

Quarterly Report on the Greek Economy

02/ 25


July 17th , 2025



ΙΔΡΥΜΑ ΟΙΚΟΝΟΜΙΚΩΝ & ΒΙΟΜΗΧΑΝΙΚΩΝ ΕΡΕΥΝΩΝ

Overview of the report





Risks from the external environment are increasing

Economic policy

- There is uncertainty about the extent and intensity of new trade protectionism and US
- Fiscal balance, the role of monetary policy, and stability of the US dollar

Ongoing wars

- Significance which goes beyond the narrow economic context
- The systematic need for higher defense spending and greater emphasis placed on the military is a burden on economies with already limited fiscal space

Short-term and long-term economic impact

- New inflationary pressures
- Reduction in global economic growth rates
- Volatility in international financial markets
- Changing rules that discourage productive investment and long-term planning



Challenges and opportunities for the Greek economy

Continued domestic growth momentum

- Robust consumption, reduced unemployment, gradual convergence with the EU

Challenge: Inflation above the Eurozone average

- Losses in purchasing power and competitiveness, increased pressure on services

Opportunities for exports to higher value chains

- The new global trade map creates opportunities

Investment is crucial for long-term growth

- A prerequisite for generating higher income in the future, with quantitative and qualitative characteristics that promote innovation and extroversion

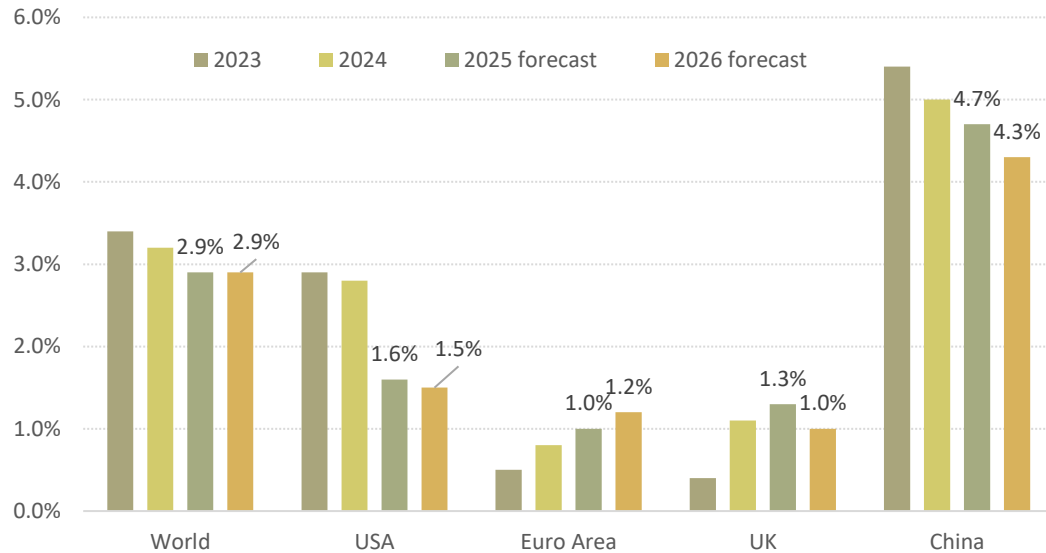
Tax priorities

- Enhancement of long-term investments, incentives for paid and systematic work

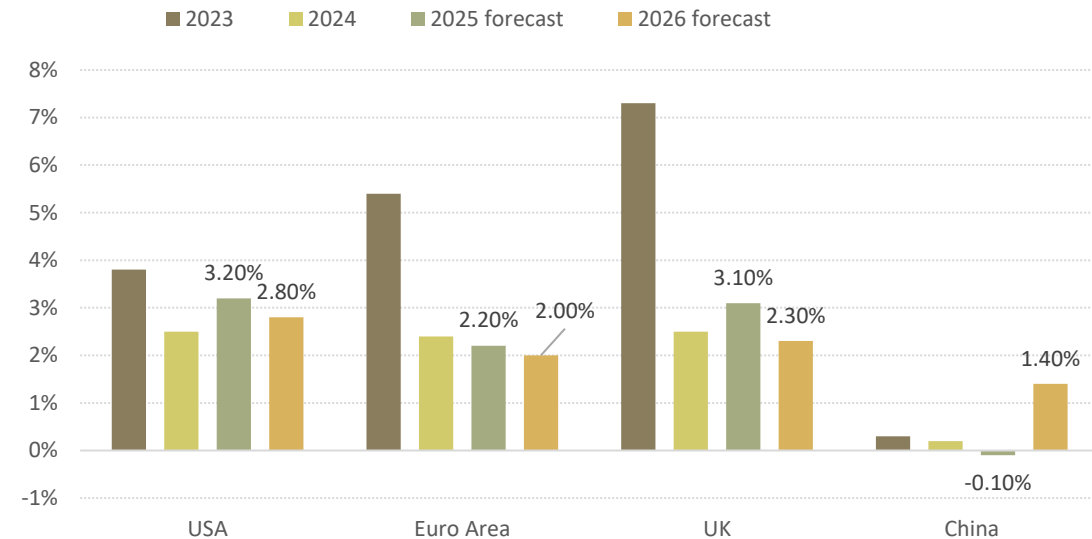


European growth rates have been lagging, though they slightly accelerated in 2025 and 2026, while other major economies are slowing down

Real annual GDP growth rate



Annual inflation rate



Source: OECD (June 2025)

Amid ongoing negotiations on international trade rules and high geopolitical uncertainty, inflation is re-emerging as a risk; especially in economies like the US and the UK, complicating monetary policy decisions.



Global environment: uncertainty remains regarding the final level of tariffs and their impact

- **Global growth continued** at a moderate pace **in the first quarter of 2025**, amid **ongoing uncertainty** in international trade policy.
 - 1.5% y/y growth in the Eurozone in Q1 (up from 1.2% in the previous quarter), 2.0% in the US (down from 2.5%), 5.4% in China (same as in the previous quarter), 1.7% (down from 1.9%) in OECD countries.
- **Inflation** in OECD countries remains high (4.0%, core inflation stood at 4.4% in May), but is decelerating in developed countries
- Possible delay in further interest rate cuts by the **central banks**, due to uncertainty about the effects of trade protectionist policies
- Global **economic sentiment** is volatile; high volatility in **capital markets and international energy prices**
 - Tensions in the **Middle East** are decreasing; **uncertainty** remains about the course of the **war in Ukraine**.
- **International institutions (June 2025)** forecast...
- OECD: 2.9% global growth in 2025 and 2026 (down from 3.3% in 2024).
- ECB: +0.9% growth in the Eurozone in 2025 and 1.1% in 2026 (up from 0.8% in 2024), 2.0% and 1.6% inflation, respectively.



Greece Q1 2025: Slight slowdown in domestic growth

Real GDP in 2025 Q1: +2.2% y/y

Growth slowdown (from +2.5% y/y in Q4 2024), strong growth momentum in private and public consumption, growth in total investments (increase in inventories), contraction in fixed investment

Rise in consumption
(private +1.9% y/y,
public +0.7% y/y)

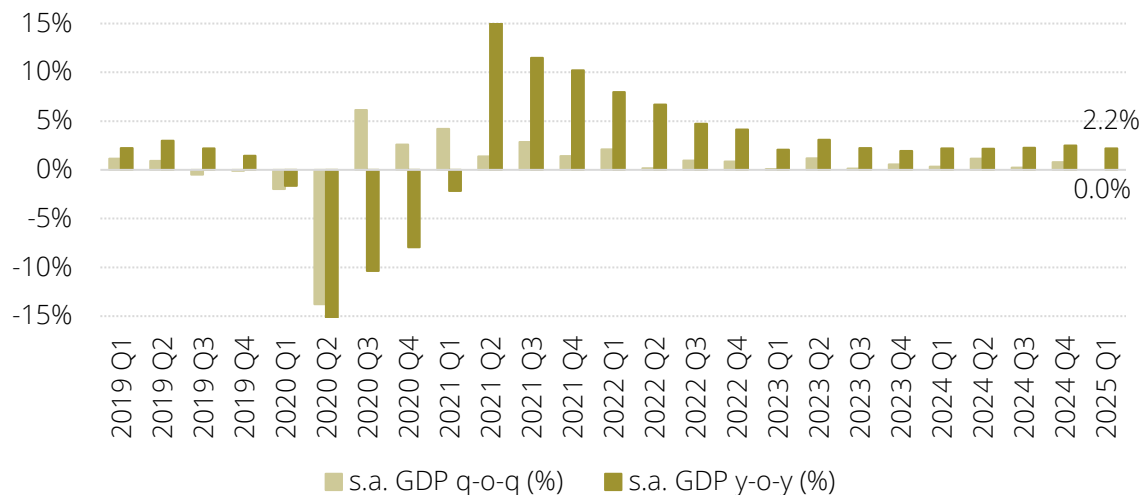
Fixed investment
contraction
(total +4.1% y/y, fixed -
3.2% y/y)

Increase in exports
(goods +1.7% y/y,
services -0.2% y/y)

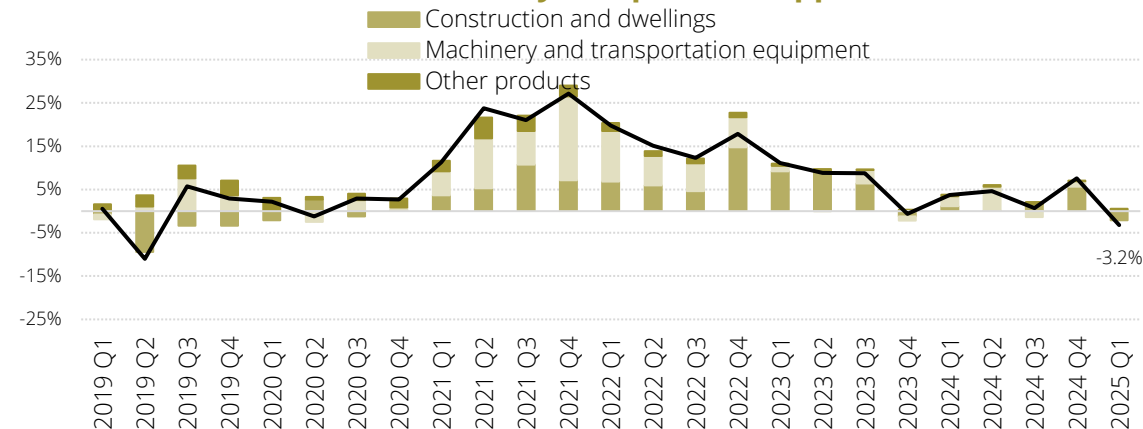
Increase in imports
(goods +1.7% y/y,
services +3.8% y/y)

