Institute for Hellenic Growth and Prosperity

The Greek Economy: Current Trends, Future Challenges

INSTITUTE FOR HELLENIC GROWTH AND PROSPERITY

AMERICAN COLLEGE OF GREECE

6 Gravias Street GR-153 42 Aghia Paraskevi Athens, Greece

http://acg150.acg.edu

March 2026

This Report is produced by the Institute for Hellenic Growth and Prosperity with the collaboration of the ACG150 Centers of Excellence in Food, Tourism & Leisure, Shipping, Logistics & Energy, Sustainability and the Research, Technology and Innovation Network.

The Greek Economy: Current Trends, Future Challenges

Institute for Hellenic Growth and Prosperity

The American College of Greece

Executive Summary:

The present IHGP report is the third in a series (following previous reports, "The Greek economy: Looking back and charting the way forward" in 2023 and "The Greek economy: Current State and Perspectives" in the beginning of 2025). This report covers the latest economic and political developments between late 2024 and the beginning of 2026.

On 28 February 2026, the United States and Israel launched joint military strikes on Iran, with Iranian retaliatory strikes across the Gulf region. By that time this report had been substantially completed. A granular sectoral analysis of how the conflict reverberates across Greece's energy markets, inflationary dynamics, shipping industry, agrifood, banking, tourism economy, and defense commitments therefore falls outside the analytical scope of this report. The conflict nevertheless represents a material shift in the geopolitical conditions. Several preliminaries in detail discussion on these matters are presented in the Introduction and in the Conclusions section.

Global and Greek economic environment:

The global environment of early 2026 is best characterized as stabilized but structurally constrained. The acute shocks of the preceding years — pandemic, energy crisis, aggressive monetary tightening — have largely resolved. Yet their resolution has not restored the pre-2008 regime.

Trade fragmentation is the defining new development. Restrictive measures now outweigh liberalizing ones at a scale not seen since modern monitoring began, dwarfing even the 2017–19 US-China trade war. For Greece, direct goods exposure to the US is limited, but indirect effects cannot be diversified away.

Global growth has entered a lower regime and is unlikely to recover to pre-crisis rates. The eurozone — Greece's principal external environment — is the weakest major region. External demand will not rescue domestic weakness: reform momentum must generate what favorable conditions are once provided.

Inflation has returned to target in headline terms, but the last mile remains incomplete. Services prices have proven stubbornly resistant to stabilization, sustained by tight labor markets and wage

growth that continues to outpace productivity. The European Central Bank (ECB) has paused its easing cycle accordingly.
On sovereign debt, Greece enters 2026 as a protected outlier. Its exceptional official-sector debt structure insulates it from rollover pressures. Government bond spreads have compressed dramatically — Greece now trades level with Italy — but the structural supports have shifted.

The global context of early 2026 offers Greece a window and opportunity rather than a guarantee. The forces that will define the post-2026 environment — rising market debt issuance, fading recovery fund disbursements, a fragmenting trade system — are already in motion.

Summary of Principal Findings:

The IHGP studied the Current State of Affairs in various Greek economic sectors, considering the necessary transformations of the Greek economy towards full engagement with the Digital Revolution while strengthening traditional industry sectors. Its conclusions - in summary- are as follows:

- in Agrifood, the sector's export performance has been particularly resilient, especially based on processed food and beverage exports. On a global scale, agricultural prospects remain positive, driven by sustained demand for food and advances in technological innovation that promise increased efficiency. The sustainability of Greek agriculture relies on a targeted reconstruction strategy, focused on upgrading the productive base through investments; strengthening the human dimension via policies to renew the farming population; and economic diversification of farm operations with incentives for vertical integration, processing, agritourism, and participation in high-value markets.

- in Tourism, Greece's tourism sector holds immense potential for growth, building upon its record-breaking performance of 40.7 million inbound tourists in 2024 and travel receipts exceeding €21 billion. However, achieving this growth requires overcoming critical structural challenges that currently constrain revenue generation despite Greece's global appeal. By addressing these hurdles through infrastructure upgrades, streamlined bureaucratic processes, and enhanced specialized facilities while leveraging trends like increased online bookings and sustainable practices, Greece is well-positioned to strengthen its global standing as a premier year-round tourism destination that captures greater value from each visitor rather than merely increasing volume.

- in Agrifood tourism, the convergence of both sectors represents a transformative opportunity that remains significantly underdeveloped despite compelling fundamentals. Looking ahead, Greece's agrifood-tourism integration requires coordinated efforts to address supply chain inefficiencies that currently force tourism businesses to broaden their definition of "local" beyond immediate localities due to limited supply, inconsistent availability, and logistical complications. Success requires addressing current barriers (volume constraints, standardization challenges, delayed deliveries, and limited direct producer-establishment relationships) but the alignment of consumer trends, policy support, and Greece's inherent strengths positions agrifood-tourism integration as perhaps the most promising avenue for elevating both sectors simultaneously.

- in Shipping, Greece maintained its dominance in the global maritime sector controlling approximately 20% in deadweight tons of the world commercial fleet. Within the European Union,

the dominance is even more pronounced, with Greece controlling more than 61% of the EU fleet. Greece's leading position will continue in the coming years, as shipowners are accelerating fleet renewal efforts, reflected in a 23% y/y increase in the 2025 new shipbuilding orderbook.

- in Logistics and Transport, the sector continued to grow in 2025 aiming to establish Greece as a regional logistics hub. The growth is primarily led by extensive ongoing and upcoming investments for infrastructure development in all sectors including warehousing, storage, handling, as well as the rail, road and aviation networks. Greek Gross Domestic Product (GDP) and of Gross Value Added {GVA} are placing Greek logistics among the more substantial logistics economies in the EU-27 context.

- in Energy, Greece's energy landscape is shaped by climate policy imperatives driving the transition to renewable sources as well as emerging regional geopolitical roles. The 2021-2030 roadmap, as updated in 2025, phases out lignite use by 2028, and focuses on doubling renewable energy capacity to 20 GW, projecting a rapid increase in renewables' share in electricity to ~75% by 2030 and ~95.6% by 2035. The effort is further enhanced by the adoption of energy efficient technologies, and advanced energy flexibility such as use of energy storage, and interconnections

- in Banking, Greek banking during 2025 functioned as a lever for investment and productivity gains, in line with the economy's growth strategy as set out in Greece's National Recovery and Resilience Plan (NRRP). The Greek banking system showed improved fundamentals and rising loan demand, particularly on the corporate side.

- in Defense Policy, Greece's sustained defense spending reflects long-standing strategic realities rather than temporary geopolitical developments. Greece's defense posture strengthens its credibility within NATO and reinforces its role as a key security actor in the Eastern Mediterranean.

In addition, IHGP focused on the prospects to the strengthening certain sectors of the Greek economy that have a significant growth and enjoy comparative advantages and can upgrade Greece's position in international competition. Its conclusions - in summary- are as follows:

- in the Draghi report, the scope and breadth of the recommendations included in the Draghi report provide a strong foundation for the transformation of the European Union (EU) economy towards sustainable competitiveness. The Draghi report makes 383 distinct recommendations. As of January 2026, only 58 of these recommendations (15%) were fully implemented, while another 91 (24%) were partially implemented. The remaining 61% of the Draghi report's recommendations are either in progress or not implemented in any capacity. The implementation of these recommendations underscores the importance of ongoing monitoring of the implementation process in the coming years. The report has limited relevance to Greek economic growth. Due to the sectoral composition of the Greek economy, along with its idiosyncratic characteristics, the direct benefits from the implementation of the Draghi report are not as pronounced as in larger EU economies.

- in Student Debt, Human Capital, and Innovation, Greece's capacity to innovate remains central to its long-term competitiveness. Sustainable investment in human capital and skills enhances productivity growth. One neglected dimension of human-capital and skill investment lies in the financing of advanced education itself, especially in ICT and STEM-adjacent roles. The policy opportunity for Greece is to design a public income-contingent financing system that internalizes

three decades of international learning, while simultaneously adapting to Greek labor-market risk and to crisis-shaped debt salience.

- in Innovation Ecosystem developments, Greece in 2025 - among 69 countries - is ranked at place 46th vs 47th in 2024 according to the Global Competitiveness Ranking of the Swiss Institute for Management Development (IMD). Over the five-year period from 2021 to 2025, Greece's position has remained relatively stable, maintaining its place in the bottom twenty countries globally in terms of competitiveness.

- in Sustainability, the current performance of Greece in relation to the UN 17 Sustainable Development Goals (SDGs) for the period 2024 – 2025 has indicated that at OECD level, Greece ranks 27th in 180 countries while at EU level is rated 29th in 35 countries (E.U. Member States, candidate, EFTA and former EU countries) that have provided data for the European Index, and remains in the position in E.U. as in 2024 with a score of 65.4 in 100.

- in Research, Greece's Research and development (R&D) is becoming a more central component of Greece's economic growth model. Total gross domestic expenditure on R&D (GERD) reached approximately €3.66 billion in 2024 (provisional), corresponding to about 1.54% of GDP, signaling a gradual convergence with European innovation benchmarks. The private sector represents the dominant source of R&D spending: business R&D expenditure reached approximately €2.0 billion, accounting for about 54.8% of total GERD, indicating that industry—particularly SMEs and technology-oriented firms—has become a key driver of the national innovation ecosystem.

Contents

Introduction: Greece at the Crossroads: Economic Recovery Under the Shadow of War..... p. 9-12

Section I: Current State of Affairs..... pp. 13-92

1. Greece's Economic Performance in Global Context: The Global Economic Environment..... p. 14

Trade Fragmentation: The Defining Structural Development of 2025..... p. 15

Geopolitical Risks: A Learned Constraint..... p. 18

Growth: Stabilization in a Lower Regime..... p. 19

Inflation: From Shock to Normalization, With Persistent Services Pressure..... p. 21

Monetary Policy: From Emergency Tightening to Constrained Easing..... p. 23

Fiscal Policy and Sovereign Debt Dynamics..... p. 25

Synthesis: The Global Context as a Transmission Mechanism for Greece..... p. 27

2. Greece in 2025: Consolidation from a Lower Base..... p. 29

Growth: Convergence Within a Constrained Environment..... p. 30

Labor Market: Recovery with Structural Gaps..... p. 33

Inflation: Disinflation Achieved, Structural Stickiness Remains..... p. 35

Fiscal Policy: Surpluses Recycled, Discipline Maintained..... p. 37

Public Debt: World-Record Decline, Favorable Structure, Market Re-Exposure.. p. 39

Banking: From Crisis Repair to Credit Transmission..... p. 41

Robust corporate loan growth – Contraction in housing loans reaching an end. p. 42

External Sector: Tourism Record, Competitiveness Tensions..... p. 43

Investment and the RRF: Transformative Opportunity, August 2026..... p. 45

Synthesis: Did Greece Use the Window?..... p. 47

3. Greek Agrifood and Tourism Markets Overview (2024-2025)..... p. 49

Economic Contribution – Agrifood/Tourism..... p. 49

Key market segments – Agrifood/Tourism..... p. 51

Labor Force – Agrifood/Tourism..... p. 54

Agrifood Trade Dynamics and Tourism Accommodation – Agrifood/Tourism..... p. 56

Industry trends – Agrifood/Tourism/Agrotourism..... p. 58

Opportunities– Agrifood/Tourism/Agrotourism..... p. 60

Challenges– Agrifood/Tourism/Agrotourism..... p. 62

Future Outlook– Agrifood/Tourism/Agrotourism..... p. 63

4. The 2025 developments in Shipping, Logistics, Transport and Energy Sectors in Greece..... p. 71

The Greek Shipping..... p. 71

Logistics and Transport..... p. 72

Energy..... p. 74

5. Greek Banking Trends in 2025..... p. 82

Banks underpinning Greece's growth..... p. 82

Developments in Greek Banking..... p. 82

6. Defense Policy 2025: Europe's Strategic Reorientation..... p. 88

Section II: Perspectives..... pp. 93-122

7. The Draghi Report: An update..... p. 94

8. Student Debt, Human Capital, and Innovation in Greece..... p. 98

9. Greece Innovation Ecosystem Developments 2025..... p. 111

10. Sustainability at a Glance in Greece 2024-2025..... p. 115

11. Greece's Research Landscape in 2025..... p. 120

Section III: Conclusions..... pp. 123

Introduction:
Greece at the Crossroads: Economic Recovery Under the Shadow of War

A Remarkable Comeback Story

To understand where Greece stands today, one must appreciate how far it has come. Barely a decade ago, Greece was synonymous with sovereign debt crisis, enforced austerity, and economic despair. Today, the picture is almost unrecognizably different. As 2026 began, Greece was already set to confirm its status as a growth outperformer in the eurozone, driven by a domestic demand boom fed by a solid labor market, the Recovery and Resilience Plan's deadline, and an accommodative fiscal stance. This is not a minor achievement — it is the product of years of painful structural reform, fiscal discipline, and renewed investor confidence.

Greece's economy is projected to expand by 2.2% in 2026, driven by steady consumption and investments supported by EU funds. Crucially, this growth comes alongside a sharply improving fiscal position. The primary surplus is estimated to have remained high at 4.4% of GDP in 2025, as revenue was boosted by strong economic activity and continued progress in combating tax evasion. Combined with the early repayment of Greek Loan Facility loans to euro area countries, the public debt-to-GDP ratio declined by about 10 percentage points in 2025 to around 145%. That number — once above 200% of GDP at the height of the crisis — is now on a credible downward path.

The banking sector has also been rehabilitated. Financial stability risks were low prior to the Middle East conflict and remain manageable, with the banking system demonstrating resilience under stress tests that include scenarios of sharp growth slowdowns with rising inflation. Employment is recovering at a pace not seen in over a decade, wages are growing in real terms, and private deposits in the banking system have expanded steadily. Greek shares posted strong positive returns in 2025 and the first weeks of 2026, supported by robust economic growth and good prospects for the economy.

Perhaps most symbolically, MSCI has launched a public consultation on the potential reclassification of the Greek stock market from Emerging Markets to Developed Markets status, with a final decision expected by end of March 2026 and implementation likely in the August 2026 index review. Such a reclassification would signal to global capital markets that Greece has decisively exited its crisis-era status and rejoined the mainstream of European economies.

The Pillars Underpinning Growth

Three broad pillars have sustained Greece's recovery: tourism, EU-funded investment, and improving private consumption.

Tourism has been nothing short of extraordinary. Greece recorded a record-breaking 40 million arrivals in 2025, with travel receipts reaching €23.6 billion. Critically, the growth has been qualitative, not just quantitative — the country is extending its season into winter months and penetrating higher-value market segments. International arrivals at Greek airports recorded a 7.6% year-on-year increase in January 2026, while arrivals at Athens International Airport surged by 9.2% during the same month.

EU-funded investment has served as the backbone of the country's capital expenditure program. Greece has been a significant beneficiary of the Recovery and Resilience Facility (RRF), which has

channeled funds into infrastructure, green energy, and digital transformation. Investment activity is expected to remain robust in 2025 and 2026, supported by double-digit growth in corporate lending and the implementation of the RRP. However, this pillar carries an expiry date: concerns are growing among economists about the sustainability of GDP growth, particularly as Greece's use of RRF funds is set to conclude in August 2026, with warning signs of a slowdown already visible.

Private consumption has been buoyed by the labor market recovery. Further gains in employment and above-inflation wage growth are expected to support real disposable income and propel consumption. A package of fiscal measures — including income tax relief, public-sector salary increases, and pension adjustments — has further reinforced household spending capacity.

The Persistent Shadows

Despite the headline optimism, structural vulnerabilities have not disappeared. Greek incomes remain 14.8% below their 2010 levels, despite wage increases in recent years. Greece stands at 69% of the EU average in per capita GDP adjusted for purchasing power, among the lowest in the bloc, trailing only Bulgaria and Latvia. Fifteen years after the debt crisis erupted, Greece and Italy are the only affected countries that have not fully recovered 2009 income levels.

Inflation, though easing, remains a daily burden. Food and housing costs continue to squeeze household budgets, and the cumulative price increases of the past four years have permanently eroded purchasing power for large segments of the population. Residential real estate prices rose by 7.8% in 2025, reflecting stronger domestic demand, underutilized existing housing stock, and still-subdued new construction — a boon for property owners but a growing crisis for renters and first-time buyers.

Demographic decline and water scarcity are also structural challenges that no fiscal surplus can easily resolve. Greece's population is ageing and shrinking, its southern islands are increasingly stressed by both tourism and climate change, and the participation rate of women in the workforce remains below European norms.

The Middle East Conflict: A New and Serious Variable

Just as Greece appeared set for another year of outperformance, the eruption of large-scale conflict in the Middle East — initiated on February 28, 2026, when joint US-Israeli strikes targeted Iran — introduced a profound new layer of uncertainty. The conflict has affected Greece along three distinct fault lines: energy, shipping, and tourism.

Energy and Inflation. Greece, like the rest of Europe, is acutely exposed to energy price volatility. Brent crude oil prices surged past $120 a barrel as the conflict deepened, and the Strait of Hormuz — through which approximately 20% of world oil transits — became functionally impaired. The conflict coincided with historically low European gas storage levels — estimated at just 30% capacity following a harsh 2025-2026 winter — causing Dutch TTF gas benchmarks to nearly double to over €60/MWh by mid-March. For Greece, which has made great strides in renewable energy but still depends significantly on imported fossil fuels, this translates directly into higher production costs, renewed inflationary pressure, and potential erosion of the real income gains that have been sustaining consumer spending.

Shipping. Greece owns one of the world's largest commercial fleets, making it uniquely exposed to disruptions in global maritime trade. Greece's Maritime Ministry issued an urgent advisory urging all Greek-flagged vessels to exercise maximum vigilance and avoid critical shipping routes including the

Persian Gulf, Strait of Hormuz, Gulf of Oman, and North Arabian Sea. The human dimension was equally significant: hundreds of Greek and foreign seafarers stranded in the wider Middle East region. Beyond the immediate safety crisis, the longer-term economic impact on Greek shipowners — through higher war-risk insurance premiums, rerouting costs, and suspended Gulf operations — threatens a significant revenue stream. Dry bulk freight rates had already fallen 11.3% year-on-year and tanker rates dropped 7.3% year-on-year in the months prior, and renewed disruption will only compound these pressures.

Agrifood: The sector faces headwinds from multiple directions simultaneously. Climate stress has disrupted olive harvests, and the logistical fabric underpinning agrifood exports - freight rates, insurance costs, and access to Gulf markets - has been materially disrupted by the Middle East conflict. The closure of the Strait of Hormuz triggered a grocery supply emergency across Gulf Cooperation Council states, which relies on the strait for over 80% of their caloric intake, with food imports severely disrupted and consumer prices spiking sharply. For Greek exporters who had developed market presence in the Gulf region, this represents a sudden and acute contraction in a previously high-growth destination.

Banking: The Middle East conflict has nonetheless left a visible mark on market sentiment. The Athens stock market shed approximately €10 billion in capitalization in the opening weeks of the conflict, with the banking index falling 8.35% since the start of military operations, effectively wiping out the market's gains for 2026. The IMF has flagged residual vulnerabilities that merit monitoring: banks' loan portfolio concentration warrants continued scrutiny, as post-crisis deleveraging has increased common exposures to a few large Greek firms, while small and medium-sized enterprises appear vulnerable, and households with low emergency savings could be at risk from real income shocks and tighter financing conditions. The broader geopolitical environment reinforces this caution.

Tourism: Opportunity and Risk. The impact on Greek tourism is double-edged and perhaps the most debated aspect of the conflict's consequences. On one hand, Greece has unexpectedly emerged as a primary beneficiary of shifting tourism flows across the Eastern Mediterranean, with tourism inquiries increasing 34% month-over-month in early March 2026 as travelers redirected away from Turkey, Iran, Israel, and the wider Gulf region. The Greek tourism minister confirmed that 2026 had already started as an exceptional year for Greek tourism, with data from January and February showing a very large increase compared to 2025, which was itself a record year.

Yet the risks are real and should not be minimized. Since the outbreak of coordinated strikes in late February, Brent crude prices surged past $90 per barrel, forcing many airlines to reintroduce fuel surcharges and significantly inflate ticket costs. Airspace closures over Iran, Iraq, and Jordan have forced carriers to reroute flights between Asia and Europe, adding hours to journey times and increasing operational expenses. This matters enormously for Greece, which depends on long-haul arrivals from North America and Asia for premium revenue. Furthermore, Greece hosts critical NATO and US naval assets, including at Souda Bay in Crete, which could make the country a potential target for the Axis of Resistance, and the perception that the Eastern Mediterranean is an "unstable" zone could harm the tourism industry even if Greece itself remains physically safe.

A subtler shift in traveler behavior is also underway. Tourists are no longer booking months in advance; instead, they are opting for last-minute deals that allow for greater flexibility, choosing shorter 4-to-5-day stays rather than traditional two-week vacations, and reducing per capita spending as more of their budget is absorbed by higher airfares. This pattern, if it persists, would compress profit margins for Greek hospitality businesses even as headline arrival numbers remain robust.

Geopolitical Exposure and the Defense Dimension

The conflict has also resurfaced the uncomfortable reality of Greece's strategic geography. As a NATO member bordering an increasingly volatile region, Greece has found itself drawn into the orbit of a conflict it has explicitly stated it is not participating in. The government's careful diplomatic positioning — maintaining communication with all parties while fulfilling alliance obligations — reflects a balancing act that has economic dimensions. Higher defense spending, already budgeted to rise to 2.6% of GDP in 2026, will continue to compete with social and investment expenditure.

The Outlook: Resilient, but Not Invulnerable

The IMF's 2026 Article IV consultation acknowledged that Greece is "well positioned to cope with external shocks" as public finances continue to improve but warned that the outlook is clouded by the conflict in the Middle East, pointing to risks for both external demand and tourism flows, and moderating its growth forecast for 2026 to 1.8%.

Greece's growth outlook for 2026 is credible, but far from guaranteed — the positive projections rely on EU funds, tourism, and the absence of major external shocks, and the benefits are fragile, easily shaken by external turbulence or the premature fading of EU-funded support.

This assessment captures the essential paradox of the Greek economic moment. The country has achieved something genuinely impressive: rebuilding credibility, restoring growth, and re-entering the European mainstream after a decade of crisis. Its fundamentals — fiscal discipline, declining debt, a recovering labor market, and booming tourism — are real and hard-won. But Greece remains, as it has always been, a small open economy at the edge of Europe's most volatile neighborhood. Its exposure to energy prices, maritime disruption, and the fragile psychology of international tourism means that what happens far beyond its borders can still determine whether the promise of recovery translates into lasting prosperity for ordinary Greek families.

The recovery is real. Whether it proves durable will depend, in no small part, on forces that lie well beyond Athens's control. The Middle East conflict is a stark reminder that in an interconnected world, no recovery is an island — not even one surrounded by the Aegean Sea.

Section I: Current State of Affairs

1. Greece's Economic Performance in Global Context:
The Global Economic Environment

Greece is a country of some 6,000 islands, but it is not an island in economic terms. Its macroeconomic performance is closely intertwined with global developments through trade and financial channels — and as a small open economy within the euro area, Greece is particularly exposed to changes in global demand, prices, and financing conditions. Yet the relationship is not one-directional: domestic structures and policy choices determine whether external impulses are amplified or dampened, and strong domestic fundamentals can at times insulate the economy from adverse global conditions just as weak ones can turn a favorable external environment into a missed opportunity.

This section examines the global economic environment in which Greece has operated since the pandemic, with a focus on 2025 onward — the inflation shock and its resolution, the monetary tightening and easing cycle, and the escalation in trade policy uncertainty that has reshaped the external landscape. In doing so, it attends to the structures that shape transmission: EU and eurozone membership, the legacy fiscal constraints of the sovereign debt crisis, and the features of Greece's trade and financial integration that determine which external shocks matter most and how forcefully they arrive.

The global environment entering 2026 can be characterized as stabilized but structurally constrained. Growth has settled at modest levels — neither collapsing into recession nor accelerating into expansion — reflecting diminished productivity capacity rather than cyclical weakness. Inflation has normalized in headline terms but remains sticky in services, constraining how far central banks can ease and limiting the relief available to borrowers and governments. Energy prices have retreated from crisis peaks, but trade policy has emerged as a new source of disruption, with tariff escalation in 2025 representing a regime shift rather than a temporary shock. For peripheral eurozone economies like Greece, the environment offers neither strong tailwinds nor acute crises — instead, it presents a landscape where domestic reform momentum determines outcomes within constraints set by modest external growth, limited monetary accommodation, and rising structural uncertainty in trade.

Global developments reach Greece through two broad channels: trade and finance. On the trade side, tourism receipts, goods exports, and shipping revenues all link Greek output to global demand, while energy dependence means commodity price movements transmit directly into domestic inflation. The shipping channel carries a particular asymmetry: Greek-owned vessels carry approximately 21% of global seaborne trade by tonnage, so earnings depend not only on aggregate trade volumes but on routes, distances, and freight rates. Supply chain restructuring — "friendshoring" and rerouting to bypass geopolitical barriers — shifts trade compositions in ways that aggregate volume data do not capture; voyage distances and port utilization matter as much as total cargo weight for Greek maritime earnings.

The financial channel operates with different mechanics. Sovereign debt markets and the banking sector are the primary conduits. High domestic deposit funding with a loan-to-deposit ratio near 62% insulates domestic credit supply from immediate ECB rate volatility. But this stability coexists with an asymmetry created by deeper integration into the European banking union. Cross-border partnerships such as UniCredit's stake in Alpha Bank reaching 29.8% by early 2026 and regulatory requirements to maintain loss-absorbing capacity through subordinated debt issued to international markets mean that while credit supply is protected, the cost of maintaining that regulatory buffer

remains tightly linked to global financial conditions and Greece's sovereign rating. When risk appetite tightens globally, it is the cost of funding, not its availability, that Greece feels first.

The strength of these transmission channels is fundamentally shaped by Greece's institutional position within the EU and the eurozone. EU membership provides frictionless access to the world's largest single market through the customs union and preferential terms through forty-four trade agreements — but it cedes exclusive trade policy competence to Brussels. When the United States levies tariffs on European goods, Greece neither negotiates nor retaliates independently; it is subject to the common EU response, with the interests of larger industrial economies setting the parameters.

Eurozone membership eliminates exchange rate risk within the currency area, reducing competitive volatility — but it removes the exchange rate as an adjustment mechanism. When Greek costs rise faster than those of trading partners, the correction must come through wages and productivity rather than depreciation. The 2022 energy shock illustrated the constraint: it could not be absorbed through nominal exchange rate adjustment but required internal devaluation through wage moderation, a slower and politically more costly path.

Beyond trade and exchange rate dynamics, eurozone membership imposes two further institutional constraints on how Greece responds to external shocks. Monetary policy is set for the eurozone as a whole; ECB decisions transmit to Greece through sovereign spreads, bank funding costs, and portfolio flows, with the Transmission Protection Instrument providing conditional but not automatic protection. Fiscal policy operates under the Stability and Growth Pact and post-program enhanced surveillance, where high legacy debt amplifies the constraint asymmetrically: risk-off episodes widen Greek spreads disproportionately, tightening fiscal space precisely when counter-cyclical support is most needed. Fiscal policy faces greater institutional flexibility on tightening than on discretionary easing — a structural asymmetry embedded in Greece's institutional architecture.

With these transmission channels and institutional constraints in mind, what follows examines the empirical record: how global growth, inflation, energy prices, monetary policy, and trade fragmentation have evolved since 2019 — and what each has meant for a small open eurozone economy in Greece's position.

Trade Fragmentation: The Defining Structural Development of 2025

If monetary policy was the dominant cyclical driver of the external environment in recent years, trade policy has become its defining structural development — and the one whose consequences will most durably reshape the environment in which Greece operates. Unlike the pandemic, the energy shock, or the inflation surge, which were acute but ultimately temporary, trade fragmentation represents a regime shift. The question is not whether globalization is retreating, but how fast and along which dimensions.

The escalation was sharp and deliberate. As Figure 1.1 shows, the cumulative stock of import-restrictive measures still in force has reached nearly a fifth of world imports by 2025 — up from under 10% just two years earlier and representing the largest single-year increase on record.

The centerpiece was the United States' Liberation Day tariff initiative, implemented in two tranches in April and August 2025: a universal baseline tariff of 10% on imports from most trading partners, with substantially higher rates on specific sectors and countries — tariffs on Chinese goods reaching 60–145% in many categories, alongside targeted levies on European automobiles, steel, aluminum, and pharmaceuticals. The European Union responded with coordinated countermeasures in the

August 2025 framework agreement, implementing a 15% baseline retaliatory tariff with sector-specific carve-outs. As a member of the EU customs union, Greece participates through this collective framework rather than conducting bilateral negotiations.

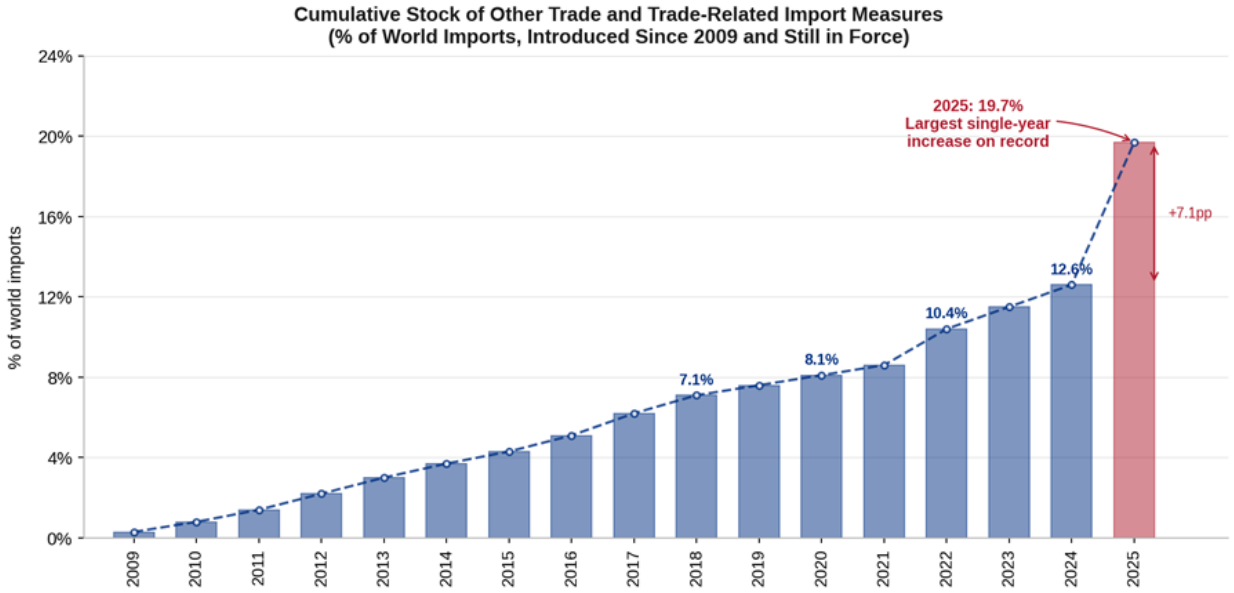


Figure 1.1: Nearly a Fifth of World Imports Now Covered by Measures Introduced Since 2009 — The Largest Single-Year Jump on Record in 2025

Sources: WTO Annual Overviews of Developments in the International Trading Environment (WT/TPR/OV series, 2009–2025); WTO Trade Monitoring Update (July 2025); WTO Annual Overview (December 2025). Cumulative stock of import-restrictive measures still in force as % of world merchandise imports.

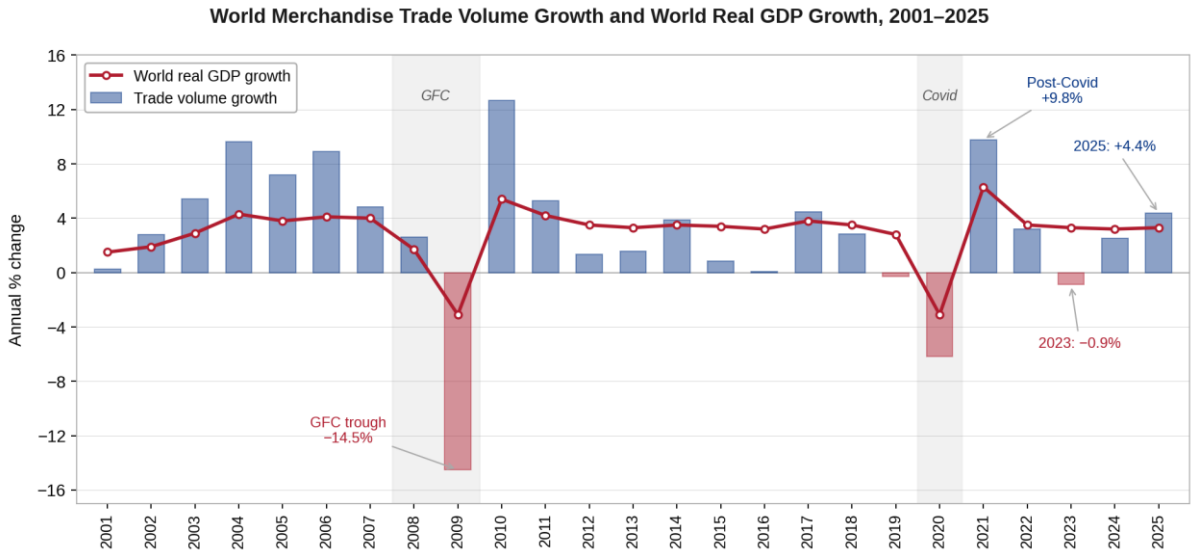


Figure 1.2: Front-Loading Flatters 2025 Trade Volume; Underlying Deceleration Signals the Real Trend

Sources: CPB World Trade Monitor (December 2025 release); IMF World Economic Outlook (October 2025). World merchandise trade volume and world real GDP, year-on-year % change.

The immediate response featured significant front-loading. US imports surged well above their 2024 monthly average in early 2025 as firms pre-positioned inventories ahead of implementation. Figure 1.2 captures the result: CPB World Trade Monitor data show world merchandise trade growing 4.4%

in 2025 on an annual average basis — well above the WTO's October 2025 forecast of 2.4%. Yet the monthly pattern is revealing. Trade volumes peaked early in the year and softened in the second quarter as front-loading reversed. The strength of the annual figure therefore masks underlying deceleration. The WTO's October 2025 forecast put 2026 trade volume growth at just 0.5%; the IMF's January 2026 WEO Update revised this to 2.6%, partly reflecting the November 2025 US–China trade truce, but both projections signal a sharp deceleration from 2025 front-loading.

This fragility is underscored by a strategic duality in global trade policy. While the escalation in import-related restrictive measures is unprecedented, governments have been targeted rather than indiscriminate. New restrictions are concentrated in high-technology sectors — semiconductors, AI-related hardware, critical minerals, and advanced manufacturing — where trade is increasingly treated as a national security domain. By contrast, necessity-driven liberalization continues in food, energy, and raw materials to contain domestic inflation and protect essential supply chains. The result is a bifurcated landscape: a security economy that is fragmenting and a subsistence economy that remains pragmatically open.

Figure 1.3 illustrates this duality clearly. The ratio of restrictive to facilitating measures — calculated from WTO trade coverage data — exceeded parity during the 2017–18 US–China trade war and briefly in earlier years. What distinguishes 2024–25 is scale. Restrictive measures exceed facilitating ones by a wide margin, and both stand at historically elevated levels. This is the first episode in the monitoring era in which the brake dominates the accelerator at such magnitude outside a crisis.

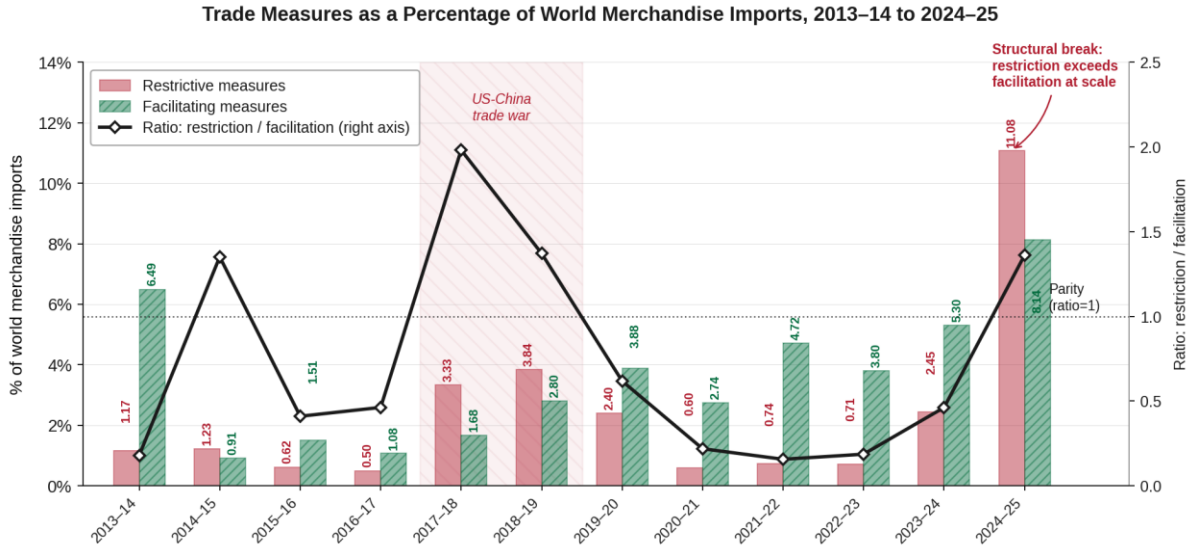


Figure 1.3: Both Restrictive and Facilitating Measures Hit a Scale Not Seen Since WTO Monitoring Began

Sources: WTO Trade Monitoring Database (TMDB); 32nd WTO Report on G20 Trade Measures (November 2025); WTO 15th Report on G20 Trade Measures (2015). Non-cumulative annual flows as % of world merchandise imports.

The distinction between the 2020–2022 disruption and the 2025 episode is critical. The earlier shock was supply-driven and involuntary: logistics networks were overwhelmed, inputs became unavailable, freight costs surged, and inflation followed. The current episode is policy-driven and anticipated. Firms respond through diversification, rerouting, and selective reshoring rather than experiencing outright shortages. Freight costs have remained close to pre-pandemic norms because supply chains have already been partially restructured. The adjustment is strategic rather than chaotic.

The resilience of aggregate trade volumes masks substantial shifts in trade routes and sourcing patterns. "Friendshoring" the reorganization of supply chains toward geopolitically aligned partners — has lengthened average voyage distances for many goods, increased transshipment complexity, and altered port utilization patterns. For Greek shipping, these structural adjustments are economically significant: longer routes generate additional ton-miles, partially sustaining maritime earnings even when aggregate trade volumes stagnate. In this environment, the geography of trade flows can matter as much as their aggregate value.

The macroeconomic cost operates less through abrupt contraction than through gradual erosion. Tariffs and related restrictions raise input costs, redirect investment, and weaken allocative efficiency over time. The effects accumulate through postponed capital expenditure, duplicated supply chains, and reduced scale economies. Unlike the pandemic shock, which reversed once constraints eased, policy-induced reconfiguration becomes embedded in long-lived investment decisions.

The forward-looking risk is asymmetric. In the baseline, elevated but stabilized restrictions coexist with functioning trade flows. But further escalation — particularly in intermediate goods or technology segments with deep value-chain linkages — could be transmitted more forcefully than current volumes suggest. The expansion of export controls, financial screening, and regulatory divergence across blocks poses a deeper challenge than tariffs alone. Once firms internalize geopolitical risk into capital allocation decisions, segmentation of production networks becomes slow to unwind. The concern is not immediate collapse, but the entrenchment of a persistently lower-growth global equilibrium.

Geopolitical Risks: A Learned Constraint

Any assessment of the global environment must acknowledge geopolitical risk, though 2025 presents a picture of "learned constraint" rather than acute crisis. The major conflict situations that have defined the threat environment since 2022 have neither resolved nor escalated to their worst-case scenarios. Markets and supply chains have partially adapted. The risk premium has not disappeared, but it has been partially internalized.

Russia's war in Ukraine continues, but energy markets have largely adapted. European gas storage has been rebuilt and LNG import infrastructure developed at pace; prices have not returned to the extremes of 2022 despite the conflict's persistence. As Figure 1.4 shows, TTF gas prices have stabilized well below their 2022 peak and Brent crude has settled within pre-crisis ranges.

The Middle East presents a more dynamic profile. Houthi attacks on Red Sea shipping routes have forced significant diversion of container traffic around the Cape of Good Hope, adding 10–14 days to Asia–Europe voyages and raising freight rates materially. For Greek-owned bulk carriers and tankers, this rerouting has generated additional ton-miles and supported freight earnings — an asymmetric transmission through the shipping channel that partially insulates Greece from the negative aspects of Middle East instability while creating earnings support that aggregate trade volume data do not capture.

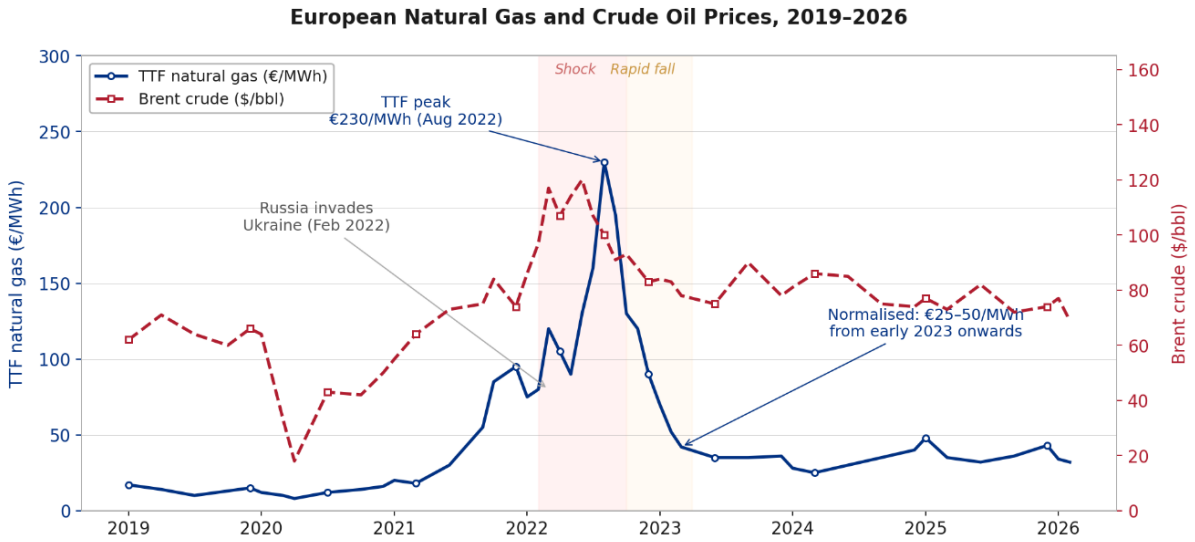


Figure 1.4: Energy Markets Have Adapted: TTF Gas and Brent Crude Stabilize Well Below 2022 Crisis Peaks

Sources: ICE Endex TTF Natural Gas front-month futures (€/MWh, monthly); U.S. Energy Information Administration, Brent crude spot price (USD/bbl., monthly).

The Taiwan scenario remains the tail risk of most systemic concern — not because of current probability but because of potential magnitude, given the island's continuing dominance in advanced semiconductor production. Partial diversification of supply chains has begun, with new fabrication capacity coming online in the US, Japan, and Europe — but production concentration remains high enough that a Taiwan disruption would simultaneously affect all technology-dependent transmission channels. Markets are not pricing this acutely, but it represents the scenario in which the learned-constraint framing would break down entirely.

Geopolitical risk in 2025 therefore operates as a background tax rather than an acute driver: it raises the cost of uncertainty, shortens investment horizons, and compresses risk appetite at the margin — without triggering the kind of acute dislocation that would dominate all other factors. For Greece, the practical implications are that the shipping earnings uplift from rerouting partially offsets the demand drag from European industrial weakness, while the general elevation of risk premia keeps sovereign spreads wider than they would otherwise be, even as headline numbers remain historically compressed.

Growth: Stabilization in a Lower Regime

By early 2026, the global economy moved from post-pandemic volatility to a phase of moderate stabilization. According to the IMF's January 2026 World Economic Outlook Update, world output grew by 3.3% in 2025 and is projected to expand by 3.3% again in 2026, before easing slightly in 2027. The feared recession following the 2022–23 tightening cycle did not materialize. Instead, global growth has stabilized at a rate below the pre-financial-crisis globalization era, but above crisis thresholds.

Advanced economies are estimated to have grown by 1.7% in 2025, with growth projected to improve modestly to 1.8% in 2026. Within this group, divergence remains pronounced. The United States expanded by 2.1% in 2025 and is projected to accelerate to 2.4% in 2026, supported by stronger-than-expected Q3 2025 momentum, a rebound following the end of the federal government shutdown, and technology-related investment that added approximately 0.3 percentage points to

average annualized growth across the first three quarters of 2025. The euro area, by contrast, grew by 1.3% in 2025 (IMF WEO Update, January 2026) but is expected to moderate to 1.3% in 2026, reflecting weaker industrial activity and constrained fiscal space across several member states.

Emerging markets and developing economies continue to outpace advanced economies, expanding by 4.4% in 2025 and projected to grow by 4.2% in 2026. Within this group, China grew by 5.0% in 2025, with growth projected to slow to 4.5% in 2026 as property-sector adjustment continues and export-oriented policy support offsets weaker domestic demand. India remains a standout, with growth of 7.3% in 2025 and a projected 6.4% in 2026, reinforcing Asia's role as the primary engine of global expansion.

The divergence between the United States and the euro area reflects more than cyclical variation. Underlying productivity dynamics continue to favor the US economy. OECD data show labor productivity growth of roughly 1.6% in the United States in 2023, compared with a contraction of approximately 0.9% in the euro area. Preliminary evidence for 2024–25 suggests modest US productivity acceleration, with some attribution to early AI diffusion in capital-intensive sectors, while euro area productivity growth has remained subdued. Differences in sectoral composition, capital deepening, and energy exposure reinforce this structural gap.

Figure 1.5 situates the current configuration within the broader arc of recent shocks. The pandemic collapse of 2020 and the rebound of 2021 were exceptional. Since then, growth has converged toward a more restrained equilibrium. The absence of recession reflects labor market resilience and private balance-sheet strength; the absence of re-acceleration reflects tighter financial conditions and the gradual efficiency costs associated with rising policy fragmentation.

