HELLENIC FISCAL COUNCIL

Opinion on the Draft Budgetary Plan 2026

October 2025

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Athens, 14th of October, 2025

Opinion on the Draft Budgetary Plan 2026

The Hellenic Fiscal Council (HIFSC) constituted as an independent fiscal authority under the law 4270/2014, as amended by the law 5217/2025 and currently in force.[1] HFISC submits its opinion on macroeconomic and budgetary forecasts and assumptions underpinning the Draft Budgetary Plan 2026 (DBP 2026), monitoring compliance with country-specific numerical fiscal rules as stipulated in Regulation 473/2013 (Art. 6 par. 3f) of the European Parliament and the Council of the European Union (EU).[2]

This assessment takes into account the following:
(a) The macroeconomic scenario and budgetary forecasts as communicated to the HFISC by the Ministry of Economy and Finance (MinFin) on September 17 and October 2, 2025 respectively, and the technical dialogue between experts from MinFin and HFISC.
(b) The most recent macroeconomic and budgetary data for the Greek economy, published by the Hellenic Statistical Authority (ELSTAT), that cover developments up to the first half of the year.[3]
(c) The Annual Progress Report 2025 (APR 2025) projections as well as those of the State Budget 2025 (SB 2025), and of the Medium Term Fiscal-Structural Plan 2025-2028 (MTP 2025-2028).[4,5,6]
(d) The European Commission's Spring Forecasts 2025, and the forecasts of other international and national organizations regarding the performance of the main macroeconomic indicators of the Greek economy.[7]
(e) The GDP forecasts based on the econometric models of the HFISC.

Macroeconomic forecasts

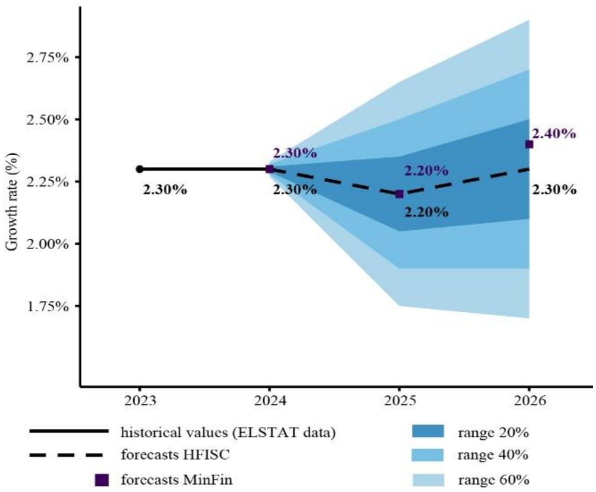
The macroeconomic forecasts of the MinFin, for the real GDP growth rate in 2025 (2.2%) on which the DBP 2026 is based are aligned with those of the HFISC (see, Figure 1). HFISC projects GDP growth of 2.2% this year, driven by strong investment from EU-funded programs and solid momentum in private consumption supported by favorable employment and disposable income growth. It is worth

[1] The transposition of Council Directive (EU) 2024/1265 of 29 April 2024, amending Directive 2011/85/EU on requirements for budgetary frameworks of the Member States (OJ L, 2024/1265, 30.4.2024), was adopted in July 2025 through the amendment of the law 4270/2014 by the law 5217/2025.
[2] A comprehensive analysis of the macroeconomic and budgetary developments of the Greek economy will be presented in the forthcoming HFISC bi-annual report.
[3] ELSTAT, press releases, Quarterly National Accounts, 2nd Quarter 2025, 5/9/2025 and Quarterly Non-Financial Accounts of General Government, 1st Quarter 2025, 21/07/2025.
[4] Annual Progress Report 2025, Greece
[5] State Budget 2025 (in Greek) – Ministry of Finance and Economy
[6] Medium Term Fiscal-Structural Plan 2025-2028, Greece
[7] European Commission, Spring forecasts 2025

