

The Greek Economy

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The Foundation for Economic and Industrial Research (IOBE) is a private, non-profit, public benefit research organisation. Its purpose is to promote research on current problems and prospects of the Greek Economy and its sectors and to generate reliable information, analysis and proposals for action that can be of value to policy makers.

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Foundation for Economic and Industrial Research (IOBE)
11, Tsami Karatassou Street, GR-117 42 Athens | T.: +30210 9211200-10,
URL: www.iobe.gr, Email: info@iobe.gr

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Foreword

IOBE is publishing its report for the second quarter of 2025, as part of the periodic reviews of the Greek economy. It contains four sections, accompanied by an annex of macroeconomic indicators, comparing the performance of Greece with that of the remaining countries in the Euro area. An introductory text precedes it, highlighting the maintenance of the momentum as well as significant challenges. The remaining sections include the following:

The first section contains a brief overview of the report, setting out its highlights, analysed in detail in the following sections. The second section outlines the broader economic environment and includes: a) analysis of the international environment in the first quarter of 2025 and the developments and outlook for rest of the year, b) presentation of the economic climate in Greece in the second quarter of 2025, according to the results of the business and consumer surveys of IOBE, c) assessment of the balance of the State Budget for the first five months of 2025 and d) developments in the domestic financial system up until May 2025.

The third section focuses on the macroeconomic performance and outlook of the Greek economy. It outlines recent macroeconomic developments with an emphasis on the first quarter of 2025 and presents forecasts for 2025 and 2026, based on assumptions and considering the latest available data. It analyses developments in key production sectors in early 2025 and presents the export performance of the Greek economy for the same period, based on data from both the national accounts and the balance of payments. After that, it outlines developments in the labour market over the first quarter of 2025. It then analyses the inflation trends in the second quarter of 2025.

The fourth section presents the main findings of a recent IOBE study on the economic footprint of the Athens International Airport (Chapter 4). The current report contains four text boxes. The first text box shows how investment components have evolved in the Greek economy compared to the European trend (section 3.1A). The second presents a comparison of the size of Greek enterprises by sector of activity with the EU average (section 3.2). The third box highlights the performance of the Greek economy's international investment position and its correlation with variables such as direct investment, public debt and the current account balance (section 3.3A). The fourth box examines the sources of financing for the current account deficit before and after the crisis (section 3.3B).

This report refers to and is based on data available until 10/07/2025.

IOBE's next quarterly report on the Greek economy will be published in October 2025.

MAINTAINING MOMENTUM WHILE FACING SIGNIFICANT CHALLENGES

There have been no significant changes to the main trends in the Greek economy or its external environment over the last quarter. Domestically, GDP growth remains stable and higher than the euro area average. This is supported by robust consumer spending, despite inflation remaining higher than desired, and by the ongoing decline in unemployment. In the European and global environment, however, challenges and uncertainty persist regarding the outcome of military tensions in Ukraine and the Middle East, as well as protectionist policies in global trade in the context of new US policies. Both the global and Greek economies are showing resilience, but their medium-term performance will depend on specific decisions that are yet to be made. Provided there are no major new crises, the current trends in the Greek economy are expected to continue into next year, alongside an expected relative improvement in Europe's macroeconomic conditions.

Domestic
growth
momentum
remains intact

Important individual issues that deserve attention and analysis in the context of the Greek economy include exposure to external shocks, the course of exports, inflation and investments.

The direction of US economic policy and the outcome of ongoing military conflicts in regions close to our country are key features of the external environment. Together, these issues create an uncertain environment that discourages productive investment and the effective resolution of accumulated problems in the global economy through productivity growth.

The risks posed
by the external
environment are
intensifying

In terms of economic policy, one key issue is how trade protectionism will develop, particularly given the US's imposition of high tariffs on its trading partners. In this regard, uncertainty remains, not so much in terms of a decline in global trade, but rather in terms of postponed investments, which are greatly affected by the outcome of trade policy choices. The ongoing disruption to global trade rules has, in the current period, led to new inflationary pressures and reduced the estimated growth rates of the global economy. Equally important are fiscal balance and currency stability in the US, as they are key reference points for the global economy. Questions about the credibility of future financing for the world's strongest economy, and the knock-on effects this could cause, are putting pressure on financial markets, which is likely to intensify.

The issue is further complicated by ongoing military tensions and operations until a solution to the relevant problems in the Middle East and Ukraine is found. The most notable recent event was the attack on Iran's nuclear facilities amid ongoing uncertainty about developments in the region. Naturally, military operations and the diplomatic developments surrounding them are far more significant than economic factors. While economic indicators do not suggest a particularly strong impact on the global economy, this does not mean that the situation is calm. The impact on growth and inflation rates, as well as financing costs, is already significant. If the idea of a new world order characterised by a systematic need for higher defence spending and a greater emphasis on the military becomes established, this will place an additional burden on economies that require stable rules to facilitate the integration of new technologies through investment.

The evolution of the new map of global trade and the position of the European economy within it remain open issues. For an economy like ours, which relies on growth through high-value exports, the current and expected changes not only bring pressures and challenges, but also significant opportunities. In both the product and service sectors, the selective or generalised imposition of tariffs and other import restrictions across different economies requires vigilance in order to exploit relevant gaps and achieve strategic positioning in areas where there are deficits. Many Greek companies have proven their resilience during the debt crisis, subsequently growing significantly stronger. However, they will only be able to remain on a stable growth path by strengthening their presence in high-value markets and positioning themselves in the appropriate supply chains. At the same time, the European Union's response to these developments in the form of adjusted and refocused funding programmes also creates opportunities for Greek companies. Overall, growth in the Greek economy depends on shifting towards higher-value production with quality and specialised products and services. This is also necessary for the gradual improvement of the alarming trade balance.

Opportunities for exports to higher value chains

A second parameter influenced by the external environment that directly affects the Greek economy is inflation. Although it is certainly lower than at the height of the crisis two years ago, it remains at concerning levels for two reasons. Firstly, it puts pressure on a significant number of households whose incomes are under increasing pressure to meet demand for services and products. Secondly, for an economy within a monetary union especially, the difference in inflation compared to other economies has a corrosive effect, leading to a decline in competitiveness, loss of market share in export markets and pressure on real incomes. The reasons why inflation in our country is generally higher than in many other European countries are deep-rooted. They relate to obstacles and difficulties in market functioning and a lack of new investment, which would increase supply by adding productive capacity. A simpler and more stable framework for production and entrepreneurship would have a more beneficial effect on prices.

Persistently high core inflation poses a challenge

Investment is certainly of key importance for the medium-term course of our economy. In recent years, investment has increased significantly, growing at a rate higher than the European average. However, the accumulated investment gap remains a central problem and investment continues to account for a smaller proportion of the economy than is required for achieving high growth rates in the future. Unlike consumption, which is perceived directly and positively by households, the level of investment does not affect current prosperity. Nevertheless, it does impact the prospects for future prosperity, both in the short term and the long term. In other words, investment will determine future income levels and distribution.

Investment is key for long-term growth

From a quantitative perspective, to increase national income in the coming years, the rate of investment growth must accelerate. After all, it is only in recent years that the level of new investment has been sufficient to cover the depreciation of older capital. However, the qualitative aspect is also important. Shifting investment to areas that support higher-value, productive activities is crucial to strengthening the country's growth prospects. Business investment and investment in high-productivity sectors are necessary conditions for generating future income. In any case, supporting a new production model with greater openness and innovation is unthinkable without investments that will transform the business landscape. At least two conclusions can be drawn from the most recent trends. Firstly, the housing and construction sectors remain of great importance, so policies that boost investment in these areas without reverting to an outdated production model are a high priority. Secondly, despite the positive trend in recent years, greater support is needed,

which requires reforms to simplify public administration procedures and remove barriers to entry to product and service markets.

The issue of enhancing production to increase incomes in the country by mitigating inflation and raising high-value exports is also linked to the priorities of the tax system. This applies to both strengthening long-term innovative and productive investments and enhancing labour and human capital. Although fiscal pressures are currently absent, medium-term fiscal stability and the continued smooth servicing of public debt are intertwined with developmental dynamics. In this context, removing excessive burdens on wage labour is a priority, particularly following the period of high inflation, as the cumulative tax and social insurance burden on low-income earners is extremely high. This leads to distortions in the incentives for work and the overall allocation of resources. Adjustments of this kind are essential to sustaining the growth of the Greek economy in the medium term.

Tax priorities



1 BRIEF OVERVIEW

International environment: In anticipation of trade negotiations

The global economy continued to grow in the first quarter of 2025, albeit at a moderate pace. The economies of OECD countries grew at an annual rate of 1.7%, which is lower than in the previous quarter (1.9%), but the same as in the same quarter of 2024. The US protectionist trade policy increases uncertainty, as the final level of tariffs and how other countries will react remain unclear while negotiations are ongoing. According to the latest OECD forecasts (June 2025), growth in the global economy is expected to slow to 2.9% in 2025, down from 3.1% in March and 3.3% in December. Global trade volume growth is expected to slow to 2.8% in 2025 and 2.2% in 2026, down from 3.8% in 2024.

Although inflation has eased in many economies, it has not reached the desired levels, while core inflation has proven persistent. For instance, in May 2025, inflation in the 38 OECD countries stood on average at 4.0%, while core inflation (excluding energy and food) fell to 4.4%. Meanwhile, energy prices fell by 0.3% and food prices rose by 4.4%. Monetary authorities remain cautious, either maintaining or gradually easing interest rates. The cost of money is trending downwards, with expectations converging towards a further reduction in 2025. However, the degree of recovery and the intensity of trade protectionism could cause supply chain disruptions and a resurgence of inflationary pressures, which would complicate the implementation of effective monetary policy. Section 2.1A provides a more detailed analysis of developments in the international environment.

European economy: Growth remains low despite slight acceleration

In the first quarter of 2025, the annual rate of change in real GDP accelerated to 1.6% and 1.5% in the EU-27 and the euro area respectively, up from 1.4% and 1.2% in the previous quarter. On an annualised basis, three of the 20 euro area member states, including Germany, continued to



record negative annual GDP growth rates. The economic climate in Europe deteriorated in the second quarter of 2025 as uncertainty over US trade policy intensified.

In the second quarter of 2025, the inflation rate stood at 2.3% in the EU-27 and 2.1% in the euro area, down from 2.7% and 2.3% respectively in the previous quarter. Against this backdrop, the ECB made two consecutive cuts to key interest rates in the second quarter, bringing the total reduction since mid-2024 to at least 200 basis points. Markets are anticipating a slower decline in key interest rates in 2025, though these will remain higher than at the beginning of 2022.

According to the European Central Bank's latest forecasts (June 2025), the Eurozone economy is expected to grow by +0.9% in 2025 and +1.1% in 2026, which is 0.1 percentage points lower than the previous quarter's forecasts. Eurozone inflation is expected to rise to 2.0% in 2025 and fall to 1.6% in 2026, which is 0.3 percentage points lower than the previous quarter's forecasts.

The new US administration's tariff policy and downgrading of multilateral institutions pose critical challenges to Europe's competitiveness and economic growth prospects. The ongoing wars in Ukraine and the Middle East, potential energy supply disruptions, and high fiscal deficits in core eurozone countries are threatening the recovery of the European economy and the steady decline of inflation. Section 2.1B presents trends in the European economy in more detail.

Slight slowdown in domestic economic growth in the first quarter

The annual rate of change in real GDP in Greece slowed from 2.5% in the previous quarter to 2.2% in the first quarter of 2025. In seasonally adjusted terms, GDP remained unchanged compared to the previous quarter. Growth in GDP was mainly driven by an increase in private and public consumption (+1.9% and +0.7% year on year, respectively). In contrast, fixed investment fell by 3.2% year on year (compared to an increase of 7.6% year on year in the previous quarter), while the increase in inventories helped maintain growth in total investment (up 4.1%, compared to 23.7% year on year). In terms of the external balance, the resilient performance of exports (+2.2% year on year compared to +2.9% in the previous quarter) failed to offset the increase in imports, which remained unchanged at +2.4%. Consequently, the external balance deficit in national accounting terms worsened by around €154 million compared to the same period last year.

Positive developments in the first quarter of 2025 include higher domestic growth than the Eurozone average (see Annex), recovering exports and maintaining the economy's openness (exports and imports together account for around 80% of GDP). Negative developments include negative fixed investment performance, a persistently negative trade balance and a higher inflation rate than the Eurozone average. Section 3.1A provides a detailed presentation of Greece's macroeconomic performance in the first quarter of 2025.

The special text box at the end of the section illustrates how investments have evolved over time, broken down by type and sector of activity in Greece and Europe.

Dynamic growth in tourism and industry, recovery in retail trade, halt in construction

Industrial production increased by 1.0% in the first quarter of 2025, which is lower than the 5.8% increase seen in 2024. In construction, positive momentum halted in the first quarter of the year, with activity declining by 3.2% year on year, compared to an increase of 21.8% in 2024, and the number of new building permits decreased significantly. Most service sectors recorded an increase



in turnover in early 2025, although expectations remain cautious. In tourism, turnover indicators increased for accommodation and food services. Finally, retail trade recorded a 4.2% recovery in volume during the first four months of 2025 compared to a 5.1% decline the previous year. However, expectations in retail trade showed negative trends. Section 3.2 highlights short-term trends in key sectors of the Greek economy.

The special text box at the end of the section looks at how employment is distributed by company size and economic sector in Greece and Europe.

The external deficit remains high

In the first four months of 2025, a decline in nominal terms was recorded in exports of goods, at a rate of -5.1%. However, excluding petroleum products and ships, exports increased by 4.8%. In the same period, imports of goods decreased at an annual rate of 2.9% at current prices. Consequently, the trade deficit increased by €0.3 billion to €11.08 billion over the same period. However, the Greek economy's degree of openness (total trade flows to GDP) remained high in early 2025.

In terms of the balance of payments, there was a current account deficit of €6.6 billion in the first four months of 2025, compared to €6.3 billion in 2024. The deficit worsened in both the services and secondary income accounts, the latter of which includes inflows from the Recovery and Resilience Facility. An improvement was recorded in the primary income account, while the goods account deficit remained stable. Notably, the goods and services deficit excluding fuel and ships stood at €7.2 billion in the first four months of the year, up from €6.9 billion in 2024. More detailed developments in the external balance are described in Section 3.3.

The first special text box at the end of the section shows how the country's net international investment position has changed over time and how this is related to public debt and foreign direct investment. The second special text box at the end of the section analyses the financing sources of the current account and the change in the composition of foreign direct investment before and after the crisis.

Increase in employment and further reduction in unemployment in the first quarter

In the first quarter of 2025, the unemployment rate fell to 10.4%, down from 12.1% in the same quarter of 2024. This decrease was due to a fall in the number of unemployed people (-86,000) and an increase in the number of people in employment (+43,400). In the private sector, the balance of hires and separations in the first quarter of 2025 was positive but lower than in the same quarter of 2024, at 53,200 people compared to 56,200.

The sectors that experienced the greatest annual increase in employment were wholesale and retail trade, repair of motor vehicles and motorcycles (32,600 additional employees), professional, scientific, and technical activities (27,700 additional employees), and education (24,200 additional employees). The share of full-time employment also increased compared to part-time employment. Additionally, the seasonally adjusted wage cost index increased by 5.4% in the first quarter of 2025 compared to the same quarter of the previous year.



On a positive note, the employment rate of the working-age population increased year on year in the first quarter of 2025, reducing the gap with the European average to 7.4 percentage points. However, labour market participation fell in the same period (to 52.2% for those over 15 years of age), down 0.4 percentage points compared to last year.

Employment is expected to strengthen in 2025, albeit more moderately, mainly due to an upward trend in investment, exports, and specific industrial and service sectors. According to IOBE estimates, the unemployment rate is expected to be around 9.3% in 2025 and 9.0% in 2026. Section 3.4 provides more detailed information on the labour market trend and expectations.

Rising prices for services, higher inflation than the Eurozone

Inflation was recorded at 2.5% (CPI) and 3.1% (HICP) in the first half of 2025, compared to 2.8% (CPI) and 3.0% (HICP) in the same period of 2024. The domestic inflation rate remains higher than the EU average (see Appendix, Figure 4). Much of the pressure in early 2025 was due to non-energy goods and services such as housing, accommodation and food services. For example, the rate of change in the HICP with constant taxes and excluding energy was 3.0% in the first five months of 2025, down from 3.5% a year earlier and compared to 2.4% in the euro area over the same period.

The key assumptions for the inflation forecast are as follows: (a) expected decline in the average price of Brent crude oil valued in euros in 2025 and 2026, with further downward pressure on the energy market exerted by protectionist measures; and (b) expected modest growth in consumer demand of around 1.2% and 1.0% in 2025 and 2026 respectively. In this context, and given the expected impact of inflationary pressures due to new tariffs on global trade, domestic inflation is projected to reach approximately 2.8% in 2025 and 2.3% in 2026. Section 3.5 provides a more detailed description of recent trends in consumer and producer prices, as well as expectations for their development in 2025 and 2026.

Mild deterioration in the domestic economic sentiment in the second quarter

The Economic Sentiment Indicator in Greece declined slightly in the second quarter of 2025, falling from 107.6 points to 106.8 points. There was also a slight deterioration compared to the same quarter last year (109.4 points). Business expectations improved slightly in Construction and Retail Trade in the second quarter of this year compared to the previous quarter, while they declined slightly in Services and remained essentially unchanged in Industry. The Consumer Confidence Index weakened slightly during the April-June period compared to the previous quarter, falling from -43.1 to -45.5 points. At the same time, this figure is significantly lower than a year earlier (-42.7 points). Section 2.2A provides a detailed description of the trends in the components of economic sentiment.

Public finances: cash targets are still being exceeded

A surplus of 1.3% of GDP and a primary surplus of 4.8% of GDP were achieved in 2024, compared to a target of 2.1%. General government debt fell from 163.9% of GDP the previous year to 153.6% in 2024.



In the first five months of 2025, the execution of the state budget continued to perform better than the target in cash terms, recording a surplus of €1,875 million (0.8% of GDP), compared to a target deficit of €2,475 million in the introductory report of the 2025 Budget. At the same time, a primary cash surplus of €5,343 million (2.2% of GDP) was achieved, far exceeding the targeted €1,055 million. The improvement in the cash balance compared to last year is due to an increase in net revenues and a reduction in expenditure. However, it is also largely due to timing differences in the recording of expenditure; without these, the performance would have been close to the target.

The developments in public finances are presented in Section 2.2B.

Credit expansion to businesses at a 16-year high

Among the positive trends in the banks' fundamentals were high credit expansion to businesses, a recovery in demand for loans from businesses and households, an easing of credit contraction to households, and a decline in the cost of public and private borrowing. Private deposits showed a slight upward trend, while the interest rate margin narrowed but remained high.

Negative trends and challenges in the financial system include banks' higher exposure to government bonds than in other European countries, a high percentage of non-performing loans off the balance sheet, and a high share of deferred taxation in banks' equity. Timely and effective implementation of the loan component of the National Recovery and Resilience Plan could provide an opportunity to finance productive investments on favourable terms.

Recent trends and challenges for the domestic financial system are described in detail in section 2.2C.

Macroeconomic forecasts for 2025 and 2026

The slight acceleration in the growth rate of the eurozone economy in 2025 and 2026, uncertainty surrounding the extent of protectionism in international trade, geopolitical instability, the gradual decline in borrowing costs and the speeding up of the implementation of the Recovery and Resilience Plan are the factors that will have the greatest impact on GDP growth in 2025 and 2026.

The assumptions underlying the baseline scenario are presented in detail in Section 3.1B. They include: (a) growth in the euro area of 0.9% in 2025 and 1.1% in 2026; (b) inflation of 2.0% in 2025 and 1.6% in 2026, according to the ECB's June 2025 baseline scenario; (c) continued economic uncertainty at the regional and international levels due to the resurgence of trade protectionism. This assumes that retaliation between the EU and the US will be moderate and targeted. (c) prolonged geopolitical tensions in Ukraine; (d) international energy prices following the EIA baseline scenario with downward trends in 2025 and stabilisation in 2026; (e) interest rates following the trend of current forward contracts (i.e. Euribor gradually declining to around 1.8% by the end of 2025); (f) the timely implementation of the revised 'Greece 2.0' plan by 2026; and (g) tourism revenue performance in 2025 and 2026 being similar to that in 2024 in real terms.

Section 3.1B provides detailed forecasts for each component of GDP. IOBE maintains its forecast of a marginal slowdown in annual growth to 2.2% at constant prices for 2025, with downside risks stemming from the international environment, such as trade protectionism and geopolitical instability. In terms of growth components in 2025, fixed investment is expected to increase by 5.0%, while private consumption and trade flows are expected to slow down. The external deficit is expected to remain unchanged, with exports and imports increasing by 1.5% and 1.6% annually,



respectively. Average inflation in 2025 is expected to exceed the Eurozone average slightly, reaching around 2.8%, while unemployment is projected to decrease further to approximately 9.3%.

IOBE forecasts a slight acceleration in the growth rate of the Greek economy to 2.4% in 2026, at constant prices. This is driven by a significant increase in investment, resilient consumption and an acceleration in exports. Meanwhile, the inflation rate is expected to decline to around 2.3%, remaining higher than the Eurozone average, and unemployment is estimated to remain at around 9.0%.

The IOBE baseline macroeconomic forecast (Table 1.1) suggests positive prospects, as well as risks, for 2025 and 2026. These are discussed in detail in Section 3.1B. In summary, the previous estimate of a +2.2% recovery in the domestic economy for 2025 is maintained, but with a negative outlook due to the aforementioned risks, the most significant of which are the unstable external environment and the external balance deficit. For 2026, the acceleration in the implementation of the recovery and resilience plan, lower borrowing costs, and the recovery in the euro area are expected to slightly accelerate the growth rate of the Greek economy to around 2.4%, with a further slight decline in inflation and the unemployment rate.

Table 1.1

IOBE macroeconomic forecasts (July 2025)

(in constant market prices, annual % changes, unless indicated otherwise)

	2024 (actual)	2025 (forecast)	2026 (forecast)
GDP	2.3%	2.2%	2.4%
Consumption	0.7%	1.7%	1.1%
Private consumption	2.1%	1.8%	1.0%
Public consumption	-4.1%	1.2%	1.2%
Gross capital formation	23.1%	4.1%	9.0%
Gross fixed capital formation	4.5%	5.0%	11.2%
Exports	1.0%	1.5%	2.9%
Imports	5.5%	1.6%	3.1%
Inflation rate (HICP)	3.0%	2.8%	2.3%
Unemployment (% labour force)	10.1%	9.3%	9.0%

Source: ELSTAT for 2024, IOBE estimates for 2025, 2026

Special study: The contribution of Athens International Airport (AIA) to the Greek economy

The study provides estimates of AIA's contribution to the economies of the Mesogeia area, the Attica region, and Greece as a whole in 2023. It considers the most recent data and developments in the Greek economy, as well as AIA's key operating figures. It looks at the trend of key figures and determining factors of demand relating to AIA's operations for the period 2017-2023 and estimates AIA's overall contribution in terms of GDP, tax revenue and employment. A summary of the key findings is presented in Chapter 4.



2 ECONOMIC ENVIRONMENT

2.1 Trends and prospects of the world economy

A. The global environment

- Based on the OECD's June report, global economic growth is forecast to reach 2.9% in 2025, remaining at this level in 2026.
- Although inflation is easing, it remains above target. In May, the headline index in OECD countries stood at 4.0%, while the core index stood at 4.4%, mainly due to persistent increases in service and housing prices.
- Central banks are gradually easing monetary policy, with the ECB cutting its deposit rate to 2%, though they are remaining cautious due to inflationary risks.
- The resurgence of protectionist trade policies, particularly in the US, is exacerbating inflationary pressures and complicating monetary policy planning.

The global economy continued to grow in the first quarter of 2025, albeit slowly. The economies of OECD countries grew at an annual rate of 1.7%, which was lower than in the previous quarter (1.9%) but unchanged from the same quarter of 2024. Meanwhile, the annual rate of change in GDP in the G7 economies fell to 1.5%, down from 1.7% in the previous quarter and 1.6% in the same quarter of 2023. The 20 largest OECD economies grew at a rate of 3.4% in the first quarter of the year, which was unchanged from the previous quarter and followed growth of 3.2% in the same quarter of 2024.

Despite the significant slowdown that has been recorded, inflation remains higher than desired, while core inflation is proving persistent in many economies. In May, inflation fell to 4.0% in the 38



OECD countries, while core inflation (excluding energy and food) fell to 4.4%. Meanwhile, energy prices fell by 0.3% year-on-year in the same month, while food prices rose by 4.4%.

During the last quarter, the central banks of the world's major economies further adjusted their monetary policies in response to continued easing of inflationary pressures and changing macroeconomic conditions. The European Central Bank (ECB) implemented a series of interest rate cuts, bringing the deposit rate down to 2%. This signals a shift towards a less restrictive stance, though caution regarding possible inflationary shocks remains. Similar trends can be observed in other major central banks, such as the US Federal Reserve (Fed) and the Bank of England, which are adjusting their strategies in line with domestic economic developments. Despite the general easing of inflation, core inflation remains resilient, primarily due to ongoing increases in the prices of services and housing. Additionally, the reintroduction of protective trade policies by the new US administration, in the form of tariffs and restrictions on international trade, is intensifying inflationary pressures and complicating the implementation of monetary policy. This makes it more challenging to strike a balance between supporting economic activity and maintaining monetary stability.

Table 2.1

Global Environment (annual % GDP growth, in real terms, unless stated otherwise)

Economy	2024	2025		2026	
		Forecast	Difference from previous forecast*	Forecast	Difference from previous forecast*
World	3.3	2.9	-0.2	2.9	-0.1
USA	2.8	1.6	-0.6	1.5	-0.1
Japan	0.2	0.7	-0.4	0.4	0.2
Canada	1.5	1.5	-0.8	1.0	0.3
United Kingdom	1.1	1.3	-0.1	1.0	-0.2
Eurozone	0.8	1.0	0.0	1.2	0.0
Germany	-0.2	0.4	0.0	1.2	0.1
France	1.1	0.6	-0.2	0.9	-0.1
Italy	0.7	0.6	-0.1	0.7	-0.2
Turkey	3.2	2.9	-0.2	3.3	-0.6
China	5.0	4.7	-0.1	4.3	-0.1
India	6.2	6.3	-0.1	6.4	-0.2
Brazil	3.4	2.1	0.0	1.6	0.2
World trade	3.8	2.8	-	2.2	-

* Difference in percentage points from previous OECD forecasts (OECD Economic Outlook, March 2025).

Source: OECD Interim Economic Outlook, June 2025.

According to the latest OECD report, growth is forecast at 2.9% for 2025, which is a decrease of 0.2 percentage points from the previous report. Global trade volume is projected to grow by 2.8% this year, down from 3.8% last year, slowing to 2.2% in 2026. The return of protectionism by the US government, coupled with the imposition of countermeasures by numerous other countries, has created uncertainty within the global trading system. Forecasts regarding the trajectory of international trade remain uncertain until the outcome of negotiations between the US and other countries is clarified. Table 2.1 shows annual changes in GDP in 2024, alongside the latest OECD forecasts for annual changes in 2025 and 2026 in the global economy and selected developed and developing countries.



The following section analyses recent and expected economic trends in major countries and trading blocs for the current and upcoming year.

Among the major developed economies, the US recorded growth in the first quarter of 2025, with GDP increasing by 2.0% year on year. This was lower than the 2.5% recorded in the fourth quarter of 2024, and lower still than the 2.9% recorded in the first quarter of 2024. On a seasonally adjusted basis, there was negative annualised growth of -0.5% compared to the previous quarter. Consumer spending increased by only 0.5%, marking the slowest growth rate since the sharp declines of 2020. Meanwhile, exports rose by just 0.4%, while imports surged by 37.9%. This reflected businesses' and consumers' rush to stockpile goods in anticipation of price hikes resulting from a series of tariff announcements. Meanwhile, federal government spending fell by 4.6%, marking the sharpest decline since the first quarter of 2022. Fixed investment increased by 7.6%, marking the strongest rise since mid-2023. Annual inflation rose for the first time in four months, reaching 2.4% in May 2025, up from 2.3% in April. However, this figure was lower than the expected 2.5%. Meanwhile, the final level of tariffs that the US administration intends to impose, and how other countries will respond, remain uncertain as the relevant negotiations are ongoing. Fed Chairman Jerome Powell recently stated that the Fed would likely have cut interest rates if it weren't for the inflationary effects of the new tariffs introduced by the Trump administration. These tariffs have significantly increased inflation forecasts, prompting the Fed to keep interest rates steady at 4.25–4.5%. Powell emphasised a cautious, data-driven approach, noting that upcoming economic indicators would guide future decisions, including a possible rate cut later in 2025. Overall, the US economy is forecast to grow at a rate of 1.6% in 2025, slowing further to 1.5% in 2026.

The euro area economy grew by 1.5% year-on-year in the first quarter of 2025, up from 1.2% in the previous quarter. This marked the strongest annual performance since the fourth quarter of 2022. Gross fixed capital formation rebounded (up 1.9% compared to a decline of 1.8%), and both exports (up 2.3% compared to 1.2%) and imports (up 3.3% compared to 1.3%) grew faster. In contrast, there was a slight slowdown in household spending (1.3% vs. 1.6%) and government spending (2.1% vs. 2.4%). Among the bloc's largest economies, German GDP remained stagnant, though growth was recorded in France (0.6%), Italy (0.7%), Spain (2.8%) and the Netherlands (2%). Annual inflation in the eurozone rose slightly to 2.0% in June 2025, up from an eight-month low of 1.9% in May, which was in line with market expectations. This is in line with the ECB's official target. Among the major economies, inflation fell unexpectedly in Germany, while France and Spain recorded moderate increases and Italy's rate remained stable. Meanwhile, inflation in services accelerated to 3.3% from May's three-year low of 3.2%, while the decline in energy prices slowed to 2.7% from 3.6%. Conversely, inflation declined for non-energy industrial goods (0.5% versus 0.6%) and food, alcohol, and tobacco products (3.1% versus 3.2%). Core inflation remained unchanged at 2.3%, its lowest level since January 2022. Growth of 1.0% is forecast for 2025 as a whole, with a slight acceleration to 1.2% in 2026.

According to the minutes of the 3-5 June meeting, ECB officials proceeded with an eighth consecutive interest rate cut last month to safeguard inflation expectations and prevent an unwarranted tightening of financial conditions. Policymakers cited highly uncertain global conditions, with persistent trade tensions likely to continue and possibly intensify. Against this backdrop of uncertainty and the risk of inflationary shocks in either direction, officials emphasised the importance of maintaining flexibility and avoiding providing too much forward guidance. A pause in July has become increasingly likely, with most officials saying they would prefer to wait for clearer data and developments in global trade talks before taking further action. Inflation is now



expected to fall below the ECB's 2% target later this year and remain subdued for around 18 months due to the strong euro, lower energy prices, and cheap imports from China. Markets now anticipate only one additional rate reduction before the end of the year, followed by a potential shift towards tightening in late 2026.

Section 2.1B provides a more detailed overview of the prospects and challenges facing the European economy.

In the United Kingdom, GDP expanded by 1.3% year-on-year in the first quarter of 2025, down from 1.5% in the previous quarter. In terms of production, the services sector grew by 1.4%, construction by 1.2%, while manufacturing remained stagnant. In terms of expenditure, household spending increased by 0.9%, while gross fixed capital formation surged by 3.5%, with business investment soaring by 6.1%. Government spending increased by 1.5%, while exports fell by 0.5% and imports surged by 7.5%. Compared to the previous quarter, GDP in the United Kingdom increased by 0.7%, which is the highest rate in a year. Growth of 1.3% is forecast for this year and 1.0% for next year.

In Japan, GDP grew by 1.7% year-on-year in the first quarter of 2025, up from 1.4% in the previous quarter and a decline of 0.5% a year earlier. On a seasonally adjusted annualised basis, however, the Japanese economy contracted by 0.2%. This marked a sharp reversal from the 2.2% growth in the fourth quarter, which was subsequently revised downwards, representing the first annual contraction in a year. The downturn was partly due to the negative impact of net exports amid growing uncertainty over US trade policy under President Donald Trump, with Japan's vital automotive industry facing the threat of new, steep tariffs. Government spending also fell for the first time in five quarters, recording its sharpest decline in nearly two years. More positively, both private consumption and capital spending rose for the fourth consecutive quarter, with growth gaining momentum in both cases. Overall, the Japanese economy is forecast to grow at a rate of 0.7% in 2025, slowing to 0.1% in 2026.

The rest of this subsection examines recent trends and economic policy challenges in four developing countries that together account for nearly a third of the world's GDP.

China's economy grew by 5.4% year-on-year in the first quarter of 2025, maintaining the same pace as in the fourth quarter of 2024 and surpassing market expectations of 5.1%. This remained the strongest annual growth rate in a year and a half amid ongoing stimulus measures in Beijing. The latest GDP figures were bolstered by robust activity in March, with industrial production growing at its fastest pace since June 2021 and retail sales posting their biggest increase in over a year. Meanwhile, the surveyed unemployment rate fell from a two-year high. Fixed asset investment also slightly exceeded expectations in the first quarter. In terms of trade, exports recorded their strongest growth since October as companies accelerated shipments ahead of impending tariffs, while the decline in imports was limited. The statistics bureau stated that the Chinese economy had started off the year well and steadily and emphasised the increasing importance of innovation. However, intensifying trade tensions with the US quickly clouded the outlook, putting pressure on Beijing to develop additional support measures. The OECD forecasts growth to slow slightly to 4.7% in 2025, followed by a further slowdown to 4.4% in 2026.

India's economy grew by 6.9% in the first quarter of 2025, up from 6.2% in the previous quarter. This recovery indicates a strengthening of Indian economic growth following a period of slowdown. Lower food and energy prices, combined with the easing of benchmark interest rates and increased investment, have helped to boost the economy. Meanwhile, India's low dependence on exports has made it resilient to threats of global tariffs. Gross fixed capital formation increased by



9.4% during this period — the highest rate in almost two years — while private consumption expanded by 6%. Meanwhile, net external demand positively impacted GDP growth, with exports rising by 3.9% and imports falling by 12.7%. Growth of 6.5% is forecast for 2025, up from 6.2% the previous year, and growth of 6.4% is expected in 2026.

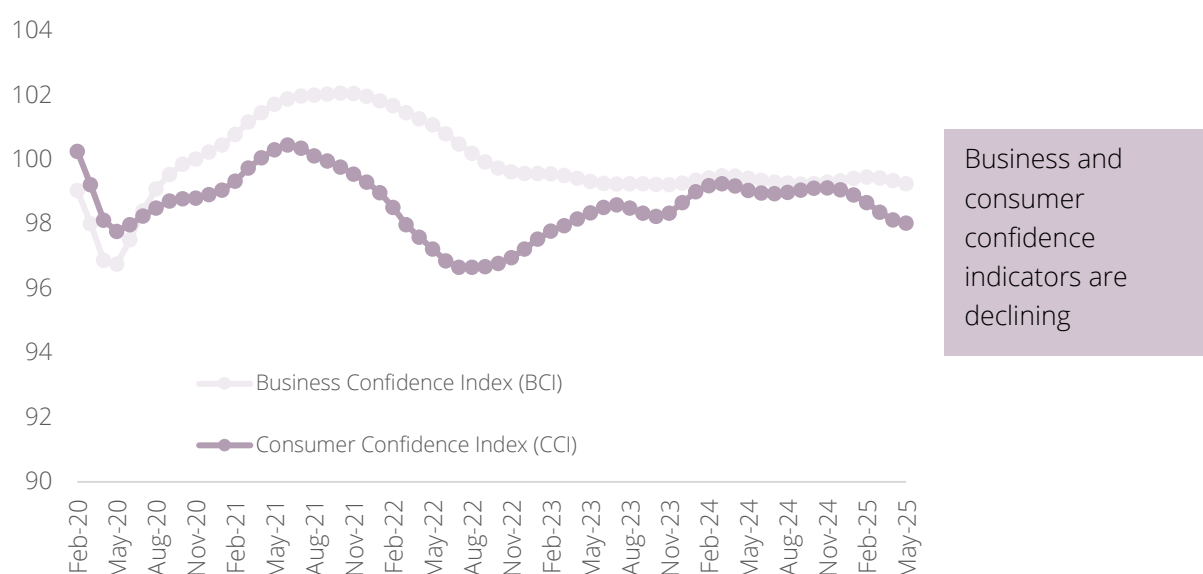
Turkey's economy grew at an annual rate of 2.4% in the first quarter of 2025, which was unchanged from the previous quarter. However, household spending slowed significantly, from 3.9% to 2%, while government spending slowed from 1.6% to 1.2%, and investment slowed from 6.1% to 2.1%. Meanwhile, exports remained flat (compared to a decline of 2%), while imports grew at a faster rate of 3% (compared to an increase of 1.6%). In terms of production, real estate activity accelerated (from 1.3% to 2.4%), while growth in the services sector slowed (from 3.2% to 1.3%) and the industrial sector contracted (from 1.4% to -1.8%). The Turkish economy has been struggling for almost two years with monetary tightening, which has pushed borrowing costs to 50%. Although the central bank began cutting interest rates in December, it reversed course and raised them again amid market turmoil following the arrest of Istanbul Mayor Ekrem İmamoğlu. Overall, the Turkish economy is forecast to grow at a rate of 2.9% in 2025, accelerating to 3.3% in 2026.

In Latin America, Brazil's economy grew by 3.8% in the first quarter of 2025, up from 3.3% in the previous quarter and 2.1% in the corresponding quarter of 2024. Growth of 2.1% is forecast for 2025, slowing to 1.6% in 2026.

Business and consumer confidence indicators continued their downward trend in the first two months of the second quarter of 2025 (Figure 2.1).

Figure 2.1

Economic sentiment indicators for the OECD countries
(seasonally adjusted data, long-term average = 100)



Source: OECD



B. EU and Euro area economies

- The EU and the euro area saw positive annual real GDP growth in the first quarter of 2025, with figures standing at 1.6% and 1.5% respectively.
- Lower growth rates and marginally lower inflation in the euro area and the EU in 2025 and 2026, according to the European Commission's spring economic forecast report, compared to autumn forecasts.
 - Eurozone: 0.9% and 1.4% growth; 2.1% and 1.7% inflation.
 - EU27: 1.1% and 1.5% growth; 2.3% and 1.9% inflation in 2025 and 2026.
- Reduction of the ECB's three key interest rates by 25 basis points for the eighth time since June 2024. The aim is to stabilise inflation around the medium-term target of 2%.
- The Trump administration's imposition of tariffs on a number of countries and regions, including the EU, is weighing on exports and investment, with significant consequences for the European and global economy.

High levels of geopolitical, political and trade uncertainty are already affecting economic growth in the euro area. This has resulted in the European Commission revising its baseline growth forecasts downwards. The sudden change in US trade policy took the European economy by surprise, and uncertainty about future trade policies remains high. The intensification of the economic confrontation between the US and China is further undermining global economic sentiment. In addition, geopolitical tensions in Ukraine and the Middle East show no signs of abating. Disruptions to energy supplies, especially oil and natural gas, could have a significant impact on the EU's growth prospects and inflation.

As the world's most open economy, the EU is under intense pressure from trade protectionism. Slower economic growth in global markets will inevitably impact export growth negatively, and sample surveys already indicate a decline in economic confidence among households and businesses. Consequently, they are likely to reduce their consumption and postpone their investments.

Therefore, it is appropriate to expand and deepen Europe's network of trade relations in order to diversify trade flows and strengthen resilience. This could also enhance the EU's attractiveness as a base for businesses seeking access to global markets. However, to fully reap the benefits of stronger investor interest, the EU should proceed with the integration of its capital markets as part of the realisation of a fully functioning Single Market.

Economic activity in the first quarter of 2025

In the first quarter of 2025, economic activity improved in both the European Union (EU) and the Euro area (EA), probably due to export growth being brought forward in anticipation of higher tariffs. On an annual basis, GDP grew by 1.6% in the EU and 1.5% in the Euro area, up from 1.4% and 1.2% respectively in the previous quarter. In terms of seasonally adjusted quarterly change, GDP rose by 0.6% in both blocs.¹ Among the large Member States, real GDP increased on an annual basis in Spain, the Netherlands, France and Italy in the first quarter of 2025. In Germany, GDP fell

¹Eurostat GDP release, 6 June 2025



by 0.1%, while in Austria it fell by 0.7%. Figure 1 in the Appendix shows the annual growth rate in the first quarter of 2025 by EA country.

Private consumption expanded in the first quarter of 2025. It increased by 0.7% year-on-year in the EA and by 0.8% in the EU, following respective increases of 0.8% and 0.9% in the previous quarter. Public consumption rose by 0.5% in both the EA and the EU on an annual basis, following increases of 0.5% and 0.6%, respectively, in the previous quarter. Exports of goods and services increased by 1.2% year-on-year in the first quarter of the year in both the euro area and the EU. This followed increases of 0.6% in both areas in the previous quarter, as well as decreases in the first quarter of 2024 (-0.3% in the euro area and -0.1% in the EU). Imports increased by 1.6% year-on-year in both regions, following an increase of 0.8% in the EU and 0.6% in the EA in the fourth quarter, and substantial decreases in the first quarter of 2024 (-0.8% and -1.0%, respectively).

In June 2025, annual inflation in the Euro area was estimated to have risen slightly to 2.0%, up from 1.9% in May. The largest upward impact on June inflation came from services, food, tobacco and alcoholic beverages. Meanwhile, energy goods had a negative impact. The dispersion of inflation across the Eurozone is similar to that of the previous quarter (see Appendix, Figure 4).

Year-on-year, employment rose by 0.7% in the euro area and 0.4% in the EU in the first quarter of 2025. In the fourth quarter of 2024, employment increased by 0.8% in the euro area and by 0.6% in the EU. The highest employment increases were recorded in Malta, Ireland, and Cyprus. The largest decreases were observed in Estonia, Germany and Latvia. The appendix (charts 5 and 6) shows the employment rate and change in employment by country in the eurozone.

In May 2025, the seasonally adjusted unemployment rate in the EA was 6.3%, up from 6.2% in April and 6.4% in May 2024. In the EU, the rate remained at 5.9%, unchanged from April but down from 6.0% in May 2024. During the first quarter, the unemployment rate ranged from 2.4% in Malta to 11.1% in Spain. Among the largest member states, the rate was 3.6% in Germany, 3.4% in the Netherlands, 7.2% in France and 6.8% in Italy. Figure 7 in the Appendix shows the unemployment rate per country in the EU.

In the fourth quarter of 2024, the seasonally adjusted general government deficit-to-GDP ratio stood at 3.4% in the EU and 3.2% in the euro area, up from 3.0% and 2.8%, respectively, in the previous quarter. The ratio of general government gross debt to GDP stood at 87.4% in the euro area at the end of the fourth quarter of 2024, down from 88.1% at the end of the third quarter. In the EU, the ratio decreased from 81.6% to 81.0%. Compared with the fourth quarter of 2023, the public debt-to-GDP ratio increased marginally in both the euro area (from 87.3% to 87.4%) and the EU (from 80.8% to 81.0%). The appendix (charts 2 and 3) shows the public debt-to-GDP ratio and fiscal balance for each euro area country.

