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Monetary Stability, Domestic Confidence and Investment: The Greek Experience

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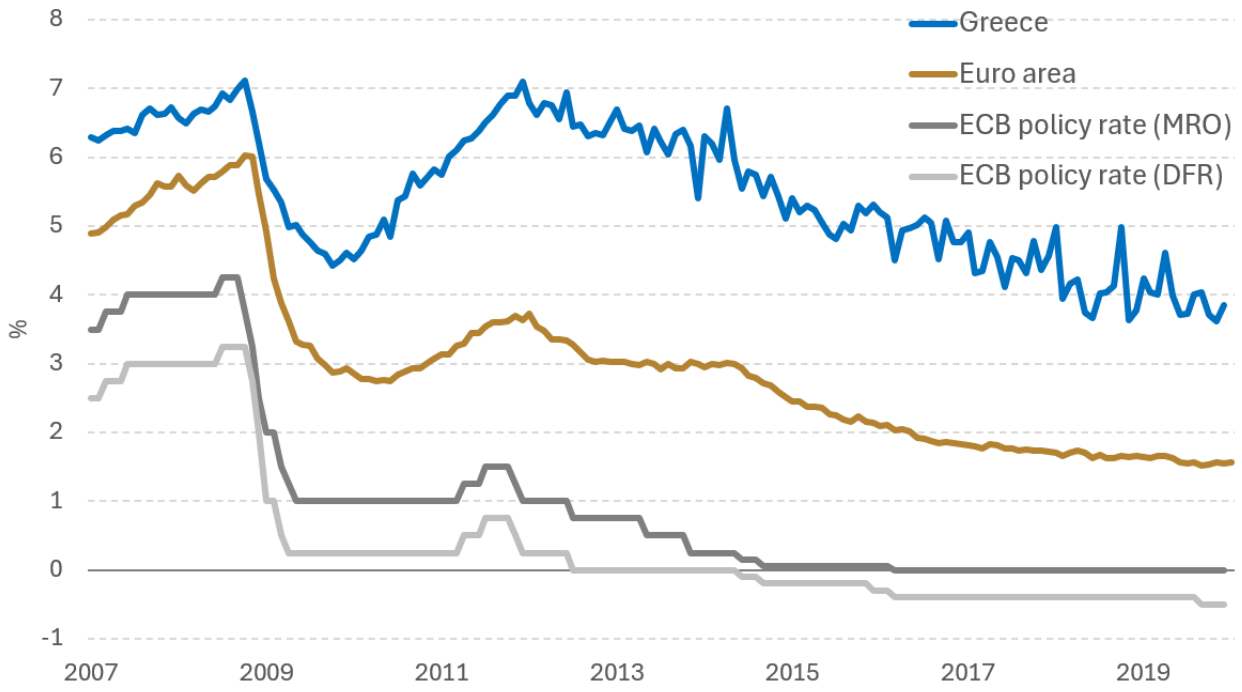
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A single monetary policy did not ensure common financing conditions

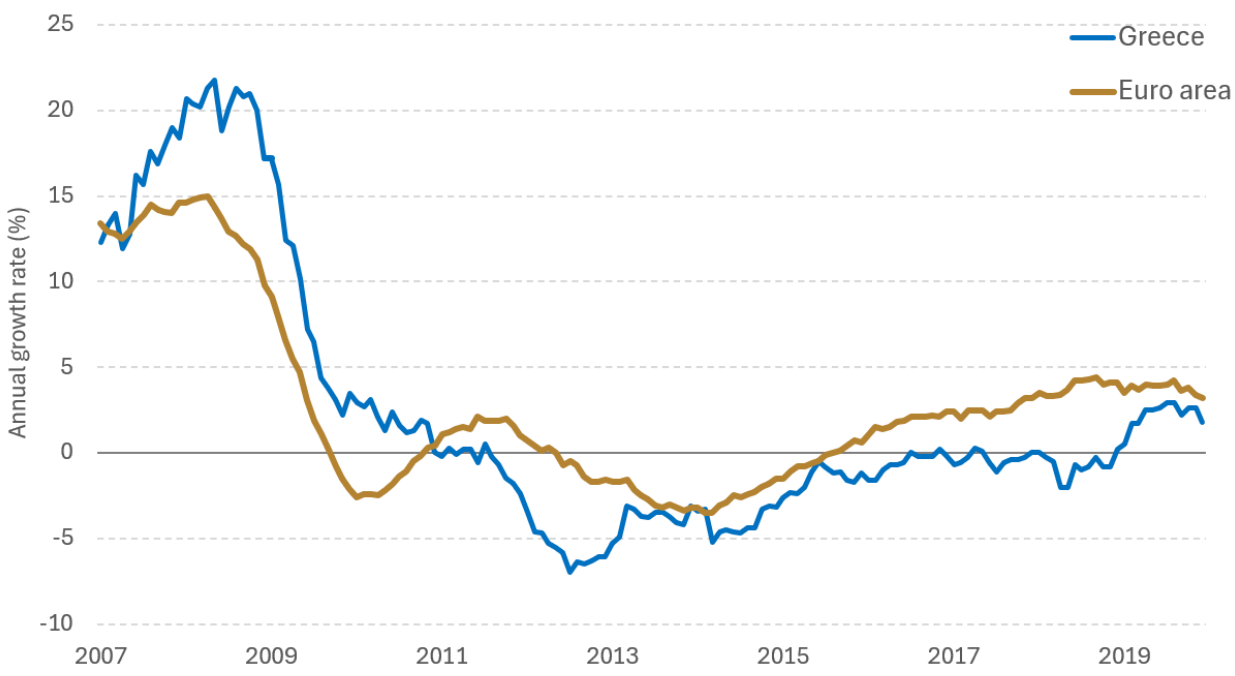
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Borrowing costs for firms & ECB policy rates



Source: ECB.

Growth in bank lending to firms



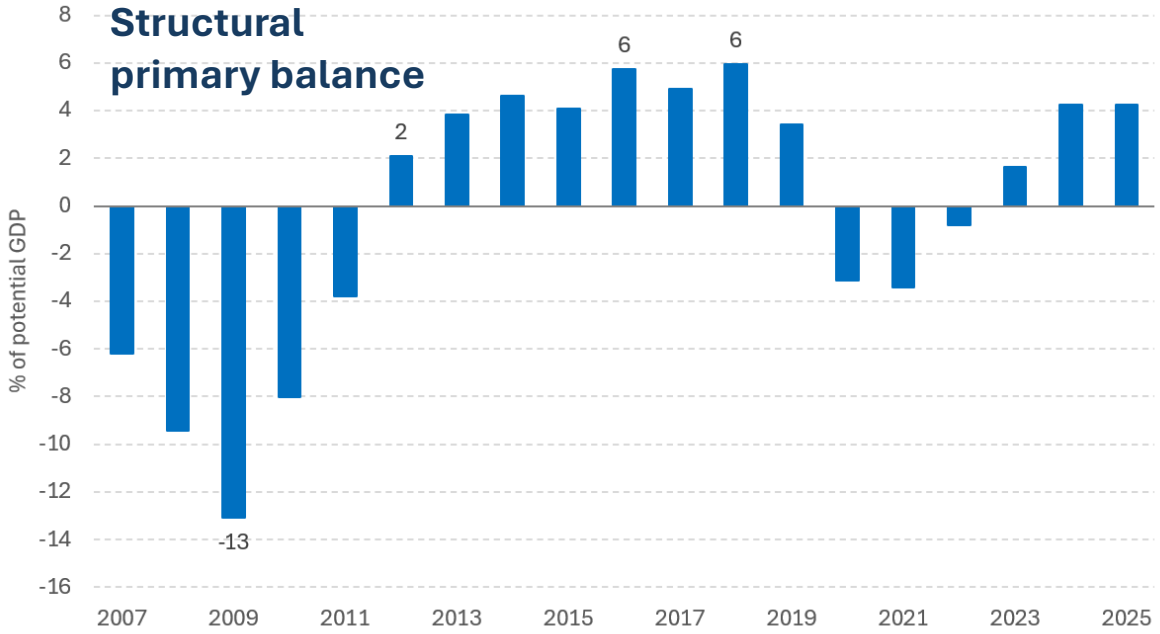
Source: ECB.

Despite monetary easing, Greek firms faced borrowing costs above the euro area average and prolonged credit contraction.

