HELLENIC REPUBLIC
Ministry of Economy
and Finance

GREECE

Stability Programme 2024

ATHENS | APRIL 2024

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Preface

The Stability Programme 2024 of the Hellenic Republic is submitted to the Council and to the Commission in line with the requirements set out in Council Regulation (EC) 1466/1997, as amended and corresponds to the national medium-term fiscal plan of Article 4(1) of Regulation (EU) 473/2013 of the European Parliament and of the Council.

The format and content of the Stability Programme are limited, taking into account the on-going work on the new economic governance framework. In accordance with the new framework and the relevant Regulation, the national medium-term fiscal-structural plan of the Hellenic Republic will be submitted in autumn, containing its fiscal, reform and investment commitments.

The macroeconomic forecasts included in the Stability Programme have been endorsed by the Hellenic Fiscal Council (HFC), as required under Article 4(4) of Regulation (EU) 473/2013.

All data presented are on ESA 2010 statistical basis.

1. Economic Outlook

1.1. Macroeconomic context and prospects

1.1.1. Macroeconomic developments in 2023

Following robust economic growth (3.4%) in 2022, economic activity in the EU and the Euro area grew only marginally (0.4%) in 2023. This was amidst the lingering effects of the energy crisis, vigorous tightening of monetary conditions and partial withdrawal of fiscal support meant to cushion the impact of high prices.

Despite these challenges, the Greek economy proved resilient in the demanding macroeconomic environment, strongly outpacing the EU and Euro area averages. Specifically, real GDP increased by 2.0% in 2023 (and 5.6% in 2022), with private consumption, investment and net exports of services being the main growth drivers.

Private consumption increased mildly (1.8%) after its rapid increase in 2022 and the normalization of post-pandemic consumer demand. Nevertheless, declining overall inflation, ongoing improvements in the labour market and anti-inflationary measures kept private spending resilient. At the same time, public consumption slowed compared to the previous year (1.7% vs 2.1%), reflecting the unwinding of most of the energy-related support measures.

Amid weakening external demand and tight financing conditions, gross fixed capital formation grew faster than in the EU and the Euro area (4.0% vs 1.2% and 1.1% respectively), mainly underpinned by investment in non-residential construction, housing as well as transport equipment. FDI inflows amounted to €4.5 billion (or 2.0% of nominal GDP), mainly being directed towards manufacturing and real estate activities.

On the external sector front, weak economic activity in the EU weighed on the overall volume of foreign trade, however net trade had a positive contribution to growth, as exports grew faster than imports (3.7% vs 2.1% respectively). Export growth was driven by the resilience of goods exports and buoyant tourism activity, with travel receipts increasing by 13% relatively to their 2019 level. Based on Balance of Payments data, the current account deficit narrowed considerably in 2023, namely by 4 percentage points of nominal GDP relative to 2022 (-6.3% vs -10.3%), mainly due to the larger decline in imports of fuels than in exports of fuels and an improvement in the surplus of the balance of travel services and the secondary income account, which were partly offset by a worsening in the primary income account, mostly explained by increased net interest payments.

The labor market sustained its positive momentum, with increasing employment and declining unemployment, albeit at a softer pace over the previous year. On a national accounts basis, total employment rose by 1.0% y-o-y in 2023 (vs 2.5% in 2022), driven by higher employment growth in construction, agriculture and service sectors. Similarly, dependent employment flows in the private sector (ERGANI data) were significantly higher in 2023 compared to 2022 (116,649 new job positions vs 72,847). Based on Labour Force Survey data, job creation continued at a satisfactory pace (at 1.3% vs 5.4% in 2022) and the unemployment rate remained on a downward path (at 11.1% from 12.4% in 2022). Women, youth and long-term unemployment rates continued to fall, albeit remaining higher than the respective Euro area rates. Challenges in the labour market stem from the increase in labour shortages, mainly in construction, tourism, manufacturing and agriculture sectors.

Headline HICP inflation slowed significantly to 4.2% in 2023 from a record growth rate of 9.3% in 2022, amid declining energy prices and the impact of monetary tightening in demand. Unlike energy inflation, still elevated food inflation, partly impacted by the floods during autumn 2023, and higher core inflation compared to the previous year prevented a further moderation in inflationary pressures.

Table 1 Key annual macroeconomic indicators and forecasts

(% annual changes, constant prices)

	2023	2024	2025
Real GDP	2.0	2.5	2.6
Private consumption	1.8	1.6	1.6
Government consumption	1.7	0.7	-2.5
Gross fixed capital formation	4.0	9.1	14.4
Exports of goods and services	3.7	3.7	4.9
Imports of goods and services	2.1	3.5	4.9
GDP deflator	4.5	2.3	1.6
HICP	4.2	2.6	2.0
Total employment*	1.0	0.8	0.5
Unemployment rate*	9.7	9.3	8.8
Unemployment rate (LFS)	11.1	10.6	9.9

(*) On a national-account basis.

