



GREECE

SELECTED ISSUES

May 2026

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April 30, 2026

Approved By
European Department

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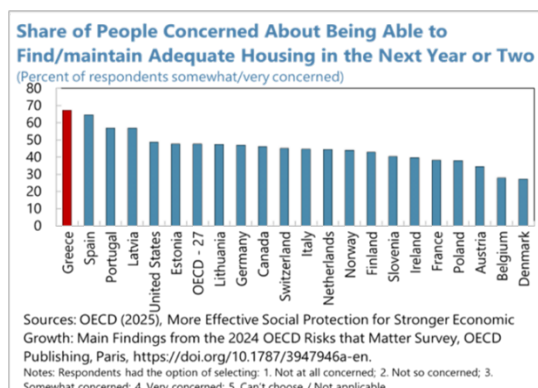
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INSIDE GREECE'S HOUSING AFFORDABILITY PARADOXES¹

Like many other European countries, Greece faces growing affordability challenges. House prices and—more recently rents—have outpaced income gains, reflecting strong and increasingly concentrated demand, including from foreigners, alongside structural supply rigidities and supply-demand mismatches. Affordability pressures are compounded by high recurring costs, especially utility bills, due to old and energy inefficient stock and limited energy upgrades. Policy priority should be given to mobilizing the underutilized housing stock by combining renovation programs with disincentives to vacancy and by addressing bottlenecks such as fragmented co-ownership, stranded assets related to legacy distressed debt, and unresolved construction compliance issues. The authorities should assess the effectiveness of restrictions on short-term rentals and take measures to reduce the risk premium associated with long-term rental while improving price discovery. Expanding the supply of social and affordable housing requires close public-private partnerships while reducing regulatory uncertainty and streamlining potential zoning and building permits regulations. Facilitating labor and capital reallocation within the construction sector and strengthening domestic workforce training would help raise productivity, ease labor shortages and contain construction costs.

A. Introduction

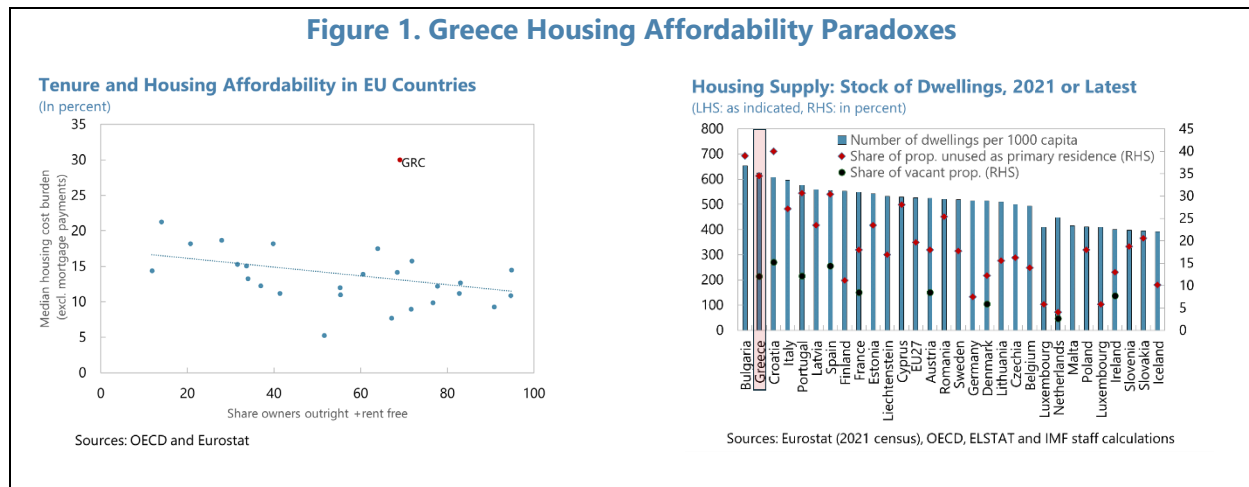
1. Like many European countries, Greece is facing mounting and multifaceted housing affordability challenges with potentially significant socioeconomic consequences. In a recent OECD survey, two-thirds of surveyed Greek households declared being concerned about finding or maintaining adequate housing. Since 2017, house prices have rebounded from post-crisis correction and outpaced income gains. This, together with higher mortgage rates, low savings and borrowing constraints, caused homeownership rates to drop. Rental affordability has also more recently deteriorated, albeit with some heterogeneity across markets and segments. Although improving from post-crisis peaks, the housing cost burden and the share of overburdened households remain very high. The resulting financial strain leads to high level of arrears and could amplify consumption volatility and growth. It also affects the ability of homeowners to maintain and renovate their properties, leading to high depreciation rate and lower housing quality. Moreover, deteriorating affordability pushes young Greeks to stay longer with their families with delayed independence affecting the



¹ Prepared by Tarak Jardak and Summer (Yutian) Cai. The authors are grateful to participants at the seminar held at the Bank of Greece, IOBE, KEPE and Alpha bank for useful discussions, comments, and suggestions. We also thank SPITOGATOS for sharing market data and ELSTAT for providing micro data from EU-SILC survey.

already low fertility rate (Hallaert and Vassileva, forthcoming). Finally, rising housing costs can reduce labor mobility toward more productive sectors and regions, weakening competitiveness and the country’s ability to retain and attract talent.

2. These affordability pressures coexist with seemingly favorable structural conditions, raising potential paradoxes. First, the high housing cost burden contrasts with the fact that more than 60 percent of Greek households are outright owners (i.e., with no mortgages), incurring only recurring housing costs. Second, Greece has one of the highest dwelling stock per capita with declining population but 35 percent of these properties not used as primary residence, of which one third (12-13 percent of total stock) is vacant. These puzzles point to deeper structural issues, including supply rigidities and mismatches between housing supply and demand.

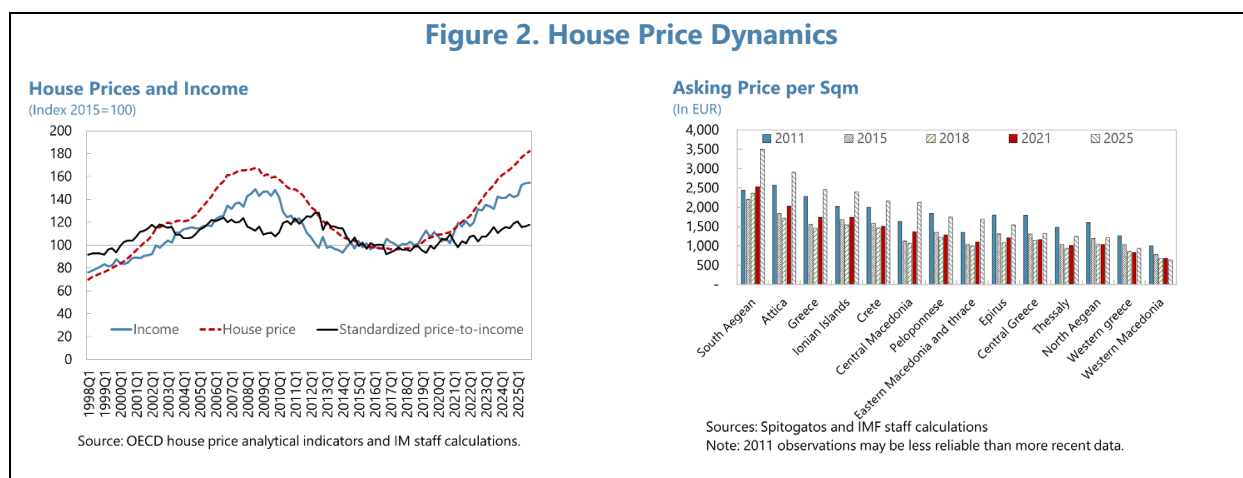


3. To tackle these challenges, the authorities have deployed a combination of demand- and supply-side measures and are developing a new housing strategy. On the demand side, policies include subsidized housing loans for first-time buyers, other help-to-buy measures and rental refunds. In parallel, the regulatory framework for the Golden Visa program has been tightened through higher investment thresholds. On the supply side, the strategy focuses on mobilizing the idle housing stock through renovation programs and tax incentives to boost supply of long-term rentals (LTRs) while restricting short-term rentals in targeted locations. The authorities also plan to develop social housing and student accommodation. In parallel, they are designing a new housing strategy, informed by a better mapping of housing needs and available supply.

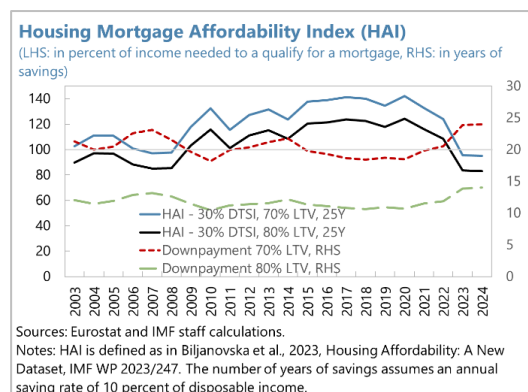
4. To better understand the apparent paradoxes and inform the authorities’ housing strategy, this paper addresses several key questions. First, how severe are housing affordability pressures (Section B), and what drives the high housing cost burden (Section C)? Second, what explains housing market imbalances? What is the role of foreign demand and short-term rentals, and what factors constrain effective housing supply (Section D)? Finally, what policy measures are needed to address these challenges (Section E)?

B. How Severe are Housing Affordability Challenges?

5. House prices have outpaced income growth in recent years, largely reflecting a catch-up effect, while overvaluation remains moderate. Prior to the sovereign debt crisis, Greece experienced a prolonged housing boom supported by strong income growth, financial liberalization and expanding mortgage credit following euro adoption, which contributed to rising residential investment and housing demand. The crisis abruptly reversed this cycle with prices falling by more than 40 percent over 2008-16. Since then, prices have been recovering steadily, increasing cumulatively by about 85 percent against 47 percent for disposable income per capita. Most of the price increase occurred after the pandemic (+61 percent since 2020Q4) and unlike in other euro area (EA) countries, the ECB’s monetary policy tightening impact on prices has been rather muted. Overvaluation is estimated at around 10 percent. Geographically, asking prices from online real estate platform Spitogatos show significant heterogeneity with prices significantly higher in Attica, Thessaloniki and touristic hubs than in the rest of the country.



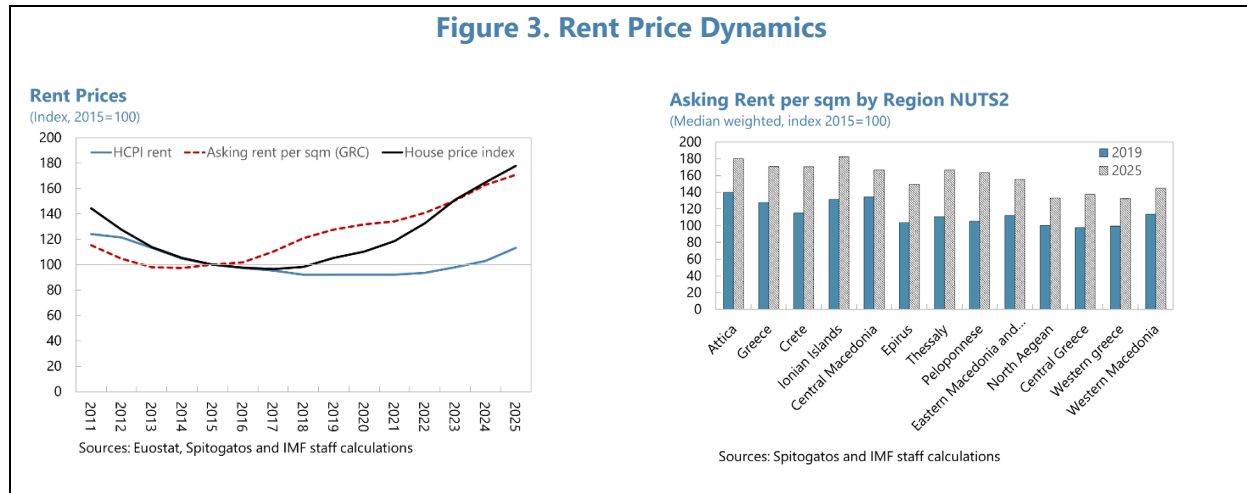
6. Access to homeownership is mainly hindered by mortgage affordability and low savings. Reflecting the rapid increase in house prices relative to income as well as higher mortgage rates, the housing affordability index (Biljanovska et al., 2023)—which measures the ability of the median household to purchase a typical property while meeting other essential consumption needs—has deteriorated in recent years. Assuming a debt service-to-income (DSTI) ratio of 30 percent and a loan-to-value (LTV) ratio of 70 percent (respectively 80 percent), the median household would fall about 7 percent (respectively 17 percent) short of the income needed to qualify for a mortgage in 2024. Even when household income is sufficient to satisfy typical DSTI requirements, the downpayment required to access mortgage credit remains a major barrier. Assuming a saving rate of 10 percent per year, it would take roughly 24 years (respectively



14 years) to accumulate the required downpayment. Access to mortgage credit is further constrained by the crisis legacy, which translates into conservative bank lending standards.

7. Rent prices have been slower to adjust but are increasingly showing signs of pressure.

The rent component of the Harmonized Index of the Consumer Price (HICP) remains below pre-crisis levels. However, rent inflation accelerated post-pandemic, culminating at 10 percent in 2025. Additionally, market-based indicators point to stronger dynamics for asking rents per square meter, suggesting faster increases for new leases and continued upward pressure on rent in coming years. Finally, significant heterogeneity across regions and segments is also evident, with much stronger pressures emerging in large metropolitan areas such as Thessaloniki and Athens.



