

# The Greek Economy

Quarterly Bulletin

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FOUNDATION FOR ECONOMIC & INDUSTRIAL RESEARCH

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## IOBE

The Foundation for Economic and Industrial Research (IOBE) is a private, non-profit, public benefit research organisation. Its purpose is to promote research on current problems and prospects of the Greek Economy and its sectors and to generate reliable information, analysis and proposals for action that can be of value to policy makers.

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|  |     |
|--|-----|
| <i>Foreword</i> .....  | 5   |
| <i>1 BRIEF OVERVIEW</i> .....                                      | 13  |
| <i>2 ECONOMIC ENVIRONMENT</i> .....                                | 21  |
| 2.1 Trends and Prospects of the World Economy.....                 | 21  |
| A. The Global Environment .....                                    | 21  |
| B. EU and Euro area economies .....                                | 31  |
| 2.2 The Economic Environment in Greece.....                        | 41  |
| A. Economic Sentiment.....   | 41  |
| B. Fiscal developments .....                                       | 48  |
| C. Financial developments .....                                    | 56  |
| <i>3 MACROECONOMIC PERFORMANCE AND OUTLOOK</i> .....               | 69  |
| 3.1 GDP components.....  | 69  |
| A. Recent developments.....  | 69  |
| B. Assumptions and forecasts .....                                 | 73  |
| 3.2 Trends in key sectors.....                                     | 81  |
| 3.3 External balance .....   | 88  |
| A. Analysis of exports and imports based on national accounts..... | 88  |
| B. Balance of payments .....                                       | 93  |
| 3.4 Labour market .....  | 102 |
| 3.5 Consumer and Producer Prices.....                              | 110 |
| <i>4 THE GREEK REGIONS: ECONOMIC AND SOCIAL TRENDS</i> .....       | 121 |
| <i>APPENDIX</i> .....  | 131 |



## Foreword

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IOBE is publishing its report for the first quarter of 2025, as part of the periodic reviews of the Greek economy. It contains four sections, accompanied by an annex of macroeconomic indicators, comparing the performance of Greece with that of the remaining countries in the Euro area. It is preceded by an introductory text highlighting the strengthening of investment for growth in a turbulent trade environment. The remaining sections include the following:

The first section contains a brief overview of the report, setting out its highlights, analysed in detail in the following sections. The second section outlines the broader economic environment and includes: a) analysis of the international environment in the fourth quarter of 2024 and the developments and outlook for 2025, b) presentation of the economic climate in Greece in the first quarter of 2025, according to the results of the business and consumer surveys of IOBE, c) assessment of the balance of the State Budget for 2024 and the first two months of 2025 and d) developments in the domestic financial system up until February 2025.

The third section focuses on the macroeconomic performance and outlook of the Greek economy. It outlines recent macroeconomic developments with an emphasis on the fourth quarter and the whole of 2024 and presents forecasts for 2025, based on assumptions and considering the latest available data. It analyses developments in key production sectors in 2024 and presents the export performance of the Greek economy for the same period, based on data from both the national accounts and the balance of payments. After that, it outlines developments in the labour market over the fourth quarter of 2024. It then analyses the inflation trends in the first quarter of 2025.

The fourth section presents the main findings of a recent IOBE study on trends in selected economic and social indicators at the level of Greek regions. The current report contains four text boxes. The first text box records the tariff rates that were applicable until recently to international trade in goods between the US and its main trading partners (see section 2.1A). The second text box highlights some of the current challenges to the competitiveness of the European economy (section 2.1B). The third text box presents the evolution of the rating of Greek government bonds by international agencies between 2010 and 2025 (section 2.2C). Section 3.3 presents the main bilateral trade flows between Greece and the US, as well as between the EU and the US.

This report refers to and is based on data available until 10/04/2025.

IOBE's next quarterly report on the Greek economy will be published in July 2025.



## INVESTMENT SUPPORT FOR GROWTH IN A TURBULENT TRADE ARENA

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The main issue for the Greek economy at the moment is the wider context of global economic turmoil and the risks it poses. For an economy such as ours, which has not yet strengthened to the desired degree, an adverse European and global environment could negatively impact its medium-term prospects. The threat is twofold: it concerns both exports of goods and services and the investment needed to maintain satisfactory economic growth.

At the global level, the focus of attention is, of course, on the intense changes to US tariff policy that have been announced, withdrawn or threatened for the future. This issue has three important dimensions. First, there is the possibility of a rebalancing of the architecture of international trade towards a higher level of tariffs in the medium term. If this occurs, average production costs are expected to rise globally over the next few years, resulting in higher prices for goods and services, as well as lower real household incomes. Furthermore, the damage to the interconnection of firms and productive sectors is expected to lead to a slowdown in innovation.

Sharp, recurrent  
changes in US tariff  
policy

The second dimension relates to the current uncertainty surrounding the level of tariffs that will be applied between different economies, and their potential impact. This uncertainty is freezing investment, particularly more productive and medium to long-term investment, until businesses and investors can assess the new landscape. Global trade has not yet declined, partly because there is a significant volume of imports from those trying to prevent a substantial rise in related tariffs.

The third dimension relates to the broader upheaval that could occur within the global economy, involving shifts in the relative power and trajectory of major economies. The fundamentals of globalisation, concerning the interconnections between developed and developing economies, are being challenged. In this context, the European Union will seek a new strategy based on increased competitiveness, strategic autonomy and defence.

The rules of the world economy are changing drastically

More specifically, the recent announcements by the US President are consistent with his pre-election commitments and statements and should therefore come as no surprise. However, this does not mean that the scale of the intervention and the level of tariffs announced are not a cause for concern. The expected impact of the new tariffs on international trade, if implemented, and the procedures for these new policies, are drastically changing the rules of the world economy. This is creating an extremely uncertain landscape. In this context, businesses and governments are being called upon to adapt their strategies and policies, respectively. The possibility of critical mistakes that could exacerbate the problem cannot be ruled out.

If the US tariffs are implemented, they will alter the fundamental trends that have dominated the world economy for almost four decades, with unforeseeable consequences. Since the 1980s, economic growth in the West and developing countries alike has relied on the systematic expansion of trade between different economies and the integration of vast regions into the global economy, including China, India and other major Asian economies, not to mention the economies of former Eastern Europe.

A complete reversal of free trade will come at a cost in terms of prosperity.

The reduction of restrictions on trade and capital movements, and the liberalisation of the movement of people where applicable, has enabled ever greater specialisation in production and the development and dissemination of new technologies. It is now impossible to reverse this trend without a significant decline in prosperity. Furthermore, the production of final products now incorporates intermediate products from other economies to a very large extent. Trade increasingly takes place alongside the operations of multinational corporations in the search for comparative advantages and the division of labour between research and product development and skilled and unskilled workers.

There have already been significant changes in terms of tariff decisions. Following the initial announcement of generalised and high tariffs, the US first postponed the imposition of high tariffs on the European Union and then removed or postponed tariffs on many electronic goods. However, for the time being at least, the US continues to impose extremely high tariffs on China, which has retaliated with correspondingly high tariffs.

The most likely scenario is that successive negotiations, following an initial period of several months, will reduce the recently announced tariffs and establish a new equilibrium, resulting in partial reallocation of production across the globe. However, until this happens, uncertainty will prevail and many investments will be frozen. This combination of uncertainty, weak investment and the inevitable slowdown in growth could trigger a temporary — or even more severe — crisis in global financial markets.

In this context, both the European Union and Greece face the major challenge of establishing new trade rules and enhancing the competitiveness of domestic production. For the Greek economy, Moody's recent upgrade of its credit rating, following other agencies, closes a painful cycle that began in 2010, when the Greek government's smooth financing by foreign markets was interrupted. Fifteen years later — eight of which were spent in successive bailout and adjustment programmes, and seven in their aftermath — all major rating agencies have now given the Greek economy an investment-grade rating. Equally importantly, Greece's borrowing costs relative to other European economies are now very low.

Need for a new strategy for Europe, focusing on competitiveness, strategic autonomy and defence

Certain sectors of the Greek economy have returned to pre-crisis levels. Unemployment has fallen below 9%, approaching the average for the 2000s. The real estate market has recovered, with prices and rents — which had fallen by up to 50% in some areas — rapidly returning to pre-crisis levels. The Athens Stock Exchange has reached high levels again, while the cost of borrowing from the government through bonds and treasury bills is also progressing satisfactorily. Banks are lending more to businesses and the problem of non-performing loans is easing.

The Greek economy is recovering to pre-crisis levels

As the investment gap narrows and unemployment falls, two fundamental questions arise. Firstly, is the Greek economy robust enough to withstand the turmoil of the international environment? After all, our country's public debt remains extremely high, and according to credit rating agencies, we still have a long way to go before achieving the desired rating enjoyed by other eurozone countries. Secondly, has an inherent dynamic been created that will allow for steady, high growth in the coming years? In this regard, there has not yet been a significant increase in productivity, and a number of necessary structural changes are still pending.

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

The substantial upgrading of our economy and its adaptation to the new international environment is now a major challenge. The stabilisation that has followed the deep and prolonged crisis, in both economic and broader social terms, is a significant positive development. Immediate uncertainties have been reduced, the damage inflicted on many households is gradually healing, and some areas of the economy are generating significant income. This trend is expected to continue over the

next two years, when the contribution of the recovery fund will be at its highest.

However, alongside this remarkable stability, challenges remain for the economy. Despite improvements in exports in certain sectors, the current account balance remains strongly negative. This reflects the competitiveness of the economy, revealing indirectly the quality of its investment base and operating rules, as well as the level of savings. Accordingly, growth in the coming years will not be automatic. This is also reflected in economic sentiment surveys, where, despite the stabilisation, many households do not express optimism.

Although chronic weaknesses are evident and there is turmoil in the international environment, a severe financing crisis in the foreseeable future is highly unlikely. Safeguards are now in place in the eurozone, in the form of coordination and mutual support policies created after the debt crisis, as well as common European Union programmes that protect smaller economies, provided they follow prudent fiscal policies.

Is there a build-up of underlying momentum for high domestic growth in the medium term?

However, although the risk of a severe crisis is very low, the same cannot be said for the possibility of economic stagnation. Current growth rates, which exceed the European average, are mainly due to increased investment and employment from particularly low levels. If there is no increase in productivity, though, which would require substantial intervention in the structure of the economy, the current trend will inevitably decline. This is because growth in the use of production factors is gradually reaching its limit, and there will be no further scope for growth under the current model. As the post-debt-crisis cycle comes to a close, the new imperative is stable policy targeting and social support for changes that will systematically upgrade production and people's incomes.

Political and social support for changes that increase productivity is crucial

In this regard, the issues that have recently dominated the domestic economic agenda have concerned regulatory interventions affecting incomes, ranging from the minimum wage to public sector salaries and pensions. The main objective of economic policy, of course, is to increase people's incomes. This is particularly pertinent in a country where incomes were severely reduced during the decade-long debt crisis. It goes without saying that the goal of growth must be a systematic increase in average incomes, alongside two other conditions: strengthening the safety net for those who are systematically or temporarily without sufficient income, and creating conditions for economic mobility, ensuring everyone has access to the necessary opportunities. Consequently, the goal of further increasing real incomes over the next two years is both legitimate and crucial.

Equally, it is self-evident that rising incomes cannot deviate from an economy's fundamentals. This certainly applies to an economy seeking long-term momentum, such as ours, especially when the external environment is under severe strain. This is evident at the average level, as income growth cannot systematically outpace productivity in an economy. It is also evident at the level of processes, as it is crucial that wages are aligned with the actual effort and contribution of workers.

Questions have only recently been raised in public debate about how the minimum wage could be increased more quickly, what subsidies could be granted to older pensioners who may still be subject to personal differences, whether civil servants should be given their 13th and 14th month salaries back, and whether the pay rise for military personnel could be extended to other related sectors. In a country that went bankrupt a few years ago, any administrative decisions regarding salaries must be carefully considered. Two further comments are important. Firstly, the economic recovery after the pandemic, in terms of GDP, has consistently outperformed the European average but this has mainly been driven by growth in employment and investment without any significant increase in productivity yet. Secondly, the current account deficit, which had virtually been eliminated following the bailouts, has returned to high levels, indicating that real income growth cannot be taken for granted in future.

Investment remains crucial for raising real incomes in the country. This applies to both the level and quality of investment. Although the level of investment is rising, it is still well below what is needed for rapid convergence with the rest of Europe. The quality of investment also needs to shift towards high-value sectors and companies. This issue raises at least three questions. Firstly, to what extent are the regulatory and bureaucratic obstacles that make investing in the country uncertain and difficult being removed? Secondly, to what extent is Greek production becoming more outward-looking, given that insufficient domestic demand means that significant high-value investment cannot be attracted, and that progress in exports has only partially filled the gap? Thirdly, how are domestic savings evolving, and to what extent are they being channelled into productive and entrepreneurial activities in the country, either through capital market development or banking operations? As investment in the country increases, particularly in areas supporting high-value-added jobs, a sustained increase in productivity and workers' incomes can be achieved.

Investment is key to raising real incomes

Current developments in the global economy require vigilance and adjustments. Turbulence is expected in both the real and financial markets. The economies that will benefit are those that strengthen investment in high-value sectors and improve institutional functioning. In

terms of public finances, our country's clear priority must be to reduce taxation on low-income earners, which has increased in real terms due to inflation. Wages in the public sector are generally low and need to be increased, but this must be done alongside the reorganisation of services and a shift in priorities, aided by digital infrastructure. Although our economy has recovered strongly, it still has some way to go in terms of productivity and high-value employment. In the face of new global turmoil, it will be crucial to adopt a defensive position while simultaneously taking advantage of the significant opportunities that will arise.



# 1 BRIEF OVERVIEW

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## International environment: Trade war looms

The world economy continued to grow in the fourth quarter of 2024, albeit with heterogeneity across geographical areas reflecting multiple sources of uncertainty. OECD countries' economies grew at an annual rate of 1.9% in Q4 2024, which was slightly higher than in Q3 2024 (1.7%) and Q4 2023 (1.8%). However, since early 2025, the new US trade policy of raising tariffs has created unprecedented uncertainty, combined with intense volatility in international capital and energy markets. International banks estimate that the probability of a US recession has increased significantly. International organisations have recently revised their forecasts for global growth (downward) and inflation (upward), with the size of the revisions remaining small. Based on the latest OECD forecasts (March 2025), global economic growth in 2025 is estimated to be lower than in the December forecasts (3.1% compared to 3.3%).

Despite the significant slowdown, headline inflation remains higher than desired, while core inflation is proving persistent in many economies. For example, in February 2025, inflation in the 38 OECD countries reached 4.5%, while core inflation (excluding energy and food) fell to 4.7%. Meanwhile, energy prices rose by 3.6% and food prices by 4.4%. As inflationary pressures eased, the central banks of major economies continued to gradually loosen their monetary policy. However, in April 2025, calls for a 'global trade war' prompted central banks in major economies to adopt a wait-and-see stance. This is because the extent of the return of trade protectionism could lead to production chain disruptions and price increases, which would complicate the search for an appropriate balance in monetary policy conduct. A more detailed analysis is presented in Section 2.1A and in a related text box on US-EU tariffs imposed to date.

## European economy: Challenges for competitiveness and growth

In the fourth quarter of 2024, the annual rate of change in real GDP accelerated to 1.4% in the EU-27 and to 1.2% in the euro area, up from 1.0% and 0.9% respectively in the previous quarter. In annualised terms, five of the 20 euro-area member countries, including Germany, continued to



record negative annual GDP growth rates. The economic climate in Europe deteriorated in March 2025 amid intensifying uncertainty about US trade policy.

Inflation in the EU-27 and the euro area was 2.7% and 2.3%, respectively, in the first quarter of 2025. This was broadly in line with the 2024 annual average (2.6% and 2.4%, respectively). Against this backdrop, the ECB proceeded with two further consecutive cuts to key interest rates in the first quarter, bringing the total reduction since mid-2024 to at least 150 basis points. Markets are anticipating a slower decline in key interest rates in 2025, although these rates will remain higher than in early 2022.

According to the European Central Bank's latest forecasts (March 2025), the Eurozone economy is expected to grow by +0.9% in 2025 and +1.2% in 2026, which is 0.2 percentage points lower than the previous quarter's forecasts. Eurozone inflation is expected to rise to 2.3% in 2025 and fall to 1.9% in 2026.

The new tariff policy and the volatility of the US administration's approach are expected to impact European exports and investment, with significant consequences for the European and global economies. Furthermore, the ongoing conflicts in Ukraine and the Middle East, potential energy supply disruptions, and high fiscal deficits in core eurozone countries pose risks to the recovery of the European economy and the smooth reduction in inflation.

Further deepening of Eurozone institutions and reforms to reduce the productivity and innovation gap with the US are crucial (see the text box in Section 2.1B). Europe has set ambitious targets for the green transition but lags behind other advanced economies in defence spending. Section 2.1B presents trends in the European economy in detail, while a text box describes the relevant challenges highlighted in recent EU documents such as the Draghi Report (2024), the Competitiveness Compass (2025), the Clean Industrial Deal (2025) and the ReArm Programme (2025).

## **Acceleration of economic growth in Greece in the fourth quarter**

The annual rate of change in real GDP increased from 2.3% in the previous quarter to 2.6% in the fourth quarter of 2024. Seasonally adjusted GDP increased by 0.9% compared with the previous quarter. This increase was primarily driven by a +24.4% year-on-year rise in total investment, thanks to an increase in inventories and a +9.0% rise in fixed capital investment. Private consumption continued its upward trend, growing by 0.8% year-on-year, albeit at a slower pace (down from 2.5%). In contrast, public consumption declined by 3.4%, resulting in a 0.3% contraction in total consumption.

The increase in total exports of +3.6% (up from +3.3% a quarter earlier) had a positive impact on domestic growth. Exports of goods increased by +1.6% year-on-year (from +0.9%), while exports of services strengthened by +5.9% year-on-year (from +4.8%). However, the positive contribution of exports was offset by the negative impact of an increase in imports, which rose by 2.4% year-on-year compared to 5.4% in the previous quarter. This increase was due to a strengthening of the annual growth rate of goods (+2.0%) and, more significantly, services (+4.8%). Consequently, the external balance deficit improved by around €122 million in national accounting terms compared to the same period last year.

Positive developments in the fourth quarter of 2024 include higher domestic growth rates than the euro area average (see Appendix), a recovery in fixed investment and the economy's continued openness (exports and imports together account for around 80% of GDP). Negative developments



include the persistently negative trade balance and higher inflation than the euro area average. Section 3.1A provides a detailed presentation of macroeconomic performance in the fourth quarter of 2024.

### **Positive momentum in construction and tourism, industry at a turning point, weak retail trade**

Industrial production strengthened in 2024 as a whole, rising by 5.2% — higher than the 2.3% recorded in 2023 — but showed signs of fatigue in the first two months of 2025. Construction activity increased by 19.5% in 2024 compared to 10.3% in 2023, driven by a significant rise in new building permits. Turnover increased in most service sectors in 2024, although expectations are mixed. In tourism, turnover indicators rose in the accommodation and food service sectors. In Retail Trade, meanwhile, volume declined by a further 1.5% in 2024 as a whole, compared with a more pronounced 3.3% decline a year earlier. Expectations in retail trade in the fourth quarter of 2024 showed negative trends. Section 3.2 highlights short-term trends in key sectors of the Greek economy.

### **External deficit remains high**

In the national accounts, a decline in nominal terms was recorded in exports of goods in 2024, at a rate of -2.4%. However, excluding petroleum products and ships, exports increased by 1.9%. In the same period, an increase in imports of goods was recorded at current prices, with an annual rate of 1.8%. Consequently, the trade deficit increased by €2.6 billion to €33.2 billion over the same period. On a positive note, the Greek economy's degree of openness (total trade flows to GDP) remained high in early 2025.

In terms of the balance of payments, the current account deficit widened to €15.1 billion (6.4% of GDP) in 2024, compared with €13.9 billion (6.2% of GDP) in 2023. The deficit worsened in both the goods and primary income accounts, while the services and secondary income accounts improved, the latter including inflows from the Recovery and Resilience Facility. The goods account deficit, excluding fuels and ships, stood at €5.2 billion in 2024, up from €4.0 billion in 2023. More detailed developments in the external balance are described in Section 3.3. The text box at the end of the section analyses the evolution of bilateral trade flows between Greece and the US, and between the EU and the US.

### **Unemployment down and participation up in the fourth quarter**

In the fourth quarter of 2024, the unemployment rate dropped to 9.5%, down from 10.5% in the same quarter of 2023. This decrease was due to a fall in the number of unemployed people (-39,600) and an increase in the number of people in employment (+95,600). However, the balance of hires and separations in the private sector was negative by 232,000 people in the fourth quarter, compared with a smaller negative balance for the same quarter of 2023 (-195,500).

The sectors that experienced the greatest annual increase in employment were professional, scientific, and technical activities (36,700 new employees); education (31,500 new employees); and wholesale and retail trade, and the repair of motor vehicles and motorcycles (29,700 new employees). The proportion of full-time employment also increased relative to part-time



employment. Additionally, the seasonally adjusted wage cost index increased by 4.9% in the fourth quarter of 2024 compared to the same quarter of the previous year.

On a positive note, the employment rate of the working-age population increased year on year in the fourth quarter of 2024, reducing the gap with the European average to 6.9 percentage points. The labour force participation rate also increased in the fourth quarter of 2024, reaching 52.5% for individuals aged 15 and over — a rise of 1.5 percentage points compared to the previous year.

As the country returned to single-digit unemployment, further reductions in the coming quarters are expected to be slower due to a mismatch between labour supply and demand arising from high structural unemployment. Employment is expected to strengthen more modestly in 2025, mainly due to the upward trend in investment and exports, as well as in specific industrial and service sectors. According to IOBE estimates, the unemployment rate for 2025 is expected to be around 9.3%. More detailed developments and expectations for labour market trends are included in Section 3.4.

### **Inflation levelling off, higher than in the eurozone**

Inflation stood at 2.6% (CPI) and 3.1% (HICP) in the first quarter of 2025, compared to 3.1% (CPI) and 3.2% (HICP) in the same period of 2024. Domestic inflation remains higher than the EU average (see Appendix, Figure 4). Much of the pressure on prices in 2024 and early 2025 was due to non-energy goods and services. For example, the rate of change in the HICP excluding energy and taxes was 2.8% in the first two months of 2025, down from 3.9% a year earlier and compared with 2.4% in the euro area over the same period.

The main assumptions for forecasting inflation are as follows: (a) expected annual declines in the price of Brent crude oil priced in euros, with further downward pressure on the energy market exerted by developments regarding protectionist measures; and (b) expected modest growth in consumer demand of around 1.2% in 2025. Against this backdrop and in the context of inflationary pressures anticipated due to new tariffs on global trade, domestic inflation is projected to remain at around 2.8% in 2025. Section 3.5 provides a more detailed description of recent trends in consumer and producer prices, as well as expectations for their evolution in 2025.

### **Slight improvement in domestic economic sentiment in the first quarter of 2025**

The Economic Sentiment Indicator in Greece improved slightly in the first quarter of 2025, rising from 107.1 points to 107.7 points. A slight improvement was also recorded compared to the same quarter last year (106.7 points). Business expectations strengthened slightly in Services and Industry in the first quarter compared to the previous quarter, and more strongly in Construction; however, they weakened significantly in Retail Trade. The Consumer Confidence Index increased slightly during the January–March period compared to the previous quarter, rising from -47.1 to -43.1 points. At the same time, this figure is significantly higher than it was a year earlier (-46.1 points). Section 2.2A provides a detailed description of trends in the economic sentiment components.



## Public finances: cash targets exceeded in early 2025

In 2024, the execution of the state budget outperformed expectations in terms of cash flow, achieving a surplus of €369 million (0.2% of GDP). This is in contrast to the projected deficit of €3,601 million outlined in the 2025 Budget Introductory Report, and the actual deficit of €3,760 million (1.7% of GDP) recorded in 2023. At the same time, a primary cash surplus of €8.7 billion (3.7% of GDP) was recorded, compared to a target primary surplus of €4.6 billion and a primary surplus of €3.9 billion (1.7% of GDP) in 2023. This improvement in the cash balance is due to net revenues increasing by a higher amount (+10.6%, or +€7.11 billion) than expenditures (+4.2%, or +€2.98 billion).

In the first two months of 2025, the execution of the state budget continued to perform better than expected in terms of cash flow, with a surplus of €709 million (0.3% of GDP) compared to a deficit target of €51 million in the 2025 Budget Introductory Report and a surplus of €1,437 million (0.6% of GDP) in the corresponding period of 2024. At the same time, a cash primary surplus of €2,802 million (1.1% of GDP) was recorded, compared to a target of a primary surplus of €2,029 million and a primary surplus of €3,378 million (1.4% of GDP) in the first two months of 2024. The deterioration of the cash balance compared to last year is due to the reduction in net revenues (-7.2% or +€905 million). The developments in public finances are presented in section 2.2B.

## Historically low levels of non-performing loans (NPLs) on bank balance sheets

The following positive trends in banks' fundamentals stand out: a reduction in non-performing loans on balance sheets to a new historical low of 3.8% in Q4 2024; strong credit expansion to businesses; increased demand for housing loans; and improved profitability and liquidity.

Negative trends include banks' high exposure to government bonds, a high proportion of deferred taxation in equity, a high interest-rate margin, higher private financing costs compared to other countries and a high volume of non-performing loans that are not on the banks' balance sheets. Timely implementation of the loan component of the National Recovery and Resilience Plan is essential for financing productive investment on favourable terms.

In March 2025, amid a global rise in government bond yields, the cost of new public sector borrowing increased without, however, widening the spread from the corresponding cost of German government borrowing. In the same month, after 15 years, the Greek government's credit rating was upgraded to 'investment grade' by the fifth rating agency recognised by the ECB (Moody's), as highlighted in the relevant timeline in the text box at the end of the section. Section 2.2C describes in detail recent trends and challenges for the domestic financial system.

## Macroeconomic forecasts for 2025

The key drivers of GDP growth in 2025 will be the slower pace of growth in the euro area economy, uncertainty surrounding the extent of the resurgence of protectionism in international trade, geopolitical instability, the gradual decline in inflation and interest rates, and the timely implementation of the Recovery and Resilience Plan.



The assumptions of the baseline scenario are presented in detail in Section 3.1B and include the following: (a) growth in the euro area of 0.9% and inflation of 2.3% in 2025, in line with the ECB's baseline scenario for March 2025; (b) an increase in short-term trade uncertainty, but no escalation into a global trade war, assuming either a trade agreement is reached between the EU and the US or the EU's response to new tariffs is moderate and targeted; (c) gradual de-escalation of geopolitical tensions in Ukraine; (d) international energy prices following the EIA baseline scenario, with stabilising trends in 2025 below the 2024 level; (e) interest rates following the trend of current forward contracts, i.e. Euribor gradually declining to around 2.0% by the end of 2025. (f) timely implementation of the revised 'Greece 2.0' plan in 2025; and (g) tourism revenue performance in 2025 being similar to that in 2024 in real terms.

Section 3.1B presents detailed forecasts by GDP component. For 2025, the IOBE projects a slight slowdown in annual growth to 2.2% (down from a previous forecast of 2.4%) at constant prices. There is uncertainty surrounding potential risks arising from the international environment, such as trade protectionism and geopolitical instability. Regarding the growth components in 2025, fixed investment is expected to increase significantly (+9.5%), while private consumption is expected to slow down (+1.2%). A slight improvement is expected in the external sector, with exports and imports increasing by 2.2% and 1.5% per annum, respectively. Average inflation in 2025 is expected to exceed slightly the euro area average, reaching around 2.8%, while unemployment is estimated to decline further to approximately 9.3%.

The IOBE baseline macroeconomic forecast (Table 1.1) indicates positive prospects for 2025, as well as risks, which are discussed in detail in Section 3.1B. In summary, the previous estimate for recovery of the domestic economy is revised marginally downwards to +2.2% in 2025 (from +2.4%), with a negative outlook, primarily due to the unstable external environment and the external deficit.

Table 1.1

IOBE macroeconomic forecasts (April 2025)

(in constant market prices, annual % changes, unless indicated otherwise)

|                               | 2023<br>(actual) | 2024<br>(actual) | 2025<br>(forecast) |
|-------------------------------|------------------|------------------|--------------------|
| GDP                           | 2.3%             | 2.3%             | 2.2%               |
| Consumption                   | 1.8%             | 0.7%             | 1.1%               |
| Private consumption           | 1.7%             | 2.1%             | 1.2%               |
| Public consumption            | 2.5%             | -4.1%            | 0.6%               |
| Gross capital formation       | 1.3%             | 23.1%            | 6.0%               |
| Gross fixed capital formation | 7.0%             | 4.5%             | 9.5%               |
| Exports                       | 1.9%             | 1.0%             | 2.2%               |
| Imports                       | 0.9%             | 5.5%             | 1.5%               |
| Inflation rate (HICP)         | 4.2%             | 3.0%             | 2.8%               |
| Unemployment (% labour force) | 11.1%            | 10.1%            | 9.3%               |

## Special study: Economic and social trends in the Greek regions

Produced in collaboration with the Regional Policy Observatory, the periodic report aims to systematically monitor, highlight and interpret social and economic indicators in Greece's regions. The second issue focuses on the following topics: (a) demographic trends; (b) economic activity; (c)



entrepreneurship; (d) the financial sector; (e) the labour market; (f) social services and social inclusion; (g) arts and tourism; and (h) the environment and spatial planning. Key findings include identified opportunities for progress and convergence in several areas. A summary of the second issue of the report can be found in Chapter 4.





## 2 ECONOMIC ENVIRONMENT

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### 2.1 Trends and Prospects of the World Economy

#### A. The Global Environment

- According to the OECD's March report, global economic growth is projected to reach 3.1% in 2025 before slowing slightly to 3.0% in 2026.
- Inflation continues to decline, albeit at a slower pace, and remains above the desired level.
- The new US administration's return to protectionist policies is creating uncertainty in international trade, threatening both growth and inflation worldwide.
- Although central banks in most major economies are maintaining a restrictive monetary policy to ensure inflation continues to decline sustainably, they are also monitoring the potential implications of an impending global trade war.

The global economy continued to grow in the fourth quarter of 2024, albeit at a slightly slower pace. The OECD economies grew at an annual rate of 1.9% in Q4 2024, which was slightly higher than in Q3 2024 (1.7%) and the corresponding quarter of 2023 (1.8%). Meanwhile, the annual rate of change in GDP in the major advanced economies (G7) declined slightly to 1.7%, down from 1.8% in the previous quarter and 1.9% in the same quarter of 2023. Growth in the 20 largest OECD economies slowed to 3.3% in the fourth quarter, down from 3.5% in the previous quarter and compared to growth of 2.6% in the same quarter of 2023.

Despite the significant slowdown recorded, inflation remains higher than desired, while core inflation is proving persistent in many economies. In February, inflation fell to 4.5% in the 38 OECD countries, while core inflation (excluding energy and food) fell to 4.7%. Meanwhile, energy prices rose by 3.6% and food prices by 4.4%.



Table 2.1

| Economy        | 2024 | 2025     |                                    | 2026     |                                    |
|----------------|------|----------|------------------------------------|----------|------------------------------------|
|                |      | Forecast | Difference from previous forecast* | Forecast | Difference from previous forecast* |
| World          | 3.2  | 3.1      | -0.2                               | 3.0      | -0.3                               |
| USA            | 2.8  | 2.2      | -0.2                               | 1.6      | -0.5                               |
| Japan          | 0.1  | 1.1      | -0.4                               | 0.2      | -0.4                               |
| Canada         | 1.5  | 0.7      | -1.3                               | 0.7      | -1.3                               |
| United Kingdom | 0.9  | 1.4      | -0.3                               | 1.2      | -0.1                               |
| Eurozone       | 0.7  | 1.0      | -0.3                               | 1.2      | -0.3                               |
| Germany        | -0.2 | 0.4      | -0.3                               | 1.1      | -0.1                               |
| France         | 1.1  | 0.8      | -0.1                               | 1.0      | 0.0                                |
| Italy          | 0.7  | 0.7      | -0.2                               | 0.9      | -0.3                               |
| Turkey         | 3.2  | 3.1      | 0.5                                | 3.9      | -0.1                               |
| China          | 5.0  | 4.8      | 0.1                                | 4.4      | 0.0                                |
| India          | 6.3  | 6.4      | -0.5                               | 6.6      | -0.2                               |
| Brazil         | 3.4  | 2.1      | -0.2                               | 1.4      | -0.5                               |
| World trade    | 1.0  | 3.5      | -                                  | 3.6      | -                                  |

Source: OECD Interim Economic Outlook, March 2025.

The recent and expected trends in major economies and blocs for the current and next year are analysed below.



Among the major developed economies, the US recorded growth in the fourth quarter of 2024, with GDP increasing by 2.5% year-on-year. This was down from 2.7% in the third quarter, and compared with a rate of 3.2% in the same quarter of 2023. On a seasonally adjusted basis, annualised growth was 2.4% compared with the previous quarter. This increase was mainly driven by growth in consumer and public spending, partly offset by a decline in investment. Inflation declined slightly in February, falling from 3.0% to 2.8%, following consecutive increases in the previous four months. The new US administration is causing considerable uncertainty in international trade by reintroducing strong protectionist policies. The imposition of unexpectedly high tariffs on most countries worldwide on 2 April, in addition to the tariffs already imposed on close trading partners Canada and Mexico, is causing a major shock to the global economic system. The final level of tariffs and how other countries will react also remain unclear. Federal Reserve Chairman Jerome Powell has expressed concerns that the tariffs imposed by the Trump administration could lead to higher inflation and slower economic growth. He stressed that the full impact of the tariffs remains unclear and that the Federal Reserve will remain cautious until there is greater clarity on the state of the economy. As the central bank's inflation target of close to 2% has not yet been met, the Fed is maintaining its key interest rate at 4.25–4.5%, having cut it by 100 basis points three times in the second half of 2024. Overall, the US economy grew at a rate of 2.8% in 2024 and is expected to grow at a slower pace in 2025 (2.2%), with a further slowdown to 1.6% in 2026.

The eurozone economy grew by 1.2% year-on-year in the fourth quarter of 2024, surpassing initial forecasts of 0.9% and accelerating from revised growth of 1.0% in the previous quarter. This was the fastest expansion since early 2023 and was fuelled by lower borrowing costs and easing inflationary pressures. Household consumption increased by 1.5% (up from 1.1% in Q3), while government spending rose by 2.8% (down slightly from 3.1% in Q3). However, fixed investment fell by 2.1%, worsening from a decline of 1.6% in the previous quarter. Exports rose by 1.1%, while imports increased by 1.2%. Among the bloc's largest economies, Spain led the way with robust growth of 3.5%, followed by the Netherlands (1.8%), France (0.6%), and Italy (0.6%). In contrast, Germany, the eurozone's largest economy, continued to contract (-0.2%). According to a preliminary estimate, annual inflation in the eurozone fell to 2.2% in March 2025, the lowest rate since November 2024 and slightly below market expectations of 2.3%. Services inflation slowed to a 33-month low of 3.4%, compared to 3.7% in February, while energy costs declined by 0.7%, compared to an increase of 0.2% in February. However, inflation remained stable for non-energy industrial goods (0.6%) and processed food, alcohol and tobacco (2.6%), while unprocessed food prices increased (4.1% versus 3.0%). Meanwhile, core inflation, which excludes volatile food and energy prices, fell to 2.4%, which is slightly below market forecasts of 2.5%, marking the lowest level since January 2022. On a monthly basis, consumer prices rose by 0.6% in March, following a 0.4% increase in February.

The economic recovery is expected to be slower than previously forecast, with growth predicted to reach 1.0% in 2025 and 1.2% in 2026. According to the summary of its March monetary policy meeting, European Central Bank officials warned that US tariffs and possible retaliation could push inflation higher, especially in the short term. They also warned that increased government spending, particularly on defence and other fiscal measures, could add to price pressures and potentially delay the disinflation process. Additionally, policymakers emphasised that the revised policy statement should not be interpreted as signalling either a reduction in interest rates or an



end to the programme in April. They acknowledged the increased uncertainty surrounding the continued accommodative nature of monetary policy, noting that interest rates have already been lowered significantly while leaving the possibility of further cuts on the table. More recently, ECB President Christine Lagarde commented on the impact of President Donald Trump's tariffs on Europe, estimating that these tariffs could reduce European growth by around 0.3 percentage points in the first year. If Europe responds with reciprocal measures, growth could be reduced by a further 0.5 percentage points. Section 2.1B presents the outlook and challenges for the European economy in more detail.

In the United Kingdom, GDP grew by 1.5% year-on-year in the fourth quarter of 2024. This is slightly higher than the initially estimated 1.4%, and above the 1.2% recorded in the previous quarter. This is the strongest annual growth rate in two years. There were upward revisions for government spending (2.6% versus 2.1%) and fixed investment (2.2% versus 1.7%), due to an increase in business investment of 1.8%, compared with initial estimates of a decline of 0.7%. Conversely, household consumption was revised slightly lower (1.2% compared to an initial estimate of 1.4%), while both exports (-3.5% compared to an initial estimate of -4.2%) and imports (5% compared to an initial estimate of 4.1%) were also revised. Annual inflation in the United Kingdom fell from 3% in January to 2.8% in February 2025, which was below market expectations of 2.9%, but in line with the Bank of England's forecasts. The largest downward contribution came from clothing prices, which fell for the first time since October 2021 (down 0.6% compared to an increase of 1.8%). Inflation also declined in recreation and culture (3.4% compared to 3.8%) and housing and utilities (1.9% compared to 2.1%), including real rents for dwellings (7.4% compared to 7.8%). In contrast, food inflation remained at 3.3%, while prices rose faster for transport (1.8% vs. 1.7%) and restaurants and accommodation (3.4% vs. 3.3%). At the same time, services inflation remained stable at 5%. The annual rate of core inflation fell from 3.7% to 3.5%. At its March meeting, the Bank of England kept its bank rate at 4.5%, as policymakers adopted a wait-and-see approach amid persistently high inflation and global economic uncertainties. The bank emphasised that, given the medium-term outlook for inflation, a gradual and cautious approach to further withdrawing monetary policy restrictions remains appropriate. Although global energy prices have fallen, inflation is expected to exceed 3% by the third quarter of 2025. The Monetary Policy Committee also noted that uncertainties in global trade policy and geopolitical risks have increased, leading to rising financial market volatility. Overall, the UK economy expanded by 1.1% in 2024, up from an initial estimate of 0.9% and 0.4% in 2023. Growth of 1.4% is forecast for the current year, while growth of 1.2% is forecast for next year.

In Japan, GDP increased by 1.2% year-on-year in the fourth quarter of 2024, up from 0.7% in the previous quarter and 0.9% a year earlier. On a seasonally adjusted annualised basis, the Japanese economy expanded by 2.2% in the fourth quarter of 2024 compared with the previous quarter. This figure fell short of the preliminary estimate of 2.8% but represented an acceleration from the upwardly revised growth of 1.4% in the third quarter. This marked the third consecutive quarterly expansion thanks to a steady recovery in capital spending, as well as the fourth consecutive quarter of growth in government spending. Additionally, net trade contributed positively for the first time in five quarters, as exports continued to grow despite concerns about US President Donald Trump's tariff threats, while imports declined after two consecutive quarters of growth. Meanwhile, private consumption rose for the third consecutive quarter, although at a significantly slower pace due to higher inflation and borrowing costs. Overall, the Japanese economy grew by 0.1% in 2024, with an expected recovery to 1.1% in 2025, followed by a slowdown to 0.2% in 2026.



The rest of this subsection examines recent trends and economic policy challenges in four developing countries that together account for nearly a third of the world's GDP.

In detail, China's economy recorded an acceleration in its annual growth rate in the fourth quarter of 2024, reaching 5.4%. This was an increase from the previous quarter's rate of 4.6% and exceeded market estimates of 5.0%. This was the strongest annual growth rate in a year and a half, bolstered by a series of stimulus measures launched in September to strengthen the recovery and restore confidence. In December, industrial production growth reached an eight-month high, while retail sales rose from a three-month low. However, the unemployment rate reached a three-month high. In terms of trade, exports recorded double-digit growth in December, marking the ninth consecutive monthly increase and reaching the highest amount in three years. This was driven by companies rushing to complete shipments ahead of potential tariff increases under the US administration. Imports rose unexpectedly, reaching their highest level in 27 months. Overall, GDP grew by 5.0% in 2023, which is in line with Beijing's target of around 5% for 2024, but below the 5.2% growth recorded in 2023. Last year, fixed investment increased by 3.2% year-on-year, which was faster than the 3.0% pace recorded in 2023. The OECD forecasts a slight slowdown in growth to 4.8% for 2025, with a further slowdown to 4.4% in 2026.

India's economy grew by 6.0% in the fourth quarter of 2024, which is an increase on the 5.6% expansion seen in the previous quarter. However, this figure is slightly below the expected growth rate of 6.3%. This confirmed the slowdown in India's GDP growth. Until last year, India was by far the fastest-growing economy in the G20, but a prolonged period of high energy and food prices, coupled with restrictive monetary policy and tight liquidity conditions from the country's central bank, has led to a slowdown. Private consumer spending growth picked up to 6.9% (compared to 5.9% in the third quarter), as did public spending growth to 8.3% (compared to 3.8%), but gross fixed capital formation slowed down to 5.7% (compared to 5.8%). Meanwhile, net external demand contributed positively to GDP, with exports rising by 10.4% and imports falling by 1.1%. Growth of 6.4% is forecast for 2025, up from 6.3% the previous year, with a further increase to 6.6% forecast for 2026.

Turkey's economy grew at an annual rate of 2.4% in the fourth quarter of 2023, up from a revised 2.2% in the previous quarter and exceeding forecasts of 2.6%. This is the strongest expansion since the first quarter, driven by stronger household consumption (up from 2.6% in the third quarter to 3.9%), higher government spending (up from 0.1% to 1.6%) and a sharp rebound in fixed capital investment (up from -0.1% to 6.1%). However, net trade had a negative impact on GDP, with exports falling by 2% (compared to an increase of 0.7%) and imports rising by 1.6% (compared to a decline of 9.6%). On a quarterly basis, GDP expanded by 1.7%, rebounding from a 0.1% decline in Q3 and marking a sharp increase from Q2 2023. Overall in 2024, the Turkish economy grew by 3.2%, with growth forecast at 3.5% for 2025 and accelerating to 3.6% in 2026.

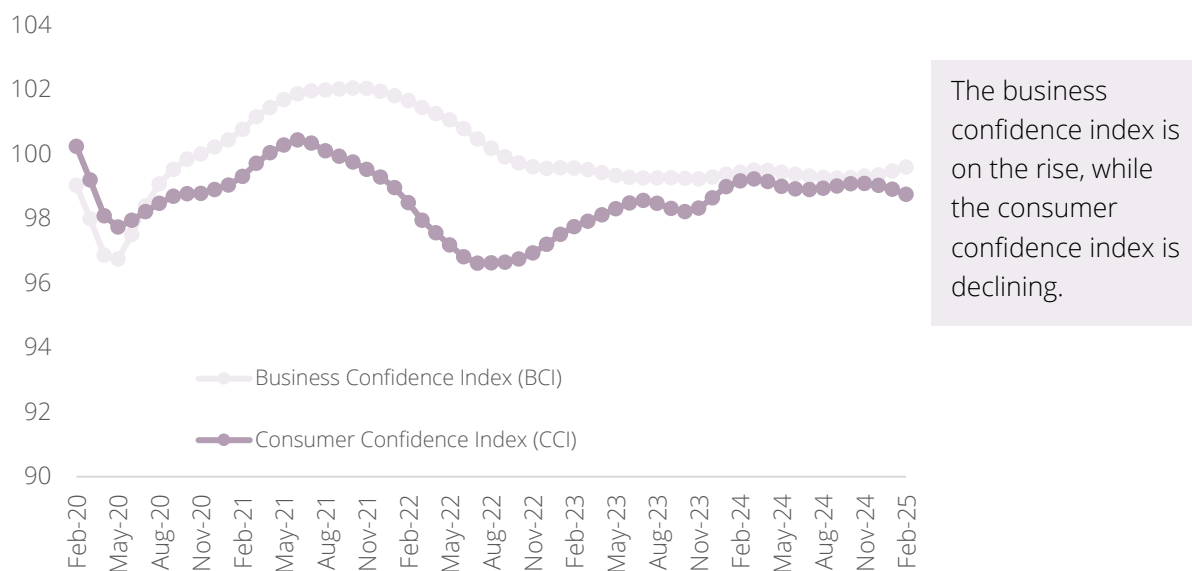
In Latin America, Brazil's economy grew by 3.3% in the fourth quarter of 2024, up from 3.5% in the previous quarter and 2.6% in the same quarter of 2023. Growth of 2.1% is forecast for 2025, while a slowdown to 1.4% is expected in 2026.

The business confidence index is rising, while the consumer confidence index fell in the first quarter of 2025 (see Figure 2.1).



Figure 2.1

Economic sentiment indicators for the OECD countries  
(seasonally adjusted data, long-term average = 100)



Source: OECD

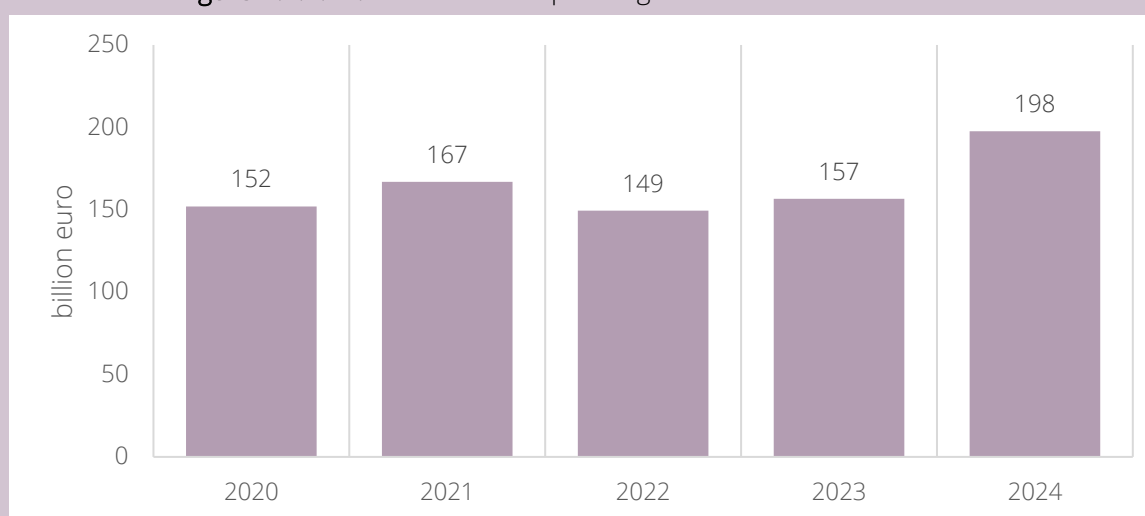


## Text box of Section 2.1.A:

## Summary of tariff burdens in the US–EU trade relationship up to 2023

Historically, trade in goods between the EU27 and the US has accounted for a significant proportion of the two regions' total trade flows, with EU27 exports to the US representing 20.6% of the Union's total exports to third countries and imports from the US accounting for 13.7% of total imports in 2024. The EU27 had a goods surplus with the US of around €200 billion in 2024, which has remained consistently high over the last five years.

Figure B.2.1.A1. EU27 trade surplus in goods trade flows with the US



Source: Eurostat

In this context, the tariffs imposed on 5 and 8 April 2025 by the US on European products, as announced by President Trump on 2 April 2025, along with the EU27's response, are expected to affect bilateral trade between the two countries if they are finally implemented.

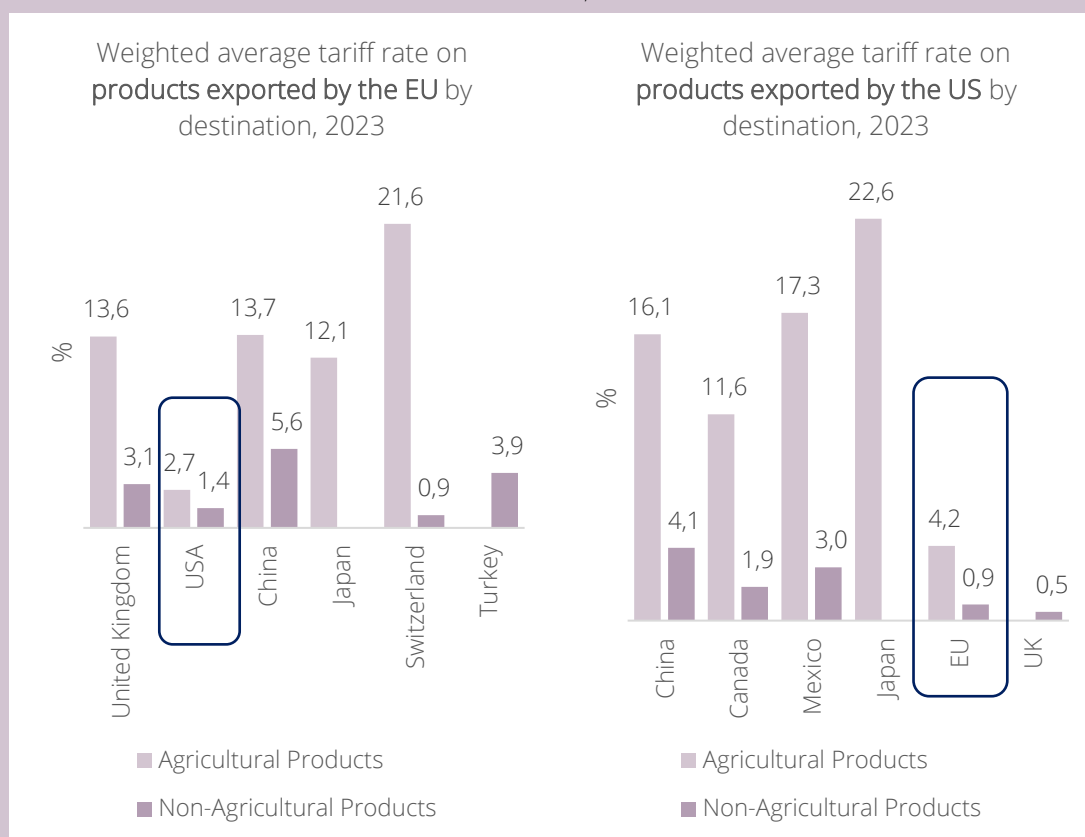
The post-war landscape of trade relations, largely shaped by the General Agreement on Tariffs and Trade (GATT) in 1947, is viewed as undergoing transformation. This trade agreement, initiated by the US and the UK, led to the establishment of the World Trade Organization (WTO) and the gradual reduction or removal of tariffs. Based on 2023 WTO data, in this environment the US applied an average weighted tariff rate of 2.2% on products imported from other countries - 4.0% on agricultural products, and 2.1% on non-agricultural products. In 2023, the EU applied an average weighted tariff rate of 2.7% on imports from other countries - 8.4% on agricultural products, and 2.3% on non-agricultural products.

Until 2023, the EU27 imposed an average weighted tariff rate of 4.2% on agricultural products and 0.9% on non-agricultural products imported from the US (Figure 2). These are the lowest tariffs faced by the US compared to those imposed by its main trading partners, with the exception of the UK; China, Japan, Mexico and Canada have imposed higher tariffs on the US. Similarly, the US previously imposed an average weighted tariff rate of 2.7% on agricultural products and 1.4% on non-agricultural products. In the case of the EU27, the tariffs imposed by the US on its products were also among the lowest of those imposed by the Union's main trading partners.

The above duties refer to the weighted average rate based on imports by sector. The following chart shows the duties imposed by the EU27 and the US as a whole, categorised by sector and unrelated to their bilateral trade with each other, but rather relating to trade with third countries.