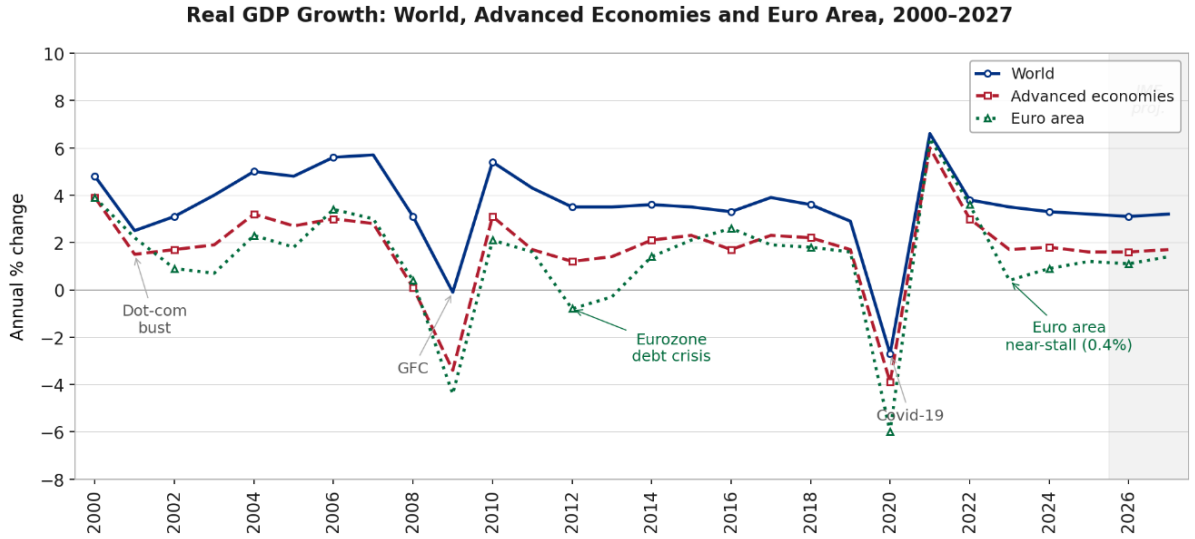


Figure 1.5: Real GDP Growth: World, Advanced Economies and Euro Area, 2000–2027

Sources: IMF World Economic Outlook (October 2025); IMF WEO Update (January 2026). 2026–2027 are IMF staff projections. Historical 2000–2018 from IMF WEO Statistical Appendix.

For Greece, this configuration is consequential. The euro area remains the principal destination for Greek exports and tourism flows. Euro area growth of 1.3–1.4% therefore implies limited external demand impulse. Emerging-market dynamism and the restructuring of global trade corridors support shipping activity, but they do not substitute for stronger European expansion. In a world of moderate global growth and persistent regional divergence, Greece's performance depends increasingly on domestic investment execution and reform credibility rather than cyclical external tailwinds.

The global growth outlook entering 2026 can therefore be characterized as stable but structurally constrained: solid enough to avoid crisis, but insufficient to generate powerful external momentum. For small open economies within the eurozone, the implication is direct: external demand will not do the work that domestic reform must.

Inflation: From Shock to Normalization, With Persistent Services Pressure

The post-pandemic inflation episode was global in origin but produced starkly different trajectories across advanced and emerging economies. For Greece, the dynamics matter directly: eurozone inflation determines ECB policy decisions that shape Greek financing costs, sovereign spreads, and domestic credit conditions — making the disinflation path not a background condition but a primary structural input.

Inflation pressures emerged as early as 2021 as supply chains struggled to meet rebounding demand, but Russia's invasion of Ukraine in February 2022 delivered the decisive shock: energy prices spiked to levels not seen since the early 1980s, producing the most severe inflation episode since that period. Eurozone headline HICP peaked at 10.6% in October 2022; US CPI peaked at 9.1% in June 2022.

The episode was fundamentally a relative price shock — first in goods and energy — that risked becoming a generalized inflation regime shift. The central question for policymakers was whether second-round effects through wages and expectations would transform an external supply shock into persistent demand-driven inflation. The fact that long-term expectations remained broadly anchored prevented such a regime shift, but partial propagation into labor-cost channels has proved more persistent than initially anticipated.

Energy drove both the spike and the subsequent disinflation. TTF natural gas, which peaked at €230/MWh in August 2022, retreated sharply toward pre-war ranges (~€35–42/MWh) by early 2023, though volatility persisted. Brent crude similarly returned to the $75–85/bbl. range by mid-2023. As energy prices normalized through 2023, headline inflation followed across advanced economies. By December 2025, eurozone HICP stood at 1.9%; the January 2026 flash estimate registered 1.7%. US CPI reached 2.7% by late 2025 — broadly within range of central bank targets.

The crisis affected both advanced and emerging economies, but subsequent paths diverged. Many emerging market central banks, scarred by historical inflation volatility, tightened earlier and more aggressively than their advanced economy counterparts — Brazil, Mexico, and several central European economies began tightening in mid-2021, well ahead of the Fed or ECB. This front-loaded response delivered faster disinflation in several EMs, allowing earlier easing cycles. The asymmetry was not uniform: commodity-exporting emerging economies benefited from the 2022 price spike through improved terms of trade and fiscal revenues, while commodity-importing EMs — particularly in South and Southeast Asia — faced severe import cost pressures that squeezed real incomes and complicated policy tightening. For Greece, this divergence matters indirectly: faster EM disinflation eased global goods price pressures, while EM growth resilience supported shipping demand and partially offset weak eurozone trade volumes.

Yet services' inflation tells a different story, as shown in Figure 1.6. While headline inflation declined to 1.7% in January 2026 and core inflation fell to 2.2% — a four-year low — services inflation only eased to 3.2%, marking the first reading below 3.5% since early 2024 after maintaining a stubborn 3.9–4.1% range throughout most of 2025. Food inflation also showed persistence, standing at 2.7%

in January 2026, partly reflecting agricultural supply disruptions linked to extreme weather events across Europe in 2025.

The distinction between headline disinflation and services persistence reflects differing mechanisms. The initial disinflation from double digits was largely mechanical, driven by the reversal of energy and goods price shocks. The final convergence toward 2% depends on moderating wage growth in tight labor markets — a process that requires sustained below-trend demand growth and therefore carries higher potential output costs. This "last mile" problem — the move from 3% to 2% — is structurally more complex than the move from 10% to 3%.

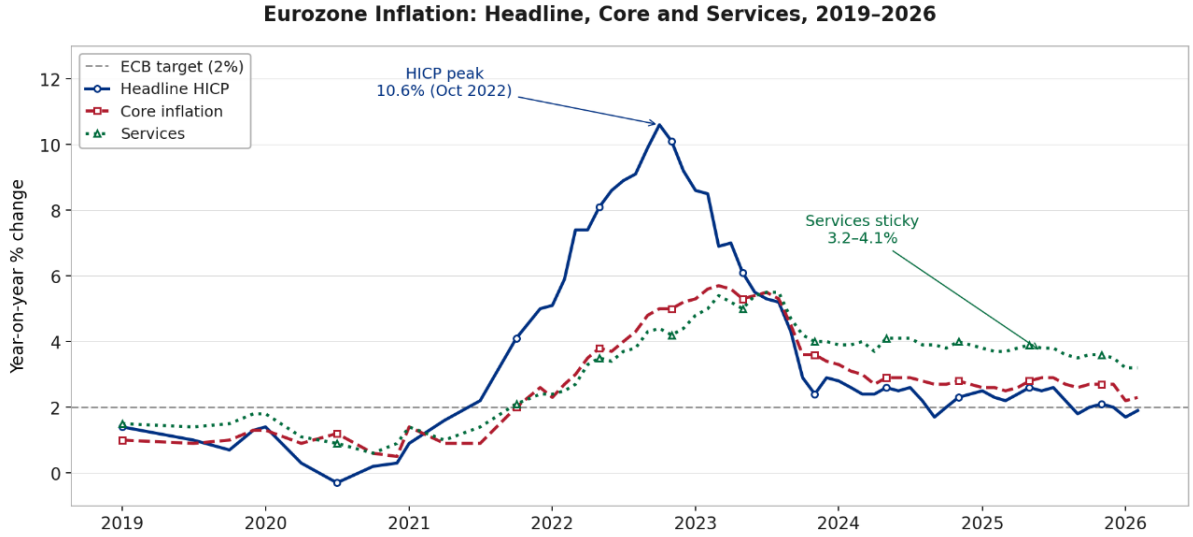


Figure 1.6: Eurozone Services Inflation Remains Sticky at 3.2% as Headline Reaches Target — The Last Mile Problem

Sources: Eurostat HICP (through February 2026); ECB Statistical Data Warehouse. Year-on-year % change, monthly. ECB 2% target shown as reference line.

Tight labor markets explain much of the persistence. Eurozone unemployment hovered at 6.0–6.5% through 2025, ending December at 6.3% — the lowest sustained rate since the euro's introduction — while US unemployment remained near 4%. Eurozone compensation per employee rose to 4.0% annually in late 2025, "more than expected... due to payments over and above negotiated wages," according to the ECB's December 2025 assessment. Wage growth is projected to stabilize somewhat below 3% by end-2026, but the pass-through into services prices remains ongoing.

Underlying this dynamic is the anchoring of inflation expectations — the central test of central bank credibility. Market-based measures (including medium-term inflation swaps) and professional forecaster surveys remained close to target throughout the 2021–23 surge. The ECB's Survey of Professional Forecasters showed five-year-ahead expectations hovering near 2.5% even at the peak of the crisis, never detaching in the manner of the 1970s. Household short-term expectations, however, rose sharply during the energy shock and adjusted downward only gradually — a divergence that matters because wage bargaining and price-setting behavior respond more to experienced inflation than to financial-market expectations. For Greece specifically, the Bank of Greece Inflation Monitor (February 2026) provides a striking illustration of this divergence: Greek firms' median one-year-ahead inflation expectations stood at 2.9% in Q4 2025 — well-anchored and only modestly above the euro area's 2.6% — while Greek consumers' median one-year-ahead expectations reached 7.7% in December 2025, nearly five percentage points above actual inflation and far above the euro area consumer median of 2.8%. This wedge between firm and household expectations is analytically important: firms set prices and negotiate wages using broadly anchored

expectations, limiting second-round effects, while the elevated household figure reflects lived experience of above-target inflation and may sustain real wage demands beyond what productivity gains can absorb.

The anchoring of medium-term expectations allowed aggressive tightening to proceed without triggering a broad global recession. However, the persistence of services inflation in 2025 introduced a subtler concern: not outright de-anchoring, but the risk that expectations settle modestly above 2%. The BIS Annual Economic Report 2025 warned that inflation psychology — the tendency of firms and workers to incorporate recent inflation experience into pricing and wage decisions — could entrench a new equilibrium slightly above target even as headline inflation normalizes.

Trade fragmentation introduces an additional asymmetry into the inflation outlook. While energy shocks have reversed, tariffs operate as a persistent cost wedge on traded goods. Should fragmentation deepen, goods disinflation could stall, complicating the final convergence toward target. Unlike the energy shock, tariff-induced price pressures would not mechanically unwind.

For Greece, persistent eurozone services inflation carries direct implications beyond domestic purchasing power. As a euro area member without an independent monetary policy, Greece inherits the ECB's reaction function. Persistent inflation above target constrains the pace at which the ECB can ease policy, thereby prolonging the higher-rate environment that shapes sovereign spreads and bank funding costs. This linkage reinforces the importance of maintaining reform credibility and fiscal discipline during a period when monetary accommodation remains limited.

Monetary Policy: From Emergency Tightening to Constrained Easing

The 2022–2023 tightening cycle was among the sharpest in four decades in advanced economies, and its legacy continues to shape the monetary environment. The pandemic had brought rates to effective lower bounds across major central banks; the inflation shock forced an abrupt reversal. The Federal Reserve raised rates from near-zero in March 2022 to 5.25–5.50% by July 2023; the ECB moved the deposit facility rate from −0.5% to 4.00% by September 2023.

With rates at multi-decade highs and headline inflation falling through 2023–24, both central banks began easing in 2024. The ECB made its first cut in June 2024 and reduced the deposit rate to 3.00% by year-end; the Federal Reserve followed in September 2024. Further cuts through 2025 brought the ECB deposit rate to 2.00% by June 2025, while the Federal Reserve cut three times in late 2025, holding the target range at 3.50–3.75% at its January 2026 meeting.

After reaching 2.00%, the ECB paused its easing cycle, keeping rates unchanged at its September, October, and December 2025 meetings, and again in February 2026 — reconfirming that inflation should stabilize at target in the medium term (ECB Governing Council Statement, 5 February 2026). As of mid-February 2026, market pricing assigns approximately 75% probability to no ECB rate change through end-2026. The Federal Reserve faces a different configuration: markets anticipate two further 25bp cuts in 2026 — one by June and one by December (around 70% and 75% probability respectively), conditional on inflation continuing its descent toward target. This asymmetry — disinflation in goods but persistence in services — explains why monetary easing has proceeded cautiously and why policy rates are unlikely to return to the ultra-low regime that prevailed before 2022 absent a material downturn (Figure 1.7).

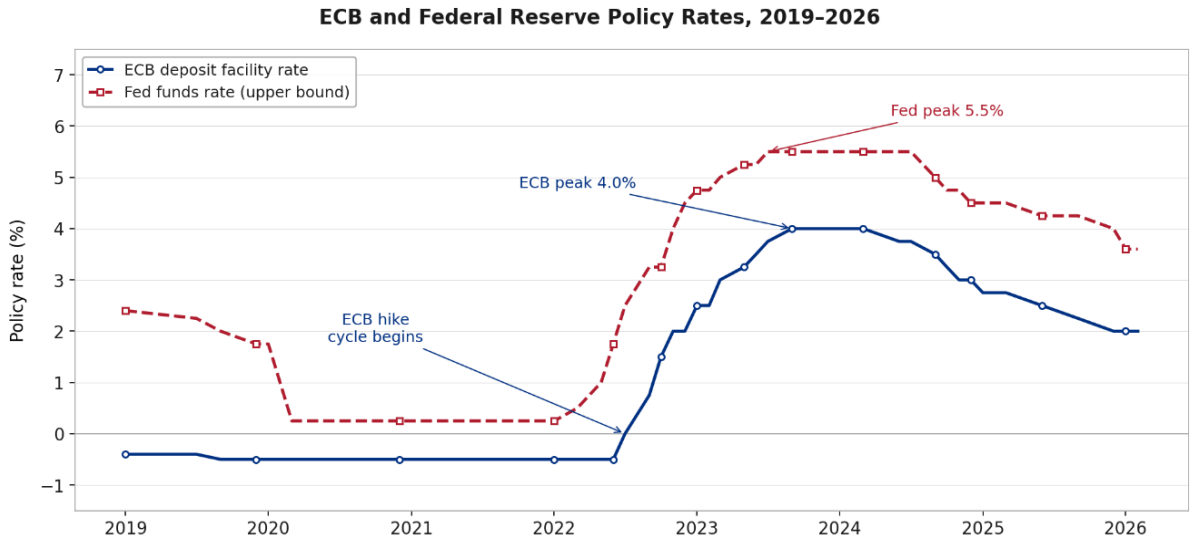


Figure 1.7: ECB Pauses at 2.00% as Fed Holds at 3.50–3.75%: The Last-Mile Problem Constrains Both Central Banks

Sources: ECB Statistical Data Warehouse (deposit facility rate); Federal Reserve FOMC statements (fed funds target range upper bound). End-period rates at dates shown, 2019–February 2026.

At the Federal Reserve, the January 2026 FOMC minutes — recording a 10–2 vote to hold — revealed that "several" participants discussed the possibility that upward adjustments to the target range could become appropriate if inflation were to remain persistently above target, a notable shift from earlier expectations of continued easing. A further source of uncertainty is the leadership transition: with a new Chair to be appointed in 2026, both policy stance and communication strategy face additional unpredictability.

Alongside the rate cycle, the ECB has been passively shrinking its balance sheet since mid-2023. The Pandemic Emergency Purchase Program (PEPP), which accumulated €1.7 trillion in assets including substantial purchases of peripheral sovereign bonds, saw reinvestments fully discontinued on 17 December 2024. Combined with the earlier termination of Asset Purchase Program (APP) reinvestments in July 2023, the Euro system will allow approximately €500 billion in maturing securities to run off without replacement in 2026 alone — reducing excess eurozone liquidity from roughly €2.6 trillion toward pre-pandemic levels. By increasing the share of duration risk absorbed by private markets, balance sheet reduction may raise term premium even in the absence of further policy rate increases.

For Greece, this quantitative tightening carries a specific structural implication. PEPP reinvestments functioned as a discretionary, flexible buyer of peripheral sovereign bonds — compressing Greek spreads substantially since 2020 and providing implicit insurance against market stress. That buyer is gone. The Transmission Protection Instrument (TPI) remains available as a backstop, but it is conditional rather than automatic, requiring the ECB's assessment that spread widening is unwarranted and that fiscal and structural policies remain consistent with EU frameworks. The current benign spread environment is therefore increasingly sensitive to Greece maintaining its reform trajectory and investment-grade ratings as active prerequisites, not passive assumptions.

Fiscal Policy and Sovereign Debt Dynamics

The post-pandemic fiscal environment has shifted from emergency stabilization to structural constraint. The extraordinary deficits of 2020–2021 have narrowed, but they have not restored the

pre-pandemic fiscal regime. Instead, governments now operate with elevated debt stocks in a higher interest rate environment, while facing new structural spending commitments linked to security, industrial policy, and demographic pressures. The interaction between these commitments and the withdrawal of monetary accommodation defines the global fiscal landscape entering 2026 (Figure 1.8).

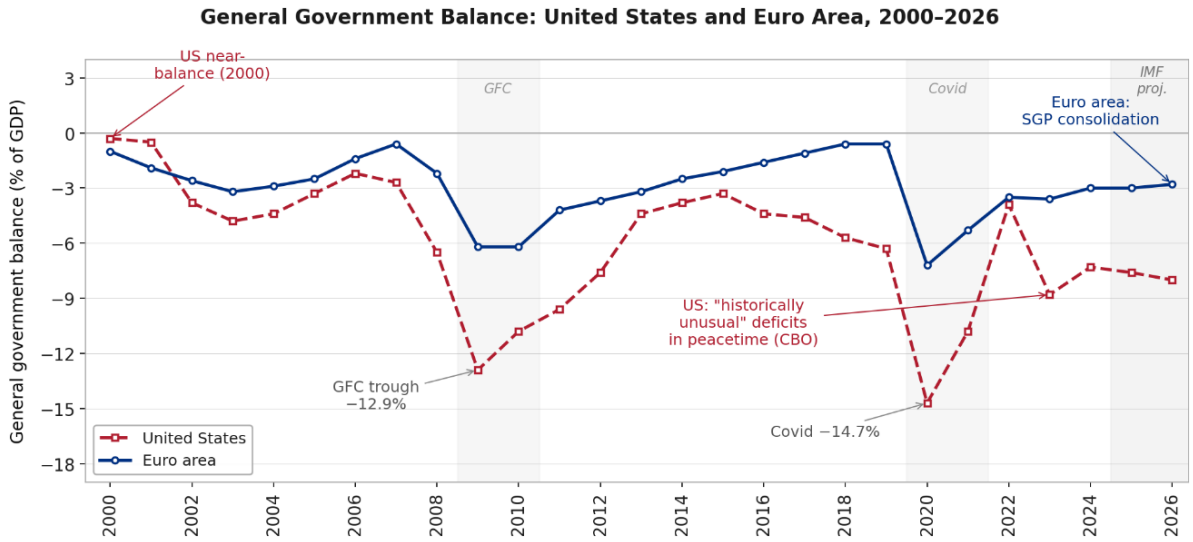


Figure 1.8: Fiscal Divergence Deepens: US Deficit Projected at 5.8% of GDP While Euro Area Consolidates

Sources: IMF Fiscal Monitor (October 2025), Table A1. General government net lending/borrowing as % of GDP. 2025–2026 are IMF staff projections.

European fiscal policy has been durably reoriented toward security and industrial transformation — a shift that places Greece, as a chronic above-target defense spender, in an unusual structural position. Defense expenditure across NATO members has risen by approximately 0.5 percentage points of GDP in aggregate since 2022, running alongside the February 2025 Clean Industrial Deal, which aims to mobilize over €100 billion for clean manufacturing. These twin demands compete for the limited budgetary space governed by the reformed Stability and Growth Pact (SGP), which entered into force in April 2024. The July 2025 activation of the national escape clause provided temporary fiscal space to accommodate defense and investment spending without triggering formal excessive deficit procedures. Greece enters this reorientation as a burdened leader: already spending approximately 3% of GDP on defense — well above the NATO 2% target — it faces a heavier structural fiscal cost than most peers. But that same over-compliance has become a political asset in a bloc where security credibility now dominates the fiscal narrative.

Across the Atlantic, fiscal expansion has followed a different trajectory. The "One Big Beautiful Bill Act" of July 2025 extended 2017 tax cuts and is projected by the Congressional Budget Office to add $4.7 trillion to deficits over the 2026–2035 period. The US fiscal deficit for 2026 is projected at approximately 5.8% of GDP, with debt-to-GDP rising toward 120% by 2036 — surpassing the 1946 post-WWII peak of 106%. The CBO characterizes sustained deficits averaging 6.1% of GDP during a period of low unemployment as "historically unusual." This trajectory matters beyond US borders: persistent large US deficits exert upward pressure on global long-term interest rates through term premium and safe-asset supply channels, raising the baseline borrowing cost against which all sovereign spreads are measured.

Sovereign debt markets remained broadly benign through 2024–2025, but the surface calm masks two structural transitions. First, the rollover problem: debt issued at near-zero rates during 2020–

2021 now faces refinancing at materially higher yields — typically 3–4% on benchmark maturities — representing a substantial and compounding increase in debt service costs for most advanced economies. Second, the support withdrawal: the compression of peripheral spreads since 2022 was partly sustained by PEPP reinvestments acting as a discretionary buyer of peripheral bonds. With that support now removed and TPI conditional, the institutional underpinning of spread compression has shifted from automatic to discretionary.

Greece stands apart from the general rollover pressure as a structurally protected outlier. With 73% of its total debt held by the official sector — EFSF, ESM, and ECB — at concessional rates, and weighted average maturities of around 18–19 years, its immediate debt-service cost exposure is far below that of most peers. The IMF's 2025 Article IV assessment and the European Commission's Debt Sustainability Analysis both confirmed Greece's debt trajectory as broadly sustainable under baseline assumptions, contingent on continued primary surplus delivery. Primary surplus gains can therefore drive genuine debt reduction rather than merely offsetting rising interest costs — a structural advantage most eurozone peers no longer hold.

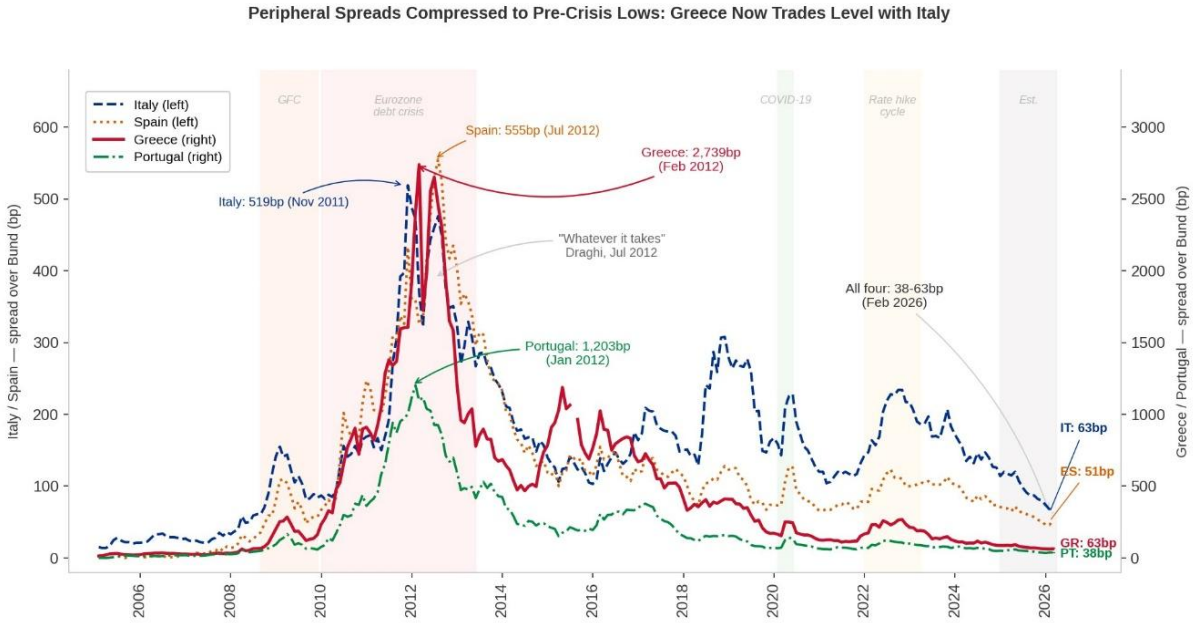


Figure 1.9: Greece Now Trades Level with Italy — Spread Compression is Historically Remarkable, but the ECB Backstop Has Been Withdrawn

Sources: ECB Statistical Data Warehouse; ECB long-term interest rates dataset. Monthly data. GFC shading: 2008–2009; Eurozone crisis shading: 2010–2012.

Figure 1.9 shows the remarkable compression achieved since the eurozone crisis peak — and the striking fact that Greece now trades at approximately the same spread as Italy, a convergence that would have been unthinkable a decade ago. The vulnerability lies not in the stock but in the flow: as Greece scales up market-issued bonds to reduce official sector dependence, the cost of that issuance is directly exposed to global spread dynamics. The key risk looking further ahead is less than the headline debt ratio than gross financing needs, as market issuance rises and concessional amortization profiles approach the 2030s. The current configuration is therefore best characterized as a window rather than a resting point: the structural support that produced the compression — PEPP reinvestments, near-zero rates, abundant liquidity — is being withdrawn. Maintaining the benign spread environment is increasingly a function of Greece's own credibility: reform progress, fiscal discipline, and investment-grade ratings held as active requirements, not inherited assets.

Synthesis: The Global Context as a Transmission Mechanism for Greece

The period from 2022 to early 2026 has reshaped the external macroeconomic regime in which the Greek economy operates. The shift from ultra-low interest rates and relatively stable trade integration toward constrained monetary easing and structural fragmentation acts as a transmission filter rather than a simple backdrop. External conditions now influence Greece through clearly defined financial and institutional channels, simultaneously creating vulnerabilities and, in Greece's specific case, meaningful structural insulation.

The first transmission channel is debt market structure. While most advanced economies face the well-documented rollover problem as zero-rate debt matures at materially higher yields, Greece enters this phase as a relatively protected outlier. With 73% of its total debt held by the official sector at concessional rates and weighted average maturities of around 18–19 years, its near-term interest cost sensitivity is substantially lower than that of most peers. This insulation allows primary surplus gains to translate into genuine debt reduction rather than merely offsetting rising interest expenditure. The vulnerability lies not in the stock but in the flow: as Greece gradually increases market issuance to reduce official sector dependence, spread dynamics become the operative constraint. Those spreads are now tight by historical standards, while the PEPP reinvestment shield has been withdrawn and the TPI backstop remains conditional rather than automatic.

The second transmission channel is fiscal positioning. The European pivot toward defense spending and industrial decarbonization places Greece — already spending roughly 3% of GDP on defense — at the center of the EU's new strategic priorities. What historically constituted a structural fiscal burden now functions as institutional leverage: in a bloc where multiple member states activated escape clauses in 2025, prior over-compliance with defense commitments enhances Greece's credibility. The operative question is whether this institutional leverage translates into sustained investment inflows and effective RRF absorption at a pace sufficient to offset the tighter constraints imposed by higher interest rates and reformed expenditure rules — a test that falls on execution capacity, not political standing.

The third channel is the monetary policy path. The ECB's extended pause through late 2025 and into early 2026 reflects the "last mile" problem — disinflation from 3% to 2% proving more complex than the initial descent from double digits, with services inflation at 3.2% and wage growth still running near 4%, projected to ease only gradually toward 3% by end-2026. Consensus Forecasts (February 2026) project euro area inflation at 1.8% in 2026 and 1.9% in 2027 — consistent with the market view of ECB rates on hold through year-end. For Greece, each additional quarter of constrained easing delays the reduction of bank funding costs and slows the pace of sovereign spread compression that would otherwise accelerate the debt-reduction trajectory. The favorable market conditions observed in 2024–25 therefore rest increasingly on sustained policy credibility rather than on abundant liquidity or central bank accommodation.

Taken together, the global environment entering 2026 represents a window rather than a guarantee: a period of relative financial calm, moderating inflation, and institutional alignment that provides Greece with space to consolidate its structural gains. That window narrows as market issuance rises, RRF disbursements taper, and trade fragmentation deepens. The domestic chapters that follow assess whether this period of conditional stability is being used to strengthen the economy before more demanding external constraints reassert themselves.

2. Greece in 2025: Consolidation from a Lower Base

Greece's economic performance must be assessed within the altered global regime described in the previous section No. I.1: "Greece's Economic Performance in Global Context: The Global Economic Environment". The international environment entering 2026 is characterized by modest global growth, persistent services inflation limiting the scope for monetary easing, and rising fragmentation in trade policy. For small open economies within the euro area, these conditions provide neither strong cyclical tailwinds nor acute external shocks. Instead, they define a constrained environment in which domestic policy choices and institutional positioning determine whether economies merely stabilize or achieve sustained convergence.

Section I.1 concluded by identifying the channels through which this new regime transmits to Greece. Sovereign financing is gradually shifting toward greater reliance on market issuance as ECB crisis-era support recedes; fiscal positioning within the EU creates opportunities for investment but places a premium on effective execution of Recovery and Resilience Facility (RRF) programs; and the monetary environment remains restrictive longer than anticipated as services inflation slows the final stage of euro area disinflation. Together these forces define a window of conditional stability rather than a guarantee of favorable external conditions.

This Section I.2 evaluates whether Greece has used that window. The evidence from 2025 suggests a stronger outcome than the global backdrop alone would imply. Real GDP expanded by 2.1%, matching the United States and outperforming every major euro area economy, while unemployment fell to its lowest level since the pre-crisis period and public debt continued its rapid decline. Rather than merely avoiding external headwinds, the Greek economy sustained growth comparable to the strongest advanced economies despite them (Table 2.1).

	2023	2024	2025	2025				2025												2026
				Q1	Q2	Q3	Q4	Jan	Feb	Mar	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec	Jan
GDP, % y-o-y	2.1	2.1	...	2.4	1.6	2.0	...	-	-	-	-	-	-	-	-	-	-	-	-	-
Exports, % y-o-y	2.2	1.0	...	1.7	1.3	1.7	...	-	-	-	-	-	-	-	-	-	-	-	-	-
Industrial production, % y-o-y	2.3	5.2	...	2.7	-1.6	1.3	...	1.0	5.6	1.4	-4.4	-1.3	0.9	-0.5	-2.8	7.3	6.4	2.6	...	...
Retail sales volume, % y-o-y	-3.3	-1.6	...	3.0	0.7	1.5	...	3.3	5.6	0.3	6.9	-5.8	1.8	2.2	3.8	-1.7	4.2	...	...	...
PMI (50=no change)	51.6	53.6	53.1	53.5	53.2	52.7	53.0	52.8	52.6	55.0	53.2	53.2	53.1	51.7	54.5	52.0	53.5	52.7	52.9	...
ESI (average=100)	107.2	107.6	107.4	107.5	106.7	108.3	106.9	108.4	106.7	107.5	107.3	106.9	105.9	108.9	109.9	106.1	107.4	105.9	107.4	...
HICP, % y-o-y	4.2	3.0	2.9	3.1	3.2	2.9	2.4	3.1	3.0	3.1	2.6	3.3	3.6	3.7	3.1	1.8	1.6	2.8	2.9	...
Total employment, % y-o-y	1.3	2.0	...	1.0	1.4	1.8	...	0.3	2.8	0.0	0.0	3.7	0.5	2.2	2.8	0.6	1.3	4.0	...	...
Unemployment rate, %	11.1	10.1	...	10.4	8.6	8.2	...	9.7	9.3	9.5	8.9	8.6	9.2	8.9	8.6	8.6	8.6	8.2	...	...
Current Account, bn	-15.3	-16.9	...	-5.0	-3.5	1.4	...	0.9	-2.6	-3.2	-2.3	0.0	-1.2	0.7	1.2	-0.4	-1.1	...	...	...
(% of GDP)	-6.8%	-7.2%	...																	...
Gen. Gov. primary balance (% of GDP - Q cumulatively)	2.0	4.7	...	0.6	2.2	...	...	-	-	-	-	-	-	-	-	-	-	-	-	...
Public Debt (% of GDP - Q cumulatively)	164.3	154.2	...	147.3	148.2	148.0*	...	-	-	-	-	-	-	-	-	-	-	-	-	...
Bank deposits, private, % y-o-y	3.0	4.4	...	4.8	5.3	...	...	4.8	4.5	4.8	4.3	4.8	5.3	5.1	5.4	5.5	5.6	...	...	...
Bank credit to NFCs, % y-o-y	5.8	13.8	...	16.8	15.9	...	...	15.9	16.7	16.8	17.2	17.4	15.9	16.1	16.1	16.1	11.2	...	...	...
Bank credit to HHs, % y-o-y	-2.0	-0.5	...	-0.5	0.5	...	...	-0.5	-0.5	-0.5	-0.3	-0.1	0.5	0.7	0.9	1.4	1.7	...	...	...
10y GR yield, %	3.08	3.25	...	3.57	3.30	3.41	3.48	3.36	3.28	3.57	3.34	3.27	3.30	3.39	3.43	3.41	3.29	3.31	3.48	3.35

Table 2.1: Summary of Key Economic Indicators, 2023–2026

Sources: Bank of Greece; ELSTAT; ECB; European Commission Autumn 2025 Forecast. *PDMA Estimates, Quarterly Debt Bulletin 119, November 2025.

The deeper question is forward-looking. The cyclical repair phase that followed the sovereign debt crisis and the pandemic now appears largely complete. What matters increasingly is whether the structural transformation phase — the one that determines whether Greece converges toward EU productivity levels or stabilizes at a lower equilibrium — has genuinely begun. The following sections examine the sources of recent growth, the resilience of the labor market and inflation dynamics, fiscal sustainability, and the evolution of Greece's external position to assess that transition.

Growth: Convergence Within a Constrained Environment

Greece's recent growth performance must be understood against the backdrop of the country's prolonged adjustment following the sovereign debt crisis. Between 2008 and 2016, real GDP contracted by more than 25%, representing one of the deepest peacetime recessions recorded in an advanced economy. Although economic activity stabilized in the late 2010s, the pandemic interrupted the recovery and left output well below its pre-crisis level. As a result, Greece entered the current expansion phase from a significantly lower starting point than most euro area economies.

As shown in Figure 2.1 (left panel), the legacy of the sovereign debt crisis remains visible in the level of output. While euro area GDP is now roughly 15% above its pre-crisis level, Greek GDP remains about 15% below, implying a divergence of nearly 30 percentage points in cumulative output since 2008. At the same time, the pace of expansion has strengthened in recent years. Figure 2.1 (right panel) shows that Greece has recorded consistently stronger annual growth rates than the euro area since the pandemic recovery began.

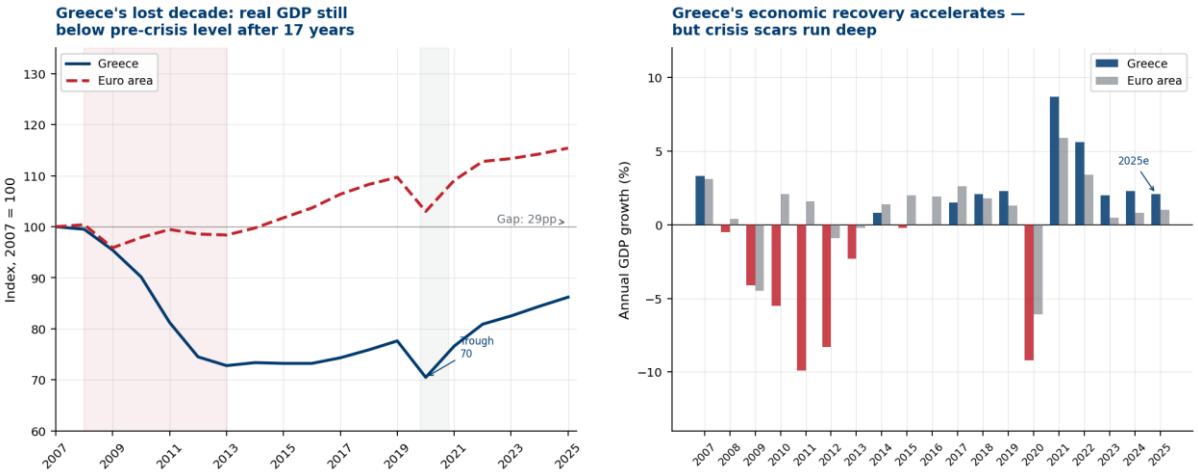


Figure 2.1: Greece's recovery has accelerated, but the output gap relative to the euro area remains large.

Left panel: Real GDP index (2007 = 100), Greece vs euro area. Greece's output remains about 15% below its pre-crisis level, while euro area GDP is roughly 15% above, implying a divergence of roughly 30 percentage points since the global financial crisis. Right panel: Annual real GDP growth (%), Greece vs euro area.

Source: Eurostat

Within this broader recovery, real GDP expanded by 2.1% in 2025, a figure broadly consistent across institutional forecasts from the IMF, European Commission, and OECD. This growth rate is materially above the euro area average of roughly 1.3–1.4%, continuing the pattern of positive divergence that has characterized Greece's post-pandemic recovery. As illustrated in Figure 2.1 (right panel), Greece has recorded stronger annual growth rates than the euro-area average in recent years. Table 2.2 shows that Greece's growth performance compares favorably with most large European economies and is projected to remain above the euro area average in the coming years, while remaining close to that of the United States.

Economy	2024	2025e	2026f
Greece	2.3	2.1	2.2
Spain	3.5	2.9	2.3

Euro Area	0.9	1.4	1.3
European Union	1.2	1.5	1.5
Germany	−0.5	0.2	1.1
France	1.1	0.8	1.0
Italy	0.7	0.5	0.7
United Kingdom	1.1	1.4	1.3
United States	2.8	2.1	2.4
World	3.3	3.3	3.3

Table 2.2: IMF WEO January 2026 — Selected Economies, Real GDP Growth (%)

Note: Greece not listed individually in IMF WEO Annex. 2025e based on IMF Article IV (April 2025) and EC Autumn 2025 Forecast consistent with WEO grouping; 2026f from OECD/EC. All other figures from IMF WEO Update January 2026, Table 1 and Annex Table 1.

The composition of growth helps explain this performance. The demand-side decomposition shown in Figure 2.2 indicates that Greece's post-pandemic expansion has been driven primarily by domestic demand, with private consumption and investment accounting for most of the growth momentum in recent years, while the contribution of net exports has been more volatile.

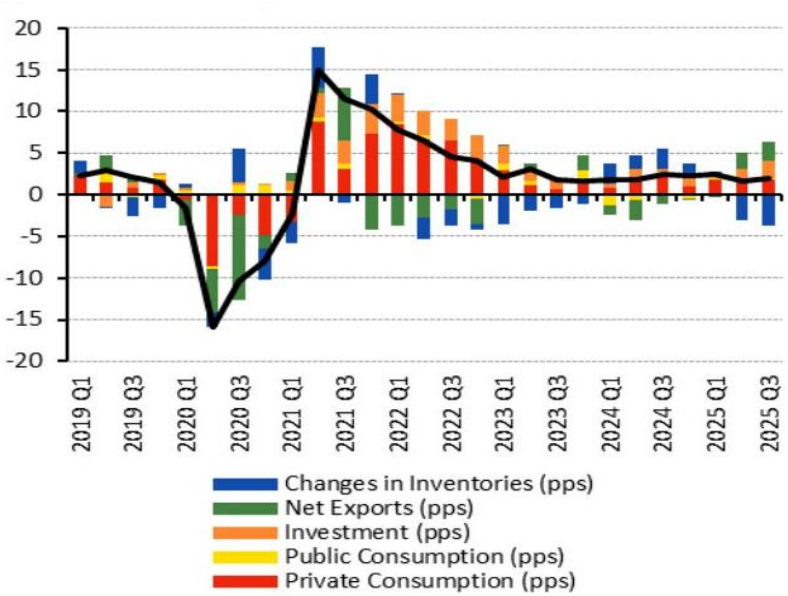


Figure 2.2: Domestic demand drives Greece's post-pandemic recovery

Notes: Contributions to real GDP growth (percentage points). Private consumption and investment account for most of the Greece's growth since the pandemic, while net exports make a limited or negative contribution as investment-related imports increase.

Sources: Bank of Greece.

Private consumption contributed the largest share of growth in 2025, sustained by rising real wages, a tightening labor market, and the government's deliberate fiscal recycling into households (Bank of Greece Annual Report 2024; EC Autumn 2025 Forecast). The combination of a 1pp cut in social security contributions and higher public sector pay boosted disposable incomes, while declining

unemployment from an annual average of around 10% in 2024 toward roughly 9% in 2025 expanded the base of wage-earning households. Critically, household real incomes benefited from disinflation: as headline inflation fell from over 3% in the first half of 2025 toward 1.6% in October, largely driven by energy base effects, real purchasing power rose even as nominal wage growth moderated. This made private consumption both the most important and the most stable demand driver in 2025, in contrast to the more investment-led profile observed in 2022–23 (Figure 2.2).

Gross fixed capital formation also played a central role in the expansion, with its composition shifting in ways that are structurally important. Since 2019, total gross fixed capital formation in real terms has grown by approximately 60%, an expansion far exceeding that observed in the euro area, where investment has remained broadly stagnant over the same period (Bank of Greece Annual Report 2024). Within that aggregate, the driver in 2025 was increasingly public and semi-public investment channeled through the Recovery and Resilience Facility (RRF). The OECD projects RRF disbursements rising from 1.8% of GDP in 2024 to 3.6% in 2026, and 2025 represented an acceleration in that ramp-up, with €5.2 billion disbursed during the year alone. Private investment, while growing, contributed less than public investment to the headline and remains constrained by regulatory bottlenecks and financing costs that have not yet fallen sufficiently to unlock a broad private capital formation cycle. Real GDP per capita reached 90% of its pre-GFC level in 2024, up from 73% in 2020 (IMF Article IV 2025), and the investment program has been a key driver of this convergence (Figure 2.2).

The external sector played a more uneven role in the expansion. Export receipts continued to grow strongly, with tourism revenues reaching a record €23.6 billion (+9.4%), and services exports more broadly performing well. At the same time, developments in imports — particularly those linked to investment activity — introduced greater volatility in the contribution of net exports to growth. Infrastructure projects, renewable energy installations, and digital transformation initiatives associated with the RRF program carry a high import content, which can widen the trade deficit even as they expand productive capacity. As a result, the external balance has remained structurally weaker than would be expected given the strength of exports of services, a point also reflected in the IMF's external sector assessment. Shipping revenues — the third leg of the external account — moderated somewhat as global trade volumes slowed following the 2025 front-loading episode, partially offsetting the gains from tourism and other services.

Government consumption made a modest contribution to growth, broadly consistent with fiscal neutrality at the headline level. While the primary surplus narrowed from 4.7% of GDP in 2024 toward an estimated 4.3% in 2025, this reflected deliberate distributional recycling through tax cuts and transfers rather than an expansion of public current expenditure per se. Defense spending, at approximately 2.4% of GDP, represents a persistent constraint on fiscal space that limits the resources available for both public investment and social expenditure relative to what the headline surplus would otherwise permit.

The composition of growth matters for interpreting the medium-term trajectory. A demand structure in which private consumption accounts for the largest share and public investment for most of the remainder is inherently transitional. The IMF WEO Update's warning about narrow growth bases applies directly here: growth since 2021 has rested on three partly temporary pillars — RRF-funded investment, the cyclical normalization of tourism, and the absorption of labor-market slack accumulated during the crisis. The IMF projects growth moderating to approximately 1.25% in the medium term once NGEU funding expires, a trajectory broadly consistent with Greece's underlying potential growth estimated at around 1.0–1.25%, constrained by productivity dynamics and demographic headwinds.

This moderation should therefore be interpreted primarily as a normalization in the composition of growth rather than a deterioration in economic performance. Absent a stronger expansion of private investment, the contribution of consumption will face a ceiling determined by real wage growth, while the investment impulse will decline mechanically as RRF disbursements taper. In this sense,

the recent period of faster growth reflects a phase of catch-up from the deep contraction of the sovereign debt crisis, rather than a structural break in Greece's long-term growth trajectory. (Table 2.3)

	2024	2025[f]	2026[f]	2027[f]	2028[f]
Real GDP	2.1	2.1	2.1	2.1	2.0
Private consumption	2.4	2.0	2.1	2.0	1.8
Government consumption	-2.6	0.1	0.6	1.1	1.1
Gross fixed capital formation	4.5	6.1	8.6	1.7	3.7
Exports (goods and services)	1.0	2.8	2.9	3.8	4.0
Imports (goods and services)	4.8	2.8	4.3	3.1	3.3
HICP (non-SA)	3.0	2.8	2.1	2.2	2.5
HICP excl. food & energy (non-SA)	3.6	3.6	2.4	2.0	2.3
Total employment (NA data)	0.9	1.0	1.1	1.0	1.0
Unemployment rate (% of labor force)	10.1	9.2	8.6	8.1	8.0
Current account (% of nom. GDP)	-7.2	-6.0	-5.7	-5.8	-5.7

Table 2.3: Latest macroeconomic projections (year-on-year % changes), 2024–2028

Sources: ELSTAT and Bank of Greece.

Labor Market: Recovery with Structural Gaps

The recovery in economic activity described in the previous subsection has been accompanied by a substantial improvement in labor market conditions. As shown in Figure 2.3, the unemployment rate fell to 7.5% in December 2025 (ELSTAT seasonally adjusted series), the lowest level recorded since May 2008, down from a peak of 27.5% in June 2013 during the sovereign debt crisis. Despite this significant decline, unemployment remains above the euro-area average, indicating that the labor market adjustment remains incomplete.

Employment has continued to expand alongside the economic recovery. According to Bank of Greece assessments based on ELSTAT national accounts data, total employment has now exceeded its pre-crisis peak, reflecting sustained job creation since the post-pandemic recovery began. The expansion of employment has been concentrated primarily in services sectors, particularly tourism, retail trade and construction, consistent with the sectoral composition of Greece's recent growth. Broader indicators of labor underutilization have also improved substantially. Labor market slack — encompassing discouraged workers and involuntary part-time employment — has declined markedly since the crisis years, indicating a gradual normalization of labor market conditions.

Despite the still-elevated unemployment rate relative to the euro area, labor shortages have begun to emerge in several sectors of the economy. Firms increasingly report difficulties filling vacancies in construction, tourism and technical occupations, reflecting both skill mismatches and the contraction of the working-age population. These shortages have become more visible as infrastructure and energy projects linked to the Recovery and Resilience Facility (RRF) have accelerated.

Tightening labor market conditions are increasingly reflected in wage developments. Nominal compensation per employee has risen in recent years, supported by minimum wage adjustments and stronger labor demand in labor-intensive service sectors. While rising wages support household incomes and private consumption, they also increase the importance of productivity improvements to ensure that higher labor costs do not translate into persistent inflationary pressures.

