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To:	Ms Thérèse BLANCHET, Secretary-General of the Council of the European Union

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**COMMISSION STAFF WORKING DOCUMENT**

**In-depth review for Greece**

**Prepared under Regulation 1176/2011 on the prevention and correction of  
macroeconomic imbalances**



European  
Commission

Greece

**In-Depth Review 2026**



This in-depth review presents the main findings of the Commission's staff assessment of macroeconomic vulnerabilities for Greece for the purposes of Regulation (EU) No 1176/2011 on the prevention and correction of macroeconomic imbalances. It provides technical input to the Commission for the Communication "European Semester – 2026 Spring Package" that will set out the Commission's assessment as to the existence of imbalances or

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# 1. INTRODUCTION

**This in-depth review (IDR) analyses the evolution of Greece’s vulnerabilities mainly related to high government debt, a weak external position and the slow workout of non-performing loans outside the banking sector.** An IDR was carried out for Greece in spring 2025, and in June 2025 the Commission concluded that Greece was continuing to experience imbalances <sup>(1)</sup>. This year’s IDR, which follows the 2026 Alert Mechanism Report (AMR) published in November 2025 <sup>(2)</sup>, assesses the persistence or unwinding of the vulnerabilities identified last year, potential emerging risks, and relevant policy progress and policy options that could be considered for the future.

**The vulnerabilities in Greece are examined in the context of continued economic growth.** The Greek economy kept its momentum, and real GDP grew by 2.1% in 2025, at the same rate as in 2024, surpassing the EU average of 1.5%. Growth in 2025 was balanced, driven by household consumption, investment and net exports. Private consumption is set to remain an important growth driver, boosted by expansionary fiscal measures increasing net wage growth in 2026 and 2027. Investment spending is forecast to accelerate in 2026, the final year of the implementation of the Recovery and Resilience Plan (RRP). Export growth is expected to be supported by the gradual recovery of trade partners’ economies, but the positive effect on net trade is more than offset by stronger import demand, given the high import content of investment. GDP growth is forecast at 2.2% in 2026 and 1.7% in 2027, as economic growth is predicted to moderate, once the implementation of the RRP is completed.

**Strong domestic demand, labour shortages and minimum wage increases are expected to continue to exert upward pressure on prices.** Thus, headline inflation averaged 2.9% in 2025 and stayed close to 2024 levels. Consumer price growth is expected to decline to 2.4% by 2027. Core inflation came in at 3.6% in 2025, at par with headline inflation, and is expected to decline to 2.2% by 2027, remaining above the euro area average, albeit with a narrowing gap.

*The cut-off date for the data for preparing this IDR was 23 April 2026. Unless stated otherwise, all the forecast data used in this IDR were taken from the Commission’s Autumn 2025 Forecast <sup>(3)</sup> to ensure the coherence of the various figures and calculations. However, if actual outturn data become available after the publication of the autumn forecast, that is used.*

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<sup>(1)</sup> European Commission (2025), Greece – In-depth Review 2025, Staff Working Document, SWD(2025) 70 final (published as European Economy, [Institutional Paper 309](#), May 2025); and European Commission (2025), 2025 European Semester - Spring package, Communication from the Commission to the European Parliament, the Council, the European Central Bank, the European Economic and Social Committee, the Committee of the Regions and the European Investment Bank, [COM\(2025\) 200 final](#).

<sup>(2)</sup> European Commission (2025), Alert Mechanism Report 2026, Communication from the Commission to the European Parliament, the Council and the European Economic and Social Committee, [COM\(2025\) 956 final](#); and European Commission (2025), Alert Mechanism Report 2026, Staff Working Document, [SWD\(2025\) 956 final](#).

<sup>(3)</sup> European Economy, [Institutional Paper 327](#)

*Assumptions concerning energy prices, other commodities prices, and other general assumptions were taken from the Autumn 2025 Forecast and do not reflect developments related to the war in the Middle East and its impact on energy prices <sup>(4)</sup>.*

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<sup>(4)</sup> The Commission is assessing the sensitivity of Member States to major economic shocks originating abroad, including in the context the recent sharp increase in energy prices and trade tensions. The results of this analysis will be published in the forthcoming European Commission Institutional Paper dedicated to spillovers analysis that accompany the 2026 in-depth reviews.

## 2. ASSESSMENT OF MACROECONOMIC IMBALANCES

**The Greek economy continues being marked by high but receding public and external debt ratios, while the current account deficit stays high and the workout of NPLs outside the banking sector remains slow.** Prudent fiscal policy and solid nominal GDP growth have supported a steep decline in the public debt-to-GDP ratio in recent years. In parallel, the current account deficit has remained elevated, thus limiting the improvement in the net international investment position (NIIP). The strong post-pandemic recovery has been accompanied by fast job growth, bringing the unemployment rate down to levels seen before the global financial crisis. Still, both the headline and long-term unemployment rates are among the highest in the EU and the employment rate is well below the EU average. The Hellenic Asset Protection Scheme ('Hercules') has enabled banks to transfer their legacy non-performing loans (NPL) and hence clean up their balance sheets. However, the resolution of remaining NPLs — now largely managed by servicers — has proceeded at a slow pace. Hence, the NPLs continue to be a drag on the economy. Overall, thanks to growing labour force participation, increased investment, and structural reforms, Greece's growth potential is estimated to have risen further. Nevertheless, stronger GDP growth would facilitate faster debt reduction as well as narrowing the income gap versus the EU.

### 2.1. GOVERNMENT SECTOR

#### *Assessment of gravity, evolution and prospects of vulnerabilities*

**The Greek public debt-to-GDP ratio is still the highest in the EU but has continued to drop sizeably.** The debt ratio declined from 154.2% in 2024 to 146.1% in 2025, helped by robust nominal GDP growth (4.9%), a solid primary budget surplus and the partial prepayment of loans under the Greek Loan Facility (GLF)<sup>(5)</sup>. The primary surplus increased from 4.8% of GDP in 2024 to 4.9% in 2025, despite the implementation of expansionary measures of 0.6% of GDP, including a 1 pp. cut in social contributions, increases in public sector wages, targeted transfers to households (such as rent support and benefits for vulnerable groups), and the abolishment of the overhead tax of self-employed. The improvement was primarily driven by subdued growth in current public expenditure (declining in real terms) and higher tax revenues supported by measures enhancing tax compliance. The headline government surplus increased by 0.4 pp. of GDP to 1.7% of GDP in 2025, more than the primary balance, thanks to a reduction in interest expenditure.

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<sup>(5)</sup> In 2025, the early repayment amounted to EUR 5.3 billion (2.1% of GDP) and reduced the amortisations over the years 2033-2041. Greece used a part of its cash buffer to finance most of that repayment.

**Continued nominal GDP growth is set to support further reductions of the debt ratio in 2026 and 2027.** The budget surplus is forecast to decline to 0.3% of GDP in 2026 and to be at balance in 2027, due to the impact of the expansionary fiscal package introduced in 2026. The primary balance is forecast to decline, but to remain above 3% of GDP. The fiscal package, announced in 2025, includes personal income and property tax reductions, and an increase in pension benefits and public wages. According to the Commission 2025 Autumn Forecast, the debt-to-GDP ratio is set to decline to 138% by end-2027. Low amortisations and projected primary budget surpluses keep gross financing needs below 10% of GDP over 2026-2028 <sup>(6)</sup>. Financing risks are further reduced by ample cash reserves <sup>(7)</sup>. Nevertheless, medium-term risks to fiscal sustainability remain high overall (see Box 2.2).

### *Assessment of MIP relevant policies*

**According to the assumptions in the Medium-Term Fiscal-Structural Plan, Greece's general government debt would decrease to 133.4% of GDP by 2028.** Greece commits to a net expenditure growth <sup>(8)</sup> that does not exceed 3.7%, 3.6%, 3.1% and 3.0% per annum in 2025, 2026, 2027 and 2028, respectively <sup>(9)</sup>.

**Greece adopted reforms that are expected to further improve tax compliance and support revenue collection.** The VAT compliance gap declined by 12.7 pps., to 11.4% between 2019 and 2023 and preliminary estimates for 2024 suggest a further decline to 9%, which compares with the EU average of 9.5% <sup>(10)</sup>. Greece has implemented the full electronic books system (myDATA), with digital reporting of transactional and accounting data and pre-filled VAT and income tax returns. The abolition of the overhead tax for the self-employed and the introduction of a minimum income for businesses reduced distortions and strengthens compliance in the taxation of self-employed <sup>(11)</sup>. In addition, authorities took actions to address tax fraud and corruption <sup>(12)</sup>. For 2026, the further extension of mandatory electronic invoicing, the development of a new digital platform for the Property Ownership and Management Registry, and the requirement for all rental payments to be made electronically are set to enhance tax compliance (See Table A.1 on MIP relevant reforms).

<sup>(6)</sup> The partial early repayment of the GLF in 2024 brought forward EUR 7.9 billion in loan amortisation over the period of 2026-2028.

<sup>(7)</sup> General government deposits are among the highest in the EU, amounting to EUR 39.6 billion, or 15.9% of GDP (end-2025).

<sup>(8)</sup> Net expenditure as defined in Article 2 of Regulation (EU) 2024/1263, namely government expenditure net of (i) interest expenditure, (ii) discretionary revenue measures, (iii) expenditure on Union programmes fully matched by revenue from Union funds, (iv) national expenditure on co-financing of programmes funded by the Union, (v) cyclical elements of unemployment benefit expenditure and (vi) one-offs and other temporary measures.

<sup>(9)</sup> These are also the growth rates that the Council recommended. Council Recommendation of 21 January 2025 endorsing the national medium-term fiscal-structural plan of Greece.

<sup>(10)</sup> The VAT policy gap (capturing the revenue loss due to policy decisions that narrow the tax base or reduce VAT liability for certain parts of the tax base) was 56.5% in 2024, the second highest in the EU and almost 10 pps above the EU median (See: [VAT Gap in Europe, Report 2025](#));

<sup>(11)</sup> Several further measures were implemented in 2025 (See Table A.1 on MIP relevant reforms).