**Figure B.2.1.A2.** Average weighted tariff rate on products exported by the EU and the US by destination, 2023



Source: WTO

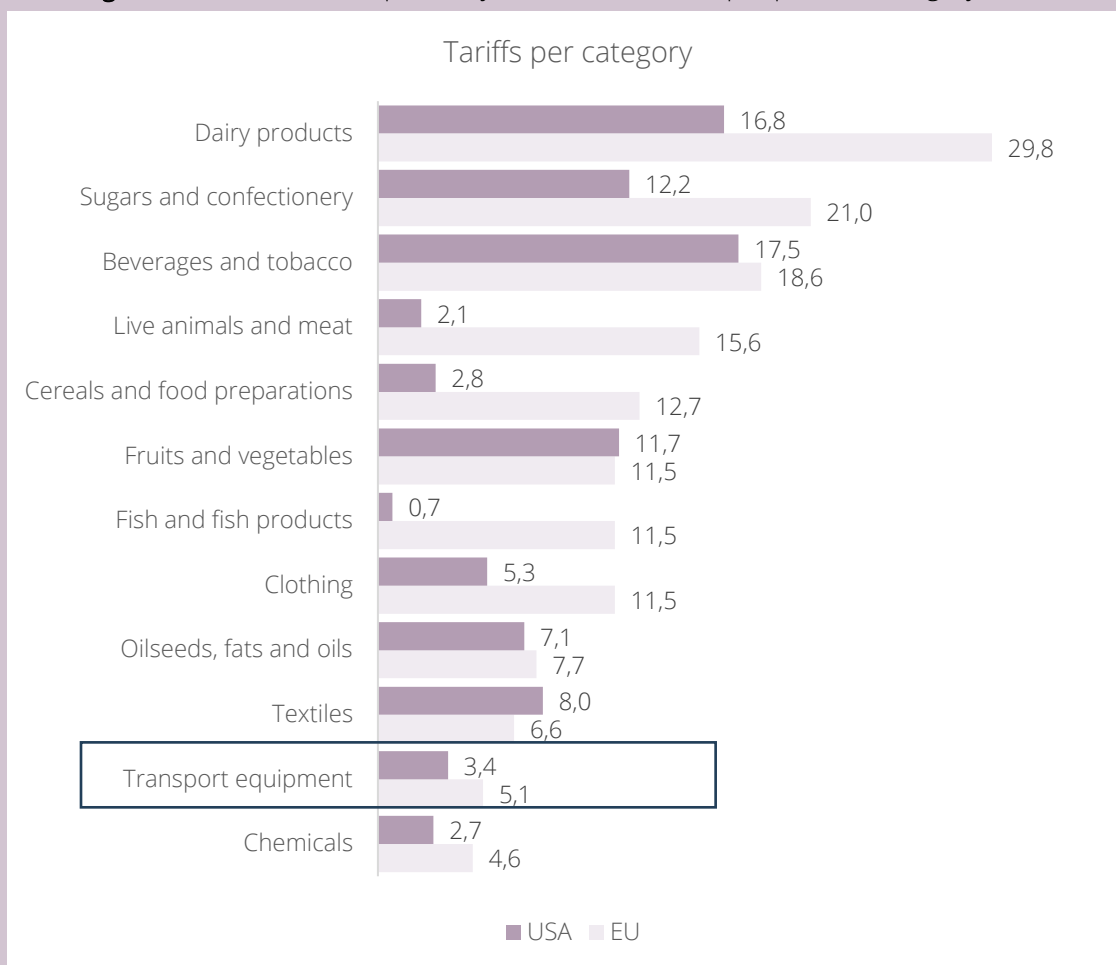
Until recently, both countries imposed high tariffs on dairy products, with the EU27 imposing almost double the rate. High tariff rates were also recorded on sugar, beverages and tobacco products. In the case of cars — a product that has long been a benchmark for bilateral trade between the two countries — the US imposed a tariff rate of 3.4% on third countries, while the EU27 imposed a rate of 5.1%.

Following election campaign pledges by the new US administration, uncertainty over international trade policy soared in the first quarter of 2025 (see Figure B.2.1.A4) amid anticipation of protectionist trade measures by the US. Consequently, there was a temporary surge in international trade flows, with companies in the US importing more goods to build up stocks ahead of potential cost increases due to the impending tariffs (Figure B.2.1.A5).

In April 2025, the US government surprised the markets with the scale of the measures it announced. It increased tariffs on nearly 90 countries or customs unions, including the EU, by rates ranging from 10% (across the board) to a higher rate, which is either frozen for three months (e.g. with the EU) to allow for trade negotiations, or constantly readjusted (e.g. with China), given China's involvement in a series of bilateral tariff increases with the US. Overall, the new tariff rates imposed by the US in April 2025 are exponentially higher than those previously imposed by its main trading partners, and higher than those previously imposed by the US itself.



Figure B.2.1.A3. Tariffs imposed by the EU and the US per product category, 2023



Source: WTO

Figure B.2.1.A4. Trade policy uncertainty index (100 = long-term average)

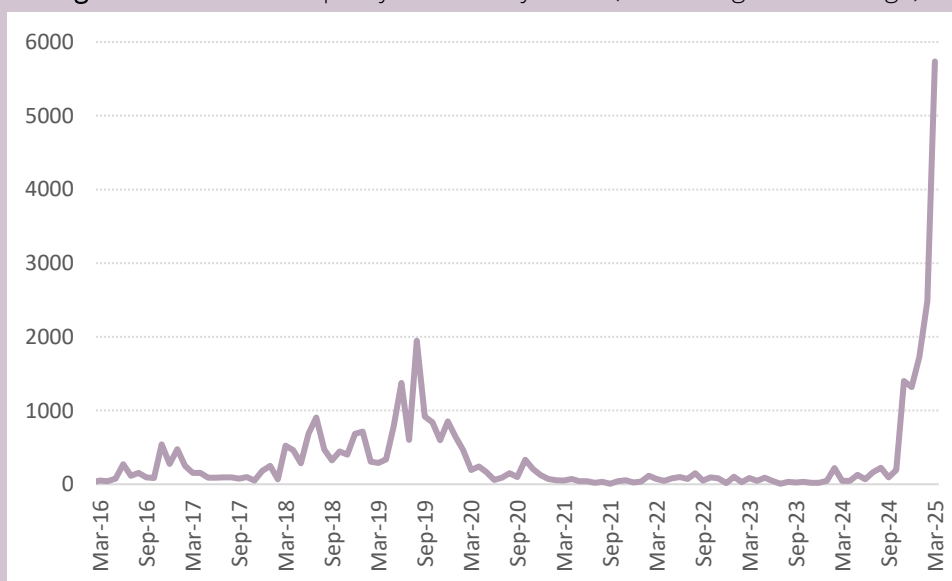
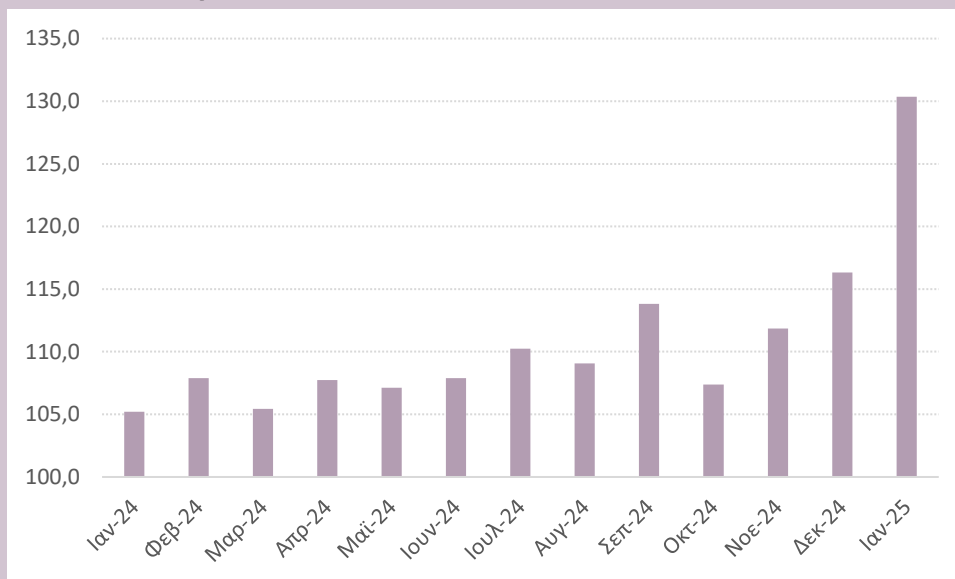
Source: Economic Policy Uncertainty, [www.policyuncertainty.com](http://www.policyuncertainty.com)



Figure B.2.1.A5. US import volume index (2021=100)



Source: CPB – World Trade Monitor



## B. EU and Euro area economies

- Positive annual real GDP growth in the EU and the euro area in Q4 of 2024, at 1.4% and 1.2% respectively.
- According to the European Central Bank's autumn economic forecast, the euro area will experience positive growth rates and lower inflation in 2025 and 2026.
  - Euro area: Growth of 0.9% and 1.2%, and inflation of 2.3% and 1.9% for 2025 and 2026.
  - EU27: 1.5% and 1.8% growth and 2.4% and 2.0% inflation in 2025 and 2026 respectively.
- The ECB reduced its three key interest rates by 25 basis points, for the sixth time since June 2024. The aim is to return and stabilise inflation around the medium-term target of 2%.
- The Trump administration's imposition of tariffs on a wide range of countries and regions, including the EU, is weighing on exports and investment, with significant consequences for the European and global economy.

High levels of geopolitical, political and trade uncertainty are expected to impact economic growth in the eurozone, delaying the anticipated recovery. The imposition of new tariffs by the US on a number of countries and regions, including the EU, is having an impact on exports and investment. Furthermore, the EU lags behind the US and China in terms of competitiveness, which further undermines its outlook. Nevertheless, euro area GDP is expected to grow over the next three years. Real wage and employment growth in the context of a robust labour market are expected to drive a recovery in which consumption remains a key factor. However, domestic demand will need to be supported by an easing of financing conditions. As some of the cyclical factors that have recently reduced productivity ease, productivity growth is expected to increase in the near term, although structural challenges remain.

In line with the EU's economic governance framework, governments should ensure sustainable public finances and prioritise meaningful structural reforms and growth-enhancing strategic investments. The European Commission's Competitiveness Compass provides a roadmap for achieving these goals, so swift adoption of its proposals is crucial.

### Economic activity in the fourth quarter of 2024

Economic activity improved in the fourth quarter of 2024 in both the European Union (EU) and the eurozone (EA). On an annual basis, GDP increased by 1.4% in the EU and by 1.2% in the EA, up from 1.1% and 1.0% respectively in the previous quarter. In terms of seasonally adjusted quarterly change, GDP increased by 0.4% in the EU and by 0.2% in the euro area. Overall, GDP increased by 1.0% in the EU and by 0.9% in the euro area in 2024, following increases of 0.4% in both areas in 2023.<sup>1</sup> Among the large Member States, real GDP grew on an annual basis in Spain, France, Italy and the Netherlands in 2024. In Germany, GDP declined by 0.2%, while in Austria it fell by 1.2%. Figure 1 in the Appendix shows the annual growth rate in 2024 for each eurozone country.

Private consumption followed an upward trend in 2024. In the fourth quarter, it increased by 0.6% year-on-year in both the EU and the euro area, following increases of 0.7% in both areas in the previous quarter. Public consumption rose by 0.9% in the EU and by 0.8% in the euro area in the fourth quarter of 2024 on an annual basis, following respective increases of 0.7% and 0.6% in the

<sup>1</sup>Eurostat GDP release, 7 March 2025



previous quarter. Exports of goods and services increased by 0.6% year-on-year in the fourth quarter of the year, following increases of 0.7% in the EU and 0.8% in the EA in the previous quarter, and significant decreases in the fourth quarter of 2023 (-0.7% and -1.3% respectively). Imports increased by 0.7% year-on-year in the EU and by 0.6% in the EA, following an increase of 0.8% in both in Q3 and a significant decrease in Q4 of 2023 (-1.4% and -1.5% respectively).

In March 2025, inflation in the eurozone is estimated to have fallen to 2.2%, down from 2.3% in February and 2.0% in January. Services, food, tobacco and alcoholic beverages had the largest upward impact on inflation in March. The dispersion of inflation across the EU is similar to that of the previous quarter (see Appendix, Figure 4).

Employment increased by 0.5% in the EU and by 0.7% in the eurozone year on year in the fourth quarter of 2024. In Q3 of 2024, employment increased by 0.8% in the EU and 1.0% in the eurozone. The highest employment growth was recorded in Malta, Ireland, and Croatia. The largest fall was observed in Latvia, followed by Finland and Estonia. Figures 5 and 6 in the Appendix present the employment rate and the change in employment by euro area country.

In February 2025, the seasonally adjusted unemployment rate in the EU was 6.1%, down from 6.2% in January and 6.5% in February 2024. In the EU, the rate was 5.7%, down from 5.8% in January and 6.1% in February 2024. During the fourth quarter, the unemployment rate ranged from 2.7% in Malta to 10.3% in Spain. Among the largest Member States, the rate was 3.3% in Germany, 3.0% in the Netherlands, 7.1% in France, and 6.0% in Italy. Figure 7 in the Appendix shows the unemployment rate by country in the EU.

In the third quarter of 2024, the seasonally adjusted general government deficit-to-GDP ratio stood at 2.9% in the EU and 2.6% in the euro area. This was down from 3.3% and 3.1%, respectively, in the previous quarter. The ratio of general government gross debt to GDP remained unchanged at 88.2% in the euro area at the end of the third quarter of 2024, compared to the end of the second quarter. In the EU, the ratio remained unchanged at 81.6%. Compared with the third quarter of 2023, the public debt-to-GDP ratio declined marginally in the euro area (from 88.4% to 88.2%), while there was a marginal increase in the EU (from 81.5% to 81.6%). Appendix Figures 2 and 3 show the budget balance and public debt-to-GDP ratio by euro area country.

On 6 March 2024, the European Central Bank announced that it was cutting its three key interest rates by 25 basis points, following similar reductions in January and December. This marked the sixth reduction in key interest rates since June 2024. Based on the dynamics of underlying inflation, the future outlook for its development, and the strength of monetary policy transmission, the ECB deemed it appropriate to ease monetary policy further after the October key interest rate cuts. The ECB's Governing Council is determined to ensure that inflation returns to and stabilises around its medium-term objective of 2% in a timely manner. However, given the highly uncertain economic environment, there is no forward guidance on the path of interest rates in the immediate future. The ECB's holdings under the asset purchase programme (APP) are being reduced at a steady pace as the Eurosystem is no longer reinvesting the principal payments from maturing securities. The Governing Council has now stopped reinvesting under the PEPP at the end of 2024. Finally, the Transmission Protection Instrument (TPI) is available to counteract unforeseeable, undesirable market developments that could affect the transmission of monetary policy in the euro area adversely, with the aim of maintaining price stability.



## Contribution of GDP components

Based on the developments in the components of euro area GDP shown in Figure 2.2, net exports contributed 0.0% to GDP growth in the fourth quarter of 2024, as in the previous quarter. This was due to an equal reduction in the contribution of exports and imports, which meant that net exports continued to contribute nothing to GDP growth in the fourth quarter of 2024. Domestic demand contributed 1.2% to GDP, down 1.0 percentage points from the previous quarter. Private consumption increased its contribution to GDP from 0.6% in the third quarter to 0.8% in the fourth, while public consumption decreased from 0.7% to 0.6%. Compared with the previous quarter, the contribution of gross investment became marginally less negative (-0.2% from -0.3%).

Figure 2.2

Eurozone GDP change – Contribution of components to the real annual rate of change (in percentage points)



Source: Eurostat

## €-COIN index and the Economic Sentiment Indicator

The leading indicator of economic activity in the eurozone and the European Union increased in the first two months of 2025 but then fell sharply in March. The €-COIN index reached its lowest level in recent years in November 2023, rising from then until March 2024 before remaining stable until July. From August 2024 onwards, the trend was upward again until February 2025. However, in March 2025, it fell to 0.25 points, down from 0.43 in February and 0.39 in January (see Figure 2.3). This decline points to a possible fall in GDP at the end of the next quarter.

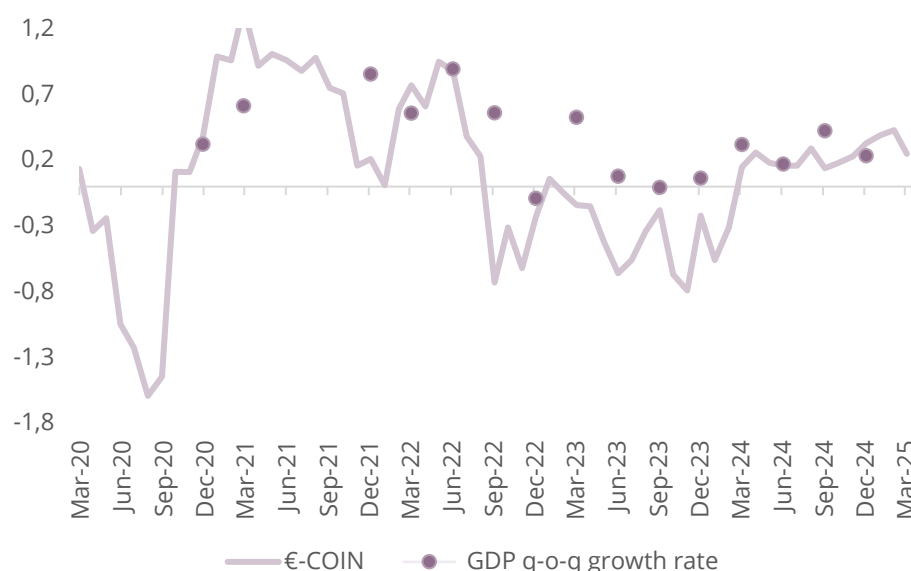
The European Commission's Economic Sentiment Indicator for the EU-27 and the euro area showed improvement in the first quarter of 2025. From February to September 2023, the trend was negative for both the EU and the euro area, but it turned positive from October 2023 to March 2024. It was slightly negative in the second quarter of 2024, slightly positive in the third quarter, and negative in the fourth quarter. The positive trend continued into the first quarter of 2025, though there was a deterioration in March. Specifically, the Economic Sentiment Indicator stood at



96 points in the EU-27 and 95.2 points in the euro area in March 2025, which was lower than in the previous month and in March 2024 (see Table 2.2).

Figure 2.3

Monthly €-COIN Index & Eurozone GDP\*



The €-COIN index rose in the first two months of 2025 but fell significantly in March.

\*The Research Centre of Economic Policy Research in collaboration with the Bank of Italy estimates every month the leading indicator of economic activity €-COIN for the Eurozone. The indicator is a forecast of quarterly GDP growth and is derived from the synthesis of a variety of different data, such as the evolution of industrial production, prices, labour market data, as well as financial data. Sources: CEPR, Bank of Italy, Eurostat.

Table 2.2

Economic Sentiment Indicator EU-27 & Euro Area (av. 2000-2020=100)

| Month        | Apr-23 | May-23 | June-23 | Jul-23 | Aug-23 | Sep-23 | Oct-23 | Nov-23 | Dec-23 | Jan-24 | Feb-24 | Mar-24 |
|--------------|--------|--------|---------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| EU-27 (2020) | 97.1   | 95.4   | 94.6    | 94.3   | 93.7   | 93.4   | 93.6   | 94.1   | 96.4   | 96     | 95.6   | 96.2   |
| Euro area    | 98.7   | 96.3   | 95.8    | 95     | 93.9   | 93.7   | 93.5   | 94     | 96.6   | 95.8   | 95.2   | 96.1   |

| Month        | Apr-24 | May-24 | June-24 | Jul-24 | Aug-24 | Sep-24 | Oct-24 | Nov-24 | Dec-24 | Jan-25 | Feb-25 | Mar-25 |
|--------------|--------|--------|---------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| EU-27 (2020) | 95.9   | 96.1   | 96.1    | 96.2   | 96.5   | 96.5   | 96.5   | 96.4   | 94.4   | 95.8   | 96.9   | 96     |
| Euro area    | 95.6   | 95.8   | 96      | 96     | 96.4   | 95.9   | 96.2   | 95.9   | 93.6   | 95.3   | 96.3   | 95.2   |

Source: Eurostat, April 2025

## Challenges

The European economy, and in particular that of the eurozone, faces a number of challenges. In brief, the main ones are:

- The imposition of tariffs on EU exports to the US by the Trump administration, with serious consequences for the European and global economy.
- High uncertainty surrounding global trade policies.



- Armed conflicts in Ukraine and the Middle East and their intense and long-lasting economic repercussions.
- New disruptions in energy supplies (especially oil and natural gas) could potentially have a significant impact on the EU's growth prospects and inflation.
- Competitiveness gap vis-à-vis the US and China.
- If the delayed effects of monetary tightening last longer than expected, they could slow down growth.
- Heightened risks of natural disasters linked to climate change.

### Forecasts for the evolution of key macroeconomic figures (March 2025)

Table 2.3 shows the annual forecasts for the main economic variables in the EU and the eurozone. The European Commission's forecasts are no longer updated during the winter months and remain the same as those published in autumn. This issue uses the European Central Bank's forecasts for the euro area. Compared with the December forecast, GDP growth projections have been revised down by 0.2 percentage points for both 2025 and 2026 but remain unchanged for 2027. The weaker outlook is mainly due to downward revisions to exports and, to a lesser extent, investment. It is also due to the expectation that competitiveness challenges will persist for longer than previously anticipated. Inflation projections have been revised upwards by 0.2 percentage points for 2025 due to higher energy price assumptions and the depreciation of the euro.

Table 2.3

Key macroeconomic figures, EE-27, Eurozone (real annual % changes, unless otherwise stated)

|                                       | EU   |      |      | Eurozone* |      |      |
|---------------------------------------|------|------|------|-----------|------|------|
|                                       | 2024 | 2025 | 2026 | 2024      | 2025 | 2026 |
| <b>GDP</b>                            | 0.9  | 1.5  | 1.8  | 0.8       | 0.9  | 1.2  |
| Private Consumption                   | 1.2  | 1.4  | 1.6  | 1.0       | 1.4  | 1.2  |
| Public Consumption                    | 2.1  | 1.3  | 1.2  | 2.5       | 1.2  | 1.1  |
| Gross Investment                      | -1.6 | 2.1  | 2.8  | -1.8      | 1.2  | 1.7  |
| Exports of Goods and Services         | 1.4  | 2.2  | 3.0  | 0.9       | 0.8  | 2.3  |
| Imports of Goods and Services         | 0.2  | 2.6  | 3.0  | 0.1       | 1.9  | 2.6  |
| Employment                            | 0.8  | 0.6  | 0.5  | 0.9       | 0.4  | 0.4  |
| <b>Unemployment (% labour force)</b>  | 6.1  | 5.9  | 5.9  | 6.4       | 6.3  | 6.3  |
| <b>Inflation</b>                      | 2.6  | 2.4  | 2.0  | 2.4       | 2.3  | 1.9  |
| Balance of General Government (% GDP) | -3.1 | -3.0 | -2.9 | -3.2      | -3.2 | -3.3 |
| Debt of General Government (% GDP)    | 82.4 | 83.0 | 83.4 | 87.7      | 88.4 | 89.4 |
| Current Account Balance (% GDP)       | 3.6  | 3.4  | 3.3  | 2.6       | 2.2  | 2.0  |

Source: European Economic Forecasts, Autumn 2024, European Commission, November 2024

\*Source: ECB staff macroeconomic projections, March 2024, European Central Bank, March 2025

Based on the latest forecasts, growth in the eurozone is estimated to have reached 0.8% in 2024, with a slightly higher growth rate of 0.9% predicted for 2025. Even higher growth of 1.2% is forecast for the Eurozone in 2026. Private consumption is expected to grow by 1.4% in 2025 and 1.2% in 2026 (see Table 2.3). Public consumption is expected to grow by 1.2% in 2025 and 1.1% in 2026. The decline in gross investment is estimated to have reached 1.8% in the EU in 2024. It is projected



to increase by 1.2% in 2025 and by 1.7% in 2026, which is a downward revision of 0.5 percentage points compared to the December projections. Exports of goods and services are estimated to have increased by 0.9% in 2024, with a projected increase of 0.8% in 2025 and 2.3% in 2026. The forecasts for 2025 and 2026 have been significantly revised downwards compared to December. Similarly, imports are estimated to have increased by 0.1% in 2024, with an expected increase of 1.9% in 2025 and 2.6% in 2026. These figures have also been revised downwards. Inflation is estimated to have stood at 2.4% in the euro area in 2024 and is expected to decline to 2.3% in 2025. In 2026, it is projected to decline to 1.9%. Employment is estimated to have increased by 0.9% in 2024, with a further increase of 0.4% forecast for both 2025 and 2026 within the EU. The unemployment rate is estimated to have reached 6.4% in 2024, falling to 6.3% in both 2025 and 2026. Euro area debt is estimated to have reached 87.7% in 2024 and is projected to rise to 88.4% in 2025 and 89.4% in 2026. Finally, the current account balance is estimated to have reached 2.6% in 2024, falling to 2.0% in 2025 before rising again to 2.2% in 2026. These figures represent significant downward revisions compared to those in the December forecast.



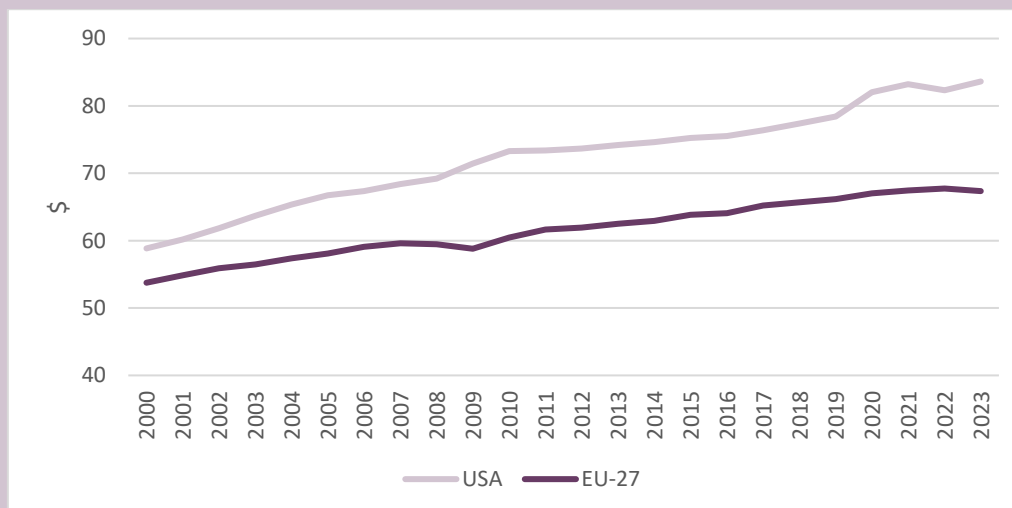
## Text box of section 2.1.B

## Challenges for the European economy highlighted in recent EU documents: Draghi report, competitiveness compass, and clean industrial deal (2025)

At the request of Ursula von der Leyen, President of the European Commission, Mario Draghi, former President of the European Central Bank, drafted a report on the EU's competitiveness amid emerging challenges (the Draghi Report). Published in September 2024, the report focuses on the innovation gap between the EU and the US, the challenges of achieving climate neutrality, and the necessity of investing in Europe's defence capabilities. Based on its conclusions, in January 2025 the European Commission published the 'EU Competitiveness Compass', setting out the key pillars for restoring the EU's competitiveness without neglecting the green transition and defence goals. At the end of February, the Commission also published the EU Clean Industrial Deal, containing a plan for achieving competitiveness and carbon neutrality.

The Draghi report begins by diagnosing the competitiveness gap between the EU, the US and China. The growth rate of the European economy slowed down at the beginning of the 21st century, a trend that has continued to this day. Specifically, the productivity gap between the EU and the US, measured by GDP per hour worked, widened from 15% in 2002 to 30% in 2023 (in 2015 prices). This is primarily due to the slowdown in productivity growth in Europe (see Figure B.2.1.1). Consequently, real disposable income per capita has grown at almost twice the rate in the US than in the EU since 2000.

**Figure B.2.1.1.** Labour productivity (GDP per hour worked): US & EU-27, 2000-2023



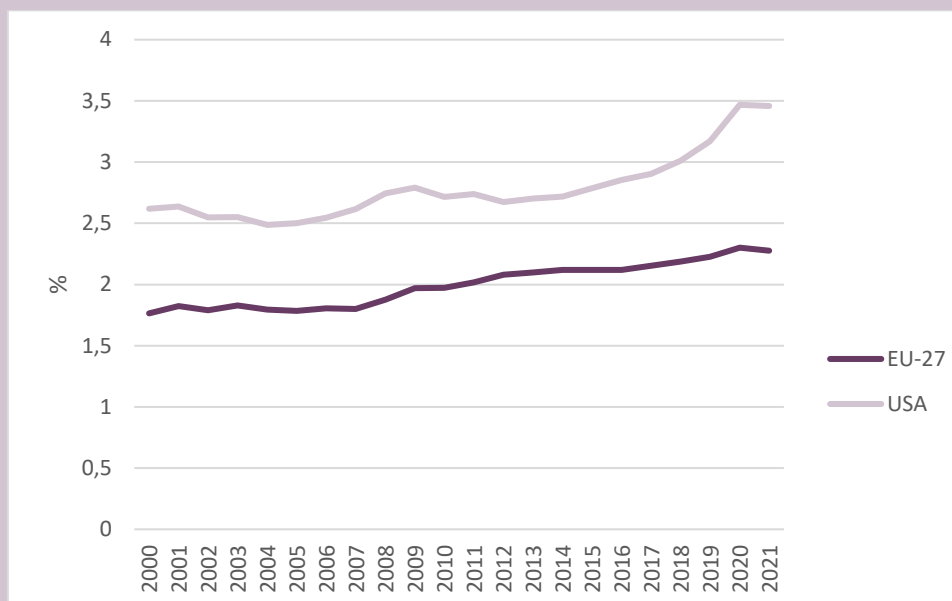
Source: OECD, Data processing: IOBE

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

In order to reverse these trends, it is crucial that Europe focuses its efforts on closing the innovation gap with the US and China, particularly with regard to advanced technologies. Europe's industrial structure is static, with low rates of new company creation. Currently, there is no EU company with a market capitalisation of over €100 billion that has been established in the last fifty years, whereas all six US companies with a valuation of over €1 trillion were established during this period. As EU companies specialise in mature technologies, where the potential for innovation is limited, they invest less in research and development than their US counterparts (see Figure B.2.1.2).



Figure B.2.1.2. Gross domestic expenditure on research and development (R&D), as % of GDP: US & EU-27, 2000-2021



Source: World Bank, Data processing: IOBE

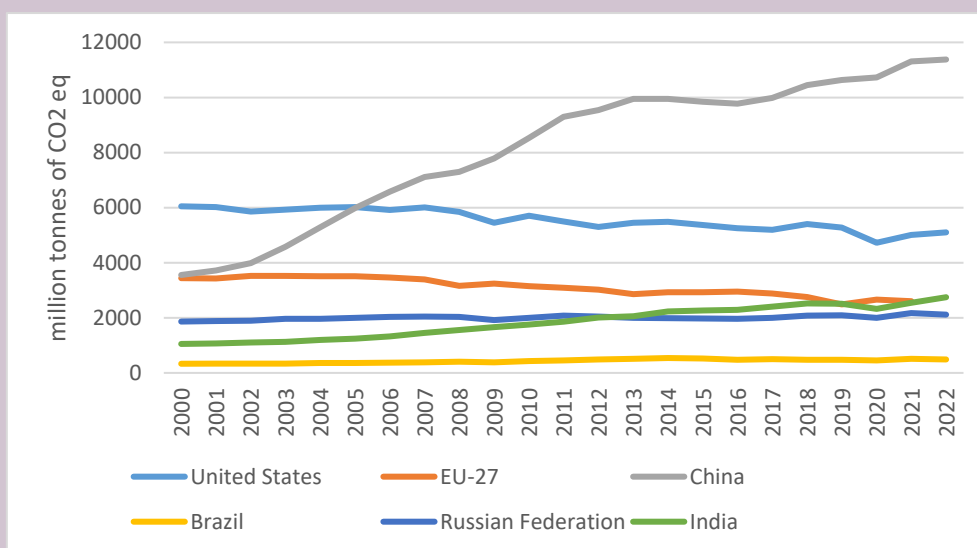
Note: Expenditure includes capital and current expenditure at the level of enterprises, government, tertiary education, and private non-profit institutions. R&D covers basic research and applied research.

Europe has no shortage of ideas or ambition, with many talented researchers and entrepreneurs filing patents. In 2021, the EU accounted for 17% of global patent applications, compared to 21% for the US and 25% for China. The figures are even better for environmentally related inventions. In 2018, the EU accounted for 23% of environmentally related inventions, compared to 19.5% and 13.6% for the US and China respectively (World Bank data). However, innovation is hindered at the next stage of R&D: commercialisation. According to the European Patent Office, only around one third of patentable inventions filed by European universities or research organisations are exploited commercially. Innovative companies seeking growth in Europe face obstacles at every turn due to inconsistent and restrictive regulations. Consequently, many European entrepreneurs seek funding from US venture capitalists and develop their ideas further there.

The second area of action relates to mitigating and preventing the effects of climate change. The European Green Deal sets out ambitious climate targets, including the goal of achieving climate neutrality. However, if policies are not coordinated between Member States, these targets could harm the competitiveness and growth of the European economy. Despite the recent fall in energy prices compared to the first year of the war in Ukraine, EU companies still face electricity prices that are two to three times higher than in the US and natural gas prices that are four to five times higher. This difference is primarily due to Europe's lack of natural resources, but also to fundamental issues within the European energy market. In the medium term, implementing the European institutional framework for carbon neutrality will encourage a shift in energy production towards secure, clean and low-cost sources, but fossil fuels will continue to play a central role in energy pricing for at least the rest of this decade. Without a plan to pass on the benefits of decarbonisation to end users, energy prices will continue to hinder growth.



Figure B.2.1.3. Greenhouse gas emissions from energy, 2000-2022



Source: International Energy Agency, Data processing: IOBE

The EU's climate neutrality and carbon-free goals are more ambitious than those of its competitors, which creates additional short-term costs for European industry. The EU has adopted binding legislation to reduce greenhouse gas emissions by at least 55% by 2030 compared to 1990 levels. In contrast, the US has set a non-binding target of reducing emissions by 50–52% below 2005 levels by 2030, while China's goal is merely to reach peak carbon emissions by the end of the decade. These differences result in significant short-term investment requirements for EU companies that their competitors do not face.

In addition, defence spending has recently emerged as a critical area of action. A strong European defence is essential for sustainable growth. Increasing geopolitical risks lead to uncertainty and reduced investment, and major geopolitical or sudden trade disruptions can cause extensive economic damage. Europe is particularly vulnerable to geopolitical risks and depends on a limited number of suppliers, primarily China, for essential raw materials, despite the fact that global demand for these materials is soaring due to the shift towards clean energy. It also relies heavily on imports of digital technology. 75-90% of the global microchip production technology pipeline is located in Asia.<sup>2</sup> The deterioration of geopolitical relations is creating a new need for military spending. Due to a prolonged period of peace in Europe and the security umbrella provided by the US, only ten Member States currently spend at least 2% of their GDP in line with NATO commitments. The defence industry requires substantial investment to bridge the gap. In March 2025, the European Commission published the ReArm Europe plan, which anticipates an additional €800 billion in defence spending by 2030 (around 4% of annual EU GDP).

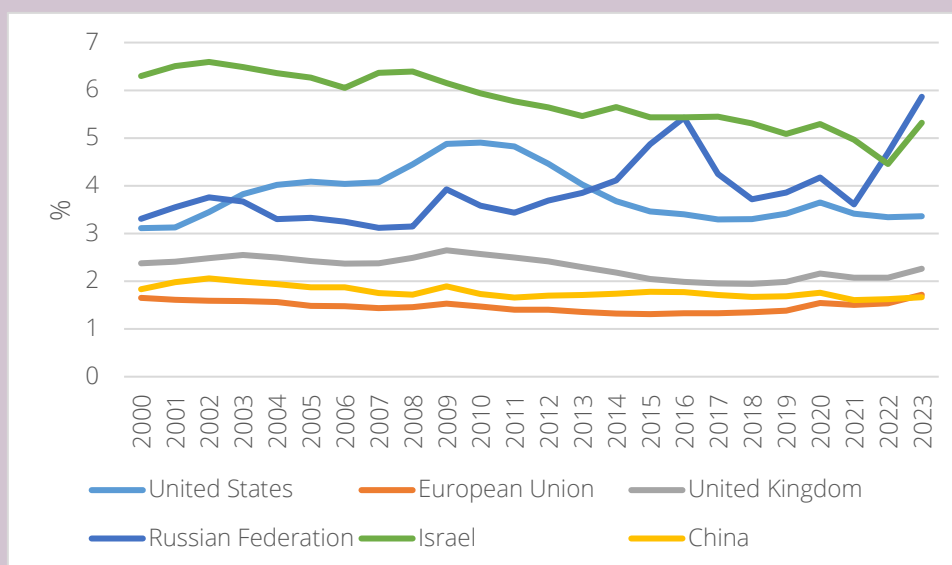
The absence of a unified policy hinders efforts to address these problems. For instance, regulatory market interventions place a particular burden on European SMEs operating in the digital sector. In fact, more than half of SMEs in Europe cite regulatory barriers and administrative burdens as their

<sup>2</sup> Semiconductor Industry Association data



biggest challenge.<sup>3</sup> In addition, the single market is characterised by fragmented individual regulations, which has consequences for competitiveness. Fast-growing companies are looking overseas for opportunities, which reduces the pool of projects available for financing and hinders the development of Europe's capital markets.

Figure B.2.1.4. Military expenditure (% of GDP), 2000-2023



Source: World Bank, Data processing: IOBE

The Commission's key proposals to address these challenges are set out in the Competitiveness Compass and the Clean Industrial Deal. In the field of innovation, the Commission highlights the 'AI Gigafactories' and 'Apply AI' initiatives, which aim to promote the development and industrial adoption of artificial intelligence in key sectors. These initiatives include action plans to support the growth of companies in advanced materials, biotechnology, robotics and space technologies. Additionally, proposals to simplify company law are analysed to reduce regulatory barriers for new companies. Regarding climate neutrality, the Clean Industrial Deal presents a detailed action plan for key energy sectors to maintain the EU's manufacturing competitiveness while decarbonising through clean technology and the circular economy. Additionally, it includes a plan to reduce high energy prices. In the defence sector, the Competitiveness Compass aims to achieve diversification and strengthen the supply chain by establishing new trade and investment relations to ensure a secure global supply of raw materials, fuels, clean energy and technology. Furthermore, revising public procurement rules will enable preferences to be given to European suppliers in public procurement for critical sectors and technologies. The challenges facing the EU are significant and require coordinated action by all Member States.

<sup>3</sup> Source: European Investment Bank (EIB), Investment barriers in the European Union 2023



## 2.2 The Economic Environment in Greece

### A. Economic Sentiment

- There was a marginal improvement in the Economic Sentiment Indicator in Greece in the first quarter of 2025, rising from 107.1 to 107.7 points. It also showed a mild improvement compared to the same quarter last year (106.7 points).
- Business expectations strengthened slightly in Services and Industry in the first quarter of this year compared to the previous quarter, and more strongly in Construction; however, they weakened significantly in Retail Trade.
- The Consumer Confidence Index increased slightly during the January–March period compared to the previous quarter, rising to -43.1 points (from -47.1 points). At the same time, this is significantly higher than a year earlier (-46.1 points).

*The IOBE business and consumer surveys offer significant indications on the developments of the economy in the past few months, from the perspective of both the enterprises and the consumers. In addition, the indicators used in the surveys constitute leading indicators for various economic variables and can be used to predict near-term developments and even the course of GDP.<sup>4</sup>*

In the first quarter of 2025, the Economic Sentiment Indicator increased by 0.6 points compared with the previous quarter. This marginal improvement in the index was due to stronger business expectations in construction, services and industry, while expectations in retail trade weakened. Meanwhile, the Consumer Confidence Index increased slightly to -43.1 points (from -47.1) compared to the previous quarter.

Economic sentiment remains volatile in 2025, reflecting the positive trajectory of the economy as well as pockets of uncertainty, particularly in the external environment. Nevertheless, the strengthening of European business alliances in key sectors could present new opportunities for Greek companies. Industry is the sector that is most closely linked to the international environment and markets due to its greater openness, even among medium-sized enterprises. It relies heavily on medium-term contracts and orders that are less affected by cyclical uncertainties. Macroeconomic and fiscal data have recently remained stable, with the decline in unemployment generating income for more households. However, inflation remains above 2%, negatively affecting consumer confidence and posing a problem with structural as well as cyclical characteristics.

Specifically, the Economic Sentiment Indicator in Greece for the January–March quarter of 2025 improved marginally compared to the previous quarter, rising from 107.1 to 107.7 points (Figure 2.4). It also fluctuated at a slightly higher level than last year's average of 106.7 points.

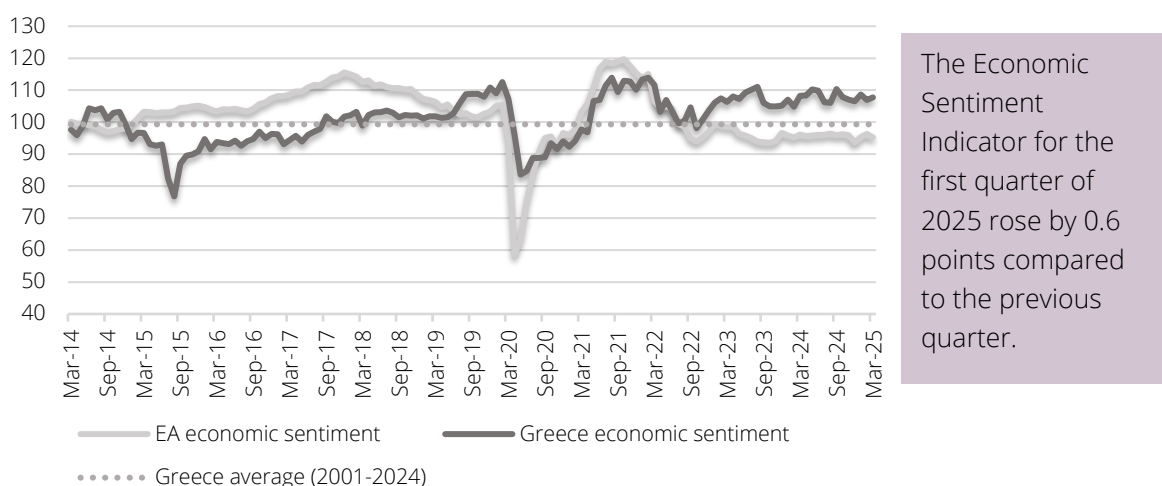
<sup>4</sup> Note that since March 2018, the base period of the series presented in the sectoral business sentiment indicators, i.e. the indicators in Manufacturing, Retail Trade, Services and Construction, has changed. In particular, the 2000–2010 period was designated as a new base (= 100). Until February 2018, the indicator was referenced to average values from the 1996–2006 period. The historical series of the indicators are fully revised, to ensure that the data series are comparable. As a result, the indicators with the new base period are overall higher compared with those with the older base period. The change in the base period by IOBE has not affected the overall economic sentiment indicator for Greece or any other country.



In Europe, the corresponding average index increased slightly during the review period compared to the previous one, in both the EU and the euro area. Specifically, the Economic Sentiment Indicator was 96.2 points in the EU and 95.6 points in the euro area in the first quarter of 2025, up from 95.8 and 95.2 respectively.

Figure 2.4

Economic Sentiment Indicators: EU-27, Euro area and Greece (2000-2020=100, seasonally adjusted data)



Source: European Commission, DG ECFIN

At the sector level, business expectations strengthened slightly in Services and Industry and more strongly in Construction, while weakening slightly in Retail Trade. On the consumer side, the Consumer Confidence Index increased significantly compared to the previous quarter. Compared with the same quarter last year, the average indices increased slightly in Industry and Construction, while they decreased significantly in Retail Trade and to a lesser extent in Services. More specifically:

On average, the Consumer Confidence Index in Greece for the January–March quarter of 2025 was significantly higher than in the last quarter of the previous year, at -43.1 points compared to -47.1 points. This was also significantly higher than the corresponding figure for last year (-46.1 points). However, the corresponding average index weakened slightly in the EU to -13.3 points (down from -12.2), and in the Eurozone to -14.1 points (down from -13.4). These figures are slightly higher than those recorded a year ago (-14.2 and -15.3, respectively).

Compared to the previous quarter, the trends in the individual basic response balances that make up the overall index were mainly positive in the first quarter of 2025. Consequently, consumers in Greece were slightly less pessimistic about their household finances and the country's financial situation over the next 12 months. Meanwhile, households' positive assessments of their current situation strengthened, though their intention to make major purchases in the near future remained unchanged.

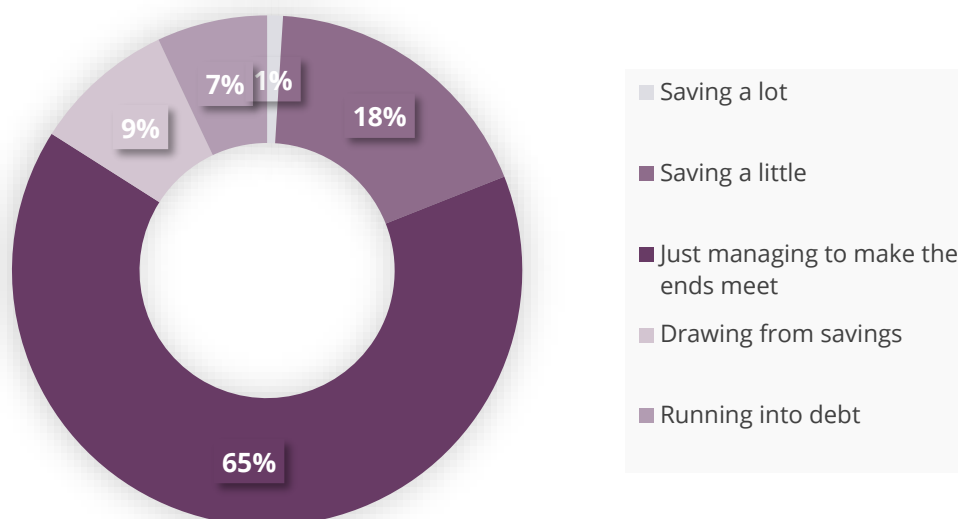
More specifically, the percentage of people pessimistic about their household's financial situation over the next 12 months fell from 59% to 55%, while the percentage stating the opposite remained



at 6%. Meanwhile, the proportion of consumers in Greece expressing pessimism about the country's economic outlook fell to 63% (down from 67%), with 8% (down from 9%) expecting an improvement. Regarding the intention to save, the percentage of households that do not consider saving likely in the next 12 months remained at 84%, while the percentage of those who consider it likely increased marginally to 15%. Regarding forecasts for the evolution of unemployment, the percentage of those who believe the situation will worsen fell to 35% (down from 39%), with an average of 19% (up from 15%) expressing the opposite view. The percentage of consumers reporting that they were 'running into debt' in the first quarter of 2025 fell to 6% (down from 8%), which is the same level as in the corresponding quarter of 2024. There was also a marginal increase to 18% in the percentage of respondents who said they were saving a little (17% in the same quarter of 2024). Finally, the percentage of respondents reporting that they were 'just making ends meet' remained at 65%, while the percentage of households reporting that they were 'drawing on their savings' was 9%, compared to 11% in the corresponding quarter of 2024 (Figure 2.5).

Figure 2.5

Consumer survey data on the financial situation of households (January-March 2025)



Source: IOBE

The percentage of households reporting that they are just making ends meet has remained at 65%, compared to the fourth quarter of 2024. There has been a decline in the percentage of households reporting that they are running into debt.

In the first quarter of 2025, the business expectations index stood at 110.2 in industry (up from 103.7 in the fourth quarter of 2024), which is significantly higher than the corresponding figure for 2024 (104.8 points). In terms of key activity indicators, the short-term production forecast index rose significantly during the quarter, increasing from an average of +16.4 points in Q4 2024 to +38.5 points. Meanwhile, estimates for the level of orders and demand weakened slightly (the relevant indicator fell from -6.3 to -8.4). Estimates for finished product inventories increased



slightly (from +9.3 to +10.6 points), while trends in export variables were mixed: expectations for export momentum in the coming quarter improved slightly (from +6.2 to +7.5 points), but assessments of foreign orders and demand weakened slightly (from -11.6 to -12.9 points). In terms of employment expectations, the relevant quarterly balance increased sharply to an average of +17.1 (from +6.7) points. The factory capacity utilisation rate was slightly lower at 74.7% (down from 78.4%), while the average number of months of secured production for businesses declined slightly to 4.9 (down from 6).

The business expectations index for retail trade in the quarter under review was slightly lower than in the previous quarter, at 95.7 points (down from 101.2). This was a significantly lower performance compared to the same quarter last year, when the index stood at 107.6 points. Of the index's key components, the average balance for current sales estimates decreased slightly to +9 points from +12 in the previous quarter. Among companies in the sector, 37% (up from 30%) reported a decrease in sales, while 46% reported an increase. The index for projected sales weakened slightly from +26 points to +17 points, with inventories rising slightly to +20 points. Among the other activity indicators, the balance of expectations for orders to suppliers fell to -1 points from +14 points in the previous quarter. In terms of employment in the sector, the average balance of expectations weakened significantly to +6 points from +31 points. Finally, the balance of prices stood at strongly inflationary levels (+14, down from +24), with 9% of businesses expecting prices to decline and 22% (down from 27%) expecting prices to rise. A decline in business expectations was recorded in the first quarter of 2025 in most of the sectors examined within retail, with the Food & Beverages sector seeing a marginal improvement and the Department Stores sector remaining unchanged.

Business expectations in the construction sector strengthened significantly in the first quarter of 2025, with the relevant balance averaging 165.6 points, up from 144.6 points in the previous quarter. However, this is slightly lower than in the corresponding quarter of 2024, when the figure was 160.8 points. In terms of key variables, employment expectations in the sector increased to +38 points (up from +25), with 40% of businesses (up from 32%) expecting to create more jobs, while 3% (down from 7%) expect to reduce staffing levels. Meanwhile, businesses' negative expectations for planned work softened significantly (falling from -21 to -4 points), while estimates for the current work programme strengthened slightly (rising from +23 to +28 points).

The number of months of guaranteed activity for businesses in the sector declined significantly to 6.8, while the balance of price expectations rose significantly to +27 points (up from +17), with only 5% of businesses expecting a decrease in the short term, compared to 32% who expect an increase (up from 23%). Finally, only 13% of businesses reported no obstacles to their operations, while 41% (up from 38%) cited a lack of labour as the most significant obstacle. Other obstacles cited included low demand (8%, down from 13%), a lack of mechanical equipment (2%), and factors such as the general economic situation in the country, high raw material prices, lack of projects, and late payments by the state. At the sectoral level, business expectations rose sharply in private construction, while remaining unchanged in public works.

The business expectations index in services for the quarter under review was slightly higher than in the previous quarter at 116.2 points (up from 114.5). However, this was a lower performance than in the corresponding quarter of 2024, when the index stood at 119.1 points. Among the key variables, estimates for current demand fell sharply, with the relevant index standing at +27 points



— down from +40 points in the previous quarter. At the same time, estimates of the current business situation moved in a similar way (+31 from an average of +38 points), with the balance of forecasts for short-term sector demand strengthening significantly (+48 from +23 points). Of the other activity indicators, the balance of respondents' expectations regarding employment improved significantly, strengthening by 25 points to +35, while the average business expectations index strengthened significantly to +29 (from +13). Finally, the percentage of respondents reporting unhindered business operations fell to an average of 81% (down from 85%), with 4% citing insufficient demand, 9% labour shortages, and 4% other factors related to the general economic situation and energy prices. Among the service sectors examined, significant strengthening was seen in the first quarter of 2025 in the hotels, restaurants, and travel agencies sector, the IT sector, and Financial Intermediaries, while a slight decline was recorded in Land Transport and Miscellaneous Business Activities.