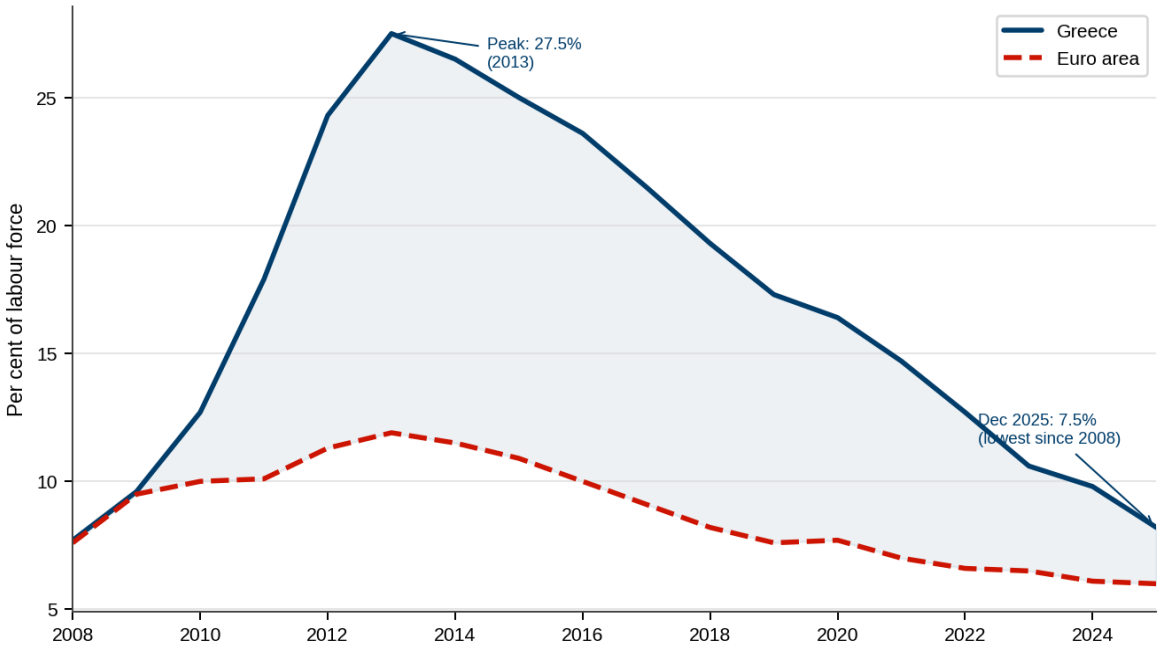


Figure 2.3. Unemployment reaches a 17-year low but remains over twice the euro area average — structural gaps persist

Source: Eurostat

Despite the improvement in headline labor market indicators, structural weaknesses remain significant. Labor productivity in Greece remains well below the European Union average, reflecting structural characteristics of the economy. Firm-size distribution is heavily weighted toward micro-enterprises, the informal sector remains relatively large, and regulatory and judicial delays continue to raise the cost of capital allocation. In addition, the sectoral composition of employment — tilted toward tourism and other lower-productivity services — limits the speed at which aggregate productivity can converge toward European levels.

Labor supply dynamics also remain a constraint on medium-term growth. Labor force participation, particularly among women and older workers, remains below EU benchmarks, leaving an untapped source of labor supply. At the same time, Greece's working-age population continues to decline, creating a structural headwind for employment growth and potential output in the absence of sustained productivity gains.

Recent policy measures have sought to mitigate these constraints. The abolition of pension penalties for re-employed retirees in 2024 has increased labor supply at the margin, while continued adjustments to the minimum wage have supported household incomes. However, sustained convergence with European income levels will depend not only on further employment gains but also on improvements in productivity, labor participation and skill matching.

Rising wages and labor shortages in labor-intensive service sectors are already contributing to persistent services inflation, a dynamic examined in the following subsection.

Inflation: Disinflation Achieved, Structural Stickiness Remains

The tightening labor market described in the previous subsection has increasingly shaped domestic inflation dynamics. While headline inflation declined significantly from the post-pandemic surge, underlying price pressures remain elevated as wage growth and services-sector costs continue to feed into consumer prices.

As illustrated in Figure 2.4, inflation in Greece has declined significantly from the energy-shock peak and is projected to converge gradually toward the ECB's 2% target. Headline HICP inflation averaged 2.9% in 2025, remaining above the ECB's 2% target but far below the 2022 peak of 11.6%. The disinflation process during the year was uneven. Inflation fluctuated between 3.0–

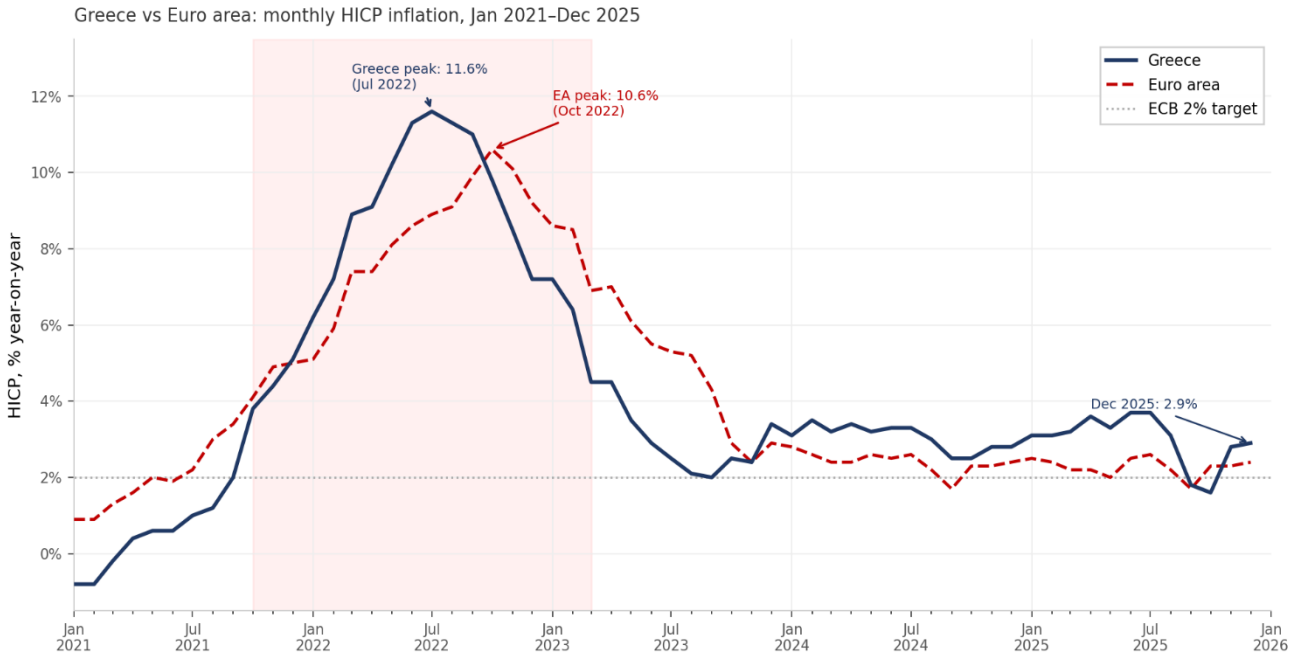


Figure 2.4. Global disinflation continues; Greece converges toward the ECB 2% target by 2027

Source: IMF WEO Update January 2026; European Commission Autumn 2025 Forecast; Bank of Greece

3.7% during the first half of the year, before falling sharply to 1.8% in September and 1.6% in October. Toward the end of the year inflation rebounded to 2.8% in November and 2.9% in December. This volatility largely reflected temporary fluctuations in services inflation and unprocessed food prices, which drove both the sharp autumn decline and the subsequent rebound.

Underlying price pressures remained stronger than the headline figure suggests. Harmonized HICP inflation averaged 3.0% during January–September 2025, while core inflation (excluding energy and food) reached approximately 3.9% year-on-year during the same period. For the full year, core inflation averaged 3.6%, reflecting persistent domestic cost pressures even as energy inflation moderated.

Energy prices acted as an important disinflationary force during the year. Energy inflation averaged –0.7% in 2025, partially offsetting price pressures originating in services and food components. Despite this contribution, services inflation remained the dominant source of persistence, averaging 4.8% in 2025 and accounting for the largest share of domestic price pressures.

As illustrated in Figure 2.5, the contribution of services to overall inflation has remained substantial since the energy shock period, even as goods and energy inflation have moderated.

In addition to services, processed food prices have also emerged as a secondary source of volatility in headline inflation. After averaging 5.8% during 2025, inflation in unprocessed food accelerated toward the end of the year and into early 2026, contributing to the short-term fluctuations observed in headline inflation.

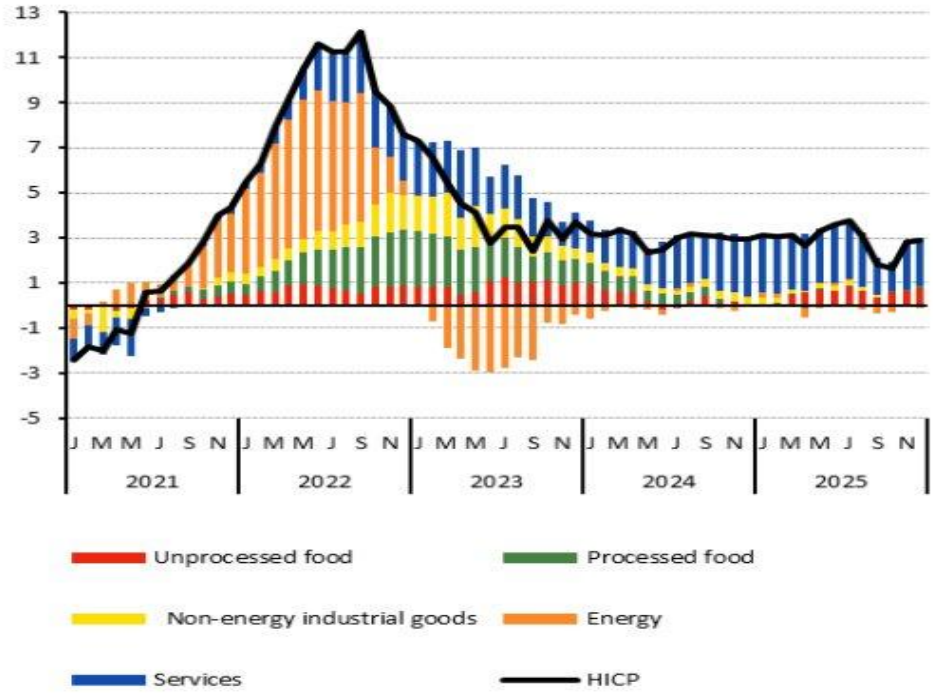


Figure 2.5: Contributions of components to HICP inflation, 2021–2025 (pps)

Source: Bank of Greece, based on Eurostat HICP data.

Domestic cost pressures are also visible in developments in the GDP deflator, which captures broader price dynamics within the economy. Figure 2.6 decomposes changes in the GDP deflator, a broad measure of inflation for domestically produced goods and services, into three underlying components. The black line shows overall domestic price inflation, while the colored bars indicate the contributions of unit labor costs (red), unit profits (blue) and unit taxes (green). Unit labor costs reflect wages relative to productivity, so positive red bars indicate that rising wages are contributing to price increases. Unit profits capture changes in firms' margins, with positive values suggesting that companies are raising prices more than their costs increase, while unit taxes reflect the effect of indirect taxes and subsidies. In Greece, the chart shows that inflation during the 2021–2022 energy shock was driven largely by increases in unit profits and tax-related effects, as firms passed higher energy and input costs into prices.

More recently, however, the composition of inflation has shifted. In 2024 and during January–September 2025, the GDP deflator remained elevated largely due to rising unit labor costs, reflecting stronger wage growth and tightening labor market conditions. Minimum wage increases and reductions in social security contributions have supported household incomes and private consumption, but they have also pushed wage growth ahead of productivity in parts of the economy. In this sense, the inflationary consequences of distributional policy are not incidental but reflect a structural feature of Greece's current growth model, in which rising labor incomes support domestic demand while simultaneously sustaining services-sector price pressures.

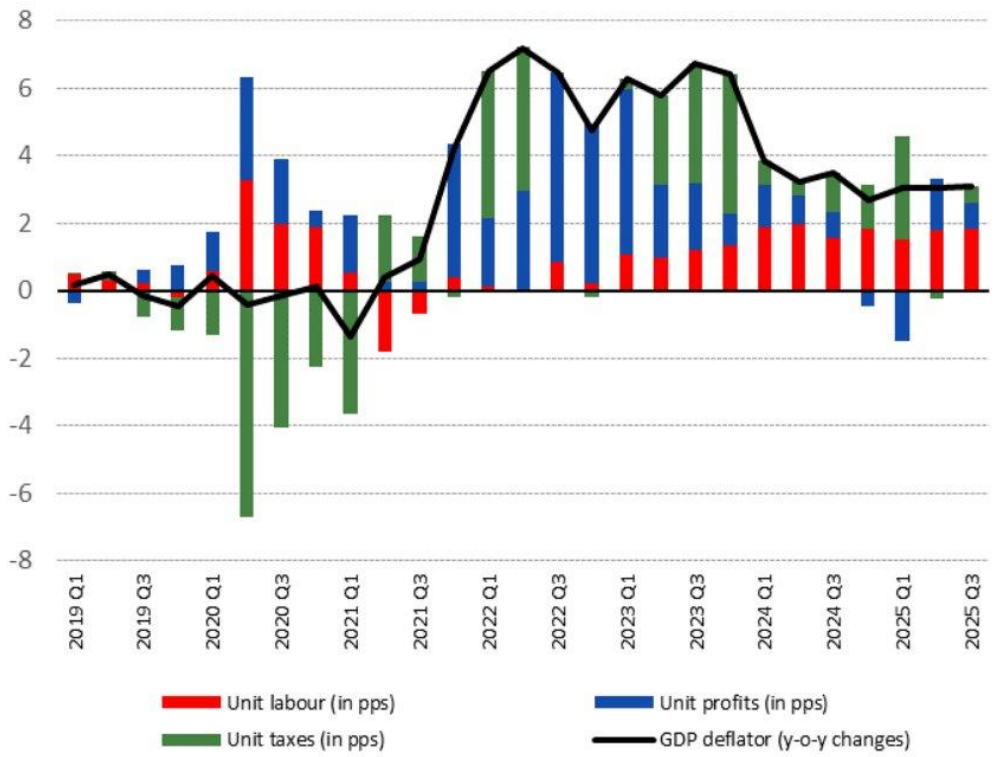


Figure 2.6: Domestic price pressures: GDP deflator and its components, 2019–2025 (pps)
Source: Bank of Greece, based on ELSTAT National Accounts data.

Although domestic factors shape inflation dynamics, Greece operates within the euro-area monetary policy framework. Monetary conditions therefore reflect euro-area-wide developments rather than national inflation dynamics alone. A slower decline in inflation across the euro area implies that restrictive financial conditions may persist for longer, affecting borrowing costs, bank lending rates and sovereign spreads across the monetary union.

Looking ahead, the Bank of Greece's latest projections suggest that headline inflation will continue to moderate in the near term. Inflation is projected to decline to 2.1% in 2026, before increasing slightly to 2.2% in 2027 and 2.5% in 2028, reflecting developments in energy prices and the gradual incorporation of climate-related energy policies.

Fiscal Policy: Surpluses Recycled, Discipline Maintained

Greece's fiscal outperformance has been the most striking dimension of its recovery. The general government primary surplus reached approximately 4.7% of GDP in 2024 — well above the 2.1% original target — and is projected at 4.3% in 2025 (EC Autumn 2025 Forecast); the IMF Article IV projects a slightly more conservative 2.5% for 2025, reflecting its treatment of the government's expansionary package. This is the seventh consecutive year of primary surpluses, with six years exceeding 2% of GDP. The IMF characterizes fiscal improvement as driven substantially by "strong progress in reducing tax evasion" estimated to have increased revenues by close to 3% in a single year (Figure 2.7).

The government is actively recycling fiscal space into households, consistent with the IMF WEO's recommendation that fiscal windfalls be used to restore buffers or — where surpluses are already adequate — to support growth-friendly adjustment. A 2025 package worth approximately 0.7% of GDP includes: a 1pp cut in social security contributions; higher public sector wages; a means-tested rent refund; and a €250 annual vulnerable-household benefit. A larger 2026–2027 package —

combining cuts in personal income tax, property tax, and VAT with pension increases — totals 0.6–0.8% of GDP annually. The logic of this recycling is not simply distributional: measures that raise household disposable income — particularly the social security contribution cut, which boosts net pay immediately — support private consumption in ways that reinforce the domestic demand pillar of growth at precisely the moment when the external demand tailwind from the eurozone is weakest. There is, however, a tension embedded in this strategy. The same wage and income support measures that sustain consumption also feed into unit labor costs, contributing to services inflation persistence and gradually eroding the price competitiveness Greece accumulated through internal devaluation during the 2010–2018 adjustment period. The IMF's medium-term assessment flags this explicitly: distributional expansion is appropriate when financed by genuine surplus, but it must not crowd out productivity-enhancing structural investment or impair the competitiveness gains that underpin Greece's export and tourism performance.

Defense spending stands at approximately 2.4% of GDP in 2025, projected to rise to 2.6% in 2026 (EC). The IMF WEO notes that "the impact of the planned increase in defense spending is expected to materialize only in subsequent years" for the euro area broadly — but for Greece, already at twice the NATO average as a share of GDP. Greece has maintained defense expenditure at 2.3–2.6% of GDP continuously throughout the entire adjustment period. The fiscal space consumed by defense — approximately 1.2–1.5 percentage points of GDP above the NATO target floor — is space not available for judicial reform, digital infrastructure, education quality, or the regulatory upgrades the IMF identifies as essential for productivity growth. Post-2026, when RRF disbursements cease, the defense burden becomes the single largest structural drag on productive state investment capacity that fiscal surplus alone cannot address (Figure 2.7 and Table 2.4).

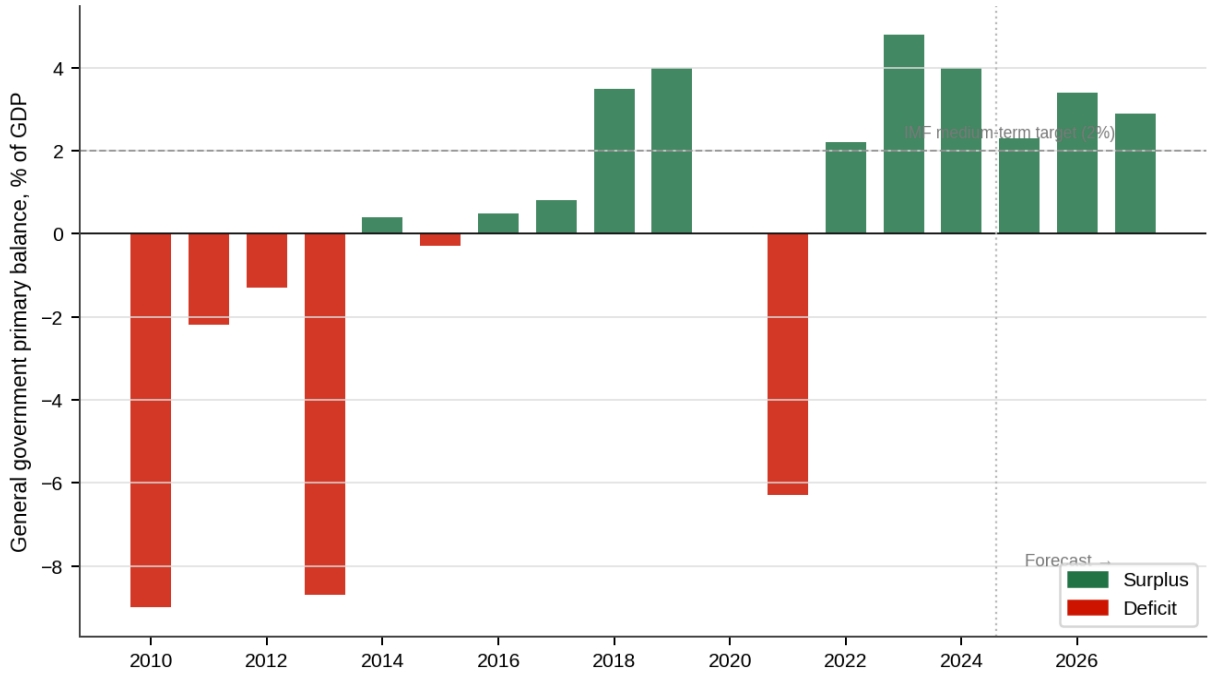


Figure 2.7. Greece maintains primary surpluses for seven consecutive years; fiscal dividend now recycled into households as tax cuts widen

Source: Eurostat Government Finance Statistics (gov_10dd_edpt1); IMF Fiscal Monitor Dataset; EC Autumn 2025 Forecast

Public Debt: World-Record Decline, Favorable Structure, Market Re-Exposure

Greece's public debt-to-GDP ratio has declined by over 68 percentage points since its 2020 peak of 213% — **the fastest reduction among advanced economies on a cumulative basis** (Bank of Greece Annual Report 2024; IMF). The ratio stood at approximately 145% in 2025. The IMF projects a further 25 percentage point reduction to below 130% by 2030, supported by primary surplus of approximately 2.3% of GDP in the medium term. Scope Ratings (November 2025) project 122% by 2030. From 2026 onward, Greece is forecast to no longer hold the EU's highest debt-to-GDP ratio — overtaken by Italy and France. The Greek government maintains a cash buffer of approximately €42 billion (17% of GDP), providing exceptional insulation against market access disruption (Table 2.4).

The structure of Greek sovereign debt remains unusually favorable: average maturity exceeds 17 years, and a large share is held by official eurozone creditors at concessional fixed rates. The IMF WEO's warning about fiscal vulnerabilities — "elevated public debt levels in several major economies... could not only put pressure on their own borrowing costs but also tighten broader financial conditions" — does not apply to Greece with the same force, given this structural insulation. However, as ECB QT progresses and PEPP reinvestments fade, reliance on private-sector market demand increases.

The sovereign spread compressed from approximately 270 basis points over German Bunds in mid-2022 to around 70 basis points by end-2025 — a 200-basis point tightening over three years. This normalization was facilitated by the sequence of credit rating upgrades, with Moody's completing the full investment-grade restoration in March 2025 (Baa3) and S&P advancing to BBB in April 2025. Non-traditional agencies (Scope, DBRS) led the cycle from 2023, broadening the investor base before the major agencies acted.

Table 5.2: General Government (% GDP) - ESA 2010

	Annual						
	2021	2022	2023	2024	2024 Q1-Q2	2025 Q1-Q2	2025 Q1-Q3*
Balance	-7.2	-2.6	-1.4	1.2	-0.4	0.6	
Primary balance	-4.8	-0.1	2.0	4.7	1.3	2.2	
Revenue	49.5	50.5	48.2	49.5	22.1	22.7	
Primary expenditure	54.3	50.6	46.2	44.8	20.7	20.5	
Public debt (stock)	197.3	177.8	164.3	154.2	156.0	148.2	148.0
Public debt (stock, million euro)	364,141	368,005	369,110	364,965	369,406	368,609	368,000
General government cash reserves (EUR mn)		31,523	33,624	36,281	35,663	41,936	45,784

Sources: ELSTAT, *PDMA estimates, Quarterly Debt Bulletin 119, November 2025

Table 2.4: General Government finances (% GDP) – ESA 2010

*Sources: ELSTAT; *PDMA estimates, Quarterly Debt Bulletin 119, November 2025.*

That compression occurred during a period of exceptional institutional support. As PEPP reinvestments conclude and broader Euro system balance sheet reduction advances, sovereign duration risk is increasingly absorbed by private markets. The spread is therefore less a product of automatic central bank presence and more a reflection of sustained policy credibility. Primary surpluses, investment-grade ratings, and reform continuity now function as active stabilizers (Figure 2.7). The financing environment remains benign, but its foundations have shifted from institutional backstop to earned confidence (Figures 2.8 & 2.9).

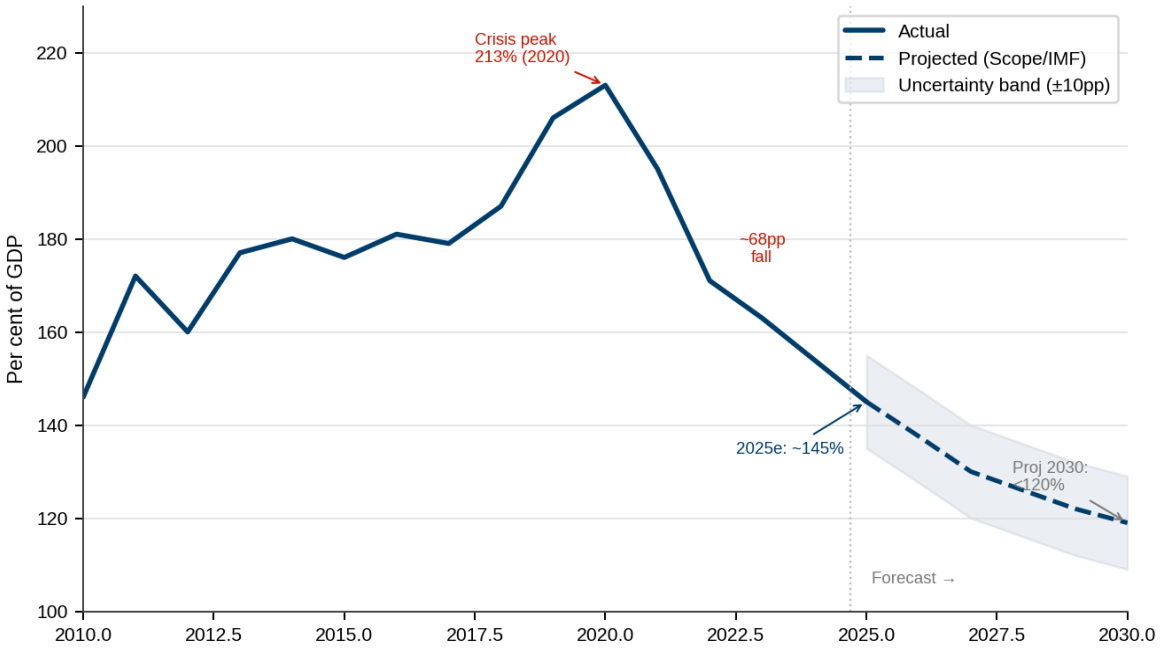


Figure 2.8. Greece records the fastest public debt reduction among advanced economies — over 68pp since the 2020 peak: below 120% by 2030

Source: IMF World Economic Outlook Database; Eurostat Government Finance Statistics (gov_10dd_edpt1); Scope Ratings Nov 2025

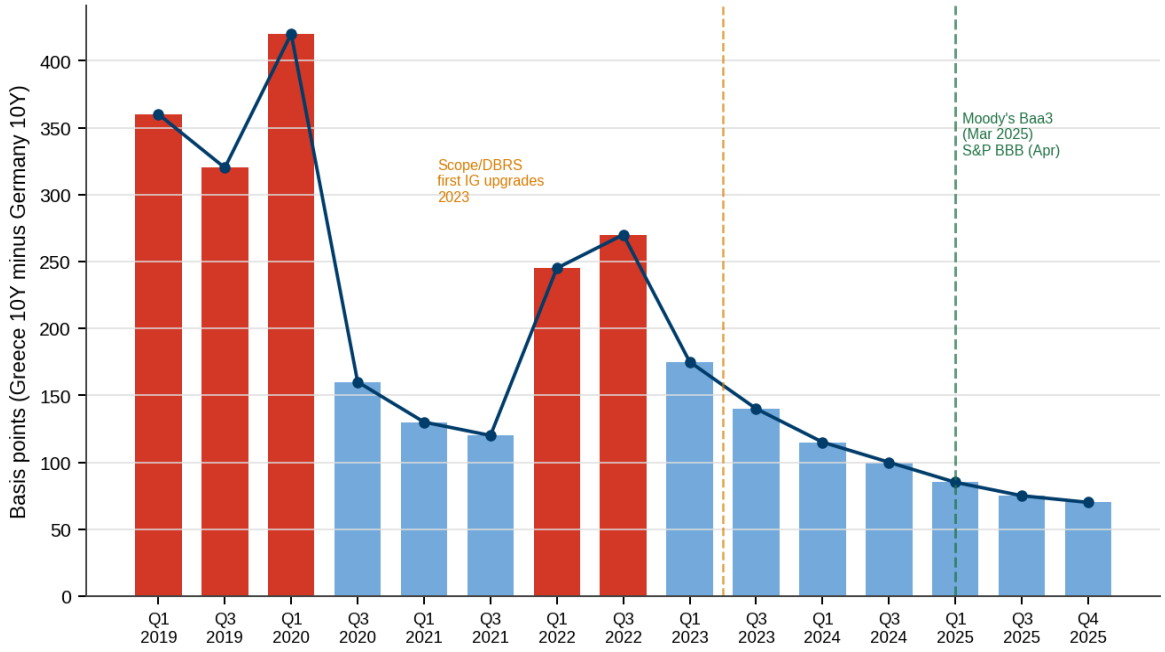


Figure 2.9. Greek sovereign spreads tighten to pre-crisis lows as all major agencies restore investment grade — Moody's last in March 2025

Source: FRED St. Louis Fed: IRLTLT01GRM156N (Greece) & IRLTLT01DEM156N (Germany); The DESK Oct 2025

INTERESTING FACTS — DEBT AND MARKETS (IMF, Scope, ECB, The DESK)

• Spread compressed from ~270bp (mid-2022) to ~70bp (end-2025): 200bp tightening in 3 years

• Moody's last to restore IG: upgraded to Baa3 in March 2025, 20 months after S&P and Fitch (Oct/Dec 2023)

• Non-traditional agencies (Scope, DBRS) led the upgrade cycle — broadened the investor base before major-3 acted

• Cash buffer of ~€42bn (~17% of GDP) exceptional macroprudential insulation (Scope Ratings, Nov 2025)

• Average maturity of Greek public debt: >17 years — among the longest in the eurozone

• From 2026: Greece projected to no longer hold the EU's highest debt-to-GDP ratio (overtaken by Italy and France)

• IMF WEO Jan 2026 identifies the sovereign-bank nexus as a systemic risk vector — DTC overhang (44.6% of CET1) is Greece's specific vulnerability

Banking: From Crisis Repair to Credit Transmission

The NPL ratio fell from 49.1% in 2017 to **3.6% in June 2025 (Bank of Greece FSR, October 2025)** — the lowest since Greece's accession to the euro area and largely converged with the EU Significant Institutions average of 2.2%. This transformation was achieved through loan sales, write-offs, and government-sponsored securitizations under the Hercules Asset Protection Scheme. Capital adequacy remains robust: CET1 at 15.8%, Total Capital Ratio at 20.4% (June 2025). Greek banks passed the 2025 EBA stress tests with capital levels comfortably above regulatory requirements under the severe scenario. Dividend distributions resumed in 2025 for the first time in 15 years.

Credit growth is accelerating strongly. Corporate loans expanded by 15.9% year-on-year in Q2 2025 (Scope Ratings, November 2025). Interest rates on new corporate loans declined from 4.7% (January 2025) to 4.0% (September 2025) as ECB monetary easing transmitted through the banking system (OECD). Bank profitability has normalized: ROE at 13%, after-tax profits of €2.5 billion in H1 2025 (Scope). The Bank of Greece has responded to accelerating housing credit by introducing macroprudential borrower-based measures from January 2025 — LTV caps of 90%/80% and DSTI caps of 50%/40% for first-time and subsequent buyers.

The key residual vulnerability is the Deferred Tax Credit (DTC) overhang — worth explaining because this vulnerability is unusual. Common Equity Tier 1 capital (CET1) is the highest-quality loss-absorbing buffer banks hold, composed primarily of shareholder equity and retained profits; regulators require at least 4.5–7% of risk-weighted assets. During Greece's crisis, the government allowed banks to count deferred tax assets — future tax savings owed on past losses — as CET1, keeping them technically solvent when real equity was depleted. The problem is that DTCs are not tangible capital: they are claims on the government's future tax revenues. If a bank makes a loss, the DTC automatically converts into a state equity claim, meaning the taxpayer recapitalizes the bank without any legislative vote. DTCs account for 44.6% of CET1 capital across Greek banks (Bank of Greece FSR, October 2025), down from 52% at end-2022; full amortization is not projected until 2032–34. This creates a concentrated sovereign-bank nexus: if Greek sovereign yields rise sharply, banks' bond holdings lose value, and the DTC asset comes under pressure simultaneously —

sovereign stress and banking stress are the same event viewed from two angles. The Bank of Greece's activation of a positive neutral countercyclical capital buffer provides additional resilience but does not eliminate the structural exposure until the DTC stock is fully amortized (Figure 2.10).

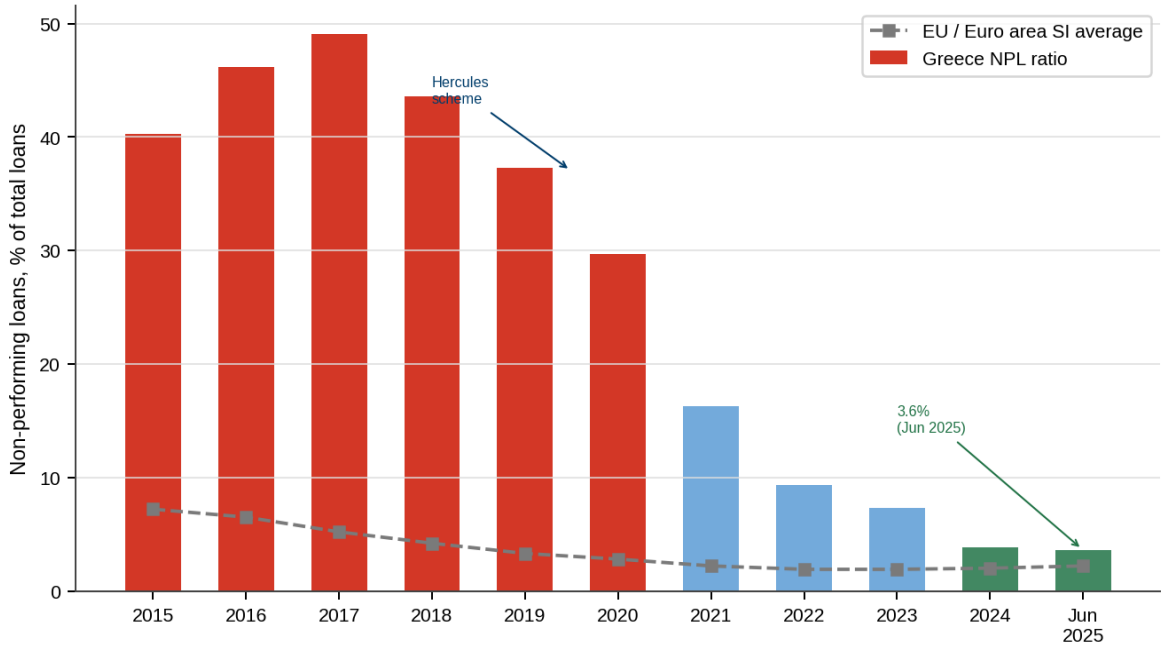


Figure 2.10. A decade of banking repair: NPL ratio falls from 49% peak to 3.6% — lowest since Greece joined the euro area

Source: Bank of Greece Financial Stability Review (October 2025); IMF Article IV 2025; ECB Supervisory Banking Statistics

Robust corporate loan growth – Contraction in housing loans reaching an end

Corporate bank credit expansion was robust during January–November 2025 under the favorable impact of solid economic growth, declining interest rates and supportive public programs, underlain both by increased demand and by increased supply of loans (Figure 2.11). In November 2025, **bank credit to NFCs** (based on net credit flows, i.e. new corporate credit minus repayments of outstanding credit) increased by €0.7 bn but the annual rate of growth decelerated further to 9.6% (from 11.2% in October), from a peak of 17.4% in May 2025.

The annual contraction rate of **housing loans to households** eased significantly in the course of 2025, and the growth rate of housing loans to households turned positive in November (0.4%), for the first time since 2010. **Consumer loans** have been recording continuously positive rates of growth since mid-2022 (Figure 2.12). In November 2025, the annual growth rate of consumer loans rose to 6.9%.

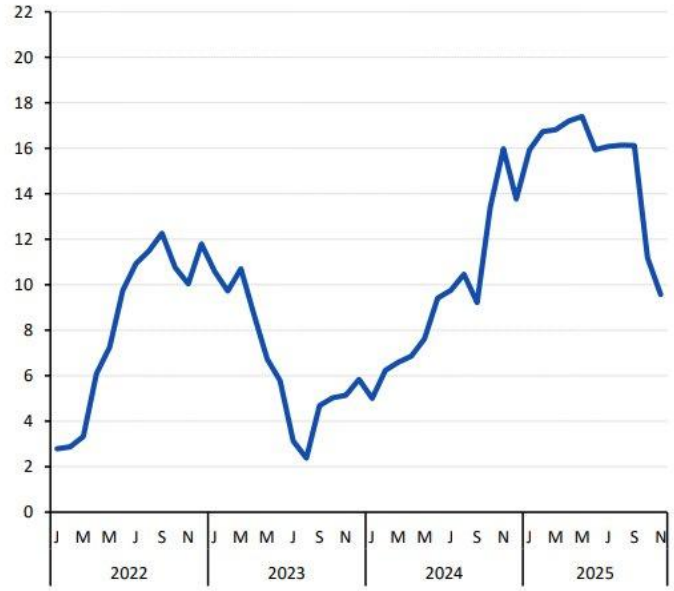


Figure 2.11: Bank credit to non-financial corporations (% y-o-y, net flows)
Source: Bank of Greece.

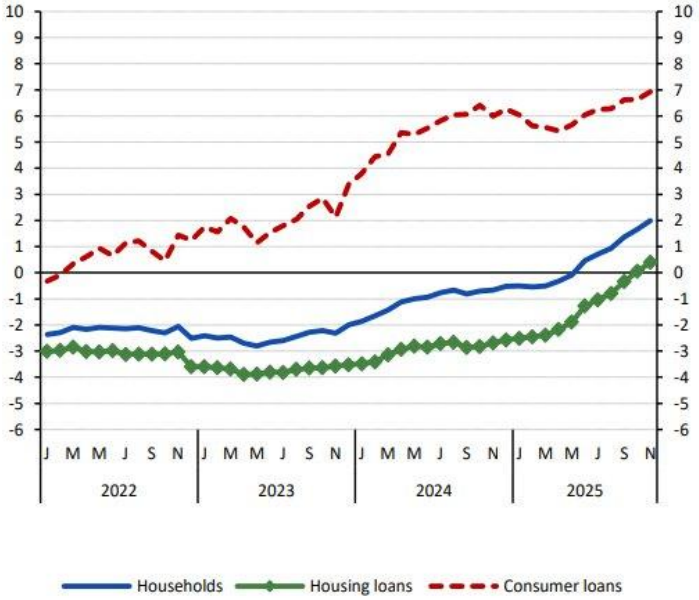


Figure 2.12: Bank credit to households – housing and consumer loans (% y-o-y)
Source: Bank of Greece.

External Sector: Tourism Record, Competitiveness Tensions

Tourism generated **a record €23.6 billion in receipts in 2025 — a 9.4% increase over 2024**, the third consecutive year of record performance (Bank of Greece BOP data, February 2026). Non-resident visitor arrivals reached 37.98 million (+5.6%). Revenue growth ran nearly double the pace of arrivals, reflecting higher average spending per visitor (+3.8%) and the success of strategies to attract higher-value year-round tourists. Non-EU visitor receipts grew 14.7%; US visitors contributed €1.72 billion (+8.5%). The travel balance surplus reached €20.25 billion, offsetting approximately 60% of Greece's goods trade deficit. Tourism represents approximately 20% of GDP, comprising

travel receipts, cruise revenues, and ancillary services (Bank of Greece Balance of Payments; Eurostat Tourism Statistics).

Current account improvement was only partial, and its composition reveals more than the headline figure. The combined current and capital account deficit amounted to approximately €7.5 billion in January–October 2025 (Bank of Greece) — improved relative to 2024 but still large in relation to the economy's size. The persistence of the deficit despite record tourism receipts reflects a structural feature of the investment-driven growth model: the RRF program carries high import content in both capital goods and intermediate inputs, meaning that every euro of EU-funded public investment generates significant import leakage. The current account deficit is therefore better understood as investment-driven rather than consumption-driven — a structurally less concerning composition, but one that constrains the external balance for as long as the investment cycle runs at elevated intensity. The IMF Article IV assesses Greece's external position as "weaker than that consistent with medium-term fundamentals and desirable policies" — a structural finding that reinforces the productivity and competitiveness agenda. Shipping revenues, while positive, moderated from 2022 highs as global trade volumes decelerated following the 2025 front-loading peak and freight rates normalized from their Houthi-disruption premium. The goods trade deficit was only partially offset by the travel surplus, leaving net external demand as a drag on aggregate GDP growth in 2025. The critical constraint is that investment-driven deficits do not automatically self-correct: closing the external gap requires the investment to generate productivity gains that raise export capacity and reduce import intensity over time — which brings the external sector story back to the same structural test facing the labor market (Figures 2.13 and 2.14).

The transmission of global trade fragmentation to Greece is indirect but material. Direct goods exposure to the United States is limited; the operative channel runs through euro area industrial demand and services exports. Slower growth among core euro area partners dampens demand for Greek goods and tourism services even when bilateral exposure appears contained. Shipping revenues remain sensitive to route restructuring, creating asymmetric effects from rerouting even when aggregate trade momentum weakens. The result is a dual external structure: maritime earnings may benefit at the margin even as aggregate trade momentum weakens.

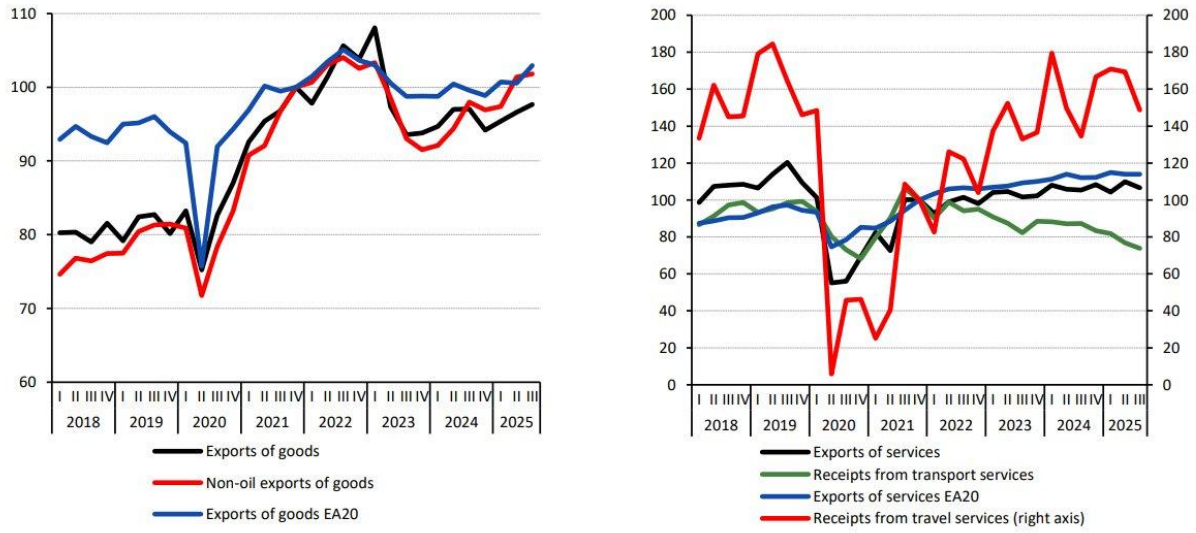


Figure 2.13. Tourism reaches a record €23.6bn in 2025 — revenues grow nearly double the pace of arrivals as spending per visitor rises

Source: Bank of Greece Balance of Payments (bankofgreece.gr/Statistics); Euronews Feb 2026; Travel Tomorrow Feb 2026

Price competitiveness deteriorated in 2025 as the euro appreciated and wage growth exceeded productivity gains. The IMF WEO Update identifies "additional pressure from the real appreciation of the euro" as a persistent drag on euro area export-oriented sectors — applicable to Greece's tourism and services exports. The OECD flags the risk that "wage growth exceeding productivity gains" could dampen the external competitiveness gains Greece accumulated during the 2010–2018 adjustment period.

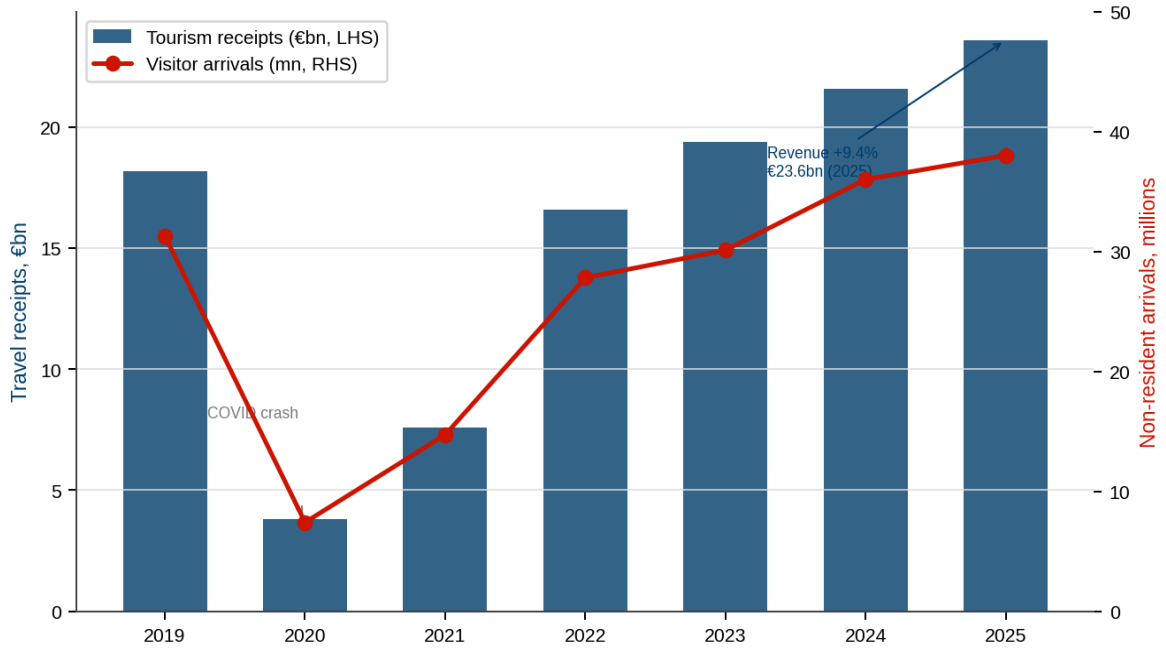


Figure 2.14. Goods and services exports: Greece recovers goods share post-pandemic; travel receipts drive services surge, 2018–2025

Source: Bank of Greece Balance of Payments Statistics; Eurostat (EA20 comparator).

Investment and the RRF: Transformative Opportunity, August 2026 Cliff

Greece's €36 billion Recovery and Resilience Plan ("Greece 2.0") — the EU's largest allocation as a share of GDP at **19.6% of 2019 GDP** (European Parliament Think Tank) — has been the central investment engine of the recovery. By early 2026, Greece had received €21.3 billion (59.3% of allocation) across five payment tranches. The government disbursed €5.2 billion of RRF funds in 2025 alone and ranks among the EU's leading absorbers. The OECD projects RRF disbursements rising from 1.8% of GDP in 2024 to 3.6% in 2026, before an abrupt cessation.

With 53% of milestones completed (204 of approximately 385), Greece faces a demanding sprint to the August 2026 deadline. An estimated €8 billion in grants and loans rides on completion — including the €6.2 billion final grant tranche. A revised plan submitted in November 2025 reallocated funding from delayed to more mature projects. The European Commission cautions that "increased efforts are needed to complete all measures by 31 August 2026." A further EC decision in December 2025 ECOFIN was required to unlock the final grant tranche.

The IMF WEO Update's structural reform prescription "reforms targeting labor markets, education, regulatory frameworks, and competition will drive productivity, potential output, and job creation" — is precisely the agenda that the RRF was designed to catalyze. The question for 2026 is whether the institutional and regulatory improvements funded by Greece 2.0 will generate sufficient private investment dynamism to substitute for RRF-funded public investment once disbursements cease.