Source: Annual National Accounts (Hellenic Statistical Authority), projections of the Ministry of Economy & Finance for the years 2024-2025

1.1.2. Macroeconomic projections for 2024-2025

The macroeconomic environment in the EU is expected to gradually become more supportive of growth, with tight financial conditions easing, fiscal policy tightening, inflation moderating further, and real disposable income increasing. However, these improvements are set against a backdrop of elevated uncertainties stemming from protracted and broadening geopolitical tensions.

Expectations of strengthening growth from mid-2024, driven by better economic conditions, suggest that the Euro area economy is poised to recover in 2024 and strengthen further in 2025. Real GDP growth is estimated to grow by 0.8% in 2024 and 1.5% in 2025, according to the IMF World Economic Outlook as of April 2024 and the European Commission Winter Economic Forecast as of February 2024, against a less favourable forecast for 2024 by the ECB (0.6% for 2024 and 1.5% for 2025) according to its staff macroeconomic projections for the Euro area as of March 2024.

In the case of Greece, economic activity is expected to gradually gather pace in the first half of 2024 and accelerate in the second half of the year, with a significant carry-over effect for 2025. The strong performance of high-frequency indicators (ESI and Manufacturing PMI) in the first quarter of this year provides positive signs for demand conditions in the course of the year.

Real GDP growth is projected at +2.5% in 2024, and reaching 2.6% in 2025, continuing to outperform the Euro area average. This growth trajectory reflects a steady contribution of private consumption (1.1 p.p. in both years and 1.6% annual growth), supported by robust real disposable income growth, amid wage increases, further labour market gains and declining inflation. By contrast, public consumption is expected to contribute marginally to growth in 2024 (0.1 p.p. and 0.7% annual growth) and negatively in 2025 (-0.5 p.p. and -2.5% annual growth), reflecting a prudent fiscal policy in line with the new fiscal rules. Gross fixed capital formation is expected to make the largest contribution to growth in both years (1.3 p.p. in 2024 and 2.2 p.p. in 2025), growing at high annual rates of 9.1% and 14.4% respectively, in line with crowding-in effects from the RRP, the gradually diminishing drag from tight financing conditions and the improvement in the economic climate after the upgrade of the economy to investment grade status in 2023. Its composition is set to derive primarily from productive investment in equipment and secondarily from investment in non-residential construction backed by RRP infrastructure projects, including restoration projects for the flooded areas. The RRP is estimated to contribute decisively to output growth in 2024 and 2025, through investments and reforms to expand productive capacity, strengthen competitiveness and extroversion, address the need for technology adaptation and enhance employment and social cohesion, resulting in higher potential growth. Overall, the investment-to-GDP ratio is set to increase to 17% in 2025 from 14% in 2023, narrowing the distance from the EU and Euro area averages (22% in 2023).

Exports of goods and services should continue to expand considerably (3.7% in 2024 and 4.9% in 2025), benefiting from growing export capacity and competitiveness gains, also in line with the gradual recovery of external demand despite disruptions in the Red Sea. Still, the contribution of the external sector to real output growth is expected to be marginally negative on the back of buoyant import growth (3.5% in 2024 and 4.9% in 2025) bolstered by the vigorous implementation of the RRP and investment growth. A consistent rise in export market shares and a solid increase in tourism receipts should drive a gradual further narrowing of the current account deficit.

Labour market is set to remain resilient. Employment growth (on a national account basis) is projected to increase by 0.7% in 2024-2025. The unemployment rate is projected to continue to decline to 10.6% in 2024 and 9.9% in 2025, close to pre-financial crisis levels (9.6% in 2009), amid policy measures to address labour market tightness. The prudent pace of the new increase in the minimum wage in 2024 is set to support labour market participation and disposable income, without weighing on competitiveness, as real wage growth is set to remain below labour productivity growth.

On basis of the performance of the labour market, supported by the government measures on the minimum wage and the reinstatement of minimum salary increases due to seniority, the compensation of employees is expected to increase by 4.6% in 2024, compared to 3.7% projected in the DBP.

HICP inflation is expected to moderate significantly to 2.6% in 2024, amid fading effects from energy and food price shocks, anti-inflationary measures and the impact of the still tight monetary stance, despite the shipping disruptions in the Red Sea. In 2025, HICP inflation is expected to return to the monetary policy target of 2%.

Key short-term downside risks to the growth forecast include a weaker growth in the EU, an escalation of geopolitical tensions in the Middle East and Ukraine and broadening trade disruptions in the Red Sea that could drive up inflation and delay monetary easing, as well as natural disasters related to the climate change. At the same time, stronger-than-expected benefits from the upgrade of the Greek sovereign credit rating and higher-than-expected tourism receipts could lead to stronger economic growth.

