



Greece

Highlights

- **Moderate growth has continued in 2024, outperforming the average for the euro area as a whole.** Following two years of rapid growth in 2021 and 2022, and a slowdown in 2023, real gross domestic product (GDP) rose by 2.1 per cent and 2.3 per cent year on year in the first and second quarters of 2024, respectively, driven by private consumption, gross fixed capital formation and a strong start to the tourist season.
- **Progress under the European Union (EU) Recovery and Resilience Facility (RRF) is continuing.** Greece is performing well relative to its peers when it comes to achieving targets and milestones under its Recovery and Resilience Plan (RRP). The country has received around 48 per cent of its total allocation of RRF funds, remaining above the EU average.
- **A new judicial map has been adopted.** The map will reduce the average time taken to clear court cases and aims at a balanced distribution of cases among first-instance judges.

Key priorities for 2025

- **The authorities should strengthen their focus on climate change and resilience.** With the frequency of climate-related natural disasters increasing in recent years, the country should prioritise the strengthening of resilience by improving civil protection capabilities and placing the green transition at the heart of its reform agenda.
- **The wide gender employment gap should be addressed.** The difference between the employment rates of men and women remains high by EU standards, highlighting the need for further action, despite recent progress on labour market conditions. In order to address long-term growth and employment challenges, emphasis should be placed on improving childcare support and facilities, parental leave provisions and lifelong learning programmes.
- **Continued efforts are needed to address shortcomings in the digitalisation of all branches of the judiciary.** Despite recent progress in certain areas, shortcomings remain, notably as regards the limited availability of digital tools in the judiciary. Ongoing implementation of projects (including projects under the RRP) is expected to increase the level of digitalisation and thus the quality of the justice system.

Main macroeconomic indicators (per cent)

	2020	2021	2022	2023	2024 proj.
GDP growth	-9.0	8.4	5.6	2.0	2.4
Inflation (average)	-1.3	0.6	9.3	4.2	2.7
Government balance/GDP	-9.8	-7.0	-2.5	-1.6	-1.2
Current account balance/GDP	-7.3	-7.1	-10.7	-6.9	-6.5
Net FDI/GDP [neg. sign = inflows]	-1.8	-2.9	-3.7	-2.1	-2.9
External debt/GDP	299.4	305.9	265.7	251.5	na
Gross reserves/GDP	na	na	na	na	na
Credit to private sector/GDP	82.5	57.1	52.6	50.2	na

Macroeconomic developments and policy response

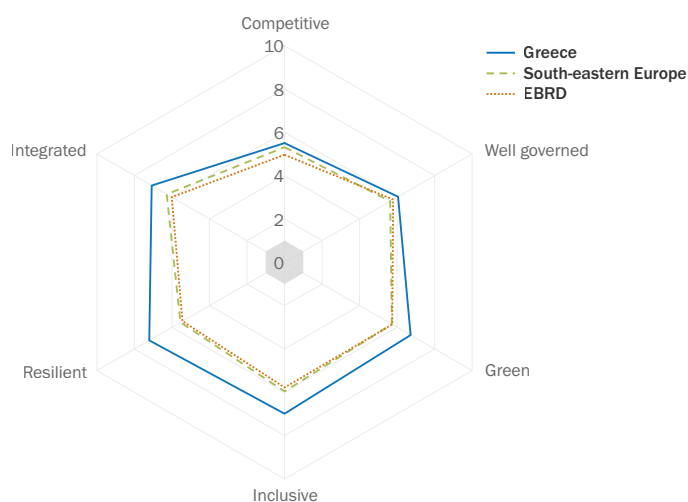
Growth has continued at a solid pace in 2024. Having regained investment-grade status in 2023, Greece has been attracting greater inflows of investment. Real GDP rose by 2.1 per cent year on year in the first quarter of 2024 and 2.3 per cent in the second quarter. Private consumption and gross fixed capital formation are continuing to drive growth, and most high-frequency macroeconomic indicators are moving in the right direction. The strong performance of confidence indicators such as the Economic Sentiment Indicator (ESI) and the Purchasing Managers Index (PMI) in the first half of 2024 highlights the positive sentiment in the economy. The PMI and the ESI stood at 52.9 and 106.8, respectively, in August 2024, slightly lower than earlier in the year. Unemployment has been on a steady downward trend in recent years, reaching a 15-year low of 9.6 per cent in June 2024 on a seasonally adjusted basis, while total employment growth has continued its upward trend. Although Greece's external position has improved since 2022, the current account deficit is still above its pre-pandemic level.