Table 2.4

## Economic Sentiment Indicators

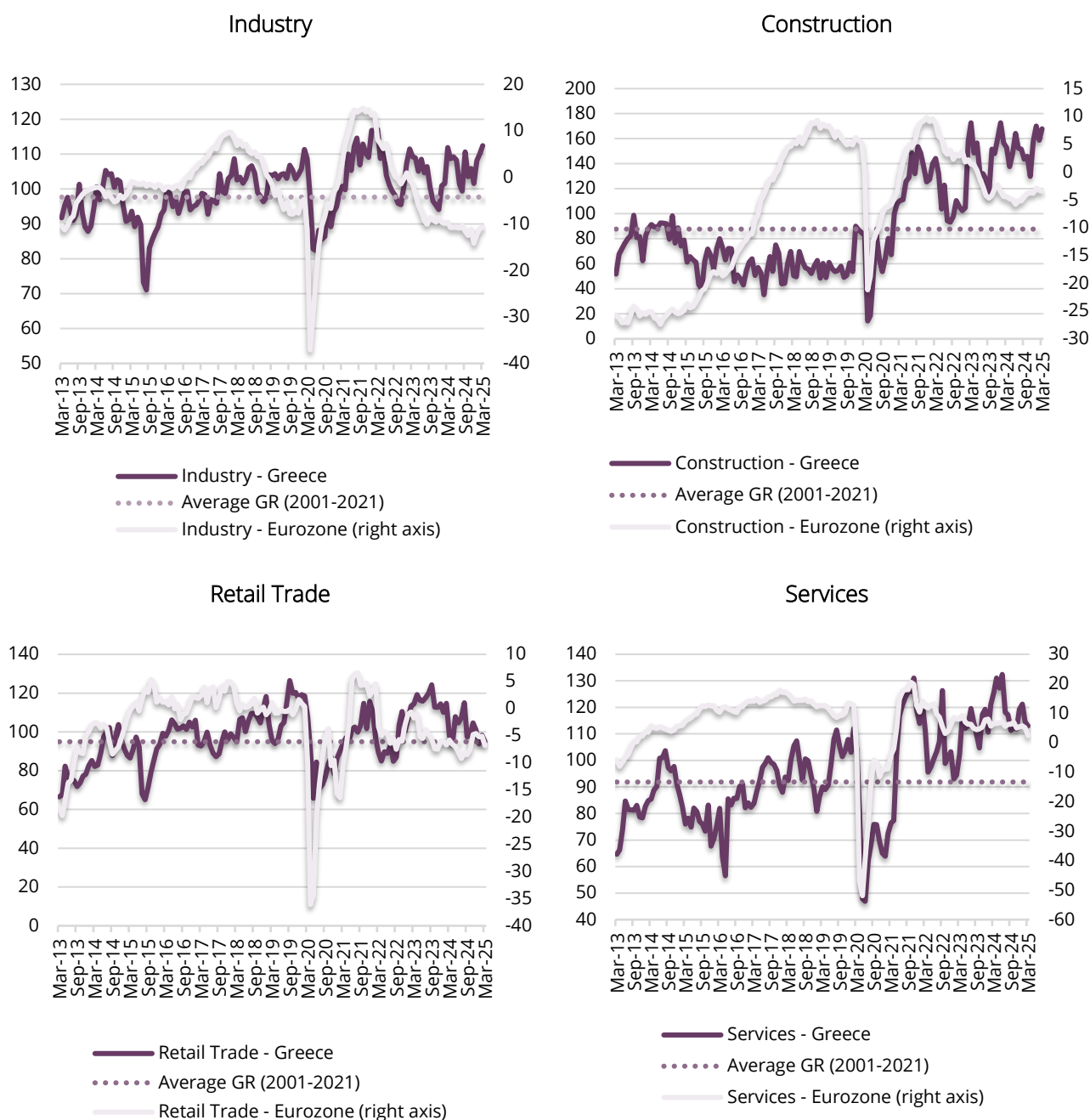
| Time Period | Economic Sentiment Indicator |          |        | Business Expectations Index (Greece) |              |              |          | Consumer Confidence Index (Greece) |
|-------------|------------------------------|----------|--------|--------------------------------------|--------------|--------------|----------|------------------------------------|
|             | EU-27                        | Eurozone | Greece | Industry                             | Construction | Retail Trade | Services |                                    |
| 2010        | 98.6                         | 98.3     | 85.5   | 79.9                                 | 52.2         | 61.3         | 68.1     | -57.9                              |
| 2011        | 98.3                         | 98.4     | 83.9   | 81.1                                 | 37.7         | 60.9         | 66.1     | -69.8                              |
| 2012        | 89.0                         | 89.0     | 83.6   | 81.4                                 | 47.5         | 59.1         | 58.8     | -73.8                              |
| 2013        | 91.9                         | 91.8     | 93.6   | 92.6                                 | 71.5         | 72.6         | 75.3     | -69.7                              |
| 2014        | 98.6                         | 98.3     | 101.7  | 99.7                                 | 88.4         | 92.3         | 93.3     | -53.0                              |
| 2015        | 102.9                        | 102.8    | 91.6   | 86.3                                 | 62.0         | 83.9         | 78.2     | -51.6                              |
| 2016        | 104.4                        | 104.1    | 95.0   | 96.1                                 | 61.3         | 101.4        | 79.3     | -61.3                              |
| 2017        | 110.7                        | 110.5    | 98.5   | 98.1                                 | 55.4         | 94.6         | 92.7     | -58.0                              |
| 2018        | 111.1                        | 110.9    | 103.3  | 102.8                                | 58.1         | 104.5        | 97.0     | -44.1                              |
| Q1 2019     | 106.9                        | 106.5    | 102.1  | 101.8                                | 56.7         | 105.8        | 85.7     | -32.8                              |
| Q2 2019     | 104.3                        | 104.3    | 103.8  | 103.8                                | 54.8         | 97.8         | 92.6     | -30.9                              |
| Q3 2019     | 102.0                        | 101.9    | 108.7  | 104.8                                | 52.7         | 115.5        | 108.2    | -10.6                              |
| Q4 2019     | 102.3                        | 101.7    | 109.1  | 104.1                                | 68.1         | 119.1        | 104.4    | -4.2                               |
| Q1 2020     | 102.0                        | 101.5    | 109.9  | 108.6                                | 84.9         | 115.1        | 106.5    | -14.4                              |
| Q2 2020     | 65.9                         | 67.5     | 89.1   | 87.6                                 | 28.1         | 80.3         | 58.6     | -38.3                              |
| Q3 2020     | 88.5                         | 89.8     | 90.0   | 86.7                                 | 67.0         | 73.5         | 68.8     | -37.0                              |
| Q4 2020     | 93.9                         | 94.5     | 93.1   | 92.6                                 | 70.7         | 83.0         | 70.0     | -40.2                              |
| Q1 2021     | 99.2                         | 99.1     | 96.5   | 98.2                                 | 106.2        | 90.2         | 70.9     | -40.7                              |
| Q2 2021     | 109.5                        | 110.6    | 105.5  | 105.0                                | 121.9        | 97.9         | 99.3     | -28.3                              |
| Q3 2021     | 115.8                        | 117.4    | 111.6  | 111.3                                | 144.7        | 102.0        | 123.4    | -33.6                              |
| Q4 2021     | 115.1                        | 115.9    | 112.8  | 110.7                                | 137.2        | 110.7        | 125.4    | -38.8                              |
| Q1 2022     | 110.7                        | 111.2    | 113.4  | 116.9                                | 137.2        | 98.8         | 115.7    | -43.6                              |
| Q2 2022     | 103.1                        | 103.9    | 105.2  | 108.0                                | 119.6        | 87.9         | 97.9     | -53.0                              |
| Q3 2022     | 96.3                         | 96.9     | 102.3  | 99.6                                 | 95.2         | 88.3         | 112.3    | -53.6                              |
| Q4 2022     | 94.2                         | 95.3     | 101.6  | 97.3                                 | 106.2        | 104.8        | 101.2    | -52.6                              |
| Q1 2023     | 97.7                         | 99.2     | 106.9  | 109.4                                | 145.2        | 111.6        | 96.6     | -43.3                              |
| Q2 2023     | 96.1                         | 97.2     | 108.6  | 107.5                                | 145.8        | 117.2        | 113.8    | -36.7                              |
| Q3 2023     | 94.0                         | 94.3     | 109.5  | 103.8                                | 125.0        | 120.7        | 114.5    | -36.3                              |
| Q4 2023     | 94.9                         | 94.8     | 105.3  | 95.3                                 | 153.2        | 113.3        | 113.8    | -43.5                              |
| Q1 2024     | 96.3                         | 95.7     | 107.2  | 104.8                                | 160.8        | 107.6        | 119.1    | -46.1                              |
| Q2 2024     | 96.0                         | 95.8     | 109.4  | 108.7                                | 150.0        | 101.9        | 130.3    | -42.7                              |
| Q3 2024     | 96.4                         | 96.1     | 107.5  | 103.8                                | 149.2        | 106.6        | 115.6    | -47.8                              |
| Q4 2024     | 95.8                         | 95.2     | 107.1  | 103.7                                | 144.5        | 101.2        | 114.5    | -47.1                              |
| Q1 2025     | 96.2                         | 95.6     | 107.7  | 110.2                                | 165.6        | 95.7         | 116.2    | -43.1                              |

Sources: European Commission, DG ECFIN, IOBE



Figure 2.6

## Business Confidence Indicators



Source: IOBE

Business expectations strengthened slightly in the first quarter of this year compared with the previous quarter in Services and Industry, and more strongly in Construction, while they weakened significantly in Retail Trade.



## B. Fiscal developments

- 2024 State Budget Balance on a cash basis: A surplus of €369 million (0.2% of GDP), compared to an expected deficit of €3,601 million for the same period in 2024, as stated in the explanatory report for the 2025 budget, and a deficit of €3,760 million (1.7% of GDP) for the same period in 2023.
- Primary balance for 2024 on a cash basis: A surplus of €8,698 million (3.7% of GDP) was achieved, compared to a target primary surplus of €4,635 million, and a primary surplus of €3,920 million (1.7% of GDP) achieved for the same period in 2023.
- The improvement in the state budget balance compared to 2023 is due to net revenue increasing by a higher amount (+10.6%, or +€7.11 billion) than expenditure (+4.2%, or +€2.98 billion).
- State budget balance for January–February 2025: A surplus of €709 million (0.3% of GDP), compared to an expected deficit of €51 million for the same period in 2025, as outlined in the explanatory report of the 2025 budget, and compared to a surplus of €1,437 million (0.6% of GDP) for the same period in 2024.
- Primary result of the State Budget, January–February 2025: A surplus of €2,802 million (1.1% of GDP) was recorded, compared to a target primary surplus of €2,029 million, and a primary surplus of €3,378 million (1.4% of GDP) recorded for the same period in 2024.
- The deterioration in the state budget balance in the first two months compared to last year is due to the decline in net revenues (-€905 million or -7.2%).

### Final execution of the 2024 State budget

Despite successive geopolitical, economic and climate crises, the Greek economy performed well in 2024, showing a strong fiscal outcome. This performance was driven by both external factors, such as the mitigation of the energy crisis's impact and the relaxation of monetary policy by central banks, and internal developments, including the reduction of tax evasion, the increase in electronic transactions, and the rise in wages, which boosted tax revenues. As a result, there was fiscal overperformance. According to ELSTAT estimates, the general government debt declined from 163.9% of GDP in 2023 to 154% in 2024, strengthening the country's creditworthiness. In 2023, three of the four investment firms recognised by the ECB restored the investment grade rating of Greece, and this positive trend continued in 2024. In April 2024, S&P Global Ratings upgraded the outlook for the Greek economy from stable to positive, followed by DBRS Morningstar and Moody's in September. In March 2025, Moody's — the last of the recognised investment firms that had not yet upgraded Greece — restored its investment grade rating.

### State Budget Balance and Primary Balance

According to state budget execution data, the state budget balance surplus on a modified cash basis for January–December 2024 stood at €369 million (0.2% of GDP), compared to a target deficit of €3,601 million for the same period in the 2025 Budget Introductory Report and a deficit of €3,760 million (1.7% of GDP) for January–December 2023. The primary balance on a modified cash basis was €8,698 million (3.7% of GDP) in surplus, compared to a target primary surplus of €4,635 million, and a primary surplus of €3,920 million (1.7% of GDP) for the same period in 2023. This improvement is due to net revenues increasing by 10.6% (€7.11 billion), more than expenditures, which increased by 4.2% (€2.98 billion, see Table 2.5). The difference from the target is mainly due to the timing of receipts and payments, which have no fiscal impact.



It should be noted that the primary result in fiscal terms differs from the result in cash terms. Furthermore, the above refers to the Central Administration's primary result and not that of the General Government as a whole, which also includes the fiscal results of legal entities, as well as local authorities and SSFs.

Table 2.5  
State Budget Execution\* (€ million)

|                                       | 2023*   | 2024*   | %<br>Change<br>24/23 | 2024**<br>Budget | 2025**<br>Budget | %<br>Change<br>25B/24B |
|---------------------------------------|---------|---------|----------------------|------------------|------------------|------------------------|
| I. SB NET REVENUE (1+2)               | 67,005  | 74,110  | 10.6                 | 68,379           | 74,573           | 9.1                    |
| 1. Net OB revenue                     | 60,093  | 68,526  | 14.0                 | 60,567           | 66,036           | 9.0                    |
| OB revenue before tax refunds         | 67,086  | 76,537  | 14.1                 | 67,155           | 73,565           | 9.5                    |
| Less Tax refunds                      | 6,993   | 8,011   | 14.6                 | 6,588            | 7,529            | 14.3                   |
| 2. PIP revenue +RRF <sup>5</sup>      | 6,912   | 5,584   | -19.2                | 7,812            | 8,537            | 9.3                    |
| II. SB EXPENDITURE (3+4)              | 70,765  | 73,742  | 4.2                  | 74,632           | 80,502           | 7.9                    |
| 3. OB expenditure                     | 59,564  | 60,428  | 1.5                  | 62,195           | 66,402           | 6.8                    |
| Primary expenditure OB                | 51,858  | 52,055  | 0.4                  | 53,395           | 57,002           | 6.8                    |
| Interest                              | 7,706   | 8,373   | 8.7                  | 8,800            | 9,400            | 6.8                    |
| 4. PIP expenditure + RRF <sup>6</sup> | 11,201  | 13,314  | 18.9                 | 12,167           | 14,100           | 15.9                   |
| III. SB Deficit (-)/Surplus (+)       | -3,760  | 369     |                      | -6,253           | -5,930           |                        |
| % of GDP                              | -1.7    | 0.2     |                      | -2.7             | -2.4             |                        |
| IV. SB Primary Balance                | 3,920   | 8,698   |                      | 2,547            | 3,470            |                        |
| % of GDP                              | 1.7     | 3.7     |                      | 1.1              | 1.4              |                        |
| GDP                                   | 225,197 | 236,965 | 5.2                  | 233,775          | 247,514          | 5.9                    |

\*On a modified cash basis. According to the new revenue classification valid from 01/01/2019.

\*\* Estimates in the Budget Introductory Report for 2025. The amounts are shown on a national accounting basis (ESA 2010).

Sources: Monthly SB Execution Bulletin December 2024, Ministry of Finance, January 2025, Budget Introductory Report 2025, November 2024.

The targets for the primary balance differ in cash terms, mainly due to the timing of receipts and payments. More specifically, this relates to an amount of €1,687 million from the Recovery and Resilience Facility, which was expected to be collected in the first quarter of 2024. It also relates to most of the observed underspending of cash payments, amounting to €2,767 million (for example, the timing of cash payments for military equipment and transfers to general government agencies). However, these differences concern amounts that do not affect the ESA general government fiscal balance, which is calculated by incorporating data from general government entities and national accounting adjustments.

### Ordinary budget revenue

In 2024, net revenue from the state budget totalled €74,110 million. This represented an increase of €1,221 million (1.68%) compared to the target included in the 2025 Budget Introductory Report for the corresponding period, and a 10.6% increase compared to 2023. This overperformance is primarily due to higher revenues from the Public Investment Programme (PIP) of €612 million and from taxes after refunds of €411 million. Additionally, €206 million was collected in October 2024

<sup>5</sup> The PIP revenue category now includes the receipts from the Recovery and Resilience Facility

<sup>6</sup> The PIP expenditure category now includes the payments from the Recovery and Resilience Facility



from the extraordinary levy on electricity suppliers, which was not accounted for in the original budget.

Table 2.6

State Budget Revenue (€ million)

|   | 2023*  | 2024*  | %<br>Change<br>24/23 | 2024**<br>Budget | 2025**<br>Budget | %<br>Change<br>25B/24B |
|---|--------|--------|----------------------|------------------|------------------|------------------------|
| Net SB revenue                            | 67,005 | 74,110 | 10.6                 | 68,379           | 74,573           | 9.1                    |
| Net OB revenue                            | 60,093 | 68,526 | 14.0                 | 60,567           | 66,036           | 9.0                    |
| <i>Tax refunds</i>                        | 67,086 | 76,537 | 14.1                 | 67,155           | 73,565           | 9.5                    |
| OB revenue                                | 6,993  | 8,011  | 14.6                 | 6,588            | 7,529            | 14.3                   |
| Income tax, of which:                     | 20,884 | 23,992 | 14.9                 | 21,652           | 25,212           | 16.4                   |
| -- <i>Personal</i>                        | 12,439 | 14,277 | 14.8                 | 13,337           | 15,244           | 14.3                   |
| -- <i>Corporate</i>                       | 6,782  | 7,664  | 13.0                 | 6,696            | 7,972            | 19.1                   |
| Property tax                              | 2,491  | 2,467  | -1.0                 | 2,487            | 2,394            | -3.7                   |
| Taxes on donations, inheritance<br>etc.   | 240    | 235    | -2.1                 | 239              | 235              | -1.7                   |
| Tariffs                                   | 345    | 366    | 6.1                  | 392              | 362              | -7.7                   |
| Taxes on goods and services, of<br>which: | 33,970 | 37,552 | 10.5                 | 35,169           | 38,019           | 8.1                    |
| -- <i>VAT</i>                             | 23,385 | 26,346 | 12.7                 | 24,379           | 26,673           | 9.4                    |
| -- <i>Excise duties</i>                   | 7,018  | 7,251  | 3.3                  | 7,067            | 7,276            | 3.0                    |
| Other production taxes                    | 1,164  | 586    | -49.7                | 593              | 460              | -22.4                  |
| Other current taxes                       | 2,532  | 3,589  | 41.7                 | 2,428            | 2,523            | 3.9                    |
| Social contributions                      | 58     | 61     | 5.2                  | 56               | 60               | 7.1                    |
| Transfers                                 | 7,530  | 5,738  | -23.8                | 6,902            | 8,794            | 27.4                   |
| Sales of goods and services, of<br>which: | 848    | 3,448  | 306.6                | 889              | 965              | 8.5                    |
| Other current revenue                     | 3,930  | 4,048  | 3.0                  | 4,138            | 3,043            | -26.5                  |
| Sales of fixed assets                     | 6      | 40     | 566.7                | 23               | 37               | 60.9                   |
| PIP+RRF Revenue <sup>7</sup>              | 6,912  | 5,584  | -19.2                | 7,812            | 8,537            | 9.3                    |

\* On a modified cash basis. According to the new revenue classification valid from 01/01/2019.

\*\* Estimates in the Budget Introductory Report for 2025. The amounts are shown on a national accounting basis (ESA 2010).)

Sources: Monthly SB Execution Bulletin December 2024, Ministry of Finance, January 2025, Budget Introductory Report 2025, November 2024.

Most categories showed an increase compared to 2023. Ordinary budget revenues increased by 14.1%, while net ordinary budget (OB) revenues increased by 14.0%. Tax refunds increased by 14.6%. Income tax revenues increased by 14.9%, driven by a 14.8% increase in revenues from the taxation of natural persons and a 13.0% increase in revenues from the taxation of legal entities. Revenues from taxes on goods and services rose by 10.5%, primarily due to a 12.7% increase in VAT revenues. Other current taxes saw a significant increase of +41.7%, sales of goods and services increased by a notable +306.6%, and sales of fixed assets surged by a substantial +566.7%. Conversely, transfers (-23.8%), property taxes (-1.0%) and other taxes on production (-49.7%) decreased (Table 2.6).

<sup>7</sup> The PIP revenues category includes the receipts from the Resilience and Recovery Facility.



## Ordinary budget expenditure

State budget expenditure for the period January–December 2024 amounted to €73,742 million, which is €2,749 million less than the updated target of €76,490 million included in the 2025 Budget Introductory Report. This figure is also up by €2,977 million (4.6%) compared to the same period in 2023, primarily due to increased expenditure in the employee benefits category by €831 million (due to the increase in civil servants' salaries from 01/01/2024) and investment expenditure by €2,113 million.

In the ordinary budget, payments are €2.913 billion lower than the target. Excluding the apparent difference in non-allocated expenditure of €746 million — which corresponds to transfers of funds to other categories, rather than payments — the difference in payments compared to the target amounts to €2,167 million. This is due to under-execution of expenditure on equipment programmes and transfers to SSFs, amounting to €740 million and €1,907 million respectively. These do not affect the fiscal balance. Reduced transfers to SSFs are primarily due to increased e-EFKA revenues from insurance contributions, ensuring the agency had sufficient funds to fulfil its obligations.

Table 2.7

State Budget Expenditure (€ million)

|                                     | 2023*  | 2024*  | %<br>Change<br>24/23 | 2024**<br>Budget | 2025**<br>Budget | %<br>Change<br>25Π/24Π |
|-------------------------------------|--------|--------|----------------------|------------------|------------------|------------------------|
| SB Expenditure (1+2+3)              | 70,765 | 73,742 | 4.2                  | 74,632           | 80,502           | 7.9                    |
| OB Expenditure (1+2)                | 59,564 | 60,428 | 1.5                  | 62,195           | 66,402           | 6.8                    |
| 1.Primary OB Expenditure            | 51,858 | 52,055 | 0.4                  | 53,395           | 57,002           | 6.8                    |
| Compensation of employees           | 14,039 | 14,869 | 5.9                  | 14,833           | 14,790           | -0.3                   |
| Social benefits                     | 417    | 340    | -18.5                | 411              | 425              | 3.4                    |
| Transfers                           | 33,399 | 32,598 | -2.4                 | 32,282           | 34,436           | 6.7                    |
| (of which SSFs)                     | 20,603 | 19,126 | -7.2                 | 20,942           | 21,692           | 3.6                    |
| Purchase of goods and services      | 2,145  | 2,199  | 2.5                  | 1,626            | 1,910            | 17.5                   |
| Subsidies                           | 118    | 73     | -38.1                | 81               | 81               | 0.0                    |
| Other current expenditure           | 49     | 117    | 138.8                | 111              | 102              | -8.1                   |
| Non allocated expenditure           | 0      | 0      | -                    | 15,210           | 17,602           | 15.7                   |
| Purchase of fixed assets            | 1,691  | 1,857  | 9.8                  | 1,277            | 1,757            | 37.6                   |
| 2. Interest (gross basis)           | 7,706  | 8,373  | 8.7                  | 8,800            | 9,400            | 6.8                    |
| 3. PIP+RRF Expenditure <sup>8</sup> | 11,201 | 13,314 | 18.9                 | 12,167           | 14,100           | 15.9                   |

\* On a modified cash basis. According to the new revenue classification valid from 01/01/2019.

\*\* Estimates in the Budget Introductory Report for 2025. The amounts are shown on a national accounting basis (ESA 2010).

Sources: Monthly SB Execution Bulletin December 2024, Ministry of Finance, January 2025, Budget Introductory Report 2025, November 2024.

Compared to 2023, most categories showed an increase. OB expenditure increased by 1.5%, while primary expenditure increased by 0.4%, with interest increasing by 8.7%. Transfers decreased by 2.4%, with transfers relating to SSFs falling by 7.2%. Employee benefits increased by 5.9%, while social benefits decreased by 18.5%. A significant decrease was recorded in subsidies (-38.1%).

<sup>8</sup> The PIP category now includes the flows of the Recovery and Resilience Fund for 2021 and 2022



Purchases of goods and services increased by 2.5%, as did purchases of fixed assets (by 9.8%), while other expenditure increased by 138.5% (see Table 2.7).

Noteworthy payments include the €43 million heating allowance for the 2024 winter period (relating to the previous winter period, for which total payments amounted to €218 million), and the €151 million advance payment for the 2024-25 winter period, paid in December. Total payments for the 2024-25 winter period are expected to increase to €270 million. Other notable payments include the €170 million payment from the Ministry of Rural Development and Food to ELGA, to compensate agricultural holdings affected by flooding due to DANIEL-ELIAS in September 2023. This payment also covers related land improvement projects. The Ministry of Infrastructure and Transport provided a €343 million subsidy to transport operators (OASA, OASTH and OSE). The Ministry of Health paid €426 million subsidy to the National Central Authority for Health Procurement (EKAPY) to cover the cost of supplying medicines to hospitals in the National Health System and Papageorgiou General Hospital. The state also paid €195 million for pharmaceutical and medical supplies, €66 million for textbooks for students of educational institutions, €266 million for fuel (mainly to cover the Ministry of National Defence's needs) and €164 million for aircraft rental by the Ministry of Climate Crisis and Civil Protection.

### **Implementation of the Public Investment Programme**

Revenues from the Public Investment Programme (PIP) (excluding the Recovery and Resilience Facility (RRF)) amounted to €4,427 million, which is an increase of €612 million from the target of €3,815 million included in the 2025 Budget Introductory Report. This figure is also €920 million (€3,507 million) higher than last year. Revenues from the RRF amounted to €1,157 million, which is down by €2,248 million compared to 2023, primarily due to an early collection in December 2023 of an instalment that was originally scheduled for March 2024.

Overall, payments for investment expenditure and the Recovery and Resilience Facility totalled €13,314 million, which is an increase of €164 million compared to the updated target set out in the 2025 Budget Introductory Report. These figures represent an increase of €2,113 million (18.9%) compared to the corresponding payments in 2023. RRF expenses increased by €1,312 million (62.8%), while PIP expenses increased by €801 million (8.8%).

### **2025 Budget execution (January - February)**

The global economic environment remains unstable in 2025. Geopolitical tensions remain high, while the protectionist measures imposed by the US on the EU and other countries and regions in early April are expected to have a negative impact on economic activity. Countries on which the US has imposed high tariffs have already begun to retaliate by imposing tariffs on US imports. As a result, stock markets have begun to record sharp declines. A decline in export revenues to the US and a consequent slowdown in overall economic activity will weigh on both economic growth and the state budget.

Nevertheless, the Recovery and Resilience Facility remains a vital source of support for the Greek economy in this uncertain environment. The fund has provided strong support to the economy during previous crises, such as the coronavirus pandemic and the energy crisis, and continues to finance development projects and reforms through grants, investments, and loans. To date, more than €18 billion has been disbursed to Greece under the Recovery and Resilience Facility, and by



2026, the country is expected to have absorbed 17% of its GDP from the fund. The Greek economy's improved performance is partly due to the investments and reforms that took place under the Recovery and Resilience Facility programmes. It is therefore crucial to continue utilising European resources at the same rate in future in order to achieve full convergence with the European average in key economic indicators, as well as significantly reducing debt and upgrading the country's investment rating.

### Balance and primary balance of the State Budget

According to state budget execution data, the state budget balance showed a surplus of €709 million (0.3% of GDP) on a modified cash basis for the January–February 2025 period. This is compared to a target deficit of €51 million for the same period in the 2025 Budget Introductory Report and a surplus of €1,437 million (0.6% of GDP) for the January–February 2024 period. The primary balance on a modified cash basis was a surplus of €2,802 million (1.1% of GDP), compared to a target primary surplus of €2,029 million, and a primary surplus of €3,378 million (1.4% of GDP) for the same period in 2024. It should be noted that €468 million relating to deferred payments from the ordinary budget, and €473 million relating to deferred payments from the Public Investment Programme (PIP), do not affect the general government's fiscal balance. The deterioration in the state budget balance over the first two months compared to last year is due to a decrease in net revenues of €905 million (7.2%; see Table 2.8).

Table 2.8

State Budget execution: January-February 2025\* (€ million)

|                                       | Jan. – February |         | %<br>Change<br>25/24 | 2024*   | 2025*   | %<br>Change<br>25B/24 |
|---------------------------------------|-----------------|---------|----------------------|---------|---------|-----------------------|
|                                       | 2024*           | 2025*   |                      |         |         |                       |
| I. SB NET REVENUE (1+2)               | 12,648          | 11,743  | -7.2                 | 74,110  | 75,463  | 1.8                   |
| 1. Net OB revenue                     | 10,857          | 11,553  | 6.4                  | 68,526  | 67,518  | -1.5                  |
| OB revenue before tax refunds         | 12,065          | 13,412  | 11.2                 | 76,537  | 75,047  | -1.9                  |
| Less Tax refunds                      | 1,208           | 1,859   | 53.9                 | 8,011   | 7,529   | -6.0                  |
| 2. PIP +RRF revenue <sup>9</sup>      | 1,791           | 190     | -89.4                | 5,584   | 7,945   | 42.3                  |
| II. SB EXPENDITURE (3+4)              | 11,211          | 11,034  | -1.6                 | 73,742  | 79,871  | 8.3                   |
| 3. OB expenditure                     | 9,156           | 9,695   | 5.9                  | 60,428  | 65,771  | 8.8                   |
| Primary expenditure OB                | 7,198           | 7,602   | 5.6                  | 52,055  | 58,070  | 11.6                  |
| Interest                              | 1,958           | 2,093   | 6.9                  | 8,373   | 7,701   | -8.0                  |
| 4. PIP +RRF expenditure <sup>10</sup> | 2,055           | 1,339   | -34.8                | 13,314  | 14,100  | 5.9                   |
| III. SB Deficit (-)/Surplus (+)       | 1,437           | 709     |                      | 369     | -4,408  |                       |
| % of GDP                              | 0.6             | 0.3     |                      | 0.2     | -1.8    |                       |
| IV. SB Primary Balance                | 3,378           | 2,802   |                      | 8,698   | 3,293   |                       |
| % of GDP                              | 1.4             | 1.1     |                      | 3.7     | 1.3     |                       |
| GDP (in current prices)               | 236,965         | 247,514 | 4.5                  | 236,965 | 247,514 | 4.5                   |

Source: Monthly SB Execution Bulletin February 2025, Ministry of Finance, March 2025.

\* On a modified cash basis. According to the new revenue classification valid from 01/01/2019.

It should be noted that the primary balance differs in fiscal terms from the result in cash terms. Furthermore, the above refers to the primary balance of the Central Administration only, not the

<sup>9</sup> The PIP revenue category now includes the receipts from the Recovery and Resilience Facility

<sup>10</sup> The PIP expenditure category now includes the payments from the Recovery and Resilience Facility



General Government as a whole. The latter also includes the fiscal balances of legal entities, as well as the sub-sectors of local authorities and SSFs.

## Ordinary budget revenue

From January to February 2025, the state budget generated net revenue of €11,743 million. This figure represents a €170 million increase (1.47%) compared to the target included in the 2025 Budget Introductory Report for the same period. It should be noted that this figure incorporates €784.8 million from transactions relating to the year 2024 and the new Attica Tollway Concession Agreement, which had to be completed in January 2025. These transactions are fiscally neutral and are included in both revenue (in the category 'Sales of goods and services') and tax refunds (VAT).

Table 2.9

State Budget Revenue: January-February 2025\* (€ million)

|  | Jan. – February |        | %<br>Change<br>25/24 | 2024*  | 2025*<br>Budget | %<br>Change<br>25B/23 |
|--|-----------------|--------|----------------------|--------|-----------------|-----------------------|
|  | 2024*           | 2025*  |                      |        |                 |                       |
| Net SB revenue                         | 12,648          | 11,743 | -7.2                 | 74,110 | 75,463          | 1.8                   |
| Net OB revenue                         | 10,857          | 11,553 | 6.4                  | 68,526 | 67,518          | -1.5                  |
| Tax refunds                            | 12,065          | 13,412 | 11.2                 | 76,537 | 75,047          | -1.9                  |
| OB revenue                             | 1,208           | 1,859  | 53.9                 | 8,011  | 7,529           | -6.0                  |
| Income tax, of which:                  | 4,065           | 4,806  | 18.2                 | 23,992 | 25,519          | 6.4                   |
| --Personal                             | 2,225           | 2,510  | 12.8                 | 14,277 | 15,163          | 6.2                   |
| --Corporate                            | 1,486           | 1,805  | 21.5                 | 7,664  | 8,368           | 9.2                   |
| Property tax                           | 217             | 193    | -11.1                | 2,467  | 2,394           | -3.0                  |
| Taxes on donations, inheritance etc.   | 34              | 38     | 11.8                 | 235    | 235             | 0.0                   |
| Tariffs                                | 42              | 62     | 47.6                 | 366    | 362             | -1.1                  |
| Taxes on goods and services, of which: | 6,055           | 6,457  | 6.6                  | 37,552 | 37,982          | 1.1                   |
| --VAT                                  | 4,443           | 4,829  | 8.7                  | 26,346 | 26,645          | 1.1                   |
| --Excise duties                        | 1,023           | 1,084  | 6.0                  | 7,251  | 7,272           | 0.3                   |
| Other production taxes                 | 99              | 88     | -11.1                | 586    | 386             | -34.1                 |
| Other current taxes                    | 797             | 234    | -70.6                | 3,589  | 2,522           | -29.7                 |
| Social contributions                   | 10              | 10     | 0.0                  | 61     | 60              | -1.6                  |
| Transfers                              | 1,651           | 297    | -82.0                | 5,738  | 8,131           | 41.7                  |
| Sales of goods and services, of which: | 165             | 993    | 501.8                | 3,448  | 2,417           | -29.9                 |
| Other current revenue                  | 706             | 423    | -40.1                | 4,048  | 2,949           | -27.1                 |
| Sales of fixed assets                  | 15              | 0      | -100.0               | 40     | 37              | -7.5                  |
| PIP + RRF Revenue <sup>11</sup>        | 1,791           | 190    | -89.4                | 5,584  | 7,945           | 42.3                  |

Source: Monthly SB Execution Bulletin February 2025, Ministry of Finance, March 2025.

\* On a modified cash basis. According to the new revenue classification valid from 01/01/2019.

Compared to last year, net revenues decreased by €905 million, which equates to 7.2% of GDP. This was mainly due to lower revenues from the Public Investment Programme (PIP) and the RFF. Meanwhile, the ordinary budget increased by 11.2%, with net revenue rising by 6.4% and tax refunds surging by 53.9%. Income tax revenue increased by 18.2% compared to the same period in 2024, due to increases in revenue from corporate tax (+21.5%) and personal income tax

<sup>11</sup> The PIP revenues category includes the receipts from the Resilience and Recovery Facility.



(+12.8%). In general, tax revenues increased compared to last year and also compared to the target, due to improved tax collection performance this year and improved performance of last year's income taxes, which are collected in instalments until the end of February 2025. It should be noted that most of the revenue collected in the January–February period affects the 2024 fiscal year.

Revenue from taxes on goods and services increased by 6.6%, primarily due to an 8.7% rise in VAT revenue and a 6.0% rise in excise duty revenue. Following last year's decrease of -44.1%, there was a significant decrease in transfers of -82.0%. Revenue from property taxes (-11.1%), other current taxes (-70.6%), other current revenue (-40.1%), sales of fixed assets (negligibly) and other production taxes (-11.1%) also decreased. Conversely, increases were recorded in sales of goods and services (+501.8%), customs duties and import taxes (+47.6%), and inheritance taxes (+11.8%; see Table 2.9).

### Ordinary budget expenditure

State budget expenditure for January–February 2025 totalled €11,034 million, which is €590 million less than the target of €11,625 million included in the 2025 Budget Introductory Report. This figure is also down by €176 million (1.6%) compared to the same period in 2024.

Table 2.10

State Budget Expenditure\* (€ million)

|  | Jan.- February |        | %<br>Change<br>25/24 | 2024*  | 2025*<br>Budget | %<br>Change<br>25B/24 |
|--|----------------|--------|----------------------|--------|-----------------|-----------------------|
|  | 2024*          | 2025*  |                      |        |                 |                       |
| SB Expenditure (1+2+3)                 | 11,211         | 11,034 | -1.6                 | 73,742 | 79,871          | 8.3                   |
| OB Expenditure (1+2)                   | 9,156          | 9,695  | 5.9                  | 60,428 | 65,771          | 8.8                   |
| 1.Primary OB Expenditure               | 7,198          | 7,602  | 5.6                  | 52,055 | 58,070          | 11.6                  |
| Compensation of employees              | 2,454          | 2,467  | 0.5                  | 14,869 | 14,889          | 0.1                   |
| Social benefits                        | 42             | 12     | -71.4                | 340    | 425             | 25.0                  |
| Transfers                              | 4,373          | 4,853  | 11.0                 | 32,598 | 34,741          | 6.6                   |
| (of which SSFs)                        | 2,707          | 2,753  | 1.7                  | 21,033 | 21,696          | 3.2                   |
| Purchase of goods and services         | 115            | 137    | 19.1                 | 2,199  | 2,040           | -7.2                  |
| Subsidies                              | 0              | 73     | -                    | 73     | 81              | 11.0                  |
| Other current expenditure              | 5              | 0      | -100.0               | 117    | 102             | -12.8                 |
| Non allocated expenditure              | 0              | 0      | -                    | 0      | 3,183           | -                     |
| Purchase of fixed assets               | 210            | 60     | -71.4                | 1,857  | 2,610           | 40.5                  |
| 2. Interest (gross basis)              | 1,958          | 2,093  | 6.9                  | 8,373  | 7,701           | -8.0                  |
| 3. PIP + RRF Expenditure <sup>12</sup> | 2,055          | 1,339  | -34.8                | 13,314 | 14,100          | 5.9                   |

Source: Monthly SB Execution Bulletin February 2025, Ministry of Finance, March 2025.

\* On a modified cash basis. According to the new revenue classification valid from 01/01/2019.

In the ordinary budget, payments are €246 million lower than the target amount. However, excluding the apparent difference in non-allocated expenditure of €343 million — which corresponds to transfers of non-allocated expenditure to other categories from which payments are made — the difference in payments compared to the target amounts to only €97 million. Compared to last year, payments increased by 5.9%, while primary OB expenditure increased by 5.6%, with interest rising by 6.9%. Transfers increased by 11%, with SSF-related transfers rising by 1.7%. Social benefits decreased by 71.4%, while other expenditure dropped to zero. Purchases of

<sup>12</sup> The PIP category now includes the flows of the Recovery and Resilience Fund for 2021 and 2022



fixed assets also decreased by 71.4%. In contrast, purchases of goods and services increased by 19.1%, as did subsidies, which were zero last year (see Table 2.10).

### Public Investment Programme (PIP)

Total PIP+RFF revenues amounted to €190 million, which is €605 million less than the target of €795 million included in the 2025 Budget Introductory Report, and €1,601 million (or -89.4%) less than last year. This decrease is due to last year's RFF instalment being collected early (in December 2023 instead of March 2024). Investment expenditure payments totalled €1,339 million, which is €344 million less than the target set out in the Budget Introductory Report 2025. At the same time, this figure is €716 million lower than the corresponding payments for 2024.

## C. Financial developments

- Volatility in international capital markets increased due to the new US administration's trade policy.
- The European Central Bank continued to gradually ease monetary policy in the first quarter of 2025, but with the expectation of a smaller, slower reduction in key interest rates.
- Amid an international rise in government bond yields in March 2025, the cost of new public sector borrowing increased without widening the spread over the corresponding cost of German public borrowing.
- The decline in the cost of new private sector borrowing in Europe halted in early 2025, with Greece's deviation from the European average remaining stable. The interest rate margin (the difference between the average interest rate on loans and deposits) declined but remained at high levels.
- Non-performing loans on Greek banks' balance sheets fell to 3.8% of total loans in the fourth quarter of 2024, reaching a new historic low since 2002.
- Credit expansion to businesses remained strong in early 2025, recording the highest annual rate since early 2009, while credit contraction to households eased.
- Greek banks' exposure to government bonds remained high at the end of 2024, deviating significantly from the euro area average.
- Private bank deposits declined slightly on an annual basis in early 2025.

In the first quarter of 2025, share prices on the domestic capital market continued to rise significantly, by 14.7%. This was offset to some extent by a decline of 6.1% in the first ten days of April, due to turmoil in international capital markets following US announcements of trade-protectionist measures. Similarly, the banking index rose by 23.4% in the first quarter, followed by a 10.1% correction in the first ten days of April.

Since mid-2024, the European Central Bank (ECB) has cut key interest rates six times in a row, by at least 150 basis points in total. Markets are anticipating a modest further decline in key interest rates this year, which will remain higher than in early 2022. As an indication, the 3-month Euribor is estimated to be around 2.0% at the end of 2025 in the interest rate derivatives markets, down from close to 4% at the end of 2023 and -0.5% at the beginning of 2022. Regarding quantitative easing tools, the ECB has stopped reinvesting in maturing bonds under the APP from mid-2023 and under the PEPP from the end of 2024. Although inflationary pressures are easing due to



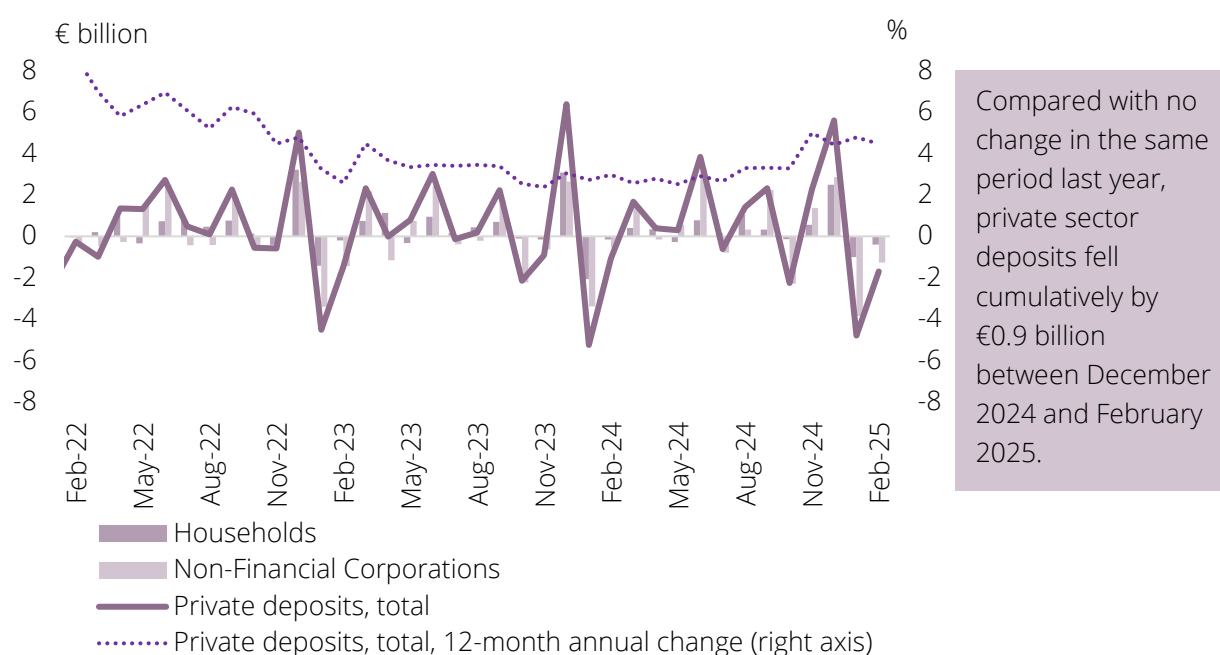
downward trends in international energy prices, risks remain from tariff policies and ongoing geopolitical tensions in Eastern Europe.

Among the positive trends in banks' fundamentals, non-performing loans (NPLs) reached a new historic low. Credit to businesses continued to grow rapidly, the contraction in mortgage lending slowed, and banks recorded a positive performance in terms of organic profitability, liquidity and capital adequacy.

At the beginning of the year, there were several negative trends in the financial system. Volatility in the international investment climate increased, the downward trend in public and private borrowing costs halted, and the interest rate margin declined but remained high. Private deposits declined slightly, and banks' exposure to government bonds remained higher than in other European countries. The high percentage of non-performing loans off the banks' balance sheets and the high proportion of deferred taxes in the banks' equity remain key challenges from the past. Timely implementation of the loan component of the National Recovery and Resilience Plan, which expires in June 2026, is crucial for financing productive investments on favourable terms.

Figure 2.7

Monthly net flow of private deposits at Greek banks



Source: Bank of Greece

In the period from December 2024 to February 2025, private deposits declined on the liabilities side of banks, with net new outflows of €2.0 billion from businesses. This was partially offset by net inflows of €1.1 billion from households (see Figure 2.7). On an annual basis, private deposits remained up by €8.7 billion in February. The twelve-month rate of change was 4.5% in February.

A mild upward trend in private deposits is expected in 2025, which will be slightly higher than inflation. As household disposable income and private consumption are expected to increase



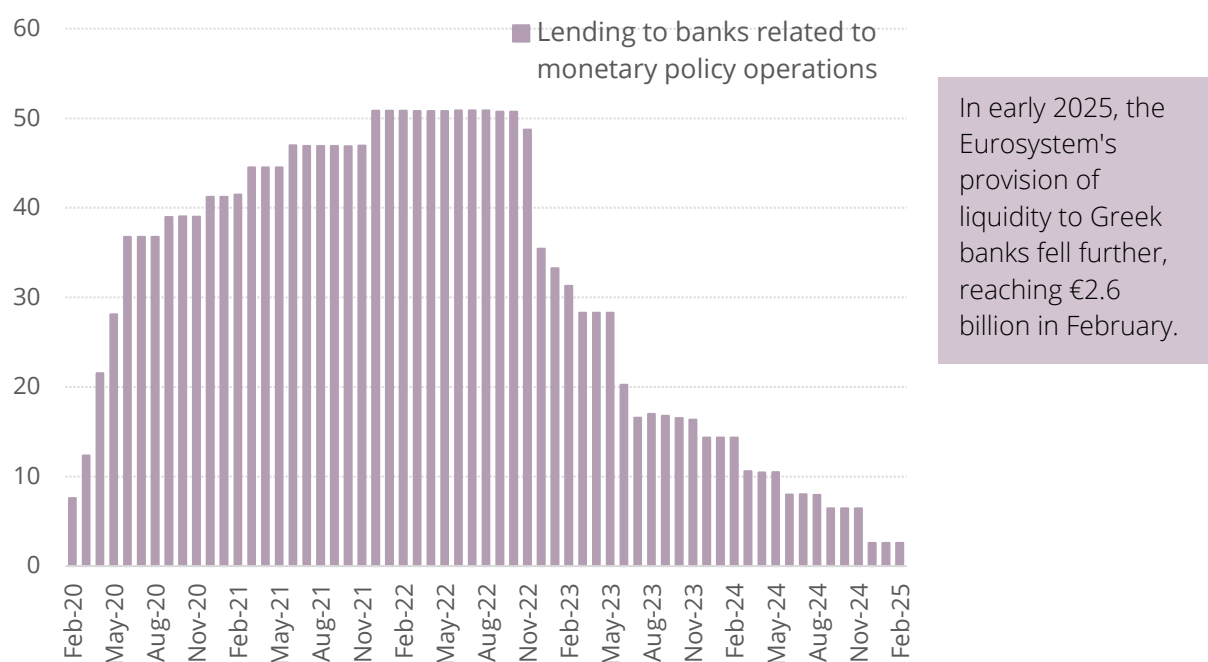
moderately in real terms, a slight rise in household and business savings is anticipated, some of which will be reflected in deposits.

The second part of banks' liabilities relates to financing from the Eurosystem. The ECB's higher liquidity provision costs compared to previous years have drastically reduced the Eurosystem's use of long-term financing instruments, such as LTROs, by €11.7 billion annually in February 2025, bringing it down to just €2.6 billion (Figure 2.8). During this period, the assets of the domestic banking system accepted by the Eurosystem as collateral for monetary policy operations declined, as reflected in the Bank of Greece's financial statements. These assets fell from almost €69 billion in mid-2022 to €22.9 billion in January 2025.

The third part of the banks' liabilities concerns financing from capital markets. Both the further systematic improvement in the credit rating of government and bank securities and the gradual decline in interest rates are creating positive prospects for the current year.

Figure 2.8

Long-term financing of the Greek banks from the Eurosystem (billion €)



Source: Bank of Greece

On the asset side, the rate at which banks expanded credit to the domestic private sector over the previous 12 months strengthened further in February 2025, reaching 10.5% (Table 2.10). The corresponding rate for non-financial corporations (NFCs) was 16.7% in the same month, which is a 17-year high (see Figure 2.9). Total new net inflows to enterprises amounted to €2.4 billion in the period December 2024 to February 2025, compared to €1.5 billion in the same period last year and €9.3 billion in 2024 as a whole. In contrast, credit contraction in the housing portfolio continued, albeit at a slower pace. Meanwhile, small positive inflows were recorded in loans to freelancers, sole proprietorships and consumer loans.



Table 2.11

Domestic bank financing and average interest rates per portfolio

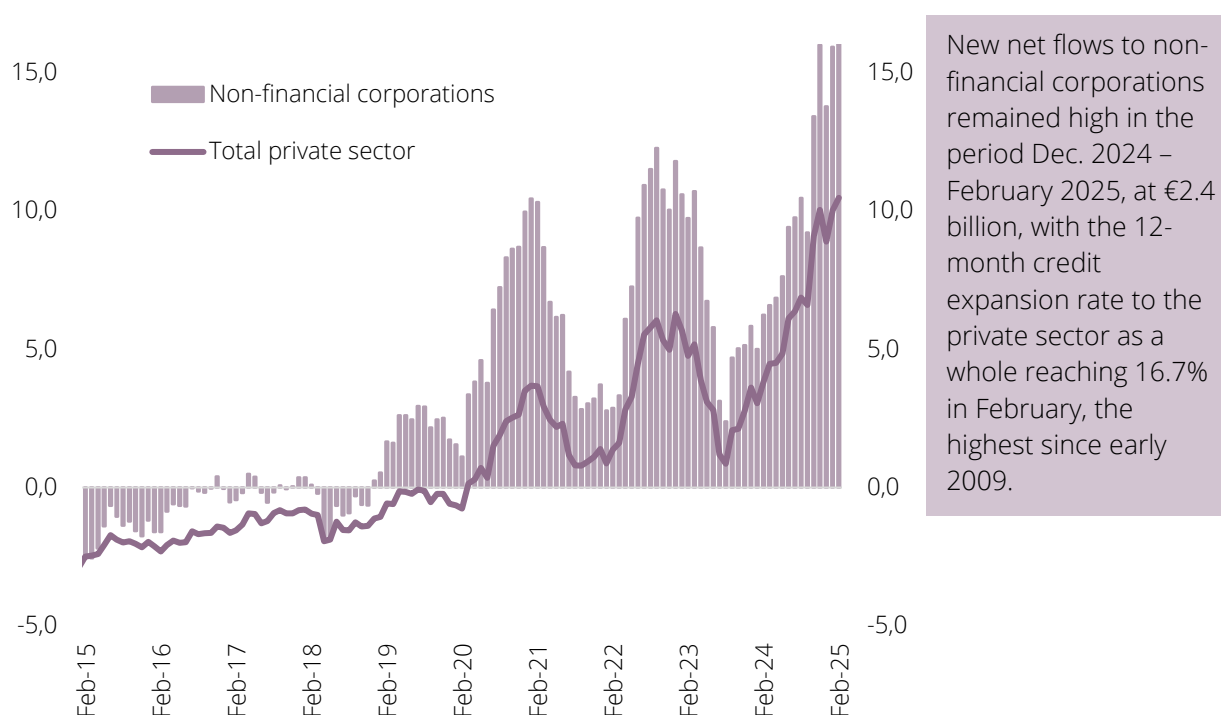
| Quarter/year                                    | 1/24 | 2/24 | 3/24 | 4/24 | Jan.25 | Feb.25 |
|---|------|------|------|------|--------|--------|
| Annual % change of 12-month flows*              |      |      |      |      |        |        |
| Total private sector                            | 3.8  | 5.2  | 6.6  | 9.3  | 10.0   | 10.5   |
| Households & NPIs                               | -1.7 | -1.0 | -0.7 | -0.6 | -0.5   | -0.5   |
| Consumer credit                                 | 4.3  | 5.4  | 6.0  | 6.2  | 6.0    | 5.6    |
| Mortgage credit                                 | -3.3 | -2.9 | -2.7 | -2.7 | -2.5   | -2.5   |
| Sole proprietors and unincorporated             | -0.8 | -0.1 | 0.3  | 0.5  | 0.2    | 0.2    |
| Non-financial corporations                      | 5.9  | 8.0  | 9.8  | 14.4 | 15.9   | 16.7   |
| Interest rates on new loans (period average, %) |      |      |      |      |        |        |
| Consumer credit                                 | 10.7 | 10.8 | 11.0 | 10.8 | 10.8   | 10.7   |
| Mortgage credit                                 | 4.45 | 4.20 | 3.86 | 3.71 | 3.78   | 3.63   |
| Loans to non-financial corporations             | 5.94 | 5.54 | 5.62 | 5.02 | 4.71   | 4.71   |

Source: Bank of Greece.