The IMF's medium-term growth projection of ~1.25% suggests this substitution is not yet embedded in the forecast baseline.

The growth profile implied by that projection is not a cyclical correction; it is a structural reversion. As RRF disbursements peak and then taper, the contribution of public investment to aggregate demand will diminish mechanically. What replaces it must be private capital formation supported by productivity gains, regulatory efficiency, and labor force participation. Absent those supply-side improvements, growth converges toward potential rather than exceeding it. The transition from stabilization to sustained convergence therefore remains conditional (Figures 2.15 2.16 and 2.17).

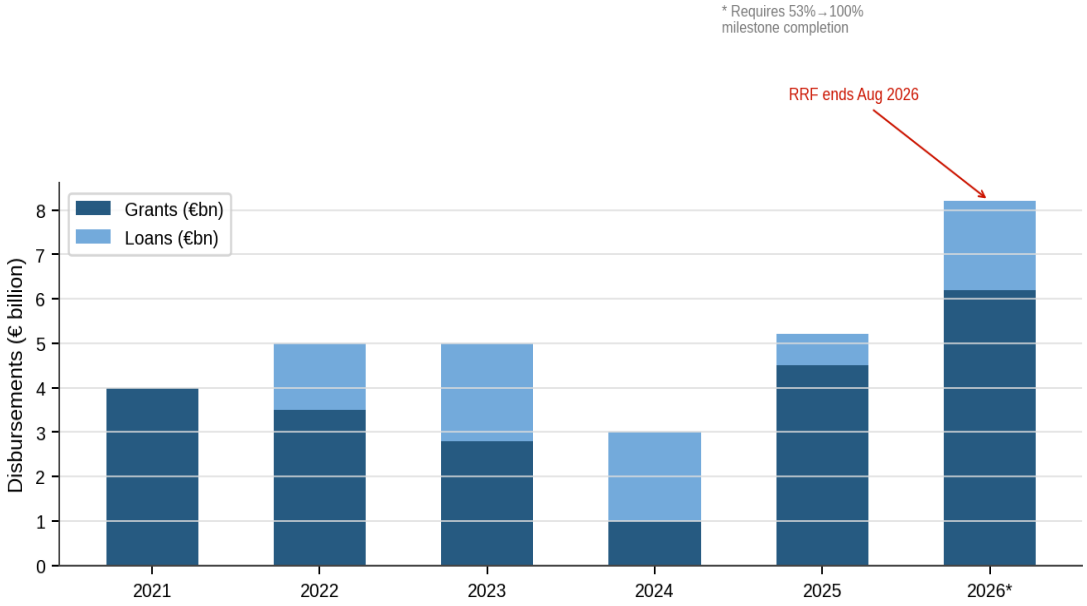
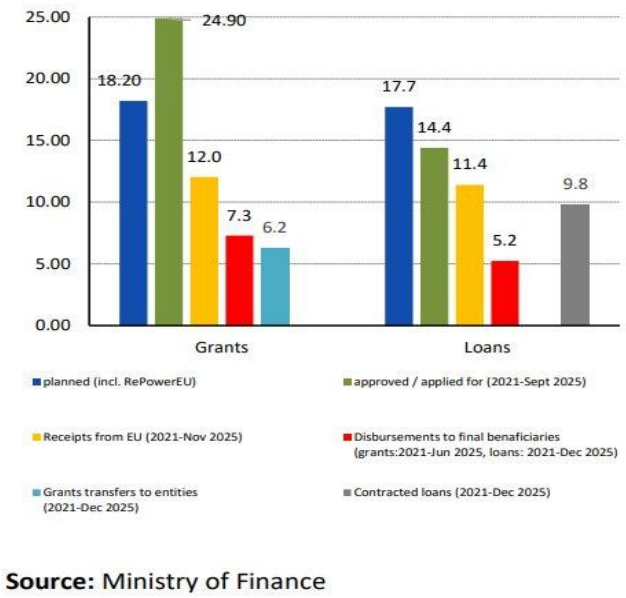


Figure 2.15. Greece ranks among the EU's top RRF absorbers; 53% of milestones complete with €8bn+ riding on August 2026 deadline

Source: European Parliament Think Tank (2024); European Commission RRF Country Page; EC ECOFIN December 2025 Statement



Source: Ministry of Finance

Figure 2.16. RRF grants and loans: planned, approved, received and disbursed (€bn)

Source: Ministry of Finance. Grants: 2021–Sept 2025 approved/applied; receipts 2021–Nov 2025; disbursements 2021–Jun 2025; transfers 2021–Dec 2025. Loans: receipts 2021–Dec 2025.

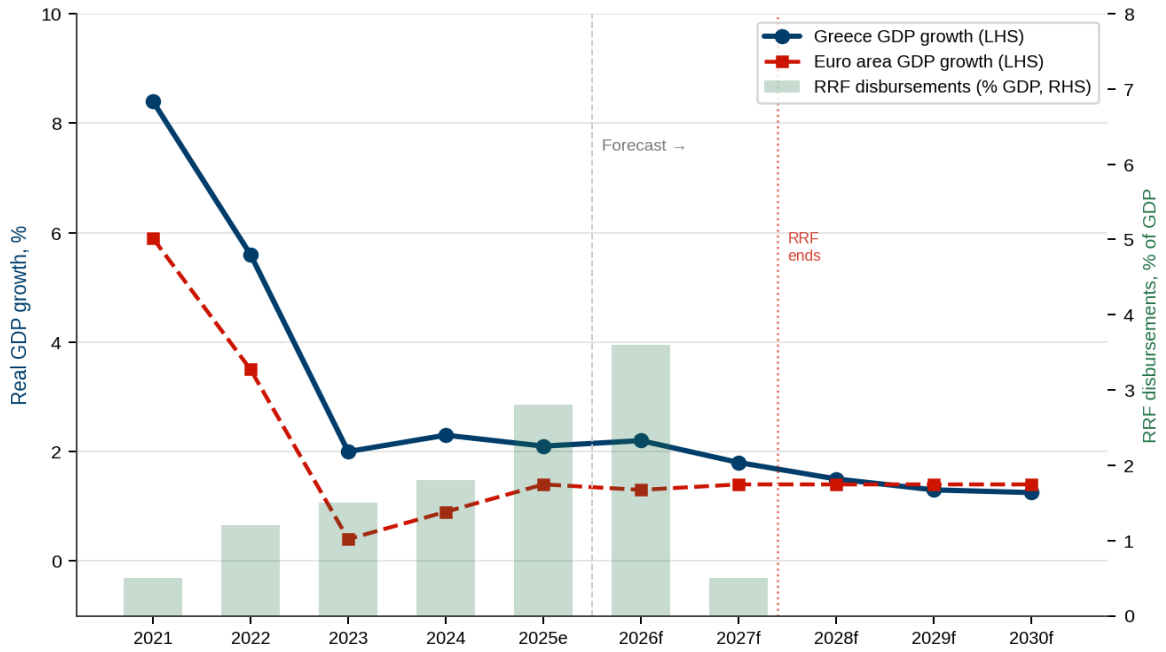


Figure 2.17. Growth projected to halve after RRF phase-out (2027) structural productivity gains needed to sustain convergence without EU stimulus

Source: IMF WEO Jan 2026; IMF Article IV Apr 2025; OECD Dec 2025; EC Autumn 2025; EC RRF Scoreboard

Synthesis: Did Greece Use the Window?

Section I.1 closed with a test: whether Greece is using the window of relative financial calm to strengthen its economy before more demanding external constraints reassert themselves. The 2025 data allow a provisional verdict, and it is more favorable than the structural backdrop would suggest.

On the cyclical question, Greece passed. Real GDP grew by 2.1% in 2025 — matching the United States and outperforming every major eurozone peer. That is not a trivial benchmark. The IMF WEO Update of January 2026 projects US growth at 2.1% for 2025, supported by an AI-driven technology investment boom, fiscal stimulus, and the deepest capital markets in the world. Greece achieved the same rate of expansion without any of those advantages, and in the face of the exact headwinds Section I.1 documented: a fragmented trade environment, weak German industrial demand (Greece's second-largest import market), the end of unconditional ECB support, and a tight monetary policy that constrained credit conditions across the eurozone. Fiscal credibility has been maintained through seven consecutive years of primary surpluses. The banking system has completed the most dramatic NPL repair in European history, from 49% to 3.6%, and resumed dividend distributions for the first time in fifteen years. Sovereign spreads have compressed 200 basis points in three years on the back of Greece's own credibility, not ECB reinvestments. Tourism has delivered three consecutive record years. On the near-term test — using the window — Greece has used it well.

The structural question is harder, and here the verdict is conditional. The three pressures Section I.1 identified as the real test — RRF phase-out, market financing transition, and competitiveness erosion — are all present in the 2025 data, and none is resolved. Growth rests on three transitory pillars: RRF-funded investment (rising to 3.6% of GDP in disbursements by 2026 before abrupt cessation), tourism normalization, and labor market slack absorption. The IMF's medium-term projection of approximately 1.25% growth once NGEU funding expires is not a forecast of failure — it is a forecast of reversion to underlying potential in the absence of productivity-enhancing structural

change. That potential is constrained by a labor productivity gap of approximately 56% of the EU average in PPS terms, accounting for over 80% of the output shortfall versus the pre-crisis peak.

On price competitiveness, the signal is mixed. Section I.1 flagged real euro appreciation and wage growth exceeding productivity as persistent drags on peripheral eurozone exporters. In Greece, unit labor costs rose in 2025 as minimum wage increases and social security cuts boosted household incomes — a deliberate distributional choice — but one that erodes the internal devaluation gains of 2010–2018. The current account deficit narrowed only modestly, and the IMF's external sector assessment still characterizes Greece's position as weaker than fundamentals warrant. Shipping revenues moderated as global trade volumes slowed, consistent with Section 1.1's warning about trade fragmentation transmitting through route and volume changes rather than aggregate collapse. The debt structure insulation documented in Section I.1 — 73% official sector holdings, 18-year average maturity, €42bn cash buffer — remains fully intact and continues to provide Greece with a structural advantage most eurozone peers no longer hold.

The synthesis, then, is this: Greece has demonstrated that the cyclical repair phase is complete and done so against a global backdrop that was materially less supportive than any that enabled rapid convergence in the past. The 2.1% growth rate is not an accident — it reflects seven years of fiscal discipline, a decade of banking repair, and credibility earned through delivery rather than inherited from ECB accommodation. The window has been used. What has not yet been demonstrated is that the structural transformation required for sustained convergence — productivity growth, private investment dynamism independent of EU transfers, deep reform of judicial and regulatory frameworks — is embedded deeply enough to sustain growth once the RRF expires, market issuance rises, and the global regime becomes less forgiving. That is the test that 2026 and beyond will set. The completion of Greece 2.0, the maintenance of fiscal credibility through the distributional expansion, and the management of the sovereign financing transition will determine whether 2025 is remembered as the year Greece consolidated its recovery or as the moment before its inflection — the point at which structural reforms took hold deeply enough to sustain convergence without the external scaffolding of EU transfers, ECB accommodation, and a favorable debt structure that will not remain this favorable indefinitely. The cyclical chapter is closed. The structural one is being written.

3. Greek Agrifood and Tourism Markets Overview (2024-2025)

Economic Contribution

Agrifood

The Greek agrifood sector is a vital contributor to the national economy, encompassing agriculture, food, and beverage production, as well as trade. Its impact is observed in multiple dimensions:

Agricultural Sector

In 2024, the gross value added (GVA) from Greece's agricultural industry to the country's gross domestic product (GDP) was a bit shy from €8 billion, at €7,961.27 million (Eurostat, 2026c). The GVA ratio to GDP was 3.2%, up from 3.1% in 2023 and the highest among the EU countries (Eurostat, 2023, 2025c). In 2024, the output value and intermediate consumption exceeded their 2009 levels (see Figure 3.1) (Eurostat, 2025c). Rural areas, which cover 63% of Greece, house 29% of the population. The sector comprises ~700,000 farms, with an average size of just 7 hectares; over 70% are smaller than 5 hectares (Agriculture and Rural Development, 2024).

Aquaculture has been the food sector that saw the fastest expansion worldwide in the last half century, with an average increase of 5.3% per annum since 2000 (Food and Agriculture Organization of the United Nations, 2021). Greek aquaculture production (reared and cultivated species) declined by 10.2% in 2024 to 127.5 kilotons, down from 141.9 kilotons in 2023, while the total value remained relatively stable, edging down just 0.2% to €689.5 million (Hellenic Statistical Authority, 2025a).

Food and Beverage Industry

The food and beverage sector represents a cornerstone of Greek manufacturing, contributing one-third of manufacturing GVA and ranking first in terms of the number of companies (28.1%). Its turnover accounts for nearly 25% of total manufacturing turnover, with a production value of 24.4% and GVA of 26.7% (IOBE, 2022; 2024). Baking and flour products (20%), fruits and vegetables (16%), dairy products (15%), and beverages (15%) are the largest GVA contributors. Dairy leads in production value (18%), followed by baking (16%) and fruits/vegetables (15%). Very small enterprises (fewer than 9 employees) dominate in number (86% for food, 91% for beverages), while large enterprises generate the highest turnover (38% for food, 52% for beverages) (IOBE, 2024).

Exports and Domestic Use

More than 15% of agricultural product value is exported, while 85% serves domestic purposes: household consumption (~33%), food/beverage/tobacco industries (26%), agriculture (16%), and accommodation/catering (5.6%). Notably, over 80% of agricultural product needs in Greece are met domestically (Makantasi & Valentis, 2024).

Sector Growth and Resilience

In 2025, the Greek agriculture and livestock sector demonstrated a trend of stabilization and cautious recovery following previous volatility (see Figure 3.2). While the twelve-month weighted average output index saw an overall decline of 3.5%, the year ended on a positive note with a 0.9% year-on-year increase in output prices by December. This growth was primarily driven by a robust 7.7% surge in the animal output group, which offset a marginal decline in crop prices. Despite a slight 0.5% rise in input costs (operational expenses and investments), the sector showed resilience, successfully reversing the sharp price contractions seen in 2024 and signaling a shift toward more favorable market conditions (Hellenic Statistical Authority, 2026b).

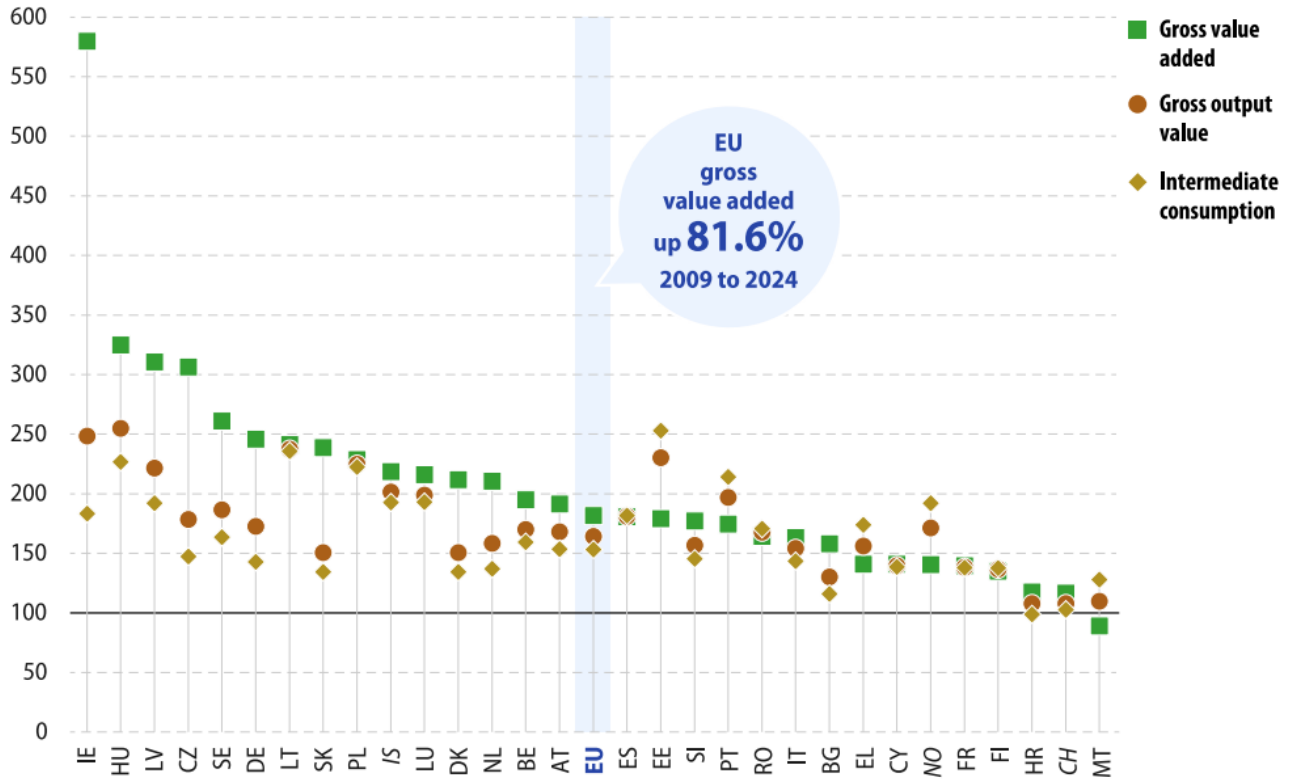


Figure 3.1. Developments of output and consumption for the EU agricultural industry (2009 = 100, values at current basic prices, 2024)

Source: Eurostat (2025c)

Note: indices originally compiled with 2015 = 100; rescaled to 2009 = 100. Ranked on the change in value added. EL: Greece.

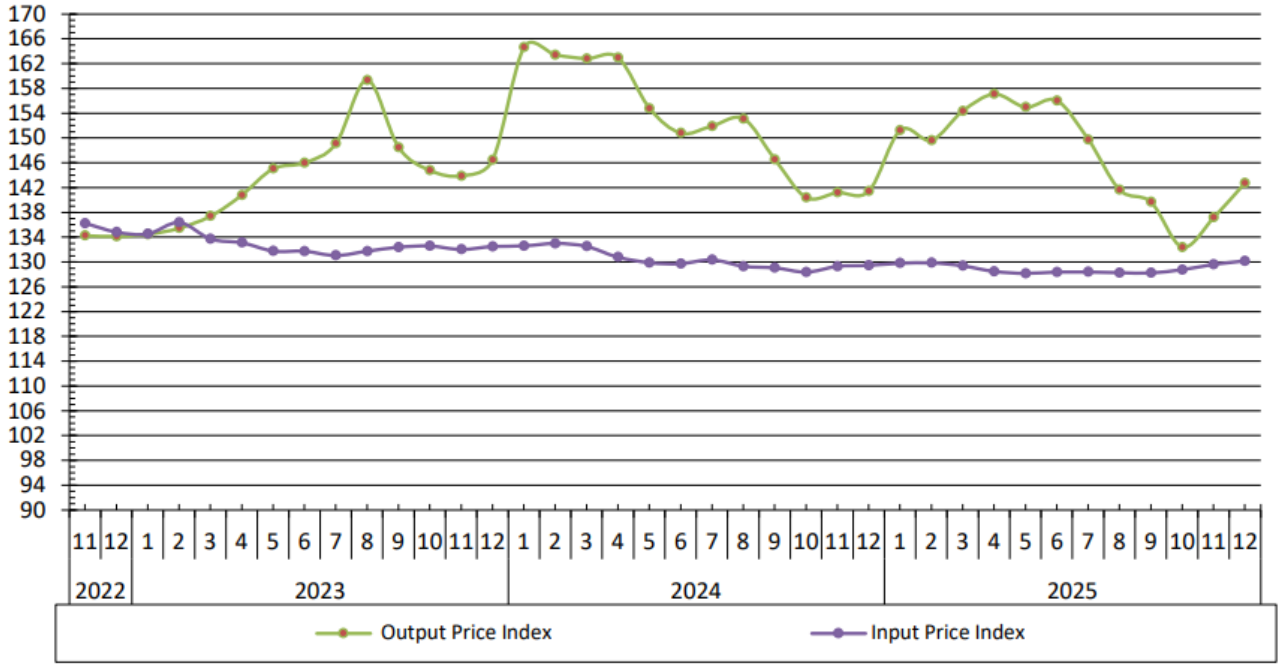


Figure 3.2. Evolution of Input and Output Price Indices in Agriculture – Livestock (2020=100.0)

Source: Hellenic Statistical Authority (2026b)

The food and beverage (F&B) industry turnover rose 14.4% in 2022, reaching €17.4 billion, with net profits at €595 million. EBITDA grew by 5.3% to €1.43 billion, although net profit margins saw a slight decline (IOBE, 2024).

Organic Farming

Greece's organic farming area surged from 10% in 2020 to 17% in 2022, contributing significantly to the EU's organic farming growth, although it remains behind leaders like France and Spain (Eurostat, 2023).

By intertwining agriculture with manufacturing and trade, the Greek agrifood sector showcases its critical role in fostering economic growth, sustainability, and resilience.

Tourism

Tourism is a significant pillar of the Greek economy, contributing substantially to the country's GDP and supporting numerous industries. In 2023, the total contribution of travel and tourism to Greece's GDP amounted to €42.7 billion, nearly matching pre-pandemic levels, being just 0.5% lower than in 2019. This figure is projected to increase to €46.8 billion in 2024. Tourism represented over 19% of Greece's GDP in 2023, ranking as the third-highest share among EU countries that year (Statista, 2024).

Leisure travel dominates Greece's tourism spending, accounting for 93.5% of total expenditures in 2023, although this marks a slight decline of 1.1 percentage points from 2019 (Statista, 2024). Greece remains a top global tourism destination, ranking 13th in global arrivals, with 34 million non-resident tourist arrivals in 2019. However, spending per visitor remains lower compared to other Western countries, highlighting potential areas for growth (Skylakaki & Benos, 2023).

The Greek tourism industry experiences significant seasonal concentration, with peak activity during the four-month period from June to September. Island regions such as the Ionian Islands, South Aegean, and Crete dominate the sector, capturing 60% of tourism receipts. Additionally, 60% of hotels in Greece operate restaurants, with dining contributing an average of 44.6% of hotel revenue (Skylakaki & Benos, 2023).

Key market segments

Agrifood

Crop production holds the highest share of the total agricultural goods output in Greece, with a total output of €11.83 billion in 2024. The main products include categories connected to a healthy diet such as fruit and vegetables (see Figure 3.3). Total animal output in 2024 was at €3.40 billion, of which €2.22 billion comprised animal products. Milk, poultry, and eggs were the top 3 animal outputs in terms of value at basic prices. Agricultural services and secondary activities made up just below €1 billion of the output from the Greek agricultural industry (Eurostat, 2026c).

Greece remained a key player in the EU market in 2024, ranking high in the production share of some food product categories.

Regarding crop production, Greece ranked third in citrus fruits (11.7%), after Spain (53.6%) and Italy (29%), with a slight increase in both absolute production numbers and market share compared to 2023 (10.6%). Greece also occupied the third place in the share of olive production (12.3%), following Spain (60.4%) and Italy (16.7%). Here, absolute production saw a slight increase, but the share slightly dropped from 2023 (12.9%), reflecting a relative increase in other EU Member States' output. While not making the top3 rank, Greece saw a production share increase compared to 2023 levels in fruits, berries and nuts (8.2% vs 6.6%), fresh vegetables (3.6% vs 3.4%), grapes (3.5% vs 2.5%), and potatoes (0.7% vs 0.6%). Notably, the absolute production in fresh vegetables declined, thus the share increase signals a relative decline in other Member States' output (Eurostat, 2025c, 2026b).

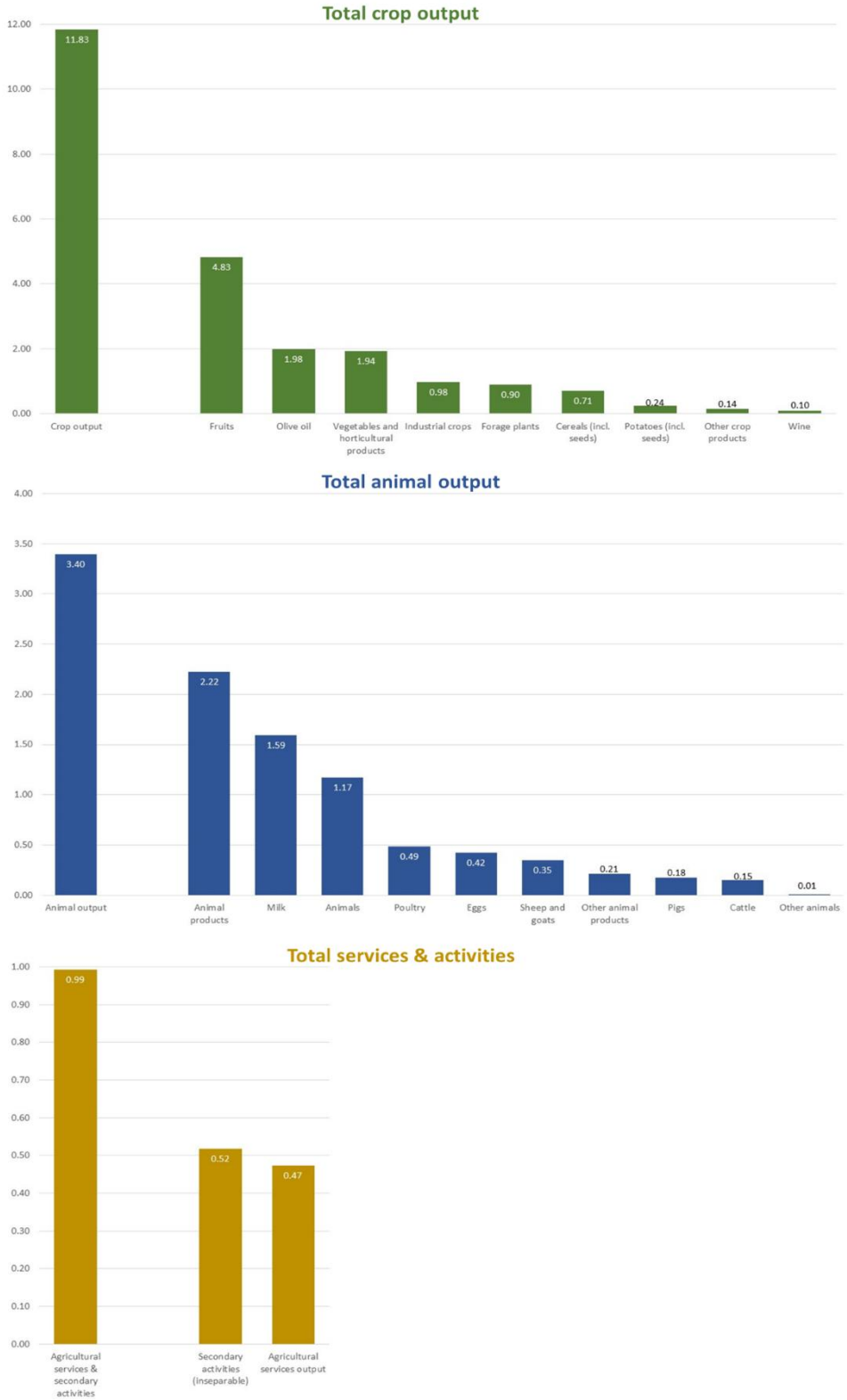


Figure 3.3. Distribution of gross output for the agricultural industry (€ billion, values at basic prices, Greece, 2024)

Source: Eurostat (2026c)*, Data processing: Center of Excellence in Food, Tourism & Leisure (CoEFTL)*

Note: gross output is the production value.

In livestock, Greece remained a leader in goat meat production, holding the highest share in the EU at 38.8% (up from 26.2% in 2022), with Spain (23.5%) and France (15.8%) following. At sheep

meat production, Greece stood at fourth place in market share among EU countries (≈11.5%), similar to 2022 levels, contributing to the bulk of the EU production along with Spain (26.6%), France (18.4%), and Ireland (17%). Poultry, bovine, and pig meat production accounted for a significantly lower EU share, at approximately 2.1%, 0.5%, and 0.3%, respectively (Eurostat, 2023, 2025c, 2026h).

In several EU Member States, non-cow livestock significantly contributes to milk production, particularly in arid Mediterranean regions. In 2024, Greece produced 731,000 tons of ewes' milk (up from 715,000 tons in 2022, ≈33% of EU total), while Spain followed with 622,000 tons (28%). Although Greece's overall share of EU dairy products is modest, the country accounted for the second highest share of EU non-cow milk in 2024, at 20.8% (see Figure 3.4), similar to 2022 (20.5%) and 2021 (20.9%), while Spain maintained a stable lead (2024: 25%; 2022: 24.8%; 2021: 24.3%) (Eurostat, 2022, 2023, 2025c).

These figures showcase Greece's continued prominence in EU agriculture, with notable year-on-year growth in fruit and livestock populations.

High rankings are achieved also in fishing and aquaculture. Greece had the second highest number of fishing vessels, at 16.6% of the EU total in 2024, swapping its golden crown from 2022 (17.8%) to a silver one, as Italy took over with 17.9%. In 2023, in the Mediterranean and Black Sea, Greece's fleet accounted for 20% (vs 2022: 16.8%) of the total catch in the area, one of the higher shares, surpassing Croatia (18% vs 2022: 17.8%) and Spain (17% vs 2022: 17.5%) and closing the gap with Italy (37% vs 2022: 39.1%) who continues leading. That same year, Spain (23.1%), France (17.8%), Greece (13.4%), and Italy (12.3%) together accounted for two-thirds of the EU's aquaculture output by quantity (Eurostat, 2025c).

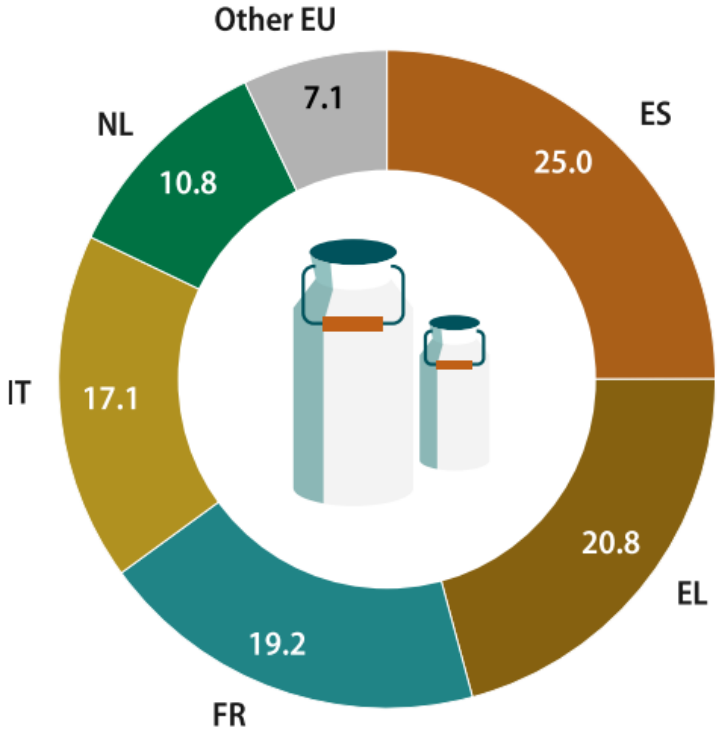


Figure 3.4. Share of EU milk from animals other than cows (% based on tons of deliveries to dairies, 2024)

Source: Eurostat (2025c)

EU geographical indications protect region-specific product names through three intellectual property schemes:

- protected designations of origin (PDOs)
- protected geographical indications (PGIs) and
- geographical indications (GIs)

These safeguard products whose quality, reputation, or characteristics are intrinsically tied to their geographic origin. In 2025, Greece was among the 6 EU Member States with at least 100 designations and indications, at ≈150 PGIs, ≈110 PDOs, and ≈10 GIs (Eurostat, 2025c).

Looking at food and beverages manufacturing, in 2022, in value terms, non-processed cheese was the leading F&B product in Greece (Eurostat, 2023).

Tourism

Domestic tourism

In 2024, resident tourism in Greece saw a significant rise, with 5.1 million residents taking 8.6 million trips (+4% for both vs. 2023). Total expenditure increased by 7.5% to €3.70 billion, in congruence with a 4.6% increase in nights spent (81.3 million) compared to 2023. Personal travel continued to dominate (96.4% of trips; 2023: 96.6%), with a notable increase in trips lasting from 15 nights and over (+9.4%) and 4-7 (+8.2%) nights, as well as sea trips (+11.7%) compared to 2023. Non-rented accommodation (52.4% of personal trips) remained the most common, primarily provided by friends and family (53.9% of these stays). For rented accommodation, hotels accounted for 60.4% of such trips, with increases in both trips (+8.5%) and nights spent (+4.6%) compared to 2023 (Hellenic Statistical Authority, 2024, 2025b). The share of domestic trips for Greece in 2023 (~85% of all trips) was one of the largest in the EU (Eurostat, 2025b).

Inbound tourism

In 2024, Greece welcomed 40.7 million inbound tourists, marking an increase of 12.8% compared to 2023 and a record high. European travelers dominated the market, with Germany and the United Kingdom being the top sources of visitors, followed by Italy and France. That same year, Greece's international travel receipts exceeded €21 billion, up ~5% from 2023. Leisure tourists dominated spending, accounting for nearly 90% of total inbound tourist expenditure (Statista, 2024, 2025b). When analyzing regional visits, Attica, which includes Athens, and the Southern Aegean, home to islands like Rhodes and Mykonos, remained the most popular destinations, collectively attracting over 16 million international visits (+10.1% vs 2023) (Statista, 2024, 2025c).

Outbound tourism

While the number of international tourists to Greece has surpassed pre-pandemic levels, the recovery of the outbound tourism market has been slower. In 2024, Greek travelers abroad increased by 8 percentage points compared to 2023 but were still almost 15% below 2019 figures (Statista, 2024, 2025d). Interestingly, outbound travel expenditure reached €2.8 billion, exceeding pre-pandemic levels (+15% from 2023) (Statista, 2025e). Visits to leading outbound destinations like Bulgaria, Italy, Germany, and Turkey remained significantly lower than before the pandemic. Conversely, countries such as Italy, Germany, and the United Kingdom saw an increase in Greek visitors in 2024 (Statista, 2025a), with Italy ranking first in terms of expenditure by Greek travelers (€315 million), which was the highest recorded since 2019. Germany (€302 million) and the United Kingdom (€242 million) followed in the ranking (Statista, 2025f).

Labor Force

Agrifood

In 2023, Greece's agricultural sector employed over 461,000 people, representing 11% of total employment, marking a 15% increase from 2021's 9.9% share (Eurostat, 2023; Makantasi &

Valentis, 2024). This proportion is the third highest among EU Member States, trailing Romania (20.9%) and Bulgaria (15.5%), and more than double the EU average of 4.2% in 2020 (Agriculture and Rural Development, 2024; Eurostat, 2023). Despite this, Greece, like other EU countries, has seen a steady decline in agriculture's share of total employment, dropping from 11.7% in 2013 to 9.2% in 2024 (Eurostat, 2026d). At the same time, in 2024, Greek farmers worked 42.2 hours per week (up from 40.9 in 2023) and notably more than the national average across all sectors (39.8 hours). Meanwhile, the EU average for agricultural workers remained relatively stable (2023: 40.7; 2024: 40.4) and still fell below Greece's level (Eurostat, 2025c, 2026a). However, these hours largely supported the Greek farmers' income, as the share of direct support in agricultural factor income in 2023 was 26%, indicating that a large share of their farm income came from agricultural production. This share is down from 30% in 2020 but still outpacing the EU average (19.1%) (Directorate-General for Agriculture and Rural Development, 2020, 2023; Eurostat, 2025c). These dynamics highlight the critical role of agrifood in Greece's labor market and broader economy.

The average Common Agricultural Policy (CAP) income support per hectare[1] in 2022 for Greece was €546 (Directorate-General for Agriculture and Rural Development, 2023). Notably, in 2025 a scandal came to light regarding the alleged long-run (2016-2022) embezzlement and misappropriation of CAP funds provided by the European Commission by Greek public officials, which resulted in a fine of nearly €400 million (European Public Prosecutor's Office, 2025; Sito-Sucic, 2025).

Family farms[2] dominate Greek agriculture, with over 99% of farms classified as family-operated, matching Romania's peak share and far exceeding the EU average of 94.9% in 2020 (Eurostat, 2023). 70% of all new farm managers in 2020 were over 40 years old, far exceeding the EU average (58.9%) (Eurostat, 2025c).

The agrifood labor force also extends significantly into manufacturing and services. Food and beverage processing employed 37% of Greece's manufacturing force in 2023 and accounted for 26.6% of manufacturing value added (Eurostat, 2025a). This share of Greek F&B workforce in total manufacturing workforce remained high in recent years, especially from 2020 onwards, despite the small increase in manufacturing force. In 2024, this share reached 40%, an increase of 10 percentage points from 2012 (IOBE, 2025). The contribution of food and beverage processing to manufacturing employment surpassed their contribution to manufacturing value added for most EU countries in 2023. Greece, however, displayed the second largest disparity, with employment shares exceeding value added by 10.4 percentage points, following Ireland. Reasons for this disparity could include relatively low wages and high seasonal or part-time employment (Eurostat, 2025a, 2025c).

In 2024, employment within F&B remained concentrated in the banking sector (86.4 thousand, +10.6% from 2023), fruits and vegetables (-9.3% from 2023), and dairy products (+4.5% from 2023). Regarding the educational level of the F&B workforce, in 2024 68% were high school graduates (vs 76% in 2025) and 21% had a bachelor's or master's degree (vs 15% in 2015) (IOBE, 2025).

Tourism

The tourism sector is a vital employer in Greece, generating approximately 810,000 jobs in 2023, nearly rebounding to pre-pandemic levels. This figure is expected to rise to 860,000 jobs in 2024 and surpass one million by 2034 (Statista, 2024). In 2021, Greece had the highest share of tourism-related employment in the EU, with 25.7% of its workforce engaged in the sector, compared to 17.5% in Cyprus and 15.0% in Malta (Eurostat, 2024b).Although tourism offers abundant opportunities, the sector tends to attract a young workforce, often in their early career stages, and exhibits employment patterns less stable than other industries. Temporary contracts are prevalent, with 40% of tourism workers in Greece employed on such terms in 2023, compared to 12% in the

[1] 1 ha = 10,000 m^2 (approx. 2.47 acres).

[2] Abiding by the Food and Agriculture Organization (FAO) of the United Nations definition, 'family farm' is used here to refer to any farm that is under family management and where family workers provide more than half of the agricultural labor (Eurostat, 2023).

broader economy. In the accommodation sector specifically, one in four employees lacked a permanent contract, and over 45% of the workforce had held their job for less than one year in Greece and Cyprus (Eurostat, 2024b). In 2023, youth employment (15-24 years old) in the Greek travel and tourism sector increased by 11 percentage points from the previous year (42.5 vs 38.3 thousand) showing a steady recovery after the pandemic but still remained below 2019 levels (44.2 thousand) (Statista, 2025g).

Job stability also varies across tourism subsectors. Air Transport offers relatively stable employment, with 14% of employees having worked for less than one year in their current role, compared to 26% in accommodation and 17% in travel agencies and tour operators. In the Greek tourism sector, 65% of employees had been with the same employer for two years or more, lower than the economy-wide average of 75% (Eurostat, 2024b).

Compensation in tourism is notably lower than the national and EU averages. In 2020, the average hourly labor cost in Greece was €13.8, with wages averaging €11.0. However, in tourism industries, such as air transport, accommodation, and travel agencies, the hourly labor cost was €11.5, and average wages were €8.8, both significantly below the EU average (Eurostat, 2024b).

Agrifood Trade Dynamics and Tourism Accommodation

Agrifood

In 2024, Greece's F&B sector saw exports rise by 2.1% compared to the previous year to a value of almost €7 billion, while imports increased by 6.8% to over €8.5 billion, resulting in a 34.8% reduced trade deficit of €1.54 billion. Exports have been increasing yearly since 2014, even during the pandemic, highlighting the growing international demand for Greek processed food and beverages. The export-import ratio in 2024 was 82% (2023: 86%; 2022: 78%), indicating a high level of outward orientation in industry. Processed F&B accounted for 14% of total exports in 2024 (2023: 13.4%; 2022: 11.0%). That same year, the share of F&B imports was 10.1% (2023: 9.7%; 2022: 8.3%) (IOBE, 2024, 2025).

Regarding the trade balance by sector in the period 2018 to 2024, processed fruits and vegetables, and oils and fats maintained a positive trade balance throughout the period, while the meat sector recorded the highest trade deficit at €1.61 billion in 2024, up from €1.52 billion in 2023. The animal feed, fish, and grain mill products categories also continued recording a trade deficit at €225 million (2023: €206 million), €476 million (2023: €498 million), and €50.7 million (2023: €82.3 million), respectively. Dairy products and bakery products shifted to a surplus in 2020 and 2019, respectively. Dairy returned to a surplus in 2023 to 162 million and remained there in 2024, albeit at €105 million. Bakery products have kept their positive trend since 2019, recording a trade surplus of €35.9 million in 2024 (2023: €33.4 million) (IOBE, 2025).

The top export categories of 2024 (see Figure 3.5 – left graph) were:

1. processed fruits and vegetables at 28.3% (2023: 25.6%),
2. dairy products at 21% (2023: 19.6%), and
3. oils and fats comprising 17.5% (2023: 23.3%) of Greek F&B exports.

Top imports of 2024 (see Figure 3.5 – right graph) were:

1. meat at 22.1% (2023: 22%),
2. other food products at 17.4% (2023: 16.3%), and
3. dairy at 15.9% (2023: 14.8%).

In 2024, in terms of value, 66% of exports (2023: 69%) went to EU27 countries, while 34% (2023: 31%) were to non-EU countries. For imports, 81.2 (2023: 80.7%) came from EU27 countries. In exports, Greece's major trading partners were Italy (16%; 2023: 19.8%), Germany (14.2%; 2023: 13.8%), and the USA (9.7%; 2023: 8.5%), while other notable partners included the UK, Cyprus, France, Bulgaria, the Netherlands, Spain, and Romania. Most imports arrived from the Netherlands (14.9%; 2023: 14.3%), Germany (13.1%; 2023: 12.6%), and Italy (10.6%; 2023: 10.4%), while

other sources included France, Spain, Bulgaria, Poland, Belgium, Argentina, and Denmark (IOBE, 2024, 2025).

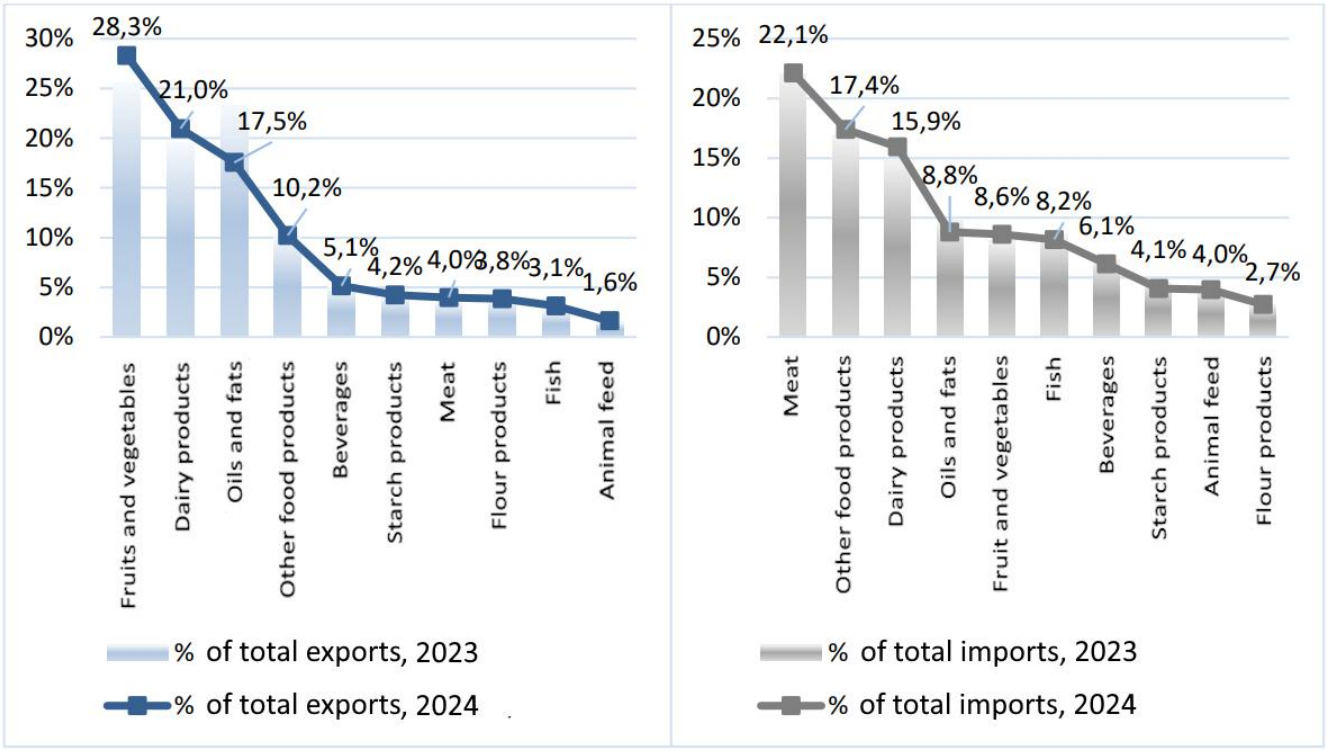


Figure 3.5. Share of sub-sectors in total foreign trade in F&B (in terms of value), 2024

Source: Eurostat, International Trade (ComExt), Data processing: IOBE (2025)

Tourism

Nights spent in tourist accommodation establishments[3]

In 2024, tourists spent 3.0 billion nights in EU accommodations. The tourism industry experienced an over 50% drop in number of nights spent in tourism accommodation between 2019 and 2020 due to the COVID-19 pandemic, beginning to recover only in 2023 when the number surpassed pre-pandemic levels for the first time. The largest markets in 2024 were the region of Canarias in Spain (99.5 million nights), the coastal regions of Cataluña in Spain (88.7 million nights), Jadranska Hrvatska in Croatia (88.4 million nights), and the French capital region of Ile-de-France (83.7 million nights). Greece recorded 152.9 million nights, an increase from 147 million in 2023, with the top regions being the Southern Aegean (41.5 million nights), Crete (34.5 million nights), and the Ionian islands (20.5 million nights) (Eurostat, 2024a, 2025d, 2026f).

The EU's tourism intensity, defined as nights spent per 1,000 inhabitants, was 6,725 in 2024, up from 6,556 in 2023, with mass tourism concentrated in a few regions. Notably, seven EU regions exceeded 50,000 nights per 1,000 inhabitants, including Greece's Southern Aegean (Notio Aigaio) with the highest tourism intensity at 126,817 nights (8.1% increase from 2023), the Ionian islands (Ionia Nisia), and Crete (Kriti). The share of foreign tourists in Greece's major islands surpassed 90%, contributing to 63.1% of total nights spent nationally (Eurostat, 2024a, 2025d).

[3] Tourist accommodation includes hotels; holiday and other short-stay accommodation; camping grounds, recreational vehicle parks and trailer parks (Eurostat, 2024-b).

In terms of accommodation capacity, Italy and France held over one-third of total bed places in the EU, with Greece ranking sixth at 4.2% (Eurostat, 2026e). Coastal accommodations attracted 1.4 billion nights (48%) in 2023, with Malta having all its nights spent at coastal[4] establishments and Greece at 96% (Eurostat, 2024c).

