



FOUNDATION FOR ECONOMIC  
& INDUSTRIAL RESEARCH

# The Greek Economy and the new international uncertainties

Nikos Vettas

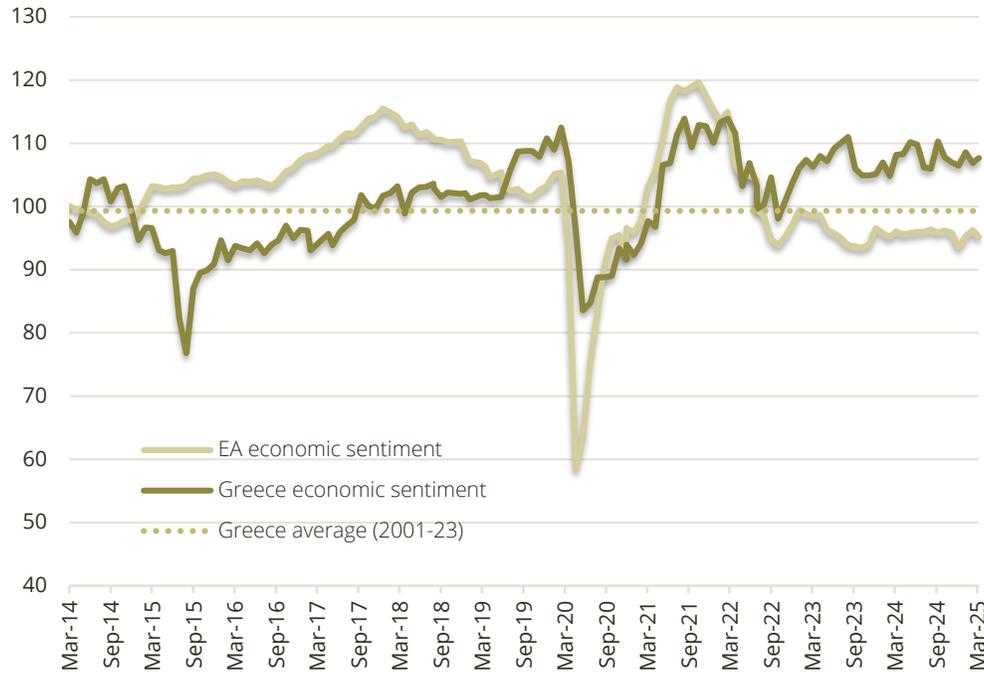
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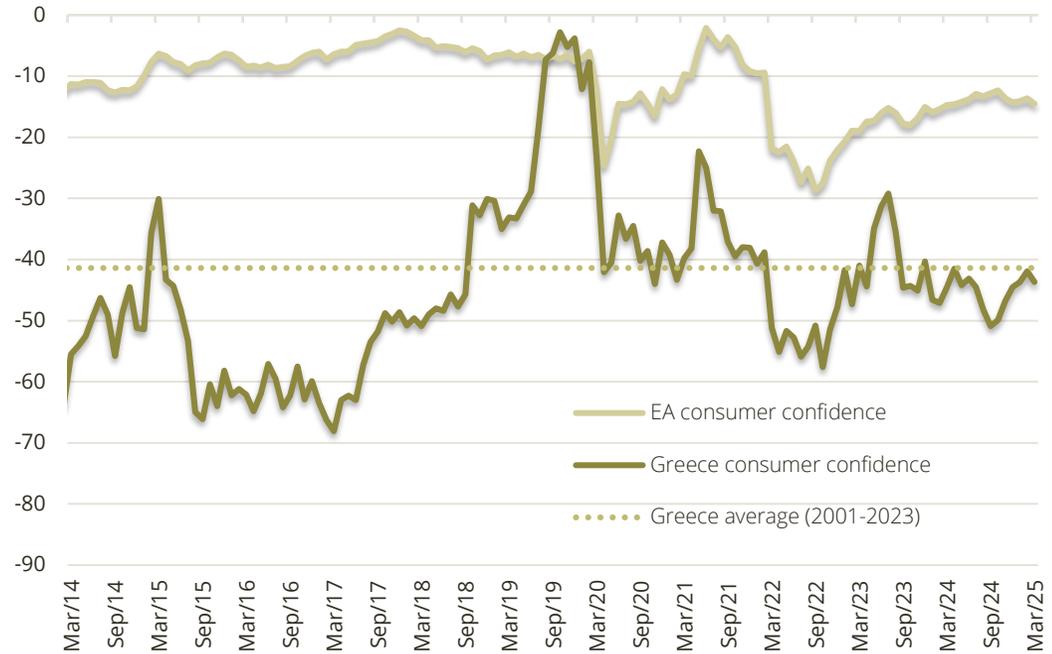
# GLOBAL MACRO TRENDS

# Economic sentiment stagnant in Europe in 2024, slightly improved in Greece

## Economic Sentiment Index



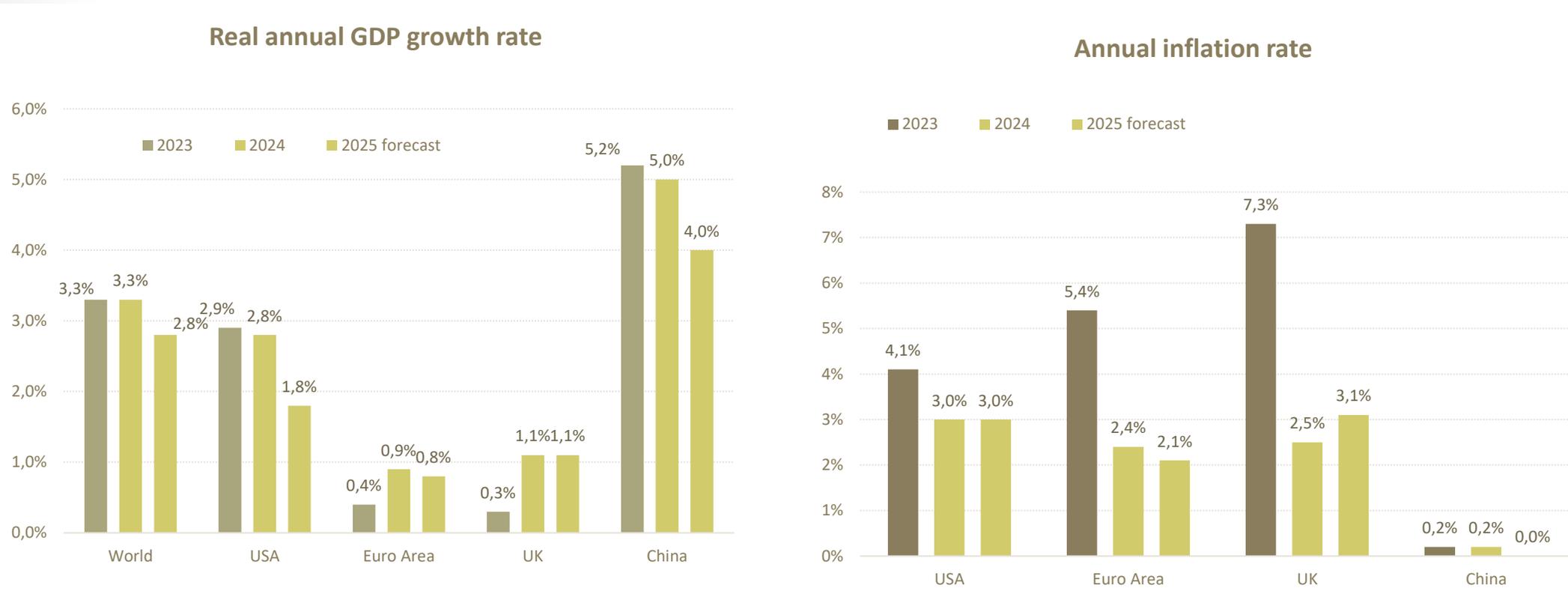
## Consumer Confidence Index



Sources: European Commission, IOBE

**Recovery of consumer confidence in Greece during late 2024. Diverging trend in the Euro Area where confidence has been weakening.**

# European growth rates have been lagging, global inflation has eased in 2024, new pressures appear in 2025

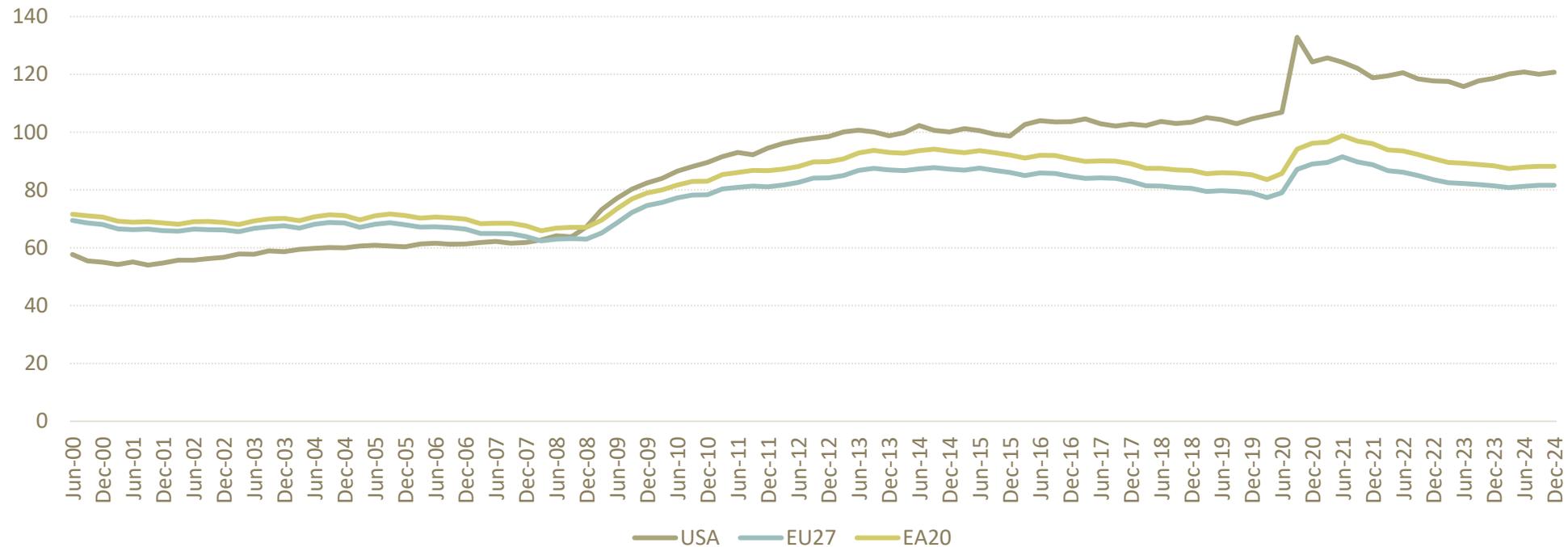


Source: IMF WEO, April 2025

International institutions have recently been revising their growth forecasts (downwards) and inflation forecasts (upwards for the US, downwards for China).