Extroversion
remains high
(80% of GDP)

seasonally adjusted GDP



Annual growth rate (in %) of s.a. fixed investments and contribution by component in ppts

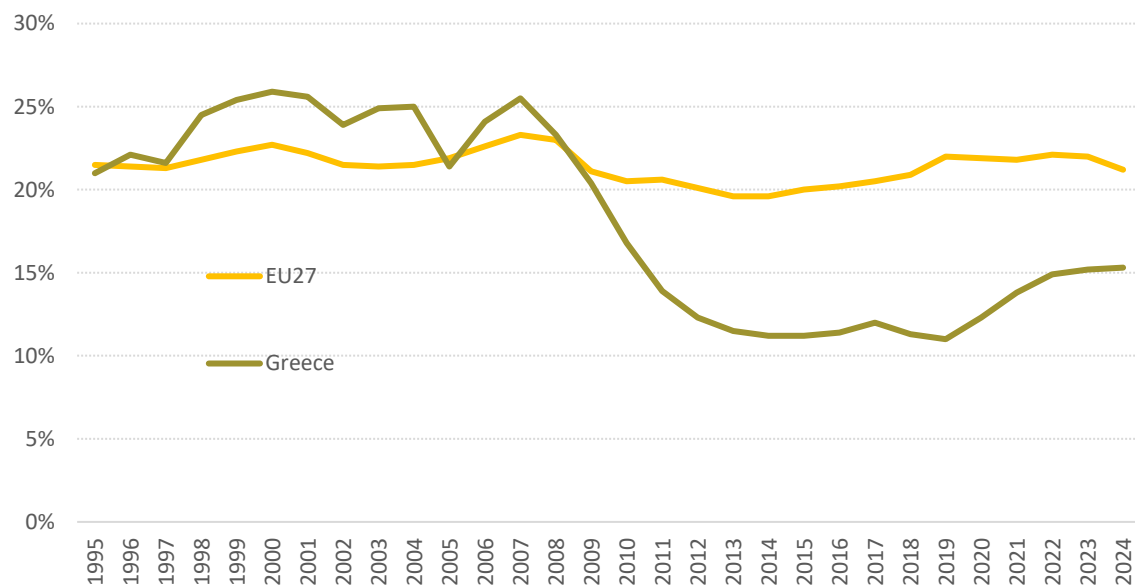


Source: ELSTAT

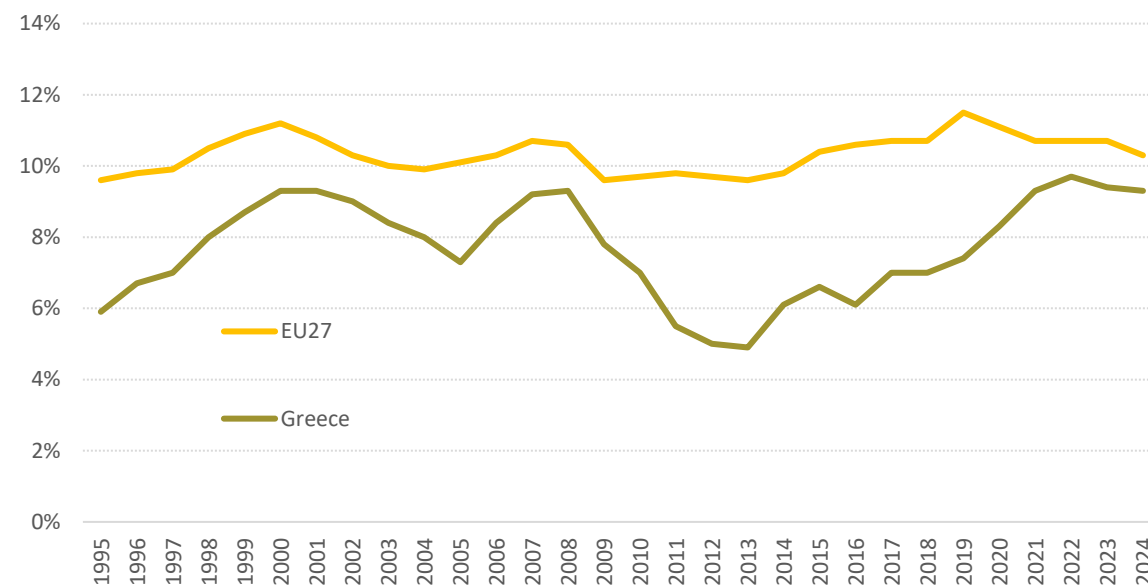


The investment "gap" in the Greek economy pre-existed in sectors other than construction and is only being narrowed gradually

Total investment, % of GDP
(Gross Fixed Capital Formation)



Total Investments Excluding Construction, % of GDP
(Gross Fixed Capital Formation)

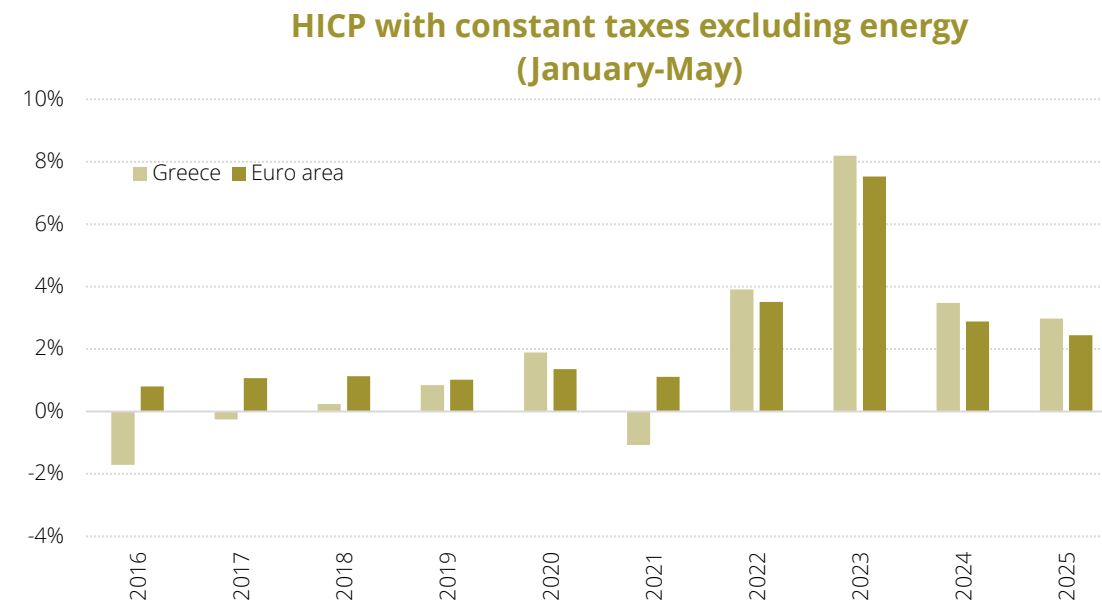
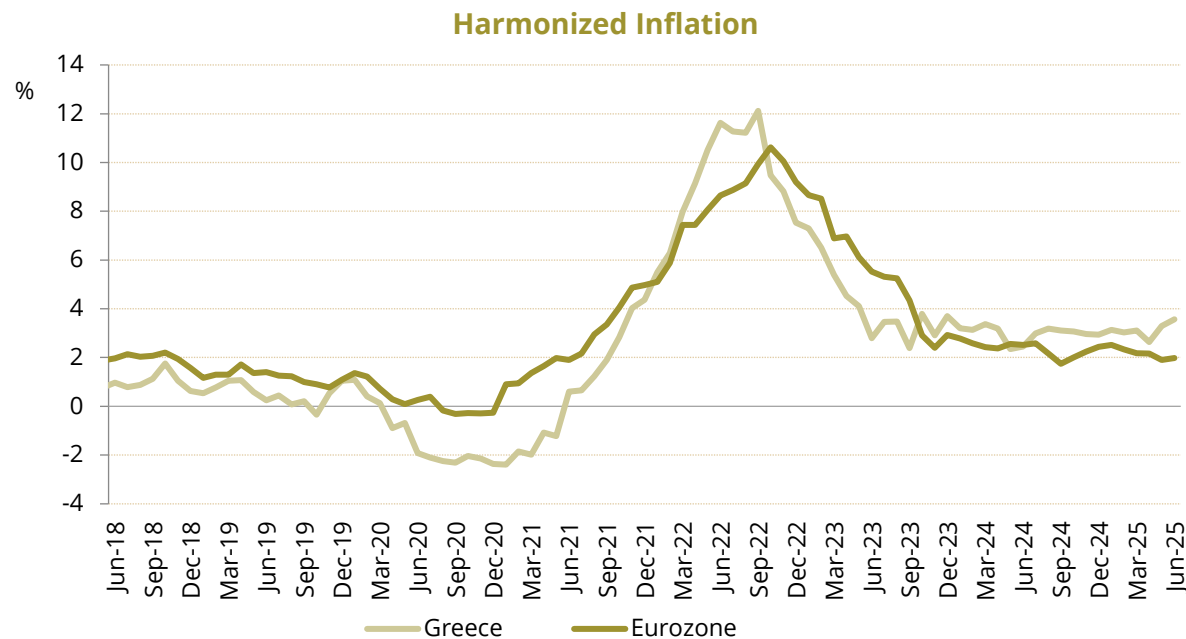


Source: Eurostat

- The **investment "gap"** in the entire Greek economy compared to the European one began to accumulate in 2010, however it existed before joining the euro in most sectors of the economy, **except for the construction sector**.
- Closing the investment gap in the Greek economy is taking place with a **growing contribution from the industrial and services sectors**, for which, however, the **distance from the European average** remains significant so faster convergence is imperative.



