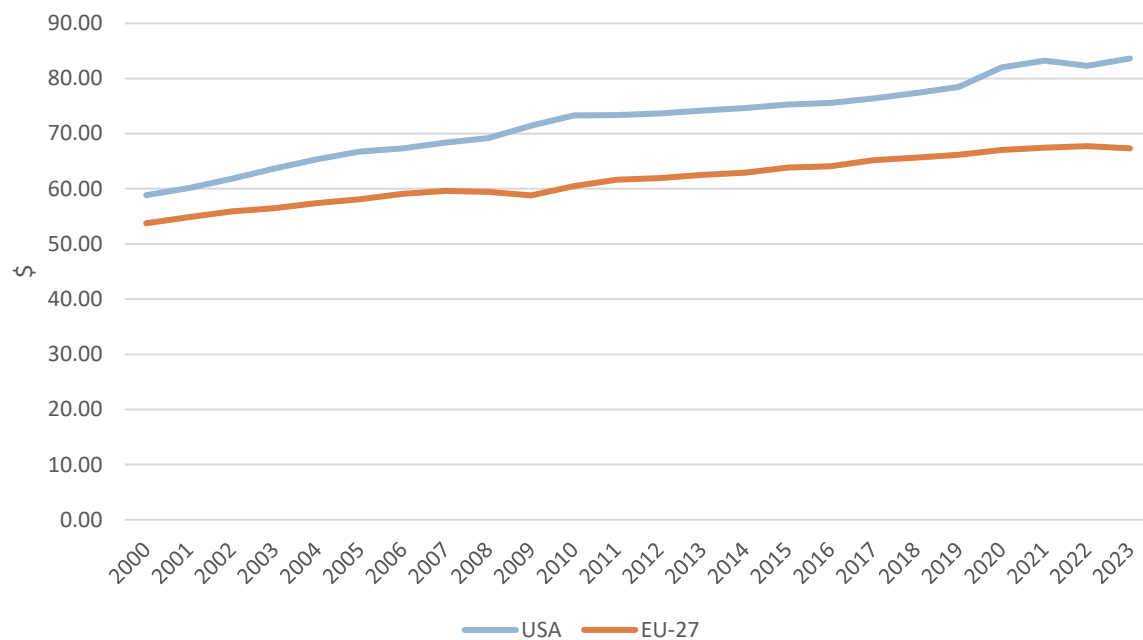
International organizations recently revised their forecasts for growth (downward) and inflation (upward). The revisions are still small, except for countries like Canada and Mexico which are already being directly and heavily affected by the **new round of US tariffs**.

International banking institutions estimate that the **probability of a recession in the American economy** has increased significantly.

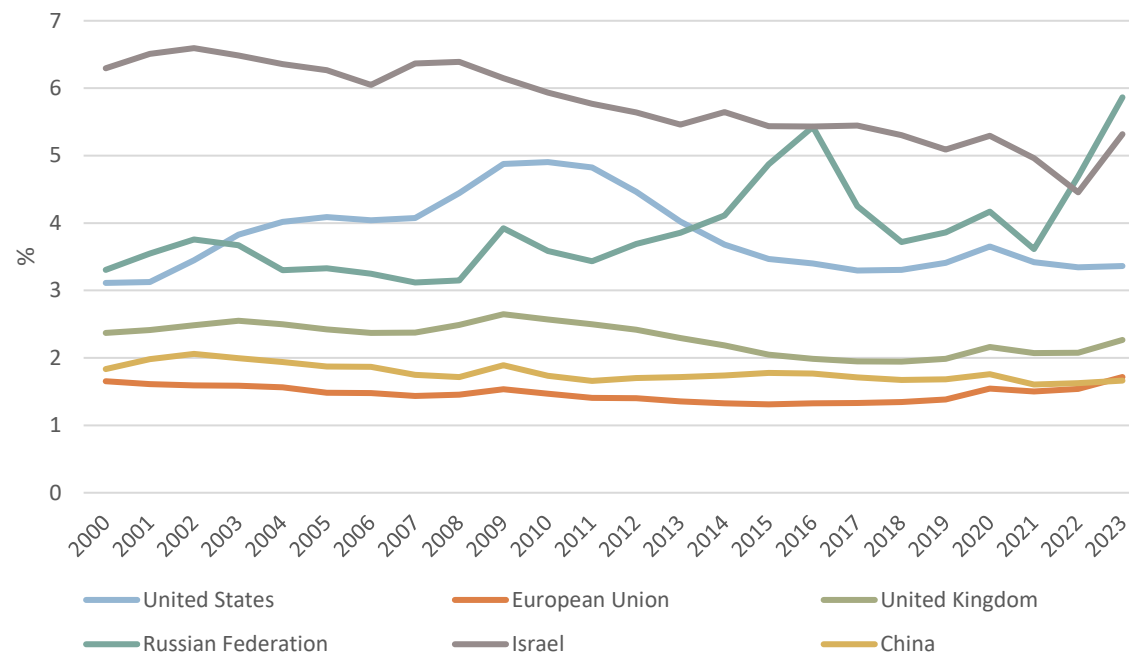


The European economy is faced with a number of challenges

Labor productivity (GDP per hour worked), US & EU-27, 2000-2023



Defense spending (% of GDP), 2000-2023



Sources: OECD, World Bank

Note: Productivity is measured in US dollars per hour, in purchasing power parity terms, at constant prices (2015).

- The **productivity gap** between the EU and the US, measured by GDP per hour worked, has widened from 15% in 2002 to 30% in 2023.
- Only ten EU member states spend at least 2% of GDP on **defense**, in line with NATO commitments.
- Publications with strategies to enhance EU competitiveness (Draghi report (2024), EU competitiveness compass (2025), Clean Industrial Deal (2025), ReArm Europe Plan/Readiness 2030 (2025)).



Greece in 2024 Q4: Stronger economic recovery

Real GDP in 2024 Q4: +2.6% y/y

Acceleration of growth (from +2.3% y/y in Q3/2024), enhancement of investment (mostly stock), signs of fatigue in private consumption.

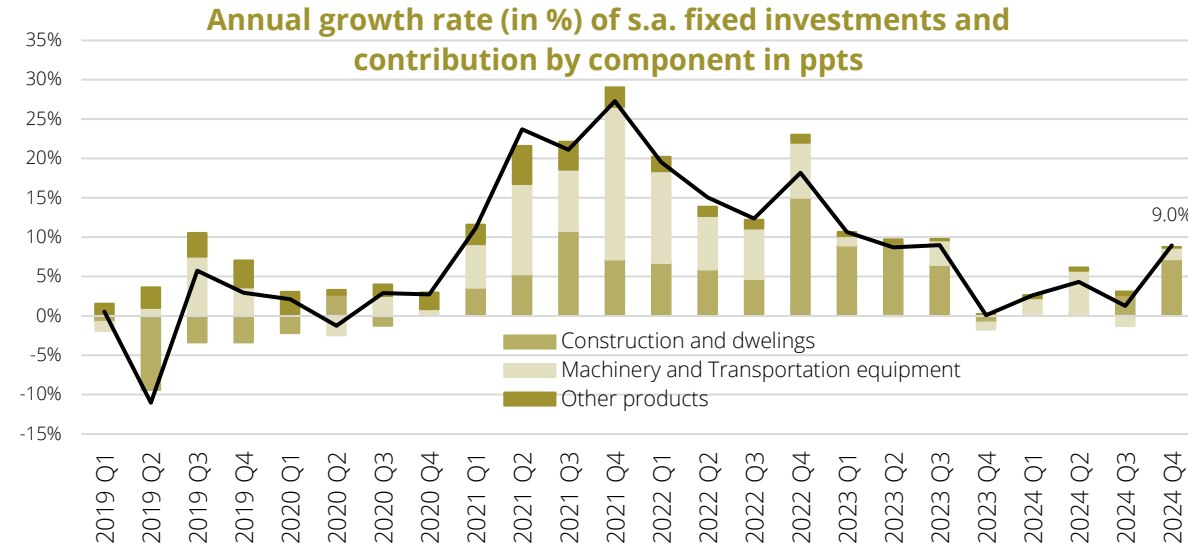
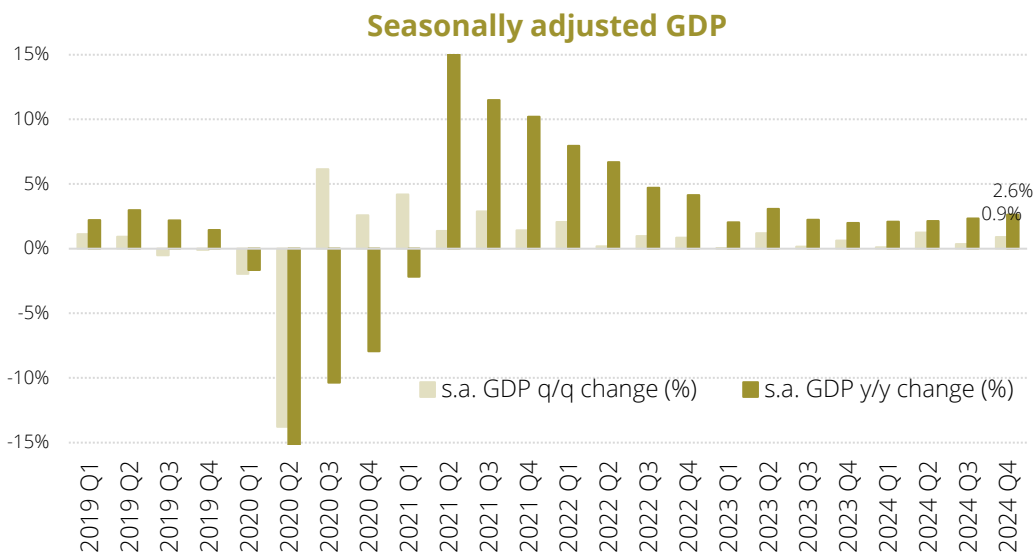
Diverging trends within consumption
(private +0.8% y/y, public -3.4% y/y)