# Public debt in advanced economies has risen significantly...

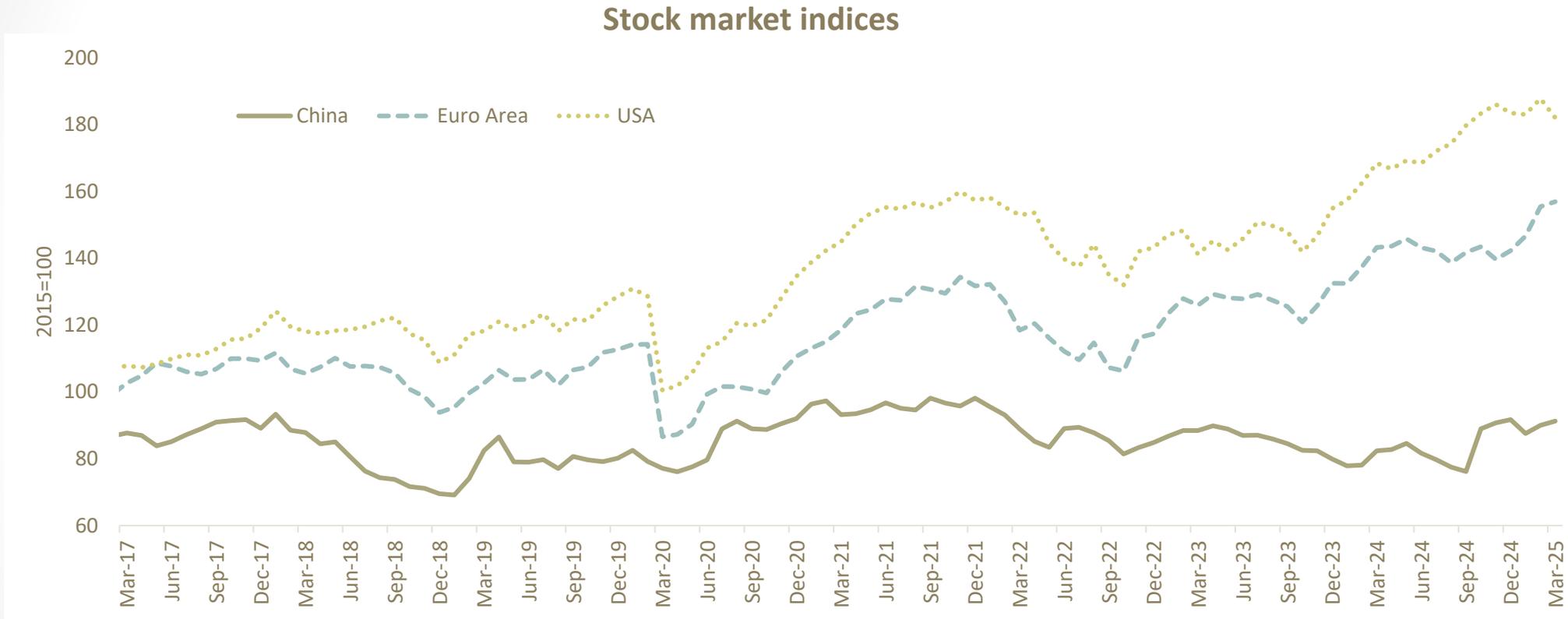
General Government Debt, in % of GDP



Source: FED St.Louis, Eurostat

...following the Global Financial Crisis and the subsequent abundant fiscal and monetary stimuli

# Markets' rally in advanced economies during 2022-2024

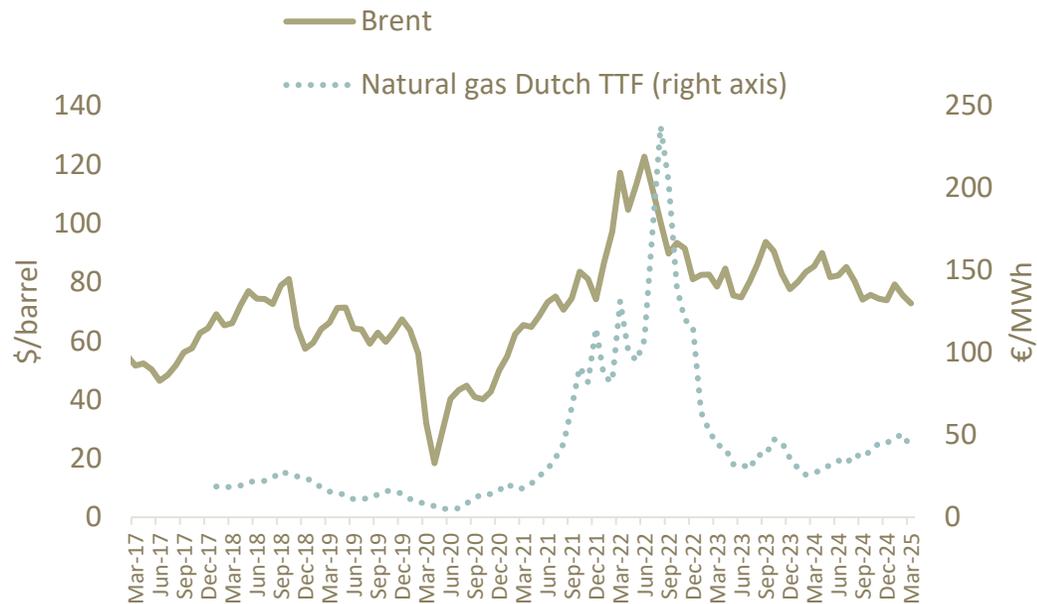


Source: IMF

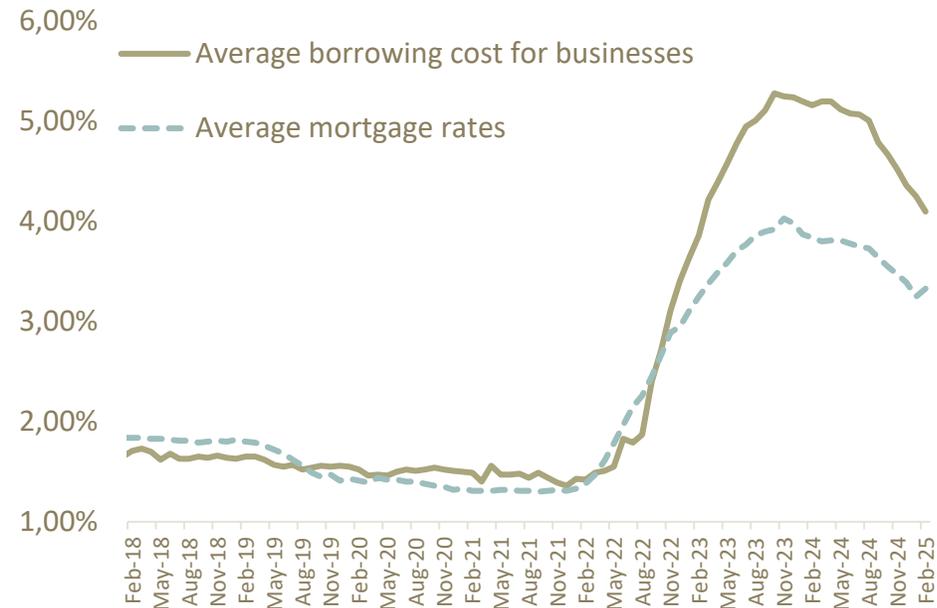
Markets exhibit intense volatility during the latest few weeks, amid increased policy uncertainty.

# Energy prices and monetary stance

## Oil and gas prices



## Euro area interest rates

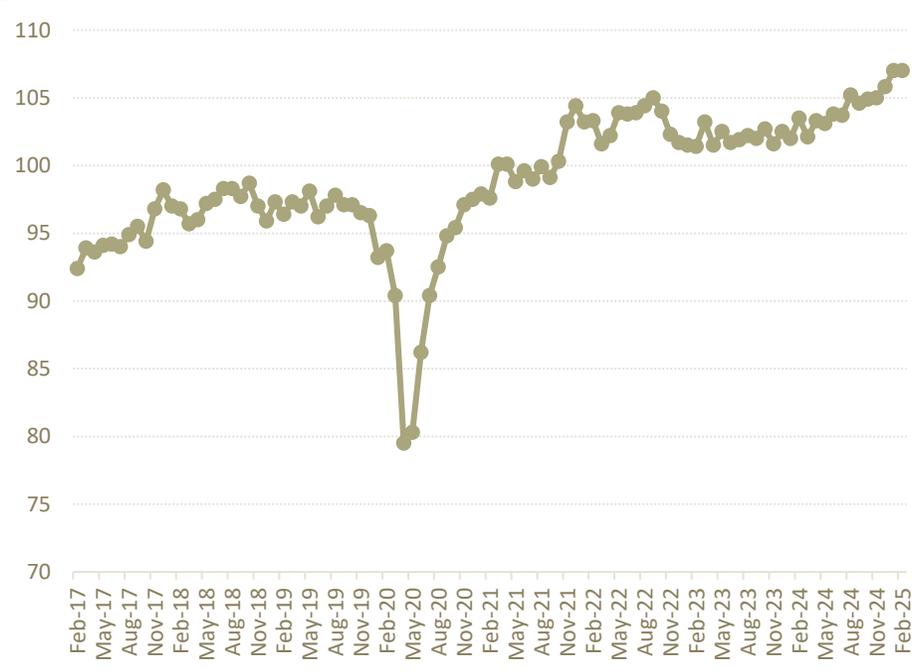


Source: EIA, NYMEX and ECB

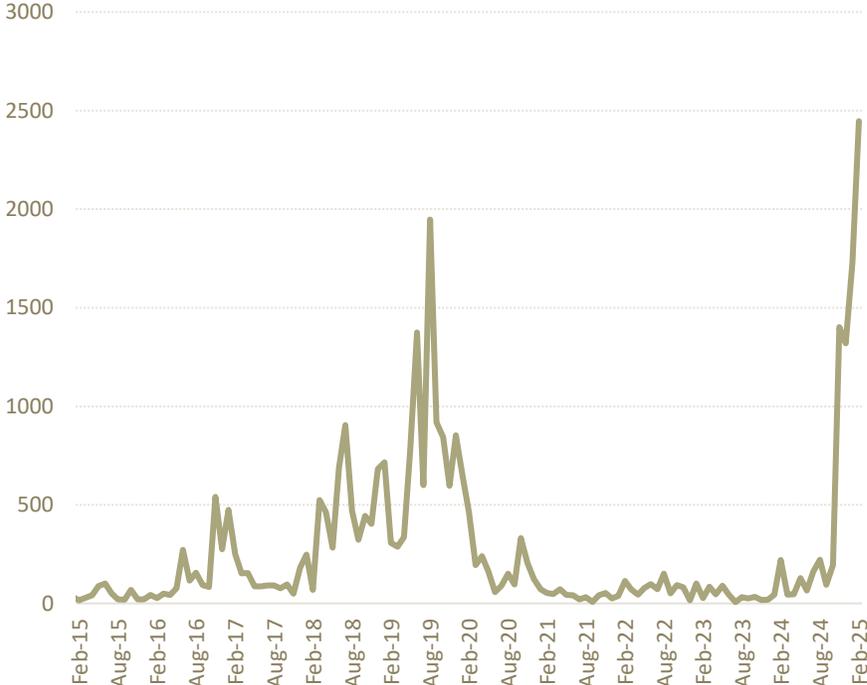
Oil prices have dropped in early 2025. ECB's monetary stance has been easing since 2024, through systematic, gradual interest rate cuts, while further decreases are anticipated, albeit at a decelerated pace.