\* The flows result from changes of outstanding balances corrected for loan write-offs, re-evaluation of securities, foreign exchange differences and reclassification/transfer of loans.

Figure 2.9

Bank financing of the domestic private sector (annual % change of 12-month flows\*)



Source: Bank of Greece

\* The flows result from changes of outstanding balances corrected for loan write-offs, re-evaluation of securities, foreign exchange differences and reclassification/transfer of loans.



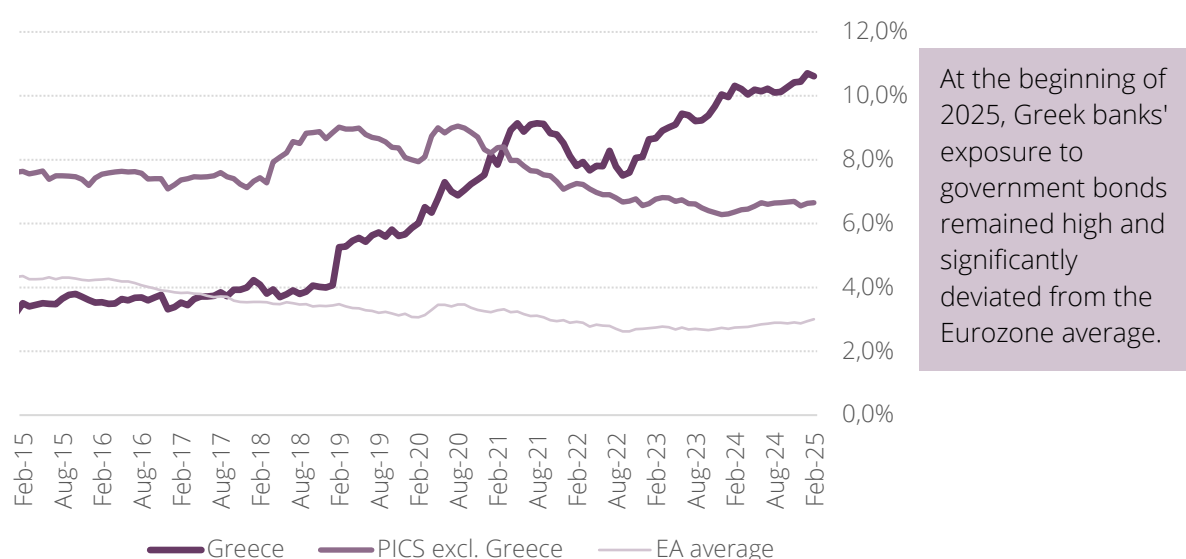
Changes in the supply and demand for loans, as well as changes in interest rates, affect private sector financing. On the supply side, high bank liquidity ratios, favourable terms for business lending under the loan component of the National Recovery and Resilience Plan, and programmes for small and medium-sized enterprises and individuals from the Hellenic Development Bank create opportunities and highlight the availability of financial resources.

From the perspective of loan demand, the Bank of Greece's fourth quarter 2024 survey on bank lending recorded a significant increase in demand for new business credit loans, particularly long-term ones. Both large and small and medium-sized enterprises expect demand to strengthen further, while an increase in demand for housing loans is anticipated, partly due to the implementation of programmes such as the €2 billion "My Home II" programme. Credit criteria remained stable in Q4 2024, with no significant changes expected in the short term except for the housing portfolio, where a slight easing is anticipated.

In terms of assets, banks' exposure to government bonds remained high in the fourth quarter of 2024, reaching €34.0 billion in February — equivalent to 10.6% of their total assets. Consequently, the proportion of Greek banks' total assets invested in government bonds continues to diverge from that of other southern Eurozone countries, standing at 6.7% — much higher than the eurozone average of just 3.0% (see Figure 2.10).

Figure 2.107

Banks' government bond holdings over total assets (%)



Source: ECB

Non-performing loans (NPLs) on bank balance sheets declined further in the fourth quarter of 2024, reaching 3.8% of total bank loans (€6.0 billion), down from 4.6% (€6.9 billion) in the previous quarter. This represents a historic low for NPLs since 2002, when relevant data began to be published, and brings the level of NPLs in line with that of other Eurozone countries. The NPL ratio fell from 8.4% to 6.9% in mortgage loans, from 3.5% to 2.9% in business loans, and marginally from 7.7% to 6.3% in consumer loans.

Beyond the non-performing loans (NPLs) on banks' balance sheets, a significant volume of loans, formerly bank NPLs, is recorded as being managed by credit servicing firms. By the end of 2024,



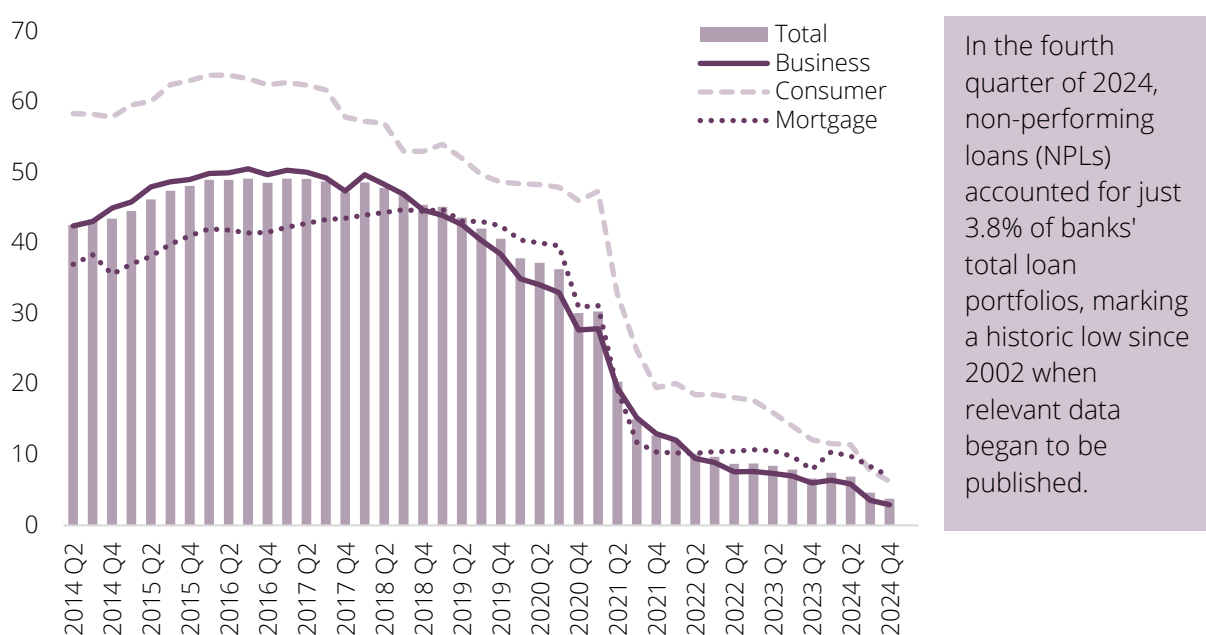
for example, the total nominal value of loans under the management of CSFs had reached €74.8 billion. Consequently, the stock of non-performing private debt, primarily outside the banking system's balance sheets, remains substantial, hindering the efficient allocation of financial resources and prospects for economic recovery.

In the medium term, the reduction in NPLs is expected to prioritise the assets of the CSFs. For this reason, it is crucial that the secondary market for loans and credit claims functions smoothly, and that tools such as the out-of-court debt settlement mechanism are in place. The additional round of the Heracles III securitisation programme, which is currently underway, is having a positive impact on bank reserves. However, there is also a visible risk of new non-performing exposures (NPEs) emerging in individual portfolios with floating interest rates, such as mortgages, as a result of higher interest rates over a long period.

Regarding new lending in 2025, credit to businesses is expected to continue expanding with the implementation of the loan component of the National Recovery and Resilience Plan. The revised total scope of this plan now reaches €17.7 billion by 2026. Conversely, credit to households is expected to contract more mildly, mainly due to the recovery in demand for housing loans.

Figure 2.11

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



Source: Bank of Greece

\* On-balance sheet loans (before provisions) on a non-consolidated level.

In January–February 2025, interest rates on new deposits declined to 0.63% and 0.37% for non-financial corporations (NFCs) and households, respectively. During the same period, the average interest rate on new loans fell to 5.1%, standing at approximately 5.8% for individuals and 4.7% for NFCs. Although the interest margin (the difference between the average interest rate on loans and deposits) decreased to 4.6% from an average margin of 5.6% and 5.2% in 2023 and 2024, respectively, it remained high during the same period.

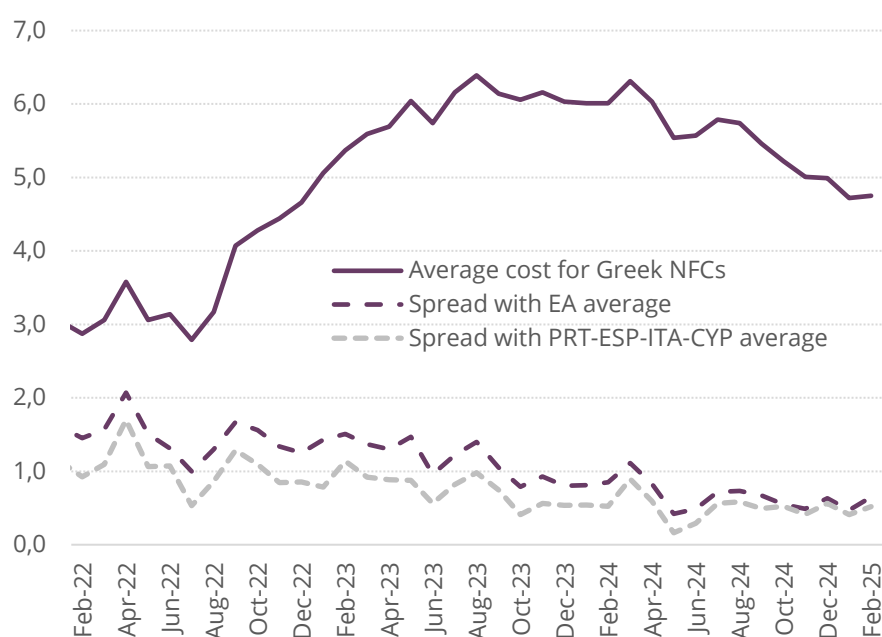


The average cost of new bank financing for private-sector NFCs remained stable at 4.7% in February (see Figure 2.12). Furthermore, the cost of financing for Greek businesses remains higher than in other countries in the euro area. According to the ECB's weighted index of bank lending costs, the cost for non-financial corporations stood at 4.1% in the euro area and 4.2% in southern euro area countries (Portugal, Italy, Cyprus and Spain) in February 2025. Consequently, the spread in borrowing costs for Greek companies relative to the eurozone and southern averages was 65 bps and 52 bps, respectively. Compared to the level before the fiscal crisis of 2010, the spread in borrowing costs for Greek companies relative to the average for other southern Eurozone countries remains elevated.

In early 2025, yields on European government bonds rose as the international investment climate deteriorated amid growing political uncertainty. In this context, the downward trend in Greek government bond yields reversed without widening the spread compared to other European bonds. Thus, in the first quarter of 2025, the average yield on 10-year bonds was 3.4%, compared to 3.1% in the previous quarter. The additional cost of new 10-year borrowing for the Greek government, compared to other Eurozone countries, was 87 basis points in the first quarter of 2025, compared to 30 basis points for the German bond and the average of southern Eurozone countries. This was an improvement on the previous quarter, when the figures were 89 and 21 basis points, respectively (Figure 2.13). Despite this progress, the spread against the German bond remains higher than the average value observed during the first decade of the country's membership of the Eurozone (54 bps). Further convergence in borrowing costs requires a combination of prudent fiscal policy and reform measures aimed at strengthening potential growth rates.

Figure 2.12

Composite cost of borrowing for non-financial corporations (%)



In February, new lending rates for businesses remained at 4.7%, with the spread from the average borrowing cost in southern Eurozone countries standing at 65 basis points.

Source: ECB



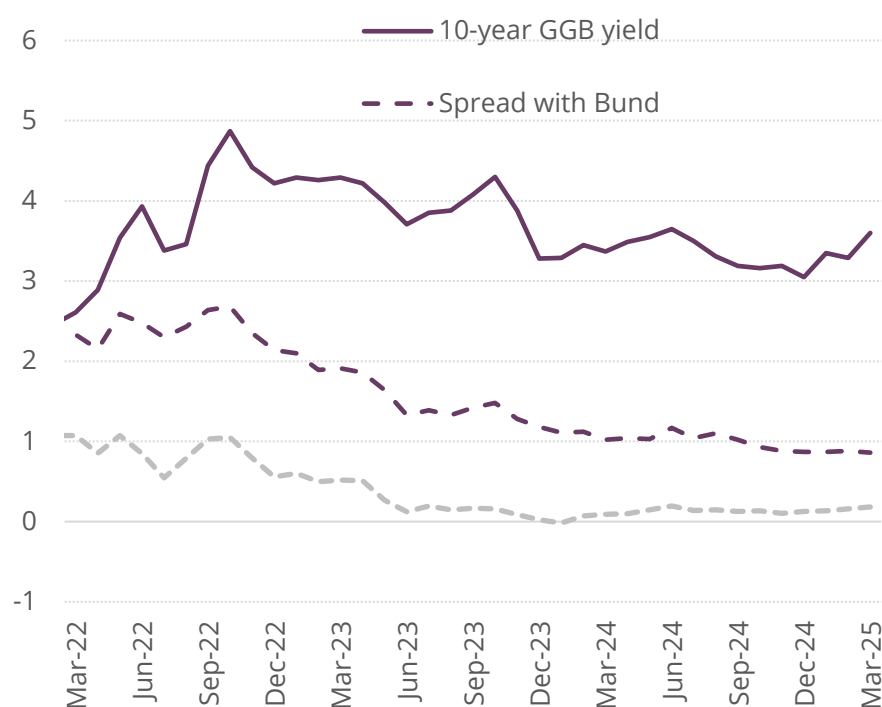
As part of the Greek government's financing strategy, the PDMA raised approximately €9.5 billion from the long-term bond markets in 2024. At the same time, approximately €8 billion of loan obligations from the first bailout programme were repaid early at the end of 2024. The 'Financing Strategy' for 2025, published in December 2024, refers to the target of raising around €8 billion through bond issues.

In January 2025, the Greek government issued a new 10-year bond, raising €4.0 billion at an interest rate of 3.6%, with a coverage ratio exceeding 10. During the same period, the PDMA issued 10- and 30-year bonds, raising smaller sums and receiving a very positive market response.

The credit rating of Greek securities is now classified as 'investment grade' by all five international rating agencies recognised by the ECB (Moody's, DBRS, Scope, S&P and Fitch), following Moody's recent upgrade in March 2025. The text box at the end of this section outlines the key milestones and evolution of the credit rating from three of the largest international agencies. However, the level of Greek public debt remains among the highest internationally, at 158.2% of GDP in the third quarter of 2024 (see Appendix). However, this quantitative characteristic is offset by qualitative characteristics such as the long average repayment period and the large proportion of debt with fixed and low interest rates.

Figure 2.13

Yield and spread of the 10-year Greek sovereign bond (%)



In the first quarter of 2025, the average yield on 10-year government bonds rose to 3.4%, while the average spread against the corresponding German bond fell from 103 basis points to 87 basis points

Source: ECB



### Text box for Section 2.2.C

#### The timeline of the Greek economy's recovery to investment grade status

A credit rating is an independent assessment of a company, bank or government's ability to repay a loan or debt. Ratings are based on companies', banks' or countries' financial data, their prospects and their performance to date. At the state level, good credit ratings are awarded if debt levels are considered manageable, i.e. if there are prospects for reducing deficits and repaying debt. Credit rating agencies are private companies that assess the creditworthiness of governments, commercial banks and companies. Central banks take these ratings into account in their activities, with the ECB adding a fifth rating agency to its list of recognised institutions at the end of 2023. The ECB's list now includes Fitch Ratings, Moody's, S&P Global Ratings, DBRS Morningstar and Scope. The three major agencies — Fitch Ratings, Moody's and S&P Global Ratings — cover a large share of the market. Ratings can vary slightly from agency to agency but generally range from C or D (default) to AAA (exceptionally high ability to meet financial commitments). Investment grade is defined as a rating of BBB (or Baa3 at Moody's) or above, reflecting sufficient capacity to meet financial commitments but with some risk under adverse economic conditions.

Figure B.2.2.1 illustrates how Greece's rating evolved from 2001 to March 2025, as assessed by the three major rating agencies. It can be seen that, prior to the onset of the economic crisis, Greece's rating was higher than the investment grade by more than four notches for all three agencies. A sharp decline in the country's credit rating occurred in 2009, and in April 2010, S&P downgraded Greece to below investment grade. Moody's followed suit in June 2010, and Fitch also downgraded Greece to below investment grade in January 2011. The return to investment grade was gradual and the recovery path was non-linear. S&P was the first agency to restore Greece's investment-grade rating, doing so in October 2023. Fitch followed in December 2023, while Moody's awarded investment-grade status in March 2025. This made it the last of the five agencies recognised by the ECB to award Greece an investment-grade rating.

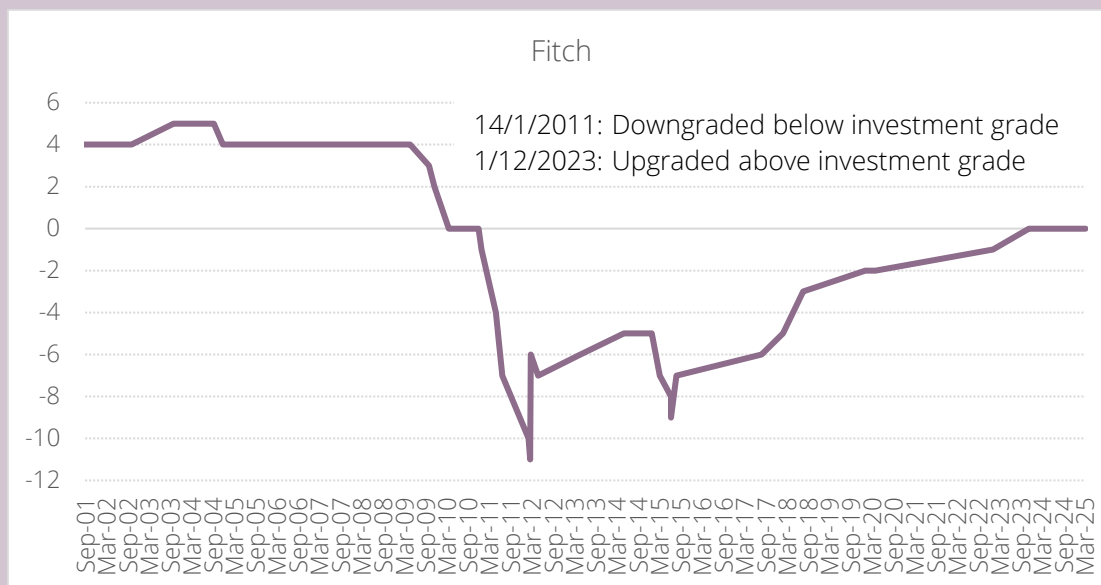
Figure B.2.2.2 shows the arithmetic mean of ratings from the three major agencies from 2010 to 2025. It also includes the dates of Greece's entry into and exit from the surveillance programmes. Following its entry into the first surveillance programme, we observe a significant deterioration in the country's rating. Indeed, the average rating fell 10 notches from investment grade in 2012, when restructuring Greek debt through the PSI was deemed necessary. By contrast, the trend was slightly upwards after entering the second programme. A deterioration occurred in 2015 amid the banking crisis and capital restrictions that summer, but the upward trend continued upon entering the third programme. This upward trend has continued since exiting the programmes and remains so to this day. However, the arithmetic mean of the rating remains far below the levels seen before 2010 and lags behind that of other Eurozone countries.

Moody's investment grade rating (March 2025) was primarily based on the improvement in public finances, the stability of the banking system, the government's recent reforms, and political stability. Based on these developments, primary surpluses are expected to endure and public debt is expected to decline as a result. The agency cited the fight against tax evasion, the implementation of reforms and spending containment as the main reasons for the improvement in public finances. It also mentions the effective use of the Recovery and Resilience Facility, among other things. In the banking



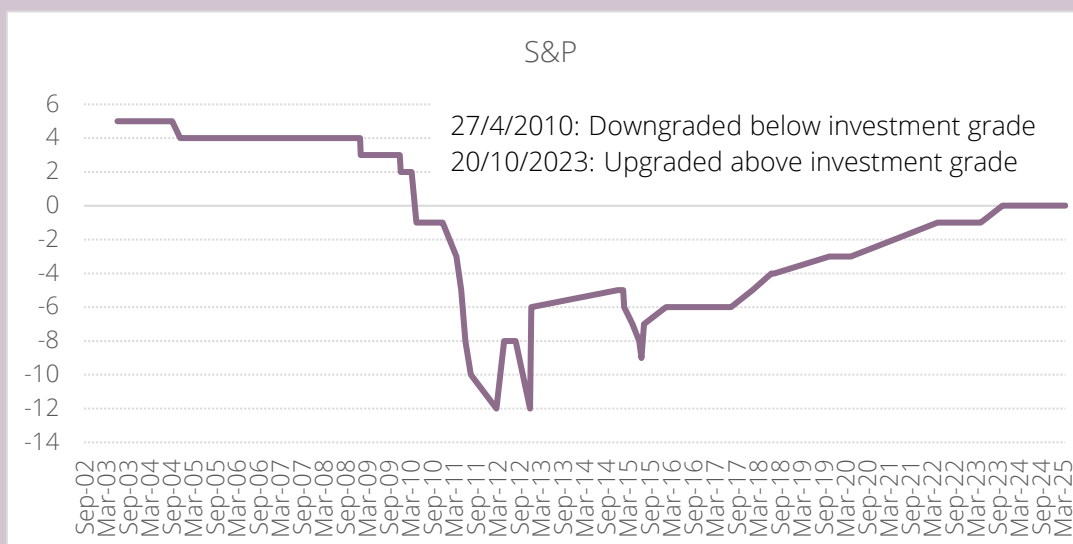
sector, the agency cites the reduction in non-performing loans and improvement in capital adequacy as positive developments.

**Figure B.2.2.1.** Credit rating of Greek government bonds by the three major rating agencies: Number of notches above/below investment grade (2001-2025)



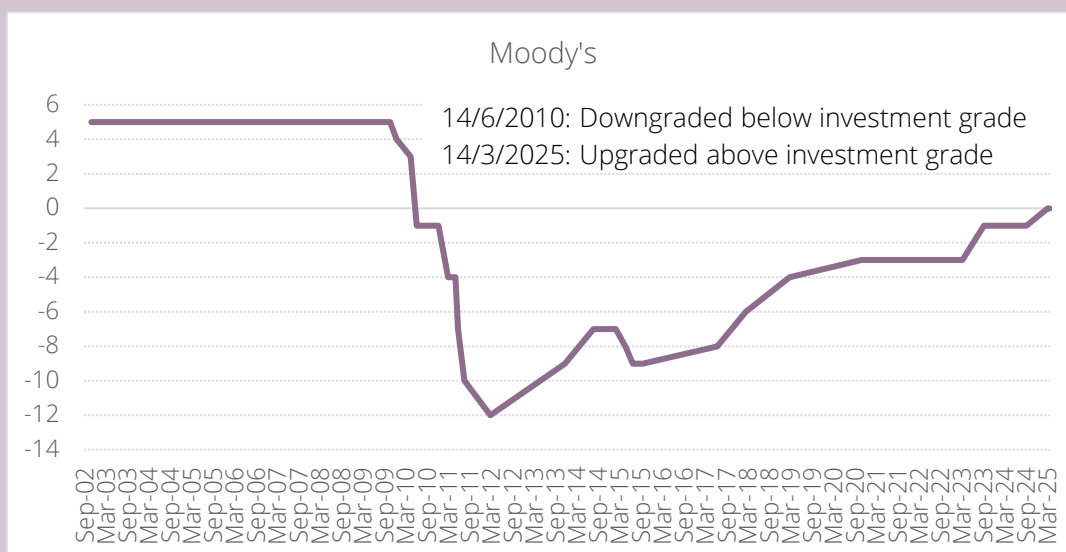
Source: Fitch, Data processing: IOBE

Note: The '-' sign indicates a rating below investment grade.



Source: S&P, Data processing: IOBE

Note: The '-' sign indicates a rating below investment grade.

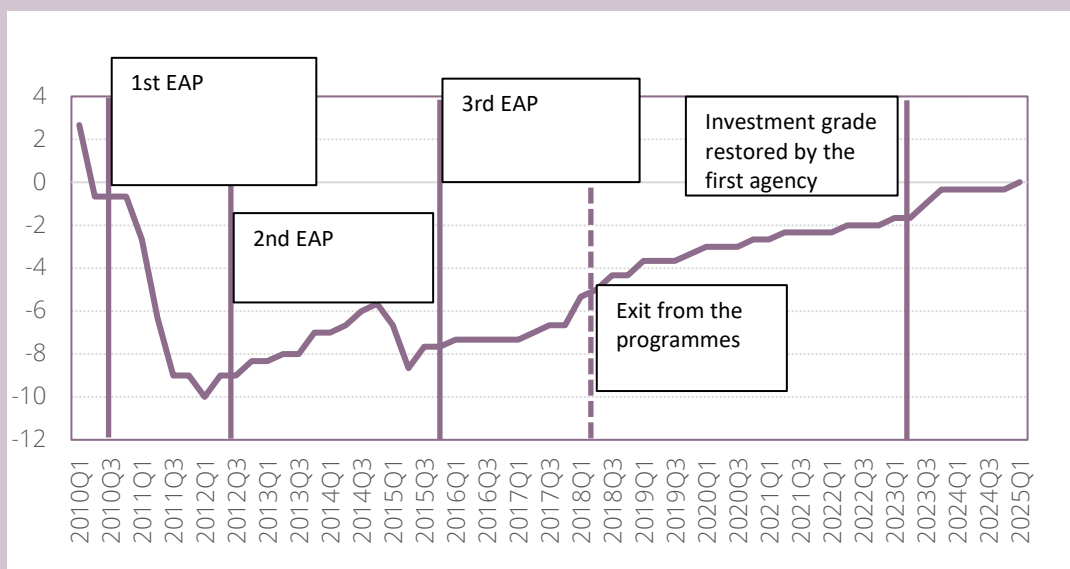


Source: Moody's, Data processing: IOBE

Note: The '-' sign indicates a rating below investment grade.

However, the consequences of climate change, demographic issues and high unemployment rates, particularly among young people, are cited as risks. A further upgrade could occur if growth rates are higher than expected, reforms are implemented more quickly, or debt is reduced by more than expected. Conversely, a downgrade would occur if reforms slowed down or failed to deliver. More specifically, a significant deterioration in public finances combined with a sharp deterioration in the health of the banking sector would lead to a negative assessment. Finally, a notable increase in geopolitical risks in Europe could result in a credit downgrade.

**Figure B.2.2.2.** Credit rating of Greek government bonds:  
Number of notches above/below investment grade (2010-2025)



Sources: Fitch, S&P, Moody's, Data processing: IOBE

Note: Average rating from three international agencies: S&P, Moody's, Fitch



Fitch, which awarded Greece an investment-grade rating in December 2023, employed similar reasoning. As risks and positive prospects, possible changes in the macroeconomic environment were cited by the agency, including a deterioration in the current account balance. It also made special mention of environmental, social and governance (ESG) indicators, awarding Greece a moderate rating for the rule of law, an above-average rating for human rights and a relatively low rating for credit rights.

S&P, which awarded Greece an investment-grade rating in October 2023, employed similar reasoning, also highlighting the external balance as a potential risk factor. On a positive note, however, it mentioned that public debt consists of long-term, low-interest bonds. The report also highlighted the increase in investment since 2019, strong performance in tourism, shipping and manufacturing, and improved business confidence due to reforms.





## 3 MACROECONOMIC PERFORMANCE AND OUTLOOK

### 3.1 GDP components

#### A. Recent developments

- Growth accelerated significantly in the fourth quarter of 2024, with GDP increasing by +0.9% compared to the previous quarter and rising by +2.6% year-on-year (compared to +2.3% in the previous quarter).
- Fixed investments were the main driver of growth in the Greek economy in Q4 2024, rising by 9.0% year-on-year (up from 1.3% in Q3). Overall, investments increased by 24.4% (compared to 18.0%), with the increase in inventories making a significant contribution.
- Private consumption continued its upward trend, albeit with signs of fatigue, with an annual increase of 0.8% (down from 2.5%), while public consumption declined further by 3.4% (down from 1.8%), leading to an annual contraction in total consumption of 0.3%.
- The increase in total exports (+3.6%, up from +3.3%) and the slowdown in total imports (+2.4%, down from +5.4%) both contributed positively to growth in the fourth quarter. Exports of goods and services increased by 1.6% (up from 0.9%) and 5.9% (up from 4.8%) respectively, while imports of goods and services recorded annual increases of 2.0% (down from 3.5%) and 4.8% (down from 12.7%) respectively.

#### Recent macroeconomic developments in Greece

In the fourth quarter of 2024, the Greek economy grew at an annual rate of 2.6%, exceeding the eurozone average of 1.2% and marking the 15<sup>th</sup> consecutive quarter of growth. This growth was primarily driven by private consumption and fixed investment, while public spending declined for the fifth consecutive quarter. The external balance improved due to the strong performance of total exports and slower growth in imports (see Figure 3.1).

In terms of GDP components, total domestic consumption fell by 0.3% year-on-year in the fourth quarter of last year (down from an increase of 1.7% in the previous quarter). This was due to a slowdown in private consumption (down from 2.5% to 0.8%) and an intensifying contraction in public consumption (down from 1.8% to -3.4%).

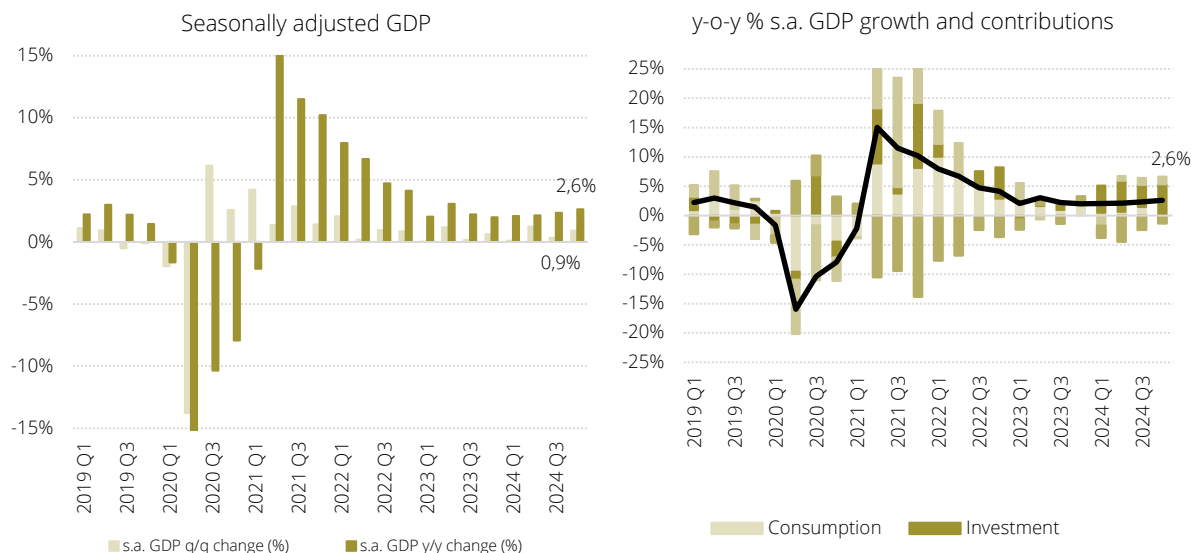
In terms of fixed investment dynamics, there was a remarkable annual recovery of +9.0% in the fourth quarter compared to the previous quarter (+1.3%), with total investments following a similar



trend (+24.4% compared to +18.0% in the previous quarter). This was driven by a significant increase in inventories, as well as growth in all individual investment categories (see Figure 3.2).

Figure 3.1

Evolution of GDP and the contribution of its components

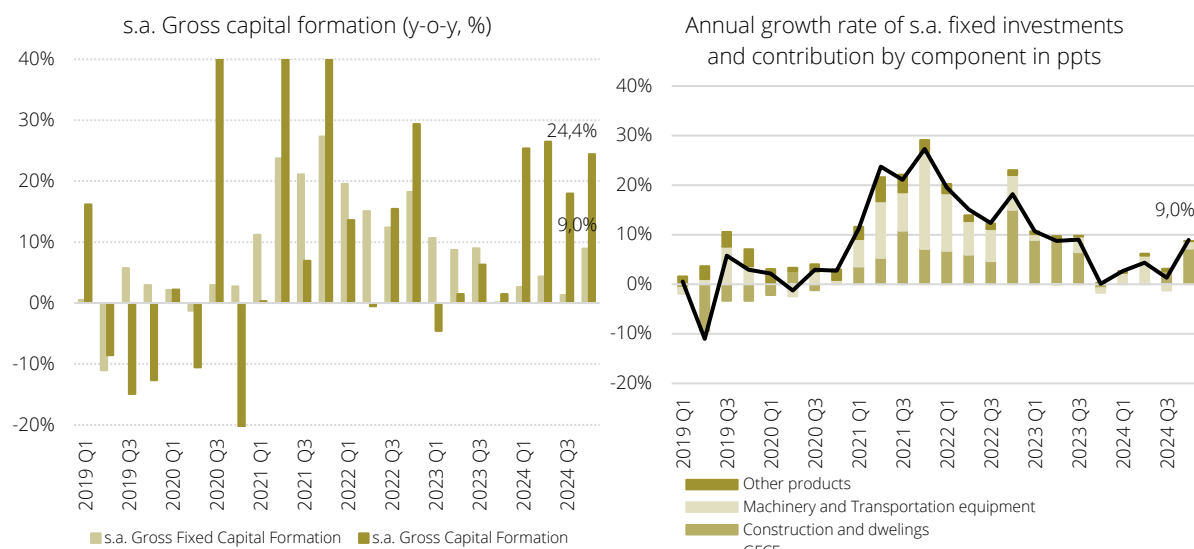


Source: ELSTAT, Data processing IOBE

In the fourth quarter of 2024, private consumption and fixed investment were the main drivers of economic growth.

Figure 3.2

Evolution of investment and the contribution of its components



Source: ELSTAT, Data processing IOBE

A recovery in fixed investments in the fourth quarter of 2024, combined with a further strengthening of inventories, led to an increase in total investments.

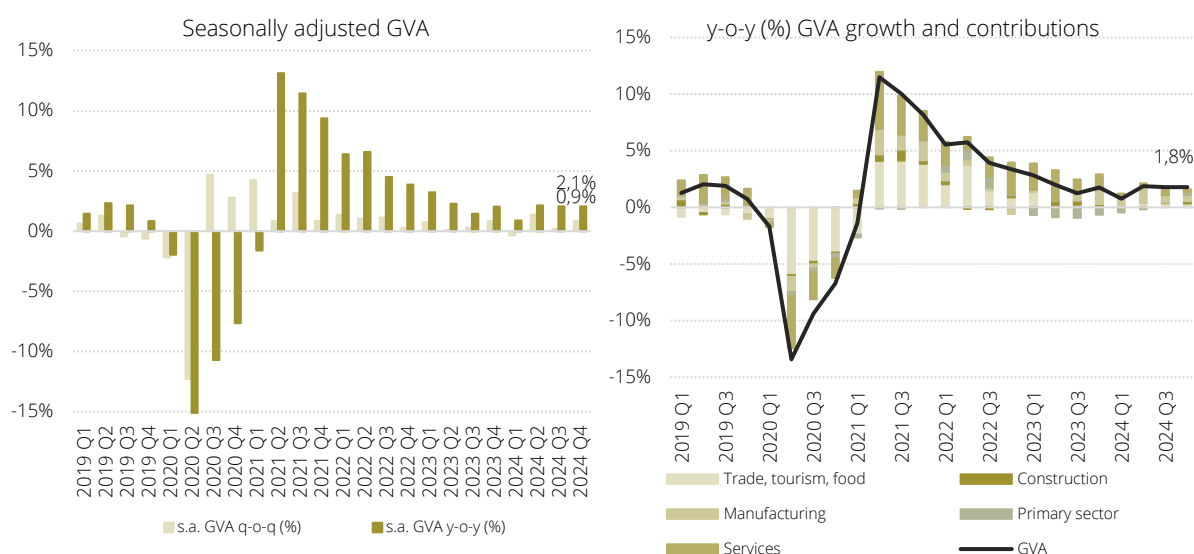


Most components of fixed capital investment recorded annual growth: investments in dwellings and construction increased by 18.4% (compared to 6.9%), followed by investments in machinery and transport equipment (up by 3.3%, compared to -2.8%), and investments in other products (up by 0.3%, compared to 2.5%). Closer analysis reveals that the annual rate of change was positive in six of the seven fixed investment sectors: dwellings (29.1% from 7.5%), agricultural products (16.3% from 7.3%), other construction (11.8% from 6.5%), information technology and communications equipment (8.0% from -2.5%), mechanical equipment and weapons systems (6.4% from 2.8%), and other products (0.2% from 2.4%). Conversely, investments in transport equipment recorded an annual contraction of -10.8% (compared to -19.0%).

In terms of the external balance, the increase in exports (up 3.6% annually compared to 3.3% in the previous quarter) exceeded the rise in imports (up 2.4% compared to 5.4%), thereby improving the deficit by around €122 million compared to last year. This outcome was driven primarily by exports of services (+5.9%, up from +4.8%), rather than exports of goods (+1.6%, up from +0.9%), despite the rise in imports of both services (+4.8%, down from +12.7%) and goods (+2.0%, down from +3.5%). Meanwhile, the openness of the Greek economy (exports + imports/GDP) remained stable at around 80% (down from 81% in the previous quarter).

Figure 3.3

Evolution of GVA and the contribution of its components



Source: ELSTAT, Data processing IOBE

The increase in GVA was due to the strengthening of all production sectors. Construction made the most significant contribution, followed by the primary sector, industry, tourism, transport and trade, and other services.

Figure 3.3 shows that, in production, domestic gross value added (GVA) increased for the 15th consecutive quarter, with an annual rise of +2.1% (unchanged from the previous quarter). This occurred despite an increase in taxes (+4.2%, up from -4.9%) and a decline in subsidies (-8.6%, down from -41.8%), which continued for the second consecutive six-month period.

At the sectoral level, all sectors contributed positively to GDP growth in the fourth quarter of 2024. The Construction sector contributed the most (+11.0%, up from +3.7%), followed by the Primary



Sector (+9.6%, up from +0.8%) and Industry (+4.0%, up from +4.7%). Trade (+1.7%, up from +1.8%) and Other Services (+0.5%, up from +1.3%) improved less. Notably, despite the robust performance of financial and insurance activities (unchanged at +3.4%) and information and communication (up 1.4% from +3.4%), other production sectors either exhibited minimal growth — such as real estate management (up 0.4%, unchanged) and professional, scientific, technical and administrative activities (up 0.1%, down from +6.7% in the previous quarter) — or remained stagnant — such as public administration, defence and social security (unchanged at 0.0%, down from -0.8%) — or contracted — such as arts and entertainment (down 1.1%, down from +2.1%).

Table 3.1

Trends in key macroeconomic figures – National Accounts (seasonally adjusted data, 2015 constant prices), provisional data

| Quarter | GDP       |                       | Final Consumption |                       | Investment |                       | Exports   |                       | Imports   |                       |
|---------|-----------|-----------------------|-------------------|-----------------------|------------|-----------------------|-----------|-----------------------|-----------|-----------------------|
|         | € million | Annual rate of change | € million         | Annual rate of change | € million  | Annual rate of change | € million | Annual rate of change | € million | Annual rate of change |
| 2012    | 177312    | -8.4%                 | 160338            | -8.3%                 | 21353      | -21.0%                | 46828     | 2.0%                  | 51736     | -5.5%                 |
| 2013    | 173219    | -2.3%                 | 154078            | -3.9%                 | 20616      | -3.4%                 | 47650     | 1.8%                  | 49869     | -3.6%                 |
| 2014    | 174733    | 0.9%                  | 154163            | 0.1%                  | 21699      | 5.3%                  | 51595     | 8.3%                  | 53278     | 6.8%                  |
| 2015    | 174321    | -0.2%                 | 155171            | 0.7%                  | 21926      | 1.0%                  | 54295     | 5.2%                  | 57635     | 8.2%                  |
| 2016    | 174232    | -0.1%                 | 155668            | 0.3%                  | 22786      | 3.9%                  | 54080     | -0.4%                 | 58863     | 2.1%                  |
| 2017    | 176711    | 1.4%                  | 158478            | 1.8%                  | 22076      | -3.1%                 | 58626     | 8.4%                  | 63070     | 7.1%                  |
| 2018    | 180186    | 2.0%                  | 159988            | 1.0%                  | 23785      | 7.7%                  | 64039     | 9.2%                  | 68274     | 8.3%                  |
| 2019    | 184172    | 2.2%                  | 163578            | 2.2%                  | 22516      | -5.3%                 | 67139     | 4.8%                  | 70199     | 2.8%                  |
| 2020    | 167611    | -9.0%                 | 156992            | -4.0%                 | 22463      | -0.2%                 | 52692     | -21.5%                | 65078     | -7.3%                 |
| 2021    | 181549    | 8.3%                  | 164095            | 4.5%                  | 28627      | 27.4%                 | 65534     | 24.4%                 | 76384     | 17.4%                 |
| 2022    | 192157    | 5.8%                  | 175119            | 6.7%                  | 32621      | 13.9%                 | 69864     | 6.6%                  | 84759     | 11.0%                 |
| 2023    | 196642    | 2.3%                  | 178351            | 1.8%                  | 33047      | 1.3%                  | 71168     | 1.9%                  | 85504     | 0.9%                  |
| 2024 Q1 | 49625     | 2.1%                  | 44890             | 0.5%                  | 9058       | 25.4%                 | 17474     | -4.9%                 | 22011     | 4.6%                  |
| 2024 Q2 | 50243     | 2.1%                  | 44892             | 0.7%                  | 10029      | 26.5%                 | 18004     | 2.3%                  | 22977     | 9.7%                  |
| 2024 Q3 | 50419     | 2.3%                  | 44955             | 1.7%                  | 10519      | 18.0%                 | 18129     | 3.3%                  | 22794     | 5.4%                  |
| 2024 Q4 | 50874     | 2.6%                  | 44755             | -0.3%                 | 11168      | 24.4%                 | 18293     | 3.6%                  | 22404     | 2.4%                  |
| 2024    | 201161    | 2.3%                  | 179492            | 0.6%                  | 40774      | 23.4%                 | 71900     | 1.0%                  | 90185     | 5.5%                  |

\* Provisional data

Source: Quarterly National Accounts, ELSTAT, January 2025

In conclusion, the Greek economy grew at a significantly higher rate than the Eurozone in the fourth quarter of 2024, marking the 15th consecutive quarter of growth since the pandemic. This was driven by stronger private consumption, fixed investment, and an improved external balance. However, general government consumption expenditure declined.



## B. Assumptions and forecasts

### Medium-term outlook

- The main factors driving GDP growth in 2025 include positive developments and opportunities, such as maintaining consumption growth momentum (although there are clear signs of fatigue), lower borrowing costs and accelerating the revised Recovery and Resilience Plan. However, there are also challenges and risks, mainly arising from international developments, such as the escalation of the trade war, uncertainty surrounding EU fiscal figures (e.g. the rearmament plan) and the persistence of geopolitical tensions in Ukraine and the Middle East.
- Domestic growth is estimated at +2.2% in 2025.
- There will be a significant increase in fixed investment (+9.5%) and a marginal slowdown in private consumption (+1.2%).
- Marginal improvement in the current account balance, mainly due to projected growth. Exports are growing faster than imports, at +2.2% and +1.5% respectively.
- Annual inflation (HICP) is estimated at 2.8%, with an unemployment rate of 9.3%.

The Greek economy is expected to show robust growth in 2025, thanks to opportunities arising from the accelerated implementation of the revised Recovery and Resilience Plan, lower borrowing costs and new market equilibria forming as a result of trade protectionism (which could favour Greek exports). Continued improvement in tax compliance is also expected to contribute to growth. However, the country's growth momentum may be undermined by international risks stemming from the escalation of the trade war, uncertainty regarding EU fiscal figures (e.g. the rearmament plan), the persistence of geopolitical tensions in Ukraine and the Middle East, the high structural external deficit, and the loss of competitiveness due to higher-than-average inflation in the euro area.

#### Mild inflationary pressure due to stronger domestic demand and higher indirect taxes

During the first quarter of 2025, the domestic Consumer Price Index (CPI) and the Harmonised Index of Consumer Prices (HICP) increased by 2.6% and 3.1% respectively compared to the previous year (3.1% and 3.2% respectively). A similar trend emerged in March of this year, with both the CPI and the HICP recording increases of 2.4% and 3.0%, respectively, compared to the same month last year (3.2% and 3.4%, respectively). It should be noted that core inflation in Greece stood at +3.4% in February 2025, up from +3.3% a year earlier.

The increase in the HICP in the first two months of 2025 was driven by positive domestic demand. The percentage change in the index with constant taxes and excluding energy goods was +2.8%, compared to +3.9% a year earlier. Indirect taxation positively impacted prices by 0.3 percentage points during this period, compared to no impact the previous year (a more detailed analysis of inflation and its key drivers can be found in section 3.5).

During the first quarter of 2025, international oil prices fell compared to the previous year, with the average price of Brent dropping by 8.7% (\$75.8 per barrel compared to \$83 per barrel a year earlier). However, the depreciation of the euro against the dollar limited the decline in the euro price of oil (€72/barrel).

The strengthening of domestic demand in view of the latest minimum wage increases (affecting civil servants' pay, unemployment benefits and the new special payroll for uniformed personnel),

as well as certain indirect tax increases (such as the restoration of VAT on served non-alcoholic beverages), are expected to have a positive effect on maintaining high prices in 2025. However, although prospects for global growth in 2025 are marginally stronger, increased uncertainty due to trade protectionism (which could be mitigated by concluding bilateral agreements), persistent inflationary pressures and weakening business and consumer confidence raise questions about the trajectory of inflation. Furthermore, the risk of further fragmentation of the global economy looms large.

According to the European Central Bank, inflation in the Eurozone is forecast to reach 2.3% in 2025. Based on current trends and developments, the Consumer Price Index is expected to rise by around 2.8% this year, mainly due to stronger domestic demand.

### **Slowdown in Eurozone growth in 2024 amid weak exports and industrial contraction, despite strong consumption**

According to data from March 2025, the OECD estimates that the global economy grew by 3.2% in 2024, thanks to strong performances by most economies, including the United States (+2.8%), China (+5.0%), and India (+6.3%). Growth in OECD countries was limited to 1.7% in the fourth quarter of 2024, marking a 0.3% increase compared to the previous quarter.

In the eurozone, GDP grew by 0.9% in 2024 and by 0.2% in the fourth quarter (down from 0.4% in the previous quarter) due to stronger-than-expected growth in private and public consumption. However, this was largely offset by poor export performance, reducing the final result by 0.1% compared to year-end estimates. Industrial activity continued to decline due to weak demand, the residual effects of tight monetary policy (i.e. high interest rates to combat inflation), ongoing loss of competitiveness and considerable uncertainty surrounding trade policy. In contrast, inflation remained close to its target of 2% (2.4%) and the labour market remained resilient in 2024. This is expected to continue in 2025, albeit with a slowdown. More information on changes in key macroeconomic indicators for EU countries and globally can be found in sections 2.1A and 2.1B. The OECD (April 2025) forecasts growth rates of +1.0% and +1.2% for the euro area in 2025 and 2026, respectively, which is -0.3% lower than the previous estimate in December 2024. The ECB (March 2025) also revised its growth estimate downwards by -0.2%, to +0.9% and +1.2% for 2025 and 2026 respectively.

### **More accommodative monetary policy from the ECB and the Fed**

At its March 2025 meeting, the ECB's Governing Council lowered key interest rates by 25 basis points for the sixth consecutive time since mid-2024. This decision was based on easing inflation, which was in line with analysts' forecasts, and on the more effective transmission of monetary policy, given that lower borrowing costs favour credit growth.

Despite downgrading its growth forecasts for the euro area to +0.9% and +1.2% for 2025 and 2026 respectively, due to weaker exports and low investment amid increased political and trade uncertainty, the ECB expects real income growth and the unwinding of previous monetary tightening to support demand. Furthermore, the ECB has reaffirmed its commitment to data-driven decision-making and has not pre-committed to a specific path for interest rates, while maintaining its focus on achieving an inflation target close to 2%.

In the same context, the Fed kept key interest rates steady in the first quarter of 2025. However, it warned of growing uncertainty about the direction of the economy, partly due to President Donald



Trump's tariff agenda. Despite stating that current economic conditions are stable, the Fed lowered its GDP forecasts to 1.7% and 2.1% for 2025 and 2026 respectively.

Finally, we assume that interest rates will follow the current trend in forward contracts. In other words, we expect Euribor to decline gradually from close to +2.8% at the beginning of the year to around +2.0% by the end of 2025 (down from an expectation of +1.9% in the previous quarter).

### **Fiscal overperformance and successful execution of the State Budget in 2024 (January – December)**

Despite facing repeated challenges at geopolitical, economic and climatic levels, the Greek economy demonstrated remarkable resilience and robust performance in 2024, experiencing a notable improvement in its fiscal outlook. Implementation of the State Budget from January to December 2024 was successful, with the primary surplus reaching 3.7% of GDP and the fiscal balance recording a marginal surplus of 0.2% of GDP. These targets were achieved thanks to favourable external conditions, such as the gradual easing of the effects of the energy crisis and the relaxation of monetary policy. Meanwhile, domestic factors such as the increase in electronic transactions, the fight against tax evasion and the consequent strengthening of tax revenues, combined with an increase in wages, also played a part. More information on the implementation of the state budget is presented in Section 2.2B.

A slight deterioration in the state budget balance is forecast for 2025 (-2.4% compared to 2024), primarily due to increased expenditure resulting from the rise in the spending ceiling for the coming years. By contrast, the primary surplus is expected to reach 1.4% of GDP.

### **Further reductions in the public debt-to-GDP and non-performing loan ratios**

According to the 2024 Stability Program, public debt as a percentage of GDP fell to 154% in 2024 (from 163.9% in 2023) and is expected to fall further to 147.5% of GDP in 2025. The fiscal outlook is assessed to be in line with the provisions of the revised Stability and Growth Pact.

Greek public debt decreased in the fourth quarter of 2024, falling from €370,865 million in the previous quarter to €365,494 million. According to data from the Public Debt Management Agency (PDMA), 47.2% of new annual borrowing came from bonds, 41.4% from interest-bearing notes and 11.4% from the Recovery and Resilience Facility. The weighted average maturity of the new borrowings was 18.8 years at an average cost of 1.7%. The debt structure reduces refinancing uncertainty, as 74% of the debt is held by institutional partners and has a high average maturity and low fixed interest rates. However, the country's financing needs in the coming years are affected by repayments of loans received from EU institutions.

In terms of private debt, the proportion of non-performing loans (NPLs) on the balance sheets of Greek banks fell to 3.8% in the fourth quarter of 2024, down from 4.6% in the previous quarter. This represents a new historic low since 2002, when relevant data began to be published, and brings Greece into line with other countries in the euro area (see section 2.2.C).

