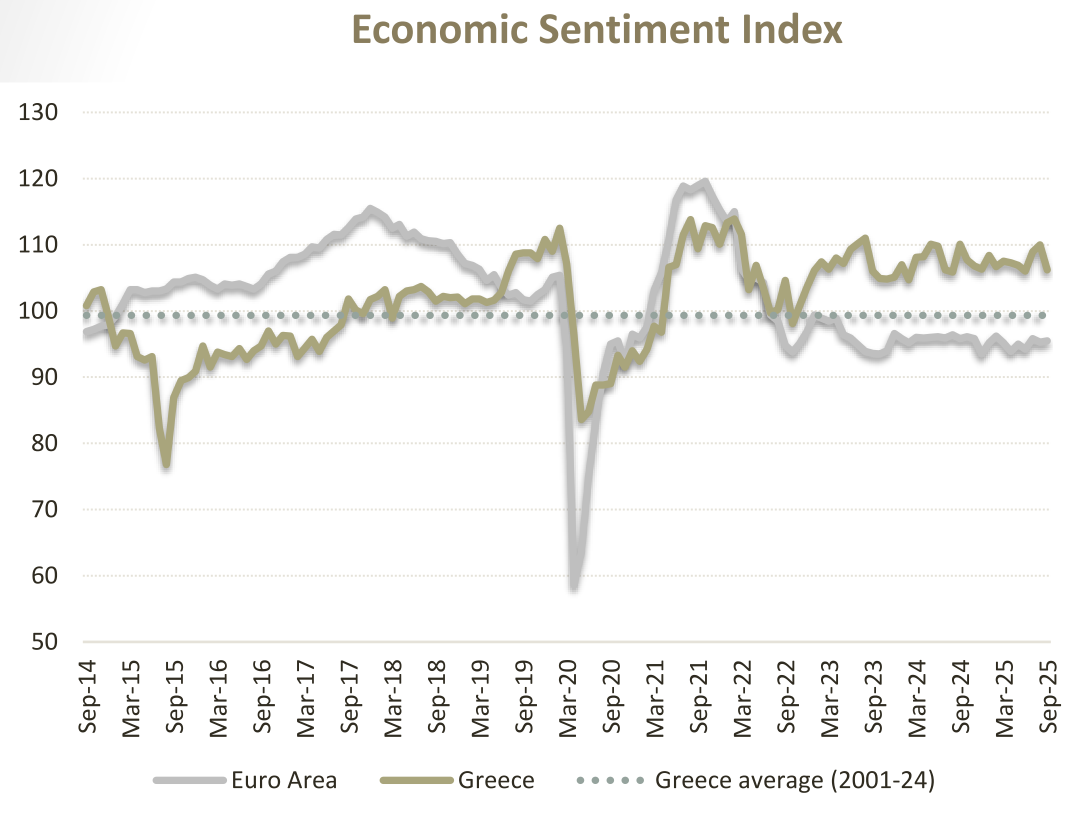
The Greek Economy: Trends & Perspectives

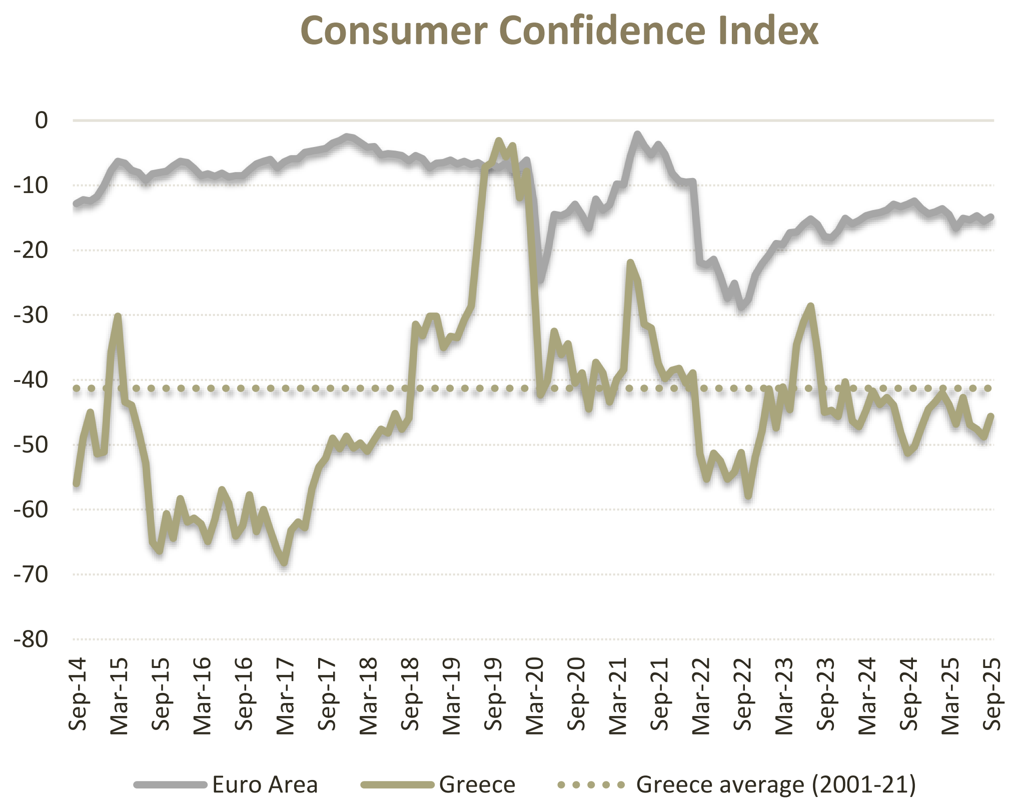
Nikos Vettas
General Director, Foundation for Economic and Industrial Research - IOBE
Professor, Athens University of Economics and Business
nvettas@aueb.gr | www.iobe.gr