<sup>(12)</sup> OPEKEPE, the agency responsible for the management of EU agricultural funds, was abolished and fully integrated into the Independent Authority for Public Revenue (IAPR), following the imposition of a EUR 415 million financial correction on Greece due to deficiencies in the management and oversight of EU agricultural subsidies. A strict action is being implemented including reinforced cross-checks, automated control algorithms and thresholds to prevent over-declaration, as well as strengthened audit and fraud-prevention procedures.

Further progress has also been made in reducing the informal economy by reducing under-declared labour via a digital work card that monitored working hours in real time and the continued reduction of the tax wedge on labour. At the same time, Greece has a comprehensive reporting system on tax expenditures but lacks a formal mechanism to evaluate their effectiveness. Numerous tax expenditures can add complexity to the tax system and could be better targeted, which could make them more effective at a lower fiscal cost.

## 2.2. EXTERNAL SECTOR AND COMPETITIVENESS

### *Assessment of gravity, evolution and prospects of vulnerabilities*

**The high current account deficit narrowed in 2025, largely driven by the improvement in the energy balance.** The current account deficit, which remained well above the pre-pandemic levels, declined from 7.2% of GDP <sup>(13)</sup> to 5.7% of GDP in 2025 <sup>(14)</sup>. This improvement was largely driven by the decline in oil prices and a reduction in net oil imports <sup>(15)</sup>, while the deficit of non-energy goods was broadly unchanged (Graph 2.1, panel a), with exports and imports of non-energy products growing at similar rates in 2025 (2.4% vs. 2.9%) Import demand was fuelled by private consumption, tourism and investments. The services balance was supported by another remarkable year in tourism, but declining freight rates narrowed the surplus of transport services. The income balances improved thanks to the decline in interest rates and increasing current transfer receipts from the EU <sup>(16)</sup>.

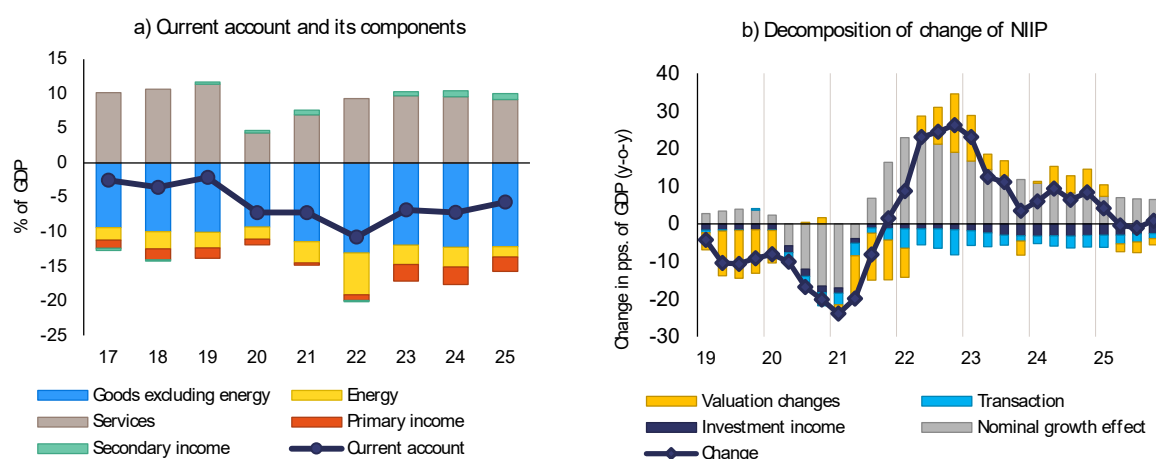
<sup>(13)</sup> In September 2025, the Balance of Payments and International Investment Position statistics have been revised from 2013 onwards. The revision reflected the inclusion of deferred interest on loans from the European Financial Stability Facility (EFSF) in the income balance and the debt stocks. As a result of the revision, the current account deficit increased by about 0.5-0.7% of GDP in 2013-2024, while the NIIP-to-GDP ratio declined by 5.4% of GDP in 2024.

<sup>(14)</sup> Based on monthly outturn data.

<sup>(15)</sup> Oil exports dropped in real terms, which was partly a result of a fire incident in the second biggest oil refinery in late 2024. Production capacity was restored in late 2025, therefore oil exports are set to increase in 2026. Lower exports of refined oil, increasing reliance on renewable energy sources and the use of inventories contributed to the drop of oil imports in real terms. Furthermore, increasing electricity exports also contributed to the better outcome of the energy balance.

<sup>(16)</sup> On average, about 17% of the transfers in the context of the Recovery and Resilience Facility are current transfers and hence are recorded in the secondary income balance of the current account.

Graph 2.1: The current account and its components and a decomposition of changes in the NIIP



Source: Eurostat, Commission

**The current account deficit is set to remain relatively stable in 2026 and 2027.** The RRF and Cohesion funds are set to finance a large part of that deficit. The Commission 2025 Autumn Forecast projects the current account deficit to increase slightly to 6.2% of GDP in 2026, as import demand is expected to increase, driven by strong investment demand associated with the implementation of the Greek RRP and Cohesion Policy programmes. In 2027, the phasing out of the RRF is projected to slow the import of investment goods, while an improving external environment is set to accelerate exports. As a result, the current account deficit is expected to decline to 5.8% of GDP, still remaining well above the level estimated to be consistent with Greece's economic fundamentals (Table 2.1). EU funding, both RRF and cohesion funds, are set to lower significantly gross financing needs, to 3.9% of GDP in 2026 and 4.3% of GDP in 2027.

**From a sectoral savings-investment perspective, low and declining household savings continue to weigh on the external balance.** In the first three quarters of 2025, household gross savings declined to -2.1% of GDP<sup>(17)</sup>. Household's net borrowing increased, but the rise in government and corporate net lending more than offset the weakening position of households (Graph 2.2, panel c). Hence, net external borrowing (based on non-financial national accounts) declined, falling from 4.4% to 2% of GDP. By contrast, the balance of payment statistics suggests that external borrowing declined from 7.2% in 2024 to 5% of GDP in 2025 (Graph 2.2, panel d). This drop was driven by the improvement in the current account balance and an increase in capital transfers thanks to a larger disbursement of funds under the RRF<sup>(18)</sup> and high absorption of cohesion policy funding. From a sectoral savings-investment perspective, households' net borrowing is expected to start declining, consistent with the projected acceleration in disposable income. The net lending of the government is

<sup>(17)</sup> There are statistical discrepancies between different data sources: data from the financial transactions accounts imply a positive gross savings ratio since 2019 (see for more details, Annex 1 of the 2025 IDR for Greece).

<sup>(18)</sup> The indicator consistent with the net international investment position (NIIP), shows a 4.0% of GDP net external borrowing (financial account – Balance of Payments). See Annex 1 of [In-Depth Review 2025](#) for explanations on the differences.

forecast to decline as the government uses its fiscal space, while the corporate sector's position remains broadly stable.

**The NIIP-to-GDP ratio improved marginally in 2025, remaining the lowest in the EU.**

The NIIP-to-GDP ratio improved only marginally in 2025, as the net borrowing and the unfavourable valuation effect almost offset the positive impact of the nominal GDP growth (Graph 2.1, panel b). The NIIP-to-GDP ratio increased from -137.6% of GDP in 2024 to -136.8% of GDP in 2025, still being substantially below the fundamental and prudential country-specific NIIP benchmarks (-49% and -52% respectively in 2025). The risks associated with external indebtedness continue to be mitigated, as close to half of the external debt is held by official EU creditors with long maturities. The projected persistent and high current account deficit together with the expected decline in inflation implies only a marginal improvement in the NIIP in 2026-2027, while it is likely to deteriorate in the medium term (see baseline scenario in Box 2.2).

**The structure of external financing improved in 2025.** Foreign direct investment (FDI) inflows accelerated and reached 4.8% of GDP in 2025 <sup>(19)</sup>. Also, the composition of FDI became more favourable: the inflow to real estate dropped by about 25% <sup>(20)</sup>. Outward FDI also increased at a fast pace. Still, the net FDI inflow covered about 70% of the total external financing need (as opposed to a 30% average coverage ratio observed over 2021-2024). Greek government papers attracted strong interest from abroad, with non-residents buying bonds and bills amounting to EUR 14.5 billion (5.8% of GDP) <sup>(21)</sup>, reflected in a strong pick-up in portfolio investment inflows. In parallel, Greece's FX reserves increased by EUR 5.6 billion (2.3% of GDP).

**Cost competitiveness developments remain relatively benign.** Following a decade of low inflation and negative core inflation differentials vis-à-vis the euro area, headline and core inflation have been standing above the euro area since 2024 for the former, since 2022 for the latter. This has been driven by the service component, due to strong domestic demand, labour shortages, and substantial increases in the minimum wage over the last five years. Increases in unit labour cost (ULC) have been modest (3%) over the last three years and below the euro area average (4.6%), supported by more solid labour productivity growth. In 2025, ULC growth (1.7%) remained below the euro area average in a context of modest pay increases and continued labour productivity growth. Despite broadly constant real effective exchange rate (REER), export performance against advanced economies dropped slightly in 2025 and for the third year in row, undoing a small part of the strong increase observed in 2021-2022.

<sup>(19)</sup> The inflow increased even after correcting for a large technical transaction related to the change in the financing structure of a single company. The exchange of shares of Metlen Energy & Metals PLC for the acquisition of common registered shares of Metlen Energy & Metals S.A. with an estimated value of over EUR 4 billion (1.6% of GDP) recorded in August 2025 affected the financing structure of the current account without generating new capital inflow to Greece. ([News in Brief – October 2025-](#)).

<sup>(20)</sup> FDI inflow recorded in 2025 compared to 2024 (See [Bank of Greece data](#)). The decline is likely to reflect the tightening of the Golden Visa requirements and the regulation of short-term rentals. Both measures are aimed to help the long-term rental market and alleviate housing affordability.