Investments increased, mainly inventories
(total +24.4% y/y, fixed +9.0% y/y)

Exports increased
(goods +1.6% y/y, services +5.9% y/y)

Imports rose
(goods +2.0% y/y, services +4.8% y/y)

Extroversion remains high
(80% of GDP)

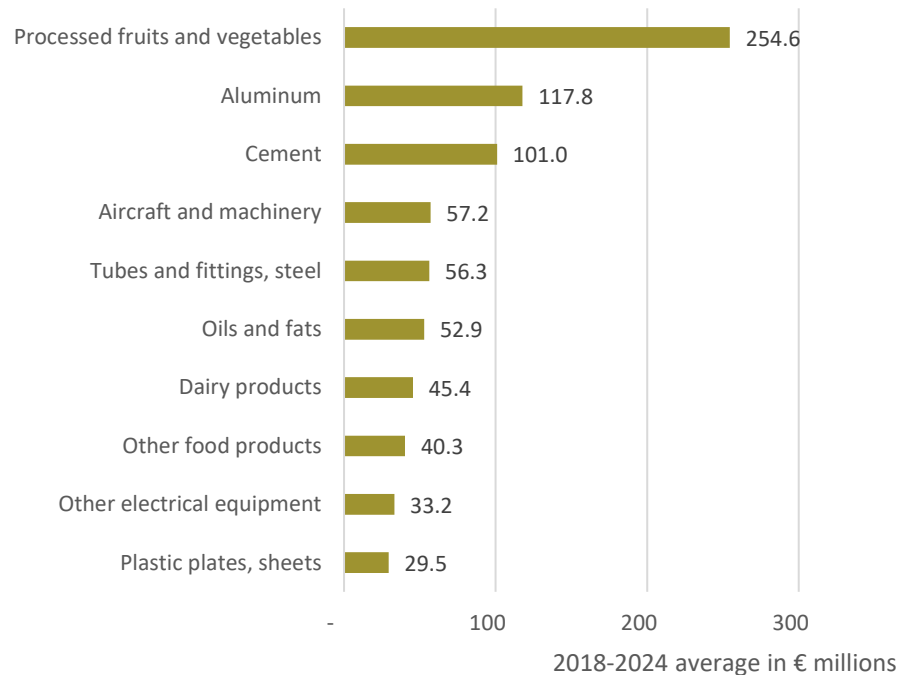


Source: ELSTAT

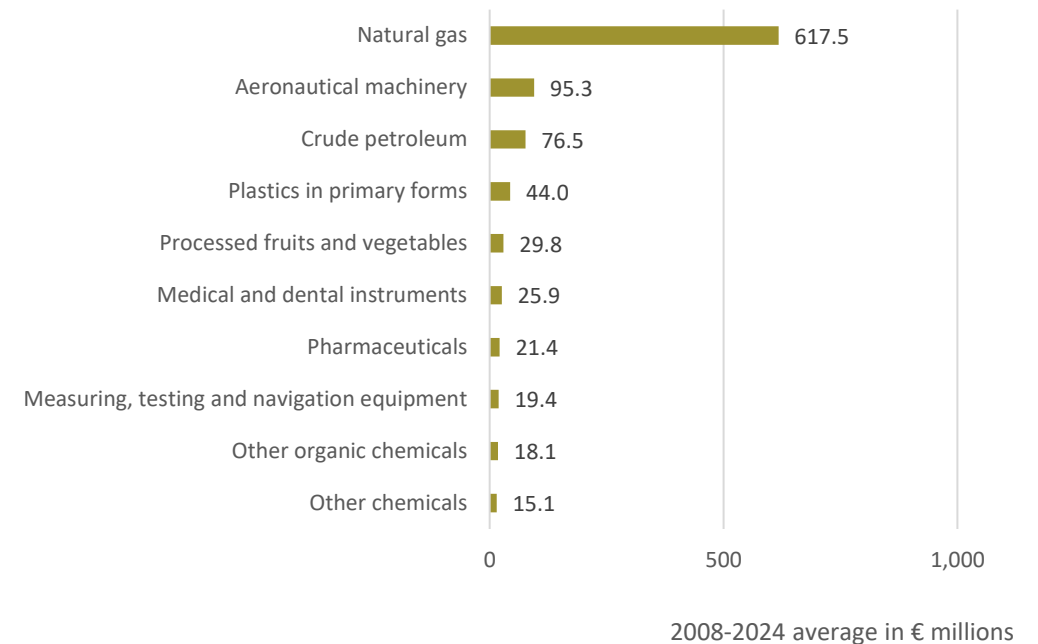


Greece mainly exports fruits and vegetables, aluminum, and cement to the US, while it mainly imports natural gas, aircraft machinery and oil.

Greek exports to the US, 2018-2024 average*
Top industrial products



Greek imports from the US, 2018-2024 average*
Top industrial products

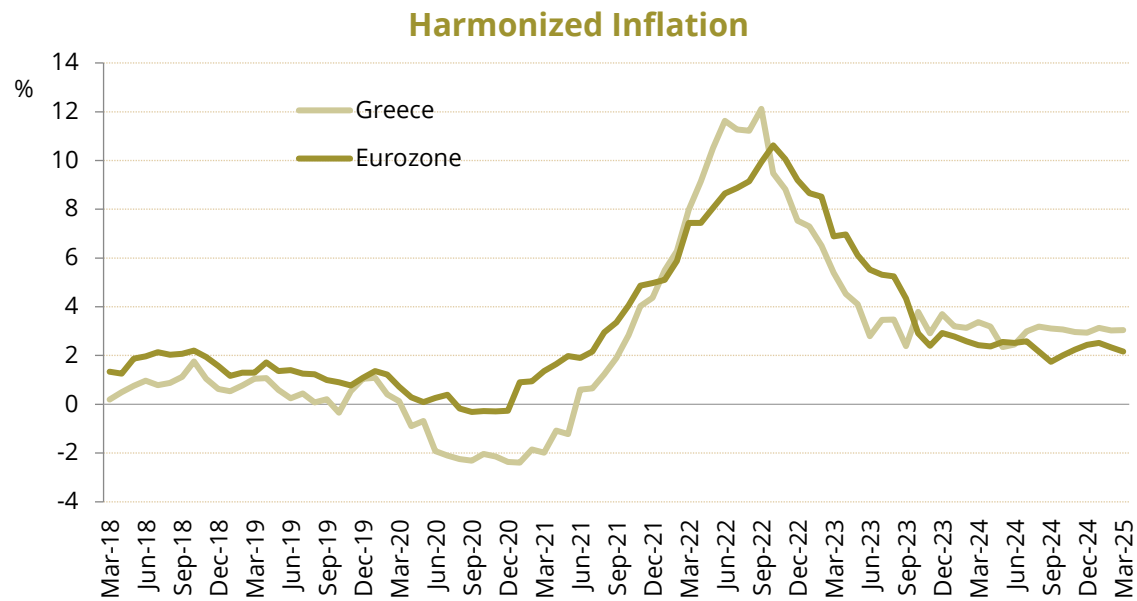


The **structure of Greek exports to the US (consumer goods, intermediate goods, fuel) differs from the European average**, where more than 70% of exports concern **intermediate and capital goods**. 1/3 of Greece's imports are intermediate goods (~50% in the EU), with potential disruptions in value chains if tariffs are imposed.