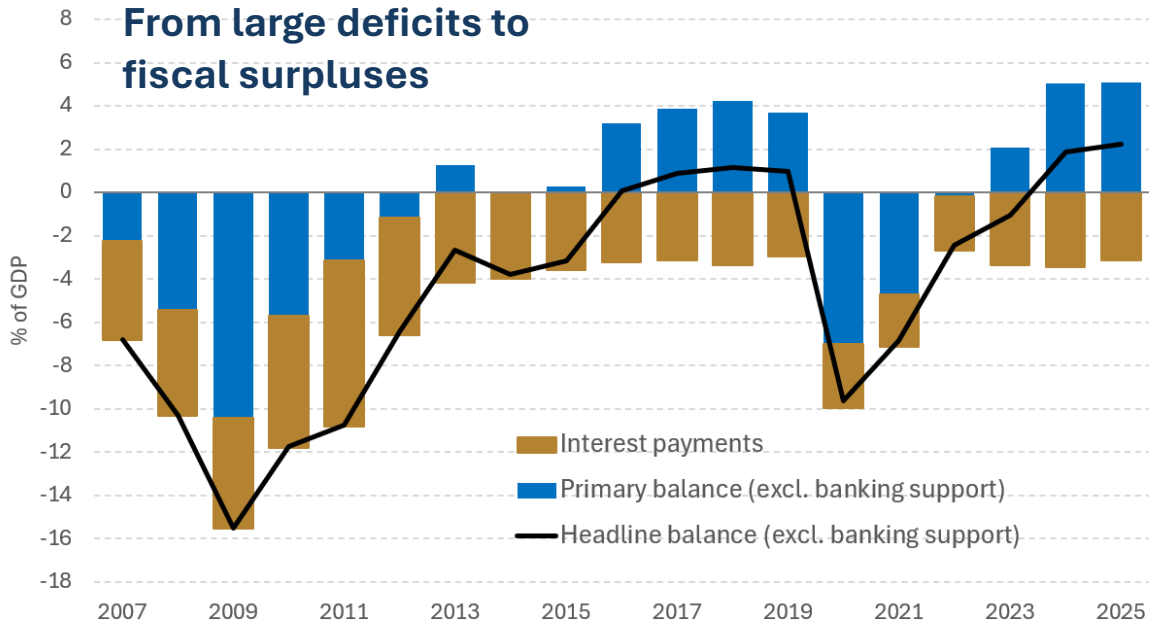
A stable monetary anchor needs domestic confidence and functioning credit markets.

Restoring fiscal credibility was essential to rebuilding confidence

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Source: Bank of Greece.



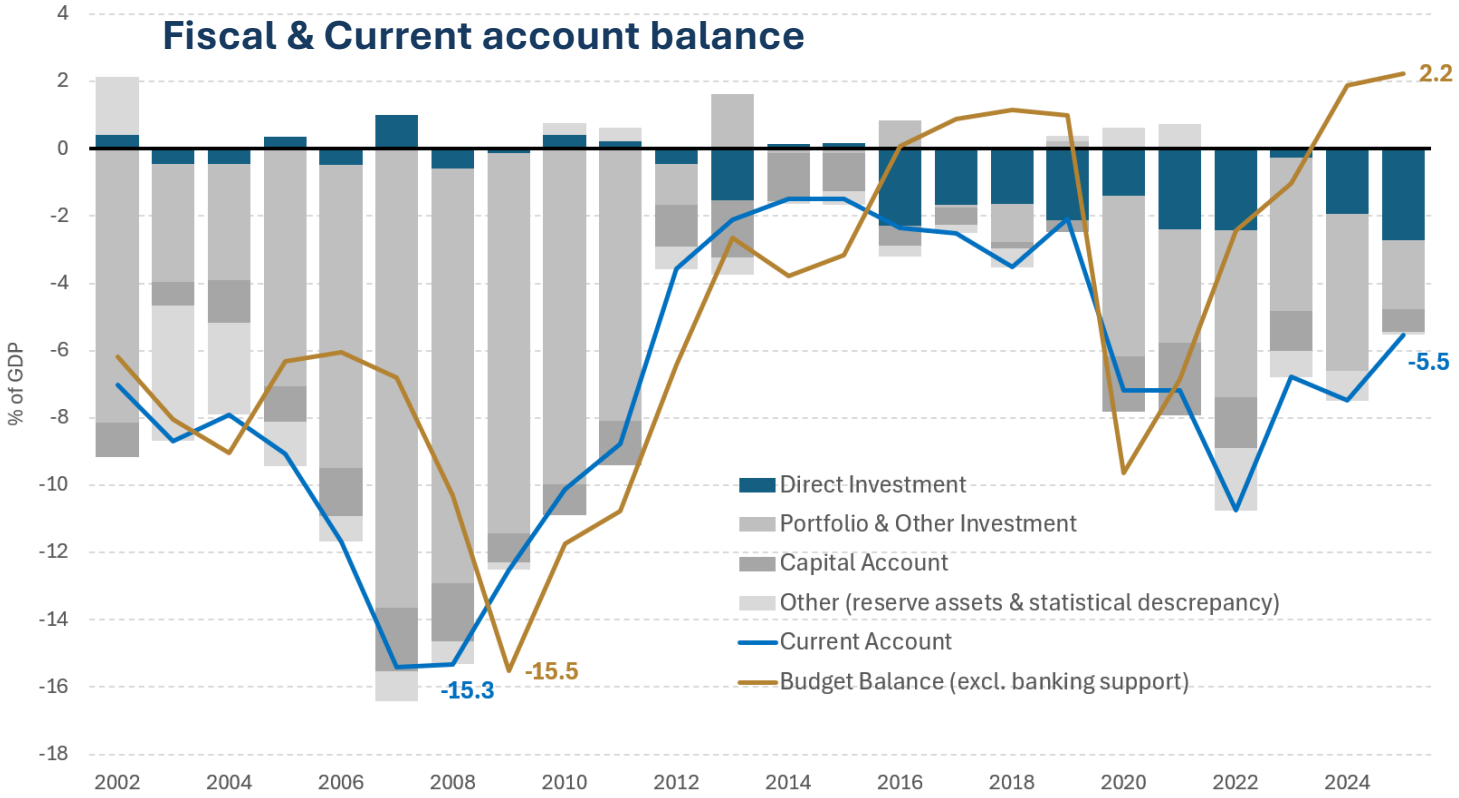
Source: Bank of Greece.

Structural fiscal adjustment:
Lasting expenditure reforms. Stronger tax compliance. Sound measures & consistent implementation.

The quality of fiscal adjustment is key to its durability.

Fiscal balance has been restored, but the external deficit persists

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Bars show contributions to the current account balance. Negative net FDI denotes inflows.

Sources: ELSTAT, Bank of Greece.

Recovery & Investment: Higher output and investment raise imports of inputs & capital goods.

More resilient external financing: Net FDI covered c. 50% of the Current Account Deficit in 2025 (vs. 4% in 2008), providing a generally more stable source of financing.