<sup>(21)</sup> See [Bank of Greece: Balance of Payments, December 2025](#).

**Both the openness of the Greek economy and the complexity of export goods increased.** Over the last decade, the trade openness (sum of exports and imports in percent of GDP) increased by 18.2 pps to 83.5% of GDP, albeit still well below the (unweighted) EU average of 132% of GDP. Greece increased its global market share in minerals (mainly refined oil), chemicals, electronics and metals (Graph 2.2, panel a). The complexity of export products<sup>(22)</sup> has grown (Graph 2.2, panel b), but the share of exports of medium- and high-technology products in total exports remains low, only at 22.9% of the EU average in 2024<sup>(23)</sup>.

**Continued GDP growth over recent years has supported rebalancing, but there remains scope for further improvement.** Labour productivity has been growing faster than the EU average since mid-2024 (Graph 2.2, panel e), helped by strengthening investment and reforms. The investment-to-GDP ratio increased to 16.9% in 2025<sup>(24)</sup>, but remains below the EU average (21.3% in 2025). However, a large part of this gap is explained by the lower investment in dwellings and other constructions, while investment in ICT and machinery (excluding transport) surpassed the EU level (Graph 2.2, panel f). In addition, structural reforms supported productivity growth. Competitiveness gains are constrained by the dominance of micro- and small enterprises, which lack economy of scale, also limiting the potential for innovation and broadening the export base. Lack of available land (due to bottlenecks in spatial planning) and adequate rail and road connections are impeding companies from growing. Labour market performance improved further, but continues to lag behind the EU average. The unemployment rate dropped to 8.4% in 2025-Q4, still among the highest in the EU. The employment rate increased but remains relatively low, especially for women. The youth unemployment rate has dropped considerably, and is converging to the EU average. While the job vacancy rate eased somewhat recently, labour shortages persist in tourism and construction. Improving but still limited labour market adjustment capacity and skill gaps constrain job quality and the efficient use of labour reserves. Relatively high marginal tax wedges on labour at higher wage levels could reduce companies' capacity to hire and attract higher-skilled workers<sup>(25)</sup>.

### *Assessment of MIP relevant policies*

**Greece continues to implement measures to improve competitiveness and the business environment, promote exports and help the energy transition.** The revised Code of Civil Procedures, which has become effective from January 2026, aims to further streamline procedures and build on the ongoing digitalisation of justice to reduce delays in judicial procedures. A new Code on Alternative Dispute Resolution Mechanisms (planned to be adopted and implemented in 2026) is expected to alleviate the burden on courts and to

<sup>(22)</sup> Complexity measures how diverse a country's export basket is, and how ubiquitous are those products across countries. Countries that export a broad mix of sophisticated goods tend to score higher, suggesting deeper productive knowledge. See Atlas of Economic Complexity (Harvard's Growth Lab) <https://atlas.hks.harvard.edu/rankings>

<sup>(23)</sup> See European innovation scoreboard 2025 [https://ec.europa.eu/assets/rtd/eis/2024/ec\\_rtd\\_eis-country-profile-el.pdf](https://ec.europa.eu/assets/rtd/eis/2024/ec_rtd_eis-country-profile-el.pdf).

<sup>(24)</sup> See Eurostat data on [gross fixed capital formation in percent of GDP](#).

<sup>(25)</sup> The personal income tax burden increases steeply over the income distribution in Greece. As a consequence of the steep progressivity of the PIT, and significant minimum wage increases, Greece has witnessed a substantial wage compression in the last couple of years.

accelerate the resolution of disputes. The government took steps to improve the quality of public procurement. The ongoing reform of the Hellenic Cadastre together with the implementation of a fully digitalised and online property transfer system is expected to simplify and speed up property transfers. In 2026, investments under the RRF will support further digitalisation of public administration and businesses as well as the simplification of licensing. The Crete-Attica interconnection (operational since late 2025) and the planned increase of the battery storage capacity by 750 MW in 2026 is set to support the transition to renewable energy resources (RES), reduce the dependence on fossil fuel imports and increase flexibility and lower wholesale energy prices. The recent pick-up in business investment in productive sectors (see Annex 1) sparks hope that the implemented measures are bearing fruit.

**Measures have been taken to reduce the tax burden on labour and improve tax compliance.** The government has been implementing measures to improve tax compliance and reduce the informal economy (see Section 2.1), while reducing the tax burden on labour to incentivise labour market participation as well as to increase the attractiveness of the Greek labour market also for higher skilled workers <sup>(26)</sup>.

**Measures to increase both labour supply and productivity and to lift the low household savings ratio remain essential to sustain economic growth and support rebalancing.** Raising the growth potential continues to be critical to further reduce the still high debt levels. Policies to increase savings remain essential to improve resilience and bring domestic consumption in balance with income. There remains room to enhance labour supply by (among others) broadening the availability of child- and elderly care, strengthening tax-benefit incentives, improving active labour market policies. At the same time, there is a need to raise non-cost competitiveness. Survey-based data suggest that Greece performs well in terms of the efficiency of business entry but still faces challenges in property transfer, land administration, and registration procedures for businesses <sup>(27)</sup>. Completing the spatial planning framework and expanding the availability of industrial parks with access to transport infrastructure are important to help companies expand their businesses. Reducing administrative barriers to international trade and enhancing connectivity with neighbouring countries could directly support trade.

## 2.3. FINANCIAL SECTOR

### *Assessment of gravity, evolution and prospects of vulnerabilities*

<sup>(26)</sup> The government reduced the social contributions rate by 1 pp. in 2025 and implemented a comprehensive personal income tax (PIT) reform in January 2026. The PIT reform reduces tax rates by 2 pps., introduces new tax-free thresholds for youth under 25 (on income up to EUR 20,000), and increases incentives for families (parents with children receive further reductions, reducing tax rates by 2 pps per child.). A new intermediate tax rate of 39% is introduced for the EUR 40,001– EUR 60,000 income bracket. Reduced steepness of the PIT progressivity is expected to help attract skilled workers and reduce wage compression.

<sup>(27)</sup> See World Bank: 2025 B-Ready report for Greece (<https://www.worldbank.org/en/businessready/economy/greece>).

**Banks' asset quality improved further, but the stock of non-performing loans (NPL) held by servicers remains high.** Banks' NPL ratio declined further in 2025, still staying above the EU average <sup>(28)</sup> (see Box 2.1). The net inflow of new NPLs in the first half of 2025 remained modest and the ratio of Stage 2 loans to total loans <sup>(29)</sup> for the four systemic banks declined to 6.6% in 2025-Q4, lower than the euro area average. Banks continued to rely on portfolio sales and securitisation (i.e. inorganic actions) to reduce their stock of NPLs until mid-2025, when the Hellenic Asset Protection Scheme (HAPS, 'Hercules') came to an end. Organic workout resolution has been enhanced through the upgraded Out-of-Court Workout Mechanism (OCW) platform under the new insolvency framework, as restructuring solutions are now faster and more automated. The workout of NPLs outside of the banking sector remained slow. Hence, the high stock of NPLs continues to weigh on the economy and constrains the efficient allocation of resources (see Box 2.1). The share of domestic sovereign bonds in banks' total assets has increased in recent years and stood at 10% in December 2025. Bank–sovereign risks are structural but contained due to investment-grade sovereign ratings and reduced state ownership in the banking sector via divestments.

**Both capital adequacy and the quality of capital improved in 2025, driven by solid profits.** Rising income from fees and commissions lifted banks' after-tax profits to EUR 3.6 billion in 2025-Q3, compared to EUR 3.2 billion in the same period one year before. However, interest income decreased despite strong credit growth, as lending rates declined due to policy rate cuts, narrowing the net interest margin. Return on equity for the four systemic banks reached 12% in 2025-Q4, compared to the EU average of 9.5%. Systemic banks issued bonds on international markets at favourable interest rates, supported by the upgrades of banks' credit ratings <sup>(30)</sup>. The Common Equity Tier 1 and Total Capital ratios increased marginally compared to 2024-Q3, reaching 15.9% and 20.1% respectively in 2025-Q3, remaining below the respective EU averages. Deferred Tax Credits (DTC) accounted for 44.6% of CET1 capital in June 2025, decreasing from 47.5% in December 2024 <sup>(31)</sup>. The systemic banks accelerated the amortisation of DTCs in 2025, which is expected to be completed by 2034. This will improve the quality of capital, also supporting credit ratings.

**Household debt deleveraging continued, while non-financial corporations' debt-to-GDP ratio edged up in 2025.** Net credit flows to households were marginally positive, supported by consumer lending and subsidised mortgage lending (under the My Home II programme), even if gross mortgage flows remain limited. The household debt-to-GDP ratio is estimated to have declined further, by around 1.5 pps. to 37.5% in 2025 (see Table 2.1). After nearly a decade of negative or near-zero growth and active deleveraging, lending to non-financial corporations (NFC) has expanded at a fast pace since 2020 and remains strong

<sup>(28)</sup> Based on data reported by the ECB (NPLs as a share of total gross loans and advances on a consolidated basis).

<sup>(29)</sup> Stage 2 assets' are financial instruments that have deteriorated significantly in credit quality since initial status but where there is no objective evidence of a credit loss event.

<sup>(30)</sup> Since the beginning of 2025, the yield on newly issued senior and subordinated bonds by systemic Greek banks stands at 3.1% and 5.8%, respectively. These costs are lower compared with the weighted-average cost of bond issuance by the same banks in 2024 (issue yield: 4.3% for senior bonds and 6.2% for subordinated bonds) (See Monetary Policy Interim Report 2024, Bank of Greece, [https://www.bankofgreece.gr/Publications/Inter\\_NomPol2025.pdf](https://www.bankofgreece.gr/Publications/Inter_NomPol2025.pdf)).