noting that HFISC's forecast for 2025 was revised downward from 2.35% in the July 2025 bi-annual report, along with MinFin, reflecting greater caution over external uncertainties and inflation pressures (see, Figure 2). The adjustment mainly stemmed from tariff concerns, a Eurozone growth slowdown that could weigh on Greek exports and the wider economy, and weaker-than-projected Q2 2025 data (1.7% year-over-year, y-o-y GDP growth). Despite the above, Greece is expected to maintain a growth rate well above the euro area average: according to the EC's Spring Forecast 2025, euro area growth is projected at 0.9%, with the first half of 2025 slightly weaker at 0.7% y-o-y.

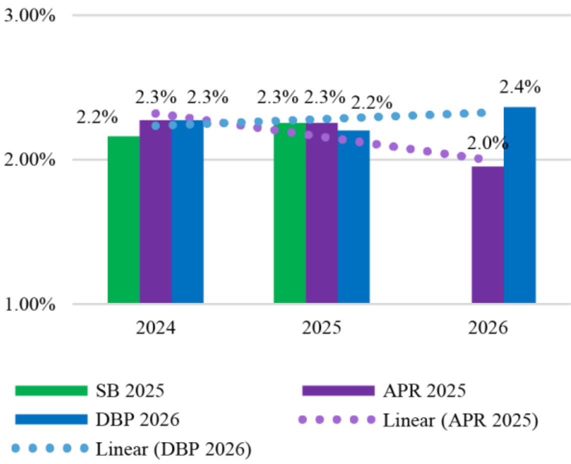
For 2026, HFISC projects a 2.3% growth rate, within a wider range of uncertainty due to geopolitical tensions, and other vulnerabilities stemming from external shocks, with the DBP forecast at 2.4% sitting at the upper end of HFISC's range (see, Figure 1). The DBP has revised the expected GDP growth for 2026 upward, to 2.4% from 2.0% (APR, April 2025) following the growth-friendly tax reform designed to stimulate economic activity, continued resilience in investment levels, and steady financial support from the Recovery Funds (see, Figure 2). All the above are expected to boost various sectors of the economy and enhance the overall economic outlook for Greece, though HFISC weighs uncertainties more heavily which is reflected in their more conservative growth projections.

Figure 1: 2025 & 2026, HFISC real GDP growth rate forecasts



Source: Econometric forecasting models of HFISC.

Figure 2: 2024-2026, real GDP growth rate projections, MinFin



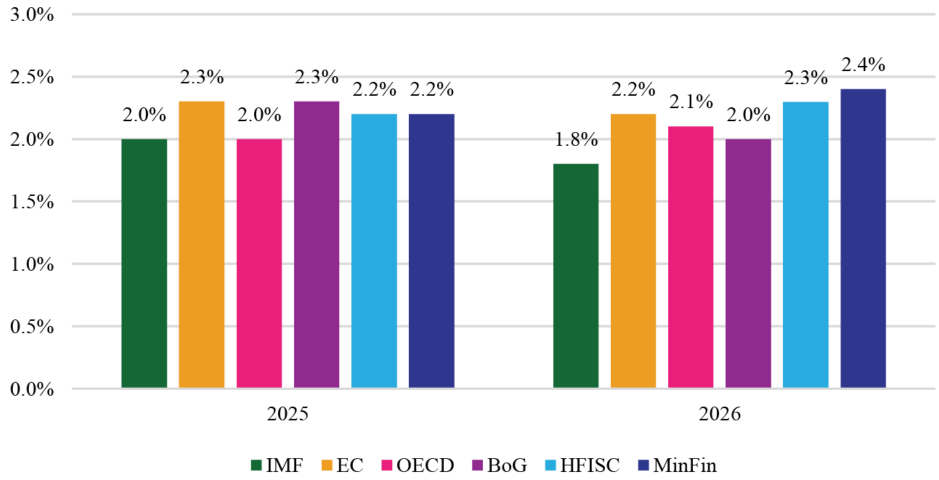
Sources: Ministry of Economy and Finance (MinFin): 1. State Budget 2025 (SB, November 2024) 2. Annual Progress Report 2025 (APR, April 2025) 3. Draft Budgetary Plan 2026 (DBP, October 2025), HFISC data processing.

