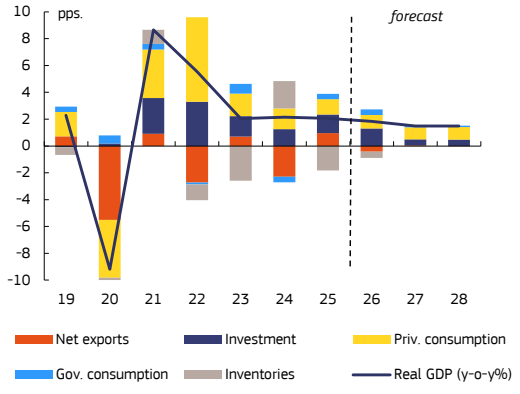
6. GREECE

Economic growth in Greece is expected to moderate to 1.8% in 2026, as the energy price shock reduces households' real income and restrains consumption growth. Investment, however, is expected to remain strong, bolstered by the absorption of EU funds. GDP growth is forecast to ease further to around 1.5% in 2027 and 2028 as the implementation of the RRF winds down. Driven by the surge in energy prices, inflation is expected to rise to 4.1% in 2026, and to decline gradually to 2.4% by 2028. Unemployment is set to fall, albeit more slowly than in the past, to 7.7% in 2028. Greece's fiscal position is projected to maintain sizeable primary surpluses, although continued expansionary measures are set to gradually reduce their size over the forecast horizon. The debt-to-GDP ratio is set to remain on a downward path, declining to 126.6% by the end of 2028.

GDP growth is set to moderate, but remain above the euro area average

In the first half of 2026, the Greek economy expanded by 1.9% y-o-y, driven by broad-based growth of domestic demand.

Graph III.6.1: **Greece - Real GDP growth and contributions**



Investment activity is expected to remain buoyant in the second half of 2026, underpinned by a record-high inflow of EU funds through the RRF. However, the rise in energy prices is set to weigh on household consumption, even if this impact is mitigated by recent energy support measures and reductions in the tax wedge, introduced in 2026 and scheduled for 2027. Although Greece remains highly dependent on energy imports, the trade balance is supported by the export of refined oil products and by the widening price difference between refined oil products and crude oil (crack spread). This improves the terms of trade and increases the GDP deflator in 2026. Looking beyond 2026, elevated energy costs, tighter financing conditions and the gradual winding down of the RRF are expected to dampen investment. Overall, GDP growth is forecast to ease to around 1.8% in 2026 and to 1.5% in both 2027 and 2028, bringing Greece's GDP growth closer to the euro-area average.

Unemployment remains on a downward path

The labour market kept expanding in early 2026, with the unemployment rate falling to 8.3% in the second quarter. The long-term unemployment rate also declined to 4.3%, although it remained the highest in the EU. Vacancy rates remained high, signalling a tight labour market, particularly in tourism. Employment is expected to grow, albeit at a modest pace due to structural impediments such as skill gaps and limited access to child and elderly care, as well as moderating economic activity. The unemployment rate is projected to decline further to 7.7% by 2028. Wage growth is set to moderate over the forecast horizon, as the inflationary shock fades away.

Energy price shock drives inflationary developments

The energy crisis triggered an increase in inflation, which averaged 3.8% in the third quarter of 2026. In a context of strong demand and a tight labour market, the increase in energy prices is expected to pass through to non-energy goods and services prices, keeping inflation elevated in 2027. As a result, inflation is forecast to increase to 4.1% in 2026 and then to moderate to 3.2% in 2027. In 2028, inflation is forecast to further decline to 2.4% as the effect of energy price shocks phases out and domestic demand moderates.

Fiscal surpluses moderate amid expansionary measures

The general government surplus is projected to decline from 2.0% of GDP in 2025 to 0.9% of GDP in 2026, corresponding to a reduction in the primary surplus from 5.1% to 4.1% of GDP. The decrease in the headline surplus reflects the impact of expansionary fiscal measures, partly compensated by continued robust revenue growth. Fiscal measures excluding energy support are set to have an incremental budgetary cost of around 0.8% of GDP in 2026. These mainly comprise personal income tax cuts, higher public sector wages and enhanced support for pensioners and people with disabilities. Energy support measures to mitigate high energy prices for households and businesses amount to 0.3% of GDP in 2026, with most of them assumed to be discontinued in 2027.