Marginal increase in inflation (HICP) in H1 2025 to 3.1%, up from 3.0% a year ago: driven by price increases in services such as housing, accommodation and catering



Sources: ELSTAT, Eurostat

Eurozone: Inflation de-escalation, **2.2% in the first half of 2025, down from 2.5% a year earlier**

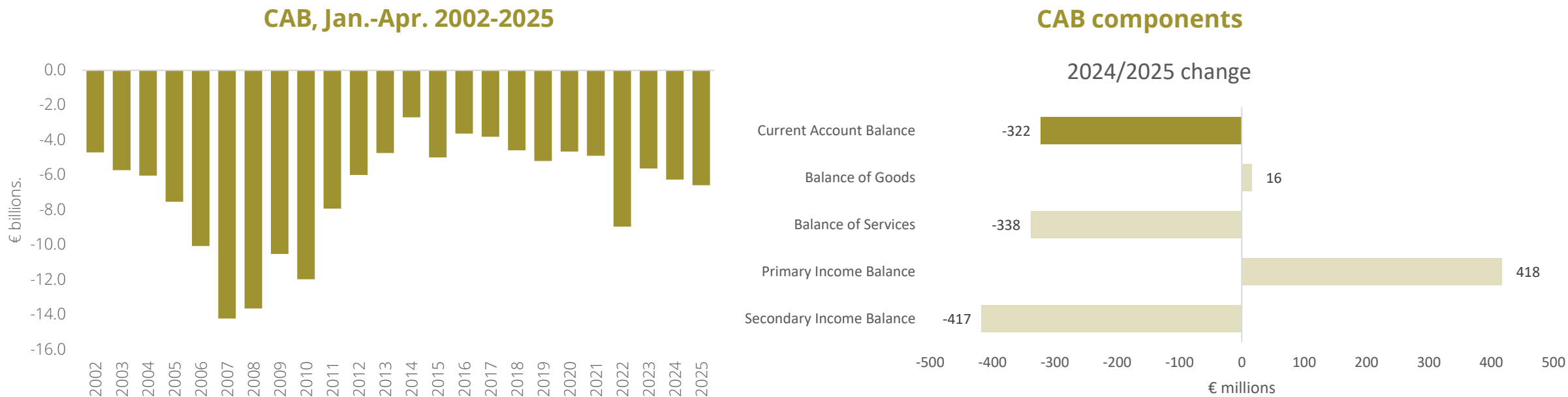
Greece: 2.8% y/y rise in the Domestic Price Index in June, up from 2.5%y/y in May. **2.5% CPI growth in H1 2025, down from 2.8% a year ago.**

- First five months of 2025: +3.0% y/y HICP rate of change, down from 3.1% y/y a year earlier, mainly from the incremental impact of non-energy goods (3.0 pp). Negative impact of energy goods (-0.3 pp), positive impact from indirect taxes (+0.3 pp).

Producer Price Index (Jan.-May 2025): 1.1% y/y increase, due to energy goods, up from a 2.9% y/y decline a year ago



The Current Account Balance (CAB) recorded a €6.6 billion deficit in the first four months of 2025, €322 million higher than in 2024



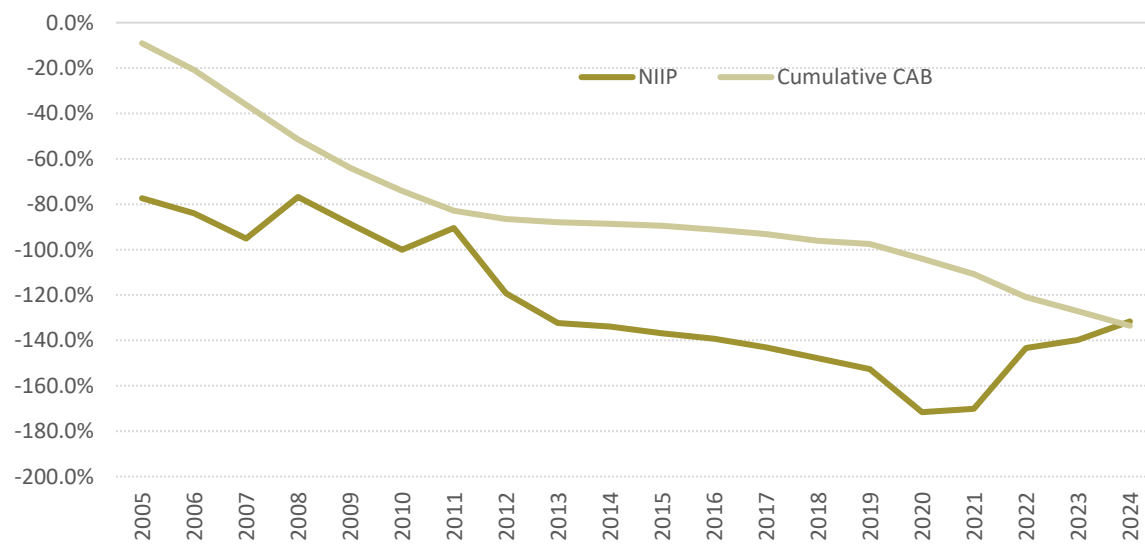
Source: BoG

- **The deficit in the goods balance was stable** in the first 4 months of 2025, with a significant decrease in fuel exports and imports but an increase in the flows of other goods.
- **The services surplus decreased** by €338 million, with an increase in tourism revenue but a greater decline in transport revenue.
- Improvement in the **primary income** surplus by €418 million, due to a reduction in investment income outflows (profits, interest, dividends).
- Deterioration in the **secondary income balance** by €417 million, with a decrease in revenue and an increase in payments.



Greece records high financial liabilities abroad, relative to GDP

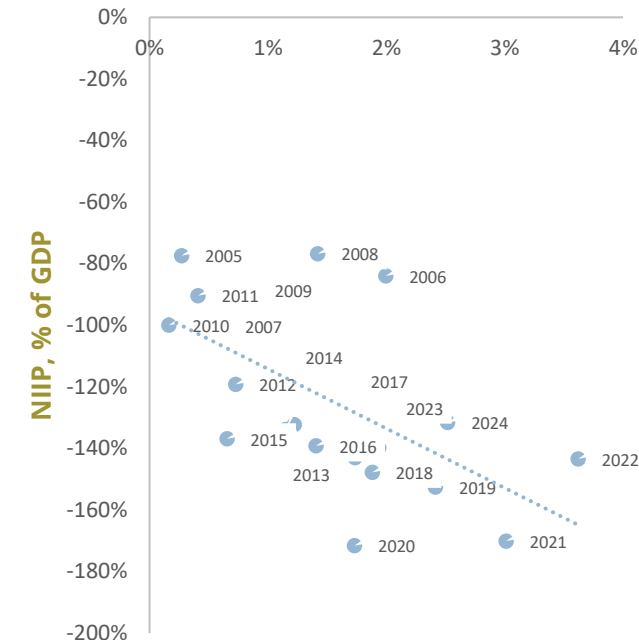
Net International Investment Position (NIIP) and Current Account Balance (CAB), % of GDP, Greece 2005-2024



Public debt, % of GDP



Foreign Direct Investment, % of GDP



Source: Eurostat, BoG

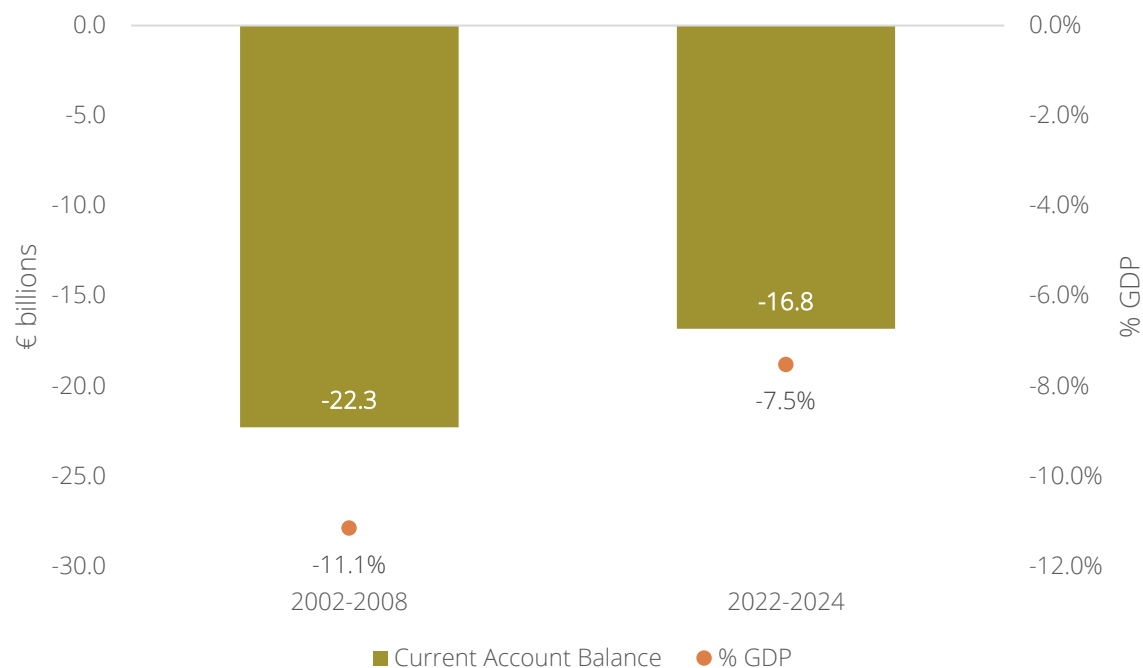
The following have contributed to **the deterioration of the country's NIIP** at various times:

- Cumulative **current account** deficits
- The increase in **public external debt** until the crisis period
- The increase in **foreign direct investment** in the Greek economy, which, however, depending on its qualitative characteristics, may also have positive effects on faster narrowing of the investment gap and increased productivity