DBP 2026 growth projections are supported by forecasts from international and national institutions (see, Figure 3). For 2025, most institutions expect GDP growth for Greece at around 2.2% pointing to a favorable outlook, but with balanced risks that justifies though more modest growth estimates compared to previous higher projections. Specially, ELSTAT reported a y-o-y GDP growth 2.0% in the first half of 2025, while the Bank of Greece (BoG, June 2025) and the EC (Spring Forecasts, May 2025) are slightly more optimistic for the whole year at 2.3%, confirming solid momentum consistent with these forecasts. In constant, the International Monetary Fund (IMF, April 2025) and the Organization of Economic Co-operation and Development (OECD, May 2025) forecast a growth of 2.0%, emphasizing broader fiscal challenges across Europe and heightened uncertainty surrounding geopolitical and economic stability. Collectively, these assessments affirm the solid momentum behind the MinFin's projections, which align with international forecasts.

For 2026, the expected growth rates reflect not only how each organization weighs uncertainties, such as the fiscal challenges across Europe and geopolitical risks, but also the fact that more recent data, not yet incorporated into these forecasts, could potentially lead to a revised growth outlook. More specifically, the EC (May 2025) projects growth at 2.2% and the OECD (June 2025) at 2.1%, while the BoG (June 2025) anticipates 2.0%. The IMF (April 2025) remains the most conservative, forecasting only 1.8% growth.

Overall, the convergence of forecasts suggests that Greece's economic growth remains robust, though slightly tempered for 2025 compared to earlier, more optimistic estimates. A solid growth outlook is expected for 2026, but it occurs against a backdrop of geopolitical tensions, fluctuations in global markets, and broader fiscal challenges within Europe**.**

Figure 3**:** 2025 & 2026, a comparison of GDP growth rate projections (y-o-y)



Sources: 1. IMF, World Economic Outlook (April 2025), 2. EC, European Economic Forecast (May 2025), 3. OECD Economic Outlook, Vol. 2025, No 117 (May 2025), 4. BoG, Monetary Policy Report 2024-2025 (June 2025), 5. HFISC (October 2025), 6. MinFin (October 2025).

According to the macroeconomic scenario underpinning the DBP 2026, growth in 2025 and 2026 will be driven mainly by higher investment and strong private consumption, supported by recent tax relief measures, substantial funding from the Recovery and Resilience Facility (RRF), and favorable labor market conditions.

In more detail, private consumption is expected to remain robust, with projected growth rates of 1.9% in 2025 and 1.7% in 2026, despite a y-o-y increase of 1.5% in the first half of 2025, reflecting the stabilization of disposable income (see, Table 1). As private consumption constitutes the largest component of GDP, this helps explain the recent upward revisions in growth forecasts. Public consumption in the first half of 2025 was broadly in line with 2024 levels, indicating a contained fiscal stance. For the whole year 2025, it is projected to increase by 1.4%, followed by a 0.7% rise in 2026, mainly reflecting already announced fiscal initiatives.

At the same time, gross fixed capital formation rose by 2.1% in the first semester of 2025, with further increases to be projected at 5.7% for the whole year and 10.2% for 2026. The significant increase in gross fixed capital formation from 2025 to 2026 primarily reflects investment projects financed through the RRF, many of which are expected to reach their implementation peak in 2026. In particular, investment in fixed capital (e.g. machinery, infrastructure) is particularly important, as it strengthens the country's long-term productive capacity. As of June 2025, the amount of grants and loans disbursed so far under RRF to the Greek economy is €21.34 billion out of the €35.95 billion (15.96% as a share of GDP).[8] It is important to maintain the pace of RRF fund absorption, while carefully assessing the quality of funded investments to ensure their efficiency and multiplier effect on the economy. Overall, investment remains a key factor in achieving the new economic scenario, with particular emphasis on RRF.