On 5 June 2025, the European Central Bank announced that it had decided to cut its three key interest rates by 25 basis points, following similar cuts in April and March. This marks the eighth reduction in key interest rates since June 2024. Based on underlying inflation dynamics, future inflation outlook and the strength of monetary policy transmission, further easing of monetary policy was deemed appropriate following the April key interest rate cuts. The ECB's Governing Council is determined to ensure that inflation stabilises around its medium-term target of 2%. However, given the high degree of uncertainty in the economic environment, there is no forward guidance on the path of interest rates in the near term. The ECB's exposure under the asset purchase programme (APP) portfolio is declining steadily, as the Eurosystem is no longer reinvesting the principal payments from maturing securities. The Governing Council discontinued



reinvestments under the PEPP at the end of 2024. Finally, the Transmission Protection Instrument (TPI) is available to counteract unforeseeable market movements that could have an adverse effect on the transmission of monetary policy in the euro area and ensure price stability.

Contribution of GDP components

Based on the developments of GDP components in the euro area (Figure 2.2), net exports contributed negatively (-0.4%), down from zero in the previous quarter. This deterioration was due to the larger increase in the contribution of imports relative to exports in the first quarter of 2025. Domestic demand contributed 1.9% to GDP, up from an impact of 1.2 percentage points in the previous quarter. Private consumption contributed 0.7% in Q1 2025, down from 0.8% in Q4 2024, while public consumption contribution held steady at 0.5%. Meanwhile, the contribution of gross investment turned positive at 0.7%, up from -0.2% in the previous quarter.

Figure 2.2

Eurozone GDP change – Contribution of components to the real annual rate of change (in percentage points)



Source: Eurostat

€-COIN index and the Economic Sentiment Indicator

The key leading indicator of economic activity in the eurozone and the European Union increased in the first two months of 2025 but then fell sharply in March. Since then, it has remained essentially stable, with a marginal increase recorded in May. The €-COIN index reached its lowest level in recent years in November 2023 but then rose steadily until April 2024. It then declined from May to July, before turning upward again from August 2024 until February 2025. However, in March 2025, it fell to 0.25 points, down from 0.43 in February and 0.39 in January. It remained at 0.25 points in April and rose marginally to 0.26 points in May. In June, it remained at the same level as in May (see Figure 2.3). This stability suggests possible GDP stability at the end of the next quarter.

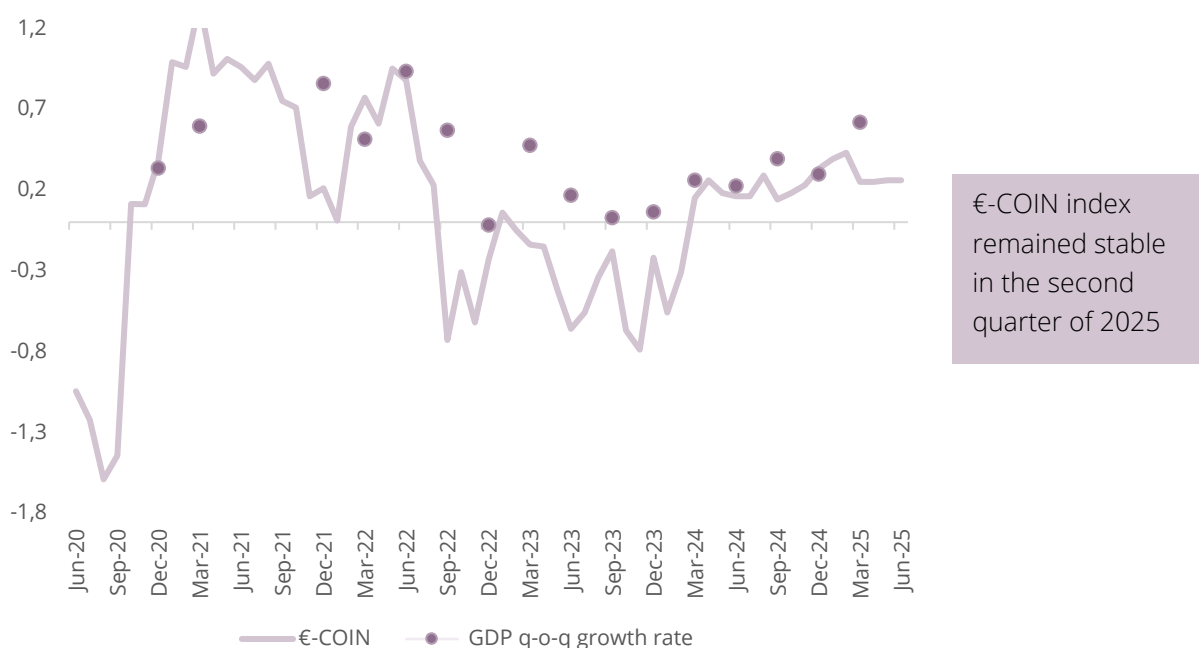
In the second quarter of 2025, the European Commission's Economic Sentiment Indicator for the EU-27 and the euro area deteriorated. The trend was negative for both the EU and the euro area from February to September 2023 but turned positive from October 2023 to March 2024. It was



slightly negative in the second quarter of 2024, slightly positive in the third, and negative in the fourth. The positive trend continued into the first quarter of 2025 but deteriorated in March. In April, the index declined further, while in May it recovered slightly. In June, it returned to April levels. Specifically, the Economic Sentiment Indicator stood at 94 points in both the EU-27 and the euro area in June 2025, which was lower than in the previous month and in the same month last year (Table 2.2).

Figure 2.3

Monthly €-COIN Index & Eurozone GDP*



* The Research Centre of Economic Policy Research in collaboration with the Bank of Italy estimates every month the leading indicator of economic activity €-COIN for the Eurozone. The indicator is a forecast of quarterly GDP growth and is derived from the synthesis of a variety of different data, such as the evolution of industrial production, prices, labour market data, as well as financial data.

Sources: CEPR, Bank of Italy, Eurostat

Table 2.2

Economic Sentiment Indicator EU-27 & Euro Area (av. 2000-2020=100)

Month	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	June-24
EU-27 (2020)	94.3	93.7	93.4	93.6	94.1	96.3	95.9	95.4	96.1	96	96.1	96.2
Euro area	95	93.9	93.7	93.5	94	96.6	95.8	95.1	96	95.8	95.9	96

Month	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	June-25
EU-27 (2020)	96.3	96.6	96.5	96.6	96.4	94.3	95.7	96.9	95.9	94.5	95	94
Euro area	96	96.4	95.9	96.2	95.9	93.5	95.2	96.2	95.1	93.8	94.8	94

Source: Eurostat, July 2025



Challenges

The European economy, and the Euro Area in particular, is facing a number of challenges. The main ones are:

- The Trump administration's imposition of tariffs on EU exports to the US, which will have serious consequences for the European and global economies.
- Uncertainty regarding global trade policies.
- Armed conflicts in Ukraine and the Middle East, which have a significant economic impact.
- New disruptions to energy supplies, especially oil and natural gas, could have a significant impact on EU growth prospects and inflation.
- A competitiveness gap with the US and China.
- Increasing fiscal pressure in countries such as France and Italy.
- Increasing risks of natural disasters linked to climate change.

Forecasts for the evolution of key macroeconomic figures (May 2025)

Table 2.3 shows the European Commission's annual forecasts for key economic indicators in the EU and the eurozone. The spring estimates for GDP growth in 2024, as well as the forecasts for 2025 and 2026, have been revised downwards for both the EU and the euro area. Forecasts for inflation are marginally lower.

Table 2.3

Key macroeconomic figures, EE-27, Eurozone (real annual % changes, unless otherwise stated)

	EU			Eurozone		
	2024	2025	2026	2024	2025	2026
GDP	1.0	1.1	1.5	0.9	0.9	1.4
Private Consumption	1.3	1.5	1.6	1.1	1.3	1.4
Public Consumption	2.7	1.7	1.3	2.7	1.6	1.2
Gross Investment	-1.8	1.5	2.4	-1.8	1.3	2.2
Exports of Goods and Services	1.2	0.7	2.1	1.1	0.3	2.0
Imports of Goods and Services	0.6	1.7	2.3	0.3	1.6	2.2
Employment	0.8	0.5	0.5	1.0	0.5	0.5
Unemployment (% labour force)	5.9	5.9	5.7	6.4	6.3	6.1
Inflation	2.6	2.3	1.9	2.4	2.1	1.7
Balance of General Government (% GDP)	-3.2	-3.3	-3.4	-3.1	-3.2	-3.3
Debt of General Government (% GDP)	82.2	83.2	84.5	88.9	89.9	91.0
Current Account Balance (% GDP)	3.2	3.0	3.0	3.3	3.0	3.0

Source: European Economic Forecasts, Spring 2025, European Commission, May 2025

Based on the latest forecasts, growth is estimated to have reached 0.9% in the euro area and 1.0% in the EU in 2024. A similar growth rate of 0.9% and 1.5%, respectively, is forecast for 2025. Even higher growth is forecast for 2026: 1.4% for the EA and 1.8% for the EU. Private consumption is estimated to increase by 1.1% in the EA and 1.3% in the EU in 2024. In 2025, an increase of 1.3% in the EA and 1.5% in the EU is forecast (see Table 2.3). Public consumption is projected to increase by 1.6% in the EA and 1.7% in the EU in 2025, and by 1.2% and 1.3% respectively in 2026. The



decline in gross investment is estimated at 1.8% in both areas in 2024. A recovery of 1.3% and 1.5%, respectively, is forecast for 2025. Exports of goods and services are projected to increase by 0.3% in the EA and 0.7% in the EU in 2025, rising to 2.0% and 2.1%, respectively, in 2026. These projections represent significant downward revisions. Imports are projected to increase by 1.6% in the EA and 1.7% in the EU in 2025, and by 2.2% and 2.3%, respectively, in 2026. These projections have also been revised downwards. Inflation is expected to fall to 2.1% in the EA and 2.3% in the EU in 2025, with a further decline to 1.7% and 1.9%, respectively, in 2026. Employment is projected to increase by 0.5% in both 2025 and 2026. The unemployment rate is projected to be 6.3% in the EA and 5.9% in the EU in 2025, falling to 6.1% and 5.7% respectively in 2026. EA debt is projected to reach 89.9% and 83.2% of GDP in the EA and EU respectively in 2025. For 2026, an increase to 91.0% and 84.5%, respectively, is projected. Finally, the projected change in the current account is 3.0% in both 2025 and 2026.



2.2 The economic environment in Greece

A. Economic sentiment

- Greece's Economic Sentiment Indicator declined slightly in the second quarter of 2025 compared to the previous quarter (from 107.6 to 106.8 points). This represents a slight deterioration compared to the same quarter last year (109.4 points).
- Business expectations improved slightly in Construction and Retail Trade in the second quarter of this year compared to the previous quarter, while they declined slightly in Services and remained essentially unchanged in Industry.
- The Consumer Confidence Index weakened slightly in the April-June period compared to the previous quarter, falling from -43.1 to -45.5 points. At the same time, this represents a significant decline compared to a year earlier (-42.7 points).

The IOBE business and consumer surveys offer significant indications on the developments of the economy in the past few months, from the perspective of both the enterprises and the consumers. In addition, the indicators used in the surveys constitute leading indicators for various economic variables and can be used to predict near-term developments and even the course of GDP.²

In the second quarter of 2025, the Economic Sentiment Indicator fell by 0.8 points compared to the previous quarter. This marginal decline in the index was due to deteriorating business expectations in the services sector, while expectations in retail trade and construction improved and remained unchanged in industry. Meanwhile, the Consumer Confidence Index was slightly lower than in the previous quarter, standing at -45.5 points (down from -43.1).

Clearly, the economy is going through a period of intense uncertainty, primarily in the international arena. The industrial sector, which is more exposed to international developments in trade protectionism and related policies, is generally more affected. Nevertheless, the resilience of domestic consumption, the expectation of satisfactory tourist numbers and the substantial backlog of construction projects offer grounds for optimism in the retail and construction sectors. However, households are generally more pessimistic, as reflected in consumer confidence. While the economy's macroeconomic and fiscal figures have recently remained stable, with a decline in unemployment generating income for more households, inflation remains above 2%. This continues to negatively affect consumer confidence and is now the most important factor shaping economic sentiment.

Specifically, the Economic Sentiment Indicator in Greece for the April-June quarter of 2025 was slightly weaker than the previous quarter, at 106.8 points compared to 107.6 points. At the same time, it fluctuated at a lower level than the corresponding average last year (109.4 points). (Figure 2.4)

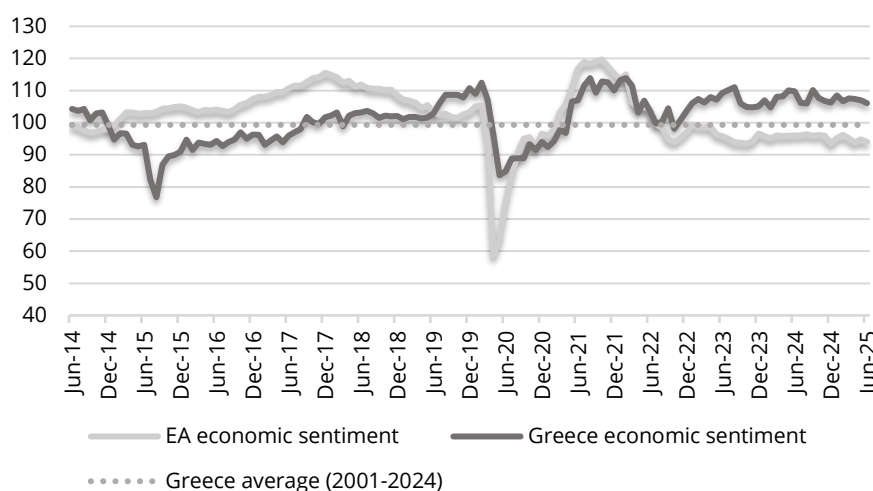
² Note that since March 2018, the base period of the series presented in the sectoral business sentiment indicators, i.e. the indicators in Manufacturing, Retail Trade, Services and Construction, has changed. In particular, the 2000-2010 period was designated as a new base (= 100). Until February 2018, the indicator was referenced to average values from the 1996-2006 period. The historical series of the indicators are fully revised, to ensure that the data series are comparable. As a result, the indicators with the new base period are overall higher compared with those with the older base period. The change in the base period by IOBE has not affected the overall economic sentiment indicator for Greece or any other country.



In Europe, the corresponding average index declined slightly during the review period compared to the previous one, in both the EU and the euro area. Specifically, the Economic Sentiment Indicator was 94.5 points in the EU and 94.2 points in the euro area in the second quarter of 2025, down from 96.2 and 95.5 points respectively.

Figure 2.4

Economic Sentiment Indicators: EU-27, Euro area and Greece (2000-2020=100, seasonally adjusted data)



The Economic Sentiment Indicator for the second quarter of 2025 fell by 0.8 points compared to the previous quarter.

Source: European Commission, DG ECFIN

At the sector level, business expectations in Greece declined slightly in the services sector, while strengthening moderately in construction and retail trade, and remaining essentially unchanged in industry. On the consumer side, the Consumer Confidence Index fell slightly compared to the previous quarter. Compared to the same quarter last year, the average indices increased slightly in Industry and more significantly in Construction, while they decreased marginally in Retail Trade and considerably in Services. In more detail:

The Consumer Confidence Index in Greece for the April-June quarter of 2025 was slightly lower than in the first quarter of this year, at -45.5 compared to -43.1, which is significantly lower than last year's corresponding figure of -42.7. The average index also weakened slightly in the EU and the euro area, to -15.1 (down from -13.3) and -15.7 (down from -14.1) points, respectively. These figures are slightly lower than those recorded a year ago (-13.1 and -14.2 points, respectively).

Compared with the previous quarter, the trends in the individual basic response balances that make up the overall index were mainly negative in the second quarter of 2025. Consequently, consumers in Greece became slightly more pessimistic about their household's financial situation over the next 12 months, though their views on the country's financial situation remained unchanged. Meanwhile, positive assessments of the current situation declined among households, as did the intention to make major purchases in the near future.

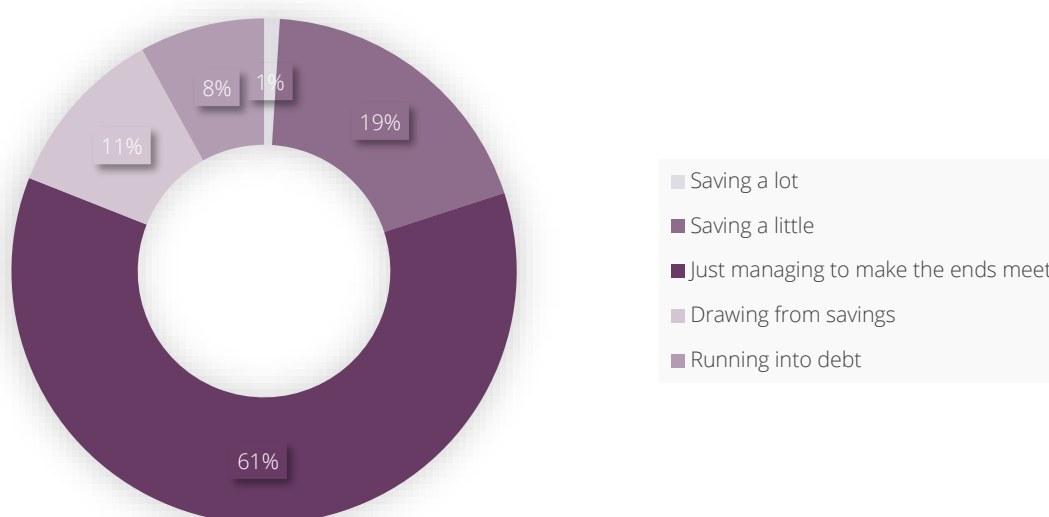
More specifically, 55% of people remained pessimistic about their household's financial situation over the next 12 months, while 6% remained optimistic. Meanwhile, the proportion of consumers in Greece expressing pessimism about the country's economic outlook fell to 62% (down from 63%), with 10% (up from 8%) expecting an improvement. Regarding the intention to save, 84% of



households do not consider saving likely in the next 12 months, while 16% do. Regarding forecasts for the evolution of unemployment, 33% (down from 35%) believe that the situation will worsen, while 21% (up from 19%) on average express the opposite view. The percentage of consumers reporting that they are 'running into debt' in the second quarter of 2025 increased to 9% (up from 6%), which is higher than in the corresponding quarter of 2024 (7%). There was also a marginal increase to 19% in the proportion of respondents saying they save a little (compared to 19% in the same quarter of 2024). Finally, the percentage of respondents reporting that they are 'just making ends meet' fell to 61% (down from 65%), while the percentage of households reporting that they are 'drawing on their savings' increased to 11% (up from 10% in the corresponding quarter of 2024).

Figure 2.5

Consumer survey data on the financial situation of households (April-June 2025)



Source: IOBE

Improvement compared to Q1 2025 in the percentage of households reporting that they are just making ends meet (61%). Increase in the percentage of those reporting that they are running into debt.

In the industry sector, the business expectations index stood at 110.5 points in the second quarter of 2025 (up from 110.2 points in the first quarter of 2025), which is slightly higher than the corresponding figure for the second quarter of 2024 (108.7 points). Regarding key activity indicators, the index forecasting short-term production developments fell slightly from +38.5 points in Q1 2025 to an average of +35.9 points in Q2 2025. Meanwhile, estimates for the level of orders and demand weakened slightly (the relevant index fell from -8.4 to -3.8). Estimates for finished product inventories were slightly higher (the relevant index rose from +10.6 to +11.5 points) and export indicators showed an upward trend. Export expectations for the next quarter improved slightly (from +7.5 to +8.4 points), with estimates for foreign orders and demand strengthening slightly (from -12.9 to -6.0 points). The relevant quarterly balance for employment



forecasts fell sharply to an average of +11.1 (from +17.1) points. Meanwhile, the capacity utilisation rate increased significantly to 79.1% (from 74.7%), and the average number of months of secured production for businesses rose significantly to 7.2 (from 4.9).

The business expectations index for retail trade in the quarter under review was slightly higher than in the previous quarter, at 101.6 points (up from 95.7). This is a similar performance to the same quarter last year, when the index stood at 101.9 points. Of the index's key variables, the average balance for current sales estimates increased slightly from +9 to +15 points in the previous quarter. 30% of companies in the sector (down from 37%) believe that their sales have decreased, while 46% believe the opposite. In terms of projected sales, the index strengthened significantly from +17 to +33 points, with inventories rising slightly to +23 points. Among other activity indicators, the balance of expectations for orders to suppliers increased to +8 points (up from -1 points in the previous quarter), while the average balance of expectations for employment in the sector strengthened slightly to +14 points (up from +6 points). Finally, the balance of expectations regarding prices remained at strongly inflationary levels (+18, up from +14), with 6% of businesses expecting a decline in prices and 24% (up from 22%) expecting an increase. Improvements in business expectations were recorded in most of the individual retail trade sub-sectors examined in the second quarter of 2025, with the exceptions of food and beverages, which saw a slight decline, and household equipment.

Business expectations in the construction sector strengthened slightly in the second quarter of 2025, with the relevant balance averaging 167.6 points, up from 165.6 points in the previous quarter. This is a significant improvement on the corresponding quarter of 2024, when the figure was 150.0 points. In terms of key variables, employment forecasts for the sector increased to +43 points (up from +38), with 46% of businesses (up from 40%) expecting to create more jobs, while only 2% expect a decline. Meanwhile, businesses' negative expectations for planned work strengthened slightly (to -7 from -4 points), while estimates for the current level of work improved slightly (to +36 from +28 points).

The number of months of guaranteed activity for businesses in the sector increased significantly, reaching 8.9. Meanwhile, the balance of price expectations rose slightly, reaching +31 points (up from +27), with 6% of businesses expecting a short-term decrease and 37% (up from 32%) expecting an increase. The percentage of businesses reporting no obstacles to operation remained at 12–13%. Of the remainder, 39% (down from 41%) cited labour shortages as the most significant obstacle; 8% cited low demand; 2% cited a lack of mechanical equipment; and 28% (up from 11%) cited factors such as the general economic situation in the country, high raw material prices, a lack of projects and late payments by the state. At a sub-sector level, business expectations fell sharply in private construction, while strengthening significantly in public construction.

The Services confidence indicator for the quarter under review was slightly lower than in the previous quarter, at 113.6 points (down from 116.2). This was a significantly poorer performance than in the corresponding quarter of 2024, when the figure was 130.3 points. Among the key variables, estimates for current demand improved slightly, with the relevant index rising from +27 to +31 points. Estimates for the current state of business remained unchanged at +30 points on average, while the balance of expectations for short-term demand in the sector weakened significantly, falling from +48 to +36 points. Among the other activity indicators, the balance of respondents' expectations regarding employment declined slightly by 3 points to +32, while the average business expectations index fell slightly to +25 (down from +29). Finally, the percentage of



respondents reporting unhindered business operations remained at an average of 81%, with 6% citing insufficient demand, 5% labour shortages and 3% other factors related to the general economic situation and energy prices. The second quarter of 2025 saw significant strengthening in the indicators of all examined subsectors of services, with the exception of Financial Intermediaries and IT. The Hotel-Restaurant-Tourism and Land Transport sectors experienced the most notable growth. In contrast, they remained unchanged in Other Business Activities.



Table 2.4

Economic Sentiment Indicators

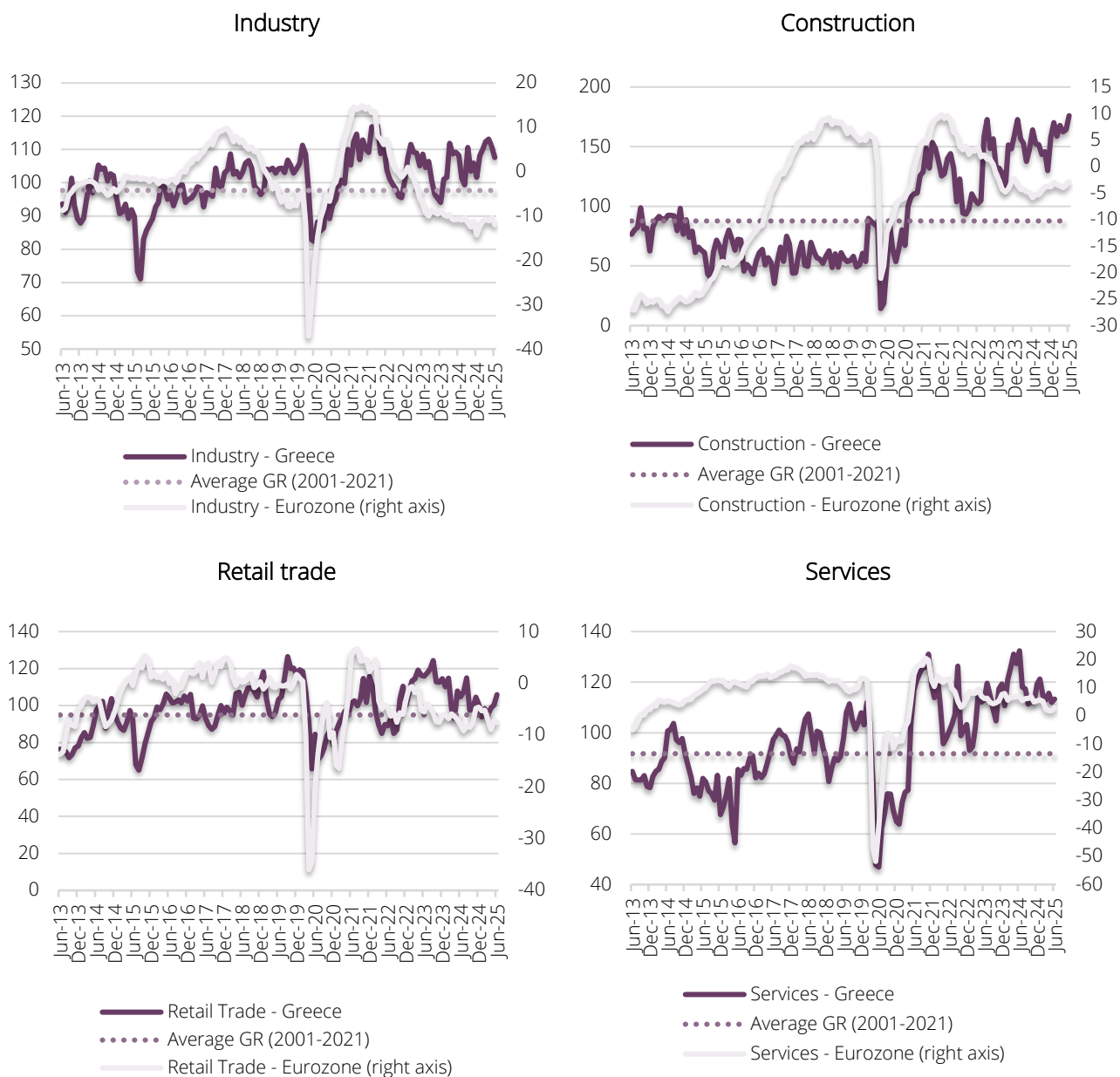
Time Period	Economic Sentiment Indicator			Business Expectations Index (Greece)				Consumer Confidence Index (Greece)
	EU-27	Eurozone	Greece	Industry	Construction	Retail Trade	Services	
2010	98.6	98.3	85.5	79.9	52.2	61.3	68.1	-57.9
2011	98.3	98.4	83.9	81.1	37.7	60.9	66.1	-69.8
2012	89.0	89.0	83.6	81.4	47.5	59.1	58.8	-73.8
2013	91.9	91.8	93.6	92.6	71.5	72.6	75.3	-69.7
2014	98.6	98.3	101.7	99.7	88.4	92.3	93.3	-53.0
2015	102.9	102.8	91.6	86.3	62.0	83.9	78.2	-51.6
2016	104.4	104.1	95.0	96.1	61.3	101.4	79.3	-61.3
2017	110.7	110.5	98.5	98.1	55.4	94.6	92.7	-58.0
2018	111.1	110.9	103.3	102.8	58.1	104.5	97.0	-44.1
Q1 2019	106.9	106.5	102.1	101.8	56.7	105.8	85.7	-32.8
Q2 2019	104.3	104.3	103.8	103.8	54.8	97.8	92.6	-30.9
Q3 2019	102.0	101.9	108.7	104.8	52.7	115.5	108.2	-10.6
Q4 2019	102.3	101.7	109.1	104.1	68.1	119.1	104.4	-4.2
Q1 2020	102.0	101.5	109.9	108.6	84.9	115.1	106.5	-14.4
Q2 2020	65.9	67.5	89.1	87.6	28.1	80.3	58.6	-38.3
Q3 2020	88.5	89.8	90.0	86.7	67.0	73.5	68.8	-37.0
Q4 2020	93.9	94.5	93.1	92.6	70.7	83.0	70.0	-40.2
Q1 2021	99.2	99.1	96.5	98.2	106.2	90.2	70.9	-40.7
Q2 2021	109.5	110.6	105.5	105.0	121.9	97.9	99.3	-28.3
Q3 2021	115.8	117.4	111.6	111.3	144.7	102.0	123.4	-33.6
Q4 2021	115.1	115.9	112.8	110.7	137.2	110.7	125.4	-38.8
Q1 2022	110.7	111.2	113.4	116.9	137.2	98.8	115.7	-43.6
Q2 2022	103.1	103.9	105.2	108.0	119.6	87.9	97.9	-53.0
Q3 2022	96.3	96.9	102.3	99.6	95.2	88.3	112.3	-53.6
Q4 2022	94.2	95.3	101.6	97.3	106.2	104.8	101.2	-52.6
Q1 2023	97.7	99.2	106.9	109.4	145.2	111.6	96.6	-43.3
Q2 2023	96.1	97.2	108.6	107.5	145.8	117.2	113.8	-36.7
Q3 2023	94.0	94.3	109.5	103.8	125.0	120.7	114.5	-36.3
Q4 2023	94.9	94.8	105.3	95.3	153.2	113.3	113.8	-43.5
Q1 2024	96.3	95.7	107.2	104.8	160.8	107.6	119.1	-46.1
Q2 2024	96.0	95.8	109.4	108.7	150.0	101.9	130.3	-42.7
Q3 2024	96.4	96.1	107.5	103.8	149.2	106.6	115.6	-47.8
Q4 2024	95.8	95.2	107.1	103.7	144.5	101.2	114.5	-47.1
Q1 2025	96.2	95.5	107.6	110.2	165.6	95.7	116.2	-43.1
Q2 2025	94.5	94.2	106.8	110.5	167.6	101.6	113.6	-45.5

Sources: European Commission, DG ECFIN, IOBE



Figure 2.6

Business Confidence Indicators



Source: IOBE

Business expectations declined slightly in Services in the second quarter of this year compared to the previous quarter, while they strengthened moderately in Construction and Retail Trade, and remained essentially unchanged in Industry.



B. Fiscal developments

- General Government Budget Balance 2024 (1st notification): surplus of 1.3% of GDP, compared to a target of a deficit of -1.1% of GDP and a deficit of 1.4% the year before last. Primary surplus of 4.8% of GDP, compared to a target of 2.1% of GDP and a surplus of 2.0% in 2023.
- General government debt at 153.6% in 2024 compared to 163.9% in 2023, with a reduction in absolute terms from €369,110 million to €364,885 million.
- State Budget Balance, Jan.-May 2025: cash surplus of €1,875 million (0.8% of GDP) compared to a target deficit of €2,475 million for the corresponding period of 2025 in the introductory report of the 2025 Budget and a deficit of €535 million (0.2% of GDP) for the corresponding period of 2024.
- Primary balance of the State Budget, Jan. -May 2025: cash primary surplus of €5,343 million (2.2% of GDP), compared to a target of a primary surplus of €1,055 million and a primary surplus of €3,197 million (1.3% of GDP) for the same period in 2024.
- The improvement in the state budget balance compared to last year is due to both an increase in net revenue (+7.8% or +€2.09 billion) and a reduction in expenditure (-1.2% or -€325 million).

General Government results: 2020-2024

According to recent³ fiscal data compiled using the European System of Accounts (ESA 2010) methodology, the General Government (GG) recorded a surplus of €3,181 million (1.3% of GDP) in 2024. The primary balance of the GG for the same year was also in surplus, amounting to €11,401 million (4.8% of GDP) (Table 2.5). This compares to a primary surplus target of €4,991 million (2.1% of GDP) in the budget for that year. This is a clear improvement on 2021 and 2022, when extensive support measures were implemented in response to the pandemic and energy crisis. However, there has also been significant improvement compared to 2023. Furthermore, there was significant overperformance in relation to the target set out in the introduction to the 2024 budget. In 2023, there was a deficit of €3,042 million, equivalent to 1.4% of GDP, and a primary surplus of €4,578 million, equivalent to 2.0% of GDP. The corresponding figures for 2022 were a deficit of €5,104 million (2.5% of GDP) and a primary surplus of €66 million (0.0% of GDP).

The improved balance of the general government compared to previous years is due to improvements in all areas, particularly in the central government's finances. The central government balance turned from deficit to surplus in 2024, having been in deficit in every previous year since 2021. Steady improvement was recorded each year until 2024. The central government balance deficit stood at €14,483 million in 2021, falling to €7,497 million in 2022 and €3,380 million in 2023. In 2024, there was a surplus of €2,050 million. The local authorities' balance was marginally in surplus, rising from a deficit of €599 million in 2023 and €350 million in 2022 to reach €30 million. Social security funds (SSFs) also showed improvement in 2024 compared to the previous year. This resulted in a surplus of €1,101 million, compared to surpluses of €937 million and €2,743 million in 2023 and 2022 respectively.

The improvement relative to the 2024 target is also due to the central government balance exceeding expectations. The introductory report on the 2024 budget included a target of a central

³ELSTAT Press Release of 22 April 2025



government deficit of €3,343 million. There was also overperformance in the local government balance, with a target deficit of €297 million. By contrast, the SSFs' balance underperformed, as the target was a surplus of €1,153 million.

Table 2.5

General government results* (National Accounts data, ESA 2010)

	2020	2021	2022	2023	2024	
					Initial Targets	Actual
General government balance (% of GDP)	-9.8	-7.1	-2.5	-1.4	-1.1	1.3
Primary balance	-6.8	-4.6	0.0	2.0	2.1	4.8
General government (% of GDP)						
GDP (€ billion)	165.0	184.6	207.9	225.2	233.8	237.6

Sources: Fiscal data for the period 2021-2024 – 1st notification, ELSTAT, April 2025 and Budget Introductory Report 2025, Ministry of Finance, November 2024

* Excluding the impact of the support of financial institutions.

General government debt

General government debt declined in 2024, both in absolute terms and as a percentage of GDP (Table 2.6). In absolute terms, debt increased from 2016 to 2023, with the sole exception of 2019. Since 2020, however, debt as a percentage of GDP has been declining, with the largest decline in the last ten years occurring in 2022. The debt-to-GDP ratio has reached its lowest point since 2010. In 2024, debt fell in absolute terms for the first time since 2019, dropping from €369,110 million to €364,885 million. As a percentage of GDP, debt fell from 163.9% in 2023 to 153.6% in 2024. This improvement is due to an improvement in the fiscal balance and strong economic growth year on year. Nevertheless, Greece continues to have the highest debt-to-GDP ratio in the European Union. It is followed by Italy with 135.3% and France with 113.0%, while the European average is much lower at 81.0% (Appendix, Figure 2).

The fiscal position improved in 2024 compared to 2023, due to the waning impact of the energy crisis, the easing of monetary policy by central banks and a reduction in tax evasion, coupled with an increase in electronic transactions. The outlook for 2025 is even more positive. A high nominal growth rate is forecast, with debt remaining stable in absolute terms, i.e. a significant reduction in debt as a percentage of GDP. Greece's exit from enhanced surveillance also contributes to this, as the country has implemented its main commitments and agreed reforms. The recovery of the investment grade rating (by all credit rating agencies recognised by the ECB) has also led to a reduction in financing costs. In April 2025, a new 10-year government bond was issued with an interest rate of 3.875%.

Table 2.6

Consolidated General Government Debt (€ million)

	2018	2019	2020	2021	2022	2023	2024
Consolidated general government debt	334,721	331,145	341,588	364,141	368,005	369,110	364,885
% GDP	186.4	180.6	207.0	197.3	177.0	163.9	153.6
GDP	179,558	183,351	165,016	184,575	207,854	225,197	237,573

Sources: Fiscal data for the period 2021-2024 -1st notification, ELSTAT, April 2025



Execution of the 2025 budget (January – May)

The global economic environment remains unstable in 2025. Geopolitical tensions remain high and the protectionist measures that the US has imposed on the EU and other countries and regions since early April are already having a negative impact on economic activity. While negotiations on the level and scope of tariffs are ongoing, the likelihood of complete elimination is diminishing. Most countries and regions subject to tariffs, including the EU, have responded by imposing tariffs on US imports. Consequently, global growth forecasts have been revised downward. A decline in US export revenues and a subsequent slowdown in economic activity will affect both growth and the government budget.

However, in this uncertain economic environment, the Greek economy is showing signs of resilience. On 30 April, the annual progress report for 2025 was submitted to the Council of the European Union and the European Commission regarding the targets set out in the Medium-Term Fiscal-Structural Plan (MTFSP) for 2025–2028. This report was submitted under the revised European economic governance framework, which came into force on 30 April 2024. The Greek economy is expected to grow by 2.3% in 2025, as forecast in October.⁴ Furthermore, investment is projected to grow by 8.4%, with private consumption growing by 1.7%, exports by 4.0%, and imports by 3.8%. The harmonised consumer price index is expected to fall from 3.0% in 2024 to 2.4% in 2025. A primary surplus of 3.2% is projected for 2025 (up from an October forecast of 2.5%), compared to 4.8% in 2024, with a total surplus of 0.1%, down from 1.3% in 2024. Subsequently, debt as a percentage of GDP is expected to fall from 153.6% in 2024 to 145.7% in 2025.

The annual progress report includes fiscal interventions for 2024 and 2025. These aim to increase disposable income and encourage sustainable growth and social cohesion. The 2025 measures include:

- an additional one-percentage-point reduction in social security contributions;
- an increase in public sector wages, following the increase in the minimum wage from €830 to €880;
- the abolition of the business activity tax;
- incentives for innovation, mergers and acquisitions;
- the autonomous taxation of on-call duties for doctors in the National Health System;
- the exemption of children from health insurance tax;
- the implementation of the Home II programme;
- other measures addressing issues related to demographics and housing.

Additionally, measures worth €1.3 billion, which were announced after the 2025 state budget was submitted, are being implemented based on positive fiscal performance in 2024, which is linked to the effectiveness of measures to curb tax evasion. These include a permanent increase of €500 million in the National Public Investment Programme, a permanent rent rebate for low- and middle-income families with an estimated annual cost of €230 million, and permanent annual financial support of €250 for 1.44 million pensioners, uninsured elderly people and people with disabilities, with an annual cost of €360 million. Other measures include an extension of the

⁴ Medium-Term Fiscal and Structural Plan 2025-2028, October 16, 2024



exemption from pharmaceutical costs for low-income pensioners with an annual cost of €23 million and the granting of a hazard allowance to law enforcement officers with an annual cost of €222 million.

State Budget Balance and Primary Balance

According to state budget execution data, the state budget balance recorded a surplus of €1,875 million (0.8% of GDP) on a modified cash basis for the January–May 2025 period. This is in contrast to the €2,475 million deficit target included in the explanatory report of the 2025 Budget for the same period, and the €535 million deficit recorded for the corresponding period in 2024. The primary balance on a modified cash basis was also positive, standing at €5,343 million (2.2% of GDP), compared to a target of €1,055 million and a primary surplus of €3,197 million (1.3% of GDP) for the same period in 2024. The improvement in the general government balance over the first five months compared to last year is due to an increase in net revenue of +7.8% (or +€2.09 billion) and a reduction in expenditure of -1.2% (or -€325 million; see Table 2.7).

Table 2.7

State Budget Execution: January-May 2025* (€ million)

	Jan. – May		% Change 25/24	2024*	2025* Budget	% Change 25Π/24
	2024*	2025*				
I. SB NET REVENUE (1+2)	26,884	28,969	7.8	74,110	75,463	1.8
1. Net OB revenue	24,145	25,898	7.3	68,526	67,518	-1.5
OB revenue before tax refunds	26,757	29,717	11.1	76,537	75,047	-1.9
Less Tax refunds	2,612	3,819	46.2	8,011	7,529	-6.0
2. PIP revenue +RRF ⁵	2,739	3,071	12.1	5,584	7,945	42.3
II. SB EXPENDITURE (3+4)	27,419	27,094	-1.2	73,742	79,871	8.3
3. OB expenditure	23,006	23,365	1.6	60,428	65,771	8.8
Primary expenditure OB	19,246	19,805	2.9	52,055	58,070	11.6
Interest	3,760	3,560	-5.3	8,373	7,701	-8.0
4. PIP expenditure + RRF ⁶	4,413	3,729	-15.5	13,314	14,100	5.9
III. SB Deficit (-)/Surplus (+)	-535	1,875		369	-4,408	
% of GDP	-0.2	0.8		0.2	-1.8	
IV. SB Primary Balance	3,197	5,343		8,698	3,293	
% of GDP	1.3	2.2		3.7	1.3	
GDP (in current prices) ⁷	236,965	247,514	4.5	236,965	247,514	4.5

Source: Monthly SB Execution Bulletin May 2025, Ministry of Finance, June 2025.

*On a modified cash basis. According to the new revenue classification valid from 01/01/2019

It should be noted that €1.993 billion relating to deferred payments from the ordinary budget and €0.499 billion relating to deferred investment expenditure are not included in the general government's fiscal balance. Additionally, €342 million in tax revenues for the first two months of the year have been included in the 2024 budget. Excluding these amounts, the excess in the primary balance on a modified cash basis compared to budget targets is estimated at €1,454 million. It should be noted that this five-month figure also incorporates the collection of part of the personal income tax, estimated at €665 million, which was expected to be collected in the coming

⁵ The PIP revenue category now includes the receipts from the Recovery and Resilience Facility

⁶ The PIP expenditure category now includes the payments from the Recovery and Resilience Facility

⁷ Source: Εκτίμηση για το 2024 και πρόβλεψη για το 2025 όπως αποτυπώνονται στην εισηγητική έκθεση του προϋπολογισμού του 2025, Νοέμβριος 2024



months. This is because the application for submitting tax returns had been operational since mid-March.

Note that the primary balance differs in fiscal terms from the result in cash terms. Furthermore, the above figures refer to the primary balance of the Central Administration only, not the General Government as a whole. The latter also includes the fiscal balances of legal entities, as well as the sub-sectors of local authorities and SSFs.