Mastercard Innovation Forum
Athens, 23 October 2025

GLOBAL SENTIMENT AND MACRO TRENDS

Economic sentiment has been rather stagnant in Europe since 2023

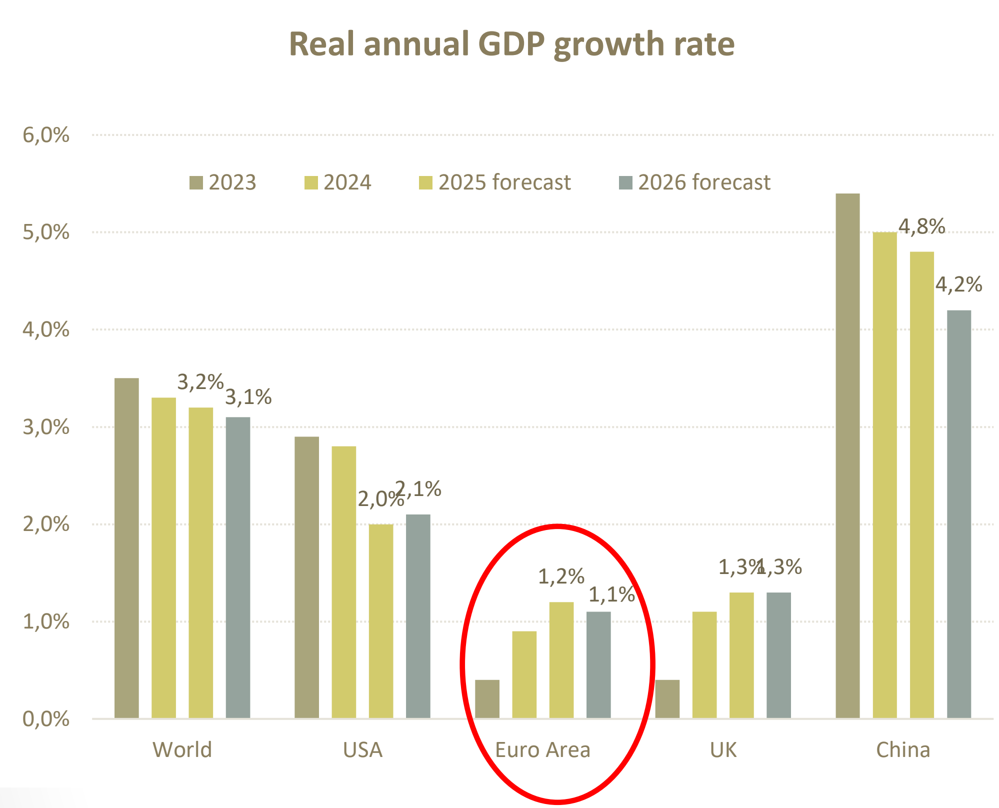


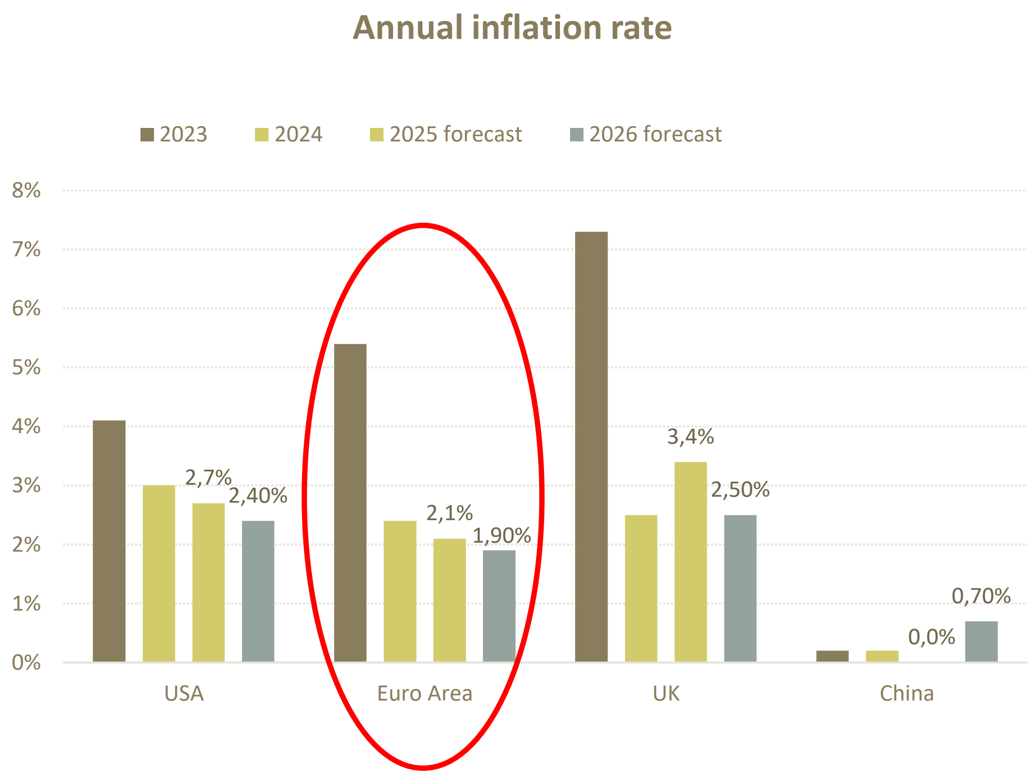


Sources: European Commission, IOBE

Consumer confidence in Greece remains below long-term average despite recent recovery. Euro Area consumer confidence has weakened since 2024.

European growth rates have been lagging, global inflation has eased in 2024, new pressures appear in 2025



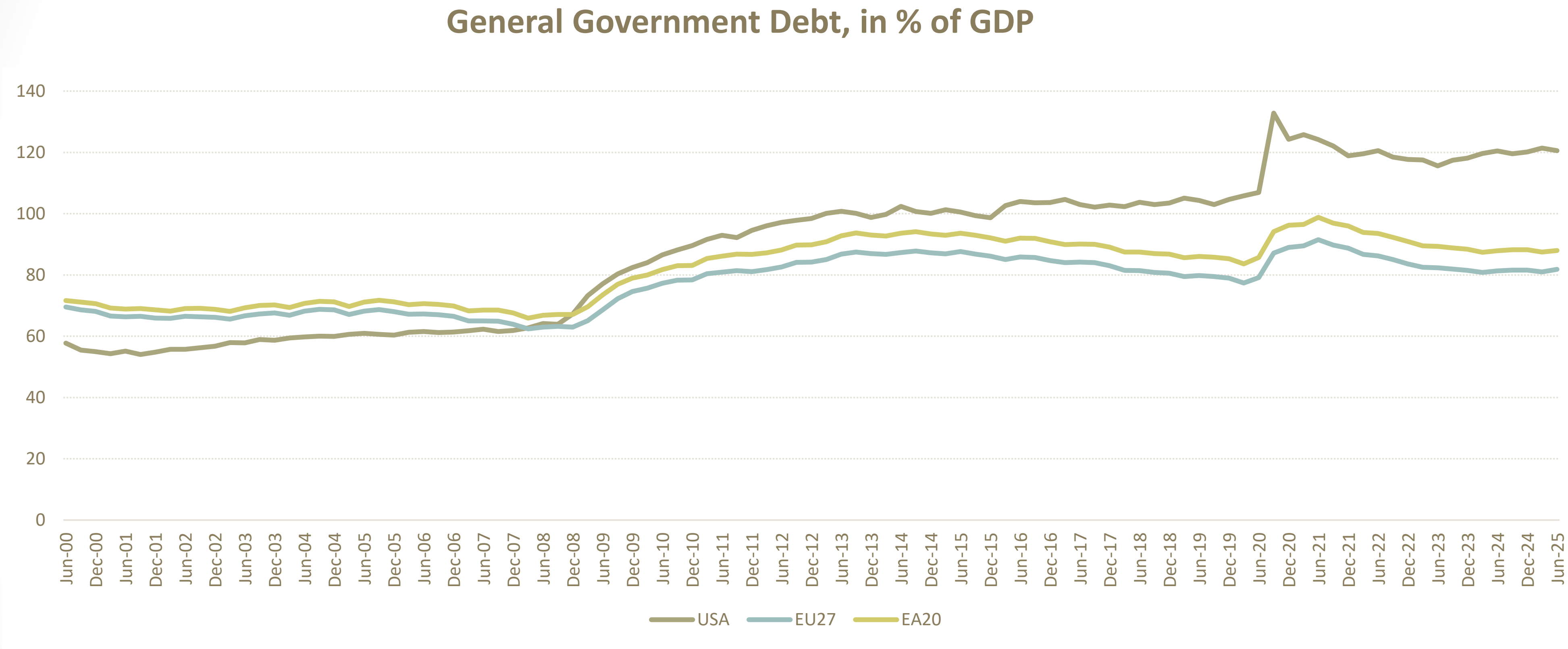


Source: IMF, October 2025

Since early 2025, international institutions have been revising their growth forecasts (downwards) and inflation forecasts (upwards for the US, downwards for China). The magnitude of revisions is yet moderate.

