



GREECE

May 2026

2026 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 2026 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 May 20, 2026, 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 Executive Board's consideration on May 20, 2026, following discussions that ended on March 24, 2026, 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 April 30, 2026.
- 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.

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IMF Executive Board Concludes 2026 Article IV Consultation with Greece

FOR IMMEDIATE RELEASE

- *Greece met the shock from the war in the Middle East with strengthened fiscal sustainability and financial stability.*
- *The right macroeconomic and financial policy mix would help preserve macro-financial stability and foster balanced and sustainable growth in the medium term.*
- *Ambitious structural reforms, along with completing the EU Single Market, would support growth sustainably at a high level and reduce the persistent current account deficit.*

Washington, DC – May 27, 2026: The Executive Board of the International Monetary Fund (IMF) completed the Article IV Consultation for Greece.¹ The authorities have consented to the publication of the Staff Report prepared for this consultation.

The energy price shock from the Middle East war is a considerable headwind, but strong investment and structural reforms in the context of Next Generation EU (NGEU) are supporting growth. Recent reforms to reduce tax evasion have broadened the tax base and reduced informality, creating some space to support households' disposable income while ensuring a rapid public debt reduction. The 2026 Financial Sector Assessment Program (FSAP)—the first since 2006—finds that systemic risks in the financial sector were low prior to the war and remain manageable.

GDP growth is projected to soften to 1.8 percent in 2026. While supported by higher public investment and household support measures, elevated energy prices and weaker external demand stemming from the war will weigh on private consumption and tourism. Over the medium term, growth is forecast to ease to 1½ percent against the backdrop of the declining working age population with low labor force participation and sluggish productivity growth.

Risks are tilted downward, especially stemming from a protracted war, an escalation of geopolitical tensions, and trade fragmentation, while domestic risks include delays in the execution of NGEU-funded projects. Upside risks to inflation arise from further rises in commodity prices, wage growth outpacing labor productivity, and higher costs associated with climate shocks.

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.

Executive Board Assessment²

Executive Directors agreed with the thrust of the staff appraisal. They welcomed the Greek economy's solid macroeconomic growth, restored fiscal credibility, and financial stability. While the energy price shock from the war in the Middle East poses a considerable headwind for the Greek economy amid still elevated inflation, Directors acknowledged that strong investment and ongoing reforms in the context of the Next Generation EU (NGEU) are supporting growth. They welcomed the continued improvement in public sector balance sheets, while noting that incomplete private sector balance sheet repair and remaining structural impediments weigh on medium-term growth and external balances. Directors called for the right macroeconomic and financial policy mix and completing the structural reform agenda to lock in the hard-won stability, lift supply constraints, and secure balanced and sustainable growth.

Directors commended the continued very strong fiscal performance underpinned by reforms to reduce tax evasion, which has supported a sustained reduction in public debt and provides room for temporary measures to mitigate the impact of higher energy prices. They agreed that maintaining primary surpluses and making full use of available EU funds to sustain public investment beyond NGEU will help further reduce public debt and sustain strong growth. They recommended focusing on efficient public investment and safeguarding social spending. Directors underscored that the energy price response should remain well targeted and temporary and preserve price signals. Further advancing fiscal structural reforms would enhance the effectiveness of fiscal policy.

Directors concurred that financial stability risks were low prior to the war and remain manageable, as evaluated by the 2026 Financial System Stability Assessment. They noted that the banking system demonstrates resilience under stress tests, but recommended closely monitoring common exposures to large firms. They also encouraged improving the resolution of legacy distressed debt outside the banking system and the supervision of credit servicers, and strengthening crisis preparedness and the financial safety net. Directors agreed that the quality of bank capital should continue to be enhanced, and additional macroprudential buffers could be considered to bolster resilience while avoiding procyclicality.

Directors underscored that ambitious structural reforms are essential for supporting higher, more inclusive, and productivity-driven growth and reducing persistent current account deficits. They recommended advancing digital transformation and further reducing regulatory and administrative burdens to promote competition and boost productivity. Raising labor force participation and improving workforce skills would help counter demographic pressures and support growth. Directors emphasized that completing the EU single market would further raise productivity and improve economic resilience. They also concurred that housing policies aimed at mobilizing existing supply more effectively, complemented by well-calibrated demand measures, would help improve housing affordability. Steps to achieve energy security are welcome.

² At the conclusion of the discussion, the Managing Director, as Chair 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>.

Greece: Selected Economic Indicators

Population (millions)	10.4	Per capita GDP (€'000)	23.9
IMF quota (millions of SDRs)	2,428.9	Literacy rate (percent)	98.0
(Percent of total)	0.51	Persons at risk of poverty (percent)	19.6
Main products and exports: tourism and shipping services; food and beverages; petroleum and chemicals.			
Key export markets: EU (Italy, Germany, Cyprus, Bulgaria, Romania, Spain), USA, UK.			
GHG emissions per capita (tons of CO ₂ equivalent): 6.3			

	2025	2026	2027
		(proj.)	
Output			
Real GDP growth (percent)	2.1	1.8	1.7
Employment			
Unemployment rate (percent)	8.9	7.4	7.1
Prices			
CPI inflation (period avg., percent)	2.9	3.5	2.7
General government finances (percent of GDP)			
Revenue	50.0	49.9	48.7
Expenditure	48.3	49.5	49.0
Overall balance	1.7	0.4	-0.3
Primary balance	4.9	3.6	3.0
Public debt	146.6	136.6	130.1
Balance of payments			
Current account (percent of GDP)	-5.7	-6.4	-5.7
FDI (percent of GDP)	-2.7	-1.0	-1.0
External debt (percent of GDP)	237.7	230.6	226.8
Exchange rate			
REER (percent change) 1/	1.6	...	...
Memorandum item:			
Nominal GDP (billions of euros)	248.4	260.8	272.2

Sources: Greek authorities; World Bank, World Development Indicators; Eurostat; IMF, International Finance Statistics, Direction of Trade Statistics, and IMF staff projections.
1/ CPI-based.



GREECE

STAFF REPORT FOR THE 2026 ARTICLE IV CONSULTATION

April 30, 2026

KEY ISSUES

Context. The energy price shock from the war in the Middle East is a considerable headwind, but strong investment and ongoing reforms in the context of the Next Generation EU (NGEU) are supporting growth. Public sector balance sheets continue to improve, with the public debt-to-GDP ratio declining rapidly, creating some policy space to meet external challenges. However, private sector balance sheet repair is incomplete and structural impediments—low overall investment, sluggish productivity growth, and unfavorable demographics—weigh on medium-term growth and external balances.

Policies. The right macroeconomic and financial policy mix and completing the structural reform agenda would lift supply constraints and further improve public and private sector balance sheets, thereby securing balanced and sustainable growth.

- **Growth-friendly but prudent fiscal policy.** The energy price response should be well targeted, temporary, and allow price signals to temper demand. Maintaining a primary surplus of about 2½ percent of GDP and making full use of available EU funds to sustain public investment beyond NGEU will help further reduce public debt and sustain strong growth. Critical social spending on education, healthcare, housing, and social protections should be preserved and made more efficient.
- **Bolstering financial system resilience.** The FSAP assesses financial stability risks as low prior to the war and remain manageable. The authorities should remain vigilant to structural vulnerabilities and stand ready to adjust the macroprudential policy stance as risks evolve. The effective resolution of legacy debt and the supervision of credit servicers should be strengthened as well as crisis preparedness, interagency cooperation, and financial safety. The quality of bank capital should continue to be improved, while further increase of macroprudential capital requirements could be considered in response to high large exposure concentration.
- **More ambitious structural reforms.** Advancing digital transformation and further reducing regulatory and administrative burdens would enhance business dynamism, promote competition, and boost productivity. Raising labor force participation and improving workforce skills are essential to counter demographic pressures and support growth. Addressing housing affordability requires scaling up supply, including by mobilizing the existing aging stock. Completing the EU single market would further raise productivity and improve economic resilience.

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

Discussions took place in Athens on March 12–24, 2026. The team comprised Joong Shik Kang (Head), Tarak Jardak, Tomohide Mineyama, and Mengxue Wang (all EUR). The mission met Finance Minister Kyriakos Pierrakakis, Central Bank Governor Yannis Stournaras, other senior officials, think tanks, and private sector representatives. Charles Cohen (MCM) joined selected meetings representing the FSAP team and Martin Caudron (EUR) supported the press conference. Michael Massourakis (OED) joined the official meetings. Eva-Maria Graf (COM), Summer (Yutian) Cai and Sharon Smith-Tohu (both EUR) supported the mission.

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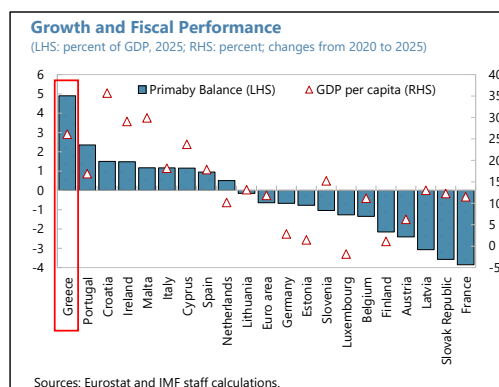
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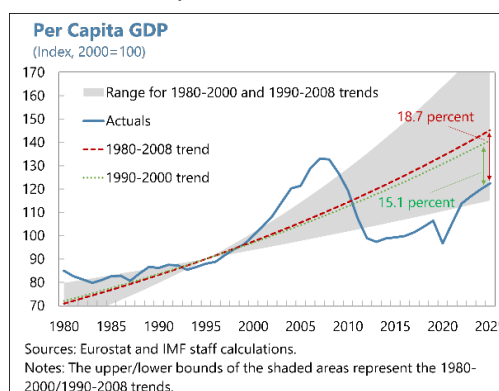
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CONTEXT: GLASS HALF FULL

1. Greece met the shock from the war in the Middle East with strengthened fiscal sustainability and financial stability. Per capita GDP has risen by 26 percent cumulatively since 2020, reaching 92 percent of the pre-Global Financial Crisis (GFC) level, supported by NGEU funds and foreign direct investment (FDI), steady progress on structural reforms, and buoyant tourism. Recent reforms to reduce tax evasion have significantly broadened the tax base and reduced informality, contributing to the sharp decline of the VAT compliance gap to about 9 percent in 2024 (close to the EU average, down from 24 percent in 2019) and a surge in the primary surplus to close to 5 percent of GDP in 2024-25 (highest in the EU). Greece's sovereign spread has returned to pre-GFC levels as public debt-to-GDP has decreased by about 65 percentage points since the peak in 2020. The 2026 FSAP—the first since 2006—finds that systemic risks in the financial sector were low prior to the war and remain manageable.



2. But the income level remains substantially below the pre-crisis trend, reflecting yet unaddressed supply constraints and incomplete private sector balance sheets repair. While increasing, per capita income remains more than 15 percent below the pre-crisis trend, held back by the still low level of overall investment, rapid population aging with low labor force participation (LFP), and sluggish productivity growth. Despite notable improvements in the fiscal position, external imbalances persist as supply capacity has not kept pace with strong demand. Household and corporate balance sheets remain weak. A sizable share of households faces low disposable income and limited emergency savings—exacerbated by a high housing cost burden—making them vulnerable to the ongoing energy shocks.

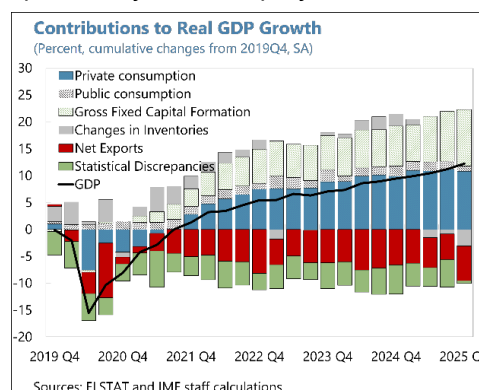


3. The authorities are advancing growth-enhancing reforms ahead of the 2027 parliamentary elections. Using fiscal space created by a broader tax base, they implemented measures to boost household disposable income, including reductions in social security contribution and personal income taxes. They remain committed to completing long-overdue national cadastral and judicial system reforms to safeguard financial stability and promote growth, while operationalizing the central credit registry for households in January 2026. Renewable electricity production has continued to expand, helping lower electricity prices and partially alleviating the adverse effects of the war. The government is reinforcing Greece's role as a regional energy hub by expanding gas infrastructure to support Europe's diversification away from Russian gas and enhance regional energy security.

RECENT DEVELOPMENTS: ROBUST PERFORMANCE WITH NGEU SUPPORT

4. In 2025, Greece saw continued robust growth, supported by a strong pick up in domestic demand, while the labor market remained tight.

- Real GDP grew by 2.1 percent in 2025, supported by the accelerated implementation of NGEU-funded investment projects. Tourism reached a new record, bolstering domestic services activities. Private consumption remained buoyant, underpinned by solid employment and real income growth.
- The unemployment rate declined to 8.3 percent in 2025Q4, nearing the pre-GFC low. Job vacancies somewhat eased as labor reallocation has progressed toward sectors with acute shortages, but remained persistent reflecting strong labor demand, while the LFP rate—though gradually rising to 77 percent—remained among the lowest in EU countries, particularly for women and youth.



5. Inflation remains elevated amid a positive output gap, with rising energy prices adding upside pressure. Inflationary pressures persist reflecting strong economic activity, with annual inflation of 2.9 percent in 2025, while wage growth somewhat decelerated. Headline inflation rose to 4.6 percent (y/y) in April 2026 as higher global energy prices started to affect domestic prices. The earlier post-pandemic surge in profit margins, including due to pass-through of higher input costs, has subsided, although they remain above the pre-pandemic level.

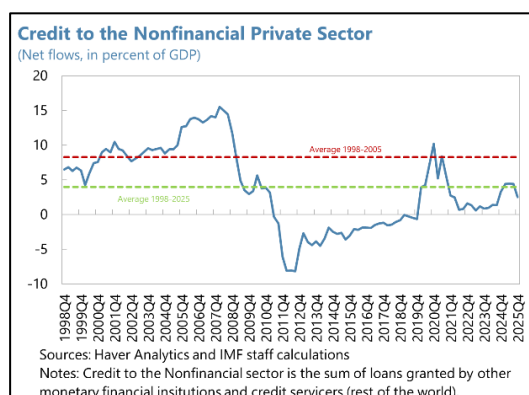
6. The current account (CA) deficit has narrowed but remained large amid strong domestic demand and supply-side constraints. The CA deficit narrowed to 5.7 percent of GDP in 2025, down from 7.2 percent in 2024, supported by favorable terms of trade from lower global fuel prices, alongside reduced interest payments on external liabilities amid lower global interest rates. Nonetheless, it remains large as strong domestic demand continues to drive elevated non-oil merchandise imports while domestic production capacity remains constrained. The external position in 2025 is assessed to be moderately weaker than that consistent with medium-term fundamentals and desirable policies (Annex I).

7. The primary surplus remained large despite a sharp increase in public investment. Primary expenditure rose, driven mainly by a significant increase in public investment despite prudent underspending in government current expenditures. Revenue also increased further as buoyant tax collection stemming from strong economic activity and anti-tax evasion efforts offsets the revenue loss from the 1 percentage point cut in social security contributions and the full abolition of the overhead tax for the self-employed, together with increased capital transfer from the

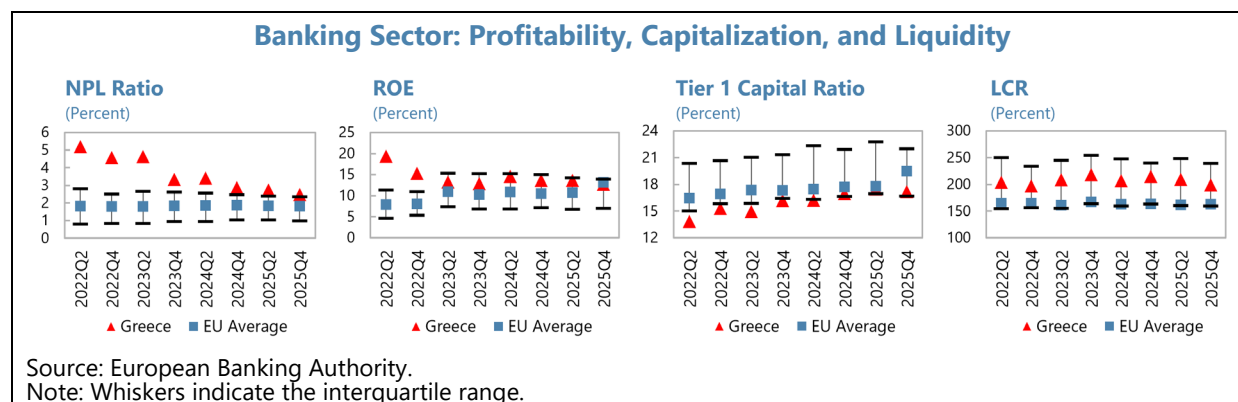
EU for public investment. Consequently, the primary surplus remained high at 4.9 percent of GDP in 2025. Combined with the early repayment of the Greek Loan Facility (GLF) loans to euro area countries (€5.3 billion, 2.1 percent of GDP), this helped reduce the debt-to-GDP ratio by about 9 percentage points in 2025 to 146.6 percent, down from 210 percent in 2020.

8. The credit cycle has turned amid easing financial conditions and continued NGEU fund disbursements, although new credit flows do not show signs of excessive overheating.

Excluding write-offs and valuation effects, credit to the private sector grew by 7.7 percent (y/y) in March 2026, buoyed by increased demand from non-financial corporations (NFCs). Household credit growth also accelerated to 2.8 percent (y/y), supported by rising consumer loans. While mortgage growth has turned positive for the first time since the GFC, new flows remain relatively low, limited by the high share of credit-constrained households. Staff estimates the credit gap to be still slightly negative but closing.

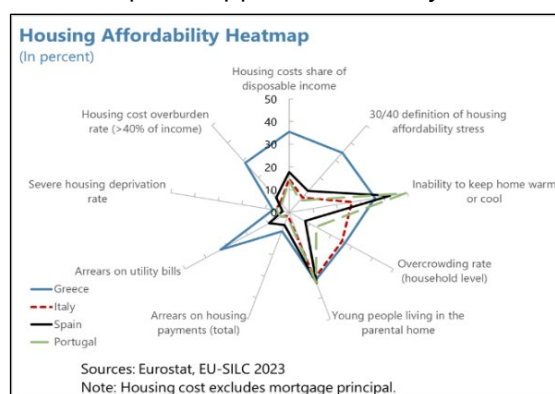


9. Banks' balance sheets remain healthy. Asset quality in significant institutions (SI) has continued to improve with NPL ratio falling to a record low (2½ percent in 2025Q4). Profitability, while decreasing slightly, remains above the EU average, supported by fee and commission income, trading gains, and solid credit activity. Notwithstanding its quality (see section on financial sector policies), the capital position is strong, with the system-wide CET1 ratio around 15½ percent broadly in line with the EU average. Liquidity ratios are also well above EU requirements, though heavily concentrated in domestic sovereign debt. The two largest less-significant institutions (LSI) have now fully merged following the cleanup of their balance sheets.

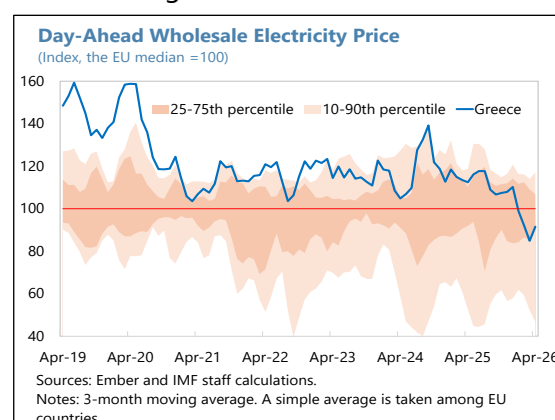


10. Housing affordability pressures continue to intensify. House prices rose by 7¾ percent in 2025, reflecting stronger domestic demand while foreign demand weakened following the increase in Golden Visa thresholds. The cumulative increase since 2016 exceeds 85 percent, outpacing income

growth. As part of this reflects post-crisis normalization, house prices appear moderately overvalued by about 10 percent. Rent prices, which had increased relatively slowly, also rose rapidly by 10 percent in 2025. Strong and increasingly concentrated demand, combined with underutilized existing supply and still subdued new construction, has sustained price pressures. The housing cost burden, while improving from post-crisis peak, remains high, in particular for low-income households as well as renters and younger households.



11. The authorities are accelerating reforms to lower long-standing structural impediments across sectors. The national cadaster is nearing completion, leveraging digital technologies, with full operationalization expected in early 2027. Ongoing judicial system reforms have more than halved the time to reach decisions in civil cases, bringing it closer to the EU average. Recent labor market reforms, including the codification of labor legislation and the introduction of fast-track hiring procedures, aim at enhancing transparency and flexibility. In the energy sector, renewable energy production has continued to expand, bringing wholesale electricity prices—among the highest in the EU until 2024—down to below the median in recent months. The government signed a strategic partnership with the U.S. to position Greece as a regional hub for LNG trade with European markets and to support prospective offshore natural gas exploration in the Ionian Sea.



OUTLOOK: MODERATING MOMENTUM AMID GLOBAL HEADWINDS AND STRUCTURAL DRAG

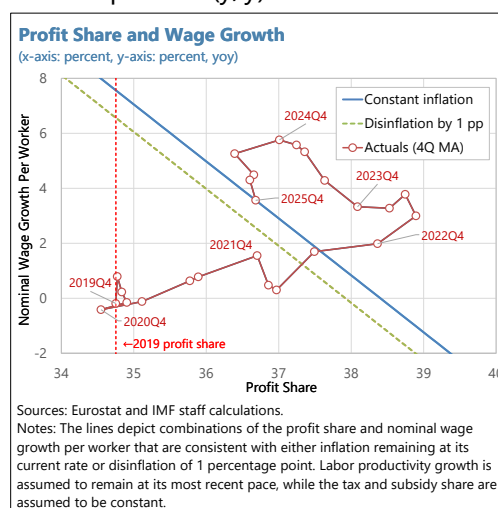
12. Growth is expected to moderate amid the shock from the Middle East war, and converge to its growth potential in the medium term.

- Growth is projected to soften to 1.8 percent in 2026, 0.3 percentage points lower than anticipated prior to the war. While higher energy prices and weaker external demand stemming from the war will weigh on private consumption and tourism, higher public investment with the full disbursement of the remaining NGEU funds¹ as well as the 2026 fiscal package (0.7 percent of GDP) and support measures (0.3 percent of GDP) will provide some support to activity. In

¹ For the scale and timeline of NGEU funding, see [the Staff Report for the 2025 Article IV Consultation for Greece](#), Annex VI “The Implementation of NRRP and NGEU Funding.”

2027, notwithstanding the expiration of NGEU funding and a contractionary fiscal stance, the economy is expected to avoid a fiscal cliff and grow at 1.7 percent, supported by continued public investment financed through backloaded structural EU funds and by ongoing NGEU loan-funded private investment.

- Growth is expected to slightly moderate to 1.6 percent in the medium term. The decline in the working-age population is expected to be largely offset by a gradual rise of LFP and a reduction in structural unemployment as informality declines. The total investment-to-GDP ratio will remain below the euro area average, reflecting lingering structural reform gaps, though it is expected to rise by ½ percentage points with some catch up mainly in construction and ICT sectors.
- Headline inflation is projected to rise to 3.5 percent on average in 2026—0.9 percentage points higher than the pre-war projection—with the peak around 5 percent (y/y) in the second half of 2026 reflecting higher energy prices, before resuming a disinflation path. Narrowing of the output gap, slowdown in nominal wage growth, and further normalization of firms' profit margins will reinforce the disinflation process.
- The CA deficit is expected to widen in the near term due to higher energy imports, but gradually narrow to around 4 percent of GDP in the medium term as NGEU-funded investment winds down, while export competitiveness improves with sustained investment and gains from structural reforms.



13. Risks to the growth outlook are tilted downside, while those to inflation are tilted upside (Annex III).

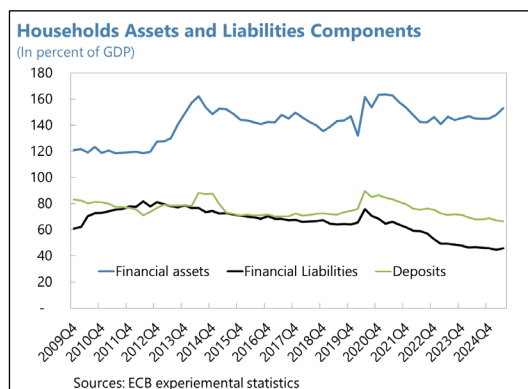
- Externally, a protracted war in the Middle East, an escalation of geopolitical tensions, trade fragmentation, heightened uncertainty, and potential financial market disruptions would weigh on domestic and external demand and weaken capital flows. Domestically, delays in the execution of NGEU-funded projects and structural reforms could risk the lapse of committed allocations, restraining investment and productivity and weighing on medium-term growth, while adverse climate shocks could disturb economic activities. On the upside, stronger-than-anticipated effects of the recent fiscal package and structural reforms, or stronger-than-expected recovery of the euro area economies could further improve growth prospects.
- Inflation risks are skewed to the upside, potentially stemming from further increases in global commodity prices, wage growth outpacing labor productivity, including in specific sectors such as labor-intensive services, and higher costs associated with adverse climate shocks.