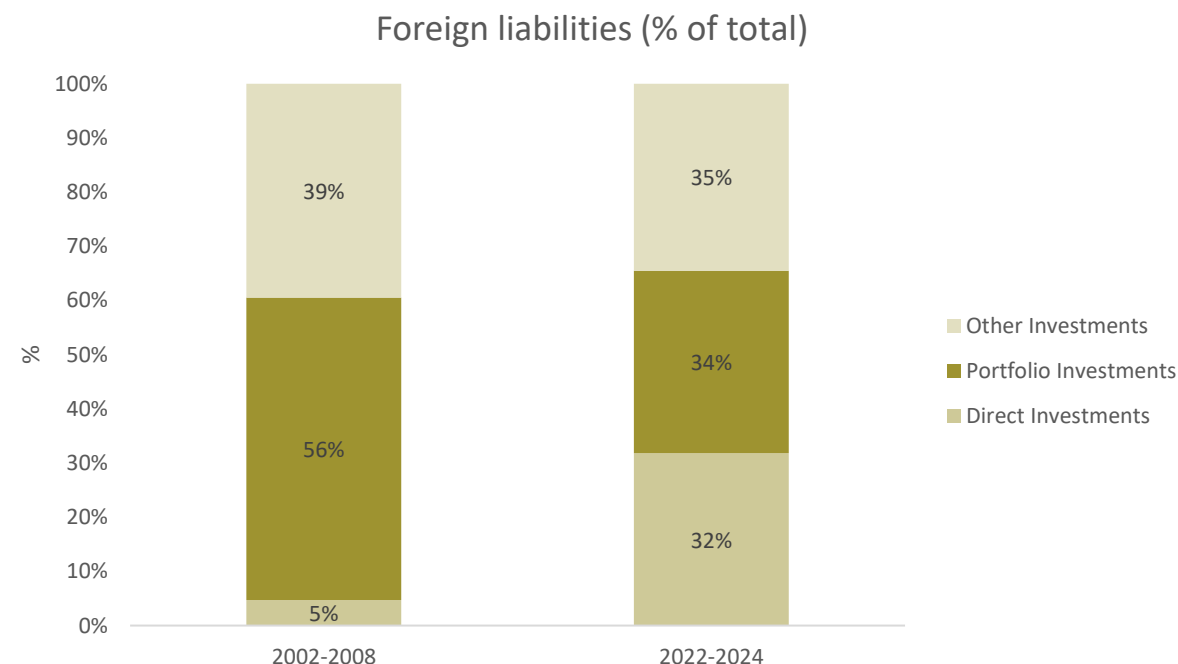


The financing mix of the current account deficit has changed significantly after the crisis

Average annual deficit in the Greek Current Account



Financing sources of Greece's CAB deficit, average shares



Source: BoG

- The **share of financing from Direct Investments** has increased from just 5% (2002-2008) to 32% (2022-2024), while the **share of portfolio investments** has decreased from 56% to 34%. This signals **more stable and long-term sources of financing**.
- The increase in the share of direct investments was also accompanied by a **change in the composition of these investments** at a sectoral level. In addition to a significant increase in the share in **sectors related to real estate**, which now exceed 1/3 of direct investments, a significant increase is also recorded in **manufacturing**, with the relevant share reaching 13.8% (which is still low though).



Public finances: cash target exceeded in the first five months of 2025

State budget execution Jan.-May. 2025 (cash basis)

- €1,875 million surplus (0.8% of GDP)
- €5,343 million primary surplus (2.2% of GDP)

Improvement from last year due to an increase in revenue (+7.8%) but also, a decrease in expenditure (-1.2%)

Target exceeded mainly by expenditure (-€2.72 billion)

but also, by revenue (-€1.63 million)

- Increase in most revenue categories compared to last year
- Deferral of payments and receipts
- **Excluding these amounts, execution was close to target.**

General Government Balance & Debt (% of GDP)

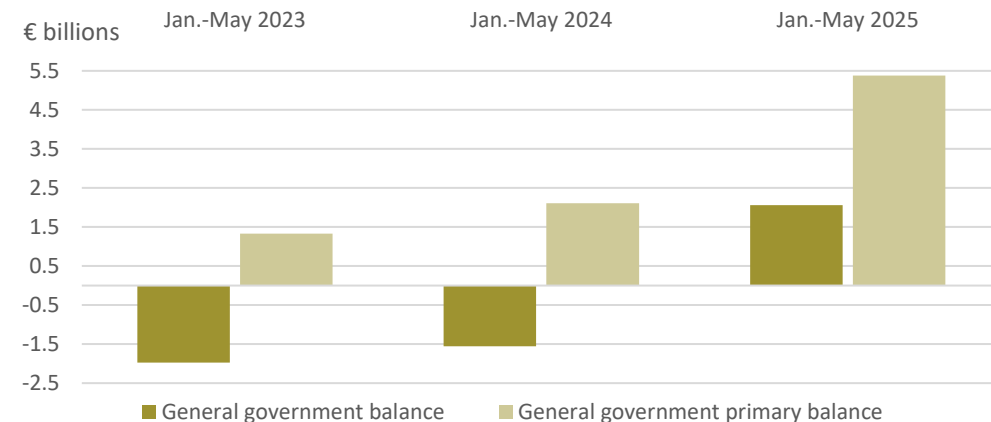
Improvement in public finances in 2024 compared to 2023, with better balances and lower debt as a percentage of GDP.

New EU fiscal rules

Annual increase target for "net public expenditure" for Greece:

- 3.7% in 2025
- 3.6% in 2026

General government cash balance



Source: Ministry of Finance

General government ESA data (% of GDP)

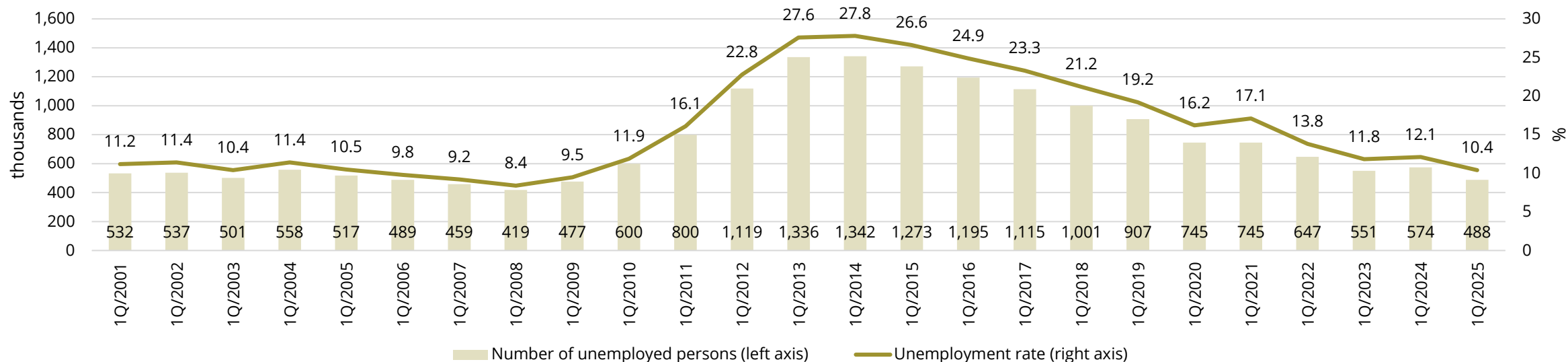
(% of GDP)	2021	2022	2023	2024
Balance	-7.1%	-2.5%	-1.4%	1.3%
Primary balance	-4.6%	0.0%	2.0%	4.8%
Debt	197.3%	177.0%	163.9%	153.6%

Source: ELSTAT



The unemployment rate decreased further in Q1 2025, with a deterioration of the labor force participation rate

Number of unemployed persons and unemployment rate in Greece



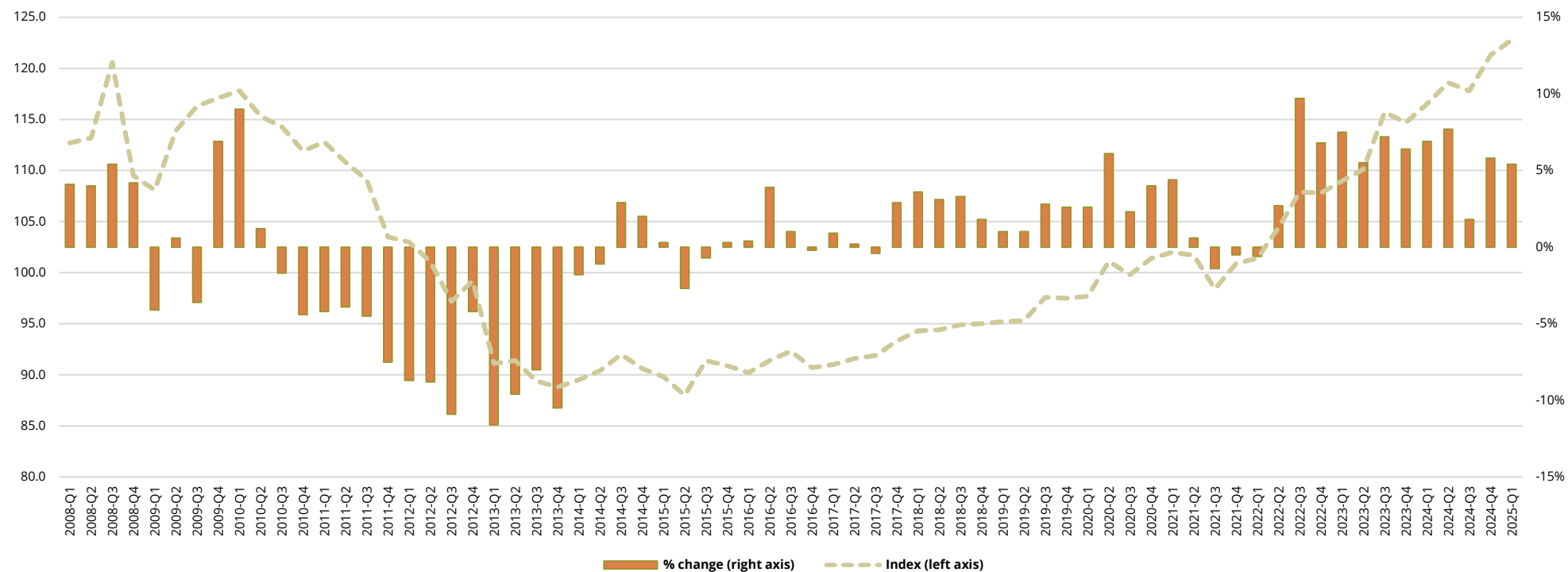
Source: ELSTAT

- The **unemployment rate** reached 10.4% in Q1 2025, down from 12.1% last year. Decrease in labor force **participation rate**.
- **Employment increased** in sectors such as **Wholesale and Retail Trade**, Repair of Motor Vehicles and Motorcycles (+32.6 thousand employees), **Professional, Scientific and Technical Activities** (+27.7 thousand employees) and **Education** (+24.2 thousand employees).
- The **private sector hiring-firing balance** was positive in Q1 2025, by 53.2 thousand people, down from a positive balance in the first quarter of 2024 (+56.2 thousand).



