INTERNATIONAL MONETARY FUND

IMF Country Report No. 25/85

GREECE

April 2025

2025 ARTICLE IV CONSULTATION—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR GREECE

Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. In the context of the 2025 Article IV consultation with Greece, the following documents have been released and are included in this package:

- A **Press Release** summarizing the views of the Executive Board as expressed during its March 31, 2025, consideration of the staff report that concluded the Article IV consultation with Greece.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on March 31, 2025, following discussions that ended on January 30, 2025, with the officials of Greece on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on March 11, 2025.
- An **Informational Annex** prepared by the IMF staff.
- A **Statement by the Alternate Executive Director** for Greece.

The documents listed below have been or will be separately released.

- **Selected Issues**

The IMF's transparency policy allows for the deletion of market-sensitive information and premature disclosure of the authorities' policy intentions in published staff reports and other documents.

Copies of this report are available to the public from

International Monetary Fund • Publication Services
PO Box 92780 • Washington, D.C. 20090
Telephone: (202) 623-7430 • Fax: (202) 623-7201
E-mail: publications@imf.org Web: http://www.imf.org

International Monetary Fund
Washington, D.C.

PR25/89

IMF Executive Board Concludes 2025 Article IV Consultation with Greece

FOR IMMEDIATE RELEASE

Washington, DC – **April 7, 2025:** The Executive Board of the International Monetary Fund (IMF) concluded the Article IV consultation[1] with Greece on March 31, 2025.

Greece's near-term economic outlook remains favorable, with real GDP sustaining its robust expansion. Real GDP growth is projected to remain high at 2.1 percent in 2025. Investment will continue to be a key driver, supported by NGEU-funded projects. Private consumption growth will remain solid, underpinned by favorable employment and income growth. With stabilizing global energy prices, headline inflation is expected to resume its downward trend, while core inflation will be more persistent due to services inflation and wage growth.

The banking system has further enhanced its resilience underpinned by balance sheet strengthening. Asset quality in systemically important banks has improved further, with the Non-Performing Loan ratio dropping to around 3 percent. Banks sustained high profits, which, along with capital instrument issuances, have boosted capital adequacy. Liquidity and funding risks have been markedly reduced, with buffers well above prudential requirements and the EU average.

Risks to the growth outlook are balanced, while those to inflation are tilted upward. Potential headwinds include the growth slowdown in major euro area countries, a deterioration of regional conflicts, and global policy uncertainty. The acceleration of ambitious structural reforms could further improve growth prospects. Stronger- and more persistent-than-expected wage growth could further fuel services inflation, potentially exacerbated by fluctuations in global and regional energy prices.

Executive Board Assessment[2]

Executive Directors welcomed the continued robust expansion of the Greek economy, the favorable near-term economic outlook, and the firm downward trajectory of the public debt-to-GDP ratio which however remains high. Noting the eventual phase-out of Next Generation EU funding, and the impediments to medium-term growth prospects arising from remaining crisis legacies and structural imbalances, Directors called for the right policy mix and ambitious structural reforms to help sustain robust growth, ensure fiscal sustainability, and safeguard financial stability.

Directors commended the strong progress on fiscal consolidation, driven by strong revenue performance partly due to recent reforms to reduce tax evasion. They agreed that maintaining

---

[1] Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board.

[2] At the conclusion of the discussion, the Managing Director, as Chairman of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country's authorities. An explanation of any qualifiers used in summings up can be found here: http://www.IMF.org/external/np/sec/misc/qualifiers.htm.

primary surpluses above 2 percent of GDP in the medium term will further enhance debt sustainability and build buffers against future shocks. Noting the substantial investment needs, including for the green transition and energy security, they recommended prioritizing public investment to help achieve sustainable growth, while improving social expenditure efficiency and containing spending pressures especially on pensions and public-sector wages.

While welcoming recent structural reform progress, Directors emphasized the importance of further comprehensive efforts to address supply-side structural impediments and boost potential growth. They stressed that raising labor force participation, particularly for women, and cultivating a better-skilled workforce would enhance growth prospects. They agreed that reducing regulatory burdens and barriers to entry for firms, especially in service sectors, would foster competition and increase productivity. Broad progress in judicial system reforms would help address crisis legacy debt, safeguard financial stability, and further enhance business dynamism and productivity. Moreover, they supported continued progress in the green and digital transition to help achieve energy security and further boost productivity growth.

Directors welcomed enhanced financial sector resilience, with improved bank profitability and reduced liquidity and funding risks, while noting that pockets of vulnerabilities remain. Amid accelerating credit growth, they emphasized that close monitoring of risks associated with credit exposure is warranted. They welcomed the activation of a positive neutral countercyclical capital buffer and borrower-based measures for mortgage loan borrowers, and recommended calibrating macroprudential toolkits to align with emerging risks. Directors also recommended that currently elevated bank profits should be primarily utilized to enhance capital buffers and their loss-absorption capacity, thus enhancing banks' resilience.

Table 1. Greece: Selected Economic Indicators

Population (millions)	10.4	Per capita GDP (€'000)	22.9
IMF quota (millions of SDRs)	2,428.9	Literacy rate (percent)	97.9
(Percent of total)	0.51	Poverty rate (percent)	26.1

Main products and exports: tourism and shipping services; food and beverages; industrial products; petroleum and chemicals.

Key export markets: EU (Italy, Germany, Cyprus, Bulgaria, Spain), Turkey, Lebanon, USA, UK.

GHG emissions per capita (tons of CO_2 equivalent): 6.3

	2024	2025	2026
	(est.)	(proj.)	
Output			
Real GDP growth (percent)	2.3	2.1	1.9
Employment			
Unemployment rate (percent)	10.1	9.4	9.0
Prices			
CPI inflation (period avg., percent)	3.0	2.5	2.1
General government finances (percent of GDP)			
Revenue	49.2	49.4	49.2
Expenditure	49.5	49.9	49.8
Overall balance	-0.3	-0.5	-0.6
Primary balance	2.9	2.5	2.4
Public debt 1/	150.8	142.4	138.0
Balance of payments (percent of GDP)			
Current account 2/	-6.9	-6.6	-6.1
FDI	-1.8	-1.6	-1.6
External debt	238.9	232.5	227.1
Exchange rate			
REER (percent change) 3/	0.0	...	...
Memorandum item:			
Nominal GDP (billions of euros)	237.6	248.4	258.7

Sources: Greek authorities; World Bank, World Development Indicators; IMF, International Finance Statistics, Direction of Trade Statistics, and IMF staff projections.

1/ Includes the stock of deferred interest payments on EFSF loans.

2/ Includes deferred interest payments on EFSF loans (adjusted for the compliance with the System of National Accounts).

3/ CPI-based.

INTERNATIONAL MONETARY FUND

GREECE

STAFF REPORT FOR THE 2025 ARTICLE IV CONSULTATION

March 11, 2025

KEY ISSUES

Context. Greece's near-term economic outlook remains favorable, establishing a solid foundation to address remaining crisis legacies and structural imbalances necessary for achieving sustainable growth in the medium to long term. Real GDP has continued its robust expansion, driven by public investment and structural reforms in the context of the Next Generation EU (NGEU), alongside steady growth of private consumption. The public debt-to-GDP ratio, while still high, is on a firm downward trajectory. However, remaining crisis legacies and structural challenges arising from the still low level of overall investment, an unfavorable demographic outlook, sluggish productivity growth, and increasing climate risks are weighing on medium-term growth prospects.

Policies. The right policy mix and ambitious reforms to address supply-side structural impediments will be essential for sustaining high growth, ensuring fiscal sustainability, and safeguarding financial stability.

- **Growth-friendly fiscal consolidation**. Maintaining primary surpluses above 2 percent of GDP in the medium term will further enhance public debt sustainability and build buffers against future shocks. Given the substantial investment needs, especially for the green transition and energy security, fiscal policy should prioritize public investment to achieve sustainable growth. Making social spending on healthcare and education more efficient and targeted will promote inclusive growth.

- **Structural reforms for boosting potential growth**. Raising labor force participation, particularly for women, and cultivating a better-skilled workforce are essential for enhancing growth prospects. Reducing regulatory burden and barriers to entry for firms, especially in service sectors, would foster competition and increase productivity. Strengthening judicial system reforms would safeguard financial stability by addressing crisis legacy debt and further enhance business dynamism and productivity.

- **Strengthening financial system resilience**. Amid accelerating credit growth, monitoring of risks associated with credit exposure should be further strengthened. Borrower-based measures for mortgages and the counter-cyclical capital buffer should be calibrated to align with emerging risks. Given the necessity to further enhance banks' resilience, currently elevated bank profits should be primarily utilized to build capital buffers and improve the quality of capital.

Approved By
Helge Berger (EUR) and Guillaume Chabert (SPR)

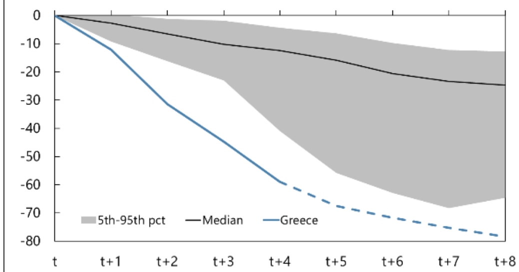
Discussions took place January 20–30, 2025. The team comprised Joong Shik Kang (Head), Larry Qiang Cui, Tarak Jardak, Mariusz Jarmuzek, Tomohide Mineyama, Ritong Qu (all EUR), and Diego Gomes (SPR). The mission met Minister of Economy and Finance Kostis Hatzidakis, Central Bank Governor Yannis Stournaras, other senior officials, think tanks, and private sector representatives. Michael Massourakis (OED) joined the official meetings. Martin Caudron, Eva-Maria Graf (both COM), Katherine Dai, Sharon Smith-Tohu, and Mengxue Wang (all EUR) supported the mission.

CONTENTS

CONTEXT: HEALING PROCESS WELL UNDERWAY

1. **The Greek economy has sustained its robust expansion while further enhancing its fiscal and financial health**. Since 2021, the economy has experienced cumulative growth of 20 percent—with real GDP per capita at 90 percent of the pre-Global Financial Crisis (GFC) level, up from 73 percent in 2020—driven by strong investment supported by NGEU funding and FDI, a cyclical recovery of tourism demand, and the steadfast implementation of structural reforms. The public debt-to-GDP ratio has decreased by more than 55 percentage points during this period, bolstered by strong growth, high inflation, and substantial fiscal consolidation.[1] Greece's sovereign credit rating has been upgraded to investment grade by most rating agencies. The divestment of government's stakes in all four systemic banks is near completion, and these banks made the first dividend payments since the GFC.

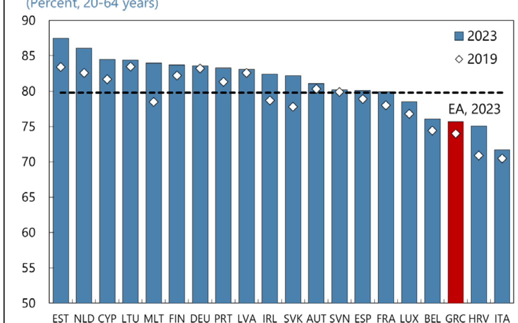
Debt Reduction Episodes in Advanced Economies
(ppts of GDP, t= year when government debt peaked)



Notes: The shaded area and black line are the percentiles of debt reduction episodes in 28 advanced economies from 1979 to 2021, identified by April 2023 WEO Ch.3. Definition of debt is either general or central government. The line for Greece indicates the actual (solid) and projected (dashed) tragectory of the general government debt-to-GDP ratio with t=2020.
Sources: Global Debt Database; Mauro and others (2013); and IMF staff calculations.

2. **Crisis legacies and structural challenges continue to weigh on medium-term growth prospects**. At end-2024, the public debt level is estimated to remain elevated at about 150 percent of GDP, with a significant amount of crisis legacy distressed private debt still present in the financial system, estimated at about 30 percent of GDP. Structural imbalances persist in the economy, including the still low levels of overall investment, a declining working-age population with low labor force participation rates, and sluggish productivity growth, all of which hold back medium-term growth prospects. The Greek economy is increasingly affected by climate change with more frequent extreme weather events.

Euro Area: Labor Force Participation Rate, 2023
(Percent, 20-64 years)

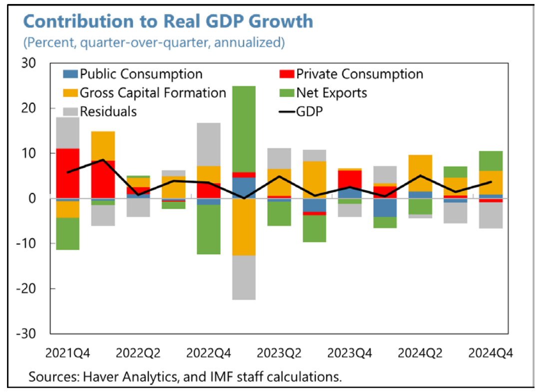


Source: Haver Analytics.

3. **The authorities have prioritized policies to enhance the resilience of the economy while continuing efforts to strengthen fiscal sustainability**. The government aims to foster an investment-friendly and more export-oriented economy characterized by increased competition and higher labor force participation through the implementation of a series of structural reforms under the National Recovery and Resilience Plan (NRRP). The authorities are committed to continue implementing prudent fiscal policy to further enhance public debt sustainability. Recently, they set a more ambitious climate target, aligned with the EU's Fit-for-55 package, to reduce greenhouse gas emissions by nearly 60 percent by 2030 compared to the 1990 level.

[1] About ¾ of the public debt is held by official creditors.

ROBUST EXPANSION WITH DECLINING DEBT



4. **The Greek economy continued to grow at a robust pace in 2024**. Real GDP expanded by 2.3 percent (y/y) in 2024, driven by a strong pickup in investment following the resumption of the NGEU-funded projects that had been stalled in late 2023, partly due to natural disasters. Private consumption remained buoyant, underpinned by rising real income and higher employment. Tourism flows have surpassed pre-pandemic levels, contributing to solid activity in tourism-related services and manufacturing sectors.

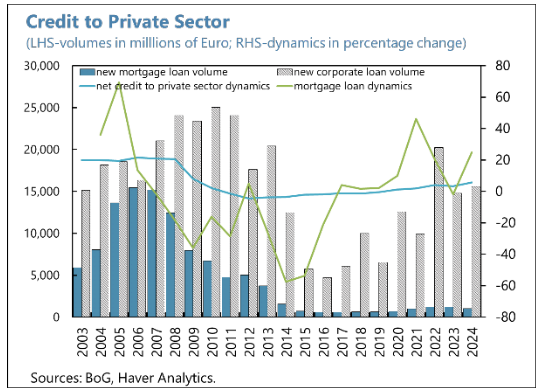
5. **Strong economic activity has led to a tight labor market amid low labor force participation**. Employment continued to grow robustly, by 2.3 percent (y/y) in 2024Q4, with a shift in composition from part-time to full-time workers. The unemployment rate has fallen to 9.5 percent in 2024Q4, a historic low since 2009. While the labor force participation rate has gradually risen to about 76 percent, it remains among the lowest in EU countries with a higher gap for women. The vacancy rate has continued to rise, reflecting labor shortages in a few sectors, in particular construction, tourism-related services, and high-skill sectors.

6. **Gradual disinflation is underway, although services inflation remains sticky**. Headline inflation stays at 3.0 percent (y/y) in February 2025, driven by services inflation. Electricity price continues to rise since last summer reflecting a combination of factors, including excessive heat in the summer, outages in electricity generation, and heightened demand from Ukraine resulting from the destruction of energy infrastructure. Core inflation has decelerated more gradually than headline inflation and remains high at 3.4 percent (y/y) in January due to wage inflation in labor-intensive service sectors as well as a 6.4 percent increase in the minimum wage in April 2024.

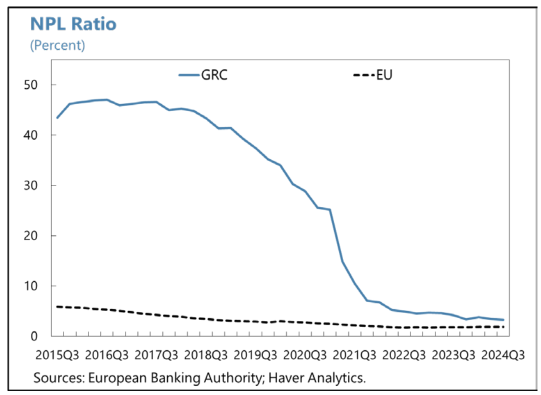
7. **Fiscal consolidation continues, mainly driven by strong revenue performance**. Public investment is estimated to have increased by about 1½ percentage points of GDP in 2024 following the resumption of the delayed NGEU-funded investment. Temporary social benefits and electricity subsidies were provided to vulnerable households (0.2 percent of GDP), while the government's wage grid reform increased the public sector wage bill by 0.2 percent of GDP. Meanwhile, strong revenue more than offset these spending increases, supported by improved tax compliance, higher social security contributions from employment and wage increases, a temporary tax on refineries' excess profits, and increased EU funding. Overall, the primary surplus is estimated to have increased to 2.9 percent of GDP in 2024, up from 2.1 percent in 2023.[2]

[2] Additionally, the authorities made an early debt repayment of €7.9 billion (about 3 percent of GDP) to the European Institutions in December 2024.

8. Credit growth has accelerated, although loan volumes remain subdued by historical standards. Credit to the private sector expanded significantly, reaching 9.4 percent (y/y) in 2024Q4, although nominal volumes remained below the pre-GFC period.[3] Strong corporate loan growth has also been supported, to some extent, by favorable terms of NGEU-funding. Given large repayments originating from the credit boom period, net credit growth to households remained in negative territory, but new mortgage and consumer loan dynamics rebounded strongly in 2024, with new mortgage loans increasing by around 20 percent, both surpassing household disposable income growth.



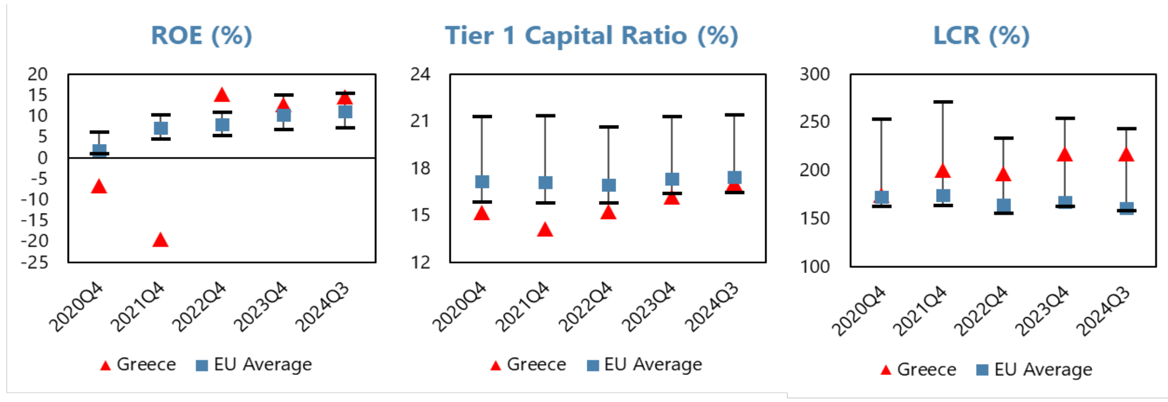
9. The banking system has further enhanced its resilience, while capital quality remains a challenge. Asset quality in systemically important banks has further improved, with the NPL ratio dropping to around 3 percent in 2024Q3, facilitated by a government-sponsored securitization framework. However, NPL levels remain above the EU average and the observed improvement saw only a limited contribution from organic actions such as loan write-offs or liquidations, amid insufficient progress in the implementation of the new insolvency law. High interest margins, coupled with increased credit volumes, have enabled banks to continue generating substantial profits in 2024. These profits, along with capital instrument issuances, have boosted the system-wide tier-1 capital ratio to 17 percent in 2024Q3, but voluntary capitalbuffers remain relatively low compared to peers. The capital quality remains inadequate with the Deferred Tax Credit (DTC) still representing 41 percent of prudential capital in 2024Q2.[4] Liquidity and funding risks have been markedly reduced, with buffers well above prudential requirements and the EU average, as banks have met the minimum requirement for own funds and eligible liabilities (MREL) and repaid targeted longer-term refinancing operations (TLTRO).



[3] See Anastasatou and others (2023) for the estimated impact of lower sovereign risk on the economy, including on the funding costs for banks as well as for corporates and households.

[4] The 2023 EBA/ECB stress test results for Greece suggest a higher degree of resilience compared to the SSM average and the previous exercise conducted in 2021, with improved results across all the four systemically important banks.

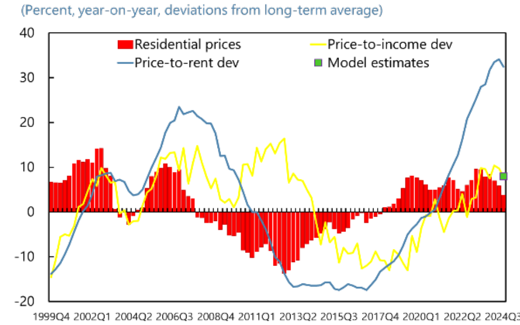
Banking Sector: Profitability, Capitalization, and Liquidity



Sources: European Banking Authority; Haver Anlaytics, and IMF staff calculations.
Note: Whiskers indicate the interquartile range.

10. There are emerging signs of imbalances in the real estate sector. Residential real estate prices have increased significantly since their trough in 2017 and have now surpassed pre-GFC levels in nominal terms. In addition to recent strong growth, the price increase reflects structural housing shortages—despite a sizable supply response—as well as increases in nonresident real-estate investment ahead of higher requirements for the Golden Visa program status. Various metrics indicate moderate overvaluation of housing prices in 2024.[5] In response, the government has implemented several measures to further boost housing supply, including a ban on new short-term rentals in Athens and tax incentives for those converting short-term rentals to long-term rentals and for renting out unused properties. Additionally, the Bank of Greece (BoG) has activated borrower-based measures (BBMs) in the form of caps on loan-to-value (LTV) and debt service-to-income (DSTI) ratios to enhance the resilience of the household sector and the banking system.[6]

Residential Prices and Valuation
(Percent, year-on-year, deviations from long-term average)



Sources: OECD, and IMF staff calcualtions.

11. The current account (CA) deficit has widened due to strong investment-driven import demand. Despite continued strong performance in tourism, the CA deficit widened to 6.9 percent of GDP in 2024 from 6.7 percent in 2023 driven by increased imports of investment-related goods as well as higher interest payments. On a preliminary basis, the external position in 2024 is assessed to be weaker than that consistent with medium-term fundamentals and desirable policies (Annex I).

[5] The price-to-income and price-to-rent ratios exceed their historical long-term averages by 8 and 34 percent, respectively, broadly confirmed by econometric model results suggesting an 8 percent overvaluation.

[6] The measures have come into effect January 2025 and are set for the DSTI at 40 percent and for the LTV at 80 percent, with higher limits for first-time buyers to alleviate distributional effects.

12. Good progress has been made in much-needed structural reforms, contributing to further improvement in fiscal and growth sustainability (Annex II). The authorities have made significant progress in reducing tax evasion, including by interconnecting Point of Sales machines with cash registers and tax authorities' system, which has led to a significant increase in tax revenue (Annex VI). The abolishment of substantial pension penalties for retirees to re-enter the labor market is estimated to have increased the number of working pensioners significantly.[7] Greece has significantly expanded solar and wind generation capacity in recent years, with renewable sources accounting for about 50 percent of total electricity generation, turning Greece to a net electricity exporter in 2024. However, the remaining gaps in building an interconnected European energy market and storage capacity are key hurdles to achieving energy security and support the green transition.

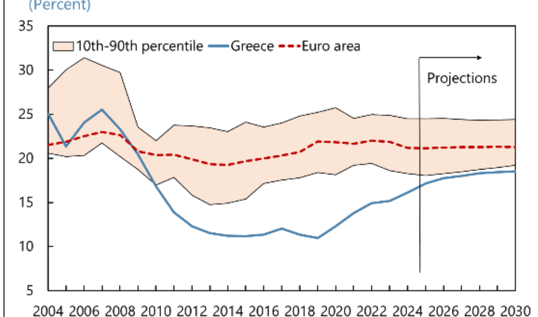
Authorities' Views

13. The authorities agreed that the strong implementation of investments and structural reforms under the NRRP improved both growth and fiscal sustainability. They agreed that the economy continued to grow faster than its current potential growth rate, driven by a strong pickup in NGEU-funded investment projects and robust private consumption underpinned by rising real income. The authorities emphasized that recent strong progress in digitalizing public administration helps address deep-rooted structural bottlenecks, including the increased coverage of the land registry from 36 to 61 percent in 2023-24 and online one-stop shop for company registration. They noted that the public finances improved further, although the public debt ratio remains elevated, on the back of buoyant tax revenue due to the strong progress in reducing tax evasion as well as well-controlled spending and proactive debt management.