Ordinary budget revenue

From January to May 2025, the state budget generated net revenue of €28,969 million. This figure represents a €1,632 million (6%) increase compared to the target included in the introductory report for the 2025 Budget. It should be noted that this figure incorporates revenues (in the category 'Sales of goods and services') and tax refunds (VAT) totalling €784.8 million from transactions made in January 2025 to finalise the new concession agreement of Attiki Odos (the Attica toll way). These transactions relate to 2024 and are fiscally neutral. There was also an increase of €2.09 billion (7.8%) compared to last year.

Table 2.8

State Budget Revenue: January-May 2025* (€ million)

	Jan. – May		% Change 25/24	2024*	2025* Budget	% Change 25E/24
	2024*	2025*				
Net SB revenue	26,884	28,969	7.8	74,110	75,463	1.8
Net OB revenue	24,145	25,898	7.3	68,526	67,518	-1.5
Tax refunds	26,757	29,717	11.1	76,537	75,047	-1.9
OB revenue	2,612	3,819	46.2	8,011	7,529	-6.0
Income tax, of which:	7,434	9,167	23.3	23,992	25,519	6.4
--Personal	4,865	5,980	22.9	14,277	15,163	6.2
--Corporate	1,810	2,205	21.8	7,664	8,368	9.2
Property tax	1,414	1,530	8.2	2,467	2,394	-3.0
Taxes on donations, inheritance etc.	94	96	2.1	235	235	0.0
Tariffs	141	163	15.6	366	362	-1.1
Taxes on goods and services, of which:	14,394	15,280	6.2	37,552	37,982	1.1
--VAT	10,187	10,995	7.9	26,346	26,645	1.1
--Excise duties	2,714	2,789	2.8	7,251	7,272	0.3
Other production taxes	167	230	37.7	586	386	-34.1
Other current taxes	1,069	489	-54.3	3,589	2,522	-29.7
Social contributions	25	25	0.0	61	60	-1.6
Transfers	2,761	3,281	18.8	5,738	8,131	41.7
Sales of goods and services, of which:	406	1,450	257.1	3,448	2,417	-29.9
Other current revenue	1,567	1,079	-31.1	4,048	2,949	-27.1
Sales of fixed assets	23	0	-100.0	40	37	-7.5
PIP Revenue ⁸	2,739	3,071	12.1	5,584	7,945	42.3

Source: Monthly SB Execution Bulletin May 2025, Ministry of Finance, June 2025.

* On a modified cash basis. According to the new revenue classification valid from 01/01/2019

Compared to the first five months of 2024, most subcategories showed an increase. Ordinary Budget (OB) revenues increased by 11.1%, while net OB revenues rose by 7.3%. Tax refunds

⁸ The PIP revenues category includes the receipts from the Resilience and Recovery Facility.



increased by a striking 46.2%. This substantial rise in tax refunds is primarily due to the aforementioned transaction involving the concession of Attiki Odos. Income tax revenue increased by 23.3% compared to the same period in 2024, driven by growth in personal income tax revenue (+22.9%) and corporate tax revenue (+21.8%). Revenue from taxes on goods and services increased by 6.2%, primarily driven by a 7.9% surge in VAT revenue and a 2.8% rise in excise duty revenue. Overall, tax revenues totalled €26,954 million, which is an increase of €1,677 million (6.6%) compared to the target. This is mainly due to the collection of €665 million of personal income tax, which was expected to be collected in the coming months. This is because the application for submitting tax returns had been operational since mid-March, as mentioned above. It is also due to better performance in collecting taxes for the current year (VAT, excise duties, etc.) and better performance in collecting last year's income taxes, which were paid in instalments until the end of February 2025.

Revenue from property tax increased by 8.2% compared to last year, while inheritance tax increased by just 2.1%. Other production taxes rose by 37.7%, while transfers increased by 18.8%. Sales of goods and services surged by 257.1%, driven by the aforementioned Attiki Odos concession transactions. Conversely, other current revenue (-31.1%) and sales of fixed assets (-100.0%, see Table 2.8) decreased.

Ordinary budget expenditure

State budget expenditure for the January–May 2025 period amounted to €27,094 million, which is €2,718 million less than the target of €29,812 million included in the 2025 Budget introductory report. This figure is also down by €325 million (1.2%) compared to the same period in 2024.

Table 2.9

State Budget Expenditure: January-May 2025* (€ million)

	January- May		% Change 25/24	2024*	2025* Budget	% Change 25Π/24
	2024*	2025*				
SB Expenditure (1+2+3)	27,419	27,094	-1.2	73,742	79,871	8.3
OB Expenditure (1+2)	23,006	23,365	1.6	60,428	65,771	8.8
1.Primary OB Expenditure	19,246	19,805	2.9	52,055	58,070	11.6
Compensation of employees	6,120	6,209	1.5	14,869	14,889	0.1
Social benefits	91	85	-6.6	340	425	25.0
Transfers	11,802	12,474	5.7	32,598	34,741	6.6
(of which SSFs)	7,243	7,577	4.6	21,033	21,696	3.2
Purchase of goods and services	565	640	13.3	2,199	2,040	-7.2
Subsidies	13	73	461.5	73	81	11.0
Other current expenditure	77	1	-98.7	117	102	-12.8
Non allocated expenditure	0	0	-	0	3,183	-
Purchase of fixed assets	578	323	-44.1	1,857	2,610	40.5
2. Interest (gross basis)	3,760	3,560	-5.3	8,373	7,701	-8.0
3. PIP Expenditure ⁹	4,413	3,729	-15.5	13,314	14,100	5.9

Source: Monthly SB Execution Bulletin May 2025, Ministry of Finance, June 2025.

* On a modified cash basis. According to the new revenue classification valid from 01/01/2019.

In the ordinary budget, payments are €2,218 million lower than the target, mainly due to the deferral of transfer payments to SSFs and other general government agencies by €1,539 million and cash payments for defence programmes by €455 million. It should be noted that the above

⁹ The PIP category now includes the flows of the Recovery and Resilience Fund for 2021 and 2022



amounts do not affect the general government's fiscal balance. Compared to last year, there was a 1.6% increase in ordinary budget expenditure. Primary expenditure of the OB increased by 2.9%, while interest payments decreased by 5.3%.

Compared to last year, employee benefits increased by 1.5%, while social benefits decreased by 6.6%. There was an increase in transfers of 5.7%, with those relating to SSFs rising by 4.6%. Purchases of goods and services also increased by 13.3%. Meanwhile, subsidies increased by €60 million, while other expenses decreased by €76 million and purchases of fixed assets decreased by 44.1%.

Noteworthy transfers include the following:

- transfers to hospitals and the Regional Public Primary Health Network (YPE-PEDY) amounting to €588 million;
- the transfer of €400 million to cover the cost of providing public utility services in the electricity sector (YKO), in accordance with the provisions of Article 55 of Law 4508/2017 (A' 200);
- a subsidy of €290 million to the National Central Health Procurement Authority (EKAPY) for the supply of pharmaceutical products and health services on behalf of public hospitals;
- subsidies to transport operators (OASA, OASTH and OSE) amounting to €124 million;
- a subsidy to higher education institutions amounting to €113 million.

Public Investment Programme (PIP)

Revenues from the Public Investment Programme (PIP), excluding the RFF, amounted to €1,725 million. This is down by €154 million on the target of €1,880 million included in the 2025 Budget introductory report, and down by €855 million on last year. Revenues from the RFF are significantly higher than last year due to the early disbursement of the RFF tranche in December 2023, which resulted in low revenue inflows in 2024.

Investment expenditure payments, including the RFF, totalled €3,729 million. This is €499 million less than the target set out in the introduction to the 2025 Budget. Meanwhile, this figure is down by €685 million compared to the corresponding payments in 2024. In the individual categories, PIP expenditure decreased by €1.2 billion, while RFF expenditure increased by €539 million.



C. Financial developments

- The European Central Bank continued to gradually ease monetary policy in the second quarter of 2025, with expectations of a further small reduction in key interest rates in the second half of the year.
- The cost of new public sector borrowing fell to 3.3% in June 2025, as did its spread over the cost of German public borrowing (falling from 87 to 77 basis points for 10-year government bonds).
- The cost of new private sector borrowing declined in Q2 2025, with a narrowing of its spread relative to the corresponding average cost in Europe.
- Credit expansion to businesses strengthened further in early 2025, reaching the highest annual rate since early 2009, while credit contraction to households slowed to a marginal level.
- Non-performing loans on Greek banks' balance sheets remained stable in the first quarter of 2025 at 3.8% of total loans.
- Private bank deposits recovered in mid-2025.
- Greek banks' exposure to government bonds remained high in early 2025, deviating significantly from the euro area average.

In the second quarter of 2025, share prices on the domestic capital market continued to rise significantly, increasing by 10.8% in the second quarter alone and exceeding 27% cumulatively in the first half of the year. The banking index also performed spectacularly, rising by 21.7% in the second quarter and by over 50% in the first half of the year as a whole.

Since mid-2024, the European Central Bank (ECB) has cut key interest rates eight times in a row, by at least 200 basis points in total. Markets are anticipating a slight further decline in key interest rates this year, followed by a period of no change in 2026, with rates remaining higher than in early 2022. For example, in the interest rate derivatives markets, the three-month Euribor is expected to fall to around 1.8% by the end of 2025, down from almost 2.7% at the start of the year. Regarding quantitative easing tools, the ECB has suspended reinvestments of maturing bonds under the APP programme from mid-2023 and the PEPP programme from the end of 2024. Although inflation has slowed due to downward trends in international energy prices, risks remain from tariff policies and ongoing geopolitical tensions.

Among the positive trends in banks' fundamental indicators, credit expansion to businesses remained high, demand for loans from businesses and households recovered, contraction of credit to households eased, and public and private borrowing costs declined. Private deposits are showing a slight upturn, while the interest rate margin has narrowed but remains high.

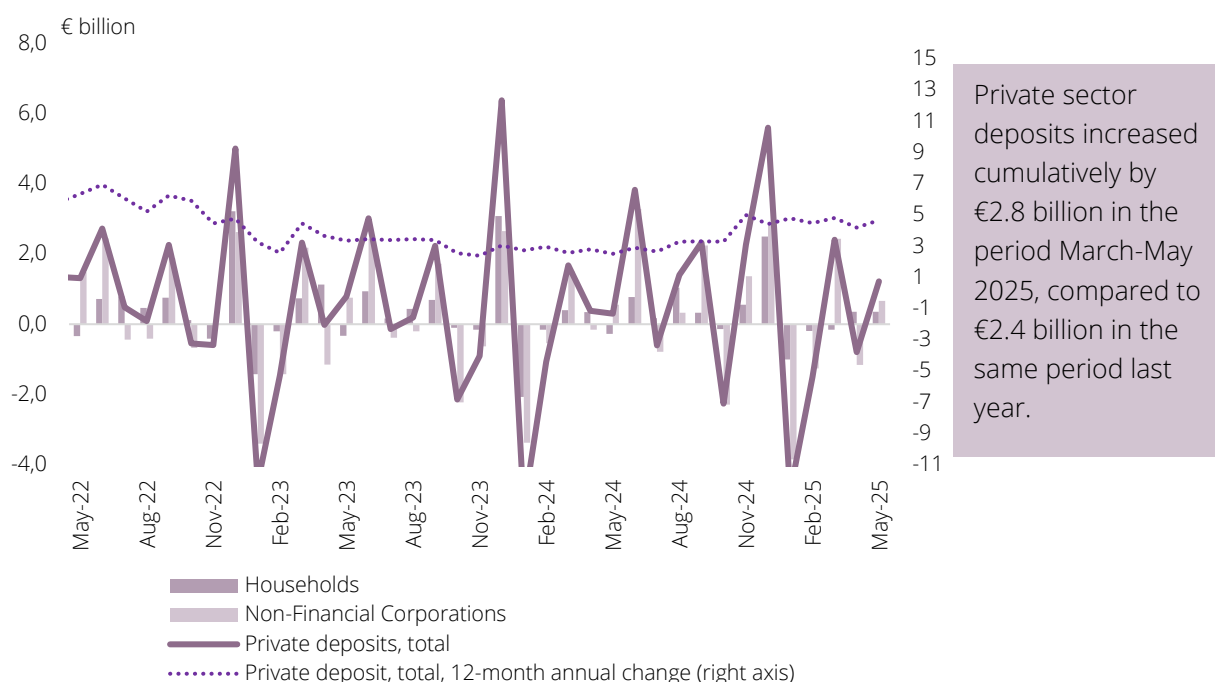
Negative trends and challenges in the financial system include banks' higher exposure to government bonds than in other European countries, a high percentage of non-performing loans off the balance sheet of the banks, and a high share of deferred taxation in banks' equity. The revision of the National Recovery and Resilience Plan, which expires in June 2026, has been accompanied by delays to the implementation of certain actions in the first half of 2025. Timely and effective implementation of the loan component provides an opportunity to finance productive investments on favourable terms.



On the liabilities side, private deposits increased in the period March 2024 – May 2025, with net new inflows of €2.3 billion from businesses and €0.5 billion from households (Figure 2.7). On an annual basis, private deposits remained up by €8.7 billion in May. The twelve-month rate of change was 4.7% in May.

Figure 2.7

Monthly net flow of private deposits at Greek banks



Source: Bank of Greece

A mild upward trend in private deposits is expected for 2025 and 2026, which will be slightly higher than inflation. As household disposable income and private consumption increase modestly in real terms, household and business savings are expected to grow slightly, some of which will be reflected in deposits.

The second component of banks' liabilities relates to financing from the Eurosystem. The use of long-term financing instruments, such as LTROs, has declined significantly to just €2.6 billion in May 2025, down from €10.5 billion a year earlier (see Figure 2.8). During this period, the assets of the domestic banking system accepted by the Eurosystem as collateral for monetary policy operations decreased, as reflected in the Bank of Greece's financial statements. These assets reached €24.2 billion in May 2025, down from almost €69 billion in mid-2022.

The third part of the banks' liabilities concerns financing from capital markets. The further systematic improvement in the credit rating of government and bank securities and the gradual decline in interest rates are creating positive prospects for the current year.

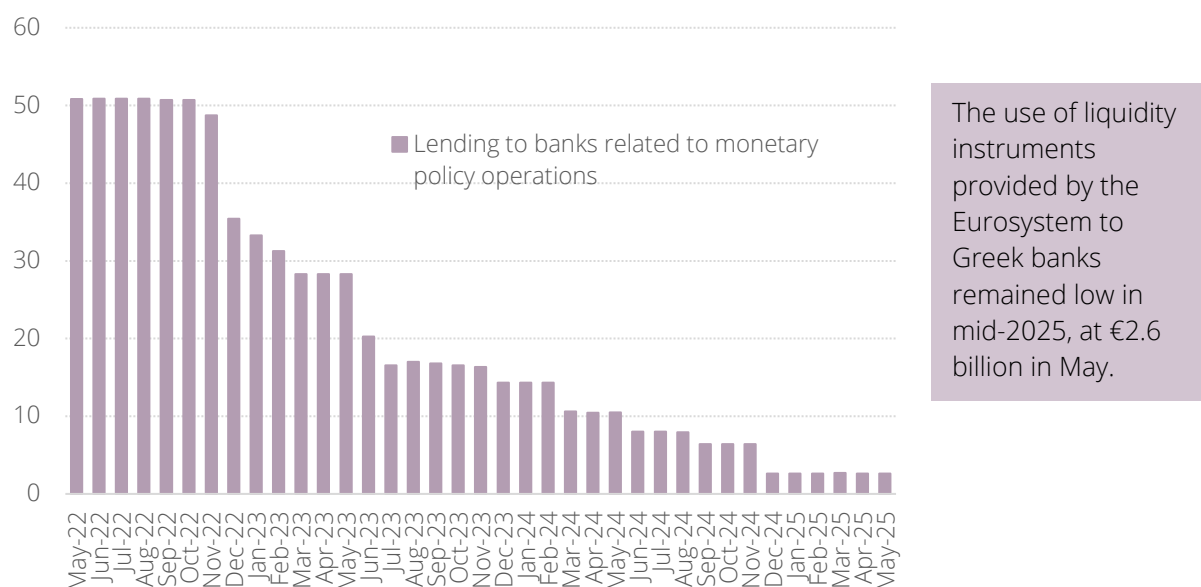
On the asset side, the rate of 12-month credit expansion to the domestic private sector strengthened further in May 2025, reaching 101.3% (Table 2.10). The corresponding rate for non-financial corporations (NFCs) was 17.4% in the same month, which is an 18-year high (see Figure 2.9). For reference, total new net inflows to enterprises from March to May 2025 amounted to €2.0



billion, compared to €1.4 billion in the same period last year and €9.3 billion in 2024 as a whole. Conversely, credit contraction in the housing portfolio persisted, albeit at a slower pace. Meanwhile, small positive inflows were observed in loans to freelancers, sole proprietorships and consumer loans.

Figure 2.8

Long-term financing of the Greek banks from the Eurosystem (billion €)



Source: Bank of Greece

Table 2.10

Domestic bank financing and average interest rates per portfolio

Quarter/year	2/24	3/24	4/24	1/25	Απρ.25	Μάι.25
Annual % change of 12-month flows*						
Total private sector	5.2	6.6	9.3	10.3	10.9	11.3
Households & NPIs	-1.0	-0.7	-0.6	-0.5	-0.3	-0.1
Consumer credit	5.4	6.0	6.2	5.7	5.4	5.7
Mortgage credit	-2.9	-2.7	-2.7	-2.5	-2.2	-1.9
Sole proprietors and unincorporated	-0.1	0.3	0.5	0.1	-0.3	-0.3
Non-financial corporations	8.0	9.8	14.4	16.5	17.2	17.4
Interest rates on new loans (period average, %)						
Consumer credit	10.8	11.0	10.8	10.7	10.6	10.6
Mortgage credit	4.20	3.86	3.71	3.69	3.63	3.68
Loans to non-financial corporations	5.54	5.62	5.02	4.57	4.33	4.11

Source: Bank of Greece.

* The flows result from changes of outstanding balances corrected for loan write-offs, re-evaluation of securities, foreign exchange differences and reclassification/transfer of loans.

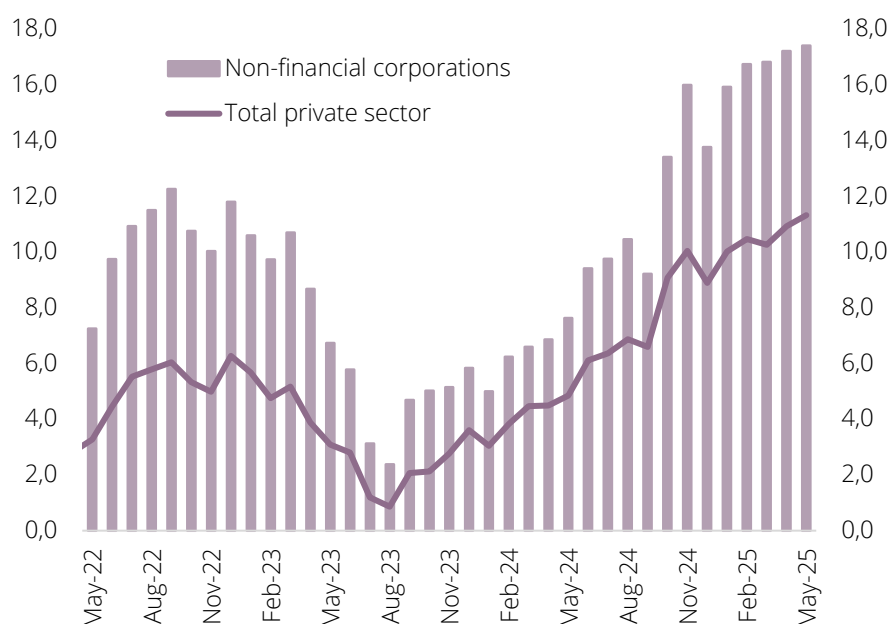
Changes in the supply and demand for loans, as well as changes in interest rates, affect private sector financing. In terms of supply, high bank liquidity ratios, the loan component of the National Recovery and Resilience Plan and programmes for small and medium-sized enterprises and



individuals from the Hellenic Development Bank highlight the availability of financial resources, indicating a positive outlook for the second half of 2025 and 2026.

Figure 2.9

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



In March - May 2025, new net flows to non-financial corporations remained high at €2.0 billion, with the 12-month credit growth rate to the total private sector reaching 11.3%. This increase in private-sector credit is primarily driven by the expansion of credit to non-financial corporations, which grew by 11.3% in May — the highest rate since early 2009.

Source: Bank of Greece

* The flows result from changes of outstanding balances corrected for loan write-offs, re-evaluation of securities, foreign exchange differences and reclassification/transfer of loans.

From the perspective of loan demand, the Bank of Greece's survey of bank lending in the first quarter of 2025 revealed a substantial rise in demand for new loans within the business and housing sectors. This increase occurred in the context of the implementation of programmes such as 'My Home II', which has a total budget of €2 billion. Further strengthening of demand is expected, primarily in business credit for both large enterprises and SMEs. Credit standards remained unchanged in the first quarter of 2025, except for the mortgage portfolio, which saw a slight easing. No significant changes are expected in the short term.

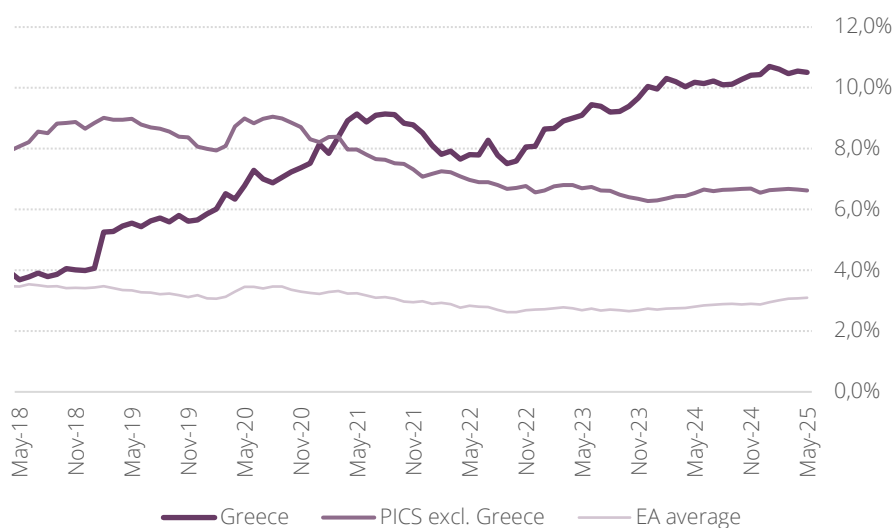
In the first quarter of 2025, banks' exposure to government bonds remained high, reaching €34.0 billion in May — equivalent to 10.5% of their total assets. Consequently, the proportion of Greek banks' total assets invested in government bonds continues to diverge from that of other southern euro area countries, standing at 6.6% — much higher than the average for euro area countries, which is just 3.1% (see Figure 2.10).

The proportion of non-performing loans (NPLs) on banks' balance sheets remained stable in the first quarter of 2025, standing at 3.8% of total bank loans (or €6.0 billion), which is similar to the previous quarter. The overall level of NPLs continues to be at a historic low since 2002, when relevant data began to be published, and has converged with that of other euro area countries. The NPL ratio is higher for mortgage loans, standing at 7.3%, compared to 2.8% for business credit and 6.4% for consumer loans.



Figure 2.10

Banks' government bond holdings over total assets (%)

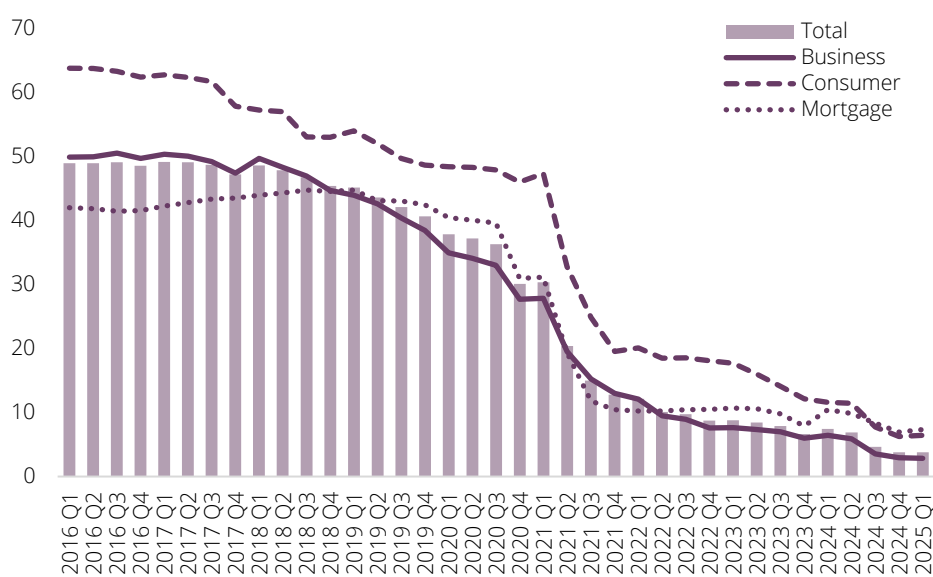


In mid-2025, Greek banks' exposure to government bonds remained high and significantly deviated from the euro area average.

Source: ECB

Figure 2.11

Non-Performing Loans, % of total loans by category*



In the first quarter of 2025, NPLs remained stable at 3.8% of banks' total loan portfolio.

Source: Bank of Greece

* On-balance sheet loans (before provisions) on a non-consolidated level.

In addition to the non-performing loans (NPLs) on banks' balance sheets, a significant amount of loans that were previously classified as NPLs are now managed by Credit Servicing Firms (CSFs). For instance, the total nominal value of loans under CSFs reached €78.3 billion in the first quarter of 2025. Consequently, the stock of non-performing private debt, primarily outside the scope of the banking system's balance sheets, remains substantial, hindering the efficient allocation of financial resources and impeding the swift recovery of productive investments.

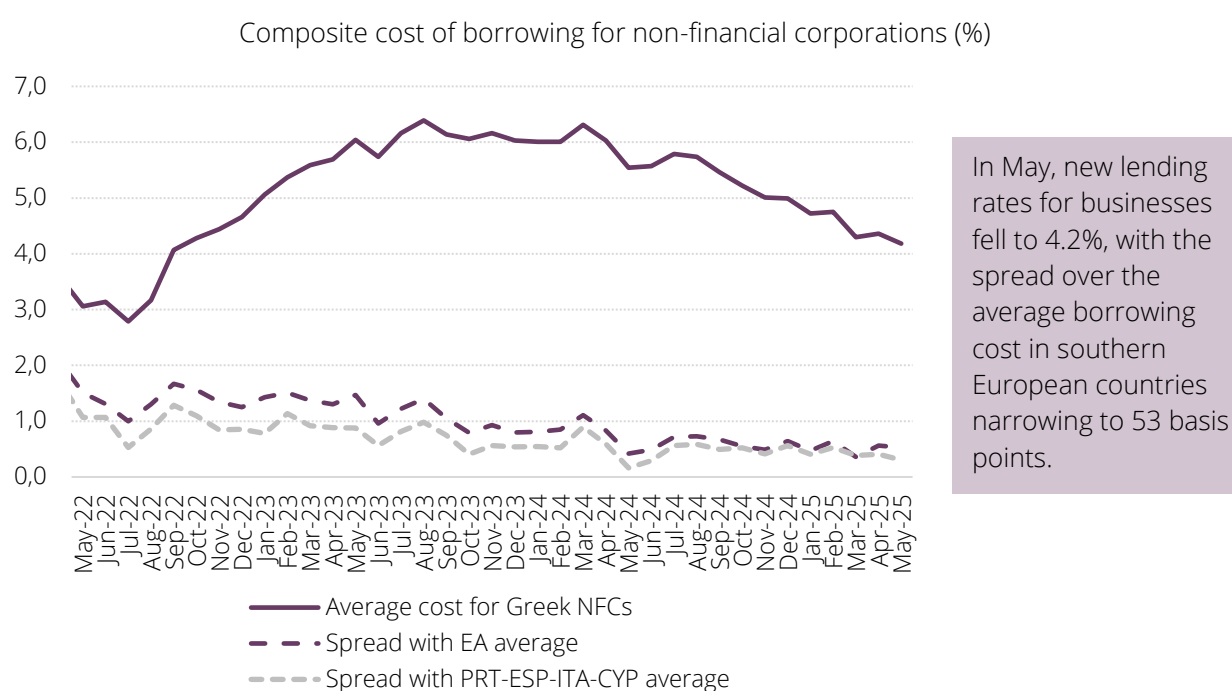


In the medium term, the reduction in NPLs is expected to focus on the assets of the CSFs. For this reason, it is crucial that the secondary market for loans and credit claims and tools such as the out-of-court debt settlement mechanism function smoothly. Regarding the stock held by banks, it is deemed appropriate for the effort to reduce it further to include both business and residential portfolios.

Regarding new lending in the second half of 2025 and throughout 2026, credit expansion to businesses is expected to continue alongside the implementation of the revised loan component of the National Recovery and Resilience Plan. Conversely, a gradual, modest recovery in household credit is anticipated after 15 years, primarily driven by the resurgence in demand for housing credit.

In April–May 2025, interest rates on new deposits declined to 0.51% and 0.32% for non-financial corporations (NFCs) and households, respectively. During the same period, the average interest rate on new loans fell to 4.7%, standing at approximately 5.8% for individuals and 4.2% for NFCs. Although the interest margin (the difference between the average interest rate on loans and deposits) decreased to 4.4% from an average margin of 5.6% and 5.2% in 2023 and 2024, respectively, it remained high during the same period.

Figure 2.12



Source: ECB

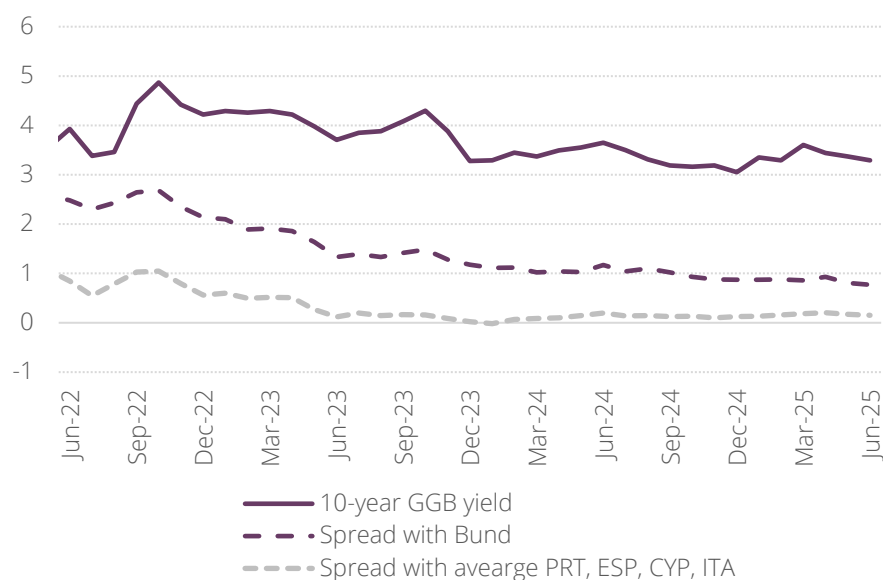
The average cost of new bank financing for private sector NFCs fell to 4.2% in May (Figure 2.12). Furthermore, the cost of financing for Greek businesses remains higher than in other euro area countries. Indicatively, according to the ECB's weighted index of bank lending costs, the cost for non-financial corporations in May 2025 stood at 3.7% in the euro area and 3.9% in the southern euro area countries (Portugal, Italy, Cyprus, Spain). Subsequently, the spread of borrowing costs for Greek companies in relation to the euro area average and the southern average is recorded at 53 bps and 30 bps, respectively. Compared to the level before the 2010 fiscal crisis, the spread in borrowing costs for Greek companies remains higher.



In mid-2025, yields on European government bonds recorded a slight decline amid a cautiously optimistic international investment climate, as uncertainty over trade policy and the evolution of the wars in Ukraine and the Middle East persisted. Against this backdrop, the trend of declining Greek government bond yields resumed, with a gradual reduction in their spread over other European bonds. Consequently, the average yield on 10-year bonds was 3.3% in June 2025, compared to 3.4% in the previous quarter. In June 2025, the additional burden on the Greek government's new cost of 10-year borrowing stood at 77 basis points relative to the German bond and 16 bps relative to the average of southern euro area countries, compared to 87 bps and 16 bps respectively in the previous quarter (Figure 2.13). Despite this progress, the spread against the German bond remains higher than the average value observed during the first decade of the country's membership of the eurozone (54 bps).

Figure 2.13

Yield and spread of the 10-year Greek sovereign bond (%)



The average yield on the 10-year government bond fell to 3.3% in June 2025, while the average spread against the corresponding German bond fell to 77 basis points from 87 basis points in the previous quarter.

Source: ECB

As part of the Greek government's financing strategy, the PDMA has reported that it intends to raise around €8.0 billion through bond issues in 2025. In January 2025, the Greek government completed the issuance of a new 10-year bond, raising €4.0 billion at an interest rate of 3.6%, with a coverage ratio exceeding 10. At the same time, the PDMA reissued 10- and 30-year bonds in 2025, raising smaller amounts with a particularly positive market response.

All five international rating agencies recognised by the ECB (Moody's, DBRS, Scope, S&P and Fitch) now classify the credit rating of Greek securities as 'investment grade', while some rank the country one notch above the threshold (e.g. S&P). However, the level of Greek public debt remains among the highest internationally as a percentage of GDP (153.6% in Q4 2024, as shown in the Appendix). This quantitative characteristic is offset by qualitative characteristics such as the long average repayment period and the large share of fixed and low interest rates.



3 MACROECONOMIC PERFORMANCE AND OUTLOOK

3.1 GDP components

A. Recent developments

- The growth momentum of the Greek economy weakened in the first quarter of 2025, with GDP remaining stagnant compared to the previous quarter and annual growth slowing to +2.2% year-on-year (compared to +2.5% in the previous quarter).
- The drivers of growth were private consumption (+1.9%, up from +1.1%) and public consumption (+0.7%, up from -3.4%), leading to an annual increase in total consumption of +1.6% (up from 0.0%).
- In contrast, fixed investment contracted by 3.2% annually (down from 7.6% in the previous quarter), while the increase in inventories maintained the growth of total investment, at a slower pace than in the previous quarter (+4.1%, down from +23.7%).
- In the external balance, the strong performance of exports (+2.2% annually, compared to +2.9% in the previous quarter) failed to offset the increase in imports (+2.4%, unchanged). Although imports of goods (up 1.7%, compared to 2.0%) were fully offset by exports of goods (up 1.7%, compared to 1.1%), the significant increase in imports of services (up 3.8%, compared to 4.8%) combined with the marginal decline in exports of services (down 0.2%, compared to 4.4%) worsened the deficit by €154 million compared to last year.

Recent macroeconomic developments in Greece

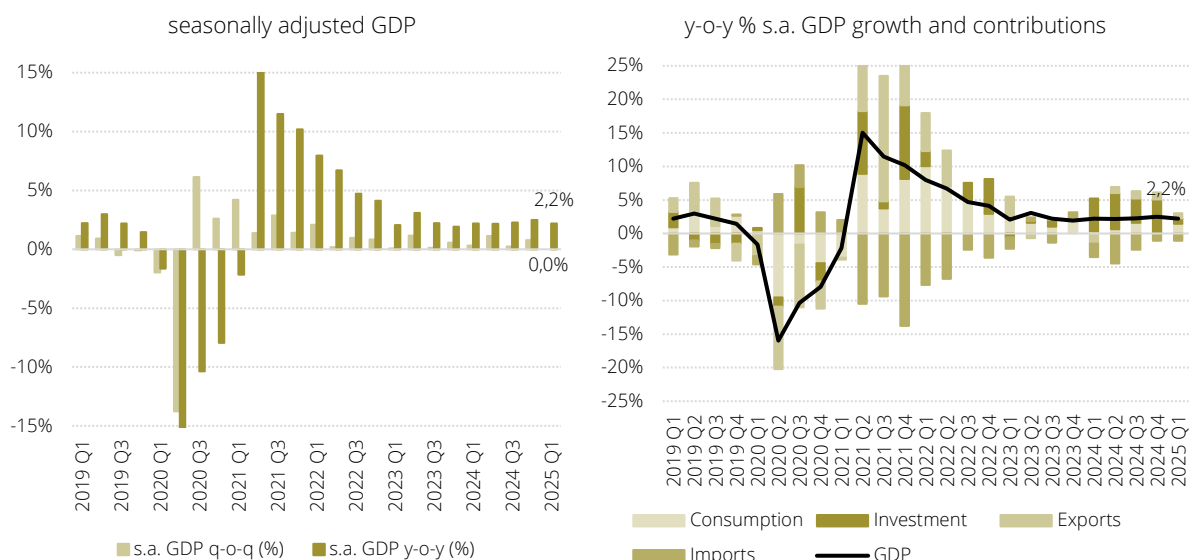
In the first quarter of 2025, the Greek economy showed positive growth of +2.2% for the 16th consecutive quarter. This figure was well above the euro area average of +1.2%, but significantly lower than the previous quarter's growth of +2.5%. Private and public consumption were the driving forces, while fixed investments contributed negatively for the first time after four consecutive quarters of growth. Similarly, despite the strong performance of exports, the external balance deteriorated due to the comparatively larger increase in imports (see Figure 3.1).

Specifically, total domestic consumption increased by 1.6% year-on-year in the first quarter of this year (up from 0.0% in the previous quarter), thanks to an increase in both private consumption (up from 1.1% to 1.9%) and public consumption (up from -3.4% to 0.7%).

In terms of fixed investment, the first quarter of 2025 saw a significant decline of 3.2%, compared to an increase of 7.6% in the previous quarter. However, total investment continued to increase (+4.1%, compared to +23.7%), mainly due to an increase in inventories (see Figure 3.2). Despite positive developments in individual categories, such as mechanical and transport equipment (up 0.7% from 2.8%) and other products (up 1.2% from 0.8%), the sharp decline in construction (down 6.0% from 14.6%) dragged down total fixed investment. The annual rate of change was negative in four of the seven fixed investment sectors: information and communication technology equipment (-10.2% from +5.9%), other construction (-9.2% from +6.8%), dwellings (-3.2% from +7.6%) and transport equipment (-3.2% from -10.8%). Annual growth was recorded in agricultural products (+17.1% from +15.1%). Growth was also seen in Mechanical Equipment (+6.3% from +6.4%) and Other Products (+1.1% from +0.7%).

Figure 3.1

Evolution of GDP and the contribution of its components



Source: ELSTAT, Data processing IOBE

Growth in the first quarter of 2025 was driven by a strengthening in both private and public consumption.

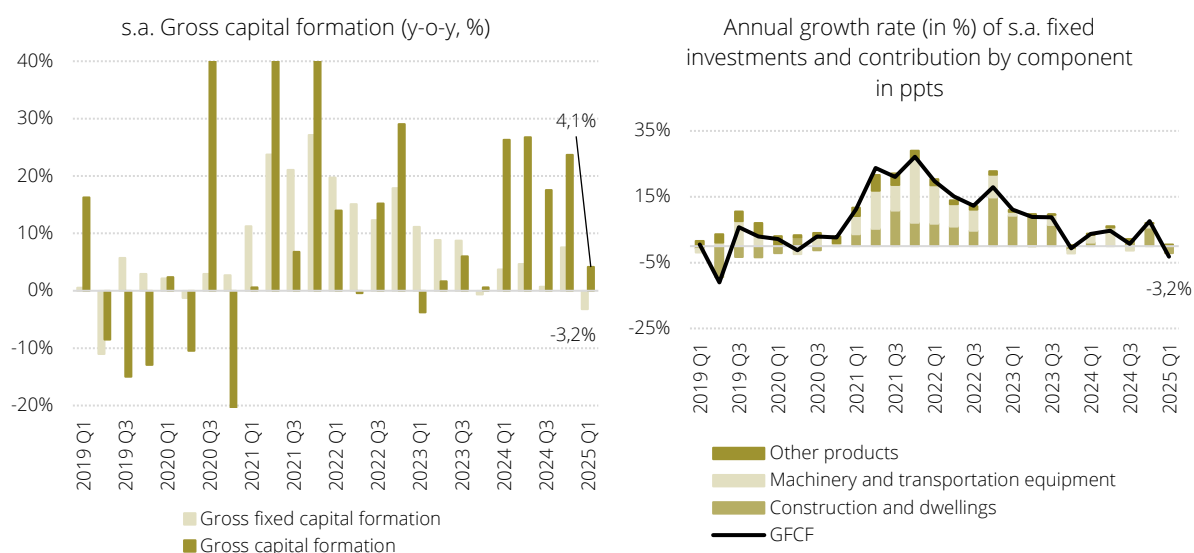


In the external balance, a strong performance in exports (+2.2% year-on-year, compared to +2.9% in the previous quarter) failed to offset the increase in imports (+2.4%, unchanged from the previous quarter), resulting in a worsening of the deficit by approximately €154 million compared to last year. Although imports of goods (+1.7% from +2.0%) were fully offset by exports of goods (+1.7% from +1.1%), growth was negatively impacted by the significant increase in imports of services (+3.8% from +4.8%) combined with the marginal decline in exports of services (-0.2% from +4.4%).

In production (Figure 3.3), the domestic gross value added (GVA) increased for the sixteenth consecutive quarter, with annual growth of 1.5% (down from 1.9% in the previous quarter), driven by increased subsidies (up 37.9%, compared to a decline of 8.3%) and despite higher taxes (up 7.6%, compared to an increase of 4.3%).

Figure 3.2

Evolution of investment and the contribution of its components



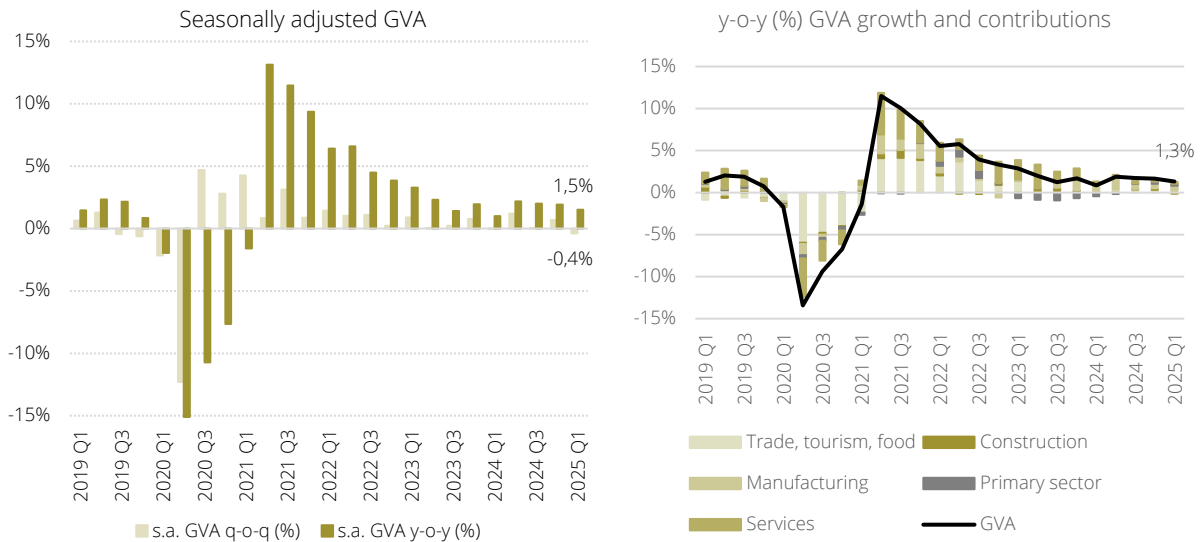
Source: ELSTAT, Data processing IOBE

Contraction of fixed investments in the first quarter of 2025, with an increase, however, in total investments due to an increase in inventories.