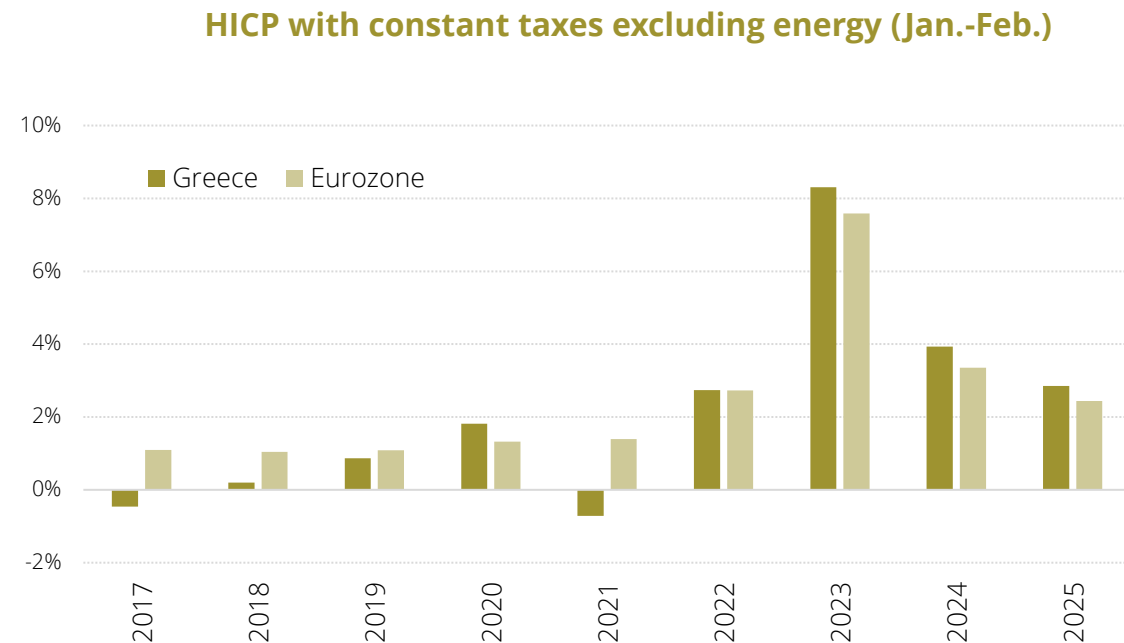
Sources: Eurostat, International Trade, ComExt, in current prices, * Excluding Refined Petroleum Products



Marginal decline of inflation (HICP) in the first quarter of 2025 to 3.1%, down from 3.2% a year ago: mild increase in energy prices



Sources: ELSTAT, Eurostat



Euro Area: Lower inflation. 2.3% in 2025 Q1, down from 2.6% a year ago.

Greece: Rise in the domestic price index in March by 2.4% y/y, from 2.5% y/y in February. The HICP rose by +2.6% in the first quarter of 2025, down from +3.1% a year earlier.

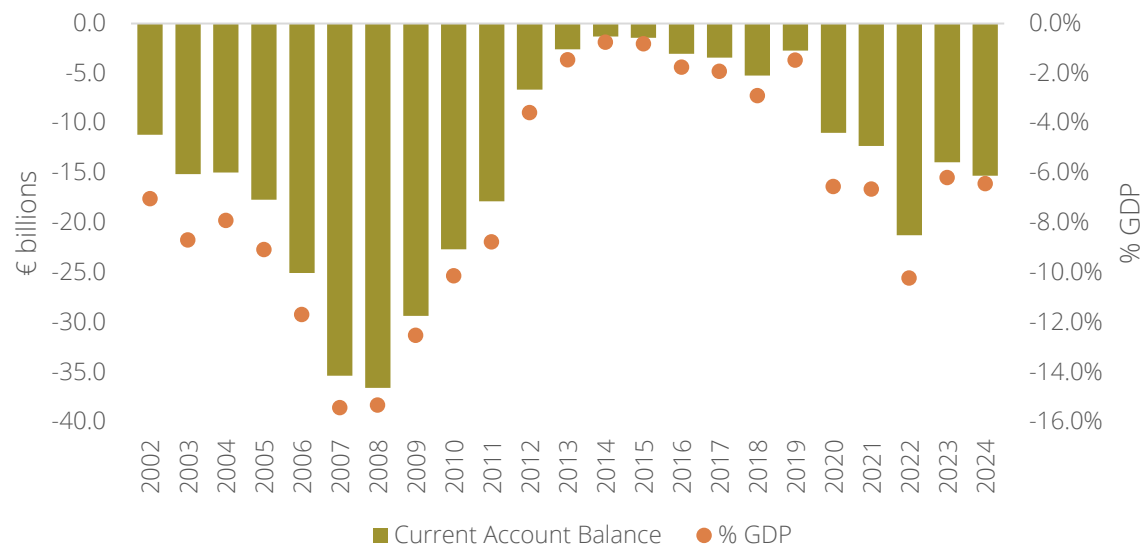
- First two months of 2025: Rise in HICP by +3.1% y/y, down from 3.2% y/y a year earlier, due to the rising price impact of non-energy goods (32.9%). Next to zero impact from energy goods (0.0%), while indirect taxation had a marginal positive effect (+0.3%).

Producer Price Index (Jan.-Feb. 2025): 0.4% y/y rise due to non-energy goods, compared to a reduction by 5.7% y/y a year earlier.

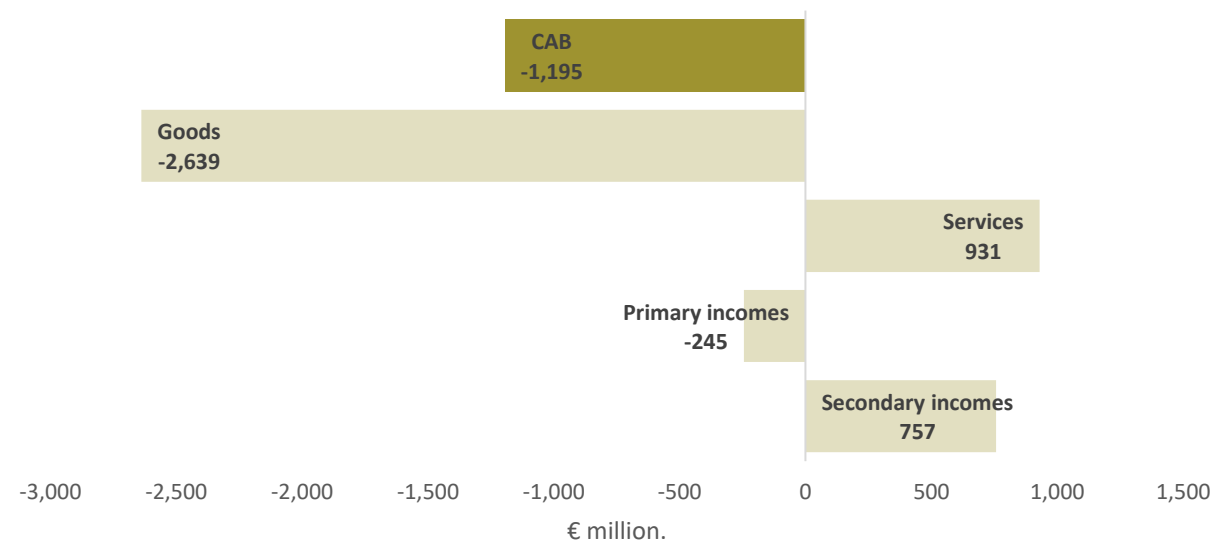


The Current Account deficit reached €15.1 billion (6.4% of GDP) in 2024, €1.2 billion larger compared to 2023. Surplus reduction by €784 million in January 2025.

