Greece: Staff Concluding Statement of the 2026 Article IV Consultation Mission

March 24, 2026

A Concluding Statement describes the preliminary findings of IMF staff at the end of an official staff visit (or 'mission'), in most cases to a member country. Missions are undertaken as part of regular (usually annual) consultations under Article IV (https://www.imf.org/external/pubs/ft/aa/index.htm) of the IMF's Articles of Agreement, in the context of a request to use IMF resources (borrow from the IMF), as part of discussions of staff monitored programs, or as part of other staff monitoring of economic developments.

The authorities have consented to the publication of this statement. The views expressed in this statement are those of the IMF staff and do not necessarily represent the views of the IMF's Executive Board. Based on the preliminary findings of this mission, staff will prepare a report that, subject to management approval, will be presented to the IMF Executive Board for discussion and decision.

Strong domestic demand and ongoing reforms in the context of Next Generation EU (NGEU) are sustaining robust growth, but the outlook is clouded by the conflict in the Middle East. Greece is well positioned to cope with external shocks as public sector balance sheets continue to strengthen—reflected in the rapid decline in the debt-to-GDP ratio—and fiscal policy is appropriately shifting toward supporting household purchasing power and housing affordability. The right policy mix centered on maintaining growth-friendly but prudent fiscal policy, bolstering financial system resilience, and accelerating reforms to address structural impediments—low overall investment, sluggish

productivity growth, and adverse demographic trends—would help preserve macro-financial stability and foster balanced and sustainable growth in the medium term.

Resilience Tested Amid Uncertainty

Robust growth continued in 2025, supported by strong domestic demand. Real GDP expanded by 2.1 percent (y/y), driven by accelerated implementation of NGEU-funded investment projects and buoyant private consumption. Tourism reached a new record, while the unemployment rate declined steadily to 8.3 percent in 2025Q4, close to its pre-Global Financial Crisis (GFC) low. Inflation remained persistent, with 3.1 percent (y/y) in February 2026, reflecting a positive output gap. The current account (CA) deficit narrowed to 5.7 percent of GDP in 2025, supported by improved terms of trade and lower interest payments, but remained large amid strong import demand.

Fiscal sustainability has strengthened further despite a large increase in public investment. Primary expenditure is estimated to have increased in 2025, reflecting higher public investment and targeted measures to mitigate lingering cost-of-living pressures. However, the primary surplus is estimated to have remained high at 4.4 percent of GDP, relative to 4.7 percent in 2024, as revenue was also boosted by strong economic activity and continued progress in combating tax evasion. Combined with the early repayment of the Greek Loan Facility loans to euro area countries, the public debt-to-GDP ratio is estimated to have declined by about 10 percentage points in 2025 to around 145 percent, down from its peak of about 210 percent in 2020.

Banks' balance sheets remain sound, while the credit cycle has turned amid easing financial conditions and continued NGEU fund disbursements. Credit to the private sector expanded by 5.3 percent (y/y) in January 2026, mainly driven by strong demand from non-financial corporations. Mortgage growth turned positive for the first time since the GFC supported by the subsidized loan program for first

home buyers (MyHome II) although the level of new credit remains relatively modest. Banks' asset quality has continued to improve, with the non-performing loan (NPL) ratio falling to record lows. Bank profitability has decreased slightly amid declining interest rates but remains above the EU average. The capital position is strong, and liquidity ratios remain well above regulatory requirements.

Growth is projected to moderate to 1.8 percent in 2026. Staff's baseline assumes oil and gas prices that are broadly consistent with future prices by mid-March 2026. Higher public investment and the recent fiscal package—including broad-based personal income tax (PIT) rate cuts—will support activity, but elevated energy prices and weaker external demand related to the conflict in the Middle East are expected to weigh on private consumption and tourism. Over the medium term, GDP growth is forecast to ease to 1½ percent against the backdrop of declining working age population with low labor force participation and sluggish productivity growth. Headline inflation will increase and the CA deficit will widen in the near term due to higher energy prices, before resuming a gradual downward trajectory.