2. General Government Balance and Debt

2.1. Fiscal developments

2.1.1. Fiscal outturn 2023

In 2023, Greece recorded a deficit in the headline balance of -1.6% of GDP and a strong and solid primary balance that reached +1.9% of GDP.

Compared to the previous year, the primary balance increased significantly by 1.9 p.p., mainly driven by the increased tax and social security contributions revenues due to the favourable economic growth, the interventions adopted to tackle tax evasion and the developments in the labour market and wages. The fiscal balance improvement also reflects the phasing out of the pandemic related fiscal measures and the significant decrease of the policy measures to mitigate the consequences of the energy crisis. The increase of the primary surplus was partly counterbalanced by the rise of interest expenditure, leading the headline balance to improve by 0.9 p.p. compared to 2022.

The substantial improvement of the fiscal balance compared to October 2023 Draft Budgetary Plan (+0.8 p.p. of GDP in terms of primary balance) is mainly attributed to the higher yield of tax revenues and lower than anticipated spending in several expenditure categories of the ordinary budget.

Table 2 General Government budgetary prospects

(% of GDP)

	2022	2023	2024	2025
Headline budget balance	-2.5	-1.6	-1.2	-0.9
Primary balance	0.0	1.9	2.1	2.1

2.1.2. Fiscal outlook 2024

For 2024, the headline budget balance and the primary balance are estimated at -1.2% and +2.1% of GDP respectively. The estimation for the primary balance remains unchanged compared to the 2024 Draft Budgetary Plan, incorporating the strong positive carry over effect of tax collections, offset by targeted supportive interventions adopted and increased spending mainly on public investment infrastructure projects and on social transfers to address emerging needs.

In addition to the discretionary interventions for the current year presented in detail at the DBP and the 2024 budget, new targeted measures were adopted that include —inter alia— the increase of birth benefit (with an estimated cost of €90 million for 2024), the increase of hospital doctors' compensation (€45 million) and the return of special diesel levy to farmers (€82 million). Also, the nationally financed public investment budget expenditure for 2024 is expected increased to €2.41 billion (i.e. additional €360 million compared to the 2024 budget). The downward revision of the headline balance by 0.2 p.p. of GDP, compared to the DBP, is driven by the increased interest expenditure.

Following the relevant recommendation, the nominal increase in nationally financed net primary expenditure is estimated at +2.1%.

2.1.3. Fiscal outlook 2025

For 2025, a sustainable and strong primary surplus of +2.1% of GDP is expected to be achieved, based on the solid growth path of the economy. Several additional measures against tax evasion are planned to strengthen tax collection, while the impact of the further reduction of social security contributions (net cost €225 million) and of the abolishment of the overhead tax of self-employed (€120 million) have been incorporated in the fiscal estimates. Moreover, they include the permanent measure of the return of the special levy on diesel to farmers (€100 million), the increase of the housing benefit for university students (€15 million), the suspension of VAT for new buildings (€20 million) and the indexation in pensions (about €400 million).

It should be noted that the budget position of 2025 may have to be reviewed in autumn, in order to be aligned with the fiscal commitments that will derive from the new fiscal governance framework of the European Union and incorporating updated data on 2024 budget execution.

Table 3 below summarizes the current fiscal estimations for the period 2023-2025, broken down by main components of revenues and expenditures.

Table 3 General Government revenue and expenditure

(% of GDP)

	ESA Code	2023	2024	2025
Net lending/net borrowing: General government	**EDP B.9**	**-1.6**	**-1.2**	**-0.9**
Total revenue	**TR**	**48.9**	**48.7**	**48.3**
of which				
Taxes on production and imports	D.2	17.4	17.0	16.6
Current taxes on income, wealth, etc.	D.5	10.6	10.2	10.4
Capital taxes	D.91	0.1	0.1	0.1
Social contributions	D.61	13.3	13.2	12.8
Property income	D.4	0.9	0.5	0.5
Other		6.7	7.6	7.9
p.m.: Tax Burden (D.2+D.5+D.61+D.91-D.995)		41.4	40.5	39.9
Total expenditure	**TE**	**50.5**	**49.9**	**49.2**
of which				
Compensation of employees	D.1	10.7	10.7	10.3
Intermediate consumption	P.2	5.5	5.6	5.5
Social payments	D.62, D.63	20.8	20.2	19.9
of which unemployment benefits		0.7	0.8	0.8
Interest expenditure	EDP D.41	3.5	3.3	3.0
Subsidies	D.3	1.8	1.6	1.3
Gross fixed capital formation	P.51	3.9	5.4	5.9
Capital transfers	D.9	2.9	1.3	1.4
Other		1.5	1.8	1.8

2.2. Debt developments

The general government debt is estimated at €356,695 million or 161.9% of GDP at the end of 2023, vs €356,796 million or 172.7% of GDP in 2022. For the end of 2024, the general government debt is forecasted at €352,500 million or 152.7% of GDP, i.e. reduced by 9.2 p.p. compared to 2023 and a further decline is expected for 2025, reaching 146.3% of GDP.