Popular coastal and island destinations like the Southern Aegean (Notio Aigaio), the Ionian islands (Ionia Nisia), and Crete (Kriti) in Greece showed high air passenger ratios per inhabitant in 2023, reflecting their appeal (Eurostat, 2025d).

Overall, the data highlights a robust recovery and growing demand in the EU tourism sector post-pandemic.

In December 2025, Greek tourist accommodations saw 966,703 arrivals and 2,261,248 nights spent, marking increases of 3.3% and 2.4% respectively compared to December 2024 (see Figure 3.6). Residents contributed significantly, making up 68% of arrivals and 64.1% of nights spent, with their numbers rising by 1% in arrivals and 0.6% in nights spent. Non-resident tourists also increased, with arrivals up by 3.3% and nights spent by 2.4%. The average stay across all types of tourist accommodation was 2.3 days (Hellenic Statistical Authority, 2026a).

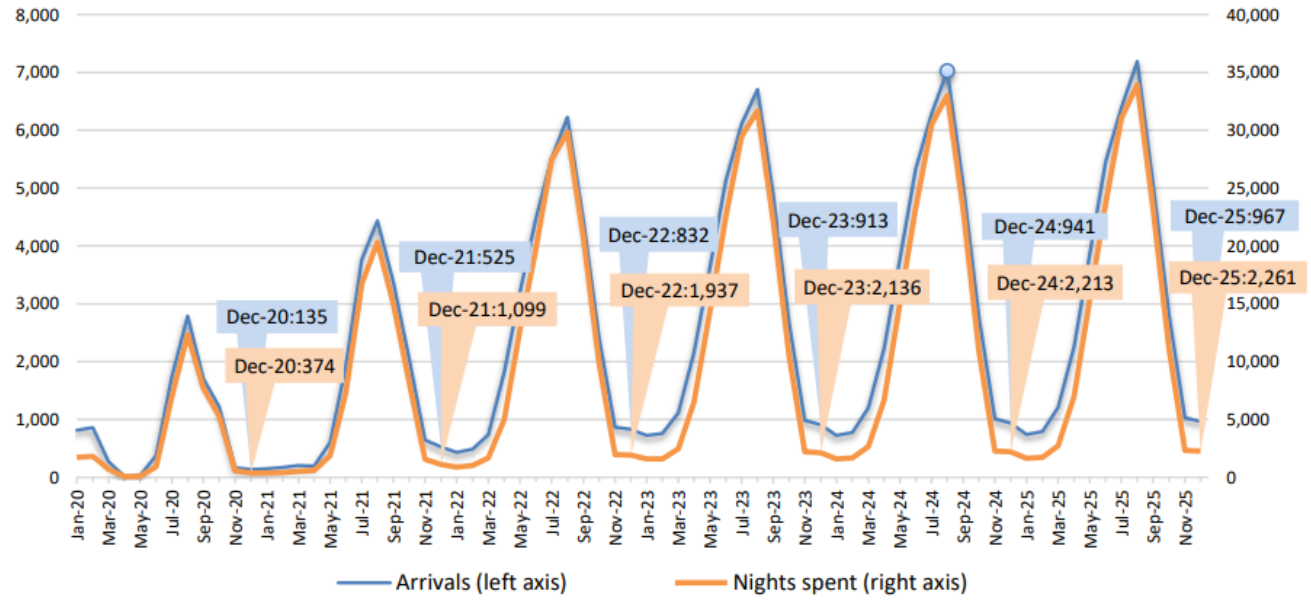


Figure 3.6. Monthly evolution of arrivals and nights spent in hotels, similar establishments, tourist campsites and short-stay accommodation establishments, January 2020 - December 2025 (*)

Note: (*) January 2020 - December 2024 final data, January 2025- September 2025 provisional data.

Source: Hellenic Statistical Authority (2024-a)

Industry trends

Agrifood

The European agricultural market is experiencing significant shifts driven by evolving consumer preferences toward healthier and more sustainable products. In the cereals sector, demand is rising for low-sugar and high-fiber options, though this trend toward healthier alternatives is rising production costs and potentially leading to higher consumer prices, even as technological

[4] "Coastal" is defined as any accommodation located in municipalities that are adjacent to the sea or have at least half of their territory within 10 kilometers of the coastline (Eurostat, 2024c).

advancements may help mitigate these increases. Similar health and environmental consciousness are driving steady growth in the global vegetables market. The fruit sector reveals an intriguing dynamic: while traditional staples like apples and bananas continue to dominate, European consumers are increasingly gravitating toward exotic fruits such as dragon fruit and passion fruit, propelled by health awareness, e-commerce expansion, and enhanced global trade networks. Meanwhile, demand for rapeseed oil is climbing in Europe due to its biofuel applications, with anticipated global population growth expected to further drive both food and fuel demand as climate change concerns push markets toward sustainable products (Market Insights, 2024).

Consumer preferences in animal product markets are undergoing equally profound transformations. The meat sector is witnessing a notable shift toward organic, hormone-free, and antibiotic-free options, alongside growing interest in plant-based alternatives as health consciousness rises among consumers. In dairy, concerns about animal welfare are fueling demand for organic and grass-fed milk, while dietary restrictions and health considerations are prompting consumers to explore alternative milk sources. This broader trend toward ethical consumption extends to other livestock products, where consumers increasingly value organic, fresh, and ethically sourced items, placing premium importance on authenticity and transparency in sourcing practices. Even the forestry sector is responding to sustainability demands, with rising consumer preference for wood products from responsibly managed forests supporting sustainable practices amid the evolving construction and paper industries (Market Insights, 2024).

These market trends are unfolding within a regulatory landscape increasingly shaped by sustainability imperatives. The Farm to Fork Strategy, part of the European Green Deal aimed at making Europe climate-neutral by 2050, seeks to transition toward a sustainable food system by reducing agriculture's environmental footprint and promoting healthy diets, with the European Commission revising the Feed Additives Regulation to lessen reliance on deforested feed materials by encouraging EU-grown plant proteins (Eurostat, 2023). Supporting this transformation, the Common Agricultural Policy (CAP) for 2023-2027 underpins EU agriculture's shift toward sustainability, with Greece participating through CAP Strategic Plans designed to meet these goals while providing financial support to farmers and rural areas (European Commission, 2023). Yet even as policy frameworks evolve, the sector faces structural changes in its workforce: the general decline in agriculture's share of total employment often results from labor-reducing technologies such as mechanization and automation, which are reshaping the sector's economic landscape and influencing decisions about pursuing work in farming (Eurostat, 2025c).

Tourism

Greece's tourism sector is riding a wave of robust growth, particularly through digital channels that are reshaping how visitors discover and book their experiences. The third quarter of 2025 witnessed strong tourism growth across the EU, with guests spending 398.1 million nights in short-term rental accommodations booked through platforms like Airbnb, Booking, Expedia Group, or TripAdvisor, an 8.7% increase compared to the same period in 2024. Greece has not merely tracked this trend but exceeded it, recording an 18% rise in nights booked via online platforms in 2024 compared to 2023 (Eurostat, 2026g, 2026i). This growth underscores Greece's enduring appeal and demonstrates the country's potential to leverage digital platforms to attract even more visitors.

Yet this promising growth trajectory comes with inherent structural challenges, particularly around seasonality. Tourism in the EU exhibits strong seasonal patterns, especially pronounced in coastal regions like the Mediterranean and Black Sea coasts, where tourist activity concentrates heavily in summer months (Eurostat, 2024a). Greece's coastal and island-rich geography places it squarely at the heart of this trend, reaping substantial benefits from high demand during peak seasons while simultaneously highlighting the need for diversification strategies to distribute visitor flows more evenly throughout the year. Beyond seasonal dynamics, barriers to travel persist among potential visitors: in 2024, residents reported various reasons for not making personal trips, including financial constraints (57.5%), health issues (21.7%), preference to stay at home (17.2%), work commitments

(14.5%), family commitments (11.6%), other reasons (10%), and safety concerns (1.7%) (Hellenic Statistical Authority, 2025b).

Agritourism

Agritourism in Greece shows promising growth, supported by the demand for unique culinary and cultural experiences. Around 73.3% of hotel procurement involves food and beverages, and nearly 60% of Greek hoteliers prefer domestic agrifood products, citing better quality and economic support for local communities. Gastronomic tourism is gaining popularity, especially among younger travelers and food enthusiasts, who prioritize traditional and healthy cuisine. However, limited supply forces tourism businesses to broaden their definition of "local" to include products from larger regions (Skylakaki & Benos, 2023).

Opportunities

Agrifood

Greece's agrifood sector stands at the cusp of transformative opportunities that align shifting consumer preferences with ambitious policy frameworks and substantial financial support. As consumer demand pivots toward organic, hormone-free, and antibiotic-free meat (Market Insights, 2024), the alternative protein market presents a significant opportunity that transcends short-term trends. This sector is evolving globally as a key solution to climate change, biodiversity loss, and food security challenges, reflecting a collective movement among consumers, entrepreneurs, and food manufacturers to build a more regenerative food system (Ignaszewski & O'Donnell, 2024). This consumer-driven shift dovetails with the EU's 2025-2040 Vision for Agriculture and Food, which presents a major opportunity for Greece's agrifood sector to become more competitive, sustainable, and tech-enabled through targeted support for precision farming, digital tools, shorter supply chains, rural infrastructure, and SME financing; all aligned with Greece's existing strengths in quality produce and small-scale farming (Agriculture and Rural Development, 2024; Eurostat, 2025c).

These strategic opportunities are backed by substantial financial commitments through Greece's amended CAP Strategic Plan, approved by the European Commission on 28 February 2024 and aligned with the European Green Deal to foster resilient, sustainable, and digital agriculture. The plan commits €4.3 billion for farmers' income stability, targeting arable, permanent crops, and grazing land with payments ranging from €160-€283 per hectare, complemented by €885 million specifically designed to enhance small and medium farm sustainability through fairer income support distribution. Organic farming receives a particularly strong boost with €1.4 billion allocated to increase organic farming by 54%, including initiatives promoting organic over synthetic fertilizers. Environmental sustainability is further incentivized through €425 million annually for eco-schemes supporting biodiversity, circular economy practices, and green agricultural methods, impacting approximately 3 million hectares (Agriculture and Rural Development, 2024; European Commission, 2023).

Beyond financial support, the plan targets structural transformation of Greece's agricultural workforce and innovation capacity. Rural development initiatives aim to create 84,000 rural jobs, including support for 82,000 young farmers through set-up aid and €140 million in income supplements between 2023 and 2027. To foster collaboration and knowledge transfer, over 10,000 farmers will participate in supply chain organization efforts, while more than 200,000 participants will engage in advisory services, training programs, and European Innovation Partnership initiatives designed to drive sustainable growth (Agriculture and Rural Development, 2024; European Commission, 2023).

Tourism

Greece's tourism sector can capitalize on a diverse array of opportunities spanning infrastructure development, niche markets, and sustainability initiatives, many supported by strategic EU funding.

EU-funded projects like Interreg Portolanes exemplify how cross-border cooperation can elevate local tourism infrastructure. This initiative between Greece and Italy in maritime tourism identified five key improvement areas (evidence-based management and data availability, realigning the management model, defining a smart and green port strategy, fostering synergies through collaborations, and tailoring promotion for increased visibility) with six Greek ports selected for promotion and capitalization (TREK Development, 2023). Similarly, the COOL NOONS project, funded by Interreg Euro-MED with Greek participation through The American College of Greece Research Center, addresses climate adaptation in Mediterranean cities by testing innovative solutions to mitigate heat wave impacts during peal tourism hours, demonstrating how EU initiatives can help Greece enhance urban resilience and renew its tourism offer amid rising temperatures (Center of Excellence in Food, Tourism & Leisure, 2024). Both projects showcase the potential of strategic EU-backed programs to enhance Greece's tourism offerings.

The country's environmental assets present particularly compelling opportunities when married with sustainable tourism principles. Greece's Natura 2000 network, covering over 40% of the country's land area, offers unparalleled potential for sustainable tourism through its diverse landscapes and ecosystems ideal for hiking, scientific research, and cultural exploration, with recent estimates suggesting these protected areas could generate €2 billion annually. However, realizing this potential requires addressing challenges including infrastructure upgrades, strategic planning, and enhanced data collection to ensure sustainable growth (Nikolaidis, 2024).Greece's maritime assets likewise present substantial opportunities: the country's extensive coastline, abundant islands, and favorable weather conditions create an ideal environment for maritime tourism, particularly in the yachting sector, where Greece boasts one of the world's largest fleets of very large yachts. This market contributes significantly to the local economy by boosting yacht charters, maintenance, and hospitality sectors while leveraging Greece's rich cultural heritage and stunning landscapes (Georgakopoulos, 2021).

Perhaps most promising are emerging demographic-driven opportunities in senior and health tourism markets. With the global senior population projected to reach 2 billion by 2050, Greece offers retirees a warm, welcoming environment, with nearly 20% of seniors already visiting Greece annually and many rating their experience better than expected, citing the country's sunny climate and appealing lifestyle. In health tourism, Greece already attracts 85,000 medical tourists yearly, and the country's 300+ thermal springs alongside its burgeoning wellness tourism market present lucrative opportunities. Estimates suggest health and wellness tourism could collectively add €27 billion to GDP and create over 340,000 jobs within five years, though developing appropriate infrastructure and adapting the institutional framework would further strengthen Greece's appeal in these markets (Georgakopoulos, 2019). By strategically leveraging EU funding, promoting sustainable practices in protected areas, advancing maritime tourism, and tapping into senior and health tourism markets, Greece can solidify its position as a premier global tourism destination.

Agritourism

Strengthening the connection between agrifood and tourism presents significant opportunities. Gastronomic tourism can serve as a bridge, with storytelling and immersive culinary experiences driving demand for local products. Strategic initiatives like regional quality pacts and online ordering platforms could improve collaboration. Enhancing the visibility of local specialties, supported by Greece's rich gastronomic heritage, could attract high-income tourists and elevate the country's brand as a food destination (Skylakaki & Benos, 2023).

Challenges

Agrifood

The Greek agrifood sector confronts a constellation of interconnected challenges that threaten its resilience and competitiveness, requiring comprehensive strategies to enhance productivity, sustainability, and economic viability. Environmental pressures loom particularly large: climate change is disrupting agricultural production through reduced rainfall, increased droughts, and heat waves, while the Greek agricultural sector's consumption of 80-85% of total water resources is strained by serious inadequacies in irrigation infrastructure and water management (Makantasi & Valentis, 2024; Market Insights, 2024). These resource constraints intersect with a demographic crisis that strikes at the sector's very foundation, as a significant portion of Greek farmers is aging, with 65% of farm managers being at least 55 years old and 37.1% aged 65 or older, meaning approximately 200,000 farmers over 65 need immediate replacement while another 150,000 farmers aged 55-64 will require replacement within the next decade (Agriculture and Rural Development, 2024; Makantasi & Valentis, 2024).

Structural impediments further compound these challenges, creating a self-reinforcing cycle of limited productivity and competitiveness. The average utilized area of Greek agricultural units stands at only 5.3 hectares (less than one-third of the EU average of 17.1 hectares) a fragmentation that limits the benefits of modernization and results in low productivity. This small scale renders investments in equipment and new technologies unprofitable, while the economic crisis has severely restricted investment in the agricultural sector more broadly, creating a lag in infrastructure development and technology adoption. The knowledge gap exacerbates these structural weaknesses: a vast majority of Greek farmers lack formal agricultural education, with 94% having only practical experience and less than 1% possessing full agricultural training, an educational deficit that hampers their ability to adopt new technologies and practices (Makantasi & Valentis, 2024).

Economic pressures add yet another layer of difficulty to an already strained sector. High inflation has significantly impacted production costs, with sharp increases in energy prices (+29%), fertilizers (+72%), and animal feed (+39%) between 2019 and 2023 (Makantasi & Valentis, 2024). These cost pressures occur against a backdrop of policy implementation challenges, as the Common Agricultural Policy (CAP) faces obstacles in Greece due to uneven distribution of support, implementation penalties, and a lack of a functioning farm advisory system (Agriculture and Rural Development, 2024). More broadly, the EU's Vision for Agriculture and Food recognizes that securing the future of farming will require an agricultural industry that is financially sustainable and protected from unfair practices, necessitating support for farmers to earn income from multiple sources, strengthening their role in the food chain, and ensuring they are properly rewarded for the ecosystem services and environmental benefits they provide (Eurostat, 2025c).

Tourism

Greece's tourism sector, despite its considerable strengths and global appeal, grapples with infrastructure and operational challenges that constrain revenue generation and limit its ability to fully capitalize on market opportunities. Maritime tourism infrastructure presents perhaps the most glaring deficiency. Despite Greece's natural advantages as a premier destination for yacht owners and maritime tourists, the country has 168 designated "tourist ports" but only 37 are operational. This shortfall stems from multiple systemic issues including lack of centralized oversight of the port network and inconsistent implementation of relevant legislation, absence of a comprehensive strategic plan for port development, poorly planned port locations often based on local government decisions rather than a holistic approach, and persistent issues with tender procedures that further slow progress (Georgakopoulos, 2021).

The cruise tourism sector exemplifies how infrastructure gaps translate directly into lost revenue potential. Although Greece ranks as the 4th most popular Mediterranean cruise destination, attracting over 2 million tourist arrivals annually, its revenue generation from cruising lags significantly, placing it 8th among EU countries. Cruise tourists account for approximately 10% of arrivals but generate only 3% of revenue, a disparity arising from inadequate port facilities and infrastructure that fail to meet the expectations of high-end cruise passengers, compounded by

bureaucratic and regulatory inefficiencies that complicate operations for cruise companies and deter potential investors (Georgakopoulos, 2017).

Similar infrastructure and regulatory barriers constrain Greece's aspirations in the growing senior and health tourism markets. The country's potential in these sectors is hampered by inadequate infrastructure, including accessibility and safety features tailored for senior travelers, alongside limited specialized services and facilities for seniors and patients with specific health needs. The healthcare dimension presents particular challenges, with an underdeveloped healthcare system and medical facilities that fall short of the standards required by international medical tourists. Overlaying these physical constraints is bureaucratic complexity and regulatory hurdles that discourage investment and complicate business operations in these sectors (Georgakopoulos, 2019). Addressing these issues (upgrading port infrastructure, streamlining bureaucratic processes, and enhancing medical and senior-friendly facilities) is essential for Greece to attract and accommodate the growing global demand in these lucrative tourism segments and better leverage its inherent strengths to boost revenue across diverse tourist demographics.

Agritourism

Despite its potential, the integration of Greece's agrifood sector with tourism faces significant challenges. Local producers struggle to meet the volume, diversity, and standardization needs of the tourism industry. Issues such as delayed deliveries, inconsistent availability, and higher costs compared to imported goods deter hoteliers from fully adopting domestic products. Additionally, limited direct relationships between producers and tourism establishments complicate logistics and hinder effective collaboration (Skylakaki & Benos, 2023).

Future outlook

Agrifood

The agrifood sector’s future trajectory builds upon established market leadership in key EU product categories, including its commanding positions in goat meat (38.8% EU share), non-cow milk production (20.8%), citrus fruits (11.7%), and olive production (12.3%), which provide a strong foundation for continued export expansion (Eurostat, 2025c, 2026b, 2026h). The sector's export performance has been particularly resilient, with processed food and beverage exports rising by 2.1% in 2024 to nearly €7 billion despite global economic headwinds, demonstrating sustained international demand for Greek quality products (IOBE, 2025). On a global scale, agricultural prospects remain positive, driven by sustained demand for food and advances in technological innovation that promise increased efficiency, with cereals expected to dominate markets particularly in emerging economies (Market Insights, 2024).

However, realizing this growth potential requires confronting structural realities head-on. The experience of 2019-2023 confirms that the sustainability of Greek agriculture cannot rely on temporary conditions or ad hoc support measures (Reziti, 2025). A targeted reconstruction strategy is needed, focused on three key pillars: 1. upgrading the productive base through investments in agricultural technology, smart farming, and resource-efficient infrastructure for energy and water management; 2. strengthening the human dimension via policies to renew the farming population (addressing the critical challenge that 65% of farm managers are at least 55 years old), support employment, and create incentives for return and retention in rural areas; and 3. economic diversification of farm operations with incentives for vertical integration, processing, agritourism, and participation in high-value markets such as PDO/PGI products and organics (Agriculture and Rural Development, 2024; Makantasi & Valentis, 2024; Reziti, 2025). Only through targeted and spatially differentiated interventions can the sector's resilience be restored, agricultural income strengthened, and agriculture's contribution to regional development and national food security ensured (Reziti, 2025).

The EU's Common Agricultural Policy (CAP) continues to shape this transformation by integrating sustainability and environmental priorities into its framework. Recent CAP reforms incentivize farmers to adopt greener practices, allocate substantial funds for conservation and biodiversity, and support rural development through enhanced infrastructure and diversified economic activities. Greece's amended CAP Strategic Plan, approved in February 2024, heralds this transformative production model with €4.3 billion for income stability, €1.4 billion to increase organic farming by 54%, and support for 82,000 young farmers. These benefits directly address the demographic renewal challenge while positioning Greek agriculture for greater competitiveness through innovation and technology adoption (Agriculture and Rural Development, 2024; European Commission, 2023; Eurostat, 2023), however, they require ensuring proper fund allocation and transparent oversight mechanisms. The EU's 2025-2040 Vision for Agriculture and Food further reinforce these opportunities, with targeted support for precision farming, digital tools, shorter supply chains, and SME financing, all aligned with Greece's existing strengths in quality produce, family farming (99% of holdings), and niche product specialization (Agriculture and Rural Development, 2025; Eurostat, 2023, 2025c). Similarly, the Common Fisheries Policy (CFP) promotes a healthier marine environment, sector profitability, and coastal community revitalization through innovation and technology, supporting Greece's strong aquaculture position as the third-largest EU producer by quantity (Eurostat, 2023, 2025c).

The alternative protein market presents a particularly significant opportunity that transcends short-term trends, evolving globally as a key solution to climate change, biodiversity loss, and food security challenges (Ignaszewski & O'Donnell, 2024). This aligns with broader consumer shifts toward organic, hormone-free products and reflects a collective movement among consumers, entrepreneurs, and food manufacturers to build a more regenerative food system; a transition that could position Greece's quality-focused, small-scale farming model as an asset rather than a limitation (Ignaszewski & O'Donnell, 2024; Market Insights, 2024).

Tourism

Greece's tourism sector holds immense potential for growth, building upon its record-breaking performance of 40.7 million inbound tourists in 2024 and travel receipts exceeding €21 billion (Statista, 2024). The sector's trajectory is supported by its rich cultural heritage, natural beauty, and demonstrated ability to leverage digital transformation, as the 18% rise in nights booked via online platforms in 2024 compared to 2023 substantially outpaced the EU average growth of 8.7%, underscoring Greece's successful adaptation to evolving booking behaviors and potential for further digital market penetration (Eurostat, 2026g, 2026i). Strategic initiatives offer pathways to diversify and elevate Greece's tourism infrastructure, including EU-funded programs like Interreg Portolanes, which identified six Greek ports for promotion and capitalization, COOL NOONS, which addresses climate adaptation in Mediterranean tourism cities, and sustainable tourism development in Greece's Natura 2000 network, covering over 40% of the country's land area with potential to generate €2 billion annually (Center of Excellence in Food, Tourism & Leisure, 2024; Nikolaidis, 2024; TREK Development, 2023).

Emerging markets present particularly lucrative opportunities for Greece to move beyond volume-driven tourism toward higher-value segments. Maritime and yacht tourism leverages Greece's extensive coastline and one of the world's largest fleets of very large yachts, contributing significantly to yacht charters, maintenance, and hospitality sectors (Georgakopoulos, 2021). The demographic tsunami of senior tourism (with the global senior population projected to reach 2 billion by 2050 and nearly 20% of seniors already visiting Greece annually), combined with health and wellness tourism attracting 85,000 medical tourists yearly and Greece's 300+ thermal springs, could collectively add €27 billion to GDP and create over 340,000 jobs within five years (Georgakopoulos, 2019). These opportunities align with tourism's critical role as an employer, with the sector expected to surpass one million jobs by 2034 (Statista, 2024).

However, achieving this growth requires overcoming critical structural challenges that currently constrain revenue generation despite Greece's global appeal. Infrastructure deficiencies remain acute: only 37 of 168 designated tourist ports are operational, inadequate cruise port facilities contribute to Greece ranking just 8th in EU cruise revenue despite being the 4th most popular Mediterranean destination, and cruise tourists account for 10% of arrivals but generate only 3% of revenue (Georgakopoulos, 2017, 2021). Seasonal demand concentration, with Greece's coastal and island-rich geography experiencing peak activity during June-September and tourism intensity in the Southern Aegean reaching 126,817 nights per 1,000 inhabitants, necessitates diversification strategies to distribute visitor flows more evenly throughout the year (Eurostat, 2024a, 2025d). Regulatory inefficiencies, lack of centralized port network oversight, underdeveloped healthcare facilities for medical tourism, and limited senior-friendly infrastructure further complicate efforts to capture high-value market segments (Georgakopoulos, 2017, 2019, 2021).

By addressing these hurdles through infrastructure upgrades, streamlined bureaucratic processes, and enhanced specialized facilities while leveraging trends like increased online bookings and sustainable practices, Greece is well-positioned to strengthen its global standing as a premier year-round tourism destination that captures greater value from each visitor rather than merely increasing volume.

Agritourism

The convergence of Greece's agrifood and tourism sectors presents a transformative opportunity that remains significantly underdeveloped despite compelling fundamentals. With 73.3% of hotel procurement involving food and beverages and nearly 60% of Greek hoteliers preferring domestic agrifood products for their superior quality and support of local communities, the structural linkages exist but require strengthening (Skylakaki & Benos, 2023). Gastronomic tourism is gaining momentum, especially among younger travelers and food enthusiasts who prioritize traditional and healthy cuisine, creating natural demand for the authentic, quality products in which Greece excels, including its approximately 270 geographical indications (PDOs, PGIs, and GIs) that protect region-specific products (Eurostat, 2025c; Skylakaki & Benos, 2023).

Looking ahead, Greece's agrifood-tourism integration requires coordinated efforts to address supply chain inefficiencies that currently force tourism businesses to broaden their definition of "local" beyond immediate localities due to limited supply, inconsistent availability, and logistical complications (Skylakaki & Benos, 2023). Establishing destination management organizations (DMOs) and online platforms could foster better collaboration between the sector's 700,000 farms and tourism establishments, while leveraging digital tools (an area where Greek tourism has demonstrated strong capability with its 18% growth in online platform bookings) to create transparent, efficient procurement networks (Agriculture and Rural Development, 2024; Eurostat, 2026g; Skylakaki & Benos, 2023). Strategic initiatives like regional quality pacts, thematic tourism programs connecting visitors directly to producers, and storytelling-driven culinary experiences (Eurostat, 2025c; Skylakaki & Benos, 2023) could transform Greece's fragmented agricultural structure from a productivity constraint into a unique selling proposition: authentic, family-operated farms producing traditional, quality products within a framework of approximately 270 protected geographical indications.

A unified national gastronomic identity, coupled with targeted CAP investments in agritourism infrastructure and the €140 million in support for young farmers who could champion innovative agritourism models (Agriculture and Rural Development, 2024; European Commission, 2023; Skylakaki & Benos, 2023), has the potential to make Greece a global leader in culinary tourism. This integration would create mutual benefits: providing tourism with authentic local products and experiences that command premium pricing while offering agriculture diversified income streams beyond commodity production, addressing both the sector's need for economic resilience and tourism's imperative to reduce seasonality through year-round agritourism activities. Success requires addressing current barriers (volume constraints, standardization challenges, delayed

deliveries, and limited direct producer-establishment relationships) but the alignment of consumer trends, policy support, and Greece's inherent strengths positions agrifood-tourism integration as perhaps the most promising avenue for elevating both sectors simultaneously (Reziti, 2025; Skylakaki & Benos, 2023).

References

Agriculture and Rural Development. (2024). *At a glance: Greece's CAP strategic plan*. European Commission. https://agriculture.ec.europa.eu/document/download/b13e3e86-2c12-45e5-9659-35f0384c76b2_en?filename=csp-at-a-glance-greece_en.pdf

Agriculture and Rural Development. (2025, February 19). *Vision for agriculture and food: Shaping the future of farming and the agri-food sector for future generations in Europe*. European Commission. https://agriculture.ec.europa.eu/overview-vision-agriculture-food/vision-agriculture-and-food_en

Center of Excellence in Food, Tourism & Leisure. (2024, October 14). *How COOL NOONS Seeks to battle the heat of climate change*. https://coeftl.acg.edu/project/how-cool-noons-seeks-to-battle-the-heat-of-climate-change/

Directorate-General for Agriculture and Rural Development. (2020). *Farming income support*. https://agridata.ec.europa.eu/extensions/DashboardIndicators/FarmIncome.html

Directorate-General for Agriculture and Rural Development. (2023). *Farming income support*. https://agridata.ec.europa.eu/extensions/DashboardIndicators/FarmIncome.html

European Commission. (2023, November 23). *Report on CAP covering the 2023-2027 period highlights shift towards a sustainable EU farming model*. https://ec.europa.eu/commission/presscorner/detail/en/ip_23_5986

European Public Prosecutor's Office. (2025, June 19). *Alleged misuse of EU agricultural funds: EPPO submits information to Hellenic Parliament*. https://www.eppo.europa.eu/en/media/news/alleged-misuse-eu-agricultural-funds-eppo-submits-information-to-hellenic-parliament

Eurostat. (2022). *Key figures on the European food chain, 2022 edition*. Publications Office of the European Union. https://ec.europa.eu/eurostat/en/web/products-key-figures/w/ks-fk-22-001

Eurostat. (2023). *Key figures on the European food chain, 2023 edition*. Publications Office of the European Union. https://data.europa.eu/doi/10.2785/265789

Eurostat. (2024a). *Regions in Europe – 2024 edition* (Regions in Europe). https://ec.europa.eu/eurostat/web/interactive-publications/regions-2024#tourism

Eurostat. (2024b). *Tourism industries—Employment*. https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Tourism_industries_-_employment

Eurostat. (2024c, October 24). *EU sees bigger share of tourists from outside Europe*. https://ec.europa.eu/eurostat/web/products-eurostat-news/w/ddn-20241024-2

Eurostat. (2025a). *Enterprises by detailed NACE Rev. 2 activity and special aggregates* [Dataset]. Eurostat. https://doi.org/10.2908/SBS_OVW_ACT

Eurostat. (2025b). *Key figures on Europe, 2025 edition*. Publications Office of the European Union. https://data.europa.eu/doi/10.2785/0857421

Eurostat. (2025c). *Key figures on the European food chain, 2025 edition*. Publications Office of the European Union. https://data.europa.eu/doi/10.2785/8194502

Eurostat. (2025d). *Regions in Europe – 2025 edition* (Regions in Europe). https://ec.europa.eu/eurostat/web/interactive-publications/regions-2025#tourism

Eurostat. (2026a). *Average actual weekly hours worked in the main job of persons who worked in this job during the reference week by professional status, full-time/part-time employment and economic activity (NACE Rev. 2) (2008-2026)* [Dataset]. Eurostat. https://doi.org/10.2908/LFSA_EWHAN2

Eurostat. (2026b). *Crop production in EU standard humidity* [Dataset]. Eurostat. https://doi.org/10.2908/APRO_CPSH1

Eurostat. (2026c). *Economic accounts for agriculture—Values at current prices* [Dataset]. Eurostat. https://doi.org/10.2908/AACT_EAA01

Eurostat. (2026d). *Employment by detailed industry (NACE Rev.2)—National accounts* [Dataset]. Eurostat. https://doi.org/10.2908/NAMA_10_A64_E

Eurostat. (2026e). *Establishments, bedrooms and bed-places in tourist accommodation* [Dataset]. Eurostat. https://doi.org/10.2908/TOUR_CAP_NAT

Eurostat. (2026f). *Nights spent at tourist accommodation establishments* [Dataset]. Eurostat. https://doi.org/10.2908/TOUR_OCC_NINAT

Eurostat. (2026g). *Short-stay accommodation offered via collaborative economy platforms by months and residence of the guest—Experimental statistics* [Dataset]. Eurostat. https://doi.org/10.2908/TOUR_CE_OMR

Eurostat. (2026h). *Slaughtering in slaughterhouses—Annual data* [Dataset]. Eurostat. https://doi.org/10.2908/APRO_MT_PANN

Eurostat. (2026i, January 8). *Tourism bookings via platforms grew in summer of 2025*. https://ec.europa.eu/eurostat/web/products-eurostat-news/w/ddn-20260108-1

Food and Agriculture Organization of the United Nations. (2021, February 2). *Fisheries and aquaculture are a critical part of global agri-food systems transformation, says FAO Director-General*. https://www.fao.org/newsroom/detail/Fisheries-and-aquaculture-are-a-critical-part-of-global-agri-food-systems-transformation-says-FAO-Director-General/en

Georgakopoulos, T. (2017, September 30). *Η μεγάλη χαμένη ευκαιρία της κρουαζιέρας [The great missed opportunity of cruising]*. Dianeosis. https://www.dianeosis.org/2017/09/i-megali-proklisi-tis-krouazieras/

Georgakopoulos, T. (2019, July 18). *Τουρισμός τρίτης ηλικίας & τουρισμός υγείας: Χαμένες ευκαιρίες [Senior tourism and health tourism: Missed opportunities.*] Dianeosis. https://www.dianeosis.org/2019/07/tourismos-tritis-ilikias-ygeias/

Georgakopoulos, T. (2021, November 27). *Μαρίνες & τουριστικοί λιμένες στην Ελλάδα [Marinas & tourist ports in Greece]*. Dianeosis. https://www.dianeosis.org/2021/11/marines-kai-toyristikoi-limenes-stin-ellada/

Hellenic Statistical Authority. (2024). *Survey on qualitative characteristics of resident tourists: Year 2023*. https://www.statistics.gr/en/statistics?p_p_id=documents_WAR_publicationsportlet_INSTANCE_qDQ8fBKKo4lN&p_p_lifecycle=2&p_p_state=normal&p_p_mode=view&p_p_cacheability=cacheLevelPage&p_p_col_id=column-2&p_p_col_count=4&p_p_col_pos=1&_documents_WAR_publicationsportlet_INSTANCE_qDQ8fBKKo4lN_javax.faces.resource=document&_documents_WAR_publicationsportlet_INSTANCE_qDQ8fBKKo4lN_ln=downloadResources&_documents_WAR_publicationsportlet_INSTANCE_qDQ8fBKKo4lN_documentID=551416&_documents_WAR_publicationsportlet_INSTANCE_qDQ8fBKKo4lN_locale=en

Hellenic Statistical Authority. (2025a). *Aquaculture survey: 2024*. https://www.statistics.gr/en/statistics?p_p_id=documents_WAR_publicationsportlet_INSTANCE_qDQ8fBKKo4lN&p_p_lifecycle=2&p_p_state=normal&p_p_mode=view&p_p_cacheability=cacheLevelPage&p_p_col_id=column-2&p_p_col_count=4&p_p_col_pos=1&_documents_WAR_publicationsportlet_INSTANCE_qDQ8fBKKo4lN_javax.faces.resource=document&_documents_WAR_publicationsportlet_INSTANCE_qDQ8fBKKo4lN_ln=downloadResources&_documents_WAR_publicationsportlet_INSTANCE_qDQ8fBKKo4lN_documentID=581002&_documents_WAR_publicationsportlet_INSTANCE_qDQ8fBKKo4lN_locale=en

Hellenic Statistical Authority. (2025b). *Survey on qualitative characteristics of resident tourists: Year 2024*. https://www.statistics.gr/en/statistics?p_p_id=documents_WAR_publicationsportlet_INSTANCE_qDQ8fBKKo4lN&p_p_lifecycle=2&p_p_state=normal&p_p_mode=view&p_p_cacheability=cacheLevelPage&p_p_col_id=column-2&p_p_col_count=4&p_p_col_pos=1&_documents_WAR_publicationsportlet_INSTANCE_qDQ8fBKKo4lN_javax.faces.resource=document&_documents_WAR_publicationsportlet_INSTANCE_qDQ8fBKKo4lN_ln=downloadResources&_documents_WAR_publicationsportlet_INSTANCE_qDQ8fBKKo4lN_documentID=568279&_documents_WAR_publicationsportlet_INSTANCE_qDQ8fBKKo4lN_locale=en

Hellenic Statistical Authority. (2026a). *Arrivals and nights spent in hotels, similar establishments, tourist campsites and short-stay accommodation establishments: December 2025*. https://www.statistics.gr/en/statistics?p_p_id=documents_WAR_publicationsportlet_INSTANCE_qDQ8fBKKo4lN&p_p_lifecycle=2&p_p_state=normal&p_p_mode=view&p_p_cacheability=cacheLevelPage&p_p_col_id=column-2&p_p_col_count=4&p_p_col_pos=1&_documents_WAR_publicationsportlet_INSTANCE_qDQ8fBKKo4lN_javax.faces.resource=document&_documents_WAR_publicationsportlet_INSTANCE_qDQ8fBKKo4lN_ln=downloadResources&_documents_WAR_publicationsportlet_INSTANCE_qDQ8fBKKo4lN_documentID=587239&_documents_WAR_publicationsportlet_INSTANCE_qDQ8fBKKo4lN_locale=en

Hellenic Statistical Authority. (2026b). *Input and output price indices in agriculture – Livestock: December 2025*. https://www.statistics.gr/en/statistics?p_p_id=documents_WAR_publicationsportlet_INSTANCE_qDQ8fBKKo4lN&p_p_lifecycle=2&p_p_state=normal&p_p_mode=view&p_p_cacheability=cacheLevelPage&p_p_col_id=column-2&p_p_col_count=4&p_p_col_pos=1&_documents_WAR_publicationsportlet_INSTANCE_qDQ8fBKKo4lN_javax.faces.resource=document&_documents_WAR_publicationsportlet_INSTANCE_qDQ8fB

KKo4lN_ln=downloadResources&_documents_WAR_publicationsportlet_INSTANCE_qDQ8fBKKo4lN_documentID=585975&_documents_WAR_publicationsportlet_INSTANCE_qDQ8fBKKo4lN_locale=en

Ignaszewski, E., & O'Donnell, M. (2024, August 22). *Global alternative protein trends to watch*. The Good Food Institute. https://gfi.org/blog/global-alternative-protein-trends-to-watch/

IOBE. (2024). *Food and beverages industry: Facts and figures 2023 [Βιομηχανία τροφίμων και ποτών: Facts and figures 2023]* (Food and beverages industry: Facts and figures). Foundation for Economic & Industrial Research (IOBE). Federation of Hellenic Food Industries (ΣΕΒΤ). https://iobe.gr/docs/research/RES_05_B_10072024_REP_GR.pdf

IOBE. (2025). *Food and beverages industry: Facts and figures 2024 [Βιομηχανία τροφίμων και ποτών: Facts and figures 2024]* (Food and beverages industry: Facts and figures). Foundation for Economic & Industrial Research (IOBE). Federation of Hellenic Food Industries (ΣΕΒΤ). https://iobe.gr/wp-content/uploads/2025/12/RES_05_B_01122025_REP_GR.pdf

Makantasi, F., & Valentis, I. (2024). *Ο Αγροτικός τομέας στην Ελλάδα [The agricultural sector in Greece]*. Dianeosis. https://www.dianeosis.org/wp-content/uploads/2024/09/agriculture_version230924.pdf

Market Insights. (2024). *Agriculture: Market data & analysis*. Statista. https://www-statista-com.acg.idm.oclc.org/study/146583/agriculture-market-data-and-analysis/

Nikolaidis, I. (2024, July 5). *Βιώσιμος τουρισμός στις περιοχές Natura 2000 [Sustainable tourism in Natura 2000 areas]*. Dianeosis. https://www.dianeosis.org/2024/07/viosimos-tourismos-stis-perioxes-natura-2000/

Reziti, I. (2025). *The impact of external crises on Greece's agricultural economy: A production and income analysis for the period 2019–2023* (No. 57; Greek Economic Outlook, pp. 68–76). Centre of Planning and Economic Research. https://www.kepe.gr/wp-content/uploads/2025/07/4.2-1.pdf

Sito-Sucic, D. (2025, June 17). EU hits Greece with record fine over farmers subsidy fraud. *Reuters*. https://www.reuters.com/business/finance/eu-hits-greece-with-record-fine-over-farmers-subsidy-fraud-2025-06-17/

Skylakaki, M., & Benos, T. (2023). *Τουρισμός και αγροδιατροφή στην Ελλάδα: Μια μεγάλη αναξιοποίητη ευκαιρία [Tourism and agrifood in Greece: A big, untapped opportunity]*. Dianeosis. https://www.dianeosis.org/wp-content/uploads/2023/05/Agrodiatrofi.pdf

Statista. (2024). *Travel and tourism in Greece: Statistics report on travel and tourism in Greece*. https://www-statista-com.acg.idm.oclc.org/study/29268/tourism-in-greece-statista-dossier/

Statista. (2025a). *Leading outbound travel destinations from Greece 2016-2024*. https://www.statista.com/statistics/1318427/leading-outbound-travel-destinations-from-greece/

Statista. (2025b). *Number of inbound travelers in Greece 2005-2024*. https://www.statista.com/statistics/444847/total-number-of-inbound-visitors-in-greece/

Statista. (2025c). *Number of inbound visits in Greece 2019-2024, by region*. https://www.statista.com/statistics/763903/total-number-of-inbound-visits-greece-by-region/

Statista. (2025d). *Number of outbound tourists from Greece 2005-2024*. https://www.statista.com/statistics/444862/number-of-outbound-trips-by-greek-residents/

Statista. (2025e). *Outbound travel expenditure in Greece 2003-2024*. https://www.statista.com/statistics/444866/outbound-travel-spending-by-greek-residents/

Statista. (2025f). *Outbound travel expenditure in Greece 2016-2024, by destination*. https://www.statista.com/statistics/1318474/outbound-travel-expenditure-by-destination-greece/

Statista. (2025g). *Youth employment in the travel and tourism sector in Greece 2010-2023*. https://www.statista.com/statistics/1553758/travel-tourism-youth-employment-greece/

TREK Development. (2023). *Deliverable 3.2.1 Current situation and development study for nautical tourism* (p. 43). Hellenic Ministry of Tourism. https://drive.google.com/file/d/1zcAQAKhRH0KygxnTAsKAL1sSd_pMEPSw/view?usp=embed_facebook

4. The 2025 developments in Shipping, Logistics, Transport and Energy Sectors in Greece

The Greek Shipping

In 2025, Greece maintained its dominance in the global maritime sector controlling approximately 20% in deadweight tons of the world commercial fleet (Clarksons Research, 2026; Union of Greek Shipowners, 2025). Within the European Union, the dominance is even more pronounced, with Greece controlling more than 61% of the EU fleet (UNCTAD, 2025). Recent trends suggest that Greece's leading position will continue in the coming years, as shipowners are accelerating fleet renewal efforts, reflected in a 23% y/y increase in the 2025 new shipbuilding orderbook. Continued renewal activity is expected to lower the current 14.6-year average age of the Greek-controlled fleet as new ships are delivered.

Despite the relatively high average age of the Greek-owned fleet, Greece remains a leader in environmental performance. Greek shipowners have adopted alternative fuel capable vessels in 7.3% of the fleet (global average: 6.4%), equipped 66% of their ships with scrubbers (global average: 57%), and incorporated energy-saving technologies on 43% of vessels (global average: 39%), demonstrating a strong environmental commitment (UGS, 2025).

According to the Foundation of Economic and Industrial Research the Greek Maritime Industry contributes almost 8% on the Greek GDP (IOBE, 2025; Bank of Greece, 2025; and UGS, 2025). The sector generates over €40 billion annual revenue, with approximately €14 billion returning directly to the domestic economy. Beyond direct operations, Greek shipowners reinvest an estimated €1.4–€1.5 billion annually in other sectors of the Greek economy.

Further shipping supports around 160,000 jobs directly and indirectly, accounting for roughly 10% of the total private payroll in Greece (McKinsey, Naftemporiki, 2026). Sector employment continues to attract younger cohorts, particularly to shore-based roles (operations, chartering, compliance, data/IT). Enrollment pressure in maritime programs across public universities and private institutions reflects this trend.

The development of Greece's national maritime services is being driven by the rapid expansion of domestic maritime-technology capabilities, reflected in the growing number of both established firms and innovative start-ups offering specialized digital, operational, and ESG-related solutions. This evolution is further supported by significant investments in shipyard infrastructure, most notably ONEX's ongoing upgrades at the Elefsis and Syros Neorion shipyards, which aim to expand Greece's ship-repair and shipbuilding capacity (Mazanitis C., and Galiatsos P., 2025 Nov 11th).

Despite the positive outlook, the Greek maritime industry is facing significant challenges going forward in addition to those identified in the 2024 report. Specifically, the 2025, and moving forward in 2026 brings the complete implementation of EU Emissions Trading System, tariffs and port dues by the geopolitical tensions between US – China, as well as traffic disruptions for vessels transiting the Red Sea.

EU Emissions Trading System (ETS)

From 1 January 2024, maritime transport entered the EU Emissions Trading System (ETS). The phase-in requires surrendering allowances for 40% of 2024 emissions, 70% of 2025 emissions, and 100% from 2026 onward (European Commission,2026). In 2026 methane CH_4 and nitrous oxide N_2O join the scope of EU ETS (EMSA,2026). Industry analysts estimate that Greek shipowners will need to surrender roughly 11.96 million EU Allowances (EUAs) based on voyage baselines, translating into compliance costs of approximately €586 million in 2025 under the 70% coverage

regime at current EUA prices—rising further to €837 million under full implementation in 2026 and potentially exceeding €1 billion with upward EUA price movements.

Greek Ports: Effect of EU ETS and Red Sea Disruption

EU ETS is not only affecting Greek ship owners, but also Greek ports. ETS-related costs may influence shipping route configuration and cargo flows, redistributing maritime traffic toward regions outside of stringent regulatory regimes (Muhua et al, 2026). The effect is further enhanced by the maritime traffic disruptions because of the Red Sea insecurity. The Houthi attacks prompted widespread Suez avoidance, extending voyages via the Cape of Good Hope, raising costs, and destabilizing East-Med transshipment—with immediate repercussions for Piraeus. UNCTAD's 2025 review describes the period as the most sustained disruption to global maritime arteries since 1967. For the Piraeus Port 2024 was the first year with a significant drop of –5.8% in container traffic, coinciding with the first full year of Red Sea disruption. In 2025, the COSCO-operated terminals (which carry most of the Piraeus' container volume) show a further contraction of approx. 6% y/y with a total throughput of approximately 4 million TEU, consistent with sustained rerouting and longer round voyages that limited East-Mediterranean transshipment.