Figure 3.3

Evolution of GVA and the contribution of its components



Source: ELSTAT, Data processing IOBE

The upward trend in GDP was maintained thanks to the strengthening of all production sectors except construction.

At the sector level, the primary sector (+9.0%, down from +9.7%), industry (+3.8%, down from +4.0%), trade (+1.4%, down from +1.6%) and the tertiary sector (+0.5%, down from +0.4%) all contributed positively to GDP growth in the first quarter of 2025. In contrast, construction recorded a significant contraction (-9.3%, down from +9.7%). Tertiary sector activities that showed annual growth included financial and insurance activities (up 3.8% from 3.6%), professional, scientific, technical and administrative activities (up 2.5% from 0.1%), real estate management (up 0.4% from 0.4%) and arts and entertainment (up 0.0% from 1.0%). Conversely, information and communication (-1.0% from +1.0%) and public administration (-0.7% from 0.0%) declined.



Table 3.1

Trends in key macroeconomic figures – National Accounts (seasonally adjusted data, 2015 constant prices), provisional data

Quarter	GDP		Final Consumption		Investment		Exports		Imports	
	€ million	Annual rate of change	€ million	Annual rate of change	€ million	Annual rate of change	€ million	Annual rate of change	€ million	Annual rate of change
2012	177314	-8.4%	160332	-8.3%	21352	-21.0%	46828	2.0%	51736	-5.5%
2013	173227	-2.3%	154072	-3.9%	20616	-3.4%	47650	1.8%	49869	-3.6%
2014	174744	0.9%	154157	0.1%	21698	5.3%	51595	8.3%	53278	6.8%
2015	174325	-0.2%	155165	0.7%	21925	1.0%	54295	5.2%	57635	8.2%
2016	174235	-0.1%	155662	0.3%	22784	3.9%	54080	-0.4%	58863	2.1%
2017	176714	1.4%	158472	1.8%	22073	-3.1%	58626	8.4%	63070	7.1%
2018	44855	2.2%	40235	2.4%	5605	-7.6%	15547	9.3%	16198	4.1%
2019	44935	1.8%	39725	0.5%	6268	12.1%	15870	8.7%	17004	9.8%
2020	45057	1.2%	40046	0.8%	5622	3.6%	15901	6.9%	17653	11.3%
2021	45341	2.6%	39977	0.1%	6283	26.0%	16722	12.0%	17419	7.8%
2022	180187	2.0%	159982	1.0%	23779	7.7%	64039	9.2%	68274	8.3%
2023	45856	2.2%	40656	1.0%	6517	16.3%	16425	5.6%	17528	8.2%
2024 Q1	49696	2.2%	44757	0.3%	9299	26.3%	17604	-4.2%	22017	4.6%
2024 Q2	50262	2.2%	44897	0.7%	10103	26.7%	18053	2.6%	22979	9.8%
2024 Q3	50378	2.3%	45035	1.8%	10408	17.5%	18092	3.1%	22792	5.4%
2024 Q4	50768	2.5%	44926	0.0%	10863	23.7%	18151	2.9%	22397	2.4%
2024	201104	2.3%	179614	0.7%	40672	23.4%	71900	1.0%	90185	5.5%
2025 Q1	50788	2.2%	45485	1.6%	9683	4.1%	17983	2.2%	22550	2.4%

* Provisional data

Source: Quarterly National Accounts, ELSTAT, June 2025

In conclusion, the Greek economy grew at a significantly higher rate than the Eurozone in the first quarter of 2025 for the 16th consecutive quarter, thanks to strengthened overall consumption. However, a significant decline in fixed investments hindered growth.

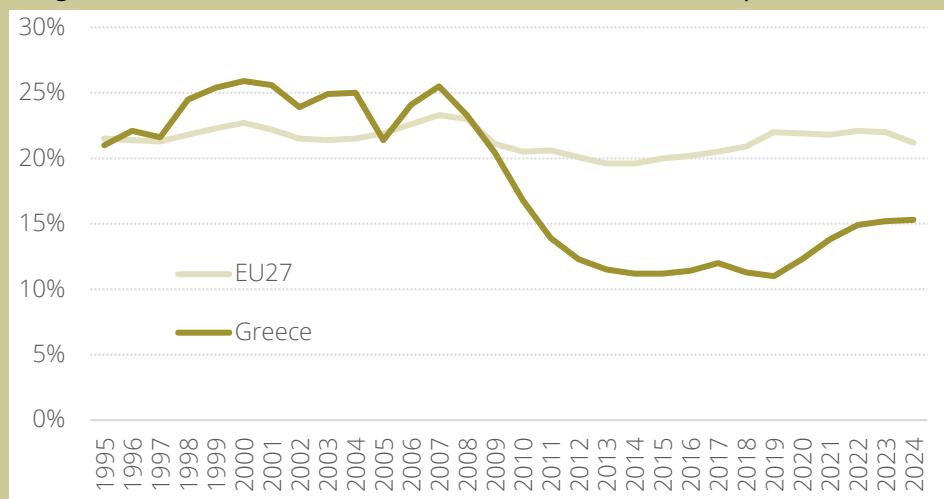
Text Box of section 3.1A

The "gap" of Greek fixed investment by sector and type

Greece recorded a total fixed investment rate comparable to the EU average (gross fixed capital formation as a percentage of GDP) in the period 1995–2009. However, since 2010, this rate has consistently fallen short, resulting in an 'investment gap' that is gradually narrowing in the post-pandemic era. Analysis of the composition of investment shows that the gap between Greece and Europe, as well as the trend towards its recovery, varies depending on the sector and type of investment.

Following the pandemic, Greece partially recovered the investment gap recorded during the crisis, achieving an average annual growth rate of 12% in fixed investments between 2021 and 2024. The ratio of fixed investment to GDP exceeded 15% in 2024, up from 11% in 2019, but still significantly lower than the pre-crisis level of around 25% (peaking in 2000). However, this percentage remains significantly lower than the European average, which has consistently ranged between 21% and 22% since the pandemic.

Figure B.3.1A.1. Total investment, % of GDP (Gross Fixed Capital Formation)



Source: Eurostat, Data processing: IOBE

In the pre-crisis era, the Greek economy had a high investment rate, largely due to the high rate of investment in construction (around 15%), including new housing (around 9%). This was consistently higher than the EU27 average (around 12% and 6%, respectively). By contrast, the investment rate excluding construction (around 8%) was consistently lower than the EU average (around 10%).

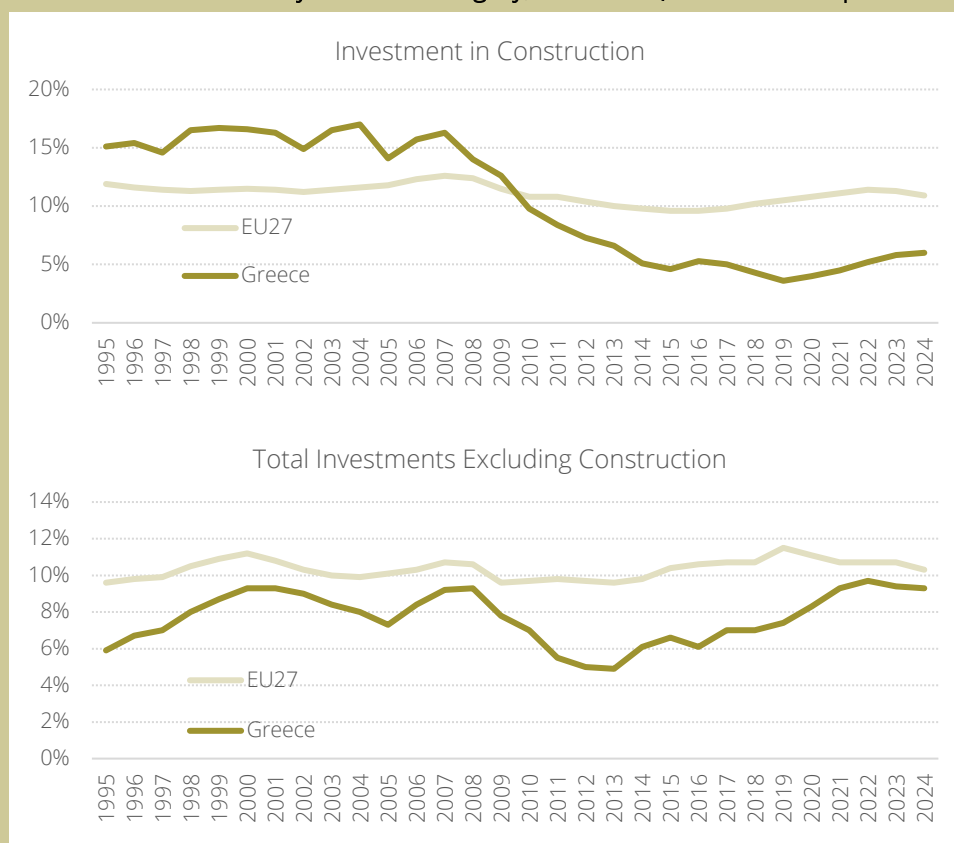
Regarding the evolution of the share of investment components, we observe that, traditionally, housing and construction accounted for the largest share of fixed investment, consistently exceeding 50% up to 2013. During the crisis period, this share declined to one-third in 2020, with a slight recovery to 37% in 2024. Meanwhile, the share of mechanical and transport equipment as a percentage of GDP has recovered more quickly and is already close to its pre-crisis level of 7.3% in 2024. This is up from an all-time low of 3.3% in 2013 and approaching the all-time high of 8% in 2008.

Focusing on selected economic sectors that are particularly important in Greece, we observe that, for 2023 (the most recent year for which data is available), the ratio of investment to gross value added (GVA) is highest in public services, followed by industry and professional services, and finally trade, transport and tourism services. Compared to the European average, the annual investment gap remains significant in industry and trade, transport and tourism services, at around 5% of each sector's GVA, while it has been eliminated in public services which also record higher annual performance.



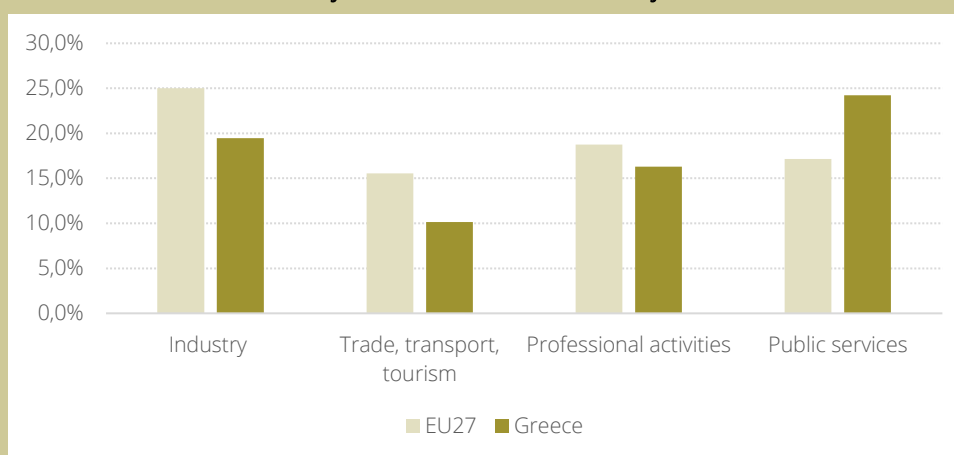
In conclusion, the investment gap in the Greek economy compared to the European economy began to accumulate in 2010, although it pre-dated Greece's adoption of the euro and was present in most sectors except construction. While the investment gap in the Greek economy is gradually closing, with an increasing contribution from the industrial and services sectors, the gap with the European average remains significant, and faster convergence is imperative.

Figure B.3.1A.2. Investment by selected category, % of GDP (Gross Fixed Capital Formation)



Source: Eurostat, Data processing: IOBE

Figure B.3.1A.3. Total investment by selected sectors of activity as % of GVA in each sector, 2023



Source: Eurostat, Data processing: IOBE

B. Assumptions and forecasts

Medium-term outlook

- The key factors influencing GDP growth in 2025 and 2026 are a combination of positive developments and challenges. These opportunities include implementing European policy recommendations to Greece in the context of the European Semester, reducing borrowing costs, and accelerating the implementation of the revised Recovery and Resilience Plan. However, there are also significant risks, mainly stemming from international developments. These include the escalation of the trade war, the persistence of geopolitical tensions in Ukraine and the Middle East, pressure on the independence of monetary policy from interventions in major central banks, and Greece's loss of competitiveness and purchasing power due to inflation exceeding the euro area average.
- The forecast for domestic economic growth remains unchanged at +2.2% for 2025, while a slight acceleration to +2.4% is expected for 2026.
- Private consumption is expected to strengthen in 2025, reaching 1.8% (compared to 1.2% in the previous forecast), before slowing down to 1.0% in 2026. Public consumption is expected to remain high in both 2025 (+1.2%, up from +0.6% in the previous forecast) and 2026 (+1.2%).
- Investments are expected to slow significantly in 2025, with total investments limited to +4.1% (down from +6.0%) and fixed investments to +5.0% (down from +9.5%), mainly due to sluggish performance in the first quarter of the year. However, a recovery is anticipated in 2026, with corresponding increases to +9.0% and +11.2% for total and fixed investments, respectively.
- The current account is expected to deteriorate slightly in 2025, with import growth (+1.6%) exceeding export growth (+1.5%). The gap is expected to widen further in 2026, with imports growing by 3.1% and exports by 2.9%.
- Annual inflation (HICP) and the unemployment rate remain at the levels forecast for 2025 (+2.8% and +9.3%, respectively), while further improvement is forecast for 2026, with inflation falling to +2.3% and unemployment declining to 9.0%.

The positive momentum recorded by the Greek economy last year is expected to continue into 2025, accelerating further in 2026. This outlook is reinforced by the faster implementation of the revised Recovery and Resilience Plan, lower financing costs, and further increases in employment. It is also bolstered by the prospect of acceleration in the euro area, including through the new conditions emerging in international markets amid trade protectionism, which could create opportunities for Greek exports. Additionally, the implementation of European policy recommendations in the context of the European Semester will contribute to this positive outlook.

However, there are certain factors that are increasing uncertainty about the future performance of the economy. These include the potential for the trade war and geopolitical tensions in Ukraine and the Middle East to escalate further, the risk of destabilisation of interest rates due to political interference in central banks, persistently high structural external deficits and loss of competitiveness due to higher inflation compared to the euro area average.

Mild inflation boost due to stronger domestic demand, as international energy prices decline

In the first half of 2025, the national Consumer Price Index (CPI) increased by 2.5% year on year, which was slower than in the same period in 2024 (when it increased by 2.8%). Meanwhile, the



Harmonised Index of Consumer Prices (HICP) rose marginally stronger, by 3.1% (compared to 3.0%). Both indices accelerated on a monthly basis, with the CPI rising by 2.8% and the HICP by 3.6% (compared to 2.3% and 2.5% respectively in the same month of 2024). Additionally, core inflation strengthened to +3.3% in May 2025, up from +2.7% a year earlier.

The increase in the HICP between January and May 2025 was primarily driven by the positive impact of domestic demand. The index excluding energy goods and taxes rose by 3.2%, compared to 3.5% in 2024. Indirect taxation had a positive impact on prices, adding 0.3 percentage points to the overall price level, compared with 0.1 percentage points in the previous year. A more complete analysis of inflation and its main determinants can be found in Section 3.5.

In the first quarter of 2025, international oil prices fell, with the average price of Brent dropping by 14.4% (\$72/barrel compared to \$84.1/barrel). Meanwhile, the average price in euros fell from €77.8 to €66.6/barrel, as the marginal decline in the euro/dollar exchange rate did not halt the decline in oil prices.

In 2025, domestic demand is expected to increase due to higher employment and wage growth, including an increase in the minimum wage affecting civil servants' salaries, unemployment benefits and special salaries for uniformed personnel. Other factors include tax relief, such as reduced social security contributions, the abolition of business taxes for freelancers and lower ENFIA property taxes. The effects of indirect taxation on prices are expected to be minimal, as changes to VAT have already been factored in (one year after implementation of the measure). In the international environment, however, global growth forecasts have been downgraded due to slowdowns in major economies such as the US, the euro area and China, as well as growing uncertainty arising from trade restrictions, geopolitical tensions and adverse financial conditions. Risks to the growth and inflation outlook remain high, though the removal of recent trade restrictions could have a positive impact.

According to the European Central Bank (June 2025), inflation in the Eurozone is expected to decline more rapidly in both 2025 (+2.0% from +2.3% in the previous forecast) and 2026 (+1.6% from +1.9% in the previous forecast). Based on the above developments, the Consumer Price Index is expected to strengthen moderately this year, at a rate of around 2.8%, mainly thanks to the stimulation of domestic demand. For 2026, the Consumer Price Index is projected to rise moderately, at a rate of around 2.3%, due to the positive impact of domestic demand.

Slowdown in Eurozone growth in 2025, weighed down by trade tensions and monetary uncertainty

According to June 2025 data, the OECD estimates that global economic growth will slow from +3.3% in 2024 to +2.9% in 2025 and 2026, based on the assumption that the tariff rates that came into effect in mid-May 2025 will be maintained despite ongoing legal challenges. The US economy is expected to be significantly affected as its growth rates appear to be declining from +2.8% in 2024 to +1.6% in 2025 and +1.5% in 2026, while the economies of the Eurozone and India are forecast to record marginal improvements from +0.8% and +6.2% respectively in 2024 to +1.0% and +6.3% in 2025 and +1.2% and +6.4% in 2026. Finally, China is expected to experience a slight slowdown from +5.0% in 2024 to +4.7% in 2025 and +4.3% in 2026.

Economic activity in the euro area increased by 0.6% in the first quarter of 2025 (up from 0.3% in the previous quarter), primarily due to robust exports. Although trade tensions, a stronger euro, and political uncertainty are expected to impact exports and investment negatively, growth will be



supported by rising real wages, improving labour market conditions, fiscal stimulus (particularly in Germany), and a recovery in external demand. Inflation is expected to decline in the short term due to lower energy prices, reaching a low of 1.4% in early 2026. It will then gradually return to the 2% target by 2027, as wage pressures ease, productivity recovers, and temporary price distortions fade. More information on changes in key macroeconomic indicators for EU countries and globally can be found in sections 2.1A and 2.1B. The OECD (June 2025) forecasts growth rates of +1.0% and +1.2% for the euro area in 2025 and 2026, respectively, which is unchanged from its March 2025 forecast. The ECB (June 2025) has kept its previous (March 2025) forecast for growth in 2025 unchanged at +0.9% but has revised its estimate downwards by -0.1% for 2026, to +1.1%.

Continued interest rate cuts by the ECB – wait-and-see approach by the Fed

At its June 2025 meeting, the ECB's Governing Council cut key interest rates by 25 basis points for the eighth consecutive time since mid-2024, citing improved inflation prospects and effective monetary policy transmission. The expected return of inflation to the 2% target by 2027 is supported by downward revisions due to lower energy prices and a stronger euro. Despite pressures from trade tensions, GDP growth in 2025 and 2026 is expected to be driven by rising real incomes, stable employment and stronger public investment. The ECB is committed to achieving its 2% inflation target and will adjust its monetary policy in response to the latest economic and financial data. However, it will not commit in advance to a specific interest rate path.

The Fed kept interest rates unchanged at 4.25–4.5%, citing ongoing concerns about inflation and a slowing economy. Despite forecasts of stagflationary pressures, with GDP growth of 1.6% and inflation of 3% in 2025, the Fed still anticipates two rate cuts within the year. However, it has limited the number of projected cuts for 2026 and 2027, with the benchmark rate expected to reach around 3.4% by 2027.

Finally, we assume that interest rates will follow the current trend in forward contracts. In other words, we expect Euribor to decline gradually from close to +2.7% at the beginning of the year to around +1.8% by the end of 2025 (down from an expectation of +2.0% in the previous quarter).

Strong fiscal performance in the first five months of 2025 with prospects for further improvement

Despite ongoing geopolitical, economic and climate challenges, the Greek economy demonstrated remarkable resilience and robust performance from January to May 2025, with an improvement in its fiscal outlook. The execution of the state budget was particularly satisfactory: the primary surplus on a cash basis stood at 2.2% of GDP, while the overall fiscal balance recorded a surplus of 0.8% of GDP.

These results were boosted by a favourable global climate, largely due to the steady easing of the energy crisis and the loosening of monetary policy. Domestic policy interventions aimed at boosting disposable income, promoting electronic payments and sustainable development, and strengthening social cohesion also played a decisive role. For more information on the implementation of the State Budget, see section 2.2B.

A marginal improvement in the state budget balance is forecast for 2025, with the primary surplus estimated at 3.2% of GDP.



Decline in public debt and resilience of the banking system

In the first quarter of 2025, public debt increased to €365,800 million (152.5% of GDP), up from €364,885 million (154% of GDP) in the previous quarter. According to the 2024 Stability Programme, the debt-to-GDP ratio is expected to decline further, reaching 147.5% by the end of the year, in line with the revised Stability and Growth Pact targets.

According to data from the Public Debt Management Agency (PDMA), 46.8% of new annual borrowing came from bond issues, with the remaining 53.2% covered by interest-bearing notes. The weighted average maturity of new issues was 13.8 years, with an average borrowing cost of 3.1%. The composition of the debt remains favourable, limiting refinancing risks, as 73% of the total debt is held by institutional partners and has a high average maturity, characterised by low, stable interest rates. However, future financing needs will be impacted by the repayment of loans received by the country under European support programmes.

Regarding private debt, the proportion of non-performing loans (NPLs) held by Greek banks remained at 3.8% of total loans in the first quarter of 2025, which is historically low since 2002 and approaching the Eurozone average (see section 2.2.C).

Decline in fixed investments against a backdrop of positive prospects and external challenges

In terms of fixed investment, the first quarter of 2025 saw a decline of -3.2% year-on-year (y-o-y) compared to the previous quarter (+7.6% y-o-y). However, total investment maintained its growth momentum, increasing from +23.7% y-o-y to +4.1% y-o-y, mainly due to an increase in inventories. The negative outlook for fixed investment is based on the sharp decline in construction, despite positive developments in individual categories such as mechanical and transport equipment, and other products. Overall, the trajectory of investment is expected to be positively impacted by domestic factors, including the accelerated implementation of the revised Recovery and Resilience Plan (unlocking international funds for long-term and productive investments) and reduced borrowing costs (interest rate cuts). However, risks remain due to the instability of the international environment and higher-than-average inflation in the Eurozone.

Deterioration of the external balance on an annual basis despite quarterly improvement

In the first quarter of 2025, Greece's external balance remained in deficit at -9.0% of GDP. While this was an improvement on the previous quarter, it represented year-on-year deterioration. Imports increased by +2.4% (no change from the previous quarter), exceeding the rise in exports (+2.2% from +2.9%). Although imports of goods (+1.7% from +2.0%) were fully offset by exports of goods (+1.7% from +1.1%), the significant increase in imports of services (+3.8% from +4.8%) combined with a marginal decline in exports of services (-0.2% from +4.4%) worsened the deficit by €154 million compared to last year. The openness of the Greek economy, measured as the sum of exports and imports as a percentage of GDP, remained virtually unchanged at around 80%.

In the first four months of 2025, the current account deficit amounted to €6.6 billion, which is an increase of €322 million compared to the same period in 2024. This deterioration was mainly due to a reduction in the surplus in the services and secondary income accounts. Meanwhile, there was an improvement in the primary income account and stagnation in the goods account. See section 3.3 for a detailed presentation of developments in the external balance.

Further decline in unemployment in 2025, with international challenges on the horizon

According to data from the ELSTAT Labour Force Survey, Greece's unemployment rate fell to 10.4% in the first quarter of 2025, down from 12.1% in the same quarter of 2024 (see Appendix, Figure 7). This decline is primarily due to an 86,000-person decrease in the number of unemployed individuals, as well as an increase in employment (see Section 3.4 for a more detailed analysis).

The baseline macroeconomic scenario for 2025 forecasts a further modest improvement in the labour market. However, the scope for reducing cyclical unemployment is narrowing, and persistent structural unemployment and the need to boost labour force participation remain significant challenges.

Domestic factors, such as the acceleration of the implementation of the revised Recovery and Resilience Plan and the recovery of international investor confidence, as well as external factors, such as the slightly upgraded growth forecast for the euro area and the increase in exports are expected to have a positive impact on employment.

Conversely, an escalation of trade tensions or a deterioration in geopolitical developments in Ukraine and the Middle East could cause macroeconomic disruption, such as a slowdown in growth, rising inflation and higher interest rates, which would have a negative effect on the labour market. According to IOBE forecasts, the labour market is expected to improve further in 2025 relative to 2024, though scope for improvement in 2026 appears limited.

Positive performance and challenges in the banking sector

In June 2025, the cost of new public sector borrowing fell, and the spread between this cost and the corresponding cost of German public borrowing narrowed. At the same time, borrowing costs for the private sector fell in the second quarter of 2025, resulting in a smaller spread against the euro area average. Credit expansion to businesses accelerated at the beginning of the year, reaching its highest annual rate since 2009. Meanwhile, the contraction in lending to households narrowed marginally. Additionally, private bank deposits increased, non-performing loans (NPLs) remained stable and banks' exposure to government bonds remained high, continuing to deviate significantly from European levels.

On the liabilities side, private deposits increased cumulatively between March and May 2025, while the rate of change over the previous twelve months strengthened. Deposits are expected to grow modestly for the rest of the year, slightly above inflation, due to improved disposable income and increased household and corporate savings. Until May 2025, the use of Eurosystem liquidity facilities by Greek banks remained limited, while the value of eligible collateral for monetary policy operations also declined. Furthermore, the gradual decline in interest rates and the improvement in the credit ratings of the government and banks are strengthening the positive outlook for market financing.

On the asset side, the rate of credit expansion to the private sector over the previous twelve months accelerated further in May 2025. Net new loan flows to non-financial corporations remained high during the period from March to May, pushing the overall pace of credit expansion to a fifteen-year high. In contrast, contraction of credit in the housing portfolio continued, albeit at a slower pace. Meanwhile, consumer loans and loans to freelancers and sole proprietorships saw positive growth. The credit supply is supported by high liquidity ratios in the banking system, favourable financing tools under the Recovery and Resilience Plan, and targeted programmes from



the Hellenic Development Bank for small and medium-sized enterprises and individuals. For a detailed presentation of developments in the financial system, see section 2.2C.

Recovery in industry, trade, and services; decline in construction

During the first four months of 2025, the industrial production index in Greece increased by 1.0%, though this was significantly lower than in the same period in 2024, when it increased by 5.8%. A similar growth rate of +1.0% was observed in the euro area, which reversed the significant decline of -4.2% recorded in the same period the previous year.

In the first quarter of 2025, the construction sector recorded an annual decline of -3.2%, in stark contrast to the +21.8% increase recorded in the same period of 2024. Conversely, all service sectors showed positive growth. In retail trade, the volume index increased by 4.2% in the first four months of 2025, recovering from a decline of 5.1% in the same period the previous year. Meanwhile, the volume index for wholesale trade increased by 5.7%, compared to a substantial decline of -20.7% a year earlier. A detailed presentation of developments in the main production sectors is included in Section 3.2.

Mild deterioration in economic sentiment with a stabilisation in consumer confidence

In the second quarter of 2025, the Economic Sentiment Indicator fell slightly, dropping 0.8 points to reach 106.8, compared to 107.6 in the previous quarter. This decline was mainly due to lower business expectations in the services sector, while expectations in retail trade and construction improved, remaining stable in industry.

At the same time, the Consumer Confidence Index showed a slight decrease compared to the previous quarter, falling from -43.1 points to -45.5 points. However, by the first quarter of 2025, the index had strengthened significantly compared to the last quarter of 2024, rising to -43.1 points from -47.1 points. It also exceeded the level of the corresponding period last year, which was -46.1 points.

At the European level, the Economic Sentiment Indicator fell slightly to 94.5 points in the EU (down from 96.2) and to 94.2 points in the euro area (down from 95.5) in the second quarter of 2025. The Consumer Confidence Index also declined slightly in both the EU and the euro area, to -13.3 (down from -12.2) and -14.1 (down from -13.4) respectively. However, it remained marginally higher than a year ago (-14.2 and -15.3 respectively). Trends in the individual key response balances that make up the overall index were mainly positive in the first quarter of 2025 compared to the previous quarter. Consequently, consumers' pessimistic forecasts in Greece regarding their household's financial situation over the next 12 months declined slightly, as did those regarding the country's financial situation. At the same time, households' positive assessments of their current situation strengthened, while their intention to make major purchases in the near future remained unchanged. More information on the economic sentiment is presented in Section 2.2A.

Medium-term forecast

In light of the above analysis of the international and domestic economic climate and key macroeconomic variables, as well as certain key assumptions, we have formulated short-term forecasts for the components of domestic GDP for 2025 and 2026.

Regarding domestic demand, consumption is expected to continue growing in 2025 before slowing down slightly in 2026. This growth is expected to be driven by rising employment and wages, falling



inflation, an improvement in the Greek economy's international position, lower borrowing costs, increased lending to businesses, a slowdown in credit contraction to households, and the accelerated implementation of the renewed Greek recovery and resilience plan.

However, certain factors are expected to have a dampening effect, such as the slower decline in unemployment, the negative savings rate, and uncertainty surrounding international energy prices.

Private and public consumption are projected to increase by 1.2% and 0.6%, respectively, in 2025. For 2026, they are expected to increase by 1.0% and 1.2%, respectively.

Aided by low private sector borrowing costs, the acceleration of the implementation of the revised Greek Recovery and Resilience Plan (largely independent of the economic cycle) and improved investor confidence in the country, fixed capital investment is expected to regain its upward momentum at the end of 2025 and even more so in 2026. Specifically, the performance of fixed investment (% y-o-y) is expected to be modest in 2025 (+5.0%) and more robust in 2026 (+11.2%).

The external deficit remains high in 2025 and 2026, with prolonged global uncertainty (notably the trade war) hindering both exports and imports and raising questions about the trajectory of external demand. The projected annual rates of change in exports and imports are +1.5% and +1.6% in 2025, and +2.9% and +3.1% in 2026, respectively.

Text Box 3.1

Macroeconomic forecast drivers

Downside risks

- Escalation of the trade war may lead to growth rate, inflation, and financial stability disruptions, raising questions about the pace of monetary policy easing.
- The escalation of geopolitical tensions in Ukraine and the Middle East raises concerns about energy security, supply chains, international energy prices, and political developments.
- Interest rate trends may be undermined by interventions in the monetary policy independence of major central banks.
- High external balance deficit with structural characteristics.
- Loss of international competitiveness and domestic purchasing power due to higher inflation than in the euro area.

Upside risks

- The new balance in international trade creates prospects for an increase in the market share of specific, higher-value Greek exports.
- Accelerating the implementation of the revised Recovery and Resilience Plan could unlock international capital for long-term, productive investments.
- Implementation of the EU's policy recommendations for Greece under the European Semester framework.
- Lower borrowing costs provide an opportunity to accelerate investment.

Taking the above figures into account, we are maintaining our forecast for the growth rate of the Greek economy at +2.2% for the current year, although there are significant downside risks that could affect this trajectory. Growth in 2026 is projected to be 2.4%.



Text Box 3.2

Baseline scenario assumptions

- The euro area economy follows the ECB's baseline scenario for growth of 0.9% in 2025 (unchanged since March 2025) and 1.1% in 2026 (a decrease of 0.1% since March 2025). A faster deceleration in inflation is expected in both 2025 (+2.0%) and 2026 (+1.6%), compared to the March 2025 forecast of -0.3% for both years.
- Interest rates are following the trend of current forward contracts, with the three-month Euribor falling gradually from close to 2.7% at the beginning of the year to around 1.8% by the end of 2025 (down from an expectation of 2.0% in the previous quarter). Interest rates in Europe are expected to remain at similar levels in 2026.
- International energy prices follow the EIA's baseline scenario, with downward trends in 2025 and stabilising trends in 2026. This marks an annual decline, which is reinforced by the depreciation of the dollar against the euro.
- Prolonged geopolitical tension in Ukraine and the Middle East without escalation.
- Continued economic uncertainty at regional and international levels due to the resurgence of trade protectionism (tariffs and retaliatory measures). We assume that the EU's response to new tariffs will be moderate and targeted.
- Implementation of the Recovery and Resilience Plan is expected to accelerate in 2025, with the aim of completing the planned actions by 2026.
- Inbound tourism is expected to maintain its positive performance in real terms in 2025 and 2026.

Table 3.2

Comparison of forecasts for selected economic indicators for 2025 & 2026
(at constant market prices, annual % changes)

	BoG		MinFin		EC		IOBE		IMF		OECD	
	2025	2026	2025	2026	2025	2026	2025	2026	2025	2026	2025	2026
GDP	2.3%	2.0%	2.3%	:	2.3%	2.2%	2.2%	2.4%	2.1%	1.9%	2.0%	2.1%
Consumption	:	:	:	:	:		1.7%	1.1%	1.3%	1.2%	:	
Private Consumption	2.1%	2.0%	1.7%	:	1.9%	1.8%	1.8%	1.0%	1.6%	1.4%	1.2%	1.7%
Public Consumption	0.2%	0.6%	0.0%	:	2.6%	1.1%	1.2%	1.2%	0.6%	0.3%	1.2%	0.8%
Gross Fixed Capital Formation	7.7%	7.3%	8.4%	:	7.8%	7.3%	5.0%	11.2%	9.3%	7.3%	9.3%	8.1%
Exports	3.1%	2.9%	4.0%	:	3.1%	3.2%	1.5%	2.9%	2.6%	1.8%	2.0%	1.5%
Imports	3.7%	3.7%	3.8%	:	4.2%	3.5%	1.6%	3.1%	3.6%	2.6%	0.9%	2.6%
Harmonised Index of Consumer Prices (%)	2.5%	2.1%	2.4%	:	2.8%	2.3%	2.8%	2.3%	2.5%	2.1%	2.5%	2.0%
Unemployment (% of labour force)	9.4%	8.8%	9.7%	:	9.3%	8.7%	9.3%	9.0%	9.4%	9.0%	9.4%	9.1%
General Government Balance (% of GDP)	2.4%	2.4%	2.8%	:	0.7%	1.4%	:	:	2.5%	2.4%	2.1%	2.2%
Current Account Balance (% of GDP)	-5.8%	-5.4%	:	:	-8.2%	-7.9%	:	:	-6.6%	-6.1%	-5.1%	-5.0%

Sources: Note on the Greek economy – June 2025 – Bank of Greece (TTE), Annual Progress Report 2025 – April 2025 – Ministry of Economy and Finance, European Economic Forecast Spring 2025 – May 2025 – European Commission (EC), The Greek Economy 02/25 – July 2025 – IOBE, 2025 Article IV Consultation-Press Release, – April 2025 – IMF, Economic Outlook – June 2025 – OECD.



Risks include lower growth in the euro area, even though it has been marginally revised upwards. There is also intensifying economic uncertainty at a regional and international level due to a possible escalation of the trade war and geopolitical tensions, particularly in Ukraine and the Middle East. This raises questions about energy security, supply chains, and international political developments. Additionally, concerns arise from the high structural deficit in the external balance and the possible erosion of competitiveness due to persistently higher inflation compared to the euro area.



3.2 Trends in key sectors

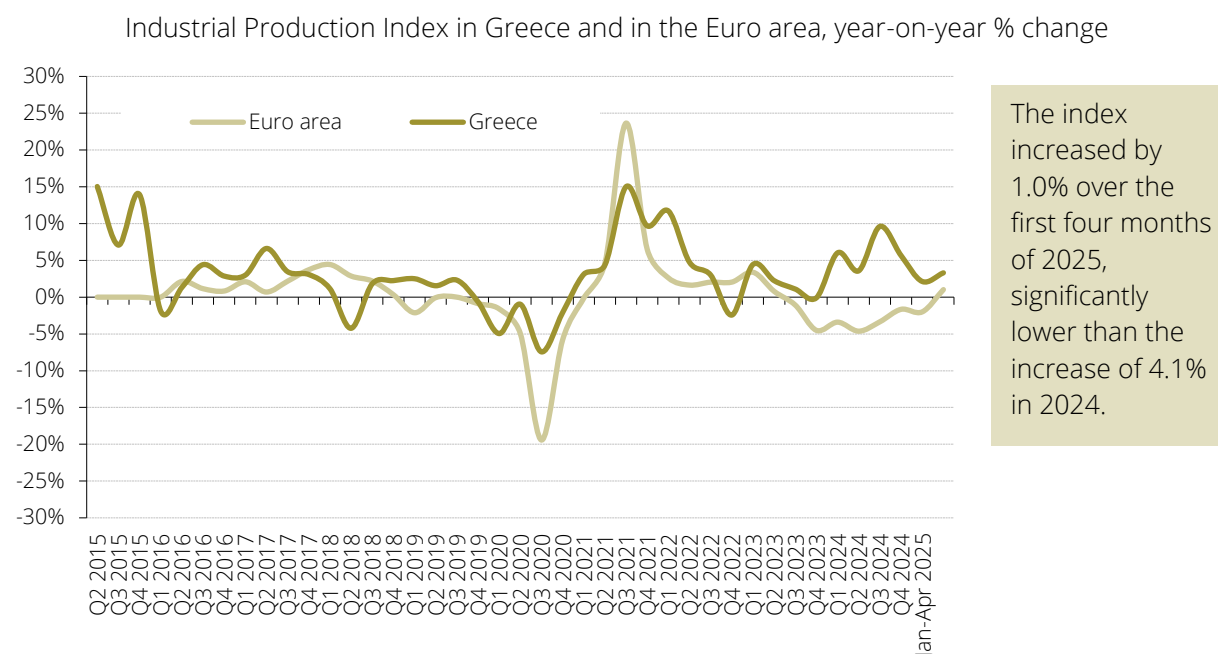
- Industrial production grew by 1.0% in the first quarter of 2025, which is significantly lower than in the same period in 2024 (5.8%).
- Decrease in construction activity in Q1 2025 by 3.2%, compared to an increase of 21.8% in Q1 2024, with a 29.2% decrease in new building permits.
- Increase in wholesale trade volume by 5.7%, compared to a significant decrease of 20.7% a year earlier. A similar trend was seen in retail trade in the first four months of the year, with an increase of 4.2% instead of a 5.1% decrease a year earlier.
- Turnover increased in most service sectors in the first quarter of 2025, but expectations declined.

Industry

In the first four months of 2025, the industrial production index in Greece increased by just 1.0%, which is significantly lower than the rate seen in 2024 (5.8%). Meanwhile, there was an increase in industrial production in the Eurozone, with the relevant index rising by 1.0% rather than declining by 4.2%, as it did in the first four months of 2024.

In the first five months of 2025, the price of industrial products fell by 4.1%, compared to a 2.0% increase in the same period of 2024. This decline is primarily due to sales on the international market (-7.4%, following a 6.5% decrease in 2024), rather than domestic sales (-2.4%, compared to a decrease of 1.7% in 2024). During this period, despite an increase in industrial production and a decrease in relative prices, the turnover index fell by 3.2%. This is the first time in the last five years that a decrease in the average index has been recorded over the first five months of a year.

Figure 3.4



Sources: ELSTAT, Eurostat



Growth was recorded in three of the four key sectors of the Greek industry, albeit at significantly lower rates, compared to 2024. More specifically, production increased in electricity supply (3.9% instead of 12.9%), water supply (0.5% instead of 4.2%) and manufacturing (0.4% instead of 4.3%). In contrast, production declined in mining and quarrying, with the relevant index falling by 1.1% compared to an increase of 4.0% the previous year.

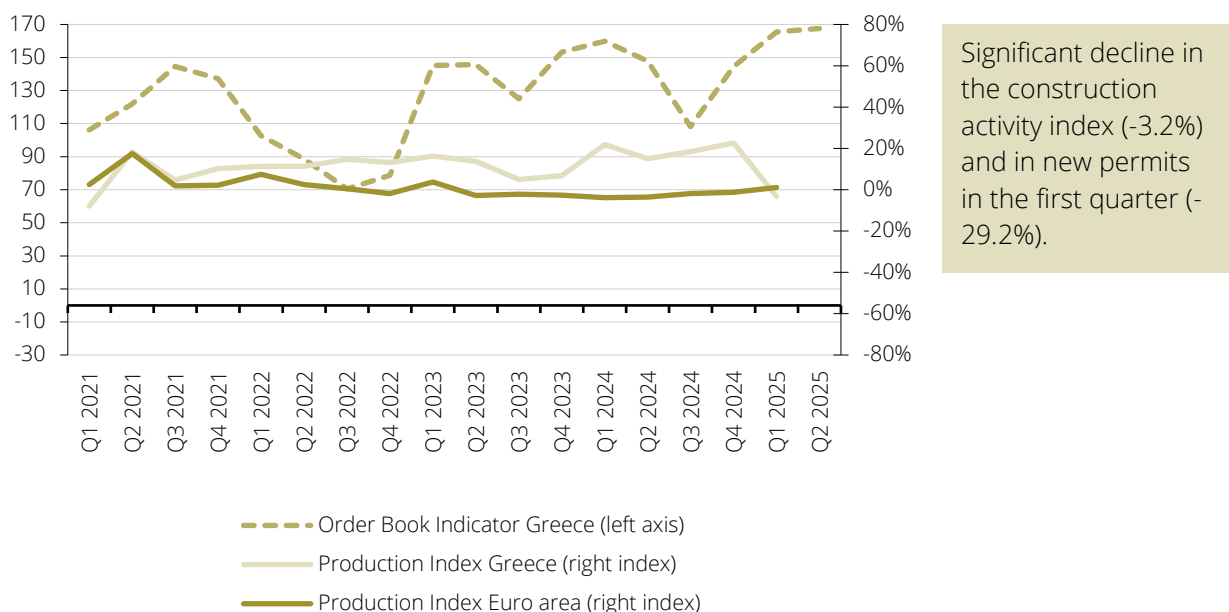
Construction

In the first quarter of 2025, the production index in the construction sector fell by 3.2%, compared to a 21.8% increase in the same period of 2024. This marks the first decline in the relevant index since the beginning of 2021, reflecting a slowdown in construction activity. During the same period, construction output in the Eurozone increased by 1.0%, compared to a 3.8% decrease a year earlier.

In Greece, the civil engineering index fell by 10.8% in the first quarter of 2025 compared to a 25.6% increase in the same period in 2024. This decline in activity is also reflected in the number of new building permits issued, which fell by 29.2% compared to a 42.2% increase recorded in 2024. This marks the first decline in building permit issuance since 2016.