GLOBAL MARKET TRENDS

Public debt in advanced economies has risen significantly…

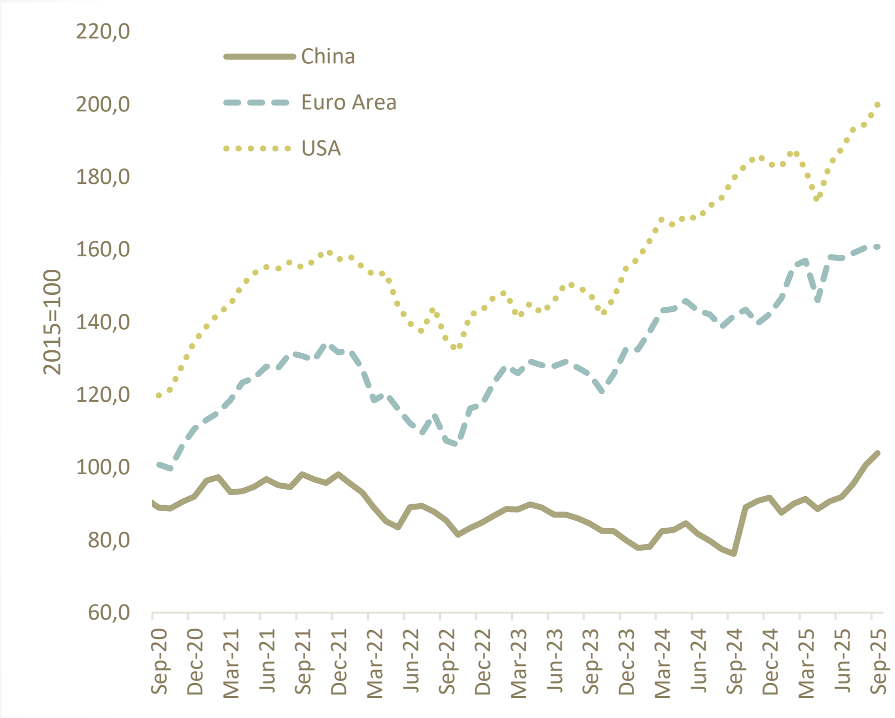


Source: FED St.Louis, Eurostat

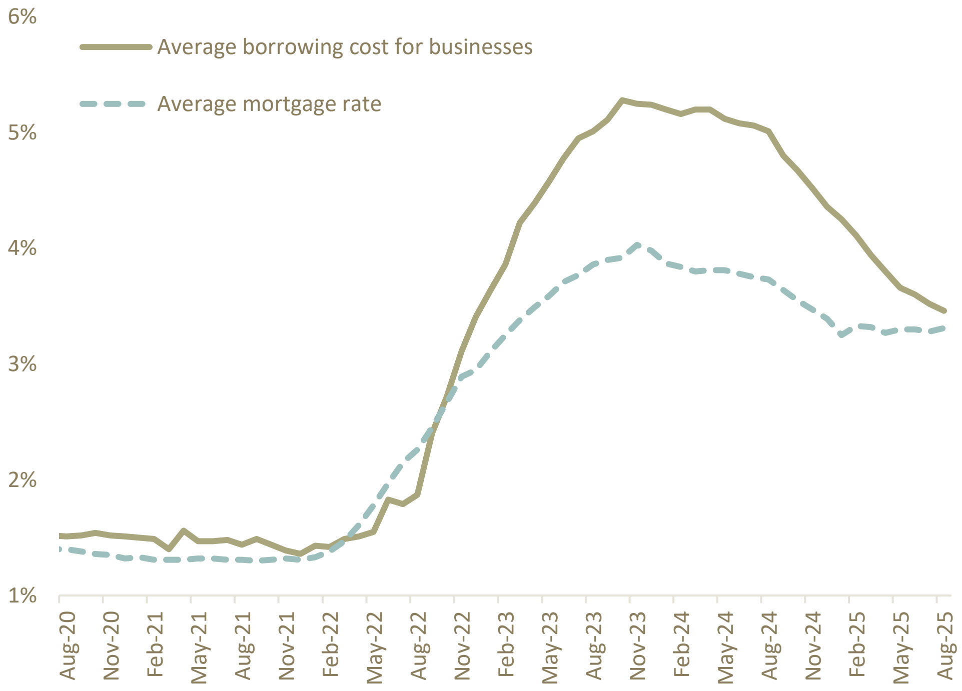
…following the Global Financial Crisis and the subsequent abundant fiscal and monetary stimuli

Markets have rallied in advanced economies during 2022-2024, China outperforms them in 2025

Stock market indices



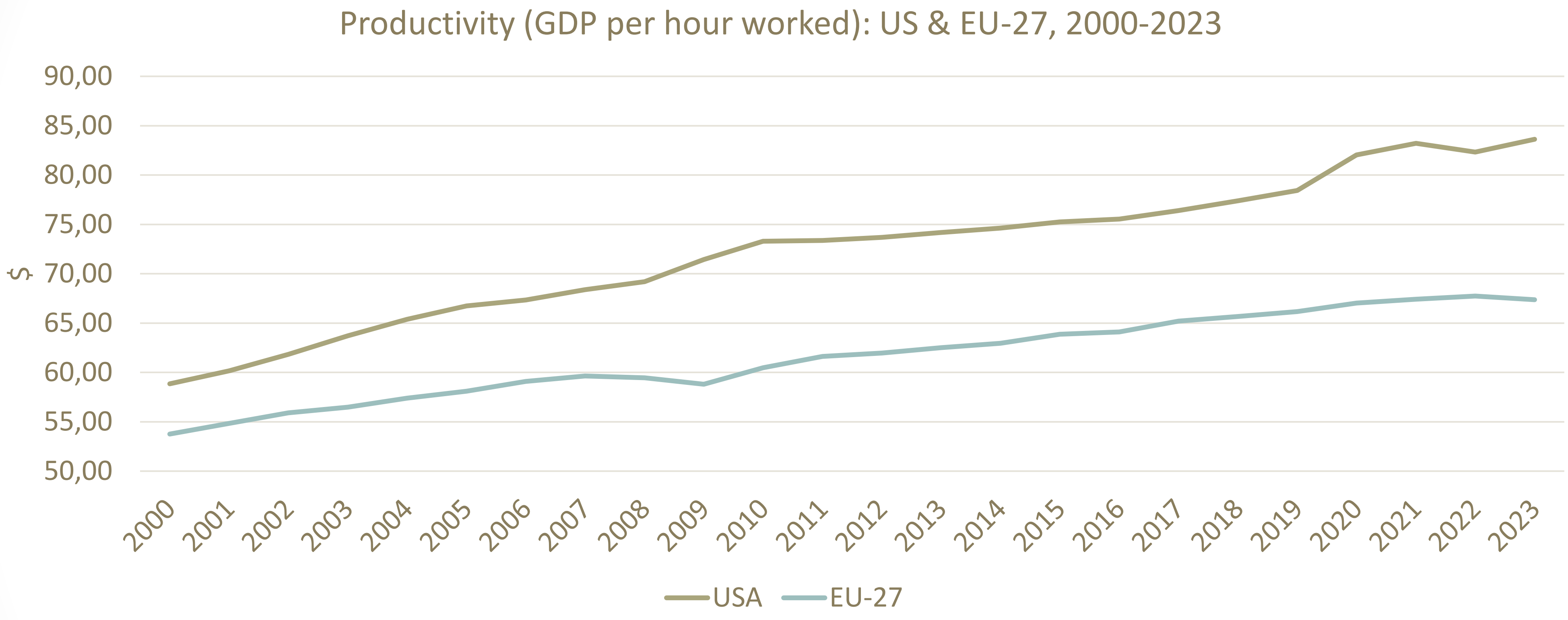
Euro area interest rates



Source: IMF, ECB

Markets exhibit high volatility during the last months, amid increased policy uncertainty. ECB's monetary stance has been easing since 2024, through systematic, gradual interest rate cuts, which have paused since mid-2025.