- Under the severe scenario of the April 2026 WEO, which incorporates more significant energy price shocks, higher inflation expectations, and a risk-off episode, growth is projected to slow down to about 1¼ percent in 2026 before gradually reverting to the baseline growth path, while annual inflation will reach 5 percent in 2026 and stay persistent.

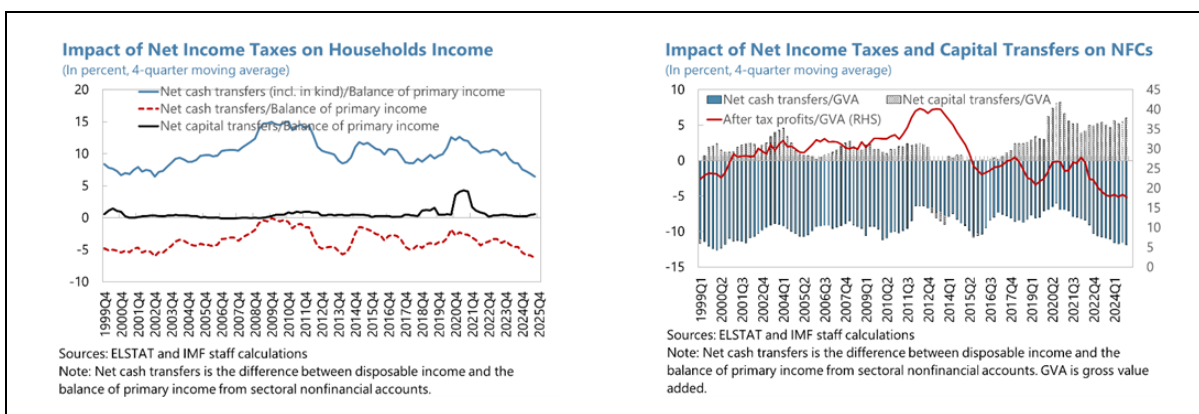
14. Corporate and household balance sheets have improved since the GFC, but persistent vulnerabilities could amplify energy price shocks triggered by the war in the Middle East.

Balance sheet repair has progressed unevenly across sectors as anti-tax evasion measures—while strengthening the public sector balance sheet—have put some pressure on corporate after-tax profitability and household disposable income.

- While household income and net worth have improved, their liquid assets (in percent of GDP) have declined amid steady deleveraging. Liquidity appears also unevenly distributed with two-thirds of households declaring they have less than three months of emergency savings, in part due to a high housing cost burden. This, together with the prevalence of variable rate mortgages, exposes a large share of households to potential real income and interest rate shocks.



- The corporate sector has strengthened its balance sheet post-pandemic, increasing firms' resilience to shocks. However, a sizeable tail of weaker firms persists with around 20 percent of corporate debt held by firms with interest coverage ratio below one. A drop in profitability for companies active in geopolitically-sensitive sectors, combined with rise in interest rates or the risk premia, could put pressure on illiquid firms and constrain their access to credit while further delaying the resolution of crisis legacy debt owned by small- and medium-sized enterprises (SMEs).



Authorities' Views

15. The authorities agreed that Greece is well positioned to withstand shocks, supported by strengthened public finances and financial stability. They noted that fiscal policy has increasingly focused on supporting household purchasing power (e.g., reduction in labor tax wedge) and promoting medium-term growth potential, while highlighting that recently introduced measures are targeted, temporary and tailored to help mitigate the adverse effects of higher energy prices on households and businesses. The authorities also concurred that there would be no fiscal cliff in 2027, as public investment will continue to be supported by structural EU funds and ongoing NGEU loan-financed private investment, while continued reforms to address structural bottlenecks would further strengthen medium-term growth prospects. While acknowledging some near-term upside risks to inflation from higher energy prices, they remained confident that inflation will converge toward the ECB euro area target of 2 percent by mid-2027.

POLICY DISCUSSION: TOWARD BALANCED AND SUSTAINABLE GROWTH

A. Fiscal Policy: Balancing Dual Objectives

16. Amid the improving public sector balance sheet, fiscal policy is expected to balance the dual objectives of advancing debt reduction and supporting growth,² while energy price relief measures provide temporary and targeted support to vulnerable groups.

- The new fiscal package, effective in January 2026, focuses on broad-based personal income tax (PIT) rate cuts.³ The additional rate cuts for low- and middle-income families with children and young workers are welcome as it will help lower the still-high tax wedge amid persistently low LFP among women and youth. The package, which includes limited but targeted housing affordability measures, has an estimated fiscal cost of €1.76 billion (0.7 percent of GDP) in 2026. The expected expansionary fiscal stance—measured by the change in the cyclically-adjusted primary balance net of EU funding—comes at a time of weaker growth and temporarily elevated inflation given the adverse supply shock triggered by the war in the Middle East. While the growth support is welcome, the implications for the path of inflation warrant monitoring. Should inflation dynamics threaten to deviate significantly from the baseline projections, the authorities should seek to moderate the fiscal expansion (e.g., by preserving larger-than-expected revenue).

² See Annex VI “Fiscal Transformation.”

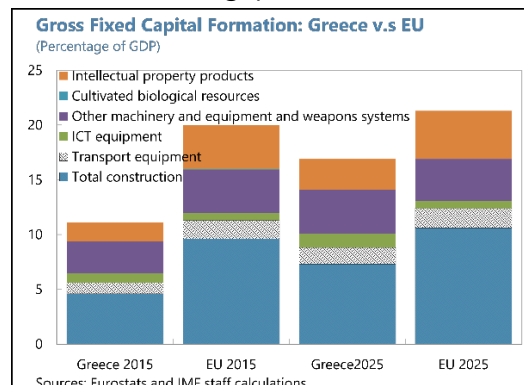
³ Beyond PIT rate cuts, the package includes pension enhancements through the removal of the “personal difference” offset, public sector wage measures—wage increases for uniformed services and adjustments to civil-service pay grids—and a set of housing measures aimed at expanding supplies such as tax relief on rental income, VAT and tax incentives for new construction, property tax reductions in small municipalities, and incentives to bring vacant properties into the rental market.

- The authorities have announced a package to mitigate the impact of higher fuel prices, including (i) a means-tested Fuel Pass (lump-sum subsidy) without price changes in gas stations until May; (ii) a diesel subsidy at the pump (€0.2 per liter including VAT) until May; (iii) a 15 percent fertilizer subsidy until August; (iv) a regulatory cap on profit margins for fuel (€0.12 per liter) and selected essential goods (at 2025 levels), (v) emergency support for families with children, and (vi) raising the income ceiling for pensioners who can receive the financial aid. This package is estimated to cost about 0.3 percent of GDP, partly offset by higher online gaming tax revenue. While the package is appropriately limited to mostly temporary and largely well targeted, care is needed to ensure that price subsidies do not blunt the necessary demand response to the shock. Any extension and expansion of support should further strengthen targeting.
- Under the baseline, which is in line with staff recommendations, the primary surplus is projected to remain high at 3.6 percent of GDP in 2026, down from 4.9 percent in 2025. Revenue losses from the new fiscal package are partly offset by continued gains in revenue compliance and the non-indexation of PIT, while public investment will further rise by around ½ percentage point of GDP, largely financed by higher NGEU grants. Over the medium term, as public investment is financed through higher national budget and other structural EU funds after NGEU expires, the primary surplus is projected to remain robust at around 2¾ percent of GDP, despite the planned reduction of social security contribution by another 0.5 percentage point in 2027 and the impact of the fiscal package.
- With the annual expenditure-growth ceiling under the EU governance framework, the authorities plan to fully repay the GLF loans by 2031—10 years ahead of schedule—using part of the sizable cash buffer. In this baseline, the public debt-to-GDP ratio is projected to fall by more than 30 percentage points to about 110 percent by 2031, making a cumulative decline of nearly 100 percentage points from its peak in 2020.

17. Under the severe scenario of more significant energy price shocks, the temporary and well-targeted energy support could be extended or expanded within the prudent medium-term fiscal framework while managing the risk of additional inflationary pressures. Automatic stabilizers should be the primary policy response against larger shocks, making use of the fiscal buffer provided by the stronger-than-expected primary balance in 2025. The authorities could extend or expand well-targeted support for those most affected—including through the means-tested Guaranteed Minimum Income (GMI) scheme—while preserving energy price signals. However, the path of the medium-term primary balance should be kept unchanged to preserve debt sustainability and contain any risk of adding to possible excess demand, which could also lead to further widening of the CA deficit, and inflationary pressures or un-anchoring inflation expectations and wage growth beyond productivity growth, which could erode competitiveness.

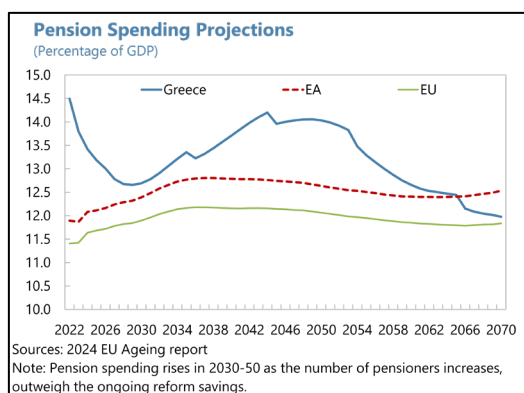
18. Given Greece's still sizable investment gap, it will be essential to fully utilize the available EU funds while further strengthening the public investment management framework.

By end-2025, NGEU grant disbursement reached 66 percent of the committed amounts, while absorption of other structural EU funds under the National Strategic Reference Framework⁴ for 2021-27 stood at only about 20 percent. Given the still sizable investment gap relative to the euro area—around 4 percentage points of GDP, especially in construction and intellectual property products (including R&D, software, and database)—making full use of other available EU resources beyond the NGEU is crucial to maintaining a sufficient level of public investment and catalyzing private investment for capital deepening across the economy. Addressing the fragmented legal framework and streamlining secondary legislation on public investment would further accelerate the implementation.



19. Pension sustainability should be maintained and other social expenditure protected and made more effective to support higher and more inclusive growth over the medium term.

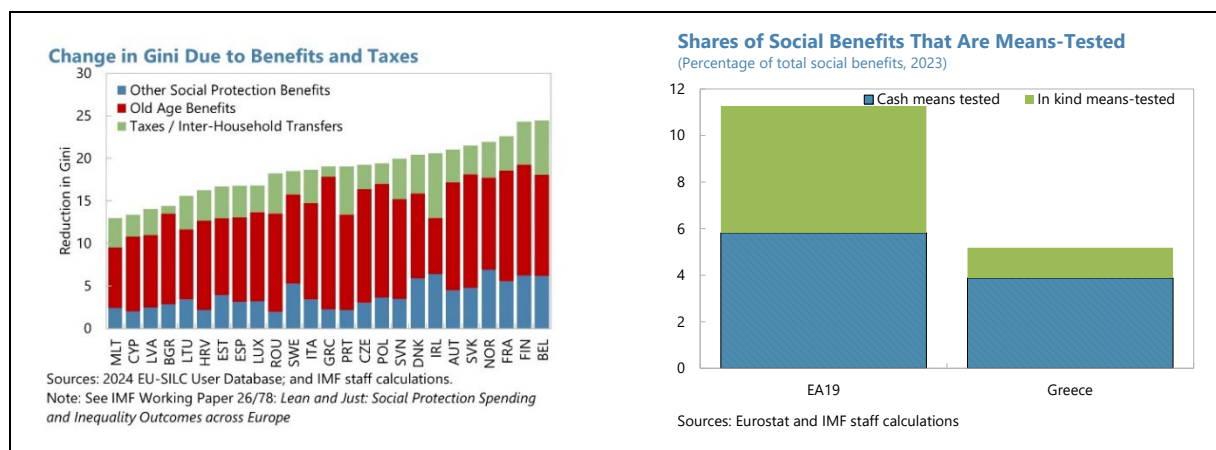
- A series of pension reforms introduced since 2010—including the unification of pension schemes, pension indexation, and linking the retirement age with life expectancy—has placed long-term pension spending on a sustainable trajectory, with spending projected to decline by about 2.5 percentage points of GDP between 2022 and 2070. Any future pension increase should follow the established indexation formula to preserve long-term sustainability, while excessive increases in public-sector wages should be avoided.
- Spending on healthcare, education, and housing remains well below EU averages and key performance indicators highlight these gaps: PISA scores have declined and are now below OECD averages in mathematics, science and reading;⁵ the share of population reporting unmet needs for medical care is highest in the EU;⁶ and housing affordability challenges remain acute, particularly for younger and low-income households.



⁴ The National Strategic Reference Framework (NSRF) includes funds such as the European Regional Development Fund (ERDF), Cohesion Fund (CF), European Social Fund Plus (ESF+), Just Transition Fund (JTF), and European Maritime, Fisheries and Aquaculture Fund (EMFAF). The total envelope for 2021-2027 is €26.2 billion, with €20.9 billion EU support and €5.3 billion national co-financing.

⁵ See OECD (2023), "[PISA 2022 Results \(Volume I and II\) - Country Notes: Greece.](#)"

⁶ See OECD (2025), "[Health at a Glance 2025.](#)"



- Moreover, non-pension social protection spending remains well below EU averages and has only limited impact on reducing inequality. Advancing the delayed one-stop portal for social benefits, linked to employment registration, and ensuring transparent, targeted and streamlined subsidy distribution would help strengthen the effectiveness and progressivity of social support.⁷ The authorities should continue to strengthen the means-tested GMI scheme by expanding its coverage, improving targeting, and reinforcing its job integration component to help raise labor force participation.

20. Advancing further fiscal structural reforms would improve effectiveness and help create more fiscal space for additional social and capital spending and household support, while providing buffers against downside risks.

- Phasing out inefficient and regressive tax expenditures.* Greece's tax-expenditure envelope remains large by EU standards while delivering limited benefits for reducing inequality. Several measures, such as reduced VAT rates and exemptions, are regressive, disproportionately favoring higher-income households.⁸ Establishing a systematic, multi-year framework for evaluating tax expenditures would help identify regressive or ineffective provisions that could be phased out, thereby preserving fiscal space against adverse shocks. Future tax-reduction measures should be guided by dedicated impact assessments to ensure that they effectively meet their intended goals.
- Strengthening public procurement.* Public procurement remains hindered by low tender participation and slow processing of contracts and complaints, with Greece recording the lowest tender-response times in the EU. Streamlining and centralizing procedures, strengthening oversight, and expanding the use of e-procurement would enhance efficiency and support more efficient execution of public investment.

⁷ See IMF (2022) Selected Issues Paper, "[Greece's Social Protection System Fit for the Green Transition?](#)"

⁸ See European Commission (2024), "[Tax Expenditures in the EU: Recent Trends and New Policy Challenges.](#)"

- *Regularly adjusting PIT parameters to support household incomes for inflation to avoid bracket creep.* Establishing a transparent, rules-based mechanism to periodically adjust PIT brackets, credits, and thresholds—such as indexing them to inflation or wage growth—would help prevent unintended increases in effective tax rates. The rule should preserve progressivity and target relief towards low- and middle-income households, particularly families with children. This approach can prevent the average labor tax wedge from rising due to inflation.⁹

Authorities' Views

21. The authorities agreed that fiscal policy should remain prudent and forward-looking to further strengthen public and private sector balance sheets, while safeguarding adequate resources for public investment. They noted that additional fiscal space created by continued progress in combating tax evasion would help provide temporary and targeted support to vulnerable households and firms, while sustaining robust public investment after the expiration of NGEU funding and protecting critical social spending. The authorities agreed on the need to further improve the coverage, targeting, and effectiveness of social protection, including through the one-stop portal for social benefits, and to continue advancing unemployment benefit reforms to improve coverage and work incentives. They also concurred that further strengthening public procurement would support more efficient execution of public investment.

B. Financial Sector Policy: Further Enhancing Resilience

22. The FSAP finds that financial stability risks were low prior to the war in the Middle East and remain manageable, but continued vigilance is warranted. Credit and real estate dynamics in recent years do not show signs of excessive overheating and credit standards have remained stable overall. The FSAP's solvency and liquidity stress tests confirm that banks are well-equipped to weather shocks under adverse scenarios. However, post-GFC deleveraging has increased banks' common exposures to a few large companies—with the ten largest common NFCs accounting for 81 percent of aggregate Tier 1 capital, net of credit risk mitigation, and some of them in geopolitically sensitive sectors—which warrant close monitoring. While large corporates have strong balance sheets and will likely be resilient, SMEs appear vulnerable, and households with low level of emergency saving could be at risk from real income shocks or tighter financing conditions.¹⁰

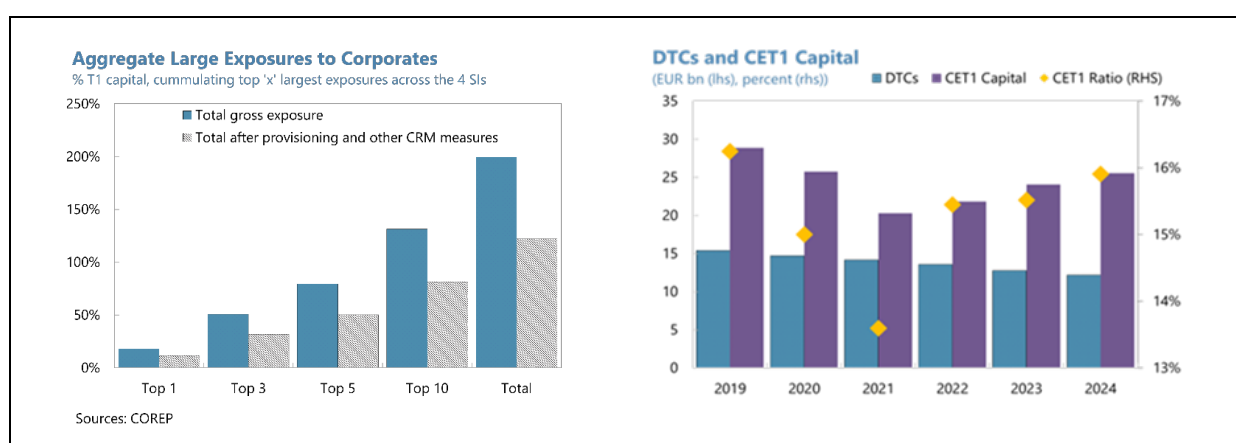
23. Persistent structural challenges and unresolved crisis legacies could pose risks to financial stability in the medium term, warranting continued close monitoring. Although the cleanup of the Greek bank NPLs was largely completed in 2024 following the establishment of the state-sponsored securitization framework (HAPS, Hellenic Asset Protection Scheme) in 2020, the

⁹ Several European countries already implement PIT indexation or routine uprating (e.g., Austria), offering practical templates. See Balasundharam, Vybhavi, Arika Kayastha, and Marcos Poplawski Ribeiro (2023), "[Inflation Indexation in Public Finances: A Global Dataset on Current Practices](#)," IMF Working Paper No. 2023/264.

¹⁰ A sensitivity analysis suggests that banks will remain well above their capital requirements even under a scenario of a prolonged and severe elevation of oil prices and geopolitical uncertainty with higher bank losses in loans to the tourism and manufacturing sectors.

pace of loan resolution has been slow and distressed debt of about 30 percent of GDP is still under recovery by credit servicers. The Deferred Tax Credits (DTCs) arising from earlier crisis-related losses still represent 44.5 percent of CET1 in 2025Q2, undermining the quality of bank capital. The sovereign-bank nexus is moderate in terms of direct exposures but is heightened by contingent liabilities including DTCs (which would require government infusions of equity to loss-making banks) and government guarantees on the senior tranches of the HAPS securitization that remain on bank balance sheets, warranting adequate monitoring and stress testing.

24. The Bank of Greece (BoG) has taken a strong and proactive approach to macroprudential policy but should improve its interagency coordination and be ready to adjust its stance as risks evolve.



- *Institutional and analytical framework.* Interagency coordination should be formalized by operationalizing the Systemic Stability Council (SSC) as the national coordination platform for financial stability with dedicated sub committees for systemic risk and crisis preparedness. The newly created central credit register on financial debt of natural persons and legal entities would help develop in-house macroprudential stress testing capacities and refine policies to align with emerging risks.
- *Capital-based measures.* The BoG has appropriately increased the countercyclical capital buffers (CCyB) by 25 bps to its positive neutral (PN) CCyB level (0.5 percent), effective October 2026. The CCyB should be tightened further should risks accumulate beyond the current standard risk environment and be released if financial conditions tighten sharply, threatening financial stability or causing a credit crunch. Moreover, the BoG should closely monitor large corporate exposure overlaps and consider macroprudential measures, such as systemic risk buffer, to bolster resilience amid high profitability and robust cyclical position. The BoG should strengthen the quantitative foundations for calibrating the PN CCyB to ensure the adequacy of releasable buffers.

- *Borrower-based measures (BBMs).* The implementation of BBMs, effective January 2025, has not materially constrained new mortgage lending so far.¹¹ In part, this reflects a sizeable share of real-estate lending that is left outside the scope of BBMs due to exclusion of consumer loans, exemptions for government-supported loans, and the 10 percent flexibility limit. With greater synchronization between the credit and real estate price cycles, the BoG should closely monitor credit risk—by using the recently operationalized central credit registry—and stand ready to refine BBMs to ensure prudent lending standards and address potential leakages, should housing-credit pressure intensify.

25. In parallel, enhancing the supervision of credit servicers and advancing judicial reform would help accelerate workouts of crisis legacy debt and improve credit allocation and productivity. The BoG's oversight of credit servicers should be strengthened through requirements for regularly updated business plans and annual performance reports. The BoG should also assess their governance arrangements and capacity to deal with large volumes of NPLs. Coordinating efforts with other government agencies led by the BoG is a welcome step. The Greek authorities should produce an annual report, certified by the national public auditor, about the evolution of HAPS and the valuation of the fiscal exposure, and introduce a website with regularly updated data. Implementation of the 2021 insolvency reform should be strengthened through greater judicial specialization in commercial matters, adequate court resourcing and the production of meaningful statistics to inform policy. Remaining impediments to efficient mortgage enforcement should be addressed. A formal reorganization process would fill the gap in the current insolvency toolkit and provide a solution that would be particularly useful for large complex cases of corporate distress.

26. Financial sector oversight should also be further enhanced to guard against future risks. The four SIs recently adopted a voluntary accelerated prudential amortization scheme of DTCs in proportion to their annual dividend payout to strengthen capital loss-absorbing capacity and reduce the sovereign-bank nexus. According to current projections, DTCs would be fully amortized by 2031-33, as opposed to 2041 with the legal amortization calendar. The codification in Greek law of an accelerated amortization of DTCs to a timing aligned with this voluntary prudential scheme would help address the sovereign-bank nexus across all banks (SIs and LSIs). The ongoing transition toward digital finance introduces emerging cyber and operational risks, requiring enhanced cross agency oversight as well as supervisory resources for emerging risks, such as cyber risk.

27. Greece has wide experience in dealing with crisis, but the financial safety net framework requires targeted enhancements. The emergency liquidity assistance (ELA) framework should be reinforced through a formal authorization process within the BoG, requiring pre-positioning of collateral by banks and developing internal policies for ELA in resolution. Strengthening the deposit insurance framework—by revising target funding levels to allow for the

¹¹ The measures comprise: (i) a cap on the debt service-to-income ratio at origination (DSTI-O ratio) of 50 percent for first-time buyers and 40 percent for second and subsequent buyers, and (ii) a cap on the loan-to-value ratio at origination (LTV-O ratio) of 90 percent for first-time buyers and 80 percent for second and subsequent buyers.

coverage of the concurrent failure of the 2-4 largest smaller banks and establishing a public backstop—would further enhance financial stability.

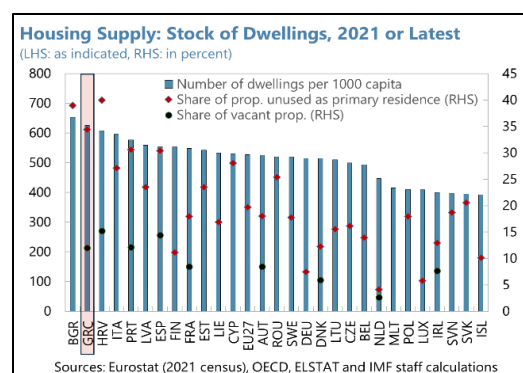
28. Greece’s AML/CFT framework is strong, but its effectiveness could be further enhanced. The BoG should focus on ensuring that all banks and payment institutions are subject to in-field testing at a frequency commensurate with their risk profiles. Progress is also needed to digitalize the Register of Shipping Companies and to improve risk-based AML/CFT supervision of real estate agents, accountants-tax advisors, lawyers, and notaries.

Authorities’ Views

29. The authorities broadly agreed with the systemic risk assessment and were generally supportive of the FSAP recommendations. They concurred that the banking system is well positioned to absorb potential losses under adverse scenarios. The authorities remained firmly committed to addressing crisis legacy issues to bolster resilience, including by further streamlining the insolvency framework, strengthening the supervision of credit servicers, and promoting more efficient workouts of distressed debt. They assessed the current macroprudential stance as appropriate, while emphasizing the need to continue monitoring conditions and to consider additional buffers should risks increase. While broadly agreeing with the recommendations on banking crisis preparedness and management, the authorities cautioned that ELA pre-positioning may be overly burdensome.