The current account deficit is projected to narrow in 2025 but to widen again in 2026, reflecting expected pressures from higher imports mainly driven by increased investment activity. Despite the slight improvement observed in the first half of 2025, the current account remains a structural concern for the Greek economy.

Table 1: 2025 & 2026, Key macroeconomic indicators forecasts (% change y-o-y, constant 2020 prices)

	Draft Budgetary Plan 2026		1st Semester 2025
Years	2025	2026	2025
GDP	2.2%	2.4%	2.0%
Private Consumption	1.9%	1.7%	1.5%
Public Consumption	1.4%	0.7%	0.2%
Gross Fixed Capital Formation	5.7%	10.2%	2.1%
Exports of Goods & Services	2.2%	4.5%	2.2%
Imports of Goods & Services	0.9%	4.6%	-0.6%

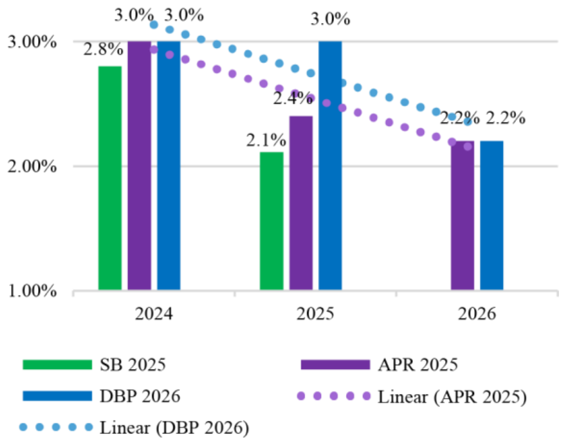
Sources: MinFin, ELSTAT and HFISC calculations.

The fundamental assumption underpinning the DBP 2026 projections entails a continued decline in inflation, aiming to align with the European Central Bank's (ECB's) target of 2.0%. For 2025, inflation (Harmonized Index of Consumer Prices, HICP) is projected to decline to 3.0% (see, Figure 4). More specifically, according to the most recent ELSTAT data, the average inflation sustained at 3.2% in the first eight-month period of 2025 vis-à-vis a 3.0% in the first eight-month period of 2024. Over the past two years, inflation in Greece has remained at an average level of approximately 3%, without displaying a clear downward trend toward the ECB's target of 2%. For 2026, inflation is expected to fall to 2.2% lower than what was forecasted in APR 2025 (2.4%).

The above DBP 2025 forecasts for the inflation are consistent with those of international organizations that fall in a range of 2.4%–2.8% for 2025 and 2.0%–2.3% for 2026 (see, Figure 5). However, compared to the Eurozone average, the Greek economy is still going through a period of inflationary pressure (2.8% for 2025 and 2.3% for 2026 vis-à-vis the Eurozone average 2.1% and 1.7%, respectively, according EC Spring Forecasts, May 2025). The risk of inflation in Greece remaining persistently higher than in other European partners remains a challenge.

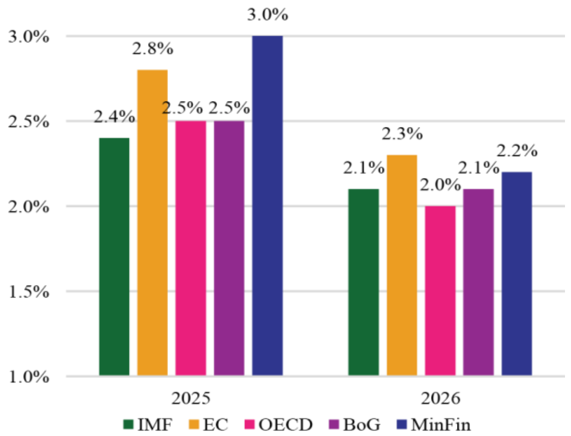
[8] EC, Recovery and Resilience Scoreboard.