European industry lags US industry in terms of competitiveness

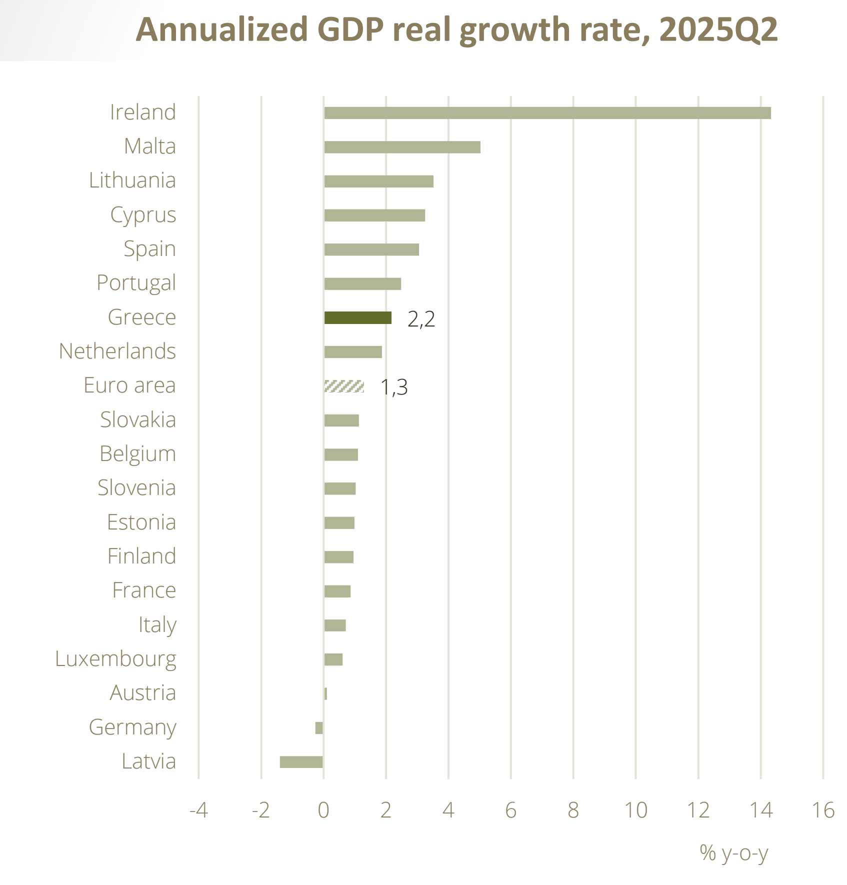


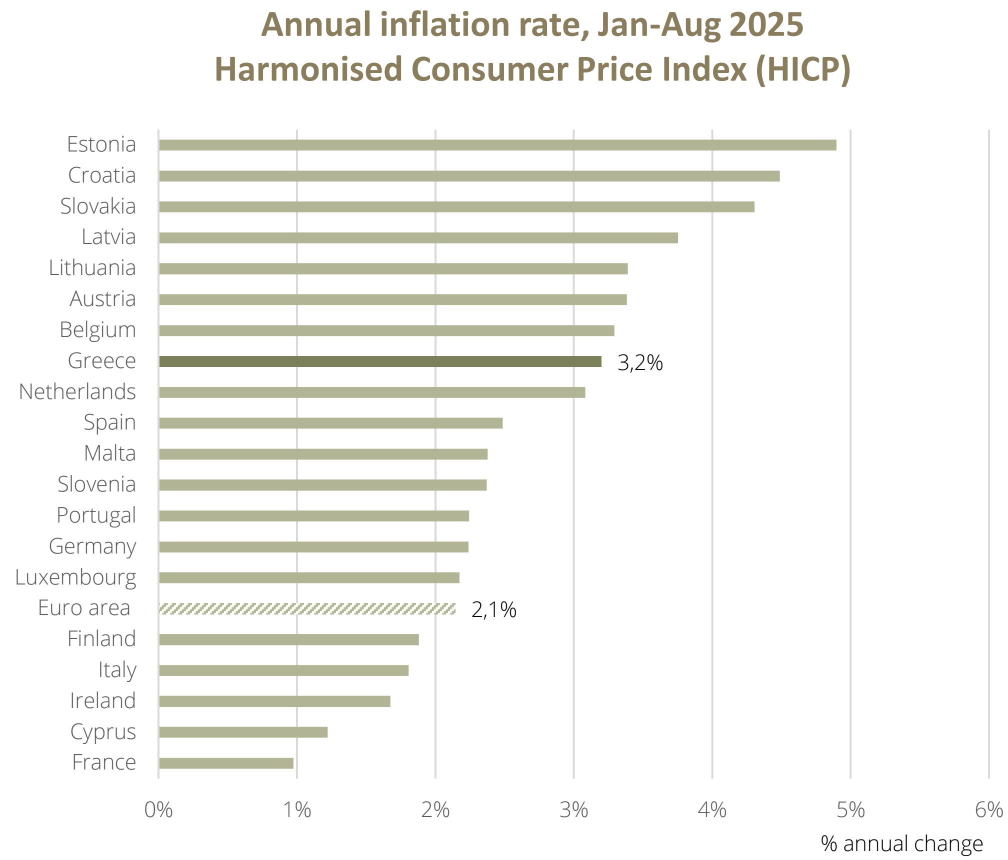
First and foremost, Europe needs to focus on bridging the innovation gap with the US and China, especially in advanced technologies.

Source: OECD. Analysis: IOBE.

LATEST SNAPSHOT OF GREECE VS THE EURO AREA

Greece has been outperforming the Euro Area average growth rate in 2025…



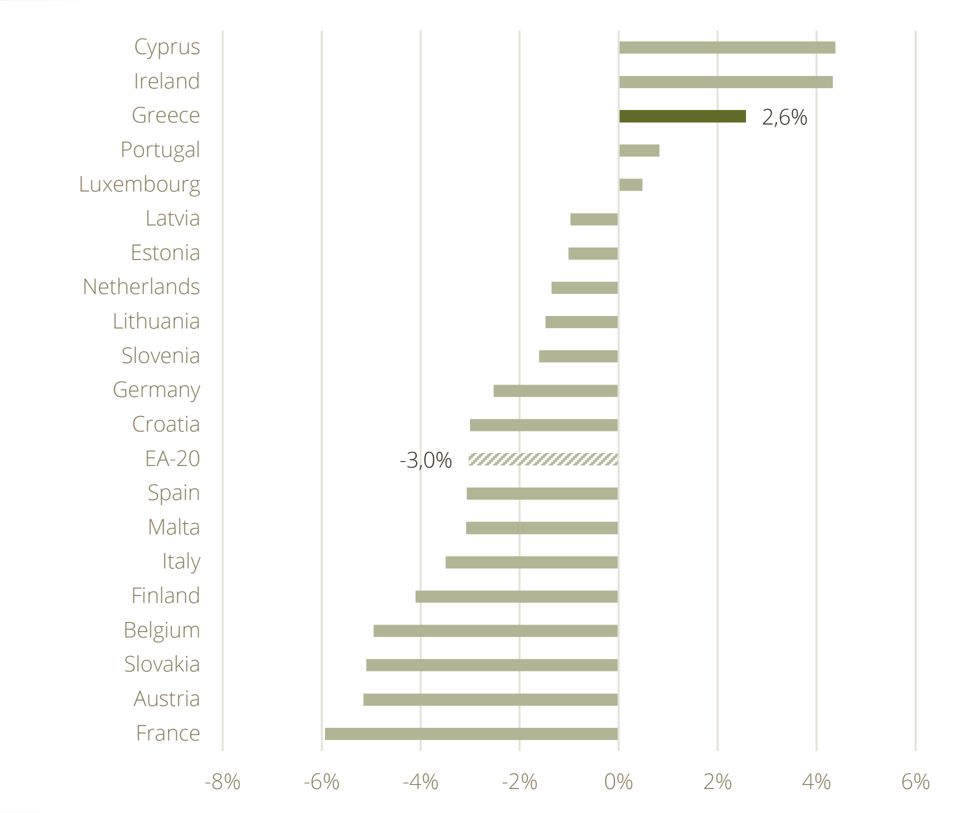


Source: Eurostat

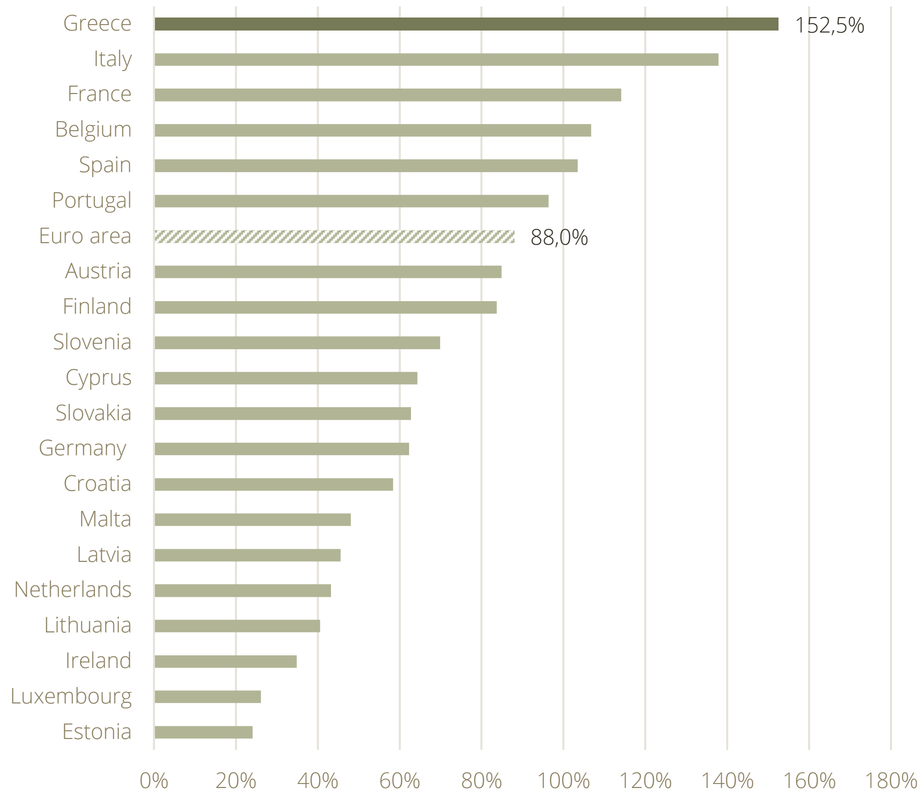
…while inflation rate exceeds the EA average, mainly due to high core inflation stemming from the services sectors.