NAVIGATING STRUCTURAL HEADWINDS

14. Robust growth is expected to continue in the near term, before moderating in the medium term with the expiration of NGEU funding. Real GDP is projected to grow at a robust pace of 2.1 percent in 2025, with headline inflation resuming a downward trajectory. Against the backdrop of demographic headwinds, though somewhat offset by an expected rise in labor force participation, and the expiration of NGEU funding, GDP growth is forecast to moderate to 1.4 percent in the medium term. The CA deficit is expected to narrow gradually below 4 percent of GDP in the medium term, as imports are expected to slow with the winding down of NGEU-funded investment. Key underlying assumptions for this projection include:

Gross Fixed Capital Formation-to-GDP Ratio
(Percent)



Sources: Eurostat; and IMF staff calculations.

- Investment will continue to be a key driver of near-term growth, supported by the full execution

[7] A penalty of 30 percent reduction in pensions was replaced with a 10 percent levy on labor income.

of NGEU-funded projects: grant-financed public investment by 2026 and loan-financed projects (private investment) by 2028 (Annex VI).[8] The total investment-to-GDP ratio is projected to rise by an additional 3 percentage points over the medium term, but it will remain below the levels of euro area peers.

- Private consumption will continue to grow at a robust pace underpinned by favorable employment and income growth amid a tight labor market.

- The fiscal stance as measured by the change of the cyclically adjusted primary balance excluding NGEU grants will be expansionary in 2025-26 before becoming contractionary in 2027.

- Against the backdrop of a gradually shrinking positive output gap, headline inflation is projected to resume its downward trend after winter, the peak season for electricity demand. However, core inflation is projected to decline more gradually due to persistent services inflation and the effects of wage increases.

15. Risks to the growth outlook are balanced, while those to inflation are tilted upward (Annex III).

- Externally, the slowdown in the major euro area countries, potentially coupled with higher trade barriers and uncertainty, and intensification of regional conflicts would weigh on trade, tourist, and FDI flows. Heightened commodity prices, including spillovers from regional conflicts, could negatively impact consumption and investment activities. Domestically, delays in the execution of NGEU-funded projects and structural reforms could restrain investment and productivity, while adverse climate shocks could disturb economic activities. Conversely, stronger-than-expected recovery of the euro area economies, along with the acceleration of structural reforms, could further improve growth prospects and the public finances.

- Upside risks to inflation include fluctuations in energy prices, as well as adverse climate shocks that could impact food prices. Stronger-and more-persistent-than-expected wage growth could further fuel services inflation.

Authorities' Views

16. While agreeing with the positive near-term outlook and risks, the authorities were more optimistic about medium-term growth prospect. They noted that strong domestic demand, supported by the full execution of NGEU-funded projects, would accelerate growth in the near term despite the large uncertainty in the global economy. They viewed that continued reforms in deep-rooted structural bottlenecks would improve productivity and lead to higher growth in the medium term. They acknowledged upside risks to inflation in the near term due to persistent

[8] NGEU loans provide 30–50 percent of the project cost, while private investors are expected to cover at least 20 percent with the rest covered by financial institutions that channel the loans.

services inflation and energy prices but expected inflation to gradually converge toward the ECB euro area target of 2 percent by next year.

SEIZING OPPORTUNITIES FOR SUSTAINABLE GROWTH

A. Fiscal Policy

17. Continued fiscal prudence, with a primary surplus of more than 2 percent of GDP, would further strengthen public debt sustainability.

- In 2025, the primary surplus is expected to remain high at 2.5 percent of GDP. Some revenue losses from an additional cut in social security contributions by 1 percentage point[9] and the abolition of the overhead tax for self-employed are expected to be partly offset by increased revenues from recent reforms to reduce tax evasion and a new climate resilience levy on tourism. Current primary expenditures are projected to decline by about 0.3 percentage points of GDP mainly due to lower social benefits, subsidies, and intermediate consumption. A further increase in public investment of close to 1 percentage point of GDP will be funded by NGEU support.

- The primary surplus is projected to remain at robust levels at 2.3 percent of GDP in the medium term. Public investment would peak in 2026 before declining by about 2½ percentage points of GDP over the medium term with the expiration of NGEU funding. A further decline in revenues, including another cut in social contribution in 2027 by 0.5 percentage point, will be broadly matched by continued savings in current expenditures.

- The baseline is in line with staff recommendations.[10] It is projected to result in a reduction of the public debt-to-GDP ratio by another 25 percentage points to below 130 percent by 2030.[11]

18. A number of additional expenditure measures would further support fiscal sustainability.

- ***Enhancing public investment implementation***. The recent establishment of the Public Investment Directorate under the Ministry of Economy and Finance is important and welcome. Continued reforms are necessary to support efficient public investment planning and management. These reforms include strengthening centralized coordination and procurement, increasing digital integration of management systems, as well as integrating related operation and maintenance considerations into medium-term budgeting. Additionally, efforts to address

[9] The social security contribution rate has been cumulatively cut by about 4.5 percentage points since 2019 to lower the labor tax wedge, including temporary cuts during the pandemic that were made permanent.

[10] This is in line with the authorities' Medium-Term Fiscal Structural Plan under the new EU economic governance framework, which has been endorsed by the European Commission and the Hellenic Fiscal Council.

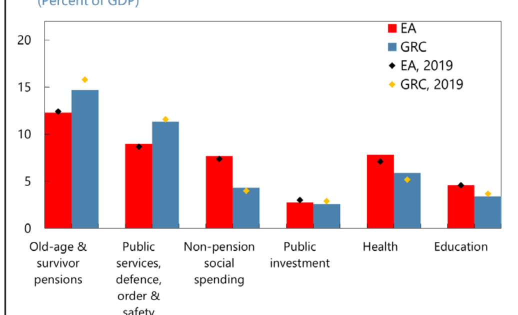
[11] The overall risk of sovereign stress is assessed to remain moderate (Annex II).

the fragmented legal framework and streamline secondary legislations on public investment can further accelerate the implementation.

- ***Increasing the efficiency of social expenditure***. Non-pension social spending such as healthcare and education remains relatively low compared to peers and should be protected while enhancing efficiency. This can be achieved by rationalizing allocations to align with the evolving needs of new demographics, such as strengthening high-return pre-primary and vocational education, further incentivizing trainings on highly-demanded science and technology skills building on the planned opening of non-state universities—complementing the structural reforms to increase skilled labor supply and address skill mismatches—as well as improving health sector staff composition and procurement practices.[12] Ongoing efforts to integrate social benefit management into a one-stop portal linked with employment registration can facilitate information sharing and eligibility screening to increase spending efficiency. The authorities should continue to strengthen the means-tested Guaranteed Minimum Income (GMI) scheme by expanding its coverage and targeting including its job integration component, which can increase labor force participation. Strengthening the GMI can also protect the most vulnerable against rising climate-related disasters and facilitate the green transition.[13] Furthermore, assessments from the regular spending reviews should be better integrated into annual budgeting to enable continued improvements. Any support to vulnerable households and viable firms in response to energy price shocks needs to be targeted and temporary, while maintaining price signals.

- ***Containing spending pressure***. Excessive increases in pensions and public-sector wages should be resisted, as spending on both areas remain elevated compared to peers. The strong implementation of recent reforms that have already tied pension parameters to demographic trends—such as raising the effective retirement age in line with life expectancy—and ensuring that pension increases adhere to the established indexation formula without *ad hoc* adjustments would help safeguard the long-term sustainability of the public pension scheme while addressing the rising healthcare needs. Further efforts to digitalize public services and reduce bureaucratic red tape would improve efficiency in public administration without increasing public sector employment.

Fiscal Spending, 2022
(Percent of GDP)



Sources: Eurostat; and IMF staff calculations.

19. There is room for additional revenue-enhancing reforms. Despite recent progress in improving tax compliance, the VAT gap is still estimated to be about 5 percentage points above the

[12] See OECD (2023) "*Education at a Glance: Greece*" and Kalavrezou and Jin (2021) "*Healthcare Reform in Greece: Progress and Reform Priorities*."

[13] IMF (2022) Selected Issues Paper, *"Is Greece's Social Protection System Fit for the Green Transition?"*.

EU average.[14] Therefore, continued efforts are necessary to enhance revenue collection by addressing tax evasion and promoting tax compliance, which would also help further reduce informality and level the playing field for formal firms.[15] The Independent Authority for Public Revenue (IAPR)'s new medium-term strategy presents a good opportunity to broaden digitalization and system integration to modernize tax administration and increase tax collections further. Tax policy reforms should focus more on broadening the tax base, including by lowering the effective tax-free income tax threshold,[16] while calibrating the rates in a revenue-neutral manner to enhance the progressivity of the tax system. Consistent with these reforms, inefficient and regressive tax expenditures such as VAT rate cuts and exemptions that mostly benefit the rich should be phased out.[17] The authorities should also consider raising carbon pricing in non-ETS sectors, particularly in the transport and some industries, which can generate revenue to improve social protection and help address climate change and energy security by sharpening market incentives. Improved tax compliance and additional revenue sources would help ensure fiscal space to meet spending needs even under adverse scenarios.

20. Fiscal space created by additional expenditure or revenue measures should be used for debt reduction as well as crucial social and capital spending to enhance inclusive and green growth. Greece's debt ratio remains high under the baseline. At the same time, it is important to support sufficient public investment even after the expiration of NGEU funding as there remain large infrastructure investment needs, especially for energy security and green transition. The authorities should also consider supporting crucial social expenditures such as healthcare and education to foster more inclusive growth.

Authorities' Views

21. The authorities agreed that continued growth-friendly fiscal consolidation would further strengthen fiscal sustainability while supporting durable income growth. They viewed that the primary surplus at about 2½ percent while protecting public investment in 2025–28 would strike a balance between further reducing public debt and achieving sustainable growth. The authorities agreed that excessive increases in public sector wage and pension spending should be avoided, while noting that continued progress in fighting tax evasion could create fiscal space for more public investment and targeted cuts in the labor tax wedge to raise labor force participation, particularly for women and youth, and increase skilled labor supply.

[14] European Commission (2024) ."*Country Report—Greece*."

[15] IMF (2024) Selected Issues Paper, *"Recent Trends of Informality in Greece—Evidence from Subnational Data."*

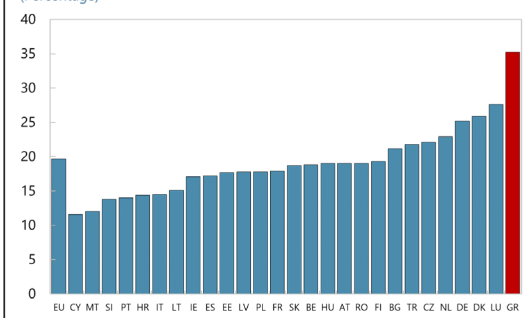
[16] See OECD (2024) "*Economic Surveys: Greece.*" The effective tax-free PIT threshold is about 60 percent of the average wage in 2022, above the euro area median of about 40 percent.

[17] For example, those on take-away beverages, art objects, and spa services. Some rate cuts and exemptions were made during the pandemic but are no longer needed amid strong growth.

B. Financial Sector Policy

22. While systemic risk remains relatively limited with low private sector leverage, pockets of vulnerabilities persist. Both corporate and household indebtedness is low compared to the EU average, but debt servicing cost for households in Greece is one of the highest in the EU, with accelerating credit growth. Despite ECB's policy easing, tighter financing conditions could further exacerbate the debt servicing burden, potentially leading to deterioration in banks' asset quality and impacting their internal capital-generation capacity. A model-based analysis suggests that the credit-to-GDP gap remains positive, in line with a positive output gap.[18] The macro-financial risks associated with further financial tightening, coupled with growth slowdown amid house price overvaluation, could result in the deterioration of bank balance sheets and corrections in house prices, creating an adverse feedback loop for the real economy.

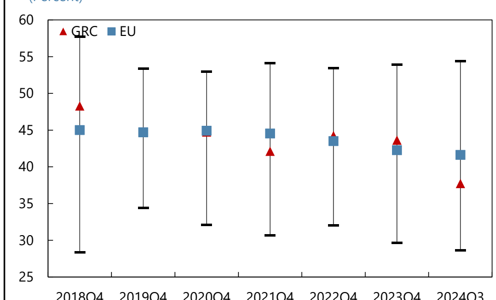
Share of Housing Costs in Disposable Household Income, 2023
(Percentage)



Source: Eurostat.

23. Supervisors should ensure close monitoring and robust management of credit risk by banks. While forward-looking measures of credit risk are showing improvement, the potential crystallization of credit losses remains a concern, as the NPL coverage ratio is lower than the EU average.[19] Supervisors should continue scrutinizing to what extent banks deploy adequate and forward-looking provisioning policies, supported by adequate collateral valuations. Targeted reviews of loan origination practices, including assessments of real estate and consumer credit portfolios, would help ensure compliance with the relevant guidelines set forth by the European Banking Authority (EBA).[20]

NPL Coverage Ratio
(Percent)



Sources: European Banking Authority; and IMF staff calculations.
Note: Whiskers indicate the interquartile range.

24. Supervisors should also ensure that banks establish sustainable profitability drivers to enhance capital adequacy and its quality. While banks have continued to record strong profits in 2024, these profits have been partially driven by cyclical factors, with considerable uncertainty persisting over the medium to long term. Building on the experiences from 2024, supervisors should continue utilizing their prerogatives under the supervisory review and evaluation process assuring

---

[18] Employed methodology follows Baba and others (2020) "*How Should Credit Gaps Be Measured? An Application to European Countries*," IMF Working Paper 20/6, which suggests limited applicability of Basel-based credit gaps for countries that experienced boom-bust cycles.

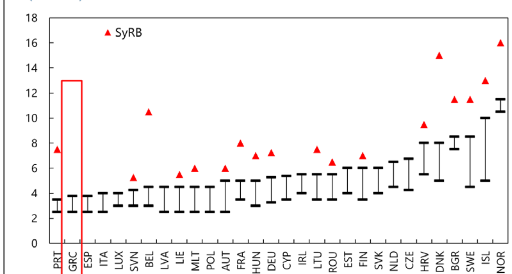
[19] There has been a continued improvement in credit quality, with stage 2 loans being slightly lower than the EU average in 2024Q2.

[20] EBA (2020) Guidelines on Loan Origination and Monitoring, EBA.

that bank dividend payouts take key risks into account to prevent instances of extraordinary payments, thereby supporting bank capital accumulation.[21] Supervisors should also closely monitor to what extent banks adapt their business models to the changing operating environment and further strengthen their risk management frameworks.[22] These actions would help establish sustainable profitability drivers, which, in turn would bolster capital adequacy and its quality. This is particularly important because high DTCs weaken the loss-absorption capacity of the banking system. The recently announced initiative by banks to accelerate the amortization of DTCs—aiming to eliminate it for the majority of banks by 2031—will further enhance bank resilience and reduce the bank-sovereign nexus.

25. The implementation of the comprehensive macroprudential toolkit will further strengthen the resilience of the banking sector. Staff welcomes the activation of a positive neutral countercyclical capital buffer (CCyB) and BBMs for mortgage loan borrowers. As combined capital buffers are relatively low compared to other EU countries, the authorities should be prepared to recalibrate the CCyB to align with evolving risks and ensure enhanced resilience amid an increasingly uncertain economic outlook.[23] The BBMs in the form of caps on LTV and DSTI ratios will help prevent excessive mortgage leverage buildup while limiting banks' exposure to the housing boom.[24]

Combined Capital Buffers (CCoB+CCyB+OSII)+SyRB
(Percent)



Sources: ESRB.
Notes: CCoB - capital conservation buffer; OSII - other systemically important banks; SyRB -systemic risk buffer. Black whiskers indicate the upper and lower bounds of combined buffer requirement. SyRB buffers differ across countries in terms of coverage of exposures.

Authorities' Views

26. The authorities highlighted substantial strengthening of financial system resilience, with further solidifying initiatives under way. They noted that improving asset quality sets the stage for Greece's NPL ratio convergence to the euro area average in the near term, with additional efforts of supervisors under way to maintain robust credit risk management practices applied by banks. The authorities expected that the accelerated amortization of DTCs by banks would help enhance the quality of capital and contribute to reducing the bank-sovereign nexus. Balancing the improved bank fundamentals with the remaining challenges, supervisors envisaged resisting excessive dividend payouts in the near to medium term. They noted that, despite limited systemic risk, BBMs were activated for signaling purposes and a positive neutral CCyB was adopted to create adequate macroprudential space, both enhancing the resilience of the financial system.

---

[21] See IMF (2021) "*Unwinding COVID-19 Policy Interventions for Banking Systems*," Special Series on COVID-19, March 10, 2021, and Belloni and others (2022) "*Why European Banks Adjust their Dividend Payouts?*" IMF Working Papers 22/194.

[22] See IMF (2022) Selected Issues Paper, "*Bank Profitability Drivers and Challenges in Greece.*"

[23] See IMF (2022) Selected Issues Paper, "*Enhancing Macroprudential Capital Buffers in Greece.*"

[24] The adopted calibration of BBMs is in line with IMF (2024) Selected Issues Paper, "*Calibrating Borrower-Based Measures in Greece.*"

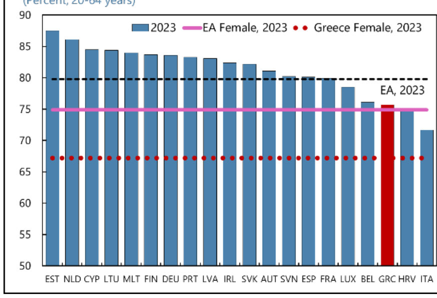
C. Structural Policy

Raising Labor Force Participation

27. Unfavorable demographic outlook, combined with low labor force participation, poses a significant drag on medium- to long-term growth prospects. The working age population has declined by about 0.7 percent annually over the last decade and is projected to further decline by about 1 percent annually until 2030, which is estimated to reduce potential growth by about ½ percentage point.[25]

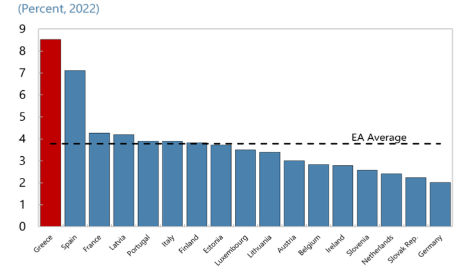
- The labor force participation rate in Greece is among the lowest in the euro area, even as Greek workers already face the longest working hours per week. Moreover, notable participation gaps exist among youth, women, and the elderly. For example, the labor force participation gap for women is about twice as high as that for men compared to peer countries, suggesting scope for targeted support to empower women to boost growth while alleviating labor shortages.

Labor Force Participation Rate: Greece and Euro Area
(Percent, 20-64 years)



- A tight labor market with a high vacancy rate and low labor force participation suggests significant skill mismatches—as evidenced by the highest unemployment rate among those with tertiary education in the euro area—as well as disincentives or impediments for labor supply. Among college graduates, the unemployment rate for women is higher by 4 percentage points than that for men.

Unemployment Rate with Tertiary Education
(Percent, 2022)



Note: EA Average refers to 17 EA countries, excluding Croatia, Malta and Cyprus.
Sources: OECD and IMF staff calculations.

28. Raising labor force participation and ensuring a better skilled workforce would help address unfavorable demographic trends while reducing informality and improving the public finances.

- Labor force survey (LFS) data suggest that training gaps and home care responsibilities are major participation barriers. Cross-country comparisons imply that increasing access to early childhood care and improving parental leaves, particularly for fathers, can raise women's participation. Based on staff analysis, measures that reduce the care burden can increase employment by 3 percent.[26]

---

[25] See European Commission (2024), "*Ageing Report*."

[26] The estimated gain corresponds to the increased employment of those who explicitly cite in the LFS that care responsibilities are the primary reason for not participating in the labor market. See IMF (2025) Selected Issues Paper, "*Unlocking the Work Force Potential: Empowering Women to Boost Economic Growth and Greek Prosperity*."

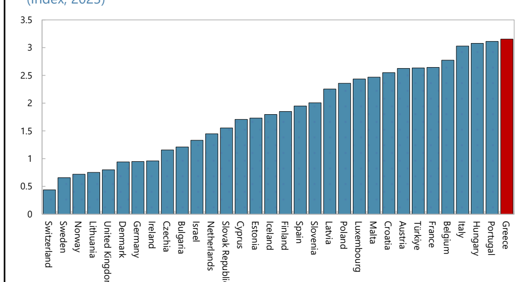
- Targeted labor market policies such as active labor market programs and reskilling initiatives could be expanded. Upgrading and scaling up the lifelong learning system to a broader population, particularly focusing on highly demanded science and technology skills, as well as healthcare, can reduce skill mismatches and help alleviate the bottlenecks for youth and female employment.

- Reducing the still high tax wedge, particularly in cutting the marginal effective tax rate for the second earner in low-income households with children, can increase work incentives and help reduce informality.[27] For efficient targeting, tax allowances or childcare to support women's labor force participation can be channeled through the means-tested GMI. Reforms to steepen the phasing out of the unemployment benefit within the eligibility period while incentivizing job search would also increase its efficiency.

Improving Allocation Efficiency to Enhance Productivity

29. Business dynamism and productivity remain low in Greece, posing a significant drag on economic growth. Total factor productivity growth has recently turned positive on the back of public investments and structural reforms. However, the level of overall investment remains low, with a sizable gap with euro area peers, and slow productivity growth continues to weigh on potential growth over the medium term. Staff analysis suggests that marginal revenue productivity across firms has widened, implying inefficient resource allocation among incumbent firms, particularly in the services sector and among small-sized firms.[28] This is compounded by capital constraints faced by micro and small firms, which dominate the economy, thereby contributing to low business dynamism and overall productivity growth. Despite the authorities' broad-based regulatory reforms in recent years to improve the business environment, service sectors—particularly professional services—continue to face tight regulations, with barriers to entry remaining at the highest and the firm exit ratio being the lowest among European countries.

Barriers to Entry in Service Sectors
(Index, 2023)



Sources: OECD Product Market Regulation Indicators and IMF staff calculations.
Note: The index is scaled from zero to six with a higher value reflecting a less competition-friendly regulatory stance.

30. Accelerating regulatory reforms to foster competition would help improve business dynamics and thereby enhance productivity. To achieve better resource allocation, it is critical to enhance competition by further reducing the regulatory burdens and promoting an open market,

---

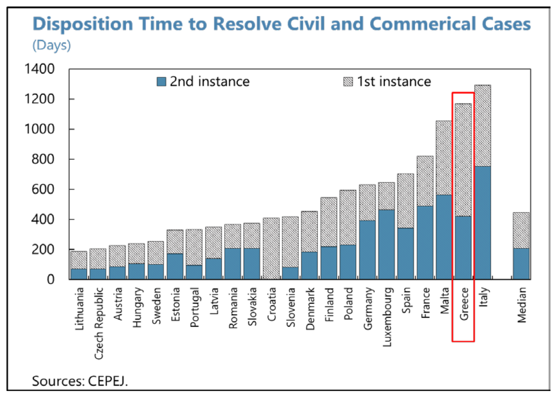
[27] In 2023, Greece's total tax wedge for a one-earner married couple at average earnings with two children was 37 percent, about 6 percentage above the corresponding euro area average. In addition, the marginal effective tax rate increases with a second earner for low-income households, but decreases for high-income households, suggesting scope for targeted support.

[28] Staff analysis suggests that TFP in the market economy sector declined relative to its efficient level by around 30 percent between 2009 and 2020. The efficiency decline is mainly driven by service sectors, including construction, professional services and food and accommodation services. See IMF (2025) Selected Issues Paper, "*Improve Resource Allocation to Boost Growth in Greece*."

particularly in services. The productivity of capital could be improved by restructuring still large crisis legacy distressed private debt, thereby reallocating these resources to firms that need new financing for growth. In this context, recent measures to simplify the domestic M&A framework and provide tax incentives are welcome. Firm size-based tax and regulatory incentives should be avoided, while tax incentives should narrowly target firms' R&D investments to support young, innovative firms. Moreover, the quality of regulation needs to be improved by leveraging digitalization and enhancing regulatory impact assessments. Additionally, beyond the Greek authorities' efforts, the expansion of the European single market would further benefit Greece's productivity.

Addressing Crisis Legacy Debt and Laying Foundations for Higher Resiliency

31. Advancing judicial system reforms is essential to improve business dynamism and safeguard financial stability. While the rapid reduction of banks' NPLs through a state-sponsored securitization framework has been notable, risks have largely migrated to the non-bank financial sector, where distressed debt of about 30 percent of GDP is under recovery by credit servicers.