Table 4 General Government Debt

(% of GDP)

	2022	2023	2024	2025
1. Gross debt	172.7	161.9	152.7	146.3
2. Change in gross debt ratio		-10.8	-9.2	-6.3

The consistent issuance activity since 2018 continues to rebuild the Hellenic Republic's yield curve by filling the gaps at the most significant maturities, while providing volume and liquidity within the whole spectrum of the Greek government bonds.

The first rating agency recognized by the ECB to upgrade Hellenic Republic to investment grade status (BBB-) was DBRS Morningstar, at the beginning of September 2023, followed by Standard & Poor's at the end of October 2023 and Fitch at the beginning of December 2023. Similar upgrades were preceded by both R&I, in July 2023, as well as by the recently approved rating agency Scope Ratings in August 2023. Also noteworthy is the two-step upgrade of Hellenic Republic's credit rating by Moody's, from Ba3 to Ba1, in mid-September 2023 and the improvement in Greece's sovereign credit rating outlook to 'positive' from 'stable' by Standard & Poor's on April 2024.

Very positive signal to the investors' community had the new early repayment of €5.3 billion of GLF loans, that were maturing in 2024 and 2025, which took take place in mid-December of 2023.

At the beginning of 2024, the Hellenic Republic engaged its successful presence in the international capital markets by launching a new syndicated 10-year benchmark bond at the end of January, nominal €4.0 billion, at 3.48% yield. The issue was oversubscribed during the book building procedure with its offers exceeding €35 billion and was mainly acquired by end investors. On April 2024 Greece raised €3 billion from the issue of a 30-year bond at 4.15% yield. The Greek issue was oversubscribed 11 times as investor bids exceeded €33 billion, while the interest rate was set at a level that certifies the investment grade and compares directly to the corresponding interest rates of other countries of the eurozone.

The maintenance of the high level of cash reserves, nearly €36.5 billion at the end of March 2024, contributes substantially to achieving low funding costs and safeguards the meeting of medium-term debt obligations. Within the upcoming years, cash reserves will be reduced gradually, targeting to the repayment of the outstanding amount of public debt.

2.3. NRRP

The revision of Greece's NRRP was approved in December 2023 raising available resources to €35.9 billion, of which grants are estimated at €18.2 billion and loans up to €17.7 billion to support investments and reforms.

Until April 22nd, 2024, €5.75 billion were transferred for approved RRF projects to entities inside and outside the general government and final recipients of RRF. 768 projects and subprojects, with a total budget of €21.8 billion including VAT, have already been approved and included in the RRF grants programme.

Table 5 RRF impact on programme's projections – GRANTS

(% of GDP)

	ESA Code	2020	2021	2022	2023	2024	2025	2026
Revenue from RRF grants								
1. RRF GRANTS as included in the revenue projections		-	0.2	0.4	0.9	1.5	2.0	2.7
2. Cash disbursements of RRF GRANTS from EU		-	1.3	0.8	1.5	0.5	1.4	2.5
Expenditure financed by RRF grants								
3.TOTAL CURRENT EXPENDITURE		-	0.1	0.0	0.2	0.4	0.3	0.2
of which:								
- Compensation of employees	D.1	-	0.0	0.0	0.0	0.0	0.0	0.0
- Intermediate consumption	P.2	-	0.0	0.0	0.0	0.1	0.1	0.1
- Social Payments	D.62+ D.632	-	0.1	0.0	0.0	0.1	0.1	0.1
- Interest expenditure	D.41	-	-	-	-	-	-	-
- Subsidies, payable	D.3	-	0.0	0.0	0.2	0.1	0.1	0.0
- Current transfers	D.7	-	-	-	-	-	-	-
4. TOTAL CAPITAL EXPENDITURE		-	0.1	0.4	0.7	1.2	1.7	2.5
of which:								
- Gross fixed capital formation	P.51g	-	0.1	0.3	0.3	0.8	1.2	1.7
- Capital transfers	D.9	-	0.0	0.1	0.3	0.3	0.5	0.7
Other costs financed by RRF grants								
5. Reduction in tax revenue		-	-	-	-	-	-	-
6. Other costs with impact on revenue		-	-	-	-	-	-	-
7. Financial transactions		-	-	-	-	-	-	-

The approved projects include, inter alia: energy renovation of residential buildings, upgrading energy efficiency of public sector buildings, island electrical interconnections, energy storage investments, motorways construction, micro-satellite network development, implementation of the national public health secondary prevention programme, implementation of the strategy for excellence in universities and innovation and many others.

In December 2023 Greece received its 3rd disbursement amounting to €3.6 billion, having completed 43 milestones and targets.

The Greek Plan includes the use of RRF loans up to €17.7 billion and is expected to mobilize a total of €35 billion of investment resources to co-finance projects falling under the following five pillars: green transition, digital transition, exports, innovation-research and development, economies of scale through partnerships, joint ventures, acquisitions, mergers.