<sup>(31)</sup> Bank of Greece - Financial Stability Review 2025 ([https://www.bankofgreece.gr/Publications/FINANCIAL\\_STABILITY\\_REVIEW\\_OCT\\_2025\\_%CE%95%CE%9D.pdf](https://www.bankofgreece.gr/Publications/FINANCIAL_STABILITY_REVIEW_OCT_2025_%CE%95%CE%9D.pdf)).

in 2025, supported by declining borrowing costs and public programmes (see Annex 1). The NFC debt-to-GDP ratio is estimated to have increased by 2 pps. to 57.5% (see Table 2.1), as solid nominal GDP growth partly mitigated the impact of credit flows. Commission forecasts (see Box 2.2 on debt projections) suggest that the household debt ratio will continue to decrease gradually, while the NFC debt ratio will increase further at a slow pace assuming that net credit flows will be in line with what has been observed over the last decade (baseline scenario). However, under several alternative scenarios, NFC debt increases at a faster pace, for instance, if credit flows continue to expand at the rate observed since 2022, and/or if inflation turns out lower than expected.

**The integration of the Greek stock market into Euronext's pan-European infrastructure is expected to boost market connectivity and attract more investors.** In November 2025, Euronext acquired a majority stake in the Athens Stock Exchange (ATHEX), which is expected to increase the integration of the Greek capital market into the European financial ecosystem<sup>(32)</sup>. Furthermore, the Greek capital market is expected to regain its "developed market" status in 2026-2027<sup>(33)</sup>. These developments are expected to boost investor confidence and broaden opportunities for market-based funding for companies.

**Buoyant demand and low construction activity are leading to fast house price growth and contributing to the housing affordability challenges.** House prices continued to grow at a fast pace in 2025 (7.8% vs 9.1% in 2024)<sup>(34)</sup>, showing signs of overvaluation of around 18% in 2025 (using the Commission methodology). The house price-to-income ratio has increased by 5% on average per year over 2022-2024, which sharply contrast with a 2.4% decline observed in the EU. Both domestic and foreign demand remained strong, even though the FDI inflow to real estate slowed somewhat in 2025. This can be partly a result of tightened conditions for the Golden Visa Programme, which has contributed to the strong foreign demand in the past. Investment opportunities in short-term rentals fuelled significant demand pressure in some regions, while demand for long-term rentals has also been increasing along with the declining home ownership ratio. As the housing stock available for long-term rentals is limited, this has exerted upward pressure on rent prices. After several years of subdued activity, dwelling investment has accelerated in recent years, but its level is still only 62% of the EU average (5.0% of GDP in 2025) (Graph 2.2, panel f). Moreover, uncertainties around the building code slowed the issuance of building permits in early 2025, likely reducing construction activity in 2026. Since net mortgage lending is still relatively small and new mortgage loans conservative, the financial risks from a potential correction of real estate prices seem limited. However, the housing stock in riverbanks, coastal and forest-adjacent areas is vulnerable to climate risks, which contribute to financial stability risks related to housing exposures.

<sup>(32)</sup> Efficiency gains and cost savings will however be limited by the fact that Euronext operates through separate entities in each of countries where it has a major stock exchange.

<sup>(33)</sup> FTSE Russell will reclassify Greece from advanced emerging to developed market status in September 2026, while MSCI plans the reclassification for May 2027.

<sup>(34)</sup> See Eurostat [\[tipsho20\] House price index, nominal - annual data](#).

**Box 2.1: Non-performing loans in the Greek banking system**

**Asset quality in Greek banks continued to strengthen.** In September 2025, the non-performing loan (NPL) ratio stood at 2.8% <sup>(1)</sup>, 0.6 pps lower than in September 2024. This is the lowest level of the NPL ratio since Greece joined the euro area and a significant improvement from the 2016 peak, when the NPL ratio reached 47.4%. The main driver of this decrease were securitisations done under the Hellenic Asset Protection Scheme (HAPS), with state guarantees given on senior tranches. From 2019 to 2025, in total 23 HAPS transactions were completed containing EUR58 billion worth of loans (gross book value), while using EUR21.5 billion of state guarantees. By end-2025, the stock of outstanding guarantees has declined to EUR17.1 billion<sup>(2)</sup>. The scheme enabled banks to accelerate balance sheet clean-up and refocus on financing the economy. However, following the completion of the final HAPS securitisations, the pace of NPL reduction slowed.

**More recently, the decline in banks' NPL ratio has been driven mainly by robust credit growth and limited portfolio sales, while the organic workout <sup>(3)</sup> continued to have only marginal relevance, despite relatively modest new NPL inflows over the past two years.** Although asset quality has improved significantly, NPL levels in Greece remain above the EU average (1.9% in September 2025), while the NPL coverage ratios are broadly in line with the EU average. In particular, the NPLs levels for households were the highest in the EU<sup>(4)</sup>. In June 2025, the highest concentrations of NPLs in sizeable sectors, as measured by the NPL ratios were observed in agriculture (17.2%), food services (12.9%), trade (6.4%), construction (5.0%) and manufacturing (4.8%)<sup>(5)</sup>. Going forward, banks intend to shift focus to organic actions and continue to use inorganic actions sporadically to control the NPL levels within their business plan targets.

**The workout of NPLs outside the banking sector has remained slow, with legacy NPL portfolios continuing to weigh on the economy.** A major share of NPL exposures that exited banks through securitisations and outright sales was transferred to credit servicers, who managed EUR 80.0 billion of debt as of December 2025; an increase of EUR 5 billion over the previous 12 months, largely reflecting the final wave of major securitisations. However, even excluding this one-off effect, the pace of the workout remains subdued. The bulk of this debt is still non-performing and credit servicers face judicial obstacles, predominantly in liquidation proceedings. As a consequence, many portfolios securitised under the HAPS continued to underperform relative to their business plans, mainly due to lower-than-planned recoveries from collateral liquidations. The 2026 Supreme Court ruling that revised the calculation of interest rates for borrowers granted insolvency protection under law 3869/2010 is likely to further negatively affect HAPS performance. HAPS performance will also be affected by the voluntary conversion of loans denominated in Swiss francs.

**In July 2025, the government introduced measures aimed at improving the efficiency of judicial processes and to tackle bottlenecks and backlogs in debt enforcement.** Still, recent data shows that the resolution of NPLs remains sluggish. The high share of unsuccessful auctions and limited third-party participation may be associated with the excessively long duration of the judicial resolution of post-auction disputes, and delays in the registration of transactions in the cadastre. This has also negative effect on housing supply, as many properties remain tied up during protracted debt enforcement proceedings but often stay out of the market for an extended period even after successful auctions. Effective debt restructuring by credit servicers and the efficient functioning of debt enforcement are fundamental to debt reduction.

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- (1) Based on data reported by the ECB. The figures refer to NPLs as a share of total gross loans and advances (i.e. including cash balances at central banks and other demand deposits in the denominator) on a consolidated basis. The Bank of Greece figure, which presents NPLs as a share of total gross customer loans on a solo basis the NPL ratio was 3.6% in 2025-Q3.
- (2) The guarantees are contingent liabilities of the state. Nevertheless, any potential guarantee call is likely to be announced well in advance and limited to specific securitisation, with a limited effect on the yearly evolution of the public debt ratio.
- (3) Organic actions are e.g. forbearance (including restructurings), write-offs, collections, collateral liquidations, and reposessions.
- (4) The ECB data for the third quarter of 2025 shows 6.7% NPL ratio for households and 2.7% for NFCs, while the EU average is 2.1% and 3.4%, respectively.
- (5) Based on data reported by the Bank of Greece.

**Assessment of MIP relevant policies**

**The government is implementing measures to accelerate the workout of NPLs.** In 2025, amendments to the Code of Civil Procedure (CCP) were adopted to enhance the handling and management of auction-related oppositions in court. The pace of restructuring solutions has accelerated following the recent OCW platform's upgrades and enhancements, which

also include further support to the vulnerable debtors. Still, as third-party demand for auctioned properties remains low, the establishment of a mechanism under the CCP amendments, designed to expedite hearing dates for both pre- and post-auction oppositions, will be crucial for reducing the backlog and enhancing judicial efficiency; however, its effectiveness will only be evident once the platform becomes operational and when applications for new hearing dates will close in late 2026 (see Table A.1).

### **The Bank of Greece (BoG) introduced new macroprudential measures in 2025.**

Borrower-based measures were implemented in a pre-emptive manner<sup>(35)</sup> (effective since January 2025) to prevent the accumulation of risks related to residential real estate markets and to increase lender and borrower resilience related to mortgage lending. Furthermore, the BoG decided to increase the countercyclical capital buffer rate from 0.25% to 0.5%, with the measure taking effect in October 2026 to mitigate the build-up of cyclical systemic risks and ensure an appropriate level of credit growth.

**Developing capital markets and increasing competition in the banking sector could contribute to lifting household savings.** Future efforts could focus on further developing capital markets and the financial ecosystem among others, via facilitating investments in financial digital infrastructure (Fintechs) and strengthening private insurance schemes. Finally, further enhancing financial literacy could help households better understand the importance of saving and insurance.

Table A.1: Policy considerations in context of this year's In-depth Review for Greece

Vulnerability	Policies	Implementation status
<b>Government sector</b>	Self-employed and small businesses required to use electronic invoicing exclusively, tax declarations are fully automatised	Implemented in 2025
	Abolishment of the overhead tax for self-employed, implementation of a minimum income for businesses	Implemented in 2025
	Digitalisation of the tax and customs administration, simplification of tax legislation	Ongoing
	Full roll-out of digital work-cards, simplification of employment registration	Ongoing, to be completed in 2026
	Development of a new Property Ownership & Management Registry	Announced in 2025, to be implemented in 2026
	Mandatory electronic rent payments	Announced in 2025, to be implemented in 2026
<b>External sector and competitiveness</b>	Energy: Crete-Attica interconnection	Operational since late 2025.
	Energy: Increase of the battery storage capacity by 750 MW to increase flexibility	To be finalised and go operational in 2026
	Tax wedge: Reduction of social contributions (1 pp.)	Implemented in 2025
	Tax wedge: Reduction of Personal Income Taxes (PIT), introduction of a new PIT bracket	Announced in 2025, implementation in 2026
	Further digitalisation of public administration and businesses	Implemented in 2026

<sup>(35)</sup> Maximum limits were set for Loan-to-Value (LTV) ratios at 90% for first-time buyers and 80% for second and subsequent buyers and for Debt-Service-To-Income (DSTI) ratios at 50% for first-time buyers and 40% for second and subsequent buyers.