C. Housing Policy: Improving Affordability

30. Like many EU countries, housing affordability is a key structural challenge in Greece, though with distinctive features.¹² The housing cost burden is high despite a high share of outright ownership (more than 60 percent), partly reflecting high recurring housing costs linked to an aging and energy-inefficient housing stock and underinvestment in renovation since the GFC. Housing market imbalances also arise from housing allocation challenges rather than standard shortages as a significant share of the housing stock (about 35 percent) is not used as primary residence. Many vacant properties have been out of the market for long periods without renovation mainly due to liquidity constraints of homeowners and high renovation costs as well as fragmented homeownership and building compliance issues. Housing market imbalances are amplified by demand and supply mismatches in size, quality, and location, particularly in areas affected by short-term

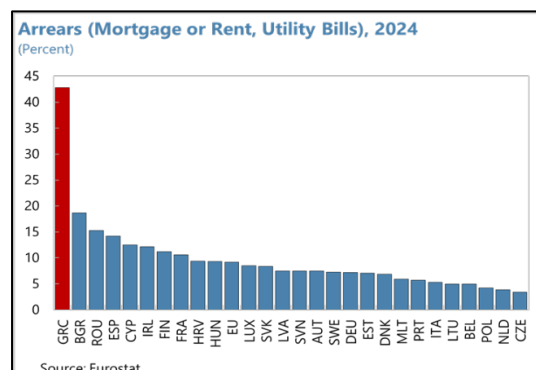


¹² See Selected Issues Paper “Inside Greece’s Housing Affordability Paradoxes” for more details.

rental and demographic pressures (e.g., higher internal migration, larger share of single-member households and students).

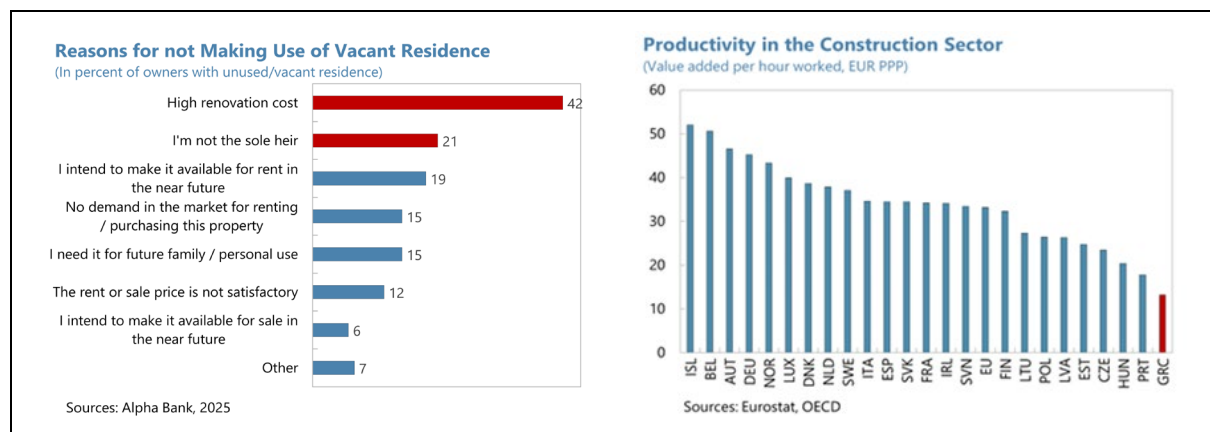
31. Policies should focus on utilizing existing housing supply more efficiently in tandem with better targeted and well-calibrated measures to improve housing affordability.

- The government has implemented measures to ease households' housing cost burden (e.g., rent refund scheme) and support access to homeownership (e.g., subsidized housing loans for low- and middle-income first-time home buyers and universal VAT tax exemptions on new construction). While such actions provide temporary relief, their impact could prove short-lived as prices and rent adjust and their costs could increase over time. Demand-side measures, especially rent refund scheme, should be better targeted to vulnerable groups with clear sunset and evaluation features to limit fiscal drift and price pass-through. The authorities should also consider gradually phasing out the VAT exemption on new construction.
- To reduce speculative demand and support supply of long-term rentals (LTR), the authorities have increased investment thresholds for Golden Visa and tightened regulation of short-term rentals (STR), while providing tax incentives for LTR. The effectiveness of these measures should be regularly assessed, including potential externalities in the tourism sector. The authorities have also tackled information asymmetry in the housing market through the Property Ownership and Management Registry (MIDA). Additional efforts such as revising down the minimum duration of lease contracts, reducing delays in late-payment dispute resolution, and introducing rental payment guarantee schemes for vulnerable tenants would help reduce the risk premium of LTR and arrears on housing cost payments.



- The planned housing strategy provides an opportunity to shift policies toward more durable and cost-effective supply measures. Priority should be placed on mobilizing existing units through an expansion and better targeting of existing renovation programs, including energy efficiency upgrades. These efforts could be combined with targeted disincentives for prolonged vacancy (e.g., vacancy surtaxes) in high-demand areas as well as decisive actions to reduce hurdles to housing mobility (e.g., changes to the inheritance law, expedited regularization in cases of litigation or compliance issues). More ambitious social rental housing programs, combined with budget-neutral incentives for developers of affordable units in high-pressure areas, would help

reduce supply-demand mismatches. Close coordination with social, energy, and EU-level initiatives will be essential to maximize impact while containing fiscal costs.¹³



Authorities' Views

32. The authorities agreed that policy should prioritize mobilizing underutilized housing stock to improve housing affordability. They were resolved to scale up social housing and extend measures to bring idle housing stock into use, while expecting that the forthcoming inheritance law amendment and the tenant registry would help increase housing supply by addressing fragmented homeownership and reducing risks associated with long-term rentals. The authorities emphasized that the new housing strategy will map housing affordability challenges across regions and household categories and will help inform the design of future measures. They also noted that the effectiveness of short-term rental restrictions will continue to be monitored and adjusted as needed.

D. Structural Policy: Lifting Supply Potential

Prevailing Structural Weaknesses

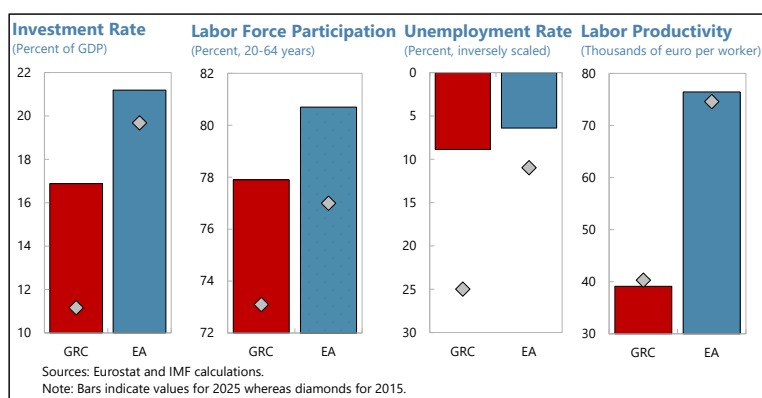
33. Lingering structural gaps are weighing on medium-term growth potential and contributing to the persistent CA deficit. Despite recent strong growth, large structural gaps remain relative to European peers in terms of productivity, LFP, and investment. The working age population is projected to decline by about 1 percent annually¹⁴ and domestic supply capacity is constrained as firms' growth—particularly among young and productive ones—is hindered by structural impediments.¹⁵ Despite the notable improvement of the saving-investment balance of the

¹³ For energy cost, see the [Staff Report for the 2025 Article IV Consultation for Greece](#), Annex VII, "Progresses in Green Transition and Remaining Challenges."

¹⁴ See European Commission (2024), "[Ageing Report](#)."

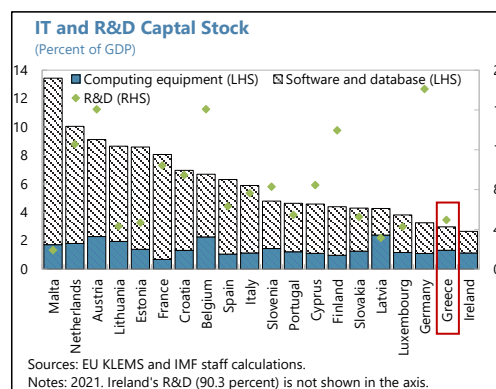
¹⁵ The lack of young and productive firms' growth also creates a sizable misallocation. See IMF (2025) Selected Issues Paper, "[Improve Resource Allocation to Boost Growth in Greece](#)."

public sector, the subdued domestic supply has contributed to the persistent CA deficit amid strong domestic demand recovery. Notwithstanding significant post-GFC wage adjustments, non-wage cost pressures persist, including regulatory and administrative burdens and still-high energy costs, exacerbated by sluggish productivity growth.



Fostering Digital Transformation in the Private Sector

34. Digital investment remains a key constraint on overall investment. Greece's IT capital stock—particularly software and databases—lags behind euro area peers, reflecting the economy's large share of labor-intensive services and weak investment within sectors. Estimated productivity gains from AI are modest at around 0.8 percent over five years,¹⁶ limited in part by the relatively high capital costs. Nonetheless, there is significant potential for AI to raise value added, including in service industries.



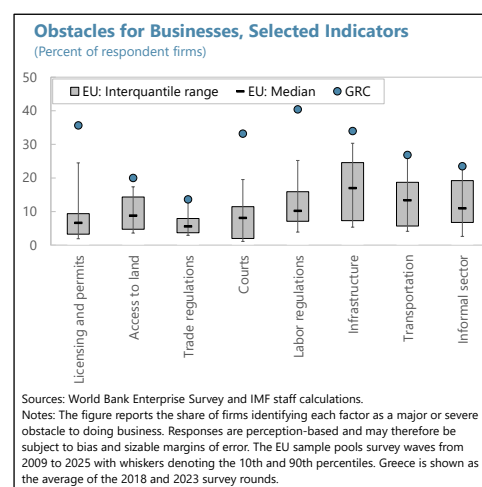
35. Adoption of digital technologies and AI in the private sector should be strengthened by reducing capital and energy costs and supporting innovation. The recently launched national AI strategy can serve as a strong foundation by providing shared infrastructure—such as the AI Factory's low-cost and high-performance computing resources, which are supported by an EU-wide initiative—particularly benefiting young firms and SMEs, while fostering collaboration between businesses and academia. Expanding financing options for innovative firms, including through venture capital and development banks, would promote digital investment. Complementary policies that promote technology diffusion across firms would further enhance productivity gains.

¹⁶ Misch et al. (2025), [“AI and Productivity in Europe,”](#) IMF Working Paper No. 2025/067.

Reducing Regulatory and Administrative Burdens

36. Further reducing regulatory and administrative burdens would improve investment climate and business environment.¹⁷

While Greece has advanced reforms to improve the business environment, as reflected in the OECD Product Market Regulation indicators, perceived burdens remain elevated, raising direct production costs and uncertainty for firms. Lowering such barriers would boost firms' growth and productivity, as well as exports, with particularly significant effects on young firms.¹⁸ Key priorities include upgrading spatial planning and licensing frameworks, simplifying entry and exit procedures, and modernizing trade procedures through digitalization. A more efficient business environment would help facilitate investment beyond NGEU, promoting business dynamics and competition.



Raising Labor Force Participation and Improving Work Force Skills

37. Raising LFP and ensuring a better skilled workforce would help address unfavorable demographic trends while reducing informality.¹⁹

- Recent measures to reduce the high tax wedge, particularly for low- and middle-income families with children and young workers, are welcome as they would help increase work incentives and reduce informality. For efficient targeting, tax allowances or childcare to support women's LFP 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.
- Targeted labor market policies, such as active labor market programs and reskilling initiatives, could be expanded to enhance productivity of both current and new workers. Upgrading and scaling up the lifelong learning system to a broader population, particularly in high-demand sectors—such as science, technology, and healthcare—can reduce skill mismatches and help alleviate labor shortages. More efforts to facilitate the reallocation of labor to productive firms and provide specialized training of domestic workers would also help expand housing supply

¹⁷ Domestic structural reforms are estimated to bring sizable gains. The medium-term impact of closing a half of existing gaps with frontier countries in staff's identified priority areas (including removing regulatory barriers and raising LFP for Greece) is estimated to increase the GDP level by 5 percent for advanced Europe, on average, and 7 percent for Greece. Budina et al. (2025), "[Europe's National-Level Structural Reform Priorities](#)," IMF Working Paper No. 2025/104.

¹⁸ See Selected Issues Paper "External Sector Dynamics and Firms' Competitiveness in Greece."

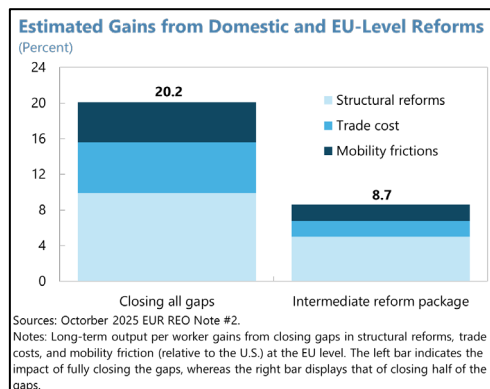
¹⁹ See IMF (2025) Selected Issues Paper, "[Unlocking the Work Force Potential: Empowering Women to Boost Economic Growth and Greek Prosperity](#)."

without putting pressure on construction costs. Greater coordination across education systems, including high-return primary education and tertiary education aligned with the evolving needs, would further strengthen the supply of relevant skills.

Completing EU Single Market

38. Completing the EU single market would support domestic reform efforts by further improving productivity and economic resilience.²⁰ Deepening the EU single market across four dimensions below would particularly benefit the Greek economy.

- *Setting a level playing field across the union* by enforcing existing rules to protect the single market and adopting common corporate and insolvency frameworks (28th regime) would help Greek firms do business beyond relatively small national markets and scale up, while fostering more productivity-enhancing competition.
- *Completing the Savings and Investments Union* would lower financing costs and crowd in risk capital for innovators, helping Greece overcome the lack of domestic savings.
- *Improving labor mobility across countries* through automatic or expanded mutual recognition for key professionals, digital social-security portability, and streamlined relocation procedures would help counter demographic pressures.
- *Integrating the energy market* by accelerating interconnectors and aligning grid access and tariffs would significantly help Greece achieve energy security with lower energy price and volatility. Such reforms would improve business environment and lower household's burden on housing costs.



Authorities' Views

39. The authorities concurred with staff on priority areas and highlighted significant recent progress. They emphasized that recent reform progress in addressing deep-rooted bottlenecks—including judicial reforms, the national cadastre, and the central credit registry—would help further safeguard financial stability and promote productivity growth. The authorities remained strongly committed to advancing structural reforms to further reduce regulatory burdens, support labor market participation, and continue diversifying the economy toward high value-added sectors.

²⁰ Fully closing European countries' domestic structural policy gaps and removing remaining cross-border obstacles to trade and labor mobility are estimated to lift EU productivity by 20.2 percent, while the impact of closing half of the gaps is estimated at 8.7 percent. IMF (2025), Regional Economic Outlook for Europe, "[Note 2: Making European Reforms a Success on the Ground](#)."

They concurred that the persistent CA deficit partly reflects remaining supply-side impediments, while noting that recent strong increases in FDI inflows reflect continued improvements in the investment environment. They agreed that the EU single market—particularly the Savings and Investment Union and the integration of energy markets—would further enhance the productivity and resilience of the Greek economy.

STAFF APPRAISAL

40. Growth is expected to moderate due to elevated energy prices and weaker external demand amid the war in the Middle East. While strong domestic demand and ongoing reforms in the context of the NGEU program have sustained robust growth, the declining working age population with low LFP and sluggish productivity growth are weighing on medium-term growth prospects. Public sector balance sheets continue to strengthen as reflected in the rapid decline in the debt-to-GDP ratio. The external position in 2025 is assessed to be moderately weaker than that consistent with medium-term fundamentals and desirable policies.

41. Risks to the growth outlook are tilted to the downside, while those to inflation are tilted upside. Potential additional headwinds include a protracted war in the Middle East, an escalation of geopolitical tensions, heightened uncertainty, trade fragmentation, and possible financial market disruptions. Further increases in global commodity prices and wage growth outpacing productivity could add to inflation pressures. Conversely, stronger-than-expected effects of the recent fiscal package and structural reforms could improve growth prospects.

42. Continued growth-friendly fiscal prudence would balance the dual objectives of advancing debt reduction and supporting growth. Any support to mitigate the impact of energy price shocks should be well targeted and temporary and preserve energy price signals, while containing the risk of adding to excess demand and overall inflationary pressures. Fully utilizing available EU funds is essential to sustain public investment while safeguarding critical social spending. Advancing further fiscal structural reforms would enhance the effectiveness of fiscal policy and help create additional fiscal space to further support private sector balance sheet repair.

43. While financial stability risks are manageable, cyclical risks and vulnerabilities warrant continued vigilance. The CCyB should be tightened further if systemic risks rise and be released should financial conditions deteriorate sharply. In response to large corporate exposure overlaps, additional buffers need to be considered to bolster resilience amid high profitability and robust cyclical position. The BoG should stand ready to refine BBMs to ensure prudent lending standards and address potential leakages, if housing and credit pressure intensifies. Sustained progress in addressing crisis legacy issues remains critical to strengthening financial sector resilience.

44. Housing policies aimed at mobilizing existing supply more effectively, complemented by well-calibrated demand measures, would help improve housing affordability. Scaling up means-tested renovation programs and introducing surtaxes on vacant properties, especially in

high-pressure regions, would help mobilize the underutilized stock. Reducing risk premia for long-term rentals—through greater contractual flexibility, reduced time for dispute resolution, and rental guarantee schemes—would also support rental supply. Demand-side measures should be systematically reviewed and recalibrated to limit price capitalization and improve targeting.

45. Ambitious structural reforms would sustainably support growth at a high level and reduce the persistent CA deficit. Further reducing regulatory and administrative burdens would boost firms' growth and productivity by promoting business dynamism and competition. Raising LFP and ensuring a better skilled workforce would help address unfavorable demographic trends. Fostering digital transformation in the private sector, including through the national AI strategy, would reduce capital and energy costs and support innovation.

46. Completing the EU single market would reinforce domestic reform efforts by further improving productivity and economic resilience. Setting a level playing field across the union would enable firms to expand beyond domestic markets. Advancing the Savings and Investments Union would lower financing costs and mobilize risk capital, complementing limited domestic savings. While greater labor mobility would help mitigate demographic pressures, integration of energy markets would help Greece achieve energy security with lower energy price and volatility.

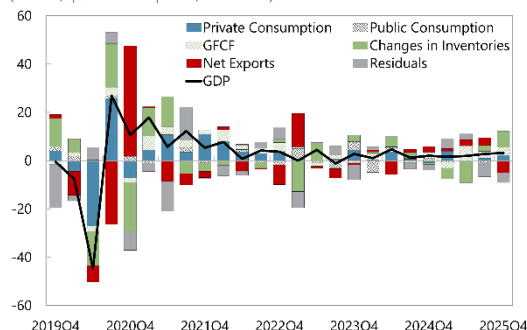
47. It is recommended that the next Article IV consultation take place on the standard 12-month cycle.

Figure 1. Greece: Growth—Robust Expansion

GDP growth has remained robust...

Contribution to Real GDP Growth

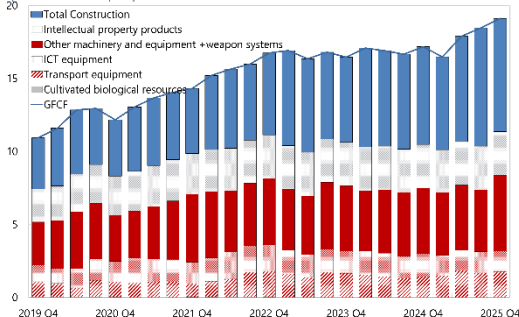
(Percent, quarter-over-quarter, annualized)



...on the back of strong investment...

Gross Fixed Capital Formation

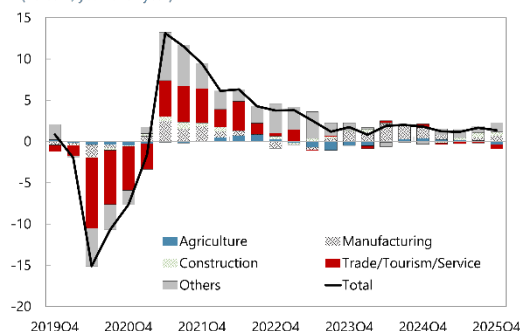
(Percent of GDP, SA)



...with the broad-based expansion of manufacturing, construction, and service sectors.

Real Gross Value Added Growth

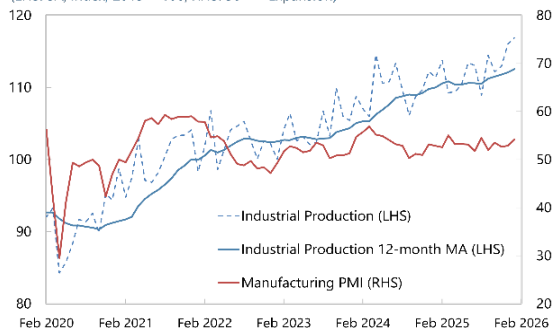
(Percent, year-over-year)



Industrial activity has continued to expand...

Industrial Production and Manufacturing PMI

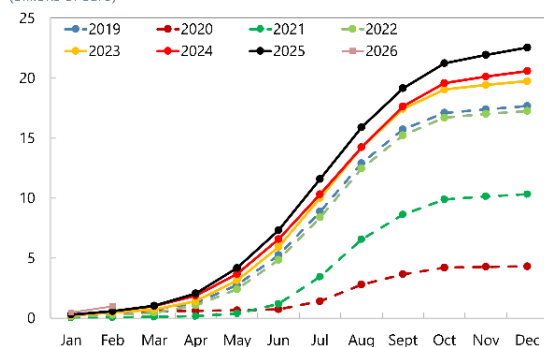
(LHS: SA, Index, 2015 = 100; RHS: 50+ = Expansion)



...amid continued strong performance in tourism...

Cumulative Travel Receipts

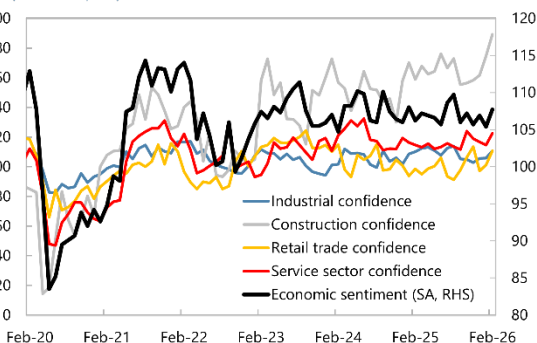
(Billions of euro)



...and overall economic sentiment remains buoyant.

Economic Sentiment Indicator

(LT AVG=100; NSA)



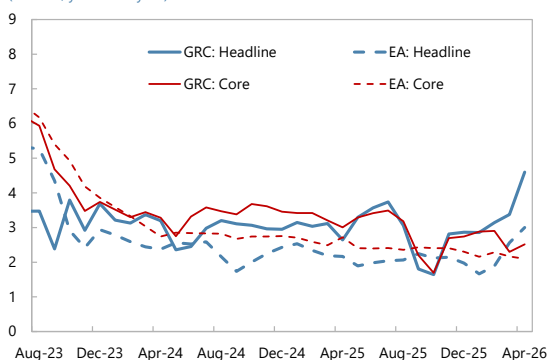
Source: ELSTAT; Eurostat; Haver Analytics; and IMF staff calculations.

Figure 2. Greece: Prices—Disinflation Reversal

Inflation remains higher than the EA average...

HICP Inflation

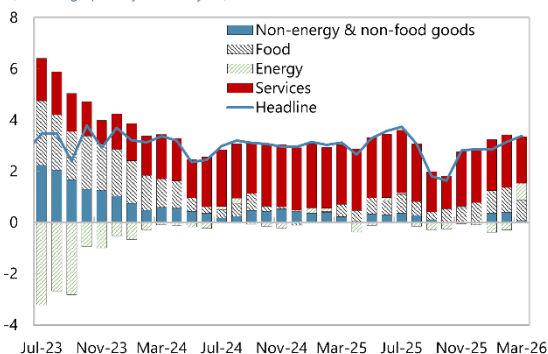
(Percent, year-over-year)



...with rising energy prices adding to inflationary pressures.

Inflation Decomposition

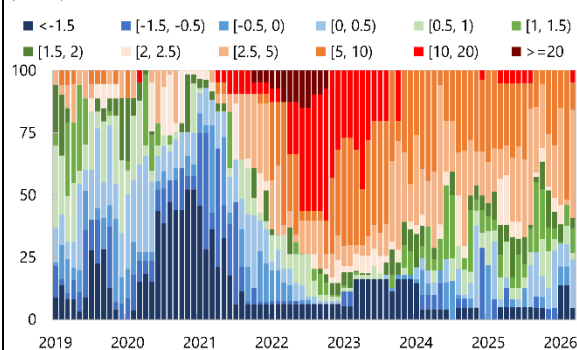
(Percentage point, year-over-year)



The share of goods and services with high inflation is expanding,...