In the loan facility, which mainly concerns the granting of loans for the implementation of investment projects by private businesses through the commercial banks and

International Financial Institutions, the status between projects submitted and loans signed —by March 26th, 2024— was as follows:

- 700 investment plans have been submitted with a total budget of €24.2 billion (out of which: €10 billion RRF loans, €8.2 billion bank loans and €6.0 billion investors' own resources).
- 287 loan agreements have already been signed, with a total budget of €11.15 billion (out of which: €4.75 billion RRF loans, €3.77 billion bank loans and €2.63 billion investors’ own resources).

Moreover, Greece has allocated an amount of up to €0.4 billion of RRF loans to the European Investment Fund for the implementation of selected guarantee instruments under the Member State Compartment of InvestEU. Guarantee products are now available for the Greek SME’s providing them access to investment loans and working capital.

Table 6 RRF impact on programme’s projections – LOANS

(% of GDP)

	ESA Code	2020	2021	2022	2023	2024	2025	2026
Cash flow from RRF loans projected in the programme								
1. Disbursements of RRF LOANS from EU		-	0.9	0.9	1.7	1.0	1.9	1.4
2. Repayments of RRF LOANS to EU		-	-	-	-	-	-	-
Expenditure financed by RRF loans								
3.TOTAL CURRENT EXPENDITURE		-	-	-	-	-	-	-
of which:								
- Compensation of employees	D.1	-	-	-	-	-	-	-
- Intermediate consumption	P.2	-	-	0.0	0.0	0.0	0.0	0.0
- Social Payments	D.62+ D.632	-	-	-	-	-	-	-
- Interest expenditure	D.41	-	-	-	-	-	-	-
- Subsidies, payable	D.3	-	-	-	-	-	-	-
- Current transfers	D.7	-	-	-	-	-	-	-
4. TOTAL CAPITAL EXPENDITURE		-	-	-	-	-	-	-
of which:								
- Gross fixed capital formation	P.51g	-	-	-	-	-	-	-
- Capital transfers	D.9	-	-	-	-	-	-	-
Other costs financed by RRF loans								
5. Reduction in tax revenue		-	-	-	-	-	-	-
6. Other costs with impact on revenue		-	-	-	-	-	-	-
7. Financial transactions		-	-	0.1	0.4	1.0	1.9	1.9

Annex: Hellenic Fiscal Council opinion

HELLENIC
FISCAL
COUNCIL

Athens, April 30 2024

Opinion on the Macroeconomic Forecasts of the Stability Programme 2024

The Hellenic Fiscal Council (HFISC), entrusted with the role of an independent fiscal institution, submits its opinion on the Stability Programme's 2024 (SP 2024) macroeconomic forecasts as stipulated in Regulation No 473/2013 of the European Parliament and of the Council of the European Union (EU).[1]

The current assessment takes into account the following:

(a) The SP 2024 macroeconomic scenario extending up to 2025, that has been forwarded to HFISC by the Ministry of Economy and Finance (MinFin) on 29.3.2024.

(b) The most recent data published from the Hellenic Statistical Authority (ELSTAT) covering the entire year 2023.[4]

(c) The 2024 State Budget (SB) projections as well as those of the SP 2023.[5, 6]

(d) European Commission's (EC) 2024 winter forecasts, as well as those by other international and domestic institutions regarding the key macroeconomic variables of the Greek economy, such as real GDP and the Harmonised Index of Consumer Prices (HICP).[7]

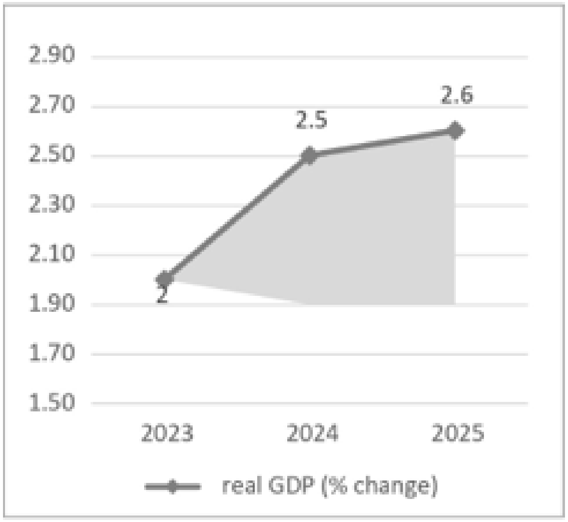
(e) HFISC's GDP projections based on in-house econometric models.