Figure 3.5

Production Index in Construction and Building Activity Index



Source: ELSTAT, IOBE

Retail Trade

According to the latest available data, the retail trade volume index rose by 4.2% in the first four months of 2025, reversing the decline of 5.1% recorded in the same period in 2024. Turnover declined in one of the eight main sub-sectors: clothing and footwear (-1.2%, compared to -0.3% in 2024). Conversely, the index increased in pharmaceuticals and cosmetics (11.5% compared to a milder increase of 1.4%), books and stationery (8.1% compared to -9.0% last year), food and beverages (7.3% compared to -7.5% in 2024), and supermarkets (6.0% compared to a decline of

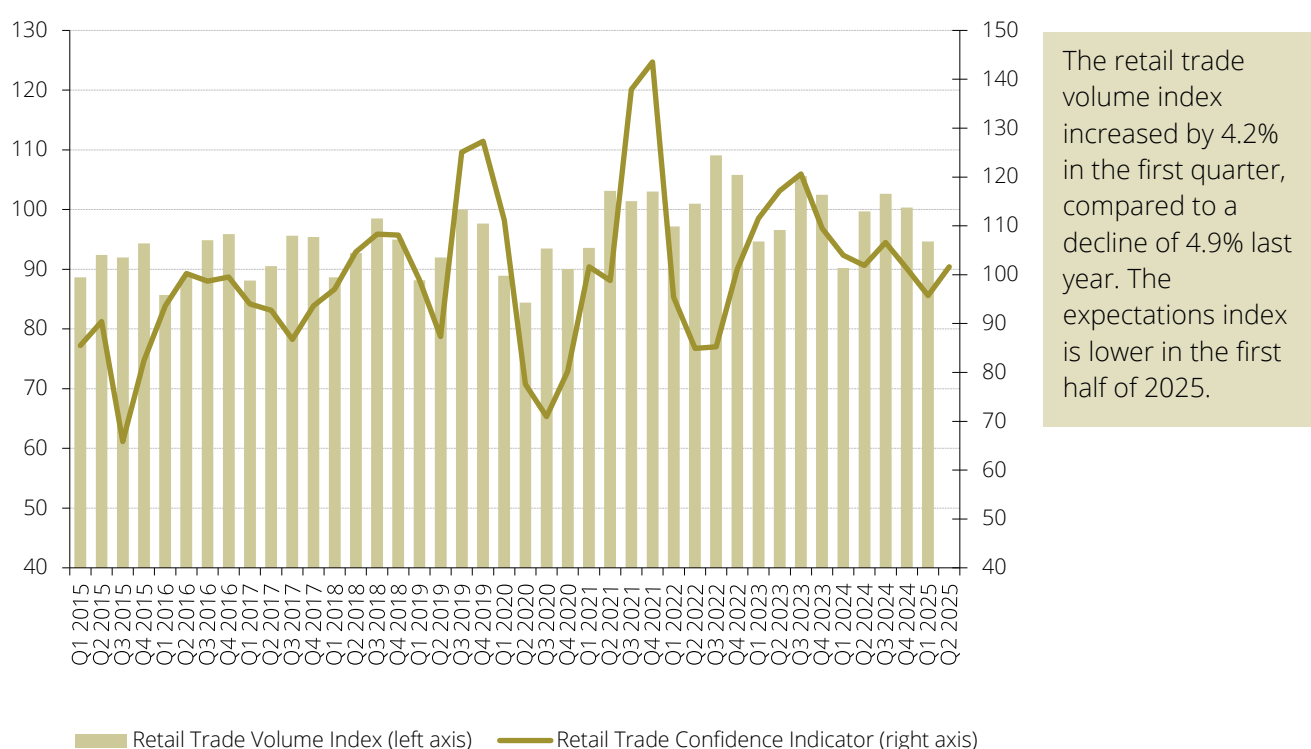


2.7%). This was followed by furniture and electrical goods (4.0%, compared to a 12.6% decline the previous year) and fuel and lubricants (0.7%, compared to a similar increase in 2024).

The IOBE's leading indicators fell by around 6.1 points in the first half of 2025 compared to the same period in 2024. The decline was seen in four of the five main retail sectors. The largest decline was recorded in household equipment (-25.1 points), followed by textiles, clothing and footwear (-20.7 points), and vehicles and spare parts (-16.9 points). A decline was also observed in department stores (-9.8 points). Conversely, the expectations index for food, beverages, and tobacco increased by 17.2 points, partially offsetting the decline recorded in 2024.

Figure 3.6

Retail Trade Volume Index (2021=100) and Retail Trade Confidence Indicator (2000-2010=100)



Sources: ELSTAT, IOBE

The confidence indicator for cars and vehicles stood at 99.7 points in the first half of 2025, compared to 116.2 points in 2024 — a decline of 14.2%. The balance of current sales fell to seven points, compared to 26 points in 2024. There was a decline in the percentage of respondents who estimated increased sales, and an increase in those who estimated a decline in sales. Inventories continued to expand, with the relevant balance rising to 38 points compared to 29 points in 2024, reflecting an increase in the proportion of businesses considering their inventories to be high. In terms of orders, the balance is negative at -12 points compared to +20 points in 2024, reflecting an increase in the percentage of businesses expecting orders to decrease and a decrease in those expecting them to increase. Sales expectations weakened to 16 points, compared to 36 points in 2024, with a decline in the percentage of businesses expecting an increase in sales in the coming period. Contrary to the rest of the market, employment is improving as the number of businesses expecting to increase employment has risen, while prices remain stable.

Table 3.3



Volume Index in Retail Trade, annual changes

Category of Retail Trade Stores	Volume Index (2010=100)				
	Jan.-Apr. 2023	Jan.-Apr. 2024	Jan.-Apr. 2025	Change 2024/2023	Change 2025/2024
Overall Index	95.8	90.9	94.7	1.2%	-1.2%
Overall Index (excluding automotive fuels and lubricants)	95.1	90.6	95.6	-0.5%	0.5%
Store Categories					
Supermarkets	90.0	87.6	92.8	-2.7%	6.0%
Department Stores	106.1	97.2	97.4	-8.4%	0.3%
Automotive Fuels	97.5	98.2	98.9	0.7%	0.7%
Food – Drink – Tobacco	91.8	84.9	91.1	-7.5%	7.3%
Pharmaceuticals – Cosmetics	100.7	102.1	113.9	1.4%	11.5%
Clothing – Footwear	97.3	97.0	95.9	-0.3%	-1.2%
Furniture – Electric Equipment – H. Appliances	105.9	92.6	96.4	-12.6%	4.0%
Books – Stationary	105.5	95.9	103.7	-9.0%	8.1%

Source: ELSTAT

Table 3.4

Business Confidence Indicators in Retail Trade (2000-2010=100)

	H1 2023	H1 2024	H1 2025	Change 2024/2023	Change 2025/2024
Food-Drinks-Tobacco	101.5	83.4	100.6	-18.1	17.2
Textiles - Clothing – Footwear	108.9	117.5	96.8	8.6	-20.7
Household Appliances	109.6	117.6	92.5	8.0	-25.1
Vehicles-Spare Parts	126.2	116.6	99.7	-9.6	-16.9
Department Stores	106.7	113.4	103.6	6.7	-9.8
Total Retail Trade	101.5	104.8	98.7	3.3	-6.1

Source: IOBE

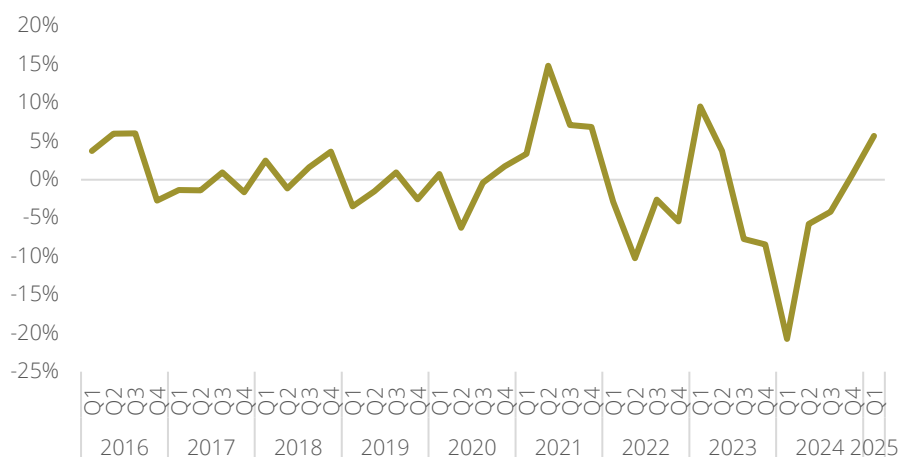
Wholesale trade

In the first quarter of 2025, the wholesale trade volume index increased by 5.7%, compared to a substantial decline of 20.7% the previous year. During the same period, the turnover index, which incorporates price changes, increased by 4.8%, compared with a 11.5% decline in 2024. The smaller increase in turnover compared to volume suggests a slight decrease in prices compared to the same period last year.



Figure 3.7

Volume Index in Wholesale Trade (2021=100)



Wholesale trade sales volume increased by 5.7% annually in the first quarter of 2025, compared to decrease of 20.7%.

Source: ELSTAT

Services

In the first quarter of 2025, the turnover index increased in all six key sub-sectors of services. The largest increase was recorded in professional, scientific and technical services, with turnover rising by 19.0%, compared to an increase of 7.4% in the same quarter of 2024. Next came administrative services (up 12.1%, compared to an increase of 13.9% in the same quarter of 2024), transport services (up 10.9%, compared to an increase of 10.4% in the same quarter of 2024), and real estate activities (up 10.9%, compared to an increase of 12.8% in the same quarter of 2024). The smallest increase was seen in information and communication services (4.3%, compared to 3.8% in the same quarter of 2024), followed by tourism (4.0%, compared to 6.3%).

In the first half of 2025, the IOBE business and consumer surveys indicate a decline in expectations, with the services index falling by 9.8 points. This decline appears to be mainly due to the decrease in the expectations index in the hotels, restaurants and travel agencies sector (-11.2 points). However, these losses are offset to some extent by elevated expectations in other service sectors, notably financial intermediaries (up 15.7 points), various business services (up 1.8 points) and information technology (up 0.6 points).

Table 3.5

Business Confidence Indicators in Services (2000-2010=100)

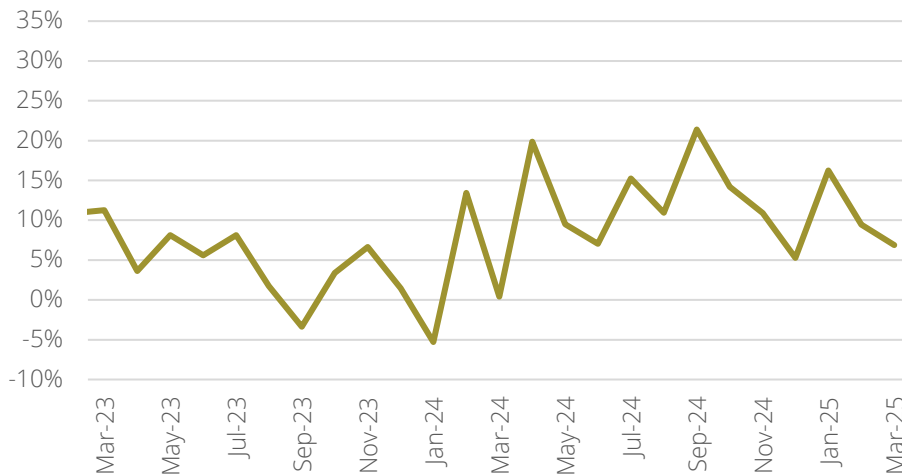
	H1 2023	H1 2024	H1 2025	Change 2024/2023	Change 2025/2024
Hotels – Restaurants – Travel Agencies	128.1	139.1	127.9	11	-11.2
Financial Intermediation	111.4	142.8	158.5	31.4	15.7
Other Business Services	106.4	114	115.8	7.6	1.8
Information Services	101.4	102.3	102.9	0.9	0.6
Total Services	105.2	124.7	114.9	19.5	-9.8

Source: ELSTAT



Figure 3.8

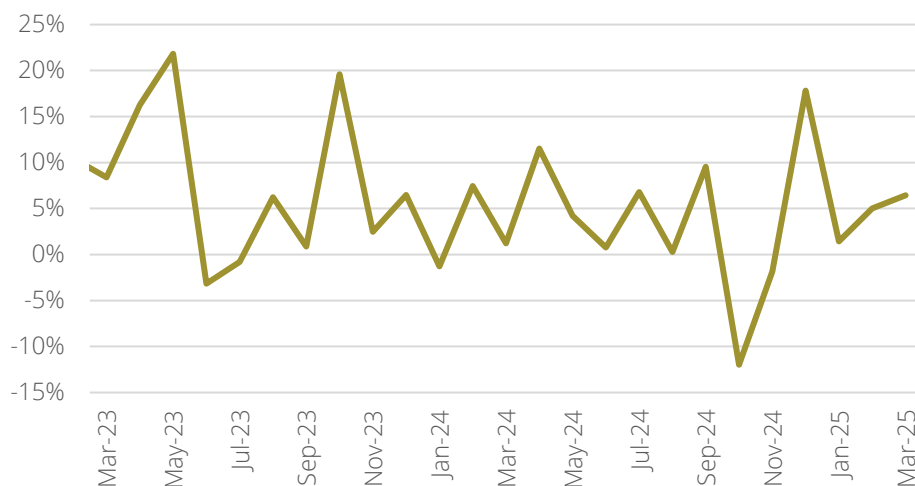
Annual Change in the Turnover Index in Transport



A 14.6% increase in the first quarter of 2025, compared to 10.4% in 2024.

Figure 3.9

Annual Change of the Turnover Index in Information and Communications

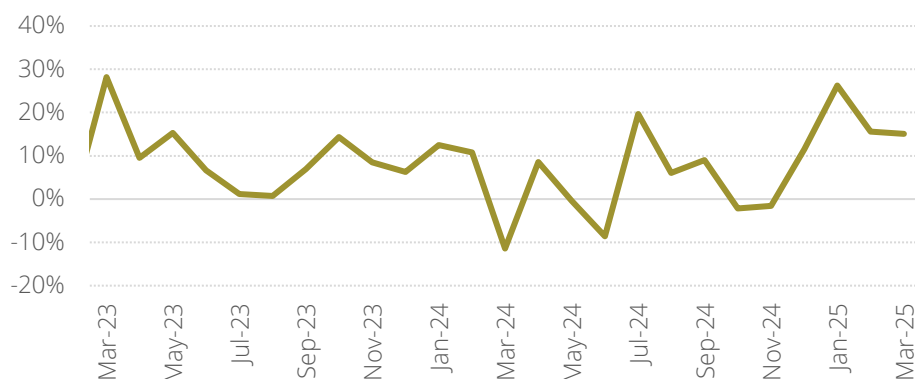


A 4.0% increase instead of a 6.3% increase in the first quarter of 2024.

Source: ELSTAT

Figure 3.10

Annual Change in the Turnover Index in Professional, Scientific, and Other Services

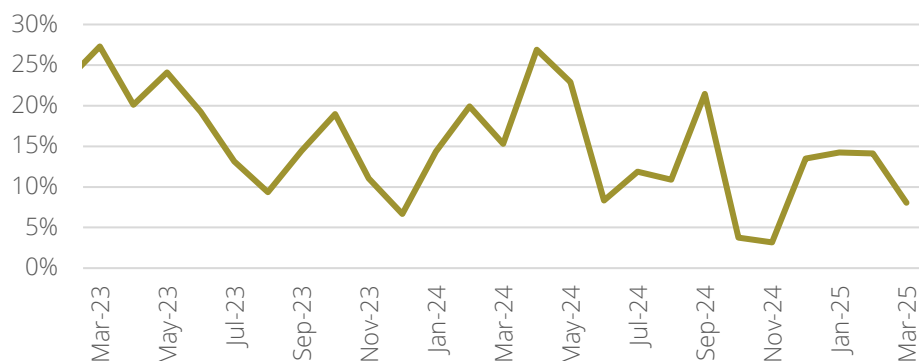


Improvement in turnover of 19.0% in the first quarter of 2025, following an improvement of 7.4% in 2024.



Figure 3.11

Annual Change in the Turnover indicator for Administrative Services



12.1% increase in the first quarter of 2025, following a 13.9% improvement a year earlier.

Figure 3.12

Turnover of Tourism (Accommodation and food service activities, Sectors 55 & 56)



Increase in accommodation and food services by 16.8% (instead of 17.7%) and 1.2% respectively in the first quarter of 2025.

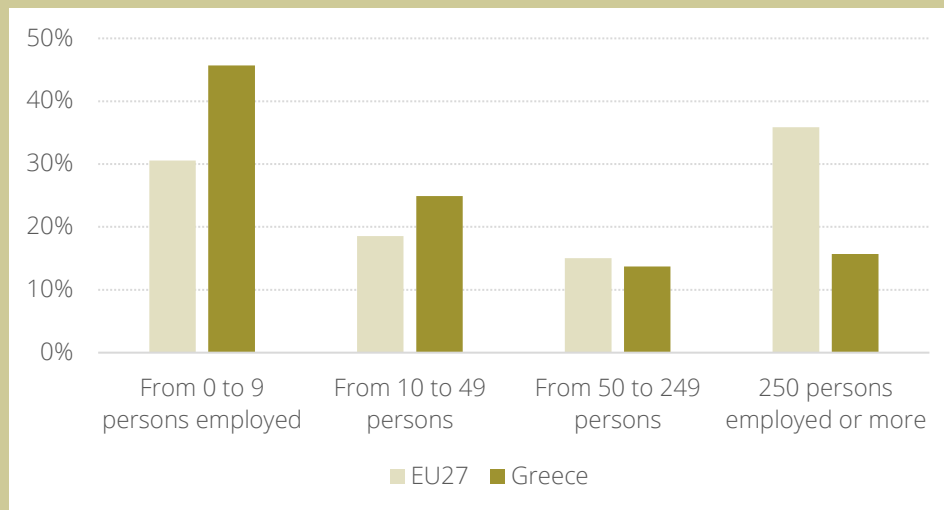
Source: ELSTAT

Text Box of section 3.2.

Comparison of the size of Greek enterprises by sector of activity with the EU average

From an employment perspective, the European Commission defines small and medium-sized enterprises (SMEs) as enterprises that employ fewer than 250 people. These can be categorised further as micro enterprises (0–9 employees), small enterprises (10–49 employees) and medium-sized enterprises (50–249 employees). SMEs are often referred to as the 'backbone' of the European economy because they account for 99% of all businesses in the EU. In 2019, the vast majority (98.9%) of EU businesses in the non-financial sector were micro or small enterprises. These enterprises employed just under half (48.4%) of the non-financial business economy workforce and contributed just over a third (35.3%) of total value added.

Figure B.3.2.1. Share of employment by firm size in Greece versus EU27, business economy, 2023



Source: Eurostat, Data processing: IOBE

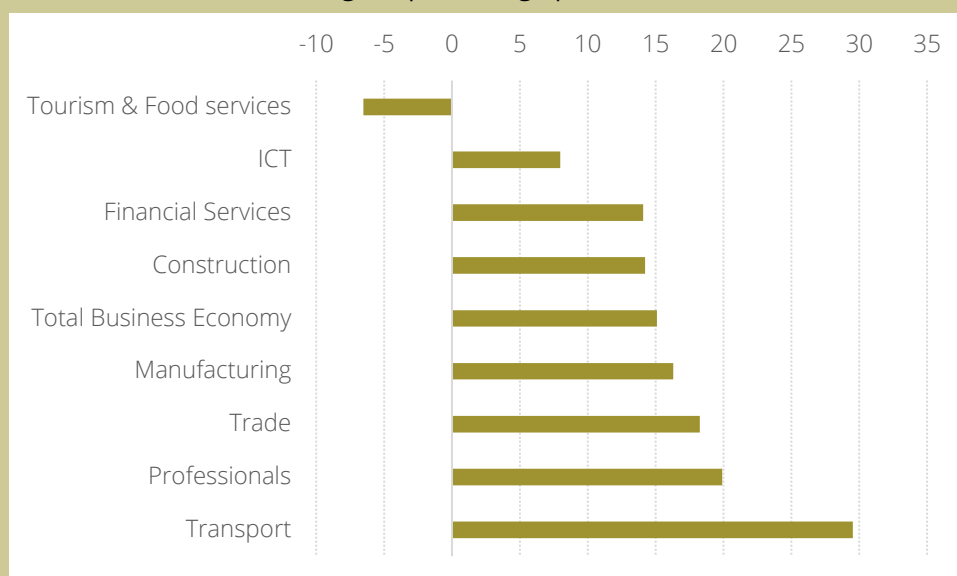
Figure B.3.2.1 shows that in 2023, the year for which most data is available, Greece had a higher percentage of employees in micro and small enterprises (70.5% compared to 49.2%), a slightly lower percentage in medium-sized enterprises (13.7% compared to 15.0%), and a significantly lower percentage in large enterprises (15.7% compared to 35.8%).

In 2023, the share of employment in micro-enterprises (with up to nine employees) in Greece (Figure P.3.2.2) was higher than the EU-27 average in all sectors of economic activity except tourism and food services. The largest deviation was found in transport (+29.5 percentage points), followed by professional services (+19.9 percentage points) and trade (+18.3 percentage points).

Figure B.3.2.3 shows Greece's deviation from the EU-27 average, expressed in percentage points, of the share of employment in medium-sized enterprises (with 50–249 employees) by economic activity in 2023. The picture here is mixed. Greece has a higher share of employment in medium-sized enterprises in tourism, food services, and information and communication technologies, but lags behind in other sectors such as trade and financial services. The differences are small, with the largest gap recorded in trade (-3.5%).

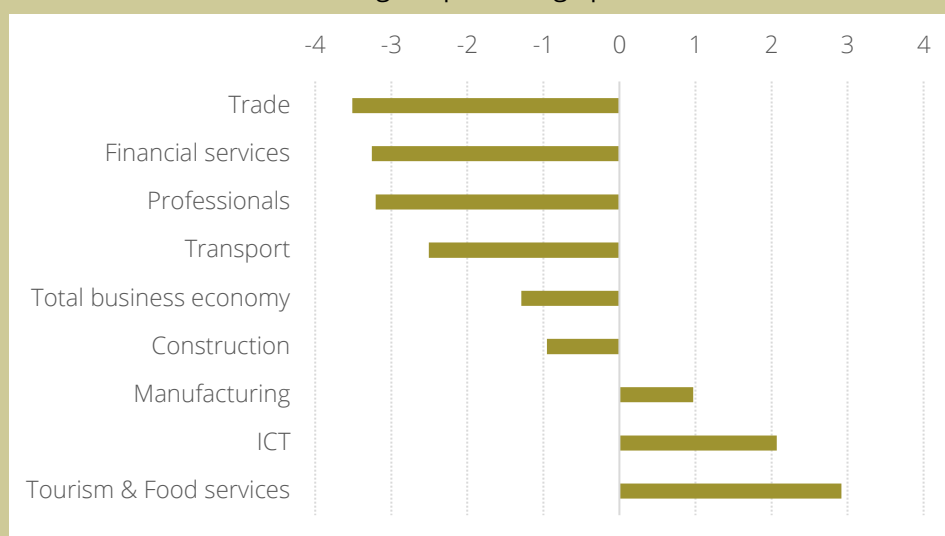


Figure B.3.2.2. Share of employment in micro-enterprises, deviation of Greece from the EU-27 average in percentage points, 2023



Source: Eurostat, Data processing: IOBE

Figure B.3.2.3. Share of employment in medium-sized enterprises, deviation of Greece from the EU-27 average in percentage points, 2023



Source: Eurostat, Data processing: IOBE

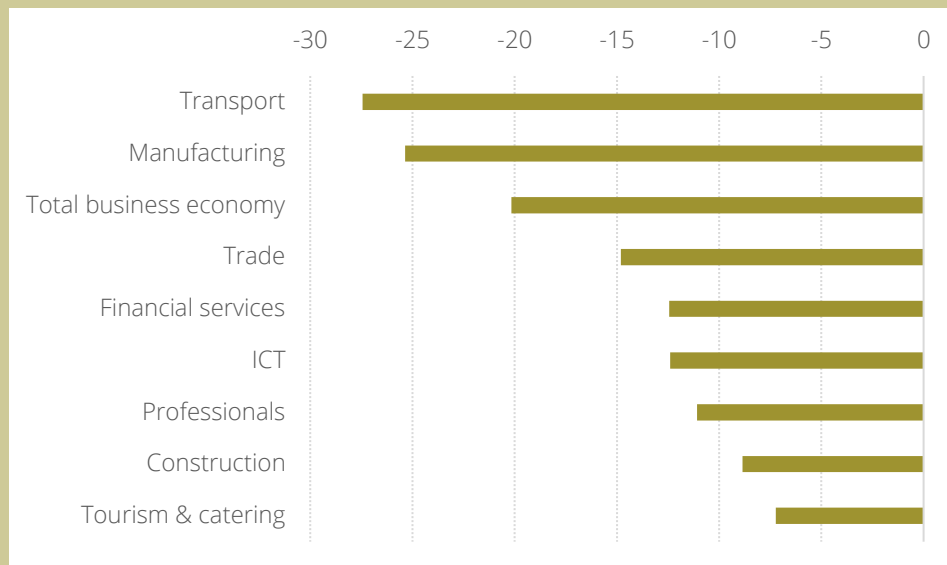
Figure B.3.2.4 shows Greece's deviation from the EU-27 average, expressed as a percentage point, of the share of employment in large enterprises (those with more than 250 employees) by economic activity in 2023. This is the opposite of the situation for very small enterprises, i.e. Greece lags behind in all sectors under review. The differences range from 7.2% in tourism and food services to 27.4% in transport.

In conclusion, a significantly smaller proportion of Greece's workforce is employed in large enterprises than in the EU. This difference is particularly evident in sectors such as manufacturing and transport, while a lag is observed across all sectors of the business economy. In the tourism sector



(accommodation and food services), the proportion of employment in small enterprises is lower than the European average, while the proportion of employment in medium-sized enterprises exceeds the European average, reflecting the relatively greater exploitation of economies of scale. Differences in employment distribution based on enterprise size highlight challenges, as productivity is positively related to enterprise size, inter alia (Pissaridis Committee Report, 2020). Furthermore, company size is generally associated with higher wages (IOBE Report on the Minimum Wage, 2025) and a smaller informal economy.

Figure B.3.2.4. Share of employment in large enterprises, deviation of Greece from the EU-27 average in percentage points, 2023



Source: Eurostat, Data processing: IOBE



3.3 External balance

A. Analysis of exports and imports based on national accounts

- Decline in exports of goods in nominal terms in the first four months of 2025 at a rate of 5.1%; increase in exports excluding oil products and ships (4.8%).
- Decline in imports of goods in the January–April period of 2025 by 2.9% at current prices, reaching €27.1 billion, down from €27.9 billion a year earlier.
- Annual increase in the trade deficit by €0.3 billion to €11.08 billion in the first four months of 2025.
- Exports of goods showed mixed trends, with the largest increase recorded in agricultural products (+9.7%), but a decline in fuels (-25.0%) and raw materials (-1.8%).
- Demand from euro area countries decreased by 5.3% (or €368.3 million), as did demand from the Middle East and North Africa (by 2.3%, or €42.9 million), and from Asia (by 6.8%, or €53.6 million).

Goods exports amounted to €15.9 billion between January and April 2025, compared to €16.8 billion a year ago, marking a 5.1% decline at current prices. Excluding petroleum products and ships, other exports increased by 4.8% to €12.4 billion, up from €11.8 billion in 2024. Meanwhile, imports of goods fell by 2.9% at current prices to €27.1 billion in the first four months of 2025, down from €27.9 billion a year earlier. Excluding oil products and ships, other imports increased by 2.2% to €21.2 billion, up from €20.8 billion in 2024. Due to these trends in the main components of the external goods balance, the trade deficit increased by €34.2 million (+0.3%) to €11.08 billion in the first four months of 2025, up from €11.05 billion in the same period of 2024. Accordingly, the value of Greek exports in the first four months of 2025 equalled 59.0% of imports, compared to 60.4% a year earlier.

In greater detail, exports of agricultural products increased by 9.7% in the January–April 2025 period, rising from €3.6 billion to €3.9 billion at current prices. Meanwhile, fuel exports recorded a nominal decrease of 25.0%, reaching €3.9 billion — down from €5.2 billion in 2024. These two categories accounted for 49.1% of the value of domestic exports of goods in 2025, down from 52.4% the previous year.

Exports of industrial products strengthened in the first four months of 2025 (+1.6%), with their value reaching €7.5 billion, up from €7.4 billion in 2024. This development was mainly due to the 3.6% increase in exports of manufactured goods classified chiefly by material, from €2.5 billion to €2.6 billion in 2025. Similarly, international demand for machinery and transport equipment increased by 0.7%, with their value reaching €1.6 billion. Exports of miscellaneous industrial goods also increased by 1.7%, with their value reaching €1.20 billion from €1.18 billion in the same period in 2024. Chemical products and related products did not show any particular change (0.0%, at €2.1 billion).

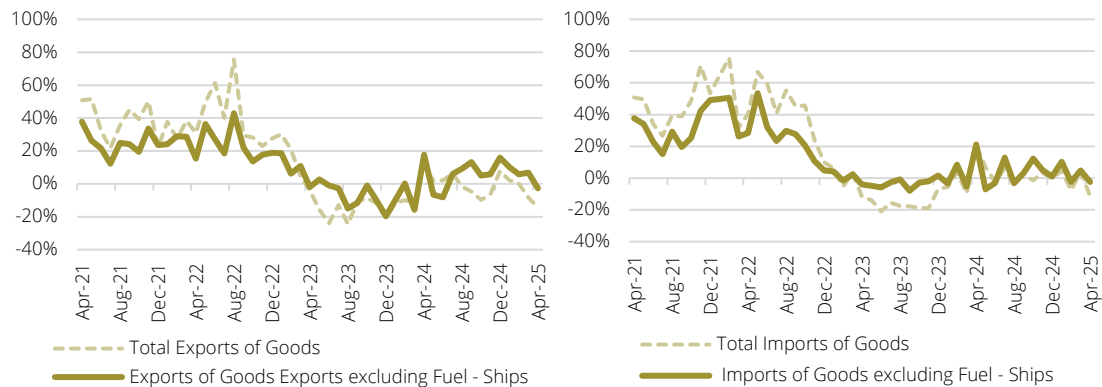
Exports of goods and transactions not classified by category increased in the first four months of 2025 (+3.5%), with their value totalling €34.0 billion, up from €32.8 billion in 2024.

In terms of exports of goods by geographical region, exports to the euro area declined by 5.3% in the first four months of 2025, reaching €6.6 billion, down from €7.0 billion in 2024. Meanwhile, exports to the EU as a whole fell by 1.1%, equating to €98.8 million, reaching €9.2 billion — down

from €9.3 billion a year earlier. Among the countries in the euro area that absorb the largest share of Greek exports, exports to France fell by 1.1%, from €495.7 million to €490.4 million, while exports to Germany increased by 6.2%, from €1.2 billion to €1.3 billion. Exports to the top destination, Italy, fell by 13.7%, from €1.8 billion in 2024 to €1.6 billion in 2025.

Figure 3.13

Total exports-imports of goods and exports-imports of goods except fuels and ships (current prices)



Source: ELSTAT. Data processing: IOBE

Exports, excluding petroleum products and ships, totalled €12.4 billion between January and April 2025, which was 4.8% higher than in the same period in 2024. In the same period, imports excluding oil products and ships amounted to €21.2 billion, which was 2.2% higher than in 2024.

Total exports to other European Union countries increased by 10.8% (€271.4 million) to reach €2.8 billion. Bulgaria remained the main export destination, although there was a 0.8% (€8.1 million) decline in product exports to that country compared to 2024. Growth trends were recorded in two other countries that absorb a significant proportion of Greek exports: Romania (+6.7%, or €38.5 million, reaching €610.4 million), and Poland (+26.0%, or €93.5 million, reaching €453.1 million).

Demand for Greek exports to other European countries fell by 15.9%, from €3.4 billion in 2024 to €2.9 billion the following year. This decline was most evident in exports to Turkey, which fell by 27.3% (from €682.0 million to €496.2 million), and to a lesser extent in exports to the United Kingdom, which fell by 13.3% (from €643.6 million to €557.9 million).

Exports to North American countries fell by 1.7%, from €892.4 million in 2024 to €877.5 million in 2025. This was primarily due to a 0.5% decrease in exports to the US, from €736.9 million to €733.4 million over the same period. Meanwhile, exports to Mexico fell by 25.3%, or €13.9 million, to €41.1 million, while exports to Canada rose by 2.5% to €103.0 million.

Exports to Central and Latin American markets fell by 20.0% in the January–April period of 2025, with their value standing at €92.2 million — down from €115.3 million in the same period of 2024. This decline is primarily due to a 14.9% decrease in demand for Greek products from Panama, with their value falling from €58.3 million to €49.6 million year on year.

Exports to the Middle East and North Africa fell by 2.3%, from €1.9 billion to €1.8 billion. This was mainly due to a decline in exports to Egypt (-42.9%), where exports amounted to €162.2 million from January to April 2025, compared to €283.9 million in the same period the previous year. There



was also a decline in exports to Tunisia (-35.6%), falling by €57.5 million in 2025 compared to 2024, reaching €104.0 million. Exports to the United Arab Emirates, another major export destination in the Middle East, fell by 14.7% to €107.5 million, while exports to Saudi Arabia fell by 46.8% to €61.0 million.

Table 3.6

Exports per one-digit category at current prices, January – April (€ million)*

Product	Value		% Change	% Share	
	2025	2024	25/24	2025	2024
AGRICULTURAL PRODUCTS	3,919.3	3,572.0	9.7%	24.5%	21.2%
Food and Live Animals	3,036.5	2,741.0	10.8%	19.0%	16.3%
Beverages and Tobacco	498.9	454.2	9.8%	3.1%	2.7%
Animal and vegetable oils and fats	383.9	376.8	1.9%	2.4%	2.2%
RAW MATERIALS	600.9	611.8	-1.8%	3.8%	3.6%
Non-edible Raw Materials excluding Fuels	600.9	611.8	-1.8%	3.8%	3.6%
FUELS	3,930.6	5,239.7	-25.0%	24.6%	31.1%
Mineral fuels, lubricants. etc.	3,930.6	5,239.7	-25.0%	24.6%	31.1%
INDUSTRIAL PRODUCTS	7,490.4	7,370.6	1.6%	46.9%	43.8%
Chemicals and Related Products	2,138.0	2,139.0	0.0%	13.4%	12.7%
Manufactured goods classified chiefly by raw material	2,553.9	2,464.9	3.6%	16.0%	14.6%
Machinery and transport equipment	1,596.1	1,584.6	0.7%	10.0%	9.4%
Miscellaneous manufactured articles	1,202.4	1,182.0	1.7%	7.5%	7.0%
OTHER	34.0	32.8	3.5%	0.2%	0.2%
Transactions not classified by category	34.0	32.8	3.5%	0.2%	0.2%
TOTAL EXPORTS	15,975.1	16,827.0	-5.1%	100.0%	100.0%

* Provisional data

Source: Eurostat, Data processing: IOBE

Demand for Greek goods in Asian countries declined, with exports falling by 6.8% in the first four months of 2025 to reach €736.4 million. This decline was primarily driven by a 7.8% decrease in exports to South Korea, falling from €175.4 million in 2024 to €58.7 million in 2025. Conversely, demand from China increased by 91.9%, rising from €121.3 million in 2024 to €232.8 million in 2025.

Table 3.7

Exports by destination, January- April 2025 (€ million)*

ECONOMIC UNIONS – GEOGRAPHIC REGION	EXPORTS		% CHANGE
	2025	2024	25/24
EU (27)	9,198.3	9,297.1	-1.1%
Euro Area	6,601.8	6,970.1	-5.3%
G7	4,824.4	5,073.1	-4.9%
North America	877.5	892.4	-1.7%
BRICS	336.6	236.4	42.4%
Middle East & North Africa	1,815.1	1,858.0	-2.3%
Oceania	63.9	76.8	-16.8%
Central-Latin America	92.2	115.3	-20.0%
Asia	736.4	790.0	-6.8%

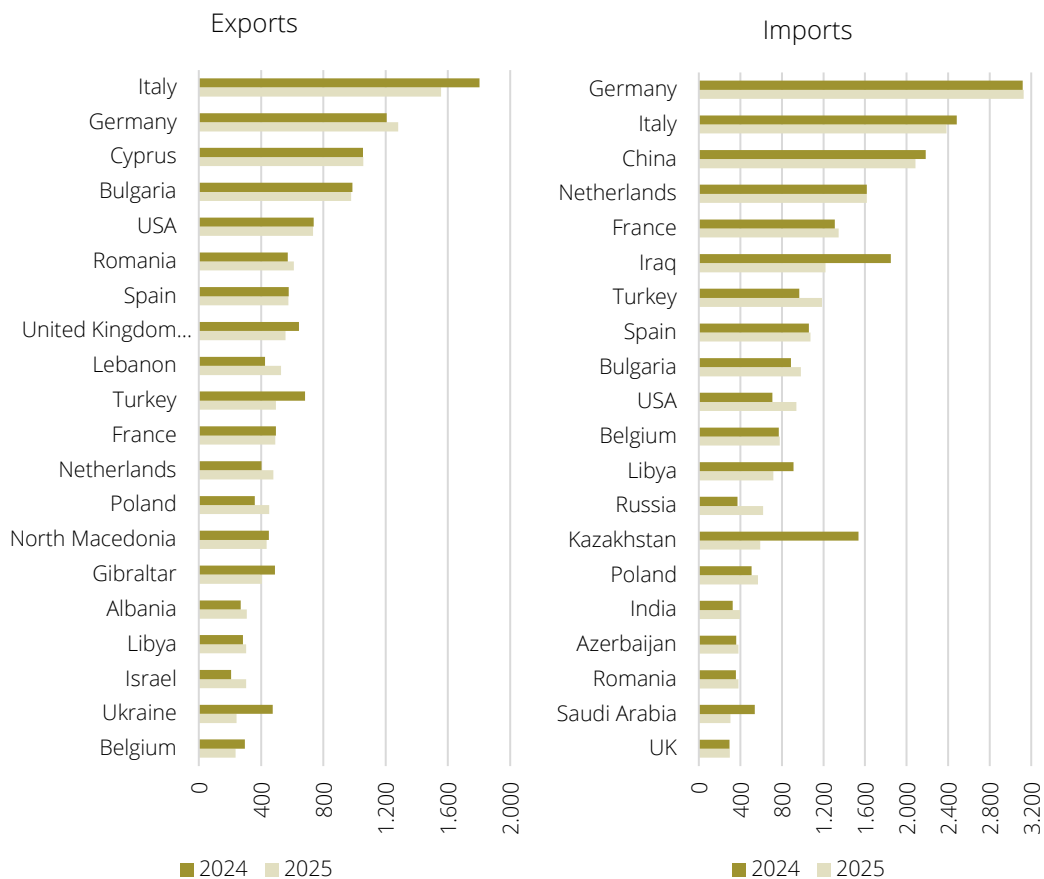
Source: Eurostat, Data processing: IOBE, * Provisional data

Exports of Greek goods to Oceania decreased by 16.8%, with their value standing at €63.9 million in 2025, down from €76.8 million the previous year. This decline followed a similar trend in exports

to Australia, which fell by 16.5% to €58.3 million, down from €69.8 million in 2024. There was also a decrease to New Zealand, with exports falling by 19.6% to €5.6 million.

Figure 3.14

Countries with the largest share in the exports and imports of Greek goods, January – April 2025 (€ million, current prices)



Source: Eurostat, Data processing: IOBE

Largest increase in exports of goods in the first four months of 2025 in absolute terms to Denmark (+€132.5 million). Largest decline to Italy (-€246.6 million). Italy's share of exports remains the highest. Largest increase in imports in 2025 in absolute terms from Russia (+€243.7 million), largest decrease from Kazakhstan (-€946.0 million).

In summary, the 5.1% decline in Greece's exports of goods at current prices between January and April 2025 was mainly due to a decrease in fuel exports (-25.0%) and exports of raw materials (-1.8%). The top five countries with the highest demand for Greek products were Italy, Germany, Cyprus, Bulgaria and the US. Conversely, imports fell by 2.9%, limiting the trade deficit to €11.08 billion (+0.3%). Germany, Italy, China, the Netherlands and France were the five countries with the largest share of imports of goods for the first four months of 2025. The increase in exports excluding oil products (+4.8%), combined with a decline in imports from €27.9 billion in 2024 to €27.1 billion, and a reduction in the trade deficit, which remained almost stagnant over the four-month period, are optimistic developments for the remainder of 2025. Furthermore, due to



international developments and the uncertain environment taking shape, it is crucial that Greek businesses maintain their export momentum and expand exports to new markets outside the European Union, in order to ensure foreign trade remains resilient to international fluctuations.

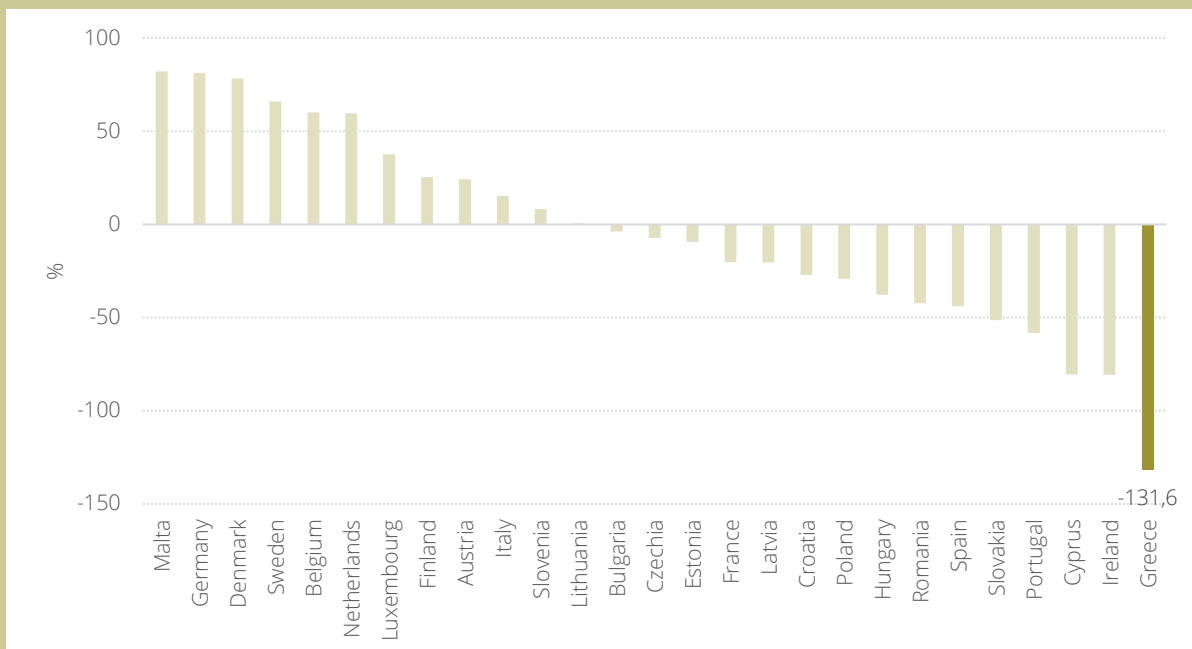
Text Box of section 3.3A

Evolution of the Net International Investment Position (NIIP) of the Greek economy

The international investment position (IIP) is a statistic that shows, at a given point in time, the value and composition of two components: 1) the financial assets of residents of an economy that are claims on non-residents, as well as gold bars held as reserve assets, and 2) the financial liabilities of residents of an economy to non-residents. The difference between an economy's external financial assets and liabilities is the economy's net international investment position (NIIP), which can be positive or negative. The net international investment position therefore provides an overall picture of a country's net financial position (assets minus liabilities) vis-à-vis the rest of the world and allows a stock-flow analysis of the country's external position. The indicator is expressed as a percentage of GDP and is included in the European Commission's Macroeconomic Imbalance Procedure (MIP), which sets a monitoring threshold of -35% of GDP. To interpret changes in a country's NIIP, the EU recommends highlighting the sources of financing for current account deficits, such as trends in foreign direct investment, as well as changes in the country's net external debt.