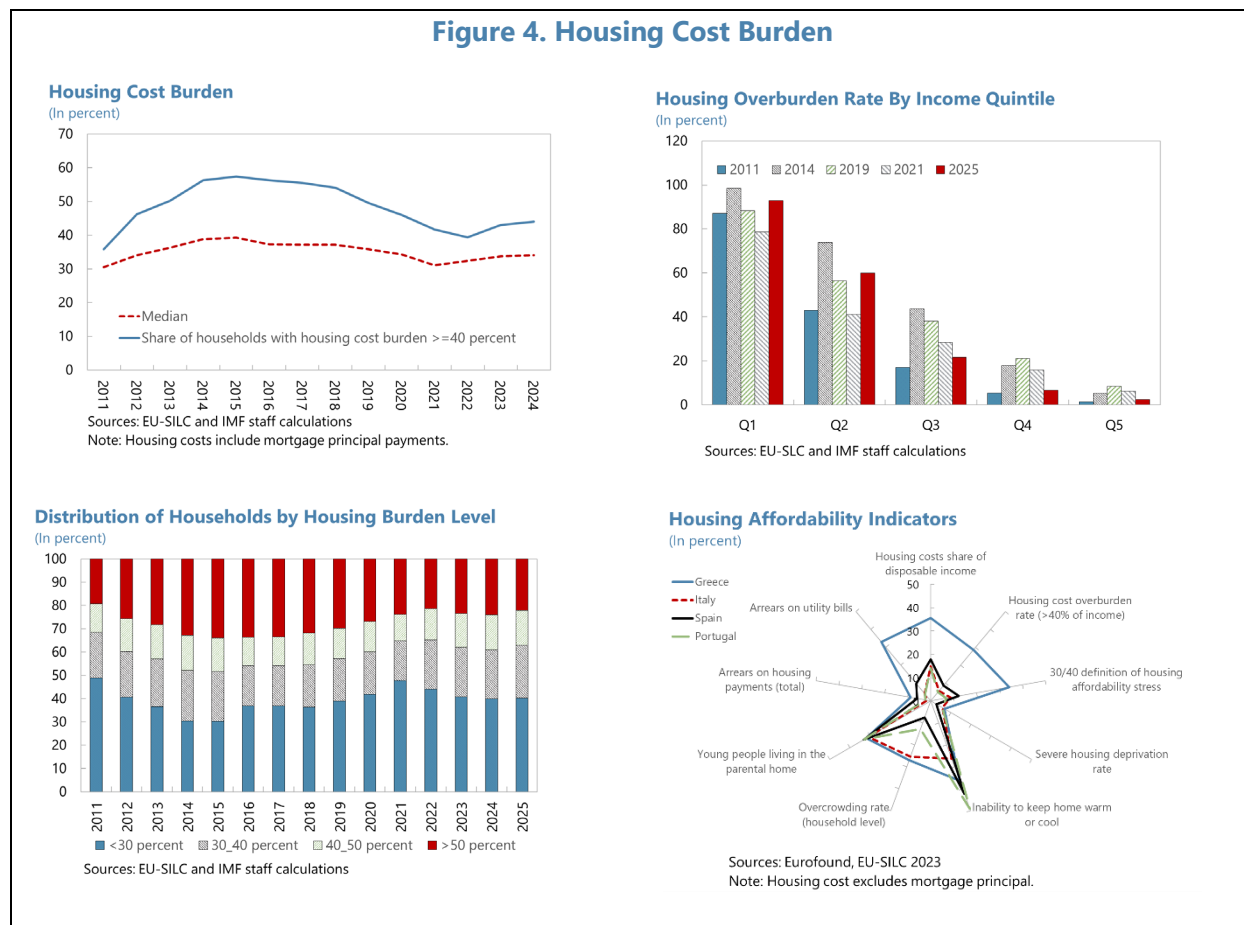
8. The housing cost burden remains persistently elevated, although it remains lower than post-crisis peaks.² The share of disposable income spent on housing costs has been historically high in Greece and increased further during the sovereign debt crisis. This burden has moderated somewhat as the economy recovered, but the improvement has recently stalled and even reversed for lower income households. According to our estimates based on the EU Statistics on Income and Living Conditions (EU-SILC) micro data, the median housing cost (including mortgages) exceeded a third of disposable income in 2025. Approximately two out of five households are overburdened (i.e. they spend more than 40 percent of disposable income on housing-related expenditure) and an additional 20 percent of households spend 30–40 percent of disposable income on housing costs, making them potentially vulnerable in case of income or interest rate shocks.

9. Other indicators point to housing-related difficulties. To cope with affordability challenges, young people stay longer with their parents and households tend to live in smaller houses contributing to a high overcrowding rate, particularly for renters. High housing costs are also

² These indicators and the analysis using EU-SILC should be interpreted with caution due to possible underreporting of income in EU-SILC given the prevalence of self-employed, sample bias (due to lower response rate of high-income households) and methodology of imputation of housing costs.

associated with a large share of households in arrears on their housing payments (41.8 percent according to EU-SILC survey) and reporting difficulty to warm and cool their properties.

Figure 4. Housing Cost Burden



C. Why is the Housing Cost Burden so High? A Micro Perspective

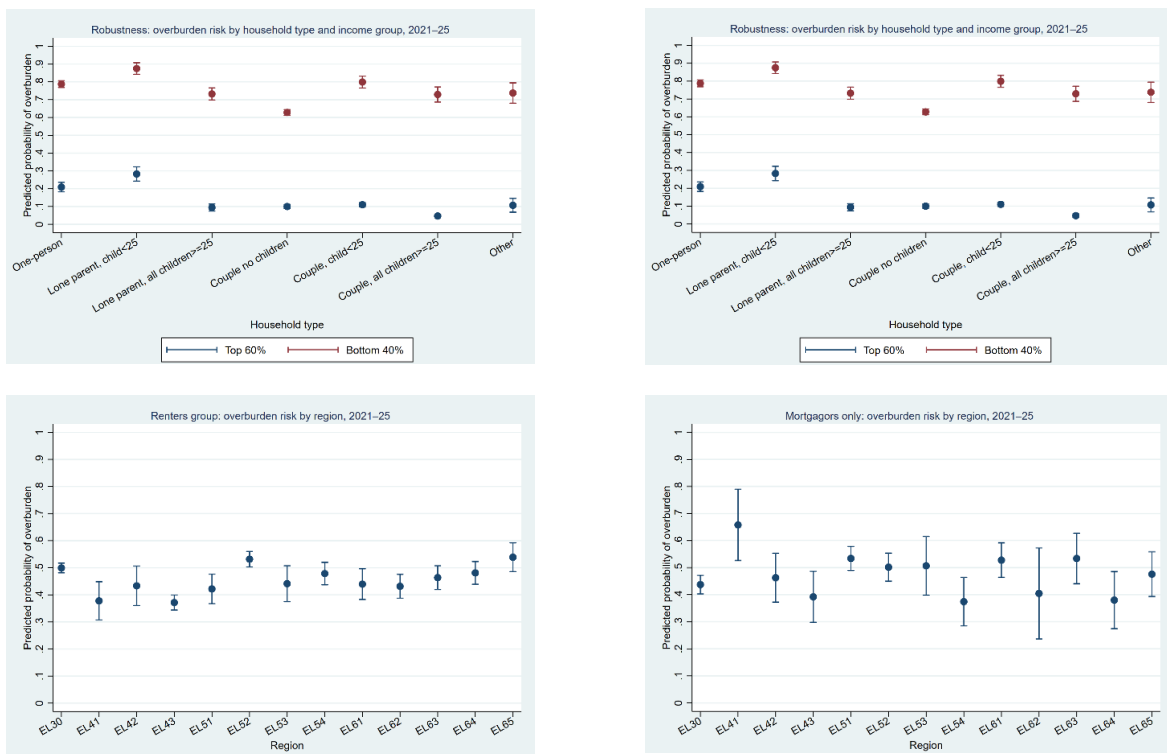
10. The housing cost burden is fundamentally rooted in income capacity.

- Based on pooled repeated cross-sections regression of the housing cost overburden on household characteristics (using EU-SILC micro data over 2021-25), tenure emerges as a key determinant, but its effect is highly conditional on income. Relative to outright owners, households with a mortgage and renters face a significantly higher probability of overburden. However, these differences widen substantially when interacted with income. Predicted probabilities indicate that low-income households face markedly higher risks across all tenures. Holding other characteristics constant, being in the bottom 40 percent of the income distribution increases the probability of being overburdened by large margins. For example, the predicted probability for low-income mortgagors (renters) exceeds 90 percent, compared to about one-third for higher-income households. A similar gradient is observed for renters, where a low-income household faces four times larger probability of being overburdened than higher

income. Even among outright owners, the probability increases sharply for low-income households, underscoring that ownership does not fully shield against affordability pressures.

- Other household characteristics also play a significant role. Single-person and single-parent households exhibit higher probabilities of overburden, reflecting reduced economies of scale in housing consumption. Lower education and weaker labor market attachment are also associated with higher risk, consistent with their impact on income capacity. Finally, the regional dimension also plays a role, especially for renters. More specifically, households renting in Attica and Central Macedonia (Thessaloniki) have a higher probability of being overburdened than other regions.

Figure 5. Households Characteristics and Housing Affordability: Who is Affected the Most?



Notes: The probability of housing cost overburden is estimated using a logit model on pooled EU-SILC microdata (2021–25). The dependent variable equals 1 if total housing costs exceed 40 percent of disposable income. The estimating equation is: $Pr(Overburden_i = 1) = \Lambda(\alpha + \beta_1 Tenure_i + \beta_2 LowInc_i + \beta_3 (Tenure_i \times LowInc_i) + \gamma'X_i + \delta_r + \tau_t)$ where $\Lambda(u) = 1/(1 + e^{-u})$. X_i includes other household characteristics (size, type, age, education, employment), while δ_r and τ_t denote region and year fixed effects. $LowInc_i$ is a dummy taking the value 1 if the household belongs to the bottom 40 percent of the income distribution. The model is estimated using survey weights.

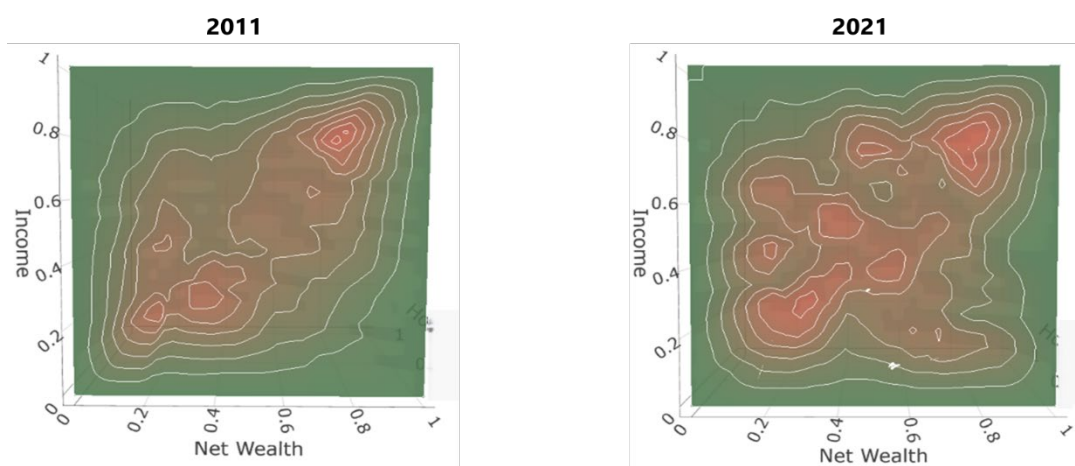
Predicted probabilities are computed as: $P_i = 1/(1 + e^{-X_i \beta})$.

These probabilities are evaluated for representative household profiles (e.g., by tenure and income group), holding other characteristics constant, to compare housing affordability risks across groups.

11. Compositional effects and changes in preferences have further increased aggregate vulnerability.

- The joint distribution of income and wealth (households finance and consumption survey) has shifted over 2011-21 and shows a greater share of households holding illiquid housing assets but with limited current income (asset-rich income-poor). As a result, outright owners—who are typically expected to face low housing costs—still incur significant expenses relative to income, particularly when liquidity constraints prevent smoothing through borrowing or asset liquidation. This disconnect between stock wealth and flow income is a central feature of the Greek housing affordability puzzle.
- Demographic and behavioral shifts have increased per-household housing consumption. The rise in single-person and single-parent households (12 percentage points since 2011), alongside changing preferences (e.g., greater share of students living independently), reduce economies of scale in housing and raise per-capita costs. As single-member households tend also to have lower income and social benefits than larger size households, this compositional effect mechanically raises aggregate housing cost burden even without significant price increases.