Inflation Dispersion 1/

(Percent)

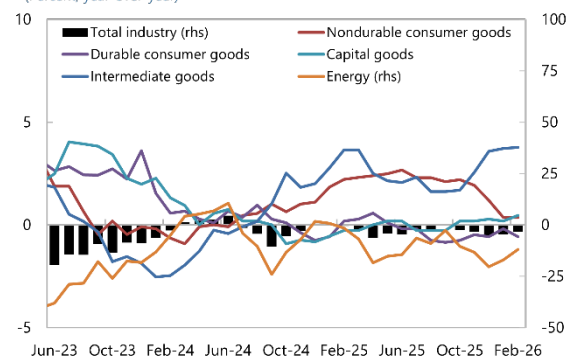


1/ Share of consumption basket within each inflation band.

...imported prices are expected to rise reflecting global commodity prices,...

Import Price Inflation

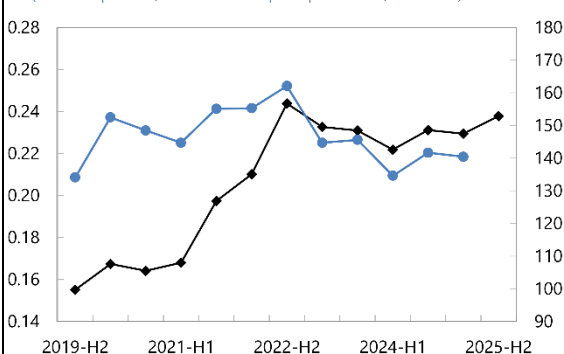
(Percent, year-over-year)



...and electricity prices remain elevated.

Electricity Price for Household Consumers

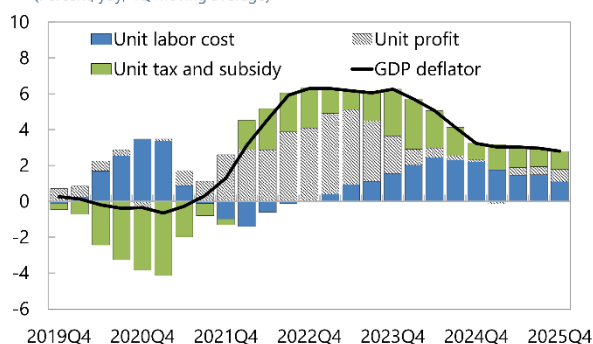
(LHS: Euro per kWh; RHS: Relative to per capita income, EU27=100)



Inflation drivers shifted from a rise in unit profit to unit labor cost amid a still tight labor market.

Contributions to GDP Deflator Inflation

(Percent, yoy, 4Q moving average)

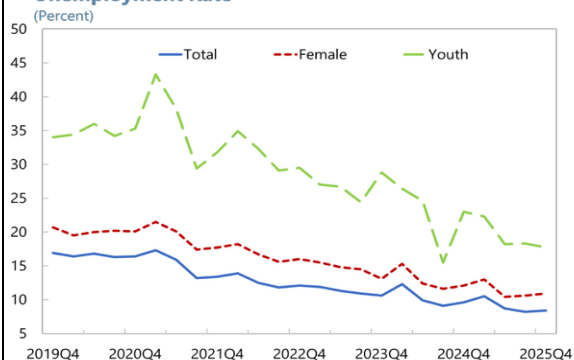


Source: ELSTAT; Eurostat; Haver Analytics; and IMF staff calculations.

Figure 3. Greece: Labor Market—Sustained Improvements with Reallocation

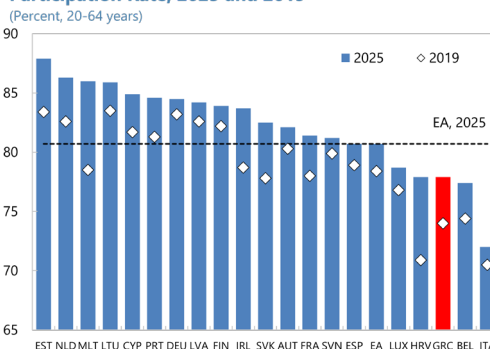
The unemployment rate has continued to decline while remaining relatively high among women and youth...

Unemployment Rate



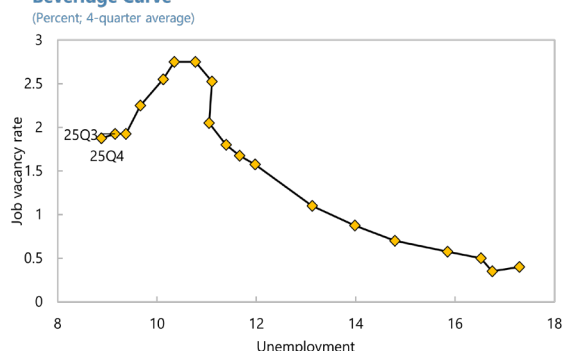
...and the labor force participation rate remains low.

Participation Rate, 2025 and 2019



Job vacancies have somewhat eased amid a tight labor market...

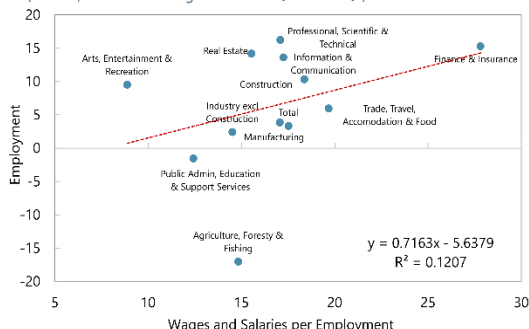
Beveridge Curve



...as employment has increased in sectors facing shortage through high wage growth.

Labor Market Reallocation

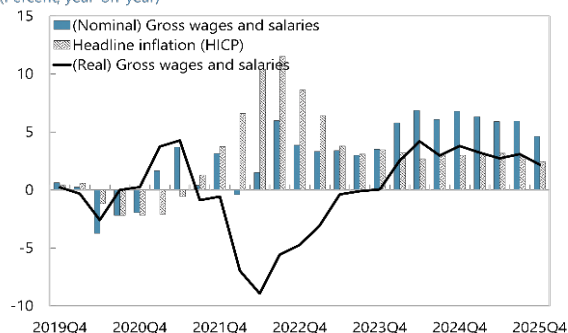
(Percent, cumulative changes from 2022Q4 to 2025Q4)



Real wage growth continues as nominal wage growth exceeds price inflation...

Gross Wages and Salaries per Worker

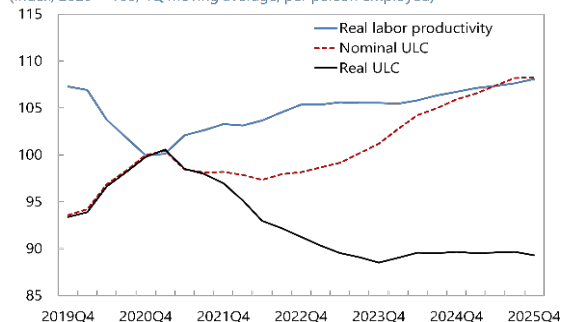
(Percent, year-on-year)



...broadly in line with labor productivity improvements, resulting in stable ULC in real terms.

Productivity and Unit Labor Cost

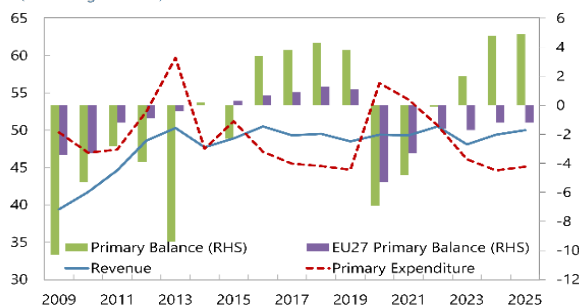
(Index, 2020 = 100; 4Q moving average; per person employed)



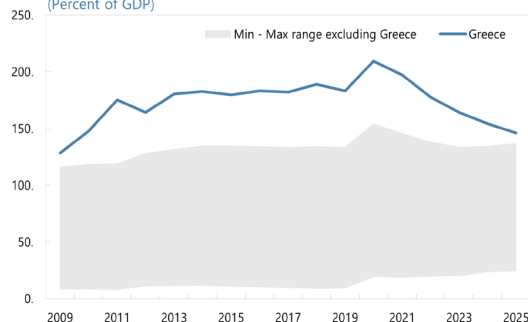
Source: ELSTAT; Eurostat; Haver Analytics; and IMF staff calculations.

Figure 4. Greece: Fiscal—Ongoing Prudence

The primary surplus reached a historic high in 2025, significantly exceeding the EU average...

Revenue, Primary Expenditure and Primary Balance
(Percentage of GDP)

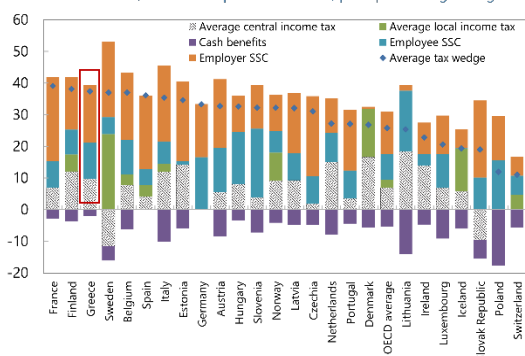
...contributing to a significant decline in the public debt-to-GDP ratio over the last five years.

General Government Debt
(Percent of GDP)

The labor wedge remains relatively high, partly due to limited cash benefits and still high social security contribution rates despite recent cuts.

Average Tax Wedge Decomposition

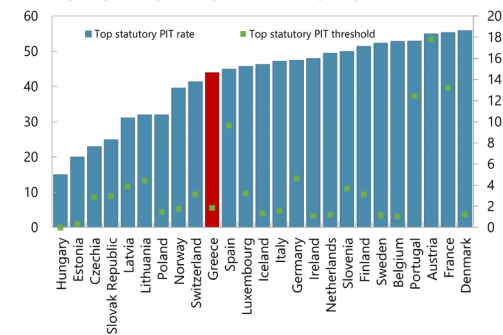
(Percent of labor costs, married couple with two kids, principal earning average wage)



Although the top statutory personal income tax rate is comparable to peer countries, its threshold is low relative to the average wage.

Top Statutory PIT Rate and Threshold

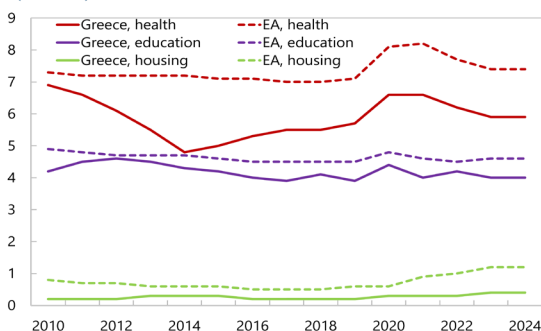
(Percentage of gross wage earnings, factor of average wage)



Critical social spending, such as health, education, and housing, lags behind EA averages...

Public Spending in Specific Categories, Greece v.s. EA

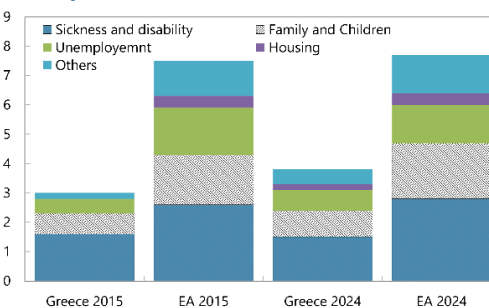
(% of GDP)



...together with insufficient spending on social protections across the board.

Social Protection Spending: Greece v.s. EA

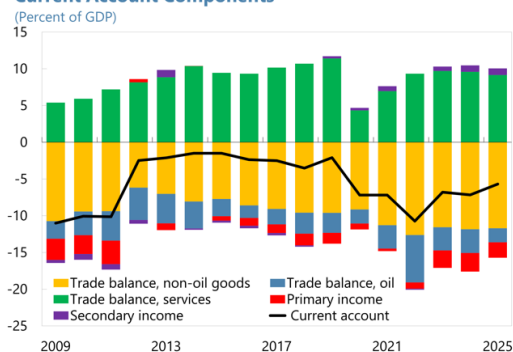
(Percentage of GDP)



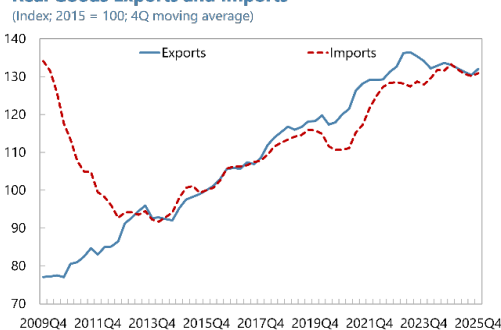
Sources: Ministry of Finance; ELSTAT; Eurostat; Haver Analytics; OECD; and IMF staff calculations.

Figure 5. Greece: External—Still Sizable Deficit

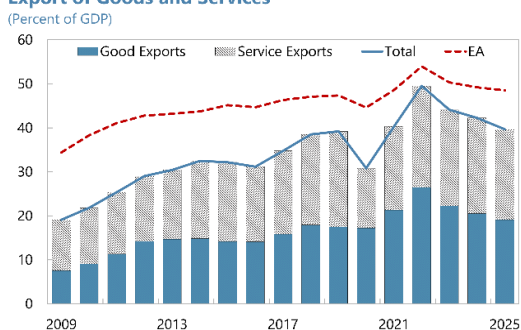
The CA deficit narrowed in 2025 due to improved oil balance and lower primary income deficit...

Current Account Components

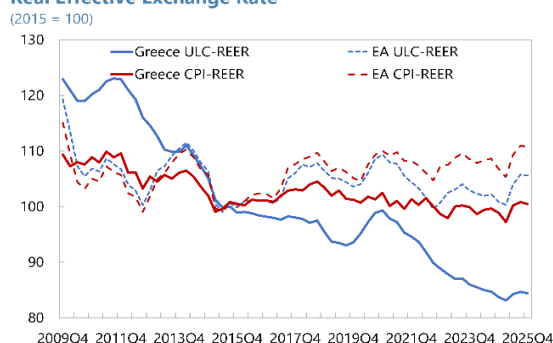
...while goods imports remain elevated reflecting strong domestic demand.

Real Goods Exports and Imports

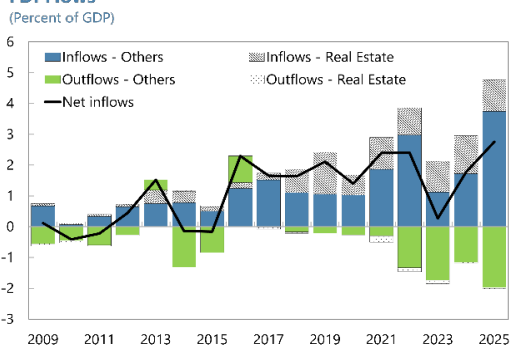
Trade openness has increased over the last decade with a steady rise of goods and service exports...

Export of Goods and Services

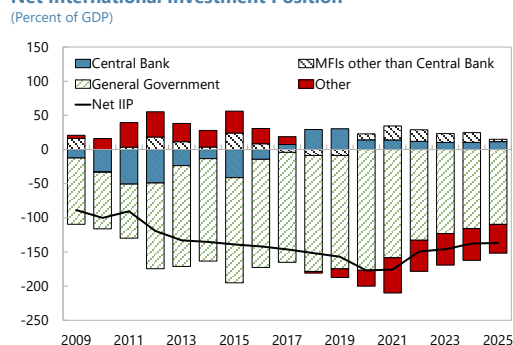
...on the back of improved cost competitiveness.

Real Effective Exchange Rate

FDI inflows have trended up partly due to real estate investment and privatization.

FDI Flows

The NIIP has continued to decline along with the public debt reduction.

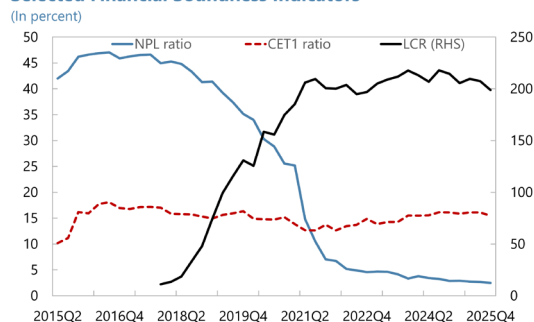
Net International Investment Position

Source: Bank of Greece; ELSTAT; Eurostat; European Central Bank; Haver Analytics; and IMF staff calculations.

Figure 6. Greece: Financial—Gradual Normalization

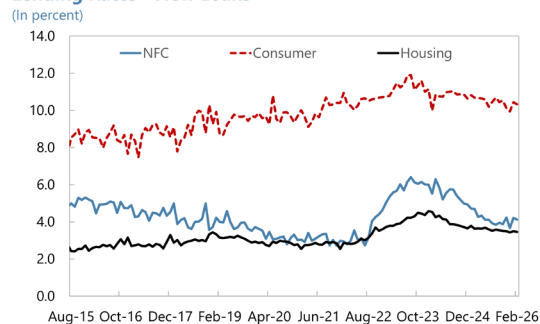
Helped by continued NGEU loan disbursement, stronger banks' balance sheets...

Selected Financial Soundness Indicators



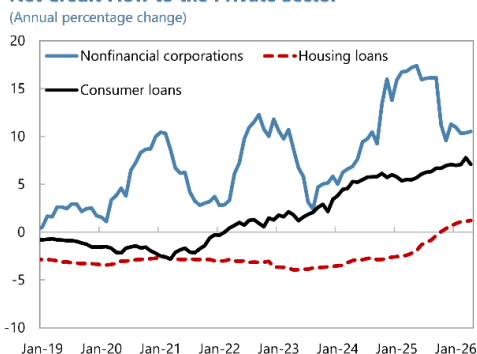
...and lower lending rates,...

Lending Rates - New Loans



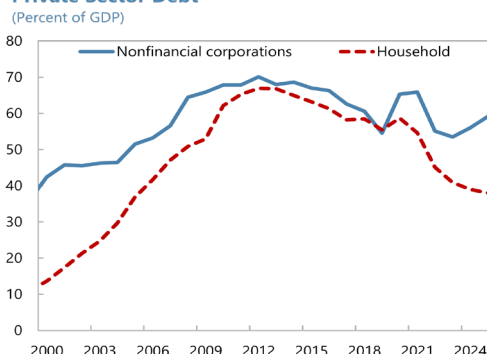
...credit growth to the real economy continued firming up...

Net Credit Flow to the Private Sector



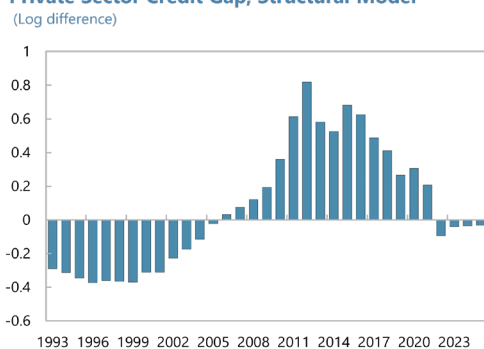
...with signs of re-leveraging in the corporate sector.

Private Sector Debt



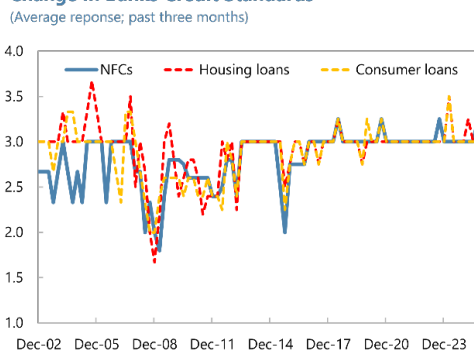
The still negative, though closing credit gap...

Private Sector Credit Gap, Structural Model



...as well as prudent and broadly stable credit standards do not point to significant excessive risk taking.

Change in Banks Credit Standards

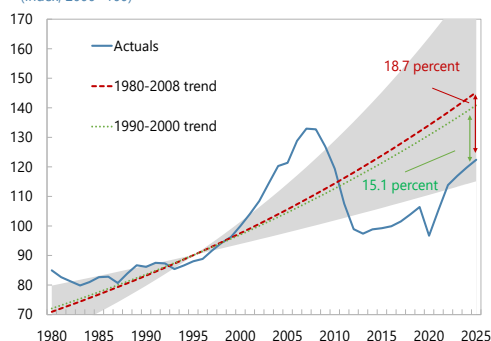


Source: ECB, Haver, Bank of Greece, IMF staff calculation.

Figure 7. Greece: Long-Term Trend—Remaining Gaps 1/

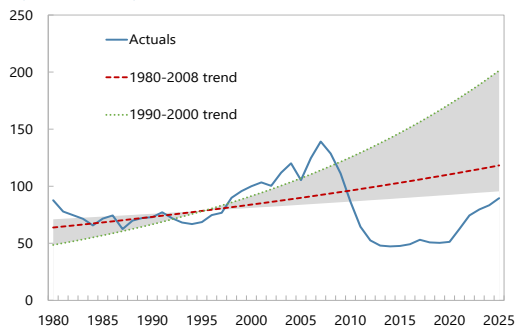
Per capita GDP remains substantially below the pre-crisis trend...

Real GDP Per Capita (Index, 2000=100)



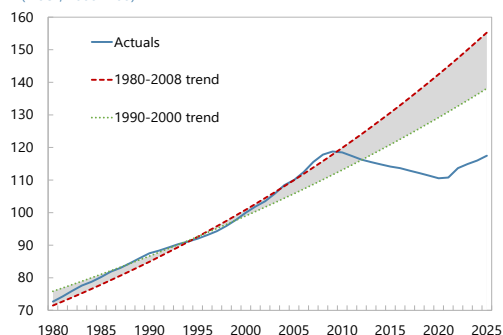
...as subdued investment...

Real Investment Per Capita (Index, 2000=100)



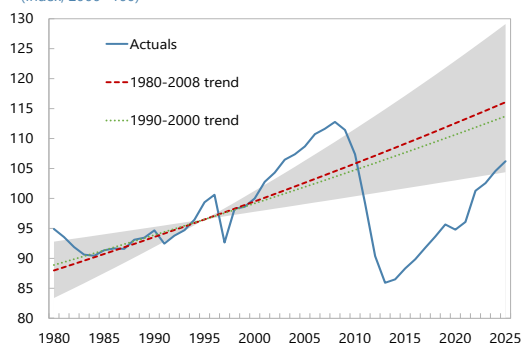
...has constrained capital accumulation.

Real Capital Stock Per Capita (Index, 2000=100)



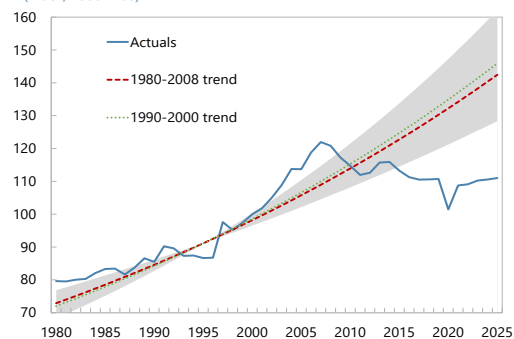
Employment has been recovering...

Employment (Index, 2000=100)



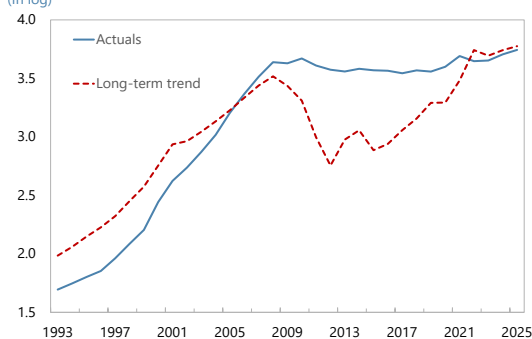
...but productivity growth remains sluggish...

Labor Productivity (Index, 2000=100)



...while the credit gap is still slightly negative but closing.

Credit to Private Sector Per Capita 2/ (In log)



Source: ELSTAT; Eurostat; Haver Analytics; and IMF staff calculations.

1/ The shaded areas indicate the upper and lower bounds of trends in four periods: 1980-2008, 1990-2000, 1980-2000, and 1990-2008.

2/ The long-term trend on ECM regression based on Baba et al. (2020).