Figure B.3.3A.1 illustrates the NIIP as a percentage of GDP for European Union countries in the fourth quarter of 2024, which is the most recent period for which data is available. Greece ranks last, followed by Ireland and Cyprus. Large economies such as Portugal, Spain and France also have negative NIIP. Positive NIIP among the major economies is recorded in Italy (marginally positive rate), Germany and the Netherlands.

Figure B.3.3A.1. Net International Investment Position (NIIP) as % of GDP in the fourth quarter of 2024, EU-27



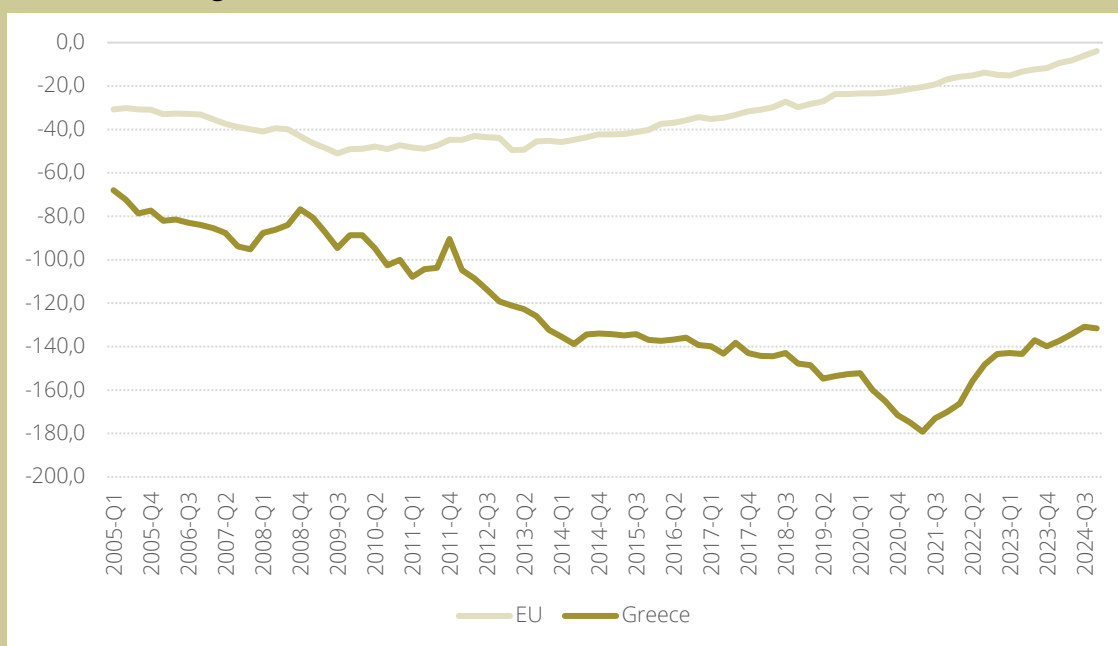
Source: Eurostat, Data processing: IOBE

Figure B.3.3A.2 illustrates the NIIP as a percentage of GDP in Greece and across Europe over time. Throughout the period under review, we observe that Greece is consistently below the European average. The difference increased slightly from 2005 (the year for which the oldest data is available)



until mid-2007, after which there was an improvement until the last quarter of 2008. From the first quarter of 2009 onwards, when the economic crisis began in Greece, Greece's deviation from the European average increased, as the NIIP trended upwards for the EU-27 and downwards for Greece. Since the second quarter of 2021, the NIIP of Greece improved, although the difference from the European average remained significant.

Figure B.3.3A.2. NIIP as % of GDP, Greece and EU27, 2005-2024



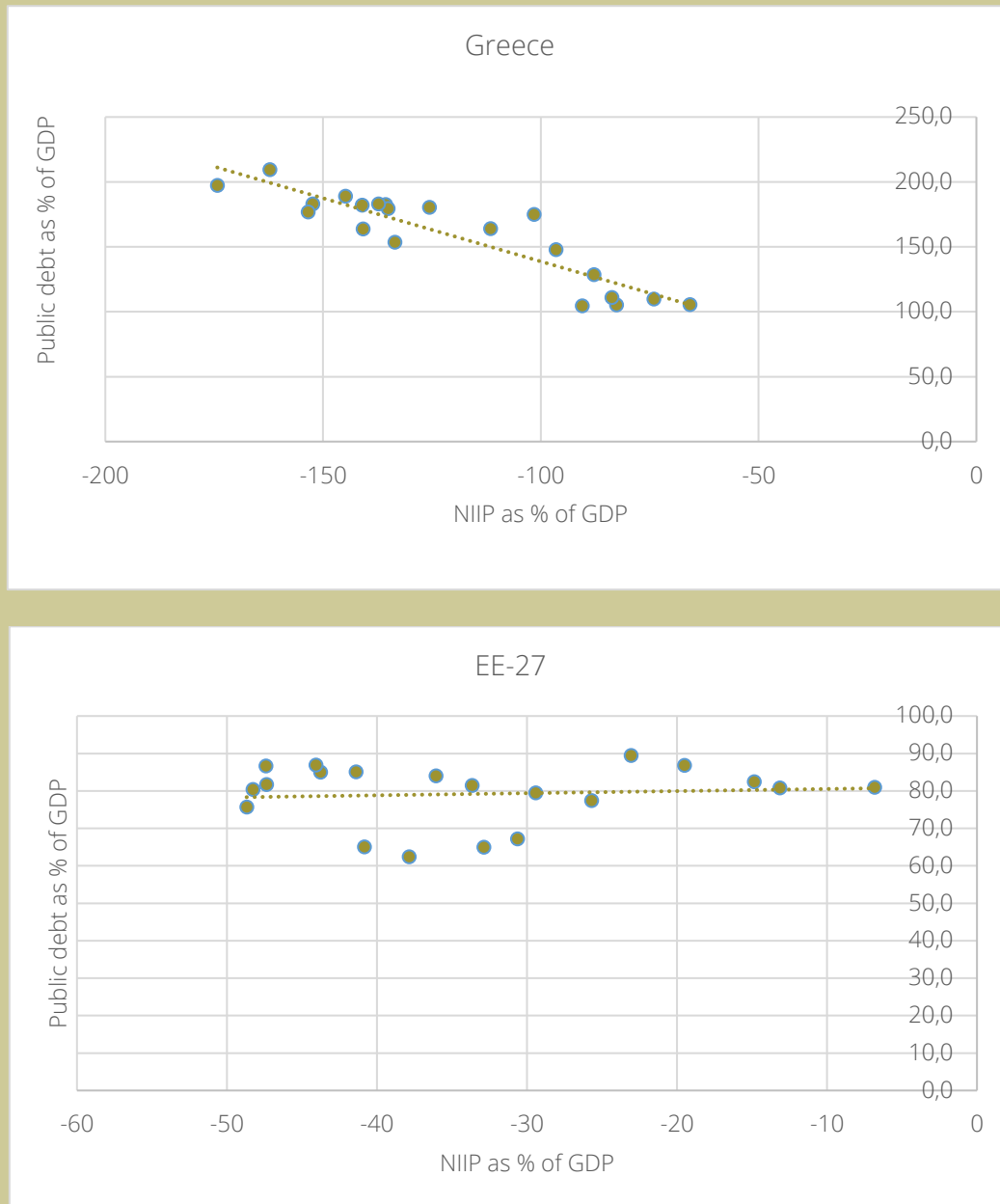
Source: Eurostat, Data processing: IOBE

Figure B.3.3A.3 shows the correlation between the net international investment position (NIIP) and public debt, both expressed as a percentage of GDP, for Greece and the European average. The data refer to the periods 2004–2024 for Greece and 2005–2025 for the EU-27. The correlation is negative for Greece, whereas there is no trend for the EU-27, suggesting a lack of correlation. It can be concluded that Greece's NIIP deteriorated when its public debt increased, meaning that a large proportion of its public debt is owed to foreign countries. By contrast, there is no strong relationship between public debt and NIIP in the case of the European average.

As the NIIP reflects the difference between a country's foreign assets and liabilities over a period of time, it is expected to be affected by changes in flows to and from abroad as recorded in the balance of payments. Consequently, a deficit (surplus) in the current account for a given year is expected to worsen (improve) a country's NIIP. Greece's cumulative current account deficit over the last two decades is a key reason for the deterioration of its NIIP during the same period (see Figure B.3.3A.4).

Figure B.3.3A.4 shows the negative correlation between foreign direct investment and Greece's net international investment position (NIIP) over the last two decades. Higher foreign direct investment increases a country's liabilities to foreign residents, all other things being equal. However, since foreign direct investment can also have positive secondary effects on variables such as productivity and long-term growth rates, it is important to conduct a qualitative analysis of new foreign direct investment. This can be done by examining sectoral characteristics, as detailed in a separate text box in the report.

Figure B.3.3A.3. Correlation between NIIP and public debt, Greece and EU27, 2005-2024



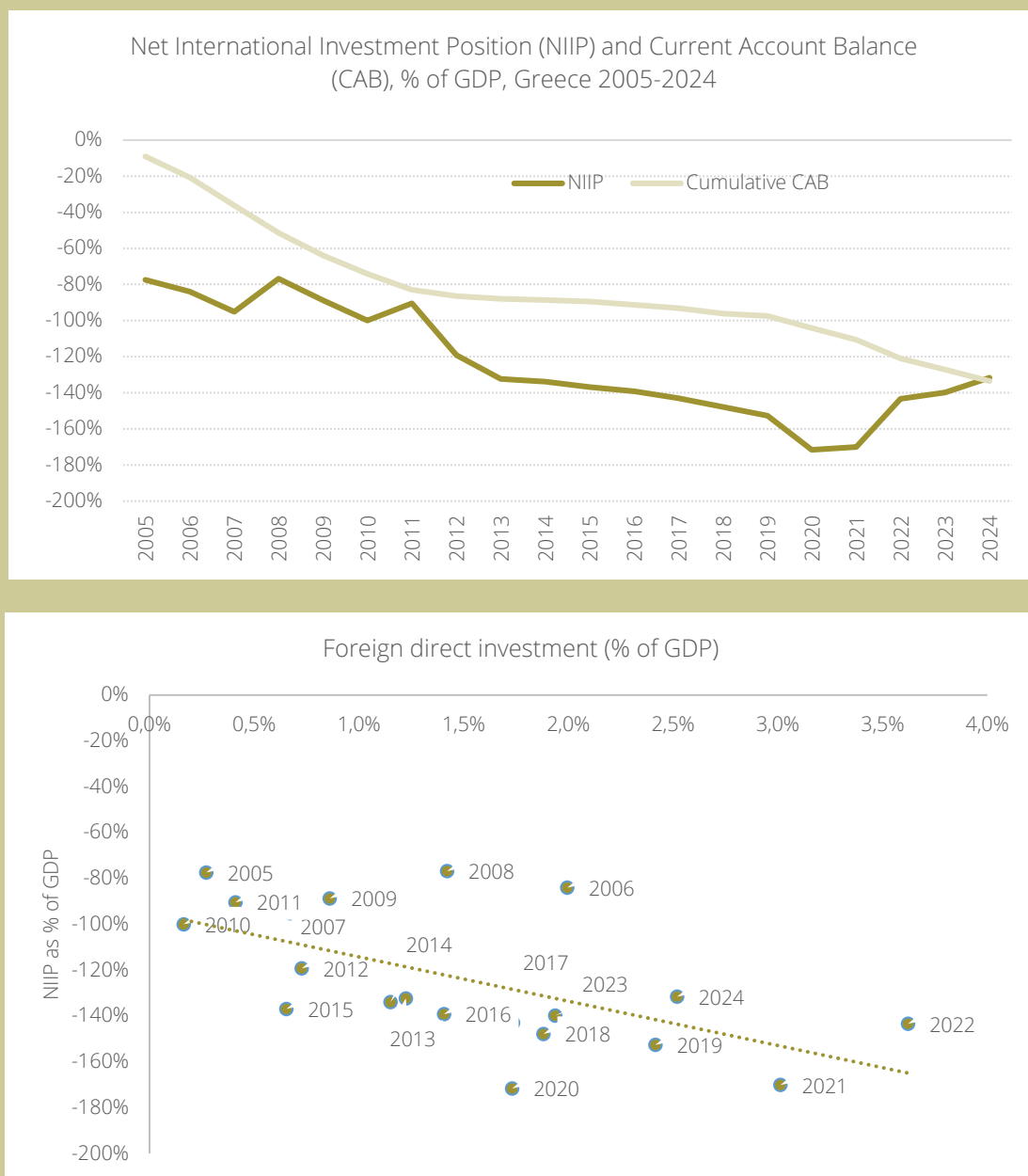
Source: Eurostat, Data processing: IOBE

In conclusion, Greece has the worst net international investment position relative to GDP in Europe, meaning it has significant financial obligations abroad. The divergence from the European average was already substantial prior to the onset of the economic crisis in Greece and widened considerably during the crisis. While the divergence from Europe shows signs of narrowing from 2021 onwards, it remains significant. The negative correlation between Greece's public debt and its NIIP is consistent with the fact that much of the country's public debt is owed to foreign residents. This means that an increase in public debt leads to a deterioration in the NIIP, and vice versa. More broadly, Greece's cumulative current account deficit is the main cause of the deterioration in its NIIP over time. In this context, sources of deficit financing, such as foreign direct investment, can worsen the NIIP; however,



they may also have a positive effect in the short term by helping to fill the investment gap more quickly and in the long term if their qualitative characteristics boost domestic productivity.

Figure B.3.3A.4. Correlation of NIIP with the current account and foreign direct investment, Greece 2005-2024



Source: Eurostat, Data processing: IOBE



B. Balance of payments

- In the four-month period from January to April 2025, the current account deficit stood at €6.6 billion, up from €6.3 billion in 2024.
- The services and secondary income accounts deteriorated, while the primary income account improved. The goods account remained almost unchanged.

Current Account

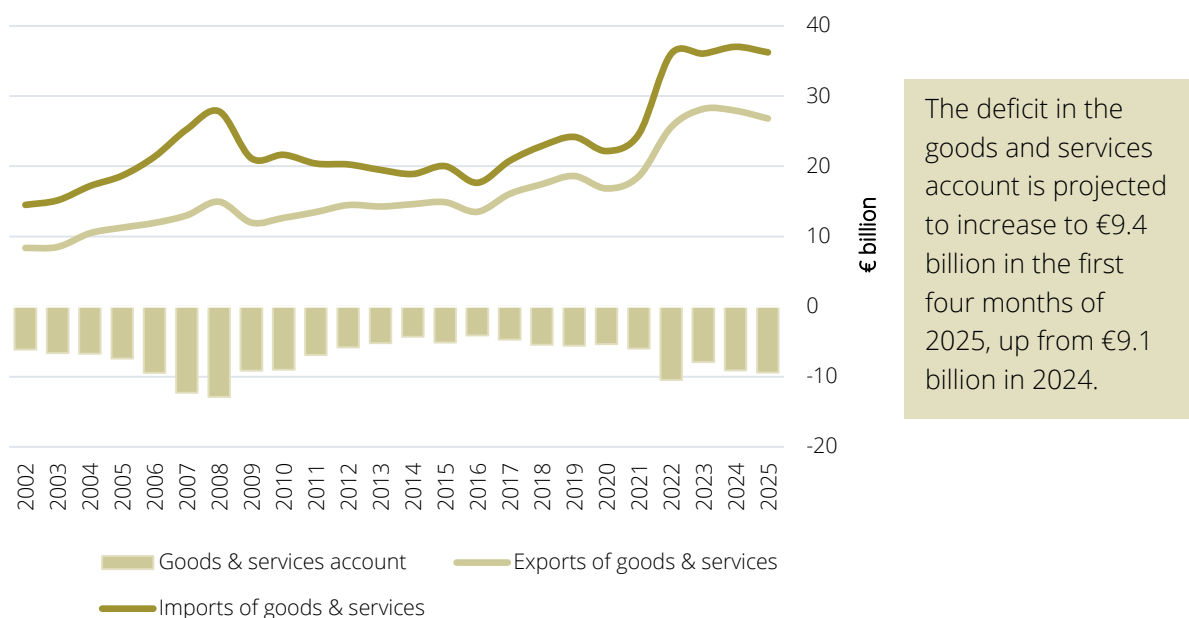
January – April 2025

In the first four months of 2025, the current account deficit stood at €6.6 billion, which was an increase of €322 million compared to the same period in 2024. This deterioration was due to a reduction in the surplus of the services and secondary income accounts, while the primary income account improved and the goods account remained unchanged.

In more detail, the goods account deficit stood at €11.4 billion in 2025, at the same level as in 2024. Exports fell to €15.5 billion (-€885 million)¹⁰ due to a €1.2 billion decline in fuel exports, with exports of other goods increasing by €352 million. Imports of goods also fell to €26.9 billion (€901 million), again due to a €1.2 billion drop in fuel imports, while imports of other goods rose by €238 million. As a result of the above, the goods account excluding fuel and ships improved by €115 million.

Figure 3.15

Imports-Exports of Goods and Services (January – April), 2002-2025



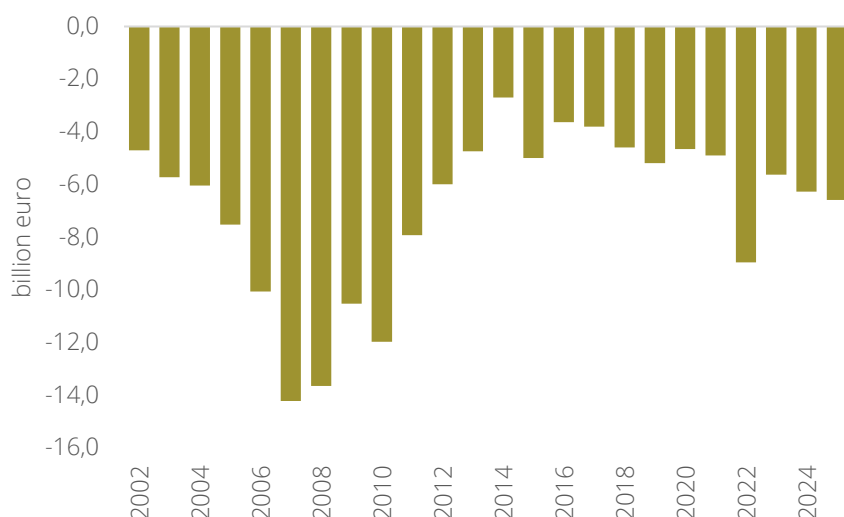
Source: Bank of Greece, Data processing: IOBE

¹⁰ The amounts in brackets express the absolute change in relation to the corresponding period of the previous year, in current prices, unless otherwise indicated.



Figure 3.16

Current Account (January – April), 2002-2025

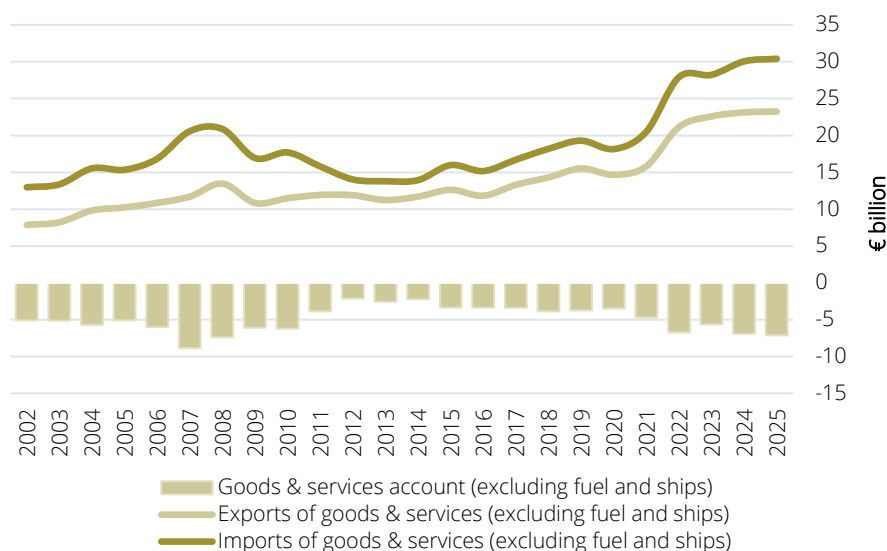


The Current Account deficit stood at €6.6 billion in the first four months of 2025, compared to €6.3 billion in the same period last year.

Source: Bank of Greece, Data processing: IOBE

Figure 3.17

Imports-Exports of Goods excluding fuel and ships (January – April), 2002-2025



The deficit in the goods and services account (excluding fuel and ships) widened to €7.2 billion in 2025, up from €6.9 billion in 2024.

Source: Bank of Greece, Data processing: IOBE

In the first four months of 2025, the surplus in the services account shrank by €338 million to €2.0 billion, compared to an increase of €480 million in 2024. Total receipts from services amounted to €11.3 billion, a decrease of €226 million compared to 2024, while payments totalled €9.3 billion, an increase of €112 million. Revenue from travel services increased by €206 million to reach €2.2 billion, while revenue from transport services decreased by €595 million to reach €6.2 billion.



Revenue from other services reached €2.9 billion, an increase of €162 million. Payments for travel services increased to €980 million (an increase of €167 million), while payments for other services increased to €2.7 billion (an increase of €227 million). Payments for transport services, however, fell to €5.6 billion (a decrease of €281 million).

In the first four months of 2025, the primary income account improved, recording a surplus of €136 million compared to a deficit of €282 million in 2024. Revenues fell by €53 million to €4.1 billion, while payments fell by a greater amount (-€470 million) to €4.0 billion, mainly due to the decline in investment-related payments (profits, dividends, and interest).

The secondary income account deteriorated in 2025, falling to €2.7 billion compared to €3.1 billion in 2024. Receipts decreased by €159 million to €4.4 billion, while payments increased by €258 million to €1.6 billion.

Capital Account

The capital account¹¹ recorded a surplus of €430 million, compared to a deficit of €540 million in 2024. This was mainly due to an increase in receipts to €812 million (an increase of €702 million), while payments decreased to €383 million (a decrease of €268 million). The Current and Capital Account, which reflects a country's relationship with the rest of the world as a lender or borrower, had a deficit of €6.1 billion, compared to €6.8 billion in 2024.

Financial Account

The financial account recorded a deficit of €5.0 billion in the first four months of 2025, compared to €5.6 billion in the same period of 2024.

In the individual accounts, residents' net claims from direct investments abroad increased by €1.5 billion in the first four months of 2025 compared to an increase of €676 million in the same period of 2024. Meanwhile, net liabilities to non-residents (i.e. non-resident investment in the country) increased by €1.7 billion compared to an increase of €1.4 billion in the same period of 2024.

In the portfolio investment category, residents' claims on foreign countries fell by €1.9 billion due to a decline in investments in foreign bonds and interest-bearing notes. Meanwhile, liabilities to non-residents rose by €6.5 billion, primarily driven by a €5.6 billion surge in investments in Greek bonds and interest-bearing notes.

In the other investments category, claims on foreign countries by residents increased by €1.7 billion, while liabilities decreased by €1.8 billion due to a reduction in loan liabilities to non-residents and a fall in non-resident deposits and repos.

Finally, the country's foreign exchange reserves stood at €15.8 billion at the end of April 2025, up from €13.4 billion in 2024.

¹¹ The capital account shows capital transfers, i.e., unilateral receipts and payments between residents and non-residents linked to fixed capital formation. Capital transfers mainly comprise part of the transfers (receipts) from the Community budget of the European Union to the General Government (withdrawals from the Structural Funds – except for the European Social Fund – and from the Cohesion Fund under the NSRFs).



Table 3.8. Balance of payments (€ million)

		January – April			April		
		2023	2024	2025	2023	2024	2025
I	CURRENT ACCOUNT (I.A + I.B + I.C + I.D)	-5,619.4	-6,260.6	-6,582.7	-1,828.2	-2,497.8	-2,112.1
	GOODS AND SERVICES ACCOUNT (I.A + I.B)	-7,891.4	-9,110.5	-9,432.7	-1,502.4	-2,185.5	-1,881.7
I.A	GOODS ACCOUNT (I.A.1 - I.A.2)	-9,709.5	-11,408.4	-11,392.3	-2,314.2	-3,126.7	-2,882.8
	Oil balance	-2,232.1	-2,100.0	-2,141.9	-309.2	-518.9	-424.8
	Trade balance excluding oil	-7,477.4	-9,308.5	-9,250.3	-2,005.1	-2,607.8	-2,458.0
	Ships balance	-17.7	-77.4	-134.0	-21.4	-24.3	-89.2
	Trade balance excluding ships	-9,691.8	-11,331.0	-11,258.3	-2,292.9	-3,102.4	-2,793.5
	Trade balance excluding oil and ships	-7,459.7	-9,231.1	-9,116.3	-1,983.7	-2,583.5	-2,368.8
I.A.1	Exports of Goods	17,577.2	16,421.7	15,537.0	3,959.5	4,371.8	3,756.9
	Oil	5,501.5	4,751.1	3,519.9	1,223.8	1,212.0	612.1
	Ships (sales)	90.6	40.5	34.6	10.2	8.9	10.4
	Goods excluding oil and ships	11,985.0	11,630.1	11,982.4	2,725.6	3,151.0	3,134.3
I.A.2	Imports of Goods	27,286.6	27,830.1	26,929.2	6,273.7	7,498.5	6,639.6
	Oil	7,733.6	6,851.0	5,661.9	1,532.9	1,730.9	1,036.9
	Ships (buying)	108.3	117.9	168.6	31.5	33.2	99.6
	Goods excluding oil and ships	19,444.7	20,861.1	21,098.8	4,709.2	5,734.5	5,503.1
I.B	SERVICES ACCOUNT (I.B.1-I.B.2)	1,818.1	2,298.0	1,959.5	811.9	941.2	1,001.0
I.B.1	Receipts	10,598.4	11,496.8	11,270.7	2,999.9	3,392.7	3,321.4
	Travel	1,463.9	1,950.7	2,157.1	728.9	923.7	1,084.3
	Transportation	6,738.5	6,782.9	6,188.2	1,710.7	1,731.2	1,473.3
	Other services	2,396.1	2,763.2	2,925.5	560.3	737.8	763.7
I.B.2	Payments	8,780.3	9,198.8	9,311.1	2,188.0	2,451.4	2,320.3
	Travel	696.0	813.5	980.1	254.3	257.7	305.8
	Transportation	5,867.7	5,867.1	5,585.9	1,433.6	1,510.2	1,375.2
	Other services	2,216.6	2,518.2	2,745.1	500.2	683.6	639.4
I.C	PRIMARY INCOME ACCOUNT (I.C.1-I.C.2)	436.4	-281.6	135.9	-207.7	-171.2	-4.9
I.C.1	Receipts	3,922.2	4,140.3	4,087.5	660.4	830.7	895.6
	From work (wages, compensation)	71.5	73.9	94.0	18.7	20.7	20.9
	From investments (interest, dividends, profit)	1,994.3	2,821.8	2,561.6	559.4	759.5	790.4
	Other primary income	1,856.5	1,244.6	1,431.8	82.3	50.5	84.4
I.C.2	Payments	3,485.8	4,422.0	3,951.6	868.1	1,001.9	900.6
	From work (wages, compensation)	441.4	448.7	452.9	106.6	113.7	106.3
	From investments (interest, dividends, profit)	2,914.2	3,830.0	3,322.1	744.8	856.8	755.7
	Other primary income	130.3	143.2	176.6	16.7	31.4	38.6
I.D	SECONDARY INCOME ACCOUNT (I.D.1-I.D.2)	1,835.6	3,131.5	2,714.2	-118.2	-141.2	-225.4
I.D.1	Receipts	3,132.2	4,513.7	4,354.8	131.4	173.5	164.3
	General government	1,994.8	486.3	477.3	27.4	16.8	28.1
	Other sectors	1,137.4	4,027.5	3,877.5	104.0	156.6	136.1
I.D.2	Payments	1,296.6	1,382.2	1,640.6	249.6	314.6	389.7
	General government	738.1	811.5	1,000.6	94.9	177.8	218.8
	Other sectors	558.5	570.7	640.0	154.7	136.8	171.0
II	CAPITAL ACCOUNT (II.1-II.2)	1,953.4	-540.2	429.5	28.1	-115.3	-53.3
II.1	Receipts	2,015.6	110.5	812.1	41.0	5.4	19.5
	General government	1,523.6	88.4	600.3	16.3	0.1	0.1
	Other sectors	492.0	22.1	211.9	24.7	5.3	19.4
II.2	Payments	62.2	650.7	382.6	12.9	120.7	72.7
	General government	2.3	2.2	2.2	0.5	0.6	0.5
	Other sectors	59.9	648.6	380.4	12.4	120.1	72.3
	BALANCE OF CURRENT AND CAPITAL ACCOUNT (I+II)	-3,666.0	-6,800.8	-6,153.1	-1,800.1	-2,613.1	-2,165.4
III	FINANCIAL ACCOUNT (III.A+III.B+III.C+III.D)	-2,905.6	-5,639.5	-5,022.2	-1,258.0	-2,380.6	-2,102.9
III.A	DIRECT INVESTMENT*	-675.4	-714.6	-214.6	-67.0	-192.7	-144.3
	Assets	645.5	676.2	1,496.9	263.3	103.6	320.7
	Liabilities	1,320.9	1,390.8	1,711.4	330.3	296.3	465.0
III.B	PORTFOLIO INVESTMENT*	-804.8	-1,153.2	-8,403.4	-2,193.5	1,781.5	-1,689.4
	Assets	2,265.3	3,961.0	-1,905.3	-36.1	1,895.2	-961.4
	Liabilities	3,070.1	5,114.2	6,498.2	2,157.4	113.8	728.0
III.C	OTHER INVESTMENT*	-1,836.3	-3,741.1	3,512.8	1,010.1	-4,013.9	-502.4
	Assets	-536.6	-4,598.2	1,678.5	-253.5	-1,114.2	-368.9
	Liabilities	1,299.8	-857.1	-1,834.3	-1,263.7	2,899.7	133.4
	(Loans of general government)	414.1	-1,435.2	-1,434.6	-3.6	-3.6	-4.4
III.D	CHANGE IN RESERVE ASSETS**	410.9	-30.6	83.0	-7.7	44.6	233.1
IV	BALANCE ITEMS (I +II +IV +V = 0)	760.4	1,161.3	1,130.9	542.1	232.5	62.4
	RESERVE ASSETS (STOCK)***				12,006	13,447	15,796

Source: Bank of Greece

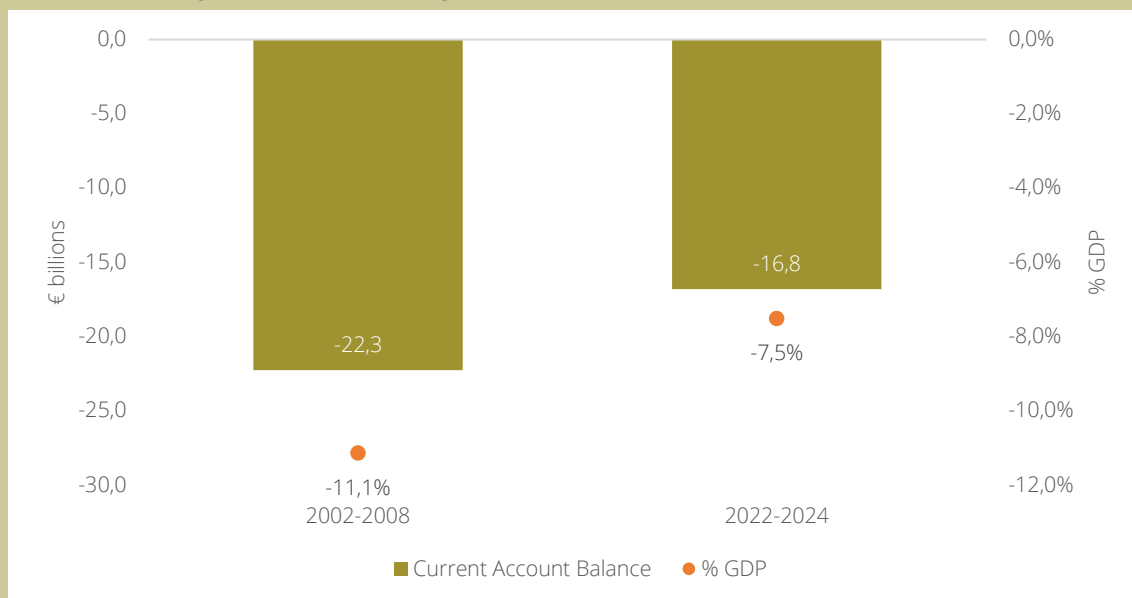
* (+) Increase (-) decrease - According to the new balance of payments methodology training BPM6, increases in demand are presented with a positive sign while the decrease in receivables is displayed with a negative sign. Similarly, the increase in liabilities is captured with a positive sign, while the reduction of liabilities with a negative sign. ** (+) Increase (-) decrease - According to the new balance of payments methodology training BPM6, the increase in foreign reserves is now presented with a positive sign, while the reduction of foreign exchange reserves with a negative sign. *** Reserve assets, as defined by the European Central Bank, include only monetary gold, the "reserve position" in the IMF, "Special Drawing Rights" and the claims of the Bank of Greece in foreign currency from residents of countries outside the euro area. Conversely, they do not include claims in euro from residents of countries outside the euro area, claims in foreign currency and in euros from residents of euro area countries and the participation of the Bank of Greece in the capital and the reserve assets of the ECB.

Text Box of section 3.3B

Current Account Deficit – Sources of Financing before and after the Debt Crisis

Despite the relative improvement in several competitiveness indicators, particularly after 2009-2010 and the implementation of reforms, the current account (CA) remains a key weakness of the Greek economy. The CA deficit was systematically high in the period 2002–2008, reaching 15.3% of GDP due to a loss of competitiveness. This was gradually corrected in the period 2009–2019. However, high deficits re-emerged in the current account during the pandemic in 2020 and the subsequent energy crisis after 2022, reaching 6.4% of GDP in 2024. On average, the current account deficit was €22.3 billion (11.1% of GDP) during the period 2002-2008, reflecting the competitiveness deficit. Over the past three years (2022–2024), the deficit averaged €16.8 billion per year, equating to 7.5% of GDP. This is beyond the limit of -4% to +6% of GDP set by the Macroeconomic Imbalance Procedure (MIP) for the CA deficit.

Figure B.3.3B.1 Average annual current account deficit in Greece



Source: BoG, Data processing: IOBE

High deficits resulting from a loss of competitiveness are offset by capital inflows to the financial account, which bridge the gap between domestic consumption and income. This deficit can be financed through the three main accounts — direct investment, portfolio investment and other investment — or alternatively by reducing foreign exchange reserves. Direct investment is considered a stable form of deficit financing as it involves long-term investment in an economy. This can stimulate domestic investment, employment, technology and productivity. This does not mean that portfolio investments do not contribute to the above; however, they are considered 'hot' money in that they are highly volatile.

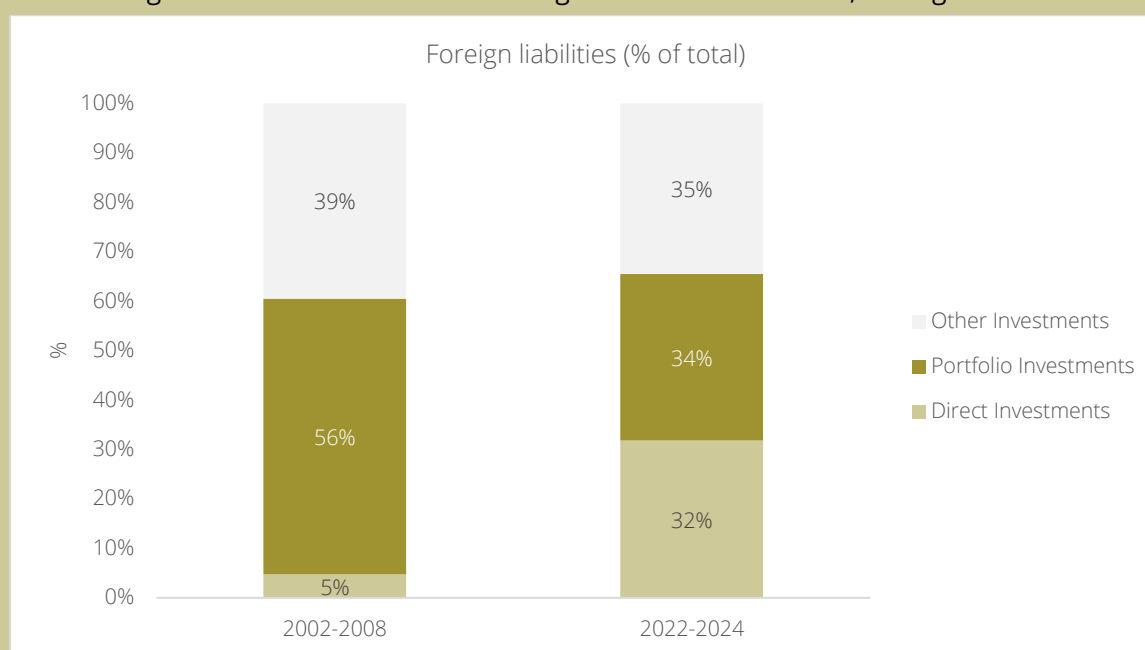
The liabilities to non-residents recorded in the three accounts relate to capital inflows and, to a certain extent, to covering deficits in the current account. Between 2002 and 2008, only 5% of total liabilities were related to direct investments, while portfolio investments accounted for 56% of the total, followed by other investments with a 39% share. During this period, the deficit coverage profile was mainly



dependent on 'hot' money, as evidenced by the substantial outflow of private capital during the debt crisis.

Looking at the share of liabilities for the period 2022–2024, it should be noted that, despite the high CA deficits, the coverage profile of these deficits has changed. Liabilities account for one third of each account, with a significant increase in the proportion of direct investment — rising from 5% of the total between 2002 and 2008 to 32% over the past three years. This is a significant change, as it means that deficit borrowing is based on longer-term funds. For instance, between 2022 and 2024, an average of €6.0 billion of foreign capital flowed in annually in the form of direct foreign investment, and an average of €6.3 billion of foreign capital flowed in annually in the form of portfolio investment.

Figure B.3.3B.2 Sources of financing for Greece's CA deficit, average share



Source: BoG, Data processing: IOBE

The increase in the proportion of direct investment was accompanied by a change in the composition of these investments at sector level. Between 2002 and 2008, a significant proportion of net direct investment flows originated from the financial sector, accounting for 40.7% of the country's total net inflows. This was followed by the information and communication sector, which accounted for 25.9%. Consequently, these two sectors accounted for a significant proportion of direct investment in financing the current account deficit during this period. Between 2022 and 2024, the proportion of direct investment in financing increased, while the structure of direct investment changed. Specifically, the financial sector remained in first place in terms of its relative share, albeit with a reduced percentage, despite an increase in absolute terms; other sectors also recorded increases. The real estate management sector saw its share approach 22.2%, followed by real estate investments with a share of 13.9%. Apart from real estate-related sectors, manufacturing also recorded a significant increase, with a relative share of 13.8% compared to 5.9% in the previous period. This indicates that direct investments also concern productive investments which have increased in almost all manufacturing sectors.

Table B.3.3B.1 Net average annual foreign direct investment flows of non-residents in Greece by economic activity sector

Sector	EUR million		Share	
	2002-2008	2022-2024	2002-2008	2022-2024
A Agriculture, Forestry, and Fishing	9	12	0,5%	0,2%
B Mining and Quarrying	-38	82	-2,2%	1,3%
C Manufacturing	104	896	5,9%	13,8%
D Electricity Supply	19	28	1,1%	0,4%
E Water Supply	0	3	0,0%	0,1%
F Construction	67	152	3,8%	2,3%
G Trade	68	176	3,9%	2,7%
H Transportation and Storage	-1	381	-0,1%	5,8%
I Accommodation and Food Services	23	193	1,3%	3,0%
J Information and Communication	453	303	25,9%	4,6%
K Financial and Insurance Activities	712	1.713	40,7%	26,3%
L Real Estate Activities	50	1.447	2,9%	22,2%
M Professional, Scientific, and Technical Activities	134	121	7,7%	1,9%
N Administrative and Support Activities	0	90	0,0%	1,4%
O Education	0	-38	0,0%	-0,6%
Private real estate sales	114	907	6,5%	13,9%
P Health	30	-1	1,7%	0,0%
R Arts	0	24	0,0%	0,4%
Other	6	40	0,4%	0,6%
TOTAL ACTIVITY	1.750	6.517		

Source: BoG



3.4 Labour market

- Reduction of the unemployment rate to 10.4% in the first quarter of 2025, down from 12.1% in the first quarter of 2024.
- The annual decrease in the unemployment rate resulted from a fall in the number of unemployed people (-86,000) and a rise in the number of people in employment (+43,400).
- The largest annual increase in employment in Q1 2025 was in wholesale and retail trade, repair of motor vehicles and motorcycles (+32,600), professional, scientific and technical activities (+27,700) and education (+24,200).
- Annual employment declined most strongly in the Agriculture, Forestry and Fishing sector (-53,800).
- A positive but lower balance of hires and separations in the private sector in Q1 2025 (53,200 people), compared to a positive balance in Q1 2024 (+56,200).
- The employment rate of the working-age population increased on an annual basis in Q1 2025, reducing the gap to the European average to 7.4 percentage points. There was also an increase in the proportion of full-time employment compared to part-time employment.
- A decrease in labour market participation rate in Q1 2025 (52.2% for those over 15 years of age), representing a 0.4 percentage point decrease compared to last year.
- The seasonally adjusted wage cost index increased by 5.4% in the first quarter of 2025 compared to the same quarter of 2024.