- The new insolvency framework, implemented since June 2021, aims to facilitate the restructuring of private debt by incorporating key features of international best practices, such as out-of-court workouts, a pre-insolvency procedure for rehabilitation, liquidation, and a bankruptcy procedure.[29] This framework presents an opportunity to strengthen the incentives for debtors to re-engage in financial relations ex ante and reduce deadweight costs. There are rigidities in the functioning of the civil judicial system, which manifest themselves in a low clearance rate and prolonged disposition times for civil and commercial cases.[30]

- Staff welcomes the recent judicial reform program aimed at addressing these imbalances by improving efficiency and quality. In line with the program, efforts should focus on timely implementation of the transfer of non-litigious cases from courts to lawyers, the recruitment of additional judicial clerks, training, and an increase in digitalization level.[31] Consideration should also be given to setting up commercial courts to enable judges to specialize permanently in commercial matters and thereby build expertise that is relevant for decision-making in complex cases of rehabilitations and liquidations. These judiciary system reforms are necessary to

---

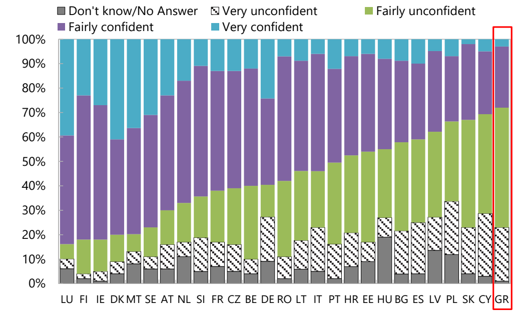
[29] See IMF (2024) Country Report 24/23, Greece: Staff Report for the 2023 Article IV Consultation, Annex VI "*Data Reporting on Private Debt Restructuring*."

[30] See IMF (2025), Selected Issues Paper, "*Enhancing Judicial System Efficiency in Greece. Drivers and Economic Impact*."

[31] European Commission (2024) "*Rule of Law Report, Country Chapter on the rule of law situation in Greece*"; and World Bank (2023) Support for the reform of the judicial map of civil and criminal courts and performance-based compensation framework for judicial clerks.

accelerate the resolution of court cases, which would not only help address the remaining crisis legacy debt but also pave the way for more efficient resolution of private debt in the future. Such reforms would not only enhance financial sector resilience but also increase productive growth over the medium to long term by freeing up resources currently tied up in unproductive activities and facilitating the reallocation of capital to more productive companies and higher investment.

How Companies Perceive the Effectiveness of Investment Protection by the Law and Courts



Sources: Eurobarometer.

Green Transition and Energy Security

32. Continued progress in green transition, along with the completion of the EU-wide Energy Union, will help achieve energy security. Improving power connectivity with distant islands and enhancing energy efficiency in industries and transportation are essential for achieving the updated climate goals. This will require sizable investments beyond the already secured NGEU funding, underscoring the importance of attracting private investment including through strengthening market incentives, as well as securing public investment. In addition to further increase in solar and wind capacity, it is critically important to scale up grid networks and storage solutions to ensure a stable power supply without large price volatility and achieve energy security (Annex VII). More fundamentally, the completion of the EU-wide Energy Union with a fully integrated and interconnected energy market, will be crucial.

Authorities' Views

33. The authorities agreed with the structural reform priorities and highlighted significant recent progress and ongoing reform efforts in these areas. They expected that recent reforms to ease women's care responsibilities, such as increasing early childhood care facilities and extending parental leaves to the self-employed, would raise female labor force participation over time. The authorities emphasized the progress in product market regulation quality, as evidenced by improved OECD product market regulation index, while noting that ongoing efforts to simplify business regulations, including enhancing incentives for mergers and acquisitions would help increase business dynamism. They are also committed to advancing on improving the efficiency of the judicial system, including through digitalization and court reorganization, which aims to bring the length of court proceedings defined in terms of disposition time to the average EU level by 2027. While noting substantive progresses in green and digital transition, the authorities emphasized the criticality of advancing the EU-level energy market integration. They also noted recent policy initiatives to foster innovation and use of artificial intelligence (AI) would support digital transition of the economy and increase productivity.

STAFF APPRAISAL

34. Greece's near-term economic outlook remains favorable. Real GDP has continued its robust expansion, driven by public investment and structural reforms in the context of the NGEU funding, alongside steady growth of private consumption. The public debt-to-GDP ratio, while still high, is on a firm downward trajectory, amid continued fiscal consolidation supported by strong progress in reducing tax evasion. However, remaining crisis legacies and structural imbalances are weighing on medium-term growth prospects. On a preliminary basis, the external position in 2024 is assessed to be weaker than that consistent with medium-term fundamentals and desirable policies.

35. Risks to the growth outlook are balanced, while those to inflation are tilted upward. Potential headwinds include the growth slowdown in major euro area countries, potentially coupled with higher trade barriers and uncertainty, a deterioration of regional conflicts, and heightened commodity prices. Conversely. the acceleration of ambitious structural reforms could further improve growth prospects and public finances, including in the medium term. Stronger- and more persistent-than-expected wage growth could further fuel services inflation, potentially exacerbated by fluctuations in global and regional energy prices.

36. Continued fiscal prudence would further strengthen public debt sustainability. Maintaining primary surpluses above 2 percent of GDP in the medium term will further enhance public debt sustainability and build buffers against future shocks. Given the substantial investment needs, especially for the green transition and energy security, fiscal policy should prioritize public investment, while resisting excessive increases in pensions and public-sector wages. Making social spending on healthcare and education more efficient and targeted will promote inclusive growth.

37. Comprehensive reforms to address supply-side structural impediments would increase productivity and medium-term growth prospects. Raising labor force participation, particularly among women, and cultivating a better-skilled workforce are essential for enhancing growth prospects. Reducing regulatory burden and barriers to entry for firms, especially in services sectors, would foster greater business dynamism and competition, thereby increasing productivity. Strengthening judicial system reforms would safeguard financial stability by addressing crisis legacy distressed private debt and further enhance business dynamism and productivity.

38. Continued progress in green and digital transition would help achieve energy security and further boost productivity growth. Building on the ongoing increase in solar and wind capacity, scaling up grid networks and storage solutions will contribute to energy security by ensuring a stable power supply. More fundamentally, the completion of the EU-wide Energy Union will remain crucial. Additionally, building on the commendable digitalization of public administration and the new national AI strategy, the authorities should incentivize stronger adoption of digital technologies by the private sector to enhance productivity gains.

39. Enhancing capital adequacy and its quality and the implementation of the recently adopted comprehensive macroprudential toolkit will further strengthen the resilience of the

banking sector. Amid accelerating credit growth, monitoring of risks associated with credit exposure should be further strengthened. BBMs for mortgages and the CCyB buffer should be calibrated to align with emerging risks. Given the necessity to further enhance banks' resilience, currently elevated bank profits should be primarily utilized to build capital buffers and improve the quality of capital.

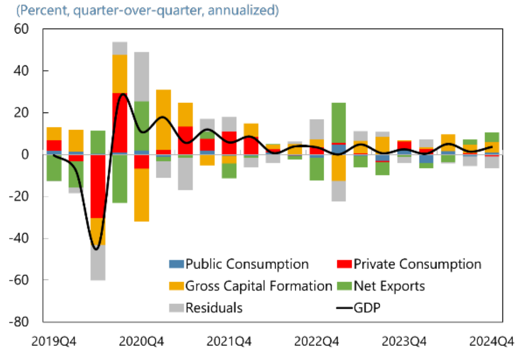
40. It is recommended that the next Article IV consultation take place on the standard 12–month cycle.

Figure 1. Greece: Recent Developments—Robust Growth

The economy has continued to grow at a robust pace on the back of strong investment and private consumption.

Contribution to Real GDP Growth

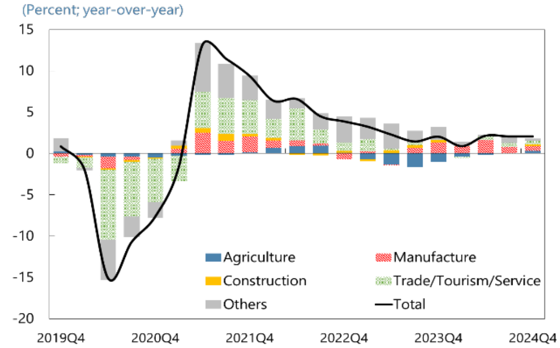
(Percent, quarter-over-quarter, annualized)



On the production side, recent growth has been driven by manufacturing sectors as well as the recovery of agriculture.

Real Gross Value Added Growth

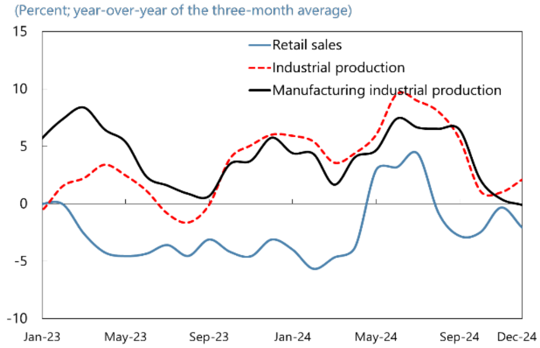
(Percent; year-over-year)



Industrial activity has continued to expand and retail sales remain resilient…

Industrial Production and Retail Sales

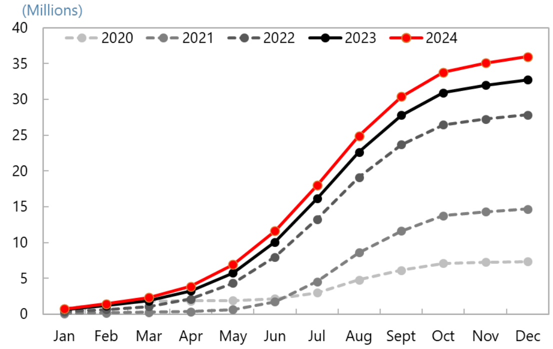
(Percent; year-over-year of the three-month average)



…amid continued strong performance in tourism.

Cumulative Arrivals from Abroad

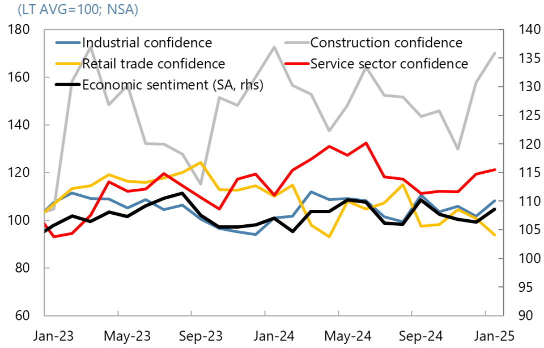
(Millions)



Most economic sentiment indicators remain above the long-term average.

Economic Sentiment Indicator

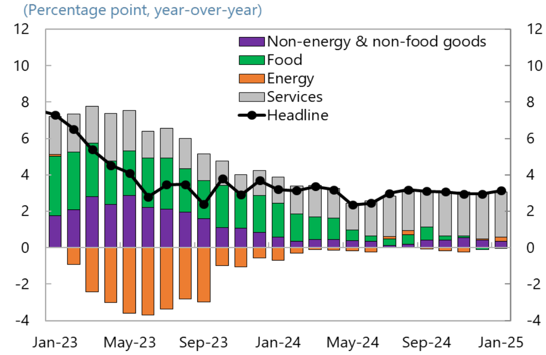
(LT AVG=100; NSA)



Headline inflation has remained persistent due to service inflation.

Inflation Decomposition

(Percentage point, year-over-year)

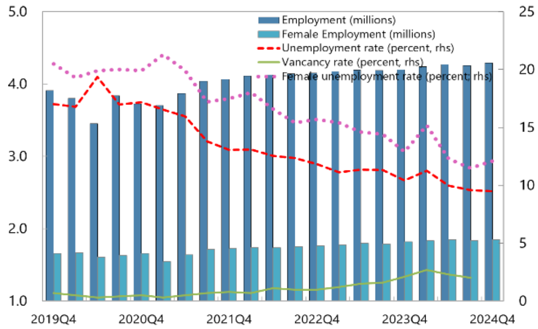


Sources: ELSTAT; Eurostat; Haver Analytics; IHS Markit; and IMF staff calculations.

Figure 2. Greece: Labor Market—Remaining Tight

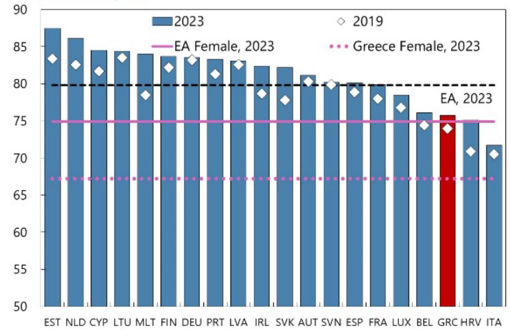
The unemployment rate has continued to decline with the vacancy rate further rising to five-year high.

Employment and Unemployment Rate
(Seasonally-adjusted)



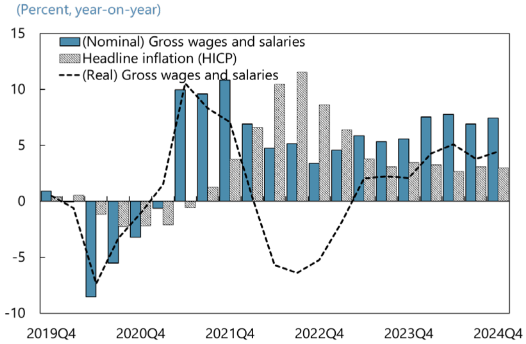
The labor force participation rate has increased but remains low, underscoring the remaining challenge.

Euro Area: Participation Rate, 2023 and 2019
(Percent, 20-64 years)



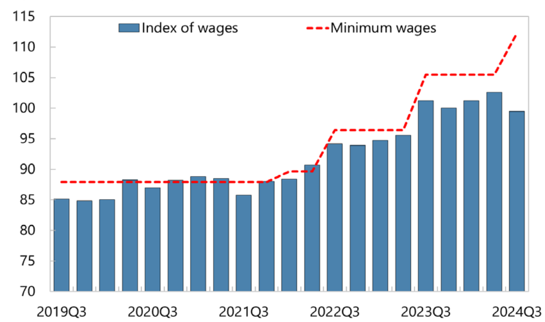
Nominal wage growth has exceeded inflation, increasing real wages…

Gross Wages and Salaries
(Percent, year-on-year)



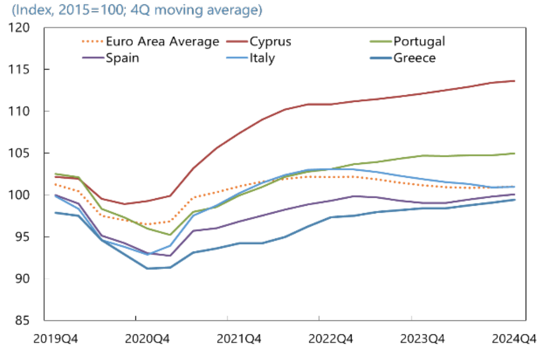
…partially driven by increases in the minimum wage.

Wages and Minimum Wages
(Index, 2010=100)



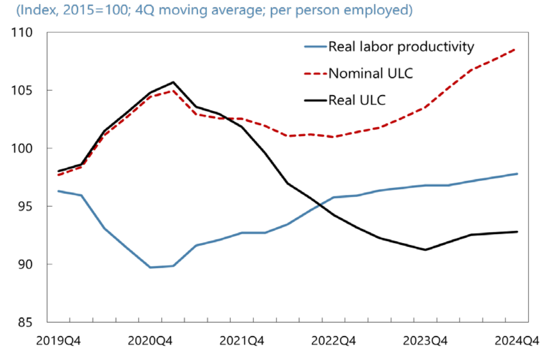
Labor productivity, though remaining one of the lowest in the EA, has been improving…

Real Labor Productivity: Greece and Peers
(Index, 2015=100; 4Q moving average)



…but nominal ULC growth has exceeded labor productivity improvements, reverting the decline in the real ULC.

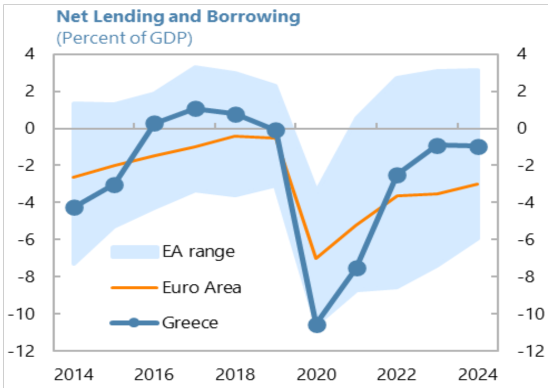
Productivity and Unit Labor Cost
(Index, 2015=100; 4Q moving average; per person employed)



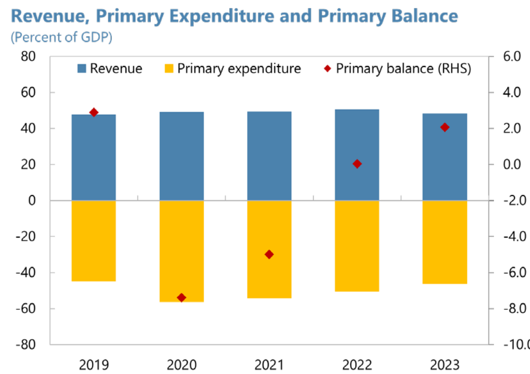
Sources: ELSTAT; Eurostat; Haver Analytics; IHS Markit; and IMF staff calculations.

Figure 3. Greece: Fiscal—Ongoing Prudence

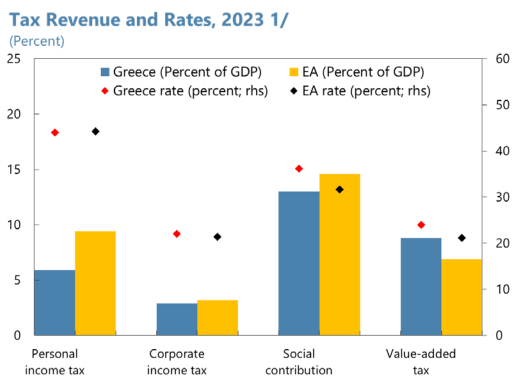
Continued fiscal prudence has brought fiscal deficit down to pre-pandemic level, faster than the euro area average.



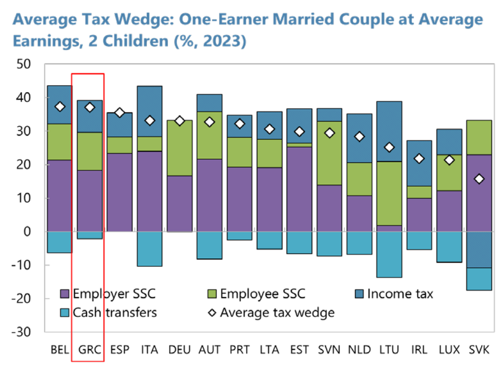
Primary surplus has been restored, driven by unwinding of crisis-related expenditures and strong revenue performance.



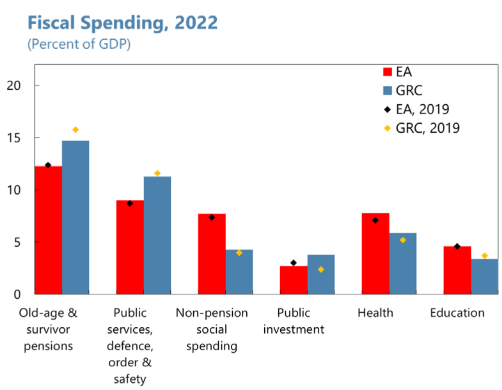
Despite higher tax rates, large revenue gaps remain for direct taxes partly due to tax evasions…



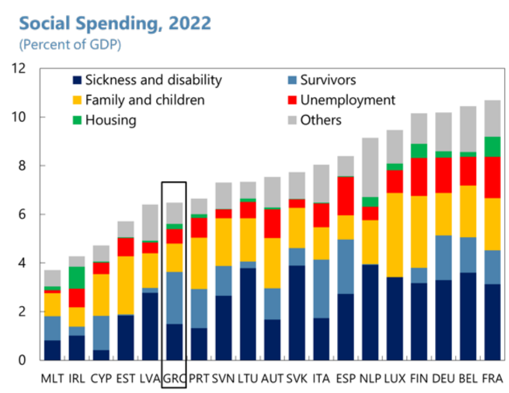
…while the labor tax wedge is relatively high



Although declining, pensions and public wage bill remain elevated….



…while critical social spending, such as health, education, and family and children, lag behind EA peers.

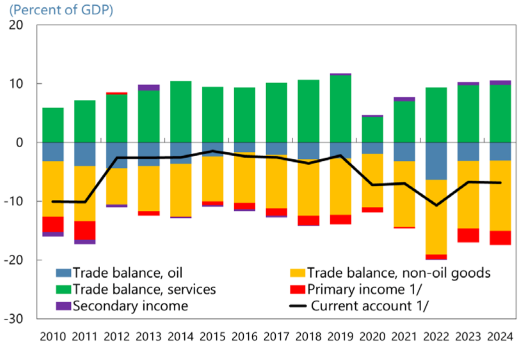


Sources: Ministry of Finance; ELSTAT; Eurostat; Haver Analytics; OECD; and IMF staff calculations.
1/ Personal Income Tax—top marginal rate; Social Contribution—including both employee's an employer's contribution; Corporate Income Tax and Value-added Tax—the standard rate.

Figure 4. Greece: External—Still Large Deficit

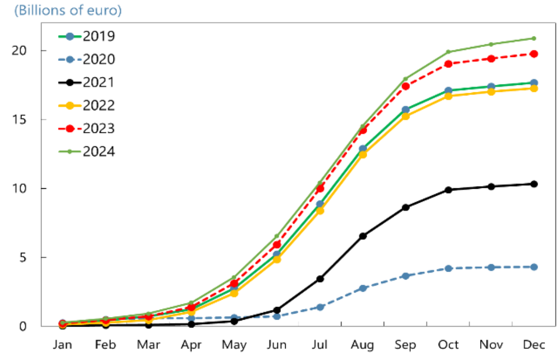
The current account deteriorated in 2024 driven by deficits in the trade of goods and primary income…

Current Account Components
(Percent of GDP)



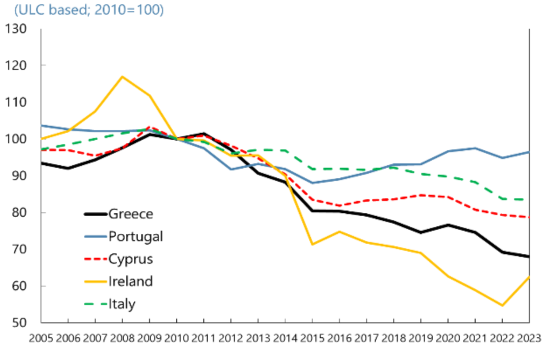
…but travel receipts have fully recovered from pre-pandemic.

Cumulative Travel Receipts
(Billions of euro)



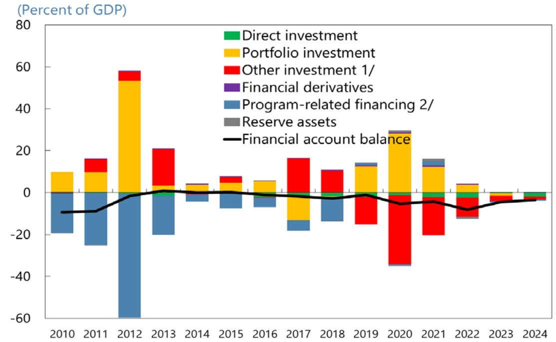
The ULC-based REER depreciated in 2021–23 following a temporary reversal in 2020.

Real Effective Exchange Rate
(ULC based; 2010=100)



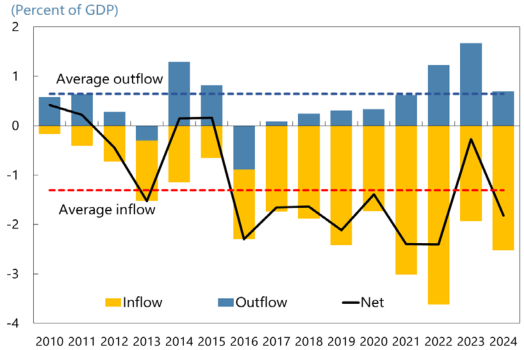
Other investment and FDI more than offset portfolio outflows.

Composition of the Financial Account, Net
(Percent of GDP)



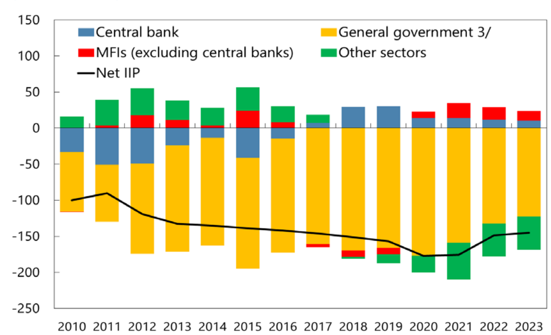
Incoming FDI flows stayed above the pre-pandemic levels.

Net Direct Investment
(Percent of GDP)



The NIIP remained stable as external government debt further declined in percent of GDP.