Labor cost rose in 2025 Q1

Seasonally adjusted labor cost in current prices



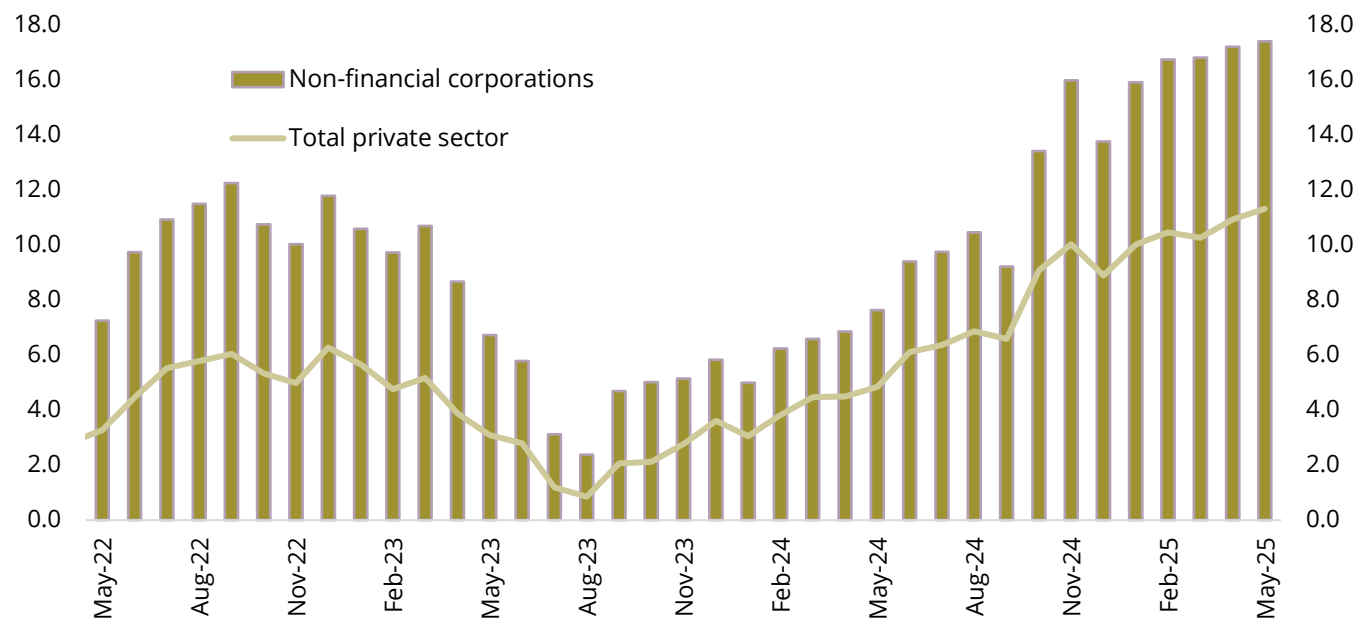
Sources: ELSTAT & Eurostat

- In Q1 2025, labor cost increased by 5.4% y/y, and by 1.2% q/q.
- The **cumulative labor cost increase** since the beginning of 2022 is 21.1%.



Bank credit expansion rates to businesses have reached a 16-year high...

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



Source: BoG

Note: Flows result from changes in balances adjusted for loan write-offs, impairments of securities, exchange differences and loan reclassifications/transfers.

...while the credit contraction to households has slowed to a marginal level.

Positive trends: systematic reduction in the cost of private and public sector borrowing, increase in bank deposits, increase in demand for business and housing credit.

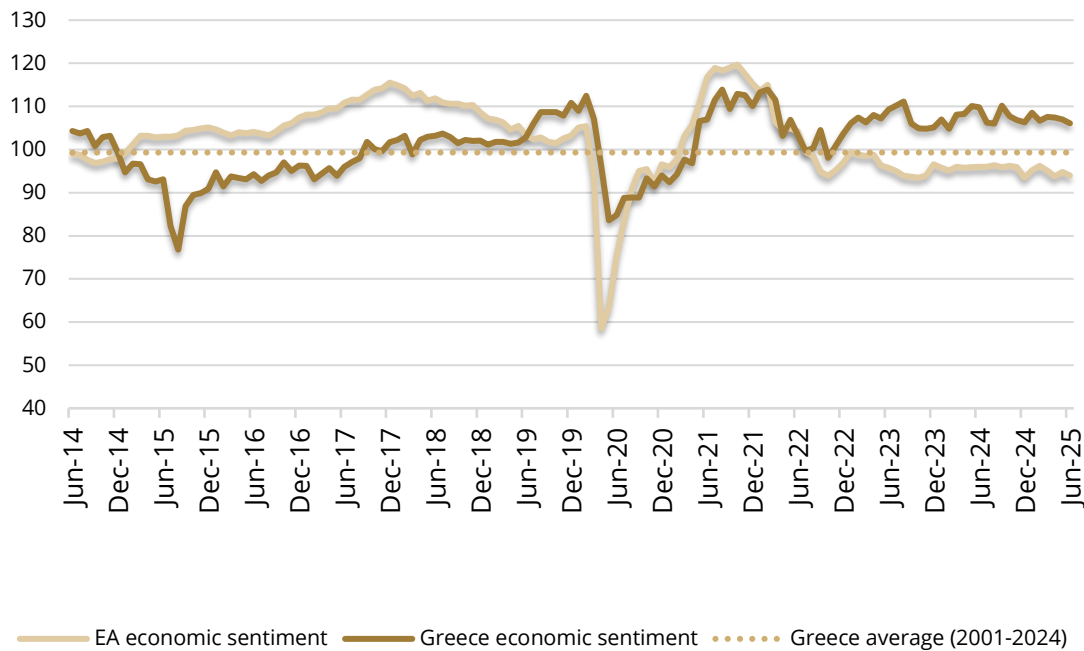
Challenges: high stock of loans under servicer management (€78.3 billion at the beginning of 2025), high exposure of banks to government bonds, DTCs, high interest rate spread, higher cost of private borrowing than other EU countries

Priority: acceleration of the loan arm of the "Greece 2.0" program; implementation remains behind schedule.

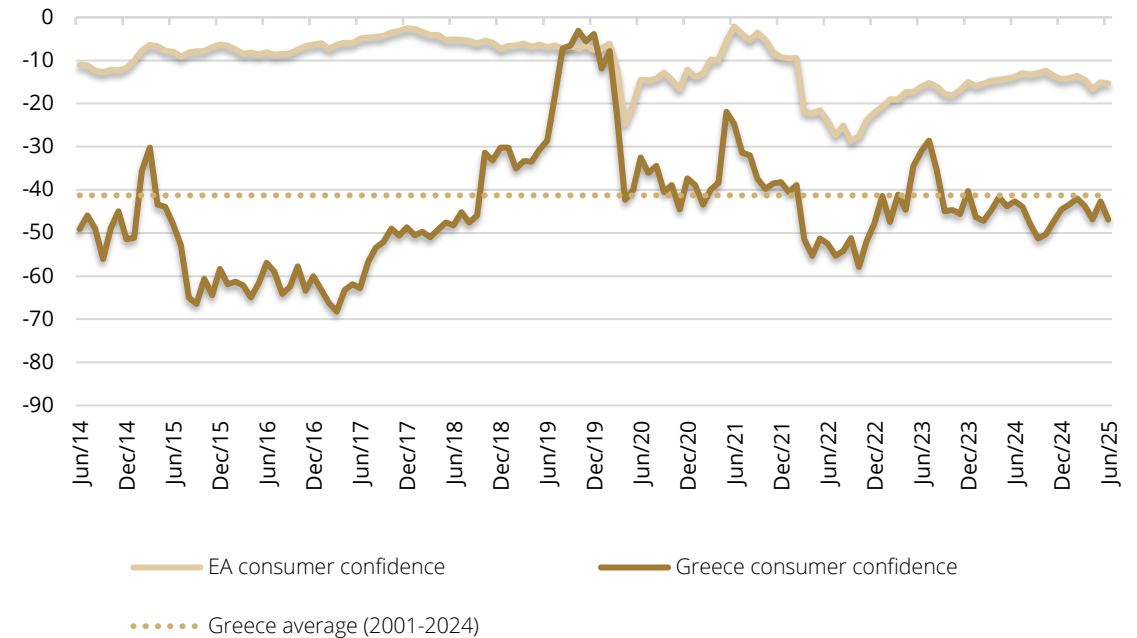


Small deterioration of economic sentiment in 2025 Q2, slightly lower than one year earlier

Economic Sentiment Index



Consumer Confidence Index



Sources: IOBE, European Commission

Consumer Confidence declined in Q2 2025 both in Greece and the Eurozone



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

Industry

- **Industrial production increased** by 1.0% y/y in Q1 2025 – a significantly lower rate than the corresponding period in 2024 (5.8% y/y).
- Price de-escalation by 4.1% y/y, down from a 2.0% increase a year ago, driven mainly by the international market

Construction

- **Slowdown in construction activity** in Q1 2025 by 3.2% y/y, down from a 21.8% increase in Q1 2024
- New building permits also decreased by 29.2% y/y- the first decrease since 2016

Tourism

- **Turnover increased in accommodation and catering** by 16.8% y/y and 1.2% y/y respectively in the first quarter of 2025.

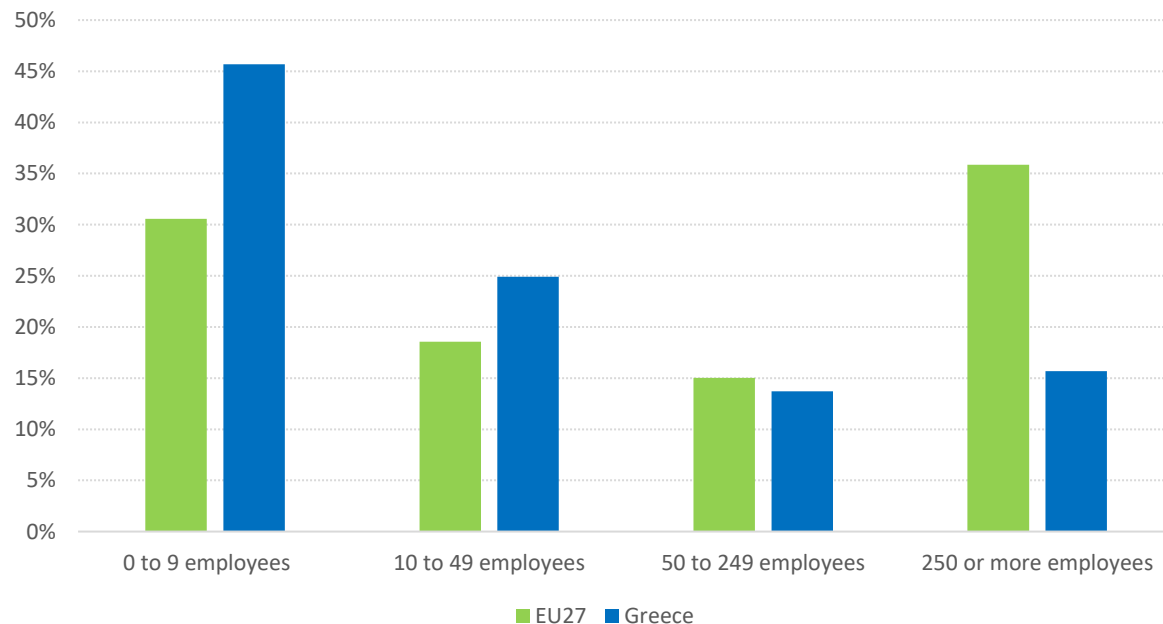
Retail trade

- In the first four months, **volume increased** by 4.2% y/y, up from a 5.1% y/y decline a year ago
- However, expectations deteriorated in H1 2025 – decline in 4 out of 5 sub-sectors.