1. A comprehensive analysis of the macroeconomic developments of the Greek economy will be included in the forthcoming HFISC's bi-annual report.
2. COM_2023_141_1_EN_ACT_part1_v4.pdf (europa.eu)
3. com_2022_583_1_en.pdf (europa.eu)
4. Hellenic Statistical Authority 7.3.2024: Statistics - ELSTAT (statistics.gr)
5. State Budget Plan Budget - Ministry of Economy and Finance (minfin.gr)
6. Stability Programme (europa.eu)
7. Economic forecast for Greece (europa.eu)

2024 Macroeconomic Forecasts

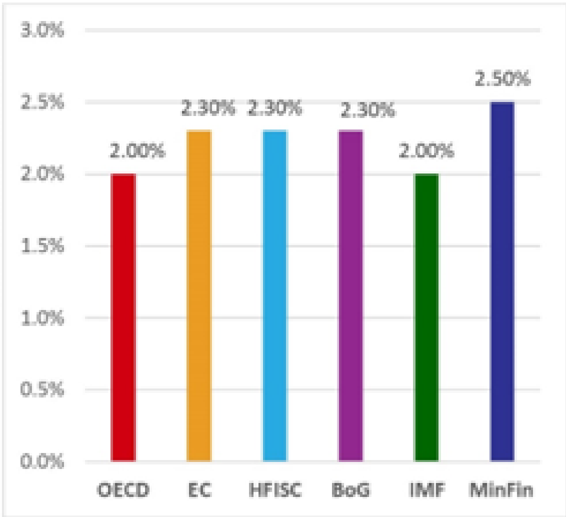
The SP 2024 GDP growth forecast for 2024 from the Ministry of Economy and Finance falls within the HFISC's range (1.9% - 2.5%), albeit at the upper limit and in line with the recent estimates by the EC (2.3%), as well as those of the Bank of Greece (BoG 2.3% see, Charts 1 and 2). HFISC's growth trajectory reflects a possible lower growth rate in EU economies and a delayed easing of the European Central Bank's (ECB) monetary policy.

Chart 1: 2024 & 2025, HFISC real GDP growth rate projections



Sources:
1) Six different groups of econometric models (Dynamic Factor Model, VECMs, MIDAS, AR, ARIMA, & ARFIMA) produce HFISC forecasts.
2) The grey area indicates the range of the forecasts (1.9% to 2.5% for 2024 & 1.9% to 2.6% for 2025).
3) In the above chart we note that the Ministry of Economy and Finance (SP 2024) forecasts are within the range of the HFISC forecasts

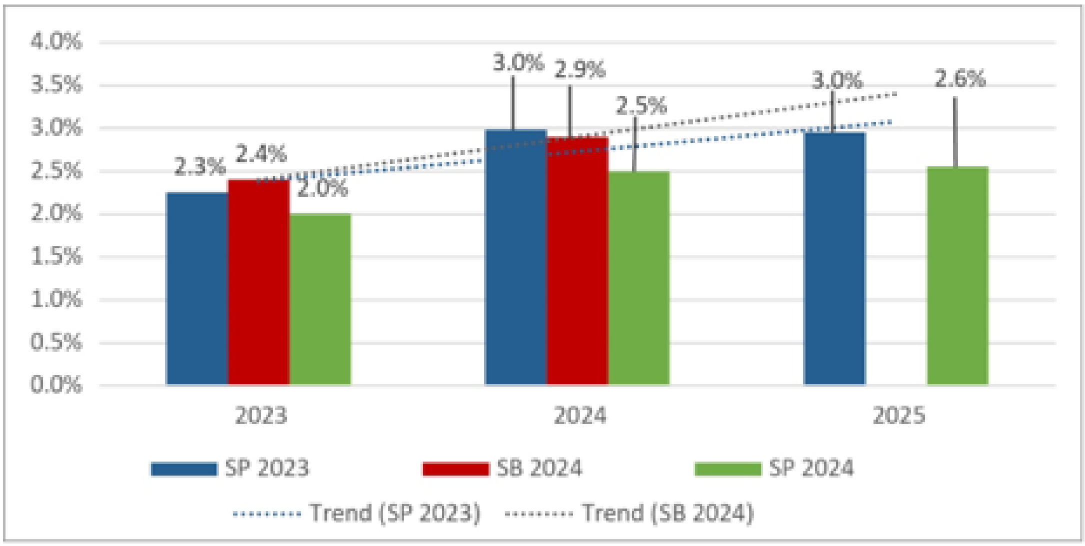
Chart 2: 2024, a comparison of annual GDP growth rates projection (y-o-y rate of change)



Sources:
1) OECD Economic Outlook, Volume 2023 Issue 2, No 114, November 2023.
2) EC, European Economic Forecast, February 2024.
3) HFISC, March 2024.
4) BoG, Governor's Annual Report, April 2024.
5) IMF, World Economic Outlook, April 2024.
6) SP 2024, Ministry of Economy and Finance, April 2024.