According to the latest data from the Labour Force Survey by ELSTAT, the unemployment rate fell by 1.7 percentage points year on year in the first quarter of 2025, dropping from 12.1% to 10.4%. During this period, the number of unemployed people fell by 86,000 (15.0%) to 488,100, while the number of employed people increased by 43,400 (1.0%) to 4,216,800. Therefore, the decrease in the unemployment rate is due to a fall in the number of unemployed people and an increase in employment. Based on monthly data, it should be noted that labour market indicators are improving in 2025, with the seasonally adjusted unemployment rate estimated to have fallen further to 7.9% in May. According to ERGANI data on private sector employment flows (January–May), the cumulative balance of hires and separations was positive by 324,900 jobs, exceeding the corresponding period in 2024 (315,200 jobs).

Regarding the evolution of unemployment in the eurozone in Q1 of 2025, the outcome is mixed: 10 countries experienced an increase in unemployment rates, while 10 others saw a decrease. Spain had the highest unemployment rate, falling from 12.3% to 11.4% in the first quarter of 2025 (-0.9 percentage points). Greece followed closely behind (see Appendix). In contrast, Malta recorded the lowest unemployment rate (2.7%) in the first quarter of 2025, followed by Germany (3.7%), the Netherlands and Slovenia (both 4.0%). The strongest annual increase in the unemployment rate was recorded in Finland (+1.4 percentage points, rising from 8.3% to 9.7%), while the sharpest decline was recorded in Greece (-1.7 percentage points, falling from 12.1% to 10.4%). In the euro area, the unemployment rate reached 6.6%.

Regarding the evolution of the unemployment rate by gender in Greece, it remains higher for women. Specifically, the unemployment rate for women fell from 15.2% in the first quarter of 2024 to 12.9% in the first quarter of 2025, a decline of 2.3 percentage points. For men, it fell from 9.7%

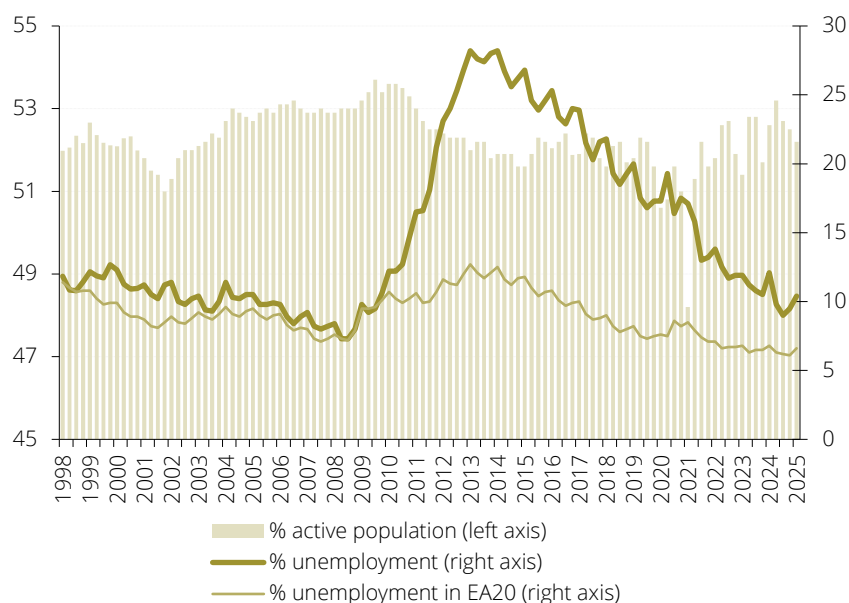
to 8.3%, a decline of 1.3 percentage points. During the same period in the euro area, it fell to 6.9% for women (down from 7.1%) and to 6.4% for men (down from 6.5%).

Regarding the distribution and evolution of the unemployment rate by age, it decreases with increasing age. In the first quarter of 2025, the unemployment rate fell in all age groups except among those aged 65 and over. The most significant decline, at 19.0 percentage points, was observed among 15–19-year-olds, with the rate falling from 47.6% to 28.6%. The second-largest decline was among those aged 25–29, with a fall of 2.1 percentage points to 18.1% from 20.2%. The smallest decrease was among people aged 30–44, with a fall of 1.2 percentage points to 11.0% from 12.2%. Conversely, the unemployment rate increased by 1.4 percentage points in the 65-and-over age group, rising from 6.4% to 7.8%. The lowest unemployment rates were recorded in the 45–64 and 65+ age groups.

In terms of duration of unemployment, both the percentage and number of those unemployed for a long time decreased. In the first quarter of 2025, the long-term unemployment rate fell to 50.7% (as a percentage of the unemployed), down from 52.0% in the same quarter of 2024 (-1.3 percentage points). Meanwhile, the number of long-term unemployed individuals decreased by 51,100 (-17.1%), falling to 247,600.

Figure 3.18

Labour force participation and unemployment rates



Reduction of the unemployment rate in Greece in the first quarter of 2025 to 10.4%, from 12.1% in the first quarter of 2024. The share of the active population over 15 years of age marginally exceeds 52%.

Sources: ELSTAT – Labour Force Survey, Eurostat

Regarding the distribution and evolution of the unemployment rate by educational level, it decreases as the level of education improves. In the first quarter of 2025, the unemployment rate fell across all education levels, except for those with a three-year secondary education diploma. The sharpest decline in unemployment, by 13.5 percentage points, was among those who had attended some primary school or none at all, with the unemployment rate falling from 35.6% to 22.1%. Conversely, there was a marginal 0.2 percentage point increase in the unemployment rate among holders of a three-year secondary education diploma, rising from 13.5% to 13.7%. The



unemployment rate was lowest among people with a doctorate or master's degree. In this category, the unemployment rate fell by 1.8 percentage points, from 6.7% to 4.9%.

Regarding trends in regional unemployment, the rate fell in seven regions and rose in six. The highest seasonally adjusted unemployment rate was recorded in the Ionian Islands, falling from 31.1% in the first quarter of 2024 to 20.3% in the first quarter of 2025 (-10.8 percentage points), showing the strongest decline. The second highest rate was observed in the South Aegean region, where it increased to 20.1% in the first quarter of 2025, up from 16.6% in the first quarter of 2024 (an increase of 3.5 percentage points), showing the greatest rise. The lowest rate was recorded in Thessaly, where it fell from 12.8% to 6.4% (-6.4 percentage points) in the same period. This was followed by Crete, the Peloponnese and Attica. In Crete, it fell to 6.7% from 16.0% (-9.3 percentage points), while in the Peloponnese and Attica regions, it fell to 7.5% from 9.1% (-1.6 percentage points) and 9.1% from 10.3% (-1.2 percentage points), respectively.

In terms of employment trends by occupational status, employment declined in all categories except for salaried employees. The largest annual decrease in employment, at 23.2% (35,900 people), occurred in the family business assistant category (118,700 employees in Q1 2025), while an 8.7% decrease (74,500 people) was also recorded among the self-employed without staff (784,000 employees in Q1 2025). The self-employed with staff followed, showing a decrease of 0.2% (600 people) to 307,800 employees in the first quarter of 2025. By contrast, employment among salaried employees increased by 5.4% (154,400 people), reaching 3,006,300.

The number of full-time employees in the first quarter of 2025 increased by 119,100 (3.1%) compared to the same quarter of 2024, reaching 4,206,300. Meanwhile, the number of part-time employees decreased by 76,900 (23.7%), reaching 247,200.

In terms of employment trends by occupational category, seven categories saw an increase in employment, while three saw a decrease. The strongest increase in absolute numbers (80,300 employees) was recorded among those employed in scientific, artistic, and related professions. This resulted in 1,003,700 people being employed in this category in the first quarter of 2025, compared to 923,400 in the same period of 2024. There was also an increase in employment among unskilled workers, manual workers, and small business owners, with an additional 19,000 people employed in the first quarter of 2025 compared to the same period in 2024. The largest decline in absolute numbers occurred among skilled agricultural, forestry, and fishery workers in the first quarter of 2025, with their numbers falling from 438,000 to 375,800 (-62,200). This was followed by skilled craftsmen and related technical professionals, whose numbers fell from 420,900 to 399,800 in the same quarter of 2024 (-21,100).

In terms of employment trends by occupational category, seven categories saw an increase in employment, while three saw a decrease. The strongest increase in absolute numbers (80,300 employees) was recorded among those employed in scientific, artistic, and related professions. This resulted in 1,003,700 people being employed in this category in the first quarter of 2025, compared to 923,400 in the same period of 2024. There was also an increase in employment among unskilled workers, manual workers, and small business owners, with an additional 19,000 people employed in the first quarter of 2025 compared to the same period in 2024. The largest decline in absolute numbers occurred among skilled agricultural, forestry, and fishery workers in the first quarter of 2025, with their numbers falling from 438,000 to 375,800 (-62,200). This was followed by skilled craftsmen and related technical professionals, whose numbers fell from 420,900 to 399,800 in the same quarter of 2024 (-21,100).

Thirteen of the examined economic sectors experienced an increase in employment, while eight saw a decline. The strongest increase in employment in the first quarter of 2025 was observed in wholesale and retail trade, repair of motor vehicles and motorcycles, followed by professional, scientific and technical activities. In the former sector, the number of people employed increased by 32,600 (4.7%) to 727,000, up from 694,400, while in the latter sector, it increased by 27,700 (10.1%) to 301,300, up from 273,600. The increase in employment in education was also notable (by 24,200 employees, or 7.4%), rising from 328,100 to 352,300. Conversely, the sharpest decline in employment occurred in the agriculture, forestry, and fishing sector, with employment falling from 478,900 to 425,100 (-53,800 or -11.2%).

In conclusion, according to sector-level employment data, the increase in the first quarter of 2025 compared to the same quarter of 2024 was mainly due to growth in the following sectors:

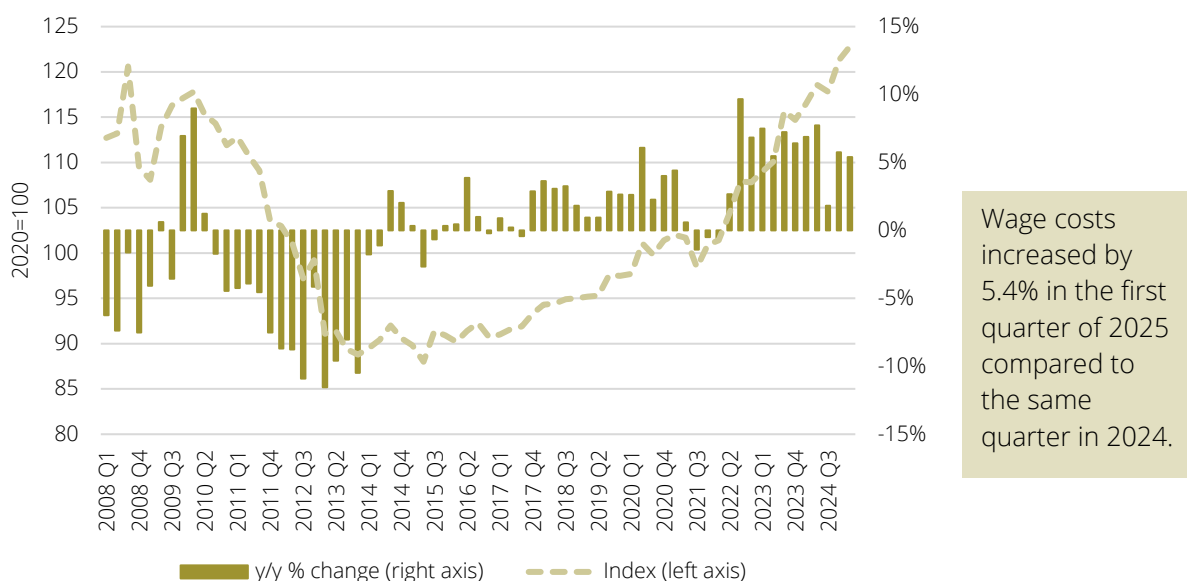
- Wholesale and retail trade, repair of motor vehicles and motorcycles (+32,600 employees);
- Professional, scientific and technical activities (+27,700 employees);
- Education (+24,200 employees).

Additionally, the employment rate for individuals over 15 years of age in Q1 2025 was 46.8%, which is an increase of 0.6 percentage points from 46.2% in Q1 2024. Regarding the evolution of the employment rate in the eurozone for Q1 of 2025, it increased from 53.8% in the same quarter of 2024 to 54.2%, i.e. by 0.4 percentage points. By contrast, Greece's employment rate is considerably lower than the Eurozone average, with a difference of 7.4 percentage points in the first quarter of 2025 compared to 7.6 percentage points in the corresponding period of 2024. This represents a decrease of 0.2 percentage points compared to Q1 2024.

The seasonally adjusted wage cost index for the Greek economy as a whole saw a 5.4% increase in the first quarter of 2025 on the same period in 2024.

Figure 3.19

Seasonally adjusted wage cost index



Source: ELSTAT & Eurostat



Table 3.9

Population aged 15 years and over by employment status (in thousands)

Reference period	Total	% of Population	Employed	Percentage (%) of the labour force	Unemployed	Percentage (%) of the labour force
2015	9,246.6	52.0	3,610.7	39.0	1,197.0	24.9
2016	9,212.8	52.1	3,673.6	39.9	1,130.9	23.5
2017	9,176.9	52.1	3,752.7	40.9	1,027.1	21.5
2018	9,140.2	51.9	3,828.0	41.9	915.0	19.3
2019	9,103.5	52.0	3,911.0	43	818.9	17.3
Q1 2020	9,083.8	50.6	3,852.6	42.4	745.1	16.2
Q2 2020	9,080.5	50.8	3,844.0	42.3	768.3	16.7
Q3 2020	9,077.3	51.6	3,926.8	43.3	756.4	16.2
Q4 2020	9,074.2	51.0	3,878.5	42.7	750.1	16.2
2020	9,079.0	51.0	3,878.5	42.7	755.0	16.3
Q1 2021	9,070.8	48.2	3,625.1	40.0	745.4	17.1
Q2 2021	9,067.1	51.3	3,915.3	43.2	732.5	15.8
Q3 2021	9,063.5	52.2	4,118.3	45.4	615.4	13.0
Q4 2021	9,060.0	51.6	4,053.3	44.7	617.4	13.2
2021	9,065.4	50.8	3,928.0	43.3	677.7	14.7
Q1 2022	9,055.8	51.8	4,044.0	44.7	647.2	13.8
Q2 2022	9,051.9	52.6	4,167.2	46.0	591.6	12.4
Q3 2022	9,048.2	52.7	4,216.0	46.6	555.6	11.6
Q4 2022	9,044.7	51.9	4,135.2	45.7	558.4	11.9
2022	9,050.2	52.3	4,140.6	45.8	588.2	12.4
Q1 2023	9,041.4	51.4	4,098.0	45.3	550.5	11.8
Q2 2023	9,038.4	52.8	4,236.5	46.9	533.3	11.2
Q3 2023	9,035.5	52.8	4,256.2	47.1	514.6	10.8
Q4 2023	9,032.7	51.7	4,183.1	46.3	488.7	10.5
2023	9,037.0	52.2	4,193.5	46.4	521.8	11.1
Q1 2024	9,025.7	52.6	4,173.4	46.2	574.1	12.1
Q2 2024	9,020.5	53.2	4,327.8	48.0	467.6	9.8
Q3 2024	9,015.4	52.7	4,323.9	48.0	428.4	9.0
Q4 2024	9,010.6	52.5	4,278.7	47.5	449.1	9.5
2024	9,018.1	52.8	4,276.0	47.4	479.8	10.1
Q1 2025	9,006.6	52.2	4,216.8	46.8	488.1	10.4

Source: ELSTAT, Labour Force Survey

Medium-term outlook

In the baseline macroeconomic scenario, further improvement in the labour market is expected in 2025 and 2026, although there are clear signs of a slowdown in the positive trend. There is limited scope for further reductions in cyclical unemployment, while reducing structural unemployment and increasing labour force participation remain challenging.

The projected increase in investment is expected to positively impact employment for the remainder of 2025 and 2026. Three factors contribute to this increase. Firstly, there has been a reduction in financing costs, and secondly, there has been high credit expansion, which is also related to the acceleration of the implementation of the revised National Recovery and Resilience Plan.

The expectation of resilient consumption, which is predicted to grow more slowly in 2026, will have a modestly positive effect on employment. Although the forecast for an increase in exports is milder than previous estimates due to rising international trade protectionism, it is also expected to have a positive effect on employment in 2025 and 2026. Monetary policy undoubtedly influences these trends, and the prospect of further interest rate cuts is expected to have a positive impact on the short-term outlook for investment, consumption and exports.

From a sectoral perspective, the results of the business surveys indicate a weakening of employment prospects in the industrial and services sectors, though momentum has been maintained in construction and retail trade. The completion of major infrastructure projects and the gradual implementation of the large number of building permits issued in 2024 are also expected to have a positive effect on employment. The tourism sector is expected to perform well in 2025 and 2026, although its impact on employment growth is expected to be smaller. Finally, the public sector is expected to support employment growth through planned recruitment in the current and next year.

In terms of risks, geopolitical instability and economic uncertainty are expected to persist in 2026, both regionally and internationally. Additionally, international energy prices are fluctuating at a lower level and there is greater uncertainty surrounding their future trajectory. Inflation in both 2025 and 2026 is also expected to exceed the euro area average. The relatively high structural inflation of the Greek economy is a significant obstacle to competitiveness and therefore to overall employment.

Based on IOBE's estimates of a slowdown in consumption in 2026, positive momentum in the employment sector is also expected to slow down. Alongside reducing cyclical unemployment, efforts are being made to tackle residual structural and frictional unemployment.

Taking these effects on the labour market into account, the unemployment rate is expected to be around 9.3% in 2025 and 9.0% in 2026.

According to the latest IOBE Business and Consumer Survey data, the short-term employment outlook for industry and services weakened slightly in the April-June quarter of 2025 compared to the first quarter, while the outlook for retail trade and construction strengthened slightly. Compared to the same period in 2024, there was a slight improvement in construction and industry, while the decline was mild in services and more pronounced in retail trade. In more detail:

In the industry sector, the average balance for the second quarter of 2025 declined by six points compared to the previous quarter. However, compared to last year's performance, the average quarterly index is approximately 7 points higher. During the quarter under review, 11% of industrial companies predicted a decline in employment in the coming period, while 22% (down from 25%) expected an increase in the number of jobs. Nevertheless, the majority of companies in the sector (67%) anticipate no change in the employment levels.

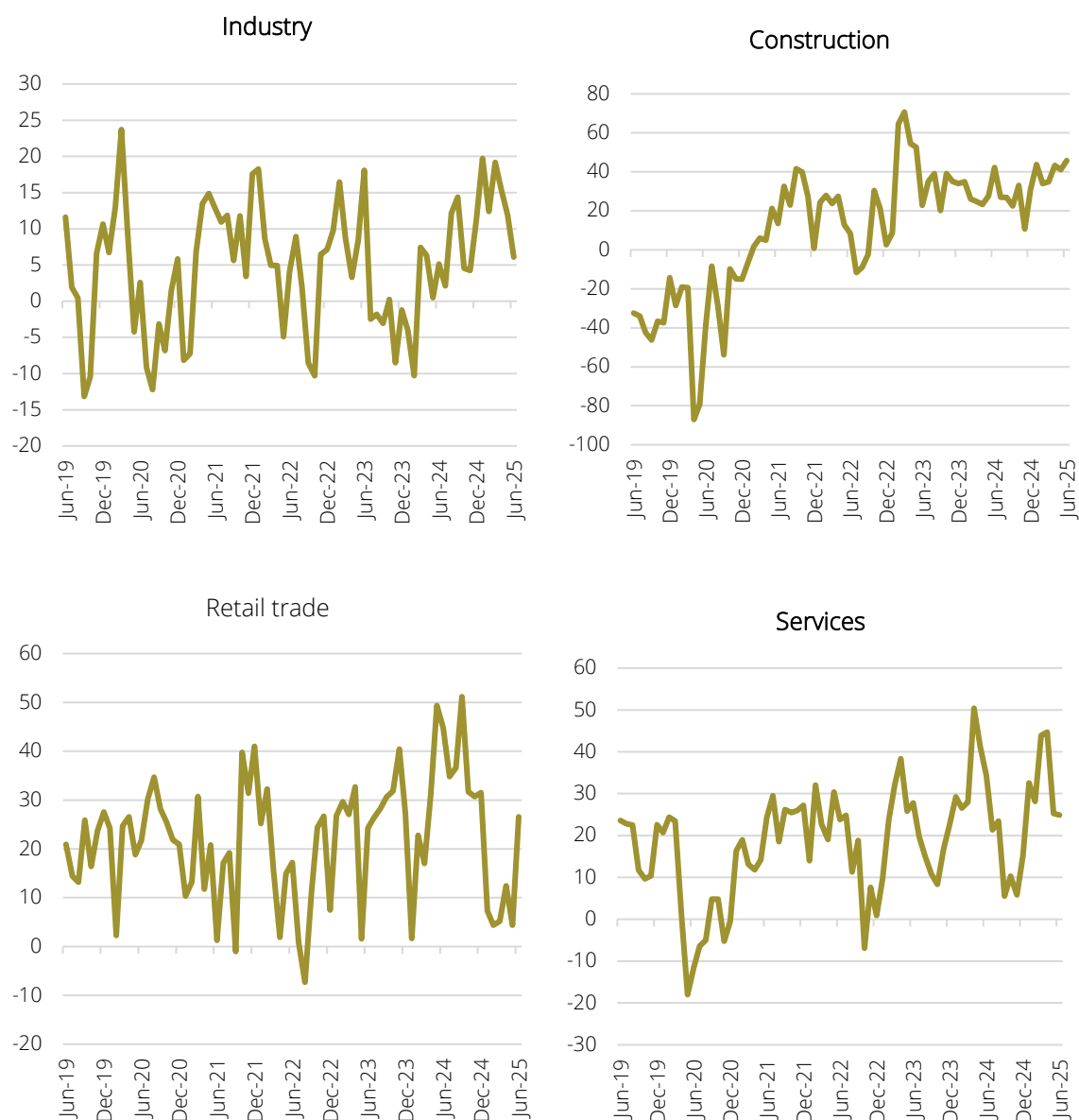
In the construction sector, the latest indicators suggest an improvement in employment prospects, with the employment balance rising to +43 points (up from +38 points), which is slightly higher than in the same period in 2024 (+31 points). During the quarter under review, the percentage of businesses in the sector anticipating fewer jobs fell to 2% (down from 3%), while the percentage of respondents expecting an increase in employment rose to 46% (up from 40%). At the level of individual sub-sectors, the relevant index weakened significantly in private construction (falling



from +60 to +44 points), while it strengthened significantly in public works (rising from +18 to +41 points).

Figure 3.20

Employment expectations (difference between positive and negative responses)



Source: IOBE

In the second quarter of 2025, compared to the previous quarter, the estimates for the short-term employment outlook in Industry and Services were slightly weaker, while in Retail Trade and Construction, the expectations strengthened slightly.

The employment expectations index for the retail trade sector improved slightly in the second quarter of this year, rising from +6 to +14 points. However, this is a significantly lower performance compared to the corresponding figure for 2024 (+42). Four percent of businesses in the sector



expect a decline in jobs, the same proportion as in the previous quarter, while 18 percent (up from 9 percent) expect an increase in employment. Those expecting stability account for 78 percent of the total. With the exception of food-beverages-tobacco and vehicles-spare parts, where the relevant balance is strengthening slightly, the balance in all other individual sectors is weakening noticeably.

In Services, the relevant estimates for the quarter under review indicate a marginal decline compared to the previous quarter, as well as a slight decline compared to the same period last year. Thus, the balance for the second quarter of 2025 fell by 3 points to +32, while compared to the same period in 2024 it weakened by 10 points. Five per cent of companies in the sector expect a decline in employment, while 37 per cent anticipate an increase (down from 39 per cent). At the branch level, the trend is positive in almost all sectors, except for land transport and information technology, where the relevant balance is weakening slightly.



3.5 Consumer and producer prices

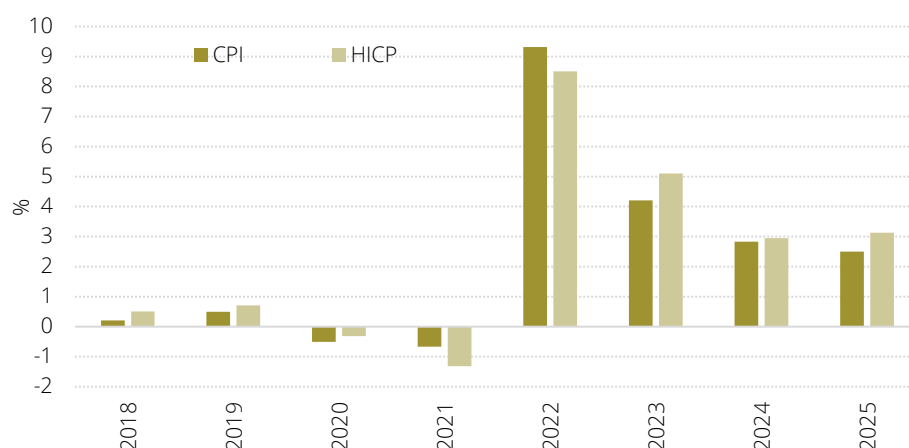
- The HICP (CPI) rose at a similar rate in the first half of 2025, reaching 3.1% (2.5%), compared to inflation of 3.0% (2.8%) a year earlier. This was mainly due to the upward effect seen in the prices of non-energy goods, particularly services.
- The HICP rate of change, with constant taxes and excluding energy, was 3.0% in the first five months of this year, down from 3.5% a year ago. Prices rose notably in service sectors such as housing, accommodation, and food services.
- For 2025, the Consumer Price Index is expected to rise at a rate of around 2.8%. Key assumptions:
 - Consumer demand is expected to strengthen by around 1.2%.
 - The price of Brent crude oil will decline annually, with protectionist measures exerting further downward pressure on the energy market.
- For 2026, the CPI is projected to increase at a rate of around 2.3%. Key assumptions:
 - Consumer demand will strengthen by around 1.0%.
 - The price of Brent crude oil will decline further on an annual basis, with developments in the energy market maintaining downward pressure on energy commodity prices.

Recent developments

Between January and June 2025, prices increased compared to a year earlier, with the average rate of change in the domestic Consumer Price Index (CPI) standing at 2.5%, down from 2.8% the previous year. Over the same period, the Harmonised Index of Consumer Prices (HICP) rose by 3.1%, up from a 3.0% increase in the first half of 2024. Higher inflationary pressure was observed in service sectors such as housing, accommodation, and food services. In June, the CPI rate of change rose to 2.8%, up from 2.3% in June 2024. An upward trend was also recorded in the HICP, with the rate of change standing at 3.6% in June 2025, up from 2.5% in June 2024. It should be noted that core inflation in Greece rose to 3.3% in May 2025, up from 2.7% a year earlier.

Figure 3.21

Annual change in the domestic CPI and the HICP in Greece (January – June, %)



A 2.5% increase in the domestic CPI in the first half of 2025 compared to a year earlier, down from 2.8% a year earlier.

Source: ELSTAT, Data processing IOBE

Regarding the impact of HICP components on its trend, the increase in the harmonised index from January to May 2025 was driven by the positive influence of domestic demand. The percentage change in the index with constant taxes and excluding energy goods was 3.2%, down from a rise of 3.5% the previous year. Indirect taxation positively affected prices by 0.3 percentage points during the given period, compared to a marginal effect of 0.1 percentage points the previous year.

Figure 3.22

CPI in Greece (annual percentage change per month)

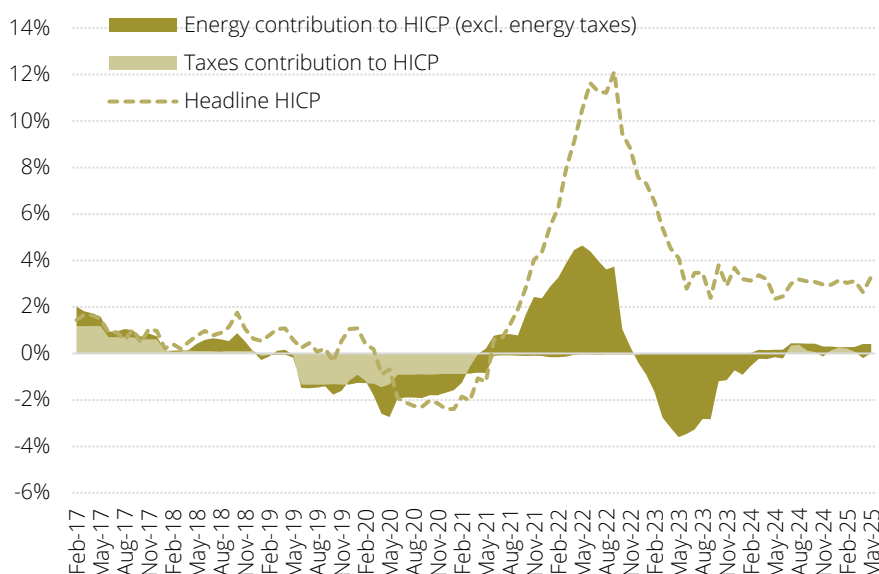


Sharper rise in domestic CPI in June 2025 (2.8% from 2.5% a month earlier). Higher rate of change than in the corresponding month of 2024 (2.3%).

Source: ELSTAT, Data processing IOBE

Figure 3.23

Annual rate of HICP change in Greece and impact of energy product prices and tax changes



The increase in the HICP during the first five months of 2025 was driven by rising prices for non-energy goods and services, particularly housing, accommodation, and food services, with mildly positive impact of taxes.

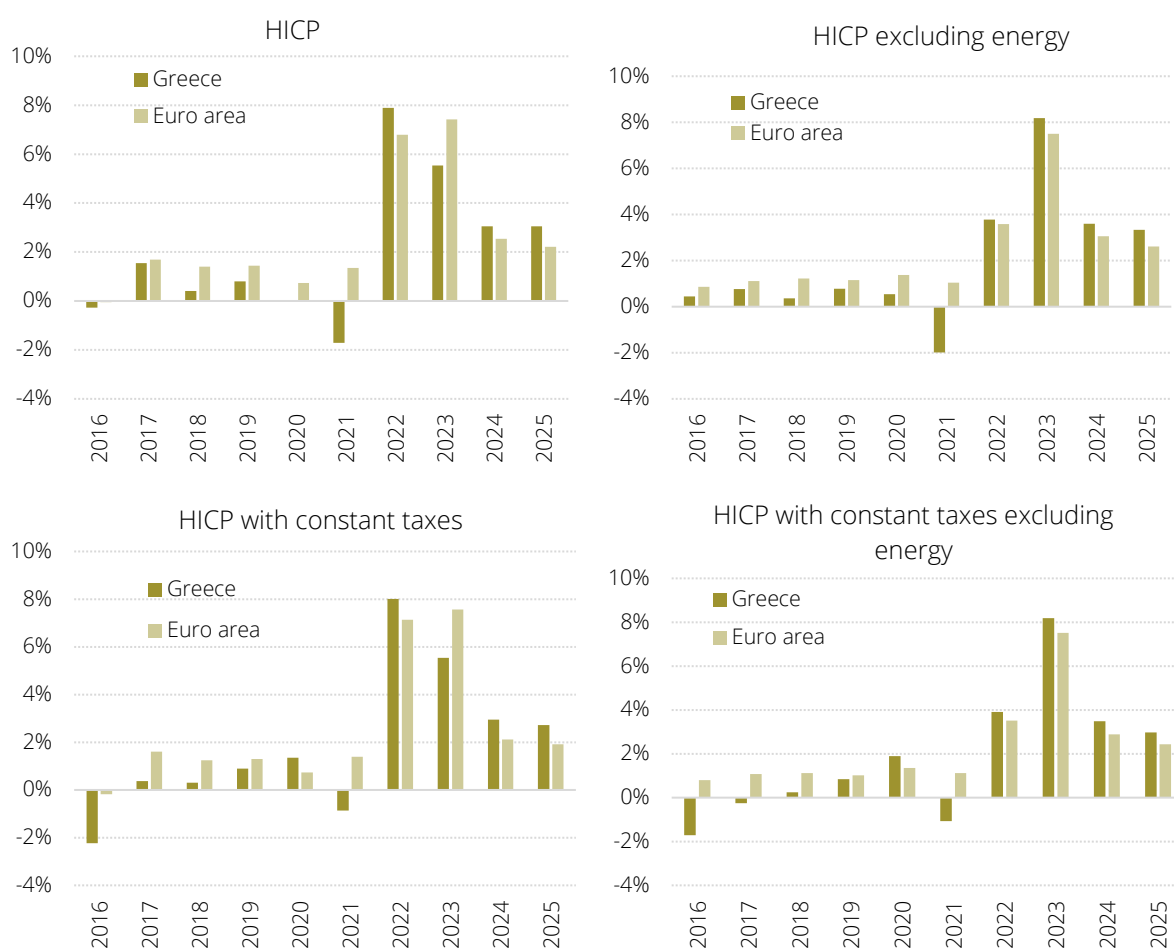
Source: Eurostat, Data processing IOBE



Regarding recent trends in energy prices and their impact on the Harmonised Index of Consumer Prices (HICP), the average international oil price in January–May 2025 declined compared with a year earlier. Specifically, the average price of Brent crude oil was \$72.0/barrel, down from \$84.1/barrel a year earlier — a fall of 14.4%. The marginal decline in the average euro-dollar exchange rate in the first five months of 2025 had no effect on the decline in the oil price in euros, with the average price standing at €66.6/barrel (down from €77.8/barrel in the corresponding period of 2024). Consequently, energy prices had a negative impact on the rate of change of the HICP domestically in January–May 2025, at 0.3 percentage points, compared with a marginal impact of 0.1 percentage points in the corresponding period of 2024.

Figure 3.24

Annual HICP change in Greece and the Euro area (January– May)



Source: Eurostat, Data processing IOBE

Domestic price growth in the first five months of 2025 higher than the euro area average, with the inflationary impact of non-energy goods and services (3.2 percentage points) higher than the euro area average (2.7 percentage points).

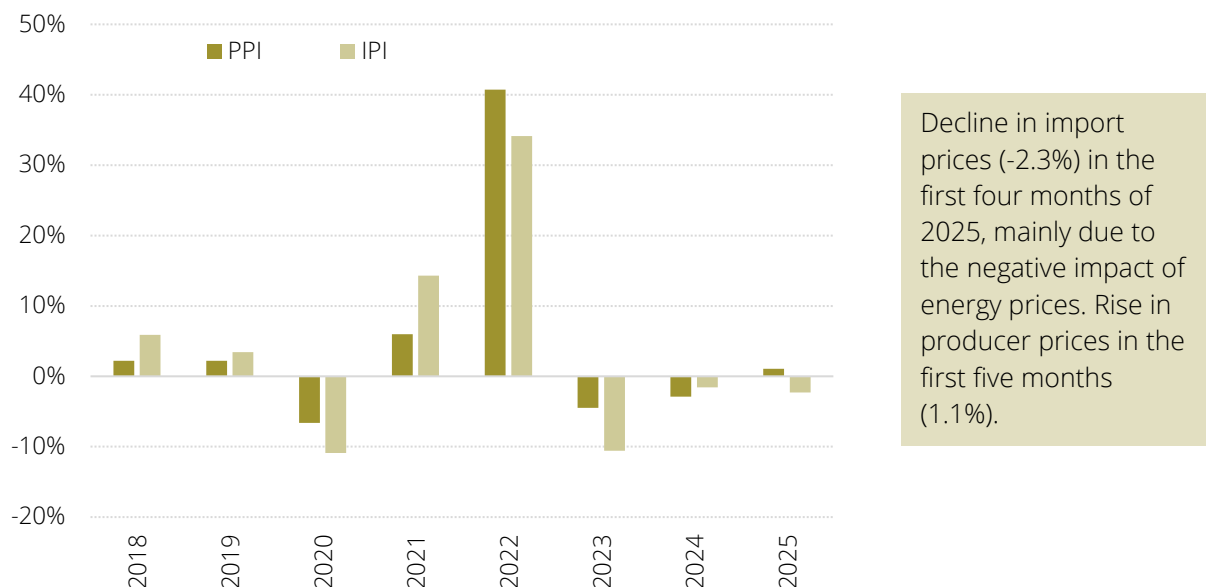
The rise in the HICP in Greece in the first half of 2025 places the country high in the ranking among euro area countries in terms of rate of change, above the weighted average (2.2%, see Appendix). In the period January-June 2025, the average change in the HICP in the euro area was 2.2%, down from 2.5% a year earlier. Domestic demand appears to have been the main factor driving price increases in the euro area, as the price index with constant taxes and excluding energy goods in the first five months, for which data are available, rose by 2.7%, compared with a 2.9% increase a year earlier.

Regarding trends in the individual product and service categories included in the domestic Consumer Price Index, hotels recorded the strongest increase in the first half of 2025. Prices in the hotels category increased by 6.2%, up from a more modest 5.8% a year earlier. Lower increases were seen in the housing category, where prices rose by 5.4% following a 0.8% decline, and in clothing, where prices rose by 5.2%, up from 4.4% a year earlier. Education and health saw increases of 2.6% and 2.3% respectively, down from 3.5% and 3.6% a year earlier.

Prices in the communications sector rose by 1.8%, compared to a decline of 1.5% in the first half of 2024. Meanwhile, prices in food and other goods increased by 1.5% and 1.4% compared to 5.1% and 1.7% a year earlier. Prices in alcoholic beverages and recreation also rose, by 1.2% and 1.1% respectively, compared to 2.1% and 2.5% in the same period in 2024. Conversely, prices fell by 0.1% and 0.5% in durables and transport respectively, compared to increases of 0.5% and 2.2% a year earlier.

Figure 3.25

Annual change of PPI and IPI in Greece (January – May)



Source: ELSTAT, Data processing IOBE. The annual change in import prices refers to the period January–April for 2025.

Regarding price developments in production in the January–May 2025 period, the Producer Price Index (PPI) for domestic and foreign markets as a whole recorded a marginal increase compared to the same period in 2024 (1.1%), as the rise in industrial products, excluding energy, offset the

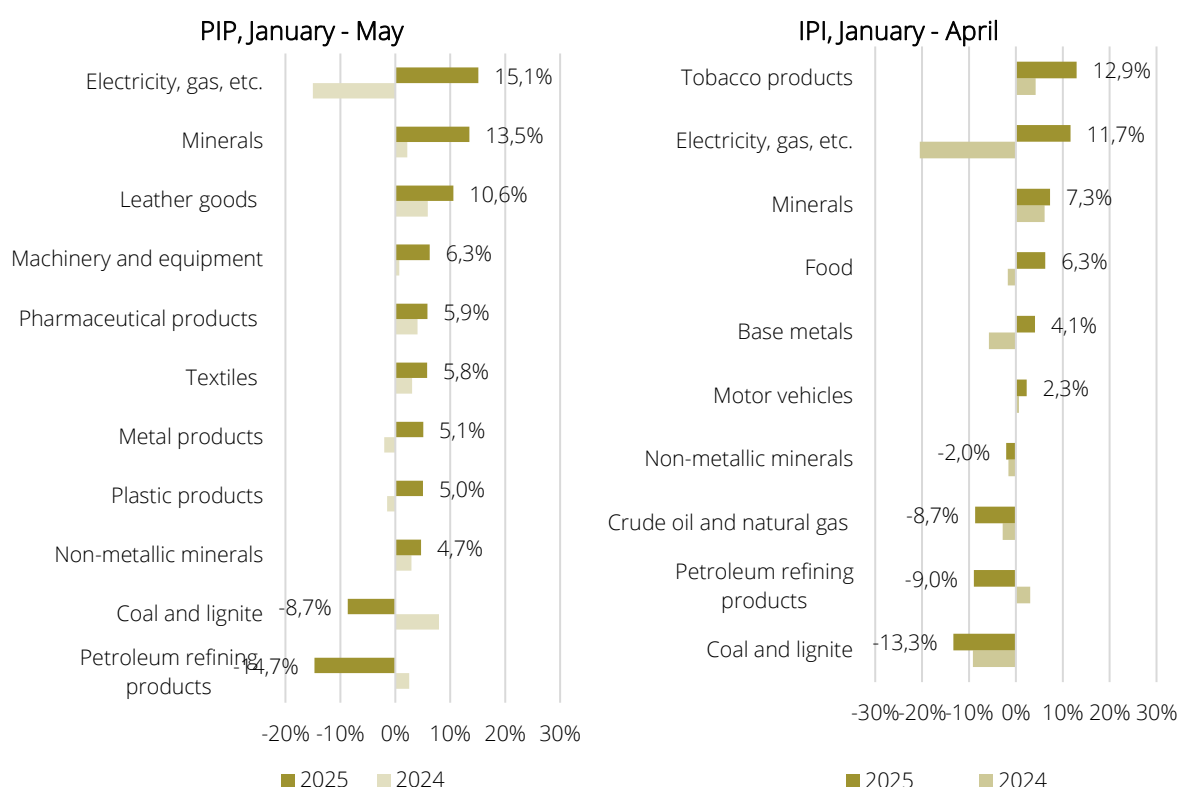


decline in energy prices. Specifically, the PPI excluding energy increased by 1.5% in the first five months of this year, compared to a more substantial rise of 1.9% in the same period the previous year. Meanwhile, the PPI for mining and quarrying and manufacturing fell by 2.8%, following an increase of 2.1% a year earlier.

Regarding the evolution of the Import Price Index (IPI) between January and April this year, there was an annual decrease of 2.3%, compared to a milder decline of 1.6% a year ago. With a decline of 2.3% in domestic import prices during the first four months of this year, Greece ranked last in terms of price increases among the fourteen euro area countries for which data was available for this period. The highest import price increases were recorded in Croatia and Estonia at 3.7% and 2.8% respectively, compared to respective declines of 41.6% and 1.4% a year earlier. The same index rose by 1.2% in the euro area, compared to a 5.0% decrease in the same month last year. In contrast, Slovenia recorded a 0.7% decrease in import prices.

Figure 3.26

Annual changes in PPI and IPI per goods category in Greece



Source: ELSTAT, Data processing IOBE.

Medium-term outlook

An analysis of the main components of the domestic Consumer Price Index during the first five months of this year shows that its rise is due to the positive impact of prices of non-energy goods and services. The mild negative impact of energy goods during the period under review was offset by the mild positive impact of taxes.

It should be noted that, in May of this year, the EU imposed a new set of sanctions in response to Russia's military attack on Ukraine — the seventeenth set of individual sanctions and restrictive measures. Specifically, the EU introduced further restrictions on the import and export of goods and technologies, access to ports and maritime transport services, and restrictive measures concerning travel bans and the freezing of assets, as well as a ban on providing funds or other economic resources to individuals and entities.

Regarding energy commodity prices, the average international oil price in the first half of 2025 decreased compared to a year earlier. Specifically, the average price of Brent crude oil was \$71.9 per barrel, down from \$83.8 per barrel a year earlier — a fall of 14.2%. The euro's 1.1% rise against the dollar during the review period further reinforced the change in the oil price in euros, with the average price standing at €65.8/barrel.