Current Account Balance (CAB), Jan.-Dec. 2002-2024



CAB components, change 2023/2024



Source: BoG

- **Deterioration of the balance of goods deficit** in 2024 by €2.6 billion, with a significant decrease in fuel exports and an increase in goods imports. Increase in exports of other goods by €361 million.
- **Improvement in the services surplus** by €931 million, with tourism revenue reaching a historical high (€21.7 billion).
- Deterioration in **primary incomes** by €245 million, due to outflow of income (profits, interest, dividends).
- Improvement in the **secondary income balance** by €757 million.



Public finances: cash target exceeded in 2024 and in the first two months of 2025

State Budget Balance 2024 (cash basis)

- €369 million surplus (target was €3,60 billion deficit)
- €8,70 billion primary surplus (target was €4,64 billion)

Improvement from last year due to the larger increase in revenue (+10.6%) relative to spending (+4.2%)

- Increase in most revenue categories compared to 2023
- Increase in salaries of civil servants

State Budget Jan.-Feb. 2025 (cash basis)

- €709 million surplus (0.3% of GDP)
- €2,8 billion primary surplus (1.1% of GDP)

Target exceeded by both expenditure (-€590 million) and revenue (+€170 million)

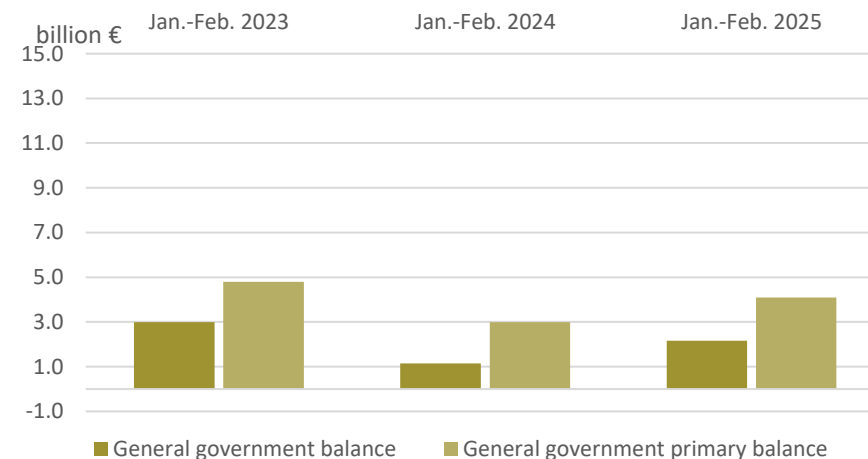
Deterioration compared to last year due to a decrease in net revenue (-7.2%)

- Increase in several revenue categories compared to last year, decrease in RRF revenue
- Deferral of expenditure payments

Estimates of improved tax compliance

- IOBE (2024): €10 of new card spending in 2022 was linked, on average, to €0.67 of previously undeclared VAT revenue
- IAPR (2025): 1/3 of the increase in VAT revenue during 2022-2024 is attributed to improved compliance

General government cash balance

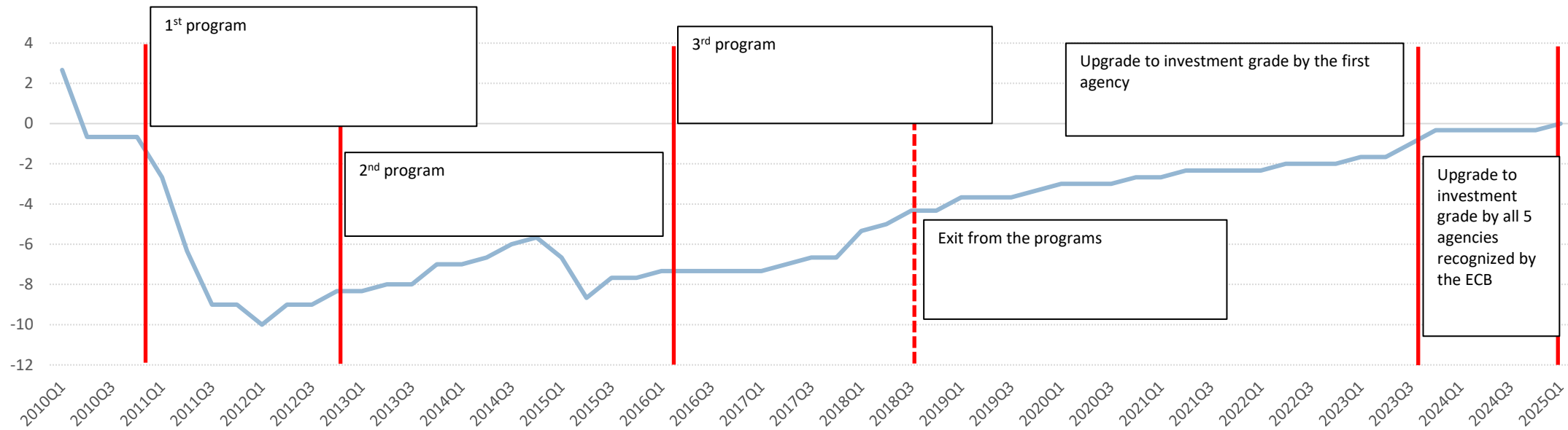


Source: Ministry of Finance



It took 15 years for all international credit rating agencies, recognized by the ECB, to upgrade the government's rating to investment grade.

Credit rating of Greek government bonds: Number of notches above/below investment grade (2010-2025)



Sources: Fitch, S&P, Moody's

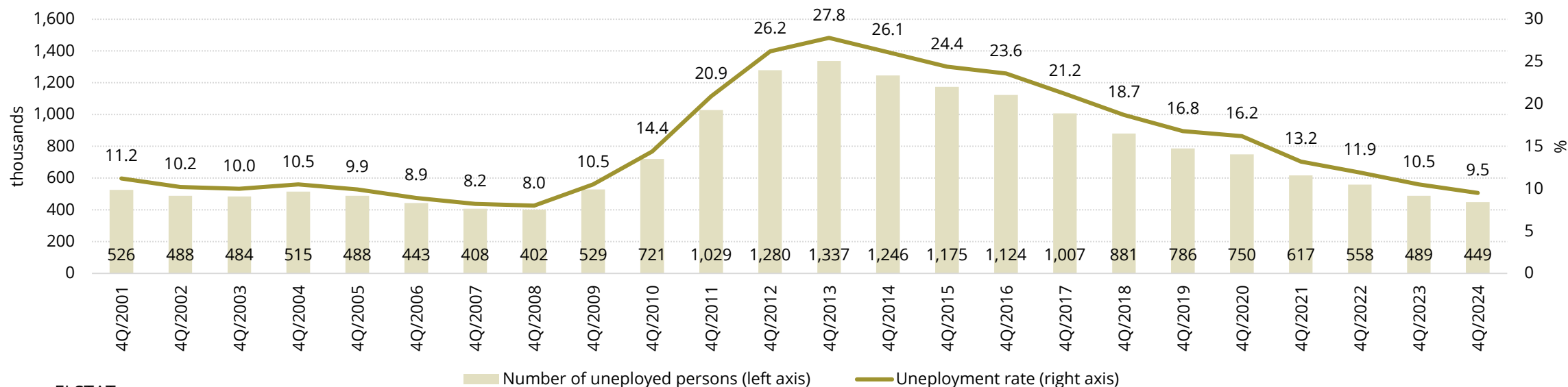
Note: Arithmetic mean of credit rating by three international agencies: S&P, Moody's, Fitch

- **Common denominators for the upgrades**, according to recent reports by the credit rating agencies, are improved public finances and tax compliance, reduction of NPLs in the banking system, and improvement in business confidence and political stability.
- The **medium-to-long-term risks** include the external deficit, the consequences of climate change, and adverse demographic change.