Figure 4: 2024-2026, Inflation (HICP) projections, MinFin



Sources: Ministry of Economy and Finance (MinFin): 1. State Budget 2025 (SB, November 2024), 2. Annual Progress Report 2025 (APR, April 2025), 3. Draft Budgetary Plan 2026 (DBP, October 2025), HFISC data processing.

Figure 5: 2025 & 2026, Inflation (HICP) projections, MinFin and International –National Institutions

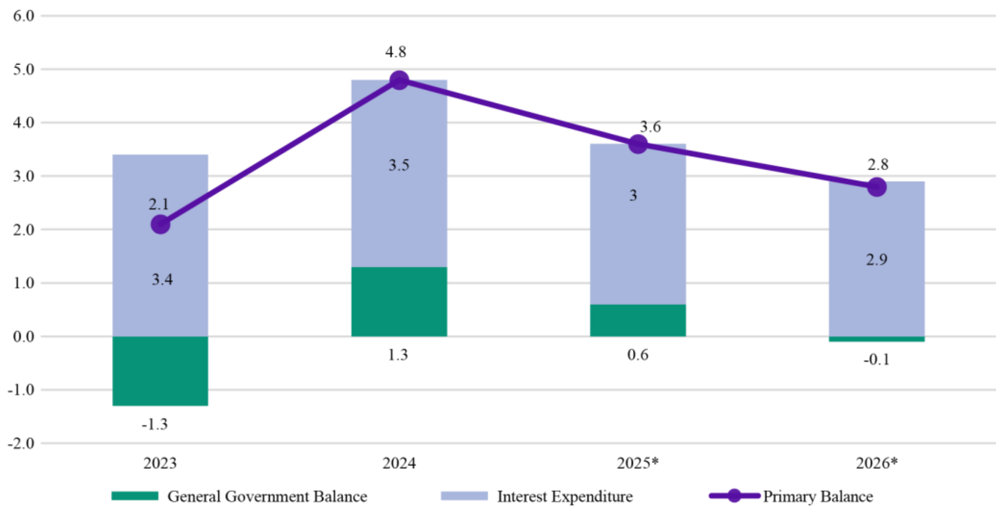


Sources: 1. IMF, World Economic Outlook (April 2025), 2. EC, European Economic Forecast (May 2025), 3. OECD Economic Outlook, Vol. 2025, No 117 (May 2025), 4. BoG, Monetary Policy Report 2024-2025 (June 2025), 5. MinFin (October 2025), HFISC data processing.

Budgetary forecasts

According to the DBP 2026, Greece is expected to maintain primary surpluses, projected at 3.6% of GDP in 2025 and 2.8% in 2026 (see, Figure 6). At the same time, the general government balance is forecast to record a surplus in 2025 (0.6% of GDP) and a marginal deficit in 2026 (-0.1% of GDP) under the baseline scenario. These projections are based on the expected steady growth momentum of the Greek economy, with growth rates above 2%, supported by rising public revenues and prudent expenditure management.

Figure 6: General Government Primary Balance 2023-2026 (% GDP)



Source: Draft Budgetary Plan 2026, MinFin, October 2025.
* The figures for 2025 are estimates, and those for 2026 are forecasts.

For 2025, the DBP 2026 moves to revise the primary surplus target to 3.6% of GDP, up from the 2.4% of GDP forecast in the SB 2025. Based on the data currently available, the achievement of the revised target is considered feasible. Specifically, the General Government bulletins for the first seven months of 2025 show a cash-based primary surplus of €9.1 billion, equal to 3.70% of GDP (see, Table 2). This improvement is largely due to an increase in revenues of €5.9 billion (9.9%), deriving from both tax revenues and social contributions, while expenditures rose by €3.1 billion (5.8%) compared with the corresponding period of the previous year. Provided that no extraordinary fiscal pressures arise (such as fines, court-ordered compensation, or geopolitical instability) and that fiscal discipline is maintained, achieving the revised target of 3.6% of GDP remains feasible, though it will require heightened commitment to the implementation of the budget.