Greece has recently been outperforming on the fiscal balance…

General government balance (annualized), in % of GDP, 1st quarter 2025



General government debt, as % of GDP, 1st quarter 2025

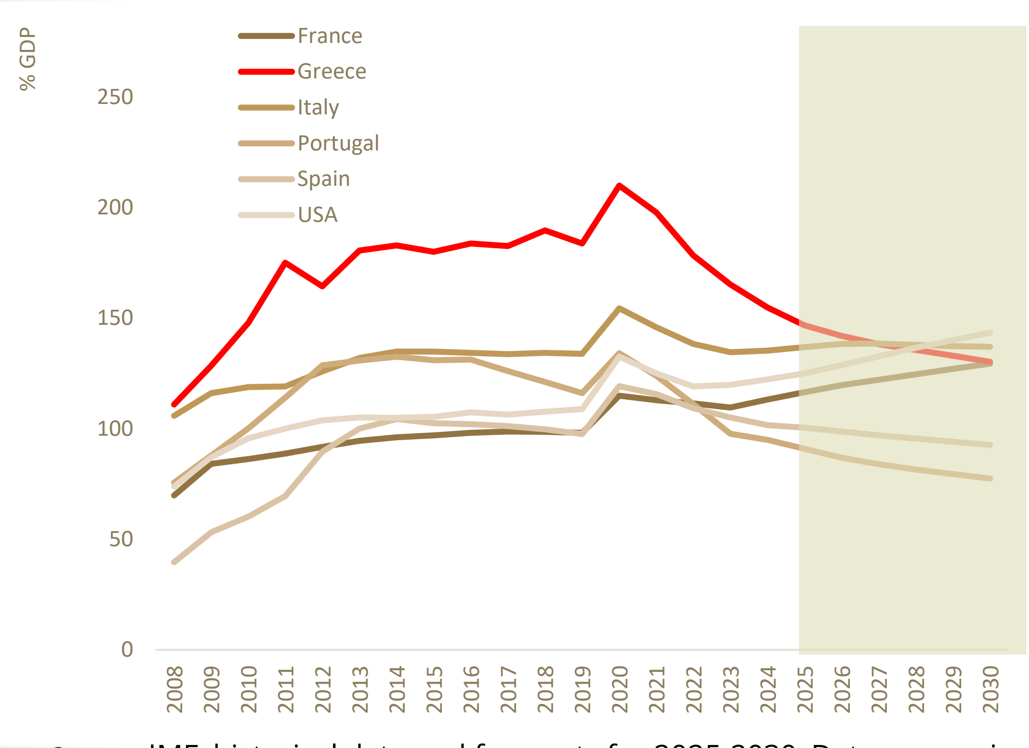


Source: Eurostat

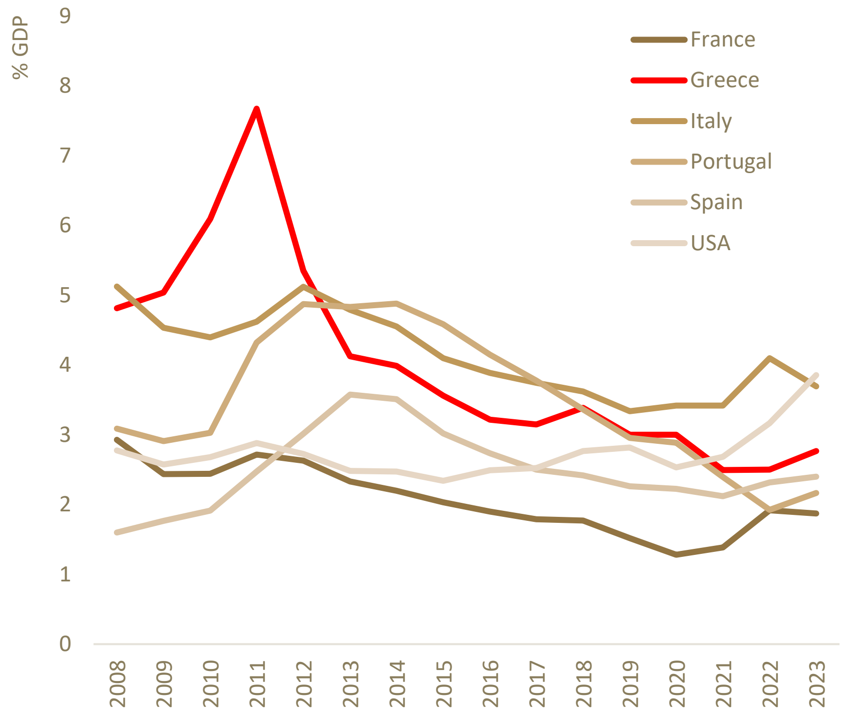
…albeit continues to record by far the highest level of public debt, as a percentage of GDP.

Fiscal performance improves in peripheral euro area countries, while deteriorating in core EU countries and the US

Evolution of general government public debt as % of GDP, selected EU countries and USA, 2008-2030



Public debt service interest as % of GDP

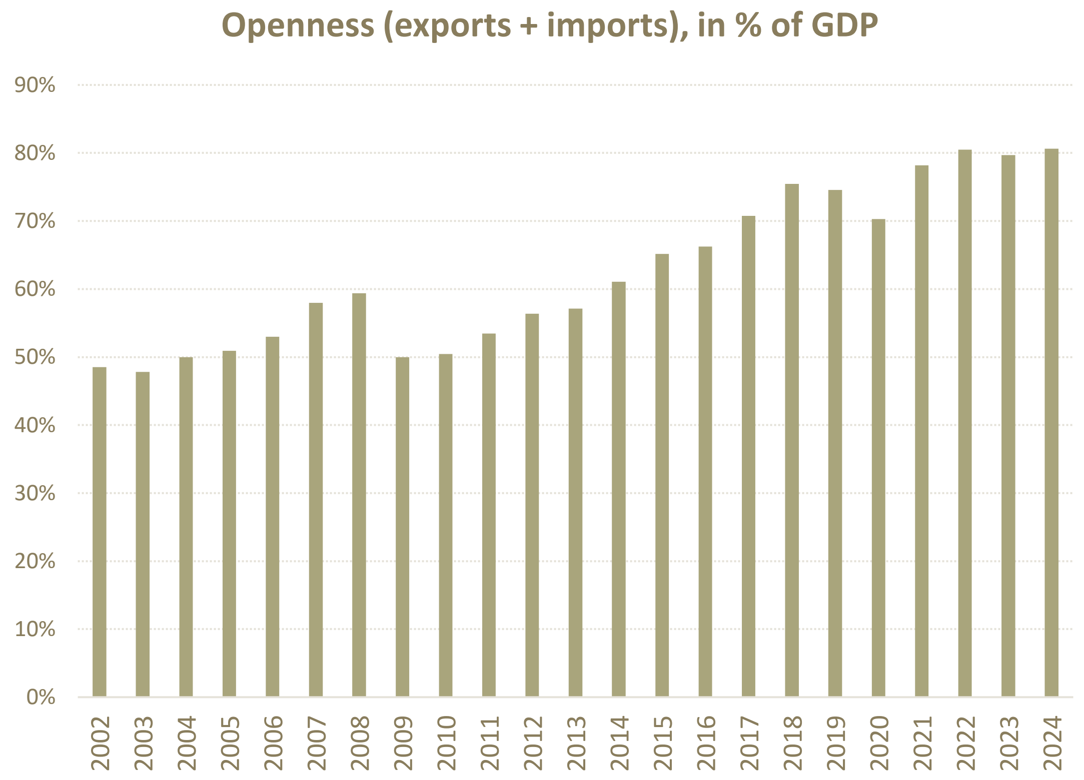


Source: IMF, historical data and forecasts for 2025-2030, Data processing: IOBE

- **Countries such as France and the US are expected to continue to run high budget deficits, raising challenges for their long-term debt sustainability.**
- **In contrast, countries such as Italy, Greece and Portugal, despite their high debt stock, are recording a significant improvement in the balance, thus mitigating their long-term debt sustainability challenges.**

GREEK ECONOMIC OUTLOOK

A more open and extrovert economy



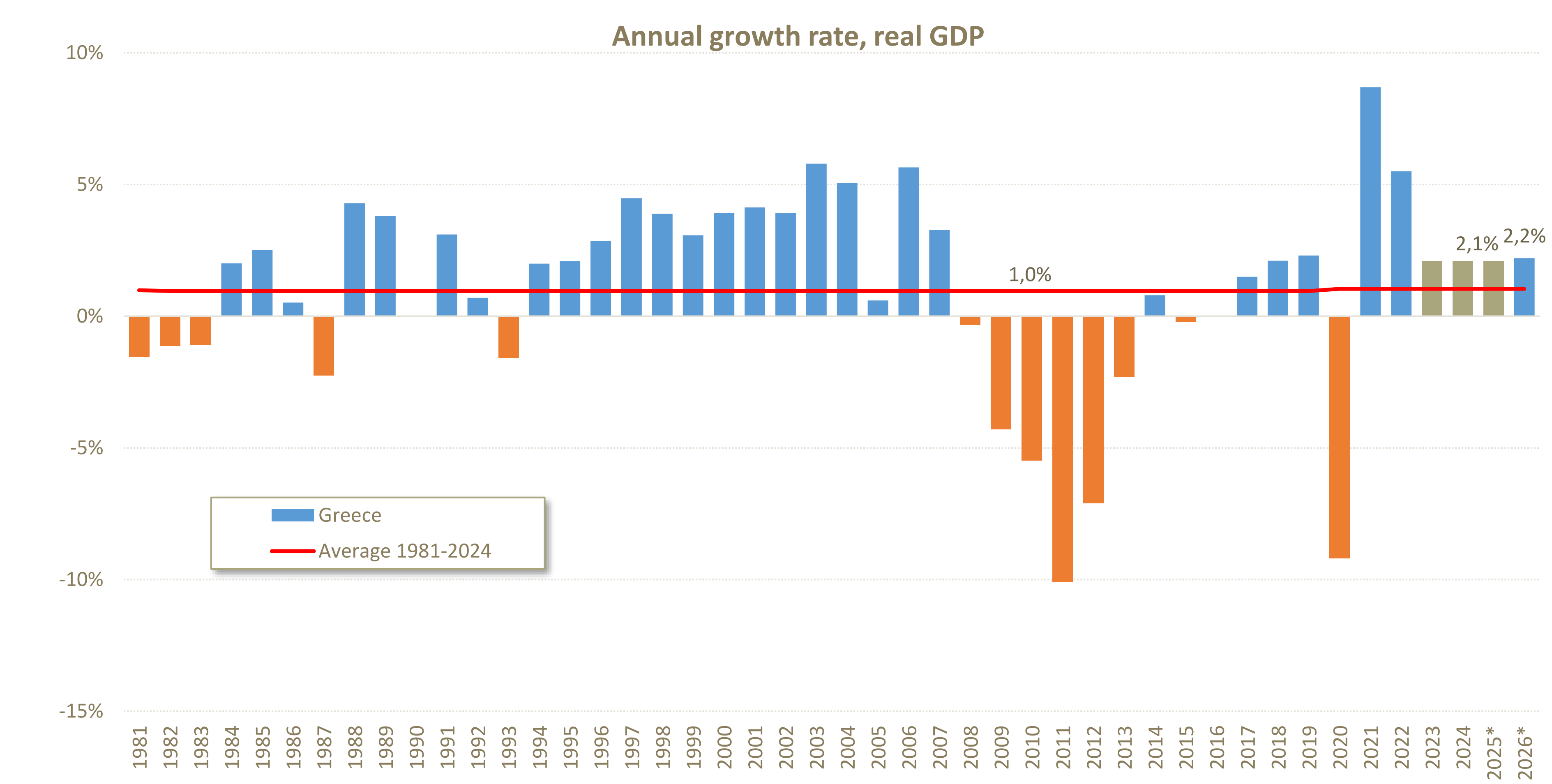
Source: ELSTAT, National Accounts at constant prices 2015, Data Processing: IOBE

