

CareEdge Global revises the outlook to 'Positive' for the rating assigned to Hellenic Republic (Greece)

Issuer rating (Long-Term Foreign Currency)

CareEdge BB+/Positive (Unsolicited)

CareEdge Global has reaffirmed the Long-Term Foreign Currency issuer rating for Hellenic Republic (Greece) at '**CareEdge BB+**' (Unsolicited), while revising the outlook from **Stable** to **Positive**.

Rationale

The revision to the outlook represents Greece's improving credit fundamentals, underpinned by fiscal performance improvements, prudent debt management, steady economic growth, and healthier conditions in the banking sector. At the same time, the sovereign's credit profile is constrained by a weak external position and elevated general government and external debt.

Greece's fiscal performance has strengthened in recent years. The general government balance returned to a surplus of 1.3% of GDP in 2024 and remained positive in H1 2025, at around 0.6% (versus -0.4% in H1 2024), supported by higher revenues from tax collection reforms and controlled expenditure. The gross general government debt-to-GDP ratio has declined from over 190% in 2018 to 144.9% in 2025, aided by strong nominal GDP growth, sustained primary surpluses, and proactive debt management, though it remains high relative to pre-crisis levels and similarly rated peers.

Greece's economy continued to grow steadily, expanding by 2.0% in the first three quarters of 2025, slightly above the euro area average of 1.5%. The improvement is supported by strong private consumption and sustained investment activity, aided by ongoing disbursements from the EU Recovery and Resilience Facility (RRF). Going forward, growth is projected to slow to around 1.7% in the medium term (2025-29), as RRF-funded investment tapers off and ageing pressures weigh on the economy. These adverse effects are partly cushioned by a projected increase in labour force participation.

The banking sector has also shown signs of improvement. The non-performing loan (NPL) ratio declined to around 3.1% in Q3 2025, from 6.2% in 2023, primarily due to continued clean-up efforts through securitisations. However, they remain above the EU average of 2.2% (Q3 2025), indicating room to strengthen asset quality.

Greece's external position remains a key credit constraint. The current account deficit is

expected to remain elevated at around -5.8% of GDP in 2025 and is projected to narrow gradually as import-heavy EU Recovery and Resilience Facility (RRF)-funded investment phases out. The net international investment position (NIIP) remains highly negative at -135% of GDP in Q3 2025, while gross external debt stood elevated at 234% of GDP in the same period. About half of this external debt is held by official-sector creditors and is denominated in euros, which limits exchange-rate risk. Although external debt has declined in recent years, it remains above that of BB+ rated peers.

High debt levels continue to weigh on Greece's credit profile along with high contingent liabilities, including government guarantees (10.9% of GDP in 2023) and liabilities of government-controlled entities outside the general government sector (around 72% of GDP). As the proportion of concessional debt in general government debt declines and borrowing costs rise moderately, maintaining fiscal surpluses remains a monitorable for further declines in the debt ratio.

Outlook: Positive

The positive outlook reflects Greece's sustained economic growth, which continues to exceed the euro area average, supported by firm domestic demand and ongoing investment. It also reflects expectations of a gradual decline in the government debt-to-GDP ratio, underpinned by continued fiscal consolidation. Improvements in the banking sector have reduced financial vulnerabilities, with key indicators moving closer to European Union averages, reflecting substantial declines in non-performing loans, improved profitability and adequate capital buffers. Greece's favourable debt structure and substantial cash buffer strengthen its capacity to absorb external shocks and preserve macroeconomic stability. Together with ongoing reform efforts, these factors underpin the positive outlook.

Upside Scenario

The rating could be upgraded if stronger economic performance materialises into a significant improvement in Greece's fiscal metrics, resulting in a greater-than-expected reduction in the general government debt ratio. This would include debt averaging below 120% of GDP over the medium term, supported by sustained fiscal surpluses and stronger nominal growth. Further strengthening of institutions and governance through credible reform implementation, would also support upward rating action.