Table 2: General Government Budget Execution (million euros*), Jan – Jul 2025

	Jan - Jul 2024	**Jan - Jul 2025**	**Difference 2024-2025**	**% Difference 2024-2025**
	(a)	(b)	(c) = (b) - (a)	(d) = (c)/(a)
A. Revenues	59,745	65,671	5,926	9.9%
B. Expenditures	53,774	56,872	3,098	5.8%
C. Net acquisitions of non-financial assets	5,543	4,438	-1,105	-19.9%
Surplus/ Deficit (A-B-C)	428	4,361	3,933	
% GDP	0.2%	1.8%		
Primary Balance of General Government	5,261	9,147	3,886	
% GDP	2.2%	3.7%		
GDP	237,573	247,514		

Source: Monthly Bulletin of General Government Data, July 2025, MinFin. HFISC data processing. *Data on a cash basis

The fiscal projections of the MinFin for 2025 are broadly aligned with those of the EC and other international institutions (see, Table 2). The EC's spring forecasts are slightly more optimistic, projecting a primary surplus of 3.8% of GDP and a general government surplus of 0.7% in 2025, rising to 4.4% and 1.4% of GDP, respectively, in 2026. The IMF (April 2025) takes a more conservative view, projecting a primary surplus of 2.5% and a general government deficit of 0.5% in 2025, and 2.4% and 0.6%, respectively, in 2026. Finally, the OECD (June 2025) provides more restrained forecasts, estimating primary surpluses of 2.1% in 2025 and 2.2% in 2026, with a balanced or slightly negative general government balance. It also highlights fiscal risks from declining EU investment support, productivity challenges, and potential natural disasters or other unforeseen events that could further strain public finances.

Table 3: Forecasts by International Institutions, General Government Balance and Primary Balance (% GDP)

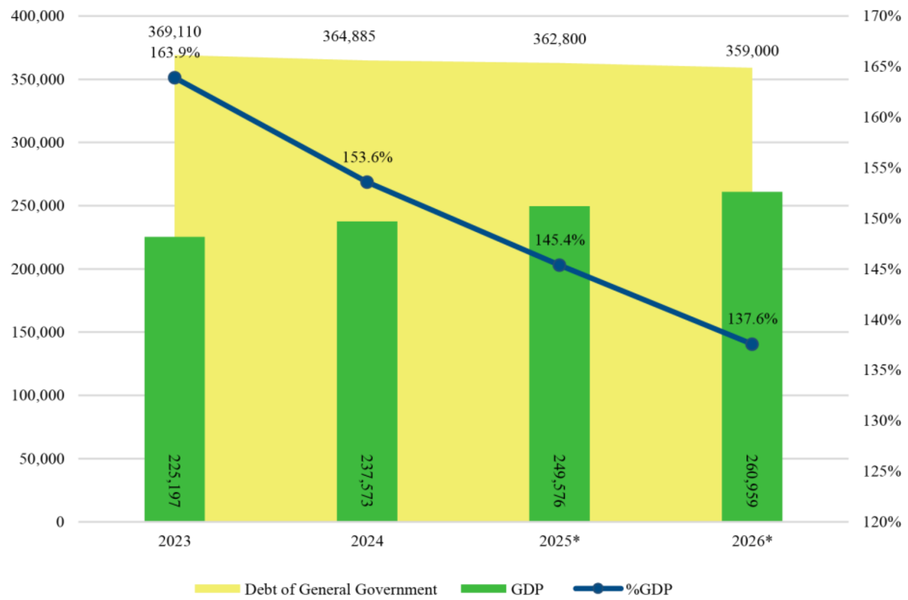
		General Government Balance		**Primary Balance**	
		2025	**2026**	**2025**	**2026**
IMF	April 2025	-0.5%	-0.6%	2.5%	2.4%
European Commission	May 2025	0.7%	1.4%	3.8%	4.4%
OECD	June 2025	0.0%	-0.2%	2.1%	2.2%
MinFin	October 2025	0.6%	-0.1%	3.6%	2.8%