# The volume of global trade has not (yet) decelerated, while trade policy uncertainty has skyrocketed

Volume Indicator of Global Trade  
(seasonally adjusted data, 2021=100)



Trade policy uncertainty index



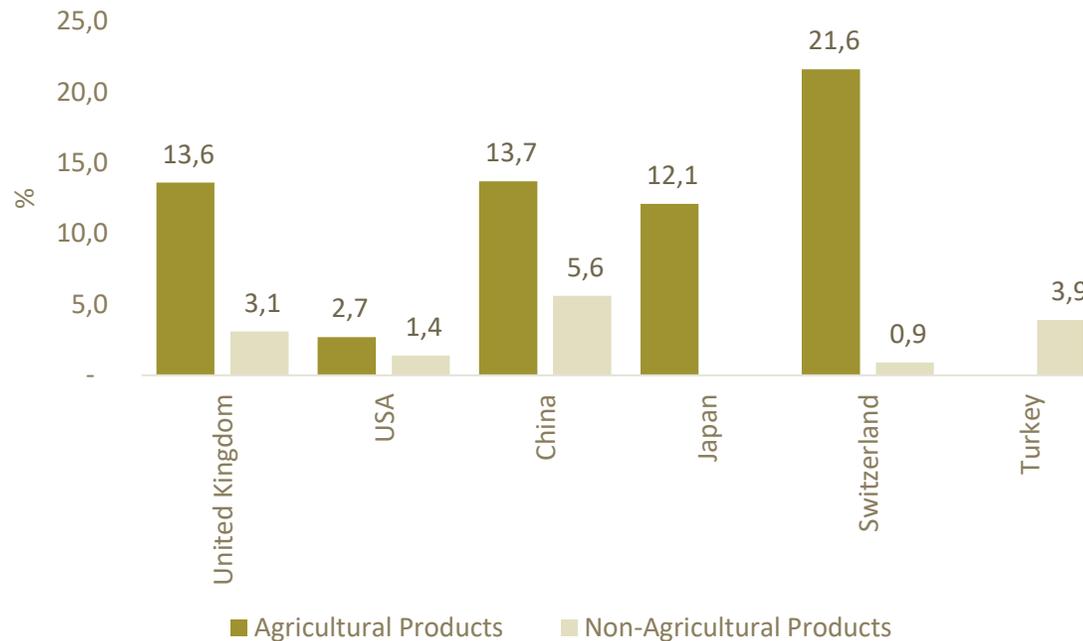
Sources: CPB, US Economic Policy Uncertainty

**International trade volume has fully recovered from the pandemic crisis shock, albeit forward looking prospects face risks stemming from the protectionist policy put forward by the new US administration.**

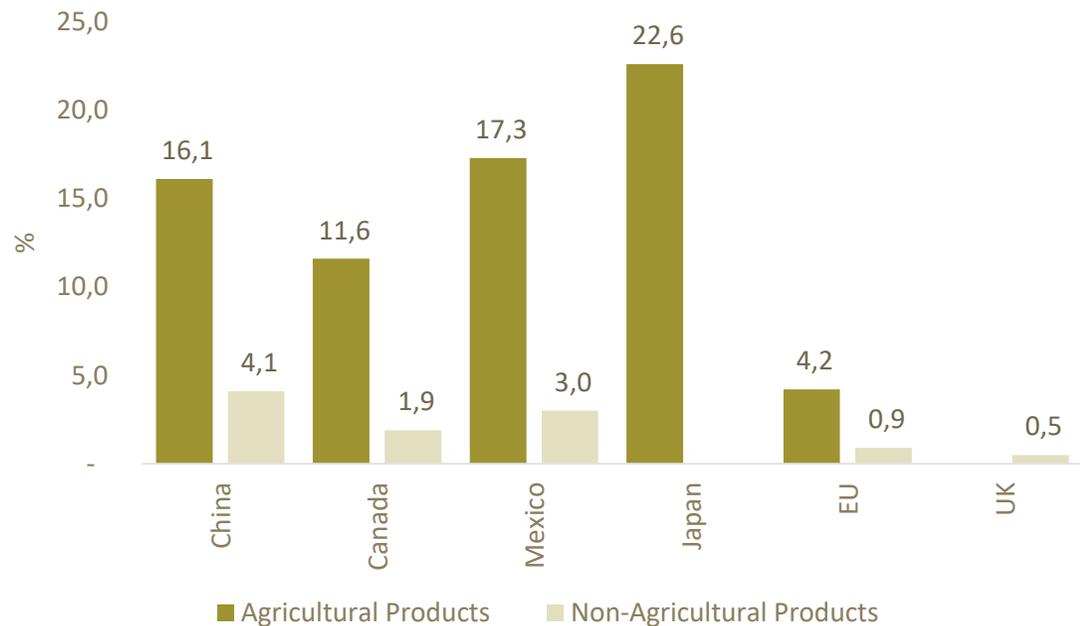
EUROPE

# Until recently, the tariffs imposed by the EU and the US on each other's imports were among the lowest among their main trading partners

Weighted average tariff rate on products exported by the EU by destination, 2023



Weighted average tariff rate on products exported by the US by destination, 2023

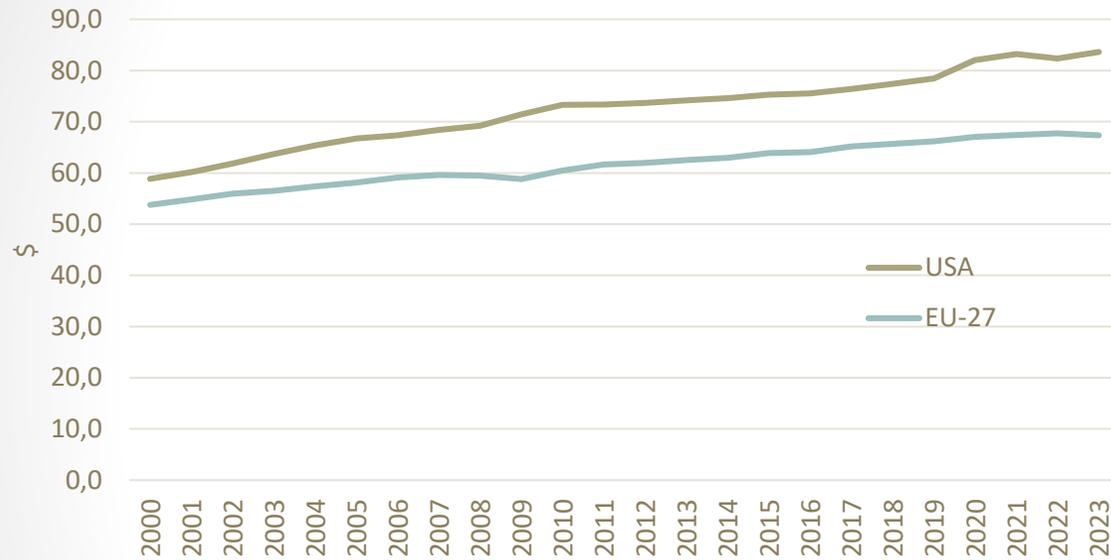


Source: World Trade Organization (WTO)

**The average tariff rate imposed by the EU on imported products was 2.7%.  
The average tariff rate imposed by the US on imported products was 2.2%, until recently.**

# The European economy is faced with a number of challenges

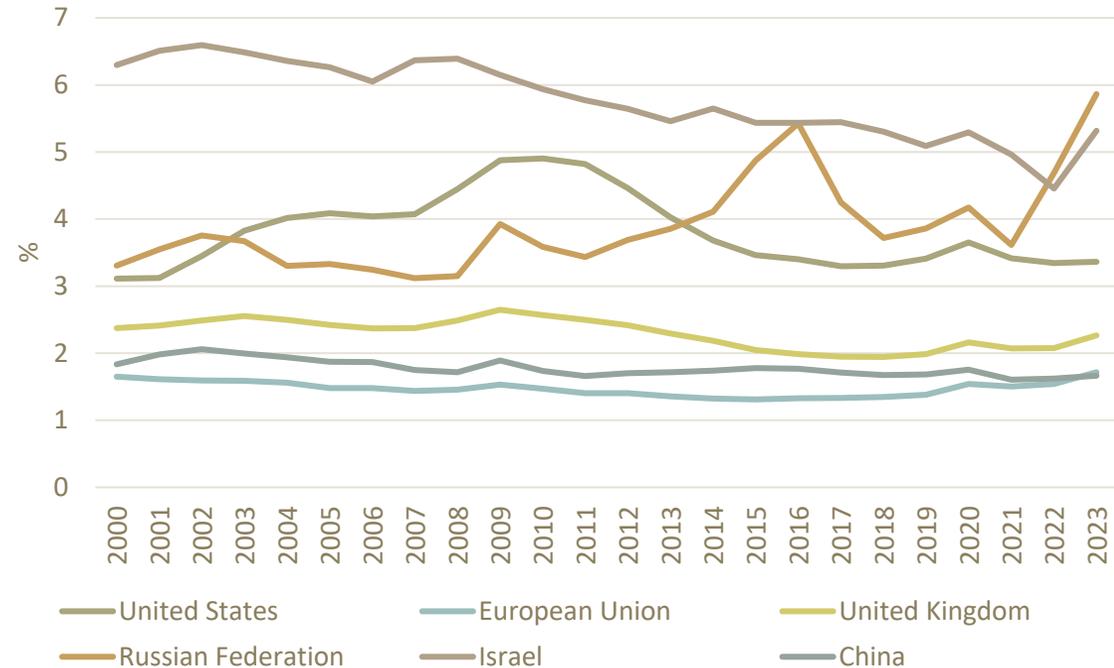
## Labor productivity (GDP per hour worked), US & EU-27, 2000-2023



Sources: OECD, World Bank

Note: Productivity is measured in US dollars per hour, in purchasing power parity terms, at constant prices (2015)

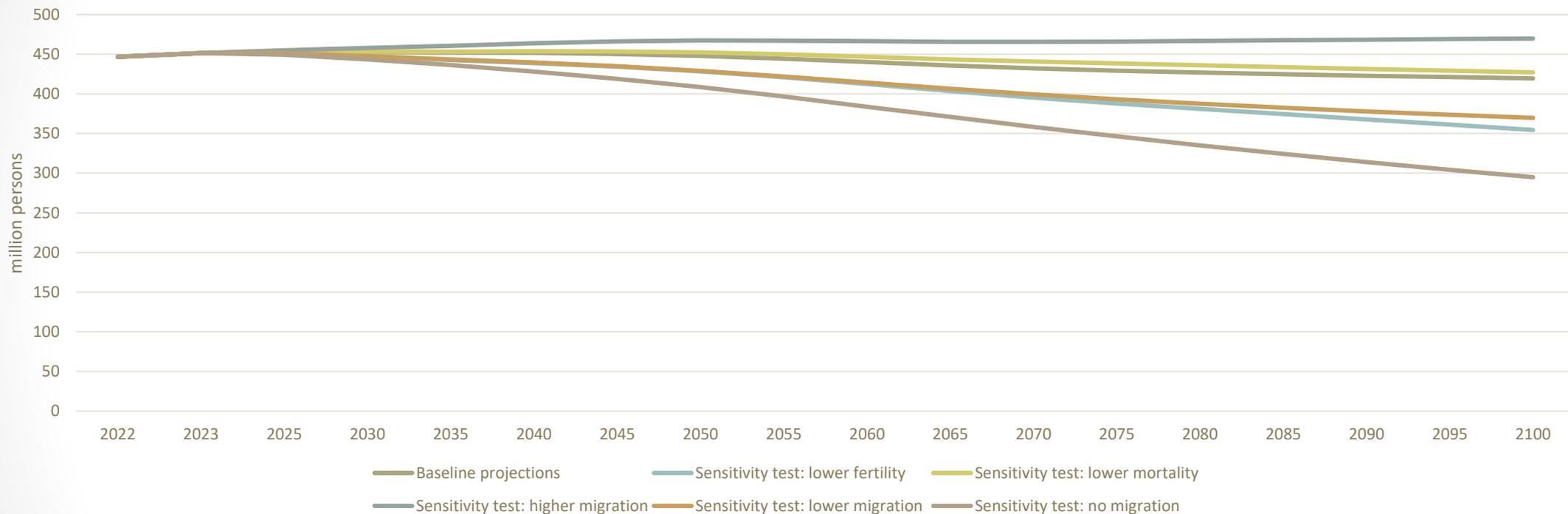
## Defense spending (% of GDP), 2000-2023



- The **productivity gap** between the EU and the US, measured by GDP per hour worked, has widened from 15% in 2002 to 30% in 2023.
- Only ten EU member states spend at least 2% of GDP on **defense**, in line with NATO commitments.