	Simplification of licensing legislation in further economic activities	Implemented in 2026
	Implementation of online property transfer system	Implemented in 2025
	New legislation providing for professional work streams for staff dealing with public procurement	Implemented in 2025
	Completion of a new framework for industrial parks	Implemented in 2025
	Revised Code of Civil Procedure to accelerate justice	In force from 1 January 2026
	New Code on Alternative Dispute Resolution Mechanisms to alleviate burden on courts	To be adopted and implemented in 2026
<b>Financial sector</b>	Upgraded OCW platform	Implemented in 2025, further enhancements planned in 2026
	Revised Code of Civil Procedure to enhance case handling and backlog reduction of auction oppositions in courts, creation of a platform to bring hearing dates earlier	In force from 1 January 2026, platform to be operational in Q2 2026
	Increase of the counter-cyclical capital buffer rate	Announced in 2025, to be implemented in 2026
	Introduction of borrower-based measures	Implemented in 2025

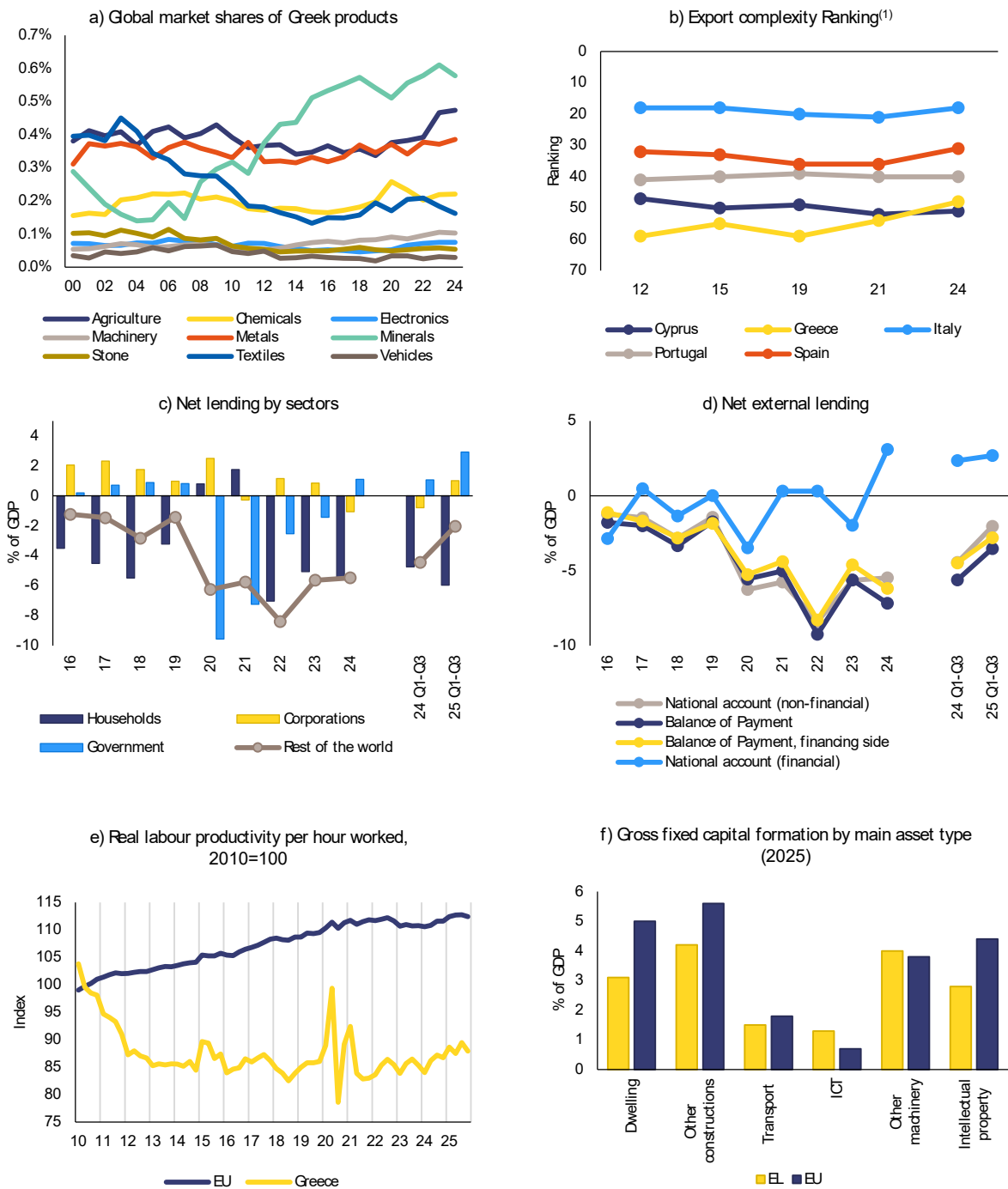
## Conclusions

**Greece continues to unwind its long-standing vulnerabilities relating to high public and external debt, non-performing loans, and unemployment, but its current account deficit remains high.** The public debt-to-GDP ratio declined further in 2025. Balanced budgets and nominal GDP growth - together with continued early repayment of programme loans using cash balances - are set to keep reducing the debt-to-GDP ratio. The current account deficit narrowed somewhat in 2025, yet is still high and above its pre-pandemic level, and only a part of it seems due to the recent strong expansion of investment and related imports. Import demand is set to remain strong, implying only a marginal narrowing of the current account deficit by 2027. Nevertheless, EU financing (grants and loans) and private non-debt-generating financing are expected to cover the bulk of the deficit, mitigating external sustainability risks. In the meantime, the NIIP-to-GDP ratio improved only marginally in 2025, as the valuation effects and the continued net borrowing almost fully offset the impact of nominal GDP growth on the ratio. The labour market continued to improve, with employment rising and unemployment falling to levels recorded before the global financial crisis, whereas the latter remains still high. Banks' ratio of non-performing loans (NPL) to total gross loans declined further in 2025. Still, when taking into account the NPLs held by servicers, the stock of NPLs in the economy remained broadly unchanged and continues to burden private sector balance sheets, also constraining efficient capital allocation for businesses.

**Reforms are bringing tangible benefits, but Greece needs to become more competitive to help reduce debt and produce a lasting improvement in external balances.** Strong progress was made on implementing structural reforms in 2025 and this is expected to continue in 2026, the final year of the RRP implementation. The government has taken a broad range of measures to improve the business environment, including by shortening

judicial procedures, and setting up an online property transfer system. Its continued efforts to digitalise and streamline tax administration have improved tax compliance, reduced informality, and eased the administrative burden on businesses. The significant cut in the tax burden on labour should encourage more people - particularly women and young people - to enter the workforce and find employment. Furthermore, reducing the tax burden at medium wage levels can have a positive effect on the labour supply of skilled workers, facilitating the growth of higher value-added sectors. Future efforts to improve the tax framework and the efficiency of public administration, and to address remaining barriers to investment will support competitiveness and long-term growth prospects and help reduce the still large debt ratios.

Graph 2.2: Selected graphs, Greece



(1) Complexity measures how diverse a country's export basket is, and how ubiquitous are those products across countries. Countries that export a broad mix of sophisticated goods tend to score higher, suggesting deeper productive knowledge.

**Source:** Eurostat, Bank of Greece, Harvard's Growth Lab and European Commission forecasts and calculations

**Box 2.2: Medium-term external, private, and government debt projections.**

This Box summarises external and internal debt-to-GDP projections for Greece over the next decade, based on scenario analysis. It covers diverse scenarios to take into account different underlying assumptions and to understand how they affect the debt trajectories, as well as the outcomes of the latest government debt sustainability analysis conducted by the Commission.

**The corporate debt-to-GDP ratio is projected to continue increasing over the next decade under the baseline scenario.** The baseline scenario takes the 2025 nowcast of 58% of GDP as a starting point, integrates Commission 2025 autumn forecast data for growth, inflation, and credit flows for 2026-27, assumes an average annual real GDP growth rate of 0.7%, an average annual inflation rate of 2.3% and annual corporate credit flows of 2.2% of GDP (above the debt-stabilising NFC credit-to-GDP of 1.8%) for the years 2028-2035. In the baseline scenario, the NFC debt-to-GDP ratio is projected to increase by around 5 pps reaching 63% by 2035 (Graph 1.a). Under a scenario of high corporate credit flows over the entire projection period, the debt-to-GDP ratio would increase by about 18 pps to 75%, above its levels in 2020 and 2021. If credit flows continued to grow at the rate observed over 2015-25, the debt-to-GDP ratio would even rise to 106% by 2035. If in addition to high credit flows, annual inflation is assumed to be at the average of the 2010s, i.e. 2.6 pps. below the baseline, the NFC debt-to-GDP ratio would increase to about 91%.

**The household debt-to-GDP ratio is projected to continue decreasing over the next decade under a broad range of scenarios.** The baseline scenario takes the 2025 nowcast of 38% of GDP as a starting point, integrates Commission 2025 autumn forecast data for growth, inflation, and credit flows for 2026-27, assumes an average real GDP growth rate of 0.7%, an average inflation rate of 2.3% and annual credit flows of -1.0% of GDP (solidly below the debt-stabilising credit-to-GDP ratio of 1.0%) for the years 2028 until 2035. As a result, the household debt-to-GDP ratio would drop by 17 pps by 2035, to 21% (Graph 1.b). Under several alternative scenarios of credit flows being higher, or annual inflation being at the average of the 2010s (i.e. 2.6 pps. below the baseline) for the entire period under consideration, the household debt-to-GDP ratio would still decrease, but at a slower rate. If credit flows continued to grow at the rate observed over 2015-25, the debt ratio would start increasing again as of 2028 and reach 42% of GDP by 2035.

