

Assessment on the Annual Progress Report 2025

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Assessment of the compliance of the budgetary outturns data reported in the Annual Progress Report 2025 and of activation of the national escape clause

The Hellenic Fiscal Council (HIFSC) was established as an independent fiscal authority under the law 4270/2014. HFISC submits the current assessment of the compliance of the budgetary outturns data reported in the Annual Progress Report 2025 (APR 2025) as stipulated in Regulation (EU) 2024/1263 (Art. 23) of the European Parliament and of the Council. In addition, HFISC provides its assessment with respect to the activation of the national escape clause as stipulated in Regulation (EU) 473/2013 (Art. 5, par. 2c) and Regulation (EU) 2024/1263 (Art. 26) of the European Parliament and of the Council.¹

This is the first assessment concerning APR within the new Economic Governance framework entered into force on April 30th, 2024.² The new framework is anchored in an analysis of country-specific risks, ensuring the plausible and continuous reduction of debt to GDP ratio. Within this framework primary net expenditure is the main operational variable that safeguards compliance towards the rules of the EU Stability and Growth Pact concerning the 3% and 60% of GDP reference values for the deficit and debt respectively.

This assessment takes into account the following:

- a) The APR 2025 macroeconomic scenario and budgetary forecasts that have been communicated by the Ministry of Economy and Finance (MinFin) to HFISC on 28 April 2025 and the technical dialogue between experts from MinFin and HFISC.
- b) The Council Recommendation of 21 January 2025 endorsing the national medium-term fiscal-structural plan of Greece.³
- c) The most recent data published from the Hellenic Statistical Authority (ELSTAT) covering the entire year 2024.⁴
- d) The State Budget 2025 (SB 2025) projections as well as those of the Medium-Term Fiscal-Structural Plan 2025-2028 (MTP 2025-2028).^{5, 6}
- e) The European Commission's (EC) 2025 Autumn Forecasts, along with main economic indicators and macroeconomic forecasts of leading international and national institutions for the Greek economy.⁷

¹. A comprehensive analysis of macroeconomic and budgetary developments of the Greek economy will be included in the forthcoming HFISC bi-annual report.

². Regulation (EU) 2024/1263 of the European Parliament and of the Council of 29 April 2024 on the effective coordination of economic policies and on multilateral budgetary surveillance and repealing Council Regulation (EC) No 1466/97 (OJ L 2024/1263), 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).

³ [OJ L 2024/1263](#)

⁴. Hellenic Statistical Authority, press releases 07/03/2025, [Quarterly National Accounts \(provisional data\) - Annual National Accounts \(estimates\)](#) and 22/04/2025, [Fiscal Data \(1st notification\)](#).

⁵. [State Budget 2025 \(In Greek\) – Ministry of Economy and Finance](#)

⁶. [Medium-Term Fiscal-Structural Plan 2025-2028](#)

⁷. [European Commission, Autumn Economic Forecast for Greece](#)

The operational rule

Table 1: Observed and Recommended net expenditure

			2023	2024	2025*
<u>Observed net expenditure</u>					
1	Total Expenditure	bn NAC	111,5	114,0	121,2
2	Interest expenditure	bn NAC	7,6	8,2	7,6
3	Cyclical unemployment expenditure	bn NAC	0,2	0,2	0,1
4	EU funded expenditure	bn NAC	5,7	5,9	9,6
5	National co-financing of EU programmes	bn NAC	0,7	0,7	0,7
6	One-offs expenditure (levels, excl. EU funded)	bn NAC	0,3	0,4	0,1
7	Net expenditure before DRMs (1-2-3-4-5-6)	bn NAC	96,9	98,6	103,0
8	Change in net expenditure before DRMs (Δ7)	bn NAC		1,7	4,4
9	DRM (annual incremental impact, excl. one-offs)	bn NAC		2,0	0,0
10	Annual <u>change</u> in net expenditure after DRMs (8-9)	bn NAC		-0,3	4,4
<u>Annual and cumulated gaps</u>					
11	Observed net expenditure growth (10 (t) / 7 (t-1))	% change		-0.3	4.5
12	Recommended net expenditure growth	% change		2.6	3.7
13	Annual gap ((11-12)*7)	bn NAC		-2,9	0,8
14	Cumulated gap (cumulated from 13)	bn NAC		-2,9	-2.1
15	Nominal GDP	bn NAC	225,2	237,6	248,5
<u>Control account*</u>					
16	Annual balance (13/15)	% GDP			0.3
17	Cumulated balance (14/15)	% GDP			-0.8

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

*Given that the control account can only be calculated on the basis of outturn data, here is just an estimation.

