Greece

In 2023, the Greek economy grew at a slowing but robust rate of 2.3% (2022: 5.7%), significantly higher than the euro area average (0.5%). Exports, private consumption and investments were the main drivers of growth.

Headline inflation (HICP) fell substantially to 4.2% down from 9.3% in 2022. On the other hand, core inflation followed an upward trend and averaged 5.3% in 2023, albeit a gradual easing was observed since mid-2023.

The labour market continued to strengthen, even though at a more moderate pace, with the average unemployment rate falling to 11.1% from 12.4% in 2022.

During the second half of 2023, three of the five credit rating agencies recognised by the Eurosystem upgraded the Greek sovereign's credit rating to investment grade (the fourth also granted Greece an investment grade rating in August 2024). In end-2023, Greek government bond yields declined significantly than those of other euro area government bonds compared with end-2022. As a result, the spread of the Greek 10-year bond over German Bunds tightened significantly to 155 basis points in 2023 from 230 basis points in 2022, whereas the spread of Greek 10-year bond vis-à-vis the respective Italian bond turned negative since May 2023.

The primary fiscal surplus turned out at 1.9% of GDP in 2023, significantly exceeding the budget target (1.1%). The increase in the primary surplus in 2023 is attributed to the timely withdrawal of pandemic- and energy-related fiscal measures, as well as to the over performance of tax revenues.

The reduction of public debt as a percentage of GDP continued in 2023, at a pace faster than all euro area countries. General government debt declined by 10.7 percentage points of GDP relative to 2022 and reached 161.9% of GDP.

Greece is one of the top performers in Recovery and Resilience Facility (RRF) funds absorption in the EU. Up to end-2023, Greece had received 41% of the available funds and is one of the few countries to have received three tranches of grants and loans, after fulfilling 23% of the agreed targets and milestones of its programme. However, there are delays in the disbursement of grants to firms, reflecting administrative hurdles. Disbursements of loans to firms also remain relatively low, despite growing amounts of signed contracts. This delays the expected growth benefit of RRF funds for later years and raises risks of incomplete absorption.

In 2023, liquidity, asset quality, profitability and capital adequacy of the Greek banking sector further improved. The improvement in the banking sector's fundamentals and prudential indicators, coupled with Greece's upgrade to investment grade, have created favourable conditions for the implementation of the Hellenic Financial Stability Fund's (HFSF) strategy to divest any stakes it holds in significant Greek banks.

Liquidity and funding conditions of the Greek banking sector improved further. The balance of residents' deposits in Greece rose by 2.3% year-on-year and stood at €201.6 billion in December 2023. This development greatly contributed to maintaining high levels of liquidity in Greek banking groups. At the same time, despite the high interest rate environment, the return to investment grade in the second half of 2023 contributed to a further decline in sovereign and bank bond yields and facilitated the access of Greek banks to capital markets.

The total stock of non-performing loans (NPLs) stood at €9.9 billion, down by 25% or €3.3 billion compared to December 2022. The ratio of NPLs to total loans for the banking sector declined further to 6.6% in end-2023, from 8.7% in 2022. The corresponding indicator for SIs fell below 5%, thus shortening its distance from the European average. For LSIs the NPL ratio remained particularly high, standing at 37.6% in 2023, down by 8 percentage points from December 2022.

In 2023, Greek banks posted profits, after tax and discontinued operations, amounting to €3.8 billion, compared with profits of €3.4 billion in 2022. Higher net interest income contributed positively, as a result of the key ECB interest rate hikes, while a negative impact came from a large decline in income from financial operations and other revenue. As a result, Greek banking groups Return on Assets (RoA) and Return on Equity (RoE) ratios stood at 1.2% and 12.0%, higher than the euro area average.

The capital adequacy of Greek banking groups strengthened considerably. In particular, the Common Equity Tier 1 ratio (CET1 ratio) on a consolidated basis rose to 15.5% in December 2023, from 14.5% in December 2022, and the Total Capital Ratio (TCR) to 18.7%, from 17.5%, respectively, bringing the CET1 ratio closer to the European average (15.7%), while the TCR still falls short of the European average (19.7%). As far as the MREL requirements build-up is concerned, Greek banks have met the MREL binding interim target set by the SRB through issuing MREL eligible instruments.

The structural financial indicators show (end of 2023) a further decline in the number of bank offices (branches) in the EU, averaging 3.09% across Member States. Decreases were observed in 24 of the 27 EU countries, ranging from -0.17% to -12.46%. In Greece, the decrease was -5.11%. Regarding the number of employees of domestic credit institutions the change in Greece was -3% (EU average: 0.36%).

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