Price pressures are gradually easing. Annual inflation as measured by the Harmonised Index of Consumer Prices rose sharply in 2022, mainly because of rising food and energy costs, but has fallen rapidly since then, standing at 3.0 per cent in July 2024 (up from 2.5 per cent the previous month). Core inflation remains slightly higher, standing at 3.5 per cent in July. In response to recent energy shocks, Greece has continued efforts to strengthen the security of supply and diversify its natural gas sources.

Growth-friendly fiscal consolidation continues. Greece's fiscal outlook is considered to be in line with the provisions of the revised Stability and Growth Pact. Greece's budget, which returned to primary surpluses in 2023, recorded a general government cash primary surplus of 0.9 per cent in the first five months of 2024 – slightly higher than the 0.6 per cent seen in the same period last year – owing to higher tax revenues. Its public debt-to-GDP ratio remains the highest in Europe, but fell further in 2023 (standing at 161.9 per cent at the end of that year) thanks to strong nominal GDP growth and the achievement of a primary surplus. That ratio is now at its lowest level since 2010 and is expected to remain on a downward trajectory, primarily owing to the strength of economic growth.

Economic performance is expected to pick up modestly. We forecast real GDP growth of 2.4 per cent in 2024 and 2.6 per cent in 2025. The accelerated implementation of projects under the RRP is expected to keep growth on a positive trajectory by stimulating gross fixed capital formation. Risks to that generally positive scenario stem from possible regional and global turbulence, climate-related disasters (with wildfires and subsequent floods becoming more common and causing increasing alarm), slow absorption of EU funds and potential weaknesses in key export destinations.

Assessment of transition qualities (1-10)



Structural reform developments

The implementation of the revised RRP is progressing well. Following the revision of its RRP in 2023, Greece is set to receive a total of €35.9 billion from the EU's RRF (€18.2 billion in grants and €17.7 billion in loans). By September 2024, Greece had received €17.2 billion of that RRF funding – almost 48 per cent of its total allocation. The RRP includes 162 reforms, with Greece having successfully achieved almost 25 per cent of its milestones and targets by July 2024 – slightly above the EU average. Greece's RRP focuses on the green transition and the digitalisation of the economy.

Progress is being made with judicial reform. The Greek justice system has long suffered from lengthy delays and inefficiencies, which hamper the smooth functioning of businesses. However, efforts have been made to improve both the efficiency and the quality of justice. In May 2024 the Greek parliament adopted a law reforming the judicial map for civil and criminal justice, seeking to address excessive workloads at first-instance level. Moreover, in July 2024 a legislative provision was adopted (fully implementing recommendations made by the European Commission in the context of the Rule of Law cycle) addressing the need for the judiciary to be involved in appointments to the highest positions in the judicial system.

New fiscal and tax measures have been introduced. The 2024 budget includes fiscal interventions aimed at tackling tax evasion. One of those reforms is a change to the taxation of self-employed people, which is expected to secure additional revenues of at least €600 million. There are also new fiscal measures addressing inclusion gaps. These include an increased tax-free allowance for families, extended nine-month maternity leave for the self-employed and farmers, increases in birth benefits, and the return of the special diesel levy for farmers. In August 2024 the government also announced a series of support measures for those affected by the recent wildfires.

The digital transformation is proceeding rapidly. When the RRP was revised, the digital transition's share of total spending fell from 23.3 per cent to 22.1 per cent; however, spending on the digital transition was increased in absolute terms relative to the original plan. Greece's digitalisation reforms are on track, with projects including a data governance strategy for the public sector, reforms to the primary healthcare system and telemedicine, the creation of a digital platform for finding work in private-sector companies operating in Greece, the digitalisation of the justice system, and the digitalisation and simplification of public services. Digitalisation is continuing to help the authorities tackle the shadow economy, with ongoing initiatives including the establishment of online links between cash registers and point-of-sale machines, and measures extending the mandatory acceptance of direct electronic payments to new sectors.

A new structure for the country's privatisation agency has been announced. Under this new structure, announced in June 2024, the privatisation agency (HRADF) and its bank bailout fund (the Hellenic Financial Stability Fund) will be absorbed into the Hellenic Corporation of Assets and Participations (HCAP), also known as Growthfund, which manages a portfolio of state utilities and participations. This merger aims to streamline the management of state assets and privatisation efforts. In the first quarter of 2024, HCAP completed a public listing of its 30 per cent stake in Athens International Airport, with total gross revenue of €785 million.

The green transition remains a priority. Greece's RRP includes seven reforms and four investments aimed at reducing the country's reliance on fossil fuels, in line with the main objectives of the REPower EU plan. Greece has implemented a series of energy efficiency measures with the support of EU funds, with ongoing initiatives including efforts to increase the energy efficiency of residential buildings and develop accessible electric vehicle charging points. Greece plans to establish a sovereign wealth fund this year, with initial funding of €300 million, which it will co-invest with private entities in green transition and circular economy projects. ●