A small open economy in the Euro Area which suffered a crisis due to severe imbalances…

…which has now become more extrovert, exports of goods have doubled during the last decade.

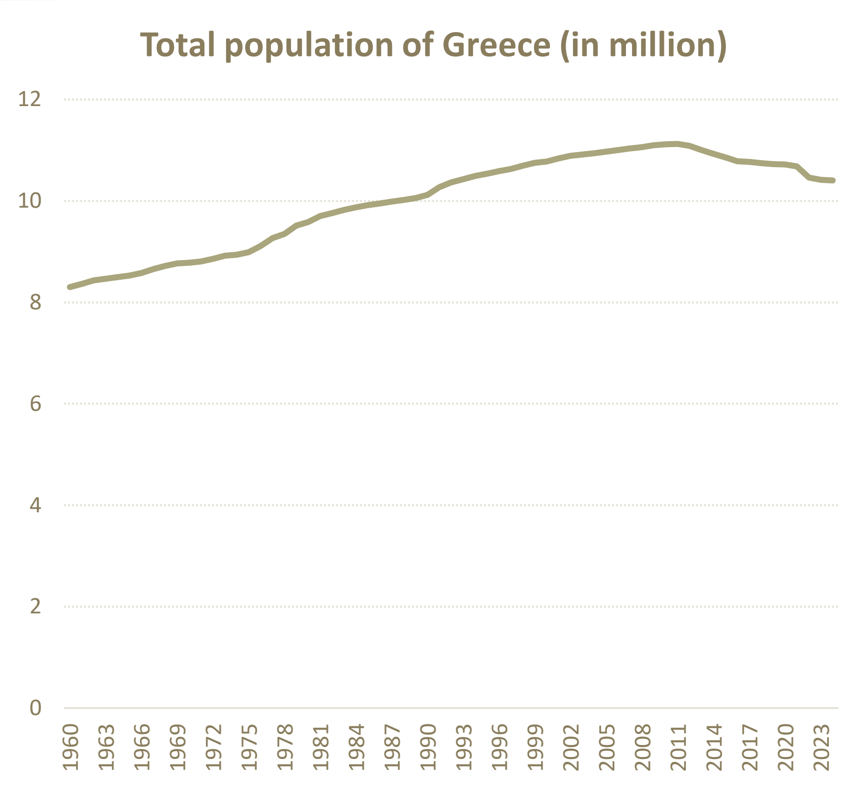
14

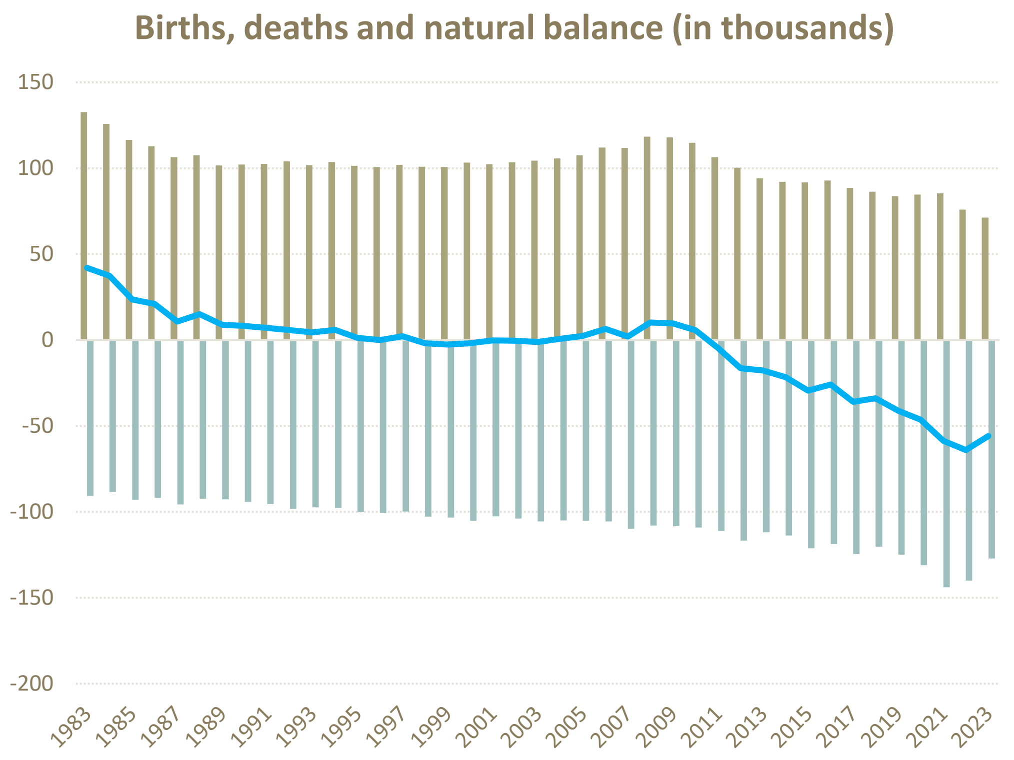
Long-term growth dynamics



Sources: Eurostat, Elstat
Note. The rates for 2025 and 2026 are IOBE forecasts (October 2025).