Sources: 1. IMF, World Economic Outlook Database (April 2025), 2. European Commission, European Economic Forecast, Spring 2025 (May 2025), 3. OECD Economic Outlook, No 117 (May 2025), and 4. Draft Budgetary Plan 2026, MinFin (October 2025).

According to the DBP 2026, the general government debt-to-GDP ratio is expected to reach 145.3% in 2025, marking a decline of 8.2 percentage points compared with 2024 (see, Figure 7). This downward trend is projected to continue in 2026, with debt falling by a further 7.8 percentage points to 137.6% of GDP. If these projections materialize, the country's public debt is expected, for the first time in 15 years, to drop below the 140% of GDP threshold, a milestone with particular symbolic significance for Greece's long-standing fiscal stabilization effort.

The main factors driving this strong decline in debt are the persistence of high nominal economic growth and the improvement in the primary surplus. In the coming years, the effect of the gap between the implicit interest rate and the nominal growth rate is expected to lessen, while the contribution of the primary surplus will become more decisive in reducing the debt-to-GDP ratio. Despite the substantial decrease, the still-elevated level of public debt requires continued monitoring and fiscal vigilance, as it remains well above the 60% of GDP benchmark set by the EU's Stability and Growth Pact (SGP).

Figure 7: Debt of General Government



Source: MinFin (October 2025), ELSTAT, HFISC data processing.

Compliance with Fiscal Rules

The general principles governing fiscal planning, set out in Article 34 of Law 4270/2014, as amended, and aligned with the new European Union economic governance framework effective from 30 April 2024, focus on controlling public finances.[9] Specifically, they aim to maintain the growth of net nationally financed primary expenditure of the general government at levels that ensure both the sustainability of public debt and the containment of the fiscal deficit below the 3% of GDP reference

[9] Regulation (EU) 2024/1263 of the European Parliament and of the Council of 29 April 2024 on the effective coordination of economic policies and multilateral fiscal surveillance and repealing Council Regulation (EC) No 1466/97 (OJ L, 2024/1263, 30.4.2024), Council Regulation (EU) 2024/1264 of 29 April 2024 amending Regulation (EC) No. 1467/97 on speeding up and clarifying the implementation of the excessive deficit procedure (OJ L, 2024/1264, 30.4.2024) and Council Directive (EU) 2024/1265 of 29 April 2024 amending Directive 2011/85/EU on requirements for budgetary frameworks of the Member States (OJ L, 2024/1265, 30.4.2024).

value over the medium term.[10] They also aim at shaping the fiscal position of the general government's primary balance into a surplus.

According to the DBP 2026, the annual increase in the general government's net primary expenditure is estimated at 4.4% for 2025 and 5.8% for 2026, both rates exceeding the upper limits set in the MTFS 2025–2028 (3.7% and 3.6%, respectively). Despite this deviation, the projections remain consistent with the new fiscal framework, as the actual change recorded in 2024 was -0.4% of GDP, lower than the established ceiling, thus creating fiscal space for higher expenditure during 2025–2026. This deviation is mainly attributed to the stronger-than-expected impact of discretionary revenue measures. Under the new fiscal framework, an annual deviation of up to 0.3 percentage points of GDP (around €0.7 billion) is allowed, providing additional flexibility.[11]

In addition, the national escape clause, foreseen in Regulation (EU) 2024/1263, provides for a justified deviation from the endorsed net expenditure path in the presence of exceptional circumstances with a major fiscal impact beyond the control of Member States.[12] Specifically, defense expenditures are estimated to increase by approximately 0.1% of GDP in 2025 and 0.3% of GDP in 2026, compared to the baseline year 2024. It is also noted that, the projected cumulative increase in net primary expenditures aligns with the MTP 2025–2028 limits of 6.5% of GDP in 2025 and 10.3% in 2026, remaining within the prescribed thresholds.