The unemployment rate declined further in the fourth quarter of 2024, with an improvement in the labor force participation rate

Number of unemployed persons and unemployment rate in Greece

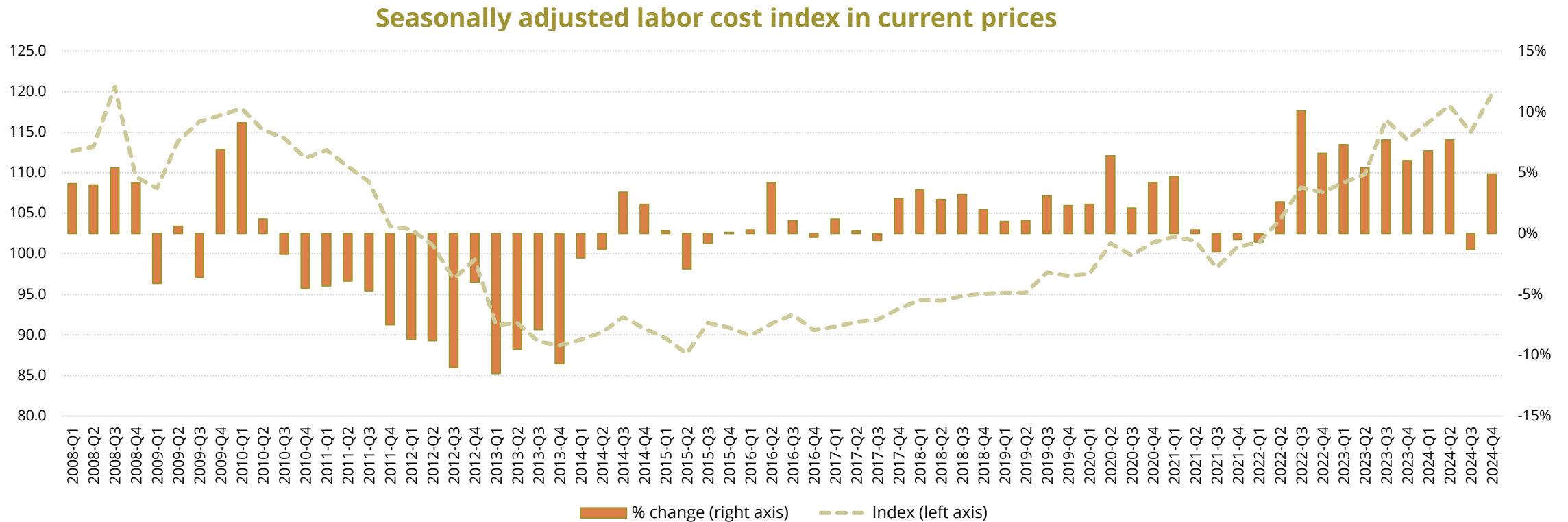


Source: ELSTAT

- The **unemployment rate** reached 9.5% in 2024 Q4, down from 10.5% a year ago. Increase in the **labor force participation** rate, reducing the deviation from the European average.
- **Employment increased** in sectors such as **Professional, scientific and technical activities** (+36.7 thousand employees), **Education** (+31.5 thousand employees), and **Wholesale and Retail Trade, Repair of Motor Vehicles and Motorcycles** (+29.7 thousand employees).
- Negative **hiring-firing balance in the private sector**, 232.4 thousand in 2024 Q4, compared to a less negative balance in 2023 Q4 (-195.5 thousand).



Increase in labor costs in the fourth quarter of 2024



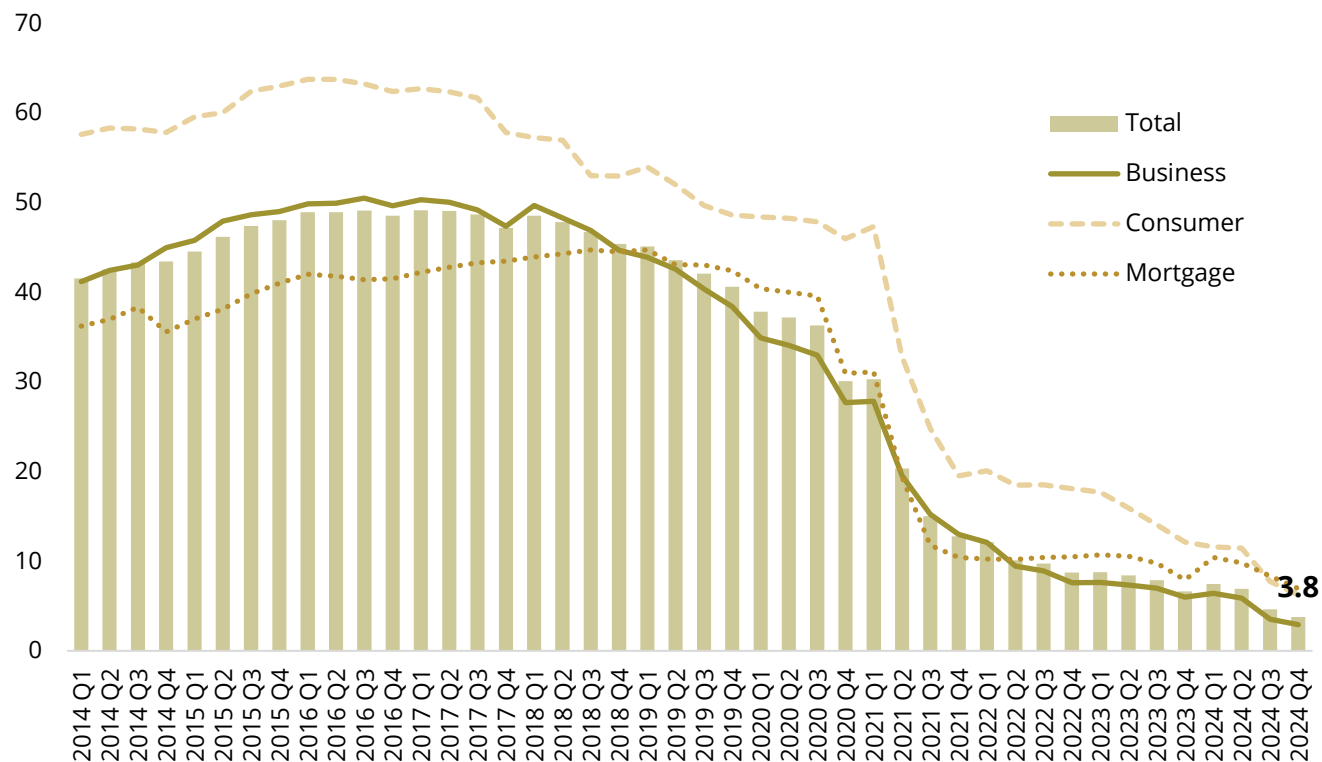
Source: ELSTAT & Eurostat

- The labor cost increased by 4.9% y/y in 2024 Q4 and by 4.1% q/q.
- **The cumulative increase in labor costs (18.6%)** since the beginning of 2022 exceeds the cumulative **increase in the CPI** over the same period (14.6%).



Bank balance sheet Non-Performing Loans on Bank Balance Sheets hit a new historical low in Q4 2024

Non-Performing Loans*, as a % of total loans, by category



Source: Bank of Greece

* On-balance sheet loans (before provisions) for all Greek banks on a non-consolidated level

...albeit remain high, in the overall economy and under the management of Servicers (€74.8 billion at the end of 2024).

Positive trends: Strong recovery in credit expansion to businesses, increased demand for mortgage credit, high banking profitability, liquidity and capital adequacy.