Table 1. Greece: Selected Economic Indicators, 2021—31

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
	Projections										
	(percent change, unless otherwise indicated)										
NATIONAL ACCOUNTS											
Real GDP	8.7	5.5	2.1	2.1	2.1	1.8	1.7	1.6	1.6	1.6	1.6
Consumption	4.3	7.0	2.4	1.3	1.6	1.3	1.4	1.2	1.3	1.3	1.3
Private consumption	5.1	9.3	2.3	2.4	2.0	1.3	1.5	1.4	1.4	1.4	1.4
Public consumption	1.8	0.0	2.8	-2.6	0.3	1.0	0.8	0.6	0.7	0.8	0.8
Gross capital formation	27.4	11.0	-5.8	17.4	-3.5	6.8	3.6	2.2	2.1	2.1	2.1
Gross fixed capital formation	21.7	22.1	6.5	4.5	8.9	9.0	3.0	2.2	2.1	2.1	2.1
Change in inventories (contribution)	1.0	-1.3	-2.0	1.9	-2.1	-0.5	0.0	0.0	0.0	0.0	0.0
Net exports (contribution)	0.9	-2.4	0.8	-1.7	1.2	-0.5	-0.2	0.0	0.1	0.1	0.1
Exports of goods and services	24.4	6.2	2.2	1.0	1.7	0.7	1.0	2.1	2.3	2.4	2.4
Imports of goods and services	17.4	11.0	0.1	4.8	-1.3	1.6	1.4	1.7	1.7	1.7	1.7
Gross fixed capital formation (percent of GDP)	13.8	15.7	15.9	16.0	16.9	18.0	18.2	18.3	18.3	18.4	18.5
RESOURCE UTILIZATION											
Potential GDP	0.5	1.0	1.3	1.5	1.8	2.0	2.0	1.9	1.8	1.7	1.6
Output gap (percent of potential GDP)	-4.7	-0.5	0.4	0.9	1.1	0.9	0.6	0.3	0.0	0.0	0.0
Employment	1.4	5.4	1.3	2.0	1.5	1.2	0.4	0.3	0.1	0.1	0.0
Unemployment rate (percent) 1/	14.8	12.4	11.1	10.1	8.9	7.4	7.1	7.0	6.9	6.8	6.8
PRICES											
GDP deflator	1.4	6.3	6.3	3.2	2.8	3.2	2.7	2.4	2.1	2.1	2.1
Consumer prices (HICP, average)	0.6	9.3	4.2	3.0	2.9	3.5	2.7	2.5	2.1	2.1	2.1
Consumer prices (HICP, end of period)	4.4	7.6	3.7	2.9	2.9	3.6	2.1	2.5	2.1	2.1	2.1
Consumer prices (HICP, core, average)	-0.7	5.6	6.2	3.4	3.0	2.7	2.5	2.1	2.1	2.1	2.1
Unit labor costs	-1.3	-0.5	3.8	4.4	4.5	3.1	2.6	2.4	2.1	2.1	2.1
FINANCIAL											
10-year government bond spread (over the German Bund)	0.8	1.5	1.1	0.5	1.6	...	...	...	...	...	...
Private sector credit	-22.8	5.4	2.5	4.0	5.7	5.4	5.0	4.2	4.0	3.8	3.7
Nominal effective exchange rate (2010=100)	1.0	1.8	3.7	0.2	3.8	...	...	...	...	...	...
Real effective exchange rate (2010=100)	-0.7	-0.1	0.5	0.7	1.6	...	...	...	...	...	...
	(percent of GDP)										
GENERAL GOVERNMENT											
Overall balance	-7.8	-2.6	-1.4	1.3	1.7	0.4	-0.3	-0.4	-0.6	-0.7	-0.8
Primary balance	-5.3	-0.1	2.0	4.8	4.9	3.6	3.0	2.9	2.8	2.7	2.6
Cyclically-adjusted primary balance	-2.7	0.2	1.8	4.4	4.3	3.1	2.7	2.8	2.8	2.7	2.6
General government debt	197.8	179.2	165.5	155.4	146.6	136.6	130.1	125.1	120.4	115.6	111.2
EXTERNAL SECTOR											
Current account balance	-7.2	-10.7	-6.8	-7.2	-5.7	-6.4	-5.7	-5.0	-4.6	-4.3	-4.0
Merchandise trade balance	-14.5	-19.1	-14.7	-15.1	-13.6	-14.4	-13.4	-12.8	-12.4	-12.0	-11.8
Services balance	7.0	9.3	9.7	9.6	9.2	9.2	9.2	9.3	9.3	9.3	9.3
Gross external debt	306.3	270.5	252.2	243.3	237.7	230.6	226.8	222.7	218.7	214.5	210.1
Net international investment position	-175.6	-149.4	-145.9	-137.6	-136.8	-135.4	-135.1	-134.6	-134.1	-133.2	-132.2
MEMORANDUM ITEMS											
	(Billions of euro)										
Nominal GDP	184.6	207.0	224.7	236.7	248.4	260.8	272.2	283.2	293.8	304.7	316.0
Sources: Greece authorities, Haver Analytics, and IMF staff estimates.											
1/ Based on Labor Force Survey.											

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

1/ Based on Labor Force Survey.

Table 2. Greece: Summary of Balance of Payments, 2021—31

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
	Projections										
	(Billions of euros)										
Current account balance	-13.3	-22.2	-15.3	-16.9	-14.1	-16.7	-15.5	-14.2	-13.4	-13.0	-12.8
Balance of goods and services	-13.9	-20.2	-11.3	-13.0	-11.1	-13.7	-11.2	-9.9	-8.9	-8.3	-8.0
Goods balance	-26.7	-39.5	-33.1	-35.7	-33.8	-37.5	-36.4	-36.2	-36.3	-36.7	-37.4
Exports	39.3	54.7	50.1	48.6	47.4	49.4	50.1	52.0	54.1	56.4	58.8
Imports	66.0	94.3	83.1	84.3	81.2	86.9	86.5	88.2	90.4	93.1	96.2
Services balance	12.8	19.3	21.8	22.7	22.8	23.9	25.1	26.3	27.4	28.4	29.4
Credit	35.1	47.8	49.0	51.4	51.1	54.0	55.7	57.7	59.8	62.0	64.2
Debit	22.2	28.4	27.2	28.8	28.4	30.1	30.6	31.4	32.4	33.6	34.8
Primary income	-0.6	-1.8	-5.4	-6.0	-5.2	-5.3	-5.4	-5.5	-5.6	-5.9	-6.1
Secondary income 1/	1.2	-0.3	1.3	2.1	2.2	2.3	1.2	1.1	1.1	1.1	1.3
Capital account balance	4.0	3.1	2.7	0.0	1.7	3.2	0.8	0.8	0.8	0.9	0.9
Financial account balance	-8.1	-17.2	-10.3	-14.6	-10.0	-11.6	-12.5	-11.0	-9.9	-9.3	-8.8
Direct investment	-4.4	-5.0	-0.6	-4.2	-6.6	-2.6	-2.8	-3.0	-3.4	-3.8	-4.2
Portfolio investment	22.8	7.9	-2.6	-5.9	-11.8	0.0	-0.1	-0.7	-2.2	-1.5	-2.6
Financial derivatives	1.0	1.1	-0.4	-0.7	-0.7	0.3	0.2	0.2	0.2	0.2	0.2
Other investment 2/	-30.0	-19.3	-7.2	-3.6	7.4	-9.2	-9.8	-7.4	-4.5	-4.2	-2.2
Reserve assets	2.5	-1.8	0.5	-0.3	1.8	0.0	0.0	0.0	0.0	0.0	0.0
Net errors and omissions	1.2	2.0	2.3	2.3	2.4	0.0	0.0	0.0	0.0	0.0	0.0
	(Percent of GDP)										
Current account balance	-7.2	-10.7	-6.8	-7.2	-5.7	-6.4	-5.7	-5.0	-4.6	-4.3	-4.0
Balance on goods and services	-7.5	-9.8	-5.0	-5.5	-4.5	-5.2	-4.1	-3.5	-3.0	-2.7	-2.5
Goods balance	-14.5	-19.1	-14.7	-15.1	-13.6	-14.4	-13.4	-12.8	-12.4	-12.0	-11.8
Services balance	7.0	9.3	9.7	9.6	9.2	9.2	9.2	9.3	9.3	9.3	9.3
Primary income	-0.3	-0.8	-2.4	-2.5	-2.1	-2.0	-2.0	-1.9	-1.9	-1.9	-1.9
Secondary income 1/	0.7	-0.1	0.6	0.9	0.9	0.9	0.4	0.4	0.4	0.4	0.4
Capital account balance	2.2	1.5	1.2	0.0	0.7	1.2	0.3	0.3	0.3	0.3	0.3
Financial account balance	-4.4	-8.3	-4.6	-6.2	-4.0	-4.4	-4.6	-3.9	-3.4	-3.1	-2.8
Direct investment	-2.4	-2.4	-0.3	-1.8	-2.7	-1.0	-1.0	-1.1	-1.2	-1.3	-1.3
Portfolio investment	12.4	3.8	-1.2	-2.5	-4.8	0.0	0.0	-0.2	-0.7	-0.5	-0.8
Financial derivatives	0.6	0.5	-0.2	-0.3	-0.3	0.1	0.1	0.1	0.1	0.1	0.1
Other investment 2/	-16.3	-9.3	-3.2	-1.5	3.0	-3.5	-3.6	-2.6	-1.5	-1.4	-0.7
Reserve assets	1.4	-0.9	0.2	-0.1	0.7	0.0	0.0	0.0	0.0	0.0	0.0
Net errors and omissions	0.6	1.0	1.0	1.0	1.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum item:											
Gross external debt	306.3	270.5	252.2	243.3	237.7	230.6	226.8	222.7	218.7	214.5	210.1
Public sector	223.6	201.6	189.1	179.4	170.0	166.2	162.9	159.1	155.1	150.9	146.8
Private sector	82.7	69.0	63.0	64.0	67.7	64.4	63.9	63.6	63.6	63.6	63.3

Sources: Bank of Greece; and IMF staff estimates.

1/ Includes transfers related to ANFA/SMP profits.

2/ Includes liabilities to Eurosystem related to TARGET.

Table 3. Greece: General Government Operations, 2021–31

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
	Projections										
	(Billions of euros)										
Revenue	90.1	104.6	108.0	117.1	124.2	130.1	132.6	137.1	141.9	146.9	152.0
Indirect taxes	31.4	39.5	38.4	40.2	42.6	45.1	46.8	48.5	50.3	52.2	54.0
Direct taxes	16.7	19.2	22.8	26.4	27.5	28.7	29.6	30.9	32.1	33.3	34.8
Social contributions	27.3	29.0	29.2	31.5	32.5	34.4	35.6	37.0	38.4	39.9	41.3
Other current revenue	3.7	5.0	5.1	5.6	4.8	4.7	4.2	4.2	4.3	4.4	4.4
Sales	5.5	6.5	6.9	7.3	8.3	8.7	9.1	9.5	9.8	10.2	10.6
Capital revenue	5.5	5.4	5.7	6.0	8.5	8.5	7.3	6.9	6.9	6.9	6.9
Primary expenditure	99.9	104.7	103.6	105.6	112.0	120.8	124.4	128.9	133.7	138.7	143.8
Social benefits	41.1	43.3	45.9	46.3	47.7	50.4	52.5	54.6	57.1	59.7	62.1
Subsidies	8.8	11.8	4.5	3.4	3.3	3.8	3.7	3.8	3.9	4.1	4.2
Other current expenditure	3.4	3.1	3.1	3.6	3.7	4.0	3.8	3.8	3.9	3.9	4.2
Compensation of employees	22.6	22.7	23.5	24.5	25.2	27.3	28.4	29.6	30.7	31.8	33.1
Intermediate consumption	10.5	11.3	12.4	12.2	14.1	14.6	15.2	15.9	16.5	17.1	17.8
Investment	6.8	8.7	9.0	10.2	11.8	15.2	15.0	15.4	15.8	16.2	16.4
Capital transfers payable 1/	6.7	3.8	5.3	5.5	6.3	5.7	5.8	5.9	5.8	5.8	5.8
Primary balance (accrual)	-9.8	-0.2	4.4	11.4	12.1	9.4	8.2	8.2	8.2	8.2	8.2
Interest expenditure 2/	4.5	5.2	7.6	8.2	7.8	8.2	8.9	9.2	9.9	10.2	10.6
Overall balance	-14.3	-5.3	-3.2	3.2	4.3	1.2	-0.7	-1.0	-1.6	-2.1	-2.5
General government debt	365.1	370.9	371.9	367.8	364.0	356.3	354.1	354.3	353.7	352.4	351.3
	(Percent of GDP)										
Revenue	48.8	50.5	48.1	49.4	50.0	49.9	48.7	48.4	48.3	48.2	48.1
Indirect taxes	17.0	19.1	17.1	17.0	17.2	17.3	17.2	17.1	17.1	17.1	17.1
Direct taxes	9.1	9.3	10.1	11.2	11.1	11.0	10.9	10.9	10.9	10.9	11.0
Social contributions	14.8	14.0	13.0	13.3	13.1	13.2	13.1	13.1	13.1	13.1	13.1
Other current revenue	2.0	2.4	2.3	2.4	1.9	1.8	1.5	1.5	1.5	1.5	1.4
Sales	3.0	3.1	3.1	3.1	3.3	3.3	3.3	3.3	3.3	3.3	3.3
Capital revenue	3.0	2.6	2.5	2.5	3.4	3.3	2.7	2.4	2.4	2.3	2.2
Primary expenditure	54.1	50.6	46.1	44.6	45.1	46.3	45.7	45.5	45.5	45.5	45.5
Social benefits	22.3	20.9	20.4	19.5	19.2	19.3	19.3	19.3	19.4	19.6	19.7
Subsidies	4.8	5.7	2.0	1.4	1.3	1.4	1.3	1.3	1.3	1.3	1.3
Other current expenditure	1.9	1.5	1.4	1.5	1.5	1.5	1.4	1.3	1.3	1.3	1.3
Compensation of employees	12.2	11.0	10.5	10.4	10.2	10.4	10.4	10.4	10.4	10.4	10.5
Intermediate consumption	5.7	5.5	5.5	5.2	5.7	5.6	5.6	5.6	5.6	5.6	5.6
Investment	3.7	4.2	4.0	4.3	4.8	5.8	5.5	5.4	5.4	5.3	5.2
Capital transfers payable 1/	3.6	1.8	2.3	2.3	2.5	2.2	2.1	2.1	2.0	1.9	1.9
Primary balance (accrual)	-5.3	-0.1	2.0	4.8	4.9	3.6	3.0	2.9	2.8	2.7	2.6
Interest expenditure 2/	2.5	2.5	3.4	3.5	3.2	3.2	3.3	3.3	3.4	3.4	3.4
Overall balance	-7.8	-2.6	-1.4	1.3	1.7	0.4	-0.3	-0.4	-0.6	-0.7	-0.8
General government debt	197.8	179.2	165.5	155.4	146.6	136.6	130.1	125.1	120.4	115.6	111.2
Memorandum item:											
EU grants	2.8	2.5	2.4	2.5	3.3	3.5	2.5	2.3	2.2	2.1	2.0
Cyclically adjusted primary balance	-2.7	0.2	1.8	4.4	4.3	3.1	2.7	2.8	2.8	2.7	2.6
Cyclically adjusted primary balance excluding EU grants	-5.5	-2.3	-0.7	1.9	1.0	-0.4	0.2	0.5	0.6	0.6	0.6

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.

Table 4. Greece: Summary of Financial Sector Indicators, 2021—25

	2021	2022	2023	2024	2025
	(Percent)				
Solvency					
CET 1 Capital Ratio	13.2	13.7	14.5	15.8	15.9
CET 1 Ratio (fully loaded)	11.4	12.6	14.4	15.8	-
Tier 1 Capital Ratio	13.5	14.1	15.2	16.6	17.2
Total Capital	15.6	16.4	17.7	19.6	20.2
Leverage Ratio	7.7	6.6	7.2	7.8	7.8
Credit Risk and Asset Quality					
NPL	14.4	5.4	4.2	3.3	2.7
Coverage Ratio of NPL	45.9	43.3	43.4	37.9	40.0
Forbearance Ratio for Loans and Advances	11.7	6.1	5.1	3.6	2.3
Profitability					
ROE	-19.5	18.0	12.8	14.3	13.1
ROA	-1.6	1.4	1.1	1.5	1.4
Cost-to-Income	61.0	32.7	34.5	33.0	36.1
Net Interest Margin	2.3	2.0	3.0	3.3	2.8
Net Trading Income to Total Net Operating Income	10.1	21.0	0.2	1.3	2.5
Net Fee and Commission Income to Total Net Operating Income	22.2	15.5	16.3	17.2	19.1
Net Interest Income to Total Net Operating Income	89.1	49.7	78.5	78.3	75.3
Cost of Risk	5.7	1.0	0.8	0.5	0.5
Funding and Liquidity					
Loan to Deposit Ratio	66.8	61.3	59.5	60.0	62.5
Liquidity Coverage Ratio	200.4	198.9	210.9	213.1	205.3
Asset Encumbrance Ratio	27.0	24.2	14.8	10.3	8.2

Source: European Banking Authority; and Haver Analytics.

Annex I. External Sector Assessment

Overall Assessment: The external position of Greece in 2025 is assessed to be moderately weaker than the level implied by fundamentals and desirable policies based on preliminary data. The current account (CA) deficit was 5.7 percent of GDP in 2025. It is projected to widen in the near term due to higher energy prices, and gradually narrow to about 4 percent over the medium term. The net international investment position (NIIP) is expected to continue improving, aligned with the declining public debt ratio.

Potential Policy Responses: Policies to strengthen the external position include: (i) continued fiscal prudence to maintain a primary surplus, supporting further public debt reduction and, in turn, an improvement in the large negative NIIP; and (ii) structural reforms to raise domestic supply potential and export competitiveness, including through measures to reduce regulatory and administrative barriers, foster digital transformation in the private sector, and raise labor force participation, which will also support private savings.

Foreign Assets and Liabilities

Background. The NIIP improved to -137 percent of GDP in 2025, from -138 percent in 2024. Despite the sizable CA deficit, the improvement reflects strong nominal GDP growth, valuation effects, and non-debt-creating flows, including transfers from the EU.

Assessment. The NIIP-to-GDP ratio is projected to improve gradually, supported by sustained nominal GDP growth and narrowing CA deficit. Risks to the large negative NIIP are mitigated by the favorable structure of external liabilities: (i) around three quarters of external debt is held by the official sectors, primarily reflecting general government (GG) and central bank's TARGET liabilities; (ii) most liabilities are euro-denominated; and (iii) the bulk of GG external debt carries fixed, low interest rates and ultra-long maturity. Prudent fiscal policies and active liabilities management are expected to reduce GG's external debt, while private demand for Greek sovereign bonds will remain ample thanks to regained investment grade.

2025 (% GDP)	NIIP: -137	Gross Assets: 154	Debt Assets: 119	Gross Liab.: 291	Debt Liab.: 238
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Current Account

Background. The CA deficit narrowed to 5.7 percent of GDP in 2025, down from 7.2 percent of GDP in 2024, reflecting terms-of-trade gains from lower global fuel prices, alongside reduced interest payments on external liabilities amid lower global interest rates. It is projected to widen in the near term due to higher energy prices. Over the medium term, it is projected to gradually narrow to about 4 percent of GDP, driven by moderating domestic demand and a gradual expansion of the export base as competitiveness improves.

Assessment. The CA gap is estimated to be -1.7 percent of GDP with a standard error of 0.9 percent. A positive policy gap (2.5 percent) underpinned by tighter fiscal and credit conditions than the rest of the world is more than offset by a sizable unexplained residual (-4.2 percent). The residual likely reflects structural impediments weighing on Greece's international competitiveness, including regulatory and administrative burdens and stagnated productivity, and low private sector savings, which are not fully captured by the EBA model.

2025 (%GDP)	CA: -5.7	Cycl. Adj. CA: -5.0	Cycl. Adj. CA Norm: -3.3	CA Gap: -1.7	Identified Policy Gap: 2.5	Unexplained Residual: -4.2
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Real Exchange Rate

Background. The unit labor cost (ULC)-based real effective exchange rate (REER)—which measures production costs relative to trading partners—depreciated by 10 percent between 2019 and 2025 (see Figure 5), reflecting slower wage growth and stronger labor productivity gains than in trading partners, on top of a substantial post-debt-crisis adjustment (-24 percent between 2011 and 2019). This contrasts with a broadly stable REER in the euro area (+2 percent over 2019–2025) and has improved Greece’s relative cost competitiveness. The CPI-based REER shows a qualitatively similar pattern, though the pace of depreciation is more moderate, reflecting persistent non-wage cost pressures, including regulatory and administrative burdens and energy costs.

Assessment. The CA gap implies a REER gap of 4.7 percent (overvaluation) for 2025, based on a semi-elasticity of 0.37. The EBA REER index regression estimates a modest REER gap of 0.9 percent in 2025, while the EBA REER level regression points to a much larger gap of 26.8 percent. However, both EBA REER models are subject to large unexplained residuals, volatile estimates, and sizable standard errors around the estimated norms. Moreover, the CPI-based REER used in these regressions may be influenced by non-wage cost factors. Accordingly, staff views the EBA REER model results as less reliable and places greater weight on the EBA CA model in forming the overall external sector assessment.

Capital and Financial Accounts: Flows and Policy Measures

Background. The CA deficit in 2025 is estimated to have been financed mostly by FDI flows (2.7 percent of GDP) and portfolio investment (4.9 percent), alongside capital transfers (0.7 percent). Over the medium term, FDI inflows are expected to sustain as non-privatization-related investment will more than offset the normalization of the privatization program. Portfolio inflows have been dominated by government bonds, as the sovereign spread continued to decline with strong investor appetite for new issuances despite elevated global uncertainty. Equity and bond inflows to the private sector are expected to rise gradually over the medium term. Capital account inflows—primarily related to EU fund disbursements—are projected to persist, supported by EU structural funds, while somewhat moderating following the expiration of NGEU.

Assessment. Rollover risks associated with general government external debt—the largest component of external liabilities—are mitigated by the high share of official loans carrying low interest rates and ultra-long maturities, as well as the government’s sizable cash buffer. Continued progress in supply-side reforms would strengthen Greece’s international competitiveness and, in turn, support sustained FDI and other capital inflows.

FX Intervention and Reserves Level

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

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

Annex II. Sovereign Risk and Debt Sustainability Assessment

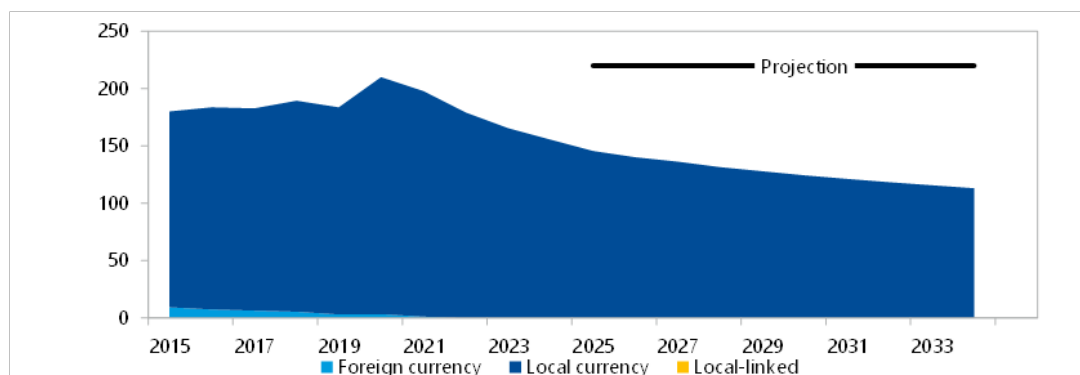
Figure 1. Greece: Risk of Sovereign Stress			
Horizon	Mechanical signal	Final assessment	Comments
Overall	...	Moderate	Staff assess the overall risk of sovereign stress as moderate.
Near term 1/			
Medium term	High	Moderate	The medium-term risk is assessed as moderate reflecting balanced consideration of several factors. While the fan chart module indicates high risk mainly due to its large width and still high debt level, the GFN module finds low risk driven by strong primary surplus. Other mitigating factors include a large cash buffer, 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. The new 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	Contingent Liability 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 by the staff. 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 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

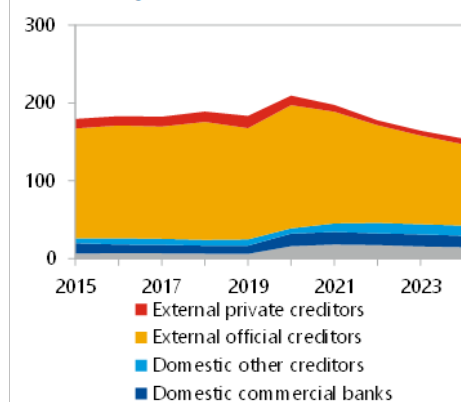
Figure 2. Greece: Debt Coverage and Disclosures										Comments
1. Debt coverage in the DSA: 1/										
CG GG NFPS CPS Other										
1a. If central government, are non-central government entities insignificant?										n.a.
2. Subsectors included in the chosen coverage in (1) above:										
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										
chosen coverage Missing from recommended coverage Not applicable										
Reporting on Intra-Government Debt Holdings										
Holder 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
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, and NGEU loans.										

Figure 3. Greece: Public Debt Structure Indicators

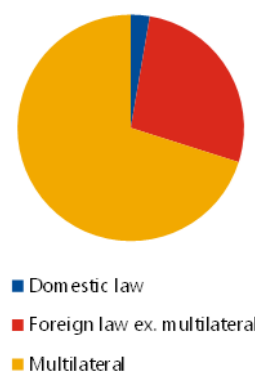
Debt by Currency (Percent of GDP)



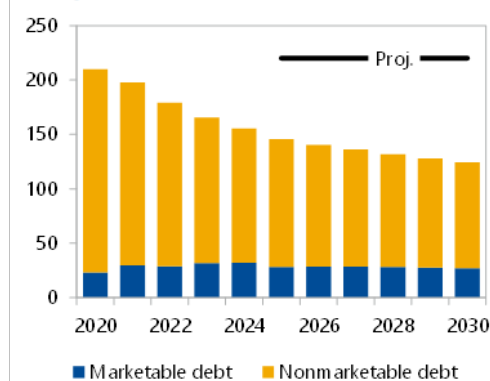
Note: The perimeter shown is general government.