Net International Investment Position by Institutional Sector
(Percent of GDP)



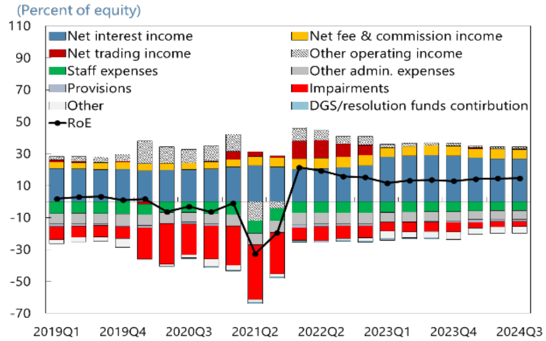
Sources: Bank of Greece; ELSTAT; Eurostat; European Central Bank; Haver Analytics; and IMF staff calculations.
1/ Includes liabilities to Eurosystem related to TARGET2. Excludes official financing (adjusted for compliance with the System of National Accounts (SNA)).
2/ Includes official financing and deferred interest payments to EFSF loans (SNA adjustment).
3/ Includes deferred interest payments on EFSF loans (SNA adjustment).

Figure 5. Greece: Banking—Improving Balance Sheets

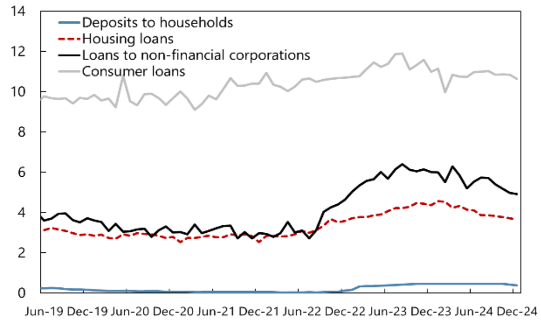
Profitability in the banking system has continued strong performance…

…as a sharp increase in interest rates has boosted net interest income…

Return on Equity Decomposition
(Percent of equity)



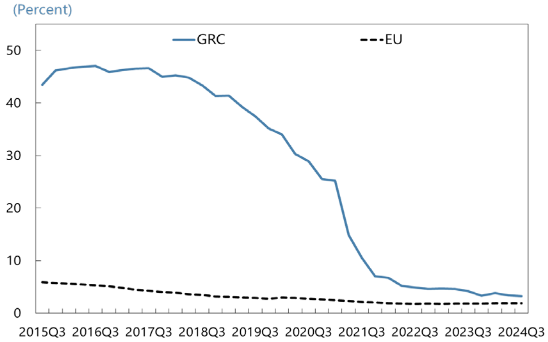
Bank Interest Rate
(Percent)



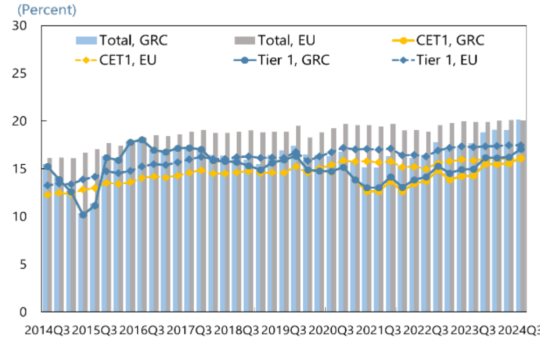
…and legacy NPLs have been offloaded from the balance sheets,

…which also supported capital adequacy, although it remained still below the EU average.

NPL Ratio
(Percent)



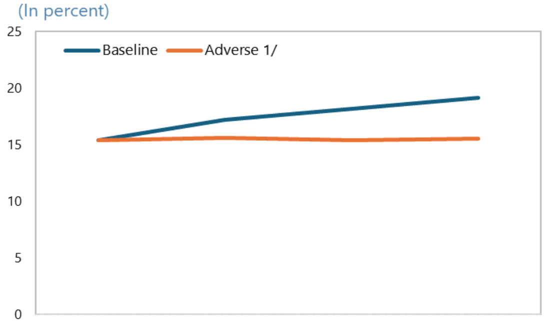
Capital Adequacy Ratio
(Percent)



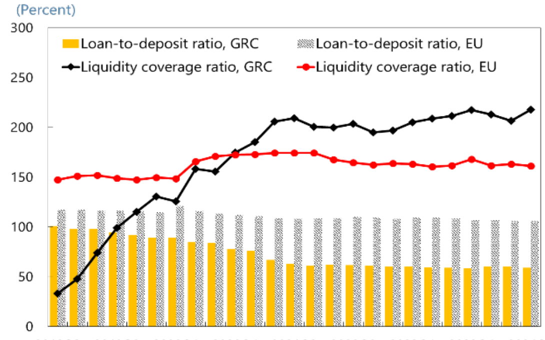
Resilience of the banking sector has markedly improved…

…supported by sizeable liquidity buffers.

CET1 Ratio
(In percent)



Liquidity and Funding
(Percent)



Sources: Bank of Greece; Fitch Connect; European Central Bank; Haver Analytics; and IMF staff calculations.
1/ Estimates of banking sector resilience are based on IMF (2024) Global Financial Stability Report, and IMF (2022) Selected Issues Paper, "*Bank Profitability Drivers and Challenges in Greece*".

Table 1. Greece: Selected Economic Indicators, 2019–30

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
						Est.			Projections			
	(percent change, unless otherwise indicated)											
NATIONAL ACCOUNTS												
Real GDP	2.3	-9.2	8.7	5.7	2.3	2.3	2.1	1.9	1.4	1.5	1.4	1.4
Consumption	2.5	-4.1	4.3	6.6	2.0	0.7	1.3	1.2	1.0	0.9	0.9	0.9
Private consumption	2.6	-6.2	5.1	8.6	1.8	2.1	1.6	1.4	1.3	1.1	1.0	1.0
Public consumption	2.0	3.0	1.8	0.1	2.6	-4.1	0.6	0.3	0.2	0.2	0.2	0.2
Gross capital formation	-5.1	0.1	27.4	13.8	0.8	23.1	7.4	6.0	0.8	2.6	1.9	1.9
Gross fixed capital formation	-0.8	1.7	21.7	16.4	6.6	4.5	9.3	7.3	1.2	3.2	2.1	2.1
Change in inventories (contribution)	-0.6	-0.2	1.0	-0.1	-0.9	3.2	0.0	0.0	0.0	0.0	0.0	0.0
Net exports (contribution)	0.7	-5.6	0.9	-2.2	0.3	-2.0	-0.7	-0.5	0.2	0.1	0.2	0.2
Exports of goods and services	5.0	-22.9	24.4	6.6	1.9	1.0	2.6	1.8	3.1	2.9	2.9	2.9
Imports of goods and services	2.9	-7.5	17.4	11.0	0.9	5.5	3.6	2.6	2.0	2.1	1.8	1.8
Gross fixed capital formation (percent of GDP)	11.0	12.3	13.8	14.9	15.2	15.3	16.5	17.6	17.7	18.1	18.3	18.5
RESOURCE UTILIZATION												
Potential GDP	-0.5	-0.9	-0.6	0.3	0.7	1.5	2.2	2.1	2.0	1.8	1.5	1.4
Output gap (percent of potential GDP)	-6.1	-14.0	-6.0	-0.9	0.7	1.5	1.4	1.1	0.5	0.2	0.0	0.0
Employment	2.2	-0.9	1.4	5.4	1.3	2.0	1.5	1.0	0.4	0.3	0.1	0.1
Unemployment rate (percent) 1/	17.3	16.3	14.8	12.4	11.1	10.1	9.4	9.0	8.6	8.3	8.1	7.9
PRICES												
GDP deflator	0.2	-0.4	1.4	6.5	5.9	3.2	2.4	2.2	2.1	2.0	2.0	2.0
Consumer prices (HICP, average)	0.5	-1.3	0.6	9.3	4.2	3.0	2.5	2.1	2.1	2.0	2.0	2.0
Consumer prices (HICP, end of period)	1.1	-2.4	4.4	7.6	3.7	2.9	2.3	2.0	2.1	2.0	2.0	2.0
Consumer prices (HICP, core, average)	0.5	-1.0	-0.7	5.7	6.2	3.4	3.0	2.4	2.1	2.0	2.0	2.0
Unit labor costs	0.2	6.7	-1.3	-3.2	5.9	3.1	2.3	2.2	2.1	2.0	2.0	2.0
FINANCIAL												
10-year government bond spread (over German bund)	2.2	1.4	0.8	1.5	1.5	1.4	...	...	...	...	...	...
Private sector credit	-9.5	-8.1	-23.4	5.3	2.5	5.3	5.1	4.7	4.2	3.9	3.9	3.7
Nominal effective exchange rate (2010=100)	-0.2	4.8	1.0	1.8	3.7	-0.1	...	...	...	...	...	...
Real effective exchange rate (2010=100)	-1.8	0.6	-0.6	-1.9	1.3	0.0	...	...	...	...	...	...
	(percent of GDP)											
GENERAL GOVERNMENT												
Overall balance	-0.1	-10.3	-7.4	-2.5	-1.3	-0.3	-0.5	-0.6	-0.7	-0.7	-0.8	-0.8
Primary balance	2.9	-7.4	-5.0	0.0	2.1	2.9	2.5	2.4	2.4	2.3	2.3	2.3
Cyclically-adjusted primary balance	5.9	0.1	-2.0	0.5	1.7	2.3	1.9	1.9	2.1	2.3	2.3	2.3
General government debt 2/	183.7	209.9	197.8	178.4	165.2	150.8	142.4	138.0	134.4	131.3	128.2	124.9
EXTERNAL SECTOR												
Current account balance 3/	-2.2	-7.2	-7.0	-10.7	-6.7	-6.9	-6.6	-6.1	-5.4	-4.7	-4.0	-3.2
Merchandise trade balance	-12.3	-11.1	-14.4	-19.0	-14.7	-15.0	-15.1	-14.7	-13.8	-13.2	-12.6	-12.1
Services balance	11.4	4.3	7.0	9.3	9.7	9.6	10.0	10.1	10.4	10.8	11.0	11.3
Gross external debt	246.6	300.4	306.4	269.5	251.6	238.9	232.5	227.1	224.2	220.7	216.7	211.9
Net international investment position	-156.9	-177.1	-175.7	-148.9	-144.9	-140.4	-138.1	-135.7	-135.4	-134.5	-132.9	-130.6
MEMORANDUM ITEMS	(Billions of euro)											
Nominal GDP	185.2	167.5	184.6	207.9	225.2	237.6	248.4	258.7	267.8	277.1	286.6	296.5

Sources: Greece authorities, Haver Analytics, and IMF staff estimates.

1/ Based on Labor Force Survey.

2/ Includes deferred interest payments on EFSF loans and a planned early debt repayment of €5 billion in 2025.

3/ Includes deferred interest payments on EFSF loans.

Table 2. Greece: Summary of Balance of Payments, 2019–30

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
						Est.	Projections					
						(Billions of euros)						
Current account balance 1/	-4.1	-12.1	-12.9	-22.2	-15.1	-16.5	-16.5	-15.9	-14.6	-13.1	-11.4	-9.4
Balance of goods and services	-1.7	-11.2	-13.6	-20.2	-11.2	-12.9	-12.8	-11.9	-9.1	-6.7	-4.5	-2.1
Goods balance	-22.8	-18.5	-26.5	-39.6	-33.0	-35.7	-37.6	-38.1	-37.1	-36.5	-36.2	-35.7
Exports	32.4	28.9	39.1	53.8	50.0	48.6	50.7	52.4	55.1	57.9	60.8	63.9
Imports	55.3	47.4	65.7	93.3	83.1	84.3	88.4	90.5	92.2	94.4	97.0	99.7
Services balance	21.1	7.3	12.9	19.4	21.8	22.7	24.8	26.2	28.0	29.8	31.7	33.6
Credit	40.2	22.7	35.0	47.8	49.0	51.6	55.1	57.4	59.9	62.7	65.5	68.5
Debit	19.0	15.4	22.1	28.4	27.2	28.8	30.3	31.2	32.0	32.9	33.8	34.8
Primary income 1/	-3.0	-1.4	-0.6	-1.7	-5.2	-5.6	-5.7	-5.8	-6.4	-7.0	-7.4	-7.8
Secondary income 2/	0.6	0.6	1.2	-0.3	1.3	2.1	2.0	1.8	0.9	0.6	0.6	0.5
Capital account balance	0.7	2.7	4.0	3.1	2.7	0.0	7.0	7.7	3.1	3.1	3.1	3.1
Financial account balance	-3.7	-8.8	-13.8	-14.9	-9.6	-12.3	-7.9	-6.2	-9.2	-7.4	-5.5	-3.4
Direct investment	-3.9	-2.3	-4.2	-5.0	-0.6	-4.3	-4.0	-4.2	-4.2	-4.1	-4.3	-4.6
Portfolio investment	23.2	47.1	22.8	7.8	-2.6	-7.5	-2.4	-1.3	0.7	0.2	0.1	0.8
Financial derivatives	1.0	1.2	1.0	1.1	-0.4	0.4	0.2	0.2	0.2	0.2	0.2	0.2
Other investment 3/	-24.0	-54.8	-33.5	-18.7	-5.9	-0.9	-1.7	-0.9	-5.9	-3.7	-1.5	0.2
Net errors and omissions	1.5	0.5	1.1	2.0	2.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Reserves and related items	1.8	-0.1	6.1	-2.2	-0.6	-1.6	-1.6	-2.0	-2.3	-2.6	-2.8	-3.0
Reserve assets	0.1	1.5	2.5	-1.8	0.5	-0.3	0.0	0.0	0.0	0.0	0.0	0.0
IMF credit and loans	-4.4	0.0	-3.8	-1.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Program-related financing 4/	2.7	1.7	0.2	2.3	1.2	1.3	1.6	2.0	2.3	2.6	2.8	3.0
						(Percent of GDP)						
Current account balance 1/	-2.2	-7.2	-7.0	-10.7	-6.7	-6.9	-6.6	-6.1	-5.4	-4.7	-4.0	-3.2
Balance on goods and services	-0.9	-6.7	-7.4	-9.7	-5.0	-5.4	-5.2	-4.6	-3.4	-2.4	-1.6	-0.7
Goods balance	-12.3	-11.1	-14.4	-19.0	-14.7	-15.0	-15.1	-14.7	-13.8	-13.2	-12.6	-12.1
Services balance	11.4	4.3	7.0	9.3	9.7	9.6	10.0	10.1	10.4	10.8	11.0	11.3
Primary income 1/	-1.6	-0.9	-0.3	-0.8	-2.3	-2.4	-2.3	-2.2	-2.4	-2.5	-2.6	-2.6
Secondary income 2/	0.3	0.3	0.7	-0.1	0.6	0.9	0.8	0.7	0.3	0.2	0.2	0.2
Capital account balance	0.4	1.6	2.2	1.5	1.2	0.0	2.8	3.0	1.2	1.1	1.1	1.0
Financial account balance	-2.0	-5.2	-7.5	-7.2	-4.2	-5.2	-3.2	-2.4	-3.4	-2.7	-1.9	-1.1
Direct investment	-2.1	-1.4	-2.2	-2.4	-0.3	-1.8	-1.6	-1.6	-1.6	-1.5	-1.5	-1.5
Portfolio investment	12.5	28.1	12.4	3.7	-1.2	-3.2	-1.0	-0.5	0.3	0.1	0.0	0.3
Financial derivatives	0.5	0.7	0.6	0.5	-0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1
Other investment 3/	-13.0	-32.7	-18.2	-9.0	-2.6	-0.4	-0.7	-0.4	-2.2	-1.3	-0.5	0.1
Net errors and omissions	0.8	0.3	0.6	0.9	1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Reserves and related items	1.0	-0.1	3.3	-1.1	-0.3	-0.7	-0.7	-0.8	-0.9	-0.9	-1.0	-1.0
Reserve assets	0.0	0.9	1.4	-0.9	0.2	-0.1	0.0	0.0	0.0	0.0	0.0	0.0
IMF credit and loans	-2.4	0.0	-2.0	-0.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Program-related financing 4/	1.4	1.0	0.1	1.1	0.5	0.6	0.7	0.8	0.9	0.9	1.0	1.0
Memorandum item:												
Current account balance in cash terms	-1.5	-6.5	-6.4	-10.2	-6.2	-6.4	-6.0	-5.4	-4.6	-3.8	-3.0	-2.2
Gross external debt	246.6	300.4	306.4	269.5	251.6	238.9	232.5	227.1	224.2	220.7	216.7	211.9
Public sector 5/	183.0	229.7	223.7	200.9	188.7	179.0	173.3	168.3	165.5	162.2	158.3	153.8
Private sector	63.6	70.6	82.7	68.7	62.8	59.9	59.2	58.8	58.7	58.5	58.4	58.2
Deferred interest payments on EFSF loans	0.7	0.7	0.6	0.5	0.5	0.6	0.7	0.8	0.9	0.9	1.0	1.0

Sources: Bank of Greece; and IMF staff estimates.

1/ Includes deferred interest payments on EFSF loans (IMF staff calculation to align with accrual accounting).

2/ Includes transfers related to ANFA/SMP profits.

3/ Includes liabilities to Eurosystem related to TARGET. Excludes official financing (IMF staff calculation).

4/ Includes official financing (IMF staff calculation), deferred interest payments on EFSF loans (IMF staff calculation), and transfers related to ANFA/SMP profits.

5/ Includes the stock of deferred interest payments on EFSF loans (IMF staff calculation) and debt of the monetary authority.

Table 3. Greece: General Government Operations, 2019–30

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
						Est.			Projections			
						(Billions of euros)						
Revenue	88.0	82.0	91.0	104.8	108.6	116.8	122.7	127.3	125.5	127.9	131.1	134.8
Indirect taxes	32.3	27.8	31.4	39.5	38.4	41.2	42.9	44.5	45.8	47.5	48.8	50.0
Direct taxes	17.2	15.5	17.2	19.7	23.3	25.0	25.7	26.8	27.2	28.2	28.9	29.7
Social contributions	26.7	25.4	27.3	29.0	29.2	31.0	31.8	32.5	33.7	34.9	36.1	37.3
Other current revenue	3.5	3.6	3.8	4.5	4.9	5.3	5.1	5.2	5.1	5.3	5.4	5.5
Sales	5.3	5.2	5.5	6.5	6.8	6.9	7.1	7.3	7.4	7.5	7.8	8.0
Capital revenue	3.0	4.5	5.7	5.4	6.0	7.3	10.2	11.0	6.3	4.6	4.2	4.3
Primary expenditure	82.6	94.4	100.2	104.7	104.0	109.8	116.5	121.2	119.2	121.4	124.4	128.0
Social benefits	39.6	39.6	41.1	43.3	45.9	48.6	50.6	52.3	53.5	54.7	56.6	58.5
Subsidies	2.5	6.3	8.7	11.5	4.1	4.0	4.0	4.1	4.3	4.4	4.3	4.2
Other current expenditure	2.9	3.2	3.7	3.1	3.3	3.4	3.6	3.8	3.9	4.0	4.2	4.3
Compensation of employees	21.9	22.3	22.6	22.7	23.5	25.3	26.4	27.5	28.3	29.2	30.2	31.2
Intermediate consumption	8.6	9.1	10.5	11.6	12.1	12.6	12.6	12.5	12.7	13.1	13.5	13.9
Investment	4.5	5.3	6.7	7.9	8.8	12.3	15.2	16.4	12.4	11.7	11.3	11.5
Capital transfers payable 1/	2.6	8.5	6.9	4.6	6.3	3.7	4.2	4.6	4.2	4.3	4.4	4.3
Primary balance (accrual)	5.3	-12.4	-9.2	0.1	4.7	7.0	6.2	6.2	6.3	6.4	6.7	6.9
Interest expenditure 2/	5.5	5.0	4.5	5.2	7.6	7.7	7.3	7.6	8.2	8.5	9.0	9.4
Overall balance	-0.2	-17.3	-13.7	-5.1	-3.0	-0.7	-1.1	-1.5	-1.9	-2.0	-2.4	-2.5
General government debt 3/	340.2	351.7	365.1	370.9	371.9	358.4	353.7	356.9	359.8	363.8	367.4	370.3
						(Percent of GDP)						
Revenue	47.5	49.0	49.3	50.4	48.2	49.2	49.4	49.2	46.9	46.1	45.7	45.5
Indirect taxes	17.4	16.6	17.0	19.0	17.1	17.3	17.3	17.2	17.1	17.1	17.0	16.9
Direct taxes	9.3	9.3	9.3	9.5	10.3	10.5	10.3	10.4	10.2	10.2	10.1	10.0
Social contributions	14.4	15.2	14.8	14.0	13.0	13.1	12.8	12.6	12.6	12.6	12.6	12.6
Other current revenue	1.9	2.1	2.0	2.2	2.2	2.2	2.1	2.0	1.9	1.9	1.9	1.9
Sales	2.9	3.1	3.0	3.1	3.0	2.9	2.9	2.8	2.8	2.7	2.7	2.7
Capital revenue	1.6	2.7	3.1	2.6	2.7	3.1	4.1	4.2	2.4	1.7	1.5	1.5
Primary expenditure	44.6	56.3	54.3	50.4	46.2	46.2	46.9	46.8	44.5	43.8	43.4	43.2
Social benefits	21.4	23.6	22.3	20.8	20.4	20.5	20.4	20.2	20.0	19.7	19.7	19.7
Subsidies	1.3	3.8	4.7	5.6	1.8	1.7	1.6	1.6	1.6	1.6	1.5	1.4
Other current expenditure	1.6	1.9	2.0	1.5	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4
Compensation of employees	11.8	13.3	12.2	10.9	10.4	10.6	10.6	10.6	10.6	10.5	10.5	10.5
Intermediate consumption	4.7	5.4	5.7	5.6	5.4	5.3	5.1	4.8	4.7	4.7	4.7	4.7
Investment	2.4	3.1	3.6	3.8	3.9	5.2	6.1	6.3	4.6	4.2	3.9	3.9
Capital transfers payable 1/	1.4	5.1	3.8	2.2	2.8	1.5	1.7	1.8	1.6	1.6	1.5	1.4
Primary balance (accrual)	2.9	-7.4	-5.0	0.0	2.1	2.9	2.5	2.4	2.4	2.3	2.3	2.3
Interest expenditure 2/	3.0	3.0	2.5	2.5	3.4	3.3	3.0	3.0	3.1	3.1	3.2	3.2
Overall balance	-0.1	-10.3	-7.4	-2.5	-1.3	-0.3	-0.5	-0.6	-0.7	-0.7	-0.8	-0.8
General government debt 3/	183.7	209.9	197.8	178.4	165.2	150.8	142.4	138.0	134.4	131.3	128.2	124.9
Memorandum item:												
EU RRF grant allocation 4/			1.2	0.8	1.4	0.3	1.1	2.0				
Cyclically adjusted primary balance	5.9	0.1	-2.0	0.5	1.7	2.3	1.9	1.9	2.1	2.3	2.3	2.3
Cyclically adjusted primary balance excluding RRF grant	5.9	0.1	-3.3	-0.3	0.3	2.0	0.7	-0.1	2.1	2.3	2.3	2.3

Sources: Hellenic Statistical Authority (ELSTAT); Ministry of Economy and Finance; and IMF staff estimates.

1/ Includes support provided outside of the general government.

2/ On an accrual basis, inclusive of deferred interest but excluding swaps-related cash flows.

3/ General government debt includes the stock of deferred interests on EFSF loans.

4/ Excludes VAT on grant spending, estimated by authorities.

Table 4. Greece: Summary of Financial Sector Indicators, 2019–24Q3

	2019	2020	2021	2022	2023	2024Q3
			(Percent)			
Solvency						
CET 1 Capital Ratio	15.7	14.9	13.2	13.7	14.5	16.1
CET 1 Ratio (fully loaded)	12.9	12.4	11.4	12.6	14.4	16.1
Tier 1 Capital Ratio	15.7	14.9	13.5	14.1	15.2	17.1
Total Capital	16.6	16.5	15.6	16.4	17.7	20.1
Leverage Ratio	10.9	9.5	7.7	6.6	7.2	7.7
Credit Risk and Asset Quality						
NPL	38.3	29.7	14.4	5.4	4.2	3.3
Coverage Ratio of NPL	46.3	44.8	45.9	43.3	43.4	37.7
Forbearance Ratio for Loans and Advances	23.1	18.6	11.7	6.1	5.1	3.4
Profitability						
ROE	2.2	-3.5	-19.5	18.0	12.8	14.6
ROA	0.2	-0.4	-1.6	1.4	1.1	1.5
Cost-to-Income	49.7	39.7	64.7	35.3	36.4	32.9
Net Interest Margin	2.9	2.6	2.3	2.0	3.0	3.2
Net Trading Income to Total Net Operating Income	2.5	-0.4	10.1	21.0	0.2	1.1
Net Fee and Commission Income to Total Net Operating Income	14.6	12.6	22.2	15.5	16.3	17.3
Net Interest Income to Total Net Operating Income	71.8	57.9	89.1	49.7	78.6	78.3
Cost of Risk	1.3	3.1	5.7	1.0	0.8	0.5
Funding and Liquidity						
Loan to Deposit Ratio	93.6	84.0	66.8	61.3	59.6	59.1
Liquidity Coverage Ratio	104.9	153.7	200.4	198.9	210.9	217.8
Asset Encumbrance Ratio	21.2	25.7	27.0	24.2	14.8	9.8

Source: European Banking Authority; and Haver Analytics.