Challenges: Higher exposure of banks to government bonds, DTCs, high interest rate spread, private lending rates higher than in other EU countries

Priority: acceleration of the loan leg of "Greece 2.0", implementation remains behind schedule

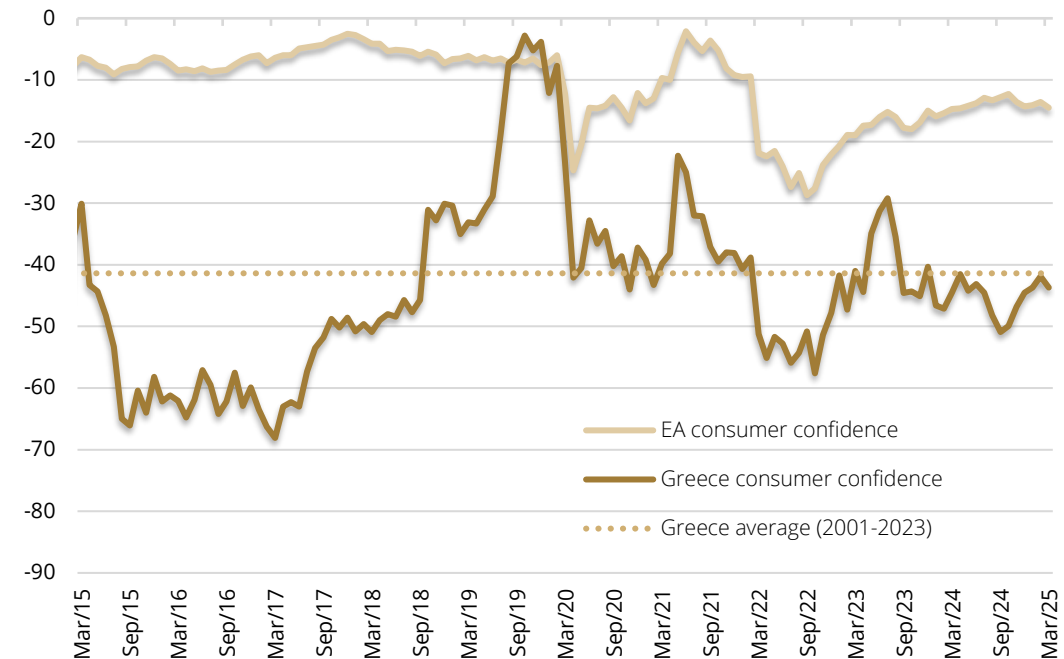


Small improvement in economic sentiment in 2025 Q1, slightly higher than the corresponding quarter last year

Economic Sentiment Index



Consumer Confidence Index



Sources: IOBE, European Commission

Consumer Confidence improved in the first quarter of 2025; the Eurozone Economy remained at the levels of the previous quarter



Short-term activity indicators: mixed picture with expansion in industry, construction, and tourism but losses in retail trade

Industry

- Industrial production increased by 5.2% in 2024 – faster improvement than in 2023 (2.3%), signs of fatigue in the first two months of 2025.
- Prices declined by 1.1%, driven by sales in the global market.

Construction

- New acceleration of construction activity in 2024 (+19.5% up from +10.3%).
- Issuance of new licenses recorded at least a five-year high
- Business expectations improved in 2025 Q1

Tourism

- Tourism turnover increased by 6.4% in 2024
- Increase in accommodation (7.1%, down from 9.8% in 2023) and catering (9.0%, up from 6.4%)

Retail trade

- Retail Trade volume declined by 1.5% in 2024, up from a 3.3% decline in 2023
- Expectations deteriorated once again in 2025 Q1



Macroeconomic forecasts for 2025

2025 baseline scenario

- The **Eurozone economy** follows the ECB's baseline scenario (March 2025): 0.9% growth in 2025 (down from 1.1% three months ago and 1.3% in September 2024), up from 0.8% in 2024, and 2.3% inflation in 2025 (up from 2.1% in the previous quarter) down from 2.4% in 2024.
- **Amplification of trade uncertainty** in the short term, but **avoidance of escalation to a global trade war**, assuming that either some form of trade agreement between the EU and the US is reached or the EU's response to new tariffs is moderate and targeted.
- **Interest rates** follow the trend of futures, i.e., the 3-month Euribor gradually declines from close to 2.8% at the beginning of the year to around 2.0% (from an expectation of 1.9% in the previous quarter) at the end of 2025. Interest rates in Europe are expected to remain at similar levels in 2026.
- **International energy commodity prices** follow the EIA's baseline scenario with stabilizing trends in 2025 and remain lower than in 2024.
- Gradual **de-escalation of geopolitical tensions** in Ukraine.
- The implementation of the **Recovery and Resilience Plan** accelerates in 2025, with the aim of completing the planned actions within schedule.
- Inbound **tourism** in 2025 is expected to match 2024's good performance, in real terms.

Forecasts for 2025

- **Growth: $\approx 2.2\%$**
- Private consumption: $\approx 1.2\%$
- Public consumption: $\approx 0.6\%$
- Investments (Fixed): $\approx 6.0\%$ (9.5%)
- Exports: $\approx 2.2\%$
- Imports: $\approx 1.5\%$
- **Unemployment: $\approx 9.3\%$**
- **Inflation (HICP): $\approx 2.8\%$**



Risks and positive prospects

Risks

- Escalation of the **trade war**, which may lead to disruptions in growth rates, inflation, and stability in the global financial system, with questions regarding the speed of monetary policy easing.
- The persistence of **geopolitical tensions in Ukraine and the Middle East** is a major concern regarding energy security, supply chains, and international political developments.
- **Uncertainty** regarding the EU's budget because of the rearmament plan.
- Alternative scenario of a large increase in **international energy prices** with negative effects on production costs and the de-escalation of interest rates.
- High deficit in the **external balance**, with structural characteristics.
- **Loss of competitiveness** due to higher than the Eurozone average inflation.
- Delays in the consolidation of **non-performing loans** off bank balance sheets, which inhibit resource reallocation.

Positive prospects

- Acceleration in the implementation of the revised **Recovery and Resilience Plan**, can "unlock" international funds for productive and more long-term investments.
- **Lower cost of money** is an opportunity to accelerate investments.
- **Trade protectionism** creates new balances in international trade flows, with the prospect of increasing market shares for Greek exports with increased added value.
- Continuation of **improvement in tax compliance**.

Special study*

Report on social and economic trends in Greek regions

The study was implemented with the support of the Regional Policy Monitor

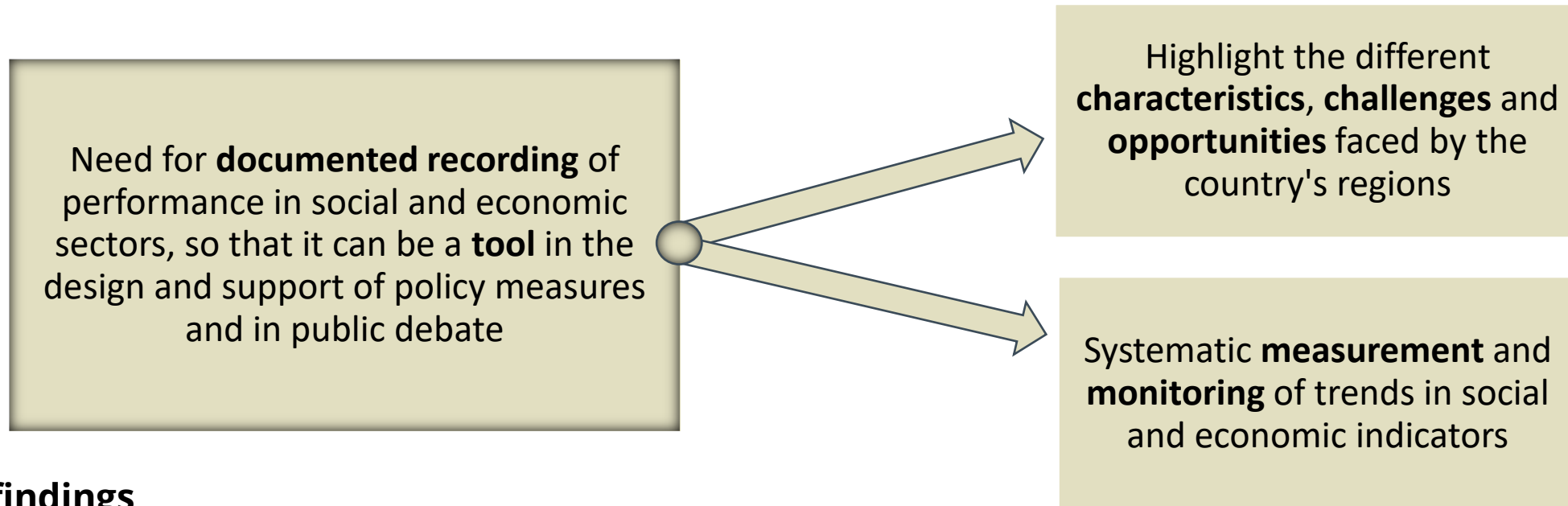
*2nd Issue of semi-annual report by IOBE (2024). Available [here](#)