Public Debt by Holder (Percent of GDP)

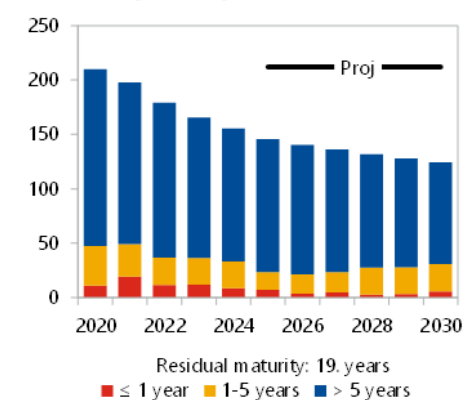
Note: The perimeter shown is general government.

Public Debt by Governing Law, 2024 (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)

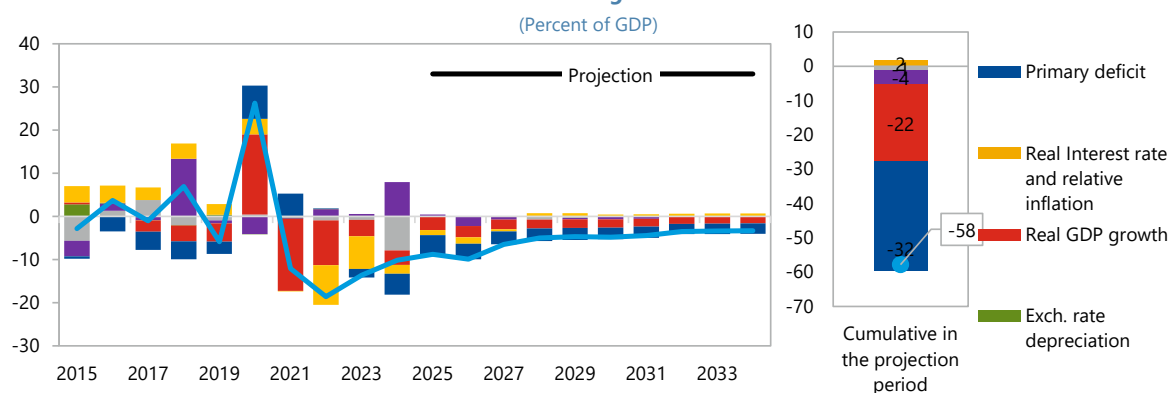
Note: The perimeter shown is general government.

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. However, the effective interest rate is still expected to remain subdued, reflecting the large share of low-interest-bearing non-marketable debt.

Figure 4. Greece: Baseline Scenario
(Percent of GDP unless indicated otherwise)

	Actual	Medium-term projection						Extended projection			
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Public debt	155.4	146.6	136.6	130.1	125.1	120.4	115.6	111.2	107.7	104.2	100.9
Change in public debt	-10.2	-8.8	-9.9	-6.5	-5.0	-4.7	-4.8	-4.5	-3.5	-3.4	-3.3
Contribution of identified flows	-2.3	-8.8	-9.9	-6.5	-4.2	-4.4	-4.8	-4.5	-3.5	-3.4	-3.3
Primary deficit	-4.8	-4.9	-3.6	-3.0	-2.9	-2.8	-2.7	-2.6	-2.4	-2.4	-2.4
Noninterest revenues	49.4	50.0	49.9	48.7	48.4	48.3	48.2	48.2	48.2	48.2	48.2
Noninterest expenditures	44.6	45.1	46.3	45.7	45.5	45.5	45.5	45.6	45.8	45.8	45.8
Automatic debt dynamics	-5.4	-4.4	-4.1	-2.8	-1.3	-1.2	-1.4	-1.3	-1.1	-1.0	-0.9
Real interest rate and relative inflation	-2.0	-1.2	-1.5	-0.5	0.7	0.8	0.5	0.5	0.6	0.7	0.7
Real interest rate	-2.0	-1.2	-1.5	-0.5	0.7	0.8	0.5	0.5	0.6	0.7	0.7
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	-3.4	-3.2	-2.6	-2.2	-2.0	-2.0	-1.9	-1.8	-1.8	-1.7	-1.6
Real exchange rate	0.0	...	...	...	...	...	...	...	...	...	...
Other identified flows	8.0	0.4	-2.2	-0.7	0.0	-0.3	-0.7	-0.6	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	8.0	0.4	-2.2	-0.7	0.0	-0.3	-0.7	-0.6	0.0	0.0	0.0
Contribution of residual	-7.9	0.0	0.0	0.0	-0.8	-0.4	0.0	0.0	0.0	0.0	0.0
Gross financing needs	9.5	2.2	6.2	3.6	4.9	3.0	3.0	4.9	3.9	7.4	4.8
of which: debt service	14.3	7.1	9.8	6.6	7.8	5.8	5.7	7.4	6.2	9.8	7.2
Local currency	14.3	7.1	9.8	6.6	7.8	5.8	5.7	7.4	6.2	9.8	7.2
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)	2.1	2.1	1.8	1.7	1.6	1.6	1.6	1.6	1.6	1.6	1.6
Inflation (GDP deflator; percent)	3.2	2.8	3.2	2.7	1.8	1.8	2.1	2.1	2.1	2.1	2.1
Nominal GDP growth (percent)	5.4	4.9	5.0	4.4	4.0	3.7	3.7	3.7	3.7	3.7	3.7
Effective interest rate (percent)	1.9	2.0	2.1	2.3	2.4	2.4	2.5	2.6	2.7	2.7	2.8

Contribution to Change in Public Debt



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 2½ 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

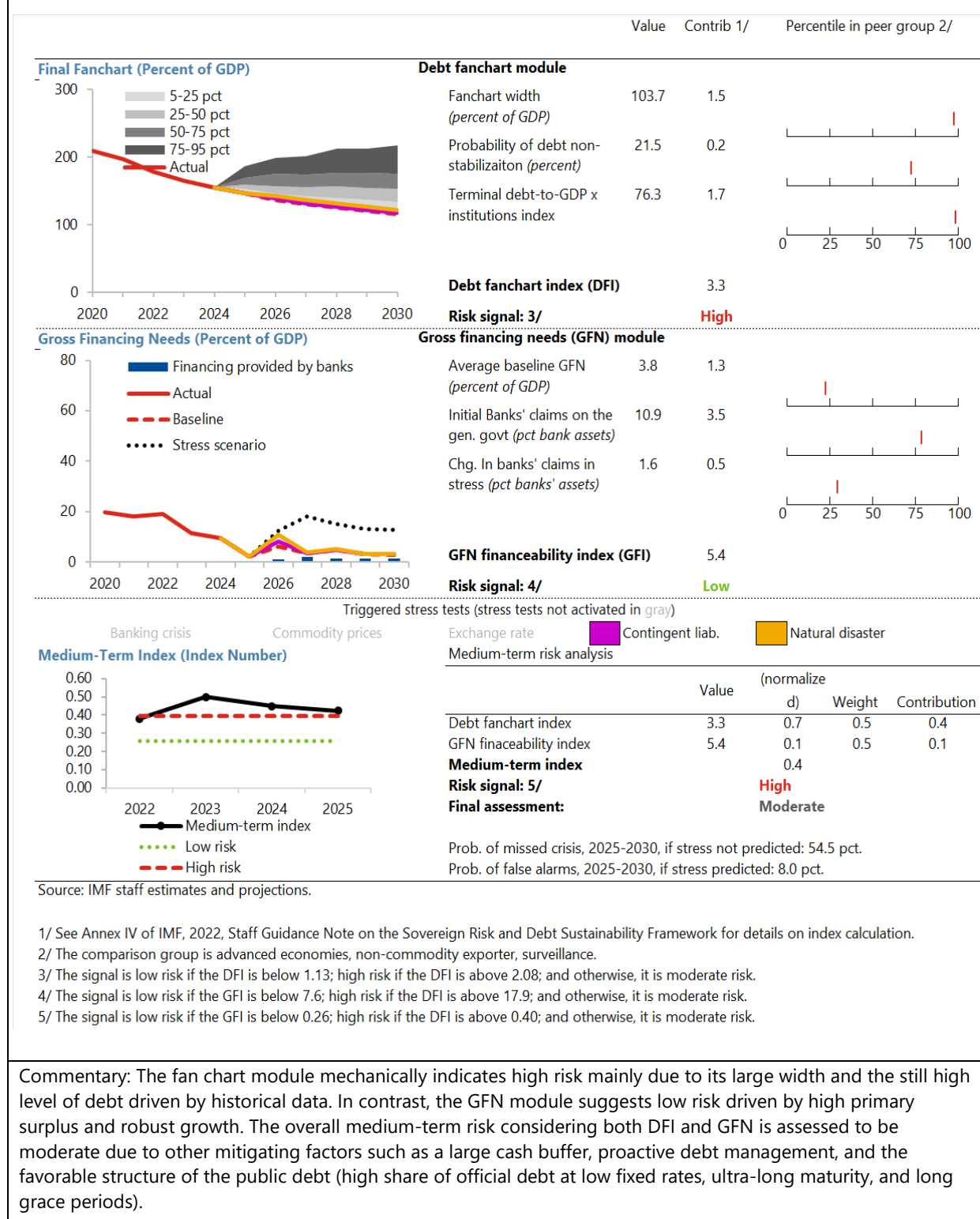
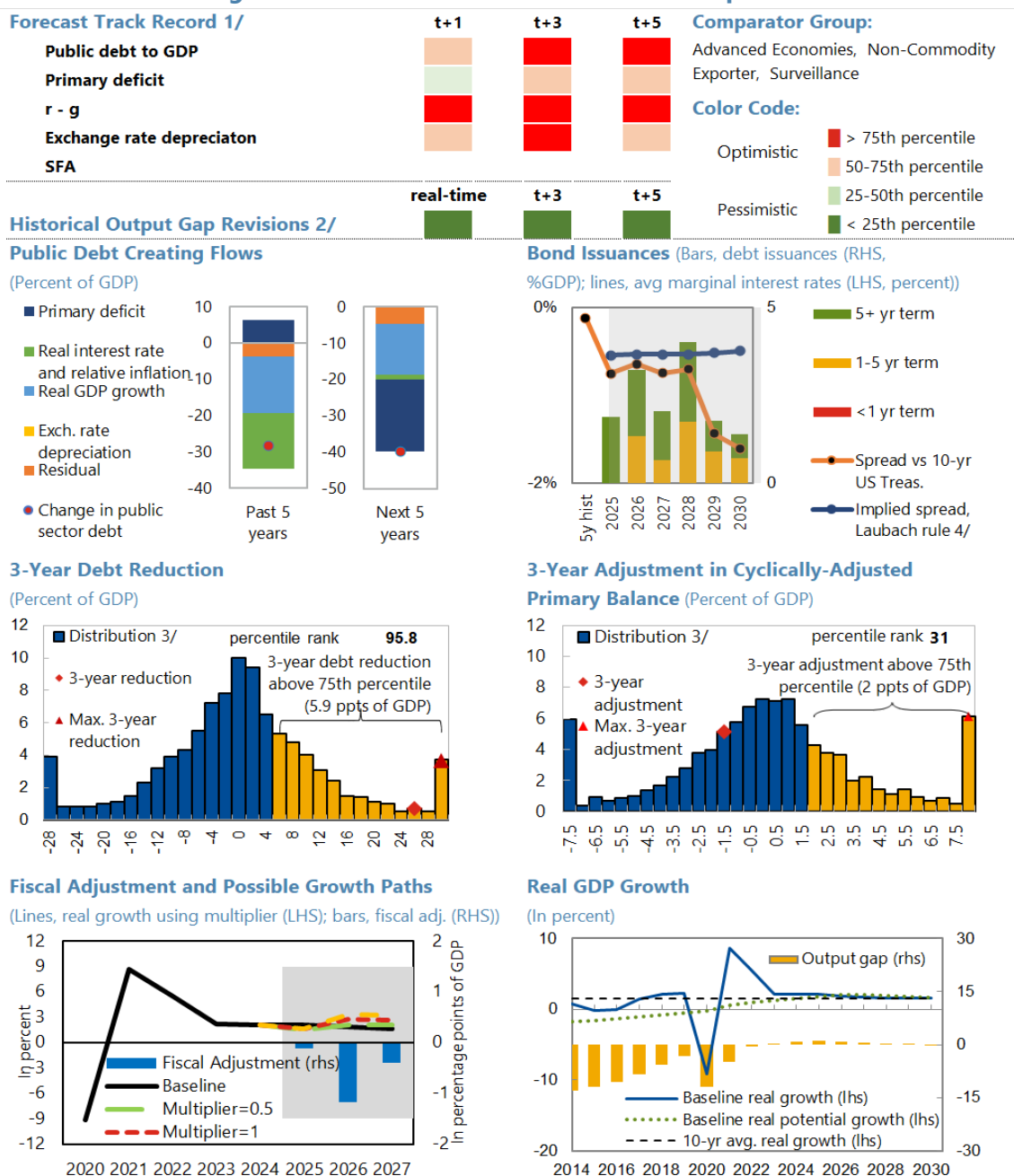


Figure 6. Greece: Realism of Baseline Assumptions



1/ Projections made in the October and April WEO vintage.

2/ Calculated as the percentile rank of the country's output gap revisions (defined as the difference between real time/period ahead estimates).

3/ Data cover annual observations from 1990 to 2019 for MAC advanced and emerging economies. Percent of sample on vertical axis.

4/ The Laubach (2009) rule is a linear rule assuming bond spreads increase by about 4 bps in response to a 1 ppt increase in the projected debt-to-GDP ratio.

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 debt reduction is larger than its peers, but smaller than Greece's own maximum historical record. The projected fiscal adjustment is to the left of the distribution compared to peers and well below the maximum historical record.

Figure 7. Greece: Triggered Modules

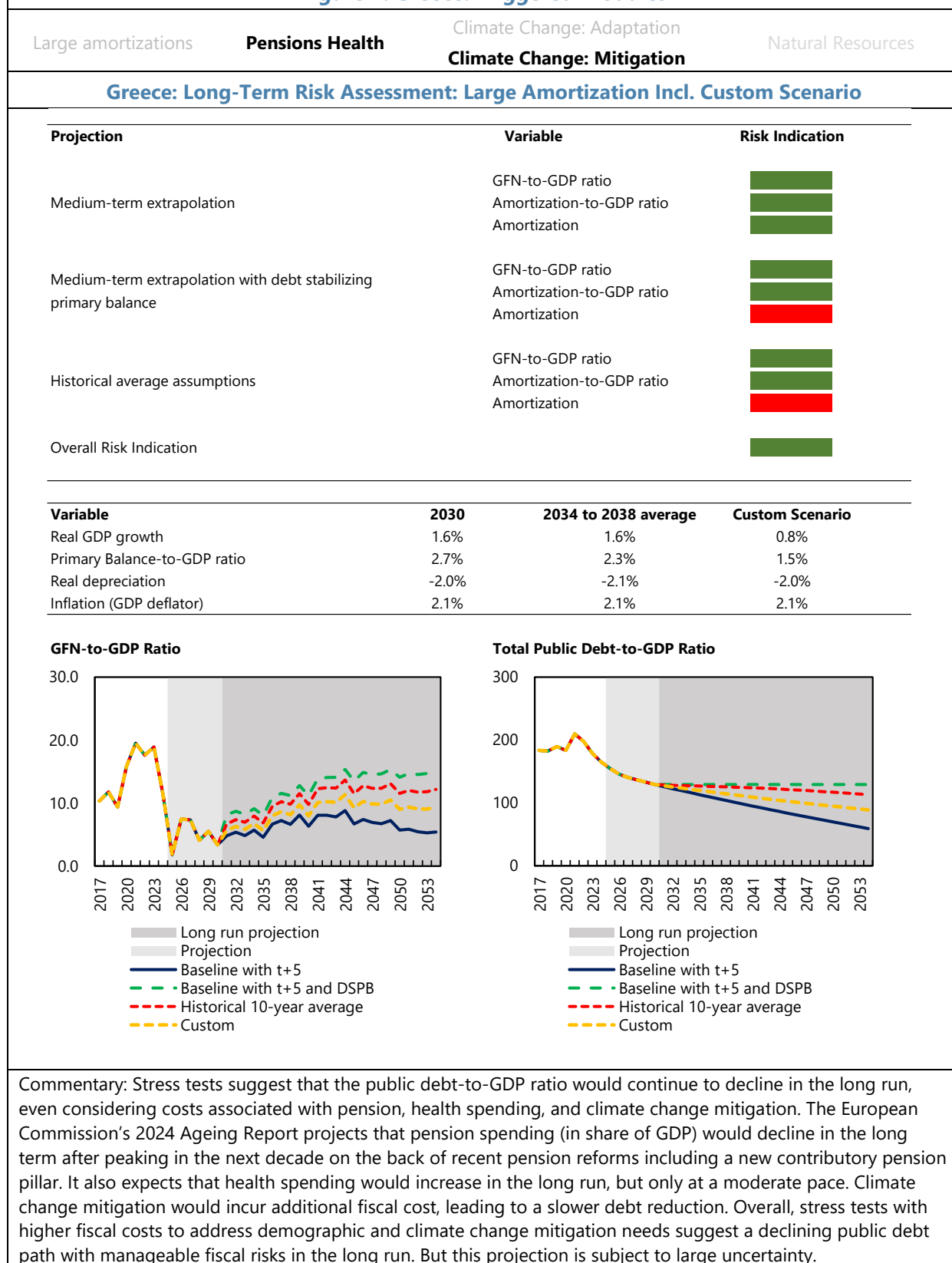
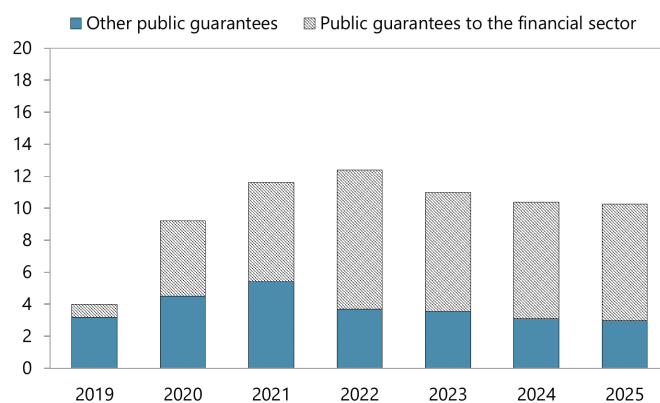


Figure 8. Greece: DSA Supplementary Information**Contingent Liabilities**

(% of GDP)

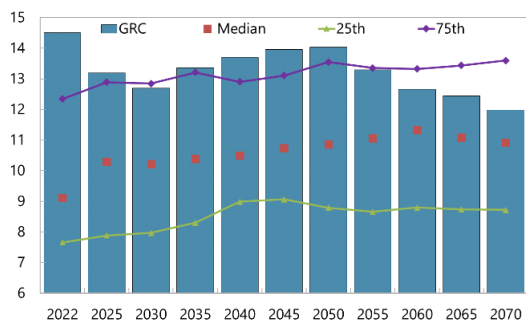


Sources: Greece authorities.

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.

Public Pensions

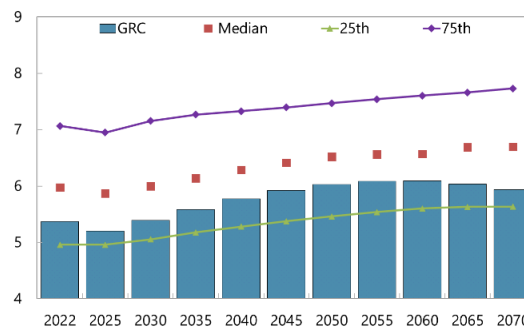
(Percent of GDP)



Sources: EU 2024 Ageing Report and IMF staff calculations.

Health Spending

(Percent of GDP)



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 Matrix¹

Risks (Likelihood)	Impact if Realized	Policy Responses
Global Conjunctural Risks		
Geopolitical Tensions and Intensification of Conflicts (High). Rising geopolitical tensions, and a weakening of multilateralism, raise the risk of an escalation in military conflicts, accompanied by damage to key physical and financial infrastructure, disruptions in major transit routes and supply chains, higher migration pressures, additional financial frictions and market volatility.	Medium. Negative effects on tourism, shipping, and goods exports would impede growth. Heightened energy and food prices would fuel inflation, lead to higher interest rates, and impose a burden on low and middle-income 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 shocks amplify. • Augment the scope of Active Labor Market Programs (ALMPs) to facilitate refugees' transitions into the labor market particularly in sectors facing labor shortages. • Continue to strengthen financial sector resilience, ensuring conservative provisioning and increasing releasable buffers while maintaining sound underwriting standards.
Protectionism, Trade Disruptions, and Policy Uncertainty (High). Tariff and nontariff measures disrupt global supply chains, weighing on activity while increasing inflation. Trade diversion triggers broader protectionism. Elevated and wide-ranging policy uncertainty weighs on sentiment and holds back consumption and investment. Political interference in independent economic institutions erodes public confidence and trust and raises the risk of policy mistakes.	Medium. Extended supply-side disruptions would damage exports while inducing higher prices. Global economic uncertainty could weigh on investment, consumption, and FDI flows.	• Allow the automatic stabilizers to fully operate. • Accelerate supply-side structural reforms to enhance competitiveness and productivity. • Promote international cooperation via active participation in policy coordination in the euro area and beyond.
Commodity Price Volatility (High). Supply and demand imbalances—triggered by geopolitical tensions, coordinated production decisions, shifts in investor preferences, or structural changes in demand—fuel commodity price swings, amplifying external and fiscal pressures, social unrest, and macro instability.	Medium. High volatility of energy prices could affect domestic inflation expectations and increase uncertainty, which would dampen household consumption and business investment.	• Provide temporary and targeted support to the most vulnerable groups, while avoiding broad-based discretionary support unless the shock amplifies. • Continue to expand renewable energy production and scale up power networks. • Scale-up renovation programs and incentives for households to increase energy efficiency in the residential sector.

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.

Risks (Likelihood)	Impact if Realized	Policy Responses
Global Fiscal Vulnerabilities and Higher Interest Rates (High). Higher public debt and deficit levels in major economies put further upward pressure on long-term interest rates, sharply tightening global financial conditions, amplifying currency volatility, and reducing consumption and investment that exacerbate adverse debt dynamics. Disruptions are amplified by increased role of price-sensitive investors and leveraged NBFIs in sovereign debt markets, limited market absorption capacity when NBFIs offload debt securities, higher roll-over needs on shorter sovereign debt maturities, and strong sovereign-financial nexus. Concurrently, capital outflows from emerging and developing economies elicit a sharp increase in short-term rates.	Medium. Higher funding costs could push stagflation pressures, amplifying the financial strains on both households and firms. Tighter financial conditions could lead to a sudden house price correction, deteriorating bank balance sheet and weighing on credit supply. The sovereign-risk premium could increase, amplifying the effect for banks.	- Intensify monitoring of banks' capital positions and risk management practices to contain systemic risk. Consider higher countercyclical or capital buffers to deal with concentration risk. - In the event of a sharp downturn, relax countercyclical capital requirements so that banks can keep credit flowing. - In case of higher inflation, continue prudent fiscal policy, while protecting the most vulnerable, to reduce domestic demand pressures.
Global Structural Risks		
Cyberthreats (High). Cyberattacks on physical or digital infrastructure, technical failures, or misuse of AI technologies could trigger financial and economic instability.	Medium. Cyberattacks could weigh on economic activity and financial system. They could also erode confidence in public and financial institutions and disrupt energy supply.	- Assess the vulnerabilities exposed to cyberattacks and address damage. - Strengthen governance and risk management in public and private organizations, while scaling up investment in cyber risk mitigation. - Dedicate more specialized resources to monitor cyber risks at the BoG.
Climate Change (Medium). Extreme climate events and rising temperatures could cause loss of life, damage to infrastructure, food insecurity, supply disruptions, and heighten economic 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 and energy security to mitigate severe impact and protect the vulnerable households. - Expedient 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 projects (Medium). Weak implementation would result in reform delays and lower funding from EU.	High. Weak implementation would 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.
Overheating (Medium). Recent strong growth could turn out to be further widening of the output gap and an acceleration of inflation and wage growth.	Medium. Higher domestic demand and wage growth would add to inflationary pressures and undermine competitiveness. Faster credit expansion, possibly combined with a procyclical loosening of credit standards and greater misalignment of house prices, and a widening current account deficit could create macroeconomic imbalances.	- Tighten fiscal and macroprudential policies. - Advance structural reforms to reduce supply-side constraints.