Risks to the growth outlook are tilted to the downside. A protracted conflict in the Middle East, an escalation of geopolitical tensions, heightened uncertainty, trade fragmentation, and potential financial market disruptions could weigh on domestic and external demand and weaken capital flows. Delays in implementing NGEU-funded projects and structural reforms could risk the lapse of committed allocations, restraining investment and productivity. On the upside, stronger-than-expected effects of the recent fiscal package and structural reforms could improve growth prospects. Inflation risks remain skewed to the upside stemming from further increases in global commodity prices, wage growth outpacing productivity, and higher costs associated with adverse climate shocks.

Growth-Friendly But Prudent Fiscal Policy

Improving public sector balance sheets allows Greece to navigate global headwinds while supporting sustainable growth and further advancing debt reduction. The fiscal package—centered on broad-based PIT rate cuts, with additional reliefs for low- and middle-income families with children and for young workers—is welcome, as it helps reduce the still-high tax wedge amid persistently low labor force participation among women and youth. The primary surplus is projected to remain high at 3.8 percent of GDP in 2026, with revenue losses from the fiscal package partly offset by continued gains in revenue compliance. Under the baseline, over the medium term, the primary surplus is projected to remain robust at about 2¾ percent of GDP, with the public debt-to-GDP ratio expected to decline by another 35 percentage points to about 110 percent by 2031.

Any support to mitigate the impact of energy price shocks should be well targeted and temporary, while preserving price signals. Support should be channeled primarily through the social safety net to protect vulnerable households, leveraging Greece's advances in digitalization to expand coverage and ensure efficient delivery. Potential assistance to firms should be temporary, coordinated at the European level, limited to viable energy-intensive firms facing financial stress, and linked to actions to increase energy efficiency.

Fully utilizing available EU funds is essential to sustain public investment while safeguarding critical social spending. While the remaining NGEU funds are expected to be fully disbursed by end-2026 and support public investment, Greece's sizable investment gap relative to the euro area—still around 4 percent of GDP—underscores the importance of making full use of other available EU resources beyond the NGEU to maintain a sufficient level of public investment and catalyze private investment for capital deepening of the economy. Critical social spending on healthcare, education, housing, and non-pension social protection—currently well below EU averages—should be preserved and made more effective to support inclusive growth over the medium term. Any future pension increase should follow the

established indexation formula to preserve long-term sustainability, while excessive increases in public-sector wages should be avoided.

Advancing further fiscal structural reforms would enhance the effectiveness of fiscal policy and help create additional fiscal space to further support private sector balance sheet repair. Establishing a systematic, multi-year framework for evaluating tax expenditures would help identify and phase out regressive or ineffective measures. A transparent, rules-based mechanism to periodically adjust PIT brackets, credits, and thresholds would help prevent bracket creep and protect real household incomes. Streamlining and centralizing public procurement procedures, strengthening oversight, and expanding the use of e-procurement would enhance efficiency and support more efficient execution of public investment.

Bolstering Financial System Resilience

The Financial Sector Assessment Program (FSAP) finds that financial stability risks were low prior to the Middle East conflict and remain manageable. The banking system demonstrates resilience under stress tests that include a scenario of sharp growth slowdown with rising inflation. Banks' loan portfolio concentration warrants continued monitoring, as post-crisis deleveraging has increased banks' common exposures to a few large Greek firms. While large corporates have strong balance sheets and will likely be resilient, small- and medium-sized enterprises appear vulnerable, and households with low level of emergency saving could be at risk from real income shocks and tighter financing conditions.

The authorities should closely monitor these risks and vulnerabilities and be ready to adjust macroprudential policy.

- The Bank of Greece (BoG) has appropriately increased the countercyclical capital buffer (CCyB) to its positive neutral level of 0.5 percent, effective October 2026. The CCyB should be tightened

further if systemic risks rise and be released should financial conditions deteriorate sharply. Moreover, the BoG should continue to closely monitor large corporate exposure overlaps and consider introducing additional buffers to bolster resilience amid high profitability and robust cyclical position.