**Greece's net international investment position (NIIP) is projected to stabilise at close to -140% of GDP, the lowest level of any OECD country.** Under the baseline assumption (based on the Commission 2025 autumn forecast), the NIIP is estimated to slowly increase to around -130% of GDP in 2030 before decreasing again to around -140% by 2035 (Graph 1.c), mainly due to the primary income balance and a large trade deficit. In an adverse scenario of a lower trade balance over the entire projection period and an annual inflation assumed to be at the average of the 2010s, i.e. on average 3 pps below the baseline, the NIIP would further decline to -180% of GDP by 2035. Despite the substantial sustainability challenges of Greek external debt, liquidity risks are partly mitigated by the fact that a large share of that debt is held by official creditors.

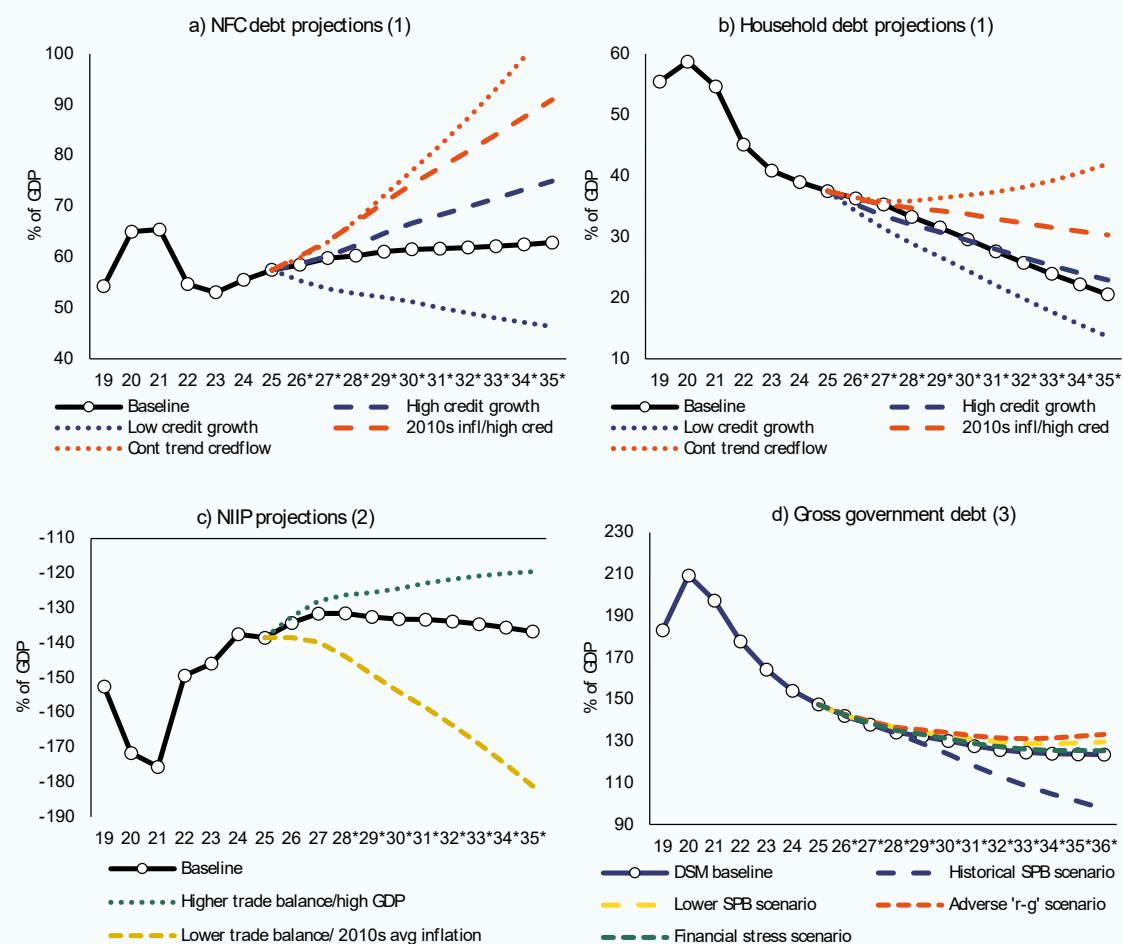
**Medium-term fiscal sustainability risks for Greece are high, whereas long-term fiscal sustainability risks are low<sup>(1)</sup>.** The debt sustainability analysis carried out by the Commission indicates that, under the baseline scenario, the government debt-to-GDP ratio is projected to decrease to around 130% in 2030 and to around 124% in 2035 (Graph 1.d); the reduction in the government debt ratio is driven by the assumed structural primary surplus of 1.8% of GDP as of 2026, excluding changes in cost of ageing (in line with the assumption of unchanged fiscal policy as from 2027). To assess the impact of changes in key assumptions, the baseline scenario is stress tested against alternative deterministic scenarios; the debt ratio remains on a declining path in those alternative scenarios (Graph 1.d).

<sup>(1)</sup> The sustainability risks and debt projections presented here are based on the European Commission (2026), Debt Sustainability Monitor 2025, [European Economy Institutional Paper 332](#).

(Continued on the next page)

Box (continued)

Graph 1: Private, external, and government debt projections, based on scenario analysis for Greece



Both for the NFC and HH debt projections, the baseline assumes that after 2027, the annual credit flow-to-GDP ratio equals its country-specific median value over 2015-27. The high (low) credit scenario assumes a higher (lower) credit flow-to-GDP ratio, with the difference to the baseline calculated as half the country-specific intertercile range of the annual credit flow to GDP ratios over 2015-27. The low inflation scenario reflects a change rate in the GDP deflator equal to the country-specific average change rate in the GDP deflator observed over the 2010s. The scenarios of continued trend in credit flow growth assumes credit flows (in % GDP) continue to grow at the average rate (in pp of GDP) observed over 2015-25. The debt stabilising credit to-GDP ratio refers to the credit flow to GDP ratio between 2028 and 2035 that would stabilise the debt-to-GDP ratio at its 2027 level.

The baseline NIIP projections are based on the Commission's medium-term forecasts for GDP and interest rates. Additionally, assumptions are made about the drawdown of NGEU and MFF funds, and the median value of the last three years is used for non-investment income. The 'higher trade balance/high GDP' scenario assumes higher trade balance in 2025 and beyond, with the difference to the baseline calculated as half the interquartile range of the annual 10 year average change in trade balance-to-GDP ratios over 2014-2024 and additionally reflects a permanent 1 pp increase in GDP growth relative to the baseline scenario. The 'lower trade balance/2010s avg inflation' scenario assumes a change in the trade balance of the same size as the previous scenario but with an opposite sign and, in addition, reflects a change rate in the GDP deflator equal to the country-specific average change rate in the GDP deflator observed over the 2010s.

The projections for government debt are taken from the Debt Sustainability Monitor 2025. The DSM baseline is stress-tested against alternative deterministic scenarios to assess the impact of changes in key assumptions: the 'historical structural primary balance (SPB)' scenario, in which the SPB returns to its historical 15-year average of +4.9% of GDP; the 'lower SPB' scenario, in which the SPB is 0.5 pp. lower than in the baseline; the 'adverse interest rate-growth differential' scenario, in which the interest rate-growth differential is 1 pp. higher compared with the baseline; and the 'financial stress' scenario, in which market interest rates temporarily increase by 4.5 pps. compared with the baseline.

