



IMF Executive Board Concludes 2022 Article IV Consultation with Greece

FOR IMMEDIATE RELEASE

Washington, DC – June 21, 2022: The Executive Board of the International Monetary Fund (IMF) concluded the Article IV consultation¹ with Greece on June 8, 2022.

The Greek economy recovered strongly from the severe COVID-19-induced recession, with output returning to the pre-pandemic level in 2021. The strong fiscal response, accommodative monetary policy and prudential policies, and sizable EU support have been key to fostering the recovery. Despite the challenging environment, reforms progressed in several areas, including digitization, privatization, improving the fiscal policy mix, and bank balance sheet repair. Greece completed the early payment of all outstanding IMF credit in April, which terminates the Post Financing Assessment.

Growth is expected to remain robust at 3.5 percent in 2022 despite the adverse impact of the war in Ukraine. High energy prices are expected to push up average inflation to 6.1 percent in 2022. Both growth and inflation are expected to decelerate in 2023, reaching 2.6 and 1.2 percent, respectively. Public debt is on a downward trajectory and rollover risks appear manageable over the medium term. Despite improving, the external position last year was moderately weaker than that consistent with fundamentals and desirable policies. Significant downside risks continue to cloud the outlook, especially from a further intensification of the war in Ukraine and still substantial uncertainties associated with the pandemic.

Executive Board Assessment²

Executive Directors welcomed the stronger-than-expected economic recovery in 2021, which was buttressed by the Greek authorities' strong policy response to the COVID-19 crisis, past structural reforms, and the support from the European Union. Directors commended the authorities for advancing reforms to address legacies from the debt crisis despite the challenging environment and for the early repayment of all outstanding Fund credit. They welcomed that output has returned to pre-pandemic levels, that public debt is on a downward trajectory, and that the growth outlook remains robust despite the war in Ukraine and high inflation. Noting that uncertainties and downside risks to the outlook remain, Directors stressed the need to continue pursuing prudent policies and implementing growth-enhancing structural reforms to ensure debt sustainability and promote inclusive and greener growth.

Directors agreed that fiscal policy should remain accommodative but well-targeted in 2022 before returning to a gradual and growth-friendly consolidation with sustained primary

¹ Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board.

² At the conclusion of the discussion, the Managing Director, as Chairman of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country's authorities. An explanation of any qualifiers used in summings up can be found here: <http://www.IMF.org/external/np/sec/misc/qualifiers.htm>.

surpluses thereafter. They recommended that across-the-board subsidies for high energy prices be replaced with targeted support for vulnerable groups. Directors broadly agreed on the need to carefully assess the implications of the plans for permanent cuts in social security contributions and the elimination of the solidarity tax. They emphasized that the recent increase in health spending and public investment should be preserved, while pressures to raise pensions and civil service wages should be resisted. Directors recommended further enhancing the Guaranteed Minimum Income scheme to form the basis for targeted support during adverse shocks.

Directors commended the authorities for the rapid reduction of non-performing loans in major banks and for their commitment to tackle the remaining challenges to enhance financial resilience. They emphasized that further progress in reducing distressed debt should come from implementing the new insolvency law, improving banks' credit risk management, and developing viable long-term restructurings. Directors also recommended strengthening capital buffers and the quality of capital, restoring sound profitability drivers, addressing medium-term funding challenges, and adapting business models. They generally encouraged the authorities to prepare a conditions-based roadmap to guide the activation of macroprudential tools in the medium term should any systemic vulnerabilities emerge.

Directors agreed that the authorities' National Recovery and Resilience Plan, which is supported by Next Generation EU funds, is a key opportunity to cement past reform achievements; address remaining structural bottlenecks, including in the labor market; raise growth potential; and ensure sustainable, job-rich, and greener growth. While noting the positive impact of the minimum wage increase on households' purchasing power, Directors recommended monitoring its potential effects on inflation and youth unemployment. They welcomed the authorities' commitment to climate-friendly policies and stressed the need for a stronger social safety net—which could be financed by higher carbon taxes when conditions allow—to facilitate the green transition.

Table 1. Greece: Selected Economic Indicators

Population (millions of people)	10.7	Per capita GDP (€'000)	15.5
IMF quota (millions of SDRs)	2428.9	Literacy rate (percent)	97.9
(Percent of total)	0.5	Poverty rate (percent)	27.4
Main products and exports: tourism services; shipping services; food and beverages; industrial products; petroleum and chemicals.			
Key export markets: E.U. (Italy, Germany, Cyprus, Bulgaria, Spain), Turkey, USA, UK.			
GHG emission per capita (tonnes of CO ₂ equivalent): 8.4			
		2021 <hr/> (prel.)	2022 <hr/> (proj.) 2023
Output			
Real GDP growth (percent)		8.3	3.5 2.6
Employment			
Unemployment rate (percent)		15.0	12.8 12.4
Prices			
CPI inflation (period avg., percent)		0.6	6.1 1.2
General government finances (percent of GDP) 1/			
Revenue		48.9	48.4 47.4
Expenditure		56.9	52.9 49.3
Overall balance		-8.0	-4.5 -1.9

Primary balance	-5.5	-1.9	0.9
Public debt	199.4	183.4	177.4
Balance of payments			
Current account (percent of GDP)	-6.5	-6.5	-5.5
FDI (percent of GDP)	-2.2	-2.9	-2.5
External debt (percent of GDP)	310.1	287.0	279.6
Exchange rate			
REER (percent change) 2/	-2.0	-0.4	-1.1
Sources: Bank of Greece; ELSTAT; Eurostat; Ministry of Finance; World Bank, World Development Indicators; IMF, International Finance Statistics; IMF, Direction of Trade Statistics; and IMF staff projections.			
1/ Based on the primary balance definition outlined in the EU enhanced surveillance framework with Greece.			
2/ CPI-based.			