Annex IV. Implementation of Main Recommendations of the 2025 Article IV Consultation

Main Recommendations	Authorities' Responses
Fiscal Policy and Fiscal Structural Reforms	
Continue fiscal prudence with primary surplus of more than 2 percent of GDP. Use additional fiscal space for debt reduction and crucial social and capital spending.	Implemented. Primary surplus in 2025 was 4.9 percent of GDP. Debt has been on a firm downward path.
Enhance public investment implementation. Increase the efficiency of social expenditure. Contain spending pressure.	Implementation in progress. Education spending has been addressing higher AI integration and matching vocational training with labor market needs. There is delay in setting up one-stop portal for social benefits but it is progressing; Public sector wage increases have only been intended to align with minimum wage.
Consider additional revenue-enhancing reforms to further improve tax compliance. Broaden the tax base by lowering tax-free income tax threshold. Phase out inefficient and regressive tax expenditures. Consider raising carbon pricing in non-ETS sectors.	Implementation in progress. New tax evasion measures have been implemented. However, reduced VAT rates on some products have not been phased out. Tax base has not been broadened with the recent income tax reform.
Financial Sector and Macro-Financial Issues	
Ensure close monitoring and robust management of credit risk by banks. Scrutinize to what extent banks deploy adequate and forward-looking provisioning policies, supported by adequate collateral valuations, conduct targeted reviews of loan origination practices.	Implemented. The NPL coverage ratio has increased significantly in 2025. BoG has conducted a targeted inspection of collateral valuation for LSI.
Recalibrate BBMs for mortgages and the CCyB 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.	Partly implemented. BoG has increased the CCyB by 25 basis points to its neutral level.
Other Structural Reforms	
Advance reforms to raise labor force participation especially of youth and women. Reduce training gaps and home care responsibilities for women's participation. Expand targeted labor market policies including support for reskilling. Reduce still high tax wedge.	Implementation in progress. Parental leave provisions have been expanded, including for fathers. A new multi-year strategic plan for vocational education has been adopted. The 2026 PIT reform includes additional rate cuts for families with children and youth.
Accelerate regulatory reforms to foster competition and improve allocation efficiency. Reduce regulatory burdens particularly in services. The quality of regulation needs to be improved.	Implementation in progress. Simplification of custom processes and business procedures for entry and exit is proceeding. A review and upgrading of regulatory framework for retail sector is planned.
Progress judicial system reforms. Advance timely implementation of measures to facilitate the resolution of court cases.	Implementation in progress. The implementation of the judicial map is proceeding. First-instance judicial capacity was strengthened and smaller courts were consolidated.
Advance green transition and energy security. Improve power connectivity with distant islands, enhance energy efficiency in industries and transportation, and scale up grid networks and storage solutions.	Implementation in progress. Electricity connectivity with islands has been enhanced. Improving energy efficiency is ongoing, including incentives for renovations for better energy efficiency.

Annex V. Data Issues

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

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 <i>IMF Review of the Framework for Data Adequacy Assessment for Surveillance</i> , 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. 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 (a balancing item), and those between the headline GDP and its components in quarterly seasonally adjusted series. Publishing decomposition of public and private investment in quarterly GDP releases would help granular assessment. Publishing flash GDP estimates and aligning the timing of inflation data release with the euro area peers could be considered to enable timely cross-country assessment, while the publication of historical data revision for both annual and quarterly GDP at the same time would enhance consistency between them. Alignments of financial and non-financial accounts could be assessed and be further improved as needed for consistently capturing real and financial activities across economic sectors.							
Changes since the last Article IV consultation. Recent revisions in the balance of payment statistics to incorporate the deferred interest payments on EFSF loans are aligned with the accrual-based recording and improve the consistency with fiscal data.							
Corrective actions and capacity development priorities. Staff suggests the authorities consider options to address the issues pointed out above. This would involve concerted efforts across institutions, including 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 Summary 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 April 30, 2026)

	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	30-Apr-26	30-Apr-26	D	D	D	...	...	...
International Reserve Assets and Reserve Liabilities of the Monetary Authorities ¹	Mar-26	Apr-26	M	M	M	30	1W	21
Reserve/Base Money	Mar-26	Apr-26	M	M	M	30	2W	14
Broad Money	Mar-26	Apr-26	M	M	M	30	1M	30
Central Bank Balance Sheet	Mar-26	Apr-26	M	M	M	30	2W	14
Consolidated Balance Sheet of the Banking System	Mar-26	Apr-26	M	M	M	30	1M	30
Interest Rates ²	Mar-26	Apr-26	M	M	D	...	...	1
Consumer Price Index	Mar-26	Apr-26	M	M	M	30	1M	14
Revenue, Expenditure, Balance and Composition of Financing ³ —General Government ⁴	Dec-25	Apr-26	Q	Q	A	365	2Q	95
Revenue, Expenditure, Balance and Composition of Financing ³ —Central Government	Mar-26	Apr-26	M	M	M	30	1M	30
Stocks of Central Government and Central Government-Guaranteed Debt ⁵	Dec-25	Apr-26	Q	Q	Q	90	1Q	50
External Current Account Balance	Feb-26	Apr-26	M	M	Q	30	1Q	56
Exports and Imports of Goods and Services	Feb-26	Apr-26	M	M	M	30	8W	42
GDP/GNP	2025Q4	Mar-26	Q	Q	Q	90	1Q	45
Gross External Debt	2025Q4	Mar-26	Q	Q	Q	90	1Q	90
International Investment Position	2025Q4	Mar-26	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.

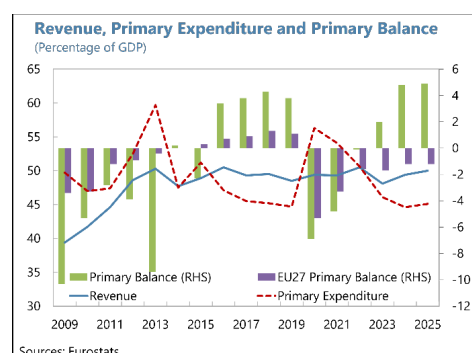
⁸ Based on the information from the Summary of Observance for SDDS and SDDS Plus participants, and the Summary of Dissemination Practices for e-GDDS participants, available from the IMF Dissemination Standards Bulletin Board (<https://dsbb.imf.org/>). For those countries that do not participate in the Data Standards Initiatives, as well as those that do have a National Data Summary Page, the entries are shown as "...".

Annex VI. Fiscal Transformation

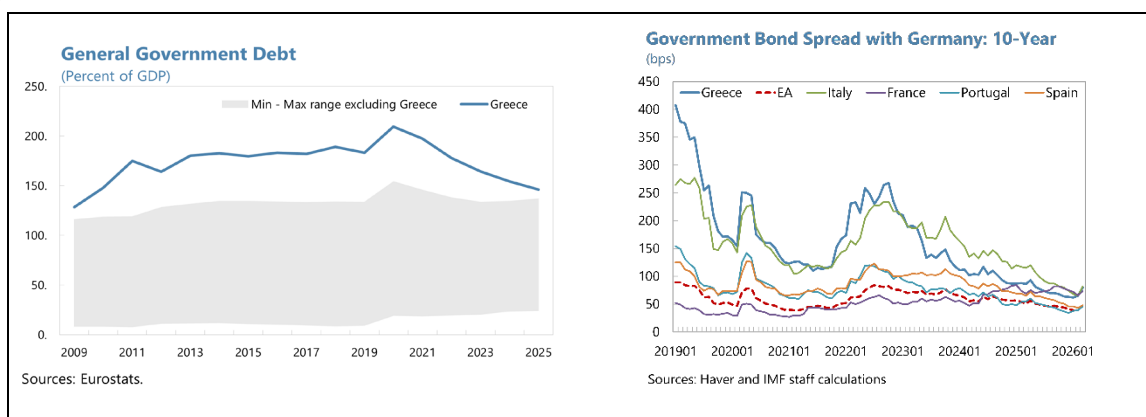
Over the past decade, Greece has undergone a marked fiscal transformation, characterized by sharp consolidation, restored credibility, and rapid debt reduction, followed by a gradual shift toward policies that support inclusive and sustainable growth. This note reviews the size and drivers of the fiscal adjustment and the resulting improvement in debt sustainability and assesses the medium- to long-term spending pressures, while discussing current policy priorities in the context of the limited historical feasibility of sustained large primary surpluses, the authorities' effort to support households, and the scope to further improve tax design. The note concludes with policy simulations showing how growth-enhancing fiscal policies can preserve debt reduction while fostering higher growth.

1. Greece's primary balance has shifted from crisis-era large deficits to large surpluses, supported by stronger revenue performance and disciplined expenditure control. Following

double digit primary deficits in the early 2010s, successive IMF-EU program efforts and post-program reforms helped deliver a cumulative improvement of over 15 percentage points of GDP in the primary balance between 2009 and 2025, with post-pandemic surpluses averaging about 2.9 percent of GDP over 2022–25. Revenue performance strengthened markedly, with the revenue-to-GDP ratio rising from 39.4 percent in 2009 to 50.0 percent in 2025, alongside a decline in primary expenditure from 49.7 percent of GDP in 2009 to 45.1

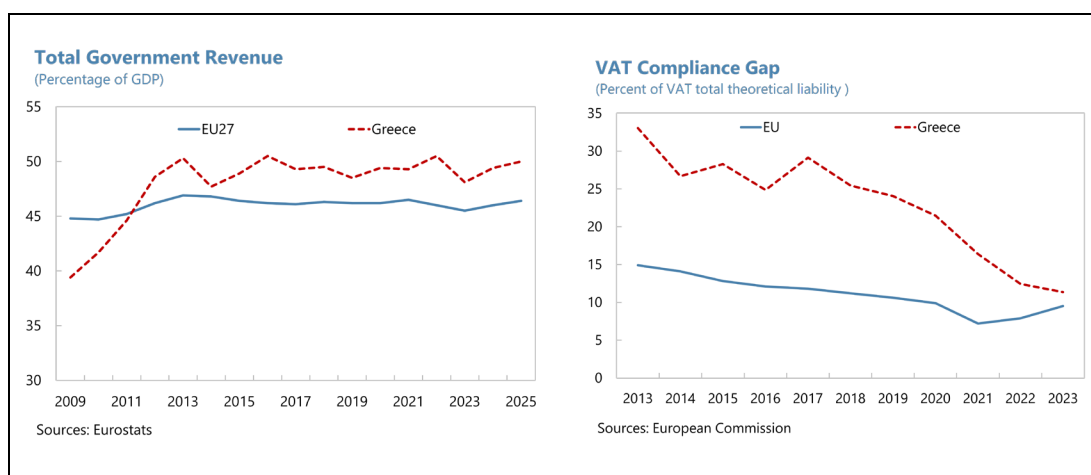


percent in 2025. Public debt peaked at about 209.4 percent of GDP in 2020 and fell to about 146.6 percent of GDP in 2025, a cumulative reduction of over 60 percentage points, supported by buoyant growth, low effective interest costs, and sustained primary surpluses in recent years. Greece lost its investment-grade rating from Standard & Poor's in April 2010, and its last investment-grade rating was gone by early 2011. In October 2023, Standard & Poor's restored Greece to investment grade, and by March 2025 Greece had regained investment-grade status across the three major agencies. Consistent with these improvements, the 10-year spread has compressed sharply, lower than some of its peer countries, signaling a marked decline in perceived sovereign risk. These outcomes set the context for examining what drove the revenue gains and expenditure restraint behind the adjustment.



2. Government revenue as a share of GDP has increased notably since the crisis, reflecting a two-phase adjustment. An initial phase relied on front-loaded tax policy measures when the tax base was narrow, followed by sustained revenue gains driven by compliance improvements and digitalization reforms that broadened the tax base.

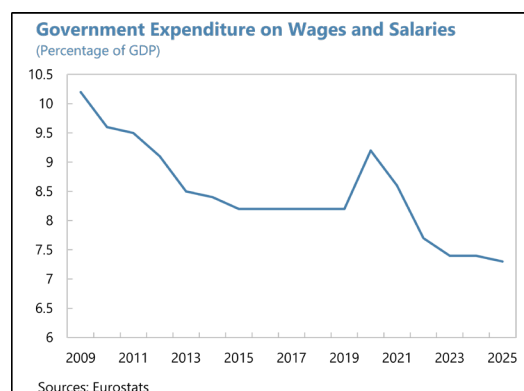
- At the beginning, Greece implemented significant indirect tax increases—most notably raising the standard VAT rate from 21 to 23 percent and increasing excise taxes on fuel, alcohol, and tobacco—delivering an immediate revenue boost as broader reforms took effect. At the same time, personal income taxation became more progressive, with the top statutory rate (for incomes above €75,000) rising from 40 percent in 2009 to 45 percent and the top bracket threshold lowered to €40,000 by 2016. Corporate income taxation was also tightened, with the rate increasing from 20 percent to 26 percent in 2013.
- In the post-crisis phase, revenue gains were increasingly underpinned by institutional reforms and a comprehensive digitalization agenda. Institutional reforms mainly feature headquarters reorganizations of the tax and customs administrations, tax office consolidation, the centralization of audits and tax arrears collections, and the establishment of the Independent Authority for Public Revenue (IAPR) in 2017, which has strengthened autonomy and governance in revenue administration. The digitalization agenda includes the rollout of the myDATA platform (an “e-books” system that records firms’ income and expense transactions and depicts their accounting and tax results), expanded e-services, mandatory POS terminal usage by retail businesses, greater system integration (including POS integration with myDATA and steps toward pre-filing), and tax incentives to encourage traceable electronic payments. These measures significantly improved tax compliance, with the VAT compliance gap declining from about 33 percent in 2013 to 9 percent in 2024.¹



¹ See European Commission (2025) “[VAT Gap in Europe Country Report 2025 – Greece](#).” The VAT compliance gap for 2024 is estimated.

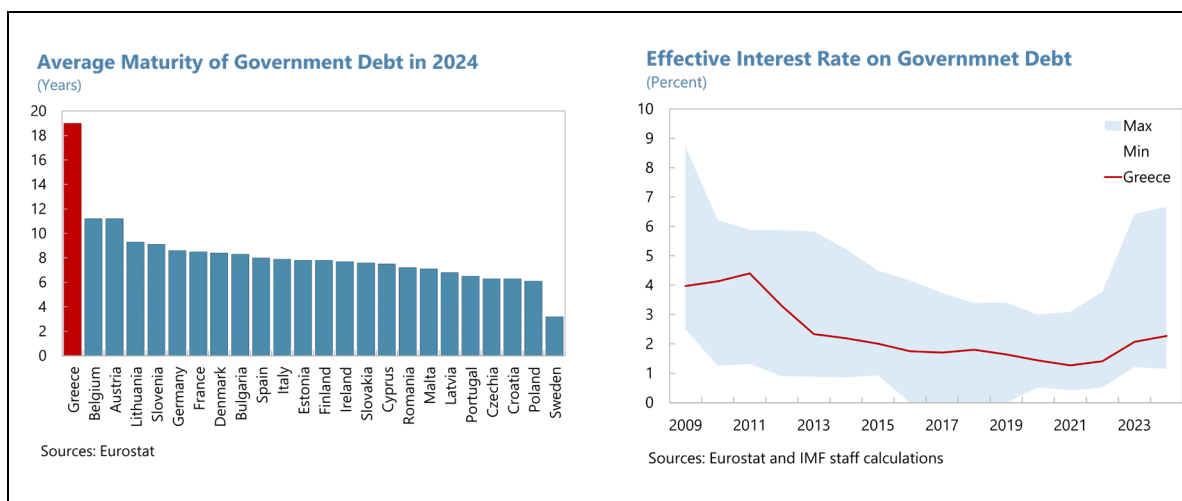
3. Primary expenditure consolidation initially centered on reducing the public wage bill and pension spending, with subsequent pension reforms delivering durable savings and a post-pandemic shift toward targeted social support and investment.

- In the first stage, adjustment relied on sharp wage-bill reductions—through cuts to bonuses and allowances and tighter controls on public hiring and compensation—alongside pension cuts, within a broader expenditure freeze that also curtailed discretionary and low-priority investment and consolidated local governments.
- The second phase, beginning in 2016, introduced system-wide pension reforms, including the unification of fragmented funds, redesigned accruals and benefits, pension indexation, increases in the effective retirement age linked to life expectancy, and strengthened contributory and national pension framework, which contained long-run outlays and reduced fiscal transfers to the pension system. In parallel, non-pension social spending became more targeted with the introduction of the Guaranteed Minimum Income (GMI) in 2017.
- During 2020–23, pandemic and energy-related support measures temporarily raised primary spending, but these were unwound as conditions normalized, allowing the primary balance to return to surplus. More recently, investment spending has regained its prominence, supported by NGEU financing and the need to address a persistent investment gap.²



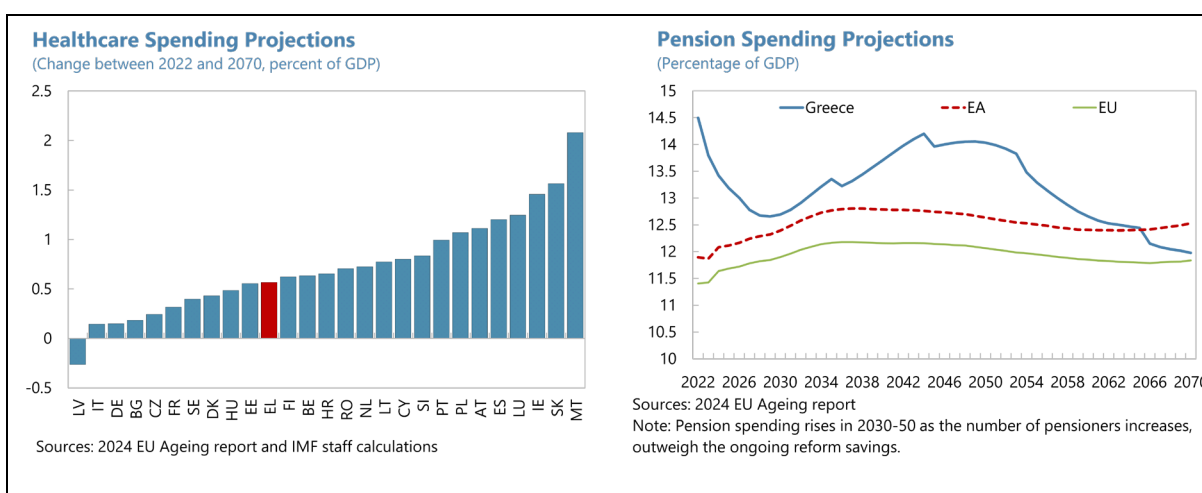
- 4. Greece's public debt, which has declined sharply in recent years, remains elevated but the debt profile is highly favorable.** The public debt-to-GDP ratio has declined from about 210 percent of GDP in 2020 to about 145 percent in 2025, reflecting strong growth, high inflation, sustained primary surpluses, and low effective borrowing costs. Proactive liability management has reinforced this improvement, including the full repayment of IMF credit in April 2022 (two years ahead of schedule) and the accelerated repayments under the Greek Loan Facility (GLF), with the remaining €26.3 billion scheduled for full repayment by 2031—about a decade ahead of the original schedule. Debt sustainability is further strengthened by concessional terms and limited market risk exposure: Around 70 percent of debt is held by official creditors, nearly all liabilities are at fixed rates following extensive swaps, and average maturity is about 18–19 years. Greece's sovereign spread has returned to pre-GFC levels and effective interest costs (interest payments relative to total government debt) are comparable to or lower than European peers, while sizable cash reserves (around €40 billion as of end-2025, equivalent to about three years of gross financing needs) provide a substantial buffer against refinancing and interest-rate shocks.

² See IMF (2021) "[Greece: Selected Issues](#)," IMF Country Report No. 21/155.



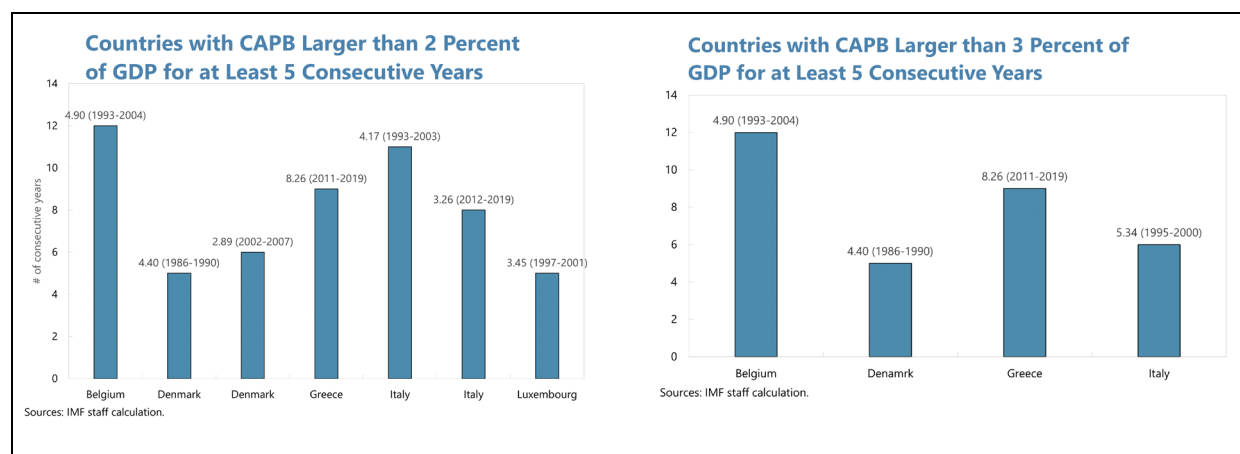
5. Greece's medium- to long-term spending pressures are expected to remain contained.

According to the October 2025 Europe Regional Economic Outlook, the main expenditure pressures for European countries relate to pensions, health, climate and defense. Greece's aging-related pressures are projected to be modest. The European Commission's 2024 Ageing Report indicates that pension spending, as a share of GDP, declines over the long term, with outlays converging toward the EU median by 2070 as past pension reforms mature, including the new contributory pillar. Health spending is also projected to increase only moderately and remain below the EU median, implying limited net aging-related spending pressures over 2022–2070. Defense spending in Greece is elevated by European standards, at an estimated 2.9 percent of GDP in 2025 under the NATO definition, and is expected to remain broadly stable over the next decade, supported by a 12-year defense modernization program of about €25 billion already incorporated into the authorities' medium-term budget. As a result, the main spending pressure relates to climate-related needs, estimated at around 1.1 percent of GDP—below the EU average of 1.4 percent.³

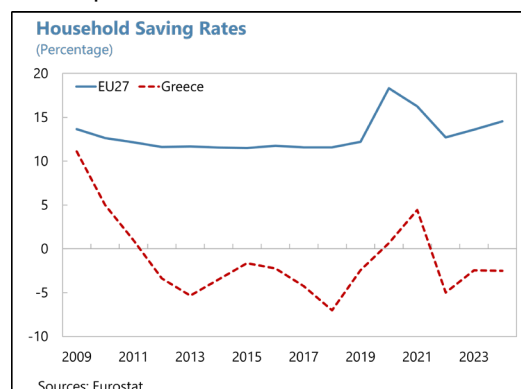


³ See IMF (2025) "[Long-Term Spending Pressures in Europe](#)," IMF Departmental Paper, European Department.

6. Cross-country evidence indicates that sustaining large primary surpluses is uncommon and typically depends on strong growth, broad political consensus, and credible fiscal frameworks. Eichengreen and Panizza (2014), who examine 113 non-overlapping ten-year episodes in 54 emerging and advanced economies during 1974–2013, show that only about 11 percent of ten-year episodes achieved an average primary surplus of at least 3 percent of GDP, and these cases were associated with robust growth, current account surplus, high debt level, and strong governing majority. Similarly, Mauro (2015), based on a dataset of advanced economies for 1950–2011, finds that a primary surplus of 2.4 percent of GDP corresponds to the 75th percentile of the historical outcomes, underscoring the rarity of persistently higher surpluses. Within Europe, since 1980, only a small number of countries have sustained cyclically-adjusted primary balances above 2 percent of GDP for five years or more, and even fewer above 3 percent. Overall, historical evidence suggests that primary surpluses of around 2–3 percent of GDP can be maintained over extended periods, but only with considerable economic and political effort. This evidence helps define a realistic range for Greece’s medium-term primary surplus, even under favorable spending-pressure assumptions.

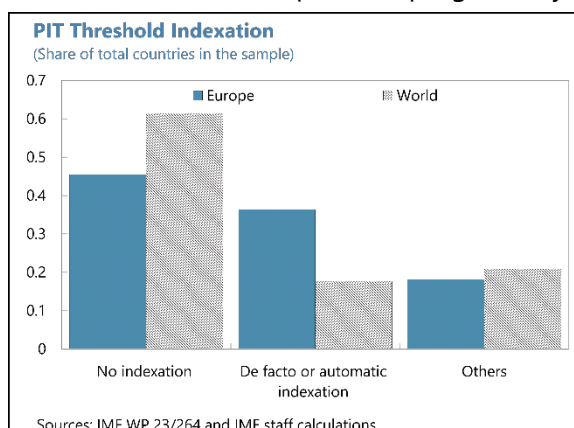


7. While public sector balance sheet has strengthened notably, household balance sheet repair remains incomplete, supporting the case for targeted labor-wedge reductions and PIT reforms under the recent fiscal package. The social security contribution rate has been cumulatively cut by about 5.4 percentage points from 2019 to 2025 to lower the labor tax wedge, including temporary cuts during the pandemic that were made permanent, and another cut of 0.5 percentage point is planned in 2027. The new package, effective in January 2026, is designed to address lingering cost-of-living pressure and demographic challenges, against the backdrop of one of the lowest household saving rates among EU peers. Its fiscal cost is estimated at about €1.76 billion (around 0.7 percent of GDP) in 2026 and €2.4 billion (around 0.9 percent of GDP) in 2027. The package centers on two pillars: (i) a PIT reform and (ii) complementary wage, social and housing measures.