# The EU's population is shrinking and ageing

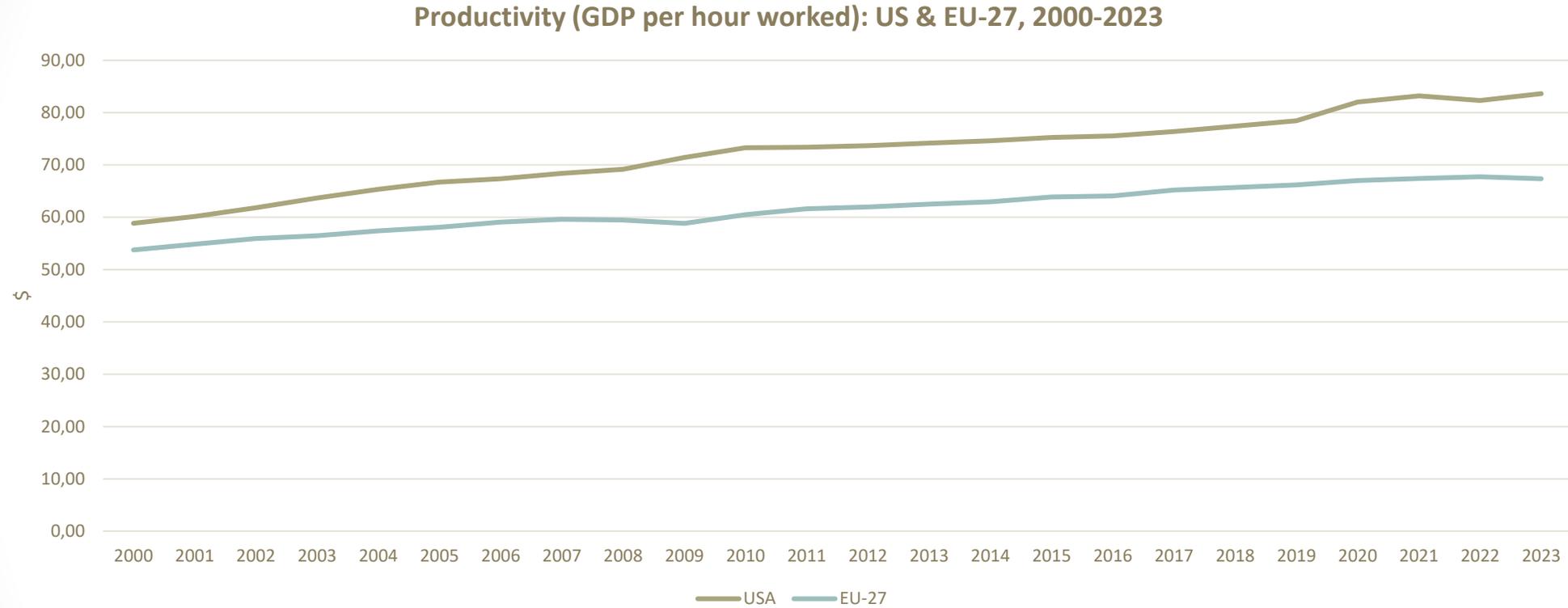
## EU population projection



Source: Eurostat

**The EU population is projected to gradually decrease to 447.9 million in 2050 and to 419.5 million in 2100, in the baseline scenario. The median age of the EU population is expected to increase by 5.8 years between 2022 and 2100, while the number of people aged 80 years and over is projected to rise to 64.0 million by 2100.**

# European industry lags US industry in terms of competitiveness



**First and foremost, Europe needs to focus on bridging the innovation gap with the US and China, especially in advanced technologies.**

# EU policy at a crucial juncture of the global environment

## Challenges faced by Europe

- Geopolitical: in proximity of war zones
- Demographic: ageing and shrinking
- Economic: innovation and technology gaps
  - Green transition: balance with affordable energy cost
  - Competitiveness: balance between EU competition policy in the single market and industrial policy

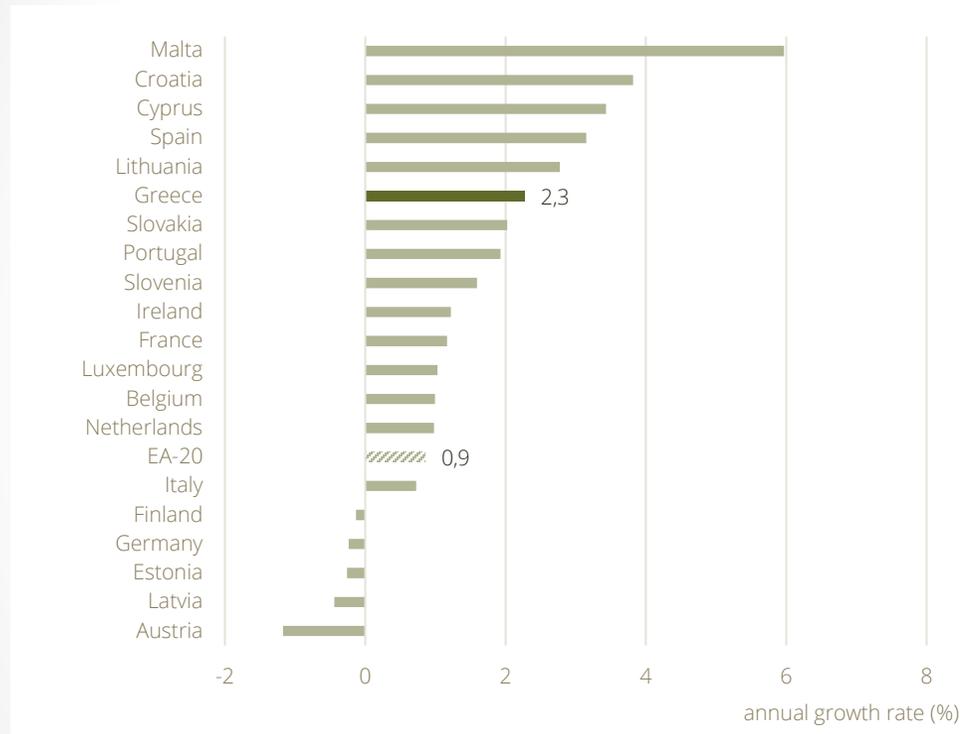
## EU policy priorities – recent initiatives and strategy papers

- Next Gen EU - Recovery and Resilience Facility (2021-2026)
- Leta [report](#) (2024)
- Draghi [report](#) (2024)
- EU Competitiveness [Compass](#) (2025)
- EU Clean Industrial [Deal](#) (2025)
- ReArm Europe [Plan](#) (2025)

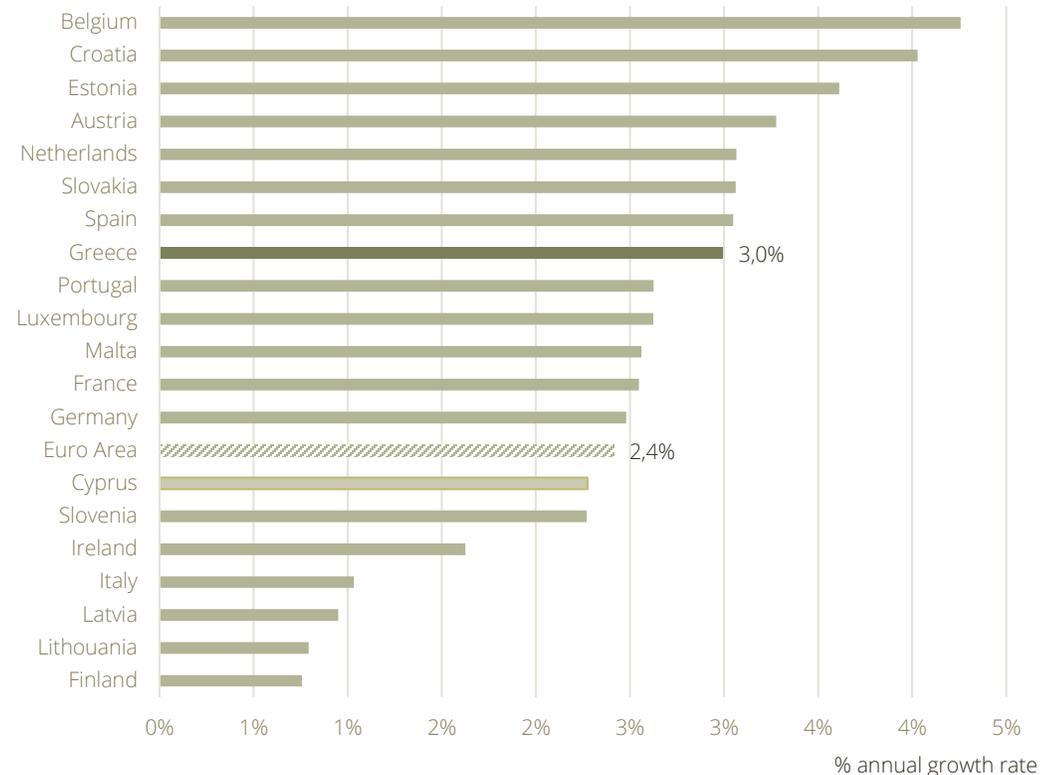
# GREECE ECONOMIC TRENDS AND OUTLOOK

# Greece has been outperforming the Euro Area average growth rate in 2024...

Annual GDP real growth rate, 2024



Annual inflation rate, 2024  
Harmonised Consumer Price Index (HICP)



Source: Eurostat

...while inflation rate exceeds the EA average, mainly due to high core inflation stemming from the services sectors.

# GDP dynamics in 2024 Q4

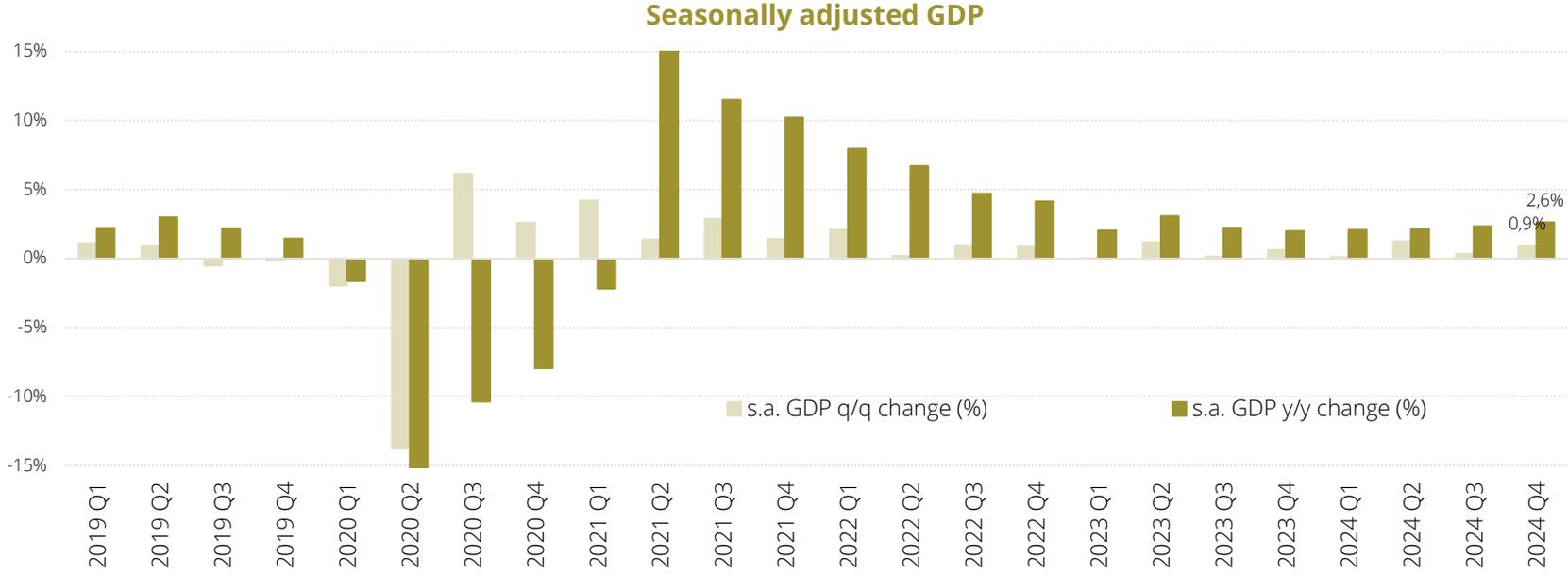
Diverging trends within consumption (private +0.8% y/y, public -3.4% y/y)

Investments increased, mainly inventories (total +24.4% y/y, fixed +9.0% y/y)

Exports increased (goods +1.6% y/y, services +5.9% y/y)

Imports rose (goods +2.0% y/y, services +4.8% y/y)