Figure 6. Households Joint Wealth-Income Distribution

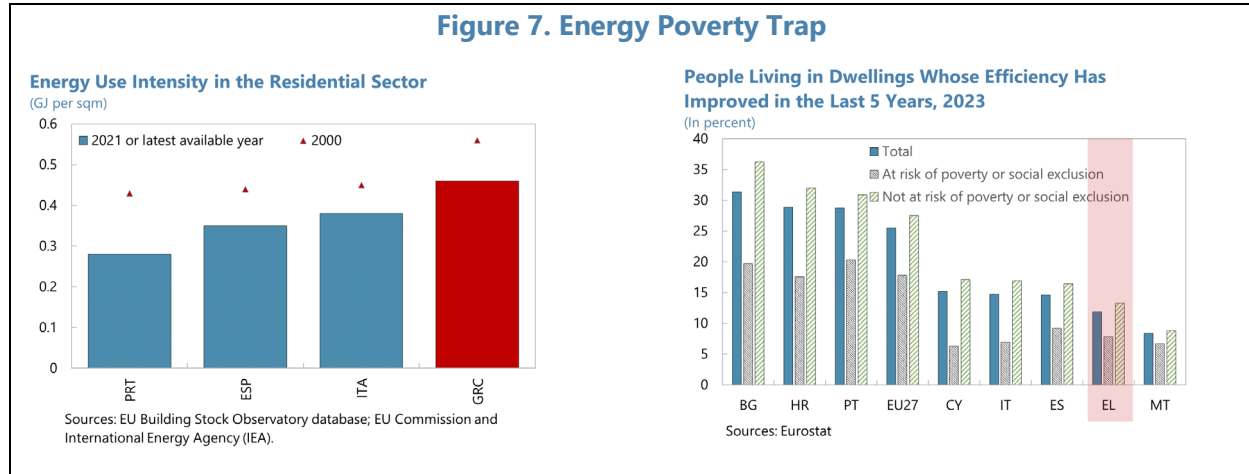


Source: HFCS (2022 Oesterreichische Nationalbank)

Note: Colors refer to the (kernel) density.

12. The Greek housing stock is old and less energy efficient than similar countries, contributing to higher recurring costs for households. Even in the absence of mortgage or rent payments, many households face recurring expenditures associated with utilities, regular maintenance, and property taxation. The energy bills seem to be higher in purchasing power terms compared to countries with similar weather conditions (Spain and Portugal). As prices are on par with these countries, the difference is mainly driven by energy efficiency. With only 7.4 percent achieving an energy class of B or higher, Greek dwellings consume roughly 65 percent more energy per square meter than Portuguese properties where investment in energy upgrades has been 2.5 times higher. In addition, despite recent reductions in the unified property tax (ENFIA), recurring

property taxes are relatively high in Greece and could add to housing costs for homeowners. This might be reduced with the recent introduction of exemptions for some low-income households.



D. What Drives Housing Market Imbalances Despite Ample Stock?

Explanation 1: Rising and Increasingly Concentrated Demand

13. Demand for house purchase has increased rapidly since 2017, driven mainly by investor demand and helped by supportive policies.

- *External demand.* Following the post-crisis correction, Greek real estate attracted foreign investors, including the Greek diaspora, due to relatively low valuations and expectations of capital gains. Policy frameworks such as the Golden Visa program, tax incentives for pensioners, and broader “search-for-yield” dynamics as well as lower ENFIA tax since 2022 that reduced the user cost of housing have supported inflows. In addition, “announcement effects” associated with changes in eligibility thresholds for the Golden Visa may have caused an opportunistic investment behavior and temporarily accelerated demand before moderating in recent quarters as the measure became effective.
- *Domestic demand.* Demand from residents has been shallow and dominated by high-income households, financing their acquisition mainly using cash. That said, since 2023, demand has shifted to first-time buyers, buoyed by government subsidized loan programs (MyHome I and MyHome II).³

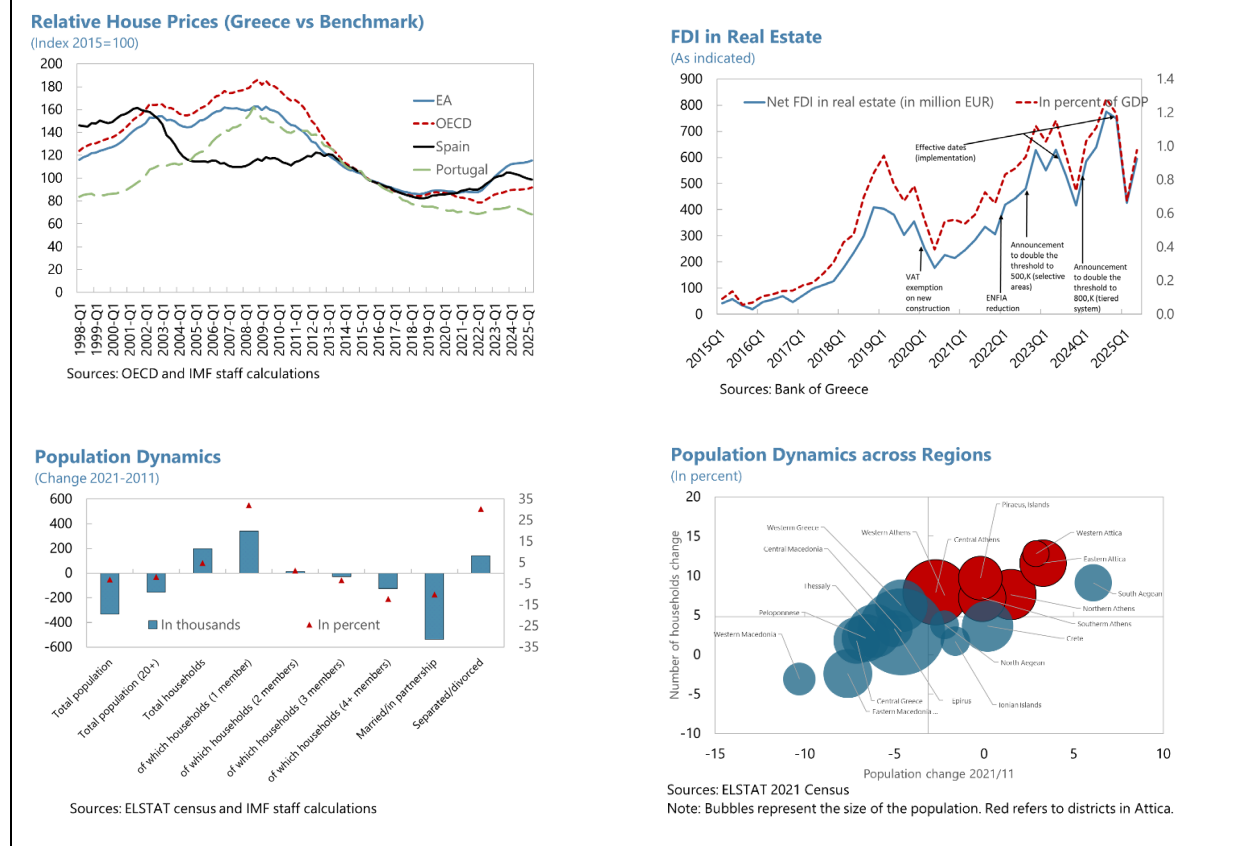
14. Demand for housing has also become increasingly concentrated in some sub-markets.

While the population has declined in the last 15 years, the number of households has continued to rise, driven by smaller household size and changing living arrangements, including a rise in single-person households. This shift, together with affordability challenges, increased demand for smaller

³ Kontonikas and Pyrgiotakis (2025) find MyHome I government program is not associated with an increase in transaction values for homes that meet its criteria.

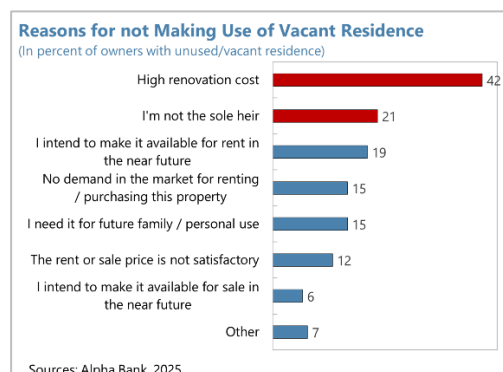
houses. At the same time, post-crisis urbanization has intensified, with economic activity and population flows concentrating in metropolitan areas—particularly Attica where population density is 20 times higher than the rest of the country—thereby amplifying local demand pressures.

Figure 8. Housing Demand



Explanation 2: Underutilized and Inefficiently Allocated Housing Stock

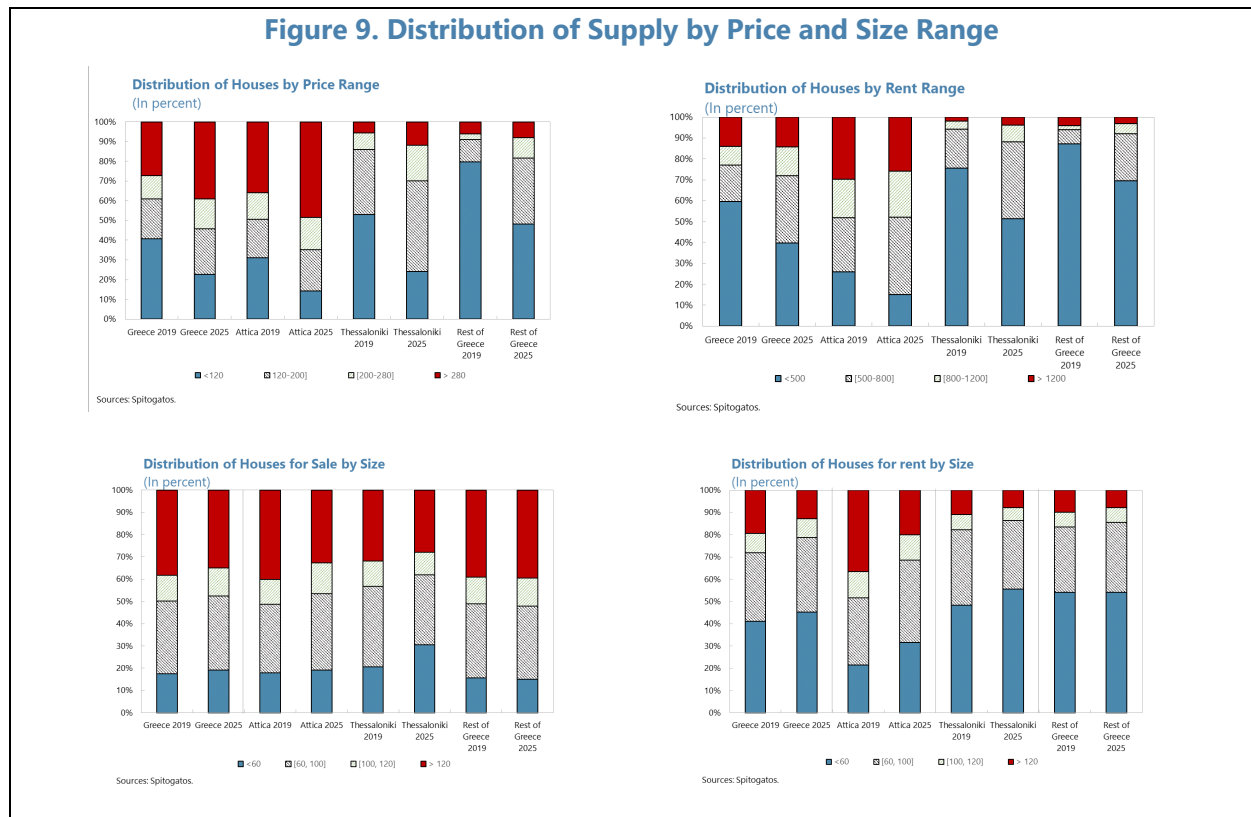
15. The effective housing stock is substantially lower than suggested by headline vacancy rates. Greece has one of the highest number of dwellings per capita in the EU and 35 percent of this stock is not used for primary residence, of which one third is vacant (12-13 percent of total stock)—the rest is used as holiday or secondary homes. Yet, a significant share of vacant dwellings is old, energy-inefficient, and possibly not readily habitable—more than half of unoccupied units were built before 1980. Bringing these units to the market is constrained by liquidity and financing constraints, high renovation costs, and fragmented co-ownership structures (Alpha Bank, 2026). Availability of vacant properties is also hindered by the high cost of remedying regulatory and legal irregularities that affect many properties (Mouzakis,



forthcoming). Finally, a non trivial number of housing units remain outside the market, including properties held by the public sector, banks, and credit servicers.

16. Evidence also points to significant mismatches between supply and demand. Data obtained from the real estate platform [Spitogatos](#) show that supply of properties for sale and rent has increased considerably in recent years. However, the time-on-market is relatively high, around 8 and 6 months respectively, pointing to supply demand mismatches and search and matching frictions that limit the efficient allocation of the housing stock. Alpha Bank survey (2025) finds for example that differences in location, size, and price segments are key impediments for prospective homebuyers. A closer look at available listings confirms this perception. 55 percent of listed properties for sale in 2025 exceed EUR200K and one third are above EUR280K, which makes them out of reach for most Greeks. On the rental side, the median listing is at around EUR575 per month and the situation is worse in Attica where the median listing is about EUR785 per month. Size-wise, while offers for both sale and rent are slowly adapting to demand for smaller houses, about one third of listings for sale are large properties exceeding 120m². On the rental side, pressure seems more acute in Attica and Thessaloniki where the share of small dwellings (lower than 60 m²) hovers around 30 percent compared to 55 percent other regions.

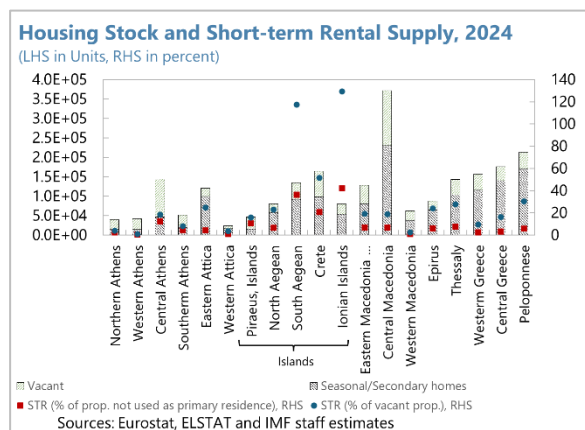
Figure 9. Distribution of Supply by Price and Size Range



Explanation 3: Competition from Short-Term Rental (STR)

17. STRs emerged in recent years as a key feature of Greek tourism business models.

INSETE database on short-term rental listings⁴ shows a 240 percent increase over 2017-2024 from less than 100K to more than 230K. This represents about 3.5 percent of the housing stock, 10 percent of the unoccupied stock (including holiday and secondary homes) and 29 percent of vacant properties. The distribution of these listings is also uneven across regions, being concentrated in some touristic Islands, central Athens and Piraeus.