### **Strong growth in investment, but with uncertainty from the international economic environment**

In the fourth quarter of 2024, total investment increased by 24.4% year-on-year and by 6.2% compared to the third quarter of the previous year. This growth was driven by a significant increase in inventories for the fifth consecutive quarter and by growth in all categories of investment goods.

Further monetary policy easing and the acceleration of the implementation of the Greek Recovery and Resilience Plan are expected to contribute positively to investment growth until the end of the year and into 2025. However, concerns are arising from heightened economic uncertainty at a regional and international level due to the resurgence of trade protectionism in the form of tariffs and retaliatory measures. The components of fixed capital investment that recorded the highest annual increase were dwellings and construction, followed by investments in mechanical and transport equipment.

### **Deterioration of the external deficit despite stronger exports**

In the fourth quarter of 2024, the external balance was in deficit at -8.0% of GDP, which was a deterioration compared to the previous quarter, but an improvement compared to the same quarter the previous year. The increase in exports (+3.6% annually compared to +3.3% in the previous quarter) exceeded the rise in imports (+2.4% compared to +5.4%), reducing the deficit by around €122 million compared to last year. This outcome was driven primarily by exports of services (+5.9%, up from +4.8%), rather than exports of goods (+1.6%, up from +0.9%), despite the rise in imports of services (+4.8%, up from +12.7%) and goods (+2.0%, up from +3.5%). Meanwhile, the openness of the Greek economy (exports + imports/GDP) remained stable at approximately 80% (down from 81% in the previous quarter).

Similarly, the current account (CA) for the period from January to December 2024 recorded a deficit of €15.1 billion (-6.4% of GDP), which is an increase of €1.2 billion compared to 2023 (-6.2% of GDP). This was primarily due to a significant deterioration in the goods account and a smaller expansion in the primary income account deficit. This was partly offset by improvements in the services account and secondary income account. Trends in the external balance are analysed in detail in Section 3.3.

### **Further improvement in the labour market, but with signs of a slowdown amid structural challenges and economic uncertainty**

According to the ELSTAT Labour Force Survey, the unemployment rate fell from +10.5% in the fourth quarter of 2023 to +9.5% in the same quarter of 2024 (see Appendix, Figure 7). This decrease is due to a 39,600-person reduction in the number of unemployed individuals and an increase in employment. An analysis of trends in the domestic labour market is presented in Section 3.4.

The baseline macroeconomic scenario forecasts a slight improvement in the labour market in 2025. However, there are clear signs of a slowdown due to the limited scope for reducing cyclical unemployment, as well as the challenges posed by structural unemployment and the need to boost labour force participation.

Domestic factors, such as the restoration of international investor confidence (leading to a reduction in public and private sector financing costs), and the acceleration of the implementation of the National Recovery and Resilience Plan, are expected to have a positive impact on employment through a boost to investment. International factors, such as growth in the Eurozone (boosting consumption), an increase in investment (due to an expected reduction in interest rates), and an increase in exports, are also expected to have a positive impact on employment.

However, geopolitical instability and economic uncertainty remain significant risks for 2025, both regionally and internationally. Despite the relative decline in international energy prices, uncertainty about their future trajectory has increased. Meanwhile, inflation in Greece is expected



to remain slightly higher than the Eurozone average. High core inflation is undermining the country's economic competitiveness and having a negative impact on employment. According to IOBE estimates, the projected slowdown in consumption in 2025 will lead to a weakening of the labour market's positive momentum.

### **Banking sector challenges**

At the beginning of 2025, there was an increase in volatility in the international investment climate. The downward trend in public and private borrowing costs was reversed, and the interest rate margin narrowed but remained high. Private deposits declined slightly, and banks' exposure to government bonds remained higher than in other European countries. Conversely, non-performing loans (NPLs) reached a historic low, credit expansion to businesses remained high, the contraction in mortgage lending slowed and banks recorded positive organic profitability, liquidity and capital adequacy.

Although private deposits declined between December 2024 and February 2025, the stock of private deposits and their twelve-month rate of change remained positive on an annual basis during this period. A mild upward trend in private deposits is expected in 2025, which will be slightly higher than inflation. As household disposable income and private consumption increase modestly in real terms, household and business savings are expected to strengthen slightly, some of which will be reflected in deposits. Regarding Eurosystem financing, the ECB's increased cost of providing liquidity has sharply reduced the use of long-term financing instruments, such as LTROs, since February 2025. At the same time, the assets of the domestic banking system accepted by the Eurosystem as collateral for monetary policy operations decreased over the same period, as reflected in the Bank of Greece's financial statements. Finally, regarding financing from capital markets, the further systematic improvement in the credit rating of government and bank securities and the gradual decline in interest rates are creating positive prospects for the current year.

In February 2025, the 12-month rate of credit expansion to the domestic private sector strengthened further on the asset side of banks (Table 2.10). The corresponding rate for non-financial corporations (NFCs) also increased, reaching a 17-year high. In contrast, credit in the housing portfolio continued to contract, albeit at a slower pace. Meanwhile, small positive inflows were recorded in loans to freelancers and sole proprietorships, as well as in consumer loans. Private sector financing is affected by changes in the supply and demand for loans, as well as by changes in interest rates. On the supply side, high bank liquidity ratios, the loan component of the National Recovery and Resilience Plan offering favourable terms for business lending and the programmes offered by the Hellenic Development Bank for small and medium-sized enterprises and individuals create opportunities and highlight the availability of financial resources (see section 2.2C for an analysis of developments in the financial system).

### **Upward trends in industrial production and construction, mixed performance in trade in 2024**

In 2024, the industrial production index in Greece increased by 5.2%, which is more than double the rate recorded in 2023 (2.3%). However, in the first two months of 2025, industrial production declined by 1.2% compared to the same period the previous year. Across the Eurozone, industrial production fell by 3.0% in 2024, following a decline of 2.1% in 2023.

Regarding the other indicators, Construction (+19.5%, up from +15.0% in 2023) and all service sectors recorded significant annual growth. In contrast, the decline in the volume index for Retail Trade slowed (-1.5% annually, compared to -3.3% in 2023), while the decline in Wholesale Trade accelerated (-4.6% annually, compared to -4.2% in 2023). More information on the main production sectors is provided in Section 3.2.

### **Marginal improvement in domestic economic sentiment**

The Economic Sentiment Indicator increased by 0.6 points in the first quarter of 2025, rising from 107.1 in the same period last year to 107.7. This improvement is mainly due to positive changes in business expectations in the construction, services and industry sectors, while expectations in retail trade declined. Meanwhile, the Consumer Confidence Index improved slightly, rising from -47.1 to -43.1 points in the previous quarter.

In Europe, the corresponding average index increased slightly during the review period compared to the previous one, in both the EU and the euro area. Specifically, the Economic Sentiment Indicator stood at 96.2 points in the EU and at 95.6 points in the euro area in the first quarter of 2025, up from 95.8 and 95.2 points respectively.

In the first quarter of 2025, the Consumer Confidence Index in Greece was significantly higher than in the last quarter of the previous year and the corresponding period last year. However, the corresponding average index showed a slight deterioration in both the EU (-13.3 points compared to -12.2 points) and the Eurozone (-14.1 points compared to -13.4 points) compared to the previous quarter. These levels are slightly higher than those recorded a year ago (-14.2 and -15.3, respectively). This is because consumers in Greece were slightly less pessimistic about their household finances and the country's financial situation over the next 12 months. At the same time, households' positive assessments of their current situation strengthened, while their intention to make major purchases in the near future remained unchanged. More information on economic sentiment is presented in section 2.2A.

### **Medium-term forecast**

Taking into account the current state of international and domestic economic sentiment, developments in key macroeconomic indicators and certain basic assumptions, short-term forecasts have been formulated for the components of domestic GDP in 2025.

In terms of domestic demand, we expect overall consumption to continue growing, supported by rising employment and wages, gradually easing inflation and an increasingly open economy. Meanwhile, the anticipated reduction in interest rates and the accelerated implementation of the Greek Recovery and Resilience Plan are strengthening the prospects of maintaining this positive trend throughout 2025. Nevertheless, despite the significant rise in public consumption, factors such as slower unemployment declines, household credit contraction, high borrowing costs, negative savings rates and international energy price volatility may hinder the further strengthening of private consumption. The estimated annual changes in private and public consumption for 2025 are +1.2% and +0.6%, respectively.

Fixed capital investment is expected to maintain its momentum throughout 2025. This will be supported by further monetary policy easing and the accelerated implementation of the Greek



Recovery and Resilience Plan, which is largely independent of the economic cycle. Improved investor confidence in the country, thanks to its credit rating upgrade, will also contribute to this. A significant increase in fixed capital investment is projected for 2025 compared to the previous year.

### Text Box 3.1

#### Macroeconomic forecast drivers

##### Risks

- Escalation of the trade war, which could lead to disruptions in growth rates, inflation, and instability in the international financial system, raising questions about the pace of monetary policy easing.
- The persistence of geopolitical tensions in Ukraine and the Middle East is a major concern in terms of energy security, supply chains, and international political developments.
- Uncertainty regarding EU fiscal figures, partly as a result of the rearmament plan.
- Alternative scenario of a sharp rise in international energy prices with negative effects on production costs and interest rate de-escalation.
- High external balance deficit with structural characteristics.
- Loss of competitiveness due to higher-than-average inflation in the euro area.
- Delays in the consolidation of non-performing loans off bank balance sheets, which act as an obstacle to the reallocation of resources.

##### Positive outlook

- Accelerating the implementation of the revised Recovery and Resilience Plan could unlock international funds for productive and longer-term investments.
- Lower borrowing costs provide an opportunity to accelerate investment.
- Trade protectionism is creating new equilibria in international trade flows, with the prospect of increased market shares for Greek exports with higher added value.
- Continued improvement in tax compliance.
- The ongoing reduction in the VAT gap and the corresponding divergence from the EU is a positive development.

The external balance is expected to show a slight improvement in 2025 compared to the previous year, primarily due to projected growth. Conversely, the intensification of global uncertainty (e.g. a trade war) is expected to negatively impact both exports and imports (more so exports), raising questions about the trajectory of external demand. The projected annual rates of change in exports and imports are +2.2% and +1.5%, respectively.

Taking the above into account, we are revising our January 2025 forecast for the domestic economy marginally downward (+2.4%), estimating a growth rate of +2.2% for 2025. Meanwhile, we are highlighting certain negative prospects, such as the lower growth rate of the Eurozone economy and increased economic uncertainty at regional and international levels due to the escalation of the trade war. Other negative prospects include uncertainty regarding EU fiscal performance due to the rearmament plan, persistent geopolitical tensions in Ukraine and the Middle East (raising questions over energy security, supply chains and international political developments), a high external deficit, loss of competitiveness due to above-average inflation in the Eurozone and delays in consolidating non-performing loans off bank balance sheets.

### Text Box 3.2

#### Baseline scenario assumptions

- The Eurozone economy is following the ECB's baseline scenario (March 2025) for growth of +0.9% in 2025 (from a forecast of +1.1% in the previous quarter and +1.3% in September 2024) from +0.8% in 2024, and inflation of +2.3% in 2025 (from +2.1% in the previous quarter) from +2.4% in 2024.
- Trade uncertainty intensifies in the short term, but a global trade war is avoided, assuming that either a 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 current forward contracts, 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) by 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 stabilising trends in 2025, lower than their 2024 level.
- 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 on schedule.
- Inbound tourism for 2025 is expected to maintain the positive performance of 2024 in real terms.

Table 3.2

Comparison of forecasts for selected economic indicators for 2025  
(at constant market prices, annual % changes)

|   | BoG   | MinFin | EC    | IOBE | IMF   | OECD  |
|---|-------|--------|-------|------|-------|-------|
|   | 2025  | 2025   | 2025  | 2025 | 2025  | 2025  |
| GDP                                     | 2.3%  | 2.3%   | 2.3%  | 2.2% | 2.1%  | 2.2%  |
| Consumption                             | :     | :      | :     | 1.1% | 1.3%  | :     |
| Private Consumption                     | 2.0%  | 1.6%   | 1.9%  | 1.2% | 1.6%  | 1.2%  |
| Public Consumption                      | -0.2% | 0.0%   | -2.3% | 0.6% | 0.6%  | 1.0%  |
| Gross Fixed Capital Formation           | 6.0%  | 8.4%   | 7.5%  | 9.5% | 9.3%  | 8.8%  |
| Exports                                 | 3.8%  | 4.0%   | 5.0%  | 2.2% | 2.6%  | 3.3%  |
| Imports                                 | 3.5%  | 3.6%   | 3.8%  | 1.5% | 3.6%  | 3.3%  |
| Harmonised Index of Consumer Prices (%) | 2.9%  | 2.1%   | 2.4%  | 2.8% | 2.5%  | 2.7%  |
| Unemployment (% of labour force)        | 9.9%  | 8.2%   | 9.8%  | 9.3% | 9.4%  | 9.4%  |
| General Government Balance (% of GDP)   | 2.6%  | 2.4%   | -0.1% | :    | 2.5%  | 2.4%  |
| Current Account Balance (% of GDP)      | -5.7% | :      | -7.5% | :    | -6.6% | -5.2% |

Sources: Note on the Greek economy – March 2025 – Report of the Governor for the year 2024 – April 2025 – Bank of Greece (TTE), Budget Introductory Report 2025 – November 2024 – Ministry of National Economy and Finance, European Economic Forecast Autumn 2024 – November 2024 – European Commission (EC), The Greek Economy 01/25 – April 2025 – IOBE, IMF (IMF Country Report No. 2025/085) – April 2025 – IMF, Economic Outlook Interim Report – March 2025 – OECD.



## 3.2 Trends in key sectors

- Industrial production strengthened by 5.2% in 2024, which is a faster improvement compared to 2023 (2.3%). However, there were signs of fatigue in the first two months of 2025.
- Renewed acceleration in construction activity in 2024 (19.5% instead of 10.3%). · Record high number of new permits in at least five years.
- Annual decline in sales volume in wholesale trade by 4.6% and in retail trade by 1.5% in 2024.
- There was an increase in turnover in most service sectors in 2024, but expectations are mixed.

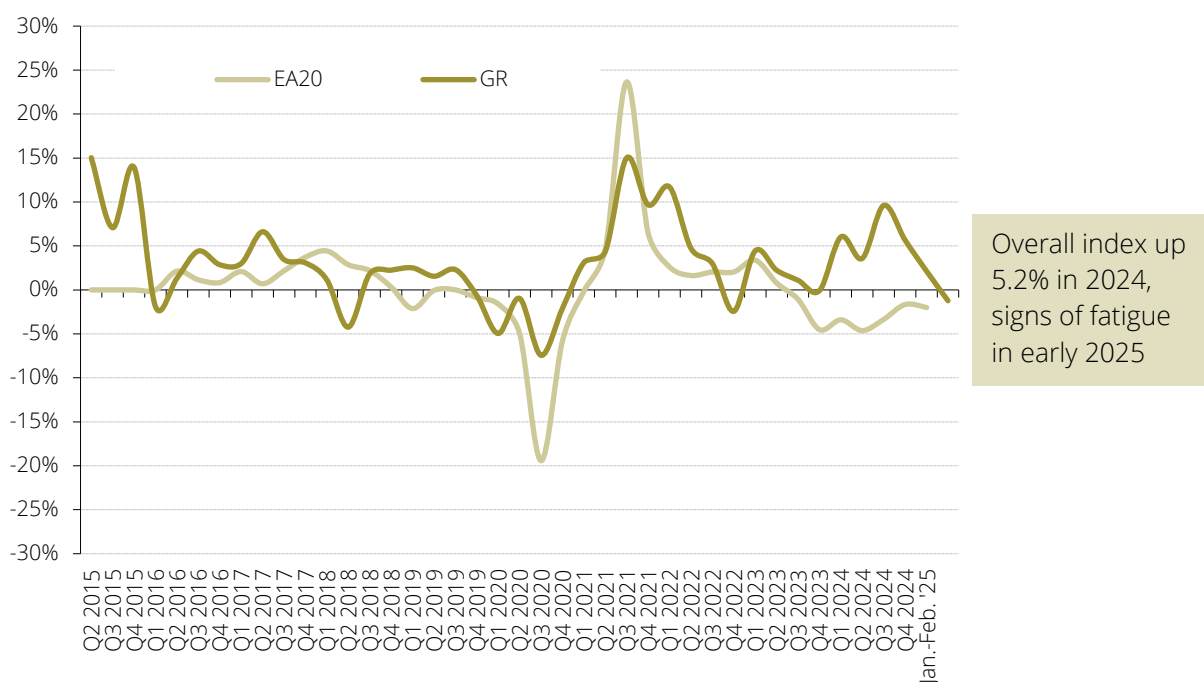
### Industry

In 2024, the industrial production index in Greece increased by 5.2%, more than double the rate recorded in 2023 (2.3%). In the Eurozone, industrial production declined by 3.0%, following a 2.1% decline in 2023.

The latest available data for Greece shows that industrial production declined by 1.2% in the first two months of 2025 compared to the same period in 2024.

Figure 3.4

Industrial Production Index in Greece and in the Euro area, year-on-year % change



Sources: ELSTAT, Eurostat

In terms of industrial product prices, the Producer Price Index for manufacturing as a whole fell by 1.1% in 2024, but this was at a significantly lower rate than in 2023 (-5.7%). This decline was primarily driven by sales in the international market (-9.2%, compared to an increase of 40.4% in



2023), rather than domestic sales (-0.7%, compared to -3.8%). In the first two months of 2025, prices fell by a further 1.6%, compared to a milder decline of 0.5% in early 2024.

The impact of lower prices is also evident in the industry's overall turnover for 2024, which increased by 2.0% compared to 2023 (-3.6%). This modest increase is largely due to the decline in prices, primarily in international markets, but it may also be related to other factors affecting the sector's inventories.

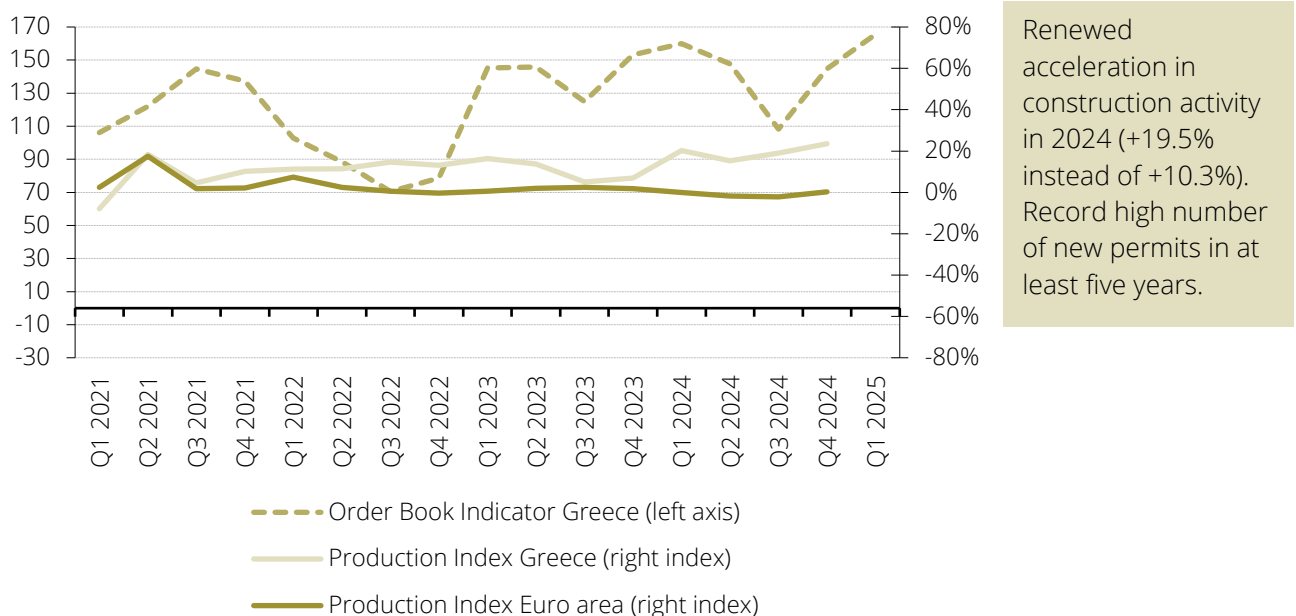
Compared to 2023, an increase was recorded in three of the four key sectors of Greek industry. More specifically, production increased in electricity supply (from -5.5% to 12.1%), water supply (from 0.1% to 4.6%), and manufacturing (from 4.3% to 3.8%). Conversely, a decline in production was recorded in Mining and Quarrying, mainly due to reduced activity in lignite mining, with the relevant index falling by 1.5% compared to an increase of 9.0% the previous year.

## Construction

Overall in 2024, the production index in the construction sector increased by 19.5%, accelerating from the positive rate of 2023 (15.0%). This marked the fourth consecutive year of growth in construction activity, with the rate of change following a steady upward trend. During the same period, construction output in the Eurozone declined by 0.9%, compared to an increase of 1.3% the previous year.

Figure 3.5

Production Index in Construction and Building Activity Index



Source: ELSTAT, IOBE

In Greece, the civil engineering index increased by 28.6%, compared to a more modest rise of 12.7% in 2023. Additionally, the issuance of new building permits continued to increase (by 14.9%, compared to 7.2% in 2023), with over 30,000 new permits approved throughout the year — a record high for at least six years. This increase in activity is reflected in the IOBE's leading economic



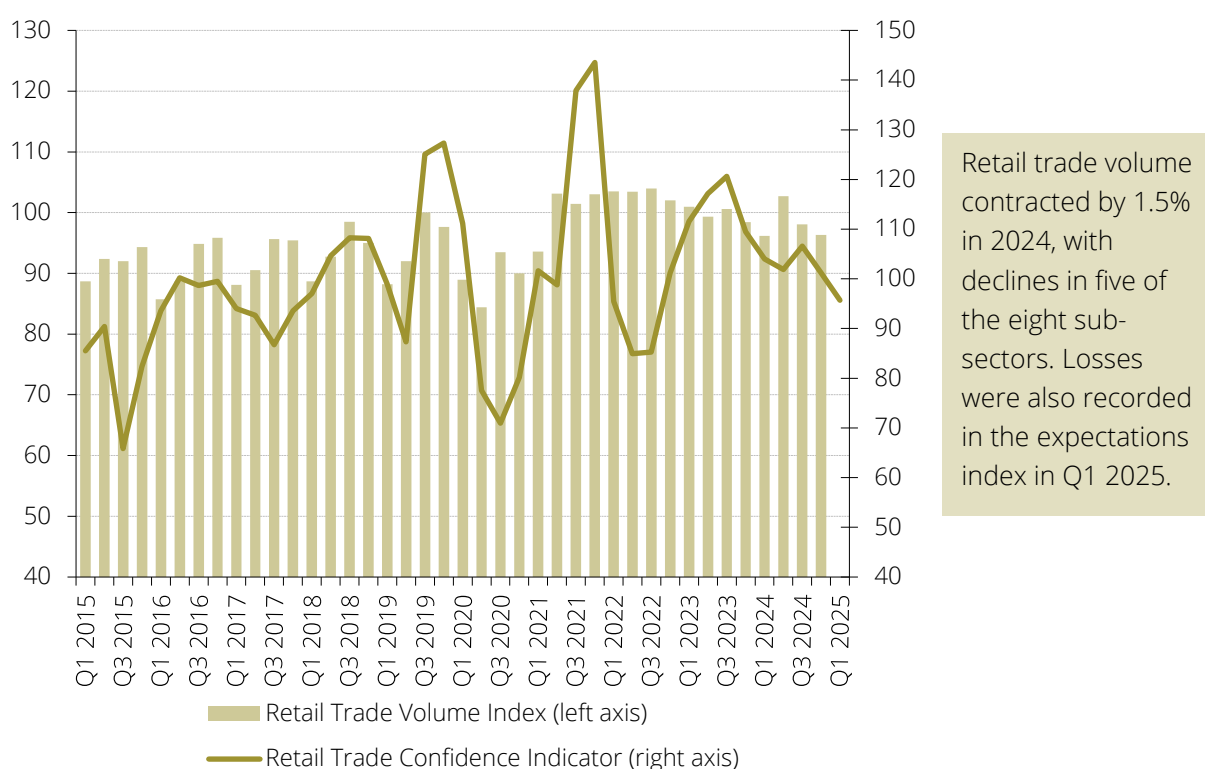
indicators, with expectations for 2024 rising by around 6 points compared to 2023. This trend appears to be continuing into the first quarter of 2025, with expectations up 5 points compared to the same period in 2024.

## Retail Trade

The retail trade volume index fell by 1.5% in 2024, following an even sharper decline of 3.3% the previous year. Turnover declined in five of the eight main sub-sectors. The most significant decreases were seen in the furniture and household goods sector (-11.3%, compared to a 1.2% increase in 2023), and the food and beverages sector (-7.4%, compared to a 1.9% increase in 2023). The next largest declines were in department stores (-3.7% compared to +2.4%), books and stationery (-3.1% compared to -0.4%), and clothing and footwear (-1.0% compared to +1.1%). In contrast, pharmaceuticals and cosmetics saw an increase of 5.4% (compared to a decrease of 4.1% in 2023), while supermarkets saw an increase of 2.1% (compared to a decrease of 3.1% in 2023).

Figure 3.6

Retail Trade Volume Index (2021=100) and Retail Trade Confidence Indicator (2000-2010=100)



Sources: ELSTAT, IOBE

This trend was anticipated by the IOBE's leading indicator of expectations, which fell by 2.5 points over the year as a whole. Similarly, the index's further decline by 13.3 points in the first quarter of 2025 compared to the first quarter of 2024 reflects retail businesses' pessimism for the coming period. More specifically, expectations are declining in four of the five retail sectors. The largest declines were recorded in vehicles and spare parts (-25.2 instead of -7.4), department stores (-16.0 instead of an increase of 1.3), household equipment (-14.7 instead of +10.5), and clothing and footwear (-6.9 instead of -17.5).

Specifically, the confidence indicator for cars and vehicles stood at 92.1 points in the first quarter of 2025, compared to 117.3 points in 2024. The balance of current sales declined significantly, becoming almost zero compared to 33 points in 2024. There was an almost doubling of the percentage of those who estimated a decline in sales. Inventories increased, with the relevant balance rising to 34 points compared to 26 points in 2024, and more respondents considered inventories to be high. In terms of orders, the balance is now strongly negative at -17 points compared to +26 points in 2024, with a higher percentage of businesses expecting orders to decline. Sales expectations have also turned negative, with a balance of -3 points compared to +29 points last year, and an increase in the percentage of businesses expecting a decline in sales in the coming period. Employment has improved, with more businesses expecting job growth in the coming period. Finally, the number of businesses expecting an increase in prices has decreased, and the expectations for price stability are strengthening.

Table 3.3

Volume Index in Retail Trade, annual changes

| Category of Retail Trade Stores                           | Volume Index (2010=100) |       |       |                  |                  |
|---|-------------------------|-------|-------|------------------|------------------|
|   | 2022                    | 2023  | 2024  | Change 2024/2023 | Change 2025/2024 |
| Overall Index   | 103.2                   | 99.8  | 98.3  | 1.5%             | -1.5%            |
| Overall Index (excluding automotive fuels and lubricants) | 101.9                   | 99.7  | 99.1  | 0.7%             | -0.7%            |
| Store Categories  |                         |       |       |                  |                  |
| Supermarkets  | 97.4                    | 94.4  | 96.4  | -3.1%            | 2.1%             |
| Department Stores   | 104.3                   | 106.8 | 103.0 | 2.4%             | -3.6%            |
| Automotive Fuels  | 103.1                   | 102.3 | 102.5 | -0.8%            | 0.2%             |
| Food – Drink – Tobacco                                    | 98.1                    | 99.9  | 93.1  | 1.9%             | -6.9%            |
| Pharmaceuticals – Cosmetics                               | 108.5                   | 104.0 | 110.0 | -4.1%            | 5.8%             |
| Clothing – Footwear                                       | 102.6                   | 103.8 | 102.7 | 1.1%             | -1.0%            |
| Furniture – Electric Equipment – H. Appliances            | 111.5                   | 112.9 | 101.4 | 1.2%             | -10.2%           |
| Books – Stationary  | 113.2                   | 112.7 | 109.4 | -0.4%            | -3.0%            |

Source: ELSTAT

Table 3.4

Business Confidence Indicators in Retail Trade (2000-2010=100)

|                                | Q1 2023      | Q1 2024      | Q1 2025     | Change 2024/2023 | Change 2025/2024 |
|--------------------------------|--------------|--------------|-------------|------------------|------------------|
| Food-Drinks-Tobacco            | 95.4         | 86.3         | 105.3       | -9.1             | 19.0             |
| Textiles - Clothing – Footwear | 118.4        | 100.9        | 94.0        | -17.5            | -6.9             |
| Household Appliances           | 106.1        | 116.6        | 101.9       | 10.5             | -14.7            |
| Vehicles-Spare Parts           | 124.7        | 117.3        | 92.1        | -7.4             | -25.2            |
| Department Stores              | 113.1        | 114.4        | 98.4        | 1.3              | -16.0            |
| <b>Total Retail Trade</b>      | <b>111.5</b> | <b>109.0</b> | <b>95.7</b> | <b>-2.5</b>      | <b>-13.3</b>     |

Source: IOBE

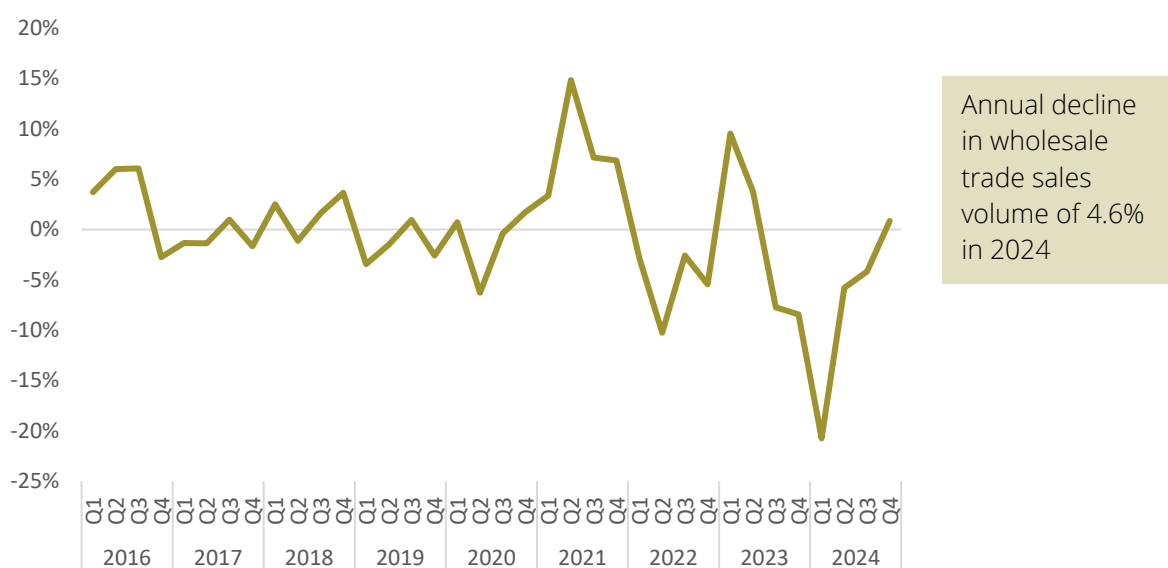


## Wholesale Trade

As described above, the decline in retail trade also affected wholesale trade, with the volume index falling by 4.6% in 2024, following a decline of 4.2% in 2023. During the same period, the turnover index, which incorporates price changes, fell by 7.2%, following an even greater decline of 16.1% in 2023.

Figure 3.7

Volume Index in Wholesale Trade (2021=100)



Source: ELSTAT

## Services

Overall in 2024, the turnover index increased in all six key service sectors. The largest growth was seen in administrative services (13.7%, compared to 16.7% in 2023), transport services (+10.5%, compared to +6.3% in 2023), real estate activities (+9.4%, compared to 41.6%), and tourism (+6.1%, compared to 8.1% in 2023). The smallest gains were recorded in professional, scientific, and technical services (4.4% compared to 9.3%) and information and communication services (+3.9% compared to +7.9%).

In the first quarter of 2025, the leading indicators from the IOBE business and consumer surveys revealed a decline in expectations, with the overall index dropping by 6.4 points. This decline appears to be primarily driven by a decrease in the expectations index for tourism (-3.0 points). However, these losses are partially offset by improved expectations in other service sectors, notably financial intermediaries (up 14.4 points), IT (up 11.7 points), and other business services (up 1.3 points).



Table 3.5

Business Confidence Indicators in Services (2000-2010=100)

|  | Q1 2023     | Q1 2024      | Q1 2025      | Change<br>2024/2023 | Change<br>2025/2024 |
|--|-------------|--------------|--------------|---------------------|---------------------|
| Hotels – Restaurants – Travel Agencies | 110.9       | 122.9        | 119.9        | 12                  | -3                  |
| Financial Intermediation               | 107         | 149.2        | 163.6        | 42.2                | 14.4                |
| Other Business Services                | 102.6       | 115          | 116.3        | 12.4                | 1.3                 |
| Information Services                   | 96.6        | 99.4         | 111.1        | 2.8                 | 11.7                |
| <b>Total Services</b>                  | <b>96.6</b> | <b>122.6</b> | <b>116.2</b> | <b>26.0</b>         | <b>-6.4</b>         |

Figure 3.8

Annual Change in the Turnover Index in Transport

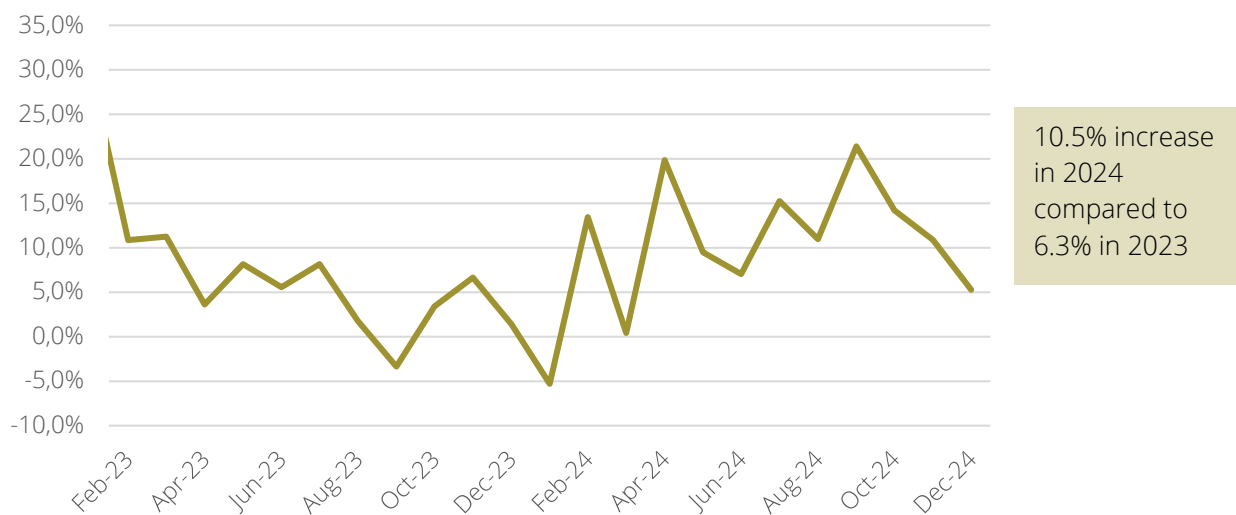


Figure 3.9

Annual Change of the Turnover Index in Information and Communications

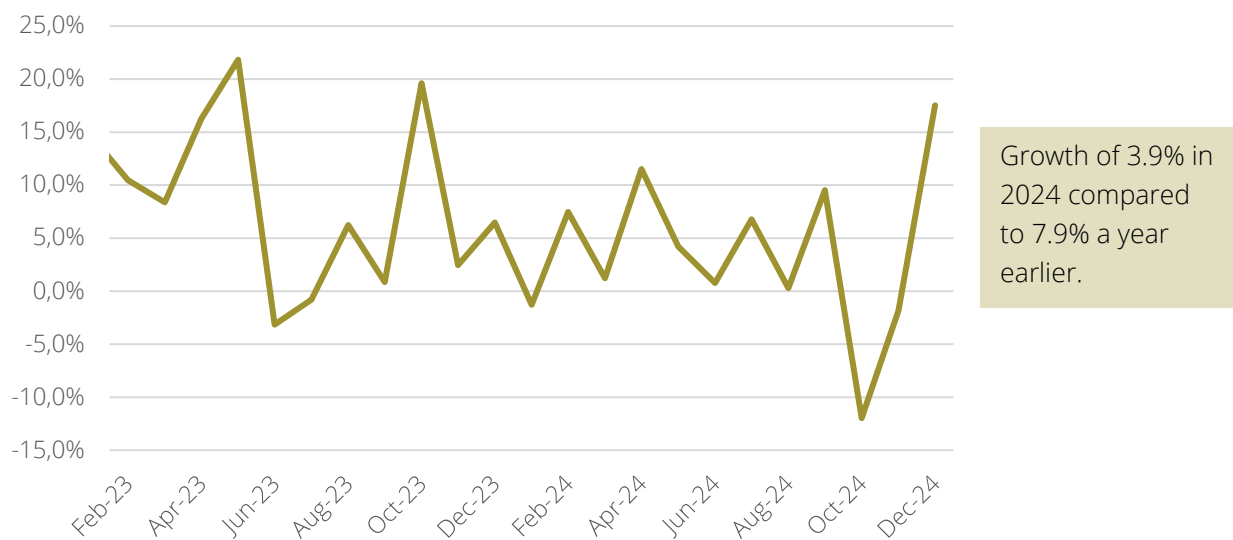
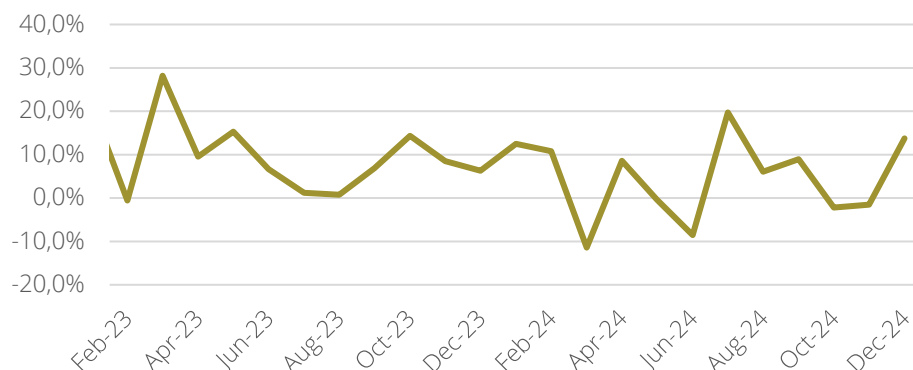




Figure 3.10

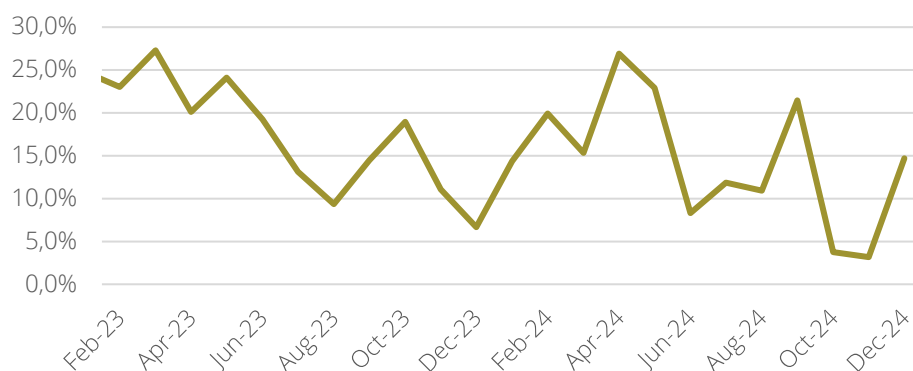
Annual Change in the Turnover Index in Professional, Scientific, and Other Services



Turnover growth of 4.4% in 2024 against 9.3% in 2023

Figure 3.11

Annual Change in the Turnover indicator for Administrative Services



13.7% increase in 2024 after a 16.7% growth a year earlier.

Figure 3.12

Turnover of Tourism (Accommodation and food service activities, Sectors 55 &amp; 56)



Increase in accommodation and food services by 7.1% (against 9.8%) and 9.0% (against 6.4%) respectively in 2024 as a whole.

Source: ELSTAT

### 3.3 External balance

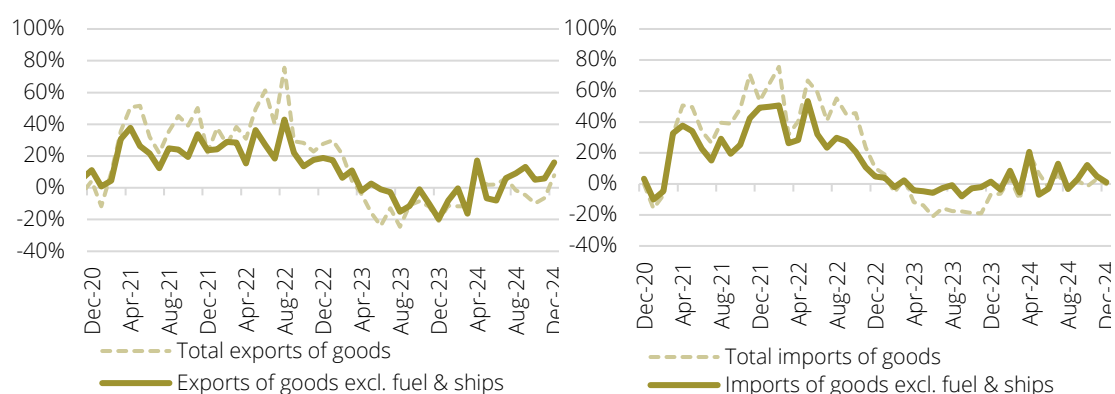
#### A. Analysis of exports and imports based on national accounts

- Decline in the nominal value of exports of goods in 2024 by 2.4%, with an increase in exports excluding petroleum products and ships of 1.9%.
- Increase in imports of goods in 2024, by 1.8% at current prices, reaching €82.5 billion (up from €81.1 billion the previous year).
- Annual increase in the trade deficit of €2.6 billion in 2024, reaching €33.2 billion.
- Decline in exports of goods in most categories, with the largest decline in fuels (-9.5%), but also growth in agricultural products (+3.7%) and raw materials (+7.3%).
- Demand from Eurozone countries decreased by 6.6% (€1.4 billion), while demand from Middle Eastern and North African countries increased by 1.8% (€105.2 million), as did demand from Asian countries by 0.8% (€17.4 million).

Goods exports amounted to €49.3 billion in 2024, compared to €50.5 billion in 2023, marking a 2.4% decline at current prices. Excluding petroleum products and ships, exports increased by 1.9% to €35.7 billion, up from €35.0 billion in 2023. Meanwhile, imports of goods rose by 1.8% to reach €82.5 billion in 2024, up from €81.1 billion a year earlier. Excluding petroleum products and ships, other imports increased by 3.2% to €63.2 billion, up from €61.2 billion in 2023. Due to these trends in the main components of the external goods balance, the trade deficit increased by €2.6 billion (+8.6%) to €33.2 billion in 2024, up from €31.0 billion in 2023. Consequently, in 2024, the value of Greek exports of goods corresponded to 59.8% of imports, whereas a year earlier it had reached 62.3%.

Figure 3.13

Total exports-imports of goods and exports-imports of goods except fuels and ships (current prices)



Source: ELSTAT, Data processing: IOBE

Exports, excluding petroleum products and ships, totalled €35.7 billion in 2024, which was 1.9% higher than in 2023. In the same period, imports excluding oil products and ships amounted to €63.2 billion, which was 3.2% higher than in 2023.



Specifically, exports of agricultural products increased by 3.7% in 2024, reaching €10.6 billion compared to €10.2 billion in 2023. Meanwhile, fuel exports fell by 9.5% to €14.9 billion, down from €16.5 billion in 2023. These two categories accounted for 51.7% of the value of domestic exports of goods in 2024, down from 52.8% the previous year.

In 2024, exports of industrial goods declined by 0.5%, reaching a value of €21.5 billion, down from €21.6 billion in 2023. This was primarily due to a 3.0% decrease in exports of machinery and transport equipment, falling from €4.9 billion to €4.8 billion. Similarly, international demand for manufactured goods classified chiefly by material declined by 1.0%, with their value standing at €7.2 billion. Exports of miscellaneous industrial goods also decreased by 0.3%, with their value standing at €3.52 billion, down from €3.53 billion in the same period in 2023. Conversely, exports of chemicals and related products increased by 2.3% to €6.0 billion.

Table 3.6

Exports per one-digit category at current prices, January – December (€ million)\*

| Product   | Value    |          | % Change | % Share |        |
|---|----------|----------|----------|---------|--------|
|   | 2024     | 2023     | 24/23    | 2024    | 2023   |
| AGRICULTURAL PRODUCTS                                 | 8,121.1  | 7,507.9  | 8.2%     | 16.5%   | 14.9%  |
| Food and Live Animals                                 | 1,374.1  | 1,267.5  | 8.4%     | 2.8%    | 2.5%   |
| Beverages and Tobacco                                 | 1,078.2  | 1,425.5  | -24.4%   | 2.2%    | 2.8%   |
| Animal and vegetable oils and fats                    | 1,685.4  | 1,570.6  | 7.3%     | 3.4%    | 3.1%   |
| RAW MATERIALS   | 1,685.4  | 1,570.6  | 7.3%     | 3.4%    | 3.1%   |
| Non-edible Raw Materials excluding Fuels              | 14,911.0 | 16,478.2 | -9.5%    | 30.2%   | 32.6%  |
| FUELS   | 14,911.0 | 16,478.2 | -9.5%    | 30.2%   | 32.6%  |
| Mineral fuels, lubricants, etc.                       | 21,539.0 | 21,636.8 | -0.5%    | 43.7%   | 42.8%  |
| INDUSTRIAL PRODUCTS                                   | 6,006.1  | 5,869.9  | 2.3%     | 12.2%   | 11.6%  |
| Chemicals and Related Products                        | 7,206.8  | 7,280.8  | -1.0%    | 14.6%   | 14.4%  |
| Manufactured goods classified chiefly by raw material | 4,801.4  | 4,949.8  | -3.0%    | 9.7%    | 9.8%   |
| Machinery and transport equipment                     | 3,524.7  | 3,536.3  | -0.3%    | 7.1%    | 7.0%   |
| Miscellaneous manufactured articles                   | 593.7    | 612.5    | -3.1%    | 1.2%    | 1.2%   |
| OTHER   | 593.7    | 612.5    | -3.1%    | 1.2%    | 1.2%   |
| Transactions not classified by category               | 49,302.5 | 50,499.1 | -2.4%    | 100.0%  | 100.0% |
| TOTAL EXPORTS   | 10,573.5 | 10,200.9 | 3.7%     | 21.4%   | 20.2%  |

\* Provisional data

Source: ELSTAT. Data processing: PSE-KEEM.

In terms of export trends by geographical region, exports to Eurozone countries fell by 6.6% in 2024, reaching €19.4 billion — down from €20.8 billion in 2023. Exports to the EU as a whole fell by 6.3% or €1.8 billion, from €28.6 billion to €26.9 billion, over the same period. Among the Eurozone countries that absorb the largest share of Greek exports, exports to France fell by 18.7%, from €1.8 billion to €1.4 billion, while exports to Spain fell by 24.8%, from €2.1 billion to €1.6 billion. Exports to Italy, the largest export destination, also fell by 11.3%, reaching €5.2 billion in 2024, down from €5.9 billion in 2023.

Total exports to other European Union countries fell by 5.4% (€423.3 million) to reach €7.4 billion. Bulgaria remained the main export destination, although exports of products to this country fell by 18.1% (€626.8 million) compared to 2023. Mixed trends were observed in the other two countries that absorb a significant proportion of Greek exports: a decrease of 1.3% (€23.6 million)



to €1.8 billion in exports to Romania, and an increase of 23.1% (€214.6 million) to €1.1 billion in exports to Poland.

Table 3.7

Exports by destination, January- December 2024 (€ million)\*

| ECONOMIC UNIONS – GEOGRAPHIC REGION | EXPORTS  |          | % CHANGE |
|-------------------------------------|----------|----------|----------|
|                                     | 2024     | 2023     | 24/23    |
| EU (27)                             | 26,826.5 | 28,620.0 | -6.3%    |
| Euro Area                           | 19,390.9 | 20,761.1 | -6.6%    |
| G7                                  | 15,009.3 | 15,636.1 | -4.0%    |
| North America                       | 2,878.9  | 2,554.8  | 12.7%    |
| BRICS                               | 773.7    | 775.7    | -0.2%    |
| Middle East & North Africa          | 6,043.9  | 5,938.7  | 1.8%     |
| Oceania                             | 240.2    | 207.7    | 15.7%    |
| Central-Latin America               | 240.2    | 207.7    | 15.7%    |
| Asia                                | 2,310.0  | 2,292.6  | 0.8%     |

Source: ELSTAT. Data processing: PSE-KEEM. \* Provisional data

Demand for Greek exports to other European countries increased by 3.7% — rising from €9.3 billion in 2023 to €9.6 billion in 2024. This was primarily driven by exports to Ukraine, which increased by 49.4% (from €830.4 million to €1.2 billion), and to Gibraltar, which increased by 7.3% (from €1.15 billion to €1.24 billion).

Exports to North American countries increased by 12.7%, rising from €2.6 billion in 2023 to €2.9 billion in 2024. This was primarily driven by a 13.9% surge in exports to the US, which grew from €2.1 billion in 2023 to €2.4 billion in 2024. Meanwhile, exports to Canada increased by 12.9%, or €35.2 million, reaching €309.2 million. However, exports to Mexico decreased by 3.4%, reaching €158.0 million.

Exports to Central and Latin American markets fell by 10.1% in 2024, with exports totalling €391.8 million — down from €435.9 million in 2023. This decline is primarily due to a 76.0% drop in demand for Greek products from Argentina, with exports to this country falling from €82.5 million to €19.8 million year on year.

Exports to Middle Eastern and North African countries increased by 1.8%, rising from €5.9 billion to €6.0 billion. This was mainly due to increased exports to Egypt (up 79.2%), reaching €906.2 million in 2024 compared to €505.8 million in 2023. Exports to Tunisia also increased, rising by €183.9 million in 2024 compared to 2023, reaching €359.4 million. Exports to the United Arab Emirates, another important export destination in the Middle East, fell by 6.8% to €368.2 million, while exports to Saudi Arabia increased by 9.5% to €419.2 million.

Demand for Greek goods in Asian countries increased slightly, with exports rising by 0.8% to €2.3 billion in 2024. This is primarily due to a 7.8% increase in exports to China, rising from €384.6 million in 2023 to €414.6 million in 2024. Demand also increased from Hong Kong, rising by 53.3% to €127.3 million from €83.0 million in 2023.