Table 5. Greece: Gender Gaps: Selected Macro-critical Gender-related Indicators, 2018–23

	2018	2019	2020	2021	2022	2023
Composite Gender Indices						
Female Human Capital Index (HCI) 1/	0.72	...	0.71	...	...	...
Gender Development Index (GDI)	0.97	0.97	0.97	0.97	0.97	...
Gender Inequality Index (GII) 2/	0.13	0.12	0.12	0.12	0.12	...
Global Gender Gap Index 1/	0.70	...	0.70	0.69	0.69	...
Women Business and the Law Index (WBL) 3/	97.50	97.50	97.50	100.00	100.00	100.00
Labor and Income						
Gender Gap (F-M) in Employment-to-Population Ratio, Modeled ILO Estimate (15+ yrs)	-16.07	-15.53	-14.81	-15.14	-15.89	-15.40
Gender Gap (F-M) in Labor Force Participation Rate, Modeled ILO Estimate (15+ yrs)	-14.41	-14.16	-14.04	-13.32	-13.99	-13.82
Gender Gap (F-M) in Unemployment Rate, Modeled ILO Estimate (15+ yrs)	8.80	7.50	6.06	7.57	7.10	5.73
Gender Gap in Gross Pension Replacement Rate (as share of average worker earnings)	...	...	...	...	1.70	...
Leadership and Social						
Proportion of Seats Held By Women in National Parliaments	18.67	20.67	21.67	21.67	21.00	23.00
Proportion of Women in Managerial Positions	27.50	28.00	29.40	...	...	...
Prevalence of Intimate Partner Violence among Ever-partnered Women (in percent)	18.00	...	...	...	...	...
Access to Finance						
Gender Gap in Adults Who Borrowed From a Financial Institution 4/	...	...	...	-10.43	...	...
Gender Gap in Adults Who Own a Financial Institution Account 4/	...	...	...	-2.90	...	...
Gender Gap in Adults Who Made or Received Digital Payments in the Past Year 4/	...	...	...	-5.97	...	...
Education						
Gender Gap (F-M) in Mean Years of Schooling	-0.63	-0.64	-0.65	-0.65	-0.65	...
Gender Gap (F-M) in Primary Gross Enrollment Rate	-0.79	-0.60	-0.45	-0.23	...	...
Gender Gap (F-M) in Secondary Gross Enrollment Rate	-2.56	-2.76	-2.31	-2.47	...	...
Gender Gap (F-M) in Tertiary Gross Enrollment Rate	4.80	9.18	10.42	11.36	...	...
Health						
Gender Gap (F-M) in Adult Mortality Rate per 1,000 Adults 5/	-50.68	-49.67	-50.05	-56.81	-54.14	...
Gender Gap (F-M) in Life Expectancy at Birth	5.10	5.00	5.10	5.50	5.20	...
Maternal Mortality Ratio per 100,000 Live Births, Modeled Estimate (15-49 yrs)	6.00	6.00	8.00	...	...	...
Total Fertility Rate (Births Per Woman)	1.35	1.34	1.39	1.43	1.43	...

Source: GenderDataHub 6/

1/ This index is scored on a scale of 0-1, with a higher score corresponding to better outcomes for women.

2/ This index is scored on a scale of 0-1, with a higher score corresponding to higher inequality (worse outcomes for women).

3/ The Women, Business, and the Law Index is reported on a scale of 0-100, with a higher score corresponding to better outcomes for women.

4/ The difference between the share of female and that of male, percentage points.

5/ The adult mortality rate refers to the probability that those who have reached age 15 will die before reaching age 60 (shown per 1,000 persons). In other words, a value of 150 means that out of 1,000 persons who have reached age 15, 150 are expected to die before reaching age 60, and 850 are expected to survive to age 60. This is based on a “synthetic cohort”: current life-table mortality rates are applied to the current cohort of 15 year olds, assuming no changes in mortality.

6/ See Gender Data Hub metadata for original data sources and definitions.

Annex I. External Sector Assessment

***Overall Assessment**: The external position of Greece is assessed to be weaker in 2024 than the level implied by fundamentals and desirable policies based on preliminary data. The current account (CA) deficit, which widened to 6.9 percent of GDP in 2024, is expected to revert to its pre-pandemic level over the medium term as output gap is projected to close gradually. The net international investment position (NIIP) is expected to further improve in line with the declining public debt.*

***Potential Policy Responses**: Policies to ensure that the external position will improve to be broadly in line with fundamentals include (1) the prudent fiscal policy to maintain a primary surplus, which will help lower the public debt-to-GDP ratio and thereby the large and negative NIIP; (2) structural reforms to raise potential growth, including by strengthening labor force participation, rationalizing regulations to improve business dynamism, and reducing product market rigidities to increase competition.*

Foreign Assets and Liabilities: Position and Trajectory

Background. Greece's NIIP is expected to improve to -140 percent of GDP[1] in 2024, from -145 percent in 2023, despite the further widening of CA deficit, reflecting asset accumulation (outward direct investment and debt securities) and continued strong nominal GDP growth.

Assessment. The NIIP-to-GDP ratio is projected to improve in the medium term along with narrowing CA deficits. Risks to the large NIIP are mitigated by its favorable debt structure: (i) two thirds of external liabilities remain in the official sector; (ii) most liabilities are euro-denominated; and (iii) the official part has been fixed at low rates with ultra-long maturity. Prudent fiscal policies and active liabilities management are expected to reduce general government's external liabilities, with the residual external financing needs covered by private flows as Greece has regained the investment grade sovereign rating.

2024 est. (% GDP)	NIIP: 140	Gross Assets: 140	Debt Assets: 114	Gross Liab.: 280	Debt Liab.: 239

Current Account

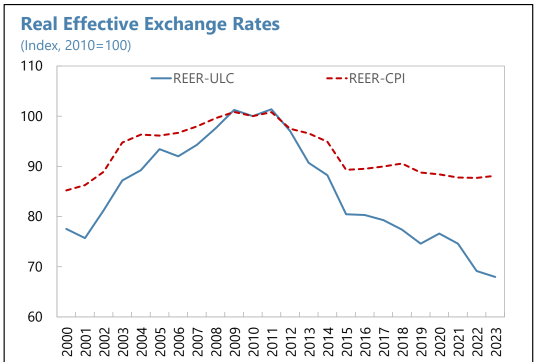
Background. The CA deficit widened to 6.9 percent of GDP[2] in 2024, up from 6.7 percent in 2023, driven by increased imports of investment-related goods as well as higher interest payments. The CA deficit is expected to narrow gradually below 4 percent GDP in the medium term, as imports are expected to slow with the winding down of NGEU-funded investment, while exports would remain resilient.

Assessment. The assessment using preliminary 2024 CA suggests a CA gap of -2.8 percent of GDP, with a moderate policy gap of 0.5 percent of GDP, reflecting a small cyclical adjustment and a negative EBA norm (-3.8 percent of GDP). A sizable residual (around -3.3 percent of GDP) remains for 2024, which may reflect distortions in product and labor markets that hinder Greece's international competitiveness but not captured by the EBA model. In addition, while Greece's external position has benefited from inflation which eroded the real value of its debt, this inflation compensation is not fully captured in the income balance, potentially overestimating Greece's CA deficit.

2024 (% GDP)	CA: -6.9	Cycl. Adj. CA: -6.6	EBA Norm: -3.8	EBA Gap: -2.8	COVID-19 Adj.: 0	Staff Gap: -2.8

Real Exchange Rate

Background. The unit-labor-cost (ULC)-based REER—which helps gauge production costs relative to trading partners—fell by 27 percent during 2012–19 helped by the macroeconomic adjustment and the 2012 labor market reform that lowered the minimum wage and made wage bargaining more flexible. The CPI-based REER fell by less over the same period, reflecting partially offsetting increases in non-wage costs and less effective reforms to address product market rigidities. The pandemic and energy crises did not alter the trend. As of 2024Q3, the ULC-based REER fell 7.5 percent since 2019 driven by slower wage increases relative to its trading partners, and the CPI-based REER fell 3.2 percent, returning to its early 2000s levels.



Sources: Haver Analytics and IMF staff calculations.

Assessment. The IMF staff CA gap implies a REER gap of 6.3 percent (overvaluation) for 2024 (applying a semi elasticity of 0.4). The EBA REER index regression estimates the REER gap to be 0.1 percent in 2024, while EBA REER level regression estimates larger gaps of about 27 percent. Both EBA REER models involve large unexplained residuals or volatile estimates, and significant standard errors for the calculated norm, while the CPI-based REER could be affected by non-wage costs. Hence, staff considers the EBA REER model results less reliable and favors the EBA CA model assessment as the overall assessment.

Capital and Financial Accounts: Flows and Policy Measures

Background. The CA deficit in 2024 was mostly financed by FDI flows (1.8 percent of GDP) and portfolio investment (3.2 percent of GDP). Inward FDI rose to 2.5 percent of GDP, up from 1.9 percent in 2023, largely driven by privatization. In the medium term, FDI is expected to decelerate as privatization normalizes, while other FDI inflows is expected to remain stronger than pre-pandemic period. The capital account inflow, which is mainly related to EU funds disbursement, is projected to persist in the medium term. Financial conditions have tightened but Greece's sovereign spread remains stable.

Assessment. Rollover risks of public external debt, the largest component of Greece's external liabilities, are mitigated by the government's large cash buffer, the large share of official loans with ultra-low interest rates and ultra-long maturities. The cost of external financing is further contained as Greece is restored to the investment grade. A steady improvement in the business climate, including from continued efforts on structural reforms, is needed to promote sustainable FDI further.

FX Intervention and Reserves Level

Background. The euro has the status of a global reserve currency.

Assessment. Reserves held by the EA are low relative to the standard metrics; the currency is free floating.

[1] Including the stock of deferred interest payments on EFSF loans (IMF staff adjustment).

[2] Including deferred interest payments on EFSF loans (IMF staff adjustment).

Annex II. Sovereign Risk and Debt Sustainability Assessment

Figure 1. Greece: Risk of Sovereign Stress

Horizon	Mechanical signal	Final assessment	Comments
Overall	...	**Moderate**	Staff assess the overall risk of sovereign stress as moderate.
Near term 1/			
Medium term	**High**	**Moderate**	The medium-term risk is assessed as moderate reflecting balanced consideration of several factors. The fan chart module indicates high risk mainly due to its large width and still high debt, while the GFN module suggests low risk driven by high primary surplus. Other mitigating factors include a large cash buffer (about 15 percent of GDP), proactive debt management, and the favorable structure of the public debt with high share of official debt at low fixed rates, ultra-long maturity, and long grace periods. Moreover, the reformed EU economic governance framework has triggers to ensure debt sustainability, while the ECB's Transmission Protection Instruments (TPI) would support the adjustment.
Fanchart	**High**	...	
GFN	**Low**	...	
Stress test	Natural Disaster	...	
Long term	...	n.a.	The public debt-to-GDP ratio is projected to continue its decline in the long term with manageable GFNs under several stress scenarios capturing demographic and climate pressures, largely reflecting the favorable debt structure. However, uncertainty remains high to reach a definitive assessment regarding long-term sustainability. Key long-term risks include the long-term neutral rate and risk premia, productivity growth, the sustainability of high primary surplus, and the pace and scope of structural reforms to more than offset demographic headwinds.
Sustainability assessment 2/	Not required for surveillance countries	Not required for surveillance countries	
Debt stabilization in the baseline			Yes

DSA Summary Assessment

Commentary: Greece's overall risks of sovereign stress are assessed to be moderate in the medium term. The public debt-to-GDP ratio is projected to be firmly on a downward trajectory with manageable rollover risks even under several stress scenarios, reflecting the prudent fiscal policy stance, the favorable structure of the public debt, and strong institutional arrangements including the reformed EU economic governance framework and the ECB's TPI. The public debt-to-GDP ratio is also projected to continue to decline in the long run, but this projection is subject to large uncertainty.

Source: IMF staff.

Note: The risk of sovereign stress is a broader concept than debt sustainability. Unsustainable debt can only be resolved through exceptional measures (such as debt restructuring). In contrast, a sovereign can face stress without its debt necessarily being unsustainable, and there can be various measures—that do not involve a debt restructuring—to remedy such a situation, such as fiscal adjustment and new financing.

1/ The near-term assessment is not applicable in cases where there is a disbursing IMF arrangement. In surveillance-only cases or in cases with precautionary IMF arrangements, the near-term assessment is performed but not published.

2/ A debt sustainability assessment is optional for surveillance-only cases and mandatory in cases where there is an IMF arrangement. The mechanical signal of the debt sustainability assessment is deleted before publication. In surveillance-only cases or cases with IMF arrangements with normal access, the qualifier indicating probability of sustainable debt ("with high probability" or "but not with high probability") is deleted before publication.

Figure 2. Greece: Debt Coverage and Disclosures

						Comments
1. Debt coverage in the DSA: 1/	CG	GG	NFPS	CPS	Other	
1a. If central government, are non-central government entities insignificant?					n.a.	
2. Subsectors included in the chosen coverage in (1) above:						

					Subsectors captured in the baseline	Inclusion	
CPS	NFPS	GG: expected	CG	1	Budgetary central government	Yes	Not applicable
				2	Extra budgetary funds (EBFs)	Yes	
				3	Social security funds (SSFs)	Yes	
				4	State governments	Yes	
				5	Local governments	Yes	
				6	Public nonfinancial corporations	Yes	
				7	Central bank	No	
				8	Other public financial corporations	Yes	

3. Instrument coverage:	Currency & deposits	Loans	Debt securities	Oth acct. payable 2/	IPSGSs 3/
4. Accounting principles:	Basis of recording		Valuation of debt stock		
	Non-cash basis 4/	Cash basis	Nominal value 5/	Face value 6/	Market value 7/
5. Debt consolidation across sectors:		Consolidated		Non-consolidated	

Color code: chosen coverage; Missing from recommended coverage; Not applicable

Reporting on Intra-Government Debt Holdings

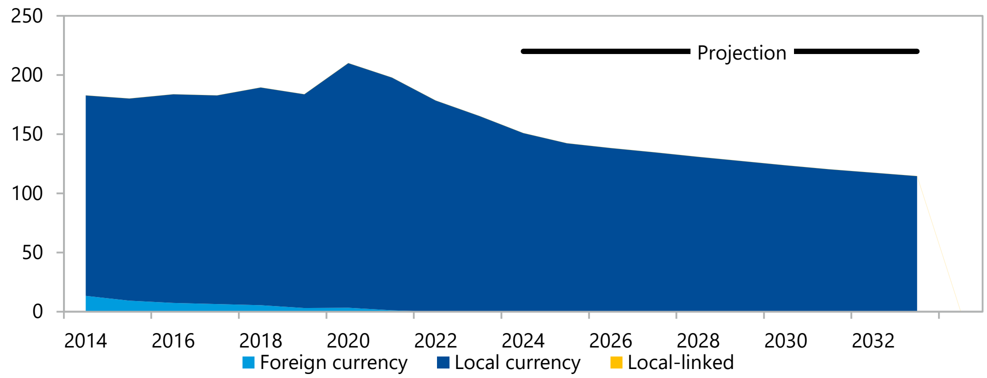
					Holder / Issuer	Budget. central govt	Extra-budget. funds	Social security funds	State govt.	Local govt.	Nonfin. pub. corp.	Central bank	Oth. pub. fin corp	Total
CPS	NFPS	GG: expected	CG	1	Budget. central govt									0
				2	Extra-budget. funds									0
				3	Social security funds									0
				4	State govt.									0
				5	Local govt.									0
				6	Nonfin pub. corp.									0
				7	Central bank									0
				8	Oth. pub. fin. corp									0
					Total	0	0	0	0	0	0	0	0	0

1/ CG=Central government; GG=General government; NFPS=Nonfinancial public sector; PS=Public sector.
2/ Stock of arrears could be used as a proxy in the absence of accrual data on other accounts payable.
3/ Insurance, Pension, and Standardized Guarantee Schemes, typically including government employee pension liabilities.
4/ Includes accrual recording, commitment basis, due for payment, etc.
5/ Nominal value at any moment in time is the amount the debtor owes to the creditor. It reflects the value of the instrument at creation and subsequent economic flows (such as transactions, exchange rate, and other valuation changes other than market price changes, and other volume changes).
6/ The face value of a debt instrument is the undiscounted amount of principal to be paid at (or before) maturity.
7/ Market value of debt instruments is the value as if they were acquired in market transactions on the balance sheet reporting date (reference date). Only traded debt securities have observed market values.

Commentary: Debt coverage is general government and follows ESA 2010. The debt data include SDR holdings, NGEU loans, and the stock of deferred interest payments on EFSF loans.

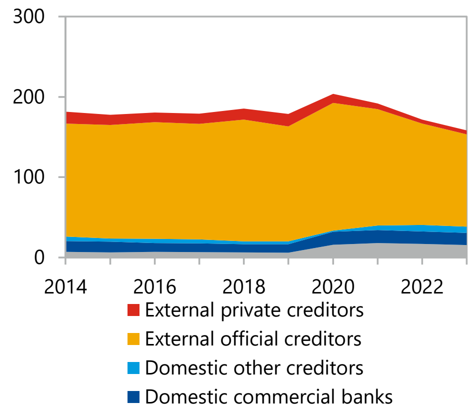
Figure 3. Greece: Public Debt Structure Indicators

Debt by Currency (Percent of GDP)



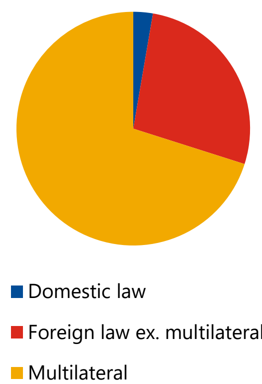
Note: The perimeter shown is general government.

Public Debt by Holder (Percent of GDP)



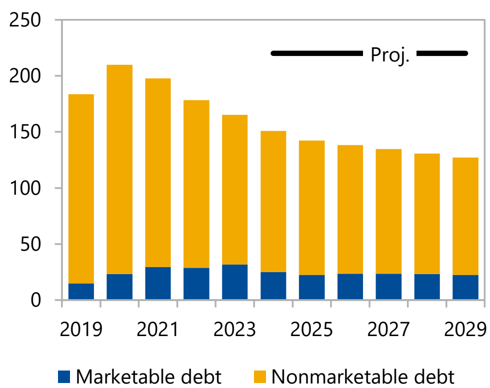
Note: The perimeter shown is general government.

Public Debt by Governing Law, 2023 (Percent)



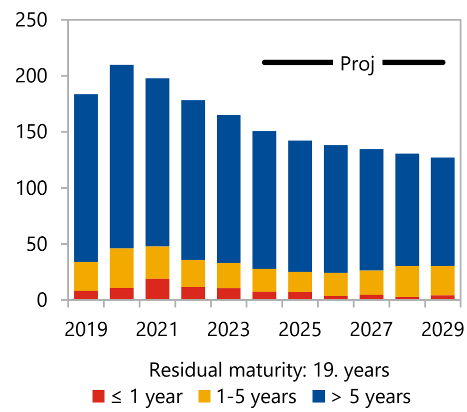
Note: The perimeter shown is general government.

Debt by Instruments (Percent of GDP)



Note: The perimeter shown is general government.

Public Debt by Maturity (Percent of GDP)



Note: The perimeter shown is general government.

Commentary: Public debt is almost entirely denominated in domestic currency (euro) with a high share at low fixed rates and a weighted average maturity of about 19 years. About three quarters of the debt is held by external official creditor. With the regained investment grade sovereign rating, the share of marketable debt is expected to increase gradually.

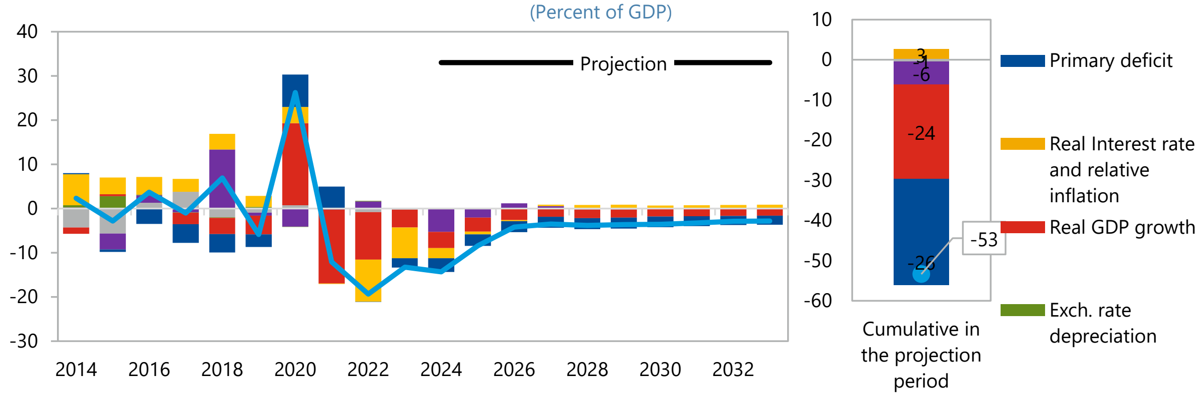
Figure 4. Greece: Baseline Scenario

(Percent of GDP unless indicated otherwise)

	Actual	Medium-term projection						Extended projection			
	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Public debt	165.2	150.8	142.4	138.2	134.6	130.8	127.1	123.6	120.3	117.4	114.6
Change in public debt	-13.3	-14.3	-8.4	-4.2	-3.5	-3.8	-3.7	-3.6	-3.3	-2.9	-2.8
Contribution of identified flows	-13.0	-14.3	-8.4	-4.2	-3.5	-3.6	-3.4	-3.6	-3.3	-2.9	-2.8
Primary deficit	-2.1	-3.0	-2.6	-2.5	-2.5	-2.4	-2.5	-2.5	-2.3	-2.1	-2.1
Noninterest revenues	48.2	49.3	49.5	49.3	47.0	46.3	45.9	45.6	45.7	45.8	45.9
Noninterest expenditures	46.2	46.2	46.9	46.9	44.5	43.8	43.4	43.1	43.4	43.7	43.8
Automatic debt dynamics	-11.0	-6.0	-3.8	-2.9	-1.6	-1.1	-0.9	-1.1	-1.0	-0.9	-0.8
Real interest rate and relative inflation	-7.0	-2.3	-0.6	-0.3	0.3	0.8	0.9	0.7	0.7	0.8	0.8
Real interest rate	-7.0	-2.3	-0.6	-0.3	0.3	0.8	0.9	0.7	0.7	0.8	0.8
Relative inflation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Real growth rate	-4.1	-3.7	-3.1	-2.6	-1.9	-2.0	-1.8	-1.8	-1.7	-1.7	-1.6
Real exchange rate	0.0	…	…	…	…	…	…	…	…	…	…
Other identified flows	0.1	-5.3	-2.1	1.1	0.6	0.0	0.0	0.0	0.0	0.0	0.0
Contingent liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
(minus) Interest Revenues	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other transactions	0.1	-5.3	-2.1	1.1	0.6	0.0	0.0	0.0	0.0	0.0	0.0
Contribution of residual	-0.2	0.0	0.0	0.0	0.0	-0.3	-0.3	0.0	0.0	0.0	0.0
Gross financing needs	11.3	6.7	7.4	7.4	4.3	6.0	4.0	5.2	7.0	6.0	9.4
of which: debt service	13.4	9.7	10.0	9.9	6.8	8.4	6.4	7.6	9.2	8.1	11.5
Local currency	13.4	9.7	10.0	9.9	6.8	8.4	6.4	7.6	9.2	8.1	11.5
Foreign currency	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memo:											
Real GDP growth (percent)	2.3	2.3	2.1	1.9	1.4	1.5	1.4	1.4	1.4	1.4	1.4
Inflation (GDP deflator; percent)	5.9	3.2	2.3	2.3	2.1	1.8	1.8	2.0	2.0	2.0	2.0
Nominal GDP growth (percent)	8.3	5.5	4.5	4.2	3.5	3.5	3.4	3.4	3.4	3.4	3.4
Effective interest rate (percent)	1.6	1.7	1.9	2.1	2.3	2.4	2.5	2.5	2.6	2.7	2.7

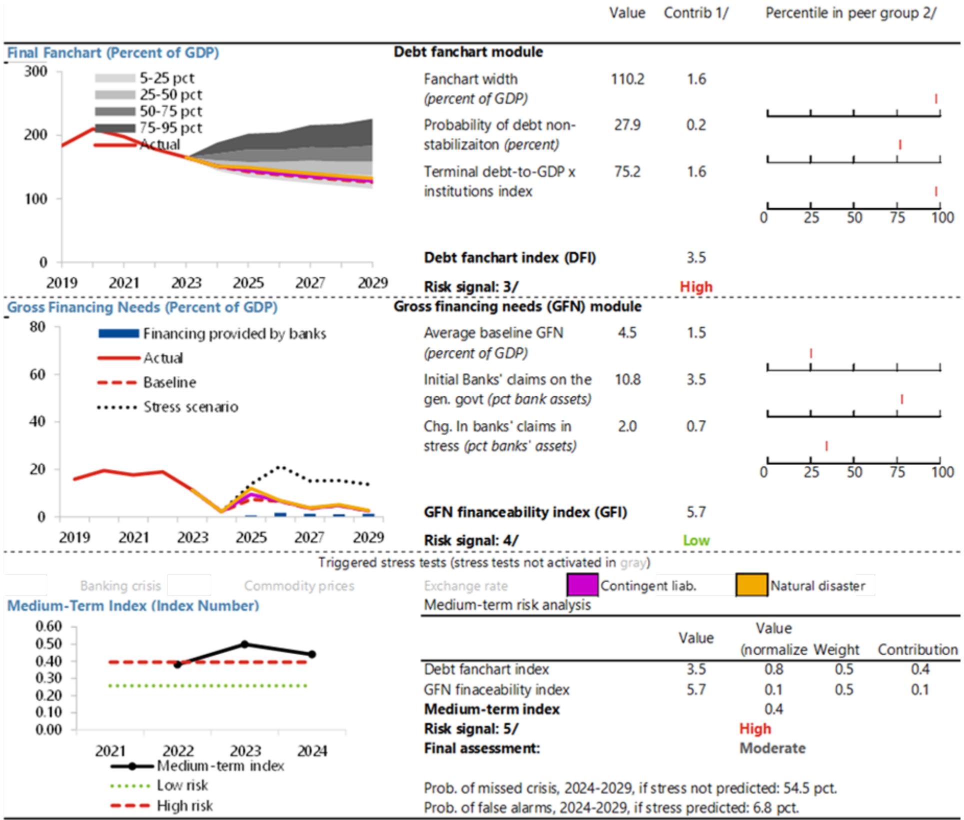
Contribution to Change in Public Debt

(Percent of GDP)



Commentary: The public debt-to-GDP ratio is projected to continue to decline steadily on the back of robust growth and prudent fiscal policy with primary surpluses of more than 2 percent, even though the cost for new borrowing is expected to rise moderately as Greece has regained the investment grade sovereign rating and started to use more market financing.