Demographic outlook and prospects are negative for Greece

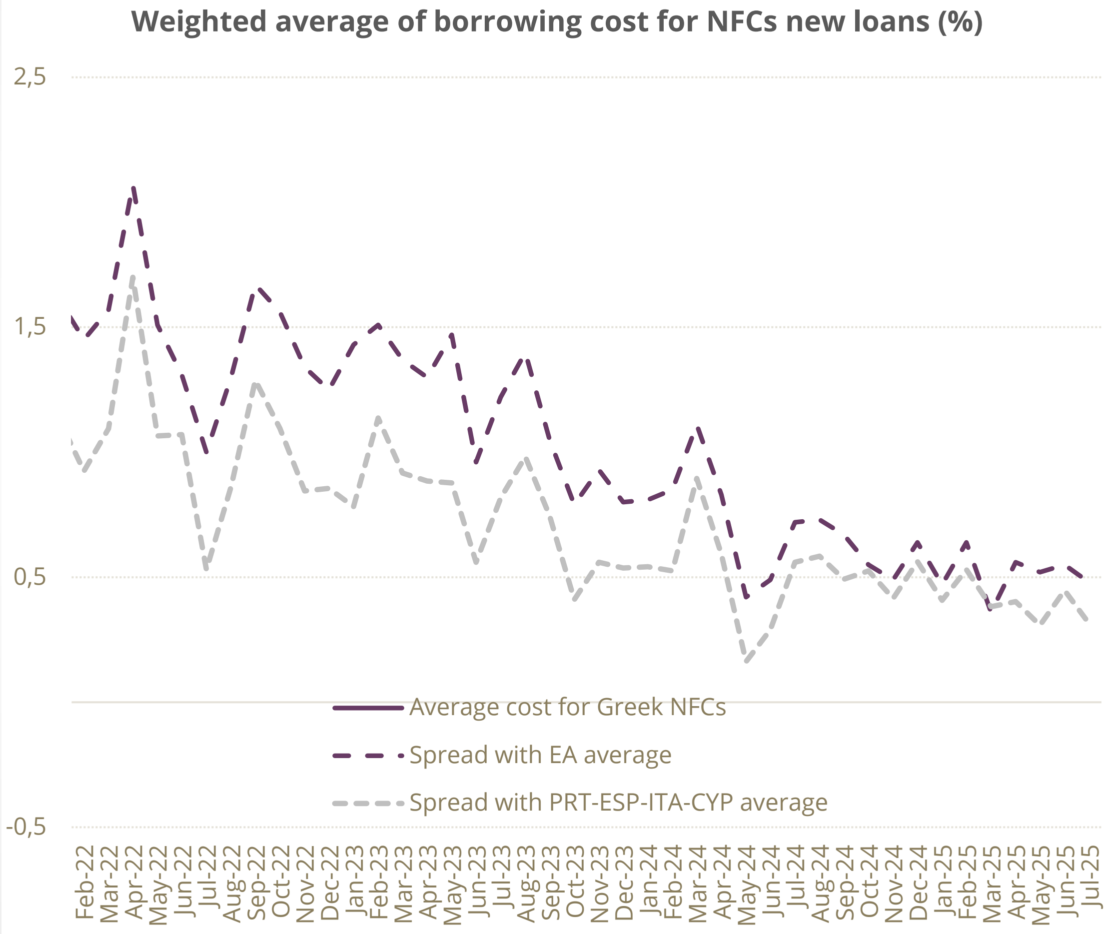


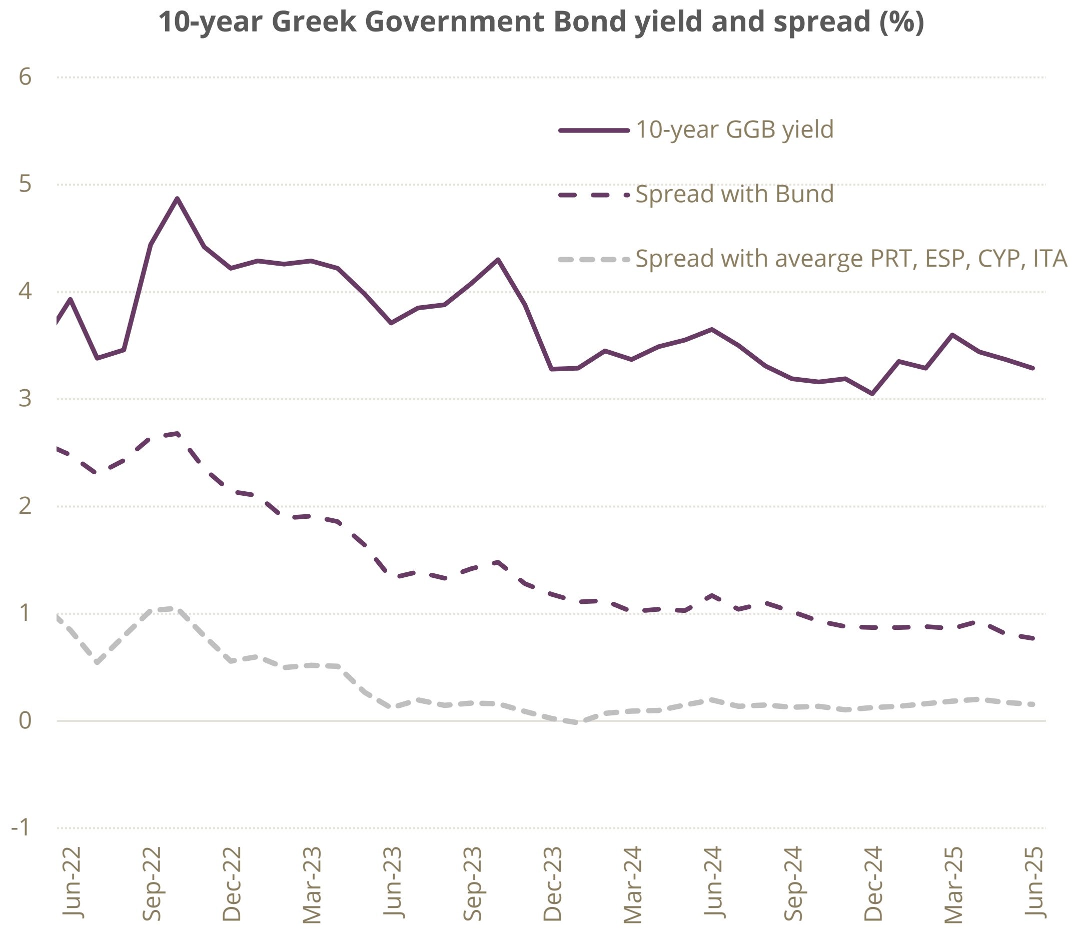


Source: Eurostat, Data Processing: IOBE

Total population has been shrinking since 2010, while births momentum has been negative since the ‘80s.

The cost of new funding for the private sector has **been easing since its peak in** mid-2022…

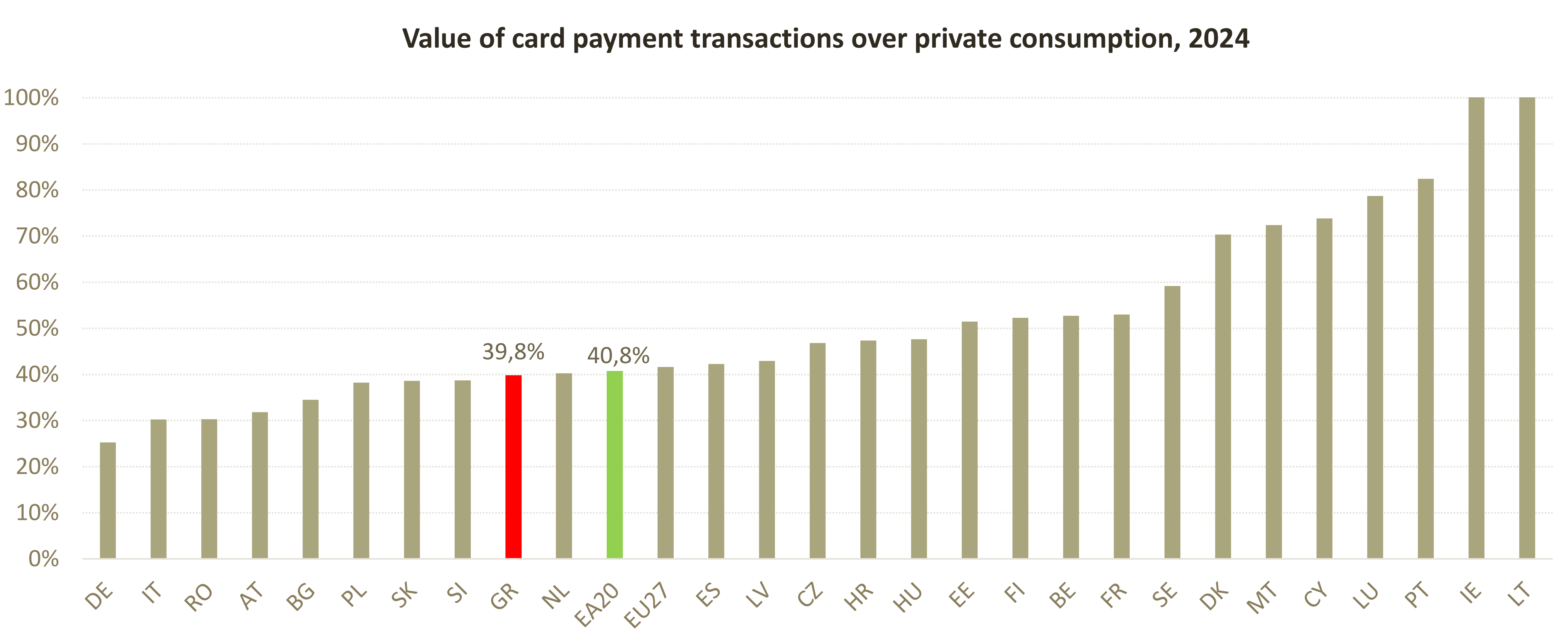




Source: ECB

…likewise for the public sector, mainly due to lowering spread with Euro Area peers affected by the sovereign’s gradual rating upgrades