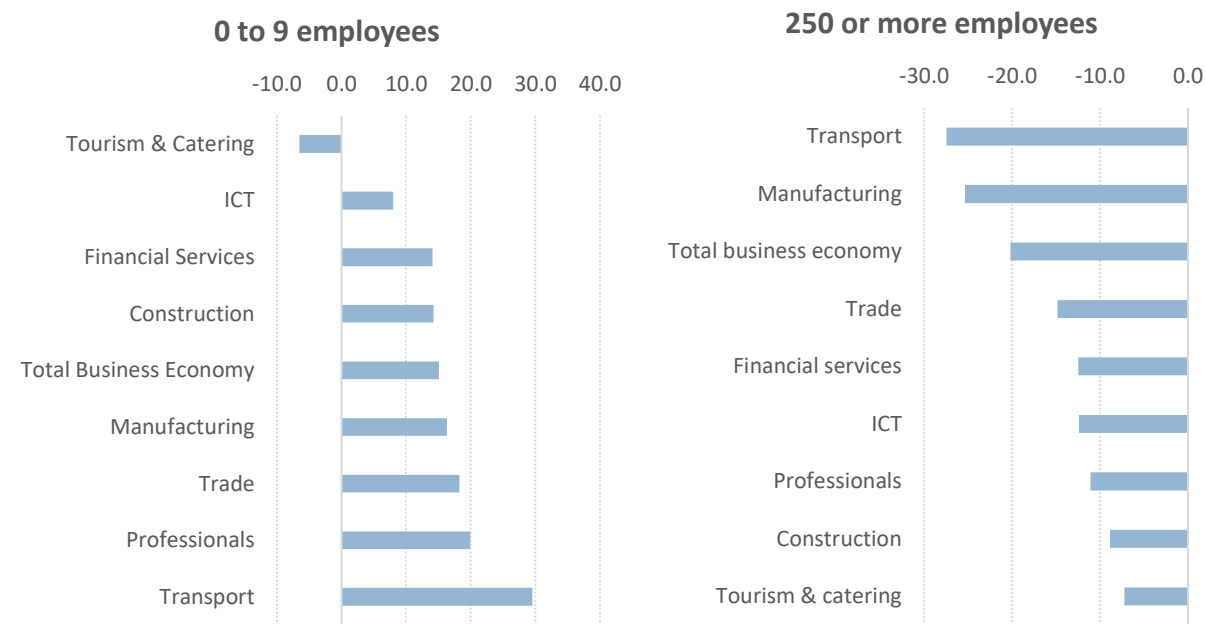


A smaller percentage of the workforce in Greece is employed in large enterprises compared to the EU

Employment share by enterprise size, Greece and EU27, total business economy, 2023



Employment share, deviation of Greece from the EU-27 average in percentage points, 2023



Source: Eurostat

- The deviation from the European average is more pronounced in sectors such as **manufacturing and transport**, but a lag is recorded in all sectors of the business economy.
- The share of employment in small enterprises is lower than the European average only in the **tourism sector (accommodation and catering)**, while the share of employment in medium-sized enterprises has exceeded the European average, reflecting the relatively higher utilization of economies of scale.



Macroeconomic forecasts for 2025 and 2026

Baseline Scenario for 2025 and 2026

- The Eurozone economy follows the ECB's baseline scenario (June 2025) of 0.9% **growth** in 2025 (same as in the previous quarter's forecast) and 1.1% in 2026 (-0.1% compared to March's forecast). A **faster de-escalation of inflation** is expected in both 2025 (+2.0%) and 2026 (+1.6%) compared to the previous forecast (0.3% lower for both years).
- Interest rates follow the trend of today's futures, i.e., the **3-month Euribor gradually declines** from close to 2.7% at the beginning of the year to around 1.8% (from an expectation of 2.0% in the previous quarter) at the end of 2025. Interest rates in Europe are expected to remain at similar levels in 2026.
- International energy commodity prices follow the EIA's baseline scenario, with **downward trends** in 2025 and **stabilizing trends** in 2026, recording an annual decline that is reinforced by the depreciation of the dollar against the euro.
- **Geopolitical tensions** in Ukraine and the Middle East are **prolonged** but do not escalate.
- **Economic uncertainty persists at the regional and international levels due to the resurgence of trade protectionism** (tariffs and retaliation). We assume that the EU's response to new tariffs will be moderate and targeted.
- **The implementation of the Recovery and Resilience Plan** accelerates in 2025, with the aim of completing the planned actions on schedule in 2026.
- **Inbound tourism** in 2025 and 2026 is **expected to maintain a positive performance** in real terms.

Forecasts for 2025

- **Growth: $\approx 2.2\%$**
- Private consumption: $\approx 1.8\%$
- Public consumption: $\approx 1.2\%$
- Investment (Fixed): $\approx 4.1\%$ (5.0%)
- Exports: $\approx 1.5\%$
- Imports: $\approx 1.6\%$
- **Unemployment: $\approx 9.3\%$**
- **Inflation (HICP): $\approx 2.8\%$**

Forecasts for 2026

- **Growth: $\approx 2.4\%$**
- Private consumption: $\approx 1.0\%$
- Public consumption: $\approx 1.2\%$
- Investment (Fixed): $\approx 9.0\%$ (11.2%)
- Exports: $\approx 2.9\%$
- Imports: $\approx 3.1\%$
- **Unemployment: $\approx 9.0\%$**
- **Inflation (HICP): $\approx 2.3\%$**



Risks and positive prospects

Risks

- **Escalation of the trade war**, which may **impact growth rates, inflation and stability of the international financial system**, with uncertainty regarding the speed of monetary policy easing.
- **Escalation of geopolitical tensions in Ukraine and the Middle East** is a factor of concern regarding **energy security, supply chains, international energy prices** and international political developments.
- **The interest rate path may be undermined by interventions in the monetary policy independence** of major central banks.
- **High external balance deficit**, with structural characteristics.
- **Loss of international competitiveness** and domestic purchasing power due to **higher than the Eurozone average inflation**.

Positive prospects

- The **new equilibrium in international trade flows** create **prospects for increased market shares in individual Greek exports** with increased added value.
- **Acceleration in the implementation of the revised Recovery and Resilience Plan** could "unlock" international funds for productive and longer-term investments
- **Implementation of the EU's policy recommendations for Greece**, within the framework of the European Semester.
- **The lower cost of money** is an opportunity to **accelerate investments**.

Special study*

The contribution of the Athens International Airport to the Greek economy

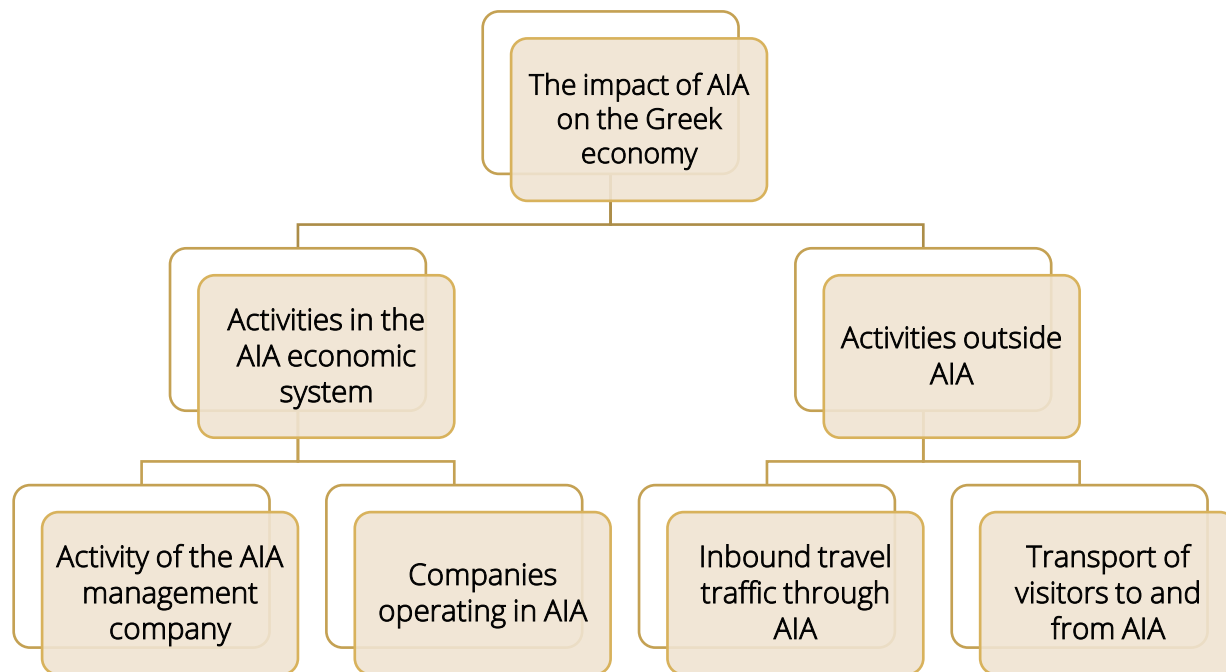
The study was conducted with the support of the Athens International Airport S.A.

*IOBE study (2025). Available [here](#)



Estimate the impact of AIA in 2023

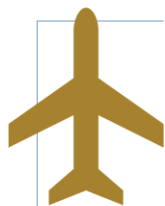
- From the operation of the facilities and through the support of tourism development in Greece
- National level (Greece) and regional levels (Attiki and Mesogeia regions)
- Considering data and developments in the Greek economy and the key operating figures of AIA for 2023





The AIA economic system includes the management company and a multitude of other entities and businesses

AIA economic system



Airlines

- Operating flights at AIA



Users

- Ground handling companies for passengers, aircraft and cargo
- Examples: Ramp and baggage handling, into plane fuel, etc.