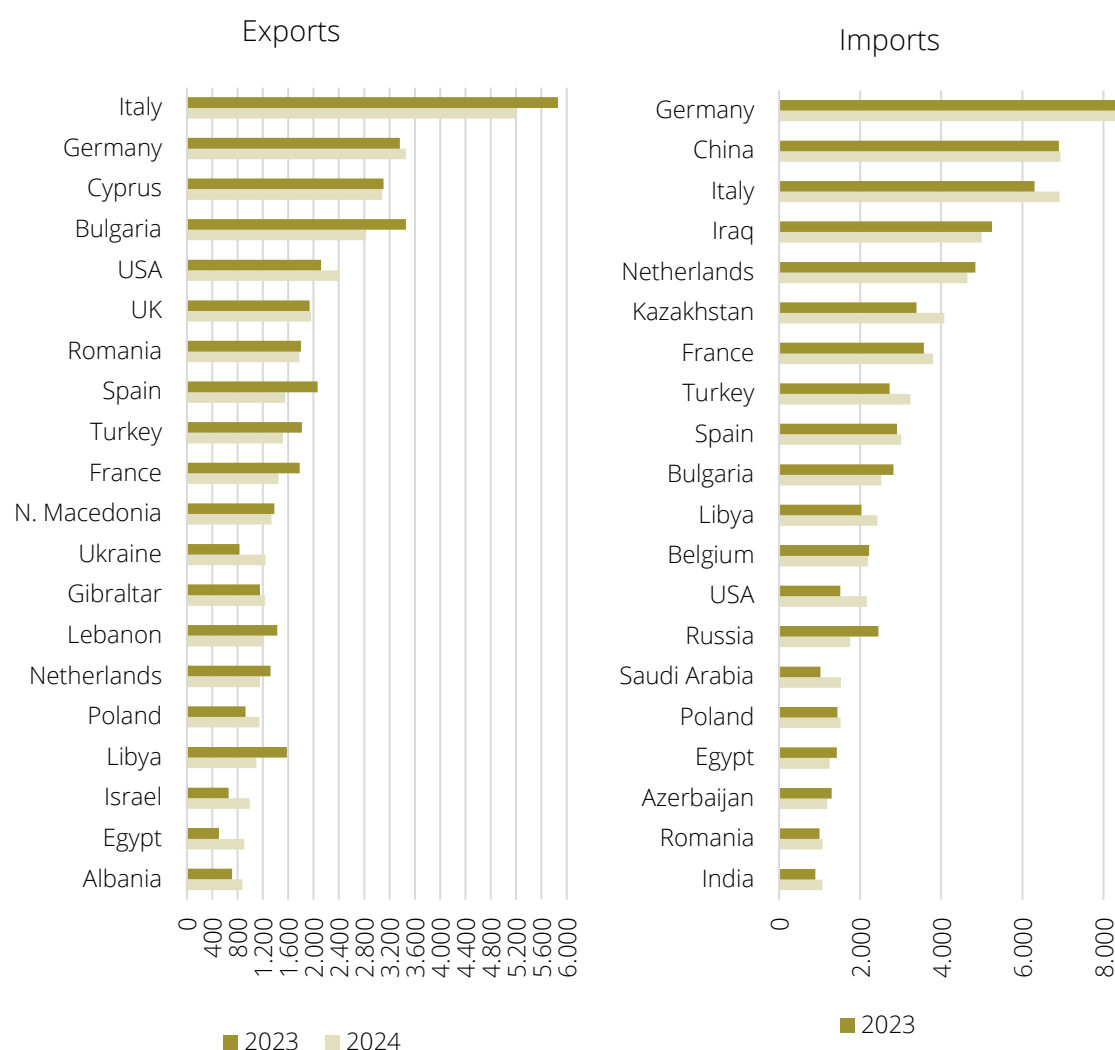
Exports of goods from Greece to Oceania increased by 15.7% in 2024, reaching a value of €240.2 million — up from €207.7 million the previous year. A similar trend was seen in exports to Australia,



which rose by 14.5% to €217.8 million, up from €190.1 million in 2023. There was also an increase in exports to New Zealand, rising by 27.7% to €22.4 million.

Figure 3.14

Countries with the largest share in the exports and imports of Greek goods, January – December 2024 (€ million, current prices)



Source: ELSTAT. Data processing: PSE-KEEM.

Largest increase in exports of goods in the twelve months of 2024 in absolute terms to Ukraine (+€410.4 million). Largest decline to Italy (-€662.8 million). Italy's share of exports remains the highest. Largest increase in imports in 2024 in absolute terms from Kazakhstan (+€690.1 billion), largest decrease from Russia (-€692.2 million).

In summary, Greece's exports of goods declined by 2.4% at current prices between January and December 2024, due to decreases in most product categories, including fuels (-9.5%), industrial products (-0.5%), and commodities and transactions not classified elsewhere (-3.1%). The top five countries with the highest demand for Greek products were Italy, Germany, Cyprus, Bulgaria and



the USA. Conversely, imports increased by 1.8%, widening the trade deficit to €33.2 billion (+8.6%). The five countries with the largest share of Greek imports in 2024 were Germany, China, Italy, Iraq and the Netherlands. Greek exports totalled €49.3 billion in 2024, showing a slight decrease compared to the previous year (€50.5 billion), with the trade deficit standing at €33.2 billion, €2.6 billion higher than in 2023. 2024 was a challenging year for Greek companies' export activity as geopolitical turmoil and economic challenges affected export momentum. Specifically, conflicts in the Middle East and instability in maritime trade routes, particularly in the Red Sea, put pressure on supply chains, while inflationary pressures created a challenging international environment. Uncertainty about the prospects for international trade in 2025 stems from resurgent protectionist tendencies following the announcement of tariffs by the US government. This development could impact certain export sectors, particularly those involving agri-food products such as olive oil, cheese, and olives, which have a strong presence in the US market.



## B. Balance of payments

- In January 2025, the current account surplus was €1.0 billion, compared to €1.8 billion in January 2024.
- For 2024 as a whole, the current account deficit was €15.1 billion (6.4% of GDP), compared to €13.9 billion (6.2% of GDP) in 2023.
- In 2024, there was a deterioration in the deficits of the goods and primary income accounts, offset by improvements in the surpluses of the services and secondary income accounts.

### Current Account

#### January 2025

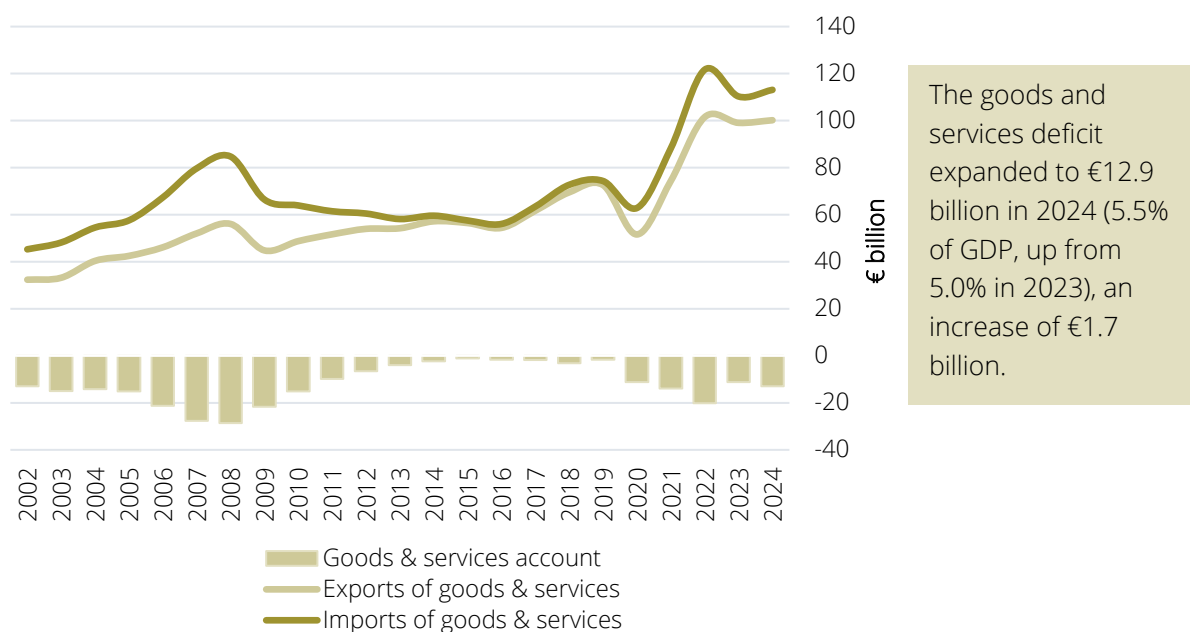
In January 2025, the current account balance stood at a surplus of €1.0 billion, compared with €1.8 billion in January 2024. This decline was due to the deterioration of all individual balances, particularly those of the secondary income and goods accounts.

#### January – December 2024

For 2024 as a whole, the current account deficit stood at €15.1 billion (6.4% of GDP), which is an increase of €1.2 billion compared to 2023. This was due to a significant deterioration in the goods account and a smaller increase in the primary income account deficit. This was partially offset by improvements in the services and secondary income accounts.

Figure 3.15

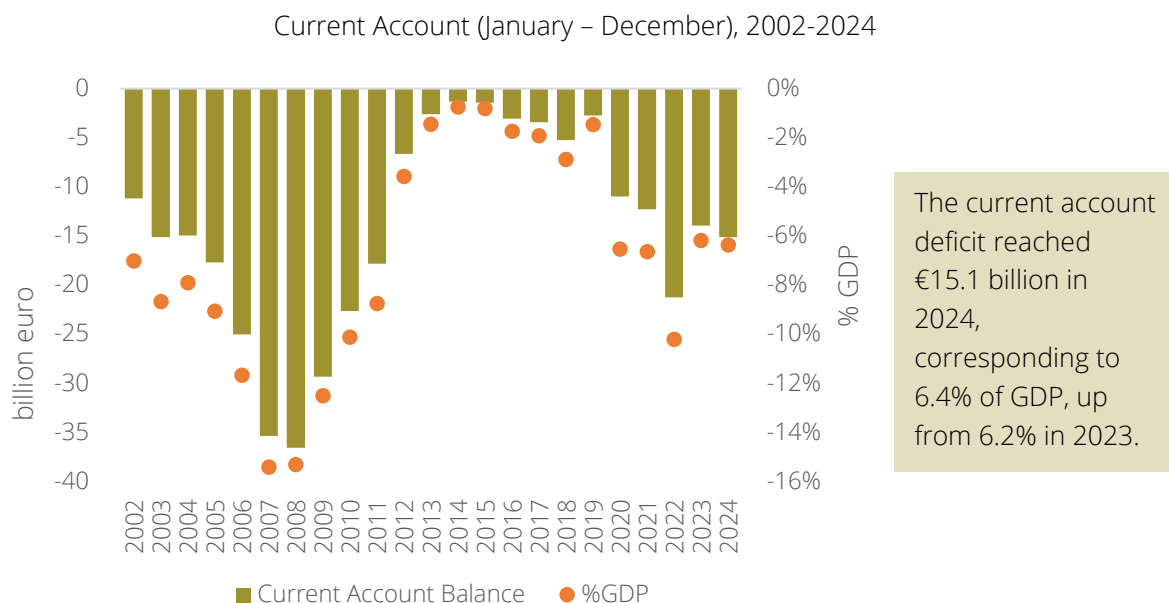
Imports-Exports of Goods and Services (January – December), 2002-2024



Source: Bank of Greece. Data processing: IOBE.

Specifically, the goods account deficit was €35.7 billion in 2024 (15.0% of GDP), which is an increase of €2.6 billion compared to 2023 (14.7% of GDP). Exports fell to €48.6 billion (-€1.4 billion)<sup>13</sup>, primarily due to a €1.8 billion decline in fuel exports. However, exports of other goods increased by €361 million, recovering from the decline in 2023. Meanwhile, imports of goods increased by €1.2 billion to €84.3 billion, primarily due to a €2.4 billion increase in imports of other goods, offset by a €1.2 billion fall in the value of fuel imports.

Figure 3.16



Source: Bank of Greece. Data processing: IOBE.

As a whole, the surplus in the services account increased by €931 million in 2024, reaching €22.7 billion — compared to an increase of €2.4 billion in 2023. Total receipts from services amounted to €51.6 billion — an increase of €2.5 billion — while payments totalled €28.8 billion — an increase of €1.6 billion. Revenue from travel services reached €21.7 billion, an increase of €1.1 billion — a new record and a 5.4% increase compared to 2023 — while travel flows increased by 9.8%. Revenues from transport services reached €21.2 billion, an increase of €215 million, while receipts from other services reached €8.7 billion, an increase of €1.2 billion. Payments for travel services increased to €2.8 billion (an increase of €352 million); payments for transport services increased to €18.2 billion (an increase of €354 million); and payments for other services reached €7.9 billion (an increase of €894 million).

The primary income account deficit increased in 2024 to €4.3 billion, compared to €4.0 billion in 2023. Revenues increased to €11.1 billion, up €1.0 billion, compared to more than double that increase in 2023, and payments rose to €15.4 billion, up €1.3 billion. The main reason for the increase in payments remains the category of payments for investments (profits, dividends, interest).

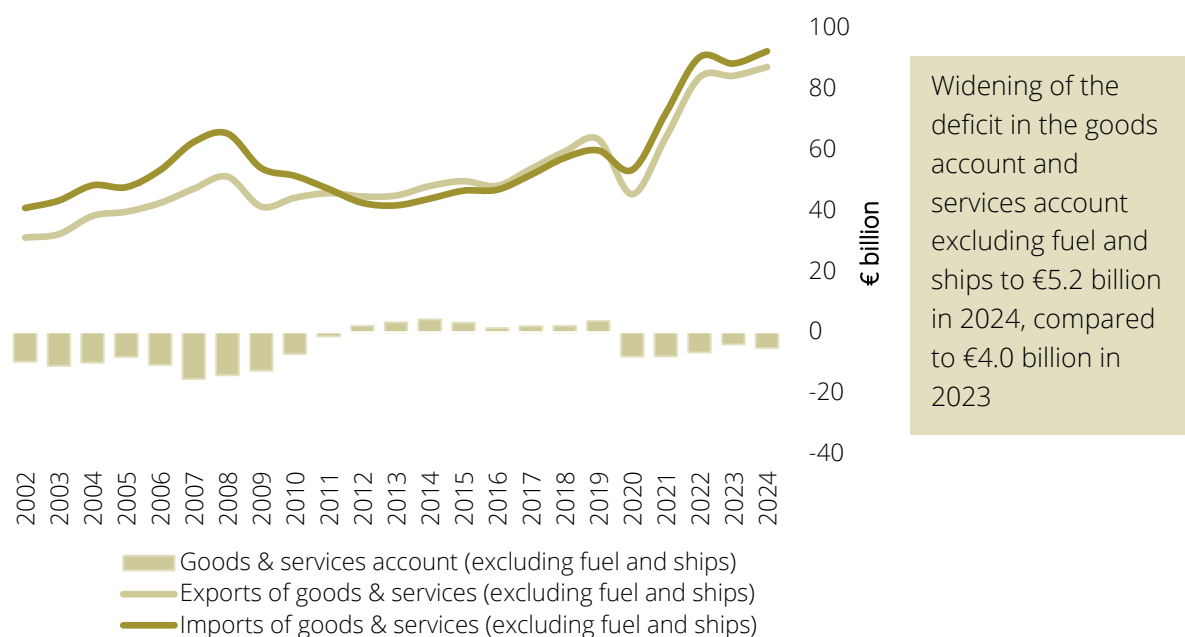
<sup>13</sup> The amounts in brackets express the absolute change in relation to the corresponding period of the previous year, in current prices, unless otherwise indicated.



The Secondary Income Account increased to €2.1 billion in 2024, up from €1.3 billion in 2023. Receipts rose to €6.8 billion (+€1.3 billion), while payments increased to €4.7 billion (+€523 million).

Figure 3.17

Imports-Exports of Goods excluding fuel and ships (January – December),  
2002-2024



Source: Bank of Greece. Data processing: IOBE.

## Capital Account

The capital account<sup>14</sup> recorded a small deficit of €21 million compared to a surplus of €2.7 billion in 2023. This was mainly due to a decrease in receipts to €947 million (-€2.4 billion) and an increase in payments to €968 million (+€278 million). The decrease in general government receipts in the secondary income account and capital balances is because the third instalment from the Recovery and Resilience Facility (RRF) was recorded in December 2023. Finally, the total current and capital account balance, which reflects an economy's relationship with the rest of the world as a lender or borrower, showed a deficit of €15.1 billion, compared to €11.3 billion in 2023.

## Financial Account

The financial account recorded a deficit of €13.0 billion for the whole of 2024, compared to €9.0 billion in 2023.

In the individual accounts, net claims of residents on direct investment abroad increased by €1.7 billion, compared to an increase of €3.8 billion in 2023. Meanwhile, net liabilities to non-residents

<sup>14</sup> The capital account shows capital transfers, i.e., unilateral receipts and payments between residents and non-residents linked to fixed capital formation. Capital transfers mainly comprise part of the transfers (receipts) from the Community budget of the European Union to the General Government (withdrawals from the Structural Funds – except for the European Social Fund – and from the Cohesion Fund under the NSRFs).



(i.e. non-resident investment in the country) increased by €6.0 billion, compared with an increase of €4.4 billion in 2023.

In the portfolio investment category, residents' claims on non-residents increased by €4.5 billion, while liabilities to non-residents rose by €12.0 billion. This was mainly due to a €10.0 billion increase in investments in Greek bonds and interest-bearing notes; the remainder relates to the purchase of shares.

In the 'other investments' category, claims on non-residents decreased by €346 million, primarily due to a €6.3 billion fall in investments in deposits and repos abroad, offset by a €2.0 billion rise in loans to non-residents and a statistical adjustment from the issuance of banknotes. Meanwhile, liabilities increased by €564 million due to a €6.4 billion decrease in non-residents' deposits and repos in Greece, as well as a €9.9 billion decrease in loan liabilities to non-residents.

Finally, the country's foreign exchange reserves were valued at €14.6 billion at the end of December 2024, up from €12.3 billion in 2023. In January 2025, these reserves reached €15.3 billion.



Table 3.8. Balance of payments (€ million)

|              |  | January – December |                |                | January         |                 |                 |
|--------------|--|--------------------|----------------|----------------|-----------------|-----------------|-----------------|
|              |  | 2022               | 2023           | 2024           | 2023            | 2024            | 2025            |
| <b>I</b>     | <b>CURRENT ACCOUNT (I.A + I.B + I.C + I.D)</b>       | <b>-21,226</b>     | <b>-13,931</b> | <b>-15,126</b> | <b>-165.4</b>   | <b>1,801.2</b>  | <b>1,016.9</b>  |
|              | <b>GOODS AND SERVICES ACCOUNT (I.A + I.B)</b>        | <b>-20,166</b>     | <b>-11,208</b> | <b>-12,916</b> | <b>-2,283.1</b> | <b>-2,206.3</b> | <b>-2,654.3</b> |
| <b>I.A</b>   | <b>GOODS ACCOUNT (I.A.1 - I.A.2)</b>                 | <b>-39,558</b>     | <b>-33,027</b> | <b>-35,666</b> | <b>-2,529.1</b> | <b>-2,659.2</b> | <b>-2,906.1</b> |
|              | Oil balance  | -13,252            | -7,065         | -7,619         | -742.8          | -601.4          | -585.9          |
|              | Trade balance excluding oil                          | -26,306            | -25,962        | -28,047        | -1,786.2        | -2,057.8        | -2,320.2        |
|              | Ships balance  | -294               | -102           | -124           | 4.8             | -16.1           | -9.1            |
|              | Trade balance excluding ships                        | -39,264            | -32,925        | -35,541        | -2,533.9        | -2,643.1        | -2,897.0        |
|              | Trade balance excluding oil and ships                | -26,012            | -25,860        | -27,922        | -1,791.0        | -2,041.7        | -2,311.1        |
| <b>I.A.1</b> | <b>Exports of Goods</b>                              | <b>53,755</b>      | <b>50,032</b>  | <b>48,613</b>  | <b>4,434.6</b>  | <b>3,939.4</b>  | <b>4,008.7</b>  |
|              | Oil  | 17,602             | 14,562         | 12,802         | 1,549.0         | 1,297.8         | 1,199.4         |
|              | Ships (sales)  | 110                | 207            | 187            | 13.4            | 8.2             | 4.5             |
|              | Goods excluding oil and ships                        | 36,043             | 35,263         | 35,624         | 2,872.2         | 2,633.5         | 2,804.8         |
| <b>I.A.2</b> | <b>Imports of Goods</b>                              | <b>93,313</b>      | <b>83,059</b>  | <b>84,278</b>  | <b>6,963.6</b>  | <b>6,598.7</b>  | <b>6,914.9</b>  |
|              | Oil  | 30,853             | 21,627         | 20,421         | 2,291.8         | 1,899.2         | 1,785.3         |
|              | Ships (buying)                                       | 404                | 309            | 311            | 8.5             | 24.3            | 13.6            |
|              | Goods excluding oil and ships                        | 62,056             | 61,123         | 63,546         | 4,663.3         | 4,675.2         | 5,115.9         |
| <b>I.B</b>   | <b>SERVICES ACCOUNT (I.B.1-I.B.2)</b>                | <b>19,391</b>      | <b>21,818</b>  | <b>22,749</b>  | <b>246.0</b>    | <b>452.9</b>    | <b>251.8</b>    |
| <b>I.B.1</b> | <b>Receipts</b>                                      | <b>47,762</b>      | <b>49,041</b>  | <b>51,571</b>  | <b>2,558.4</b>  | <b>2,718.8</b>  | <b>2,716.2</b>  |
|              | Travel   | 17,676             | 20,594         | 21,702         | 219.0           | 281.0           | 302.2           |
|              | Transportation                                       | 23,434             | 21,000         | 21,215         | 1,736.4         | 1,700.4         | 1,683.4         |
|              | Other services                                       | 6,652              | 7,447          | 8,655          | 603.0           | 737.3           | 730.6           |
| <b>I.B.2</b> | <b>Payments</b>                                      | <b>28,371</b>      | <b>27,222</b>  | <b>28,822</b>  | <b>2,312.5</b>  | <b>2,265.9</b>  | <b>2,464.4</b>  |
|              | Travel   | 1,925              | 2,432          | 2,784          | 164.4           | 165.1           | 214.7           |
|              | Transportation                                       | 19,610             | 17,825         | 18,179         | 1,543.9         | 1,484.0         | 1,463.3         |
|              | Other services                                       | 6,836              | 6,965          | 7,859          | 604.1           | 616.7           | 786.4           |
| <b>I.C</b>   | <b>PRIMARY INCOME ACCOUNT (I.C.1-I.C.2)</b>          | <b>-758</b>        | <b>-4,048</b>  | <b>-4,292</b>  | <b>616.9</b>    | <b>464.1</b>    | <b>400.1</b>    |
| <b>I.C.1</b> | <b>Receipts</b>                                      | <b>7,875</b>       | <b>10,100</b>  | <b>11,121</b>  | <b>1,309.8</b>  | <b>1,370.1</b>  | <b>1,234.3</b>  |
|              | From work (wages, compensation)                      | 225                | 209            | 232            | 17.5            | 17.2            | 25.2            |
|              | From investments (interest, dividends, profit)       | 4,178              | 6,547          | 7,915          | 619.9           | 916.2           | 784.4           |
|              | Other primary income                                 | 3,473              | 3,344          | 2,974          | 672.3           | 436.6           | 424.7           |
| <b>I.C.2</b> | <b>Payments</b>                                      | <b>8,633</b>       | <b>14,148</b>  | <b>15,414</b>  | <b>692.8</b>    | <b>906.0</b>    | <b>834.3</b>    |
|              | From work (wages, compensation)                      | 1,494              | 1,327          | 1,372          | 115.9           | 112.9           | 121.6           |
|              | From investments (interest, dividends, profit)       | 6,479              | 12,305         | 13,544         | 545.5           | 769.2           | 670.0           |
|              | Other primary income                                 | 661                | 516            | 497            | 31.4            | 23.8            | 42.6            |
| <b>I.D</b>   | <b>SECONDARY INCOME ACCOUNT (I.D.1-I.D.2)</b>        | <b>-302</b>        | <b>1,325</b>   | <b>2,083</b>   | <b>1,500.8</b>  | <b>3,543.5</b>  | <b>3,271.2</b>  |
| <b>I.D.1</b> | <b>Receipts</b>                                      | <b>4,391</b>       | <b>5,542</b>   | <b>6,822</b>   | <b>1,819.6</b>  | <b>3,833.5</b>  | <b>3,659.0</b>  |
|              | General government                                   | 2,643              | 3,256          | 1,514          | 997.1           | 216.9           | 141.6           |
|              | Other sectors  | 1,748              | 2,286          | 5,308          | 822.6           | 3,616.5         | 3,517.4         |
| <b>I.D.2</b> | <b>Payments</b>                                      | <b>4,692</b>       | <b>4,216</b>   | <b>4,739</b>   | <b>318.9</b>    | <b>290.0</b>    | <b>387.8</b>    |
|              | General government                                   | 3,059              | 2,382          | 2,817          | 178.0           | 135.1           | 241.3           |
|              | Other sectors  | 1,634              | 1,834          | 1,922          | 140.9           | 154.8           | 146.5           |
| <b>II</b>    | <b>CAPITAL ACCOUNT (II.1-II.2)</b>                   | <b>3,112</b>       | <b>2,677</b>   | <b>-21</b>     | <b>1,443.2</b>  | <b>-166.9</b>   | <b>150.8</b>    |
| <b>II.1</b>  | <b>Receipts</b>                                      | <b>3,857</b>       | <b>3,368</b>   | <b>947</b>     | <b>1,455.5</b>  | <b>93.9</b>     | <b>173.1</b>    |
|              | General government                                   | 2,523              | 2,825          | 639            | 1,281.3         | 87.7            | 0.1             |
|              | Other sectors  | 1,334              | 543            | 309            | 174.2           | 6.2             | 173.0           |
| <b>II.2</b>  | <b>Payments</b>                                      | <b>745</b>         | <b>691</b>     | <b>968</b>     | <b>12.3</b>     | <b>260.8</b>    | <b>22.3</b>     |
|              | General government                                   | 7                  | 7              | 7              | 0.7             | 0.5             | 0.6             |
|              | Other sectors  | 738                | 684            | 961            | 11.6            | 260.3           | 21.7            |
|              | <b>BALANCE OF CURRENT AND CAPITAL ACCOUNT (I+II)</b> | <b>-18,114</b>     | <b>-11,254</b> | <b>-15,147</b> | <b>1,277.8</b>  | <b>1,634.3</b>  | <b>1,167.8</b>  |
| <b>III</b>   | <b>FINANCIAL ACCOUNT (III.A+III.B+III.C+III.D)</b>   | <b>-16,152</b>     | <b>-9,024</b>  | <b>-13,031</b> | <b>1,668.6</b>  | <b>2,092.7</b>  | <b>1,627.8</b>  |
| <b>III.A</b> | <b>DIRECT INVESTMENT*</b>                            | <b>-4,989</b>      | <b>-603</b>    | <b>-4,330</b>  | <b>-178.9</b>   | <b>-68.6</b>    | <b>-349.6</b>   |
|              | Assets   | 2,539              | 3,758          | 1,655          | 85.1            | 286.5           | 99.3            |
|              | Liabilities  | 7,527              | 4,361          | 5,985          | 263.9           | 355.1           | 448.9           |
| <b>III.B</b> | <b>PORTFOLIO INVESTMENT*</b>                         | <b>8,935</b>       | <b>-3,020</b>  | <b>-7,531</b>  | <b>-1,126.1</b> | <b>-1,569.3</b> | <b>-3,302.1</b> |
|              | Assets   | 10,206             | 2,601          | 4,473          | 476.7           | 440.1           | 360.2           |
|              | Liabilities  | 1,271              | 5,622          | 12,004         | 1,602.8         | 2,009.4         | 3,662.3         |
| <b>III.C</b> | <b>OTHER INVESTMENT*</b>                             | <b>-18,253</b>     | <b>-5,932</b>  | <b>-910</b>    | <b>2,673.9</b>  | <b>4,002.8</b>  | <b>5,365.3</b>  |
|              | Assets   | -3,688             | -2,302         | -346           | -99.7           | -3,556.2        | 1,221.5         |
|              | Liabilities  | 14,564             | 3,630          | 564            | -2,773.5        | -7,559.1        | -4,143.8        |
|              | (Loans of general government)                        | -4,496             | -3,501         | -7,636         | 1,838.4         | -6.8            | -6.3            |
| <b>III.D</b> | <b>CHANGE IN RESERVE ASSETS**</b>                    | <b>-1,845</b>      | <b>531</b>     | <b>-261</b>    | <b>299.7</b>    | <b>-272.3</b>   | <b>-85.8</b>    |
| <b>IV</b>    | <b>BALANCE ITEMS (I +II +IV +V = 0)</b>              | <b>1,962</b>       | <b>2,229</b>   | <b>2,115</b>   | <b>390.8</b>    | <b>458.4</b>    | <b>460.0</b>    |
|              | <b>RESERVE ASSETS (STOCK)***</b>                     |                    |                |                | <b>11,809</b>   | <b>12,154</b>   | <b>15,252</b>   |

Source: Bank of Greece

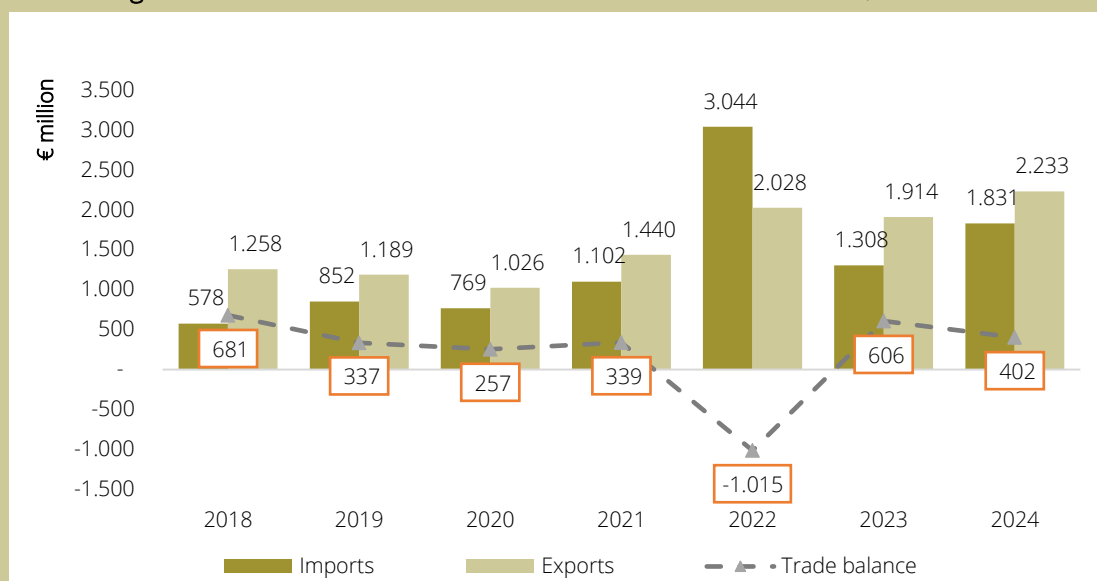
\* (+) Increase (-) decrease - According to the new balance of payments methodology training BPM6, increases in demand are presented with a positive sign while the decrease in receivables is displayed with a negative sign. Similarly, the increase in liabilities is captured with a positive sign, while the reduction of liabilities with a negative sign. \*\* (+) Increase (-) decrease - According to the new balance of payments methodology training BPM6, the increase in foreign reserves is now presented with a positive sign, while the reduction of foreign exchange reserves with a negative sign. \*\*\* Reserve assets, as defined by the European Central Bank, include only monetary gold, the "reserve position" in the IMF, "Special Drawing Rights" and the claims of the Bank of Greece in foreign currency from residents of countries outside the euro area. Conversely, they do not include claims in euro from residents of countries outside the euro area, claims in foreign currency and in euros from residents of euro area countries and the participation of the Bank of Greece in the capital and the reserve assets of the ECB.

### Text box for Section 3.3.

#### Main bilateral trade flows of goods between Greece and the US and between the EU and the US

The US government has decided to impose universal tariffs on imports from most of its trading partners, including the European Union. In this context, and pending final decisions on the relevant tariffs, we present the recent trade flows between Greece and the US, and between the EU and the US, categorised by type of good. Figure B.3.3.1 shows an increase in bilateral trade flows between Greece and the US after 2021, as well as a consistent bilateral trade surplus for Greece, except in 2022, a year marked by an intense energy crisis. In 2024, exports of goods from the Greek economy to the US reached €2.2 billion, marking a 16.7% increase compared to the previous year. It is worth noting that, during the three-year period from 2022 to 2024, the average annual value of Greek exports to the US exceeded €2 billion. Meanwhile, imports of goods from the US reached €1.8 billion in 2024, up 40.0% year on year, while in 2018, imports were only €578 million. Consequently, Greece's bilateral trade surplus with the US was €402 million in 2024, down from €606 million the previous year (-33.6%). In 2024, 5.1% of the value of domestic products were exported to the US (up from 4.2% in 2018), while 2.4% of total imports of goods came from the US (up from 1.2% in 2018).

Figure B.3.3.1. Bilateral trade flows between Greece and the US, 2018-2024



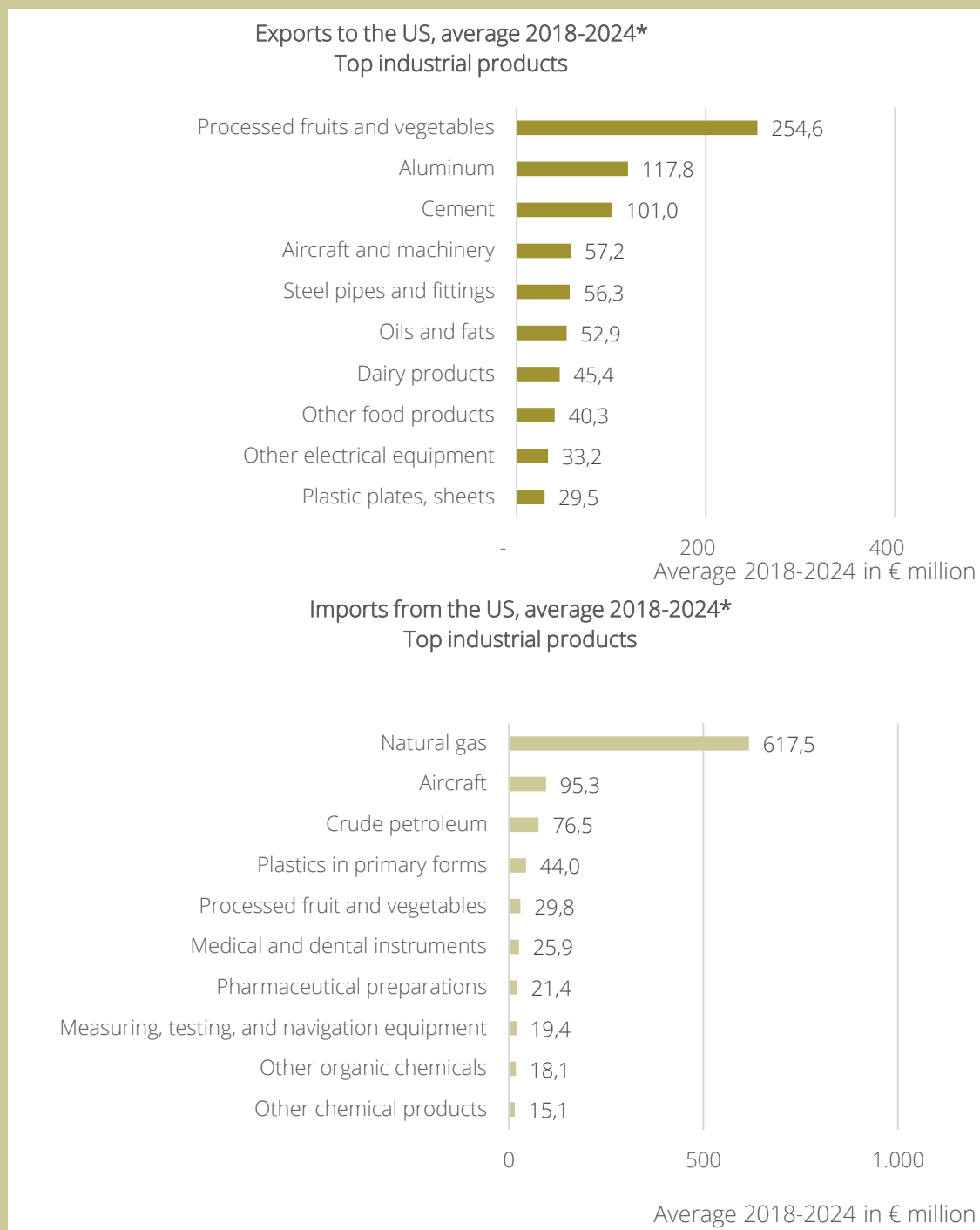
Source: Eurostat, Data processing: IOBE

Figure B.3.3.2 illustrates the value of the top Greek imports and exports to and from the US. The top products exported to the US were fruit and vegetables, averaging €254.6 million per year between 2018 and 2024. These were followed by aluminium and cement, with respective annual export values of €117.8 million and €101.0 million. The average export value of aircraft and aircraft machinery was recorded at €57.2 million, while steel pipes registered an average export value of €56.3 million.

The main product imported from the US was natural gas, with an average annual value of €617.5 million between 2018 and 2024. This was followed by aircraft and crude oil, with average import values of €95.3 million and €76.5 million respectively. The top five imported products are completed by plastics, valued at €44.0 million, and processed fruits and vegetables, valued at €29.8 million.



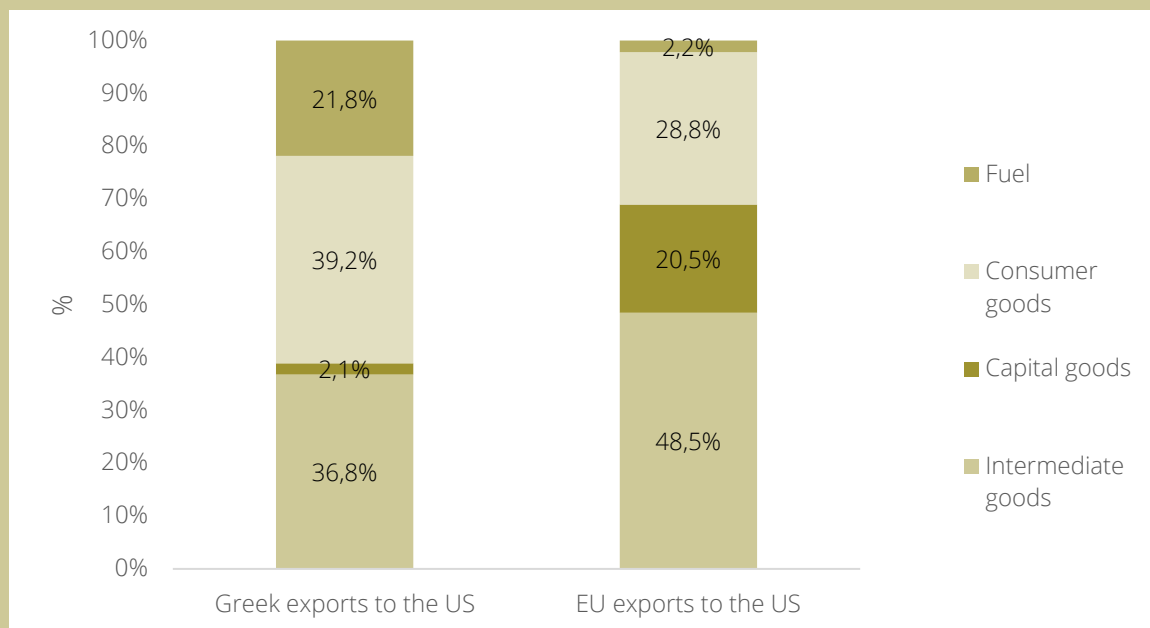
**Figure B.3.3.2.** Exports and imports between Greece and the US, top products, average, 2018-2024



Source: Eurostat, International Trade, ComExt, at current prices. \*Excluding petroleum refining products. Data processing: IOBE

For the whole of 2024, Greek exports to the US largely consisted of consumer and intermediate goods, with much less capital goods.<sup>15</sup> Specifically, consumer goods accounted for 39.2% of Greek exports to the US in 2024, whereas the corresponding share of EU27 exports to the US was lower at 28.8%. Greek exports of intermediate goods to the US accounted for 36.8% of the total, compared to a higher percentage in the EU27, where almost half of exports to the US were intermediate goods (48.5%). In contrast, capital goods accounted for only 2.1% of Greek exports to the US, whereas 20.5% of EU27 exports to the US corresponded to this category of goods. Finally, fuels accounted for 21.8% of Greek exports to the US, compared to 2.2% for the EU27.

**Figure B.3.3.3.** Exports from Greece and the EU27 to the US, by product category, 2024



Source: Eurostat (EU trade by BEC)

Half of Greece's imports from the US fell into the fuel category, whereas in the EU27, this category accounted for almost a quarter of imports (23.2%). Intermediate goods accounted for 32.8% of Greece's imports from the US compared to a higher EU27 share of 46.3%. Finally, the Greek economy purchased capital goods from the US at a lower rate than the EU27: 10.8% compared to 17.6%. The share of consumer goods was also higher in the EU27, at 12.9%, compared to 6.9% in Greece.

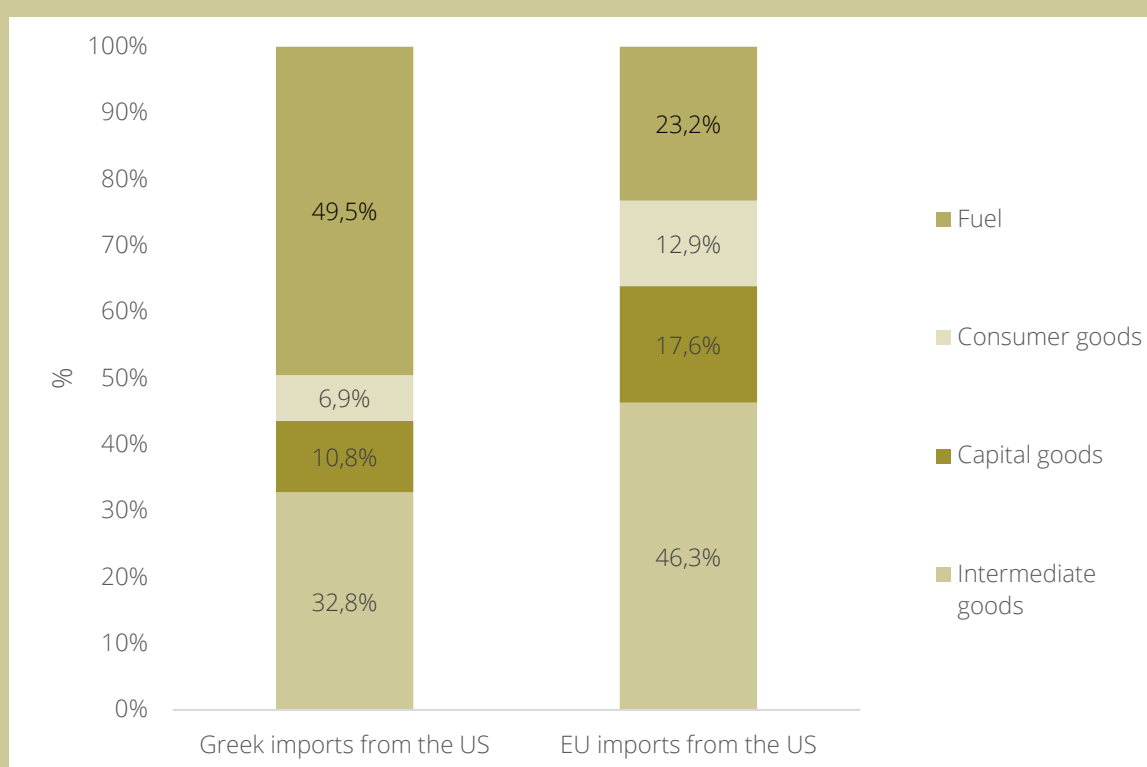
In conclusion, the basic theory of international trade shows that all countries are incentivised to trade with others, exploiting their comparative advantages, even if this results in a deficit for certain goods or sectors. Greece has had a trade surplus with the US in recent years, except for 2022 when rising fuel prices and increased natural gas imports from the US caused the trade balance to turn negative. Greece's main exports are fruit, vegetables, aluminium, and cement, so horizontal tariffs (20%) and those targeting aluminium (25%) are expected to affect these exports. Apart from natural gas and oil,

<sup>15</sup> Products are categorised according to the Classification by Broad Economic Categories (Rev. 4) into the following categories: a) Intermediate products (consumer or capital goods used in the production of other goods); b) Capital goods; c) Consumer goods (for final consumption); d) Fuels.



Greece imports aircraft, plastics, fruit, medical instruments, and pharmaceutical preparations, most of which will be affected by the imposition of tariffs. By product category, Greek exports to the US consist mainly of consumer goods and fuels, with intermediate goods accounting for a much smaller share. Imports, meanwhile, are dominated by fuels, followed by intermediate goods. The structure of Greek exports to the US differs from the European average in that more than 70% of European exports are intermediate and capital goods. In the current international economic environment, it seems that flows of intermediate goods are critical, as value chains extend across many countries. Consequently, tariffs are expected to affect the functioning of these chains and the availability of products, with repercussions for supply and inflation.

**Figure B.3.3.4.** Imports to Greece and the EU27 from the US, by product category, 2024



Source: Eurostat (EU trade by BEC)

### 3.4 Labour market

- Reduction of the unemployment rate to 9.5% in the fourth quarter of 2024, down from 10.5% in the same quarter of 2023.
- The annual decrease in the unemployment rate was due to a fall in the number of unemployed people (-39,600) and a rise in the number of people in employment (+95,600).
- The largest annual increase in employment in Q4 2024 was seen in professional, scientific and technical activities (+36,700 employees), education (+31,500 employees) and wholesale and retail trade, repair of motor vehicles and motorcycles (+29,700 employees).
- The strongest annual decline in employment was observed in agriculture, forestry and fishing (-37,400 employees).
- A negative balance of hires and separations in the private sector in Q4 2024 by 232,400 people, compared to a negative balance of 195,500 in Q4 2023.
- The employment rate of the working-age population increased on an annual basis in Q4 2024, reducing the gap to the European average to 6.9 percentage points.
- The labour market participation rate increased in Q4 2024 to 52.5% for those over 15 years of age, showing a 1.5 percentage point increase compared to last year. There was also an increase in the proportion of full-time employment compared to part-time employment.
- The seasonally adjusted wage cost index increased by 4.9% in Q4 2024 compared to Q4 2023.

According to the latest data from the Labour Force Survey by ELSTAT, the unemployment rate fell by 1.0 percentage points year on year in the fourth quarter of 2024, dropping from 10.5% in the same quarter of 2023 to 9.5%. During this period, the number of unemployed individuals decreased by 39,600 (8.1%) to 449,100, while the number of employed individuals increased by 95,600 (2.3%) to 4,278,700. Therefore, the decrease in the unemployment rate is due to a fall in the number of unemployed people and an increase in employment. Based on monthly data, labour market indicators are improving in early 2025: the seasonally adjusted unemployment rate in February is estimated to have fallen further to 8.6%. According to ERGANI's private sector employment flow data (January–December), the cumulative balance of hires and separations was positive by 70,300 jobs, though this was lower than in the same period of 2023 (116,600 jobs).

Regarding the evolution of unemployment in the Eurozone in Q4 of 2024, the picture is mixed: nine countries showed an increase in the unemployment rate, while 11 countries experienced a decrease. Spain had the highest unemployment rate in the fourth quarter of 2024, which fell from 11.8% a year earlier to 10.6% (-1.2 percentage points). Greece followed closely behind (see Appendix). Conversely, Malta (2.9%), Germany (3.3%) and the Netherlands (3.6%) recorded the lowest unemployment rates in the fourth quarter of 2024. The strongest annual increase in the unemployment rate was recorded in Luxembourg (+1.3 percentage points, rising from 5.5% to 6.8%), while the sharpest decline was recorded in Italy (-1.4 percentage points, falling from 7.5% to 6.1%) and Spain (-1.2 percentage points, falling from 11.8% to 10.6%). In the euro area, the unemployment rate was 6.1% during this period.

Regarding the evolution of the unemployment rate by gender in Greece, it remains higher for women. Specifically, the unemployment rate for women fell from 12.9% in the fourth quarter of 2023 to 12.1% in the same quarter of 2024, a decline of 0.8 percentage points. For men, it fell from

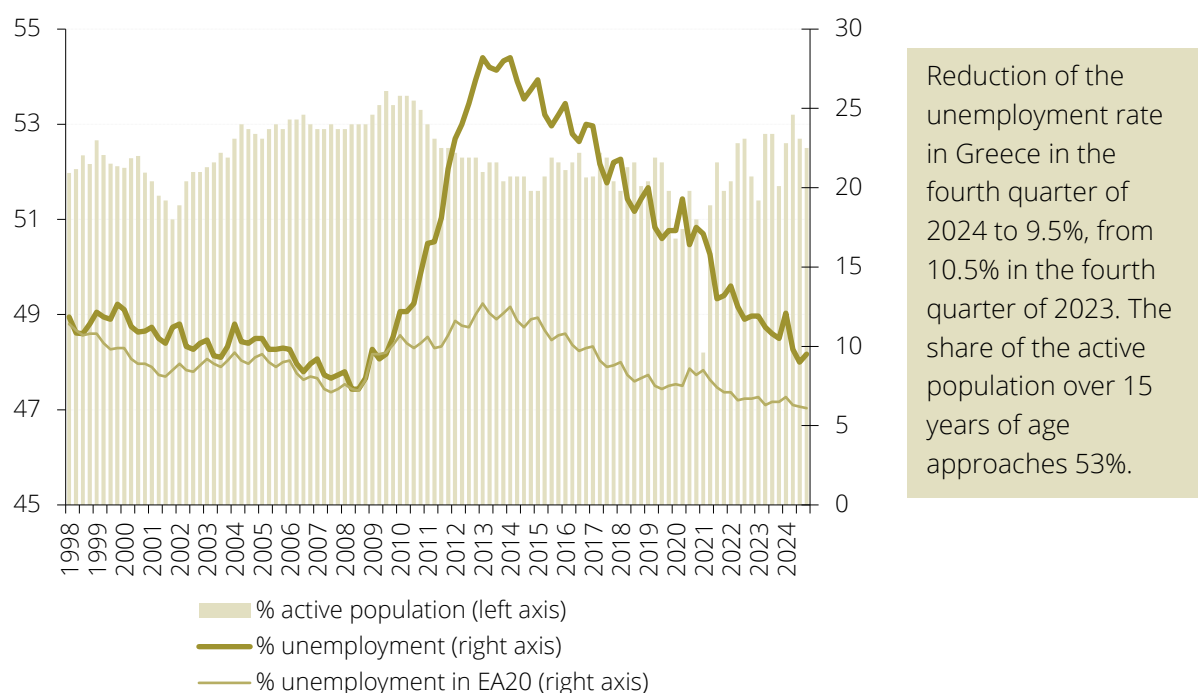


8.5% to 7.5%, a decline of 1.0 percentage points. During the same period in the Eurozone, the unemployment rate for women fell from 6.8% to 6.4% (-0.4 percentage points), and for men from 6.2% to 5.9% (-0.3 percentage points).

Regarding the distribution and evolution of the unemployment rate by age, it decreases with age. In the fourth quarter of 2024, the unemployment rate fell across all age groups. The most significant decrease, at 20.2 percentage points, was observed among 15–19-year-olds, with the unemployment rate falling from 44.2% to 24.0%. The second-largest decrease was observed among 20–24-year-olds, with the unemployment rate falling by 4.0 percentage points to 22.9% from 26.9%. The smallest decrease was seen among 45–64-year-olds and over-65s, with the unemployment rate falling by 0.4 percentage points, from 6.8% to 6.4%. The lowest unemployment rates were recorded in the 45–64 and over-65 age groups.

Figure 3.18

Labour force participation and unemployment rates



Sources: ELSTAT – Labour Force Survey, Eurostat

In terms of duration of unemployment, the percentage of long-term unemployed people increased, but their number decreased. The long-term unemployment rate rose to 53.5% in the fourth quarter of 2024 (as a percentage of the total unemployed population), up from 50.8% in the same quarter of 2023 (an increase of 2.7 percentage points). Meanwhile, the number of long-term unemployed individuals fell from 248,200 to 240,400 (-7,800 or -3.1%).

Regarding the distribution and evolution of the unemployment rate by educational level, it decreases as the level of education improves. In the fourth quarter of 2024, the unemployment rate fell across all education levels, except for those with doctoral or master's degrees, those with a three-year secondary education certificate and those who attended some primary school or none at all. The most significant decline in unemployment, at 1.6 percentage points, occurred among

individuals with a secondary school diploma, with the unemployment rate falling from 12.3% to 10.7% in the same quarter of 2023. The second-largest decrease (by 1.4 percentage points) was seen among individuals with a university degree, where the unemployment rate fell from 7.8% to 6.4%. The lowest unemployment rates were recorded among individuals with a postsecondary school diploma and individuals with a doctorate or master's degree. In the latter category, however, the unemployment rate increased by 0.3 percentage points, rising to 5.0%.

