

Greece: It's set to remain a growth outperformer

A domestic demand drive, fed by a solid labour market, the recovery and resilience plan's deadline, and by an accommodative fiscal stance, should confirm Greece as a growth outperformer once again in 2026



No wonder Greek PM Kyriakos Mitsotakis is smiling - the economy's doing great

The Greek economy posted solid growth in 2025

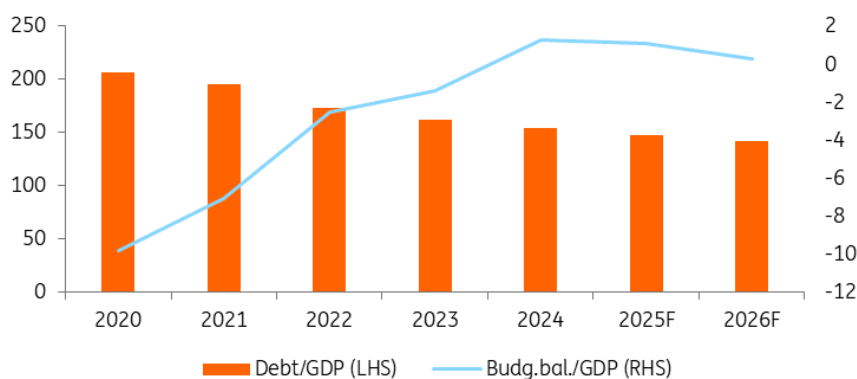
As expected, 2025 proved a solid year for Greek economic growth, which outperformed the eurozone, despite geopolitical headwinds. Greek GDP growth was driven by private consumption and investment, with net exports also contributing positively; together, these more than offset the inventory drag. At the heart of the consumption boost were further improvements in the labour market, which helped propel real disposable income, together with decelerating inflation. The investment drive resulted from accelerating lending to businesses and the inflow of European funds from the Recovery and Resilience Facility. Should the last quarter of 2025 broadly replicate the pace of economic growth observed in the third quarter, as we expect, average annual GDP growth in 2025 should end at 2%.

Expect a re-run in 2026, driven by investment and private consumption

We expect 2026 to follow in last year's footsteps, with economic growth continuing to outperform the eurozone average on a domestic demand-driven basis. We suspect that investment might receive an additional boost, ultimately contributing to GDP growth comparable to that of consumption. The main reason for this catch-up is the upcoming deadline for the Recovery and Resilience Plan, due in August this year, which will likely trigger a final rush in the infrastructure and energy investment components of the plan, which have so far been affected by substantial implementation delays. The credit cycle may decelerate slightly from boom levels observed in 2025, but this should not impede investment growth. Given the high import content of investment, the side effect of fast-growing investments will likely be stronger imports and, consequently, a small drag on net exports on GDP growth.

If investment accelerates, private consumption is expected to remain a key driver of growth. Once again, further gains in employment and above-inflation wage growth should support real disposable income, thereby propelling consumption. Employment growth looks set to continue, if at a decelerating pace. However, for further substantial gains in employment to materialise, an increase in the participation rate, particularly among women, would be necessary. On the wage front, decent growth seems highly likely, supported by sectoral labour market tightness and the upcoming income tax reform, as foreseen in the 2026 State Budget, in the form of tax reliefs for households and young people, public-sector salary increases, and pension increases.

Declining debt/GDP and ample primary surpluses are creating some fiscal room



Source: LSEG Datastream, ING Research

The good budgetary position is creating room for some fiscal push

The last set of measures is made possible by the Greek State's strong fiscal position, characterised by an ample primary surplus of around 3.6% of GDP, a nearly balanced budget, and public debt on a solidly declining path at around 146% of GDP. These solid readings enabled the Greek government to engineer an expansionary budget, while keeping the debt-to-GDP ratio below the 140% threshold in 2026.

The Greek economy in a nutshell (% YoY)

	2024	2025F	2026F	2027F
GDP	2.1	2.2	2.2	2.0
Private consumption	2.3	2.5	2.0	1.9
Investment	4.1	7.3	8.0	1.5
Government consumption	-2.5	1.3	0.8	0.6
Net trade contribution	-1.3	1.5	-0.1	-0.3
Headline CPI	3.0	2.9	2.5	2.2
Unemployment rate (%)	10.1	8.8	7.9	7.5
Budget balance as % of GDP	1.3	1.1	0.3	0.0
Government debt as % of GDP	153.6	147.6	142.1	138

Source: LSEG Datastream, all forecasts ING estimates

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