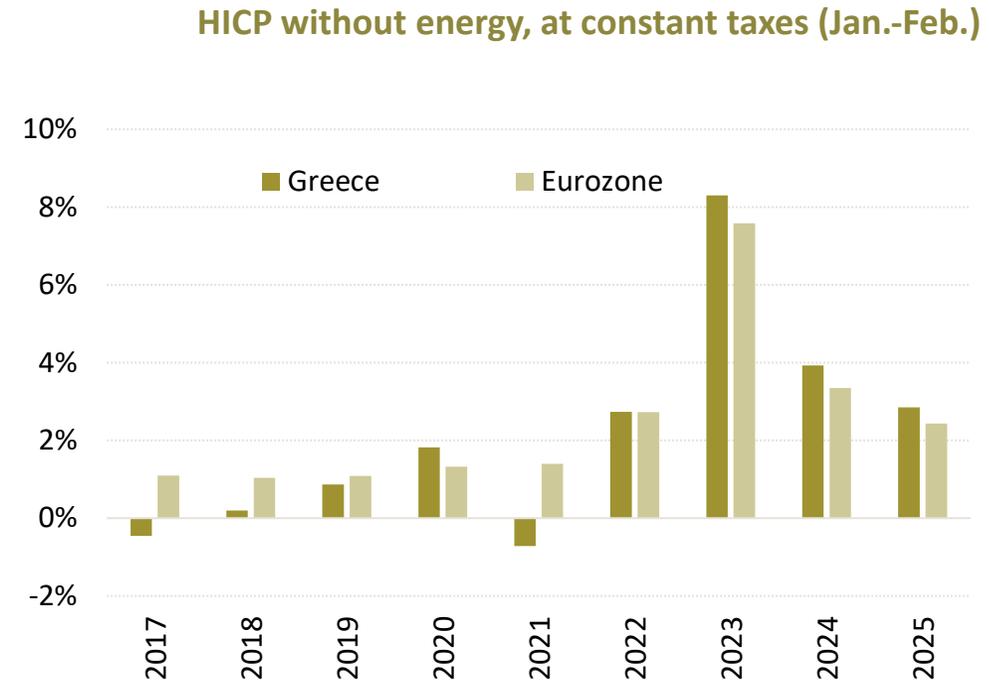
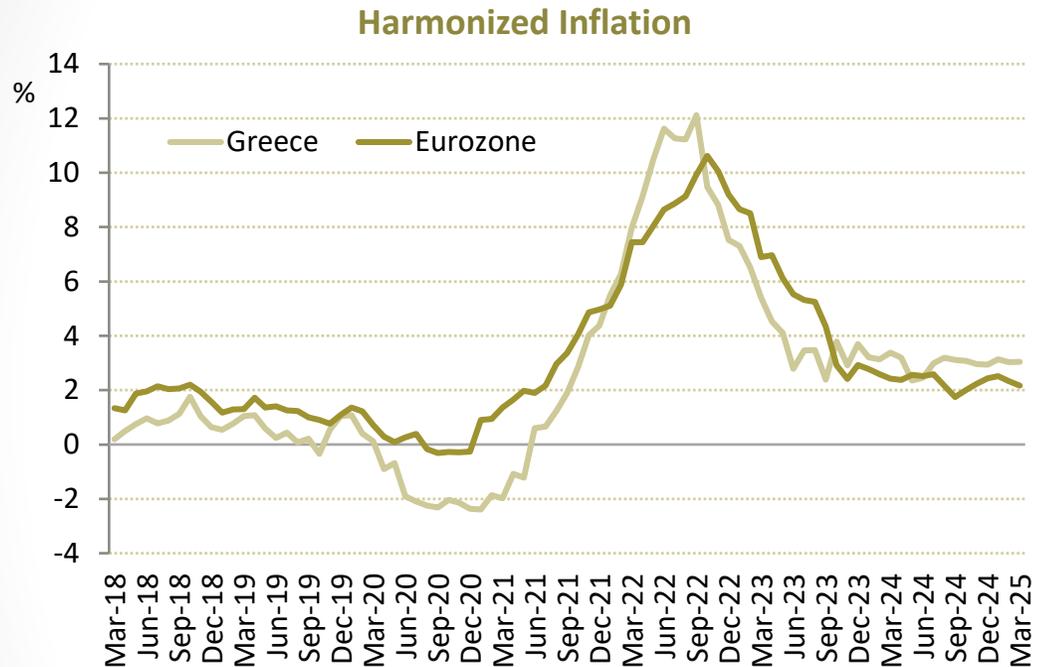
Extroversion remains high (80% of GDP)



Source: Quarterly National Accounts, Eurostat

- Real GDP y/y growth of 2.6% in 2024 Q4, stronger than 2.4% in the previous quarter.
- GR growth rate remains significantly above EZ average.

# Inflation rate has eased in 2024 to 3.0% (HICP), from 4.2% in 2023: annual drop of energy prices

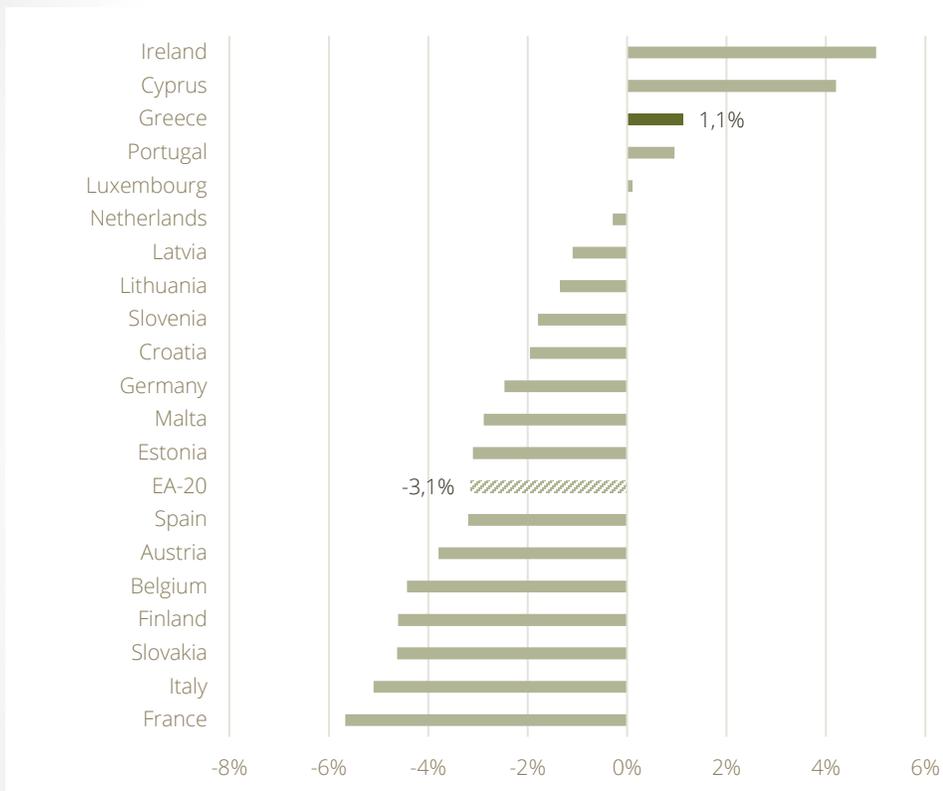


Source: Eurostat

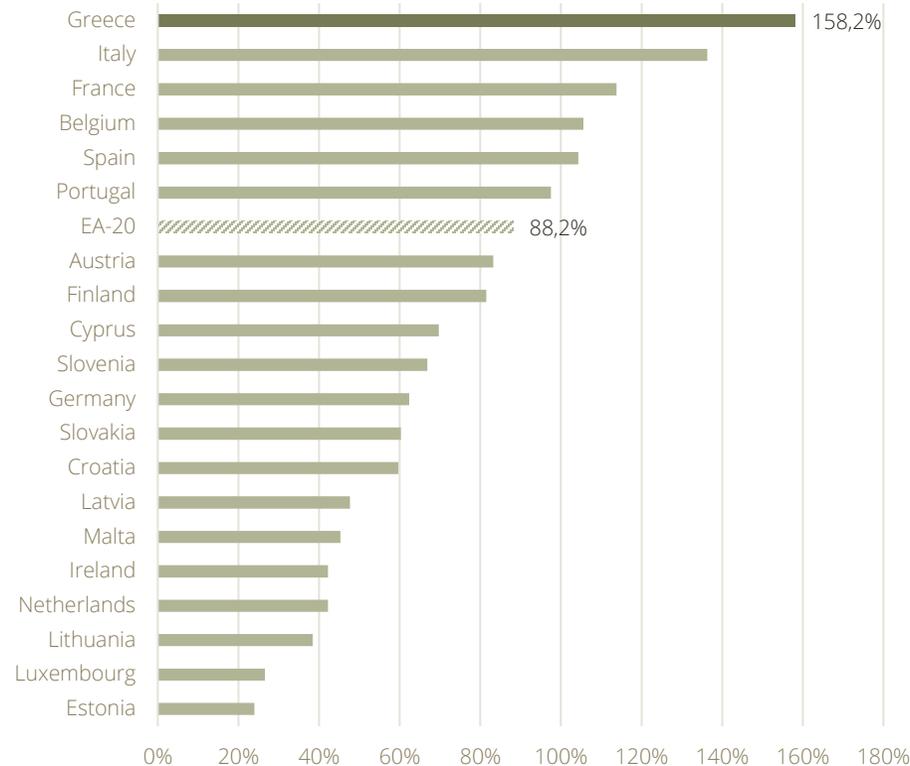
- **Euro area:** Inflation decelerates in 2024, at 2.4% from 5.5% a year ago.
- **Greece:** Annual growth rate of domestic HICP, at 2.9% in December 2024, from 3.0% in November.
  - For Jan.-Nov. 2024: Rise in HICP by +3.0% y/y, compared to 4.2% y/y in 2023, due to the rising price impact of non-energy goods (3.1%). Negative contribution from energy goods (-0.4%), while indirect taxation had a marginal contribution (+0.2%).

# Greece has recently been outperforming on the fiscal balance...

General government balance, in % of GDP, 3<sup>rd</sup> quarter 2024



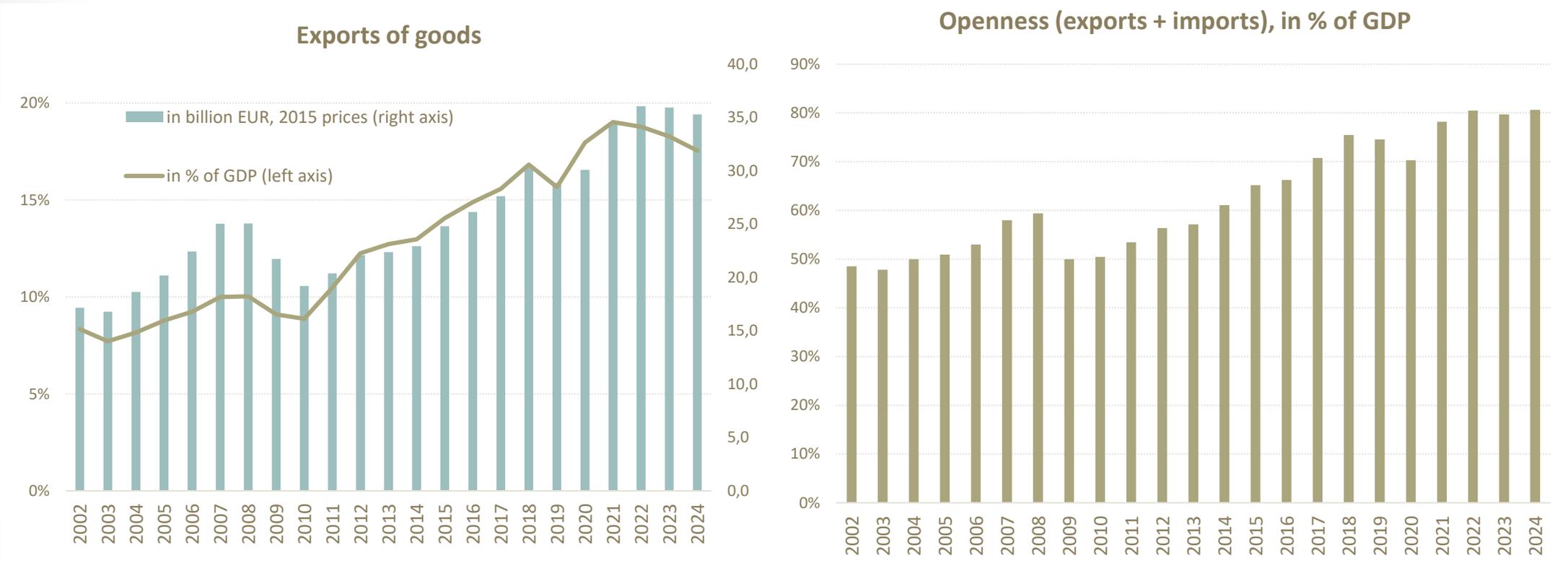
General government debt, as % of GDP, 3<sup>rd</sup> quarter 2024



Source: Eurostat

...albeit continues to record by far the highest level of public debt, as a percentage of GDP.