18. Our analysis suggests that STRs have added to localized supply pressures. Using a unique regional database, combining data from [Spitogatos](#), INSETE and ELSTAT, we find that a higher intensity of home sharing is associated with higher prices, especially in areas where the owner occupancy rate is low, i.e. more people renting, confirming the rapid growth of investor demand. We find similar results for rents, though the impact is smaller, which suggests that STRs have reduced the availability of long-term rental (LTR) units in specific high-demand areas. These results are broadly in line with Barron et al. (2021). However, the impact on affordability depends also on the impact of STR on income, which will require further analysis.

Table 1. Greece: Impact of STR Intensity on Asking Prices and Rents

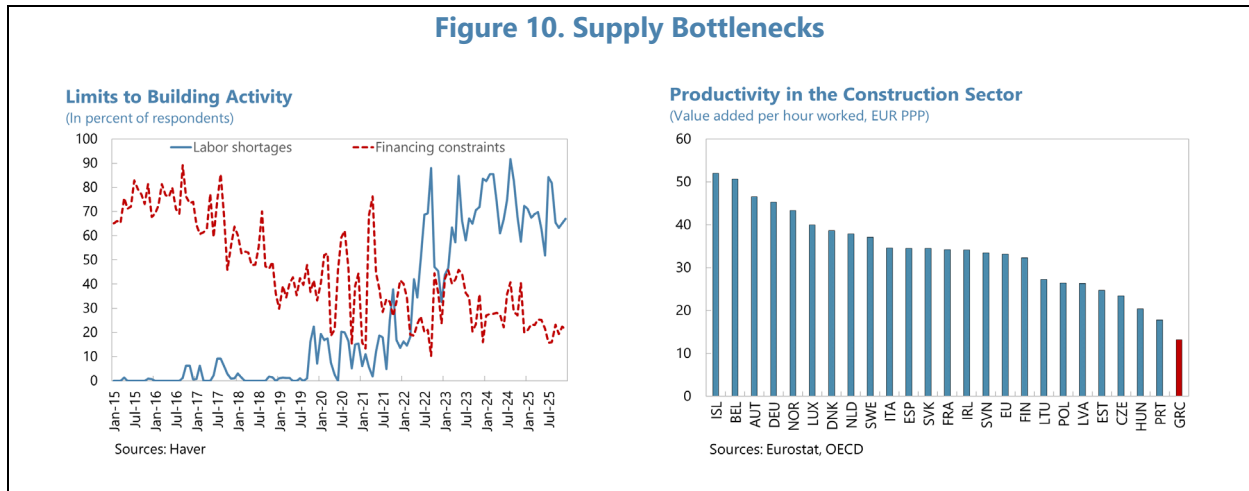
	Asking rent (log)	Asking rent (log)	Asking price (log)	Asking price (log)
GVA non tourism (t-1), log	0.4 -0.248	0.38 -0.249	0.434** -0.182	0.468** -0.194
Employment non tourism, log	0.237 -0.574	0.224 -0.58	-0.374* -0.189	-0.351* -0.183
STR density (t-1), log	0.185* -0.086	0.192* -0.091	0.336*** -0.078	0.323*** -0.069
STR density (t-1), log* owner occupancy rate	-0.187* -0.101	-0.187* -0.098	-0.412*** -0.088	-0.412*** -0.066
STR density (t-1), log* vacancy rate		-0.027 -0.05		0.048 -0.042
Constant	4.276 -4.692	4.513 -4.707	6.673*** -2.124	6.249** -2.278
N	182	182	182	182
Overall R2	0.913	0.913	0.972	0.973
Within R2	0.08	0.083	0.402	0.417

Note The vacancy rate is defined as unoccupied properties (including holiday and secondary homes for 2021). The owner occupancy rate is provided by the 2021 census. STR density is the ratio of STR listings to the 2021 stock of dwellings.

⁴ Part of these listings may be rooms and not entire properties for sales. It is also different from active listings, which appear to be smaller.

Explanation 4: Increasingly Constrained New Supply

19. Despite a strong rebound in activity, the Greek construction sector remains structurally constrained in its ability to scale up housing supply. Following a prolonged collapse in residential investment during the sovereign debt crisis, construction activity has recovered gradually. In 2024, building permits exceeded 41,000 units—close to their 2010 level— which will feed the market likely in 2026. However, capacity constraints are becoming increasingly binding, driven by labor shortages, an aging workforce, and declining participation of younger workers, which undermines the sector’s ability to expand output and could put pressure on the already high construction cost going forward. Labor productivity remains below EU levels, reflecting structural factors such as limited technology adoption and firm fragmentation. The sector is highly fragmented, with over 96 percent of firms classified as micro-enterprises, limiting economies of scale and access to financing. While this is a common feature among European countries, the share of workers employed by micro firms is much higher in Greece. At the same time, low investment has weighed on productivity, with capital formation historically insufficient to offset depreciation, leading to weak productive capacity. In addition, albeit improving significantly in recent years, financing conditions continue to constrain growth, with higher borrowing costs and persistent small- and medium-sized enterprise (SME) financing gaps relative to the euro area (IOBE, 2025).



E. Policies

What Has Been Done?

20. The Greek authorities have placed housing affordability at the center of the policy agenda. The government has adopted a comprehensive housing package comprising more than 40 measures with a budget exceeding €6.5 billion, aimed at easing price pressures, expanding supply, and improving access to affordable and quality housing, particularly for younger and vulnerable households. Governance reforms—anchored in an interministerial coordination framework and the development of a National Housing Strategy—aim to strengthen policy coherence, monitoring, and implementation.

21. Policy measures combine demand-side support with supply-enhancing interventions.

- On the demand side, affordability is addressed through subsidized mortgage schemes for first-time buyers (My Home I & II), rent refunds, and targeted housing allowances for students, low-income households, and uninsured elderly. These are complemented by tax measures, including reductions in ENFIA, and suspension of VAT on new construction. At the same time, the authorities have tightened the regulatory framework for the Golden Visa program, including higher investment thresholds and usage restrictions.
- On the supply side, the strategy prioritizes mobilizing idle housing stock, incentivizing reallocation to long-term rental, upgrading ageing dwellings, and expanding social housing. Key initiatives include renovation programs (“Upgrade My Home,” “Save 2025,” and “Renovate–Rent”), the construction of social housing and student dormitories, and the use of public land and vacant military camps through social exchange schemes that retain a share of housing units in public ownership at below-market rents. To mitigate market distortions and redirect housing stock toward long-term residential use, the government implemented geographically targeted restrictions on STR and tax relief for long-term leasing.

What Should/Could Be Done?

Advice 1: Mobilizing Vacant Properties

22. Mobilizing vacant housing offers the highest near-term payoff but requires a coherent policy mix. International experience suggests that isolated measures are typically ineffective and that successful strategies combine incentives and disincentives as well as institutional support (Housing Europe Observatory, 2023).

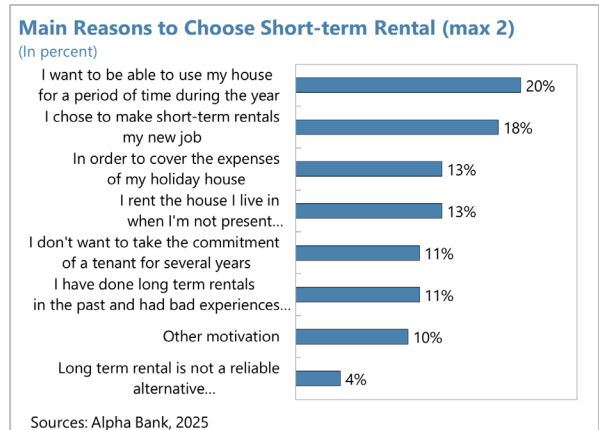
- First, expanded and well-targeted renovation support can address liquidity constraints that prevent owners from bringing units to market. Conditioning support on energy efficiency upgrades can generate dual benefits by reducing recurring costs and improving housing supply.
- Second, fiscal disincentives for vacancy—such as vacancy taxes or surcharges on underutilized properties in high-demand areas (e.g., France, Ireland)—can increase the opportunity cost of leaving units empty. Key calibration elements to enhance effectiveness while minimizing potential costs include: (i) targeting geographically to tight markets to avoid penalizing structurally weak regions; (ii) graduated rates increasing with duration of vacancy to deter speculative holding; (iii) clear and limited exemptions (e.g., renovation in progress, legal disputes) to preserve credibility; and (iv) robust property registries and enforcement mechanisms, complemented with utility usage data. Poor calibration risks either limited behavioral response (if too low) or unintended effects (if too high), including informal use or legal challenges.
- Third, tackling fragmented co-ownership and legal gridlock is essential to unlock dormant housing supply and improve market liquidity, particularly for inherited properties held by

multiple owners. Coordination failures among multiple heirs limit the ability to sell, rent, or renovate vacant units, contributing to persistent underutilization of the housing stock. The ongoing inheritance law reform—by ending forced co-ownership, allowing one heir to take full ownership while compensating others financially, simplifying transfer procedures and reducing administrative burdens—is a critical step toward easing these constraints. Its impact could be strengthened by enabling majority-based decision-making among co-owners to reduce holdout problems (e.g., France), introducing targeted incentives to consolidate ownership (e.g., tax relief for buyouts or pooling arrangements), and accelerating judicial processes and dispute resolution.

Advice 2: Enhancing the Attractiveness of Long-Term Leases

23. The attractiveness of LTR could benefit from a reduction in the associated risk premium.

- Alpha Bank survey (2026) shows that landlords prefer STRs not only due to higher returns, but also because of greater flexibility—as they could use their property intermittently—and lower perceived tenant risk. Policies should therefore target these margins. The authorities’ tax incentives for switching from STR/vacancy to LTR and efforts to reduce information asymmetry for landlords (tenant registry) while enforcing regulation and data transparency for STR, all go in the right direction. Complementary measures include reducing minimum rental contract duration (currently three years), faster dispute resolution processes, and rent guarantee schemes to shield low-income renters in the absence of social rental housing.



- At the same time, the authorities should systematically assess the effectiveness and thoroughly assess the cost-benefits of STR restrictions. As two thirds of vacant properties are secondary/holiday homes that owners use part of the year, LTR and STR are not perfect substitutes. Also, while our analysis suggests some non-linear impact of STR on prices and rent, its impact on affordability is less obvious as it drives tourism-related economic activity and income. Moreover, geographically targeted restrictions could shift activity to neighborhood markets. Such effect was found by Karamanis et al. (2026) for the increase in the Golden Visa thresholds.

Advice 3: Increasing Elasticity of New Supply and Containing Construction Cost Growth

24. Boosting new housing construction requires a step change in construction sector productivity through better resource allocation and stronger firm dynamics. Policies should facilitate reallocation toward more productive firms, including by enabling the exit or restructuring of nonviable (“zombie”) firms and reducing barriers to firm growth and consolidation. Strengthening access to financing—particularly for small and medium-sized developers—would support investment and scaling, while promoting innovation and capital deepening (e.g., digital tools, modular construction methods) can raise efficiency and lower unit costs. Improving competition and reducing distortions that fragment the sector would further enhance productivity and supply responsiveness.

25. Addressing labor shortages is critical to unlocking capacity and reducing construction costs. Targeted training and reskilling programs, aligned with sector needs, can help close skill gaps, while incentives to attract younger workers and improve labor mobility would support workforce expansion. Facilitating the reallocation of labor toward construction, including from lower-productivity sectors, can ease bottlenecks. Complementary measures to improve working conditions and formalization could also help increase labor supply and productivity.

26. Improving spatial planning and reducing regulatory uncertainty are also essential to accelerate project delivery and lower costs. Optimizing spatial planning, particularly in high-demand areas, and integrating it with regional development strategies can help align supply with evolving demand patterns, while improving the completeness and accessibility of land and cadastral registries would facilitate transactions and development.

Advice 4: Boosting Supply of Affordable and Social Housing

27. The authorities’ efforts to boost affordable and social housing are welcome and should be reinforced. The planned rehabilitation of publicly-owned properties in close partnership with the private sector, is a critical step towards developing social rental housing. Also, the new building regulation, giving real estate developers incentives to allocate part of their new construction to social and affordable housing, is a welcome development. An efficient allocation of these properties to those who need them the most will be key. At the same time, the authorities’ plans to extend student dormitories are also welcome and should be complemented with measures to promote co-living given the prevalence of large properties.

Advice 5: Recalibrating Demand Measures to Reduce Price Capitalization

28. Demand-side support should be better targeted and calibrated to avoid price capitalization and potential regressive effects. While potentially beneficial in the short term, evidence confirms that when supply is inelastic, untargeted support tends to benefit landlords and sellers rather than improving affordability (OECD, 2021). Indexing the rent refund on the monthly payment could help enhance transparency of the rental market but will come at a higher fiscal cost in the future. Going forward, refining eligibility criteria and means-testing would improve cost-

effectiveness and limit regressive outcomes. Similarly, the authorities should assess the impact of tax incentives, such as the VAT exemption on new construction, which could tend to benefit richer households or real estate companies. Should this be the case, the authorities should consider phasing it out or possibly reorienting it toward renovation.

Advice 6: Strengthening Policy Coordination

29. Improving housing affordability requires stronger policy coordination across labor, financial, energy, and regional policies to address underlying structural drivers of income, costs, and demand concentration. Labor market measures to increase participation and broader supply-side reforms to boost productivity and wages would support income growth. On the financial side, easing credit constraints is essential, including through accelerating the resolution of legacy debt, promoting greater competition in the banking sector, and encouraging banks to develop tailored financing products for housing renovation. Lowering energy costs requires continued efforts to expand renewable energy and improve interconnections—particularly for island regions.