PIT changes focus on rate reductions targeted at low- and middle-income earners, in particular families with children, and younger taxpayers, including a 2 percentage-point cut for incomes between €10,000–€40,000 and a 5 percentage-point cut for the €40,000–€60,000 bracket, with additional reliefs for families with children and younger taxpayers. Beyond PIT, the package includes pension enhancements through the removal of the “personal difference” offset, public sector wage measures—wage increases for uniformed services and adjustments to civil-service pay grids—and a set of housing measures aimed at expanding supplies. The latter includes tax relief on rental income, VAT and tax incentives for new construction, property tax reductions in small municipalities, to bring vacant properties into the rental market. Preliminary analysis by the authorities suggests a very small impact from the fiscal package on the Gini coefficient.

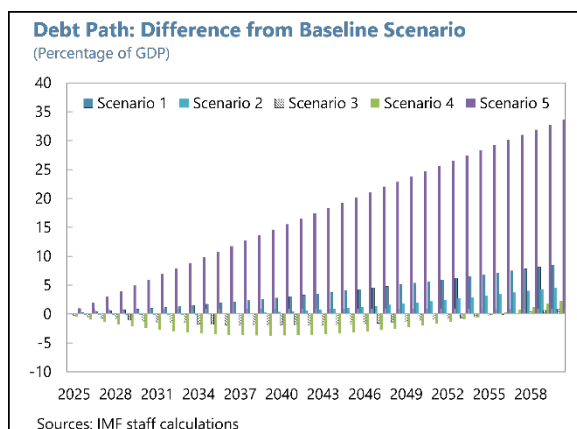
8. While fiscal sustainability has improved notably, unintended fiscal drag remains an area for structural improvement. There is scope to improve the PIT framework by reducing unintended pressures on households and sharp marginal-rate spikes. One practical approach would be to introduce indexation, or a transparent, rules-based mechanism for regularly adjusting PIT brackets, credits, and thresholds, for example in line with inflation or wage growth. Such a framework would help prevent unintended increases in effective tax rates, preserve progressivity, and support household incomes without repeated ad hoc rate cuts, while improving the targeting of relief to low- and middle-income households. Cross-country evidence suggests that automatic PIT indexation is not widespread globally—around 34 of 192 countries either automatically adjust PIT thresholds or adjust them regularly without a clear legal rule (“de facto”)—but it is more common in Europe, with around 35 percent of countries have either automatic indexation or de facto indexation.



9. Staff simulations indicate that growth-enhancing fiscal policy would not disrupt the downward trajectory of public debt over the medium to long term. Five stylized scenarios are analyzed to assess the tradeoff between growth and debt dynamics. The first three scenarios assume a moderately more expansionary stance than the April 2026 WEO baseline, with the primary surplus reduced by 0.5 percent of GDP per year and fiscal multipliers of 0.5, 0.75, and 1.0. The last two scenarios examine a larger fiscal expansion—lowering the primary surplus by 1.0 percent of GDP per year—with multipliers of 1.0 and 0.0 to illustrate the effects of non-productive fiscal policies. When the growth response is modest (multiplier of 0.5), the impact on debt is limited, with the public debt-to-GDP ratio about 2 percentage points higher than the baseline after ten years, alongside a higher level of GDP. If fiscal resources are directed toward more growth enhancing uses (multiplier of 1.0), the public debt-to-GDP ratio declines relative to the baseline despite a lower primary surplus. However, if a large fiscal expansion is allocated to non-productive uses, with limited growth impact, the debt ratio rises substantially above the baseline in scenario 5.

10. Public sector balance sheets have strengthened markedly, with the public debt-to-GDP ratio declining rapidly, creating space for further growth-enhancing fiscal policy. The

authorities are leveraging fiscal space created by a broader tax base to implement measures to boost disposable income and strengthen household balance sheets, including reductions in social security contribution and personal income taxes. Staff simulations show that further growth-enhancing fiscal policy—such as higher capital and critical social spending (healthcare and education) to address remaining structural gaps and support income convergence with euro area peers—would not derail the downward trajectory of public debt over the medium to long term.



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GREECE

STAFF REPORT FOR THE 2026 ARTICLE IV CONSULTATION—INFORMATIONAL ANNEX

April 30, 2026

Prepared By

European Department
(In Consultation with Other Departments)

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FUND RELATIONS

(As of March 31, 2026)

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 20 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	2,201.93	70.79

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				
	2026	2027	2028	2029	2030
Principal					
Charges/Interest	18.74	25.20	25.21	25.18	25.20
Total	18.74	25.20	25.21	25.18	25.20

Article IV Consultations:

The last Article IV was concluded on March 31, 2025, following consultation discussions that ended on January 30, 2025. Greece is on the standard 12-month consultation cycle.

Technical Assistance:

Department	Purpose (V=Virtual)	Date
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
FAD	IAPR reforms analysis	August 2025

Statement by Mr. Michael Massourakis
Alternate Executive Director for Greece
May 20, 2026

On behalf of the Greek authorities, we thank Mr. Kang, Mr. Cohen and their teams for the comprehensive, well-balanced, and candid assessment of recent economic developments, policy performance, outlook, and risks. We broadly share staff's appraisal and many of their policy recommendations. The reports accurately reflect Greece's current macroeconomic position and prospects, the sustained strength of growth-enhancing and fiscally prudent policy mix, and the challenges that still lie ahead. Over recent years, Greece has made decisive progress in restoring macroeconomic and financial stability, rebuilding policy credibility, and laying the foundations for sustainable, inclusive, and resilient growth. These achievements reflect steadfast implementation of the reform agenda, prudent macroeconomic management, and close cooperation with European institutions and international partners.

At the same time, the authorities recognize that the external environment has become significantly more complex, especially with the wars in Ukraine and the Middle East. Rising geopolitical tensions, ongoing fragmentation of trade, heightened uncertainty surrounding global inflation dynamics, climate-related risks, and adverse demographic trends all constitute meaningful headwinds for medium-term growth. Policy efforts therefore remain focused on safeguarding hard-won stability while continuing to address structural constraints and strengthening the economy's capacity to absorb shocks.

I. Macroeconomic Performance and Outlook

Greece's macroeconomic performance has remained strong and resilient. Following GDP growth of 2.1 percent in 2025, economic activity is projected to moderate somewhat under the impact of the war in the Middle East. Mitigating factors in 2026 include higher public investment with the full disbursement of Next Generation EU (NGEU) funding and the expansionary fiscal stance, and in 2027 continued public investment through backloaded structural EU funds and by ongoing NGEU loan-funded private investment, notwithstanding the expiration of the NGEU program in August of 2026. Despite higher energy prices and lower external demand impacting private consumption and tourism, GDP growth is expected to remain at robust levels in 2026 and 2027, close to but lower than the 2 percent level.

Greece continues to outperform the euro area, expanding at a significantly faster pace supporting steady real income convergence. Having risen by 26 percentage points since 2020, Greece's per capita GDP stands at 92 percent of its pre-crisis level. Pre-war European Commission forecasts indicate real per capita GDP growth of 2.1 percent in Greece in 2025 compared with 0.9 percent in the euro area, and GDP growth rates almost double the euro area average in 2026–2027.

This performance reflects a broad-based and increasingly durable recovery. Tourism and industrial activity provided a strong impetus in 2025, while confidence indicators underscored the economy's growing decoupling from weaker post-pandemic trends elsewhere in Europe. Economic sentiment and PMI indicators have remained firmly in expansionary territory. Notably, manufacturing PMI has consistently exceeded the threshold of 50 since early 2023, in contrast to prolonged contractionary readings in much of the euro area, with the average euro area indicator conclusively crossing 50 in early 2026.

The increasing outward orientation of the Greek economy constitutes one of the most significant structural transformations since the sovereign debt crisis. Exports of goods and services have risen to almost 40 percent of GDP in 2025, up from 25.5 percent in 2011. Non-oil goods exports have expanded rapidly, more than doubling between 2015 and 2025. Tourism activity continued to break records despite weak income growth in major source

markets, with arrivals and receipts in 2025 reaching all-time highs of 43 million and receipts of €24 billion respectively.

The current account deficit, while remaining elevated at 5.7 of GDP in 2025, has stabilized following the temporary deterioration to 7.0 percent of GDP in 2023-2024 driven by energy price shocks and supply disruptions, and is projected to decline gradually over the medium term after a war-related surge in 2026. This adjustment is expected to be supported by large and sustained fiscal primary surpluses, the maturation of imports related to Recovery and Resilience Facility (RRF) investment, and a lagged response of export capacity to increased investment and structural reform activity.

Investment dynamics have strengthened markedly. Gross fixed capital formation increased by 8.9 percent in 2025 on top of 4.5 percent in 2024, with equipment and construction investment expanding by 6.9 percent and 13.8 percent respectively, as investment projects under RRF are coming progressively to completion. Issuance of building permits, after increasing sharply in 2023 and 2024 though moderating in 2025 following temporary planning adjustments, are expected to support robust residential investment in 2026–2027. Overall investment growth is expected to remain resilient, moderating to 7.1 percent in 2026 as forecast by the authorities. Driven by still robust flows of EU funds, buoyant private co-financing, and improved confidence, investment activity is expected to reach a record since 2009 of 17.7 percent of GDP, narrowing the gap of about 4 percentage points of GDP with the euro area average. Medium-term projections could prove stronger than currently anticipated if reconstruction needs in the conflict-affected regions of Ukraine and the Middle East, as well as higher European defense spending, materialize.

Labor market conditions continue to improve. Employment growth remained robust in 2025, while the unemployment rate declined to 7.9 percent in December 2025 from 9.4 percent a year ago, approaching pre-crisis lows. Wage growth expanded in 2025 supporting income convergence, without discernibly undermining competitiveness. The minimum wage adjustment by 4.5 percent of 2026, down from the 6.4 percent increase in 2025, is broadly aligned with productivity developments and long-term wage-setting fundamentals. Overall, recent competitiveness gains have been broadly maintained, according to real effective exchange rate indicators based on unit labor costs.

Disinflation has progressed substantially in recent years. However, harmonized headline and core inflation stalled in December 2025, at 2.9 and 3.2 percent respectively, and edged upwards in early 2026, reaching 4.6 and 3.1 percent respectively in April 2026, with the inflation energy component impacted due to uncertainty and supply constraints from the war in the Middle East. Despite services' inflation being more persistent, and housing prices still rising but at a decelerating pace, inflation expectations are likely to ease, gradually barring a prolonged war. In this context, both staff and the authorities project headline inflation to eventually moderate from current high levels towards target at some time.

II. Public Debt Dynamics and Sustainability

Greece's public debt position has improved decisively, with the gross debt-to-GDP ratio decreasing by about 65 percentage points in 2025 from its peak in 2020 and projected to reach 136.8 percent in 2026, down from 146.1 percent in 2025.

Over the medium term, debt distress risks are assessed as moderate and primarily contingent on a uniquely favorable debt structure characterized by ultra-long maturities, a high share of official debt at low fixed rates, extended grace periods, continued large debt reductions, projected high primary surpluses, a favorable interest rate and growth differential, and a very large cash buffer of 16 percent of GDP, equivalent to about three times gross financing needs.

Under staff's baseline, the public debt-to-GDP ratio is projected to decline to about 130 percent next year, to about 110 percent in 2031, to cross the 100 percent mark in 2035 and the 60 percent mark in 2054, and in general to be firmly on a downward trajectory path with manageable rollover risks, even under several stress scenarios. In a scenario where GDP growth drops from baseline 1.6 percent to 0.8 percent after 2038, and the primary surplus from baseline 2.7 percent drops to 2.3 percent from 2034 to 2038 and to 1.5 percent thereafter, the public debt to GDP ratio still declines firmly but at a slower pace to the 100 percent mark in 2054, notwithstanding the inherent uncertainty in long term calculations. At the same time, gross financing needs (GFN)—sum of the fiscal deficit and debt amortization—are expected in the baseline to remain contained at around 3.8 percent of GDP on average up to 2030, and thereafter fluctuating above that level but never exceeding 8 percent, while in the less favorable scenario as above, GFN never exceeds 10 percent. Overall, these figures are substantially lower than the 15 percent benchmark that is considered crucial to keeping liquidity risk at bay and managing debt sustainability.

The authorities share staff's assessment that public debt distress risks are moderate over the medium term, supported by a continued commitment to robust primary surpluses. They view the gradual transition from official to market financing as manageable and conducive to building a deeper and more liquid sovereign bond market. They engage in proactive liability management to further contain debt distress risks. Greece has reduced rollover risks through disciplined liquidity management, fully repaid its outstanding IMF obligations ahead of schedule, and prepaid significant portions of bilateral loans under the Greek Loan Facility (GLF). Moreover, the authorities plan to fully repay the GLF loans by 2031—10 years ahead of schedule—using part of the cash buffer. These actions lower financing costs, improve the debt maturity profile, and reinforce market confidence.

In recent years, Greece has been raising limited amounts in capital markets, in line with reduced financing needs. In 2026, Greece plans to issue EUR 8 billion in Greek Government Bonds (GGBs). So far, issuances in early 2026 confirmed robust investor demand. In January, Greece issued EUR 4 billion in 10-year GGBs at a yield of 3.47 percent, with subsequent re-openings of the January issue placed in February and April with yields of 3.34 percent and 3.70 percent, respectively. Spreads vs. German Bunds fluctuate at around 80 basis points, having returned to pre-crisis levels. Greece now enjoys investment-grade ratings from all major agencies, including Moody's, which upgraded the sovereign in March 2025. Market pricing places Greek sovereign risk closer to the A-rating category than the BBB median.

Long-term reduction in debt distress risks is also underpinned by pension reforms introduced since 2016, including the unification of pension schemes, pension indexation and linking the retirement age to life expectancy. Moreover, the new fully funded, defined-contribution supplementary pension system introduced in 2022, which will mature gradually over time covering most employees by mid-century, will also support fiscal sustainability. Overall, despite adverse demographic trends, the pension expenditure is on a sustainable path and is projected to decline by 2.5 percentage points of GDP between 2022 and 2070.

III. Fiscal Performance and Medium-Term Fiscal Strategy

The Medium-Term Fiscal-Structural Plan for 2025–28, prepared under the reformed EU fiscal governance framework, anchors policy around a credible net expenditure growth path, with structural primary surpluses projected to remain at about 2.0-2.3 percent of GDP throughout the planning horizon. 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, one-offs and other temporary measures. Within this envelope, spending policy priorities include inter alia public sector wage adjustments, pension indexation, health and education spending, defense, and public investment. Fiscal consolidation proceeds gradually, allowing space for growth-enhancing and social cohesion policies. The authorities emphasize the importance of maintaining fiscal prudence as a pillar of credibility and debt sustainability, while ensuring sufficient flexibility to address climate risks, demographic pressures, and long-standing investment gaps.

Within this framework, Greece's fiscal performance in recent years represents one of the most notable turnarounds among advanced economies. For the first time in more than sixty years, Greece recorded headline fiscal surpluses of 1.3 percent in 2024 and 1.7 percent in 2025, fully covering interest payments on public debt. Post-covid, the fiscal position has improved rapidly, from a primary deficit of -4.8 percent of GDP in 2021 to reaching a primary surplus of 2.0 percent in 2023, 4.8 percent in 2024 and 4.9 percent in 2025, well above budgeted and staff projections. In 2026, the authorities expect a repeat performance, projecting a primary surplus of 3.2 percent and a headline surplus of 0.2 percent.

This outcome reflects a combination of strong nominal growth, disciplined expenditure control, and significant improvements in revenue mobilization driven by digitalization and tax compliance reforms. Measures to combat tax evasion—such as real-time POS integration, electronic invoicing through the myDATA platform, digital labor card application, expanded use of electronic payments, digital audits, and stricter enforcement—have yielded substantial structural gains in terms of revenue mobilization. The VAT compliance gap has been reduced markedly from 24 percent in 2019 to 9 percent in 2024, close to the EU average.

The plan's overriding target is a cumulative increase of net expenditure not exceeding 6.5 percent and 10.4 percent for 2024-2025 and 2024-2026 respectively. The corresponding outcome for 2024-2025 was 2.8 percent and that for 2024-2026 is projected currently to reach 10.4 percent. Indeed, a considerably larger than expected fiscal space had been created after the adoption of the plan, due to lower than anticipated general government spending and the overperformance of discretionary revenue measures raising tax collection and compliance. This made feasible additional fiscal interventions in both revenues and expenditures, supporting essential spending and reducing the tax burden while preserving fiscal sustainability.

Indeed, the January 2026 fiscal package of about 0.7 percent of GDP includes primarily broadly targeted personal income tax cuts for low and middle-income families with children and young workers, pension enhancements, public sector wage increases for uniformed employees, adjustment measures to civil-service pay grids, and targeted housing affordability measures such as tax relief on rents, tax incentives for new construction, property tax reductions in small municipalities and incentives to bring vacant properties to the market.

Moreover, to address the impact of increased fuel prices and emerging inflationary pressures since the outbreak of the war in the Middle East, a set of temporary and largely well targeted energy-related measures of about 0.3 percent of GDP were adopted more recently. This package includes (a) a subsidy on diesel to contain fuel costs and mitigate price pressures across the supply chain for April and May, (b) a pre-paid card for fuel subject to income criteria to offset increased fuel costs for two months without blunting the price signal at the pump, (c) a subsidy covering part of fertilizer costs for the period March 15-August 31, 2026 to provide targeted support to farmers and agricultural businesses, and (d) an allowance per child to families to be disbursed in June 2026 subject to income criteria to provide one-off financial support to safeguard their purchasing power in response to increased inflation. In the event, Fitch Ratings has praised Greece for broadly bucking the trend by not using blanket energy subsidies.

The authorities now project net expenditure to rise by 7.5 percent in 2026 and 10.4 percent cumulatively in 2024-2026 (vs. 3.6 percent and 10.0 percent respectively in the plan), fully complying with the plan's limits by utilizing the flexibility accorded by activating the national escape clause for defense expenditure. The latter is projected to increase by 0.4 percentage points of GDP from 2024 to 2026, bringing Greece's defense spending to 2.6 percent of GDP. Defense expenditure is elevated, reflecting geopolitical realities, while remaining fully incorporated into the medium-term fiscal framework.

IV. Financial Sector Stabilization and Reform

Another cornerstone of Greece’s recovery is the return of the financial sector to normalcy and expansion. Following the sovereign debt crisis, banks have undergone a profound transformation, with market access restored and sound financials broadly in line with EU averages. Credit expansion has strengthened over time (7.7 percent at end-March 2026), particularly in corporate lending. Lending to households remains relatively subdued (2.8 percent at end-March 2026), with mortgage lending growth turning positive for the first time in 2025 following a period of prolonged deleveraging and consumer credit already picking up pace. The non-performing loan ratio has fallen to record lows (2.5 percent for Significant Institutions). Bank profitability is strong, and capital position is healthy (Tier 1 at 15.5 percent system-wide), with capital buffers and liquidity ratios above prudential requirements. Dividend distributions resumed in 2024, reflecting supervisory confidence in bank resilience.

Institutional reforms complement balance sheet repair. The regulatory framework for credit servicers has been upgraded, judicial reforms are improving case resolution times, and the insolvency framework—supported by advanced digital platforms—facilitates debt restructuring and recovery. The out-of-court workout mechanism has proven effective in delivering large-scale restructurings, while safeguarding vulnerable borrowers.

Macroprudential policies are being strengthened, including the activation of countercyclical capital buffers (CCyB) to enhance resilience against future shocks and borrower-based measures (BBMs) to ensure prudent lending standards in case credit risk pressures intensify, particularly in the mortgage market. The Bank of Greece has increased CCyB by 25 bps to its positive neutral (PN) CCyB level (0.5 percent), effective October 2026, and has implemented BBMs, effective January 2025, setting caps for debt service to income and loan-to-value ratios of 50 percent and 90 percent for first time buyers, and 40 percent and 80 percent for second and subsequent buyers, respectively, as mortgage credit expansion has turned positive for the first time last year following a prolonged period of deleveraging.

The first Financial Sector Assessment Program (FSAP) for Greece since 2006 finds that financial stability risks are currently low and manageable, despite increased global uncertainty. The Greek financial system has undergone significant restructuring following the sovereign debt crisis and is now dominated by four systemically important banks with stronger balance sheets, improved profitability, and ample liquidity. These improvements largely reflect extensive non-performing loan (NPL) reduction through securitization schemes and sales since 2019.

Stress testing confirms that Greek banks are resilient to adverse macroeconomic conditions, including inflation shocks and severe recessions, with capital levels remaining above regulatory thresholds. Profitability provides a buffer against potential loan impairments, and liquidity positions are also robust, with vulnerabilities appearing only in extreme and unlikely scenarios.

Institutionally, Greece’s macroprudential framework is assessed as sound, with the Bank of Greece playing an active and effective role, with supervision of less significant institutions being strong.

The FSAP underscores substantial progress in crisis management and resolution frameworks, but further strengthening is recommended to align with international best practices, including enhancing legal protections for resolution actions and improving preparedness for alternative resolution strategies.

Finally, reforms to the insolvency and creditor rights framework have advanced, but efficiency gaps remain, particularly in judicial processes and enforcement timelines. Oversight of credit servicers—given their systemic importance—should be intensified, with greater transparency and coordination across agencies.

Overall, the FSAP concludes that while Greece’s financial system is now significantly more resilient, further reforms are essential to deepen financial intermediation, reduce structural vulnerabilities, and strengthen institutional frameworks.

The authorities broadly agree with the systemic risk assessment and are generally supportive of the FSAP recommendations. They concur that the banking system is well positioned to absorb potential losses under adverse scenarios. They remain firmly committed to addressing crisis legacy issues to bolster resilience, including by further streamlining the insolvency framework, strengthening the supervision of credit services, and promoting more efficient workouts of distressed debt. They assess the current macroprudential stance as appropriate, while emphasizing the need to continue monitoring conditions and to consider additional buffers should risks increase. Finally, they broadly agree on the need to advance banking crisis preparedness and management frameworks.

V. Structural Reform Agenda and Growth Transformation

Structural reforms remain central to Greece’s strategy for raising potential growth and resilience. The authorities are implementing a comprehensive and sustained reform agenda, now in its seventh year, anchored in the National Recovery and Resilience Plan “Greece 2.0” under the NGEU program.

Greece ranks among the EU’s top performers in absorbing Recovery and Resilience Facility funds of the NGEU, reflecting strong administrative capacity and project readiness. Total EU funding allocations exceed €70 billion, providing a powerful catalyst for investment, productivity gains, and economic transformation. Short-term output gains are already visible, while medium-term benefits are expected through higher potential growth.

Reforms target improvements in the business environment, reductions in administrative burdens, support for firm growth and innovation, enhanced labor market flexibility, and skills development—particularly in digital and green sectors. Labor force participation is being supported through reductions in non-wage costs, childcare facilities expansion, targeted training, and inclusive labor market policies.

Social reforms focus on improving targeting, promoting social cohesion, reducing poverty and inequality, and enhancing labor market incentives. Housing affordability, demographic challenges, and social inclusion feature prominently, alongside reforms in education and health systems to raise efficiency and outcomes.

Digital transformation continues in the areas of public administration, justice, health, education, and taxation, supporting efficiency and productivity. Greece has made notable progress in digital adoption, with continued convergence with the EU remaining a priority.

The green transition constitutes a defining pillar of Greece’s growth model. Ambitious climate objectives include phasing out lignite by 2028, raising the share of renewables in electricity generation to 82 percent by 2030, and achieving net-zero emissions by 2050.

Already in 2025, the share of renewables in electricity production reached one of the highest in the EU at 50 percent, reducing electricity prices and alleviating the impact of war on energy costs. Greece is also becoming a regional energy hub, expanding its gas infrastructure and strengthening regional energy security while reducing Europe’s energy dependence on Russian gas.

Accelerated emissions reductions since 2005 demonstrate strong commitment and effectiveness. Complementary policies address transport, buildings, energy efficiency, and climate adaptation, while mobilizing private green finance remains a key objective.

The authorities concur with staff on priority areas and highlight significant recent progress in addressing deep-rooted bottlenecks, including judicial reforms, the national cadastre, and the central credit registry. The authorities remain strongly committed to advancing structural reforms to further reduce regulatory burdens, support labor market participation, and continue diversifying the economy toward high value-added sectors. They concur that the persistent current account deficit partly reflects remaining supply-side impediments, while noting that the recent strong expansion in Foreign Direct Investment inflows reflect continued improvements in the investment environment. They agreed that the EU single market—particularly the Savings and Investment Union and the integration of energy markets—would further enhance the productivity and resilience of the Greek economy.

In conclusion, Greece has achieved a decisive economic turnaround. Macroeconomic stability, fiscal credibility, debt sustainability, financial sector resilience, and reform momentum have been restored and reinforced. While risks remain—stemming from global uncertainty, geopolitical tensions, climate change, and adverse demographics—the policy framework is robust, buffers are substantial, and credibility is firmly established.

The authorities remain fully committed to prudent macroeconomic management, sustained reform implementation, and inclusive, sustainable growth. Continued cooperation with partners and institutions will help ensure that Greece’s recovery translates into a durable improvement in living standards and economic resilience.