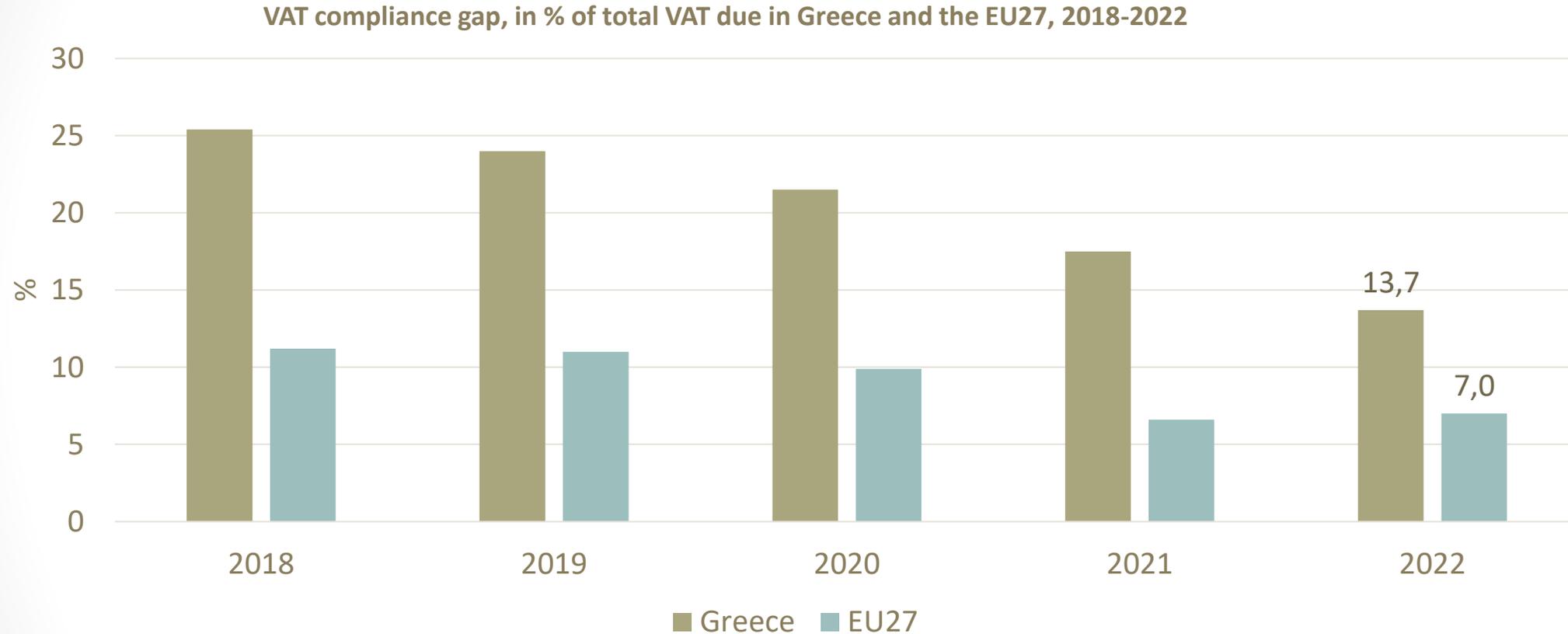
# Exports and openness



Source: ELSTAT, National Accounts at constant prices 2015, Data Processing: IOBE

A small open economy in the Euro Area which suffered a crisis due to severe imbalances...  
...which has now become more extrovert, exports of goods have doubled during the last decade.

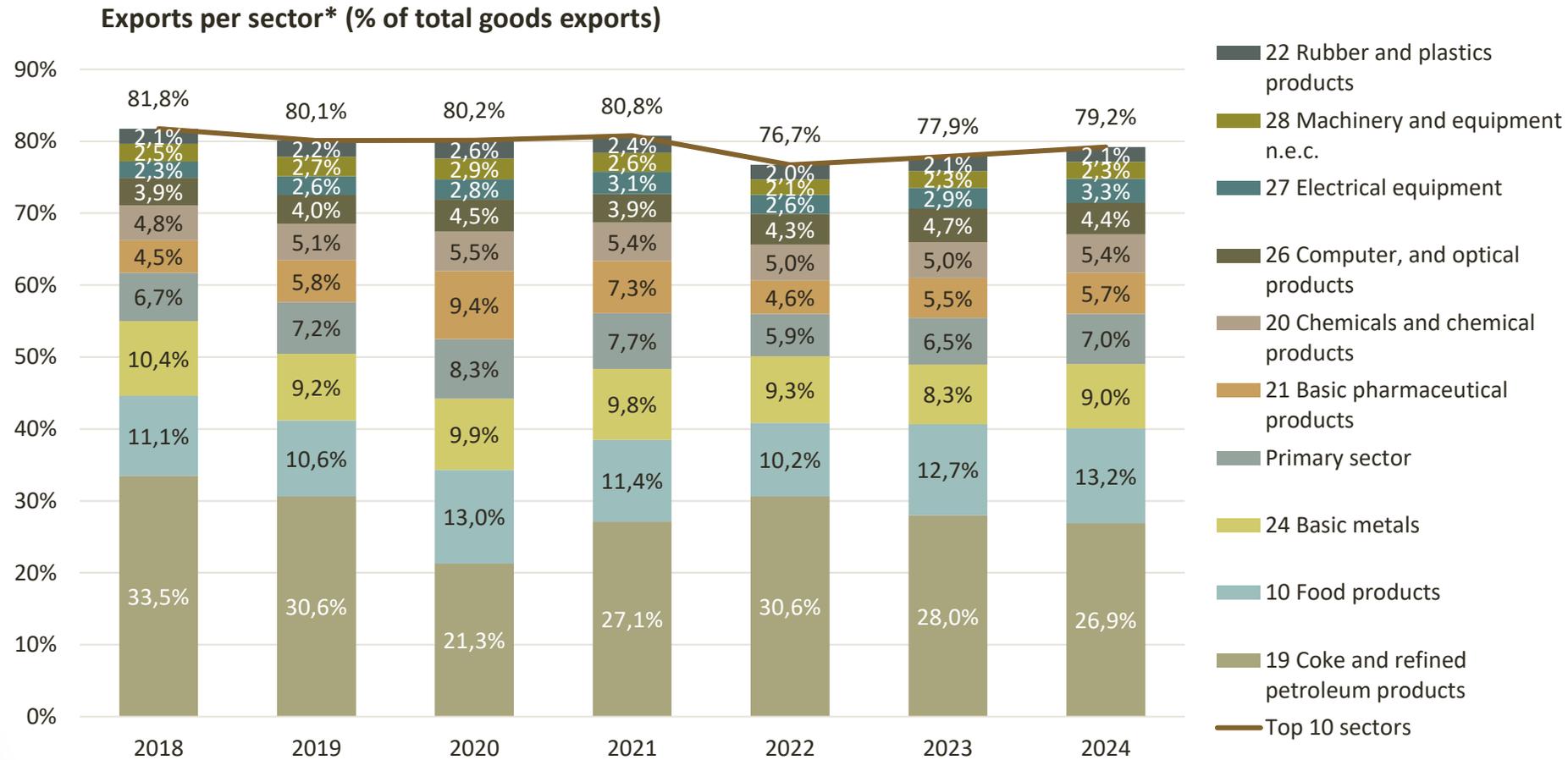
# The VAT compliance “gap” has almost halved in Greece during 2018-2022, albeit remains high



Source: European Commission, Data Processing: IOBE

**The gap from EU average remains significant, by 11.7 pts. Greece ranks 5th from last in the EU, compared to 2nd from last in 2018.**

# Greek exports of goods



\* 2-digit NACE Rev.2 sectors. Source: Eurostat, International Trade by CPA

# Exporting sectors

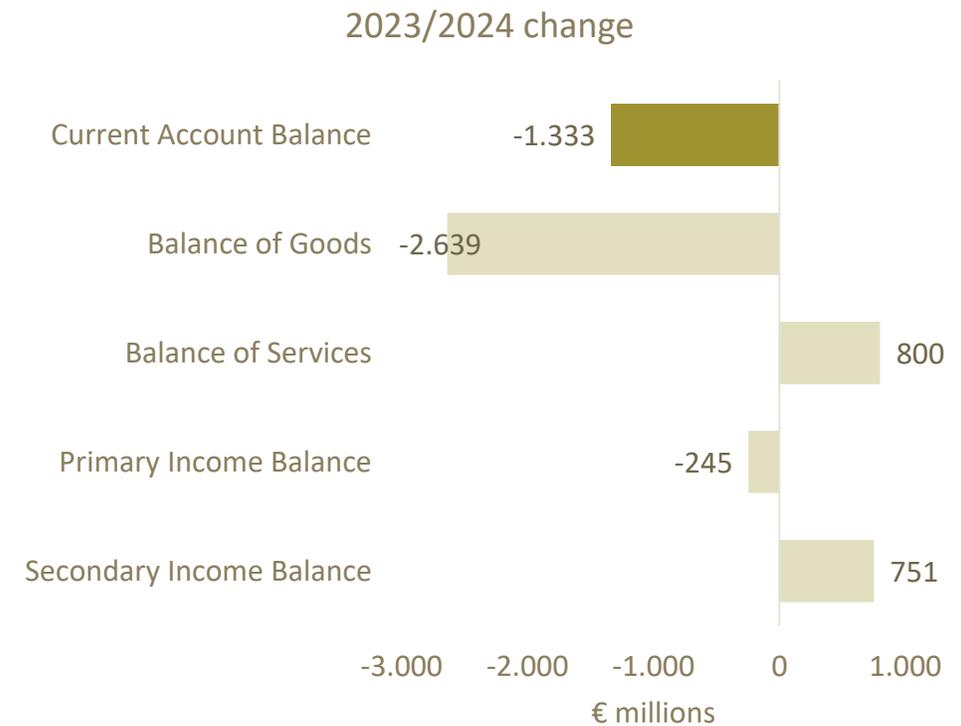
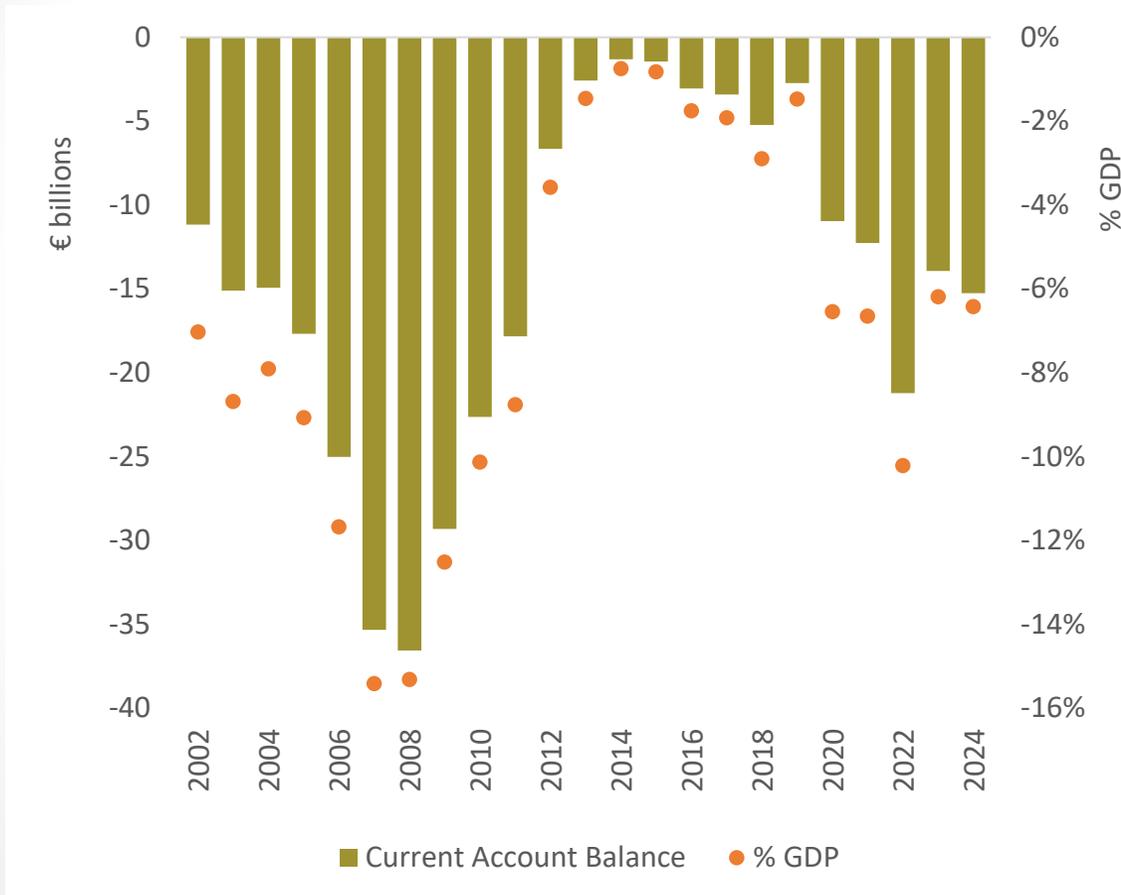
|   | Exports as a % of GDP,<br>Greece, 2019 | Exports as a % of GDP,<br>EU-9, 2019 |
|---|--|--------------------------------------|
| Total exports                                 | <b>37.2</b>                            | <b>65.5</b>                          |
| Agricultural products, food and raw materials | 4.4                                    | 6.4                                  |
| Petroleum products                            | 6.3                                    | 3.0                                  |
| Industrial products                           | 9.2                                    | 38.2                                 |
| Transportation (mainly sea transport)         | 7.5                                    | 4.5                                  |
| Tourism                                       | 7.8                                    | 4.0                                  |
| Other services (health, education, IT etc.)   | 2.0                                    | 9.3                                  |