In 2027, the general government surplus is forecast to moderate to 0.7% of GDP, while the primary surplus is set to decline to 3.7% of GDP. Fiscal measures are expected to have an additional net budgetary cost of around 0.6% of GDP. These include further public sector pay increases, a EUR 500 Christmas benefit for public sector employees and a 0.5 pps. reduction in social security contributions. Additional costs stem from tax relief for families with many children, farmers and the self-employed, as well as from a reduction in the business levy for legal entities. The forecast also includes a EUR 95 million subsidy to the manufacturing sector for increased electricity cost of 2026. These effects are set to be partly offset by favourable revenue developments, including gains from the extension of the digital labour card to new sectors and other smaller revenue increasing measures.

In 2028, the headline surplus is projected to narrow further to 0.2% of GDP, while the primary surplus declines to 3.4%. Fiscal measures are expected to have a further net cost of around 0.1% of GDP, mainly reflecting the full-year impact of previously adopted measures while interest expenditure is set to increase by 0.2% of GDP.

General government debt declined to 140.8% of GDP by June 2026, almost 50 pps. below its pre-COVID-19 peak in 2018. The ratio is set to decline further, to 126.6% by 2028, supported by strong nominal GDP growth, budget surpluses, and the use of cash reserves for debt repayments.

Table III.6.1: **Main features of country forecast – GREECE**

	2025			Annual percentage change					
	bn EUR	Curr. prices	% GDP	07-22	2023	2024	2025	2026	2027	2028
GDP		249.7	100.0	-1.1	2.0	2.1	2.1	**1.8**	**1.5**	**1.5**
Private Consumption		171.8	68.8	-0.4	2.4	2.2	1.7	**1.5**	**1.3**	**1.4**
Public Consumption		46.1	18.5	-1.0	3.6	-2.1	2.1	**2.2**	**0.5**	**0.5**
Gross fixed capital formation		44.8	18.0	-3.1	9.5	7.6	8.0	**7.3**	**2.5**	**2.6**
Exports (goods and services)		98.1	39.3	2.6	2.4	0.8	0.4	**2.9**	**2.7**	**2.6**
Imports (goods and services)		109.7	43.9	1.4	0.8	5.4	-1.7	**3.6**	**2.3**	**2.4**
GNI (GDP deflator)		244.4	97.9	-1.0	0.5	2.0	2.9	**1.8**	**1.3**	**1.5**
Contribution to GDP growth:		Domestic demand		-0.9	3.9	2.4	2.9	**2.7**	**1.4**	**1.5**
		Inventories		-0.2	-2.6	2.0	-1.8	**-0.5**	**0.0**	**0.0**
		Net exports		0.1	0.7	-2.3	1.0	**-0.4**	**0.0**	**0.0**
Employment				0.4	2.1	1.4	1.3	**0.5**	**0.4**	**0.3**
Unemployment rate (a)				18.1	11.1	10.1	8.9	**8.4**	**8.0**	**7.7**
Compensation of employees / head				-0.9	3.5	5.8	4.2	**3.8**	**3.4**	**2.8**
Unit labour costs whole economy				0.6	3.5	5.0	3.4	**2.4**	**2.3**	**1.6**
Saving rate of households (b)				0.5	-2.5	-2.4	-3.9	**-3.1**	**-2.0**	**-2.2**
GDP deflator				0.9	6.5	3.4	2.9	**4.2**	**2.9**	**2.1**
Harmonised index of consumer prices				1.5	4.2	3.0	2.9	**4.1**	**3.2**	**2.4**
Terms of trade goods				0.0	3.5	0.8	-1.9	**4.4**	**0.9**	**-2.1**
Trade balance (goods) (c)				-13.2	-14.4	-15.3	-13.7	**-13.1**	**-12.6**	**-12.8**
Current-account balance (c)				-6.9	-7.6	-7.3	-5.6	**-6.3**	**-5.9**	**-5.9**
General government balance (c)				-6.5	-1.5	1.4	2.0	**0.9**	**0.7**	**0.2**
Fiscal stance (c)				:	0.6	1.7	-0.5	**-2.4**	**1.5**	**1.0**
Structural budget balance (d)				2.4	-1.8	0.5	0.8	**-0.5**	**-0.6**	**-0.9**
General government gross debt (c)				168.5	164.0	153.5	145.4	**135.7**	**130.7**	**126.6**

(a) Eurostat definition. (b) gross saving divided by adjusted gross disposable income. (c) as a % of GDP. (d) as a % of potential GDP.