Figure 5. Greece: Medium-Term Risk Assessment

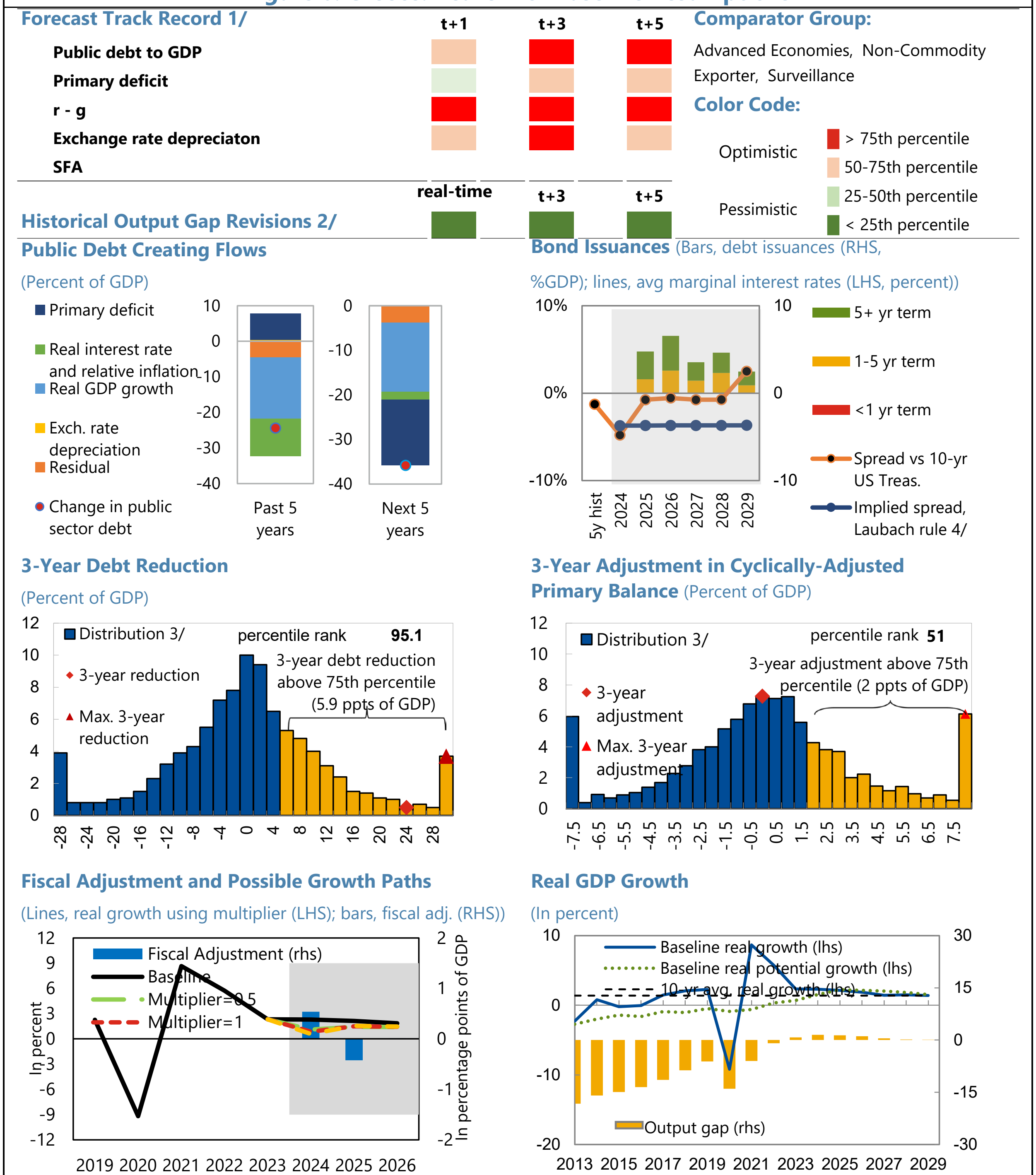


Source: IMF staff estimates and projections.

1/ See Annex IV of IMF, 2022, Staff Guidance Note on the Sovereign Risk and Debt Sustainability Framework for details on index calculation.
2/ The comparison group is advanced economies, non-commodity exporter, surveillance.
3/ The signal is low risk if the DFI is below 1.13; high risk if the DFI is above 2.08; and otherwise, it is moderate risk.
4/ The signal is low risk if the GFI is below 7.6; high risk if the DFI is above 17.9; and otherwise, it is moderate risk.
5/ The signal is low risk if the GFI is below 0.26; high risk if the DFI is above 0.40; and otherwise, it is moderate risk.

Commentary: The fan chart module mechanically indicates high risk mainly due to its large width and the still high level of debt driven by historical data. In contrast, the GFN module suggests low risk driven by high primary surplus and robust growth. Considering other mitigating factors such as a large cash buffer, proactive debt management, and the favorable structure of the public debt (high share of official debt at low fixed rates, ultra-long maturity, and long grace periods), the medium-term risk is assessed as moderate.

Figure 6. Greece: Realism of Baseline Assumptions



Commentary: While consistent with Greece's recent strong growth and large primary surplus, the forecast track record highlights some optimistic bias in projections for the public debt-to-GDP ratio and interest-growth differential and a pessimistic bias for the output gap in cross-country comparison. The projected fiscal adjustment is larger than its peers, but smaller than Greece's own maximum historical record. Greece's sovereign spread is expected to be on a downward path as it has regained the investment grade status.

Figure 7. Greece: Triggered Modules

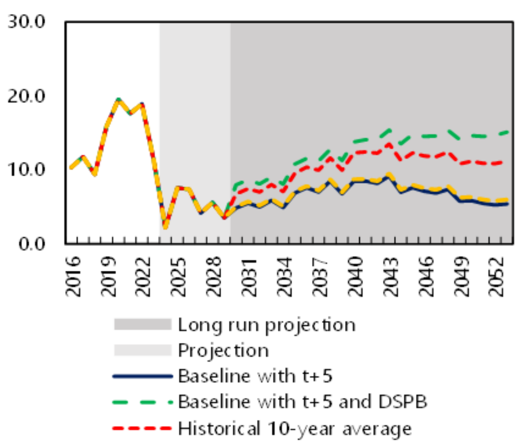
Large amortizations	**Pensions Health**	Climate Change: Adaptation **Climate Change: Mitigation**	Natural Resources

Greece: Long-Term Risk Assessment: Large Amortization Incl. Custom Scenario

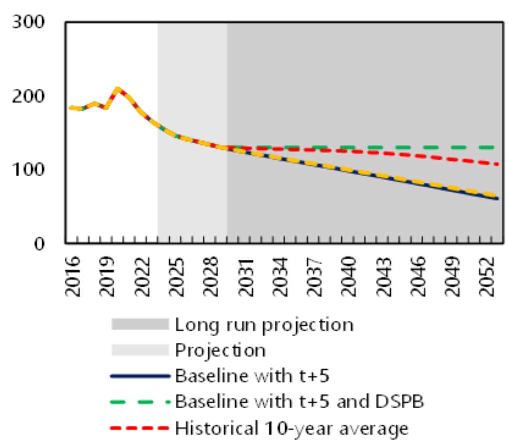
Projection	**Variable**	**Risk Indication**
Medium-term extrapolation	GFN-to-GDP ratio	
	Amortization-to-GDP ratio	
	Amortization	
Medium-term extrapolation with debt stabilizing primary balance	GFN-to-GDP ratio	
	Amortization-to-GDP ratio	
	Amortization	
Historical average assumptions	GFN-to-GDP ratio	
	Amortization-to-GDP ratio	
	Amortization	
Overall Risk Indication		

Variable	**2029**	**2033 to 2037 average**	**Custom Scenario**
Real GDP growth	1.3%	1.1%	1.1%
Primary Balance-to-GDP ratio	2.3%	2.0%	2.1%
Real depreciation	-1.8%	-2.0%	-1.9%
Inflation (GDP deflator)	1.8%	2.0%	2.0%

GFN-to-GDP Ratio

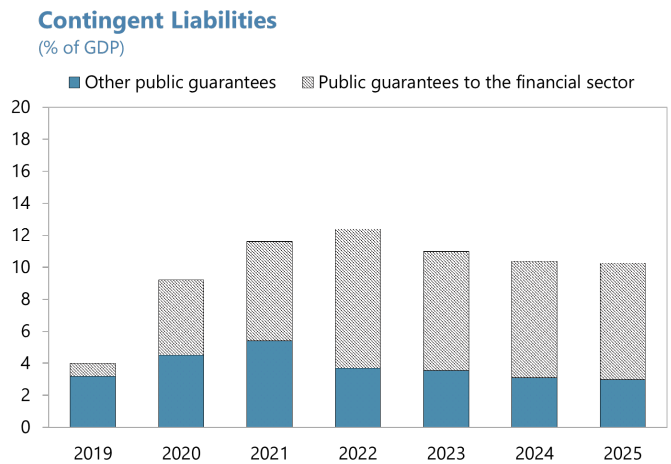


Total Public Debt-to-GDP Ratio



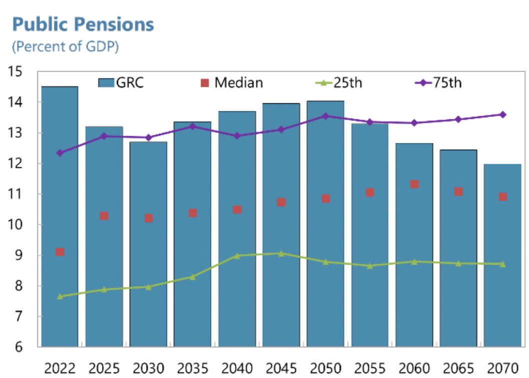
Commentary: Stress tests suggest that the public debt-to-GDP ratio would continue to decline in the long run, even considering costs associated with pension, health spending, and climate change mitigation. The European Commission's 2024 Ageing Report projects that pension spending (in share of GDP) would decline in the long term after peaking in the next decade on the back of recent pension reforms including a new contributory pension pillar. It also expects that health spending would increase in the long run, but only at a moderate pace. Climate change mitigation would incur additional fiscal cost, leading to a slower debt reduction. Overall, stress tests with higher fiscal costs to address demographic and climate change mitigation needs suggest a declining public debt path with manageable fiscal risks in the long run. But this projection is subject to large uncertainty.

Figure 8. Greece: DSA Supplementary Information

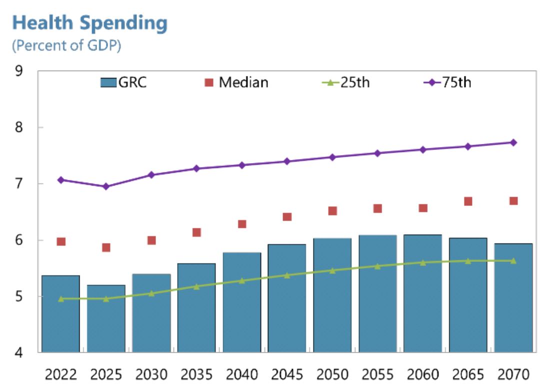


Sources: Greece authorities.

Commentary: Public guarantees are on a declining path since 2022, with financial sector guarantees provided to help address legacy non-performing loans. Accounting and treatment of public guarantees by the authorities comply with the Eurostat methodologies.



Sources: EU 2024 Ageing Report and IMF staff calculations.



Sources: EU 2024 Ageing Report and IMF staff calculations.

Commentary: Greece's public pension and health spending, as a percentage of GDP, is projected to decrease in the long run due to the recent pension reforms. Pension spending is evolving from significantly higher than the median level for EU countries to the median level in 2070. Health spending will remain below the median level.

Annex III. Risk Assessment Matrix[1]

Risks (Likelihood)	Impact if Realized	Policy Responses
Conjunctural Risks		
Intensification of regional conflicts (High). Escalation or spread of the conflict in the Middle East, Russia's war in Ukraine, and/or other regional conflicts or terrorism disrupt trade (e.g., energy, food, tourism, supply chains), remittances, FDI and financial flows, payment systems, and increase refugee flows.	**High**. Negative effects on tourism and exports would impede growth. Heightened energy and food prices would fuel inflation, imposing a burden especially on vulnerable households. Increased refugees could raise social tensions.	• Allow the automatic stabilizers to fully operate. • Provide temporary and targeted support to the most vulnerable groups, while avoiding broad-based discretionary support unless the shock amplifies. • Augment the scope of Active Labor Market Programs (ALMPs) to facilitate refugees' transitions into the labor market particularly in sectors facing labor shortages.
Global growth surprises: • Slowdown. Growth slowdown in major economies, including due to supply disruptions, tight monetary policy, rising corporate bankruptcies, or a deeper-than-envisaged real estate sector contraction, with adverse spillovers through trade and financial channels, triggering sudden stops in some EMDEs. **(Medium)** • Acceleration. Positive supply-side surprises, monetary easing, productivity gains from AI, and/or stronger EMDE performance raise global demand and trade, and ease global financing conditions. **(Low)**	**Medium.** Negative and positive effects through tourism demand and trade linkages and supply chains.	• Allow the automatic stabilizers to fully operate in both slowdown and acceleration. • Provide temporary and targeted support to the most vulnerable groups, while accelerating supply-side structural reforms to enhance competitiveness and productivity should slowdown materialize.
Monetary policy calibration (Medium). Amid high uncertainty and data surprises, major central banks' stances turn out to be too loose, hindering disinflation, or too tight for longer than warranted, which stifles growth and triggers increased capital-flow and exchange-rate volatility in EMDEs.	**Medium**. Higher funding costs, if combined with deanchored inflation expectations, could push the economy to a stagflation, amplifying the financial strains on both households and firms.	• Allow the automatic stabilizers to fully operate. • In case of higher inflation, continue fiscal policy consolidation (while protecting the most vulnerable) to reduce domestic demand pressures.
Systemic financial instability (Medium). Financial condition tightening and elevated policy uncertainty (including from elections) trigger market dislocations, with cross-border spillovers and an adverse macro-financial feedback loop affecting weak banks.	**Medium**. In addition to dampening domestic demand, a sudden house price correction could deteriorate bank balance sheet, further weighing on credit supply.	• Intensify monitoring of banks' capital positions and risk management practices to contain systemic risk.

[1] The Risk Assessment Matrix (RAM) shows events that could materially alter the baseline path. The relative likelihood is the staff's subjective assessment of the risks surrounding the baseline ("low" is meant to indicate a probability below 10 percent, "medium" a probability between 10 and 30 percent, and "high" a probability between 30 and 50 percent). The RAM reflects staff views on the source of risks and overall level of concern as of the time of discussions with the authorities. Non-mutually exclusive risks may interact and materialize jointly. The conjunctural shocks and scenarios highlight risks that may materialize over a shorter horizon (between 12 to 18 months) given the current baseline. Structural risks are those that are likely to remain salient over a longer horizon. This is based on the Global Risk Assessment Matrix from July 2024.

Risks (Likelihood)	Impact if Realized	Policy Responses
		• In the event of a sharp downturn, relax macroprudential settings so that banks can keep credit flowing.
	Structural Risks	
Deepening geo-economic fragmentation (High). Broader conflicts, inward-oriented policies, and weakened international cooperation result in a less efficient configuration of trade and FDI, supply disruptions, protectionism, policy uncertainty, technological and payments systems fragmentation, rising shipping and input costs, financial instability, a fracturing of international monetary system, and lower growth.	**High**. Extended supply-side disruptions could induce higher commodity prices and will damage tourism and exports, while impacting private and public balance sheets. Global economic uncertainty could weigh on investment, consumption, and FDI flows. Inflow of refugees could induce social tensions.	• Accelerate supply-side structural reforms to enhance competitiveness and productivity, including investments in digitalization and green energy. • Continue to promote international cooperation via active participation in joint efforts to promote green transitions and policy coordination in the euro area and beyond. • Retain contingency buffers.
Extreme climate events (High). Extreme climate events driven by rising temperatures cause loss of human lives, severe damage to infrastructure, supply disruptions, lower growth, and financial instability.	**Medium**. Damages could undermine tourism, agriculture, and investment, leading to lower growth and higher inflation.	• Accelerate reforms and investment for greener growth to mitigate severe impact and protect the vulnerable households. • Expeditious implementation of climate policies, including by improving the energy mix, scaling up electricity networks and storage, and raising carbon prices.
	Domestic Risks	
Weak implementation of NGEU-financed investment (Medium). Slow implementation results in reform delays and slower pace of funding from EU.	**High**. Lead to lower investment and productivity growth, and undermine business confidence.	• Further enhance the government capacity, including by further digitalization and streamlining procedures. • Accelerating labor market reforms to alleviate labor shortages.
Systemic risk build-up in the financial system (Medium). Financial condition tightening could weigh on asset quality and increase risks to credit servicers. A sharp house price correction following rapid credit growth could reinforce the bank-sovereign nexus.	**Medium**. Banks' ability to access liquidity and capital markets would decrease, leading to higher funding costs and credit supply constraints, dampening domestic demand.	• Accelerate the build-up of bank capital buffers, with limited dividend payouts. Consider stand-alone DTC conversions for banks that are unable to utilize existing tools. • Prepare to recalibrate macroprudential tools to align with evolving risks.
Under-execution of the planned fiscal consolidation (Medium). Permanent tax cuts and higher-than-expected spending on energy subsidies, pensions and public sector wages due to social and political pressures.	**Medium**. Investor confidence could be undermined, leading to higher funding costs and lower growth. Overheating of the economy could accelerate inflation.	• Offsetting permanent tax cuts through base-broadening measures and benefit adjustments, while containing pension spending and the public sector wage bill. • Adhere to fiscal targets while scaling up targeted support to vulnerable groups.

Annex IV. Implementation of Main Recommendations of the 2023 Article IV Consultation

Main Recommendations	Authorities' Responses
Fiscal Policy and Fiscal Structural Reforms	
Near-term. Continue fiscal consolidation to help reduce the public debt-to GDP ratio.	Implemented.
Introduce measures to offset revenue losses from untargeted measures such as the cuts in SS contributions and solidarity tax; Consider more targeted policy support; Strengthen the means-tested Guaranteed Minimum Income (GMI) scheme; Avoid excessive increases in public-sector wages and pensions.	Implementation in progress. Anti-tax evasion and other reforms brough steady revenue gains; public sector wage bill increased mainly due to re-griding; GMI and benefit reforms are in progress.
Medium-term. Continue growth-friendly fiscal consolidations while building up public investment and social spending; Continue efforts to address tax evasion and promote digital transactions; Improve spending efficiency including through performance budgeting and spending reviews; Strengthen public investment management with enhanced planning and budgetary practices.	Implementation in progress. Continued fiscal consolidation is incorporated in the new Medium-Term Fiscal-Structural Plan under the new EU economic governance framework; public investment accelerated; major anti-tax evasion measures were implemented; reforms are in progress to further improve tax administration, public investment, and spending efficiency.
Financial Sector and Macro-Financial Issues	
Closely monitor financial risks. Banks' interest rate risk should be closely monitored amid the tightening of financial conditions; Also monitor and stress test bank funding and liquidity conditions, as well as credit and capital conditions.	Implementation in progress. Targeted banking supervisors' onsite inspections on liquidity and funding have been ongoing.
Enhance the resilience of the financial system. Banks should ensure sustainable profitability; Strengthen macroprudential policy toolkit.	Implementation in progress. Limited bank dividend payouts and DTC amortization acceleration, but not much progress in ensuring adequate loan pricing. Implemented. Activation of BBMs and CCyB.
Other Structural Reforms	
Advance in reforms to address structural supply impediments. Promote investment and revitalize productivity growth by supporting the green and digital transition; prioritize supply-enhancing reforms such as those to boost labor force participation; accelerate regulatory reforms.	Implementation in progress. Investment is scaled up on climate and digitalization areas supported by NGEU funding. Reduced tax on working pensioners helps improve labor force participation. Progress has been slow in regulatory reforms.
Strengthen judicial system reforms and out-of-court proceedings.	Implementation in progress. Acceleration of progress in out-of-court proceedings and preparation of a comprehensive reform package for strengthening judicial system efficiency.
Continue concerted efforts to achieve climate goals and green transitions. Further develop renewable energy generation and improve energy efficiency in transport and buildings; Consider raising the carbon pricing in non-ETS sectors such as transport; Consider additional measures to facilitate green transition.	Implementation in progress. Solar and wind power generation continued to expand. Compulsory insurance against natural disasters for larger businesses has been legislated, as well as incentives for smaller businesses and households. The authorities revised the National Climate and Energy Plan, envisaging further shift to renewables and improving energy efficiency in industries and transportation.

Annex V. Data Issues

Table 1. Greece: Data Adequacy Assessment for Surveillance 1/

A							
Questionnaire Results 2/							
Assessment	National Accounts	Prices	Government Finance Statistics	External Sector Statistics	Monetary and Financial Statistics	Inter-sectoral Consistency	Median Rating
	A	A	A	A	A	A	A
Detailed Questionnaire Results							
Data Quality Characteristics							
Coverage	A	A	A	A	A		
Granularity 3/	B		A	A	A		
			A		A		
Consistency			A	A		A	
Frequency and Timeliness	A	A	A	A	A		

Note: When the questionnaire does not include a question on a specific dimension of data quality for a sector, the corresponding cell is blank.
1/ The overall data adequacy assessment is based on staff's assessment of the adequacy of the country's data for conducting analysis and formulating policy advice, and takes into consideration country-specific characteristics.
2/ The overall questionnaire assessment and the assessments for individual sectors reported in the heatmap are based on a standardized questionnaire and scoring system (see IMF *Review of the Framework for Data Adequacy Assessment for Surveillance*, January 2024, Appendix I).
3/ The top cell for "Granularity" of Government Finance Statistics shows staff's assessment of the granularity of the reported government operations data, while the bottom cell shows that of public debt statistics. The top cell for "Granularity" of Monetary and Financial Statistics shows staff's assessment of the granularity of the reported Monetary and Financial Statistics data, while the bottom cell shows that of the Financial Soundness indicators.

A	The data provided to the Fund are adequate for surveillance.
B	The data provided to the Fund have some shortcomings but are broadly adequate for surveillance.
C	The data provided to the Fund have some shortcomings that somewhat hamper surveillance.
D	The data provided to the Fund have serious shortcomings that significantly hamper surveillance.

Rationale for staff assessment. Data provision is adequate for surveillance. Greece's economic and financial statistics are comprehensive, generally of high quality, and are provided to the Fund in a comprehensive manner, along with a calendar of dates for the main statistical releases. Greece is also subject to the statistical requirements of Eurostat and the European Central Bank, including the timeliness and reporting standards, and it has adopted the European System of Accounts 2010. To further improve the granularity and reliability of the SNA, reducing discrepancies between the headline GDP and its components in quarterly seasonally adjusted series is instrumental, while publishing decomposition of public and private investment in quarterly GDP releases would help granular assessment. Further improvement should be considered to reduce the discrepancies between the production- and expenditure-side quarterly GDP, thereby attenuating the fluctuations in changes in inventories, which are used as a balancing item with the statistical discrepancies in the expenditure approach. Regarding data releases, publishing flash GDP estimates and aligning the timing of inflation data release with the euro area peers would enable timely assessment. In addition, the publication of historical data revision for both annual and quarterly GDP at the same time would enhance consistency between them.

Changes since the last Article IV consultation. In the context of a regular GDP revision, the authorities incorporated a few improvements in estimation methodologies and data collection to better capture economic activities.