**Source:** Eurostat, Debt Sustainability Monitor 2025, European Commission forecasts and calculations.

Table 2.1: Key economic and financial indicators, Greece

	average 2017-2019	average 2020-2022	2023	2024	2025*	forecast	
						2026	2027
<b>Output and Prices</b>							
Real GDP (1 year % change)	2.0	1.4	2.1	2.1	2.1	2.2	1.7
Real GDP per capita (1 year % change)	2.1	1.8	2.4	2.2	2.0	2.3	1.8
GDP deflator (1 year % change)	0.1	2.4	6.3	3.2	2.8	2.5	2.3
Harmonised index of consumer prices (1 year % change)	0.8	2.8	4.2	3.0	2.9	2.3	2.4
Core inflation (HICP excluding energy, food, alcohol and tobacco) (1 year % change)	0.5	0.7	5.3	3.6	3.6	2.6	2.2
<b>External position</b>							
<b>Current account balance, balance of payments (% GDP, 3y average)</b>	<b>-1.9</b>	<b>-5.8</b>	<b>-8.2</b>	<b>-8.2</b>	<b>-6.5</b>	<b>-6.4</b>	<b>-5.9</b>
Current account balance, balance of payments (% of GDP)	-2.1	-8.4	-6.8	-7.2	-5.7	-6.2	-5.8
of which: trade balance (% GDP)	-1.2	-8.0	-5.0	-5.5	-4.4		
of which: income balance (% GDP)	-0.9	-0.4	-1.8	-1.7	-1.2		
Current account norm (% of GDP) (1)	-2.0	-1.9	-1.8	-1.7	-1.7	-1.6	-1.6
Current account req. to reach fund. NIP (% of GDP) (2)	-1.5	-1.8	-0.4	-0.2	0.0		
<b>Net international investment position (% of GDP)</b>	<b>-149.2</b>	<b>-167.4</b>	<b>-145.9</b>	<b>-137.6</b>	<b>-136.8</b>	<b>-136.5</b>	<b>-135.5</b>
NENDI - NIP excluding non-defaultable instruments (% of GDP)	-133.1	-145.8	-116.5	-105.8	-96.5		
Net lending-borrowing (% of GDP)	-1.7	-6.6	-5.6	-7.2	-5.0		
<b>Competitiveness</b>							
<b>Nominal unit labour cost index per hour worked (3y % change)</b>	<b>-3.4</b>	<b>4.7</b>	<b>0.3</b>	<b>7.6</b>	<b>9.4</b>	<b>9.8</b>	<b>6.8</b>
Nominal unit labour cost index per hour worked (1 year % change)	-0.8	1.8	2.0	5.4	1.7	2.4	2.6
<b>Real effective exchange rate - 42 trad. part., HICP defl. (3y % change)</b>	<b>0.5</b>	<b>-1.8</b>	<b>-1.2</b>	<b>0.8</b>	<b>3.1</b>	<b>0.8</b>	<b>0.7</b>
Real effective exchange rate - 42 trading partners, HICP deflator (1 year % change)	0.2	-0.8	1.6	0.4	1.0	0.1	0.3
<b>Export performance against advanced economies (3y % change)</b>	<b>5.9</b>	<b>-2.6</b>	<b>32.1</b>	<b>6.9</b>	<b>-5.2</b>	<b>-3.1</b>	<b>-2.1</b>
Export performance against advanced economies (1 year % change)	4.8	2.6	-1.4	-1.4	-3.4	0.9	0.5
Core inflation differential vis-à-vis the euro area (pps.)	-0.5	-1.3	0.4	0.7	1.2	0.5	0.2
<b>Corporations</b>							
<b>Non-financial corporate (NFCs) debt, consolidated (% of GDP)</b>	<b>59.0</b>	<b>61.7</b>	<b>53.1</b>	<b>55.5</b>	<b>57.5</b>	<b>58.5</b>	<b>59.8</b>
NFC (excl. FDI) credit flow, cons. (% debt stock t-1, excl. FDI)	0.4	7.0	4.6	10.4	8.7	7.2	7.2
<b>Households and housing market</b>							
<b>Household debt, consolidated (% of GDP)</b>	<b>57.4</b>	<b>52.8</b>	<b>40.9</b>	<b>39.0</b>	<b>37.5</b>	<b>36.3</b>	<b>35.3</b>
Household debt, consolidated (% of GDI)	76.1	65.4	53.0	51.2	50.7		
<b>Household credit flow, consolidated (% debt stock t-1)</b>	<b>-2.2</b>	<b>-2.4</b>	<b>-1.0</b>	<b>0.2</b>	<b>1.0</b>	<b>1.2</b>	<b>1.7</b>
House price index, nominal (1 year % change)	2.6	8.0	13.9	9.1	7.8	8.0	6.0
House prices over/undervaluation gap (3)	-15.8	-3.0	11.3	16.3	17.6		
Standardised price-to-income ratio	87.7	95.2	102.5	107.4			
Building permits (m <sup>2</sup> per 1000 inh)	83.9	181.9	256.0	341.8	265.7		
<b>Government</b>							
<b>General government gross debt (% of GDP)</b>	<b>184.8</b>	<b>194.8</b>	<b>164.3</b>	<b>154.2</b>	<b>146.1</b>	<b>142.1</b>	<b>138.0</b>
General government balance (% of GDP)	0.8	-6.6	-1.4	1.3	1.7	0.3	0.0
<b>Banking sector</b>							
Return on equity of banks (%)	-0.3	-5.1	12.0	11.7			
Tier-1 capital ratio banking sector (% risk-weighted assets)	16.2	14.6	16.2	16.7			
Gross non-performing loans, domestic and foreign entities (% gross loans)	40.7	13.8	5.0	3.0	2.8		
Cost of borrowing for households for house purchase (%), new loans	3.0	2.8	4.1	4.1	3.6		
Cost of borrowing for NFCs (%), new loans	4.2	3.3	5.9	5.6	4.2		
<b>Labour market</b>							
<b>Unemployment rate (% labour force Y15-74)</b>	<b>19.8</b>	<b>14.9</b>	<b>11.1</b>	<b>10.1</b>	<b>8.9</b>	<b>8.6</b>	<b>8.2</b>
<b>Labour force participation rate - % pop. aged 15-64 (3y change in pp)</b>	<b>0.5</b>	<b>-0.9</b>	<b>4.2</b>	<b>3.2</b>	<b>1.5</b>		

\*If actual data were unavailable at the cut-off date, forecast or nowcast data are presented instead

(1) Current accounts in line with fundamentals (current account norms): derived from reduced form regressions capturing the main determinants of the saving-investment balance, including fundamental determinants, policy factors and global financial conditions. See Coutinho, Turini, and Zeugner (2018), "Methodologies for the Assessment of Current Account Benchmarks", European Economy, Discussion Paper 86, DG ECFIN, European Commission

(2) Current account required for a specific NIP target: calculations make use of Commission's T+10 projections. See Coutinho, Turini, and Zeugner (2018), "Methodologies for the Assessment of Current Account Benchmarks", European Economy, Discussion Paper 86, DG ECFIN, European Commission

(3) House prices over/undervaluation gap: is the simple average of the price-to-income, price-to-rent and model valuation gaps. The model valuation gap is estimated in a cointegration framework using a system of five fundamental variables: total population, real housing stock, real disposable income per capita, real long-term interest rate and price deflator of final consumption expenditure. Based on Philippson and Turini (2017), "Assessing House Price Developments in the EU", European Economy, Discussion Papers 48, DG ECFIN, European Commission

**Source:** Eurostat and ECB; European Commission for forecast figures (Autumn Forecast 2025).

**After nearly a decade of negative or near-zero credit growth and active deleveraging, credit to NFCs in Greece expanded strongly as of 2020.** In the wake of the financial crisis, credit flows to NFCs had largely dried up due to tighter lending standards, a substantial volume of non-performing loans, and weak domestic demand. Net credit flows have trended upward since 2011, turning positive in 2017 but remaining subdued until the pandemic prompted a broad increase in corporate lending. Following the pandemic, continued policy support and a rebound in economic activity have provided new momentum to corporate lending (Graph A1.1, panel a and b).

**In 2024 and 2025, corporate lending was particularly strong, supported by declining interest rates.** Unlike most other EU Member States, Greece has seen borrowing costs for new loans to NFCs fall back close to 2019 levels (Graph A1.1, panel d). Economic sentiment is at its highest level since the financial crisis (Graph A1.2, panel a), particularly among businesses (less so among consumers), despite a challenging global environment marked by rising geopolitical tensions, armed conflicts, and trade uncertainty. As a consequence, net credit flows to companies reached around 5% of GDP in 2024 (equivalent to a credit growth rate of 10% of the previous year's stock), relatively high compared to the EU average of about 1% GDP, and is expected to remain almost as high in 2025 <sup>(36)</sup>.

**According to the ECB Bank Lending Survey, credit standards for corporate lending remained mostly unchanged over the last two years.** Data suggest just some easing at the margin over the second half of 2025. Demand for credit increased somewhat since 2023. While Greek NFCs continue to rely heavily on internal sources to fund investment, bank financing is expanding. Corporate bonds also increased in importance recently, to about 16% of net credit flows to NFCs in 2024. Access to finance remains constrained for certain firms, especially SMEs: based on the latest EIB Investment Survey, 13.5% of surveyed firms felt finance-constrained in 2025, up from 9.8% in 2024 and compared to the 2025 EU average of 6.1% <sup>(37)</sup>. At the same time, among the firms receiving external credit in Greece, around 54% indicated having access to bank finance with favourable conditions (EU: 26%). This figure was higher among large firms (60%) and among firms in the service sector (66%) and infrastructure (58%) as compared to SMEs (43%) and firms in manufacturing (40%) or construction (43%).

**Government support has strengthened corporate lending since 2020** (Graph A1.1, panel c). Between 2020 and 2022, the COVID-19 Enterprise Guarantee Fund supported the disbursement of more than EUR 6.2 billion in concessional loans to Greek companies, helping them to access working capital during the pandemic <sup>(38)</sup>. Since mid-2022, the Loan Facility under the Recovery and Resilience Facility implemented in cooperation with Greek commercial banks, the European Investment Bank (EIB), and the European Bank for Reconstruction and Development (EBRD), has provided continued impetus to corporate

<sup>(36)</sup> The recorded volumes only reflect loans entering bank balance sheets. Hence, they do not reflect (the part of) loans in balance sheets of public institutions, such as RRF co-financing of loans, and thus underestimate the real credit volume.

<sup>(37)</sup> <https://www.eib.org/files/publications/20250218-091225-econ-eibis-2025-greece-en.pdf>

<sup>(38)</sup> European Commission (2023) 2023 Country Report Greece. Institutional Paper 2032. [https://economy-finance.ec.europa.eu/system/files/2023-06/ip232\\_en.pdf](https://economy-finance.ec.europa.eu/system/files/2023-06/ip232_en.pdf)

credit flows, cushioning the impact of rising ECB policy rates<sup>(39)</sup>. Support under the Facility is expected to peak in 2026, but cash withdrawals can extend beyond that year. In parallel, financial instruments put in place by the European Investment Bank Group and the Hellenic Development Bank have further supported lending to enterprises. Together with the Loan Facility, these schemes accounted for about one quarter of total bank credit flows to NFCs in 2024<sup>(40)</sup>.