Objectives of the report – 2nd issue

Context. European cohesion policy, national regional development and convergence objectives

Starting point and purpose of the report



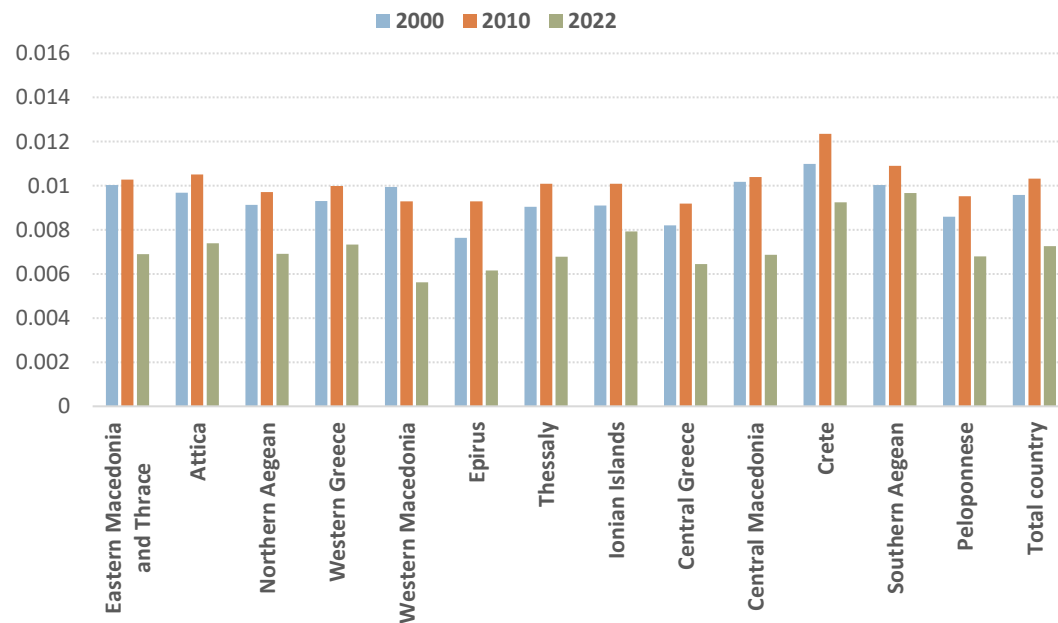
Main findings

- Diversity of Greek regions is a part of their comparative advantage
- Heterogeneity in performance across several areas highlights room for improvement and convergence
- Opportunities to reduce inequalities and enhance prospects for balanced and sustainable growth
- The second issue highlights distinct short-term trends by region

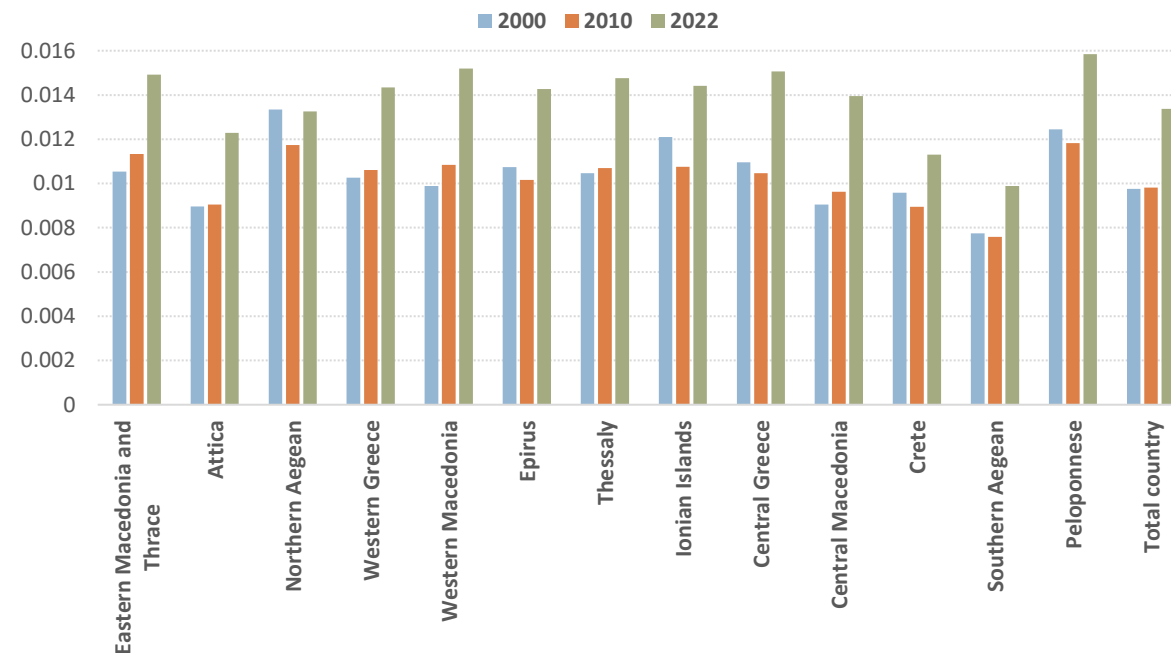


Over the years, there has been an increase in deaths and a decrease in births per region, with the largest difference recorded in 2022.

Births per capita



Deaths per capita



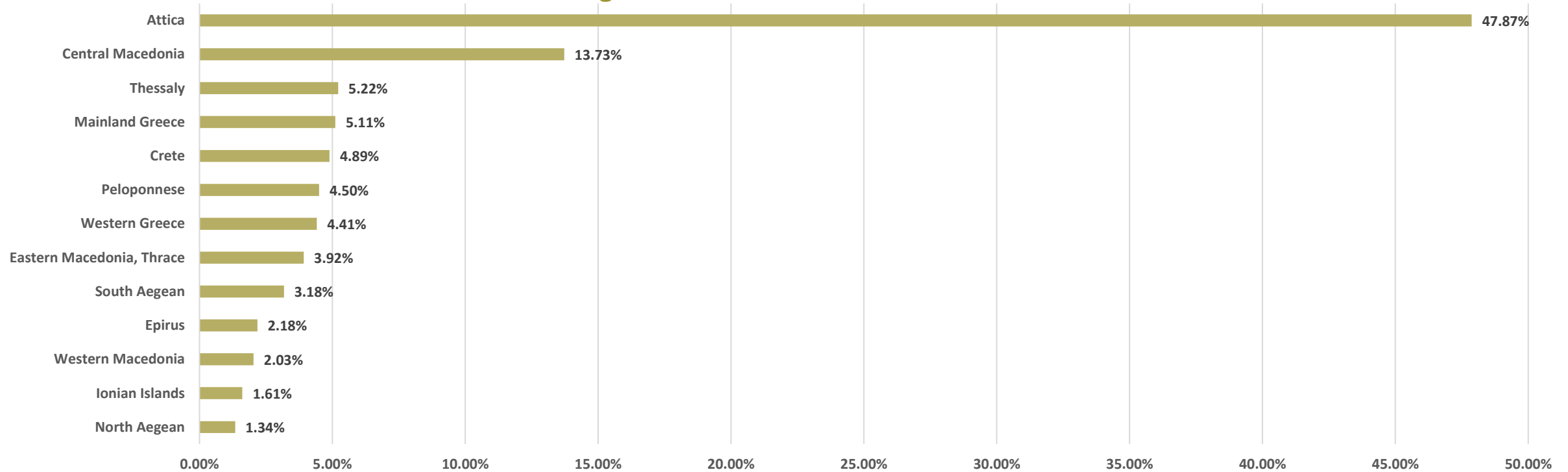
Source: Eurostat.

- Although the **fertility rate** is not at its lowest value across regions in 2022, the decline in births reflects the fact that **fewer children are being born per household, as well as the aging of households**.
- The increase in deaths runs counter to the trend in life expectancy, but is related to population aging
- **Postponement of childbearing** is a clear trend in all regions



Economic activity is mainly concentrated in the regions of the two major urban centers...