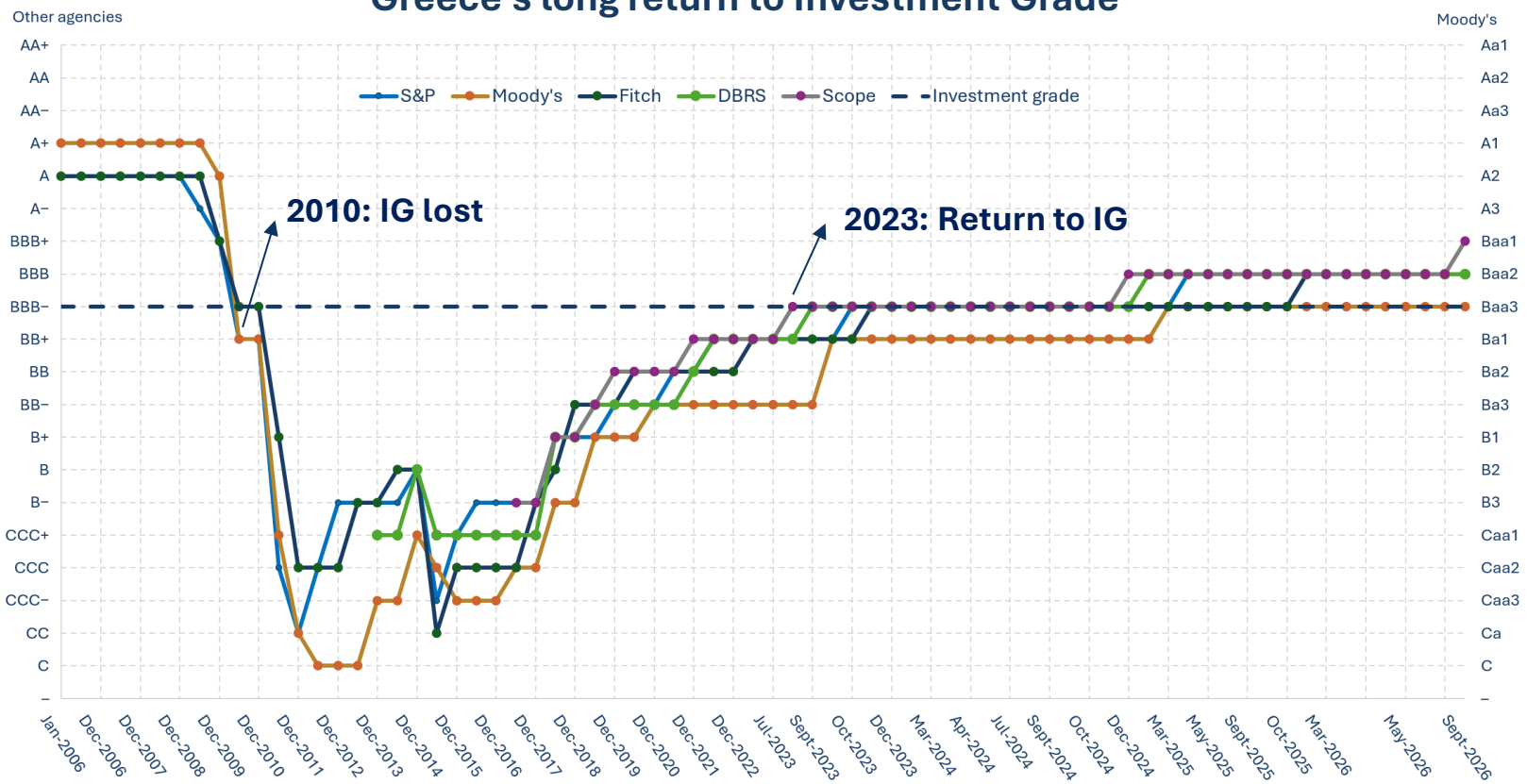
Structural weaknesses remain: High import dependence and insufficient domestic saving sustain the external imbalance.

Lasting external adjustment requires strong domestic saving and competitive production.

Credibility can be lost quickly and takes years to rebuild

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Greece's long return to Investment Grade



Source: Public Debt Management Agency.

Rebuilding credibility: Consistent implementation & delivery on commitments.

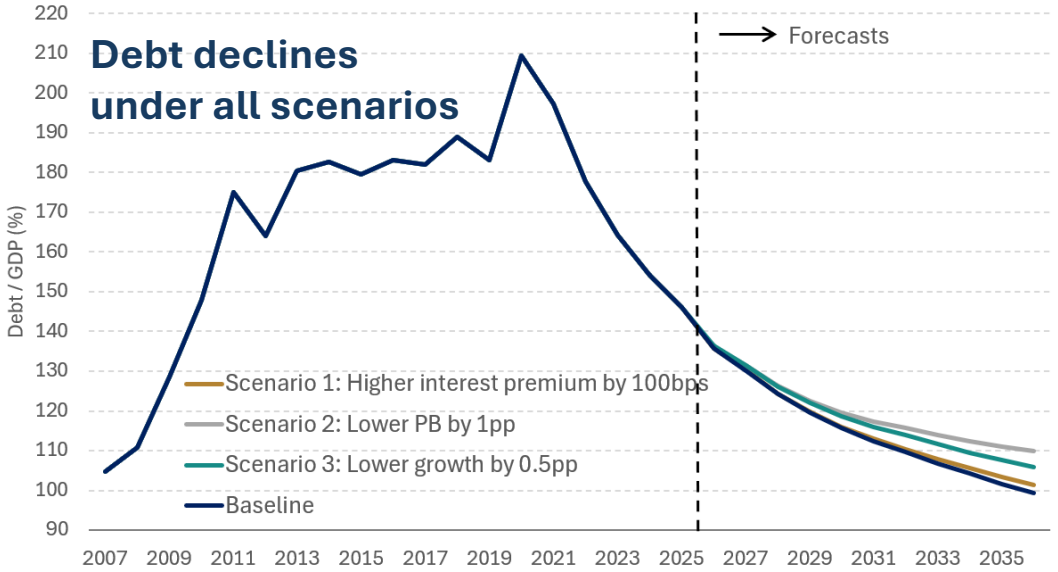
Policy consistency: Domestic ownership, broad political consensus, policy continuity.

Access to finance: Investment grade broadens the investor base & can improve financing terms for the government, banks & businesses.

Investors need confidence that sound policies will last.

European solidarity & national responsibility support debt sustainability

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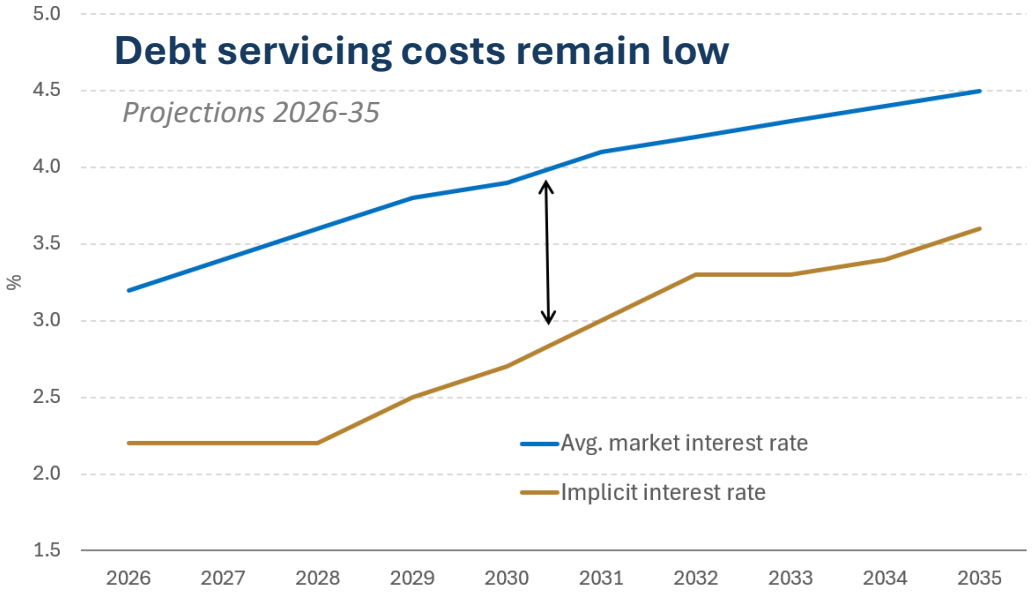


Source: Bank of Greece.
* Actual General Government debt annual interest payments after swap (cash basis)

Weighted Avg. Maturity: 18 years

100% Fixed rate

Annual service cost: 1.4%*



Source: Bank of Greece

European solidarity: Long maturities & concessional financing terms reduce refinancing risks & cushion the transmission of market rates to debt-servicing costs.

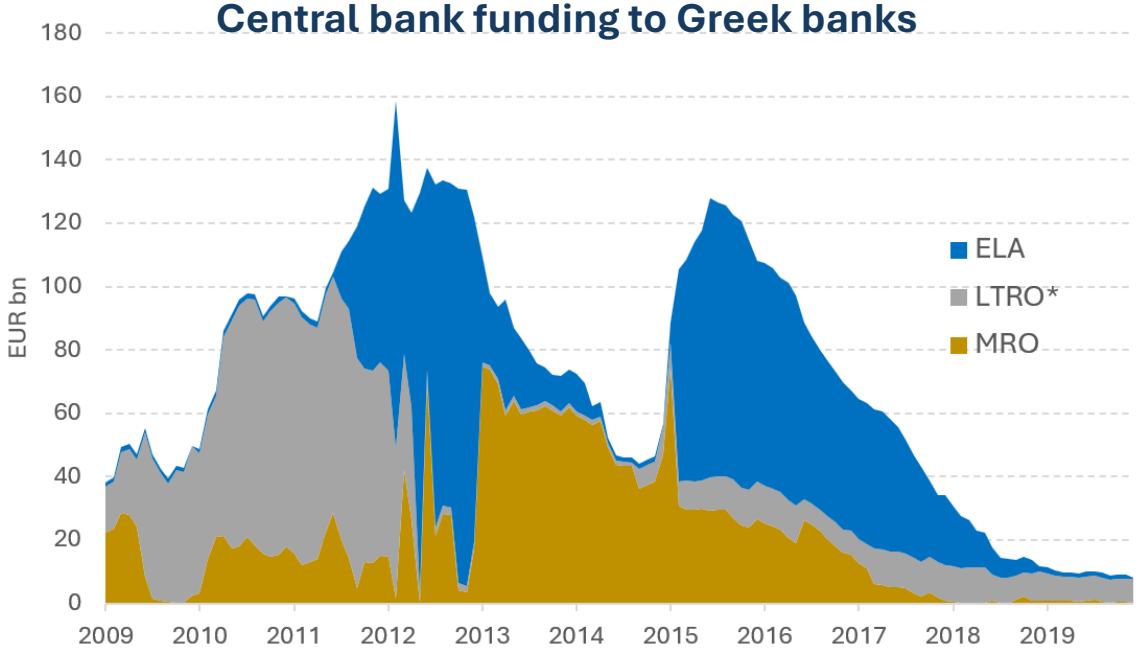
National responsibility: Fiscal discipline & reforms support confidence & market access.