The SP 2024 macroeconomic scenario for 2024, revises downwards the expected GDP growth rate compared to the SB 2024 (November 2023), to 2.5% from 2.9% (see, Chart 3). This revision, is mainly due to a worse than anticipated slowdown momentum observed in some Eurozone economies. However, the above growth rate is expected to remain well above the EU average (according to EC's winter forecast 2024 report the Euro area's growth rate is estimated to be 0.8%).

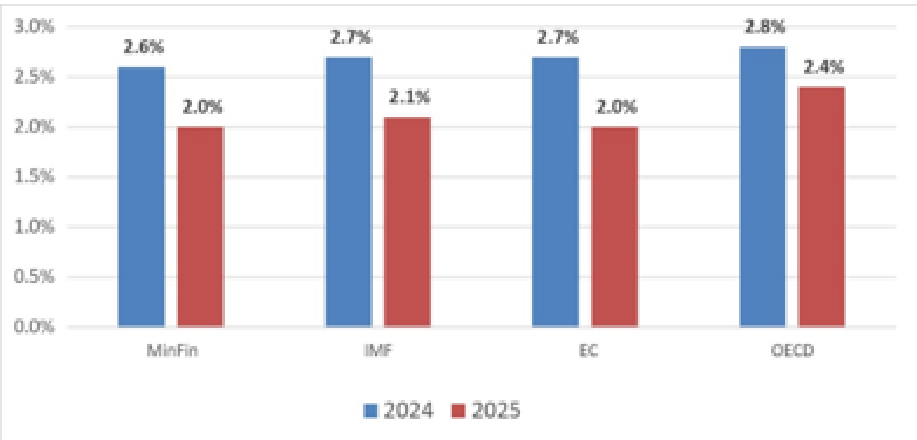
Chart 3: 2023-2025, Ministry of Economy and Finance economic growth rates



Sources: MinFin: 1) SP 2023 (April 2023), 2) SB 2024 (November 2023), 3) SP 2024 (April 2024) and HFISC calculations.

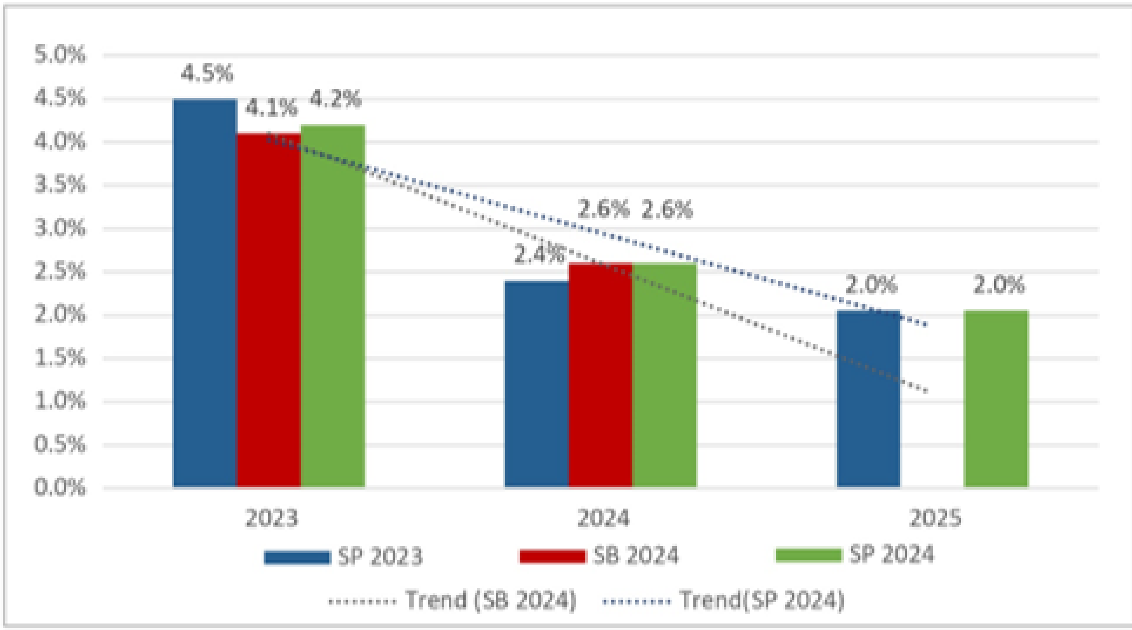
The inflation forecasts (HICP) of the Ministry of Economy and Finance for the current year are in line with recent forecasts by IMF, EC and the OECD (see, Chart 4). This forecast remains in line with the SB 2024 (2.6%) and has been slightly revised upwards to 2.6% from the relevant forecast of the SP 2023 (2.4% see, Chart 4). According to the latest data from ELSTAT in March 2024, the HICP stood at 3.4%, indicating a stabilization around the 3% mark over the past six months. Main sources of inflation dynamics are the sub-categories of food and non-alcoholic beverages, clothing and footwear, restaurants and hotels.