Share of regional economies in national GDP, 2023



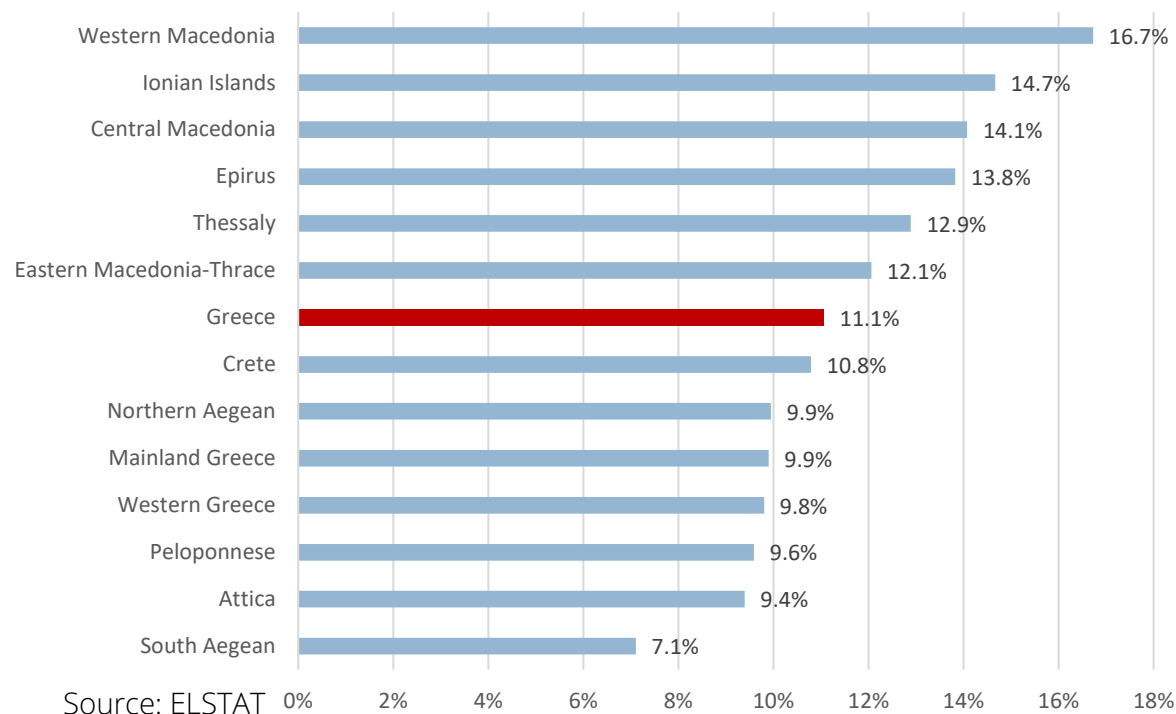
Source: Eurostat.

...with Attica producing nearly **half of total GDP**, over a **third of investments**, and over **half of exports**.

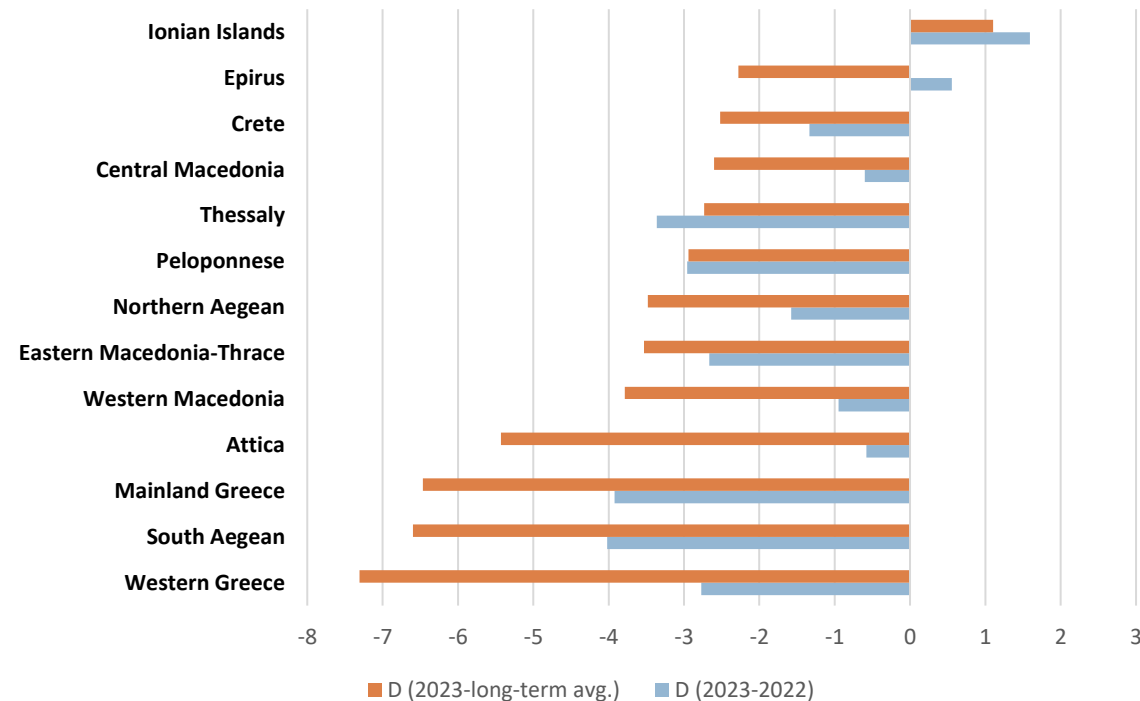


The unemployment rate further shrank in 11 regions in 2023, dispersion remains high...

Unemployment rate, 2023



Change in the unemployment rate, 2023



...with the strongest decline recorded in Western Greece, the South Aegean and Central Greece. Western Macedonia has the highest unemployment rate among the 13 regions of the country.



The distribution of employment across primary, secondary, and tertiary sectors differs significantly between regions

Distribution of employment by sector of economic activity and region

	2023 share				2023 share - 2000-2023 average		
	(as a %, od the entire region)				(in p.p.)		
	Primary	Secondary	Tertiary		Primary	Secondary	Tertiary
Eastern Macedonia and Thrace	22.9%	15.4%	61.6%		-4.6	-1.8	6.4
Central Macedonia	14.2%	17.8%	68.0%		0.2	-3.0	2.8
Western Macedonia	19.0%	21.7%	59.4%		0.1	-6.4	6.3
Epirus	14.7%	15.9%	69.4%		-4.4	-2.8	7.2
Thessaly	21.6%	14.8%	63.6%		-2.3	-3.0	5.3
Ionian Islands	7.0%	11.7%	81.3%		-8.7	-2.0	10.7
Western Greece	21.8%	13.4%	64.9%		-3.6	-2.5	6.1
Central Greece	18.4%	26.6%	55.1%		-2.4	0.1	2.4
Attica	1.1%	14.8%	84.1%		0.2	-4.5	4.3
Peloponnese	24.8%	16.9%	58.3%		-6.0	1.1	4.8
North Aegean	20.1%	8.9%	71.0%		3.6	-5.0	1.4
South Aegean	5.3%	15.8%	78.9%		-1.6	-1.9	3.5
Crete	17.1%	13.7%	69.2%		-3.7	-1.4	5.2

Source: ELSTAT

A common long-term trend is the increase in the share of employment in the **tertiary sector**. On the contrary, the share of employment in the primary sector has decreased or remained stagnant, except in the North Aegean, while the share in the secondary sector has only increased in the Peloponnese and Central Greece.



Room for improvement and opportunities for convergence in several areas

- **Population decline and aging** are national problems, related to regional growth rates. They are less intense in individual regions such as Crete and the South Aegean but births now fall short of deaths in all 13 regions. The trend is mitigated by positive net migration flows in 10 regions.
- **Economic activity** remains highly concentrated in Attica, where the highest GDP per capita is recorded by far. The rates of investment and credit expansion are recovering at different speeds across regions.
- The **need for convergence in key economic indicators between regions** remains a key objective and challenge, as the regions of the two largest urban centers and much of island Greece record better performance in many areas.
- **Heterogeneity in key social indicators between regions** and the deviation from the European average remain pronounced, in issues such as income inequality, health services, and social protection.

Next steps

- Systematic monitoring of trends and in-depth analysis of individual topics
- Design of policies that will consider the most recent data and needs per region

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