F. Conclusions

30. Our analysis’s main conclusions are as follows:

- Housing affordability is at the center of a self-reinforcing loop between households’ vulnerability, aging housing stock, and societal/demographic dynamics changes.
- Greece faces a housing allocation problem rather than a standard housing shortage. Structural challenges impede efficient use of the existing stock. Spatial distribution, segmented demand, and market inefficiencies exacerbate supply demand-mismatch.
- Overall, government measures go in the right direction but need further consolidation, greater focus on affordable supply, and a mix between sticks and carrots to mobilize the existing stock and reduce mismatches. Alleviating capacity constraints in the construction sector and boosting productivity is key to unlock supply and contain the increase in construction costs. The ongoing digitalization and centralization of information on properties will help better identify the problems and design adequate policies. Finally, housing policies are not the only lever; exploiting synergies with other policies is important.

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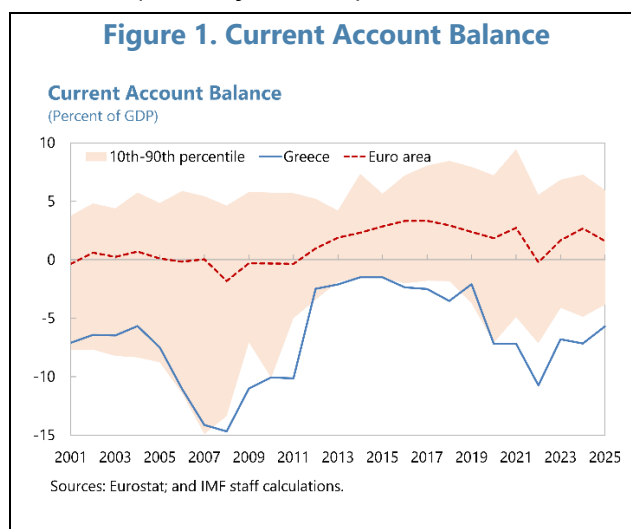
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EXTERNAL SECTOR DYNAMICS AND FIRMS' COMPETITIVENESS IN GREECE¹

Greece's external sector has undergone significant transformation over the past decades. Pre-crisis imbalances—including large fiscal deficits, household overinvestment, and elevated labor costs—have largely been corrected. Nevertheless, the current account deficit remains sizable, reflecting persistent challenges such as subdued private saving, low value added in exporting sectors, and high external debt. Advancing supply-side reforms would help strengthen international competitiveness and raise productivity, supporting higher domestic value-added and saving. Maintaining prudent fiscal policy remains essential to further reduce external debt.

A. Motivation

1. Greece's current account (CA) deficit has widened in recent years, reversing much of the post-crisis adjustment. While the sovereign debt crisis was marked by large external imbalances, which narrowed substantially during the subsequent adjustment period, the CA deficit widened again after the pandemic (Figure 1). The deterioration initially reflected the collapse of tourism followed by the impact of higher energy prices and rising interest rates after Russia's war in Ukraine. Although these pressures have partly eased, the CA deficit remains elevated, driven by strong goods imports associated with robust domestic demand, including NGEU-financed investment. As a result, Greece records the second largest CA deficit in the euro area and the largest negative net international investment position (NIIP).



2. This paper examines recent CA dynamics from both cyclical and structural perspectives, highlighting post-crisis improvements alongside remaining challenges. Section B examines the CA dynamics from the saving-investment balance perspectives to understand shifts in sectoral contributions after the crisis. Section C discusses remaining challenges in exporting sectors and competitiveness on the production side of the economy. Section D examines the implications of these challenges for recent CA developments and Section E presents an empirical analysis of the

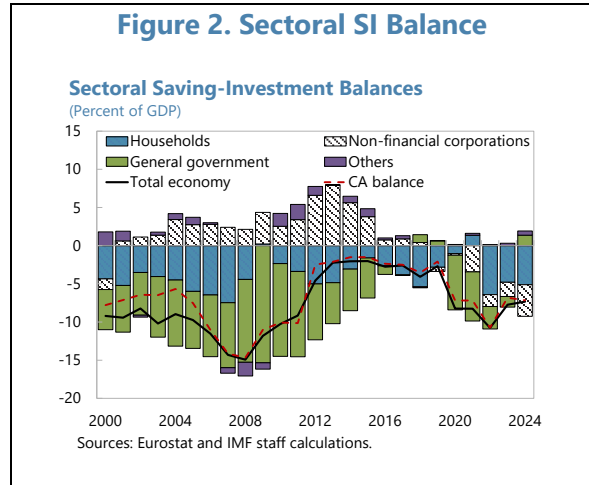
¹ Prepared by Tomohide Mineyama. Summer (Yutian) Cai provided excellent research assistance. The author would like to thank George Hondroyiannis, Stelios Panagiotou, and participants of the workshop held at the Bank of Greece for useful discussions, comments, and suggestions.

relationship between structural impediments and firms’ competitiveness. Section F concludes with policy implications.

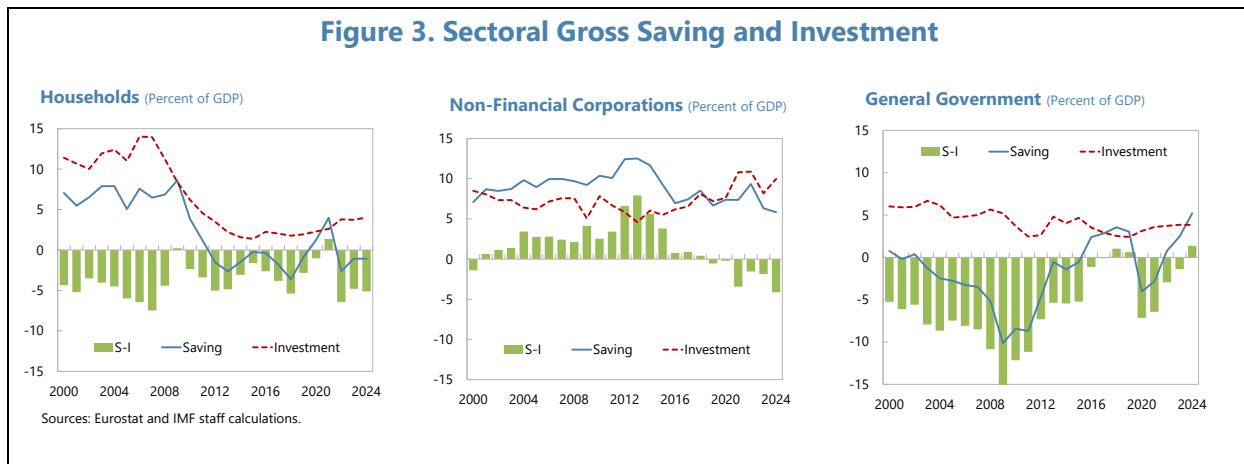
B. Shifting Sectoral Saving-Investment Balances

3. The recent CA deficit is driven primarily by private sector’s saving-investment (SI) imbalance, in contrast to the pre-crisis period when deficits were largely public sector driven.

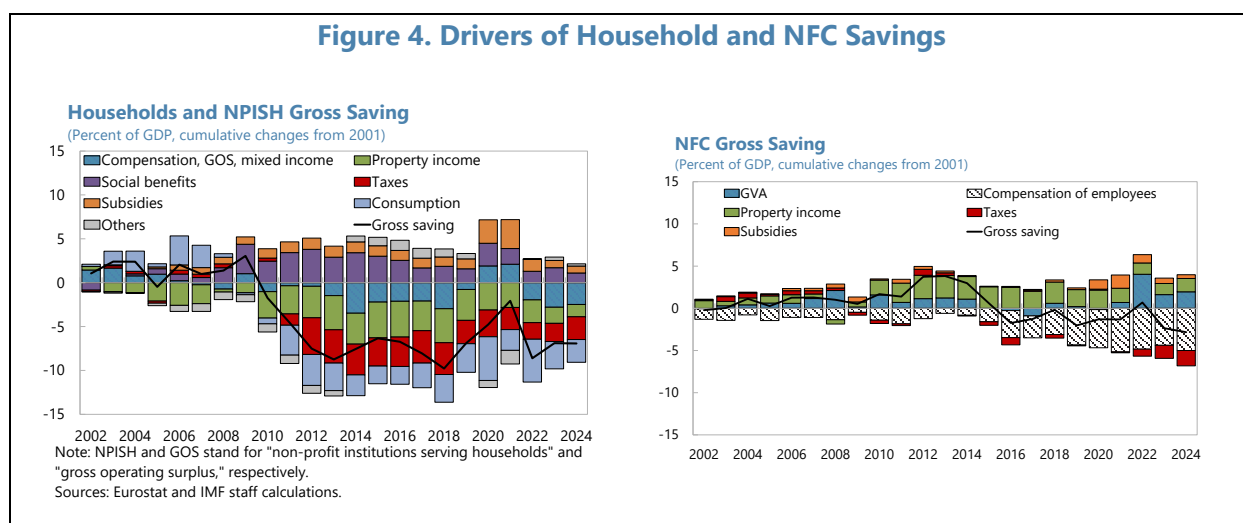
Before the crisis, external imbalances reflected negative general government (GG) net saving, stemming from expansionary fiscal policies and weak tax collection, alongside household overinvestment associated with the housing boom (Figure 2). Over time, substantial fiscal consolidation has shifted the GG SI balance into surplus, aside from temporary pandemic-related support measures. Despite elevated public external debt, debt service costs remain contained due to a large share of official debt with low interest rates and ultra-long maturities (Box 1). In contrast, the recent CA deficit is largely driven by the private sector, with non-financial corporates’ (NFCs) SI balance turning to negative, while households’ saving remaining subdued.



4. Private gross saving remains insufficient to finance rising investment. The recent widening of the private sector’s SI deficit has been driven mainly by higher NFCs’ investment (Figure 3), reflecting the implementation of NGEU projects, pent-up investment needs following years of post-crisis underinvestment, and growing needs related to ICT and energy security. However, domestic saving has not kept pace. Household saving remains low—aside from a temporary post-



pandemic increase—despite strong economic growth (Figure 4).² Real wage growth has been limited, consistent with weak labor productivity growth (reflected in “compensation of employees” for employed workers and “gross operating surplus and mixed income” for self-employed workers). High living costs for essentials such as housing, energy, and food further constrain households’ saving capacity. Fiscal consolidation, including lower net social benefits and higher tax burdens, has further weighed on household disposable income. At the same time, NFCs’ gross value-added creation has stagnated, reflecting low productivity growth and high intermediate input costs. Going forward, it is essential that the current investment cycle translates into sustained gains in value-added production, supporting higher corporate surpluses and household incomes—key elements of durable saving.



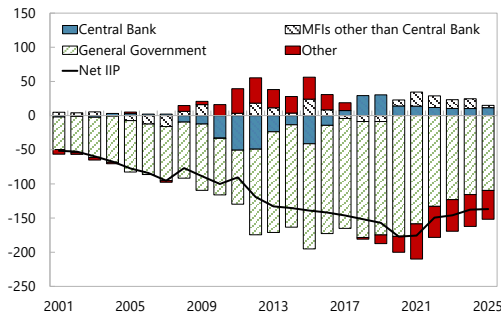
² The large share of self-employed and micro firms, together with remaining informality, makes measurements of household saving challenging. Note also that discrepancies appear between saving in the non-financial account (SNA) and net lending/borrowing in the financial account.

Box 1. External Financial Flows and Debt Service Burdens

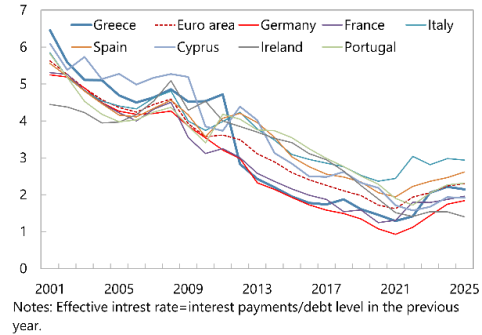
Despite high external debt, debt service burdens remain contained. The net international investment position (NIIP), in percent of GDP, continued to increase after the crisis, reflecting elevated external financing needs and the sharp contraction in nominal GDP. However, as the bulk of external debt consists of low-interest official loans with very long maturities and extended grace periods, debt service obligations have remained manageable (see figures below).

The negative NIIP, albeit still elevated, has been on a sustained improving trend in recent years. External financing was initially dominated by official flows in the aftermath of the crisis, but normalized as market access was restored. At the same time, FDI inflows strengthened, reflecting the privatization program and improved investor confidence. Thanks to contained financing need supported by substantial fiscal consolidation and strong nominal GDP growth, the NIIP began to improve after the pandemic.