US-China Trade Wars

Within 2025 the US – China tensions lead to the announcement of tariffs at imports between those countries. The US directives included steep port fees for Chinese-built/owned ships. China responded with equivalent countermeasures. Greek shipping found itself amid this trade war being affected by tariffs imposed from both countries. On the one hand Greek shipowners have traditionally heavily invested in Chinese built vessels, which would face significant expenses when calling US ports, essentially having a competitive disadvantage. On the other hand, China announced it will impose tariffs on ships connected to American interests or companies listed on U.S. stock exchanges. There are quite a few Greek companies listed in New York Stock Exchange the ships of which will be affected. Currently there is a temporary truce on some commodities and port fees, which however is unstable and generates uncertainty (NorthStandard, 2025). Similar to the application of EU ETS, the industry practice to avoid the steep tariffs is transshipment at a country with lower import dues (Schwab K., 2026 Feb 20th). However, the present US administration seems dedicated to protecting their interests with the introduction of globally applicable dues (Goodwin G.E, 2026 Feb 21st; The White House, 2026 Feb 20th)

Logistics and Transport

The logistics sector continued to grow in 2025 aiming to establish Greece as a regional logistics hub. The growth is primarily led by extensive ongoing and upcoming investments for infrastructure development in all sectors including warehousing, storage, handling, as well as the rail, road and aviation networks. (Naftemporiki, 2026 Feb 3rd) Previous reports indicated logistics contributed 11.5% to Greek Gross Domestic Product (GDP) with a valuation of €23.8 billion and continued growth is expected (Naftemporiki, 2024 Oct 8th). In terms of Gross Value Added (GVA), the logistics sector is repeatedly reported to contribute nationally between 7-8%, accounting for approximately 18 billion euro. Regardless of the method, both GDP and GVA are placing Greek logistics among the more substantial logistics economies in the EU-27 context.

Ports

Port infrastructure development is leading the efforts to strengthen Greece's logistics position in the Southeastern European and Mediterranean area. In terms of container traffic, as stated, while Piraeus remained the main entry port, it indicated declining traffic of approximately 3.98 million TEU in 2025 (over the 4.23 million TEU in 2024), primarily due to Red Sea security concerns and corresponding vessel rerouting around the Cape of Good Hope.

Nevertheless, investments in attracting more container traffic remained unabated with Thessaloniki scaling to rebalance North-Greece and Balkan flows. The new port expansion projected to cost

€195.6million will update Pier 6's lifting the capacity from 0.65 million TEU to 1.5million TEU upon completion and will allow the safe accommodation of Ultra Large Container Vessels up to 24,000 TEU (Koutroumpis J., 2025 Nov 20th).

The port of Elefsis is also considered for strategic expansion, enhancing its importance as a logistics gate. The creation of a Western Attica Logistics Corridor is announced with secure funding from the US International Development Finance Corporation (DFC) connecting the port of Elefsis to Thriasio Logistics Center and proving a viable alternative to road transport (Naftermporiki, 2025 Nov. 10th). The investment aims to strengthen the US influence in the region, attempting to counterbalance the Chinese controlled infrastructure at the port of Piraeus. (Kapeliotis A., 2025 Nov. 11th; Ypodomes, 2025 Dec 19th).

Logistics Parks

In the Attica region, attempting to support the expanding needs of the Ports of Piraeus and Elefsis are the 2 separate developments of the Thriasio Freight Center. The Thriasio I (Goldair–ETVA VIPE concession) construction contracts were set in motion in December 2025 with a total project value of €260 to € 300 million with US DFC financing participation. Works include more than 265,000 m² of warehousing and a direct rail connection, with operation envisaged in a single, integrated phase (Papakonstantinou G., 2025 April 3rd). Further development of the area is underway by the Thriasio II (Hellenic Train–Damco) project, the concession file of which moved to the Court of Audit for approval in January 2026 and is pending the final steps before signature and parliamentary ratification (Ypodomes, 2026 Jan 16th). The project aims to expand the rail-ready footprint in the Thriasio Plain.

Similar logistics infrastructure development is making is presence in northern Greece as well. The Gonou project in Thessaloniki aims to transform the former military base into a logistics park expected proceed development within 2026 with an expected budget of €260million (Karagiannis N., 2026 Feb 16th). Gonou park will supplement appropriately the expansion of Pier 6 at the Port of Thessaloniki as a complete logistics services environment.

Rail transport

Significant investments are apparent for the development of Greece's rail network in 2025. Following the Tempi train crash tragedy, the complete deployment of a double track fully equipped with ETCS (European Train Control System) for automatic braking and safety, connecting Athens and Thessaloniki is expected to be completed soon (Kathimerini, 2025 Sept 24th). Rail transport modernization is extending to the procurement of new train fleet. An agreement was signed for the acquisition of 23 next-generation Coradia Stream trains manufactured by Alstom, designed for both intercity and suburban service (Palialexis E., 2025 Dec 22nd). The total investment for rail fleet modernization will exceed €420 million by next year.

In northern Greece, there are several emerging rail network upgrade and development projects. The Nea Karvali–Toxotes section are advancing to connect the port of Kavala to the national network, boosting regional logistics. (Ypodomes, 2026 Jan 20th). There are ongoing plans to upgrade the Alexandroupoli–Ormenio Line converting this section into a double-track, electrified, high-speed line, crucial for strengthening trade links with Bulgaria. Finally, the development of the Thessaloniki Western Suburban Railway network and the rail connection to the 6th pier of the Thessaloniki port is in progress (Ypodomes, 2024 Nov 13th; ThPA SA, 2025, Nov 19th).

Road transport

Infrastructure development activity was apparent in road transport with 2025 as well. The A8 motorway connecting the cities of Patras and Pyrgos was fully completed and delivered to traffic on December 4th, 2025, with large sections already opening in 2024 (Palialexis E., 2025 Dec 4th). This 74.8-kilometer project connects the Ionia Odos with the Peloponnese, dramatically reducing travel time and enhancing safety in Western Greece.

Another flagship road transport project is the construction of the Central Greece Highway (E65). The 182.1 km motorway connects Lamia with the Egnatia Odos, serving as a critical infrastructure link between eastern and western Greece. While 136 km of the motorway are already in operation, spanning from the Athens Thessaloniki motorway (near Lamia) up to the Kalambaka Interchange, the final northern section (Trikala–Egnatia Odos) is rapidly advancing, with completion scheduled for mid-2026. This project will connect Lamia with Egnatia Odos, reducing travel time by 1 hour from Athens to Western Macedonia.

Finally, the Northern Road Axis of Crete (BOAK) project is progressing on the 230-km motorway from Kissamos to Agios Nikolaos, with major contracts for the Chania–Heraklion section duly finalized in 2025.

Air Transport

Greek air transport hit a record traffic and growth in 2025. A total 37.1 million passengers were served by the 14 Fraport operated regional airports, exhibiting a 3%y/y increase (Fraport Greece, 2026 Jan 16th). The growth in tourism demand is clearly influencing air travel, which prompted airlines to raise seat capacity for summer 2025 by 4.6%. Athens strengthened its position as an aviation hub with 15.1% growth in long-haul traffic (USA, Canada, China, Singapore) and robust, double-digit growth from Israel, Turkey, and Spain.

Finally, the first modern, authorized seaplane flights in Greece formally commenced with a historic landing in the Port of Volos on July 6, 2025, operated by Hellenic Seaplanes (Hellenic Seaplanes, 2025 July 7th). This marked the long-awaited launch of a new, regulated water airport network in Greece designed to connect the mainland with islands, while several water airports have already been approved (Greek Water Airports, n.d.).

Electric vehicles

Electric vehicle (EV) adoption in Greece is experiencing record growth in 2025, driven by the "Kinoume Ilektrika 3" subsidies and increased model availability, with over 20,000 plug-in vehicles (BEV+PHEV) sold. Battery electric vehicles (BEVs) reached approx. 6% market share, with 8,754 units in 2025 (European Alternative Fuels Observatory, 2026 Feb 3rd; HAEE, 2026). Despite this, adoption still trails the EU average, requiring further infrastructure development to meet 2030 targets. Specifically, the share of new battery electric vehicles (BEVs) in the EU-27 (17.4%) was nearly three times higher than in Greece (6.17%), while the share of plug-in hybrid vehicles (PHEVs) reached 9.4%, again exceeding the corresponding Greek figure (8.08%). For the first time, the combined share of these two low-emission vehicle categories in the EU-27 (26.8%) surpassed that of conventional petrol vehicles (26.6%). (The Green Tank, 2026 Feb 6th). It becomes apparent that EV market share (BEV and PHEV sales) is steadily growing, yet EVs share is only small fraction when compared to conventional vehicles. Greece is moving in the right direction, but reaching a tipping point will require stronger confidence in charging access and resale value. Important barriers are lack of proper charging infrastructure, especially apparent in remote rural and island areas as well as the high initial cost of EV's.

Logistics and Supply Chain Challenges

The logistics and supply-chain industry consistently flag a persistent skills gap, recognizing as key challenge the extensive lack of available qualified personnel (Kalaitzis I., et al, 2024). Greek university programs have been expanding, gaining the attention of the younger cohorts, but capacity and practice-oriented curricula must scale to match the new project pipeline evident at the preceding sections.

Energy

In 2025, Greece's energy landscape is shaped by climate policy imperatives driving the transition to renewable sources as well as emerging regional geopolitical roles. As mandated by the EU Climate

Law, the updated National Energy and Climate Plan (NECP) was submitted to the European Commission on January 7, 2025 (Ministry of Environment and Energy – Hellenic Republic, 2025 Jan 7th). The NECP describes the gradual transition from traditional power sources to renewable ones, in alignment with the broader EU decarbonization targets as set by European Green Deal, Fit for 55, and RePowerEU initiatives. NECP targets a 58% reduction in greenhouse gas emissions by 2030, 80% by 2040, and carbon neutrality by 2050. The 2021-2030 roadmap, as updated in 2025, phases out lignite use by 2028, and focuses on doubling renewable energy capacity to 20 GW, projecting a rapid increase in renewables' share in electricity to ~75% by 2030 and ~95.6% by 2035. The effort is further enhanced by the adoption of energy efficient technologies, and advanced energy flexibility such as use of energy storage, and interconnections.

Energy Storage

The Iberian Peninsula blackout of April 28, 2025, significantly amplified awareness of the need for energy storage. (Batlle et al, 2025). Energy storage is considered critical to supplement abrupt changes in energy demand, providing redundancies on the transmission and distribution grid. The significance is even more pronounced with the utilization of renewable energy sources, the availability of which can vary by abrupt weather changes. Greece has already run three storage infrastructure development auctions, totaling support of 900 MW capacity, while in 2025 the Ministry of the Environment and Energy launched a new program for the installation by 2030 of 4,7GW of stand-alone batteries across the country (3.8 GW on the transmission grid, 0.9 GW on distribution) (Aposporis H, 2025 Mar 14th).

Interconnectors

Electrical interconnections were placed with priority at the agenda of the Ministry of Environment and Energy towards meeting the environmental protection and grid resilience targets. Greece's geography, with its vast number of inhabited islands that create dispersed energy demand and numerous uninhabited islands that offer space for renewable-energy installations, presents both challenges and opportunities for the energy sector. Interconnectors constitute a critical piece of infrastructure enabling renewable-energy integration and strengthening regional grid stability, while eliminating the need for small isolated and independent power production units which typically depend on fossil fuels. A flagship project in this realm is the Ariadne Interconnector, a high voltage direct current link connecting Crete with Attica, which was placed in operation on May 24th, 2025. (IPTO, n.d.a). It is Greece's largest electricity-transmission project, valued at over €1 billion. The Ariadne Interconnector deploys 500 kV VSC-HVDC technology, twin 335-km submarine cables, and record-breaking installation depths of up to 1,200 m, making it one of the deepest and most advanced subsea interconnections in Europe (Ariadne Interconnector, n.d.).

This project offers a wide range of benefits. Financially, all consumers in the country will save €550 million annually through Public Service charges on their electricity bills, due to the lower energy production costs. This benefit will gradually increase reaching €1 billion by 2030. Further, the interconnector provides reliable and stable operation of Crete's energy grid, reducing the local environmental impact, due to the gradual reduction of energy production from thermal power plants. For mainland Greece it offers a great opportunity to fully utilize Crete's wind, solar, and other renewable energy potential. From a strategic viewpoint, the Ariadne Interconnector reduces the national oil dependency for energy production as it decreases the need to maintain reserve electricity production units typically powered by fossil fuels.

Greece's plans for electrical interconnectivity are not bounded with the national limits. GRITA 2 is a new interconnection between Greece and Italy planned to connect Galatina in Italy and Thesprotia in Greece with transmission capacity of 1000MW to supplement the existing 500MW interconnection IPTO (n.d.b). The Interconnection concerns the installation of a new bipolar cable over a length of 293km at a maximum depth of 1400m at an estimated budget of €1,9billion. In May 2025, a Memorandum of Understanding (MoU) was signed by IPTO and TERNA to govern the main terms and conditions for the design and execution of the new electrical interconnection between the two

countries. Since December 2025, GRITA 2 project has been included in the 2nd Union list of Projects of common interest (PCI) and Projects of mutual interest (PMI), as PCI 2.17. Further interconnections are also examined for the creation of international links including ambitious projects between Egypt, Cyprus and Greece.

Data Centers

Despite the energy efficiency efforts, the emergence of Data Centers and expansion of Artificial Intelligence add a new demand driver as they are immense consumers of electricity. Greece is currently attracting a series of investments in terms of AI developments, and creation of data centers to facilitate their operation (Hellenic Energy Center for Sustainability and Energy, 2025 July 17th). The current data center energy demand in Greece is 21 megawatt, expanding to 36.2 megawatt by 2030 with a CAGR of 11,51% (Mondor Intelligence, 2025) The Greek Data Center Market was valued at USD 812 Million in 2024, and is projected to reach USD 2.07 Billion by 2030, rising at a CAGR of 16.96%, offering great potential for further energy related investments. (Businesswire, 2025, Mar 19th)

Natural Gas

Greece is emerging as a gateway for non-Russian gas into Southeast and Central Europe. Starting January 1, 2028, Europe will permanently stop Russian natural gas imports, ending a long-standing energy relationship. Greece, leading this shift, must replace around 45% of EU's natural gas imports, that currently come from Russia, thus reducing reliance on the Turkstream pipeline (Kokkinidis T., 2025 Oct 27th). The US views Greece as a strategic partner for channeling US LNG to Europe (United States Energy Association, 2025). The main entry points for Liquefied Natural Gas are Revithoussa and FSRU Alexandroupolis. The importance of these facilities is underlined as Revithoussa remains heavily booked with all unloading regasification capacity allocated up to 2040 (Liangou C., 2026 Feb 4th). Interest in the FSRU Alexandroupolis also remains at high levels, driving plans for expansion of the original infrastructure to almost double the capacity with the deployment of a second unit namely the FSRU Thrace. It is noteworthy that FSRU Alexandroupolis resumed operation in August 2025 following an almost 7-month downtime, since January 2025, due to technical issues (Nikse D., 2025 Aug 12th). In conjunction with the installed Greece-Bulgaria Interconnector (IGB), and the Trans Adriatic Pipeline (TAP), Greece establishes as a transit hub for regional gas flows, gaining strategic significance and drawing increased attention from international stakeholders.

Natural Resources Exploration

In November 2025 Greece signed its first offshore gas exploration agreement in 40 years with multinational partners including ExxonMobil, Energean, and HelleniQ Energy (OT, 2025 Nov. 6th). Early seismic surveys indicate the presence of fossil-fuel deposits potentially reaching 200 billion cubic meters. Drilling on the Ionian Sea Block 2 is expected to commence in late 2026 to early 2027. While exploration does not alter the national decarbonization course, it is framed as a security-of-supply option and potential contribution to EU diversification of energy sources. This development signals a strategic pivot toward becoming a regional energy supplier and transit corridor for Europe.

Energy Education

While Greece hosts strong energy engineering programs, primarily concerning power generation and renewable energy sources, the rapid transformation of the global and national energy landscape now demands professionals capable of understanding and navigating the entire energy ecosystem. Modern energy challenges extend far beyond power generation. Energy efficiency, systems interconnectivity, grid resilience, facility management, environmental protection, energy transformation, energy security, digitalization, regulatory frameworks, societal impact, financial exposure, geopolitics, and energy market dynamics are some of the emerging topics which the modern professionals of the sector should address. Addressing these interconnected domains requires a new generation of specialists equipped with interdisciplinary knowledge and practical competencies. Consequently, the establishment of dedicated Energy Management programs at both

the undergraduate and graduate levels is imperative to adequately prepare future professionals for the complexities and opportunities of the evolving energy sector.

References

Aposporis H, (2025 Mar 14th), "Greece plans 4.7 GW of commercial battery storage projects", Balkan Green Energy News, https://balkangreenenergynews.com/greece-plans-4-7-gw-of-commercial-battery-storage-projects/

Ariadne Interconnector, (n.d.), https://www.ariadne-interconnection.gr/en

Bank of Greece (2025 Dec 22nd) The Bank of Greece Interim Report on Monetary Policy 2025

Bank of Greece (2025). Note on the Greek Economy (11 Apr & 20 Jun 2025).

Batlle C., Barruso M., Rodilla P, and Canoyra A. (2025), "The (Hopefully) Enlightening Blackout in Spain: Questions and Lessons for the Future", MIT Center for Energy and Environmental Policy Research, Research Commentary, https://ceepr.mit.edu/wp-content/uploads/2025/07/MIT-CEEPR-RC-2025-03.pdf

Businesswire (2025, Mar 19th) "Greece Data Center Market Investment Analysis Report 2025-2030: Growth Opportunities Across 16 Existing Facilities and 5 Upcoming Facilities Across 5 Key Cities", https://secure.businesswire.com/news/home/20250319260068/en/Greece-Data-Center-Market-Investment-Analysis-Report-2025-2030-Growth-Opportunities-Across-16-Existing-Facilities-and-5-Upcoming-Facilities-Across-5-Key-Cities---ResearchAndMarkets.com

Clarksons Research (2026) Shipping Intelligence Network, https://sin.clarksons.net/Home
EMSA (2026) ETS Extension to maritime, European Maritime Safety Agency,

https://www.emsa.europa.eu/reducing-emissions/extension-ets.html

European Alternative Fuels Observatory (2026 Feb 3rd) EV sales continued to increase in Greece in 2025, European Commission, News Article, https://alternative-fuels-observatory.ec.europa.eu/general-information/news/ev-sales-continued-increase-greece-2025

European Commission. (2025). *2025 State of the EU ETS Report*. https://ercst.org/wp-content/uploads/2025/05/2025-State-of-the-EU-ETS-Report.pdf

European Commission (2025). *European Economic Forecast for Greece*.

European Commission (2026) Maritime transport in EU Emissions Trading System (ETS), https://climate.ec.europa.eu/eu-action/transport-decarbonisation/reducing-emissions-shipping-sector/faq-maritime-transport-eu-emissions-trading-system-ets_en

Fraport Greece (2026 Jan 16th), "Fraport Greece: Passenger traffic growth continues, supported by strong tourism activity in 2025", Media Center, https://www.fraport-greece.com/en/media-center/news1/2026/fraport-greece--passenger-traffic-growth-continues--supported-by.html

Greek Water Airports (n.d.), https://www.waterairports.com/en/media-news-en
Goodwin G.E, (2026 Feb 21st), How will Trump's new global tariffs work and what's next?, BBC, News, https://www.bbc.com/news/articles/c8r1e327z46o

HAEE (2026) "The EV Market at a glance", Hellenic Association of Energy Economics, Chart of the Month Vol. 37, Powered by Deloitte, https://www.haee.gr/FileServer?file=fbd31d32-a24b-4a24-be79-2720960a3f96

Hellenic Energy Center for Sustainability and Energy (2025 July 17th) "Digital Boom, Energy Gloom", ACG Alba Graduate Business School, Newsroom, https://energy.alba.acg.edu/research-publications/decoding-energy-news/how-artificial-intelligence-is-redefining-the-power-map/

Hellenic Seaplanes (2025 July 7th), "Seaplanes arrive in Volos – Hellenic Seaplanes Takes Off Over Pagasetic Gulf!", https://hellenic-seaplanes.com/en/deltia-typou/seaplanes-arrive-volos/

In Newspaper, (Feb 2, 2026), "Θεοδωρικάκος: Η νέα επένδυση στα Ναυπηγεία Ελευσίνας ενισχύει τη βιομηχανική βάση της χώρας", In.gr, , https://www.in.gr/2026/02/02/economy/oikonomikes-idiseis/theodorikakos-h-nea-ependysi-sta-naypigeia-eleysinas-enisxyei-ti-viomixaniki-vasi-tis-xoras/

IPTO (n.d.a), "Crete-Attica Electrical Interconnection", https://www.admie.gr/en/erga/erga-diasyndeseis/ilektriki-diasyndesi-kritis-attikis

IPTO (n.d.b)," Greece – Italy Interconnection (GRITA 2)", https://www.admie.gr/en/erga/erga-diasyndeseis/GRITA2

Kalaitzis I., Kolyda M., Kyprianou M, Lazaridis I., and Terzis S., (2024), «Ο Ακαδημαϊκός Χάρτης των Logistics και της Εφοδιαστικής Αλυσίδας στην Ελλάδα», Τμήμα εφαρμοσμένης πληροφορικής Πανεπιστήμιο Μακεδονίας, Τεχνική Έκθεση υπό την αιγίδα της Ελληνικής Εταιρείας Logistics, Ακαδημαϊκη Επιμέλεια Μαντάς Μιχαήλ και Ζεϊμπέκης Βασίλειος, https://eel.gr/2025/01/21/o-kadimaikos-chartis-ton-logistics-kai-tis-efodiastikis-alysidas-stin-ellada/

Kapeliotis A., (2025 Nov. 11th) "Επενδυτικό «Big Bang» στο Θριάσιο: Οι Αμερικανοί, το λιμάνι και το νέο logistic hub των Βαλκανίων", Thriasio Local News, https://thriassio.gr/ependysh-big-bang-thriasio-logistics-hub/

Karagiannis N. (2026 Feb 16th) "Λίγο πριν το Πάσχα προσφορές για το Επιχειρηματικό Πάρκο Φυλής – Ακολουθεί και το Εμπορευματικό Κέντρο Γκόνου" , Ypodomes, https://ypodomes.com/ligo-prin-to-pascha-oi-prosfores-to-epicheirimatiko-parko-fylis-akoloythei-kai-to-emporeymatiko-kentro-gkonoy-poioi-einai-oi-mnistires/

Kathimerini (2025 Sept 24th) Double-track railway from Piraeus to Thessaloniki in 11 months, minister says, ekathimerini Economy section, https://www.ekathimerini.com/economy/1281857/double-track-railway-from-piraeus-to-thessaloniki-in-11-months-minister-says/

Kokkinidis T. (2025 Oct 27th), "Greece Emerges as Strategic Gateway for US LNG as Europe Phases Out Russian Gas", Greek Reporter, Energy, https://greekreporter.com/2025/10/27/greece-us-lng-gateway-southeast-europe/

Koutroumpis J., (2025 Nov 20th) "Greece's Thessaloniki Port Starts $225.4M Expansion", The Greek Reporter, News, Economy, https://greekreporter.com/2025/11/20/greece-thessaloniki-port-expansion/

Liangou C., (2026 Feb 4th), "Revithoussa capacity reserved until 2040", eKathimerini, Energy, https://www.ekathimerini.com/economy/energy/1294260/revithoussa-capacity-reserved-until-2040/

Mazanitis C., and Galiatsos P., (2025 Nov 11th) "Το σχέδιο των ΗΠΑ για την Ελευσίνα", Real news, Politics, https://www.real.gr/politiki/arthro/to-schedio-ton-ipa-gia-tin-elefsina-710292/

Ministry of Environment and Energy – Hellenic Republic (2025 Jan 7th) "National Energy and Climate Plan – Revised Version", https://commission.europa.eu/publications/greece-final-updated-necp-2021-2030-submitted-2025_en

Mondor Intelligence (2025), "Greece Data Center Market Size & Share Analysis - Growth Trends and Forecast (2025 - 2030)", Report, https://www.mordorintelligence.com/industry-reports/greece-data-center-market

Muhua Li, Yan Sun, Yan Xia, Zhaofu Yang, Chuxin Chen, Yongna Yuan, Pu Wang, (2026), The impacts of Carbon Border Adjustment Mechanism (CBAM) on international trade and policy responses: from an economic and environmental equity perspective, Energy Policy, Volume 210, 115014, ISSN 0301-4215, https://doi.org/10.1016/j.enpol.2025.115014.

Naftemporiki (2024 Oct 8th) "Two-billion-euro investments changing the logistics map", https://www.naftemporiki.gr/english/1789238/two-billion-euro-investments-changing-the-logistics-map/

Naftermporiki (2025 Nov. 10th), "US International Development Finance Corporation visits the Thriasio Logistics Center", https://www.naftemporiki.gr/english/2031522/us-international-development-finance-corporation-visits-the-thriasio-logistics-center/

Naftemporiki (2025 Dec 19th) Υπογραφή συμφωνίας ONEX – MEGATUGS για κατασκευή δύο σύγχρονων ρυμουλκών, https://www.naftemporiki.gr/maritime/2049184/ypografi-symfonias-onex-megatugs-gia-kataskeyi-dyo-sygchronon-rymoylkon/

Naftemporiki (2026 Feb 3rd) "Υπερταμείο: Λιμάνια, logistics, αεροδρόμια και οδικοί άξονες στο επίκεντρο ενός χαρτοφυλακίου 12 δισ. Ευρώ", https://www.naftemporiki.gr/business/2067643/ypertameio-limania-logistics-aerodromia-kai-odikoi-axones-sto-epikentro-enos-chartofylakioy-12-dis-eyro/

Nikse D. (2025 Aug 12th), "Greece's FSRU back online after nearly 7-month downtime", Offshore Energy, https://www.offshore-energy.biz/greeces-fsru-back-online-after-nearly-7-month-downtime/

NorthStandard (2025 Nov 15th) US-China Port Fee Truce Implemented on 10 November 2025: What happens next?, https://north-standard.com/insights-and-resources/resources/news/us-china-port-fee-truce-what-happens-next

OECD (2025), Working Papers How different climate policies affect carbon leakage through trade,

OECD Economics Department Working Papers, No. 1851

OT (2025 Nov. 6th), "Greece to Start Offshore Drilling after 40 Years in Landmark Deal", https://www.ot.gr/2025/11/06/english-edition/greece-to-start-offshore-drilling-after-40-years-in-landmark-deal/

Palialexis E. (2025 Dec 4th), "Patras–Pyrgos Motorway Fully Opens, Changing Travel Across Western Greece", GTP Headlines, https://news.gtp.gr/2025/12/04/patras-pyrgos-motorway-opens-changing-travel-across-western-greece/#:~:text=project%20is%20complete%2C%20allowing%20Olympia%20Odos%20to,now%20the%20third%2Dlongest%20motorway%20in%20Greece.%20;

Palialexis E. (2025 Dec 22nd) New Trains, Stricter Rules: Greece Sets 2027 Deadline for €420m Rail Upgrade, GTP Headlines, https://news.gtp.gr/2025/12/22/new-trains-stricter-rules-greece-sets-2027-deadline-for-e420m-rail-upgrade/

Papakonstantinou G. (2025 April 3rd) "Τι «παίζει» με την logistics επένδυση των 260 εκατ. στο Θριάσιο και το χρονοδιάγραμμα έναρξης", Insider, https://www.insider.gr/epiheiriseis/359871/ti-paizei-me-tin-logistics-ependysi-ton-260-ekat-sto-thriasio-kai

Schwab K., (2026 Feb 20th) What is transshipping and how does it help companies avoid tariffs on Chinese goods?, Marketplace, https://www.marketplace.org/story/2026/02/20/transshipping-how-companies-avoid-trumps-tariffs-on-chinese-goods

Siniori N., (Feb 6,2026), "Εξαγωγές: Τα ελληνικά προϊόντα που ξεχώρισαν και σε ποιες αγορές", To Vima, https://www.tovima.gr/2026/02/06/finance/eksagoges-ta-ellinika-proionta-pou-ksexorisan-kai-se-poies-agores/?utm_source=newsshowcase&utm_medium=gnews&utm_campaign=CDAqKggAIhBWh6kvC1SZ0vRMNHqMwesTKhQICiIQVoepLwtUmdL0TDR6jMHrEzDf_vIB&utm_content=rundown

Supply Chain, (Aug 25, 2025), *"EU ETS: 2,9 δισ. δολάρια το οικονομικό τίμημα για τη ναυτιλία τον Οκτώβριο του 2025"*, Supply-Chain.gr, https://www.supply-chain.gr/eu-ets-29-%CE%B4%CE%B9%CF%83-%CE%B4%CE%BF%CE%BB%CE%AC%CF%81%CE%B9%CE%B1-%CF%84%CE%BF-%CE%BF%CE%B9%CE%BA%CE%BF%CE%BD%CE%BF%CE%BC%CE%B9%CE%BA%CF%8C-%CF%84%CE%AF%CE%BC%CE%B7%CE%BC%CE%B1-%CE%B3/

The Green Tank (2026 Feb 6th) Greece lagging behind Europe and national e-mobility targets, Climate Change & Energy, Press releases, Announcements, https://thegreentank.gr/en/2026/02/06/ev-greece-eu27-nscp-en/

The Sea Nation (2025 Jul 24th) Βάσεις εισαγωγής: Στην πρώτη πεντάδα το τμήμα Ναυτιλιακών Σπουδών, του ΠαΠει, https://www.theseanation.gr/%CE%B5%CE%BB%CE%BB%CE%B1%CE%B4%CE%B1/%CE%BD%CE%B5%CE%B1-%CE%B5%CE%BB%CE%BB%CE%B1%CE%B4%CE%B1%CF%83/%CE%BA%CE%BF%CE%B9%CE%BD%CF%89%CE%BD%CE%B9%CE%B1/63678-%CE%B2%CE%AC%CF%83%CE%B5%CE%B9%CF%82-%CE%B5%CE%B9%CF%83%CE%B1%CE%B3%CF%89%CE%B3%CE%AE%CF%82-%CF%83%CF%84%CE%B7%CE%BD-%CF%80%CF%81%CF%8E%CF%84%CE%B7-%CF%80%CE%B5%CE%BD%CF%84%CE%AC%CE%B4%CE%B1-%CF%84%CE%BF-%CF%84%CE%BC%CE%AE%CE%BC%CE%B1-%CE%BD%CE%B1%CF%85%CF%84%CE%B9%CE%BB%CE%B9%CE%B1%CE%BA%CF%8E%CE%BD-%CF%83%CF%80%CE%BF%CF%85%CE%B4%CF%8E%CE%BD,-%CF%84%CE%BF%CF%85-%CF%80%CE%B1%CF%80%CE%B5%CE%B9.html

The White House (2026 Feb 20th) Fact Sheet: President Donald J. Trump Imposes a Temporary Import Duty to Address Fundamental International Payment Problems, The White House Fact Sheets, https://www.whitehouse.gov/fact-sheets/2026/02/fact-sheet-president-donald-j-trump-imposes-a-temporary-import-duty-to-address-fundamental-international-payment-problems/#:~:text=In%20a%20separate%20Executive%20Order%2C%20President%20Trump,practices%20that%20burden%20or%20restrict%20U.S.%20commerce

ThPA SA (2025, Nov 19th), "Contract signed for the expansion of Pier 6 – The largest upgrade project for the Port of Thessaloniki begins", Port of Thessaloniki, Press releases, https://www.thpa.gr/contract-signed-for-the-expansion-of-pier-6/

Union of Greek Shipowners. (2025). *Annual Report 2024-2025.* https://www.ugs.gr/media/14143/ugs_annual_report_20242025_eng_digital_.pdf

UNCTAD (2025) Review of Maritime Transport 2025, https://unctad.org/publication/review-maritime-transport-2025

United States Energy Association (2025), "The Vertical Corridor", https://usea.org/sites/default/files/The%20Vertical%20Gas%20Corridor_0.pdf
Ypodomes (2024 Nov 13th), "Tenders for new 1 bln euro railway projects in Greece to conclude by 2025", https://ypodomes.com/tenders-for-new-1-bln-euro-railway-projects-in-greece-to-conclude-by-2025/

Ypodomes (2025 Dec 19th), "Υπεγράφη η σύμβαση για το Θριάσιο Εμπορευματικό Κέντρο – Τι αφορά η mega επένδυση 306 εκατ. Ευρώ" Ypodomes Newsroom, https://ypodomes.com/ypegrafi-i-symvasi-gia-to-thriasio-emporeymatiko-kentro-ependysi-ano-ton-306-ekat-eyro/

Ypodomes (2026 Jan 16th), "Thriasio II Concession Tender Nears Completion – Hellenic Train–Damco to Develop Greece's Flagship Rail Logistics Park", https://ypodomes.com/thriasio-ii-concession-tender-nears-completion-hellenic-train-damco-to-develop-greece-s-flagship-rail-logistics-park/

Ypodomes (2026 Jan 20th) "How Greece's Major Infrastructure Tenders Are Reshaping the Construction Map in 2026", Ypodomes Newsroom, https://ypodomes.com/how-greece-s-major-tenders-are-reshaping-the-construction-map-in-2026/

5. Greek Banking Trends in 2025

Banks underpinning Greece's growth

Developments in Greek banking during 2025 functioned as a lever for investment and productivity gains, in line with the economy's growth strategy as set out in Greece's National Recovery and Resilience Plan (NRRP). The Bank of Greece *Financial Stability Review* (2025) highlights that the macro backdrop is characterized by continued growth momentum amid higher external uncertainty, with the banking system showing improved fundamentals and rising loan demand, particularly on the corporate side. Within that broader picture, three banking trends stand out from last year because they combine:

- clear and observable change,
- policy/regulatory relevance and
- direct implications for emerging skills need and, by extension, for tertiary education opportunities.

Briefly listed here, these trends are:

Trend 1 - Corporate credit expansion (and the "RRF intermediation" model): business lending accelerated sharply, with co-financing/guarantee instruments and Recovery and Resilience Facility (RRF) project pipelines functioning as demand catalysts.

Trend 2 - Stronger bank balance sheets: Greek banks' non-performing loan ratios reached post-euro-entry lows, capital and liquidity buffers remained high, profitability persisted even as policy-rate cuts began to compress interest margins, and banks increasingly returned capital through dividends.

Trend 3 – Payment system developments: IRIS scaled toward near-universal merchant acceptance (online and at physical POS); interoperability initiatives (EuroPA) positioned Greece within a European account-to-account (A2A) network; and a new compliance architecture raised the operating bar for banks, PSPs, and merchants.

The following section offers a more thorough discussion on the above developments and how these reshape the capabilities and skills for successful careers in the industry of financial services.

Developments in Greek Banking

Corporate credit acceleration

A defining signal of the year was the sharp rise in corporate credit growth. In April 2025, the Bank of Greece reported that the year-on-year growth rate of credit to non-financial corporations (NFCs) reached 17.2%, the highest level observed since early 2009. A return to double-digit credit growth at that scale implies a structural reactivation of bank intermediation toward the business sector (Bank of Greece 2025). The Bank of Greece report explicitly links this acceleration to "*co-financing and guarantee instruments of development agencies*, and to *bank loans co-financing investment projects under the Recovery and Resilience Facility (RRF).*"

To support the corporate credit expansion through RRF co-financing, banks must build capabilities in eligibility assessment, project monitoring, ESG and technical compliance verification, and reporting. Furthermore, RRF-linked lending typically requires banks to structure transactions around milestones, procurement/compliance controls, and multi-party documentation. These new capabilities create demand for talent at the intersection of corporate banking, project finance, engineering appraisal, and regulatory reporting. That, in turn, drives a shift in skills away from generic finance knowledge and credit processing skills toward:

- cashflow-based underwriting,
- loan covenant design,
- understanding of sectoral risk (energy, tourism, logistics, manufacturing, digital), and
- portfolio monitoring with early-warning indicators.

Although this is common in mature banking markets, it is a major reweighting for the Greek bank ecosystem which spent much of the 2010s managing NPLs and deleveraging. These tasks required a completely different set of capabilities that eventually led banks to share the burden with the servicers.

Another key, and less obvious, implication is that the constraint moves from "availability of credit" to execution capacity. This practically means that project sponsors, SMEs, advisors, banks, and public agencies must jointly deliver investable projects fast enough to meet RRF timing and absorption targets. The Bank of Greece explicitly listed RRF absorption/utilization risks as a key factor for the macro-outlook.

Stronger bank balance sheets

By mid-2025, the Bank of Greece described a banking sector with "solid fundamentals," improved asset quality, high liquidity ratios, and investment-grade territory after successive rating upgrades (Bank of Greece 2025). Specifically, key quantitative markers from the Bank of Greece report (in consolidated basis for Greek banking groups) include:

- NPL ratio: 3.6% (down from 3.8% in December 2024), the lowest since Greece joined the euro area.
- Capital ratios: CET1 15.8%, Total Capital Ratio 20.4%.
- Liquidity: LCR 212.3%, NSFR 136.4%.
- Profitability: profits after tax €2.5bn in H1 2025 (vs. €2.4bn in H1 2024), RoE 13.0%.

The composition of profitability is also evolving as net interest income declines (reflecting ECB rate cuts continuing into H1 2025), while net fee and commission income rose by 14.3% year-on-year, supporting core operating income. This reshaping of fee growth is consistent with a banking model that increasingly monetizes customer activity and product penetration, payments, advisory, and wealth, rather than relying primarily on the interest-rate cycle. At the same time, the sustainability of fee-led growth is not guaranteed. Competition is intensifying most sharply in payments and everyday transactions, where instant payment rails and alternative schemes reduce switching costs and increase price transparency (see the relevant discussion below). EU-wide rules on instant payments further constrain pricing by requiring that charges for instant euro transfers do not exceed charges for comparable regular transfers. Domestically, government interventions in 2025 reduced or eliminated several basic retail banking fees (including caps on transfer charges and zero-fee bill payments via digital channels), while later measures targeted ATM withdrawal fees and introduced national caps for third-party ATM providers.

The combined effect is a profitability model that is more diversified but also more exposed to compliance risk. Banks are therefore likely to accelerate investment in scalable digital platforms, advisory capabilities, and ecosystem partnerships, while simultaneously intensifying cost discipline to protect returns as commoditized fee pools face structural compression.

Another tangible signal of balance-sheet normalization is the re-emergence of predictable shareholder returns. During 2025, major Greek banking groups executed (or announced/implemented) cash distributions and, in some cases, interim dividends.[5] The resumption of dividends tends to change organizational behavior: management teams must run the bank to consistently generate distributional income without jeopardizing the banks' capital requirements. That typically tightens internal governance around capital planning and stress testing, because payout capacity is judged by both supervisors and markets and must remain credible through the

[5] For example, Alpha Services and Holdings approved of a cash distribution. Piraeus Financial Holdings communicated a €373m cash dividend out of 2024 net profits, with payment in June 2025. Eurobank referenced an interim dividend payable in November 2025 while National Bank of Greece paid in November 2025 a cash distribution of €0.2210 per share.

cycle. Dividend resumption also raises the premium on performance management and cost control, balance-sheet optimization, and investor-facing transparency because Greek banks are now competing for capital on "market" terms after a prolonged absences from capital markets.

Financial performance normalization shifts the skill set required for bank managers. Practically, this means that bank managers must interpret core metrics, translate strategy into a credible capital trajectory under constraints and navigate macroprudential logic as part of planning. These capabilities are intertwined with strong analytic skills and the ability to leverage big data and AI-related capacities to produce robust projections that will facilitate planning. Another implication is that bank managers need to explain performance and payout capacity in a way that is consistent and comprehensive across internal (boards and risk committees) and external (supervisors, and investors) stakeholders. This points to stronger emphasis on communication skills.

Developments in payments system

Developments in Greece's domestic payments in 2025 (IRIS scaling, instant rails, and new safety layers) is best read as part of a wider global trend where technologies enable payments to become more efficient. Fast payment systems are now mainstream across the world, implemented in well over 100 jurisdictions, and are increasingly treated like "public utility" rails that must work 24/7, at low cost, and at high reliability (BIS 2024). Against that backdrop, Greece's completion of the "*IRIS Everywhere*" initiative, (from 1 December 2025 IRIS was fully deployed across all physical POS and all e-commerce sites) was a practical milestone because it makes account-to-account (A2A) payments usable "where commerce happens," not just in peer-to-peer contexts.[6] The usage data further reinforces the view that this is no longer a niche channel. DIAS reports strong system-wide throughput and rapid growth in instant payments and IRIS usage, consistent with a market transition toward real-time payment infrastructure embedded in daily activity (DIAS 2025).

The second step was moving from national optimization to European interoperability. DIAS announced Greece's participation in the European Payments Alliance (EuroPA) through IRIS, framing instant payments as a pathway to broader European integration and noting technical readiness for IRIS P2P via EuroPA in the first half of 2026.[7] This mirrors the global direction of travel where the next frontier is about linking systems across borders, a priority visible in the G20 roadmap for cross-

[6] DIAS brings IRIS Everywhere: now available across all physical & online stores https://www.dias.com.gr/en/news-center/press-releases/dias-brings-iris-everywhere-now-available-across-all-physical-online-stores/

[7] Greece joins EuroPA through IRIS Payments – The first pan-European network for interoperable instant payments https://www.dias.com.gr/en/news-center/press-releases/greece-joins-europa-through-iris-payments-the-first-pan-european-network-for-interoperable-instant-payments/

border payments and in BIS Innovation Hub work like Project Nexus, which is explicitly designed to connect domestic instant payment systems to improve cross-border speed, cost and transparency.[8]

The third step was that "trust and safety" became part of the operating baseline. As technologies enable instant payments, fraud incentives rise and errors are set to become costlier because money moves immediately without the verification steps that slow down payments but ensure safety. In October 2025 DIAS implemented the Verification of Payee (VoP) scheme and took the Routing & Verification Mechanism (RVM) role, enabling real-time checks that the payee's name aligns with the IBAN and communicating mismatch results to the payer before execution. This sits within the EU-wide push created by the Instant Payments Regulation (Regulation (EU) 2024/886), which is part of Europe's wider re-engineering of payments around instant availability and stronger safeguards.

Finally, Greece shows another particularly important global pattern that sees payments being tied more tightly to public policy objectives. AADE explicitly linked IRIS acceptance (from 1 December 2025 for B2C) to the broader integration of POS/cash systems with tax administration, aiming to simplify transactions while strengthening compliance and traceability. In practical terms, this combination points to a payments market where competitive advantage shifts to building capabilities in cyber governance, risk controls, data/standards, and ecosystem partnerships.

These payment systems changes raise demand for hybrid capabilities: product and ecosystem management (banks, PSPs, merchants), operational resilience for high-volume real-time systems, and "trust-by-design" skills as instant payments scale. In parallel, the new European safety baseline makes compliance and risk management a core design constraint, meaning professionals must be fluent in how rules translate into processes, APIs, and user guides.

The implications for professional skills are profound. New roles in financial and payment services require blended literacy across finance, digital technology, and risk/regulation, because value is created at the intersections of these functions. Managers increasingly need to "read" the environment by connecting macro signals (rates, credit conditions, consumer behavior) with technology shifts (instant rails, APIs, automation/AI) and rule changes (consumer protection, instant-payment safeguards, data and liability standards). In practice, that means stronger analytical capabilities, data fluency and digital-commercial judgment. At the same time, as systems become more interoperable and standard-driven, the soft skills become more technical. Professionals need to demonstrate cross-functional coordination between product, IT, risk, compliance, and commercial

[8] BIS- Project Nexus: enabling instant cross-border payments https://www.bis.org/about/bisih/topics/fmis/nexus.htm

teams, clear communication between heterogenous audiences. They also need the ability to adapt processes and strategies quickly as technology, competition, and regulation evolve.

References

Bank of Greece (2025). Report on Monetary Policy 2024–2025

Bank of Greece Financial Stability Review, Executive Summary (October 2025)

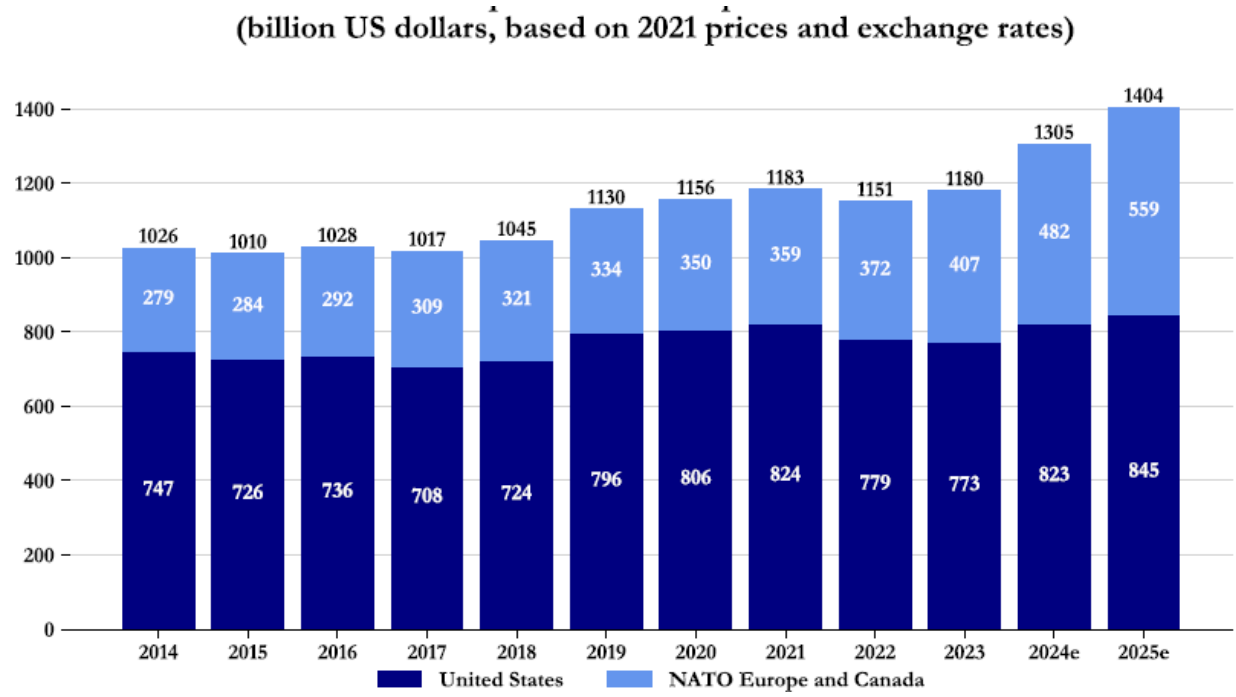
BIS (2024) Faster digital payments: global and regional perspectives Bank of International Settlements, Papers No 152

DIAS Payment System 2025 https://www.dias.com.gr/el/statistika-2025/

6. Defense Policy 2025: Europe's Strategic Reorientation

The European security environment entering 2025 has undergone its most significant transformation since the end of the Cold War. Russia's invasion of Ukraine in 2022 fundamentally altered threat perceptions across Europe and triggered a structural shift toward higher defense spending, deeper military coordination and renewed emphasis on deterrence within the NATO alliance. Defense policy, which for several decades had largely receded from macroeconomic policy discussions in Europe, has once again become a central component of fiscal and strategic planning.