EU-9: EU countries comparable in terms of population to Greece: Austria, Belgium, Bulgaria, Czech Republic, Denmark, Hungary, Netherlands, Sweden.

**Significant lag in exports, particularly in exports of industrial products.**

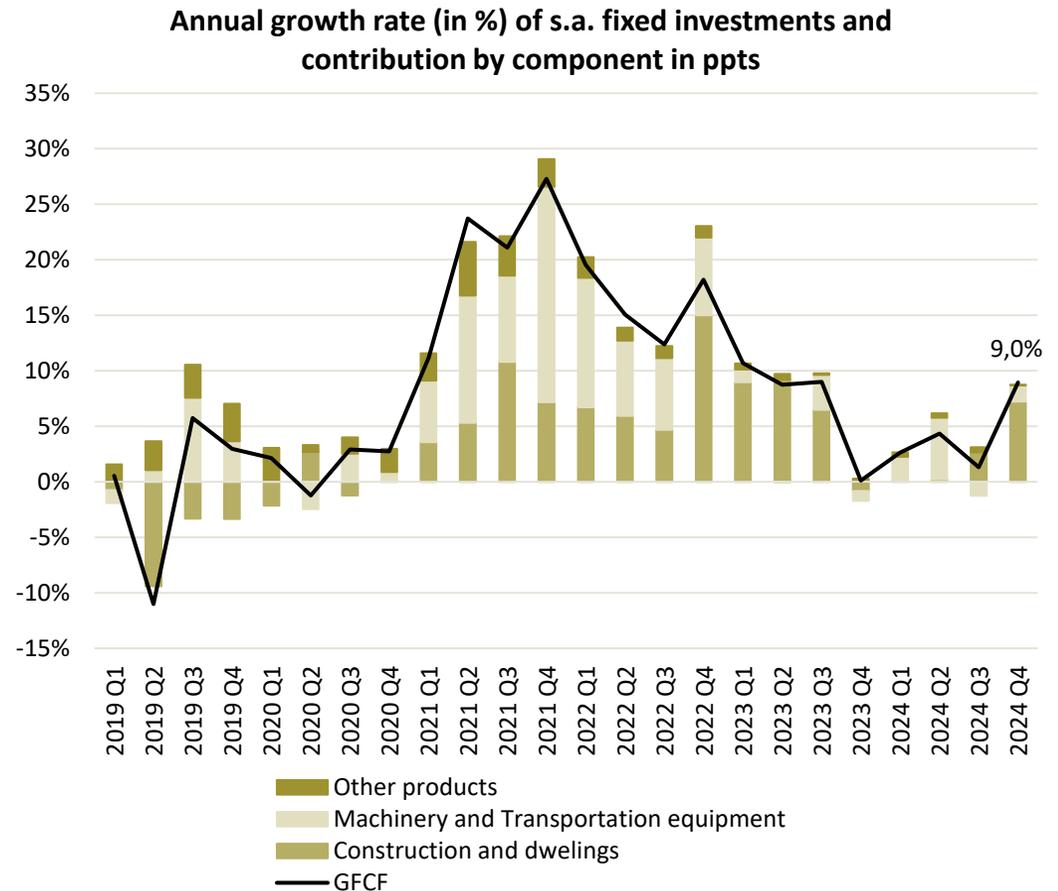
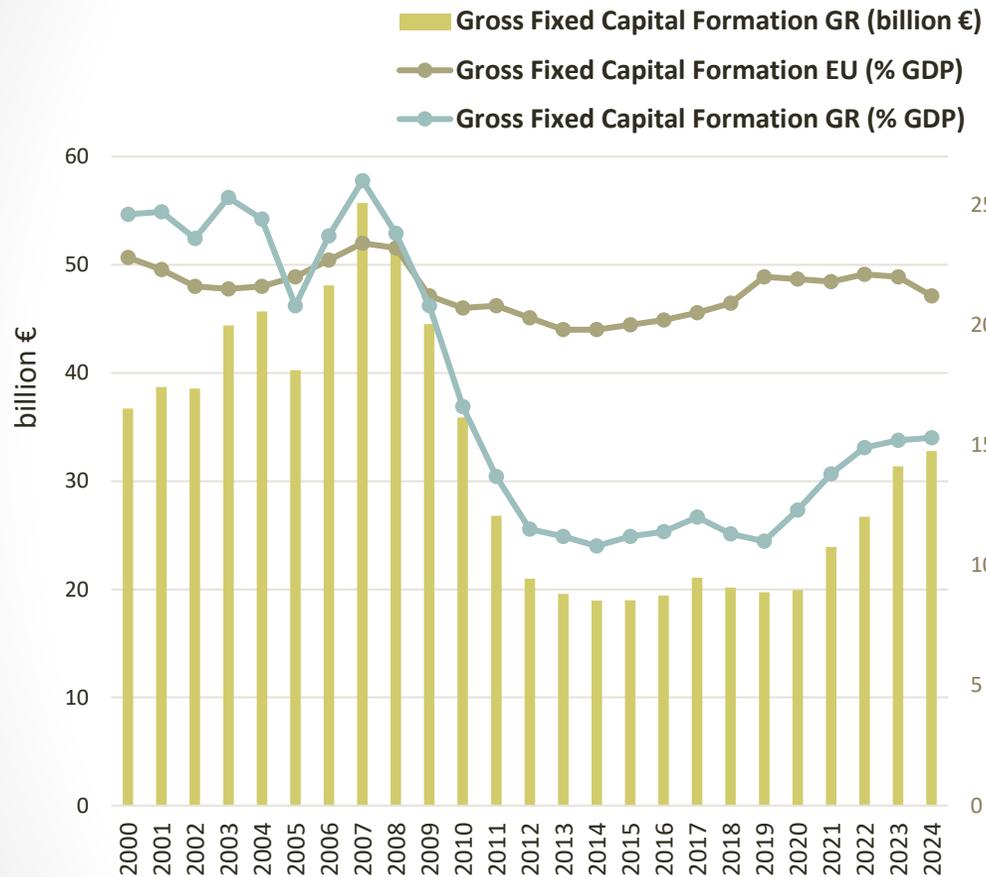
**Source: 'Pissarides Report', 2021**

# The Current Account Balance (CAB) recorded a deficit of €15.3 billion in 2024, €1.3 billion higher than in 2023



Source: BoG

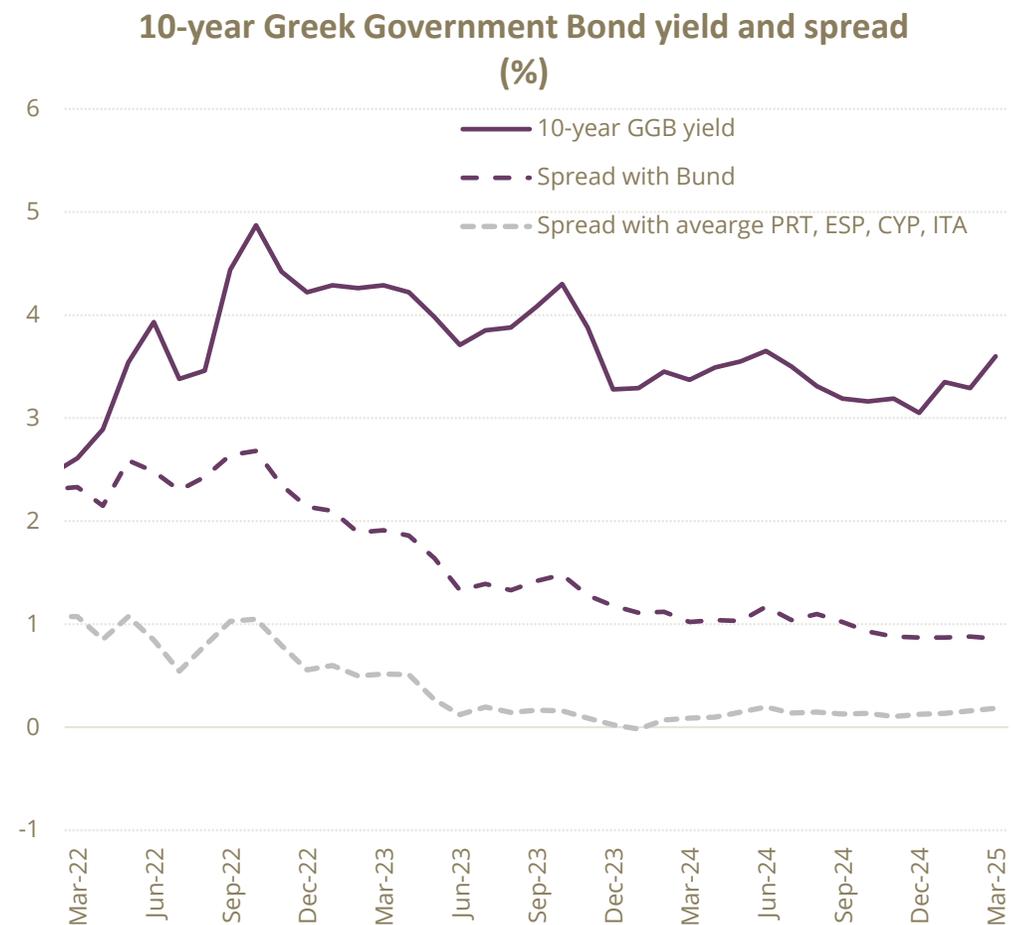
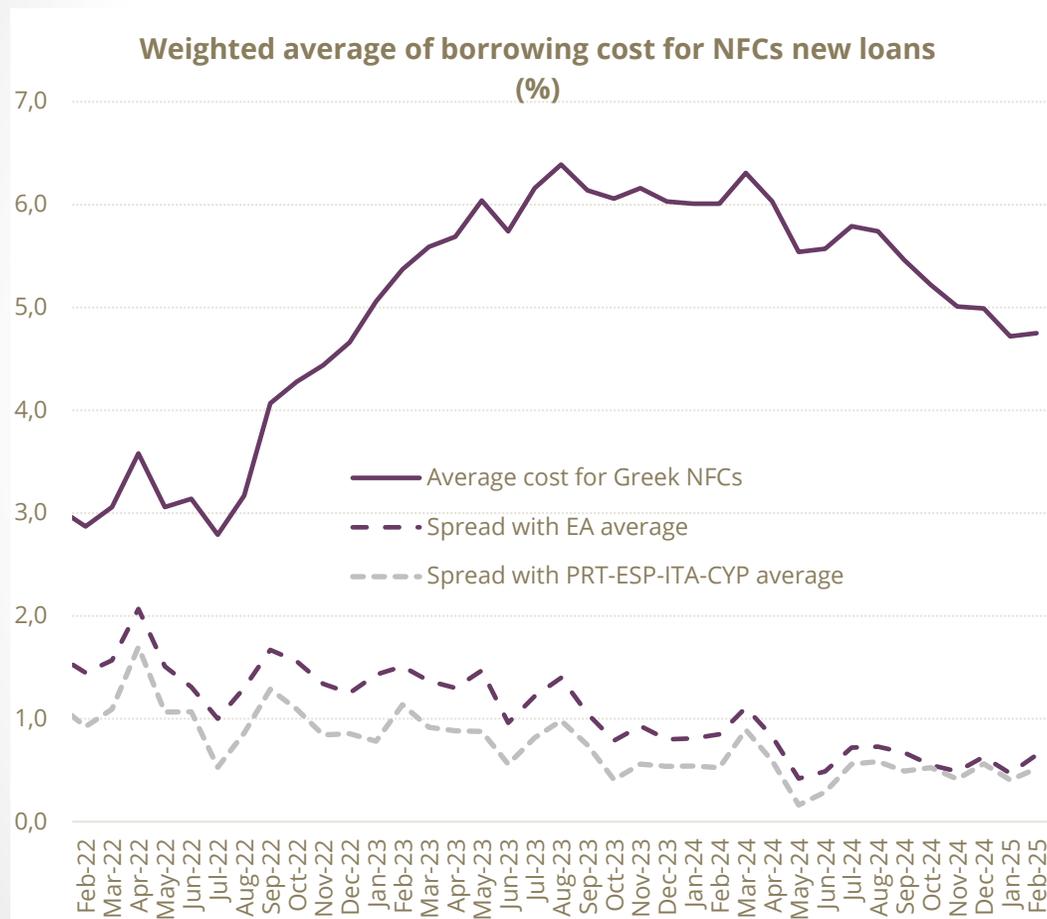
# The accumulated investment gap is narrowing, but slowly...