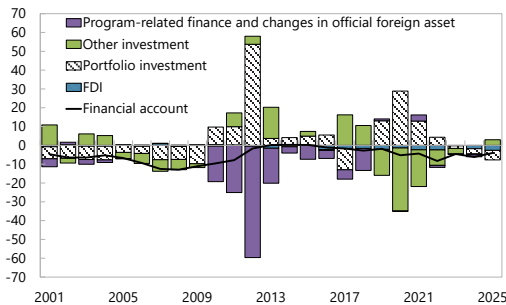
Net International Investment Position
(Percent of GDP)



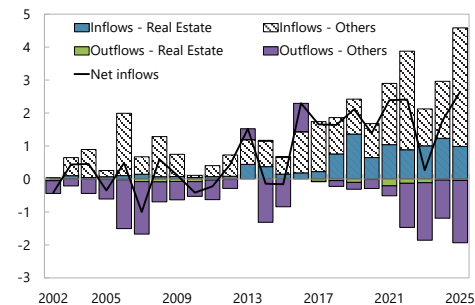
GG Effective Interest Rate in Selected Countries
(Percent)



Financial Account Balance
(Percent of GDP)



FDI Flows
(Percent of GDP)

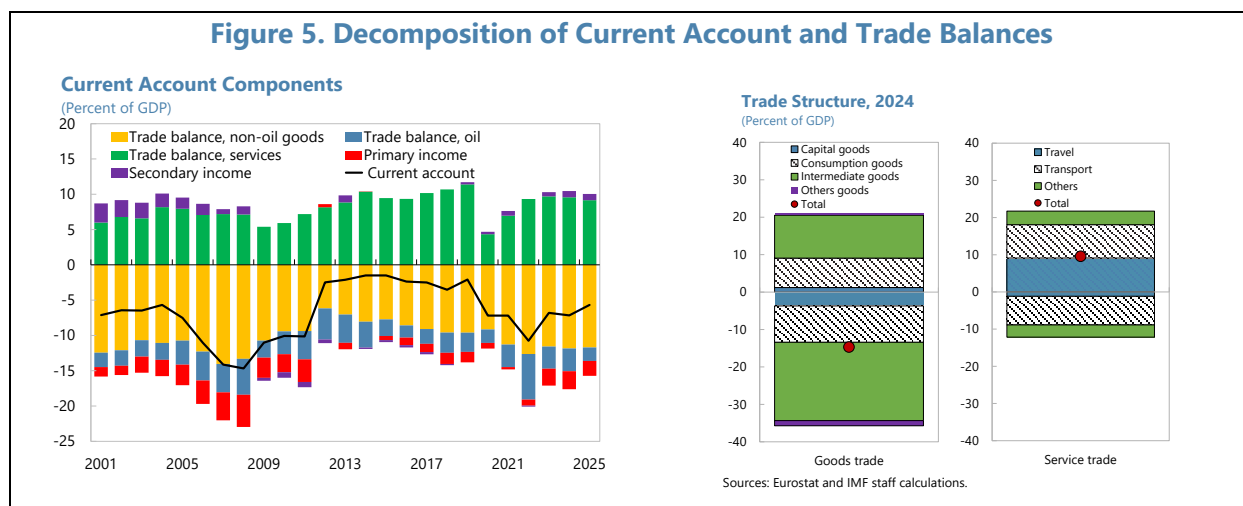


Sources: Bank of Greece and IMF staff calculations.

C. Persistent Domestic Production Gaps

5. The weak private sector SI balance reflects a persistent trade deficit. While Greece generates substantial net services exports, mainly from tourism and shipping, it remains heavily reliant on goods imports across consumption, intermediate, and capital goods, underscoring a limited domestic production base (Figure 5). Despite the recent expansion of renewable energy production, such as solar and wind, the energy balance remains in deficit. The trade balance has averaged a deficit of 5.7 percent of GDP since 2000, as a large goods deficit of 13.7 percent more

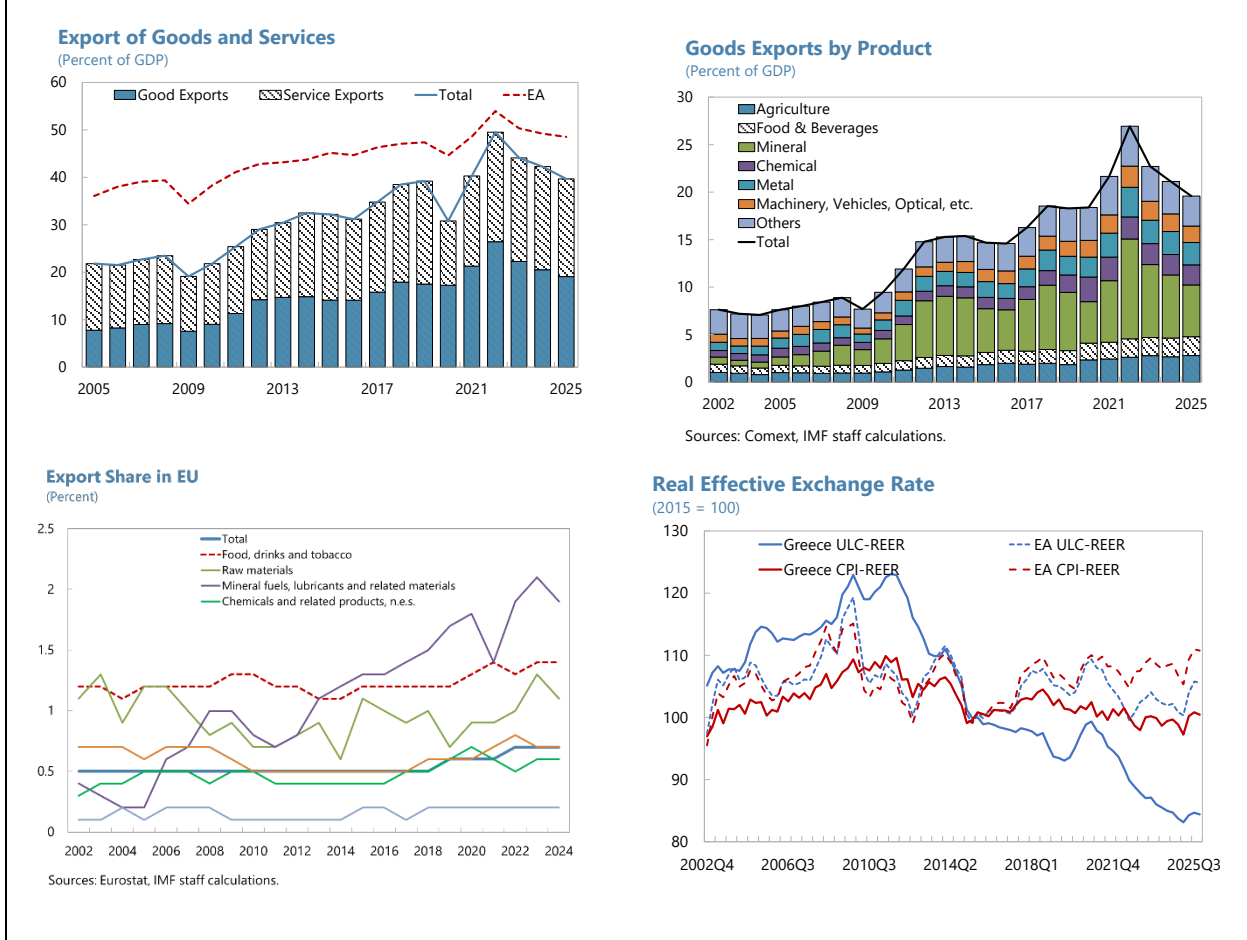
than offset a service surplus of 8.0 percent, accounting for most of the CA deficit (6.8 percent of GDP).



6. Exports have expanded markedly across a broad range of sectors over the past decades. Despite the large trade deficit, the exports-to-GDP ratio has almost doubled since the early 2000s, reaching about 40 percent of GDP in 2025—close to the euro area average of 49 percent (Figure 6). This increase reflects broad-based growth both in goods and services. Goods exports have been driven by traditional sectors, such as (i) refined petroleum products that capitalize on Greece’s geographic position by importing crude oil from the Middle East and North Africa and exporting refined products to the rest of Europe, and (ii) food, beverages, and agricultural products, supported by well-established Greek brands. At the same time, (iii) pharmaceuticals and cosmetic products, and (iv) medical devices have emerged as dynamic export sectors, with rising market shares in the EU.

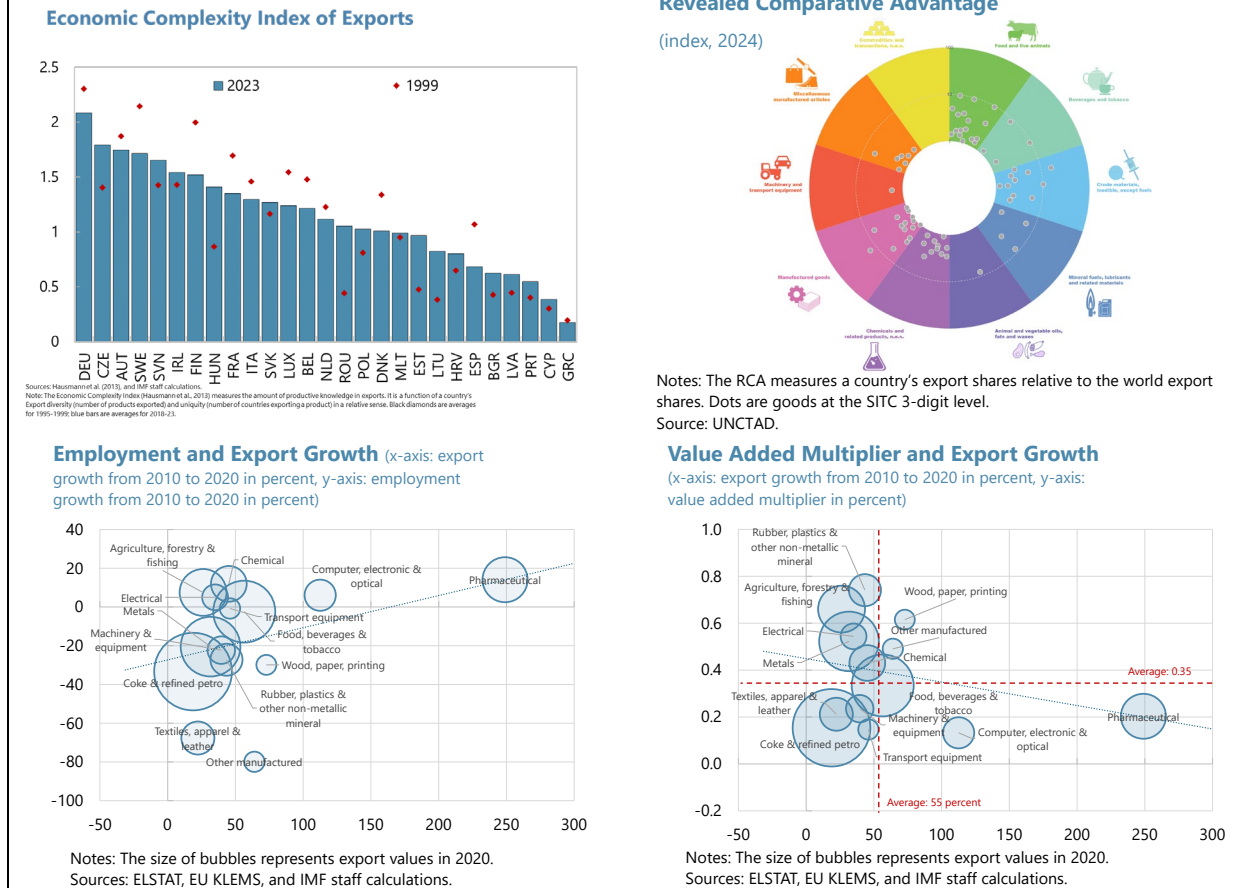
7. Export growth has been underpinned by improved cost competitiveness. The unit labor cost (ULC)-based real effective exchange rate (REER), which measures production costs relative to trading partners, depreciated by more than 30 percent from its peak in 2011Q3 (Figure 6). This was achieved largely through wage adjustments enabled labor market reforms that increased flexibility and facilitated internal devaluation during the adjustment period. This adjustment reversed the pre-crisis overvaluation driven by rapid wage growth and helped restore cost competitiveness across both goods and services, supporting export performance.

Figure 6. Exports and Cost Competitiveness



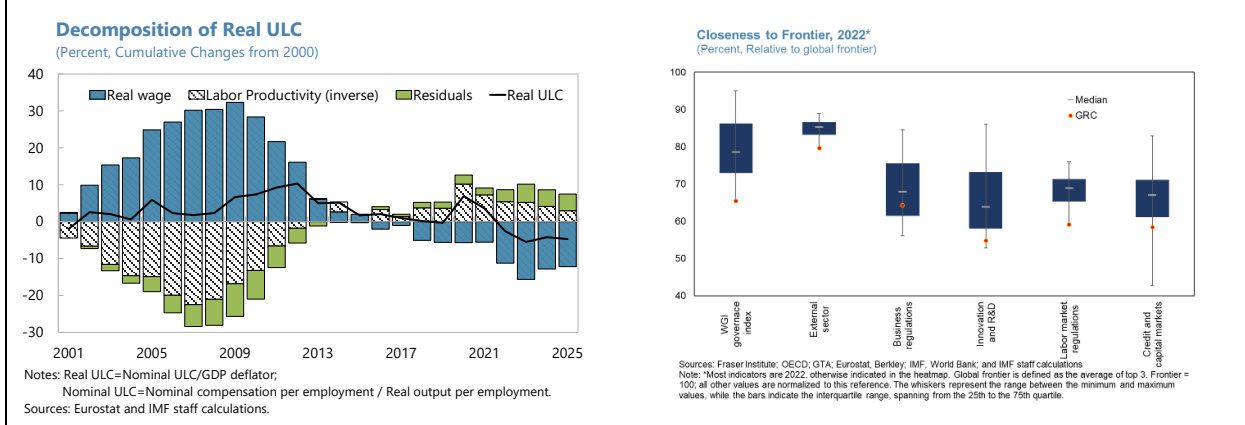
8. However, exports remain concentrated in relatively low value-added sectors, limiting their contribution to net exports. Despite the strong export growth, diversification remains limited, with goods exports dominated by refined petroleum and agricultural and food products, and services exports largely driven by tourism. This concentration is evident in the economic complexity index and revealed comparative advantage measures (Figure 7). While export expansion has supported domestic activity and employment, an analysis based on sectoral input–output linkages indicates that the domestic value-added multiplier of exports is relatively low—about 0.43 on average—implying that €1 of exports generates only about €0.43 in domestic value added or GDP, with substantial import leakages (see Appendix I for technical details). Large sectors—including refined petroleum, metals, and food products—remain locked into lower value-added activities. Moreover, although some higher-technology sectors—including pharmaceuticals and electronic and optical equipment (such as medical devices)—have recorded rapid export growth, their contribution to domestic value added has so far been limited. As a result, export expansion has had only a modest impact on improving the trade balance.