Favourable debt terms & prudent policies support debt reduction & limit interest rate risk.

Eurosystem support eased liquidity pressures & safeguarded monetary policy transmission

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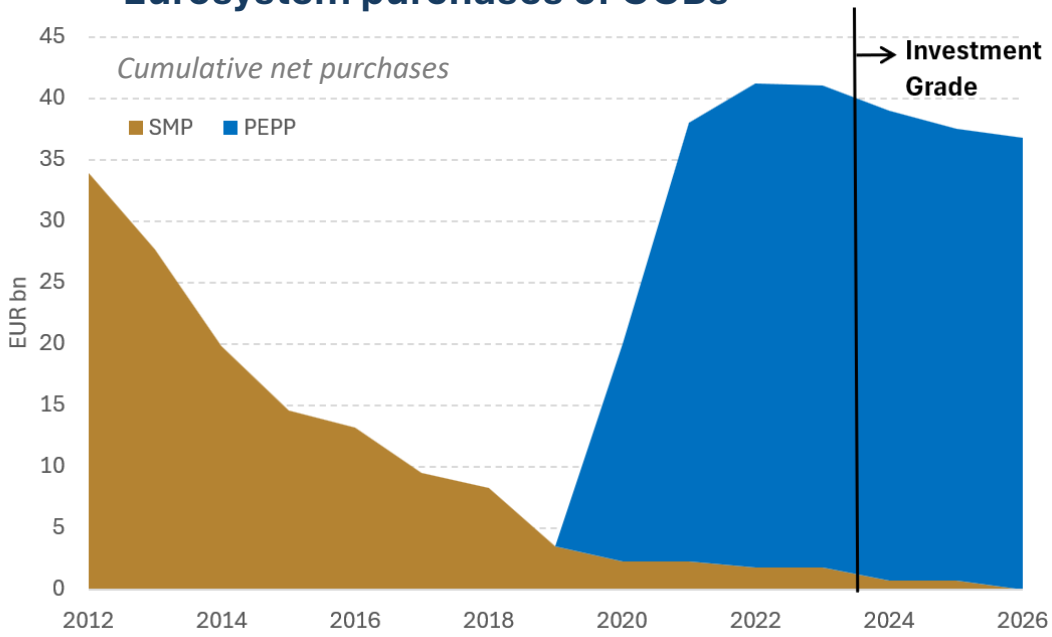
Central bank funding to Greek banks



*Source: Bank of Greece. * Includes: 3M, 6M, 1Y, 3Y, TLTROs, PELTROs*

During the adjustment programmes: Collateral waivers supported banks' access to Eurosystem funding & helped ease liquidity pressures.

Eurosystem purchases of GGBs



Source: ECB.

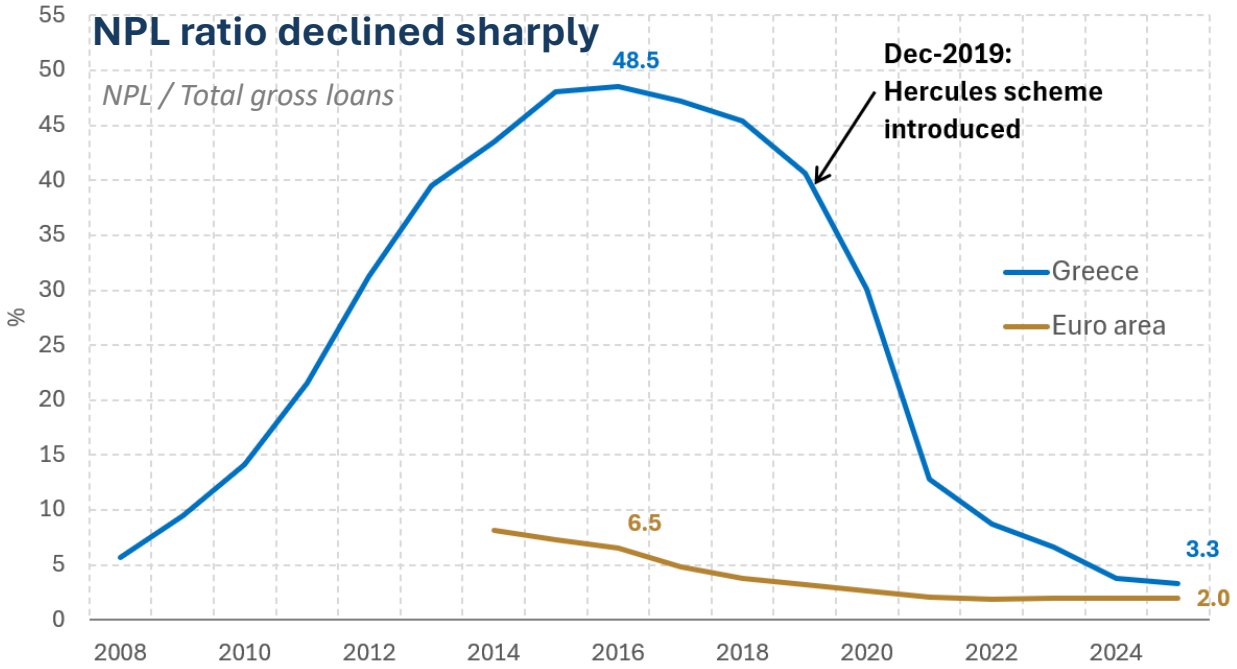
During the sovereign debt crisis: SMP purchases addressed severe tensions in the Greek bond market.

During the pandemic: PEPP purchases supported financing conditions before Greece regained IG status.

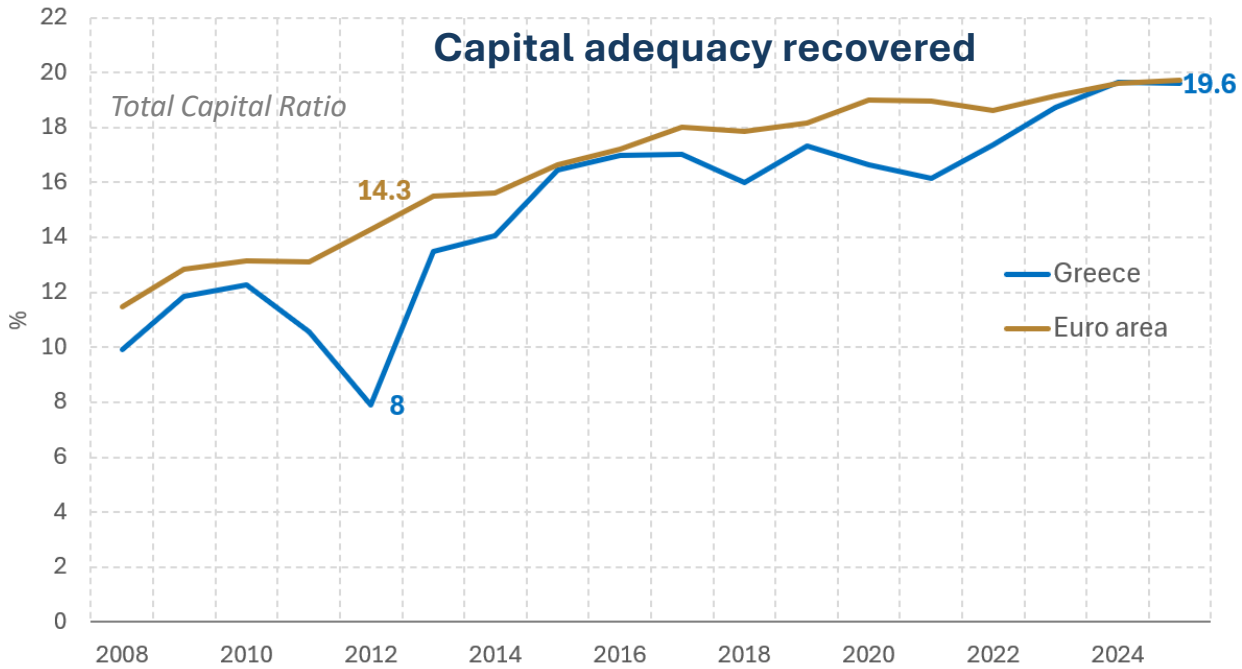
Central bank liquidity provision contributed to domestic adjustment.