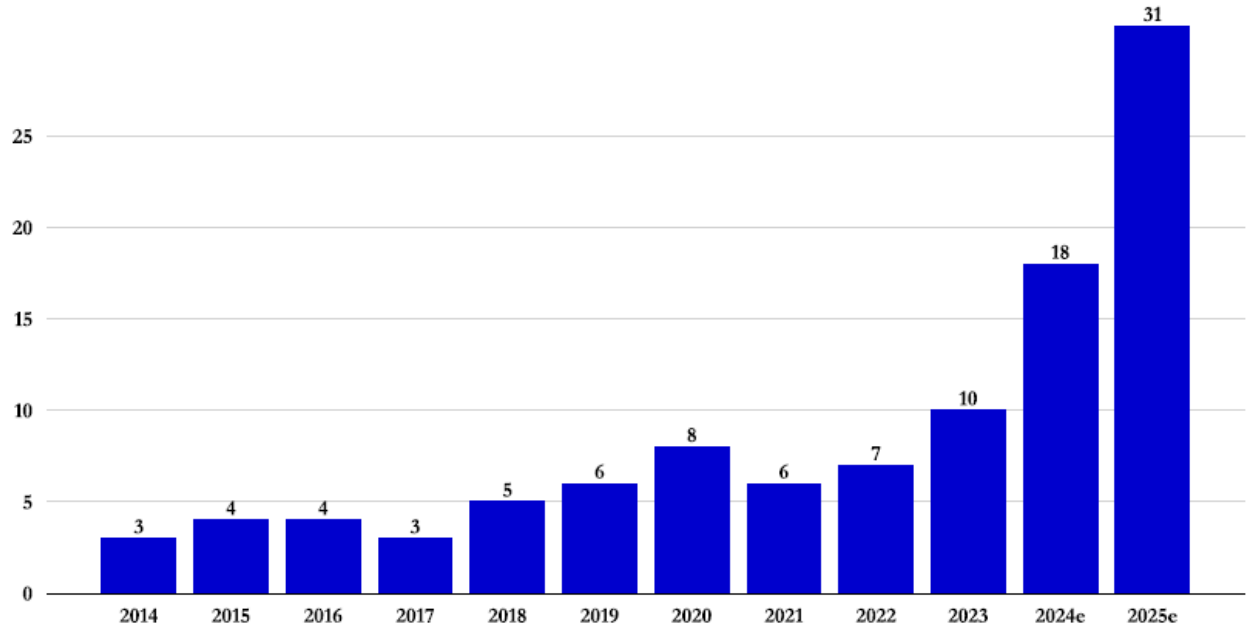
The scale of this transformation becomes evident when examining defense expenditure trends across NATO. After a long period of declining defense budgets following the end of the Cold War, NATO members gradually began increasing military spending after 2014, particularly following Russia's annexation of Crimea. The war in Ukraine significantly accelerated this trend, leading to a rapid increase in defense budgets across Europe.



Graph 6.1: Defense expenditure – billion US dollars. (Source: NATO)

As Graph 6.1 illustrates, defense expenditure across the alliance has increased substantially in recent years. Although the United States continues to account for the largest share of NATO military spending, European NATO members and Canada have significantly increased their defense budgets since 2022. This trend reflects a broader effort among European governments to rebuild conventional military capabilities and strengthen deterrence along NATO's eastern flank. A central element of NATO's defense policy framework is the guideline that member states should allocate at least 2 percent of GDP to defense spending. For many years after the Cold War, most European

allies remained below this benchmark. However, the geopolitical shock produced by the war in Ukraine has dramatically altered this pattern.

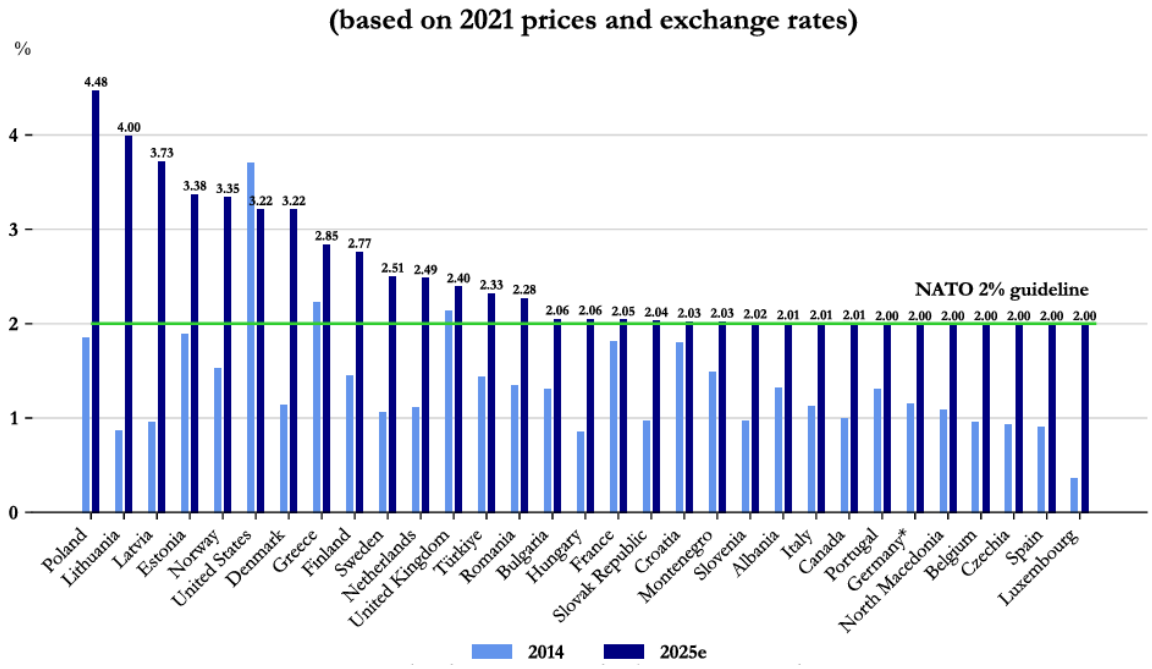


Graph 6.2: Number of Allies meeting 2% (Source: NATO)

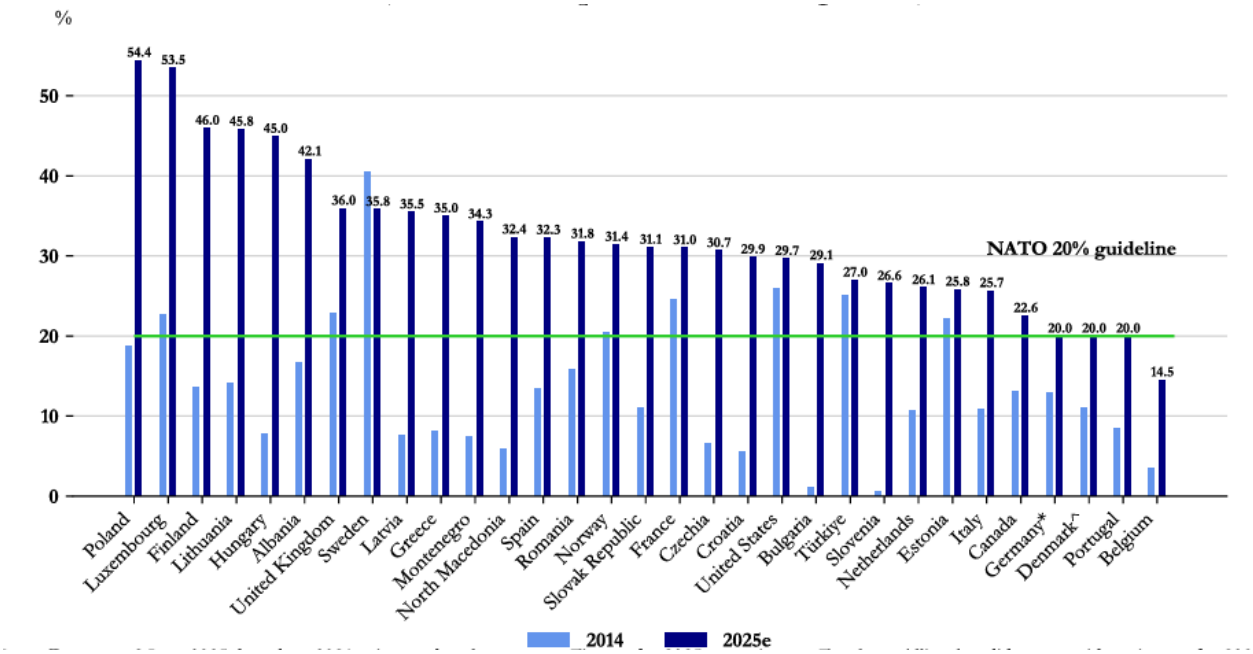
Graph 6.2 shows that the number of NATO members meeting the 2 percent guideline has increased significantly in recent years. While only a small number of allies reached this threshold in the early 2010s, a growing number of European countries now meet or exceed the NATO target. This shift reflects a broader recognition that defense spending must be sustained over the long term to maintain credible deterrence capabilities. The distribution of defense spending across NATO members also reveals important differences among countries. Some allies allocate significantly higher shares of their national income to defense due to their geographic position and security environment.

Countries located along NATO's eastern flank, including Poland and the Baltic states, display particularly high defense spending relative to GDP (Graph 6.3). Greece also remains consistently above the NATO benchmark due to its long-standing security commitments in the Eastern Mediterranean. In contrast, several larger European economies historically spent less than the NATO guideline but are now gradually increasing their defense budgets.

Beyond the overall level of military spending, the composition of defense budgets is also an important indicator of modernization. NATO guidelines recommend that at least 20 percent of defense expenditure should be allocated to equipment procurement and modernization, ensuring that member states maintain technologically advanced military capabilities.



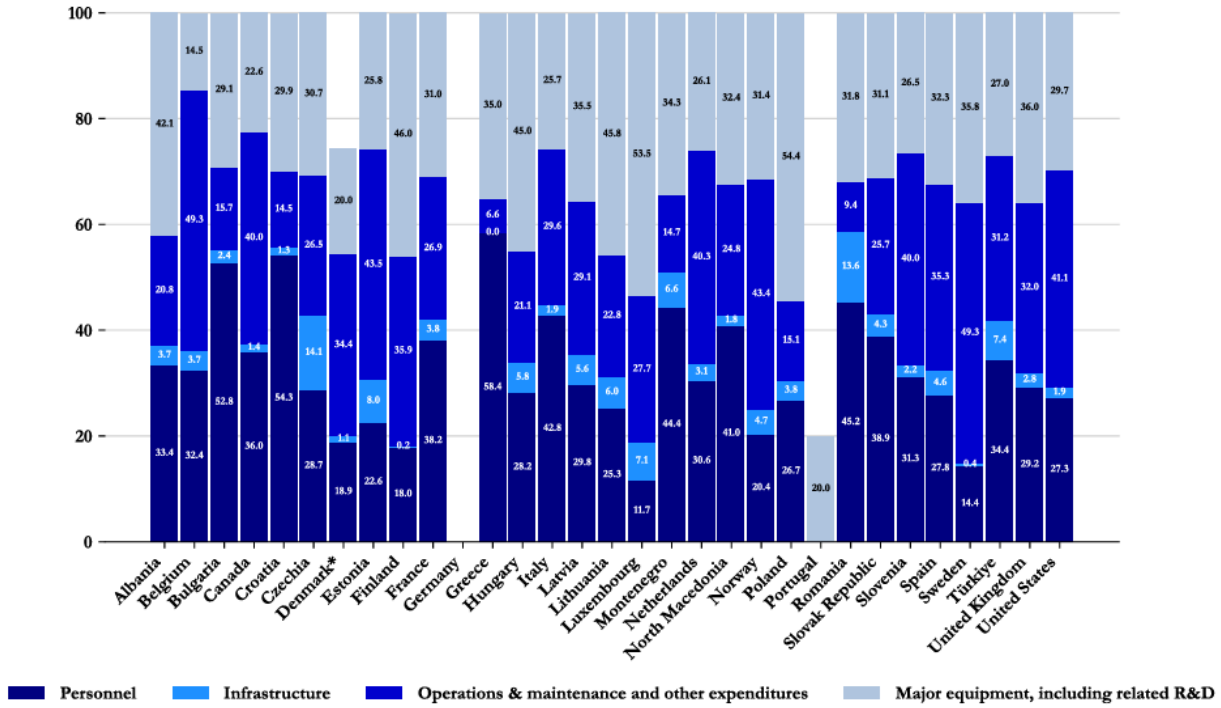
Graph 6.3: Defense expenditure as a share of GDP (Source: NATO)



Graph 6.4: Equipment expenditure as % of defense spending (Source: NATO)

Graph 6.4 illustrates that many NATO countries have increased the share of defense spending devoted to equipment procurement in recent years. This reflects large-scale modernization programs involving advanced aircraft, naval platforms, missile defense systems and digital command infrastructure. For Greece, defense modernization has focused primarily on strengthening air and naval capabilities, reflecting the operational requirements of the Aegean and Eastern Mediterranean theatres. Investments in advanced fighter aircraft, naval platforms and surveillance systems aim to

strengthen deterrence and ensure effective monitoring of strategic maritime routes. Defense spending can also be analyzed according to its main functional categories, including personnel costs, operations and maintenance, infrastructure and equipment procurement.



Graph 6.5: Main categories of defense expenditure (Source: NATO)

Graph 6.5 highlights the distribution of defense expenditure across these categories within NATO. Personnel costs remain the largest component of military spending in many countries, although recent years have seen increasing emphasis on equipment procurement and modernization.

From a macroeconomic perspective, defense spending represents both a strategic necessity and a fiscal challenge. European governments must simultaneously finance defense modernization, energy transition policies and broader social spending commitments while maintaining fiscal sustainability.

Defense policy therefore interacts directly with broader macroeconomic management and public finance considerations. In the case of Greece, sustained defense spending reflects long-standing strategic realities rather than temporary geopolitical developments. Greece's defense posture strengthens its credibility within NATO and reinforces its role as a key security actor in the Eastern Mediterranean. The broader European rearmament process therefore represents a structural adjustment to a more uncertain geopolitical environment. For both the European Union and Greece, the central challenge will be to integrate defense policy into broader economic strategies that balance fiscal sustainability, technological development and long-term security objectives.

Looking ahead, European defense policy faces several structural challenges that will shape its trajectory over the coming decade.

First, sustaining higher defense spending over the long term will require careful fiscal management, particularly in countries with elevated public debt and increasing pressure on public finances from demographic ageing and the green transition.

Second, Europe must address the persistent fragmentation of its defense industrial base, which currently limits economies of scale and reduces efficiency in procurement and capability development.

Third, the rapid evolution of military technology, including cyber warfare, artificial intelligence, autonomous systems and space capabilities, require sustained investment in research and innovation.

Finally, European countries must balance the pursuit of greater strategic autonomy with the continued centrality of NATO as the cornerstone of collective defense. Successfully addressing these challenges will determine whether the current phase of European rearmament evolves into a durable and coherent security architecture capable of responding to the increasingly complex geopolitical environment of the coming decades.

Section II: Perspectives

7. The Draghi Report: An Update

The Draghi report, formally known as report on *The Future of European Competitiveness*, was released in September 2024 and was accepted by the EU leaders with the Budapest Declaration in November 2024. It recommends action items for the short term (1-3 years) and the medium term (3-5 years). Almost all these recommendations were adopted by the European Commission as an operational roadmap for the 2025-2030 period.

An EU conference was organized in September 2025 celebrating the one-year anniversary of the Draghi report. Nevertheless, given the unique range and scope of the recommendations in the report, a closer look is necessary to assess their actual implementation level.

Mirroring the respective article in last year's IHGP report, which synopsized the Draghi report, the current article aims to offer a high-level overview of the report's implementation progress, along with some key achievements during the last fifteen months, as well as the complications for further implementation in the future.

A. EU information on the Draghi report implementation

In January 2026, the European Commission introduced the "Competitiveness Compass" (hereafter, "Compass") as an official scheme to keep track of the implementation of the Draghi report.[9] The Compass is structured along three major pillars for action to reignite EU growth, which are outlined in the Draghi report, namely:

- **Innovation**, by closing the innovation gap with the US and China, especially in advanced technologies.
- **Joint plan for decarbonization and competitiveness**, where the EU's climate targets are matched through decarbonization without hurting EU's competitiveness and growth.
- **Increasing security**, by reducing dependencies in trade and energy via a genuine EU foreign economic policy.

The Compass sets out an implementation program for the upcoming quarters (e.g., legislative proposals, strategies, new trade partnerships, etc.), which will continue converting the three pillars into reality. Moreover, to ensure uniform applicability across sectors and countries, the Compass includes five horizontal enablers, namely:

- **Simplification**: Drastically reducing regulatory burdens and streamlining administrative procedures. For instance, ten omnibus proposals took place in 2025 by the European Commission to reduce recurrent administrative costs by €12 billion.
- **Removing barriers in the Single Market**: Modernizing governance to remove intra-EU barriers, thus ensuring that goods, services, capital, and people can move freely and efficiently across the EU.
- **Financing competitiveness**: Creating a strategy for a savings and investments union, by deepening the integration of the EU's capital markets, enhancing the EU's securitization market, and mobilizing capital for EU projects.
- **Skills and quality jobs**: Enhancing education and training programs to develop an adaptable and competitive workforce, and to tackle future labor shortages.

[9] The Competitiveness Compass can be accessed at https://www.consilium.europa.eu/en/policies/competitiveness-compass/

- **Better coordination of policies**: Aligning EU and national policies and initiatives through a dedicated coordination tool as a requirement for EU-wide competitiveness.

Indeed, the Compass informs the public about the progress for improving EU competitiveness. For instance, among other things, the Compass explains the actions undertaken and highlights the timeline of the various actions that have already been implemented, as well as some actions scheduled for the following quarters.[10] Nevertheless, given the immense importance and scope of the Draghi report's recommendations, it would be helpful to have additional information on the degree of implementation and the evaluation of the impact. More specifically:

- Clarity about the actual degree of implementation. Since the various recommendations of the report are subject to debate and modifications, it would be helpful to know the details of the recommendation as it was initially proposed and as it was implemented. The comparison would be instrumental in understanding the degree of implementation of the original recommendations. For example, the 'Omnibus' proposal on Corporate Sustainability Reporting had the initial scope of EU entities with more than 1,000 employees and more than €50 million net turnover, but the finalized 'Omnibus' directive (Directive 2026/47) had a narrower scope of EU entities with more than 1,000 employees and more than €450 million net turnover.
- Evaluation of implemented recommendations. EU should perform policy evaluations using detailed data and appropriate statistical techniques to assess the impact of each intervention. Given the speed of implementation of the Draghi report's recommendations, the Compass should also readily include the results from ex-post evaluations, both as standalone projects and comparatively with any ex-ante impact assessments. This would be consistent with the "Better Regulation" agenda set by the European Commission to increase the accountability and the transparency of proposed regulations. Policy evaluation for the implementation of the Draghi report should not only feature whether the targets were achieved by adopting relevant metrics but should also examine the wider effects on social cohesion, since it is expected in the report that measures to promote EU competitiveness may have adverse impacts on societal cohesion across regions and communities.

B. Alternative source of information on implementation

Besides the official EU announcements, one could also utilize publicly available periodic reports by a think tank, namely the European Policy Innovation Council (EPIC). EPIC maintains the so-called "Draghi Observatory" which periodically produces a detailed report that includes the *Draghi Implementation Index* (hereafter, "DII").[11,12]

The DII is not solely tracking legislative aspects but also monitors the implementation of the reforms based on expert evaluations. In this way, the DII avoids measurement error by interpreting ambitious political intent as actual policy implementation. This is highly important since any regulations, directives and decisions resulting from Ordinary Legislative Procedures (OLP), adopted jointly by the European Parliament and the Council, following the Commission's proposals, may not necessarily result in outcomes relevant to the Draghi report's recommendations.

[10] See https://commission.europa.eu/topics/competitiveness/competitiveness-compass/timeline_en

[11] See https://thinkepic.eu/the-draghi-observatory/

[12] Draghitracker (https://draghitracker.framer.website) is an additional source that keeps track of the implementation of the Draghi report. However, it is not covered in this article, since it lacks transparency in terms of methodology and personnel.

The latest report on the DII was published by EPIC in January 2026, and its key findings are as follows:[13]

- The Draghi report makes 383 distinct recommendations. As of January 2026, only 58 of these recommendations (15%) were fully implemented, while another 91 (24%) were partially implemented. The remaining 61% of the Draghi report's recommendations are either in progress or not implemented in any capacity.
- Implementation is uneven across sectors. Almost all the implemented recommendations are concentrated in only three sectors, out of the ten sectors identified in the Draghi report. These three sectors are transport, critical raw materials and energy-intensive industries.
- Implementation is uneven across topics, with considerable implementation occurring in funding flexibility, financial instruments, program creation, compliance streamlining and enforcement. In contrast, recommendations related to the structural single-market integration have remained largely unaddressed.
- Not all EU legislation has the same relevance for the implementation of the Draghi report, with much of the EU legislation since the release of the Draghi report having either limited or no competitiveness relevance. Moreover, in terms of relevance, there is strong relation between the legislative form and the Draghi report's implementation, with regulations (especially new regulations, rather than regulatory amendments) having a greater impact than directives.
- In terms of implementation mode of the Draghi report through EU legislation, the DII finds that implementation follows a pattern of incremental progress, rather than a systemic shift. This is consistent with the notion that the EU is gradually building the legal, financial, and administrative infrastructure required for scalability, rather than opting for transformational integration.

Overall, the DII by EPIC offers a useful third-party measure that runs parallel to the EU's Competitiveness Compass and tracks the extent of the actual implementation of the Draghi report's recommendations.

C. Assessment of implementation & relevance for Greece

As we mentioned in last year's article on the Draghi report, the report itself has limited relevance to Greek economic growth. Due to the sectoral composition of the Greek economy, along with its idiosyncratic characteristics, the direct benefits from the implementation of the Draghi report are not as pronounced as in larger EU economies.[14] Moreover, besides the case of Greece, the Draghi report's implementation approach itself has drawn much criticism, which challenges the notion of benefiting the EU economies uniformly. Below we outline some of these criticisms:

- Political alliances across and within EU countries. Due to the Draghi report's core-periphery approach, the actual implementation of the report relies on delicate political alliances across the governments of the major Eurozone economies. This can be worrisome for two reasons. *First*, these governments may have divergent interests cross-sectionally. For instance, the recent EU-Mercosur Interim Trade Agreement signed in January 2026, in the context of EU's trade diversification strategy recommended in the Draghi report, drew heavy criticism from France, Austria and Poland. These concerns have led to legal challenges, resulting in the European

[13] See European Policy Innovation Council (EPIC), *The Draghi Observatory - Implementation Index Update: Assessing EU Delivery of the Draghi Report*, January 2026 (https://thinkepic.eu/wp-content/uploads/2026/02/DOII-Interim-Audit-_Jan-2026_web.pdf).

[14] For instance, the Draghi report rarely mentions anything about shipping and tourism, which are two sectors materially affecting the Greek economy.

Parliament's requesting from the Court of Justice of the European Union to opine on the agreement's compatibility with EU law. *Second*, governments themselves may change across time, as stagnant incomes and surging inflation jointly place strain on EU countries, fueling societal frustration and amplifying distrust towards traditional political parties. For example, the Alternative for Germany (AfD) in Germany and the National Rally (RN) in France continue to rise in popularity and are increasingly likely to influence their respective countries' political agenda within the EU.

- Regulatory fatigue. The pace and breadth of the reform agenda set by the Draghi report may soon create regulatory fatigue, at which point the European Union will face difficulties with not only implementing, but also maintaining compliance with these reforms.[15] These adverse effects from regulatory fatigue can be magnified by the so-called *regulatory sine curve* (Coffee, 2012), where any major legislative effort is gradually eroded by well-funded and politically influential special interests -at the industry and national level- during the administrative implementation stage, especially if a society's support for reform is short-lived.[16]
- Global economic dynamics. Kristalina Georgieva, the IMF's managing director stated in October 2025 that "uncertainty is the new normal." Indeed, since the release of the Draghi report, there have been dramatic changes in the global economic environment, especially in the areas of energy prices and global supply chains. In fact, the European Central Bank has issued a stark warning about the effect of geopolitical risks on the economic and financial stability of the Eurozone area.[17] The changing geopolitical landscape, along with the US and China pursuing aggressive agendas to enhance their position in the global markets, are creating immense pressure on the EU to rapidly adjust its priorities to the new environment. However, it is not clear to what extent the Draghi report's recommendations can be adapted, modified or re-calibrated to better address the EU's shifting priorities. Similarly, it is not clear how the implementation of the Draghi report's recommendations, which require a substantial increase in government spending and government guarantees, as well as mobilization of private funding and reallocation of existing EU funds, is feasible given the current global macroeconomic environment.

In conclusion, the scope and breadth of the recommendations included in the Draghi report provide a strong foundation for the transformation of the EU economy towards sustainable competitiveness. The fact that the implementation of these recommendations requires exceptional cooperation and coordination across EU countries, as well as substantial funding and rigorous impact evaluation, underscores the importance of ongoing monitoring of the implementation process in the coming years.

[15] On the topic of regulatory fatigue, see:
De Benedetto, M. (2018). Effective law from a regulatory and administrative law perspective. *European Journal of Risk Regulation*, 9(3), pp. 391-415.
Baldwin, R. and Black, J. (2010). Really responsive risk-based regulation. *Law and Policy*, 32, pp. 181-213.

[16] See Coffee, J. C. (2012) The political economy of Dodd-Frank: Why financial reform tends to be frustrated and systemic risk perpetuated, *Cornell Law Review*, 97(5), pp. 1019-1082.

[17] See European Central Bank (2026) *Financial stability risks from geoeconomic fragmentation*, January 2026.

8. Student Debt, Human Capital, and Innovation in Greece

1. Introduction

Europe's capacity to innovate remains central to its long-term competitiveness. The Draghi (2024) competitiveness report argues that closing Europe's innovation gap requires not only higher and more effective investment in research and development (R&D), but also sustained investment in human capital, because skills, diffusion, and the supply of advanced capabilities are binding constraints on productivity growth (ibid.).

Greece offers a particularly instructive case for analyzing how these constraints interact. Recent policy momentum— most visibly through the national Recovery and Resilience Plan, Greece 2.0—has prioritized green and digital transition projects alongside reforms in education, skills, and public administration (Government of Greece 2021). Yet important frictions still impede the translation of human potential into innovative output, including persistent skills gaps, weak knowledge-transfer mechanisms, and comparatively low R&D intensity (OECD and European Commission 2021; National Documentation Centre (EKT) 2025; Eurostat 2025).

In this section we argue that one neglected dimension of this human-capital constraint lies in the financing of advanced education itself: where high-return postgraduate and other specialized forms of study are difficult to finance, the supply of innovation-relevant skills is likely to remain below potential. A central motivation for the section is the puzzle that Greece combines relatively high tertiary attainment among young adults with continuing mismatches between the skills graduates possess and those the labor market demands, especially in ICT and STEM-adjacent roles.

In 2024, 44.5% of Greeks aged 25–34 held a tertiary qualification—close to, and slightly above, the EU average—while shortages persisted in areas such as ICT specialists (European Commission 2025). The OECD–European Commission HEInnovate country review similarly emphasizes that, despite rising participation in higher education, improving the alignment between acquired skills and labor-market needs remains important both for employment outcomes and for the strength of the innovation ecosystem (OECD and European Commission 2021). These challenges are not new.

Earlier evidence shows that the rapid expansion of higher education in the 1990s and early 2000s was not consistently matched to labor-market absorption: Ministry of Education data reported in Livanos (2010) indicate that student intake into higher education increased by 115% between 1993 and 2002, while labor-market outcomes differed sharply by field of study in ways consistent with structural mismatch (ibid.). One implication is that the problem may lie not only in the quantity of higher education, but also in its composition and level: if students cannot readily finance transition into more specialized or technically oriented qualifications, mismatch may persist even when overall tertiary attainment is high.

A second, directly related constraint has been the erosion of Greece's high- skill base through outward migration. The Bank of Greece documents a severe crisis-era brain drain between 2008 and 2013, nearly 223,000 Greek residents aged 25–39 permanently left the country, with outflows concentrated among young and highly skilled cohorts (Lazaretou 2016). While recent population statistics report positive net migration in 2023, ELSTAT also notes important definitional and measurement features, including the inclusion of persons requesting international or temporary protection in immigration counts—which means that a headline reversal in net flows does not by itself imply full recovery of the earlier high-skill loss (Hellenic Statistical Authority (ELSTAT) 2024). The cumulative effect of this human-capital shock continues to shape the country's innovation capacity.

A third set of constraints concerns innovation inputs and translation mechanisms. Greece's R&D intensity remains below the EU level: official national data compiled by the National Documentation Centre (EKT) report an R&D intensity of 1.49% of GDP in 2023, stable relative to 2022, while Eurostat places EU R&D intensity at roughly 2.2% (National Documentation Centre (EKT) 2025; Eurostat 2025). At the output and transfer stage, a recent nationwide survey of technology transfer offices (TTOs) in 12 major Greek universities and research centers reports modest industrial-property results: over the preceding three years, eight institutions reported filing 56 patents, while seven reported a total of 79 published patents, alongside a broader picture of an underdeveloped intermediary ecosystem with substantial room for improvement (Sachini et al. 2024). These downstream weaknesses make upstream questions of skill formation more consequential: where the production of advanced human capital is financially constrained, the innovation system is likely to remain thin at both the research and commercialization stages.

Against this backdrop, the present section narrows the analytical lens to a specific and under-examined mechanism: the interaction between the absence of a comprehensive, state-backed student-finance system for postgraduate study and culturally amplified debt aversion. The core argument is that, when advanced education must be financed either out of current household resources or through borrowing options that are costly, weakly protected, or psychologically unattractive, investment in high-return postgraduate study is more likely to be postponed, reduced, or abandoned. In a country where innovation capacity already depends on strengthening the advanced-skill pipeline, this financing constraint is plausibly one structural contributor to weaker innovation performance.

The Introductory section proceeds as follows. Section 2 examines debt aversion and its Greek-specific amplifiers. Section 3 compares student-finance systems and identifies Greece's institutional gap. Section 4 outlines policy design options for a Greek income-contingent system. Section 5 concludes.

2. Student Debt Aversion and Human Capital Underinvestment in Greece

2.1 The Behavioral Economics of Debt Aversion

This section isolates one under-analyzed micro-mechanism behind those frictions: debt aversion. Debt aversion is an unwillingness to enter a financial contract framed as debt, even when debt-financed investment has positive expected net present value. Standard intertemporal choice implies indifference between holding one euro in savings and repaying one euro of debt (at the same interest rate); empirically, many individuals exhibit an intrinsic disutility from "being in debt." Meissner and Albrecht (2022) formalize this preference wedge and estimate that debt aversion is widespread (their structural estimates imply that a large majority of subjects behave as debt averse and require a substantial "borrowing premium" to accept indebtedness).

The welfare costs can be quantified. In an experimental design that assigns debt randomly, Martínez-Marquina and Shi (2024) find that one-third of participants neglect high returns and prioritize debt repayment; borrowing to invest is 50% less likely when it implies ending in debt; and, on average, subjects value $1 less in debt as equivalent to $1.03 in savings. In their calibration, a debt-averse agent undertakes a guaranteed 10% return investment only if borrowing costs do not exceed 6.80%. These patterns are consistent with broader behavioral evidence that losses and "pain of paying" can dominate symmetric gains in decision weight (Kahneman and Tversky 1979).

For human capital, the implication is direct: higher (and especially postgraduate) education is among the largest lifecycle investments individuals make, with returns realized through wages, employment probability, occupational mobility and spillovers to innovation. If debt aversion makes prospective students systematically over-weight the psychological cost of borrowing relative to expected returns,

then educational choices can become biased downward even when skill acquisition is socially and privately efficient (OECD 2025b).

2.2 Socioeconomic Stratification, Framing, and Moral Values

Debt aversion is not evenly distributed across socioeconomic groups, creating an equity-relevant channel for underinvestment. Using survey evidence on England, Callender and Mason (2017) show that students from lower socioeconomic backgrounds are more debt averse and that fear of student debt has measurable deterrent effects on participation intentions. This is particularly consequential where marginal returns to tertiary education are highest for disadvantaged groups.

A second mechanism is semantic framing. In an experiment with student loan candidates, Caetano, Palacios, and Patrinos (2019) separate (i) aversion to the economic structure of a contract from (ii) aversion to its label. They find that labelling a financially equivalent instrument as a "loan" can reduce take-up and increase perceived cost relative to an alternative label (e.g., a "human capital contract"), implying that program nomenclature can materially change behavior.

Recent work also suggests that debt attitudes can be moralized. Paine, Schoar, and Thesmar (2025) provide evidence that moral foundations predict preferences for strictness versus leniency in credit and default contexts; importantly, they argue that such attitudes can be resistant to standard efficiency arguments. Finally, institutional design remains a powerful moderator. In the United States, Boatman, Evans, and Soliz (2017) document substantial heterogeneity in "*loan aversion*" by group and context, consistent with the view that repayment structures and perceived downside risk can either amplify or dampen the behavioral deterrent.

2.3 The Greek Context: Luck, Effort, and Cultural Amplifiers

To understand the intensity of debt aversion in Greece, individual behavioral bias must be placed inside a macro-cultural frame. Alesina and Angeletos (2005) model how beliefs about whether income is driven by effort or by luck can generate self-reinforcing equilibria in redistribution and incentives. In a "luck" equilibrium, heavy distortion and perceived unfairness reinforce each other, weakening incentives for long-horizon investment, including in education. This framework is relevant to Greece insofar as beliefs about opportunities, merit, and institutional fairness can shape willingness to undertake risky investments whose payoffs depend on labor-market institutions.

Greek debt aversion is also plausibly amplified by crisis-era salience: for cohorts socialized during the sovereign debt crisis and prolonged austerity, debt can be associated not only with intertemporal smoothing but with macroeconomic fragility, household stress and stigma. Language strengthens this moral loading: the Dictionary of Standard Modern Greek records chreos as both (i) a monetary debt and (ii) a metaphorical moral obligation/duty (Centre for the Greek Language 2026). This dual meaning creates a natural bridge between financial indebtedness and moral "burden" in everyday interpretation.

These priors interact with measured financial-literacy weaknesses. OECD survey evidence for Greece finds that adults average 61/100 on a composite financial literacy score, with only 44% understanding compound interest and "just under half" answering correctly on risk diversification; saving and product comparison behaviors are also limited for large parts of the population (OECD 2024). In such an environment, individuals are more likely to substitute heuristic threat-assessment for explicit cost-benefit evaluation of educational borrowing. Finally, household distress increases the perceived fragility of taking on new obligations. A recent EU-commissioned study reports Greece among the highest EU shares of consumers in arrears on key payment commitments in 2020, consistent with a context where debt problems are common and salient (European Commission 2023b).

2.4 The Institutional Gap and Educational Outcomes

Behavioral debt aversion becomes economically binding when institutional design offers no "safe" borrowing technology. In Eurydice's mapping of national student-fee and support systems, Greece offers first-cycle study in public higher education free of charge, and direct support mainly via scholarships; notably, it reports that (public) loans are not available within the national support system it documents (Eurydice 2025d; Eurydice 2025a). When postgraduate programs charge tuition and living costs are material, the absence of a public loan system shifts the financing margin to family resources or commercial credit. Commercial products, however, resemble ordinary consumer loans rather than income-contingent human-capital finance. Alpha Bank states a nominal fixed annual rate of 10.50% for its Alpha Education loan, plus the Law 128/1975 levy (0.60%), with an illustrative APRC of 13.45% in its example (Alpha Bank 2026a; Alpha Bank 2026b). NBG offers an EIF-supported student loan priced at Euribor 3M plus a 2.8% margin (plus the Law 128/75 levy), with repayments due monthly and a limited grace-period structure (National Bank of Greece 2026). Neither product is structured as a public income-contingent loan (repayment thresholding, long-horizon forgiveness, and earnings insurance); instead, both require repayment regardless of realized earnings, embedding substantial downside risk for young borrowers.

This matters mechanically as well as psychologically. Using Martínez-Marquina and Shi (2024)'s benchmark that defines a 10% guaranteed return as unattractive if borrowing costs exceed 6.80% for a debt-averse agent, high-interest credit can be rejected even when education returns are strong. The aggregate implication is visible in the following outcomes. First, OECD Education at a Glance report that in Greece 13% of 25–34-year-olds hold a master's or equivalent degree, which is below the OECD average of 16%. Second, youth unemployment remains sharply higher for those with lower attainment (OECD 2025a).

2.5 Systemic Implications: The Innovation Gap

Underinvestment in advanced skills constrains innovation through both worker quality and the capacity of institutions to absorb and commercialize research. Cross-country evidence suggests universities and human capital are systematically associated with innovation and regional growth. Valero and Van Reenen (2019) find that increases in university presence predict higher future GDP per capita, with mechanisms operating through human capital and innovation.

Greek metrics point to bottlenecks in knowledge valorization. A recent survey-based mapping of Technology Transfer Offices across 12 major Greek universities and research centers reports that (self-reported) patent filing activity is concentrated and modest (e.g., 56 patents filed as reported by 8 institutions over the last three years, outside medicine/health), and that many technology transfer services are provided only to small numbers of people (often up to 10 per category), consistent with an underdeveloped transfer ecosystem (Sachini et al. 2024). At the firm level, emerging evidence in Greece links "credit fear"—conceptually close to debt aversion—to weaker uptake of financial tools and to dampened performance gains from FinTech adoption (Skandalis 2025).

The policy relevance is underscored by central-bank framing. In speeches republished by the BIS, Bank of Greece Governor Yannis Stournaras emphasizes that innovation and R&D are vital to moving up the value chain, and he notes that banking-sector balance-sheet repair has progressed substantially (e.g., system-wide NPL ratios falling to low single digits by 2025), implying that supply of credit is less constrained than in the past (Stournaras 2025; Stournaras 2026). If, despite improved credit supply, households and students remain behaviorally disinclined to borrow for skill formation under high-risk commercial terms, then Greece risks remaining in a low human-capital / low-innovation equilibrium. A central design implication follows tackling underinvestment requires not only more credit but different credit—state-backed, human-capital oriented financing with earnings insurance (income contingency) that directly targets the psychological and downside-risk

channels of debt aversion. The argument advanced here is interpretive rather than causal: while international evidence establishes the relevance of debt aversion, direct Greek microdata on postgraduate borrowing and enrolment responses remains limited.

3. The Institutional Gap: Greece's Missing Student Loan Infrastructure

3.1 Greece's current landscape

Greece's higher-education finance regime is distinctive in a way that matters for innovation-oriented human-capital formation: public undergraduate studies are constitutionally framed as free of charge, yet the system does not provide a comprehensive public mechanism to finance (i) postgraduate tuition where fees are permitted and (ii) the living costs that condition access for liquidity constrained households. Eurydice's system mapping notes that, while admission and attendance in public higher education are free, tuition fees may be charged in specific postgraduate programs, and fees also apply in institutions such as the Hellenic Open University (Eurydice 2026b).

In practice, the apparent accessibility implied by free undergraduate tuition is partially offset by the narrowness of student support. Eurydice's database records are not operational, publicly backed student loan scheme (loans are not available) (Eurydice 2025b). In parallel, the main nationwide indirect support instrument identified is the student housing allowance for undergraduates who study away from their family residence, which is both means-tested and conditional on academic progress; the same sources note that students studying for a second degree and postgraduate/doctoral students are not eligible (Eurydice 2025b; Hellenic Republic – Ministry of Education, Religious Affairs and Sports 2026). This matters for postgraduate upskilling because the relevant costs are largely front-loaded (fees and subsistence during study), while returns accrue with delay.

The absence of public lending forces any borrowing into standard consumer credit channels. Two emblematic products illustrate the gap. Alpha Bank's Alpha Education student loan is a collateral-free consumer loan with a fixed nominal rate of 10.50% (plus the mandatory Law 128/1975 levy, currently 0.60%); the published example implies an APRC of 13.45% for a five-year term (Alpha Bank 2026a). The National Bank of Greece offers a Student Loan Program guaranteed by the EIF with an interest-rate margin of 2.8% (plus the Law 128/1975 levy); the product permits a grace period up to 12 months but repayments remain conventional (monthly servicing and amortization), and the EIF guarantee conditions explicitly prohibit parental or collateral guarantees (National Bank of Greece 2026). Neither product is income-contingent in the sense used in the international higher-education finance literature: repayment obligations do not automatically adjust to realized earnings, and there is no built-in state insurance layer comparable to income-contingent loan systems in the UK or Australia (UK Government 2026a; Australian Government – Study Assist 2024).

A further structural pressure point is emerging on the demand side. Law 5094/2024 introduced a licensing framework for non-state, non-profit higher education institutions operating as branches of foreign universities, thereby expanding the set of tuition-financed options (Eurydice 2024; Eurydice 2026b). In the absence of public student-finance architecture, any expansion of fee- based provision predictably raises the salience of the financing constraint for households without sufficient liquidity.

3.2 Comparative perspective: the United States

The United States illustrates both the enabling logic and the design risks of large-scale student finance. On scale alone, the US federal student loan portfolio is one of the largest credit programs administered by the federal government; Federal Student Aid's FY2024 reporting situates the system in the trillion-dollar range (Federal Student Aid 2024). Credit-bureau based measurement similarly places aggregate student loan balances at about $1.62 trillion by 2024Q4 (Federal Reserve Bank of New York 2025). From a human-capital perspective, a central advantage of such a system is that it relaxes liquidity constraints at the point of educational investment. Causal evidence indicates that

expanding borrowing capacity at federal loan limits affects student choices and outcomes consistent with binding credit constraints for a non-trivial margin of borrowers (Black et al. 2020).

However, the US model also demonstrates why the structure of finance matters. Income-driven repayment (IDR) options conceptually embed insurance by basing required payments on income and family size, rather than on fixed amortization schedules (Federal Student Aid 2026). Yet the distributional and sustainability pathologies are well documented: default and repayment distress are disproportionately concentrated among disadvantaged borrowers and in segments such as for-profit provision, where default risk is substantially higher (Armona, Chakrabarti, and Lovenheim 2018). The US case therefore supports a narrow inference relevant for Greece: credit access can expand educational investment, but poorly structured credit can generate long-run welfare and political economy costs that feed back into debt aversion and policy instability (Chapman 2006; Chapman and Dearden 2022).

3.3 Comparative perspective: the United Kingdom

The United Kingdom's system is closer to the design space Greece would plausibly occupy because it operationalizes repayment insurance through income contingency at scale. Repayments are calculated as a fixed share of earnings above plan-specific thresholds, and the schedule is explicitly earnings conditioned (UK Government 2026a). Current government guidance also makes the write-off horizon explicit: Plan 2 balances are written off 30 years after April when repayment first becomes due, and Plan 5 balances after 40 years (UK Government 2026b). These term limits matter for perceived risk because they cap lifetime repayment exposure.

The UK also clarifies why income contingency alone does not automatically neutralize debt aversion. Even under an income-contingent structure, qualitative evidence indicates that a non-trivial subset of graduates' reports persistent psychological and planning burdens from the presence of the debt balance, including effects on perceived financial security and major life decisions (Gayardon and Callender 2025). In addition, debt aversion remains socioeconomically stratified: prospective students from lower socioeconomic backgrounds are more likely to report that debt concerns deter participation decisions, despite the presence of income contingency (Callender and Mason 2017).

3.4 Comparative perspective: Australia and the Nordic countries

Australia's HECS-HELP/HELP system is the canonical large-scale income contingent financing model. Recent reforms announced through the government's Study Assist channel emphasize a shift to marginal repayment design and an increased minimum repayment threshold from 1 July 2025 (Australian Government – Study Assist 2024). Australia also illustrates a second design lever directly relevant to debt aversion: the treatment of the balance over time. The government has legislated changes so that HELP indexation is calculated using the lower of CPI and WPI, retroactively applied for recent indexation events, reducing the perceived and actual risk of balance escalation during inflation spikes (Australian Government – Department of Education 2024).

The Nordic systems demonstrate a different pathway to the same objective: combining low or zero tuition with structured public support for living costs, typically via a mix of grants and publicly backed loans or guarantees. In Sweden, for example, the student support framework includes a grant component and a universal loan component with long-horizon repayment rules (including a standard repayment duration and an upper age bound), which together operationalize access to subsistence finance even under tuition-free provision (Eurydice 2025c). Finland similarly relies on a structured package of student financial aid, including study grants and a state guarantee for student loans (Eurydice 2023; Kela (The Social Insurance Institution of Finland) 2025). Denmark's SU system likewise combines grants with optional state loans subject to defined repayment windows (Eurydice 2026a; SU.dk 2026). The core inference for Greece is that free tuition is not equivalent to full

financial accessibility: without predictable living-cost support and/or insured borrowing, advanced training remains rationed by household liquidity rather than by expected returns.

3.5 Key takeaways for Greece

Across these comparisons, Greece appears as an OECD/EU outlier in the following precise sense: it combines tuition-free public undergraduate provision with (i) no operational public loan scheme for students (Eurydice 2025b) and (ii) limited nationwide indirect support that largely excludes postgraduate students (Hellenic Republic – Ministry of Education, Religious Affairs and Sports 2026). Where other systems embed repayment insurance either through income contingent collection (UK, Australia) (UK Government 2026a; Australian Government – Study Assist 2024) or through grant–loan packages for subsistence (Nordics) (Eurydice 2025c; Eurydice 2023), Greece forces postgraduate financing into consumer-credit contracts whose pricing and repayment structure are likely to trigger the behavioral frictions documented in Section 2.

Table 1: Comparative overview of selected student-finance architectures (stylised)

System	Public UG tuition (typical)	Role of public credit/guarantee	Repayment/insurance logic (core)
Greece	Free (public)	No public loans; commercial consumer-credit substitutes	Fixed repayments; no earnings-indexed insurance layer
United States	High/variable	Federal loans at scale; optional IDR	Mixed: standard amortisation with optional income-based plans
United Kingdom	Fee-based	Public loans at scale	Income-contingent collection; explicit write-off horizons
Australia	Deferred contributions (HELP)	Public income-contingent scheme	Income-contingent collection; indexation rules shape balance-risk
Nordics (e.g. Sweden/Finland/Denmark)	Free/low (public)	Grants plus publicly-backed loans/guarantees	Access ensured via subsistence support; repayment rules typically long-horizon

4. Solutions: designing a Greek student-finance framework

4.1 A public income-contingent loan scheme tailored to Greek conditions

The central policy implication of Sections 2 and 3 is that Greece requires a public student-finance instrument whose default design feature is insurance against low realized post-study income. Income-contingent loans (ICLs) are defined by collection conditional on borrowers' future capacity to pay (with repayment through the tax/payroll system as the benchmark implementation), and they are widely analyzed as superior to mortgage-style loans in settings with high earnings uncertainty (Chapman 2006; Chapman and Dearden 2022). Comparative modelling also shows that the distributional incidence and fiscal cost of ICLs depend critically on a small set of design parameters, especially the debt-to-earnings ratio, the repayment threshold, and whether repayments are marginal or not (Britton, Erve, and Higgins 2019).

For Greece, four principles follow.

First, the repayment threshold should be set high enough to provide genuine insurance in a labor market with non-trivial early-career income risk, and it should be indexed (to wages or inflation) to avoid stealth tightening over time (Chapman 2006).

Second, repayments should be calculated on a marginal basis to avoid cliff effects and to reduce behavioral resistance near the threshold, a logic reflected in recent reforms in established schemes (Australian Government – Study Assist 2024).

Third, balance dynamics should be designed to minimize perceived debt explosion—for example, through non-commercial indexation rules—because salience and balance growth interact with debt aversion (Australian Government – Department of Education 2024; Chapman and Dearden 2022). Fourth, Greece should explicitly decide whether to include a time-based write-off horizon (as in the UK) as a commitment device that caps lifetime exposure and can reduce psychological burden (UK Government 2026b; Gayardon and Callender 2025).

4.2 Mitigating debt aversion through design and delivery

Section 2 implies that engineering the repayment function is necessary but not sufficient: take-up depends on framing and salience. Experimental evidence shows that labelling a financially identical contract as a loan can reduce demand relative to alternative descriptors (e.g. "human capital contract"), a mechanism directly relevant in a context where debt carries crisis-era stigma (Caetano, Palacios, and Patrinos 2019). A Greek scheme should therefore adopt communication that foregrounds its insurance properties (repayment only above an income threshold; automatic adjustment to income realizations), and it should minimize cues that trigger the mental model of rigid consumer debt.