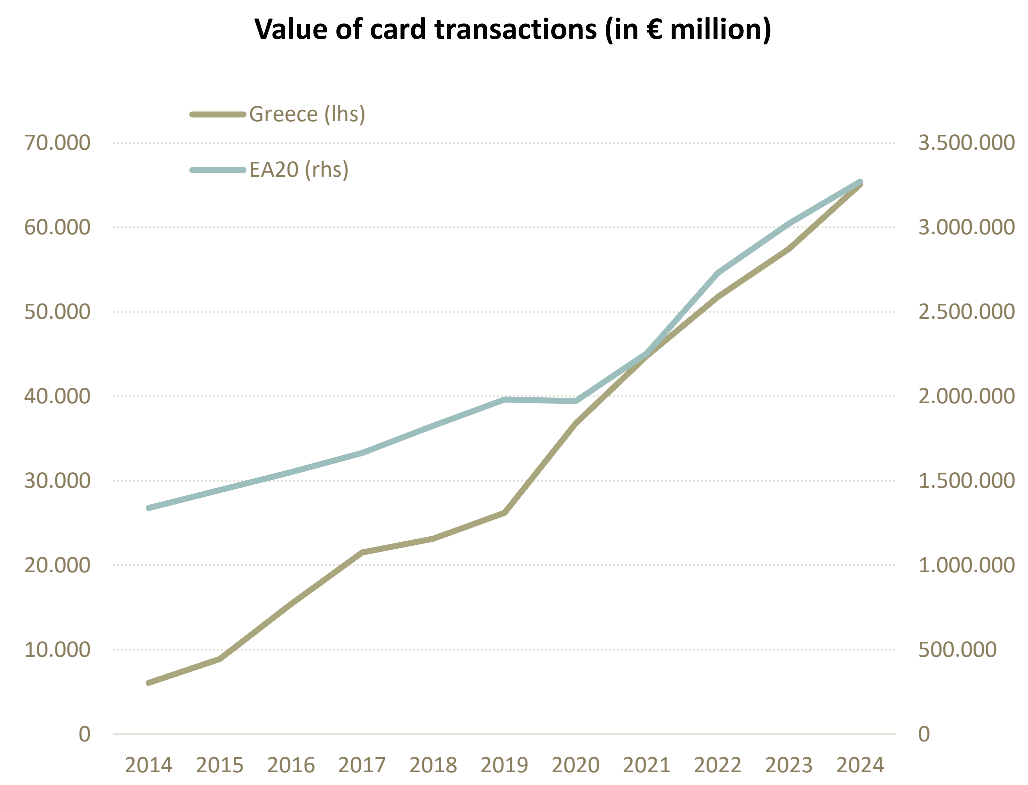
The use of card transactions in Greece, relative to private consumption, has converged with the Euro Area average after the pandemic shock…

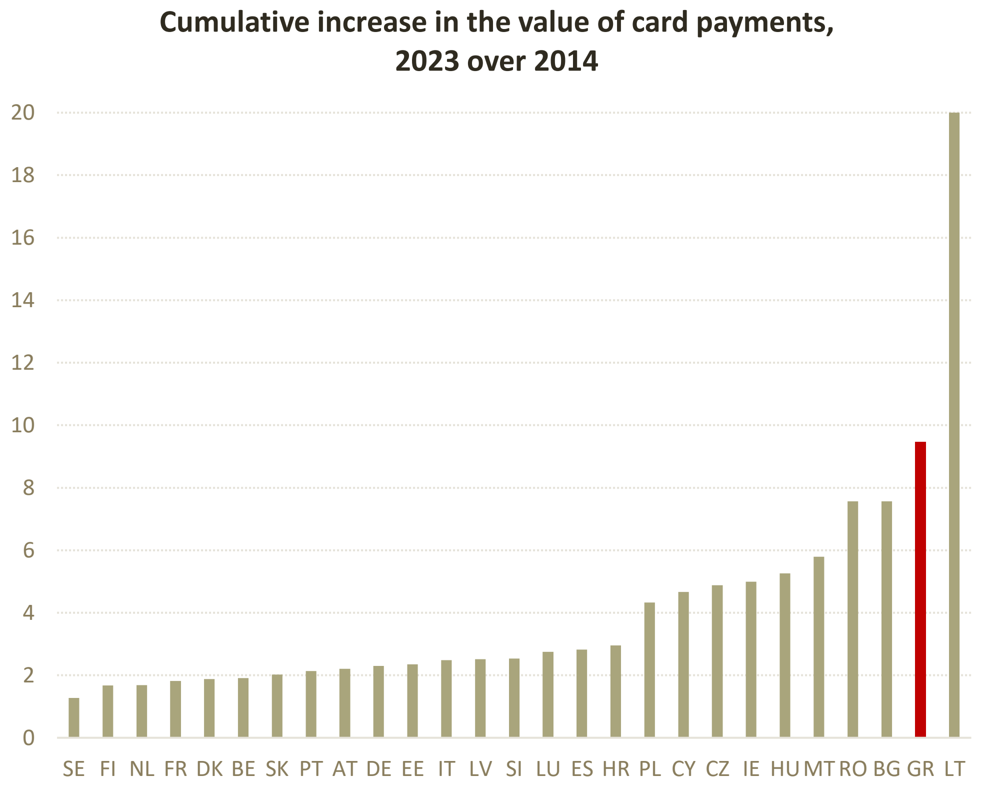


Source: ECB, Eurostat. **Data processing:** IOBE. **Note:** Card transactions data refers to cards issued in each country/region.

…showing one of the highest penetration rate in Europe during 2015-2024. However, Greece ranks only in the 19th position among all EU members, still recording low use in particular sectors, such as services.

During the last decade, Greece has recorded the second highest cumulative expansion of digital payments in the EU…



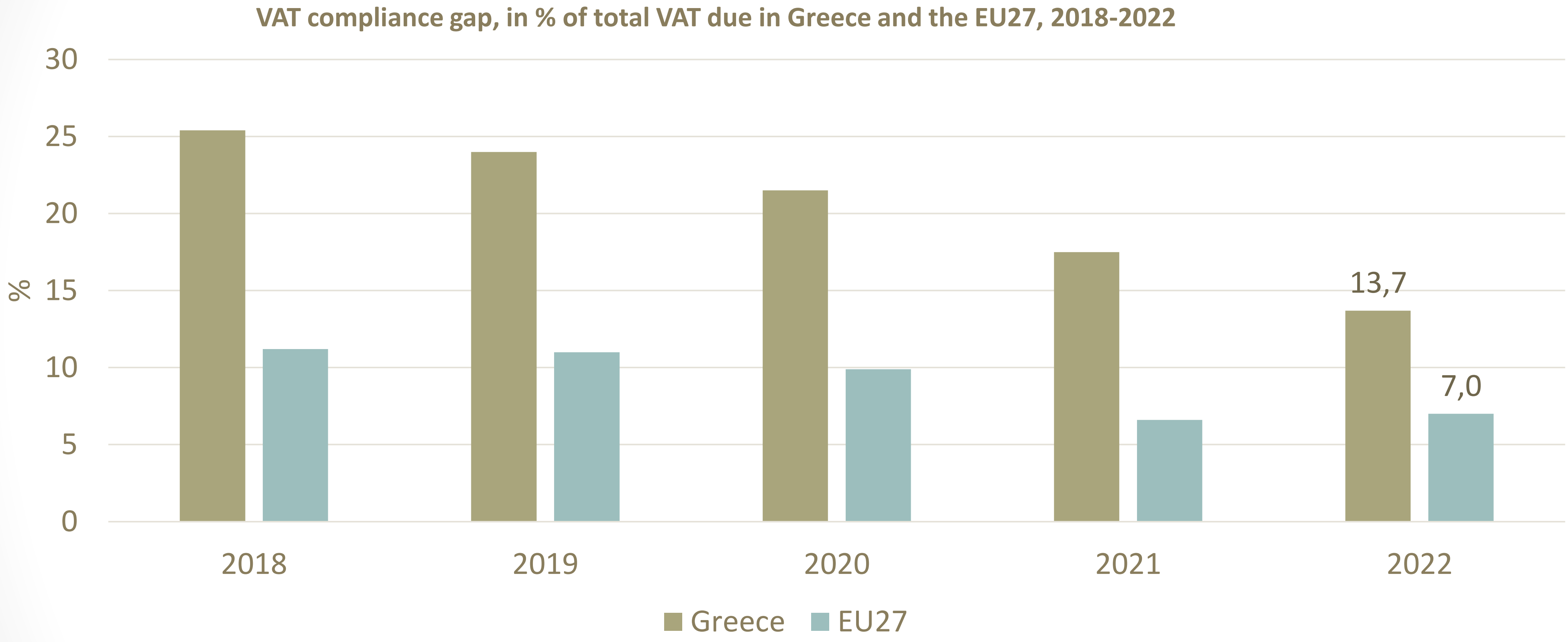


Source: ECB

…following systematic boosts by a series of factors:

- Capital controls (2015)
- Policy measures supporting the use of digital payments (laws 4446/2016, 4646/2019)
- Pandemic crisis (2020-2021)

The VAT compliance "gap" has almost halved in Greece during 2018-2022, albeit remains high



Source: European Commission, Data Processing: IOBE

The gap from EU average remains significant, by 11.7 ppts. Greece ranks 5th from last in the EU, compared to 2nd from last in 2018.

LOOKING AHEAD

Greece & the EU – broader challenges

1. Lagging in productivity and high tech

2. Adverse demographic dynamics

3. Looking for direction: the ‘political economy’ of reforms is a major challenge - Draghi Report etc.