Bank restructuring restored lending capacity

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Source: Bank of Greece and ECB.



Source: ECB.

Restructuring & capital: Consolidation & recapitalisation strengthened bank resilience.

Governance & supervision: Dedicated NPL units, credible reduction strategies & operational targets supported the clean-up.

The Hercules scheme: State guarantees facilitated NPL securitisations & accelerated banks' balance sheet repair.

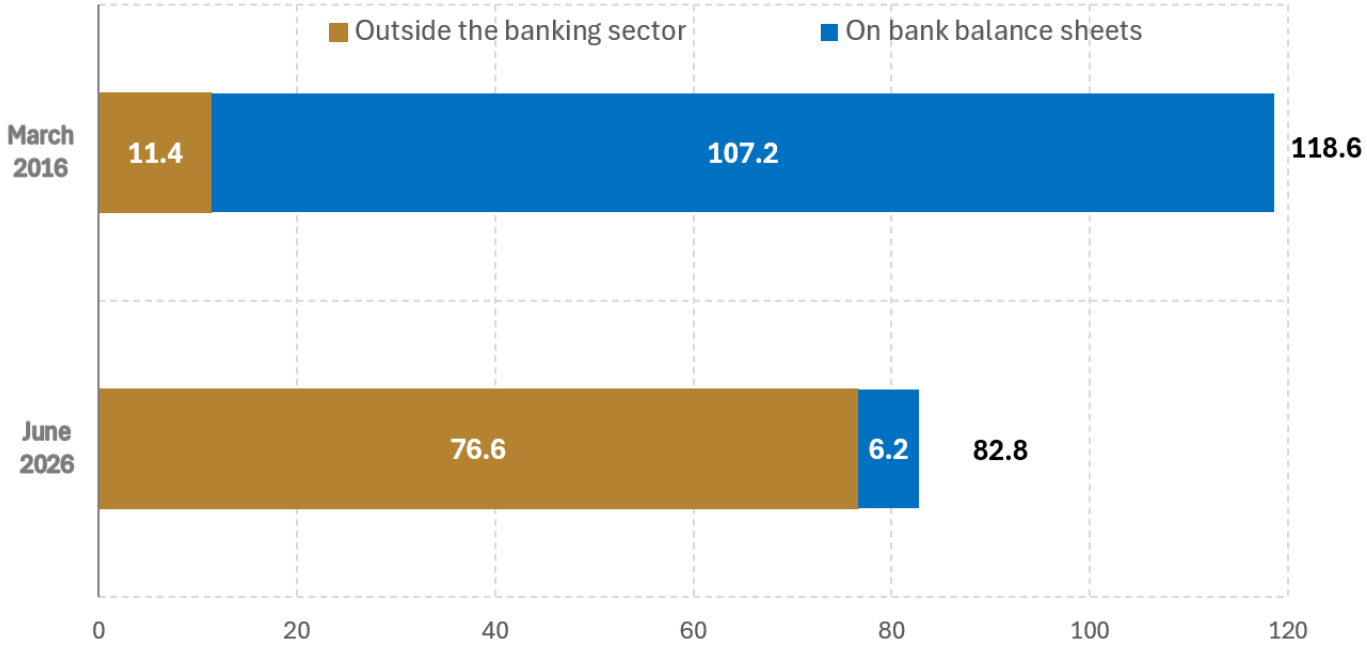
Sound banks help turn monetary stability into credit for viable investment.

Resolving distressed debt remains essential for investment

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Non-performing private sector debt

EUR bn



Source: Bank of Greece.

2016 – 2026

94%

Reduction in NPLs on bank balance sheets

30%

Reduction in total NPLs across the economy

Viable firms: Sustainable restructuring can help firms repair their balance sheets, regain access to finance and resume investment.

Non-viable firms: Timely insolvency procedures can release assets for more productive uses.

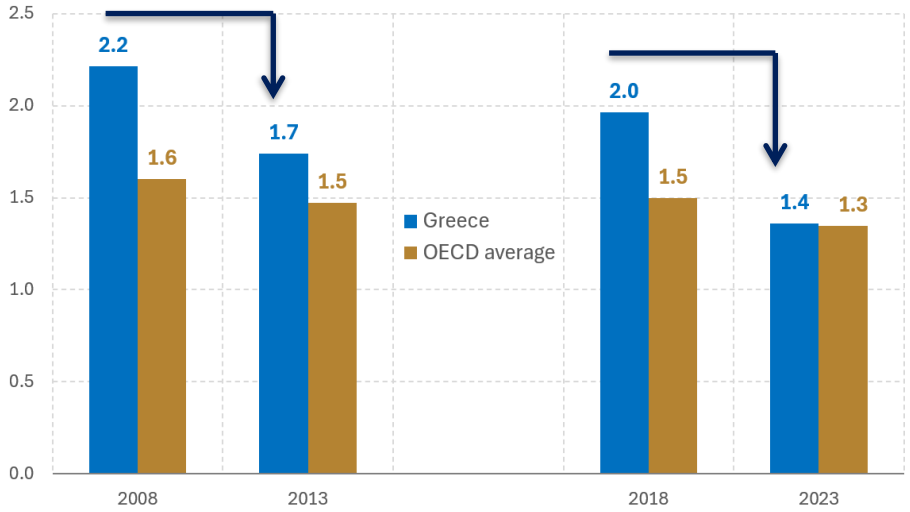
Resolving borrower distress supports investment and the reallocation of resources.

Reforms reduced barriers & increased labour market flexibility

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Product Market Regulation

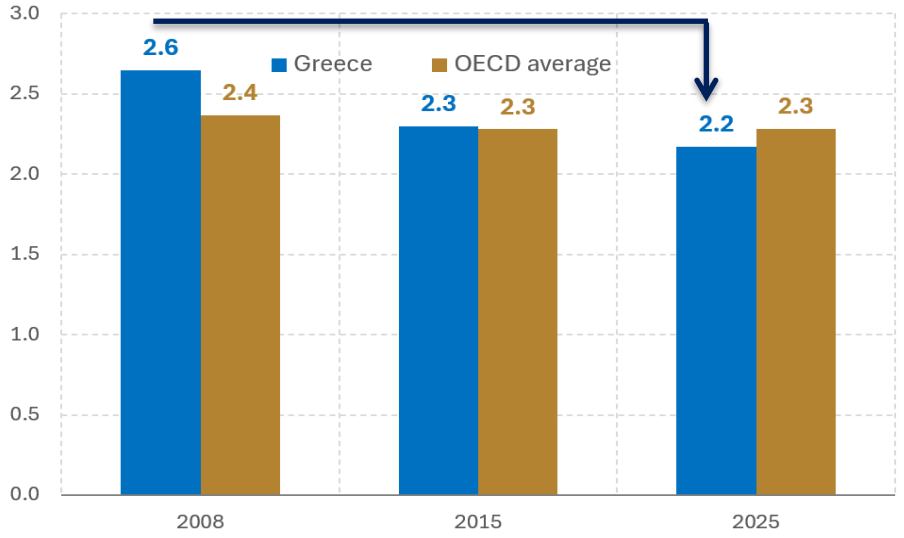
Index 0-6; lower values denote fewer regulatory barriers to competition



Source: OECD. Note: Levels before and after 2018 are not directly comparable, due to a change in methodology.

Strictness of employment protection

Index 0-6; lower values denote less stringent dismissal regulation



Source: OECD.

Lower entry & expansion costs: Simpler business licensing, fewer restrictions in regulated professions, lower administrative burdens.

Reform sequencing & coordination: Product market reforms should precede, or at least accompany, greater labour market flexibility, supported by measures that help workers adapt.