Concessionaires

- Companies that have entered into concession agreements with the management company for commercial activities at the airport
- Examples: shopping stores, flight catering companies, restaurants, etc.



Outsourcers

- Companies that provide services to the management company with their own staff and who are paid for their work by the management company
- Examples: Security, cleaning, maintenance services, etc.



AIA S.A.

- Airport management company



Retail park

- Stores of IKEA, Leroy Merlin, Kotsovolos, Factory Outlet, Shell, the Metropolitan Expo exhibition center, and the Sofitel hotel.

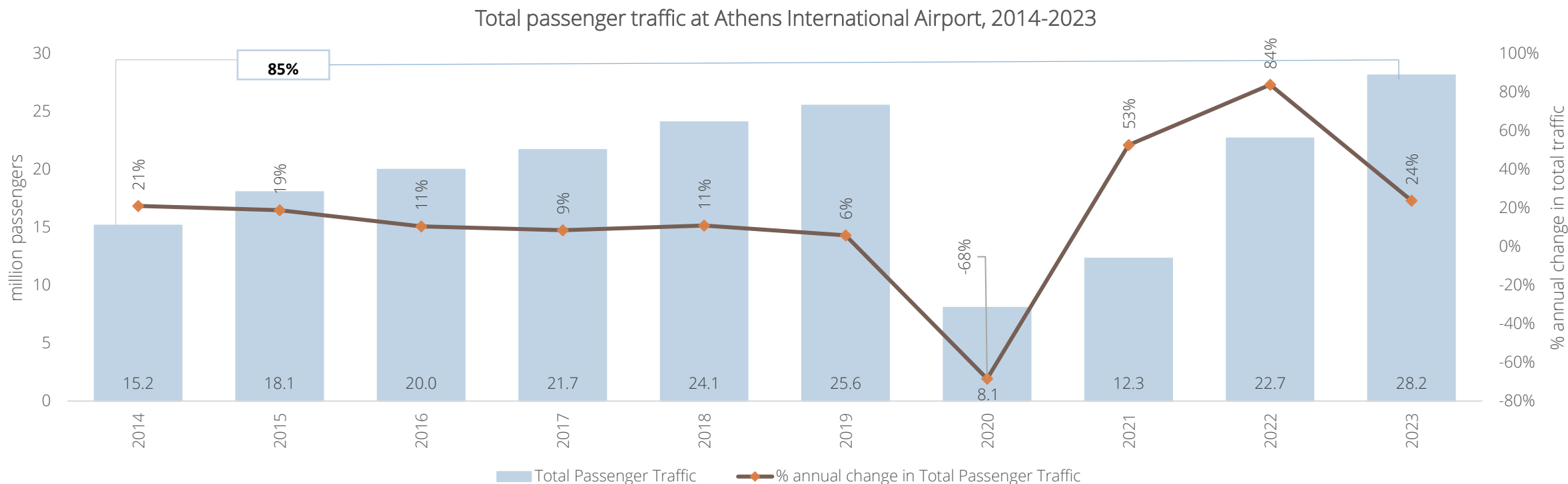


State authorities

- Public services operating at AIA
- Examples: customs, police, fire department, etc.



In 2023, passenger traffic returned to levels higher than in 2019 (28.2 million passengers)



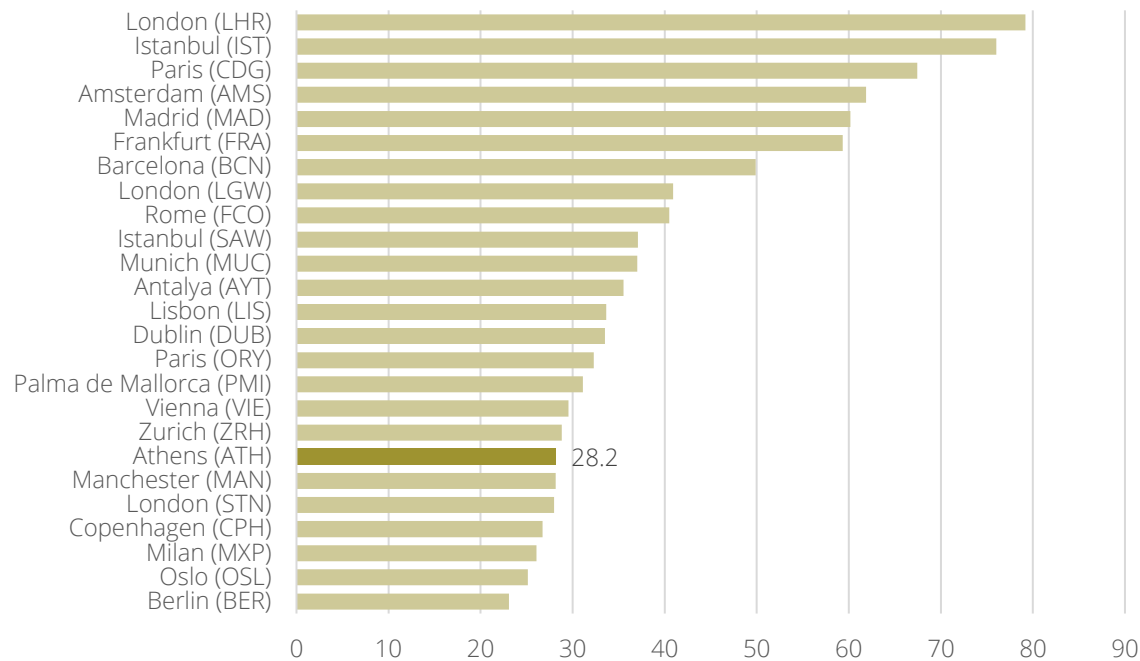
The cumulative increase in passenger traffic over the last decade amounts to 85%, while, compared to 2019, the increase in total passenger traffic reached 10%*.

Source: AIA. Analysis: IOBE, *From 2021 to May 2022, the gradual liberalization of travel is taking place, following the restrictive measures imposed due to the COVID-19 pandemic.

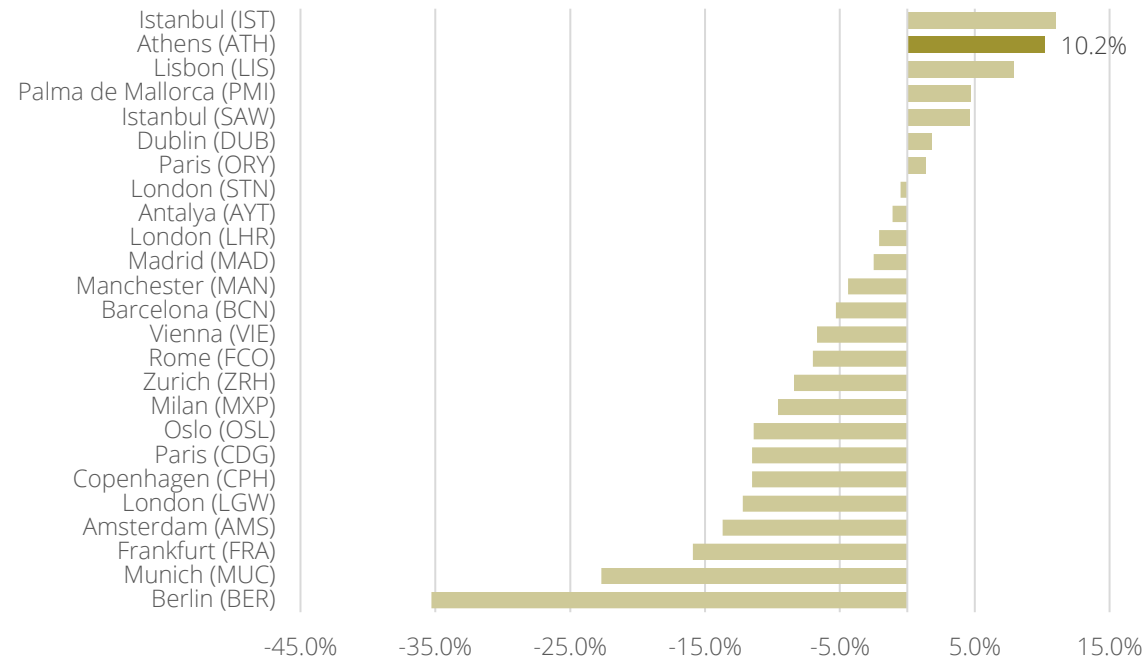


AIA achieved one of the strongest post-pandemic recoveries among the top 25 European airports