Demand effects

Regarding expected developments in consumer demand, the increase in employment and the rise in the minimum wage this year — which, under the new remuneration system, affects not only the pay scale for civil servants and unemployment benefits, but also the special pay scale for uniformed personnel — are expected to increase disposable income and, consequently, boost domestic demand. Additionally, the 1% reduction in social security contributions, the abolition of business taxes for freelancers, the self-employed, and sole proprietorships, and the reduction in ENFIA for insured dwellings against natural disasters are also expected to increase disposable income and subsequently stimulate domestic demand further.

Finally, measures such as the exemption from health insurance tax for children up to the age of 18, the abolition of the 5% fixed telephony fee for fibre optic connections, and the three-year income tax exemption for vacant properties that are rented out are expected to boost disposable income.

As part of the income tax changes, a reduction in tax rates for middle incomes is being considered for next year, alongside a package of benefits including the abolition of ENFIA (property tax) for primary residences with an assessed value of up to €500,000. Other benefits include a reduction in the minimum tax rate on rental income from 15% to 5% and a reduction in the cost of living. These developments are expected to boost household disposable income.

Taking these factors into account, total consumer demand is expected to strengthen by 1.2% in 2025 and by 1% in 2026, which will maintain high prices to a certain extent.

Tax effects

Regarding the expected impact of indirect tax measures, it is anticipated that they will have a negligible effect on price index changes in the current year. Specifically, the restoration of the VAT rate on non-alcoholic beverages (soft drinks, non-alcoholic beers and sparkling waters) to 24% is not expected to affect prices in the second half of the year, given that a year has now elapsed since the measure was introduced. Similarly, the reduced VAT rates on certain goods and services (transport, gyms, dance schools and entertainment), which will remain in place until the end of 2025, and the property support measures, which will remain in place until December 2025, are not expected to have any impact, as more than a year has passed since they were introduced.



Energy effects

In terms of recent developments in energy commodities, the international price of Brent crude oil averaged at \$71.4 per barrel in June 2025, which was 13.1% lower than a year earlier. In the same month, the euro/dollar exchange rate stood at 1.15, which was 7% higher than in the same month of 2024. Consequently, the average oil price in euros was €62.0 per barrel, which was 18.8% lower than a year earlier.

In terms of oil supply, OPEC member countries increased oil production by 150,000 barrels per day in May compared to April, reaching a total of 26.7 million barrels per day. Saudi Arabia recorded the largest increase, raising production by 130,000 barrels per day. A further increase in daily oil production was recorded in June, rising by 411,000 barrels per day to reach 28.2 million barrels per day.

At their last meeting in June 2025, OPEC+ members, including Russia, agreed to proceed with the planned production increases in July, subject to market conditions. Specifically, they agreed to increase production by a further 411,000 barrels per day in July, bringing the total increase so far to 1.37 million barrels per day, with approximately 830,000 barrels per day remaining in relation to the initial cuts. There is also the possibility of a further increase in production until the end of October. According to estimates by international organisations, OPEC+ oil production is consequently expected to increase by 0.3 million barrels per day in 2025.

The increase in oil production in 2025 will primarily be driven by non-OPEC countries, as OPEC+ continues to restrain production. According to analysts' estimates,¹² total global oil production is expected to increase by 1.9 million barrels per day in 2025, with the majority of this increase coming from non-OPEC+ countries.

Specifically, it is estimated that global oil production outside OPEC+ will increase by 1.8 million barrels per day in 2025. Most of this projected increase is expected to come from countries in the Americas, particularly the United States and Canada. The US continues to produce more oil than any other country, with an estimated increase in daily production of 0.6 million barrels. On an annual basis, US crude oil production is expected to average 13.4 million barrels per day in 2025. In addition, Canada's daily oil production is expected to rise by 0.3 million barrels per day this year. Meanwhile, Brazil's production is expected to increase by 0.1 million barrels per day in 2025 thanks to new floating production units.

Therefore, the resulting increase in OPEC+ production, coupled with the ongoing growth in non-OPEC+ supply, is expected to lead to an average increase in stock levels of 0.1 million barrels per day for the remainder of 2025. This will exert downward pressure on oil prices.

World demand

According to the macroeconomic forecasts of international organisations,¹³ the prospects for global growth in 2025 appear to be deteriorating. Global GDP growth is expected to be around 2.9% in 2025, which is lower than the rate forecast in March (3.1%). This is mainly due to increased uncertainty weighing on investment and consumer demand. Global GDP growth is expected to remain stable at 2.9% in 2026, reflecting forecasts of a slowdown in major economies such as the United States, Canada, Mexico and China.

¹² Energy International Agency, Short-Term Energy Outlook, March 2025

¹³ OECD Economic Outlook, Volume 2025 Issue 1 «Tackling Uncertainty, Reviving Growth», June 2025



The OECD forecasts annual GDP growth in the United States at 1.6% in 2025, which is 0.6 percentage points lower than the March 2025 forecast. This is due to developments regarding trade protectionism measures. In 2026, growth in the US is expected to reach 1.5%. Growth in the euro area is estimated to be lower at 1.0% in 2025 owing to private consumption as real incomes strengthen and investment is stimulated by credit easing and the disbursement of funds. A 1.2% increase is forecast for 2026. Meanwhile, growth in China is expected to slow to 4.7% in 2025, mainly due to sluggish consumer demand. In 2026, the growth rate is expected to fall further to 4.3%.

The imposition or even the mere announcement of trade barriers, tighter financial conditions and heightened political uncertainty all weaken global growth prospects. Specifically, a combination of weakened business and consumer confidence and increased political uncertainty poses a significant risk to global growth. Additionally, rising trade costs, particularly in countries imposing new tariffs, are likely to intensify inflationary pressures, though this may be offset in part by lower commodity prices. Risks to the outlook remain apparent. Key concerns include a further escalation of, or sudden changes to, trade policies; increased caution among consumers and businesses; and ongoing risk re-pricing in financial markets. At the same time, inflation may remain elevated for longer than expected, especially if inflationary pressures intensify. Conversely, the timely removal of recent trade restrictions could stimulate economic activity and ease inflationary pressures.

In this context, it is assumed that the average oil price in 2025 will be \$67 per barrel, which is around 17% lower than in 2024, primarily due to lower global demand. Similarly, the average euro/dollar exchange rate is expected to be 1.11 in 2025, which is an increase of 2.6% compared to the previous year. Consequently, the average oil price in euros is expected to be €60.4/barrel in 2025, which is a 19% decrease compared to 2024.

The average price of oil is forecast to decline by 10% in 2026 compared to 2025, reaching an average of \$60/barrel. This decline is mainly due to further increases in oil reserves and supply. Similarly, the average euro/dollar exchange rate is expected to be 1.13 in 2026, which is an increase of 1.8% from the previous year. Consequently, the average oil price in euros is expected to be €53.1/barrel, which is a 12% decrease compared to 2025.

Taking into account the above trends and developments in the main factors affecting consumer prices, the **Consumer Price Index is expected to rise moderately this year, by around 2.8%, primarily due to stronger domestic demand. The Consumer Price Index is also expected to rise moderately in 2026, at a rate of around 2.3%, due to the sustained positive impact of domestic demand.**

However, the level of uncertainty surrounding price developments this year is particularly high. A new escalation of military conflict in the Middle East could destabilise energy markets and lead to a further increase in oil prices, consequently causing a new rise in inflation. Meanwhile, the United States' protective policies, involving the imposition of new tariffs, are intensifying uncertainty in the international trade environment, disrupting trade relations and negatively impacting the global economy's momentum. Tariffs imposed on countries such as China and the EU increase production costs, which are often passed on to consumers, thereby intensifying inflationary pressures and causing disruptions in trade flows. Furthermore, ongoing unrest in the Red Sea has caused significant delays to the transportation of goods to Europe, as container ships and tankers are forced to take the longer route via the Cape of Good Hope. This has led to a substantial increase in transport costs and intensified upward pressure on prices.



Conversely, a further strengthening of the euro could negatively impact prices. The resulting decline in the prices of imported goods would lead to lower production costs for domestic companies, which is likely to result in lower prices.

The IOBE's monthly business and consumer surveys also provide valuable insight into future price trends, acting as leading indicators on the supply side.

Compared to the first quarter of this year, trends in price change forecasts are mixed in the second quarter of 2025. Specifically, price expectations have moved slightly downward in industry and services, while there has been a slight increase in retail trade and construction. Compared to the same quarter last year, expectations for price developments have increased sharply in private construction, while declining in services, retail trade and industry. More specifically:

In the industry sector, price expectations for the second quarter of the year fell slightly compared to the previous quarter. Specifically, the index stood at +2 points, down from +8 points in the previous quarter and down 6 points compared to the same quarter in 2024. Within the sector, 11% of companies expect prices to fall in the short term, while the proportion predicting an increase has fallen to 13% (down from 17%). The remaining 75% expect prices to remain stable.

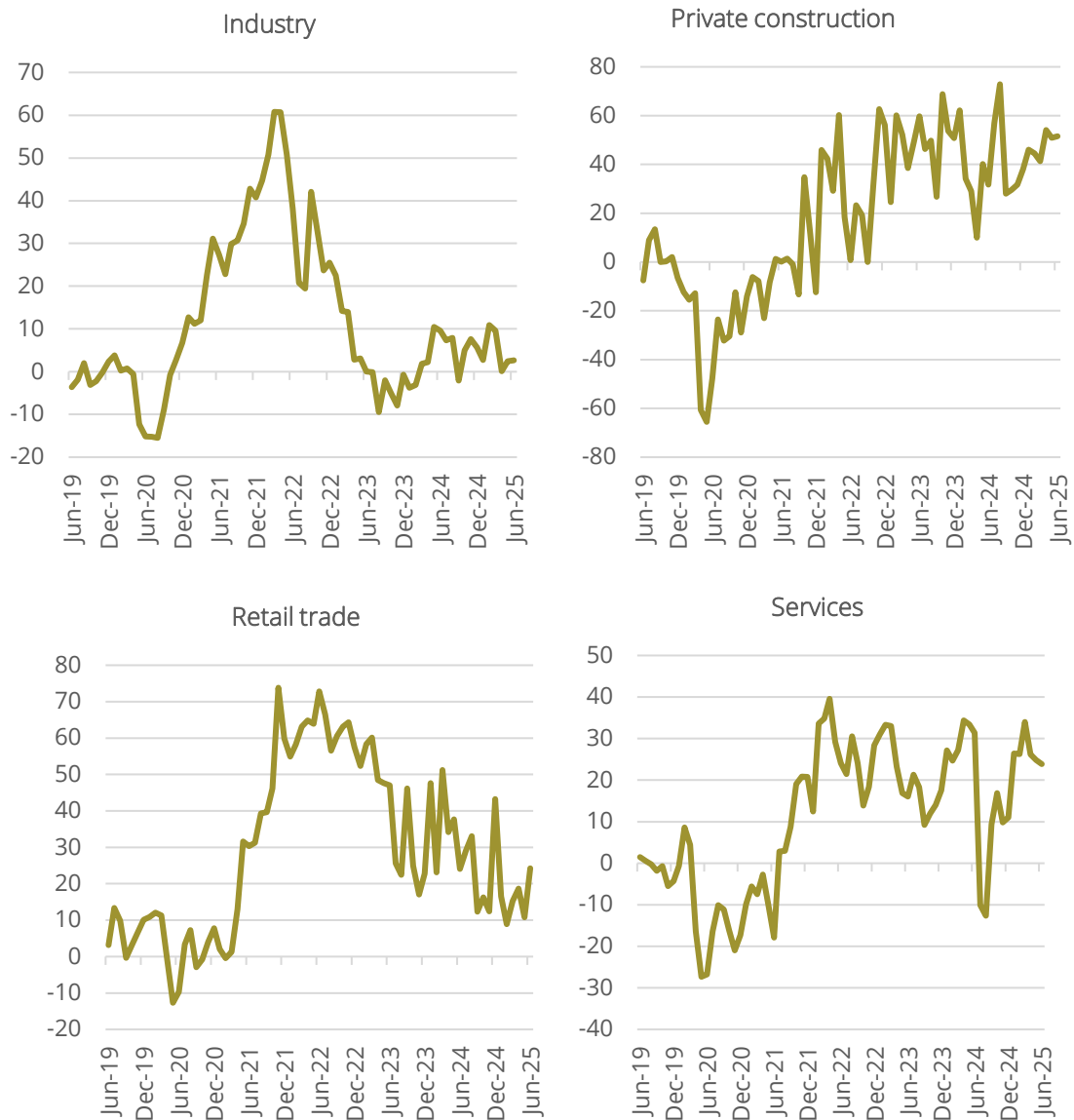
In the retail trade sector, the balance of +14 points in business price expectations strengthened by 4 points in the previous quarter, while remaining 14 points lower than in the corresponding period of 2024. 6% of businesses in the sector expected prices to fall in the short term, while the percentage of those predicting an increase rose to 24% (up from 22%), with the remaining 70% expecting stability. Changes in price expectations for the second quarter of 2025 compared to the previous quarter were mixed across the examined retail sub-sectors. In food and beverages, textiles, clothing and footwear, and department stores, the price balance increased significantly, while in household equipment and vehicles and spare parts, the relevant index decreased.

The average index predicting price changes in services for the quarter under review declined slightly compared to the previous quarter, standing at +25 points (down from +29), while also moving slightly lower than the corresponding average performance in Q2 2024 (+33 points). During this period, only 1% of businesses in the sector anticipated falling prices, while 26% (down from 30% in the previous quarter) anticipated rising prices. The index fell in almost all the examined sub-sectors, with the exception of hotels and travel agencies, where there was a marked improvement compared to the previous quarter.

Finally, in the private construction sector, the positive balance strengthened slightly from +44 points in the previous quarter to +52 points. However, this represents a significant change compared to the corresponding level in 2024 (+27 points). Furthermore, only 2% of companies in the sector anticipated a decline in prices, while 54% (up from 45%) expected an increase. The remaining 44% (down from 53%) anticipated stable prices.

Figure 3.27

Price expectations over the coming quarter (difference between positive and negative answers)



Source: IOBE

Expectations of price changes saw mixed trends in the second quarter of 2025 compared to the first quarter of this year. While price expectations eased slightly in industry and services, there was a modest increase in retail trade and construction.



4 The contribution of Athens International Airport to the Greek economy¹⁴

- Athens International Airport (AIA) saw a strong rebound in activity after the sharp decline caused by the pandemic.
 - In 2023, passenger traffic exceeded 2019 levels, with 28.2 million passengers passing through the airport, compared to 25.6 million in 2019 and 15.2 million in 2014.
- As the main gateway for foreign visitors, AIA provides significant support to the Greek economy through its economic system.
 - 3.8% of the country's GDP (€8.6 billion) is directly or indirectly attributable to the multiplier and broader effects of AIA's economic activity.
 - In terms of employment, the total impact is estimated at 214,000 jobs (4.2% of domestic employment).
 - The total contribution to public revenue is estimated at €2.7 billion.

Introduction

In 2018, IOBE conducted a study examining the contribution of Athens International Airport (AIA) 'Eleftherios Venizelos' to the Greek economy. The study presented AIA's operating figures over time in a comparative perspective with those of the main airports in Greece and internationally. It also highlighted the economic impact of the AIA ecosystem at national and local levels in 2017.

¹⁴ The chapter is based on a recent [study](#) conducted by the IOBE, with the support of the AIA.

Since then, rapid developments in the economic environment have significantly impacted AIA's operating figures, as well as the size and composition of the Greek economy. The upward trend in passenger traffic was abruptly halted by the measures imposed to restrict movement during the 2020 pandemic, while the country's macroeconomic figures also changed significantly, with a reduction in household income and consumption. Difficulties in global supply chains caused by the pandemic in 2021, followed by Russia's full-scale invasion of Ukraine in 2022, led to a significant rise in energy and raw material prices, resulting in an unprecedented escalation of inflation in the euro area.

This analysis aims to evaluate AIA's overall contribution to the Greek economy, the Attica region, and the Mesogeia area in 2023. It considers the latest economic figures and developments in Greece, as well as AIA's key operating metrics. Specifically, it examines trends in key figures and demand drivers relating to AIA's operations between 2017 and 2023, and estimates AIA's contribution to GDP, tax revenue and employment in 2023.

The economic system of the AIA

The AIA's economic system comprises its management company and a variety of other economic units. The AIA management company is responsible for operating the airport premises and the units that provide services to passengers, airlines and other users. It is also responsible for air safety and developing information systems and telecommunications.

The AIA economic system also comprises the following entities, in addition to the management company:

- Airlines operating flights at AIA
- Users: Ground handling companies for passengers, aircraft and cargo (ramp and baggage handling, into plane fuel, etc.)
- Concessionaires: Companies that have entered into concession agreements with the management company for commercial activities at the airport (shopping stores, flight catering companies, restaurants, etc.)
- Outsourcers: Companies that provide services to the management company with their own staff and who are paid for their work by the management company (security, cleaning, maintenance services, etc.)
- Retail park on the AIA's premises (stores of IKEA, Leroy Merlin, Kotsovolos, Factory Outlet and Shell), the Metropolitan Expo exhibition centre, and the Sofitel hotel
- Public services operating at AIA, such as customs, police, fire department, etc.

The operation of the AIA in 2017-2023

Amidst particularly volatile external conditions, AIA recorded a strong recovery, reaching historically high levels of passenger traffic (see Figure 1). Specifically, the number of passengers travelling to and from AIA exceeded 28 million, which is approximately 10% and 85% higher than in 2019 and 2014, respectively. A similar recovery is evident in the number of flights, which reached 242,000 in 2023 — an increase of 7.1% compared to 2019 and 56.3% compared to 2014.

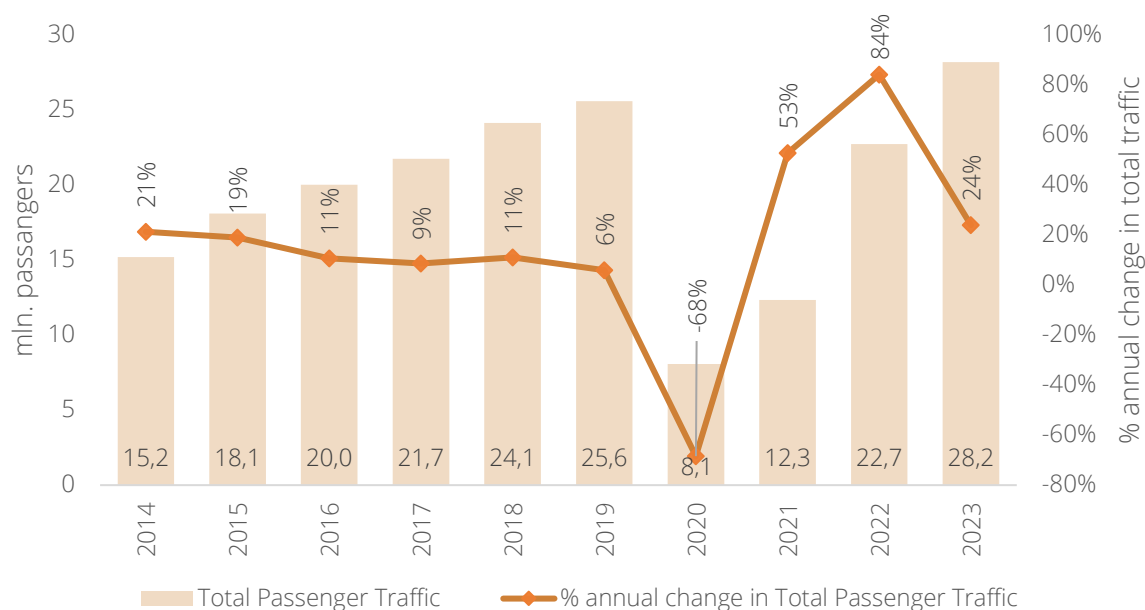
In 2023, AIA served 38.8% of passenger traffic at Greek airports. AIA's share of domestic passenger traffic was even higher at 45.3% (or 8.8 million passengers), highlighting its important role as a hub

for air connections within the country and abroad. AIA served 36.4% of the country's total international traffic, with 19.3 million passengers.

AIA also has a significant presence in European air travel. It ranks 19th in Europe for total passenger traffic. In the period 2019-2024, it came second among major European airports in terms of the highest rate of traffic growth, after Istanbul New Airport (IST), which began operations in 2018. This progress demonstrates that AIA has succeeded in improving its international standing, with potential for significant further growth.

Figure 4.1

Total passenger traffic at Athens International Airport, 2014-2023



Source: AIA. Data processing: IOBE

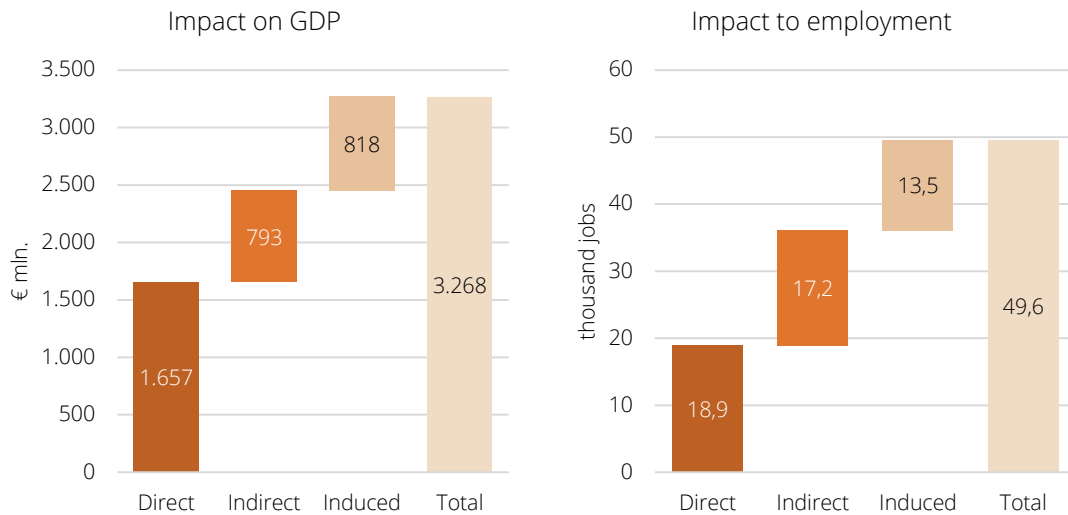
Contribution of the AIA economic system to the Greek economy

In addition to handling passenger traffic, the airport premises accommodate a variety of business activities, providing goods and services to passengers and visitors. Through flight management and other airport activities, the AIA economic system is estimated to have contributed €3.3 billion to the Greek GDP in 2023. In terms of employment, the AIA economic system is estimated to have supported 49,600 jobs (see Figure 4.2).

At the local level, the estimated impact of the operation of the AIA economic system in 2023 is €2.8 billion, accounting for 2.7% of the Attica Region's GDP. The estimated impact on employment in Attica is 37,000 jobs, accounting for 2.0% of total employment in the region. The Mesogeia area is home to 4,700 people employed in the wider airport area, and AIA's total contribution to employment in the area is estimated at 7,600 jobs.

Figure 4.2

Contribution of the AIA economic system to GDP and employment, 2023



Source: IOBE estimates

Wider effects

In addition to the value generated within the airport itself, AIA makes a significant contribution to the economy by acting as a gateway to Greece, with its extensive network of international destinations. Foreign travellers arriving in Athens by air provide a boost to domestic and local activity, particularly in tourism-related sectors such as accommodation, food services and transport.

It is estimated that passenger traffic through AIA generated €4.6 billion in travel receipts in 2023. The total contribution from spending by travellers arriving in the country via AIA is estimated at €5.0 billion, equivalent to 2.2% of Greece's GDP. In terms of employment, the total impact of visitors is estimated to be around 157,000 jobs, equivalent to 3.1% of domestic employment. In terms of tax revenue, the total contribution from foreign tourists is estimated to be around €1.5 billion.

The land transport services provided to individuals travelling to or visiting the airport also impact the economy. AIA's transport services for passengers and visitors are estimated to contribute €314 million to the Greek GDP. These services also contribute 7,800 jobs and €89 million in tax revenue to the Greek economy.

Conclusions

AIA's operations contribute significantly to economic activity, public revenue and job creation throughout the Greek economy. This stems from two sources: the activity of the business community that has developed within the airport itself (the AIA economic system), and the broader effects related to the development of international tourism through AIA and the provision of transport services to visitors.

Taking into account the contribution of the AIA economic system and its broader effects, the AIA's total contribution to GDP is estimated at €8.6 billion (3.8% of Greece's total GDP in 2023). In terms of employment, the contribution amounts to 214,000 full-time equivalent jobs, representing 4.2% of Greece's total employment.

Table 4.1



AIA's contribution to the Greek economy

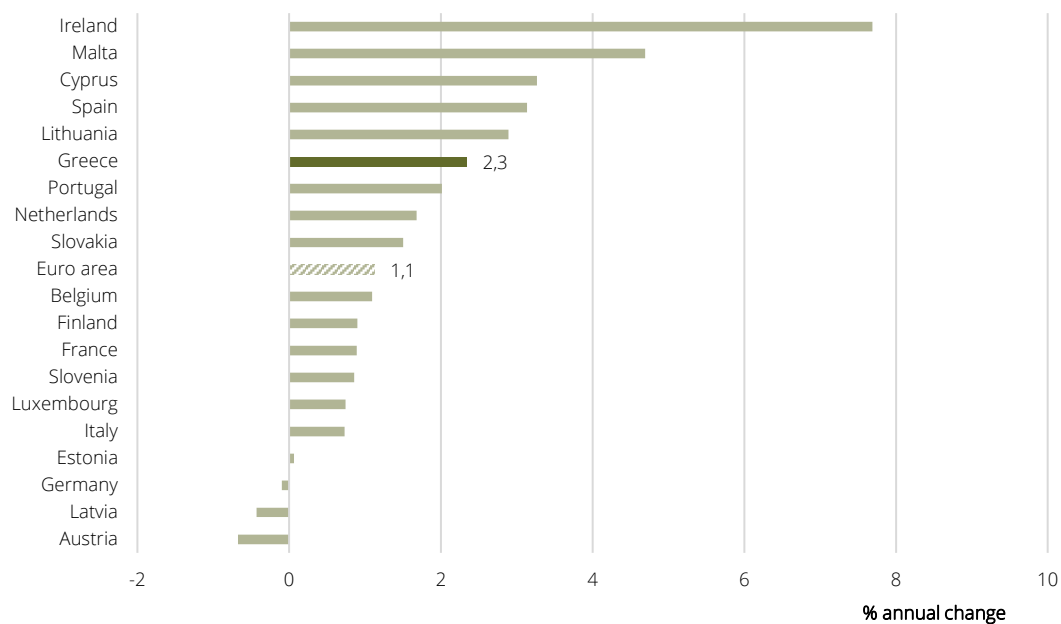
Categories	GDP (€ million)	Employment (‘000 FTEs)	Public revenues (€ million)
AIA ecosystem	3.268	50	1.154
Tourism expenditure	5.020	157	1.467
Transport services	314	8	89
Total	8.602	214	2.710

Source: IOBE analysis. Note: FTE – Full-time equivalents.

APPENDIX

Figure 1

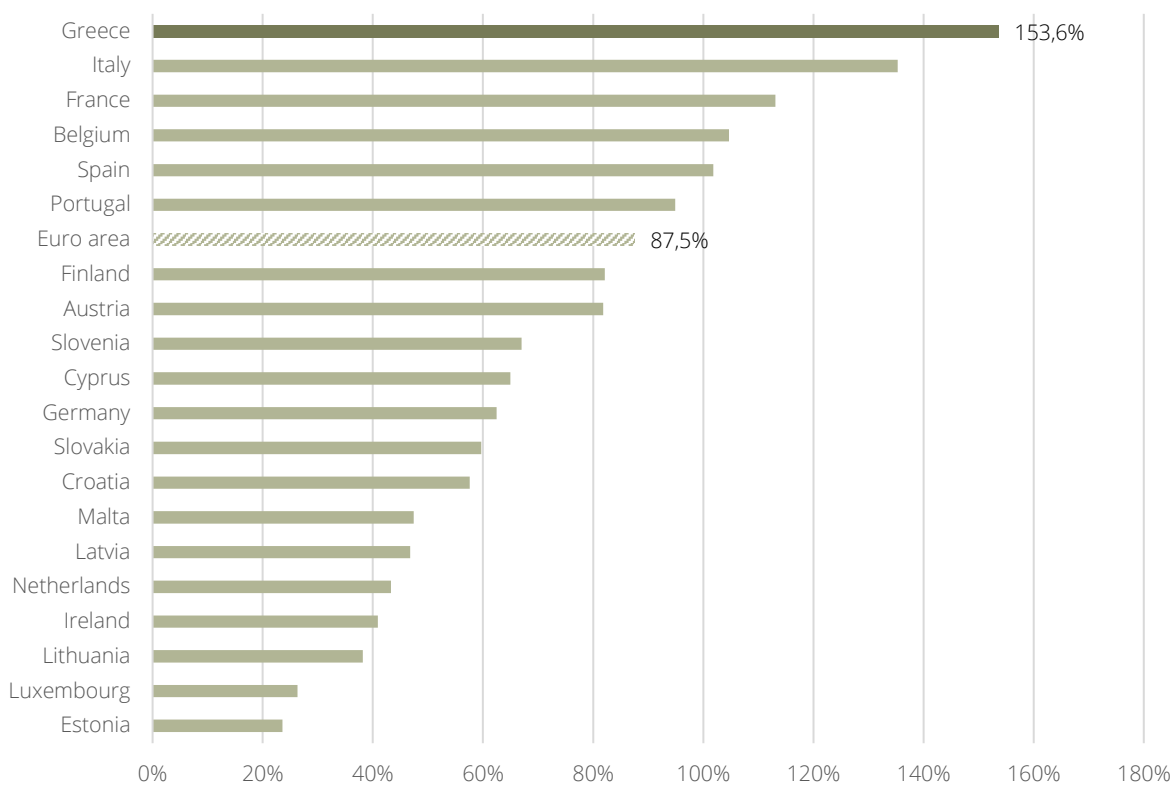
Real GDP growth rate, Q1 2025



Source: Eurostat

Figure 2

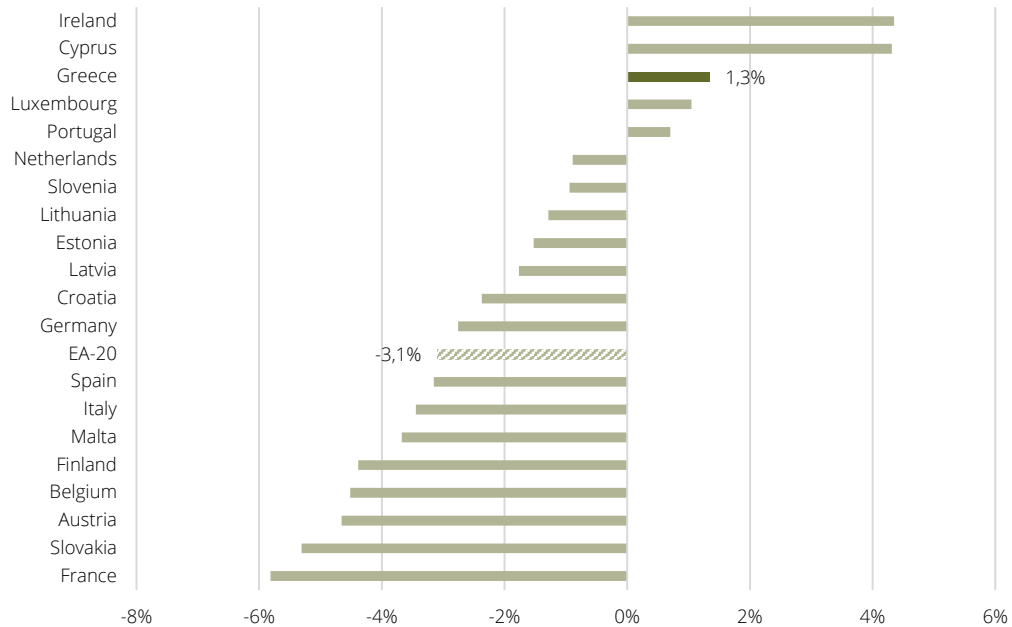
General Government Debt as % of GDP, Q4 2024



Source: Eurostat

Figure 3

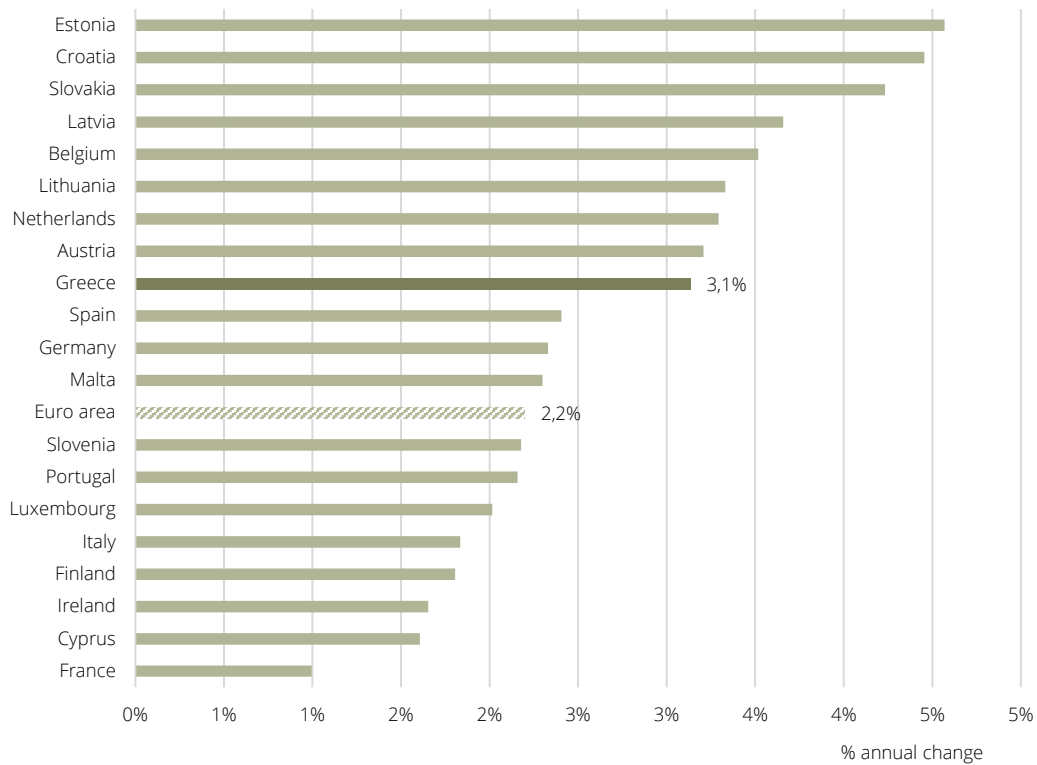
General government balance as % of GDP, 2024



Source: Eurostat

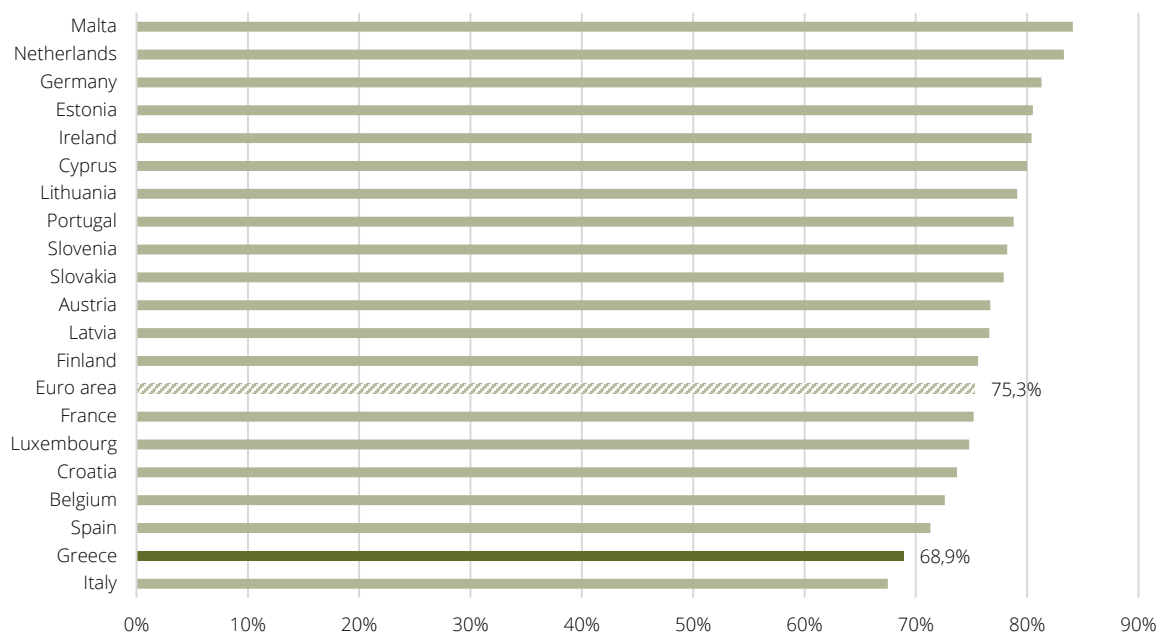
Figure 4

Harmonised Index of Consumer Prices, January - June 2025



Source: Eurostat

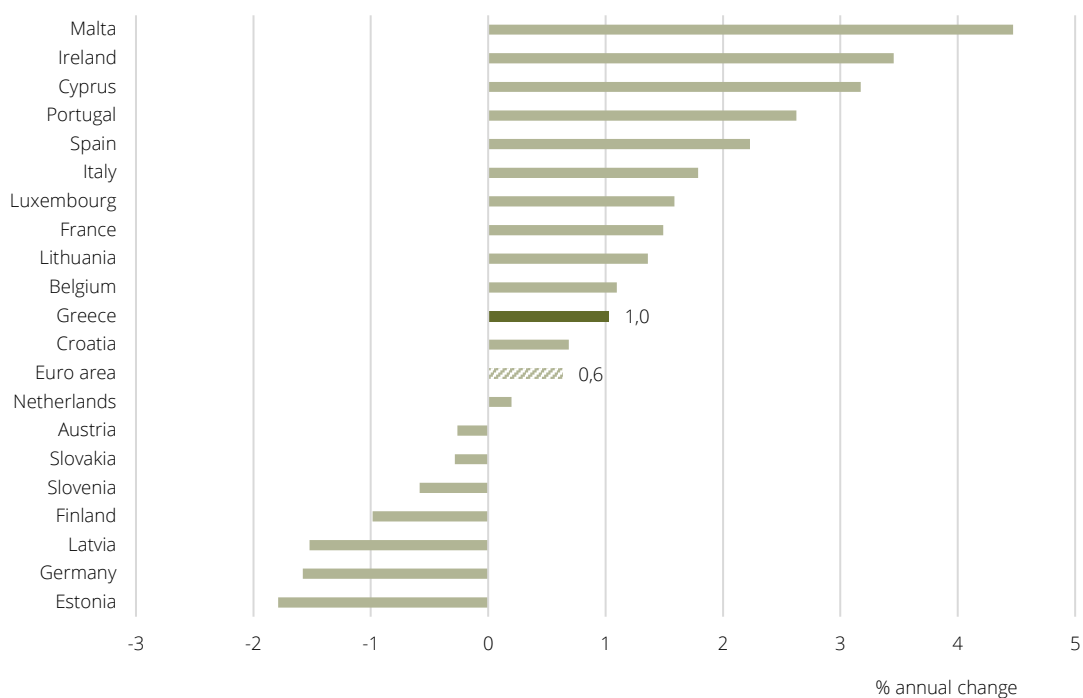
Figure 5
Employment, Q1 2025 (*)



(*) % of employed people aged between 20 and 64 in the total population of the same age group.

Source: Eurostat

Figure 6
Change in employment, Q1 2025 (*)

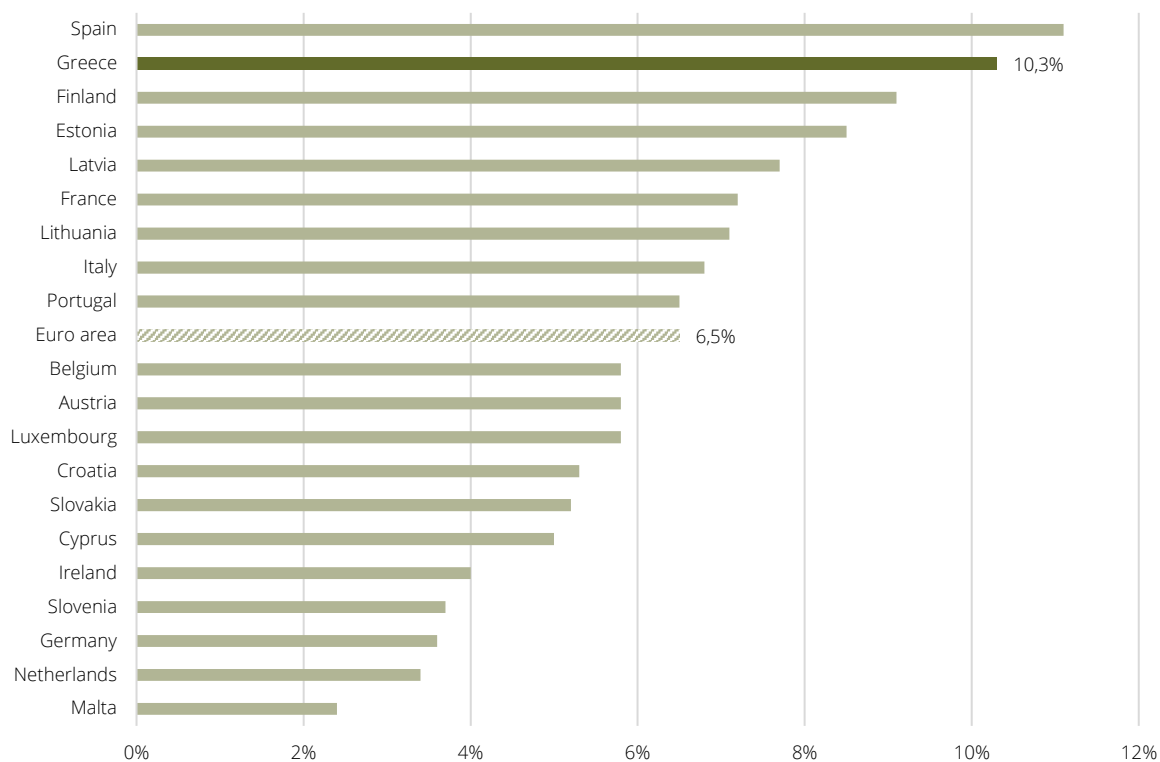


(*) employed people aged between 20 and 64.

Source: Eurostat

Figure 7

Unemployment, Q1 2025 (*)



(*) % of unemployed aged 20-64 in the total active population of the corresponding age, seasonally adjusted data

Source: Labour Force Survey, Eurostat