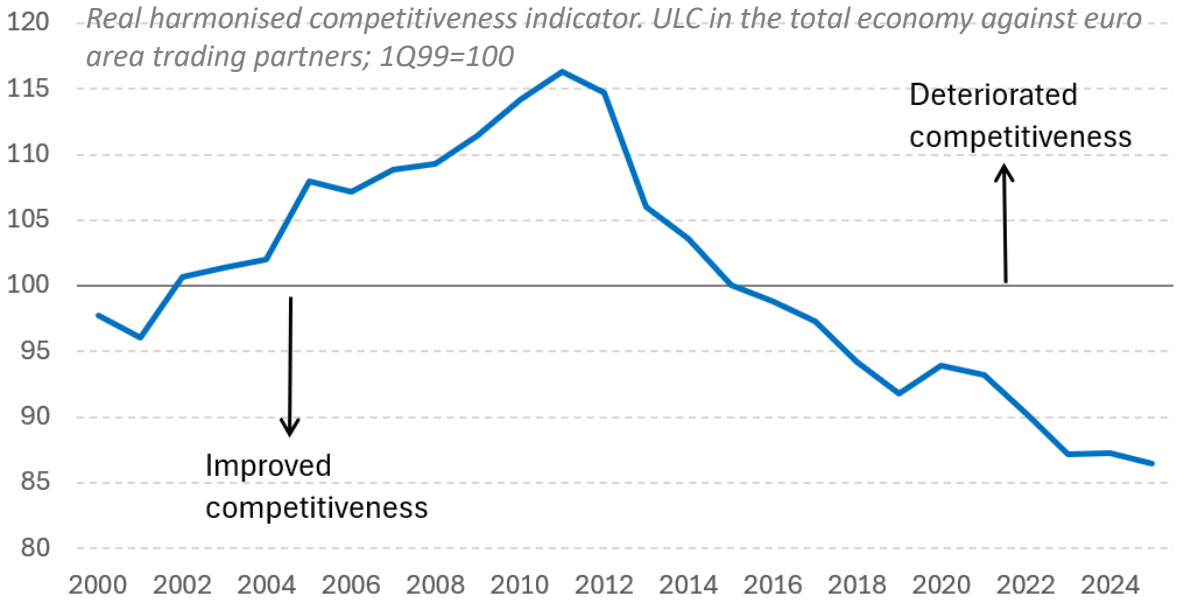
Coordinated reforms help capital and labour move towards more productive activities.

Cost competitiveness recovered & unemployment fell sharply

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Relative unit labour costs

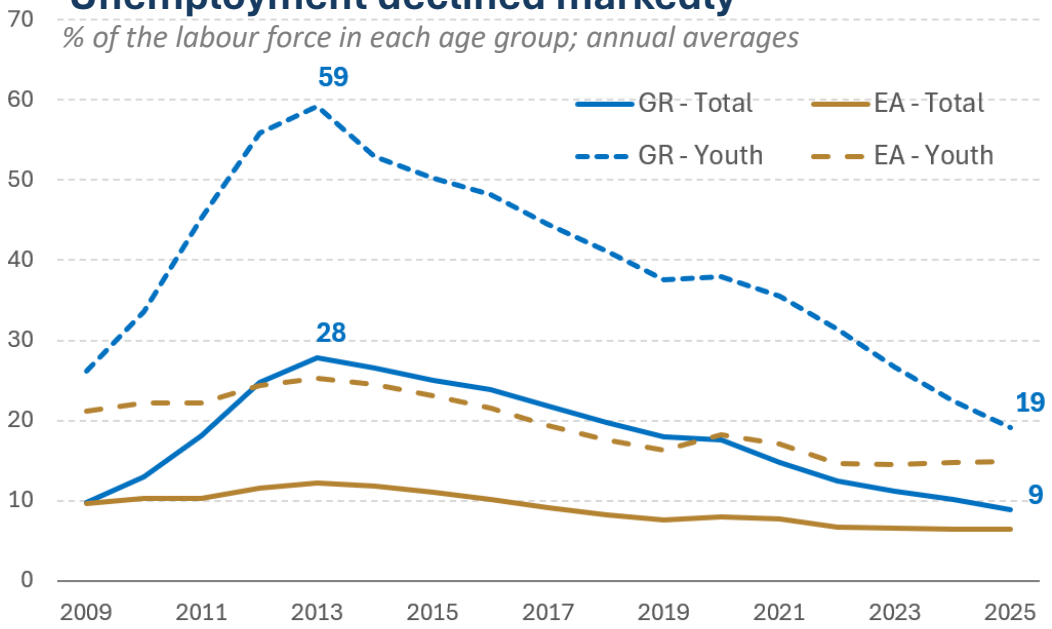
Real harmonised competitiveness indicator. ULC in the total economy against euro area trading partners; 1Q99=100



Source: ECB.

Unemployment declined markedly

% of the labour force in each age group; annual averages



Source: Eurostat.

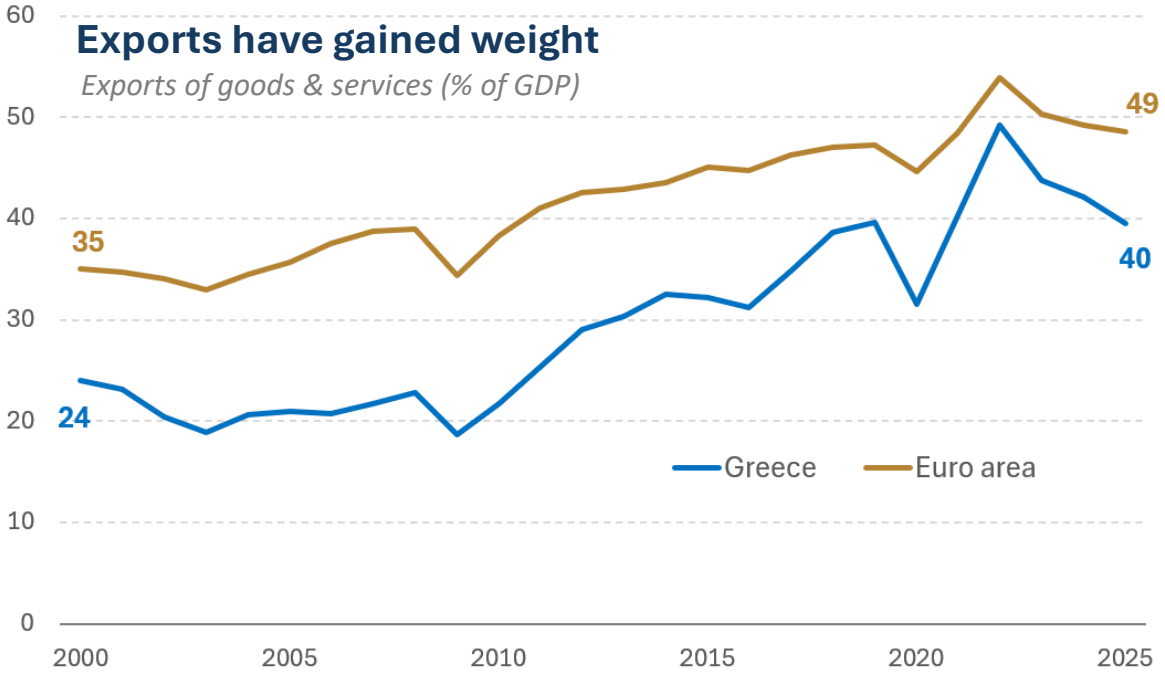
A costly adjustment: Internal devaluation restored cost competitiveness at substantial economic & social cost.

Sustaining employment gains: Better skills matching, effective training & fewer barriers to labour force participation.