In terms of regional unemployment trends, the rate fell in six regions and rose in seven. The highest seasonally adjusted unemployment rate was recorded in the South Aegean region, rising from 4.2% to 15.5% in the fourth quarter of 2024 (+11.3 percentage points). The second highest rate was observed in the Ionian Islands, where it increased from 12.1% in Q4 2023 to 14.8% in Q4 2024 (+2.7 percentage points). The most significant decline was seen in Western Macedonia, where the unemployment rate dropped by 8.8 percentage points to 10.7% from 19.5%. The lowest unemployment rate during this period was recorded in Crete, falling from 10.5% to 6.4% (-4.1 percentage points). This was followed by the regions of North Aegean, Attica and Peloponnese. In the former, it fell to 7.7% from 11.2% (-3.5 percentage points), while in the latter two it fell to 7.8% from 9.2% (-1.4 percentage points) and increased to 8.0% from 6.8% (+1.2 percentage points), respectively.

In terms of employment trends by occupational status, employment increased in all categories except for self-employed persons without staff and assistants in family businesses. The largest annual increase in employment, at 3.8% or 110,300 people, was among salaried employees, with 2,978,700 people employed in this category in the fourth quarter of 2024. An increase of 1.2% or 3,600 people was also recorded among the self-employed with staff, with 310,900 people employed in this category in the fourth quarter of 2024. By contrast, the strongest annual decline in employment was seen among assistants in family businesses, falling to 147,400 — a decline of 3.3% (5,100 people). This was followed by self-employed persons without staff, whose number fell to 841,800, representing an annual decrease of 1.5% or 13,100 people.

The number of full-time employees in the fourth quarter of 2024 increased by 168,000 (4.3%) compared to the same quarter in 2023, reaching 4,030,800. Meanwhile, the number of part-time employees decreased by 76,000 (24.3%), falling to 236,300.

In terms of employment trends by occupational category, seven categories saw an increase in employment, while three saw a decrease. The strongest increase in absolute terms (71,800 employees) was recorded in scientific, artistic and related professions, rising from 904,000 to 975,800 people between the fourth quarters of 2023 and 2024. The second largest increase in employment was among plant and machine operators and assemblers, with an increase of 30,600 employees (rising from 273,000 in Q4 2023 to 303,600 in Q4 2024). The sharpest decline in absolute numbers was among skilled agricultural, forestry, and fishery workers, whose numbers fell from 448,100 in the corresponding quarter of 2023 to 409,500 in the fourth quarter of 2024 (-38,600). This was followed by a decrease in technicians and associate professionals, whose numbers fell to 268,700 from 282,300 in the corresponding quarter of 2023 (-13,600).

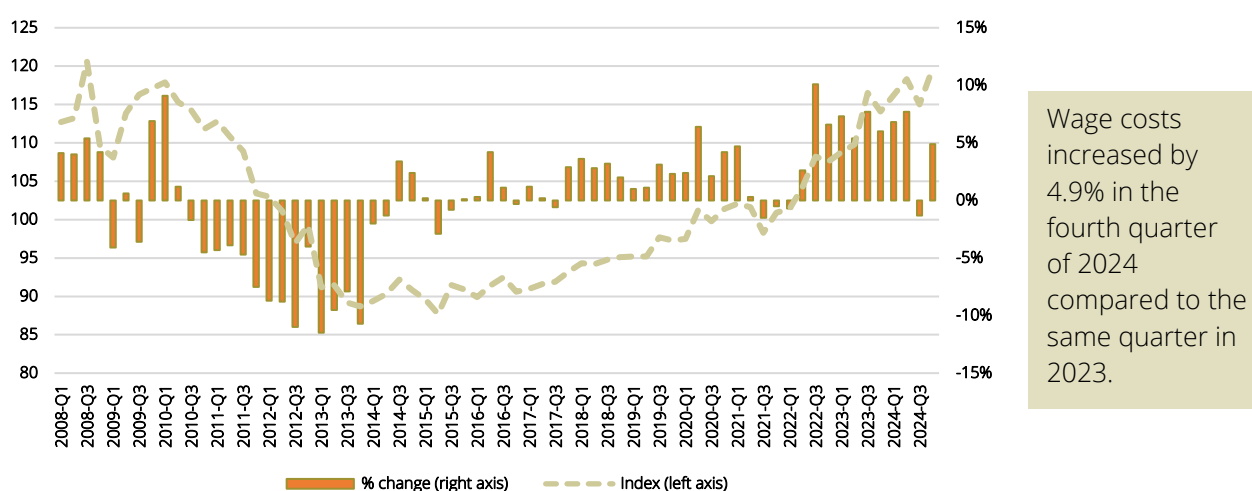
In terms of employment trends in key sectors, employment increased in the secondary and tertiary sectors, while decreasing in the primary sector. The strongest increase in absolute terms was registered in the tertiary sector, where employment rose by 107,000 people, or 3.6%, to reach



3,115,200. In the secondary sector, employment increased by 27,600 people, or 4.1%, reaching 706,400 in the fourth quarter of 2024. Conversely, employment in the primary sector fell by 37,400 people, or 7.6%, reaching 454,500.

Figure 3.19

Seasonally adjusted wage cost index



Source: ELSTAT & Eurostat

Fourteen economic activity sectors saw an increase in employment, while eight saw a decline. The strongest increase in employment in the fourth quarter of 2024 was in professional, scientific, and technical activities, as well as in education. In the former sector, the number of people employed increased by 36,700 (14.3%) to reach 294,100, up from 257,400. In the latter sector, employment rose by 31,500 (10.2%) to reach 340,100, up from 308,600. Another notable increase in employment was seen in wholesale and retail trade, repair of motor vehicles and motorcycles, with 29,700 more employees (a 4.2% increase) taking the total number of employees in this sector to 728,700. Conversely, the sharpest decline in employment occurred in the agriculture, forestry, and fishing sector, where employment fell by 37,400 (or 7.6%) to 454,500.

In conclusion, sector-level employment data show that the increase in the fourth quarter of 2024 compared to the same quarter of 2023 was mainly due to growth in the following sectors:

- Professional, scientific and technical activities (+36,700 employees);
- Education (+31,500 employees);
- Wholesale and retail trade, repair of motor vehicles and motorcycles (+29,700 employees).

Additionally, the employment rate for individuals over 15 years of age in Q4 of 2024 was 47.5%, which is an increase of 1.2 percentage points from 46.3% in Q4 of 2023. Regarding the evolution of the Eurozone's employment rate for Q4 2024, it increased by 0.2 percentage points, rising from 54.2% in Q4 2023 to 54.4%. By contrast, Greece's employment rate remained significantly lower than the Eurozone average, reflecting a gap of 6.9 percentage points in Q4 2024, down from 7.9 percentage points in the same period of 2023.



Regarding the trend in the seasonally adjusted wage cost index for the Greek economy as a whole, there was an increase of 4.9% in the fourth quarter of 2024 compared with the corresponding index in the fourth quarter of 2023.

Table 3.9

Population aged 15 years and over by employment status (in thousands)

| Reference period | Total   | % of Population | Employed | Percentage (%) of the labour force | Unemployed | Percentage (%) of the labour force |
|------------------|---------|-----------------|----------|------------------------------------|------------|------------------------------------|
| 2015             | 9,246.6 | 52.0            | 3,610.7  | 39.0                               | 1,197.0    | 24.9                               |
| 2016             | 9,212.8 | 52.1            | 3,673.6  | 39.9                               | 1,130.9    | 23.5                               |
| 2017             | 9,176.9 | 52.1            | 3,752.7  | 40.9                               | 1,027.1    | 21.5                               |
| 2018             | 9,140.2 | 51.9            | 3,828.0  | 41.9                               | 915.0      | 19.3                               |
| 2019             | 9,103.5 | 52.0            | 3,911.0  | 43                                 | 818.9      | 17.3                               |
| Q1 2020          | 9,083.8 | 50.6            | 3,852.6  | 42.4                               | 745.1      | 16.2                               |
| Q2 2020          | 9,080.5 | 50.8            | 3,844.0  | 42.3                               | 768.3      | 16.7                               |
| Q3 2020          | 9,077.3 | 51.6            | 3,926.8  | 43.3                               | 756.4      | 16.2                               |
| Q4 2020          | 9,074.2 | 51.0            | 3,878.5  | 42.7                               | 750.1      | 16.2                               |
| 2020             | 9,079.0 | 51.0            | 3,878.5  | 42.7                               | 755.0      | 16.3                               |
| Q1 2021          | 9,070.8 | 48.2            | 3,625.1  | 40.0                               | 745.4      | 17.1                               |
| Q2 2021          | 9,067.1 | 51.3            | 3,915.3  | 43.2                               | 732.5      | 15.8                               |
| Q3 2021          | 9,063.5 | 52.2            | 4,118.3  | 45.4                               | 615.4      | 13.0                               |
| Q4 2021          | 9,060.0 | 51.6            | 4,053.3  | 44.7                               | 617.4      | 13.2                               |
| 2021             | 9,065.4 | 50.8            | 3,928.0  | 43.3                               | 677.7      | 14.7                               |
| Q1 2022          | 9,055.8 | 51.8            | 4,044.0  | 44.7                               | 647.2      | 13.8                               |
| Q2 2022          | 9,051.9 | 52.6            | 4,167.2  | 46.0                               | 591.6      | 12.4                               |
| Q3 2022          | 9,048.2 | 52.7            | 4,216.0  | 46.6                               | 555.6      | 11.6                               |
| Q4 2022          | 9,044.7 | 51.9            | 4,135.2  | 45.7                               | 558.4      | 11.9                               |
| 2022             | 9,050.2 | 52.3            | 4,140.6  | 45.8                               | 588.2      | 12.4                               |
| Q1 2023          | 9,041.4 | 51.4            | 4,098.0  | 45.3                               | 550.5      | 11.8                               |
| Q2 2023          | 9,038.4 | 52.8            | 4,236.5  | 46.9                               | 533.3      | 11.2                               |
| Q3 2023          | 9,035.5 | 52.8            | 4,256.2  | 47.1                               | 514.6      | 10.8                               |
| Q4 2023          | 9,032.7 | 51.7            | 4,183.1  | 46.3                               | 488.7      | 10.5                               |
| 2023             | 9,037.0 | 52.2            | 4,193.5  | 46.4                               | 521.8      | 11.1                               |
| Q1 2024          | 9,025.7 | 52.6            | 4,173.4  | 46.2                               | 574.1      | 12.1                               |
| Q2 2024          | 9,020.5 | 53.2            | 4,327.8  | 48.0                               | 467.6      | 9.8                                |
| Q3 2024          | 9,015.4 | 52.7            | 4,323.9  | 48.0                               | 428.4      | 9.0                                |
| Q4 2024          | 9,010.6 | 52.5            | 4,278.7  | 47.5                               | 449.1      | 9.5                                |

Source: ELSTAT, Labour Force Survey

### Medium-term outlook

In the baseline macroeconomic scenario, further improvement in the labour market is expected by 2025, although there are clear signs of a slowdown in the positive trend. There is limited scope for further reductions in cyclical unemployment, while reducing structural unemployment and increasing labour force participation remain challenging.

The anticipated increase in investment is expected to have a positive impact on employment by 2025. Two factors will contribute to this increase. Firstly, there has been a gradual reduction in financing costs resulting from actions by international monetary authorities and the systematic



strengthening of international investor confidence in the country, which has reduced the spread of public and private sector financing costs. Secondly, the accelerated implementation of the revised National Recovery and Resilience Plan, coupled with the expansion of the loan component under favourable financing terms, is expected to stimulate investment, particularly in infrastructure and energy.

The expectation of resilient consumption, which is expected to grow at a slower pace in 2025, will have a mildly positive impact on employment. Although the forecast for an increase in exports is milder than previous estimates, it is also expected to have a positive impact on employment in 2025. Monetary policy undoubtedly influences these trends, and the prospect of slower interest rate declines is expected to have a positive impact on the short-term outlook for investment, consumption and exports.

From a sectoral perspective, the results of the business and consumer surveys indicate a weakening of employment prospects in industry, retail trade and services, though construction has maintained its momentum. The gradual maturation of major infrastructure projects and the execution of the large number of building permits issued in 2024 will also have a positive effect on employment. Following a new record number of arrivals in 2024, positive performance in the tourism sector is expected to continue in 2025. However, the sector's impact on employment in 2025 is expected to be smaller than in 2024. Finally, the public sector is expected to support employment through planned recruitment in the current year.

In terms of risks, geopolitical instability and economic uncertainty are expected to persist in 2025, both regionally and internationally. Additionally, although international energy prices are fluctuating at a lower level, uncertainty surrounding their development has increased. Inflation in 2025 is also expected to exceed the euro area average.

A significant obstacle to competitiveness and overall employment is the relatively high core inflation rate of the Greek economy. Based on IOBE's estimate of a slowdown in consumption in 2025, the positive momentum in the employment sector is also expected to slow down.

Now that the country has reached single-digit unemployment rates, any further reductions in the coming quarters or years are bound to be slower. Alongside reducing cyclical unemployment, the focus is on tackling residual structural and frictional unemployment. In this regard, skills mismatches in the Greek labour market and the need for adequate, quality training (both initial and continuing) are considered important issues.

**Taking the above effects on the labour market into account, the unemployment rate is expected to be around 10.1% in 2024 and 9.3% in 2025.**

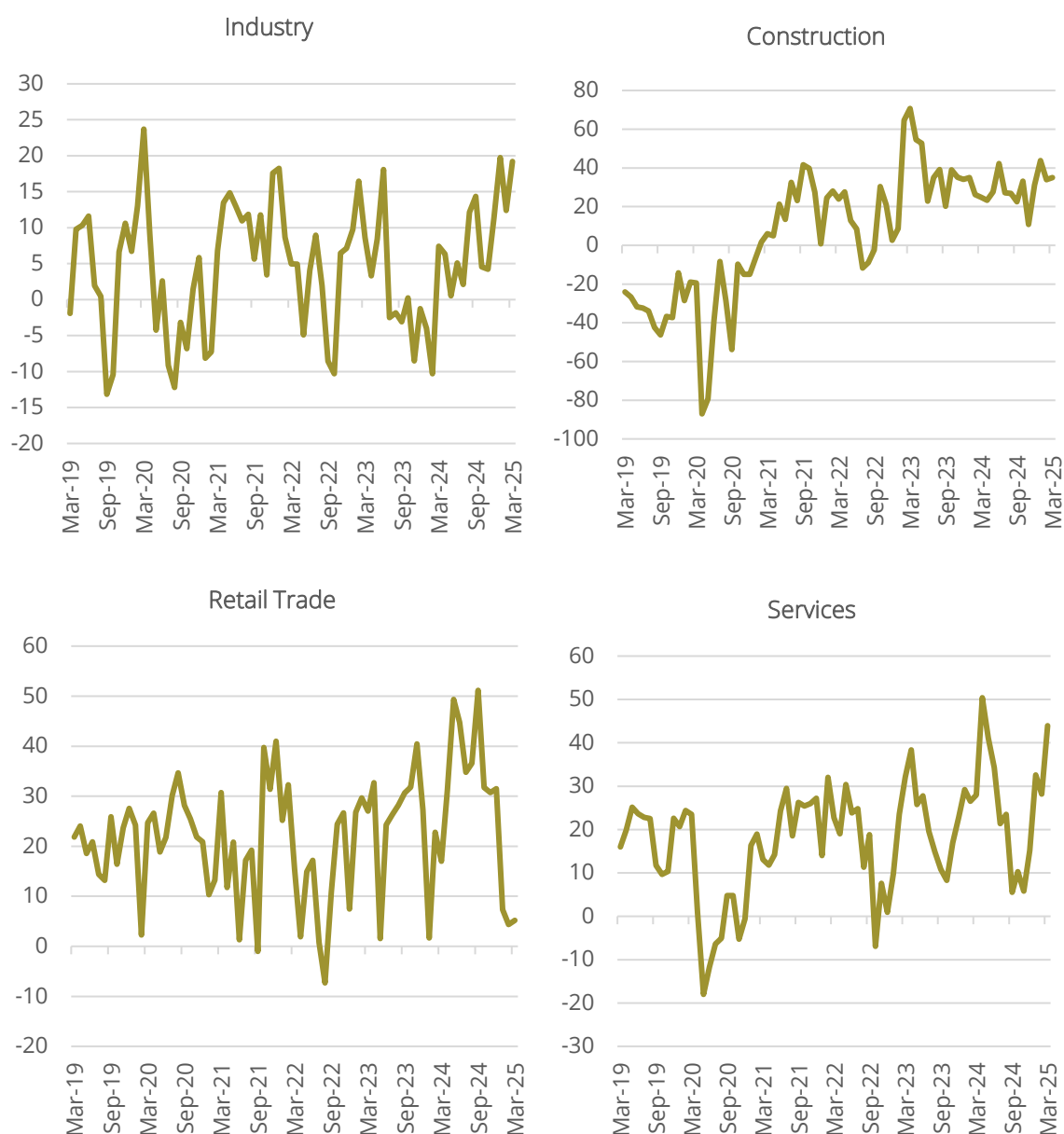
According to the latest IOBE Business and Consumer Survey data, there was a slight improvement in the short-term employment outlook for industry and construction in the January–March quarter of 2025 compared to the fourth quarter of 2024, with a more pronounced improvement in services. In retail trade, however, the outlook weakened significantly. Compared to the same period in 2024, there was a slight improvement in construction and services, which was more pronounced in industry, while the decline in retail trade was mild. More specifically:

In the industry sector, the average balance for the first quarter of 2025 increased slightly compared to the previous quarter, reaching +10 points. Compared to last year's performance, the average quarterly index is approximately 19 points higher. During the quarter under review, 8-9% of industrial companies predicted a decline in employment in the coming period, while 25% (up from

16%) expected an increase in the number of jobs. Nevertheless, the majority of companies in the sector (68%) anticipated employment stability.

Figure 3.20

Employment expectations (difference between positive and negative responses)



Source: IOBE

Compared to the previous quarter, there was a slight improvement in short-term employment expectations in industry and construction in the first quarter of 2025. This improvement was more pronounced in services, while the outlook for retail trade was significantly weaker.

In the construction sector, the latest estimates suggest an improvement in employment, with the balance rising to +38 points (up from +25 points), which is slightly higher than in the same period in 2024 (+29 points). During the quarter under review, the percentage of businesses in the sector



anticipating fewer jobs fell from 7% to 3%, while the percentage of respondents expecting an increase in employment rose from 32% to 40%. At sub-sector level, the index for private construction improved significantly (+60 from +29 points), while the index for public works weakened marginally (+18 from +21 points).

The employment expectations index for the retail trade sector weakened significantly in the first quarter of this year, falling to +6 points (down from +31) and performing slightly worse than the corresponding figure for 2024 (+14). Four percent of businesses in the sector expect a decline in jobs, up from 2% in the previous quarter. Meanwhile, 9% forecast an increase in employment (down from 33%), with 87% expecting stability. Of the sub-sectors examined, all show a slight improvement in the relevant balance, except for Food-Beverages-Tobacco, where the balance has weakened significantly.

In Services, the latest estimates for the current quarter suggest a notable improvement compared to the previous quarter and a slight improvement compared to the same period last year. Thus, the balance for the first quarter of 2025 strengthened by 24 points to +35 in the quarter under review, improving by 7 points compared to the same period in 2024. Of the companies in the sector, 4% expected a decline in employment, while 39% (up from 21%) anticipated an increase. At the sectoral level, the trend is noticeably positive in almost all individual sub-sectors, with the exception of miscellaneous business activities, where the relevant balance is slightly weaker.



### 3.5 Consumer and Producer Prices

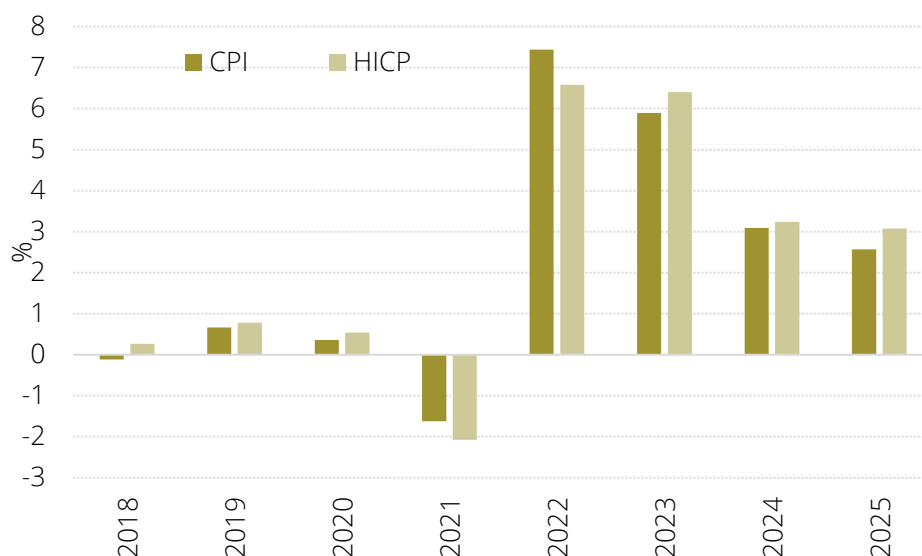
- There was a slightly milder rise in the HICP (CPI) in the first quarter of 2025, up by 3.1% (2.6%), compared to inflation of 3.2% (3.1%) a year earlier. Prices rose mainly due to the upward effect of rising non-energy goods prices, particularly services.
- The rate of change in the HICP with constant taxes and excluding energy was 2.8% in the first two months of this year, down from 3.9% a year earlier.
- For 2025, the Consumer Price Index is expected to increase at a rate of around 2.8%.
- Key assumptions:
  - Consumer demand strengthens by around 1.2%.
  - The price of Brent crude oil declines annually, with protectionist measures exerting further downward pressure on the energy market.

#### Recent developments

In the first quarter of 2025, prices increased compared to a year earlier, with the average rate of change in the domestic Consumer Price Index (CPI) standing at 2.6%, down from an increase of 3.1% a year earlier. The Harmonised Index of Consumer Prices (HICP) increased by 3.1% between January and March this year, compared to a 3.2% rise in the same period in 2024. In March this year, the rate of change in the CPI stood at 2.4%, down from 3.2% in March 2024. The HICP also increased, with the rate standing at 3.0% in March 2025, down from 3.4% in the same month last year. It should be noted that core inflation in Greece stood at 3.4% in February 2025, down from 3.3% a year earlier.

Figure 3.21

Annual change in the domestic CPI and the HICP in Greece (January – March, %)



Domestic CPI rose 2.6% in Q1 2025 compared to a year earlier, down from 3.1% a year earlier.

Source: ELSTAT. Data processing: IOBE.



Regarding the impact of HICP components on the trend, the 3.1% rise in the harmonised index in January–February 2025 (for which data are available) is due to the positive effect of domestic demand. The percentage change in the index with constant taxes and excluding energy goods stood at 2.8%, down from a 3.9% increase a year earlier. Indirect taxation positively impacted prices by 0.3 percentage points during the review period, compared to no impact the previous year.

Figure 3.22

CPI in Greece (annual percentage change per month)

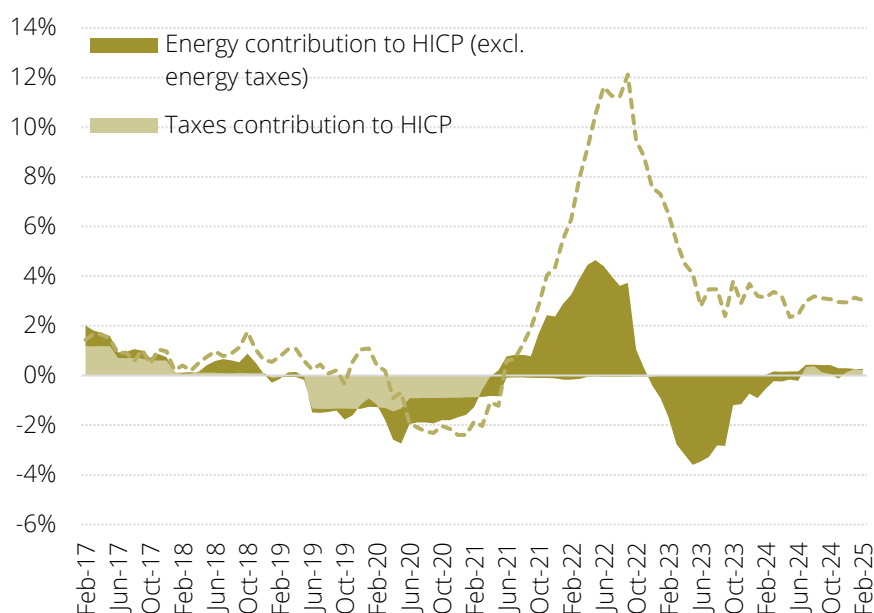


Milder rise in domestic CPI in March 2025 (2.4% from 2.5% a month earlier). Lower rate of change than in the corresponding month of 2024 (3.2%).

Source: ELSTAT. Data processing: IOBE.

Figure 3.23

Annual rate of HICP change in Greece and impact of energy product prices and tax changes



The increase in the HICP in the first two months of 2025 is due to the prices of non-energy goods, with the impact of taxes now being marginally positive.

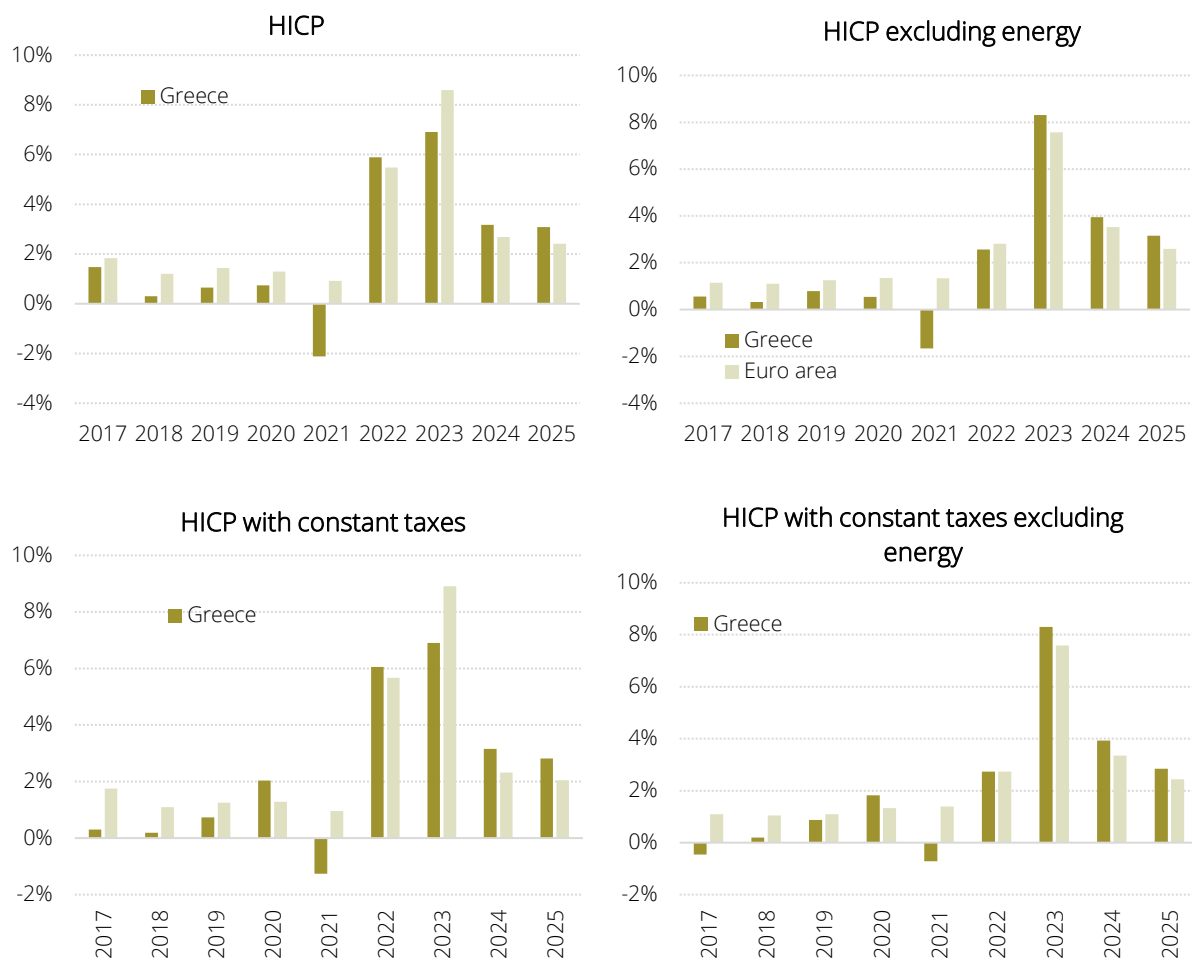
Source: Eurostat. Data processing: IOBE.



Regarding recent trends in energy commodity prices and their impact on the Harmonised Index of Consumer Prices (HICP), the average international oil price in January–February 2025 declined compared with a year earlier. Specifically, the average price of Brent crude oil was \$77.4/barrel, down from \$81.8/barrel a year earlier — a decline of 5.4%. However, the decline in the average euro-dollar exchange rate in the first two months of 2025 mitigated this fall, with the average price of oil in euros standing at €74.5/barrel compared to €75.4/barrel in the same period in 2024. Consequently, the impact of energy prices on the domestic rate of change of the HICP in January–February 2025 was marginally zero, compared with a negative impact of 0.7% in the same period in 2024.

Figure 3.24

Annual HICP change in Greece and the Euro area (January- February)



Source: Eurostat. Data processing: IOBE.

Domestic price growth in the first two months of 2025 higher than the euro area average, with the inflationary impact of non-energy goods and services (2.8 percentage points) higher than the euro area average (2.4 percentage points).

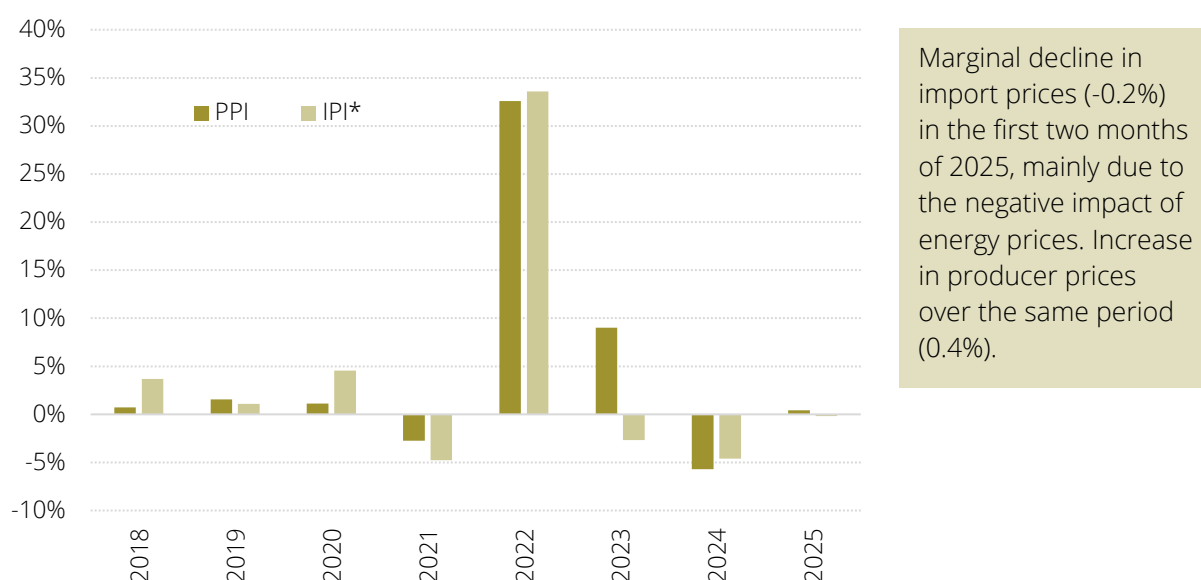


With a rise of 3.1% in the HICP in the first quarter of 2025, Greece is ranked highly among Eurozone countries in terms of rate of change, above the weighted average of 2.3% (see Appendix). Between January and February 2025, the average change in the HICP across the Eurozone was 2.4%, down from 2.7% a year earlier. Domestic demand appears to have been the main factor driving up prices in the eurozone, as the price index excluding energy goods and taxes increased by 2.4%, down from a stronger rise of 3.4% a year earlier.

Regarding trends in the individual product and service categories included in the domestic Consumer Price Index, Hotels recorded the sharpest rise in the first quarter of 2025. Prices in the Hotels category increased by 5.5%, down from a more pronounced rise of 6.4% a year earlier. Lower inflation was recorded in the Housing category, where prices rose by 5.2% following a 0.8% decline, and in the Clothing category, where prices increased by 5.0%, up from 3.7% a year earlier. Education and other goods recorded increases of 2.6% and 2.2% respectively, following increases of 3.5% and 1.6% respectively a year earlier. Prices rose by 1.6% and 1.3% in Communications and Alcoholic Beverages, respectively, compared to a decline of 2.0% and 2.3% in the first quarter of 2024. Price in the recreation and food categories increased by 1.0% and 0.8% respectively, compared to 2.9% and 6.8% respectively a year earlier. Meanwhile, prices in the transport category increased by 0.6%, compared to 0.9% in the first quarter of 2024. In contrast, prices declined by 0.2% in Durable Goods in the period under review, compared to an increase of 1.2% a year earlier.

Figure 3.25

Annual change of PPI and IPI in Greece (January – February)



Source: ELSTAT. Data processing: IOBE.

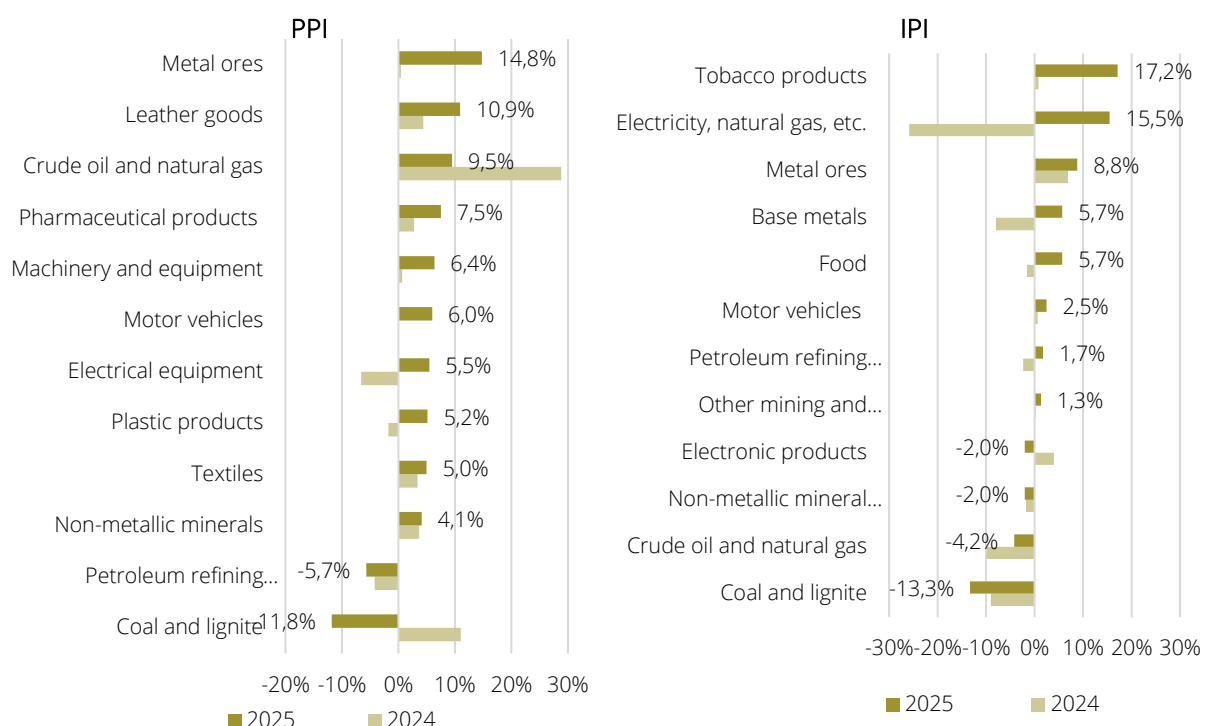
Regarding production-side price developments in January–February 2025, the Producer Price Index (PPI) for domestic and foreign markets as a whole recorded a marginal increase compared to the same period in 2024 (0.4%), as the strengthening of non-energy industrial products offset the decline in energy prices to a significant extent. Specifically, the PPI excluding energy increased by 1.8% in the first two months of this year, compared to a slightly lower increase of 1.7% in the same

period the previous year. Meanwhile, the PPI for Mining and Quarrying and Manufacturing declined by 0.1%, following a steeper fall of 0.4% a year earlier.

Regarding the evolution of the Import Price Index (IPI) in January–February of this year, there was an annual decrease of 0.2%, compared to a more pronounced decline of 4.6% a year ago. The 0.1% rise in domestic import prices in January of this year ranks Greece last in terms of price increases among the fourteen euro-area countries for which data were available for that period. Spain and the Netherlands recorded the highest increases in import prices, at 3.5% and 3.1% respectively, compared with declines of 6.3% and 11% respectively a year earlier. Germany followed with an increase of 2.7%, compared with a decline of 6.1% a year earlier. The same index rose by 2.2% in the eurozone, compared with a decline of 7.3% in the same month in 2023. In contrast, Croatia recorded a decline in import prices of 6.7%.

Figure 3.26

Annual changes in PPI and IPI per goods category in Greece (January – February)



Source: ELSTAT. Data processing: IOBE.

## Medium-term outlook

An analysis of the main components of the domestic Consumer Price Index in the first quarter of this year shows that the increase is due to rising prices of non-energy goods and services. The slight decline in energy prices a year earlier was offset by exchange rate movements, resulting in only a marginal impact on prices.

It should be noted that, in February of this year, the EU imposed a new set of sanctions in response to Russia's military attack on Ukraine — the 16<sup>th</sup> set of individual sanctions and restrictive



measures. Specifically, the EU introduced further restrictions on the import and export of goods and technologies, access to ports and maritime transport services, and the suspension of broadcasting licences, as well as a ban on the provision of specialised financial services. Furthermore, an extension was granted to previous sanctions and restrictive measures concerning travel restrictions for individuals, the freezing of assets, and prohibitions on making funds or other economic resources available to individuals and legal entities.

Regarding energy prices, the average international oil price in the first quarter of 2025 fell compared to a year earlier. Specifically, the average price of Brent crude oil was \$75.8 per barrel, down from \$83 per barrel a year earlier — a decrease of 8.7%. However, the decline in the average exchange rate of the euro against the dollar during this period mitigated the change in the price of oil in euros, with the average price standing at €72.0/barrel.

### ***Demand effects***

The expected increase in employment and the new increase in the minimum wage for the current year, which under the new remuneration system also affects the pay scale for civil servants, uniformed officers, and unemployment benefits, are expected to boost disposable income and, consequently, domestic demand.

The reduction in social security contributions by 1%, the abolition of business taxes for freelancers, the self-employed, and sole traders, and the reduction in ENFIA (property tax) for insured residences are expected to increase disposable income. As part of the income tax changes, a reduction in tax rates for middle incomes is being considered, alongside a package of benefits including the reinstatement of the 13th pension, the abolition of ENFIA for primary residences and a reduction in presumed living expenses. These developments are expected to increase household disposable income.

Finally, it is expected that additional measures such as exempting children up to 18 years of age from health insurance tax, abolishing the fixed telephone fee (5%) for fibre optic connections and granting a three-year income tax exemption for vacant properties that will be rented out will boost disposable income and subsequently stimulate domestic demand further.

Taking the above factors into account, it is estimated that total consumer demand will strengthen by around 1.2% in 2025, keeping prices high to a certain extent.

### ***Tax effects***

Regarding the expected impact of indirect tax measures, they are anticipated to have a modestly positive effect on price index changes in the current year. The restoration of the VAT rate on served non-alcoholic beverages (soft drinks, non-alcoholic beers and sparkling waters) to 24% on 1 July 2024 is expected to have a positive, albeit mild, effect on prices until 1 July 2025, as this development concerns a specific product category. Conversely, the reduced VAT rates on certain goods and services (transport, gyms, dance schools and entertainment shows), which will remain in place throughout 2025, and the real estate support measures, set to expire in December 2025, are not expected to have any impact given that over a year has elapsed since their implementation.

### ***Energy effects***

In terms of recent developments in energy commodities, the international price of Brent crude oil averaged at \$73.8 per barrel in December 2023, which was 4.9% lower than the previous year. In

the same month, the euro/dollar exchange rate stood at 1.05, which was 4% lower than in the same month of 2023. Consequently, the average oil price in euros was €70.5 per barrel, which was 1% lower than a year earlier.

Regarding oil supply, at their last meeting in March 2025, OPEC+ (including Russia) reaffirmed the decision made on 5 December 2024 to gradually roll back voluntary production cuts of 2.2 million barrels per day from 1 April 2025. These cuts will be phased out by the end of September 2026. It should be noted that the additional voluntary production cuts of 1.65 million barrels per day, announced in April 2023, have been extended to the end of December 2026. OPEC+ countries will hold monthly meetings to review market conditions, aiming to stabilise the oil market.

In 2024, OPEC+ members produced 35.7 million barrels of oil per day, accounting for 47% of the global total. According to international organisations, OPEC+ oil production is expected to increase by 0.1 million barrels per day in 2025.

By April 2025, OPEC+ production cuts have resulted in a reduction in global oil stocks of approximately 0.7 million barrels per day.

The increase in oil production in 2025 is expected to come primarily from non-OPEC countries due to OPEC+'s continued production curbs. According to analysts' estimates,<sup>16</sup> total global oil production is expected to increase by 1.9 million barrels per day (b/d) in 2025, with this increase coming more from non-OPEC+ countries than OPEC+ countries.

More specifically, it is estimated that global oil production outside OPEC+ will increase by 1.8 million barrels per day (b/d) in 2025, with the majority of this increase coming from countries in the Americas, particularly the United States. The US continues to produce more oil than any other country, with an estimated increase in daily production of 0.6 million barrels by 2025. Additionally, Canada's daily oil production is expected to rise by 0.3 million barrels per day this year. Meanwhile, Brazil is set to see a 0.1 million barrel-per-day increase in 2025 thanks to new floating production units.

Therefore, it is expected that the subsequent increase in OPEC+ production, coupled with the ongoing growth in non-OPEC+ supply, will result in an average increase in stocks of 0.1 million barrels per day for the remainder of 2025.

Global liquid fuel consumption is expected to increase by 1.3 million barrels per day by 2025. Non-OECD countries are projected to drive almost all of the global increase in oil consumption. A large proportion of this growth will be in Asia, with India becoming the primary source of growth in global oil demand.

### ***World demand***

According to the macroeconomic forecasts of international organisations, the prospects for global growth in 2025 appear to be deteriorating.<sup>17</sup> In particular, global GDP growth is expected to be around 3.1% in 2025, which is lower than the rate forecast in December 2024 (3.3%). This is mainly due to increased uncertainty weighing on investment and consumer demand.

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<sup>16</sup> Energy International Agency, Short-Term Energy Outlook, March 2025

<sup>17</sup> OECD Economic Outlook, Interim Report «Steering through uncertainty», March 2025



Furthermore, recent activity indicators suggest that the outlook for global growth is weakening. Business and consumer sentiment has deteriorated in some countries. Inflationary pressures persist in many economies. At the same time, policy uncertainty remains high and significant risks persist. The further fragmentation of the global economy is a key concern. Higher-than-expected inflation could lead to more restrictive monetary policy and disruptive financial market turmoil. However, agreements that reduce tariffs from current levels could lead to stronger growth.

The OECD (March 2025) expects annual GDP growth in the US to reach 2.2% in 2025. This figure is lower than the previous December 2024 forecast by 0.2 percentage points, due to political uncertainty, and does not incorporate the impact of the rapid developments in April on the trade war front. Growth in the Eurozone is estimated to be lower at 1.0% in 2025 driven by private consumption as real incomes strengthen and investment stimulated by credit easing and disbursed funds. Meanwhile, growth in China is expected to slow to 4.8% in 2025, primarily due to sluggish consumer demand.

In this context, it is assumed that the average oil price in 2025 will be \$74 per barrel, which is an 8.1% decrease compared to 2024, primarily due to a decline in global demand. Similarly, the average euro/dollar exchange rate is expected to be 1.06 in 2025, which is a 2% decrease from the previous year. Consequently, the average oil price in euros is expected to be €69.8/barrel in 2025, which is a 6.2% decrease compared to 2024.

Taking into account the above trends and developments in the main factors affecting consumer prices, the Consumer Price Index is **expected to rise moderately this year, by around 2.8%, primarily due to stronger domestic demand.**

However, uncertainties surrounding price developments this year are particularly pronounced. Escalating military unrest in the Middle East could lead to instability in energy markets, resulting in a further increase in oil prices and, consequently, inflation.

A critical factor influencing price developments this year has been the United States' protective policies, which have intensified uncertainty in international markets, disrupted trade relations, and negatively affected the global economy through the imposition of tariffs. The US government has recently imposed additional tariffs and revised trade agreements with countries that it believes are competing unfairly with US industry. Tariffs imposed, or even merely threatened, on countries such as China and the EU are causing a chain reaction in international markets, increasing production costs which are often passed on to consumers. Consequently, the imposition of trade restrictions may cause disruptions in trade flows and product shortages, which could lead to further inflation.

Finally, unrest in the Red Sea has caused delays to the transportation of goods to Europe. Commercial, container and tanker ships now have to pass through the Cape of Good Hope, which has led to rising transport costs and ultimately higher prices.

Conversely, a further strengthening of the euro could negatively impact prices. The resulting decline in the prices of imported goods would lead to lower production costs for domestic companies, which is likely to result in lower prices.

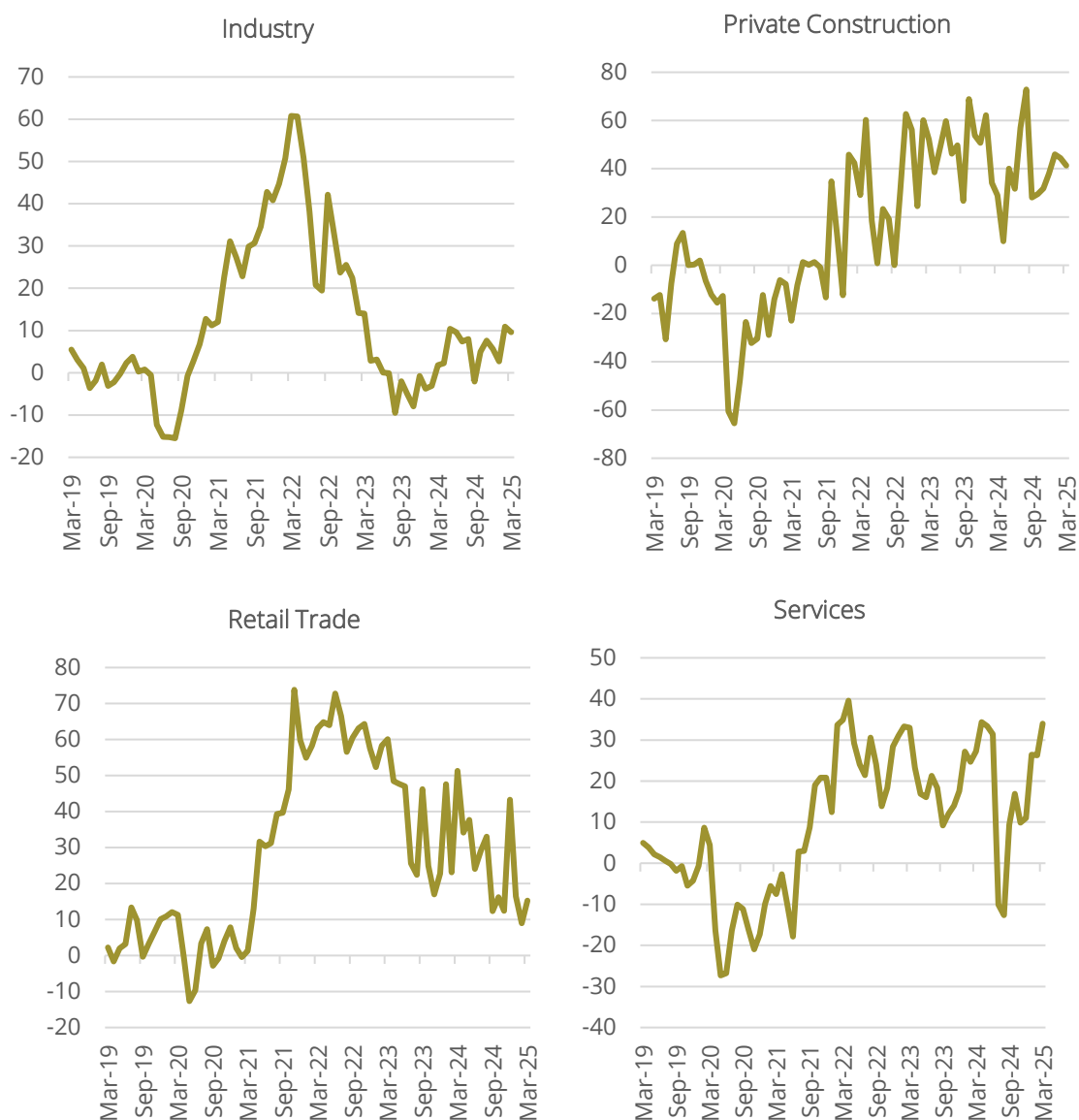
The IOBE's monthly business and consumer surveys also provide valuable insight into future price trends, acting as leading indicators on the supply side.

Compared to the fourth quarter of the previous year, trends in price change expectations were mixed in the first quarter of 2025. Specifically, price expectations moved slightly downwards in

retail trade and more sharply downwards in industry, while there was a slight increase in industry and a significant increase in services and construction. Compared to the same quarter last year, expectations for price developments showed a slight increase in services, retail trade and industry, and a decline in private construction. More specifically:

Figure 3.27

Price expectations over the coming quarter (difference between positive and negative answers)



Source: IOBE

Compared to the fourth quarter of the previous year, trends in price change expectations are mixed in the first quarter of 2025. Expectations in retail trade are moving slightly downward, while those in industry are falling more sharply. There is a slight increase in industry and a significant increase in services and construction.



In the industry sector, price expectations strengthened slightly in the first quarter of the year compared to the previous quarter. Specifically, the index stood at +8 points, up from +6 points in the previous quarter and up 9 points compared to the same quarter in 2024. 9% of companies in the sector expected prices to fall in the short term, while the percentage of those anticipating an increase rose from 15% to 17%. The remaining 75% expected prices to remain unchanged.

In the retail trade sector, the balance of price expectations fell by 10 points from the previous quarter, when it was +24 points. At the same time, it was 27 points lower than in the corresponding period of 2024. 9% of businesses in the sector expected prices to fall in the short term, while the percentage of those predicting a rise fell to 22% (down from 27%), with the remaining 69% expecting prices to remain stable. Changes in price forecasts for the first quarter of 2025 compared to the previous quarter were mixed across the examined retail sub-sectors. In food and beverages, textiles, clothing and footwear, and household equipment, the price balance moved significantly downward. In vehicles, spare parts, and department stores, the relevant index moved slightly upward.

The average price change expectation index for services in the quarter under review increased significantly compared to the previous quarter, rising to +29 points (from +13 points), while also moving marginally higher than the corresponding average performance in the first quarter of 2024 (+26 points). During this period, only 1% of businesses in the sector expected prices to fall, compared to 5% in the previous quarter, while 30% expected them to rise, up from 17%. The index strengthened significantly in almost all of the examined individual sub-sectors, with the exception of Land Transport, where there was no change compared to the previous quarter.