Low measured financial literacy in Greece further implies complementarity between finance and information: where individuals have difficulty evaluating compound interest and repayment dynamics, aversion is more likely to be driven by heuristics rather than by expected-value reasoning (OECD 2024). Embedding short, mandatory financial-literacy modules in eligibility and onboarding processes would directly target these mechanisms.

Finally, behavioral evidence on defaults and inertia implies that administrative friction matters. In other domains (notably retirement savings), shifting from opt-in to opt-out participation dramatically changes take-up because defaults act as implicit recommendations (Madrian and Shea 2001). A Greek ICL could apply the same principle by making the instrument the default financing channel for eligible postgraduate programs, with an explicit opt-out, rather than requiring an active application that amplifies debt-averse avoidance (Thaler and Sunstein 2008).

4.3 Integration with Greece 2.0 and EU funding

A Greek ICL does not need to be financed as an isolated national initiative. The Greece 2.0 plan—Greece's Recovery and Resilience Plan—was revised to a total envelope of €35.95 billion (grants and loans), and it explicitly includes an employment/skills pillar (European Commission 2023a; Greece 2.0 (National Recovery and Resilience Plan portal) 2025). Macro modelling by the Bank of Greece suggests that full implementation of the plan can raise the level of real GDP materially by 2026, underscoring that human-capital complements affect the returns to the broader investment agenda (Malliaropulos, Brissimis, and Kalyvitis 2021).

At the EU level, the Recovery and Resilience Facility finances reforms and investments through 2026 (European Commission 2026a), while the European Social Fund Plus is the EU's main instrument for investing in people and skills (European Commission 2026b). These mechanisms can plausibly support (i) start-up capitalization and systems-building for an ICL administrator and (ii) the complementary grant and literacy components that reduce inequitable debt exposure among low-

income students. The operational feasibility of EU-backed guarantees is also demonstrated by existing Greek commercial products backed by the European Investment Fund, albeit without income contingency (National Bank of Greece 2026).

4.4 Complementary reforms

An ICL alone is not a full student-support regime. First, needs-based grant capacity should be strengthened alongside loans. IKY already operates multiple scholarship programs and administers endowed and co-funded schemes, including postgraduate and doctoral support (IKY (State Scholarships Foundation) 2026). A hybrid grant–loan design can reserve debt exposure for incremental investment (e.g. postgraduate fees, mobility, living costs), rather than for subsistence.

Second, retention-oriented incentives can be embedded in the finance architecture. Greece's crisis-era brain drain was concentrated among young, highly educated cohorts, implying a social return to mechanisms that reduce the incentive to exit immediately after educational investment (Lazaretou 2016). A targeted forgiveness or repayment-reduction component conditional on working in Greece for a minimum period (and/or in innovation-relevant sectors) would directly link finance to the innovation-capacity objective.

Third, the system should not be limited to academic postgraduate pathways. OECD diagnostics for Greece repeatedly emphasize skill mismatches and the need to strengthen work-relevant training pipelines (OECD and European Commission 2021). Extending finance eligibility to high-quality vocational and professional upskilling programs would align the instrument with the composition problem highlighted in the innovation diagnostics.

5. Conclusion

Student finance is a structural determinant of the advanced-skill pipeline - which is why our analysis treats it as an innovative issue. Greece combines free public undergraduate tuition with the absence of an operational public loan infrastructure, limited living-cost support, and reliance on consumer-credit substitutes for any borrowing (Eurydice 2025b; Alpha Bank 2026a; National Bank of Greece 2026). In a context where debt aversion is behaviorally real and likely culturally amplified, this configuration plausibly depresses postgraduate human-capital investment precisely in the domains where innovation systems require depth.

International comparison clarifies both feasibility and pitfalls. The US demonstrates that massive credit access can relax liquidity constraints but can also generate default and equity problems when repayment insurance is incomplete or administratively complex (Federal Student Aid 2024; Armona, Chakrabarti, and Lovenheim 2018). The UK and Australia show that income-contingent collection can embed insurance directly into repayment mechanics (UK Government 2026a; Australian Government – Study Assist 2024), while Nordic systems show that free tuition must be complemented by structured subsistence finance to deliver equitable access in practice (Eurydice 2025c; Eurydice 2023).
The policy opportunity for Greece is therefore unusually clear: to design a public income-contingent financing system that internalizes three decades of international learning, while simultaneously adapting to Greek labor-market risk and to crisis-shaped debt salience (Chapman 2006; Britton, Erve, and Higgins 2019).

References

Alesina, Alberto and George-Marios Angeletos (2005). "Fairness and Redistribution". In: American Economic Review 95.4, pp. 960–980. DOI: 10.1257/0002828054825655.

Alpha Bank (2026a). Alpha Education Student Loan. Accessed 2026-03-12.

— (Feb. 2026b). Transaction Terms: Deposit and Loan Interest Rates.

Armona, Luis, Rajashri Chakrabarti, and Michael Lovenheim (2018). Student Debt and Default: The Role of For-Profit Colleges. Tech. rep. 811. Federal Reserve Bank of New York.

Australian Government – Department of Education (2024). Legislation to cut student debt becomes law. Explain HELP indexation reform using the lower of CPI or WPI and retroactive application. URL: https://www.education.gov.au/newsroom/articles/legislation-cut-student-debt-becomes-law (visited on 03/12/2026).

Australian Government – Study Assist (2024). Government announces changes to HELP debt repayments. URL: https://www.studyassist.gov.au/news/government-announces-changes-help-debt-repayments (visited on 03/12/2026).

Black, Sandra E. et al. (2020). Taking It to the Limit: Effects of Increased Student Loan Availability on Attainment, Earnings, and Financial Well-Being. Tech. Rep. 27658. National Bureau of Economic Research.

Boatman, Angela, Brent J. Evans, and Adela Soliz (2017). "Understanding Loan Aversion in Education". In: AERA Open 3.1. DOI: 10.1177/2332858416683649.

Britton, Jack, Laura van der Erve, and Tim Higgins (2019). "Income contingent student loan design: Lessons from around the world". In: Economics of Education Review 71, pp. 65–82. DOI: 10.1016/j.econedurev.2018.06.001.

Caetano, Gregorio, Miguel Palacios, and Harry A. Patrinos (2019). "Measuring Aversion to Debt: An Experiment Among Student Loan Candidates". In: Journal of Family and Economic Issues 40. Metadata correction: DOI is 10.1007/s10834-018-9601-8 (often mis-cited). Springer indicates subscription/paid PDF access (preview of subscription content)., pp. 117–131. DOI: 10.1007/s10834-018-9601-8.

Callender, Claire and Geoff Mason (2017). "Does Student Loan Debt Deter Higher Education Participation? New Evidence from England." In: The Annals of the American Academy of Political and Social Science 671.1, pp. 20–48. DOI: 10.1177/0002716217696041.

Centre for the Greek Language (2026). Dictionary of Standard Modern Greek. Accessed 2026-03-12.

Chapman, Bruce (2006). "Income Contingent Loans for Higher Education: International Reforms". In: Handbook of the Economics of Education. Ed. by Eric A. Hanushek and Finis Welch. Vol. 2. Elsevier, pp. 1435–1503.

Chapman, Bruce and Lorraine Dearden (2022). "Income-contingent loans in higher education financing". In: IZA World of Labor 227. DOI: 10.15185/izawol.227.v2.
Draghi, Mario (2024). The Draghi report on EU competitiveness: The future of European competitiveness. European Commission (competitiveness topic page). Accessed 2026-03-12.

European Commission (2023a). Commission endorses Greece's €35.95 billion modified recovery and resilience plan, including a REPowerEU chapter. URL: https://ec.europa.eu/commission/presscorner/detail/en/ip_23_5914 (visited on 03/12/2026).
— (2023b). Study on European consumers' over-indebtedness and its implications: Final Report (manuscript completed June 2023). Tech. Rep. Accessed 2026-03-12. European Commission (EU Consumer Programme / EISMEA).

— (2025). Education and Training Monitor 2025: Greece. Publications Office of the European Union. Accessed 2026-03-12.
— (2026a). Recovery and Resilience Facility. URL: https://reforms-investments.ec.europa.eu/recovery-and-resilience-facility-1_en (visited on 03/12/2026).
— (2026b). What is the ESF+? URL: https://european-social-fund-plus.ec.europa.eu/en/what-esf (visited on 03/12/2026).

Eurostat (2025). R&D Expenditure — Statistics Explained. Accessed 2026-03-12.

Eurydice (2023). Higher education funding: Finland. URL: https://eurydice.eacea.ec.europa.eu/eurypedia/finland/higher-education-funding (visited on 03/12/2026).
— (2024). National reforms in higher education: Greece (Law 5094/2024). Eurydice reform summary describing Law 5094/2024 framework for university branches in Greece. URL: https://eurydice.eacea.ec.europa.eu/national-education-systems/greece/national-reforms-higher-education (visited on 03/12/2026).
— (2025a). Funding in Education: Greece. Accessed 2026-03-12.
— (2025b). Greece: National student fee and support system. Eurydice database entry (fees, grants, loans availability, and housing allowance conditions). URL: https://eurydice.eacea.ec.europa.eu/national-education-systems/greece/national-student-fee-and-support-system (visited on 03/12/2026).
— (2025c). Higher education funding: Sweden. URL: https://eurydice.eacea.ec.europa.eu/eurypedia/sweden/higher-education-funding (visited on 03/12/2026).
— (2025d). National Student Fees and Support Systems: Greece. Accessed 2026- 03-12.
— (2026a). Higher education funding: Denmark. URL: https://eurydice.eacea.ec.europa.eu/eurypedia/denmark/higher-education-funding (visited on 03/12/2026).

Eurydice (2026b). Higher education funding: Greece. Eurypedia country page (fees in public HE; postgraduate fees; non-state HE provisions). URL: https://eurydice.eacea.ec.europa.eu/eurypedia/greece/higher-education-funding (visited on 03/12/2026).

Federal Reserve Bank of New York (2025). Quarterly Report on Household Debt and Credit: 2024 Q4. Reports student loan balances in aggregate for 2024Q4. Center for Microeconomic Data.

Federal Student Aid (2024). Federal Student Aid Annual Report: Fiscal Year 2024. U.S. Department of Education.
— (2026). Income-Driven Repayment Plans. URL: https://studentaid.gov/manage-loans/repayment/plans/income-driven (visited on 03/12/2026).

Gayardon, Ariane de and Claire Callender (2025). "What is the impact of re- paying income-contingent student loan debt on graduates' lives? Lessons from England". In: Journal of Further and Higher Education. DOI: 10.1080/23322969.2025.2477574.
Government of Greece (2021). Next Generation EU: National Recovery and Resilience Plan (Greece 2.0). Accessed 2026-03-12.

Greece 2.0 (National Recovery and Resilience Plan portal) (2025). Greece 2.0: At a glance. URL: https://greece20.gov.gr/en/at-a-glance/ (visited on 03/12/2026).

Hellenic Republic – Ministry of Education, Religious Affairs and Sports (2026). Student Housing Allowance – Frequently Asked Questions (English). PDF. Official FAQ confirming eligibility scope (undergraduates) and exclusions (second degree; postgraduate/doctoral).

Hellenic Statistical Authority (ELSTAT) (Dec. 2024). Data on Estimated Population (1.1.2024) and Migration Flows (2023). Tech. Rep. Press Release (accessed 2026-03-12). ELSTAT.

IKY (State Scholarships Foundation) (2026). Scholarships. URL: https://www.iky.gr/en/scholarships/ (visited on 03/12/2026).

Kahneman, Daniel and Amos Tversky (1979). "Prospect Theory: An Analysis of Decision under Risk". In: Econometrica 47.2, pp. 263–291. DOI: 10.2307/1914185.

Kela (The Social Insurance Institution of Finland) (2025). Student loan in higher education. URL: https://www.kela.fi/student-loan-higher-education (visited on 03/12/2026).

Lazaretou, Sophia (July 2016). The Greek Brain Drain: The New Pattern of Greek Emigration during the Recent Crisis. Tech. rep. 43. Accessed 2026-03-12. Bank of Greece.

Livanos, Ilias (2010). "The Relationship between Higher Education and Labor Market in Greece: The Weakest Link?" In: Higher Education 60.5. Author- accepted manuscript (accessed 2026-03-12), pp. 473–489. DOI: 10.1007/s10734-010-9310-1.

Madrian, Brigitte C. and Dennis F. Shea (Nov. 2001). "The Power of Suggestion: Inertia in 401(k) Participation and Savings Behavior". In: The Quarterly Journal of Economics 116.4. Publisher page indicates restricted access / sub- scription may be required., pp. 1149–1187. DOI: 10.1162/003355301753265543.

Malliaropulos, Dimitris, Sophocles N. Brissimis, and Sarantis Kalyvitis (2021). "The impact of the Recovery and Resilience Facility on the Greek economy". In: Bank of Greece Economic Bulletin 53. Reports potential GDP and employment impacts (including job creation) under full implementation of Greece's RRP., pp. 7–28.

Martínez-Marquina, Alejandro and Mike Shi (2024). "The Opportunity Cost of Debt Aversion". In: American Economic Review 114.4, pp. 1140–1172. DOI: 10.1257/aer.20221509.

Meissner, Thomas and Ivo Albrecht (2022). Debt Aversion: Theory and Measurement. arXiv working paper. Accessed 2026-03-12. arXiv: 2207.07538.

National Bank of Greece (2026). Student Loan Program guaranteed by EIF. Product page (EIF-backed programme terms, margin, grace period, guarantee constraints). URL: https://www.nbg.gr/en/individuals/loans/student-loan (visited on 03/12/2026).

National Documentation Centre (EKT) (Oct. 2025). Increase in Expenditure and Employment in Research & Development in 2023. Official EKT news item summarizing final national R&D statistics for Greece (includes R&D intensity and sectoral breakdowns).

OECD (2024). Financial literacy in Greece: evidence on adults and young people. Tech. Rep. Accessed 2026-03-12. OECD Publishing. DOI: 10.1787/07e4fbd9-en.

— (2025a). Education at a Glance 2025: Greece. OECD Publishing (country note / profile page). Accessed 2026-03-12.
— (2025b). Education at a Glance 2025: OECD Indicators. Accessed 2026-03-12. OECD Publishing. DOI: 10.1787/1c0d9c79-en.

OECD and European Commission (June 2021). Supporting Entrepreneurship and Innovation in Higher Education in Greece. Tech. Rep. 51. Open-access OECD PDF (official). Paris: OECD Publishing, p. 108. DOI: 10.1787/37cd1c7d-en.

Paine, Antoinette Schoar, and David Thesmar (2025). Attitudes to Debt: The Role of Moral Values. Working Paper 34092. Accessed 2026-03-12. National Bureau of Economic Research.

Sachini, Evi et al. (2024). "Mapping the Technology Transfer Offices in Greece: Initial Outcomes Concerning Medical and Health Technologies and Next Steps". In: Journal of the Knowledge Economy 15, pp. 16060–16095. DOI: 10.1007/s13132-023-01715-w.

Skandalis, Konstantinos S. (2025). "From credit fear to competitive edge: the interplay of entrepreneurship, FinTech and SME performance". In: Journal of Economic and Administrative Sciences, pp. 1–16. DOI: 10.1108/JEAS-06-2025-0386.

Stournaras, Yannis (2025). Greece as a strategic investment gateway: stability, sustainability and transformation. BIS Review. Accessed 2026-03-12.
— (2026). Banking and financial outlook for Greece and Europe in 2026. BIS Review. Accessed 2026-03-12.

SU.dk (2026). State Educational Grant and Loan Scheme (SU and SU-lån). URL: https://www.su.dk/english/state-educational-grant-and-loan-scheme-su (visited on 03/12/2026).

Thaler, Richard H. and Cass R. Sunstein (2008). Nudge: Improving Decisions about Health, Wealth, and Happiness. Book (print/eBook); no DOI for the monograph itself. New Haven, CT and London: Yale University Press. ISBN: 9780300122237.

UK Government (2026a). Repaying your student loan: How much you repay. URL: https://www.gov.uk/repaying-your-student-loan/what-you-pay (visited on 03/12/2026).
— (2026b). Repaying your student loan: When your student loan gets written off or cancelled. URL: https://www.gov.uk/repaying-your-student-loan/when-your-student-loan-gets-written-off-or-cancelled (visited on 03/12/2026).

Valero, Anna and John Van Reenen (2019). "The economic impact of universities: Evidence from across the globe". In: Economics of Education Review 68, pp. 53–67. DOI: 10.1016/j.econedurev.2018.09.001.

9. Greece Innovation Ecosystem Developments 2025

Overall:

Competitiveness:

In 2025, among 69 countries, Greece is ranked at place 46th vs 47th in 2024 according to the Global Competitiveness Ranking of the Swiss Institute for Management Development (IMD). Over the five-year period from 2021 to 2025, Greece's position has remained relatively stable, maintaining its place in the bottom twenty countries globally in terms of competitiveness (IMD World Competitiveness Center, 2025).

Innovation Rankings in Europe and Globally

In 2025, Greece is classified by the European Innovation Scoreboard as a *"Moderate Innovator"*, maintaining this classification from the previous year. Greece ranks within the Moderate Innovators group, which includes nine member states performing between 70% and 100% of the EU average. The country continues to show progress from its baseline in 2017, though the extent of improvement varies across different innovation indicators (European Commission, 2025).

In terms of the Global Startup Ecosystem Rankings, Greece has significantly improved its position. According to StartupBlink (2025), Greece's ecosystem is ranked at 47th place globally, up from 49th in 2024, representing a gain of two positions. In Western Europe, Greece ranks 19th. Athens remains the leading city in Greece with over 400 startups and is ranked around 120th globally. The ecosystem has shown accelerated growth, with a robust 12% growth rate in ecosystem value, far outpacing the generally low growth seen in many established segments (StartupBlink, 2025).

Key Developments in the Macro Innovation Ecosystem – Greece Advances in AI and Space Industries

AI Factory Pharos: In December 2024, the Greek AI factory Pharos was selected as one of the first seven European AI Factories by the Europe HPC Joint Undertaking (EuroHPC JU). The project officially launched in April 2025 and will operate for 36 months. Pharos exploits DAEDALUS, the EuroHPC supercomputer deployed in Lavrio, offering a total computing power of 89 Pflops. The project has a total budget of €30 million, co-financed equally by the EuroHPC Joint Undertaking and National Resources. The AI Factory aims to create a national Artificial Intelligence ecosystem, promoting innovation and collaboration between academia, the private and public sectors, focusing on Health, Greek Language and Culture, and Sustainable Development. The initiative is expected to democratize AI access for startups, SMEs, researchers, and public institutions (EuroHPC JU, 2024; AI Factory Pharos, 2025).

National Satellite Constellation: Greece is implementing an ambitious National Small Satellite Program financed through the EU Recovery and Resilience Facility and managed in partnership with the European Space Agency. The program consists of a constellation of 13 operational Earth observation satellites across four categories:

- *Two ICEYE synthetic aperture radar satellites* were successfully launched in November 2025 aboard the SpaceX Transporter-15 mission, marking the first operational satellites under the program.
- *Seven high-resolution optical satellites* are being developed by Open Cosmos Aegean, a new manufacturing center in Greece, scheduled for launch in the second half of 2026. The €60 million contract includes very high-resolution cameras (less than one meter resolution), multispectral and hyperspectral cameras, and IoT/AIS receivers.
- *Four thermal-infrared satellites* developed by OroraTech, designed for wildfire detection and thermal monitoring.

• *Additional university-built CubeSats* expanding the program to 15 satellites in total.

The constellation will provide critical data for disaster management, maritime surveillance, precision agriculture, environmental monitoring, and national security. Through this program, Greece is transitioning from a passive user of satellite data to an emerging producer and exporter of aerospace expertise. Open Cosmos Aegean currently employs nearly 30 engineers, many of whom returned to Greece after international careers, contributing to the creation of a new hub of space expertise in the country (ESA, 2025; Open Cosmos, 2025).

Developments in the Startup Ecosystem in 2025

• **Record Investment Growth:** More than 90 Greek startups were funded in 2025 for a total amount exceeding €732 million (including debt financing), representing a 35% increase compared to 2024. This marks the highest investment level in Greece's startup ecosystem history (Found.ation, 2025; The Recursive, 2025).

• **Ecosystem Maturity:** The funding split demonstrates the maturation of the ecosystem: while early-stage rounds (pre-seed and seed) accounted for 75% of all rounds, they represented only €117.5 million. The remaining €614.1 million was captured by Series A and later-stage rounds, confirming the ecosystem's ability to nurture and fund scale-ups (Golden Visa Greece, 2025).

• **Landmark Funding Deal:** The largest funding round of 2025 was Spotawheel's €300 million Series C and venture debt financing, led by Pollen Street Capital, which will fuel the mobility platform's expansion across Europe. This deal powerfully validated the maturity of the Greek startup ecosystem (Golden Visa Greece, 2025).

• **Leading Sectors:** Artificial Intelligence, Software as a Service (SaaS), and HealthTech attracted the majority of investments, aligning with global innovation trends. Defense has been officially recognized as a fast-growing, standalone category, reflecting new strategic investment interests (Golden Visa Greece, 2025; Found.ation, 2025).

• **Venture Capital Landscape:** The Hellenic Development Bank of Investments (HDBI) now supports 30 active Venture Capital Funds operating in Greece, with 16 VC funds actively investing in startups. Greek startups raised funding from over 143 investors in Greece and abroad, with approximately 36% of international investors based in the United States (Found.ation, 2025).

• **Gender Gap Persists:** Female representation in founding teams remains low at approximately 24% of funded startups, with only a small number of all-female founder teams. This represents an ongoing challenge for the ecosystem (Found.ation, 2025).

• **Limited Exits:** The BETA CAE Systems International AG acquisition by Cadence Design Systems for $1.24 billion in 2024 marked the largest exit in Greek business history and one of the largest tech M&A transactions across Europe. However, only one additional exit was recorded in 2024, highlighting the need for continued ecosystem development to support more successful exits (Found.ation, 2025; Marathon Venture Capital, 2024).

• **Unicorns and High-Value Companies:** Viva Wallet retains its unicorn status (valuation over $1 billion), while Blueground is approaching unicorn status. The ecosystem's top-valued companies are estimated to have a total value of €4.9-€6.5 billion, representing nearly 60% of the entire ecosystem's valuation (Found.ation, 2025).

• **Government Incentives:** The government has introduced significant new policies to catalyze growth: the income tax deduction for Angel Investors backing Elevate Greece-registered startups has been strengthened, with the maximum eligible investment cap tripling to €900,000 (from

€300,000). Additionally, a new Golden Visa program offers a residence permit for a €250,000 investment in Greek startups, subject to shareholding and job creation conditions. Administrative reforms are also underway to reduce bureaucratic burdens by 25% (Golden Visa Greece, 2025).

• **Ecosystem Valuation:** Greece's startup ecosystem has reached a valuation of up to $8.2 billion, solidifying the country's position as a leading hub for venture funding in Southeastern Europe (EU-Startups, 2025).

Bibliography

AI Factory Pharos. (2025). *Home - AI Factory Pharos*. Retrieved February 16, 2026, from https://www.pharos-aifactory.eu/

European Commission. (2025). *European Innovation Scoreboard 2025: Country profile Greece*. Prepared for the European Commission, Directorate-General for Research and Innovation, under Specific Contract LC-03213706, implementing framework contract European Innovation Scoreboard (EIS) and Regional Innovation Scoreboard (RIS) 2024-2027. Retrieved February 16, 2026, from https://research-and-innovation.ec.europa.eu/statistics/performance-indicators/european-innovation-scoreboard_en

European High-Performance Computing Joint Undertaking (EuroHPC JU). (2024, December 10). *Selection of the first seven AI factories to drive Europe's leadership in AI*. Retrieved February 16, 2026, from https://eurohpc-ju.europa.eu/selection-first-seven-ai-factories-drive-europes-leadership-ai-2024-12-10_en

European Space Agency (ESA). (2025, November 28). *High-resolution radar satellites launched for Greece*. Retrieved February 16, 2026, from https://www.esa.int/Applications/Observing_the_Earth/High-resolution_radar_satellites_launched_for_Greece

EU-Startups. (2025, February 5). *Greece's startup boom: What can we learn from its supportive policies?* Retrieved February 16, 2026, from https://www.eu-startups.com/2025/02/greeces-startup-boom-what-can-we-learn-from-its-supportive-policies-sponsored/

Found.ation. (2025, December). *Startups in Greece: Venture Financing Report 2024-2025*. Retrieved February 16, 2026, from https://thefoundation.gr/innovation-platform/our-publications/startups-in-greece/

Golden Visa Greece. (2025, December 11). *Greece's Startup Ecosystem in 2026: Maturity, Momentum, and a New Era of Incentives*. Retrieved February 16, 2026, from https://www.goldenvisa-greece.com/greeces-startup-ecosystem-in-2026-maturity-momentum-and-a-new-era-of-incentives/

IMD World Competitiveness Center. (2025, June). *World Competitiveness Ranking 2025*. IMD. Retrieved February 16, 2026, from https://www.imd.org/centers/wcc/world-competitiveness-center/rankings/world-competitiveness-ranking/

Marathon Venture Capital. (2024). *Greek Startups: Funding Rounds & Exits, 2024*. Retrieved February 16, 2026, from https://marathon.vc/blog/greek-startups-funding-rounds-and-exits-2024
Open Cosmos. (2025, January 14). *Open Cosmos Aegean Unveils Facilities Producing a High-Resolution Satellite Constellation for Greece*. Retrieved February 16, 2026, from https://www.open-cosmos.com/news/open-cosmos-aegean-unveils-facilities

StartupBlink. (2025). *Global Startup Ecosystem Index 2025*. Retrieved February 16, 2026, from https://www.startupblink.com

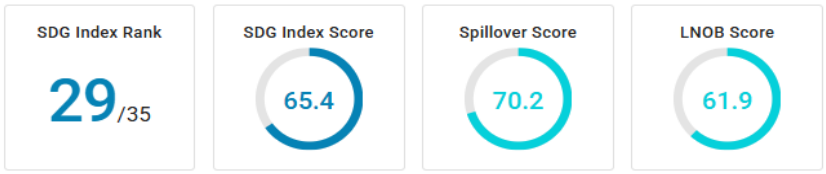
The Recursive. (2025, January). *Top Funding Rounds Raised by Greek Startups in 2025*. Retrieved February 16, 2026, from https://therecursive.com/top-funding-rounds-raised-by-greek-startups-in-2025/

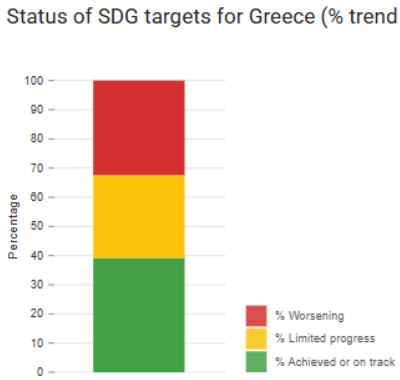
10. Sustainability at a Glance in Greece 2024-2025

Although the E.U. and Nordic countries continue to lead in the adoption of the SDGs and on the Leave-No-One-Behind (LNOB) index, progress across the region is characterized by stagnation, with no country on track to achieve all 17 goals by 2030. Major challenges for the E.U. remain particularly on SDG13 - Climate action, SDG14 - Life under water, SDG15 - Life on land, SDG12 - Sustainable consumption and production, SDG2 – No hunger and particularly on the issue of sustainable agriculture.

According to the Europe Sustainable Development Report 2026 (ESDR 2026), stagnation and existing challenges are attributed to a very big extend on the Declining Political Commitment, and Geopolitical Pressures that have introduced rising spending on defense spending and cuts to development budgets. The report highlights that the region's historic role as a global leader in poverty reduction, climate resilience, and social welfare is increasingly under pressure. On the positive side, the region demonstrates better performance on SDG1- No poverty, SDG3 - Good health and well-being, SDG6 - Clean water and sanitation.

The current assessment addresses the performance of Greece in relation to the UN 17 Sustainable Development Goals (SDGs) for the period 2024 – 2025. At OECD level Greece ranks 27th in 180 countries while at EU level is rated 29th in 35 countries (E.U. Member States, candidate, EFTA and former EU countries) that have provided data for the European Index, and remains in the position in E.U. as in 2024 with a score of 65.4 in 100.





Source: Europe Sustainable Development Report 2026 (ESDR 2026)

Greece demonstrates SDG performance below the EU average in most SDGs and better than EU average just in 2 SDGs. The SDG indexes of Greece in comparison to other European countries' performance, according to the Eurostat Report- 2025 edition Sustainable development in the European Union Monitoring report on progress towards the SDGs in an EU context are:

Better than EU	SDG 6, SDG 7
Similar to EU	SDG 2, SDG 4, SDG 13, SDG 17
Below EU average	SDG 1, SDG 5, SDG 8, SDG 9, SDG 10, SDG 11, SDG 12, SDG 15, SDG 16
Mixed/uncertain	SDG 3, SDG 14

The spillover indicators (related to how one country's efforts to achieve SDG targets jeopardize other countries' ability to do so and addresses the countries' support to UN-based multilateralism) have improved since 2024 scoring 70.2, however, overall, SDGs see stagnation or at best moderate progress with remaining challenges, while SDG 16 demonstrates decreasing performance. In addition, on the Leave No One Behind (LNOB) that refers to issues of equalities and inclusiveness Greece scores 61.9 and is placed 32 out of the 35 assessed countries.

Observed strengths in comparison to the EU average

SDG 6 - Clean Water and Sanitation.

Greece demonstrates good observed status. Water management is an important issue in Greece due to climate conditions and tourism pressures that contribute to increasing water stress and drought risks. Despite the water scarcity and climate pressures in the country, high access to clean water and sanitation services places Greece at average scores higher than the EU average.

SDG 7- Affordable and Clean Energy.

Greece has made strong efforts in energy transition, demonstrating rapid growth of renewable energy, especially solar and wind, and reduction in coal-based electricity production. However, the country is facing energy affordability challenges due to the recent regional and global energy crisis.

Despite the strong policy commitment to renewable energy and the good performance in relation to the EU average, Greece sees moderate progress. Energy poverty remains a major challenge, with many households unable to afford adequate heating. In 2023, 19.2% of the Greek population reported being unable to adequately heat their homes, compared with 10.6% across the EU. Emphasis must be placed on combining energy efficiency improvements with targeted financial support for vulnerable households. Expanding renewable energy investments, upgrading the electricity grid, and improving building energy efficiency could reduce energy costs and support climate goals.

Performances similar to the EU

SDG 2 - No Hunger, with remaining challenges relating to limited sustainable agricultural practices.

Continued pressures from agricultural environmental impacts exist, including biodiversity loss and the limited sustainable agricultural food production. Agricultural productivity remains stable but structural challenges are noticed in rural regions. Overall, progress is characterized as moderate.

SDG 4 - Quality Education

Education outcomes in Greece have improved due to increased attainment to tertiary education and the implementation of the new law that allows for non-profit private university legal entities to be founded and operate in the country. Still challenges remain especially related to basic skills performance among students, and participation in lifelong learning programs (significantly lower than the EU average). The moderate progress can be improved through emphasis on digitalization, lifelong learning and micro-credential programs.

SDG 13 - Climate Action, similar to EU especially due to climate mitigation.

Greece faces increasing climate risks, including heatwaves, risk of wildfires, and droughts. Strengthening climate adaptation strategies and investing in sustainable land management will be crucial. Integrating climate resilience into infrastructure and urban planning will further support sustainable development.

SDG 17 - Partnership for the Goals.

Greece contributes to international cooperation within the EU framework. There is growing digital connectivity and international partnerships, at a moderate level following the EU average.

Below EU average performance

SDG 1 – No Poverty and *SDG 10 - Reduced inequalities*.

Although many countries see improvement in SDG 10, Greece is below the EU average and demonstrate significant stagnation.

Despite gradual economic recovery after the sovereign debt crisis, Greece continues to experience higher poverty and inequality levels than the EU average, with high share of population at risk of poverty (26%) or social exclusion, high youth unemployment and income inequalities. Gaps also exist in the targeted social protection programs, the minimum income schemes, and support of the vulnerable households. Increasing labor market participation, particularly among young people and women, could reduce poverty risks and inequalities and strengthen social cohesion. Investment in affordable housing and improvement in social services are essential to address severe material deprivation and overcrowded housing conditions.

SDG 3 – Good Health and well-being.

While Greece has relatively high life expectancy compared with many EU countries, access to healthcare remains uneven. A significant proportion of the population reports unmet medical needs due to cost (11%), waiting times, geographical barriers in remote areas, rising prevalence of chronic diseases and obesity. Strengthening primary healthcare systems, expanding digital health services, and increasing healthcare funding could improve accessibility and efficiency. Preventive healthcare initiatives and environmental health policies aimed at reducing air pollution (premature mortality from air pollution for example from exposure to fine particulate matter PM2.5 is almost double in comparison to EU average) would also improve population well-being. Progress is mixed with accessibility challenges persisting.

SDG 5 – Gender Equality

Although gender equality indicators show gradual improvement, due to increased female participation in the labor market, still Greece is behind the EU average. The country scores 57.0 points out of 100 in the Gender Equality Index and holds the 22nd position in the EU. This is due to low performance in the domains of time (26th) and work (21st). Although representation of women in management positions has increased it is still below equality rates (35%). Similarly, women continue to graduate in tertiary education more than men and the rate of women graduates in scientific disciplines have increased, the rates remain below equality standards. Disparities in earnings between women and men have widened: women living in couples earn on average 72 % of their partner's earnings. For the domain of Gender based violence based on the EU-GBV survey Greece's score is 24.6 points, which is lower than the EU average. The score for the subdomain of prevalence is 20.8 points, the subdomain of severity is 36.6 points, and the subdomain of disclosure is 16.5 points. Additional data for Greece include that 37 % of women have experienced physical and/or sexual violence by any perpetrator since the age of 15 (6 % higher than the EU-27 average that is 31 %), some 52 % of women have experienced health consequences of physical and/or sexual violence since the age of 15, around 16 % of women who have experienced physical or sexual violence by any perpetrator in the past 12 months have not talked about the incident with anyone (on a par with Poland, this rate is the lowest in the EU-27).

SDG 8 - Decent work and economic growth

Greece's GDP per capita and employment rates remain below EU averages. Youth unemployment is 24% in contrast to 11% in the EU. Challenges also exist related to low productivity and precarious employment. Support of small and medium-sized enterprises (SMEs), which represent a large share of the Greek economy, should be enhanced as well as investments in digital infrastructure, entrepreneurship, and vocational training could improve labor market outcomes and reduce youth unemployment. Moreover, aligning economic growth strategies with sustainability objectives will help ensure long-term resilience.

SDG 9 - Boosting Innovation and Research Investment

Innovation remains one of Greece's most significant structural weaknesses. Research and development (R&D) expenditure as a share of GDP is considerably lower than the EU average. Increasing public and private investment in research, strengthening collaboration between universities and industry, and promoting technology transfer initiatives could enhance Greece's innovation capacity. Participation in European research programs and innovation clusters could also support technological advancement.

SDG 11 – Sustainable Cities and Communities

Despite urban sustainability issues being increasingly important, Greece demonstrates mixed progress, with high air pollution levels in urban areas, particularly in Athens (high rates of premature deaths due to exposure to particulate matter) and increasing pressures from urbanization and tourism. Road accidents still remain higher than the EU average, while sustainable practices relating to waste management remain significantly below EU averages.

SDG 12 – Sustainable Consumption and Production

Greece's circular material use rate (5% for Greece vs 11.8% EU average) and recycling levels are substantially below the EU average. The EU aims to double the circular material use rate by 2030, highlighting the need for stronger progress. Improving waste management systems, expanding recycling infrastructure, and promoting sustainable consumption practices should be policy priorities. Incentives for eco-design, reuse, and resource efficiency could reduce environmental pressures while creating new economic opportunities in the green economy.

SDG 14 – Life Below Water

The country has demonstrated significant progress in expanding the marine protected areas with 2 new marine national parks, one in the Ionian and one in the Aegean, increasing the size of marine protected areas by 80% aiming to achieve the 30 by 30 biodiversity goal for the protection of the oceans (protecting 30% of the ocean area and biodiversity by 2030). Despite the announcement on the marine parks in 2024, there is no significant progress in the actual implementation, while there are persistent pressures from overfishing and marine pollution.

SDG 15 – Life on Land

Biodiversity and land degradation challenges persist in Greece. The overall trend is negative and below the EU average due to environmental degradation (forest area coverage is 30% in Greece vs 39% EU average); there is increased wildfire frequency and intensity, and loss of biodiversity in agricultural landscapes. Despite the expansion of protected areas, there is limited recovery of ecosystems.

SDG 16 - Peace, Justice and Strong Institutions

Institutional indicators show mixed outcomes. Although the key trends show improvements in the digitalization of public administration, and declining crime rates in many regions, concerns regarding corruption and judicial efficiency persist.

According to the Corruption Perceptions Index (CPI) that measures how corrupt each country's public sector is perceived to be based on views of experts and businesspeople, Greece scores 50/100, is in position 56 in 182 countries and has improved by just 1 position globally. On the contrary, according to the Reporters without Borders (RwB) Press Freedom Index, Greece is ranking 89 out of 180 countries and has dropped by 1 position since 2014.

According to the RwB, press freedom has suffered a systemic crisis since 2021 in the country due to the scandal of the wiretapping of journalists by the National Intelligence Service (EYP) and the case of the murder of a veteran crime reporter in the same year, both cases have not yet cleared up.

Constitutional guarantees and new laws passed by Parliament in response to the PredatorGate wiretapping scandal, have been considered to fall short of European standards. The grazing land scandal and the illegal subsidies by OPEKEPE (the agency responsible for distributing European Union agricultural subsidies in Greece) that has not been fully assessed, is expected to contribute further to the low country score on SDG 16.

On the other hand, a historic decision that unanimously ruled that the neo-Nazi Golden Dawn party operated as a criminal organization was taken early 2026. This is expected to affect SDG 16 performance in a positive way. Strengthening transparency, improving public administration efficiency, and combating corruption must be key priorities. In addition, digital government services and open-data initiatives could improve accountability and citizen engagement.

Overall, Greece has made notable progress toward the Sustainable Development Goals, particularly in economic recovery and renewable energy deployment. Nevertheless, significant challenges remain in social inclusion, environmental sustainability and innovation capacity. Achieving the 2030 Agenda will require stronger circular economy policies, improved social protection mechanisms, investment in innovation and green infrastructure, enhanced climate resilience strategies and aligning national policies with EU sustainability objectives.

11. Greece's Research Landscape in 2025

The year 2025 reflects a period of accelerated implementation of national and **European research policy instruments in Greece**, particularly through the National Strategic Reference Framework (NSRF) 2021–2027 and the European Union's Recovery and Resilience Facility (RRF).

These programs have substantially:
1) expanded the scale of investment in research and innovation,
2) strengthened links between public research and the private sector, and
3) increased the visibility of commercialization outputs such as intellectual property filings.

Recent national indicators suggest that research and development (R&D) is becoming a more central component of Greece's economic growth model. Total gross domestic expenditure on R&D (GERD) reached approximately €3.66 billion in 2024 (provisional), corresponding to about 1.54% of GDP, marking a continued upward trajectory compared with earlier years and signaling a gradual convergence with European innovation benchmarks. At the same time, the private sector now represents the dominant source of R&D spending: business R&D expenditure reached approximately €2.0 billion, accounting for about 54.8% of total GERD, indicating that industry—particularly SMEs and technology-oriented firms—has become a key driver of the national innovation ecosystem.

Human capital in research has also expanded steadily. The most recent final data indicate that Greece employed around 73,263 full-time equivalent (FTE) personnel in R&D activities, including approximately 54,679 researchers, demonstrating growing national research capacity. Alongside this workforce expansion, doctoral education continues to provide a strong pipeline of highly skilled researchers, with nearly 1,923 new PhD degrees awarded in the most recent national statistical series. The National Archive of PhD Theses maintained by the National Documentation Centre of Greece provides open digital access to tens of thousands of doctoral dissertations, forming a key component of the country's research knowledge infrastructure and supporting transparency and reuse of publicly funded research (stats summarized in table below).

Indicator	Latest value	2025 signal
R&D intensity (GERD/GDP)	1.54% (2024, provisional)	Upward trajectory: R&D is a more central component of the growth model.
GERD (total R&D spend)	€3.66bn (2024, provisional)	Historic high scale expands the national project pipeline.
Business R&D (share of GERD)	€2.00bn; 54.8% (2024, provisional)	Private sector is the main engine; SME/corporate co-funded schemes matter.
R&D employment (FTE)	73,263 total; 54,679 researchers (2023, final)	Capacity growing; retention and industry absorption become priority.
New PhDs	1,923 awarded (2022; latest EKT series)	Strong pipeline; emphasis shifting to skills and non-academic careers.
Patents (national filings)	1,107 applications (2025; record)	Rising IP culture and scaling tech-transfer activity.

Policy priorities in 2025 strongly emphasized the translation of research outputs into innovation and economic impact. National and European funding mechanisms, including the

"Research–Innovate" (Ερευνώ–Καινοτομώ) programs under the NSRF framework, continued to prioritize collaborative projects between academia and industry across multiple Smart Specialization Strategy (RIS3) thematic domains. These programs focus on applied research, pilot projects, and demonstration activities aimed at accelerating technology transfer and market adoption. In parallel, the Horizon Europe Work Program 2025 opened a broad set of calls across Pillar II thematic clusters as well as investigator-driven schemes such as the European Research Council (ERC) and Marie Skłodowska-Curie Actions (MSCA), in which Greek universities, research centers, and SMEs have maintained strong participation rates. Complementing these programs, the Hellenic Foundation for Research and Innovation (HFRI/ELIDEK) continues to support bottom-up excellence funding, particularly for early-career researchers and postdoctoral fellows, thereby strengthening laboratory continuity and supporting talent retention within the national research system.

Scientific output and knowledge assets remain strong. Bibliometric analyses from national monitoring systems report more than 20,000 Greek publications in international peer-reviewed journals in the most recent validated dataset, reflecting sustained research productivity across disciplines. Technology transfer indicators also show notable progress. In particular, patent activity has increased significantly, with the Hellenic Industrial Property Organization (OBI) reporting **a record 1,107 patent applications filed in 2025**, demonstrating growing recognition among firms, universities, and research centers of the strategic importance of intellectual property protection and technology commercialization. Alongside these developments, open science infrastructures and digital research services operated by the National Documentation Centre support national research visibility through repositories, persistent identifiers, and discovery platforms that facilitate collaboration between academia, industry, and policy stakeholders.

The Greek research and innovation ecosystem continues to be structured around universities and public research centers, which anchor major national infrastructures in fields such as biomedicine, materials science, marine research, energy technologies, information and communication technologies, and cultural heritage. **However, the private sector increasingly plays a central role in driving R&D expenditure and innovation activities**, supported by competitive funding schemes, tax incentives, and growing venture capital participation. Emerging technological hotspots include digital technologies and artificial intelligence, with initiatives such as the Pharos AI Factory positioning Greece as a regional AI hub connected to Southeast European research networks and national high-performance computing capabilities. Other sectors showing strong momentum in current project pipelines include health and biopharmaceutical innovation, clean energy and storage technologies, maritime and logistics technologies, agrifood and bioeconomy solutions, tourism and cultural technology, and cybersecurity and data infrastructure.
Looking toward the 2026–2027 planning horizon, the main strategic challenge for the Greek R&D system is shifting from funding availability to implementation capacity. Key priorities include strengthening research infrastructure readiness, improving procurement and administrative processes, expanding technology-transfer office (TTO) capacity, and enhancing access to growth capital for deep-technology ventures. At the same time, the development of diversified career pathways for researchers—particularly through industry doctoral programs, mobility schemes, and mission-oriented innovation policies—will be essential to ensure that Greece's growing pipeline of doctoral graduates and researchers can be effectively absorbed into both academic and industrial sectors.

Sources

1. National Documentation Centre (EKT) Metrics – "Greek scientific publications in international journals". https://metrics.ekt.gr/en/scientific-publications

2. EKT Metrics – "Research Activities - Greek Participation in European Projects". https://metrics.ekt.gr/en/eu-participation

3. National Documentation Centre (EKT) – "Increase in Expenditure and Employment in Research & Development in 2023". https://www.ekt.gr/en/news/30941

4. National Archive of PhD Theses (EKT) – "EKT statistics on PhD holders graduating from Greek universities in 2022". https://www.ekt.gr/en/news/29869

5. Industrial Property Organization (OBI) – "Remarkable increase in Patent and Trademark filings: New national record — 1,107 Patent applications in 2025". https://www.obi.gr/en/remarkable-increase-in-patent-and-trademark-filings-new-national-record-1-107-patent-applications-in-2025/

6. General Secretariat for Research and Innovation (GSRI) – Horizon Europe Work Program 2025. https://gsri.gov.gr/en/publication-of-horizon-europe-work-program-2025/

7. Elevate Greece – National Startup Registry. https://elevategreece.gov.gr/

8. European Commission – European Innovation Scoreboard 2025 (country profile: Greece). https://ec.europa.eu/assets/rtd/eis/2025/ec_rtd_eis-country-profile-el.pdf

Please note: Data reflects the latest officially available releases during 2025; where full 2025 annual datasets are not yet closed, the most recent validated EKT/official series are used.

Section III: Conclusions

Greek Economy Outlook: Impact of the War

Overview: The war's economic consequences for Greece depend almost entirely on how long it lasts and how severely it disrupts oil and natural gas markets. Based on forecasts from Morgan Stanley, GDP growth is now projected at 1.7–2.1% for 2026 and 1.4% for 2027 — well below the pre-war estimates of 2–2.4% — while inflation is expected to climb to 3–3.2%.

KEPE (Center of Planning and Economic Research) economists' scenarios project inflation of 3.8% this year if the war lasts up to three months, rising to above 4% and even 5% if the war extends beyond six months, with GDP growth rates falling to between 1.8% and 1.3%, a full stagflationary outcome.

Key Economic Risks: Rising fuel costs are the primary channel for transmission, pushing up prices across the board while leaving wages comparatively stagnant. The resulting squeeze in household purchasing power dampens private consumption and, in turn, GDP growth. Elevated uncertainty and stubbornly high interest rates further suppress investment. The critical unknowns are the duration of any Strait of Hormuz closure and the extent of damage to Gulf energy infrastructure.

Structural Vulnerabilities: War is compounding pre-existing weaknesses. Greece already leads the EU in price increases for essential goods, food, and rents, while ranking last among all 27 member states in wage purchasing power. Adding to this, RRF grant funding expires at end of June, leaving a projected 12–18-month gap before alternative European financing becomes operational.

Government Response: Immediate measures include profit margin caps on fuel and 61 essential goods, with energy subsidies for vulnerable households available as a second-line response. The government is seeking EU fiscal flexibility — an escape clause similar to those used during the pandemic and the 2022 energy crisis, when €60 billion was deployed — to fund further support without breaching spending limits. Yet the deeper imperative is structural: chronic inflation in Greece will not be resolved through emergency spending alone but requires genuine market competition enforced by a strengthened Independent Competition Commission.

Wildcards: A swift resolution could benefit Greek tourism, redirecting visitors away from the Gulf and Turkey. A prolonged war, however, would make the 2027 budget politically untenable, likely prompting the government to call early elections rather than face drafting it. If Eurozone-wide stagflation materializes — the ECB's adverse scenario projects inflation at 4.4% in 2026 and 4.8% in 2027 — Greece's position at the bottom of EU wage rankings would make the social fallout particularly severe.