Figure 7. Characteristics of Export Sectors



9. Despite gains in cost competitiveness, improvements in underlying productivity have been sluggish. The large post-crisis depreciation of the ULC-based REER was mainly driven by real wage compression, while labor productivity contributed little and at times even exerted upward pressure on ULCs before a recent partial improvement (Figure 8). Real wage adjustment was further dampened by slow price adjustment, reflecting persistent product-market frictions and high non-wage costs, including regulatory and administrative burdens and energy costs. As a result, notwithstanding some recent progress, Greece continues to perform poorly across several structural indicators, and adjustments of the CPI-based REER were much more contained than the ULC-based rate (Figure 6).

Figure 8. Cost and Non-Cost Competitiveness



D. Cyclical Implications of Structural Challenges

10. Structural weaknesses have amplified the recent widening of the CA deficit. Subdued private saving and limited domestic value-added activities, underpinned by sluggish productivity growth, have remained persistent structural constraints. This section aims to quantify how much these structural challenges contribute to the recent widening of the CA deficit, in the context of strong domestic demand-driven growth and volatile global commodity prices and interest rates. Specifically, low household saving implies hand-to-mouth consumption behavior, with income gains translating quickly into consumption rather than saving. At the same time, stagnant value-added creation by NFCs, combined with rising investment, has resulted in a negative SI balance. On the production side, insufficient domestic production capacity—exacerbated by weak productivity growth—has constrained the economy’s ability to meet rising domestic demand and leads to higher imports. Moreover, the disparity between a goods trade deficit and a services trade surplus has heightened the sensitivity of the CA balance to relative price movements, especially global commodity price fluctuations. Similarly, a highly negative NIIP has amplified exposure to interest rate movements through higher primary income payments.

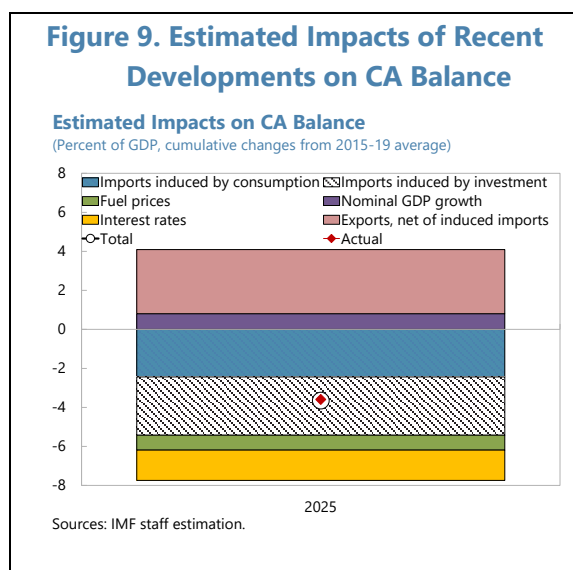
11. Parsimonious simulations are conducted to quantify the impacts of key recent domestic and external dynamics. The analysis below focuses on estimating the contribution of domestic demand growth and global commodity price and interest rate fluctuations, based on a set of assumptions:

- *Domestic demand.* Imports associated with domestic demand are estimated by applying import multipliers—derived from input–output tables—to observed changes in consumption and investment. The estimated multipliers are around 0.3 for consumption and 0.4 for investment, reflecting the limited domestic capacity to produce capital and intermediate goods.
- *Exports.* Exports are measured net of their import content using an estimated import multiplier of about 0.4.

- *Fuel prices.* The impact of global fuel price movements is estimated based on the level of the fuel trade balance in 2019 and observed and projected fuel price changes afterwards informed by the WEO.
- *Interest rates.* Although a large share of public debt carries fixed-interest rates, higher interest rates increase debt service costs on other liabilities, including central bank's TARGET liabilities. Focusing on the TARGET liabilities, the impact is estimated using the outstanding stock at the end of previous year, assumed constant in the projection period, and the 3-month euro area interest rate.
- *Nominal GDP.* Nominal GDP growth and projections are used to express the CA balance as a share of GDP.
- The approach complements the IMF External Balance Assessment (EBA) methodology, which adjusts the CA balance for cyclical factors including the output gap and commodity terms of trade.³ It further accounts for the distinct spillovers of each demand component (consumption, investment, and exports) through sectoral input-output linkages specific to Greece, and also for the impact of global interest rate dynamics.

12. The simulations suggest that the recent widening of CA deficit largely reflects strong domestic demand, especially investment that has high import contents, alongside elevated global fuel prices and interest rates.

The findings indicate that rising investment and consumption have been the main drivers of the deterioration in the CA balance, while the net contribution of exports remains modest once their import content is taken into account (Figure 9). Investment has had a disproportionately large impact relative to its growth share, reflecting its high import intensity. By contrast, the effects of higher fuel prices and interest rates have been modest, as these pressures have eased since the onset of the war in Ukraine. The estimates are subject to uncertainty, as they rely on static input-output relationships and do not capture dynamic responses.



13. Absent structural reforms, these cyclical pressures are expected to ease only gradually.

Domestic demand growth is projected to have peaked in 2025 and moderate thereafter, while investment is expected to remain robust, reflecting persistent investment gaps. In the absence of

³ In a similar vein, Backinezos et al. (2020) and Bank of Greece (2026) estimate cyclical adjustments using trading partners' output gaps, and also adjust the primary and secondary income balances.

structural reforms to raise domestic value-added capacity and productivity, these trends are likely to continue to weigh on the CA balance.

E. Structural Reforms and Export Competitiveness

14. This section analyzes the relationship between structural impediments and firms' performance using firm-level data. Building on earlier findings that limited NFC expansion and weak income distribution to households underpin the recent CA deficit, this section uses firm-level data from the World Bank Enterprise Surveys for EU countries (see Appendix II for details) to identify key constraints on firms' activity. The analysis focuses on how structural impediments for businesses—elicited from the survey's qualitative questions about firms' perceived business obstacles—are associated with firm performance, such as sales growth and export participation.

15. Greek firms face significant structural obstacles. The analysis focuses on four key constraints: (i) regulatory and administrative burdens, (ii) competition from the informal sector, (iii) limited access to skilled labor, and (iv) financing constraints. Regulatory and administrative burdens raise production costs and hinder firms' ability to scale up, while competition with informal firms undermines profitability. Shortage of skilled labor and finance directly limit investment and growth. These constraints are measured using firms' self-reported assessments from survey data. While perception-based indicators may be subject to measurement error, they have the advantage of reflecting binding, de facto constraints on firms' activity rather than solely the de jure policy framework. Greek firms report substantially more severe constraints than their EU peers, with several indicators exceeding the 90th percentile of the EU distribution (Figure 10).

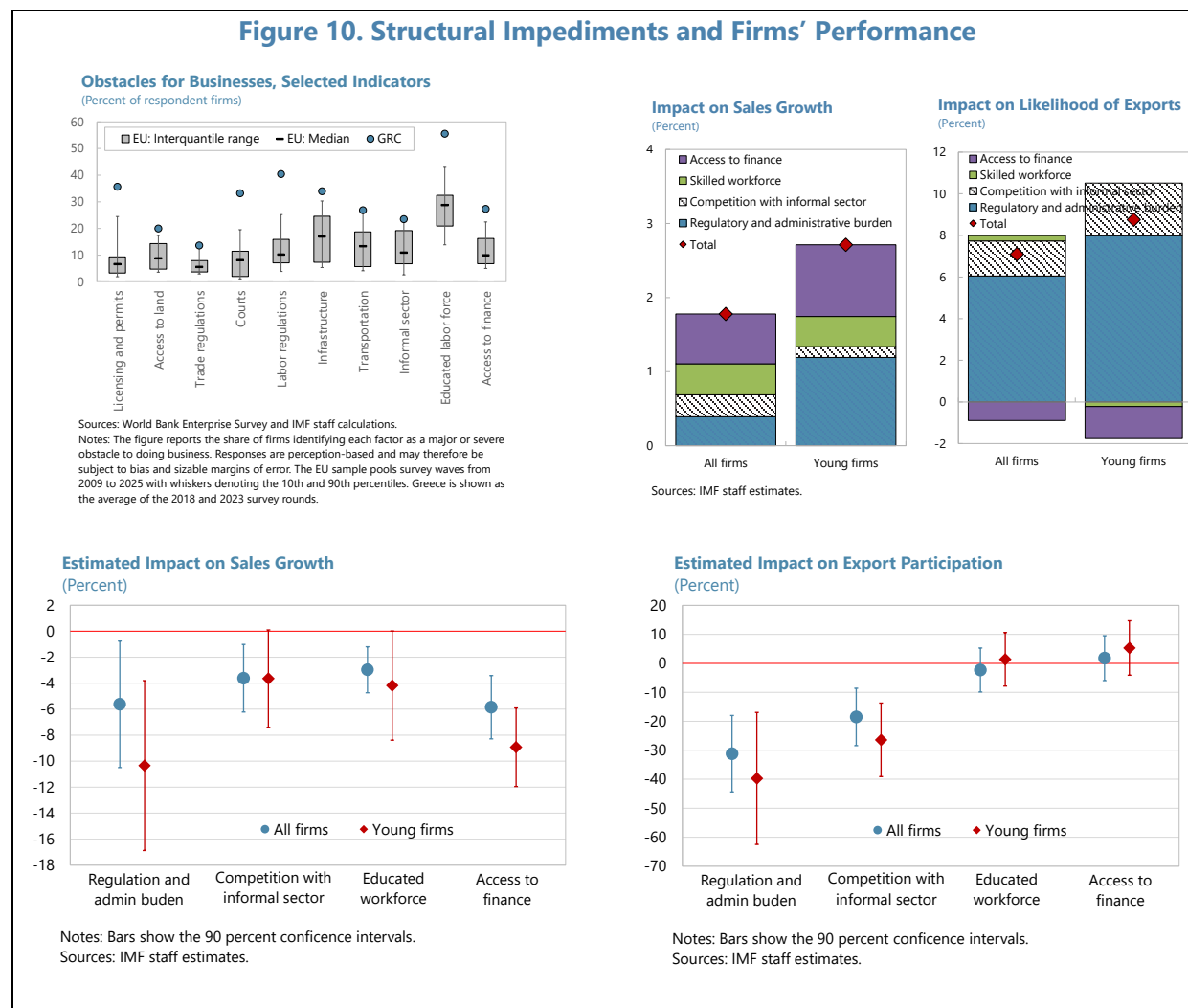
16. Structural impediments are strongly associated with weaker firm performance. Regression analysis shows that these obstacles are associated with lower growth, even after controlling firm characteristics and country-by-year fixed effects (Figure 10).⁴ Export participation is particularly hindered by regulatory and administrative burdens and competition from the informal sector, consistent with firm-selection mechanisms in heterogeneous-firm trade models (à la Melitz), in which only firms with sufficient profitability (either reflecting relatively low regulatory costs or profit margins that are less compressed by competition from the informal sector) can enter export markets. These effects are particularly pronounced for young firms, whereas significant differences are not found across firm size, implying that young firms' growth potential is particularly constrained by the impediments, and their relatively small size prevents from enjoying scale merits to overcome regulatory burdens.

17. Counterfactual simulations indicate sizable gains from reducing structural gaps. Building on the regression estimates, counterfactual simulations assume reforms that close 50 percent of the gap between Greece and the EU frontier, defined as the top decile performer for each indicator. Under this scenario, real sales growth would increase by about 1.8 percentage points,

⁴ Full regression results are reported in Annex II. In Table A2 in Annex II, most indicators remain statistically significant when included jointly in a regression, suggesting that each captures distinct constraint.

while the probability of exporting would rise by 7.3 percentage points (Figure 10). The effects are larger for young firms, with gains of 2.7 and 8.8 percentage points, respectively. Improved access to finance accounts for the largest share of the sales growth effect (around 0.6 percentage points) for the full sample, while the remaining gains are broadly comparable across skilled labor availability, reduced informality, and lower regulatory and administrative burdens. For young firms, regulatory and administrative burdens and access to finance play an even more prominent role, reflecting the importance of these obstacles. Increased export participation is driven mainly by improvements in regulatory and administrative conditions, consistent with the regression results.

Figure 10. Structural Impediments and Firms' Performance



F. Policy Recommendations

18. Strengthening the external position requires enhancing international competitiveness and expanding domestic supply capacity. Reducing external imbalances hinges on increasing firms' ability to generate domestic value added and ensuring that growth translates into higher domestic income. This calls for structural policies that boost productivity, promote diversification toward higher value-added activities, and deepen linkages between exporters and the broader

economy. Policies that sustainably raise household disposable income and profitability of NFCs would support higher private saving and reduce reliance on CA deficits.

19. Structural reforms should prioritize removing barriers to firm growth and export participation. Evidence in this paper identifies regulatory and administrative burdens, informality, skill shortages, and limited access to finance as key constraints on firm performance and competitiveness. Streamlining administrative procedures, lowering compliance costs, and improving regulatory quality would reduce fixed costs and support firm scaling, particularly among young and productive firms. Continued efforts to address informality—supported by digitalization and tax compliance efforts—would help level the playing field and raise productivity. Policies to alleviate skill shortages through education, training, and lifelong learning would facilitate firms' transition toward higher value-added activities. Improving access to finance, especially for high-return investment including digital investment, would help translate ongoing investment into sustained gains in domestic value added.