25 European airports with the highest passenger traffic, 2023



Passenger traffic at the 25 largest European airports, % change 2023/2019

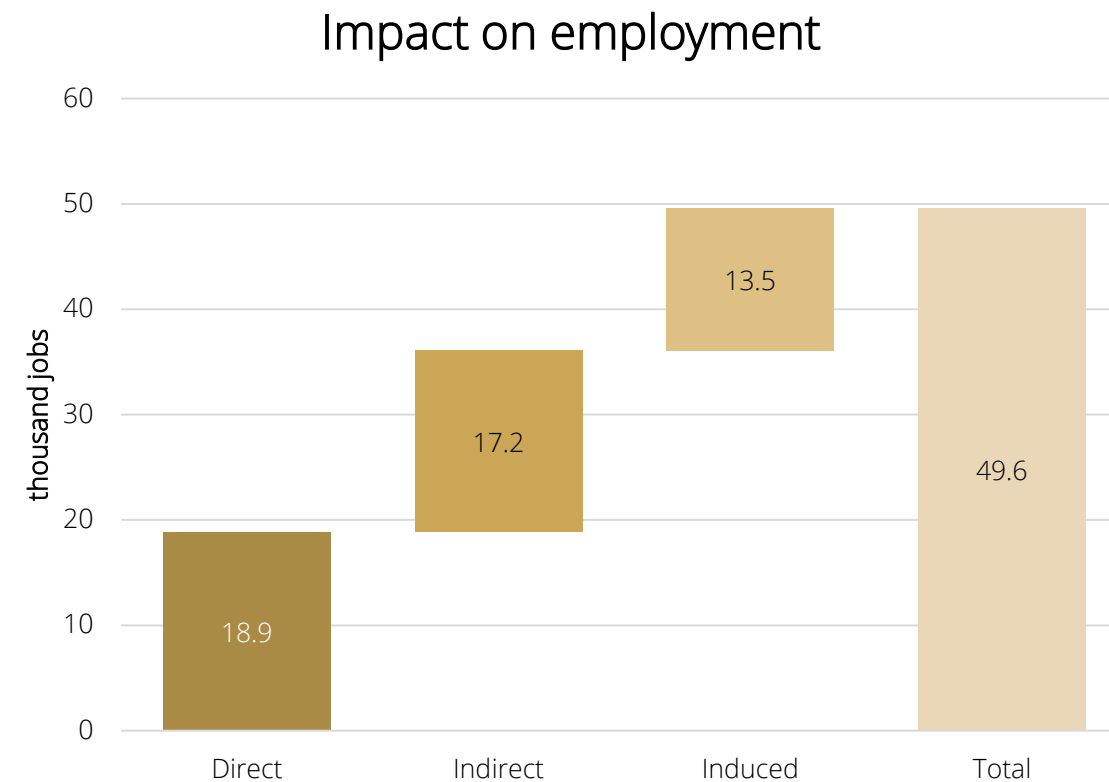
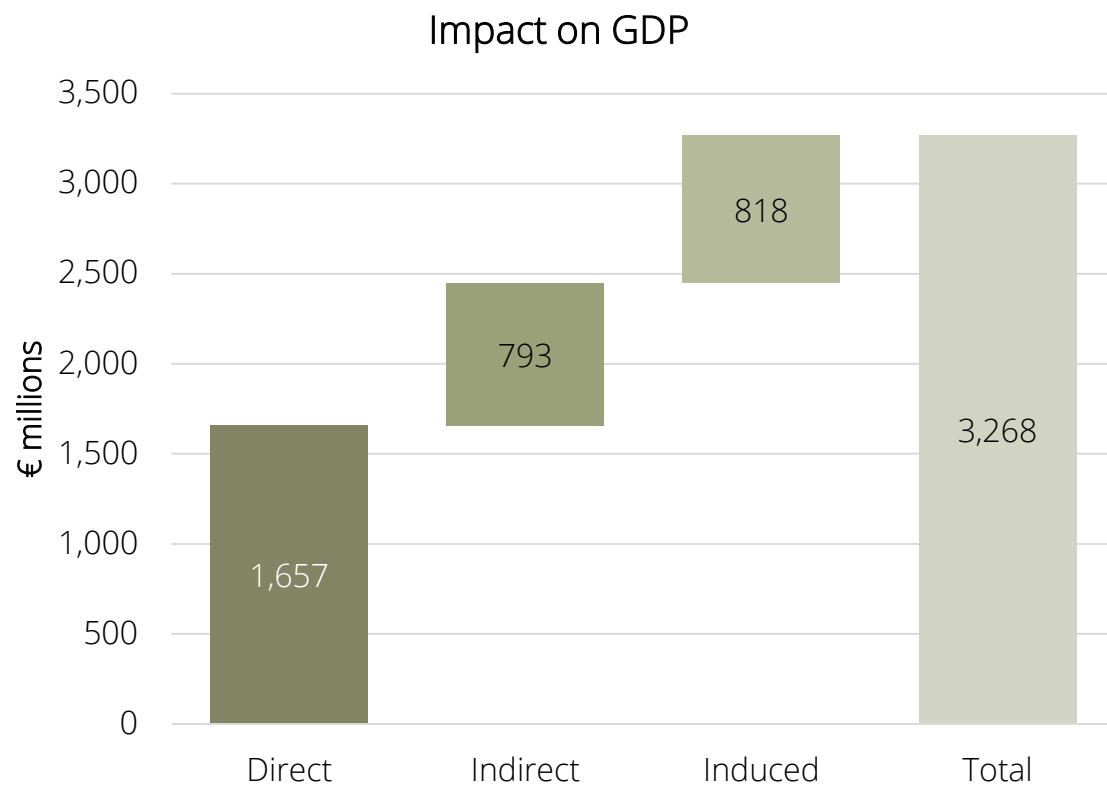


In contrast, many major European airports had lower traffic in 2023 compared to 2019

Source: ACI Europe, AIA, Analysis: IOBE



The GDP impact of the AIA ecosystem is estimated at €3.3 billion in 2023 (1.5% of Greece's GDP)



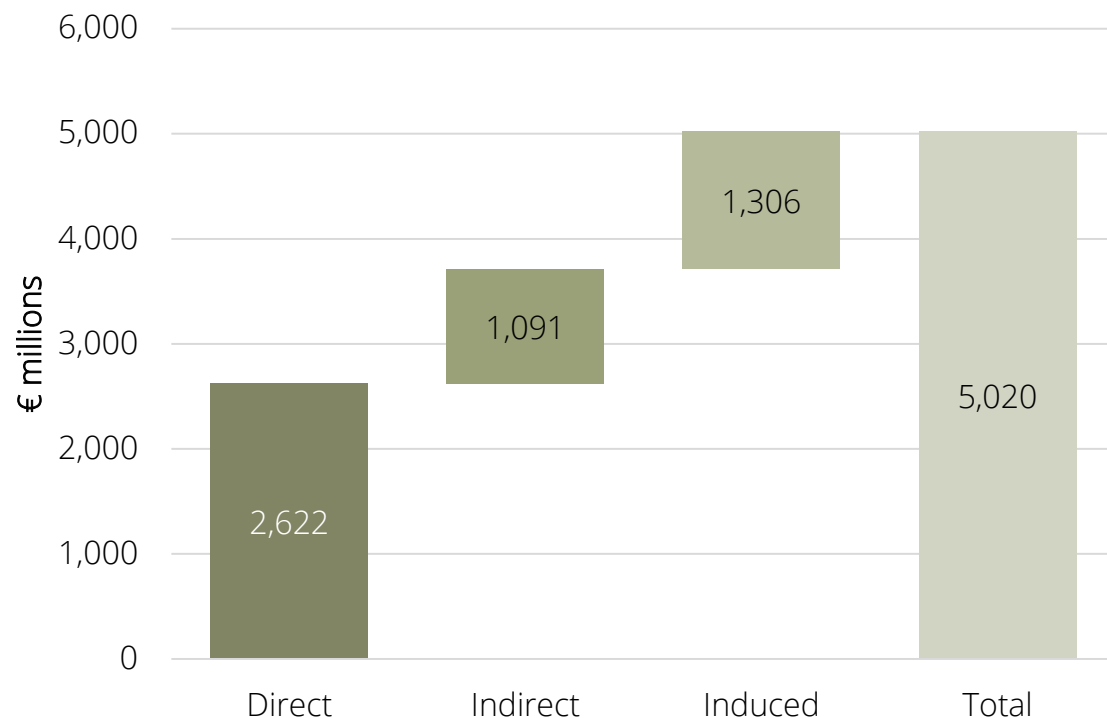
In terms of employment, the total contribution of the AIA ecosystem is estimated at about 50,000 jobs (1.0% of domestic employment)

Source: IOBE estimates. Note: In 2023, Greece's GDP reached €225 billion.

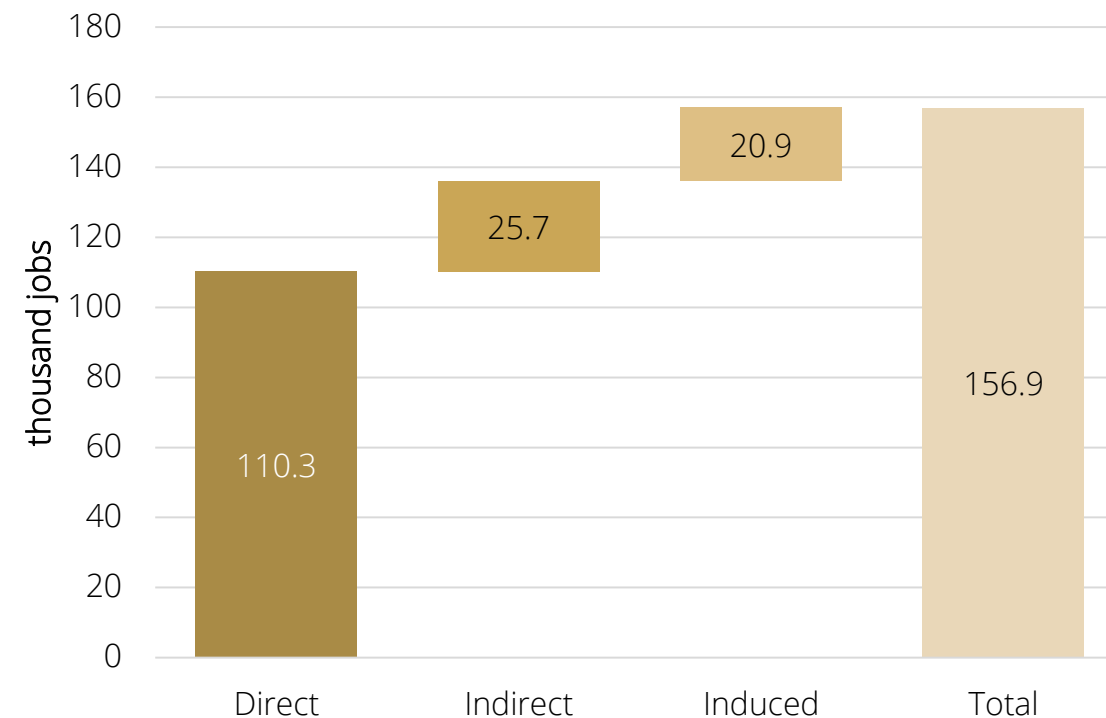


In terms of GDP, the total impact of tourist expenditure is estimated at €5.0 billion in 2023 (2.2% of the country's GDP)

Impact on GDP from tourist expenditure



Impact on employment from tourist expenditure



In terms of employment, it is estimated that about 157,000 jobs are supported through tourist expenditure (3.1% of domestic employment)

Source: IOBE estimates

Conclusions

AIA activity rebounded strongly after the sharp decline caused by the pandemic

- In 2023, passenger traffic at Athens International Airport (AIA) exceeded 2019's levels, reaching 28.2 million passengers, from 25.6 million in 2019 and 15.2 million in 2014

As the main gateway for the incoming flow of foreign visitors, AIA's economic system provides significant support to the Greek economy

- 3.8% of the country's GDP (€8.6 billion) comes from the activity of the AIA's economic system (directly, through the multiplier, and broader effects)
- In terms of employment, the total impact is estimated at 214,000 jobs (4.2% of domestic employment)
- The total contribution to public revenue is estimated at €2.7 billion

Categories	GDP (€ millions)	Employment (thousands of jobs)	Public revenue (€ millions)
AIA economic system	3,268	50	1,154
Tourist expenditure	5,020	157	1,467
Transportation services	314	8	89
Total	8,602	214	2,710

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