The MTP 2025–2028 had set a recommended net primary expenditure growth target of 2.6% for Greece in 2024. The observed expenditure growth was -0.3% in 2024 due to higher-than-anticipated impact of discretionary revenue measures (DRMs), that was initially projected at €0.5 billion (October 2024), whilst the actual implementation resulted in higher revenues performance of approximately €2 billion. Importantly, due to DRMs net primary expenditures in 2024 were below the recommended threshold and this created fiscal space for increased expenditure growth in the upcoming period of 2025–2028. The improved tax revenues in 2024 vis a vis 2023 has been mainly attributed to: increased household incomes; a decline in unemployment (higher revenues from social security contributions); the implementation of anti-tax evasion measures (including the interconnection of cash registers with POS systems); and the continued rise in electronic transactions that boosted VAR receipts. As a result, the primary surplus was 4.8% of GDP in 2024 vis a vis the projected 2.4% of GDP in the MTP 2025-28, while the headline balance turned positive to 1.3% of GDP from the projected -1.0% of GDP in the MTP 2025-28.

In 2025, the annual growth of net primary expenditures is estimated to increase to 4.5% higher from the recommended 3.7% in the MTP 2025–2028. This estimate though is consistent with the new economic governance that allows deviation of 0.3 percentage points of GDP annually.⁸ Note that the

⁸ 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.”

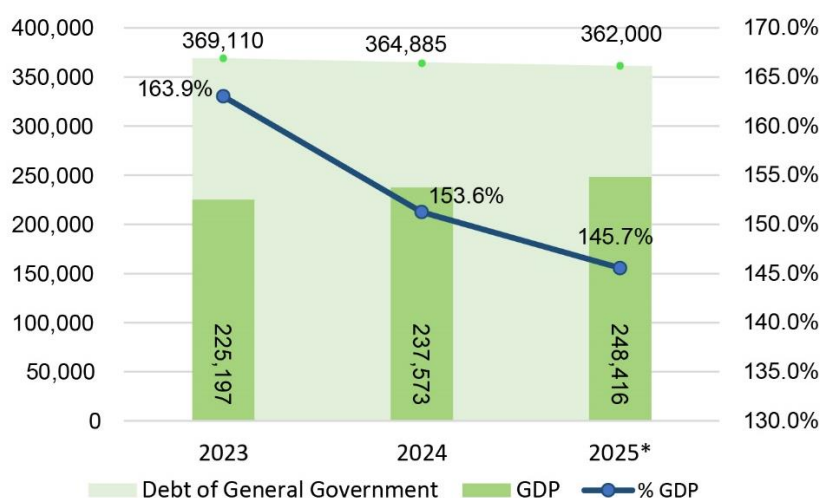
estimated cumulated net primary expenditure growth for 2025 is 4.2%, lower than the recommended 6.5%, also in compliance with the new fiscal framework.

The continuation of primary fiscal surpluses, anchored in a nationally determined fiscal rule framework, represents a calibrated policy stance aimed at reconciling fiscal prudence with macroeconomic stability. Nowadays, within a post-program environment, this approach signals a transition from externally imposed conditionalities to a domestically owned fiscal strategy. The national fiscal rule, if properly designed and institutionally safeguarded, can enhance policy credibility, support debt sustainability, and strengthen investor confidence. As such, the policy emphasis is shifting to a more holistic framework linking fiscal performance with long-term sustainability and economic resilience.