Chart 4: 2024-2025 Ministry of Economy and Finance, inflation (HICP) and international organizations



Sources:
1) OECD Economic Outlook, Volume 2023 Issue 2, November 2023.
2) EC, European Economic Forecast, February 2024.
3) IMF, World Economic Outlook, April 2024.
4) SP 2024, MinFin, April 2024.

Chart 5: 2023-2025 Ministry of Economy and Finance, inflation (HICP)



Sources: MinFin: 1) SP 2023 (April 2023), 2) SB 2024 (November 2023), 3) SP 2024 (April 2024).

Table 1: Key macroeconomic variables forecasts, at constant prices 2015 (y-o-y percentage changes, unless otherwise stated)

	SP 2023		SB 2024	SP 2024	
	2024	**2025**	**2024**	**2024**	**2025**
GDP	3.0%	3.0%	2.9%	2.5%	2.6%
Private Consumption	2.0%	2.0%	1.3%	1.6%	1.6%
Public Consumption	-1.2%	-0.3%	-1.6%	0.7%	-2.5%
Gross fixed capital formation	9.7%	10.7%	15.1%	9.1%	14.4%
Exports of goods &services	6.2%	5.3%	5.6%	3.7%	4.9%
Imports of goods &services	4.4%	4.8%	4.6%	3.5%	4.9%
External balance of goods& services *	0.0	-0.15	-	-0.07	-0.24
Inflation (HICP)	2.4%	2.0%	2.6%	2.6%	2.0%
Employment (national accounts basis)	1.0%	0.9%	0.9%	0.8%	0.5%
Unemployment rate**	10.9%	10.0%	10.6%	10.6%	9.9%

Sources: MinFin: 1) SP 2023 (April 2023), 2) SB 2024 (November 2023), 3) SP 2024 (April 2024) and HFISC calculations.
* As a percentage of GDP.
** As a percentage of the Labour Force, Labour Force Survey (LFS).

2025 Macroeconomic Forecasts

For 2025, the GDP growth rate forecasts of the HFISC (2.4%) align closely with the macroeconomic scenario outlined in the current SP (2.6%), albeit at the upper limit (see, Table 2). However, forecasts from the EC and other international and domestic organizations fall within a more reserved range.

Table 2: 2024-2025 Real GDP forecasts, Ministry of Economy and Finance, domestic and international organizations

	Publication date	2024	2025
OECD[1]	November 2022	2.0%	2.4%
EC[2]	February 2023	2.3%	2.3%
HFISC[3]	March 2023	2.3%	2.4%
BoG[4]	April 2023	2.3%	-
IMF[5]	April 2024	2.0%	1.9%
MinFin[6]	April 2024	2.5%	2.6%

Sources:

1) OECD Economic Outlook, Volume 2023, Issue 2, No 114, November 2023. 2) EC, European Economic Forecast, February 2024. 3) HFISC, March 2024. 4) BoG, Governor's Annual Report, April 2024. 5) IMF, World Economic Outlook, April 2024. 6) SP 2024, MinFin, April 2024.

The fundamental assumptions underpinning the SP 2024 projections for 2025 entail a continued decline in inflation, aiming to align with the ECB's target of 2.0%. At the European level, the downward trajectory of inflation would limit interest rate hikes with even further positive macroeconomic effects. Private consumption is expected to maintain its dynamic trajectory with a growth rate of 1.6%, along with a substantial uptick in exports, projected to rise by 4.9% (see, Table 1). Additionally, it is anticipated that the Recovery and Resilience Facility (RRF) funds will exert a notably positive influence on gross fixed capital formation, with a projected increase of 14.4%. It is estimated that the contribution of RRF funds to this upsurge in investment will exceed 10 billion euros.[8] In any case, the level of investment will play the crucial role in achieving the new scenario, with particular emphasis on those projects financed by the RRF. Timely and effective implementation of the Recovery and Resilience Plan is essential.

8. It should be noted that the Greek economy had received so far (22.4.2024), €14.9 billion out of the €30.1 billion for financing the Greek economy with the remaining €15.2 billion in loans and grants until 2026.

Summary-Conclusions

The SP 2024 macroeconomic scenario is consistent with both SP 2023 and SB 2024. The driving force behind the expected GDP growth for 2024 and 2025 is the rise in gross fixed capital formation, with a substantial contribution from the RRF funds. In addition, the possible de-escalation of ECB interest rates, the further sovereign rating upgrade by foreign rating agencies for Greece, the completion of the consolidation of the banking system and the use of the high stock deposits, yield positive prospects for the success of the presented macroeconomic scenario.

On the other hand, uncertainties related to the persistence of inflationary pressures, exogenous shocks on the economy due to geopolitical uncertainties, and the recently introduced European fiscal governance framework could challenge the implementation of the SP 2024 macroeconomic scenario.

In the light of the above, the Hellenic Fiscal Council endorses the macroeconomic forecasts of the Stability Programme 2024 for Greece.

For the Hellenic Fiscal Council

The Chairperson

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