- The recent implementation of borrower-based measures (BBMs) is welcome. The new central credit registry should be fully leveraged to monitor credit risk. With greater synchronization between the credit and real estate price cycles, the BoG should stand ready to refine BBMs to ensure prudent lending standards and address potential leakages, if housing and credit pressure intensifies.

Despite commendable authorities' efforts, some legacy issues persist and partially cloud the outlook for the financial system. The pace of distressed debt resolution remains slow, particularly due to long delays in the legal process, adding to weak credit demand by affected households and low demand for new mortgages. The direct sovereign-bank nexus is moderate, but is heightened by contingent government liabilities on banks' balance sheets, including deferred tax credits (DTCs) and the state-guaranteed senior tranches from the NPL securitizations. Although the magnitudes of these risks are limited, under a severe shock, they could amplify negative market reactions.

The FSAP recommends codifying best practices and promoting a deeper and more diversified financial sector. While the authorities have established a strong supervisory framework for less systemically important banks and developed crisis-management expertise, targeted enhancements are warranted. The legal codification of an accelerated amortization of DTCs to a timing aligned with the voluntary prudential scheme would help improve banks' capital quality. Despite the improvements to the insolvency and creditor rights' regime, more streamlining and a stronger judiciary process are needed, alongside enhanced supervision of credit servicers. Additional supervisory resources should be allocated to deal with credit servicers and emerging risks such as cyber risk. Interagency cooperation in both

financial stability and crisis management should be strengthened and formalized. Arrangements for Emergency Liquidity Assistance need to be improved, and the deposit insurance fund increased and provided with the public backstop.

Lifting Supply Potential with Ambitious Structural Reforms

Ambitious structural reforms remain essential to sustainably support growth at a high level over the medium term and reduce the persistent CA deficit. Recent progress in addressing long-standing structural impediments, including reforms to the national cadastre and the judicial system, is welcome.

- *Fostering digital transformation in the private sector.* The national AI strategy provides a useful platform by offering shared infrastructure and fostering collaboration between businesses and academia. Expanding access to finance for innovative firms—including through venture capital and developing banks—would support digital investment.
- *Further reducing regulatory and administrative burdens*. Lowering such burdens would boost firms' growth and productivity by promoting business dynamism and competition. Priorities include upgrading spatial planning and licensing frameworks, simplifying entry and exit procedures, and modernizing trade processes through digitalization.
- *Raising labor force participation*. Enhancing work incentives by better integrating job-search requirements and phasing out selected unemployment benefit features during the eligibility period would support participation. Targeted labor market policies and lifelong learning programs, especially in high-demand sectors, would help address skill gaps.

Completing the EU single market would reinforce domestic reform efforts by further improving productivity and economic resilience. Setting a level playing field across the union would enable Greek firms

to expand beyond domestic markets. Advancing the Savings and Investment Union would lower financing costs and mobilize risk capital, complementing Greece's limited domestic savings. Greater labor mobility would help mitigate demographic pressures. Integration of energy markets would help Greece achieve energy security with lower energy price and volatility.

Housing policies aimed at mobilizing existing supply more effectively, complemented by well-calibrated demand measures, would help improve housing affordability.

- Residential real estate prices rose by 7.8 percent in 2025, reflecting stronger domestic demand, underutilized existing housing stock, and still-subdued new construction. Affordability pressures are exacerbated by supply-demand mismatches, including localized effects from home-sharing. High housing cost burden, amid an aging and energy-inefficient housing stock and low renovation rates, adds to household financial strain.
- Policy priority should focus on mobilizing the underutilized stock, including by scaling up means-tested renovation programs and introducing surtaxes on vacant properties, especially in high-pressure regions. Reducing risk premia for long-term rentals—through greater contractual flexibility, reduced time for dispute resolution, and rental guarantee schemes—would also support supply. More efforts to alleviate capacity constraints and improve productivity would help contain construction costs and boost housing supply. Efforts should also prioritize accelerating social rental housing plans.

In closing, the mission would like to thank the Greek authorities and other stakeholders for their kind hospitality and for the open and productive discussions.

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