Debt

The general government debt-to-GDP ratio is estimated at 153.6% in 2024, reflecting a notable decline of 10.3 percentage points relative to 2023 (see Figure 1). For 2025, the ratio is projected to fall further to 145.7% of GDP, implying an additional reduction of 7.9 percentage points. This accelerated debt consolidation trajectory is primarily driven by robust nominal GDP growth and the marked improvement in the primary fiscal balance. A decomposition of the debt dynamics reveals a gradual attenuation of the contribution from the growth–interest rate differential, with an increasing share of the adjustment attributable to sustained primary surpluses. Notwithstanding the favorable trajectory of debt, it remains essential to uphold a prudent fiscal stance, as the still-elevated debt level necessitates continued vigilance, particularly in the current context of heightened global uncertainty.

Figure 1: Debt of General Government



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

National escape clause

In the context of heightened geopolitical uncertainty following Russia's war of aggression against Ukraine, 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.⁹ The Joint White Paper on European Defense Readiness 2030 invites Member States to seek coordinated activation of this clause to accommodate increased defense expenditure.¹⁰ The HFISC acknowledges that the significant fiscal burden stemming from incurred and/or planned defense-related outlays qualifies as such an exceptional circumstance.

Any temporary deviation to accommodate higher defense spending will be taken into account when assessing Greece's compliance under the MTP 2025–2028.

However, given that Greece maintains the highest debt-to-GDP ratio in the euro area, particular fiscal prudence is warranted, especially regarding the composition and efficiency of defense expenditure. Flexibility should be carefully framed to preserve the credibility of the EU's fiscal architecture and to avoid undermining medium-term debt sustainability.

Upside-downside risks

At the European level, the sluggish inflation trend is expected to pave the way for a gradual normalization of ECB interest rates with further adjustments contingent on evolving economic indicators and inflationary trends, contributing to a lower cost of borrowing, improved market confidence, and enhanced macroeconomic prospects. In this context, the continued absorption of resources from the National Recovery and Resilience Plan (NRRP) is vital for supporting growth. Domestically, the stronger-than-expected primary surplus of 4.8% of GDP in 2024 (against a target of 2.4%) emphasizes strong, unrepresented fiscal performance, which is anticipated to continue in the medium term to safeguard the downward debt trajectory. Structural reforms, particularly those targeting tax and institutional efficiency, along with recent sovereign credit rating upgrades, are expected to further support growth and thereby contribute to significant debt reductions.

However, the global economy is going through a period of significant change. Currently, there are significant uncertainties regarding a global trade war with very high tariffs that would impair economic activity worldwide. The possibility of a global trade war have dampen investment sentiment and increased the risk of a global economic downturn. European exporters, particularly in key industrial sectors such as chemicals, machinery, and automotive manufacturing, are likely to be directly affected by these tariffs. While Greece's direct exposure to U.S. tariffs is relatively limited, Greek exports to the U.S. accounted for approximately 4.8% of total exports in 2024, the country is not immune to the broader implications of a global trade slowdown. Greece's economy is closely tied to the broader EU economy, and any negative impact on major EU economies could indirectly affect Greece through reduced demand for its exports and potential declines in tourism and investment.

Furthermore, a number of downside risks persist. Adverse external conditions, including geopolitical instability, are constraining Greece's economic outlook. Ongoing conflicts in Ukraine and the Middle East have disrupted trade routes and increased energy costs, impacting export competitiveness and supply chains. Additionally, reduced demand from key European markets and rising global uncertainty are dampening investment sentiment. Climate-related shocks, including natural disasters, pose increasing fiscal challenges due to unexpected spending needs, potentially straining the fiscal framework. Structural impediments such as labor market inefficiencies, low productivity growth, and demographic headwinds, especially population ageing, could weigh on medium-to long-term growth and public expenditure.

⁹ 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”

¹⁰ JOIN (2025) 120 final, Brussels 19.3.2025

Greece's high public debt warrants continued fiscal prudence. Maintaining fiscal discipline is essential to ensure economic stability and reinforces confidence in the country's economic management. Simultaneously, advancing structural reforms in public administration, the labor market, and the energy sector will enhance productivity and promote sustainable, inclusive growth.

For the Hellenic Fiscal Council

The Chairperson

Anastasia Miaouli