20. Prudent fiscal policy should complement structural reforms. Maintaining a prudent fiscal stance is essential to contain excessive domestic demand pressures that could deteriorate the SI balance. Within this fiscal framework, reallocating expenditure toward growth-enhancing priorities—such as public investment and critical social spending—would support private sector investment and household disposable income.

21. EU-level reforms, namely completing the EU single market, would support Greece's domestic structural reforms and strengthen external sustainability. Setting a level playing field across the union and reducing trade barriers would enable Greek firms to scale beyond relatively small domestic markets. Advancing the Savings and Investments Union would lower financing costs and mobilize risk capital for innovators, helping overcome the lack of domestic savings. Greater labor mobility would help mitigate demographic pressures and support skill upgrading. Integrating the energy market would significantly help Greece achieve energy security, reduce energy price and volatility, and lower production costs and energy trade deficit.

22. A credible reform agenda would also support stable external financing. Progress on structural reforms, alongside prudent macroeconomic policies, would enhance Greece's attractiveness for foreign direct investment and other stable capital flows, reducing vulnerabilities to external shocks. Over time, stronger domestic value-added creation and higher private saving would support a more balanced and sustainable growth model.

Appendix I. Input-Output Analysis

1. The analysis quantifies the spillovers from shifts in final demand—particularly exports—to domestic economic activities and imports through sectoral input-output linkages.

- The framework considers an economy with multiple sectors, linking demand and supply as follows:

$$\underbrace{AX}_{\text{Intermediate demand}} + \underbrace{F}_{\text{Final demand (C+I+EX)}} = \underbrace{X}_{\text{Gross domestic output}} + \underbrace{IM}_{\text{Imports}},$$

where X , F , and IM is n -by-1 vectors containing sectoral gross domestic output, final demand (the sum of consumption C , investment I , and exports EX), and imports, respectively. A is a n -by- n input-output matrix whose (i,j) element denotes inputs from sector i used in sector j . Accordingly, AX represents intermediate demand for each sector.

- The framework explicitly considers trade, in line with the recent literature on sectoral input-output linkages in an open economy setting (Baqae and Farhi, 2024). Imports are assumed to be endogenously determined as a constant share of gross output:

$$IM = \text{diag}(\delta)X,$$

where δ is a n -by-1 vector of sectoral import shares.

- Rearranging these equations yields an expression for gross output:

$$\underbrace{X}_{\text{Gross output}} = \underbrace{(I - (A - \delta))^{-1}}_{\text{Adjusted Leontief inverse } (\equiv L^{adj})} \times \underbrace{F}_{\text{Final output}},$$

where L^{adj} denotes the adjusted Leontief inverse. This matrix corrects the standard Leontief inverse $L = (I - A)^{-1}$ for import leakages, capturing the erosion of domestic production through imported inputs.

- The implied effects on total value added (VA) and imports (IM) is given by

$$\begin{aligned} \underbrace{VA^{total}}_{\text{Value added}} &= \underbrace{v' L^{adj}}_{\text{Value added multiplier}} \times \underbrace{F}_{\text{Final demand}}, \\ \underbrace{IM^{total}}_{\text{Imports}} &= \underbrace{\delta' L^{adj}}_{\text{Import multiplier}} \times \underbrace{F}_{\text{Final demand}}, \end{aligned}$$

where v denotes a n -by-1 vector of value-added shares of gross output. The i -th element of the value-added and import multipliers measures the percent change in aggregate value added or imports associated with a one-percent increase in final demand in sector i .

2. The framework is implemented using input–output tables compiled by the Hellenic Statistical Authority (ELSTAT) under ESA 2010. The analysis uses the latest available data for 2020, with robustness checks conducted using earlier vintages (2015 and 2010). Although the tables are provided on a product-by-product basis, they are interpreted as sectoral accounts following Backenezos et al. (2020), as products and sectors largely correspond on a one-to-one basis. The original 62 domestic sectors (excluding imputed rents) are aggregated into 40 sectors to ensure consistency with EU KLEMS classifications. The analysis focuses in particular on export shocks originating from 14 goods-producing sectors, excluding mining and quarrying.

3. Several caveats apply to the analysis. First, the framework treats the economic structure—including input–output relationships and import shares—as fixed and therefore does not capture potential structural changes in response to large shocks. Second, the input–output structure is assumed to be identical across components of final demand within each sector. For example, in the food products sector, exports may be concentrated in specific product categories rather than in the broad set of goods consumed domestically, which could introduce estimation errors. Third, measurement errors in input–output tables may be non-negligible.

Appendix II. World Bank Enterprise Survey

1. The World Bank Enterprise Survey (WBES) is a firm-level survey designed to assess the business environment and firm performance across countries. It provides harmonized microdata on firms' characteristics, operational conditions, and perceived constraints to growth, enabling both cross-country and within-country comparisons. Surveys are conducted periodically in over 160 economies worldwide, with each country round typically covering between 500 and 1,000 firms. The sample is stratified by firm size, sector, and geographic location to ensure representativeness of the formal non-agricultural private sector. While the survey generally does not track the same firms over time, repeated cross-sections allow for the analysis of changes in the business environment and firm outcomes across survey waves. Prior studies using WBES data include Ospina and Schiffbauer (2010) examining a global sample of countries; Hjort and Poulsen (2019) focusing on Africa; and Bartolini, Wang, and Zhu (forthcoming) covering Central, Eastern, and Southeastern Europe (CESEE).

2. The analysis focuses on manufacturing firms in EU countries over the period 2008–2023. The start year is chosen to ensure consistency in survey questions across waves. The emphasis on manufacturing reflects our interest in good-exporting sectors. The resulting sample comprises approximately 10,000 firms, including observations from Greece's survey waves in 2018 and 2023.

3. The analysis adopts a novel approach to examine the relationship between perceived business obstacles and firm performance. The WBES collects firms' subjective assessments of the severity of key obstacles to doing business—such as regulatory and administrative burdens, infrastructure quality, access to finance, and skills shortages—allowing for the identification of binding constraints from the perspective of firms. These perceived obstacles are linked to quantitative measures of firm performance, including sales growth, labor productivity growth, and export participation, as well as firm characteristics such as size, ownership structure, and employment. Summary statistics are reported as below. In contrast to prior studies that examine individual structural factors in isolation (e.g., Klapper et al., 2006, for regulatory burdens; Reinikka and Svensson, 2002, for infrastructure; Beck et al., 2005, for access to finance), this analysis takes a holistic view of multiple structural impediments and assesses their relative importance. The firm-level evidence also complements cross-country and sector-level analyses of structural factors and growth.

Table 1. Greece: Summary Statistics

	EU countries			Greece		
	N	Mean	SD	N	Mean	SD
Obstacles for businesses (1 or 0)						
Regulation and admin burden	33,676	0.15	0.22	1,121	0.39	0.26
Competition with informal sector	35,386	0.13	0.34	1,158	0.23	0.42
Educated workforce	38,301	0.30	0.46	1,196	0.56	0.50
Access to finance	38,082	0.13	0.34	1,193	0.27	0.45
Exporter (1 or 0)	38,464	0.29	0.45	1,198	0.34	0.47
Foreign ownership (1 or 0)	38,383	0.11	0.32	1,194	0.12	0.32
Employment	38,578	83.6	504.9	1,198	78.5	125.7
Age	38,244	26.2	22.0	1,188	25.1	18.5

4. The empirical approach is based on the following regression specification:

$$Performance_{ict} = \beta X_{ict} + \gamma Z_{ict} + FE_{c \times t} + \varepsilon_{ict}.$$

- $Performance_{ict}$ denotes a performance indicator for firm i in country c surveyed in year t . Performance is measured using sales growth (averaged over the previous two years) and export participation (a binary indicator equal to one if the firm exports and zero otherwise).
- X_{ict} captures firms' perceived business obstacles. Responses are based on the survey question: "To what degree is 'X' an obstacle to the current operations of this establishment?" An indicator equal to one is assigned if the obstacle is reported as "major" or "severe," and zero otherwise. Obstacles are constructed for four areas: (i) regulatory and administrative burdens, (ii) competition from the informal sector, (iii) availability of an educated workforce, and (iv) access to finance. The regulatory and administrative burden indicator is defined as the average of reported obstacles related to tax administration, customs and trade regulations, courts, labor regulation, and political instability, while the remaining obstacles are taken directly from the corresponding survey questions.
- Z_{ict} denotes a vector of firm-level controls, including the logarithm of total factor productivity (TFP) estimated by Francis et al. (2020) using a production-function approach, an indicator for foreign ownership, the logarithm of employment, firm age, and firm age squared. $FE_{c \times t}$ represents country-year fixed effects, which control for common macroeconomic and institutional conditions at the country-year level, and ε_{ict} is an error term. As the data consist of repeated cross-sections, firm fixed effects cannot be included; instead, country-year fixed effects and detailed firm-level controls are used to mitigate omitted-variable bias.
- Standard errors are clustered at the country-year level to account for correlation within survey waves.
- The analysis is conducted for the full sample and a subsample of young firms (age below the median of 32 years).

5. Full regression results are reported as below.

Table 2. Greece: Regression Results										
(A) Sales Growth										
Dependent variable:		Real sales growth (percent)								
Sample:	All firms				Young firms					
Obstacles for businesses (1 or 0)										
Regulation and admin burden	-5.625*				-2.125	-10.343**				-6.462**
	(2.951)				(2.717)	(3.960)				(3.137)
Competition with informal sector		-3.619**			-2.717**		-3.646			-1.347
		(1.577)			(1.128)		(2.270)			(1.244)
Educated workforce			-2.965***		-2.113**			-4.183		-2.055
			(1.073)		(0.971)			(2.546)		(2.260)
Access to finance				-5.849***	-4.764***				-8.928***	-6.851***
				(1.474)	(1.650)				(1.833)	(1.648)
Controls										
Ln(TFP)	0.737***	0.640***	0.591***	0.681***	0.708***	0.636**	0.440**	0.452*	0.469**	0.656**
	(0.163)	(0.152)	(0.163)	(0.168)	(0.199)	(0.294)	(0.206)	(0.227)	(0.197)	(0.327)
Foreign ownership	4.035*	3.659	3.433*	4.119*	4.182*	8.256**	7.345*	6.670*	8.076**	8.577**
	(2.150)	(2.353)	(1.974)	(2.234)	(2.482)	(3.871)	(4.136)	(3.795)	(3.925)	(3.987)
Ln(Employment)	0.460	0.689	0.682	0.457	0.513	0.235	0.837	0.656	0.058	0.147
	(0.488)	(0.420)	(0.444)	(0.464)	(0.439)	(0.641)	(0.749)	(0.792)	(0.712)	(0.655)
Age	-0.203***	-0.216***	-0.211***	-0.215***	-0.232***	-0.120	-0.186	-0.128	-0.041	0.046
	(0.046)	(0.046)	(0.049)	(0.048)	(0.044)	(0.788)	(0.785)	(0.709)	(0.710)	(0.839)
Age squared	0.001***	0.001***	0.001***	0.001***	0.001***	-0.010	-0.007	-0.008	-0.013	-0.016
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.026)	(0.026)	(0.024)	(0.024)	(0.028)
N of obs.	9,991	10,162	11,035	10,968	9,300	4,426	4,565	4,925	4,898	4,136
R-squared	0.086	0.085	0.084	0.093	0.107	0.087	0.072	0.072	0.095	0.109
(B) Export Participation										
Dependent variable:		Exporter (1 or 0)								
Sample:	All firms				Young firms					
Obstacles for businesses (1 or 0)										
Regulation and admin burden	-0.312***				-0.328***	-0.397***				-0.433***
	(0.080)				(0.091)	(0.138)				(0.145)
Competition with informal sector		-0.185***			-0.155**		-0.264***			-0.233***
		(0.060)			(0.062)		(0.077)			(0.073)
Educated workforce			-0.023		-0.013			0.014		0.011
			(0.046)		(0.054)			(0.056)		(0.064)
Access to finance				0.018	0.063				0.053	0.109*
				(0.047)	(0.049)				(0.057)	(0.057)
Controls										
Ln(TFP)	-0.044***	-0.046***	-0.049***	-0.048***	-0.044***	-0.048***	-0.046***	-0.051***	-0.052***	-0.044***
	(0.013)	(0.013)	(0.013)	(0.013)	(0.013)	(0.013)	(0.015)	(0.015)	(0.015)	(0.014)
Foreign ownership	0.630***	0.632***	0.612***	0.609***	0.634***	0.681***	0.633***	0.641***	0.630***	0.650***
	(0.046)	(0.048)	(0.046)	(0.046)	(0.050)	(0.061)	(0.063)	(0.064)	(0.063)	(0.061)
Ln(Employment)	0.368***	0.372***	0.370***	0.370***	0.374***	0.336***	0.348***	0.341***	0.340***	0.352***
	(0.019)	(0.018)	(0.018)	(0.018)	(0.019)	(0.022)	(0.023)	(0.022)	(0.022)	(0.023)
Age	0.006***	0.006***	0.006***	0.006***	0.006***	0.018	0.011	0.018	0.017	0.013
	(0.001)	(0.002)	(0.001)	(0.001)	(0.001)	(0.018)	(0.016)	(0.017)	(0.017)	(0.018)
Age squared	-0.000***	-0.000***	-0.000***	-0.000***	-0.000***	-0.000	-0.000	-0.000	-0.000	-0.000
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
N of obs.	10,233	9,966	10,776	10,702	9,527	4,605	4,527	4,859	4,830	4,306

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