Corrective actions and capacity development priorities. Staff suggests the auhorities consider options to address the issues pointed out above. This would involve concerted efforts across institutions, including on data collection and sharing.

Use of data and/or estimates in Article IV consultations in lieu of official statistics available to staff. Staff does not use data and/or estimates different from existing official statistics.

Other data gaps. Publicly-available data on execution of NGEU-funded investments is limited. Capturing informal economy in official statistics would be enhanced through continued efforts through broad policy measures, including anti-tax evasion measures.

Table 2. Greece: Data Standard Initiatives

Greece subscribes to the Special Data Dissemination Standard (SDDS) since November 2002 and publishes the data on its National Summar Data Page. The latest SDDS Annual Observance Report is available on the Dissemination Standards Bulletin Board.

Table 3. Greece: Table of Common Indicators Required for Surveillance
(as of March 11, 2025)

	Data Provision to the Fund				Publication under the Data Standards Initiatives through the National Summary Data Page			
	Date of Latest Observation	Date Received	Frequency of Data[6]	Frequency of Reporting[6]	Expected Frequency[6,7]	Greece[8]	Expected Timeliness[6,7]	Greece[8]
Exchange Rates	11-Mar-25	11-Mar-25	D	D	D	...	...	...
International Reserve Assets and Reserve Liabilities of the Monetary Authorities[1]	Jan-25	Feb-25	M	M	M	30	1W	21
Reserve/Base Money	Jan-25	Feb-25	M	M	M	30	2W	14
Broad Money	Jan-25	Feb-25	M	M	M	30	1M	30
Central Bank Balance Sheet	Jan-25	Feb-25	M	M	M	30	2W	14
Consolidated Balance Sheet of the Banking System	Jan-25	Feb-25	M	M	M	30	1M	30
Interest Rates[2]	Feb-25	Mar-25	M	M	D	...	...	1
Consumer Price Index	Feb-25	Mar-25	M	M	M	30	1M	14
Revenue, Expenditure, Balance and Composition of Financing[3]–General Government[4]	Sep-24	Jan-25	Q	Q	A	365	2Q	95
Revenue, Expenditure, Balance and Composition of Financing[3]–Central Government	Dec-24	Jan-25	M	M	M	30	1M	30
Stocks of Central Government and Central Government-Guaranteed Debt[5]	Sep-24	Jan-25	Q	Q	Q	90	1Q	50
External Current Account Balance	Dec-25	Feb-25	M	M	Q	30	1Q	56
Exports and Imports of Goods and Services	Dec-25	Feb-25	M	M	M	30	8W	42
GDP/GNP	2024Q4	Mar-25	Q	Q	Q	90	1Q	45
Gross External Debt	2024Q3	Dec-24	Q	Q	Q	90	1Q	90
International Investment Position	2024Q3	Dec-24	Q	Q	Q	90	1Q	90

[1] Includes reserve assets pledged or otherwise encumbered, as well as net derivative positions.
[2] Both market-based and officially determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.
[3] Foreign, domestic bank, and domestic nonbank financing.
[4] The general government consists of the central government (budgetary funds, extra budgetary funds, and social security funds) and state and local governments.
[5] Including currency and maturity composition.
[6] Frequency and timeliness: ("D") daily; ("W") weekly or with a lag of no more than one week after the reference date; ("M") monthly or with lag of no more than one month after the reference date; ("Q") quarterly or with lag of no more than one quarter after the reference date; ("A") annual.; ("SA") semiannual; ("I") irregular; ("NA") not available or not applicable; and ("NLT") not later than.
[7] Encouraged frequency of data and timeliness of reporting under the e-GDDS and required frequency of data and timeliness of reporting under the SDDS and SDDS Plus. Any flexibility options or transition plans used under the SDDS or SDDS Plus are not reflected. For those countries that do not participate in the IMF Data Standards Initiatives, the required frequency and timeliness under the SDDS are shown for New Zealand, and the encouraged frequency and timeliness under the e-GDDS are shown for Eritrea, Nauru, South Sudan, and Turkmenistan.
[8] Based on the information from the Summary of Observance for SDDS and SDDS Plus participants, and the Summary of Dissemination Practices for e-GDDS participants, available from the IMF Dissemination Standards Bulletin Board (https://dsbb.imf.org/). For those countries that do not participate in the Data Standards Initiatives, as well as those that do have a National Data Summary Page, the entries are shown as "..."

Annex VI. The Implementation of NRRP and NGEU Funding[1]

1. **Greece continues to make good progress in its NRRP implementation supported by the NGEU fund.** Greece is one of the largest recipients of NGEU funds as a percentage of GDP, with a total allocation of about €36 bn (16 percent of 2023 GDP) split nearly evenly between grants (€18.2 bn) and loans (€17.7 bn).

- *Absorption*. As of end-2024, the implementation has advanced at a solid pace with the total absorption of €18.2 bn (51 percent of the total allocation)—comprising €8.6 bn in grants and €9.6 bn in loans—placing it among the top five countries as a share of the total allocation.

- *Execution*. As of November 2024, €4.1 bn of grants has been executed as public expenditure, while €3.3 bn has been transferred from the central government to other general government entities to be executed. For loans, €2.9 bn has been disbursed to firms with contracted loans amounting to €6.1 bn over the same period.

2. **The allocated funds are expected to be fully disbursed by end-2026.** The execution has been somewhat delayed due to administrative requirements and natural disasters in 2023, but the pace has accelerated since mid-2024. It is expected that grant-financed public investment and loan-financed projects will be fully completed by end-2026 and by end-2028, respectively.

3. **The steady execution of NGEU-funded projects reflects upfront planning, centralized coordination, and close monitoring.** Productive investment projects were identified at an early stage, facilitated by the large investment needs after prolonged low investment following the sovereign debt crisis. A dedicated operational unit was established under the Ministry of Economy and Finance, allowing for centralized coordination across ministries and efficient implementation including public procurement processes. Moreover, line ministries conduct monthly monitoring meetings to ensure timely execution and facilitate necessary adjustments, in addition to centralized annual planning meetings.

4. **The NGEU-funded projects focus on green transition, digitalization, and inclusive growth.**

- *Green transition*. Recent efforts include providing subsidies for household energy-saving projects and enhancing electricity connectivity with islands to reduce reliance on oil-based electricity generation. Concurrent reforms include to streamline and digitize the licensing framework for renewables, and to enact legislation to implement the Guarantees of Origin system, which tracks electricity produced from renewable sources.

- *Digitalization*. Public administration has been digitalized, including tax administration which helps combat tax evasion and contributes to strong revenue performance in recent years (see

[1] Prepared by Larry Qiang Cui, Tomohide Mineyama, and Mengxue Wang.

box). Recent efforts include the use of AI to advance the national land registration, digitalization in the judicial system, and the support of introducing digital technologies in SMEs.

- *Inclusion*. In supporting inclusive growth, training programs have been offered to over 150,000 citizens in digital, green, and financial literacy areas to increase labor market opportunities and reduce skill mismatches. Further, mortgage loan programs aiming to address housing affordability for eligible households have been implemented.

5. **The NGEU-funded projects are expected to yield both near- and long-term growth payoffs.** The European Commission estimates that Greece stands out for the short-term boost to output, with the projected cumulative peak impact being about 4.5 percent of GDP by 2026–significantly above the EU average of 1.4 percent.[2] Over the longer term, the steadfast implementation of investment and structural reforms—aimed at ensuring energy security, strengthening market competition, improving tax administration, upgrading labor force skills, enhancing labor participation, and boosting innovation—are expected to deliver a lasting uplift in potential growth. However, uncertainty regarding the growth payoff is high, providing both upside and downside risks, which underscores the importance of continuous efforts to effectively implement the projects.

Box 1. Combatting Tax Evasion

Greece has implemented a set of anti-tax evasion measures to reduce the elevated tax gap compared with its EU peers. Main reform measures include (a) interconnecting Point of Sale machines with the tax authorities; (b) utilizing a "myDATA" transaction recording platform in tax administration and requiring electronic invoices; (c) extending mandatory acceptance of direct electronic payments in retail; (d) restricting cash payments in real estate transactions; (e) establishing a new framework for presumptive minimum taxable income for the self-employed based on minimum wage; (f) increasing fines of using cash in transactions above €500; (g) disbursing social security benefits via prepaid cards with improved tracking; (h) digitalizing and automatizing tax authority audits; and (i) implementing a new framework for combating smuggling and other potential tax-evasion activities.

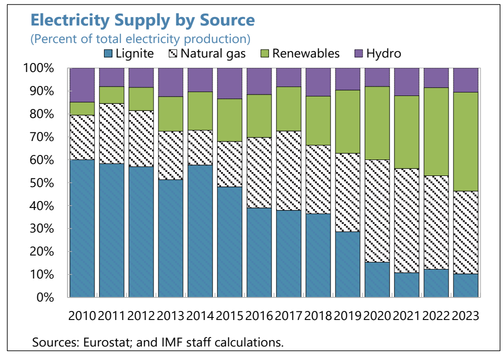
These measures have supported steady revenue gains in recent years. The VAT compliance gap—the additional VAT revenue that could be collected if all taxpayers, consumers, and businesses fully complied with VAT rules—is estimated to have decreased from 21 percent in 2020 to 10.2 percent in 2022. Benefiting from these measures, direct (e.g., PIT and CIT) and indirect (e.g. VAT) tax revenues in 2024 are projected to be more than 1½ percent of GDP higher than the revenue targets set in the original budget.

Sources: Greece authorities, European Commission (2024), and IMF staff.

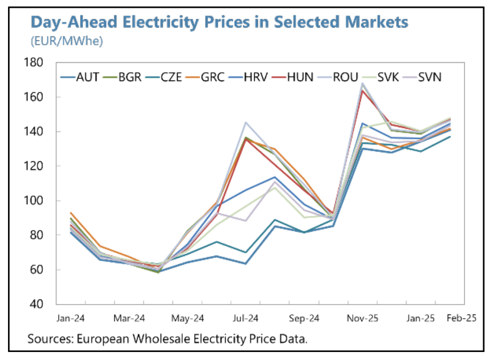
[2] See European Commission (2024), "*Mid-term evaluation of the Recovery and Resilience Facility (RRF)*."

Annex VII. Progresses in Green Transition and Remaining Challenges[1]

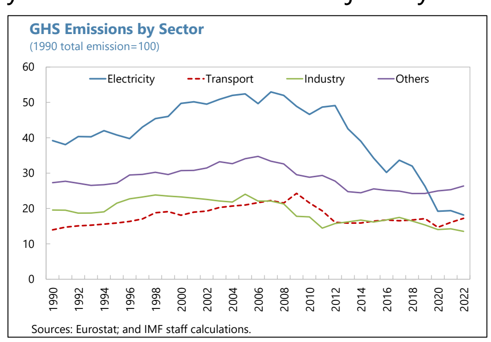
1. Greece has made good progress in greening the economy, in particular in the transition to renewable electricity generation. Solar and wind power capacity almost doubled since the adoption of the 2019 National Energy and Climate Plan, with total renewable sources accounting for around 50 percent of the total electricity supply in 2024, making Greece a net electricity exporter. This shift has contributed to the reduction in coal-fired power generation and overall greenhouse gas (GHG) emissions by 87 and 45 percent, respectively, from the pre-GFC peaks. However, significant efforts are needed to achieve the authorities' upgraded target of the reduction in GHG emissions.



2. A lack of grid interconnections and storage capacity, together with increased regional demand, has led to unintended price volatility. In the summer of 2024, wholesale electricity prices disproportionally increased in Central and Southeast Europe, including Greece, due to a combination of warm weather, low rainfall, outages in electricity generation, and increased demand from Ukraine due to the destruction of energy infrastructure. Despite higher prices, power supply from Western Europe has not increased partly due to the limited interconnectivity of grid networks. Renewable electricity generation has not been able to meet the increased demand as solar and wind power generation is intrinsically volatile due to weather conditions, while their storage capacity is still limited.

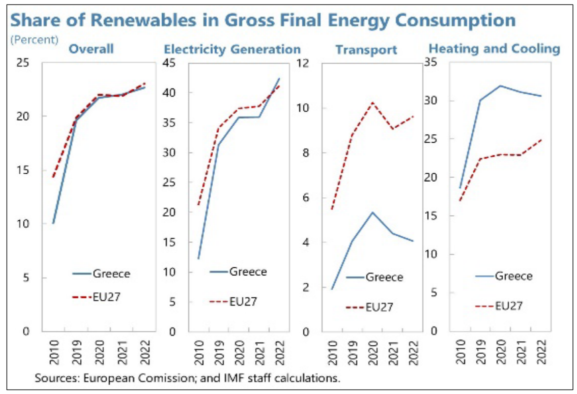


3. Transition to renewable sources in transport still lags EU peers. Greek transportation continues to rely on fossil fuels, and its GHG emissions have yet to be in a downward trajectory with the growing transportation demand in line with the strong economic recovery in recent years. The share of energy-inefficient aged and used vehicles is high, although EVs started to gain the market share supported by subsidies for EV purchases with about 10 percent of new vehicle sales as of 2023. Industries should transit away from its dependence on oil and could adopt new technologies to reduce still high GHG emission.



[1] Prepared by Tomohide Mineyama.

4. **Completing the EU-wide Energy Union remains crucial.** Europe has made substantial progress in building the infrastructure needed to create a genuinely interconnected energy market, while Greece has accelerated bilateral or multilateral energy interconnectivity projects. But some deficiencies remain as highlighted in the recent price divergence. As noted in the Budapest Declaration, it is important to build a genuine EU-wide Energy Union with a fully integrated and interconnected energy market.



INTERNATIONAL MONETARY FUND

GREECE

March 11, 2025

STAFF REPORT FOR THE 2025 ARTICLE IV CONSULTATION—INFORMATIONAL ANNEX

Prepared By | European Department
(In Consultation with Other Departments)

CONTENTS

FUND RELATIONS

(As of February 28, 2025)

Membership Status: Joined December 27, 1945.

Exchange Rate Arrangements: The currency of Greece is the euro. The exchange rate arrangement of the euro area is free floating. Greece participates in a currency union (EMU) with 19 other members of the EU and has no separate legal tender. The euro, the common currency floats freely and independently against other currencies. Greece has accepted the obligations of Article VIII, Sections 2, 3, and 4. It maintains an exchange system free of restrictions on payments and transfers for current international transactions and multiple currency practices, except for those measures adopted solely for security reasons, which have been notified to the Fund in accordance with the procedures of Decision 144 (52/51).

General Resources Account:

	SDR Million	Percent Quota
Quota	2,428.90	100.00
IMF’s Holdings of Currency	1,855.86	76.41
Reserve Tranche Position	575.02	23.67

SDR Department:

	SDR Million	Percent Allocation
Net Cumulative Allocation	3,110.35	100.00
Holdings	839.45	26.99

Outstanding Purchases and Loans: None

Latest Financial Arrangements:

Type	Date of Arrangement	Expiration Date	Amount Approved (SDR million)	Amount Drawn (SDR million)
EFF	Mar 15, 2012	Jan 15, 2016	23,785,30	10,224.50
Stand-by	May 09, 2010	Mar 14, 2012	26,432.90	17,541.80

Projected Payments to the Fund:
(SDR Million, based on existing use of resources and present holdings of SDRs)

	Forthcoming				
	2025	2026	2027	2028	2029
Principal					
Charges/Interest	53.50	71.47	71.47	71.50	71.43
Total	53.50	71.47	71.47	71.50	71.43

Article IV Consultations:
The last Article IV was concluded on January 24, 2024, following consultation discussions that ended on November 14, 2023. Greece is on the standard 12–month consultation cycle.

Technical Assistance:

Department	Purpose (V=Virtual)	Date
FAD	Chart of Accounts and Accounting Reforms (Renteria) (V)	February 2019
FAD	Revenue Administration: Modern Tax Administration (Sorensen)	February 2019
FAD	Revenue Administration: Institutional Reforms/ IT Capability (Coyne)	April 2019
FAD	Developing Compliance Risk Management Capacity (Holloway)	April 2019
FAD	Revenue Administration: Development of IT Capability (Poulin)	May 2019
FAD	Revenue Administration: VAT Gap Analysis (Hutton)	August 2019
FAD	Streamlining Government Payment Processes	February 2020
FAD	Revenue Administration: Management Framework (Roberts) (V)	March 2020
FAD	Chart of Accounts and Accounting Reform Strategy (Makaronidis–peripatetic STX) (V)	May 2020–May 2021
FAD	Revenue Administration: Development of IT Capability (Poulin) (V)	December 2020
FAD	Public Financial Management: pre-PIMA (Renteria Rodriguez)	July–August 2020
FAD	Public Financial Management: HQ Resident Advisor Briefing (De Clerck) (V)	September 2020
FAD	Tax and Customs Administration: IT Modernization Follow-up (Poulin)	November-December 2020
FAD	Public Financial Management: Workshop on Enterprise Resource Planning Financial Accounting Central Administration (GAO) (V)	March–April 2021
FAD	Public Financial Management: Chart of Accounts: Resident Advisor (Kirchmann) (V)	September 2020–August 2021
FAD	Public Financial Management: SAP Asset Accounting Training (Kirchmann)	July 2021
FAD	Revenue Administration: IAPR organizational structure (Story STX)	September 2021
FAD	Revenue Administration: IAPR IT modernization (Poulin STX)	September 2021
FAD	Revenue Administration: IAPR reform assessment (Stoyan Markov)	March 2023
FAD	Public Financial Management: PIMA	May 2023
FAD	Strengthening Reform Management in the Independent Authority for Public Revenue (Vesperman and Ruuhonen)	December 2023
FAD	Progress Tax Administration Transformation	January–February 2023
FAD	An Assessment of the Independent Authority for Public Revenue using the Tax Administration Diagnostic Assessment Tool (TADAT)	November 2023
FAD	DGREFORM project: support strategic planning (Patrick De Mets and Korstian J.M. Kool)	April 2024
FAD	IAPR: Selected issues - Accountability, Transparency, and Integrity (Stoyan Markov and Robert Russell)	July 2024
FAD	Implementation reform plans (DGREFORM): review of strategic and operational plans (Patrick De Mets)	July 2024

Statement by Mr. Massourakis,
Alternate Executive Director for Greece
March 31, 2025

On behalf of the Greek authorities, we thank staff for the thorough assessment of the economic situation, outlook, challenges, and risks. We broadly share the staff's appraisal and many of their policy recommendations.

1.Macroeconomic Performance Strengthened

On the back of a steadfastly implemented reform agenda, and following the strong real GDP growth of 2.3 percent in 2024, the Greek authorities project growth to be maintained at around the same level or higher in 2025 and 2026, with growth converging gradually closer to its enhanced (relative to the last decade) potential level of 1.5 percent by 2028, **with the economy expanding significantly faster than the euro area,** broadly in line with staff projections. According to the European Commission's Autumn 2024 forecasts, **Greece's per capita real GDP** is expected to grow at 2.6 percent in 2024 vs. 0.4 percent in the euro area, and at a more than double the rate of the euro area average during 2025-26 (2.7 percent vs.1.2 percent), accelerating real convergence. However, as elsewhere, **the strong and sustained recovery faces headwinds due to rising global uncertainty**. This follows the pronounced deterioration of geopolitical trends, causing incipient growth-constraining trade disruptions and likely monetary policy stance reversals as inflationary expectations strengthen, with the crisis in Ukraine and the Middle East having highly uncertain impact on the global economy.

In 2024, the Greek economy benefited from strong **tourism** and **industrial** activity, with Greece's **economic sentiment and PMI** indicators remaining at high levels, having decoupled from adverse Euro Area post-pandemic trends. Indeed, the **manufacturing PMI has consistently been** above 50 - which separates expansion from contraction - since February 2023, standing at a substantially higher level than that of the Euro Area, being below 50 since July 2022.

Over the years following the debt sovereign crisis, Greece has become a much more outward-looking economy, with exports of goods and services reaching levels above 42 percent of GDP in 2024 vs 25.5 percent in 2011. **Non-oil exports of goods** expanded also rapidly, roughly doubling to EUR 36 billion in 2022-24 from EUR 18 billion in 2015. **Tourism activity** rose significantly in 2024, with tourist arrivals and receipts reaching record levels of 36 million (+9.8 percent yoy) and EUR 21.7 billion (+5.4 percent yoy) respectively, despite weak income growth in key countries of origin. The **current account deficit** stood at EUR 16.5 billion in 2024 vs. EUR 15.1 billion a year ago, dropping significantly from its temporarily higher level in 2022 due to the turmoil from the war in Ukraine. As percent of GDP, in 2024 the current account deficit remained roughly flat at 6.9 percent of GDP (vs. 6.7 percent in 2023) and, according to staff's forecast, is expected to decline to 6.6 percent in 2026 and towards 4.0 percent by 2029. This broadly improving trend benefits from Greece's large fiscal primary surpluses throughout the period, while accelerating after 2026 as import-intensive investments under the EU Recovery and Resilience

Plan slow down, and net exports expand on the back also of exports responding with a lag to the increased investment and reform activity.

The volume of building permits increased by 14.7 percent in the Jan.-Nov. 2024 period, on top of 15.9 percent growth in 2023, supporting robust residential investment activity in 2025-2026. **Gross fixed capital formation,** which grew by 4.5 percent in 2024, with equipment and construction rising by 5.5 percent and 5.7 percent respectively, is projected to accelerate in the following years as more investment projects are completed (as, prior to completion they are included in inventories). As a matter of fact, gross capital formation (including inventories) grew by a robust 23.1 percent in 2024. **Equipment and construction** are expected to dominate investment growing by 12.5 and 4.2 percent in 2025 respectively, with Greece topping the European Commission's Autumn 2024 forecast charts. However, over the medium term, investment forecasts may be proven to underestimate future trends given uncertain geopolitical developments in the wider region, especially if reconstruction needs in the conflict-afflicted regions of Ukraine and Gaza, as well as increased defense spending in Europe, are considered.

The labor market remains resilient. Indeed, total employment kept on rising robustly in 2024, with the unemployment rate falling to 9.4 percent in December 2024, and 8.7 percent in January 2025, from an 11.1 percent average in 2023. The Wages Index capturing hourly labor costs rose by 4.5 percent in 2024, compared with 6.6 percent in 2023, being the highest reading of the index since 2008, as incomes converge to levels prior to the sovereign debt crisis. **A statutory minimum wage increase** came into effect on April 1, 2024, raising monthly pay from EUR 780 to EUR 830, or an increase of 6.4 percent, while a rise of 3 to 6 percent from April 1, 2025, has been proposed by social partners and other institutional stakeholders involved in advising the government in making the final decision any time soon. Such an increase will be roughly in line with long-term equilibrium average nominal and real wage-setting conditions in the economy accounting for productivity growth, thus maintaining employment and competitiveness. In this context, **harmonized headline and core inflation** fell to 2.9 and 4.4 percent in December 2024, from 4.2 and 5.3 percent average in 2023, and have improved further in February 2025 to 2,5 and 4.1 percent, respectively, with services inflation decelerating at a much slower pace than goods inflation. In this context, both the authorities and staff project headline inflation to remain at levels above but closer to 2.0 percent in 2025 and 2026 respectively. Moreover, according to ECB, during the period 2020Q3-2024Q3, **competitiveness**, as measured by the Real Effective Exchange Rate based on Unit Labor Costs, improved by about 11 percent relative to Greece's trading partners, though weakening slightly in 2024 in line with similar adverse trends affecting the Euro area.

2. Debt Sustainability Entrenched

According to staff, **Greece' risk of near-term stress is assessed as low** given the continued large debt reduction, the projected high primary surplus, and a sizeable General Government cash buffer more than 15 percent of GDP. **Over the medium term, the risk of debt distress is assessed as moderate.** The impact of Greece's still large stock of debt is mitigated because of high primary surpluses, a large cash buffer, proactive debt management and the favorable debt structure due to ultra-long maturities, high share of official debt at low fixed rates, and long grace periods. L**ong-term stress risk is assessed to** depend on the evolution in the long-term neutral rate and risk premia, productivity growth, the ability to sustain high primary surpluses, and implement growth-enhancing structural reforms to counter demographic pressures. Indeed, Gross Financing Needs remain manageable under several stress scenarios incorporating demographic and climate pressures. According to the staff's baseline, public debt levels are indeed expected to decline to less than 130 percent of GDP by 2029, and less than 115 percent of GDP by 2033, while, at the same time, Gross Financing Needs are expected to remain on average at 6.3 percent of GDP throughout the period.

The authorities consider the public debt to be sustainable over the medium term due to continued favorable interest-growth differential and favorable debt structure, and the sustained commitment to fiscal vigilance necessary to guard against the risks of maturing debt being rolled over at higher market rates than the ultra-low official rates in effect. The authorities project public debt to decline to below 130 percent of GDP by 2030, while they consider the transition from official to market rates to be a gradual process, adding to the depth and liquidity of the secondary market, and thus allowing for continuation of effective liability management operations.