Furthermore, compliance with the 3% of GDP reference value for the general government deficit is ensured for both years. The deficit is projected to register a surplus of 0.6% of GDP in 2025 and a marginal deficit of -0.1% of GDP in 2026. The general government primary balance remains in surplus for both years, in full alignment with the national numerical fiscal rule. Finally, the dynamics of public debt are reflected in the steady and significant decline in the debt-to-GDP ratio, with a reduction of 8.2 percentage points in 2025 and 7.8 percentage points in 2026. This trajectory exceeds the forecasts of the MTP 2025–2028, demonstrating the strengthened resilience and positive outlook of the Greek economy.

Upside-downside risks

In 2026, the Greek economy may face several uncertainties that could hold back the strong economic momentum experienced in recent years.

A key downside external risk stems from the geopolitical and world trade uncertainties as well as problems in European countries facing fiscal challenges and political tensions, all of which combined could disrupt markets and weigh on growth. Within this international environment, weaker external demand, particularly if tourism underperforms, would hit Greece's exports, overall economic activity, tax revenues and the current account. A higher disposable income, due to favorable tax reforms like the recently announced one, may further boost consumption and increase aggregate demand, but its net

[10] Within the framework of the Net Expenditure Rule, as provided in Article 36 of Law 4270/2014, the percentage change in net expenditures is not allowed to exceed the upper limits set in the applicable Council Recommendation, pursuant to Article 17 of Regulation (EU) 2024/1263, concerning the approval of the National Medium-Term Fiscal-Structural Plan.

[11] Article 2 par. 2 of Regulation (EC) 1467/1997: "The Commission shall prepare a report in accordance with Article 126(3) TFEU where… the deviations recorded in the control account of the Member State exceed: (a) either 0.3 percentage points of GDP annually, (b) or 0.6 percentage points of GDP cumulatively."

[12] Article 26 of Regulation (EU) 2024/1263: "exceptional circumstances outside the control of the Member State with a major impact on its public finances, provided that it does not endanger fiscal sustainability over the medium term". HFISC has acknowledged that the significant fiscal burden arising from existing and/or planned defense expenditures meets the criteria of such an exceptional circumstance, following the assessment of the relevant request submitted by the MinFin.

macroeconomic effect will also depend on inflation as well as the broader macroeconomic environment. For instance, persistent or renewed inflationary pressures compared with other European countries might erode household purchasing power, highlighting the need to closely monitor divergence from the Eurozone average. Delays in carrying out structural reforms to boost market competition could slow productivity gains and reduce the economy's ability to absorb shocks. A slower-than-expected absorption of EU Recovery and Resilience Facility funds might weaken the investment momentum observed in recent years and delay key infrastructure and green transition projects.

On the positive side, defense expenditures with increased investment in procurement, infrastructure and technology, are expected to stimulate domestic industries, create spillovers in manufacturing and innovation, and attract strategic international partnerships. A continued decline in inflation at EA level could limit future interest rate hikes, generating further benefits for both the private economy and public finances. Combined with robust EU fund absorption, an improved consumer and investor sentiment, supported by Greece's upgraded credit profile and fiscal prudency, could reinforce the country's growth trajectory and strengthen its economic resilience.

Based on the above, the Hellenic Fiscal Council endorses the macroeconomic projections underlying the Draft Budgetary Plan 2026. The Council has assessed the fiscal projections and confirmed compliance with the numerical fiscal rules.

For the Hellenic Fiscal Council,

The Chairperson

Anastasia Miaouli

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