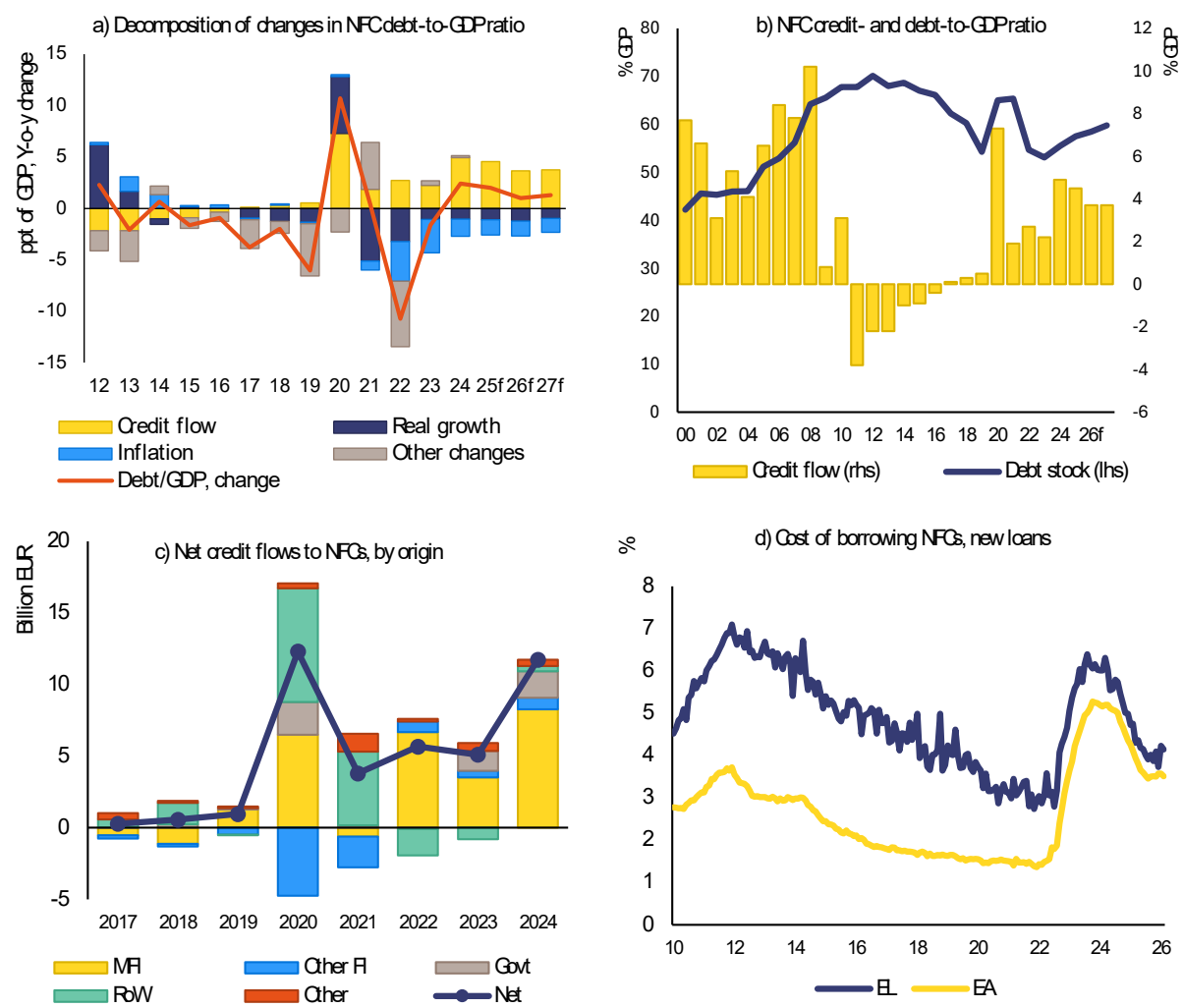
**With lending remaining buoyant and inflation subsiding, the NFC debt ratio rebounded in 2024 and is projected to continue rising** (see Box 2.2 Debt projections). After peaking at around 70% in 2012, the NFC debt-to-GDP ratio declined by more than 15 pps by 2019. It rose temporarily during the pandemic on the back of a strong increase in corporate lending and a sharp contraction in GDP, before resuming its downward path (Graph A1.1, panel b). As of 2024, the debt ratio has started to increase again. It is estimated to have reached 57.5% in 2025, still well below the EU average of around 70%. While non-performing loans only make out around 3% of bank loans to NFCs by now, the volume of non-performing loans outside of the banking sector remains high (around 30% of GDP, see Box 2.1) and continues to act as a brake on new loan issuance.

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<sup>(39)</sup> Antal, J., Sfakianakis, M., Pfeiffer, P., Llobell, E. (2024) Greece's Loan Facility: Facilitating Corporate Investment through NextGenerationEU. European Economy Discussion Paper 207. [https://economy-finance.ec.europa.eu/document/download/9cc0a559-94c2-4c86-b90c-5aa544a45722\\_en?filename=dp207\\_en.pdf](https://economy-finance.ec.europa.eu/document/download/9cc0a559-94c2-4c86-b90c-5aa544a45722_en?filename=dp207_en.pdf)

<sup>(40)</sup> Bank of Greece (2025) 2024 Annual Report. <https://www.bankofgreece.gr/Publications/Annrep2024.pdf>

Graph A1.1: Credit flows to NFCs



Source: Eurostat, ECB, Bank of Greece

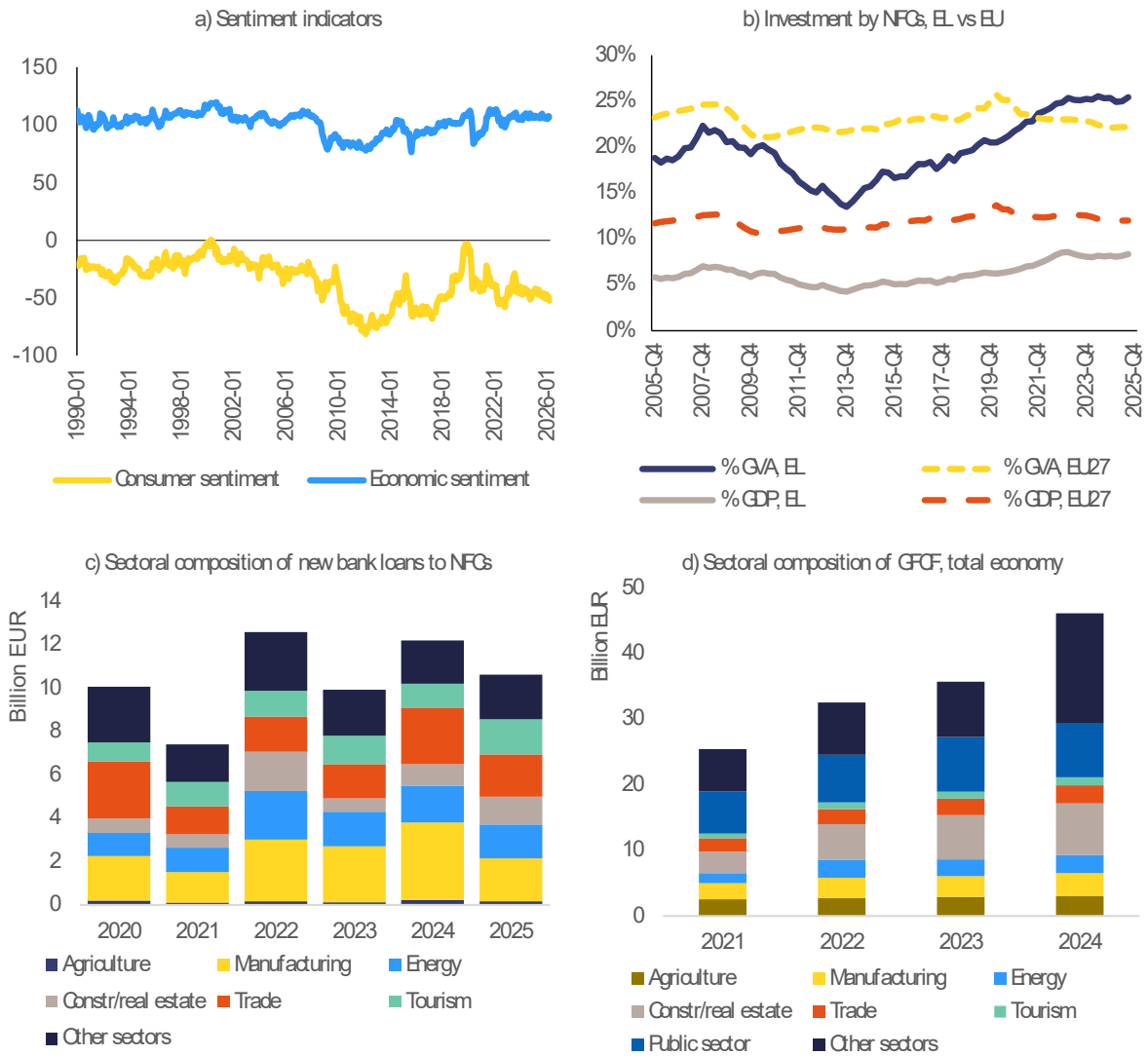
**Credit to the corporate sector is essential to support investment and strengthen the growth potential, competitiveness and sustainability of Greek firms.** After nearly two decades of subdued investment, the gross investment rate of NFCs (GFCF as a % GVA) has recovered and currently exceeds its pre-financial crisis level <sup>(41)</sup>. At the same time, investment remains low compared with the EU when expressed as a % of GDP (Graph A1.2, panel b). While stronger lending may weigh on the external balance in the short term <sup>(42)</sup>, financing productive investment would enhance Greece's growth potential and improve its external position over the medium to long term. In 2025, 19% of new bank loans to NFCs went to manufacturing, 18% to trade, and 15% to the energy sector (Graph A1.2, panel c). Over the last two decades, the composition of investment has shifted towards the public sector (incl. defence), agriculture, manufacturing, retail and trade, and ICT. Real estate investment accounts for a significant share of total investment (18% in 2024) (Graph A1.2, panel d). This

<sup>(41)</sup> NFC investment is relatively high compared to GVA in Greece, but NFC GVA is very low compared to GDP, which may relate to differences in reporting standards (e.g. micro and small firms are often reported under the household sector)

<sup>(42)</sup> Net-lending borrowing of NFCs has been negative (or near zero) since 2021, while it used to be significantly positive before.

share has been increasing since 2018, but it remains well below its long-term average and the EU average <sup>(43)</sup>.

Graph A1.2: **Conditions for investment**



Source: OECD, ECFIN, Eurostat, Bank of Greece

<sup>(43)</sup> OECD data on GFCF by economic activity