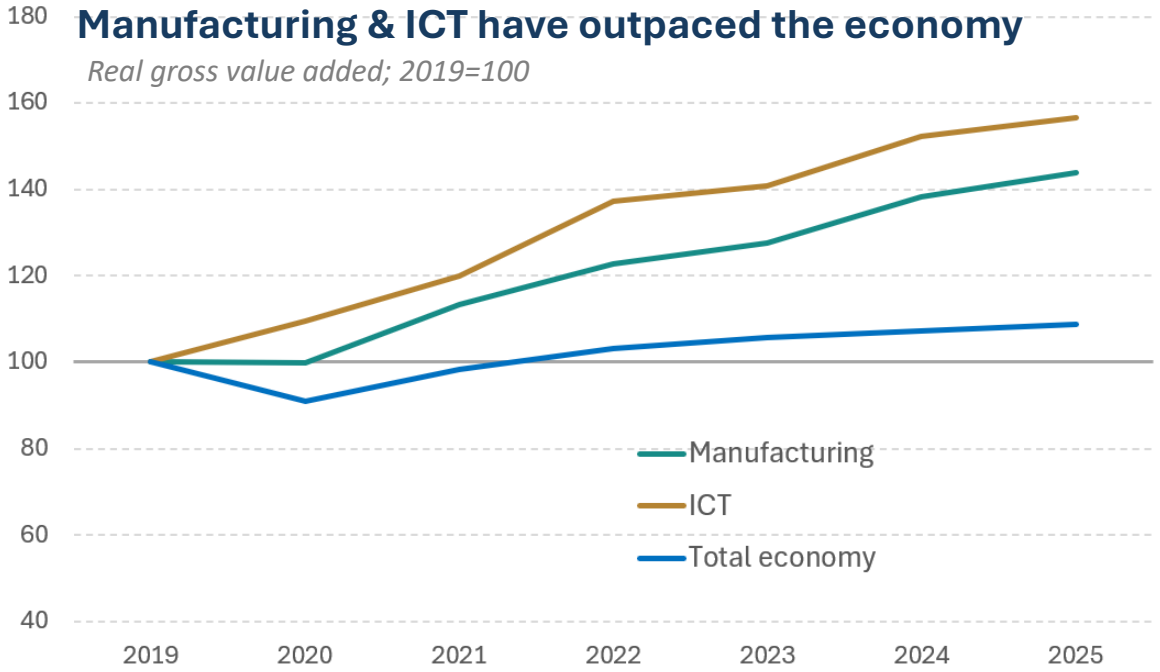
Higher productivity & stronger skills sustain competitiveness & employment gains.

The economy has become more export-oriented; productive sectors have expanded

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Source: Eurostat.



Source: Eurostat.

Broadening the export base: More diversified exports & higher domestic value added.

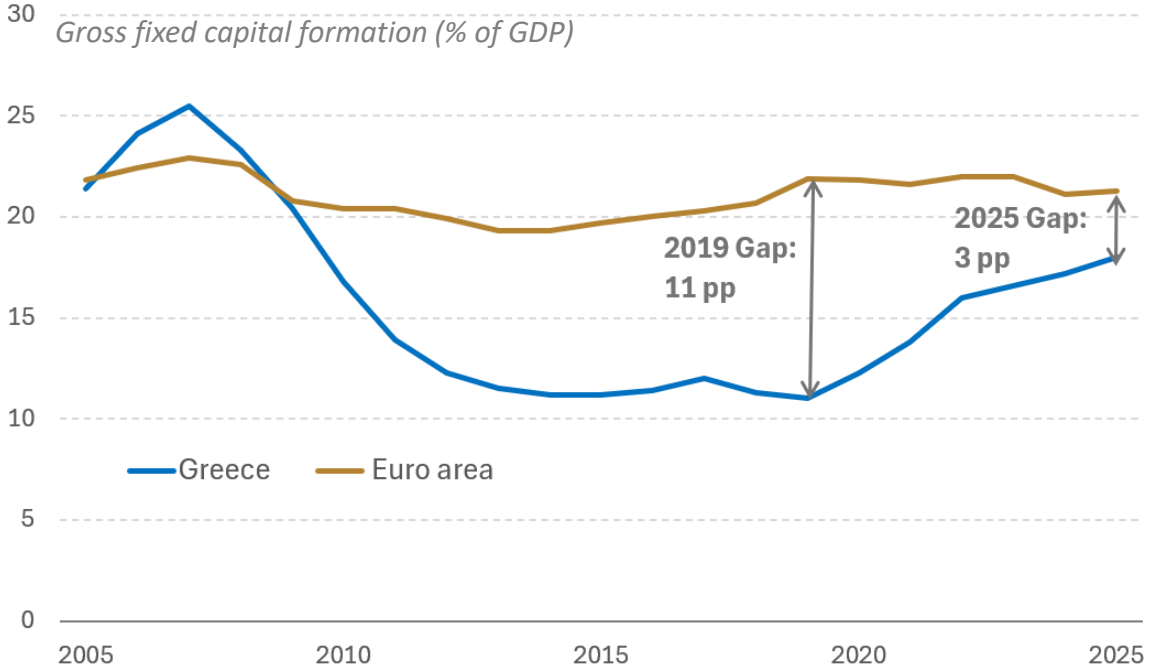
Stronger productive activity: Expansion in Manufacturing & ICT can support investment and lasting productivity gains.

Export diversification & efficient resource allocation underpin lasting growth.

Investment has rebounded strongly, with greater weight on equipment & intellectual property

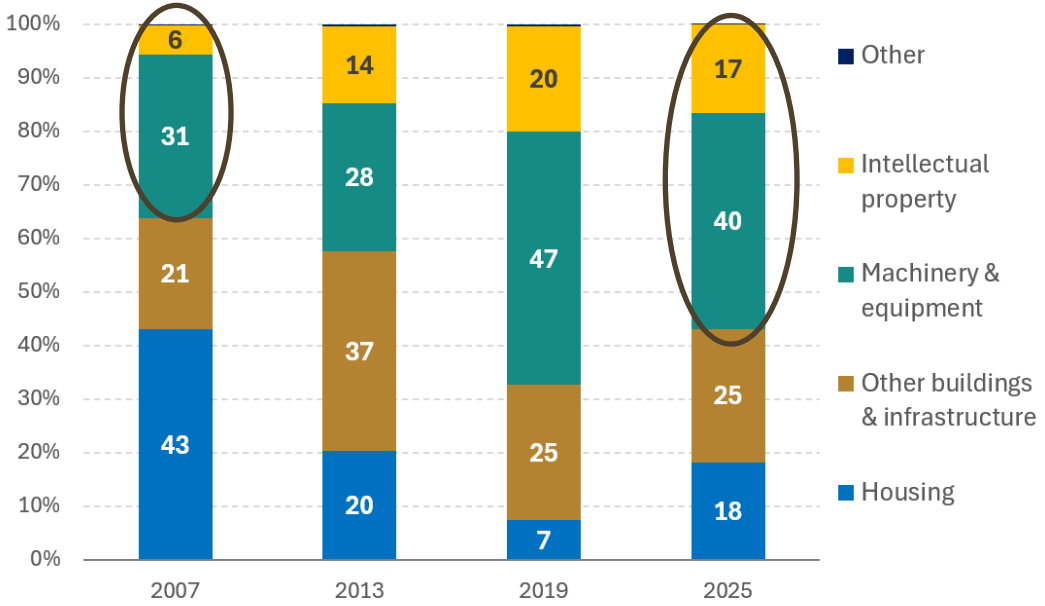
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Investment has recovered since 2019, but a gap remains



Source: Eurostat.

Investment composition has changed



Source: Eurostat.

Rebuilding productive capacity: Sustained investment is needed to rebuild the capital stock & support technology adoption.

Equipment & Intellectual property: more than 1/2 of total investment in 2025 (vs. just over 1/3 before the crisis).

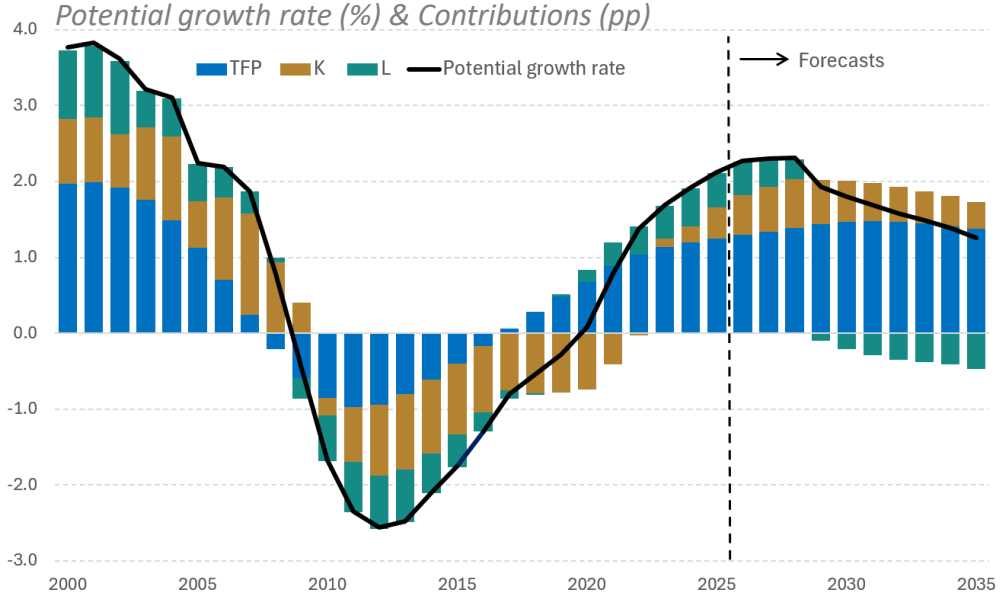
Lasting productivity gains require sustained investment & effective capital allocation.