Source: Eurostat, Data Processing: IOBE

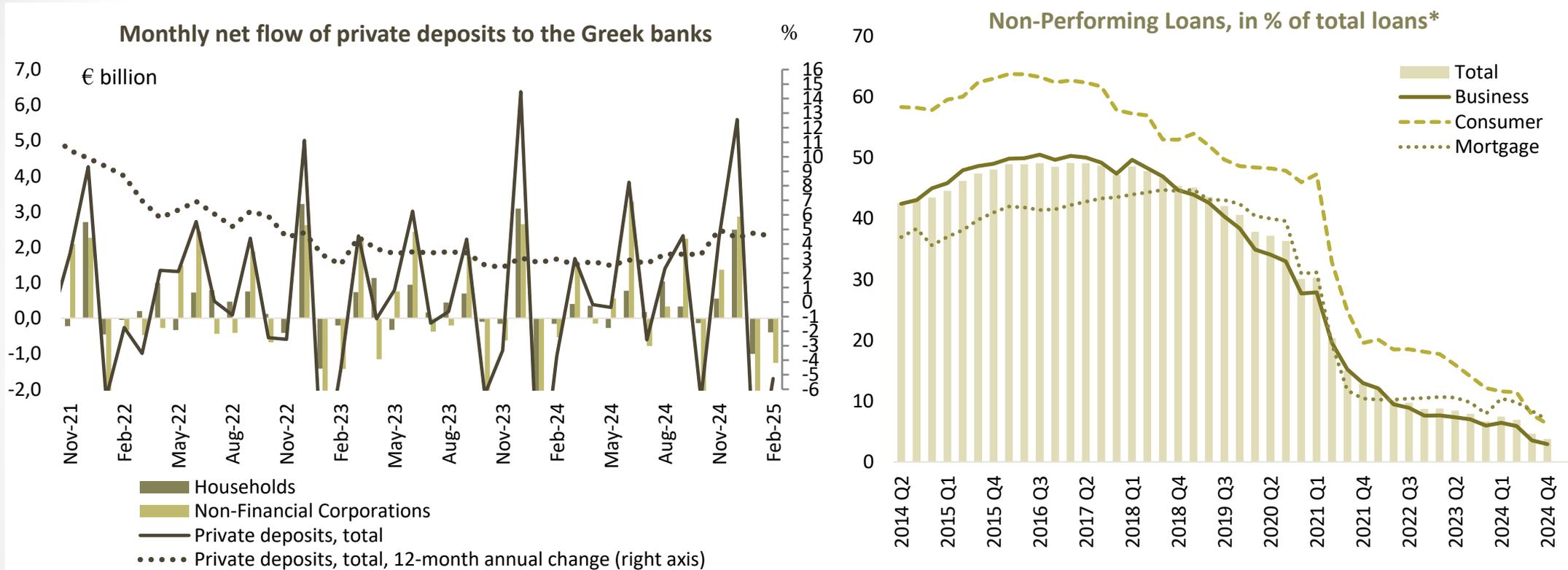
... driven largely by housing-construction and mechanical-transport equipment

# The cost of new funding for the public and the private sectors has eased in 2024, while the spread with EU peers has narrowed



Source: ECB

# Structural characteristics in the banking sector have improved...

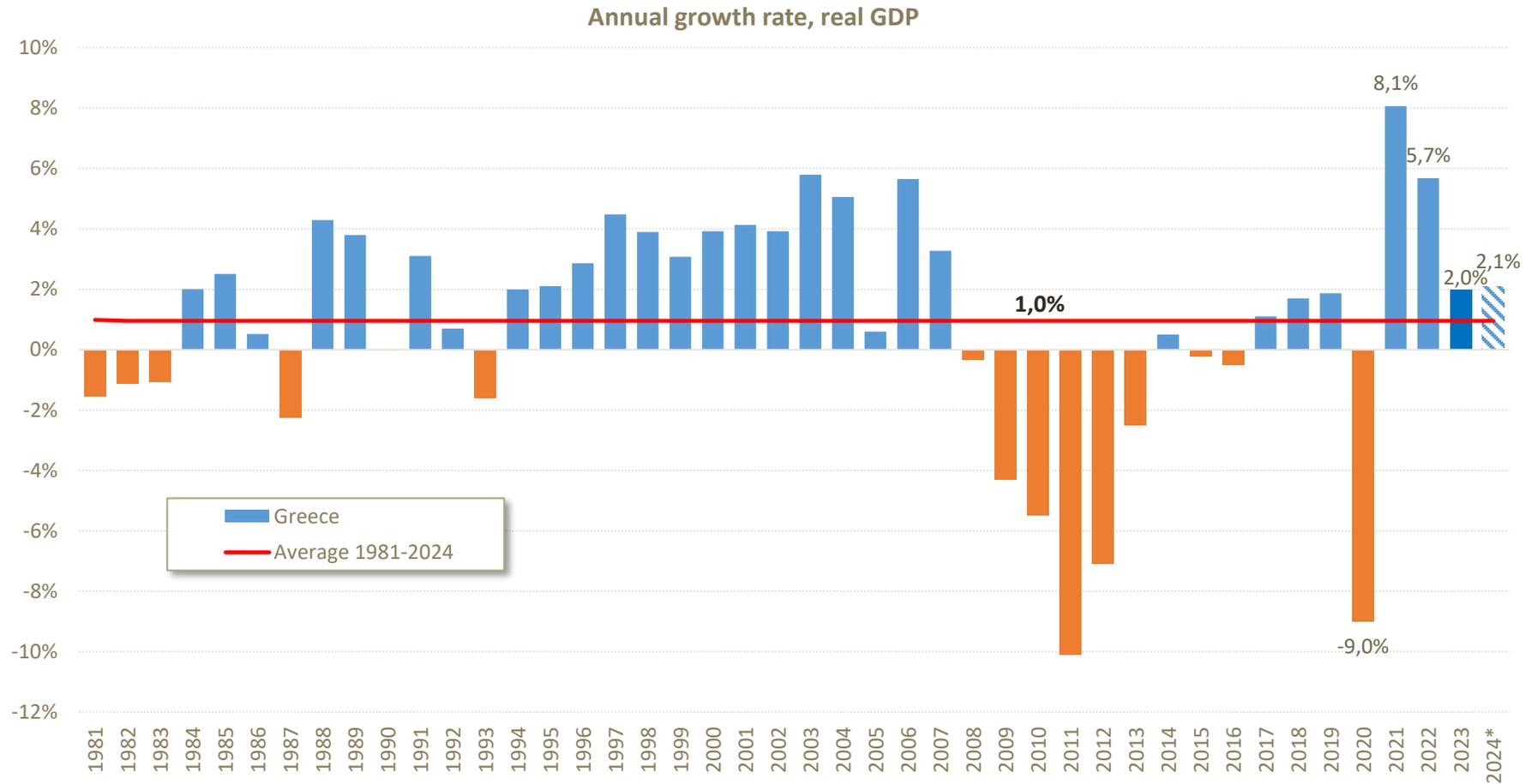


Source: Bank of Greece. \* On-balance sheet loans (before provisions) for all Greek banks on a non-consolidated level

...yet, there remains a large chunk of “red loans” off-balance sheets of the banks.

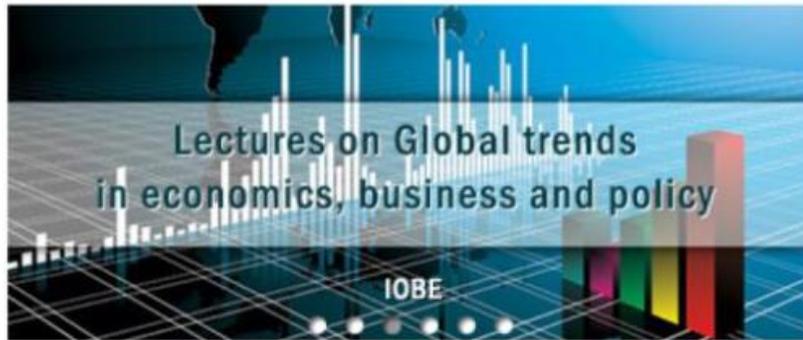
- Private sector deposits (households and non-financial corporations) have been increasing during 2020-2023.
- NPL ratio has dropped to 8.6% in 2022 Q2, which is a 14-year low, from 46.1% in 2016 Q3. Significant decline in the NPL stock since 2020 due to securitizations with state guarantees (Hercules programme).

# Long term growth dynamics and prospects



Sources: Eurostat

Note. The forecast for 2024 relies upon IOBE (April 2024).



### Manufacturing of maritime equipment. Trends, prospects, and contribution to the Greek economy

The study examines trends, prospects, and the contribution of Greek maritime equipment manufacturers to the economy. From 2014 to 2022, HEMEXPO companies achieved remarkable growth in turnover, exports, and employment. Their contribution to the Greek economy in 2022 reached €2 billion (GDP) and supported 13,400 full-time jobs, highlighting their strategic role in both domestic and international markets. However, the companies face signi...

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