During 2024, Greece raised EUR 9.6 billion in the capital markets, with a weighted average yield of 3.6 percent and maturity of 16 years, and with spreads tightening, notwithstanding the rising uncertainty in global market conditions. In January 2025, Greece issued EUR 4 billion of 10-year government bonds with a yield of 3.64 percent, and in February 2025, the sovereign sold another EUR 250 million in a re-opening of the January 2025 10-year bond at a yield of 3.24 percent. According to the IMF's Sovereign Spread Monitor, at the time of writing of this report (3/24/2025), **Greece's weighted average spread** was 64 basis points (bps), vs 85 bps a year ago, over German government yields. On the back of sustained improvement in policy effectiveness and economic performance, Greece is currently assigned **an investment grade sovereign rating** (BBB- or higher) by all rating agencies, including Moody's, which on March 14, 2025, abandoned its solitary holdout position granting finally to Greece the investment grade rating as public finances have improved more quickly than it expected. Markets already price Greek sovereign risk within the range of the A rating category, i.e., more favorably than the median of investment grade BBB- sovereign bonds. Over the medium to longer term, the authorities expect Greece to return to the A sovereign rating status prevailing before the Greek debt crisis, as real income convergence is currently based on sound fundamentals and debt remains sustainable on a continuous downward path, not only as a percent to GDP but also in nominal levels.

On the back of improving borrowing terms, the authorities have pursued **prudent fiscal and liquidity management policies**. Greece, in 2021, made **a prepayment** of EUR 3.4 billion owed to the Fund, regarding repurchases carrying high-interest rate charges and surcharges, and in 2022 **settled all remaining obligations to the Fund due by end-2024**, making a final payment of EUR 1.8 billion, using part of the 2021 SDR allocation proceeds. Moreover, in the same year, Greece proceeded with principal repayments of EUR 2.65 billion due in 2023, of loans granted from euro area countries participating in the Greek Loan Facility (GLF) agreed in May 2010. Finally, in 2023 and 2024, Greece prepaid an additional amount of EUR 5.3 billion in GLF loans due in 2024 and 2025, and EUR 7,9 billion in GLF loans due in 2026-2028, respectively, to its European partners, **being on a path to reduce gross financing needs and rollover risks, further improving Greece's public debt profile.**

Finally, the **long-term sustainability of the pension system is assured, despite unfavourable demographic trends,** due to the substantial pension system reforms in recent years but also the vigilance of the authorities in remaining fiscally disciplined, in line with staff recommendations. These reforms will mature in the coming decades, reducing pension expenditure by 2.5 percentage points of GDP between 2022 and 2070, according to the 2024 EU Ageing Report, with savings assumed to cover debt repayments. These projections are in line with legislation in place linking retirement thresholds to life expectancy. The reform impact will be further enhanced as **the new, fully funded, defined contribution, supplementary pension system** introduced in 2022 for new entrants into the labour market, will mature gradually to cover 90 percent of insured employees by 2065, supporting further public debt sustainability.

3.Fiscal Prudence Reaffirmed

The authorities' Medium-Term Fiscal-Structural Plan (MTFS) 2025-2028, based on the reformed European economic governance framework entered into force on April 30, 2024, has established new fiscal rules to safeguard fiscal sustainability consolidation through monitoring the multi-annual growth of net expenditure, in the context of country-specific fiscal adjustment paths subject to certain requirements. Net expenditure is defined as government expenditure net of interest payments, discretionary revenue measures, expenditure on EU programs financed by EU and national sources, cyclical unemployment benefit spending, and one-offs and other temporary measures.

The budgetary plan of the authorities for 2025-2028 allows for an average annual increase of net expenditure of about EUR of 3.5 billion or up to 3.3 percent (from 3.7 percent in 2025 to 3.0 percent in 2028), given the solid budgetary performance in the past of delivering sustainable primary surpluses and the assumptions adopted about the future, as backed by a credible fiscal policy strategy of both revenue and expenditure measures commitments.

Post-pandemic, Greece has been able to achieve and sustain consistently primary surpluses, moving as a percent of GDP from a primary deficit of 4.7 in 2021 to a primary balance of 0 in 2022, and then to a primary surplus of 2.1 in 2023, 3.5 in 2024 (vs. 2.5 in the 2024 Budget and 2.9 preliminary estimate in the Staff Report under discussion), and 2.4 average in 2025-2028 as projected under the MTFS Plan. **This adjustment path has been partially the outcome of strong nominal GDP growth but mostly of revenue mobilization due to successful efforts to arrest tax evasion through the digital transformation of the tax administration (The Independent Authority for Public Revenue) and its interface with household and business taxpayers.** In particular, the better-than-expected outcome for 2024 is primarily due to additional revenue of EUR 730 million in taxes (on account of measures to fight tax evasion) and EUR 750 million in social security contributions (on account of higher-than-expected compensation of employees and drop in unemployment), and of an expenditure under-execution of EUR 700 million (on account of lower-than-expected social transfers). This overall EUR 2.2 billion adjustment led to a primary surplus of 3.5 percent of GDP and, **for the first time in more than sixty years, to a surplus in the overall fiscal balance of 0.2 percent of GDP, more than covering its interest payments on public debt.**

Major reforms undertaken to arrest tax evasion include, among others, real time interface of POS terminals with cash registers and the tax administration, application of the myDATA electronic platform (my Digital Accounting and Tax Application) introducing electronic invoicing, extension of mandatory acceptance of direct electronic payments in retail, exclusive use of electronic payments in real estate transactions, introducing a new framework raising the minimum taxable income for the self-employed, increasing fines when using cash in transactions above EUR 500, payment of social safety net benefits via prepaid cards, digitalization of tax audits, and introducing a new framework for combating smuggling. In this context, **the VAT gap has been almost halved from 25 percent in 2018 to 14 percent in 2022** and is expected to reach average EU levels by 2028 by maintaining the drive to arrest tax evasion and further promote tax compliance, as per staff suggestions for additional revenue-enhancing reforms.

The average annual increase of net expenditure of about EUR of 3.5 billion allows for covering the typical approximate annual increase in general government expenditure with no new measures, while containing spending pressures in line with staff recommendations. This implies increases of about **EUR 1 billion in operational expenditure**, with the central government's wage structure rising as the introductory salary is gradually adjusted to reach the private sector minimum monthly wage level, expected to be EUR 950 in 2027 (rising in nominal terms above the level of 2012) from EUR 830 in 2024, and then from 2028 onwards following the increases in the private sector minimum wage as automatically adjusted for adequacy purposes in accordance with EU legislation using a formula linking real minimum wage growth to productivity growth. **Beyond this horizontal adjustment, targeted increases for specific categories of government employees are envisioned,** including medical doctors, and police and military personnel, as well as for bonus payments based on quantifiable targets. Moreover, about **EUR 1 billion is provided for increases in pension expenditure**, with social security pensions indexed roughly to nominal GDP growth, and about **EUR 1 billion for funding new policy measures and increases in public investment, with the remainder allocated to rising defense needs.** In 2024, Greece spent 3 percent of GDP on defense (4th highest percentage in NATO ex-USA), or EUR 7.3 billion (NATO definition), of which EUR 2.5 billion in purchases of military equipment. Greece is expected any time soon to announce a 12-year Long-Term Defense Armament Program to 2037 of about EUR 25 billion, which is incorporated already in the MTFS plan.

The budgetary process puts emphasis on gradual fiscal consolidation allowing for growth-enhancing measures, as the recovery strengthens, with a view to support disposable income and investment activity while addressing the challenges of climate change, geopolitical risks and demographic weaknesses, all within the framework of fiscal discipline safeguarding long-term debt sustainability. The authorities recognize the need to ensure additional fiscal space to address long overdue needs, as well as to raise health, education, and public investment spending, including on defense.

Interventions in the health care system aim at improving services and strengthening efficiency. Major reforms include, among others, hiring more than 10000 of medical personnel during the period 2024-2025, upgrading and modernizing 80 hospitals and emergency care departments and 156 primary care health centers, operationalizing the personal primary care doctor system as the patient's first point of contact with the National Health System, reducing the waiting time for ordinary surgeries including through evening sessions, increasing the relatively low compensation of medical personnel, and implementing measures to reform the central procurement system, to control spending, to support investment in pharmaceutical R&D and ensure access to new drugs, as well as measures to strengthen mental health programs.

Policy measures in education aim at enhancing educational outcomes, while upgrading infrastructure and digitalizing service delivery**.** A major reform concerns enabling for the first time the **opening of higher education to non-state non-profit academic institutions, operating as branches of foreign universities.** Synergies with the state university sector are expected to benefit the economy by promoting competition and R&D activity, facilitating brain gain and expanding well-paid employment opportunities. The first non-state academic institutions, operating as branches of foreign universities, are expected to operate from the academic year 2025-2026. Moreover, other reforms aim at creating a more dynamic academic environment by making the state universities more outward-looking in their offerings, more efficient through digitalization and better able in managing research funds to raise productivity. Finally, in primary and secondary school education, the main emphasis is on promoting digitalization, upgrading the learning content, renovating school buildings, implementing comprehensive evaluation of the educational process, as well as strengthening vocational education and training.

Adherence to the net expenditure path of the MTFS Plan as above satisfies all the EU fiscal framework requirements for debt sustainability. In particular, the structural primary surplus is projected to be adjusted linearly by 0.10 percentage points of GDP each year (from1.9 percent in 2024 to 2.3 percent in 2028), the structural deficit is projected to decline, from -1.5 percent of GDP in 2024, to -1.1 to -1.3 percentage points of GDP between 2025 and 2028, and, finally, the debt to GDP ratio to decline significantly by a cumulative of more than 20 percentage points of GDP during the same period. However recalibrated to incorporate the overage in the 2024 primary surplus (from 2.4 to 3.5), **the MTFS Plan is expected to generate primary surpluses of at least 2.4 percentage points of GDP throughout the planning period.** This scenario reflects a sustained fiscal consolidation process on the back of maintaining fiscal discipline and boosting potential growth, including output and income gains due to the timely implementation of the NRRP, with reforms removing structural impediments to growth, and, as a corollary, enhancing economic policy credibility and performance**.**

4. Financial Health Restored

Following the sovereign debt crisis of the previous decade and its devastating impact on bank business, asset quality, capital adequacy and profitability, **progress towards restoring health and raising performance of the banking sector has been impressive.** The stock of NPLs has declined by about 90 percent from its peak in 2016, with the NPL ratio converging more recently towards the euro area average level of 2 percent, standing at below 3 percent at-end 2024 for systemic banks, from about double that level in 2022. Despite a more risk-prone conjunctural economic and financial environment, Greek banks have achieved strong **returns on equity** (12.1 percent in 2023 and 14.1 percent in 9M2024), boosting **Tier 1 capital adequacy ratios** (15.6 percent in 2023 and 16.7 percent in 9M2024). In tandem with tapping into the capital markets with economic prospects improved and bank ratings upgraded, banks have become increasingly better positioned for providing credit to a growing economy. In 2024, new bank corporate term loans rose significantly to around EUR 24 billion from EUR 17 billion in 2023, with new mortgage and consumer loans rebounding to EUR 3.2 billion from EUR 2.5 billion in 2023.

As a substantial part of the banks' capital base still consists of crisis-related **deferred tax credits** (DTCs), the banks recently announced plans to speed up the amortization of DTCs starting in 2025, aiming at reducing faster the ratio of DTCs to Tier 1 capital to between 20 to 30 percent by 2027 and then to zero by the early 2030s, instead of 2041 as previously planned. This initiative would boost up the loss-absorption capacity of bank capital, offsetting any impact on regulatory capital ratios by their increased organic profitability while allowing more flexibility in **dividend distribution pay-outs, resumed** from 2024 onwards for the first time in the last fifteen years, as regulatory concerns eased due to banks returning to structural profitability amid substantial improvement in the economy's fundamentals. Moreover, according to staff, **liquidity and funding risks have been reduced**, with buffers above prudential requirements and the EU average. It is in this environment that **the Hellenic Financial Stability Fund was able to successfully divest most of its holdings of all four systemic banks**, acquired as part of the bank recapitalization process during the sovereign debt crisis.

Moreover, legacy bank NPLs have been reduced substantially through **securitization under the Hercules Asset Protection Scheme (HAPS),** supported by EUR 17 billion government guarantees (none of which has so far been triggered) and expected to remain operational until June 2025. HAPS has been successful in transferring NPLs off the banks' balance sheets to specialized non-bank financial institutions experienced in loan recoveries through restructurings and liquidations (credit servicers).

In response to certain pending challenges, the Bank of Greece recently has re-licensed all domestic debt servicers upgrading the regulatory framework as well, following the transposition into Greek law of the EU directive on credit servicers and credit purchasers. The new law stipulates transparency requirements and safeguards the establishment of communication between the borrowers and the servicers, as well as the quality of information provided to the former, increasing market transparency and financial disclosure on credit servicers at the same time. Moreover, **to enhance the institutional capacity of the courts in speeding up the delivery of justice**, judicial reforms have been intensified with a view to modernize the judicial system. Reforms included training of judges in the exercise of their judicial duties, the use of new technologies and court administration management, as well as digitalizing and restructuring the operation of the courts, with a target to cut down drastically the average time for issuing a final court decision from 1452 days to 637 days, closer to EU standards.

The above measures are expected to improve the overall implementation performance of Greece's **comprehensive insolvency law reform.** The new framework is supported by online platforms, providing debt relief through private sector distressed debt resolution transactions, while facilitating household insolvency procedures and corporate restructuring of viable firms. Greece was among the first EU countries to have transposed the Directive on Preventive Restructuring and Insolvency into its new insolvency code.

The authorities are aware of the challenges in efficiently operationalizing legacy distressed private debt resolution and recovery processes in a reasonable timeframe. At early 2025, the distressed debt under recovery in the servicers' portfolio stood at about EUR 70 billion, down from EUR 87 billion two years ago, with about EUR 11 billion performing. Priority is currently given to reforms to activate the Sale and Lease Back Operation (SLBO) scheme, to facilitate enforcement procedures of e-auctions of foreclosed properties and, finally, **to further streamline procedures in implementing debt resolution through out-of-court workouts (OCW).** In this context, the new law provides for increased protection for vulnerable borrowers, making the acceptance of the proposed restructuring determined by the OCW algorithm mandatory for both financial institutions and the State. It also provides for further improvements in OCW restructurings relating to haircuts, interest rates, and other parameters, while it enhances competition in the financial sector by allowing non-bank lending. In 2024, completed e-auctions amounted to 12,676 vs. 9,527 in 2023 and 9,001 in 2022. The OCW platform handled 16903 successful debt restructurings of EUR 5.1 billion in 2024 or 81 percent more than in 2023. **According to staff, the OCW platform is very powerful, with the quality and quantity of its data gathering capacity exceeding that of other restructuring mechanisms in Europe.**

Going forward, the authorities agree with staff that Greek banks should continue **enhancing risk management practices**, as well as adapting their business model, to strengthen even further their capacity to raise organic profitability and capital in a sustainable way and engage in structural transformation to tackle digitalization and fintech challenges. Finally, the authorities share staff's view that a **strengthened macroprudential framework**, in terms of activating the countercyclical capital buffer and borrower-based measures, will raise Greek banks' resilience. This is a judicious step to duly prepare the banking system for any contingencies, however distant the prospect for excessive mortgage leverage build-up might be, despite rapidly rising real estate market valuations, in an environment of still high though stabilizing interest rates, and with mortgage loan growth levels being still negative.

5. Structural Reforms Sustained

The authorities remain committed to continue implementing their ambitious and all-encompassing structural reforms agenda, now in the seventh consecutive year, to raise medium-term growth, especially at the current conjuncture when rising geopolitical tensions may rekindle global inflationary expectations amid weakening trade and growth prospects. In this context, productivity growth may indeed benefit from a sustained surge in private and public investment, supported by structural reforms embedded in Greece 2.0, the National Recovery and Resilience Plan (NRRP) under the Next Generation EU (NGEU) Program (2021-2026). The total envelope of the Greek NRRP amounts to EUR 35.95 billion (in 2018 values), of which EUR 18.22 billion are grants and EUR 17.73 billion are loans. Resources from the NRRP come on top of the EU budget structural funds under the Multiannual Financial Framework for 2021-27, bringing the total amount of **EU funds to be received by Greece in the forthcoming years to more than EUR 70 billion** (in 2018 prices). The authorities estimate that the implementation of Greece 2.0 will bring about a significant increase in real GDP of about 7 percentage points. As cited by staff, the European Commission estimates that Greece stands out for the short-term boost to output, with the projected cumulative peak impact being about 4.5 percent of GDP by 2026, which is significantly above the EU average of 1.4 percent, while over the longer term, the steadfast implementation of investment and structural reforms are expected to deliver a lasting uplift in potential growth.

In undertaking reforms and channeling targeted EU investment funds to the economy, Greece ranks among the top countries above EU average in absorbing Recovery and Resilience Facility (RRF) funds of the NGEU. Greece has received to-date EUR 18.2 billion in cash RRF receipts from the EU (EUR 8.6 billion in grants and EUR 9.6 billion in loans), reflecting an advanced state of project maturity and preparation. RRF grant disbursements of EUR 4.6 billion support already final beneficiaries, with another EUR 4.3 billion already transferred from the state to other entities in the pipeline for eventual disbursement. RRF loans contracted of EUR 7.0 billion, of which EUR 3.5 billion already disbursed, together with bank loans contracted of EUR 5.3 billion, of which EUR 2.3 billion already disbursed, and own funds of EUR 3.7 billion, support investments of EUR 16.0 billion.

Based on the above, and notwithstanding uncertainties, the authorities concur with staff that **NGEU-supported investments and reforms will be effective in reallocating resources to address structural changes to propel the economy forward into a higher, more sustainable, and resilient growth trajectory**. This will enable Greece to achieve a significant boost in potential output and strengthen economic and social resilience by building a more inclusive, green, and digitalized future, while, at the same time, anchoring debt sustainability and financial stability on strong fundamentals. It is thus important to channel effectively public investment funds in priority areas while, at the same time, encourage private sector investment, in line with staff recommendations. The Loan Facility already contributes to increased diversification, and thereby increased resilience for the Greek economy, as it has been financing a cross section of sectors. Specifically, contracted projects are classified as 29% under energy/electricity production, 26% tourism, 20% industry, 11% commerce, 12% other services and 2% telecommunications. Deepening sectoral diversification is expected to increasingly benefit manufacturing and other industrial activities, being on the receiving side of **inflows of foreign direct investment (FDI),** on top of the traditional FDI in real estate, tourism, and financial transactions. FDI in Greece reached a historic annual high of EUR 7.9 billion in 2022, bringing FDI inflows to EUR 20.6 billion since 2019. In 2023 and 2024, FDI inflows were approximately equal to EUR 4.5 billion and EUR 6 billion annually, levels substantially higher than in the recent past.

The authorities agree with staff that comprehensive structural reforms remain key to maximize the effectiveness of the National Recovery and Resilience Plan, to boost productivity, improve competitiveness, and close the investment gap. To this end, the authorities pursue reforms including, among others, the following:

> Creating a business-friendly environment to boost private investment through simplifying licensing, increasing the ease of doing business, and supporting investment and trade facilitation. To remove existing impediments to growth through structural reforms, incentives have been provided for business transformation operations and corporate restructurings, including incentives for R&D investments and tax reductions on mergers and acquisitions, targeted to scaling-up the activity of business firms and, thus, raising their productivity, export orientation and, overall, resilience. Also, corporate taxes and social security contributions have been reduced to support employment and competitiveness. Moreover, active labor market policies and vocational training reforms are implemented under the NRRP, aiming at labor force up-skilling and reskilling, including apprenticeships. These initiatives complement key labor market reforms, overhauling job seeking and training policies, including a digital job-finding platform, and modernizing employment contracts and labor relations while protecting and expanding worker rights. The introduction of a digital work card has enabled digitalization of employment records and, thus, has reduced informality practices, while cutting down red tape for businesses. Finally, the long-overdue cadastral mapping has been completed.

> **Addressing demographic challenges by focusing on increasing labor force participation and employment rates,** rising but still below those in peer countries, through increasing take-home pay by **reducing non-wage costs** by lowering social security contributions and abolishing the legacy solidarity levy, increasing the capacity of the labor market to adapt flexibly to changing conditions along with pursuing active labor market policies, upgrading and extending childcare infrastructure, and **up- and reskilling youth, women, older workers and other vulnerable groups** amid signs of skilled labor shortages in certain sectors, with emphasis on digital and green skills.

A comprehensive set of measures have been designed to further **support families with children** and facilitate young couples to make a family. In this context, in addition to measures already established such as the birth allowance and the increased maternity leave compensation, reforms include further support for families with three or more children, tax discounts for benefits and nursery school vouchers provided by employers, reduction in the insurance levy for children in private health care contracts, complimentary fertility check-ups for women, and **increasing the capacity of nursery schools to provide enhanced access** to more families with children.

> **Fostering inclusiveness** through deploying the **Guaranteed Minimum Income scheme** to tackle poverty through **targeted support**, revamping the unemployment insurance administration into an employment agency for the benefit of job seekers to **reduce unemployment risks**, and **tackling labor informality and gender inequality**, while **reinforcing workers' rights**.

To support sustainable and inclusive growth, the authorities focus on further strengthening the **social protection system**. Reforms include harmonizing of eligibility criteria, improving targeting, reducing work disincentives and paying increasing attention to families with children, with a view to reduce poverty, including child poverty. **Targeting is particularly important as compensation amounts to beneficiaries may increase in a fiscally neutral way, if targeted criteria are strengthened to control for eligibility.**

Moreover**, unemployment benefits** are under review as well, to increase employment incentives, by increasing the correlation of the benefit with the time length of employment and scaling the benefitt across time, with higher benefits being paid in the beginning of the unemployment period. A pilot program with these characteristics is already under implementation

Emphasis is also being placed on addressing the problem of **housing affordability** by offering low-interest rate loans for first home purchases based on income and demographic criteria, while increasing the stock of available housing, including through restrictions on short-term rentals and providing tax incentives if transformed to long-renting contracts.

Moreover, in this overall context, the authorities broadly concur with staff's views on further increasing the efficiency of social expenditure, with the **social safety net** becoming fit for an effective and **just green transition,** protecting the most vulnerable from rising **carbon prices** and **climate-related disasters**.

> **Promoting digitalization** through investing in 5G, fast broadband connections, fiber optic infrastructure in buildings and, submarine fiber cables, while digitizing further public administration operations to offer quality service to businesses and households, in the areas of health, education, taxes, pensions, building permits, business licensing, vital statistics records, etc.

With respect to justice, initiatives include, for example, document digitization and digital skills training for judges and judicial personnel, to simplify court proceedings, reduce court case backlog and, thus, speed-up the administration and delivery of justice.

According to staff, Greece was among the top countries in raising digitalization levels in recent years, with an associated pick up in labor productivity, although still lagging EU averages, with more progress needed serving small and medium- sized enterprises.

> Facilitating the green transition through decarbonizing the energy sector and investing in a resilient green economy through phasing out all lignite plants by 2028, upgrading energy efficiency of buildings, improving electric inter-connectivity of islands, and investing in energy storage, electric charge points, batteries and electric vehicles, while adopting climate change adaptation and mitigation reforms, **with a view to raise the share of renewable energy (solar and wind) in electricity generation to 80 percent by 2030, from 49 percent in 2024, with Greece being among the leading EU countries.**

The parliament has adopted legislation on a climate change roadmap for the gradual **reduction of greenhouse gas emissions** by at least 55 percent by 2030 and 80 percent by 2040 before achieving zero-net emissions by 2050, compared to 1990 levels. Already Greece has achieved the biggest (-46 percent actual vs. -23 percent 2030 target since 2005) reduction in emissions between 2005 and 2023 in Europe. The framework provides inter alia for measures to promote the use of electric vehicles (with sales of Internal Combustion Engine vehicles prohibited by 2035), to cut greenhouse gas emission from buildings, to eliminate the use of heavy low-quality oil fuels in electricity production in the Greek islands from 2030 and, lastly, to engage municipalities through drawing local community plans to reduce CO2 emissions by 10 percent by 2025 and 30 percent by 2030.

With respect to **buildings**, from 2025 there will be a prohibition in the sale and installation of boilers using heating oil and, from 2030, in the use of heating oil unless combined at a ratio of 30 percent with renewable liquid fuels (biofuels, etc.), the latter being defined as low carbon footprint fuel from biomass, waste, etc. Also, from 2025 all new buildings near geographical areas of high risk from forest fires or floods must be insured before being hooked to the electricity grid.

With respect to **vehicles**, in the urban centers of Athens and Salonica, from 2026 all the newly acquired taxis, and one third of rental cars, should be zero emission vehicles. Also, from 2024 one fourth of all newly acquired company cars for employees should be either electric or hybrid, and from 2030 all newly acquired passenger cars and small commercial vans should be zero emission vehicles.

According to staff, Greece's climate change adaptation and mitigation policies, as conditioned by recent **natural disasters from extreme weather phenomena**, require substantial resources over a long period of time surpassing NGEU funding for climate change. Therefore, it may be critical to mobilize green private financing under the NRRP, through further simplifying procedures and rationalizing spatial planning for strategic green investment and strengthening incentives for energy efficiency and innovation. Moreover, the authorities' new framework for renewables, through streamlining licensing to facilitate investment and through better integration in an upgraded electricity grid, may prove instrumental in making further progress.