Potential growth has recovered, but the productivity challenge remains

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Capital & TFP support potential growth

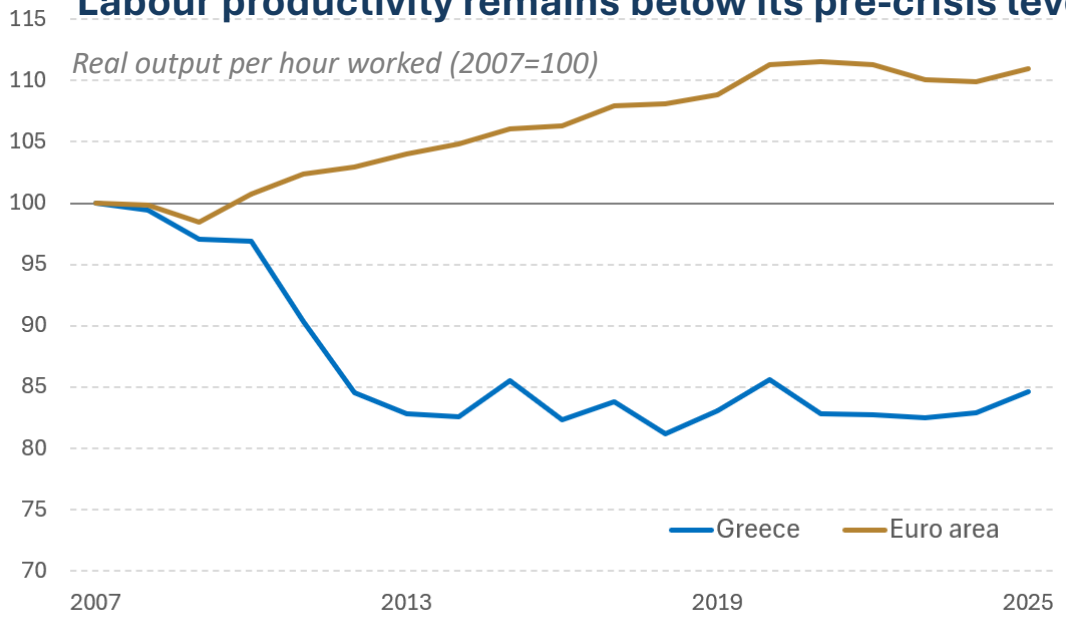
Potential growth rate (%) & Contributions (pp)



Source: Bank of Greece.

Labour productivity remains below its pre-crisis level

Real output per hour worked (2007=100)



Source: Eurostat.

Capital & productivity: Capital supports potential growth again; TFP is the largest contributor.

Demographic pressure: Ageing is projected to turn labour's contribution negative later this decade.

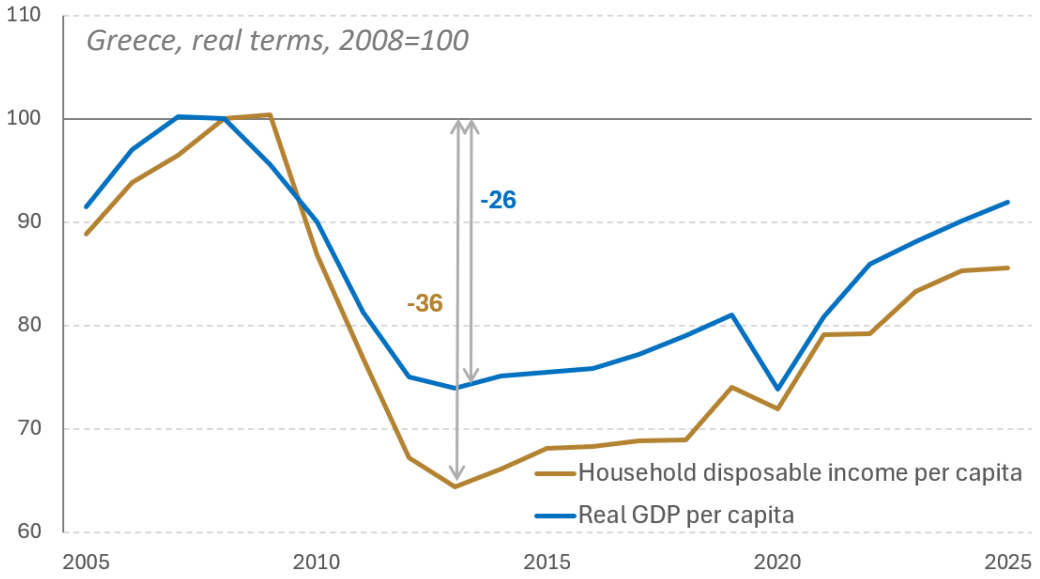
The productivity challenge: Investment must translate into productivity gains, higher wages & income convergence.

Sustaining growth requires higher productivity and greater labour force participation.

Closing the income gap with the EU remains a challenge

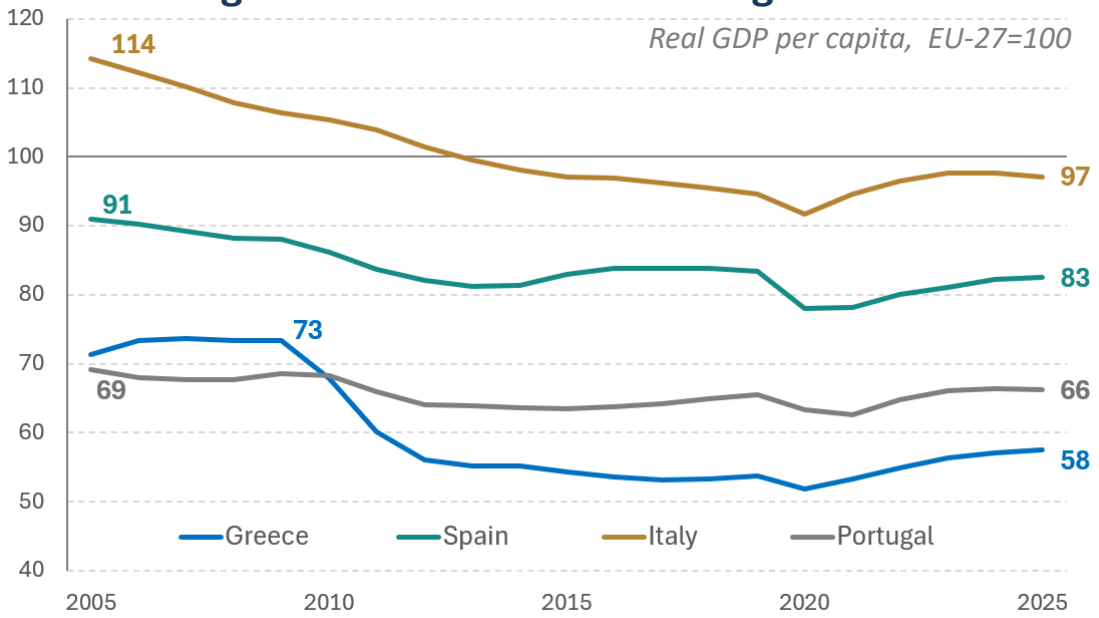
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Incomes remain below pre-crisis levels



Source: Eurostat.

Convergence towards the EU average remains uneven



Source: Eurostat.

The crisis left lasting income losses, reflecting the exceptional depth & duration of the downturn.

Stronger foundations for convergence: Sounder public finances & banks, improved competitiveness and a greater role for investment and exports.

Lasting income convergence requires sustained reforms & productive investment.

Concluding remarks

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01	**Credibility supports long-term investment**	Monetary stability, fiscal responsibility & policy continuity give businesses confidence to invest for the long term.
02	**Investment must raise productivity**	Sound banks, effective debt resolution & reforms help resources move towards more productive uses.
03	**External support reinforces domestic efforts**	European solidarity provides financing & time for national reforms & investment to deliver results.
04	**Ownership & fairness sustain reform**	Effective institutions, consistent policy implementation & a fair distribution of adjustment costs help sustain public support for reform.

Stability, credibility & sustained reforms underpin lasting growth.

Thank you!