Finally, in private construction, the positive balance strengthened slightly from +33 points in the previous quarter to +44 points. This was a marginal change compared to the corresponding level in 2024 (+42 points). Additionally, only 2% of the sector's companies expected prices to fall, while 45% (up from 36%) expected them to rise. The remaining 53% (down from 62%) expected prices to remain unchanged.





## 4 THE GREEK REGIONS: ECONOMIC AND SOCIAL TRENDS<sup>18</sup>

- A descriptive analysis of selected indicators at regional, national and European levels shows that there is room for improvement and opportunities for convergence among Greek regions in several areas.
- Population decline and ageing are national problems linked to growth rates at a regional level, although they are less acute in certain areas, such as Crete and the South Aegean. Births now lag behind deaths in all thirteen regions. This trend is offset by positive net migration in ten regions.
- Economic activity remains highly concentrated in Attica, which has by far the highest per capita GDP. The pace of investment and credit expansion is recovering at different speeds across regions.
- The share of employment in the tertiary sector is increasing. In contrast, the share of employment in the primary sector has declined or remained stagnant, except in North Aegean; the share in the secondary sector has only increased in Peloponnese and Central Greece.
- The need for convergence between regions in key economic indicators remains a key objective and challenge, as the regions of the two largest urban centres and much of island Greece are performing faster in many areas.
- The heterogeneity between regions in key social indicators, and divergence from the European average, remains pronounced in areas such as income inequality, health services and social protection.
- The geomorphological characteristics of the regions directly impact the management of environmental and spatial planning policies.

<sup>18</sup> The chapter is based on a recent study conducted by the Foundation for Economic and Industrial Research (IOBE), with the support of the Regional Policy Monitor (2nd issue of the Report).

## Introduction

Regional development is a key policy objective at both the national and European levels. At the national level, it is a prerequisite for achieving key objectives, such as economic growth, social cohesion, political stability, and competitiveness within an increasingly complex and interconnected international environment. At the European level, regional development lies at the heart of the European Union's (EU) mission to create a prosperous, socio-economically cohesive Europe. As European integration and enlargement progress, reducing interregional disparities strengthens the foundations of the European project, and this is essential for ensuring a more sustainable and inclusive future for all EU citizens.

In light of the importance of recording regional data to identify the strengths and areas for improvement in Greek regions, the analysis focuses on the following selected indicators: (a) demographic trends per region, derived from natural and migratory balances; (b) economic activity and entrepreneurship; (c) the financial sector; (d) the labour market; (e) social services and social inclusion; and (f) culture, the environment, and spatial planning.

In summary, there are significant variations between Greek regions in key areas of development. In terms of demographics, there is a general trend of population decline and ageing, with most regions experiencing more deaths than births. However, this trend is offset in some areas, such as the Aegean islands, by positive migration balances. Attica continues to dominate the economy, accounting for almost half of the national GDP, while other regions show uneven rates of recovery. At the same time, significant social inequalities persist, particularly in health, social welfare and income, with urban and tourist areas enjoying a clear advantage. In the labour market, although unemployment is gradually declining, regional disparities endure. Furthermore, the rate of self-employment remains high, particularly outside major urban centres.

These challenges require a holistic approach to boost productive investment, improve workforce skills and promote innovation. At the same time, social policies must be strengthened, with a particular focus on health, education, and social inclusion. As a key driver of growth, tourism must be developed sustainably, alongside environmental protection and infrastructure upgrades. Systematic monitoring of indicators and adapting policies to the specific needs of each region will be crucial for achieving balanced and equitable development throughout the country.

## Demographic trends

Demographic decline and population ageing are two interrelated and extremely complex issues that threaten the sustainability of Greek society and its economy. The negative trend in the natural balance, now evident in all regions of the country, highlights the urgent need for effective and immediate action. The decline in births, combined with an increase in the average age of mothers, exacerbates the demographic problem.

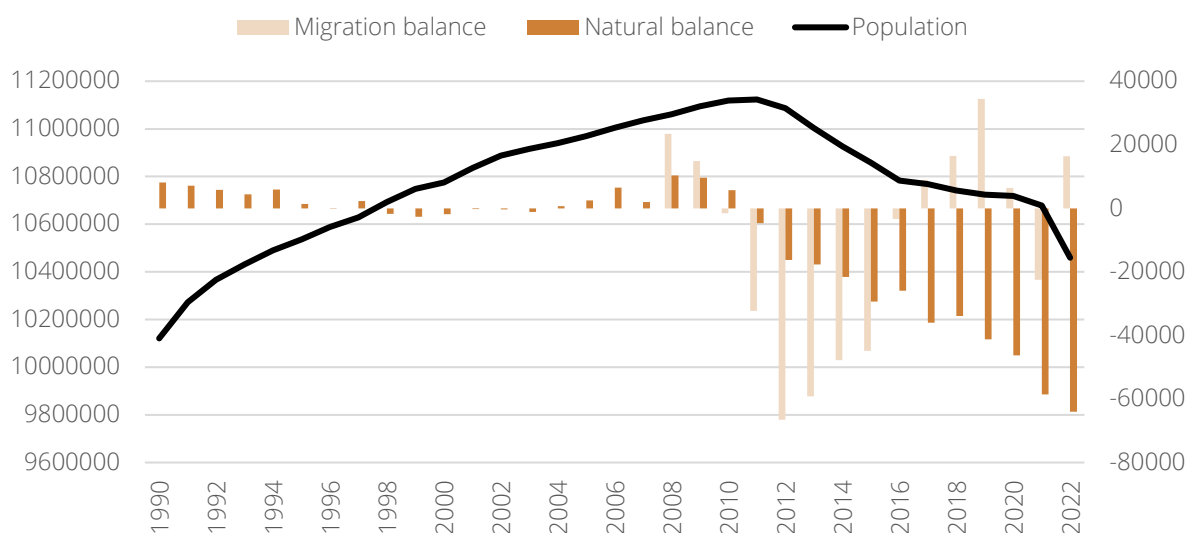
Furthermore, while net migration can help to halt population decline in certain regions, it is not sufficient to reverse the negative trend. Crete is a special case, where the positive migration balance more than offsets the marginally negative natural balance, resulting in a marginal positive population growth rate. Nevertheless, this is insufficient to offset the population decline recorded in the rest of the country.

The effects of demographic decline and population ageing are multidimensional and impact various areas of social and economic life. A shrinking labour force, mounting social security and

healthcare costs, and a smaller consumer base are just some of the challenges that could impact the domestic economy and society.

Figure 4.1.

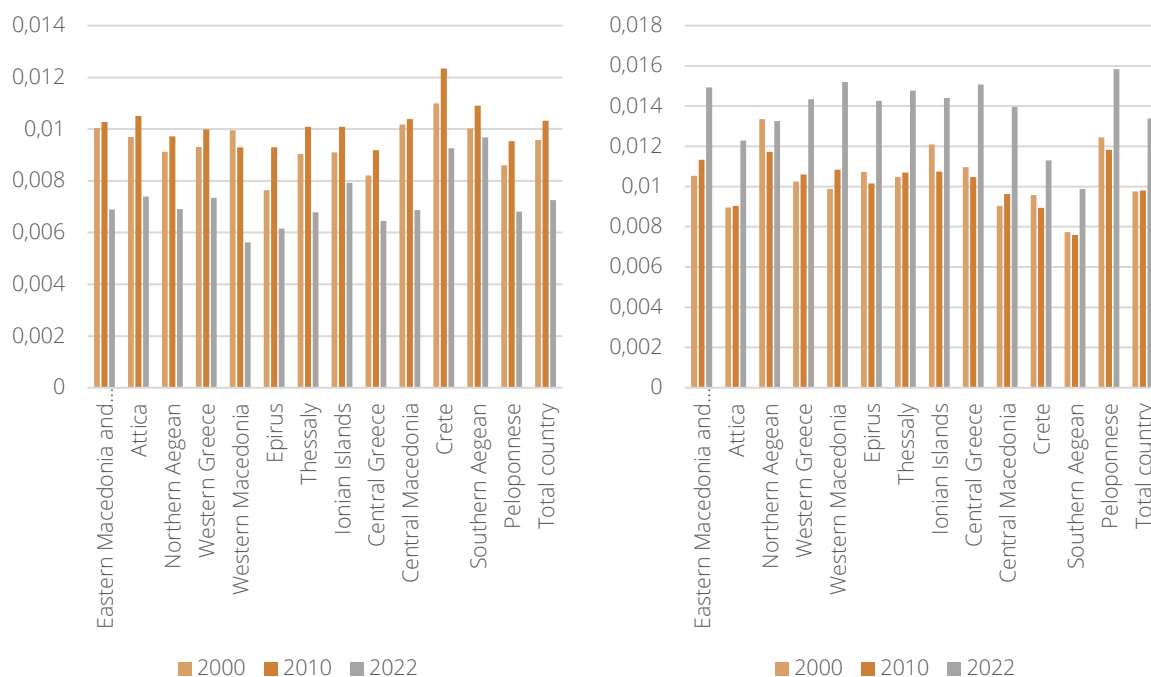
Population growth and its two main factors, natural growth and net migration



Source: Eurostat. Data processing: IOBE.

Figure 4.2.

Births per capita (left panel) and deaths per capita (right panel) by region per year



Source: Eurostat. Data processing: IOBE.

There is an urgent need to adopt a long-term, comprehensive strategy to address the demographic problem. Policies relating to the natural balance, such as supporting families, strengthening

childcare structures and promoting gender equality, take time to have an impact. Nevertheless, these policies are essential for creating a sustainable demographic future.

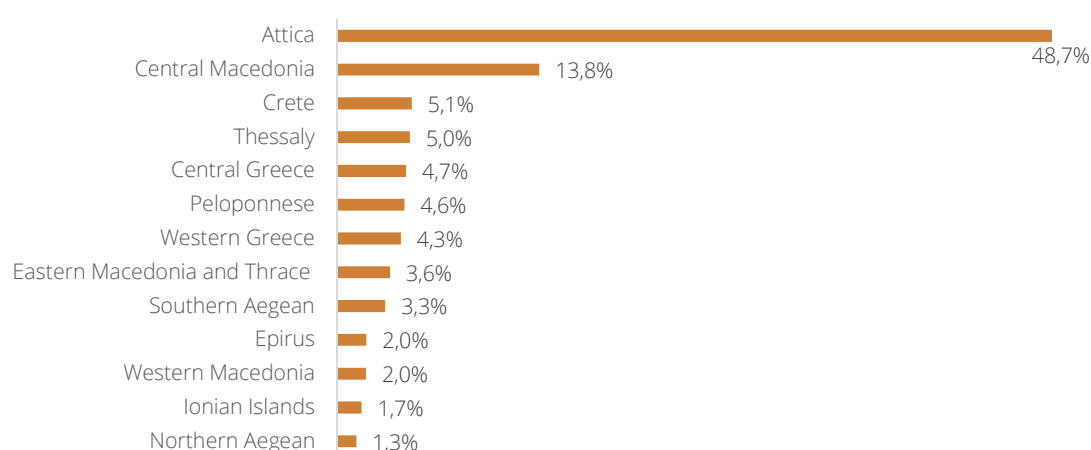
At the same time, policies aimed at boosting net migration, such as attracting young, skilled migrants, can directly address population decline. However, integrating immigrants into Greek society and ensuring social cohesion are critical challenges requiring careful planning and implementation.

## Economic activity and entrepreneurship

Economic activity in Greece is heavily concentrated in the two major urban regions of Attica and Thessaloniki, with Attica in the dominant position. Attica contributes almost half of the country's total GDP, accounts for over a third of total investment, and is responsible for more than half of exports. This overconcentration of economic activity in Attica underscores the importance of promoting more balanced regional development.

Figure 4.3.

Share of regional economies in national GDP, 2023



Source: Eurostat. Data processing: IOBE.

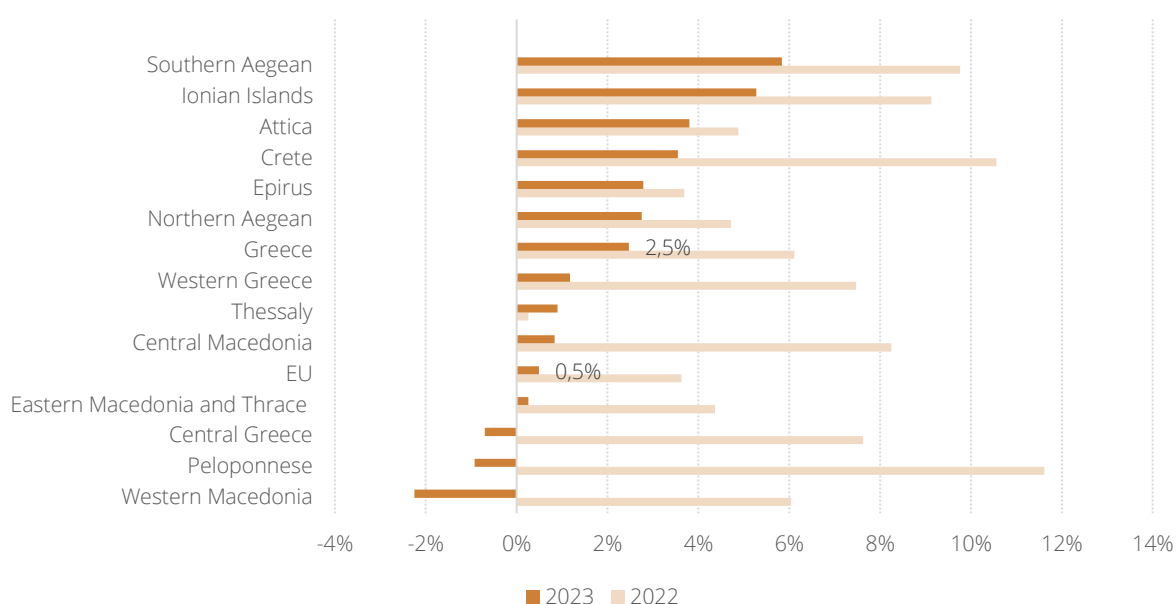
However, despite significant disparities in per capita GDP between regions, there is encouraging growth momentum in mainland and island Greece alike. Regions such as the South Aegean, Crete, the Ionian Islands and Attica are notable for their robust growth. The recovery of fixed investment, particularly in island Greece and Epirus, bodes well for the economic development of these regions. Nevertheless, the investment gap compared to the European average remains significant and requires further efforts to attract investment.

The Greek government's policy priorities include shifting the production model towards productive investments and strengthening entrepreneurship in export-oriented sectors with high added value. In order to strengthen the country's competitiveness, it is imperative to diversify the economy and promote innovation. Despite significant regional disparities and a consistent gap with Europe in the proportion of the labour force employed in science and technology sectors, there has been a positive trend of increased employment in research and development positions.

This increase, which was recorded in many Greek regions between 2019 and 2021, is in line with the European trend and indicates the growing importance placed on research and innovation.

Figure 4.4.

Annual GDP growth rate (%), by region (constant prices)



Source: Eurostat. Data processing: IOBE.

In conclusion, the Greek economy is showing mixed results. While economic activity is heavily concentrated in large urban areas, there are also encouraging signs of growth momentum in other regions. Achieving sustainable and lasting economic growth requires promoting balanced regional development, strengthening investment, shifting towards innovation, and developing human capital.

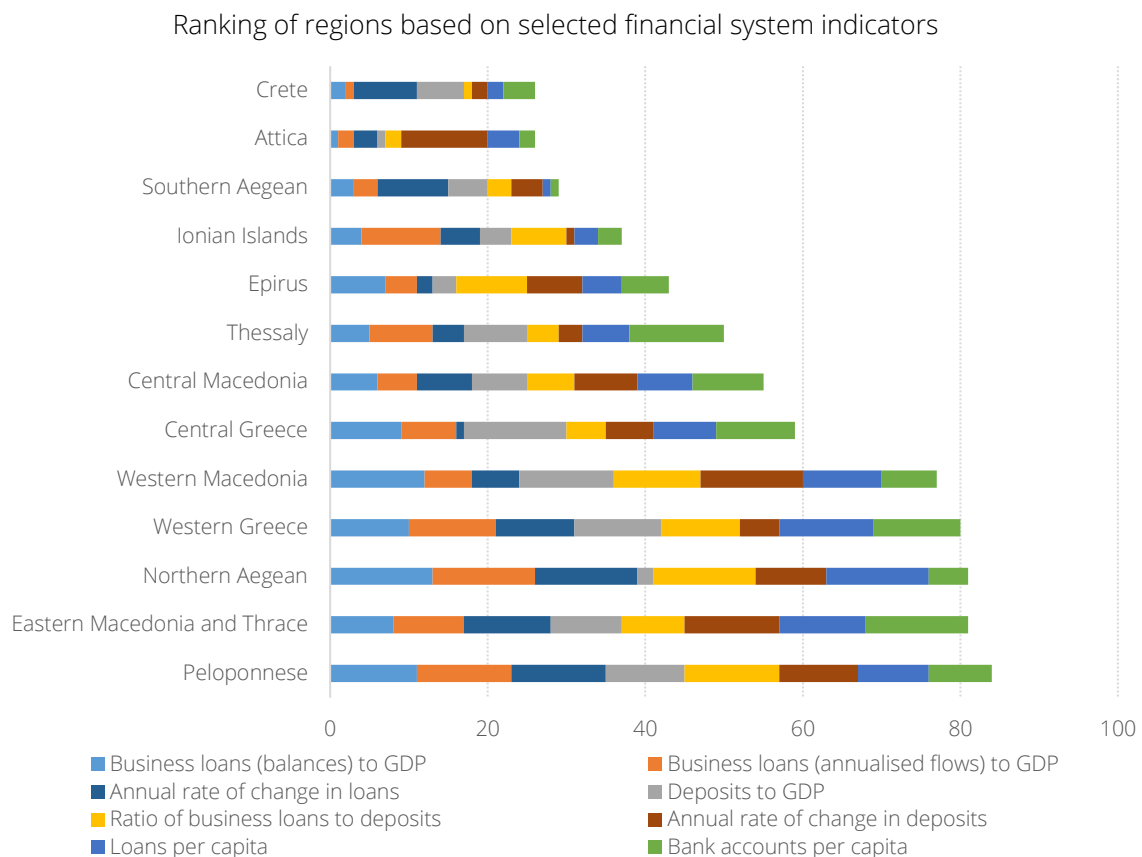
### Financial sector

An analysis of financial indicators at the regional level reveals considerable heterogeneity, emphasising the important role of banks in local economic development. Variation in bank deposits, lending and credit expansion between regions suggests the need for tailored strategies that address the specific requirements of each region. Regions such as Crete, Attica, the South Aegean, the Ionian Islands and Epirus perform well on selected financial indicators. This indicates a mature and dynamic banking system in these areas that supports local entrepreneurship and economic development. In contrast, regions such as Peloponnese, Eastern Macedonia and Thrace, North Aegean and Western Greece have room for improvement in this area. Convergence with the rest of the country would strengthen their economic development and reduce regional disparities.

In terms of recent trends, Western Macedonia, Thessaly and Western Greece demonstrated positive signs of convergence and improvement in their relative rankings in 2023. This suggests that effective policies and strategies have been implemented to strengthen the banking system in

these regions. In contrast, Central Macedonia, Attica, Eastern Macedonia and Thrace, and the South Aegean experienced a decline in their average ranking. This highlights the need for vigilance and the adoption of measures to ensure the stability and development of the banking system in these regions. Critical factors in upgrading the financing role of banks in the local and national economy include broad access to the banking system for households and businesses, the strengthening of financial literacy, and the use of financial technology (fintech). Adopting innovative solutions and promoting digital banking can increase the efficiency and competitiveness of the banking system.

Figure 4.5.



Source: Eurostat. Data processing: IOBE.

In conclusion, reducing heterogeneity in financial indicators and strengthening the role of banks in local economic development are key priorities for the Greek economy. Achieving sustainable and balanced growth requires the adoption of targeted policies and strategies that take into account the specific characteristics of each region.

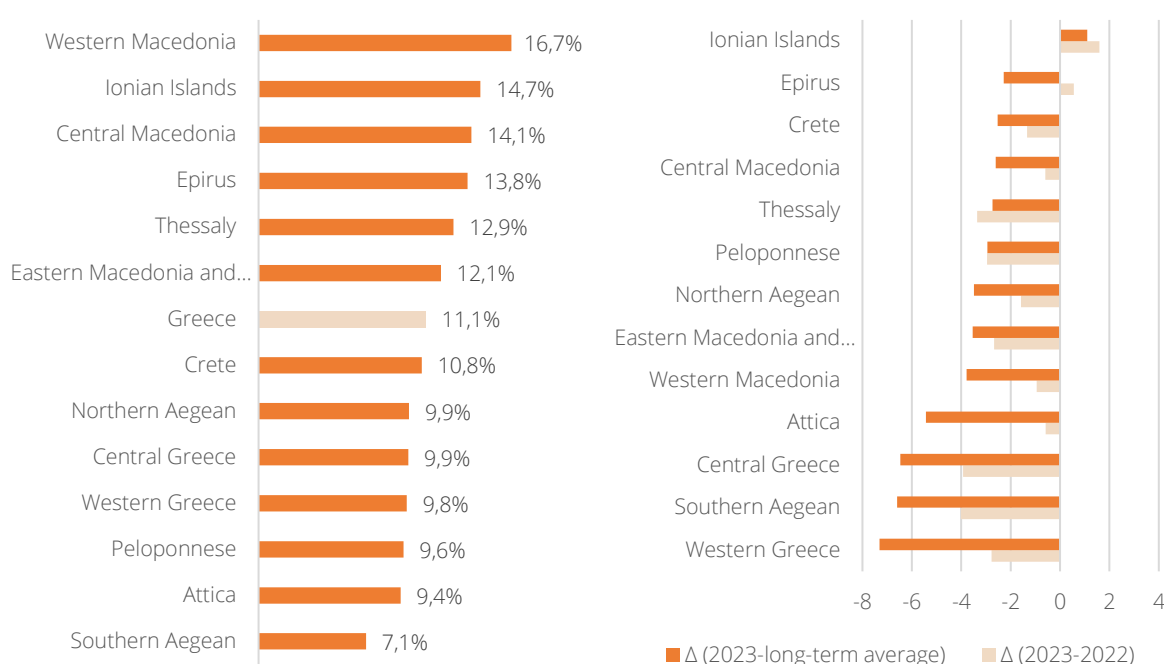
## Labour market

The labour market in Greece is characterised by contradictions, with a decline in unemployment coexisting with significant regional disparities and challenges. Although the unemployment rate fell further in 11 of the 13 regions in 2023, it remains alarmingly high across regions. The increase in unemployment in the Ionian Islands and Epirus highlights the need for targeted interventions in these areas. The regions that experienced the most significant reductions in unemployment in

2023 were Western Greece, the South Aegean and Central Greece, which suggests that the employment policies implemented in these areas are effective. However, Western Macedonia continues to experience the most severe unemployment issues, necessitating urgent and substantial support. A notable feature of the Greek labour market is the high level of self-employment, which is over twice as high in the Greek periphery as in Attica. This points to the need to boost salaried employment in peripheral regions and support the self-employed through training and financing programmes.

Figure 4.6.

Percentage (left panel) and change in unemployment rate (right panel), 2023



Source: Eurostat. Data processing: IOBE.

With labour market participation remaining below the European average in 12 of the 13 Greek regions, there is a clear need for policies that encourage people to participate actively in the labour market. Employment is distributed differently between the primary, secondary and tertiary sectors in different regions, reflecting their specific characteristics. However, the long-term trend of an increasing share of employment in the tertiary sector suggests the need to adapt employment policies to new labour market trends. Priorities for the Greek government include boosting participation in the formal labour market, reducing interregional disparities in unemployment rates, stimulating the growth of salaried employment in the regions, and upgrading the skills of the workforce. Implementing targeted policies and programmes that consider the unique features of each region is essential for achieving sustainable and balanced labour market development.

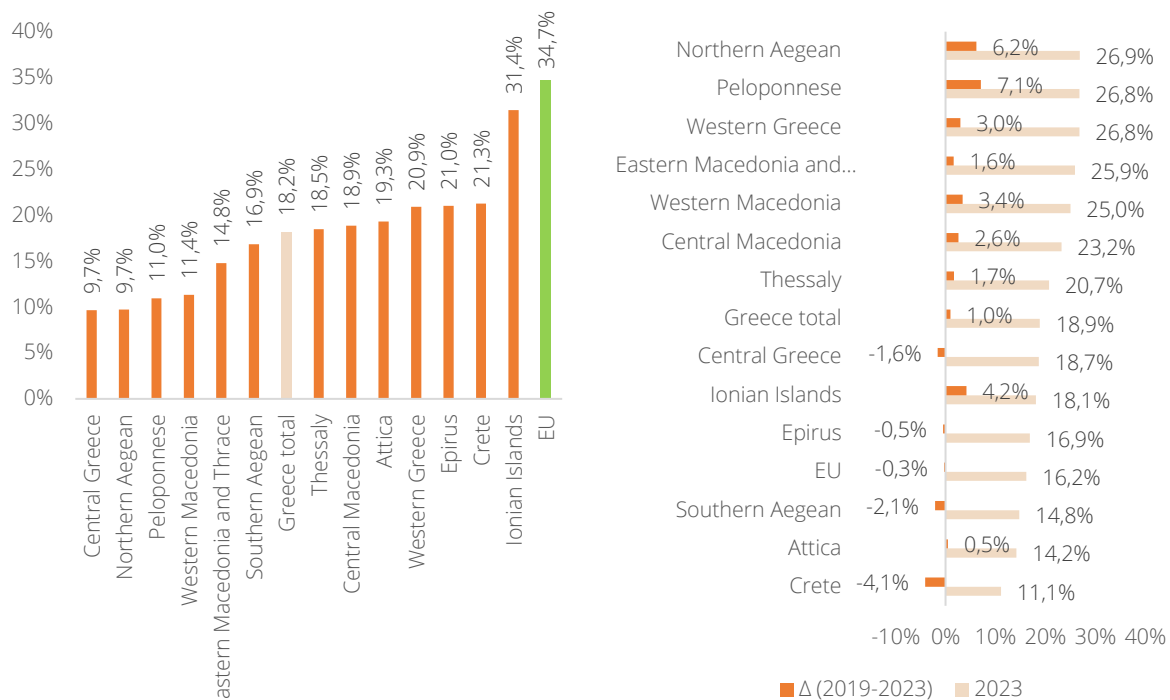
### Social services and social inclusion

Income and gender inequality remained uneven across regions in 2023, easing marginally. Although household disposable income is recovering, it is still low, and the risk of poverty remains

a significant challenge. Even after social transfers, the Greek social welfare system only partially mitigates the risk of poverty, which remains highly dispersed across regions, ranging from 11.1% (Crete) to 26.9% (North Aegean) of the local population. Women are less likely to be employed than men. While the gender employment gap remains greater than the European average (10.2%) in all regions, it narrowed in 2023, ranging from 15.6% (Attica) to 29.3% (Central Greece) of total employment. Regional policies should therefore focus on mitigating the risk of poverty and its dispersion by improving the efficiency of the social transfer system and implementing targeted measures to reduce income and gender inequality in employment.

Figure 4.7.

Impact of social transfers (excluding pensions) on poverty reduction (percentage reduction in poverty rate) by region (left panel) and percentage of population at risk of poverty after social transfers (right panel), 2023



Source: Eurostat. Data processing: IOBE.

In the health sector, there are significant regional differences in infrastructure, which are reflected in the distribution of self-reported unmet medical needs. These needs increased in all regions between 2018 and 2023 and remain much higher than the EU average. In education, most Greek regions (excluding Epirus and Attica) lag behind the EU-27 average in terms of tertiary education attainment and even more so in terms of the proportion of the population continuing their education at an older age. From a policy perspective, investment in regional health and education infrastructure, as well as strategic planning, should be prioritised to more effectively meet the needs of the population, given the demographic challenges and professional requirements.

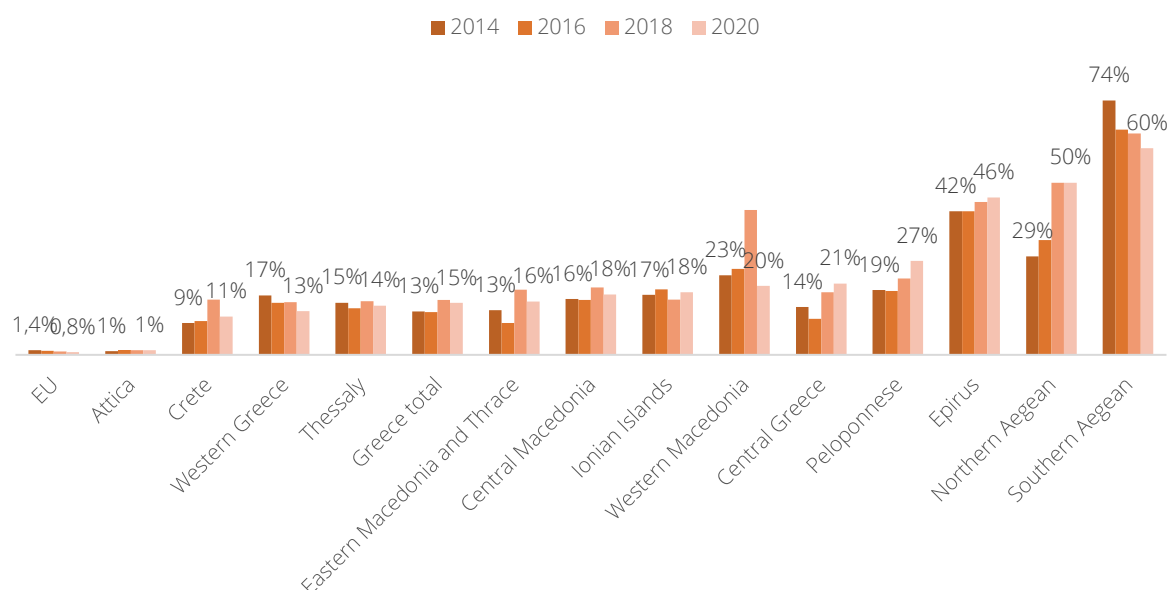


## Environment, spatial planning, tourism

In the field of waste management, geographical characteristics such as the remoteness of island regions and mountainous terrain pose significant challenges. For instance, incineration remains a prevalent option in regions such as Epirus, the North and South Aegean, contrary to European practices and 'green' transition objectives. Regional administrations must prioritise upgrading waste management infrastructure to facilitate the achievement of "green" targets.

Figure 4.8.

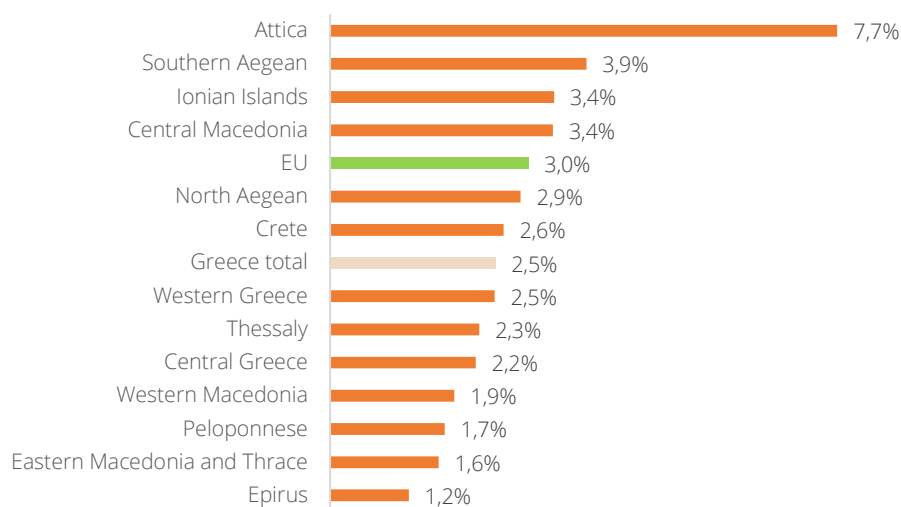
Percentage of incineration units in waste management facilities per region



Source: Eurostat. Data processing: IOBE.

Figure 4.9.

Land use for networks by region, 2018



Source: Eurostat. Data processing: IOBE.

Furthermore, the percentage of land used for networks is lower in most regions of the country than the EU-27 average. In particular, the railway network has stagnated or shrunk over time in most regions. As rail is one of the most environmentally friendly modes of transport, priority should be given to investing in and removing bureaucratic and other obstacles to upgrading the network, both within the country and with neighbouring countries.

In terms of tourism indicators, successive years of record international arrivals and revenues have led to systematic variations in hotel occupancy rates between regions in 2023, with a gradual increase observed. The proportion of employment in cultural venues within the total employment figure is increasing significantly in both island Greece and Attica, whereas it is declining in mainland Greece. It is crucial to develop a sustainable, holistic strategic plan for tourism that highlights each region's unique strengths.

## Conclusions

The analysis reveals that each Greek region has its own distinct character and peculiarities. Together, the regions comprise the Greek reality and the diversity that defines it. While this diversity is undoubtedly a comparative advantage for Greece, for example in terms of geomorphology, culture and tourism, regional inequalities pose a significant challenge to balanced and sustainable economic and social development.

Analysing selected indicators at regional, national and European levels reveals opportunities for improvement and convergence between Greek regions in various areas. Demographic decline and ageing remain significant national challenges, with births falling short of deaths in 13 regions. However, positive migration balances offset this in 10 of the regions. Economic activity remains concentrated in Attica, which has the highest GDP per capita, while recovery of investment and credit expansion varies between regions. Social indicators such as income inequality and access to health and social protection show marked differences, with urban and island regions performing better. Improvements in the labour market are uneven, with unemployment falling unevenly and self-employment rates being significantly higher outside Attica. Gaps in environmental and transport infrastructure, particularly in waste management and rail networks, highlight the need for sustainable investment.

Policies should focus on encouraging productive investment, fostering entrepreneurship and developing skills in order to reduce regional disparities and align with European standards. It is crucial to strengthen social cohesion, health services and educational infrastructure, as well as taking measures to combat poverty and racial inequalities in employment. Tourism strategies should promote sustainable, regionally specialised development. A coordinated, evidence-based approach is essential to designing policies that address the specific needs of each region and ensure long-term economic and social cohesion. Continuous monitoring of these trends will help create effective, timely interventions that address evolving challenges.

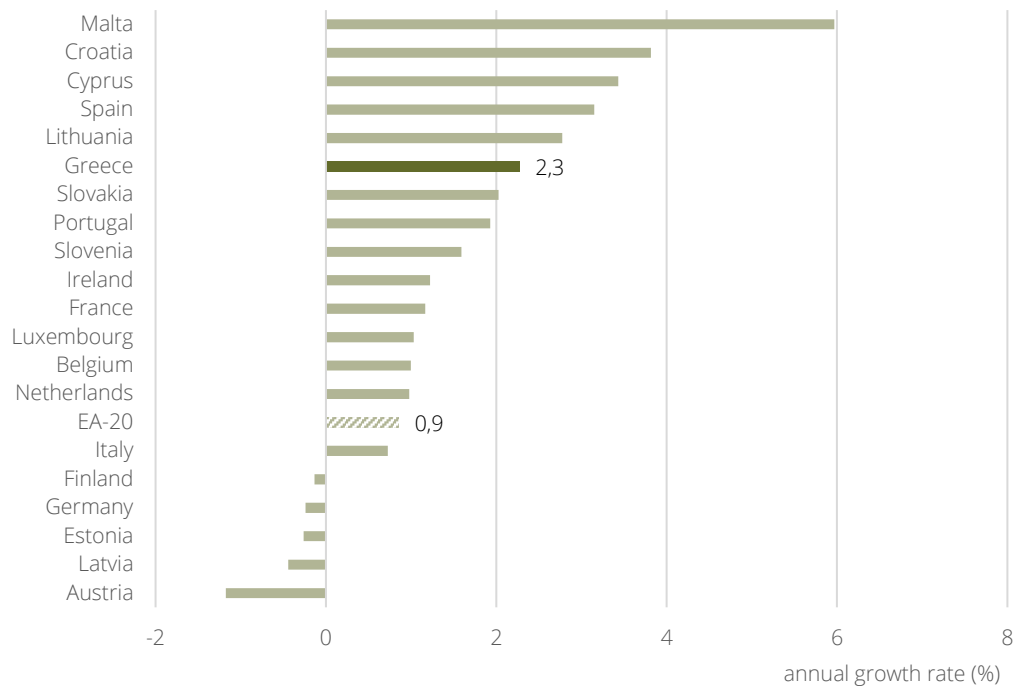
To a certain extent, the differences and inequalities between regions reflect their respective initial conditions and relative strengths and weaknesses. They also reflect the historical course of economic change in Greece and its overall economic development model and urbanisation. In any case, the analysis's findings contribute to systematically recording trends in Greek regions. This, in turn, contributes to public dialogue on mitigating regional inequalities so that, in the coming years, the country can achieve sustainable and balanced economic development.

## APPENDIX

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Figure 1

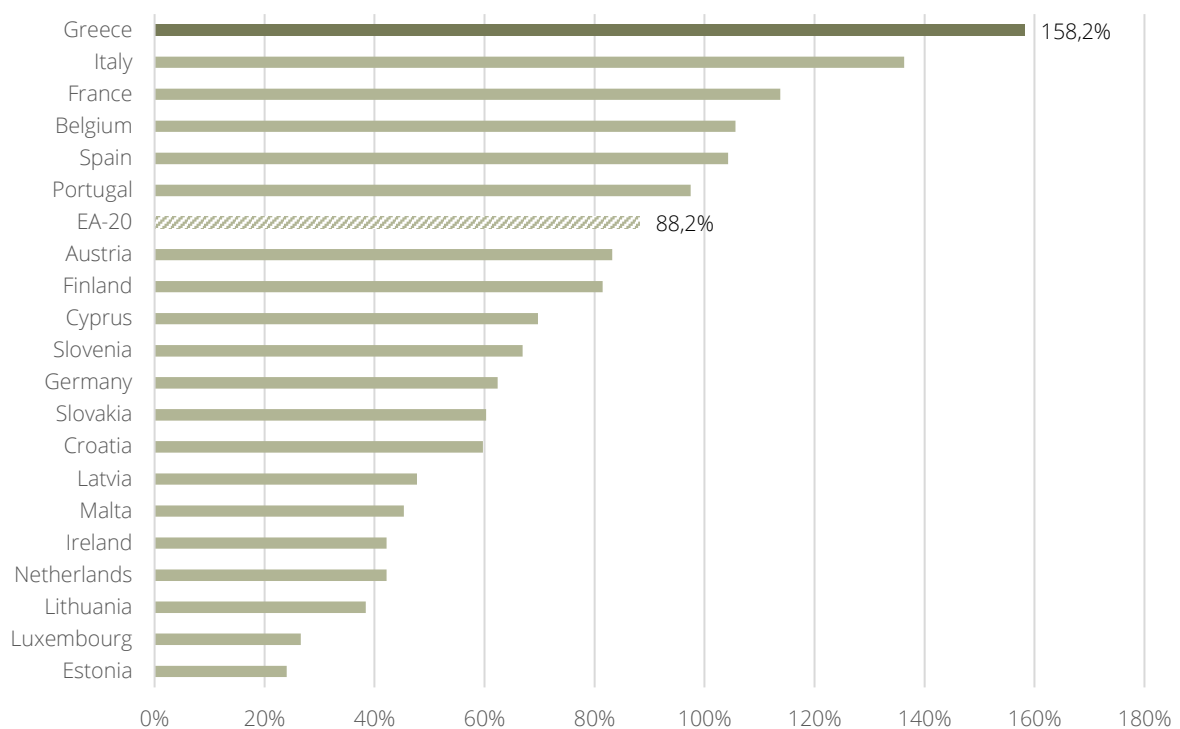
Real GDP growth rate, 2024



Source: Eurostat

Figure 2

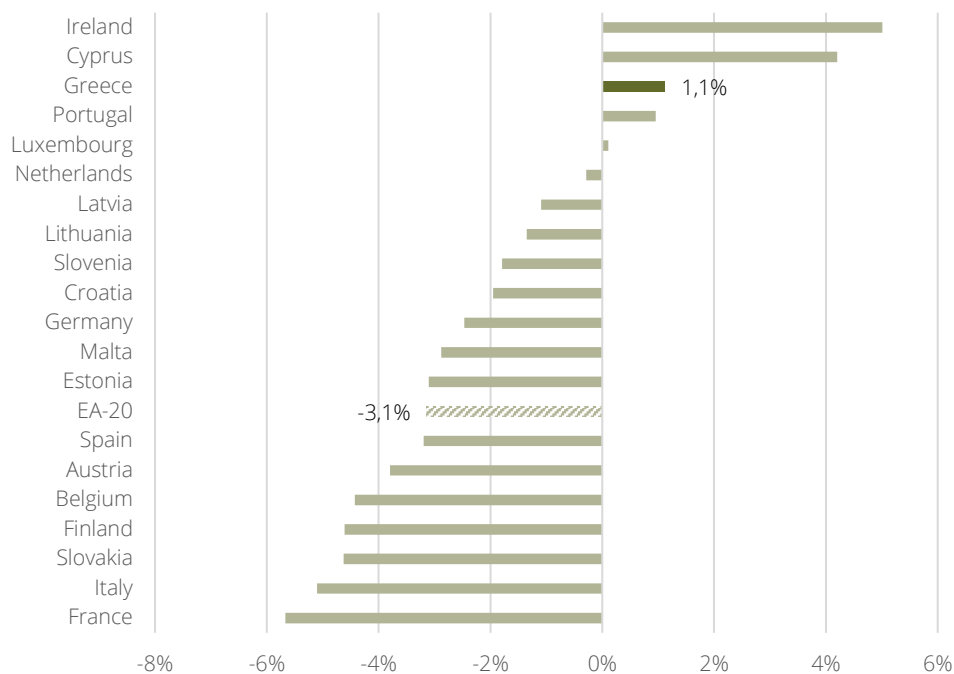
General Government Debt as % of GDP, Q3 2024



Source: Eurostat

Figure 3

General government balance as % of GDP, Q3 2024

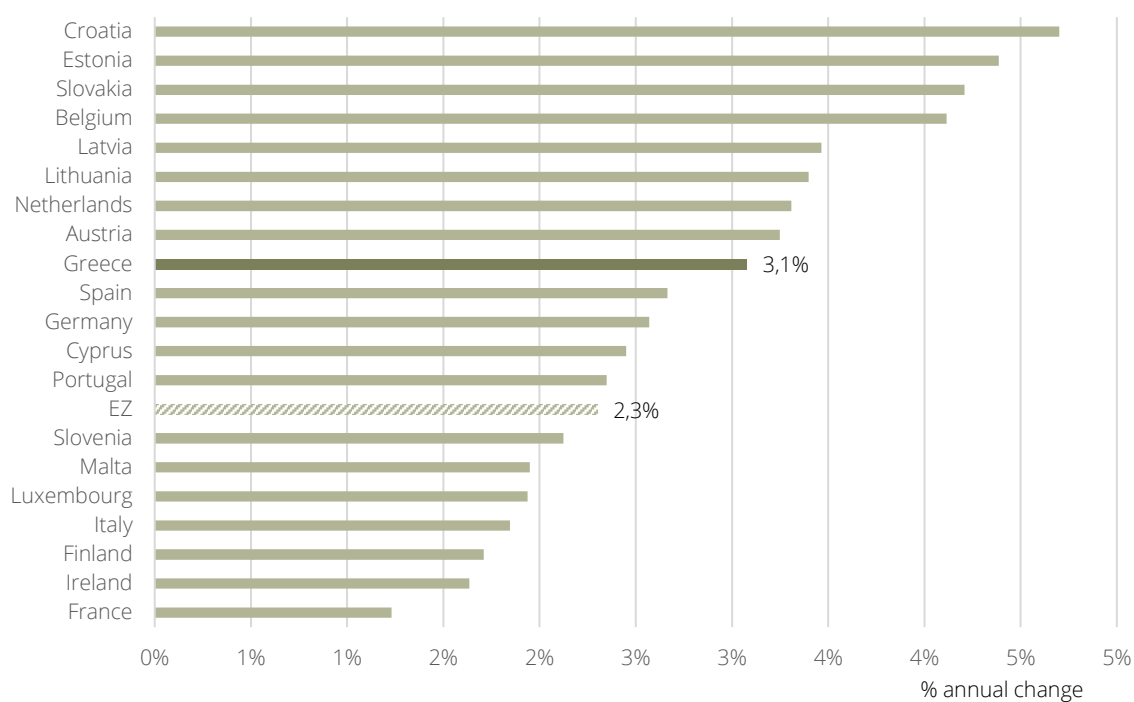


(\*) Annualised data (4-quarter moving average, up to Q3 2024)

Source: Eurostat

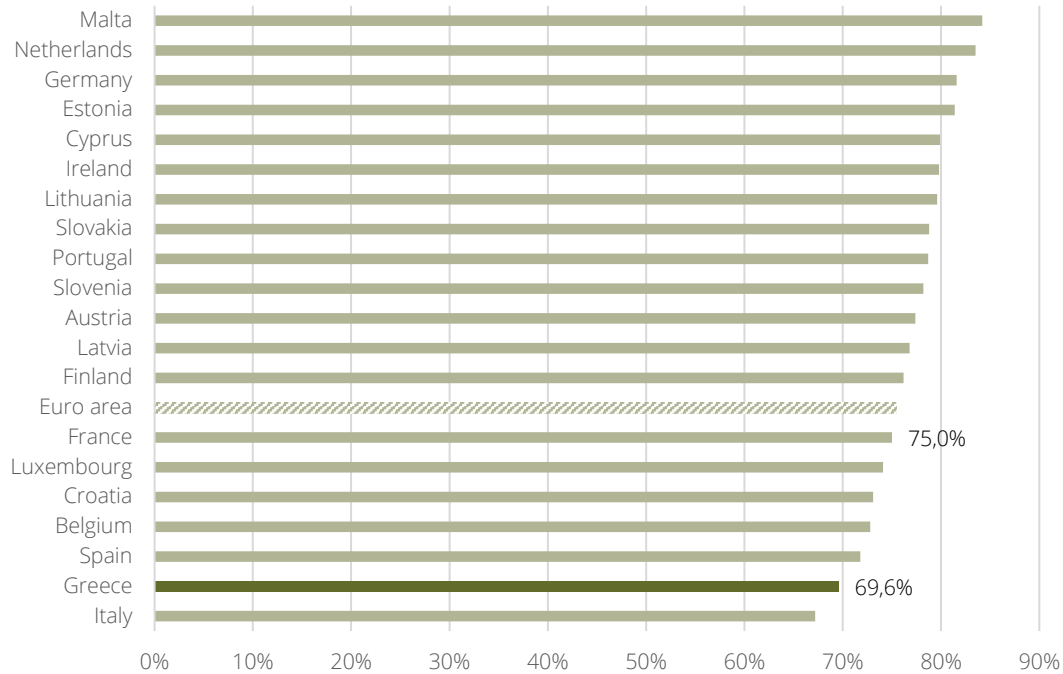
Figure 4

Harmonised Index of Consumer Prices, January - March 2025



Source: Eurostat

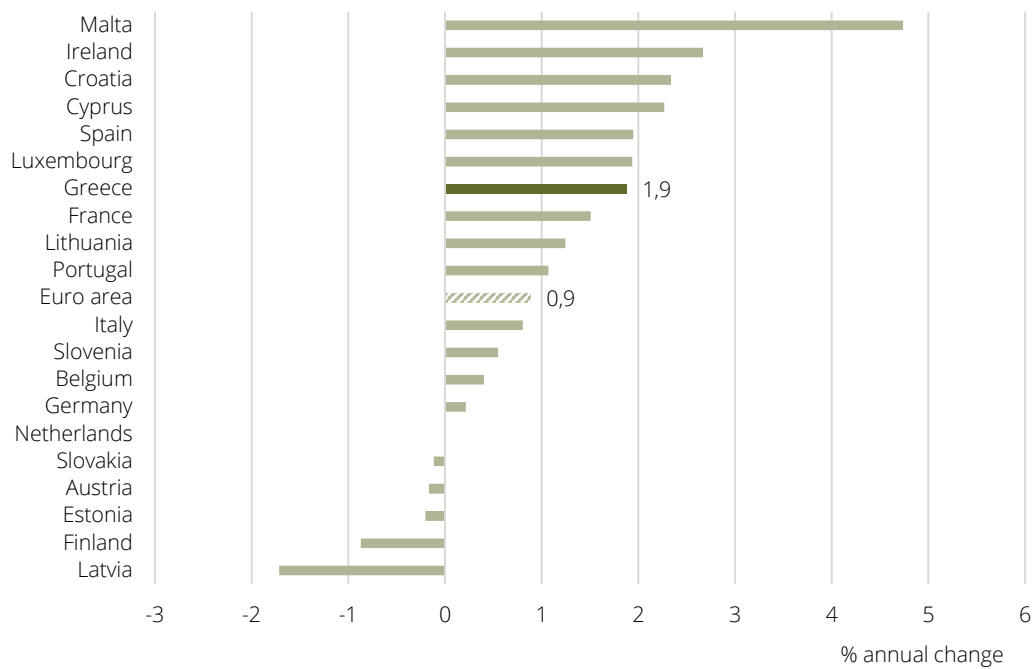
Figure 5  
Employment, Q4 2024 (\*)



(\*) % of employed people aged between 20 and 64 in the total population of the same age group.

Source: Eurostat

Figure 6  
Change in employment, Q4 2024 (\*)

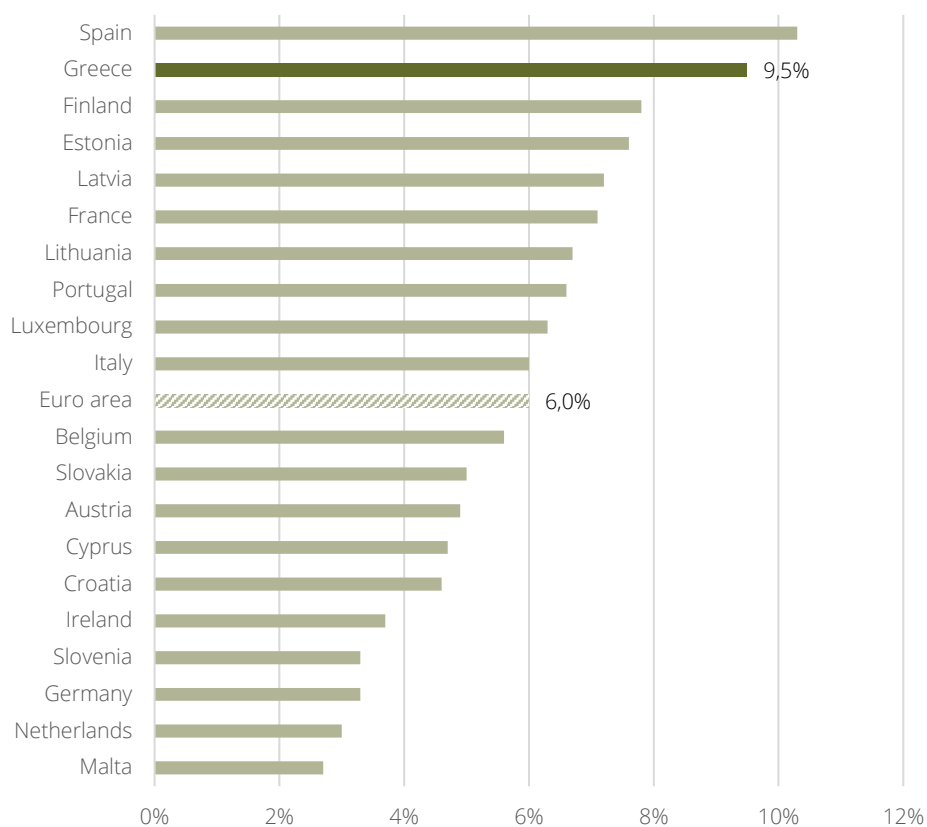


(\*) employed people aged between 20 and 64.

Source: Eurostat

Figure 7

Unemployment, Q4 2024 (\*)



(\*) % of unemployed aged 20-64 in the total active population of the corresponding age, seasonally adjusted data

Source: Labour Force Survey, Eurostat