Downside Scenario

Failure to maintain fiscal discipline or materialisation of contingent liabilities could strain public finances and hinder debt reduction. External shocks that hinder economic growth, along with any deterioration of the external position could weaken Greece's outlook. Furthermore, a lower-than-expected implementation of RRF projects or reforms would undermine the country's economic progress.

Key Rating Drivers

Economic Structure & Resilience

Greece's economic structure is services-led, with tourism playing a central role in economic growth. Since 2017, excluding the pandemic years, real GDP growth has averaged around 1–2% and is projected at 2.0% in 2025. Economic activity remains firm, with growth of 2.0% in the first three quarters of 2025, slightly above the euro area average of 1.5%, supported by strong private consumption and sustained investment, aided by ongoing disbursements under the EU Recovery and Resilience Facility. Over the medium term (2025-2029), growth is expected to moderate to around 1.7% as RRP-funded investment phases out. Labour market conditions continue to improve, with the unemployment rate declining to 8.2% in November 2025 from an average of 10.1% in 2024, though it remains above the euro area average of around 6.3%. Tourism remains supportive of growth, with travel receipts up around 10% year on year in Jan–Oct 2025. In addition, investment has increased gradually in recent years, with gross fixed capital formation at around 17% of GDP in Q3 2025, though still below the EU average of about 21%.

However, the economy remains exposed to structural challenges, notably a super-aged population, with nearly 23.9% (2024) of the population aged 65 and above. Climate risks linked to extreme weather events remain an additional vulnerability, given the economy's reliance on tourism.

Fiscal Strength

Greece's fiscal profile is characterised by a high public debt burden, with gross general government debt averaging around 181% of GDP over 2020–24. Fiscal space remains constrained by adverse demographics, as a super-aged population drives structurally high spending on pensions and social benefits. At the same time, Greece benefits from a favourable debt structure, with a large share held by official creditors, long maturities, low fixed interest rates, extended grace periods, and a sizable cash reserve of around 16% of GDP (€39 billion as of December 2025).

Fiscal performance has improved markedly in recent years, reflecting a combination of fiscal discipline and reform momentum. The general government balance turned positive in 2024, recording a surplus of 1.3% of GDP, compared with an average deficit of -5.4% of GDP during 2020–23. The primary balance was strong, posting a surplus of 4.8% of GDP in 2024. Momentum has carried into 2025, with the GG fiscal balance recording a surplus of around 0.6% of GDP in the first half of the year, compared with a deficit of -0.4% of GDP over the same period in 2024. This improvement was driven by stronger revenues and contained expenditure. Structural tax reforms, supported by the digitalisation of tax administration, have strengthened revenue performance by improving tax compliance, contributing to a reduction in the VAT gap from 25% in 2018 to an estimated 9% in 2024.

Public debt dynamics have improved alongside stronger fiscal outcomes. The debt-to-GDP ratio declined significantly from over 190% of GDP in 2018 to 144.9% in 2025, supported by strong nominal GDP growth, sustained primary surpluses, and proactive debt management.

Looking ahead, the debt ratio is projected to continue its downward path, reaching around 130.2% of GDP by 2030. However, debt levels remain well above pre-crisis levels and higher than those of similarly rated peers such as Brazil (87% of GDP) and Colombia (61% of GDP), in 2024.

Fiscal risks persist through sizeable contingent liabilities. Government guarantees remain elevated at around 10.9% of GDP in 2023, while liabilities of government-controlled entities outside the general government sector stand at around 72% of GDP in 2023. These largely reflect legacy crisis-era interventions, with some additional build-up during the pandemic. Further, with Greece having shifted more towards market-based financing, the cost of new borrowing is expected to rise moderately; the maintenance of fiscal surpluses remains monitorable for supporting a further decline in the debt ratio.

External Position & Linkages

Greece's external profile remains constrained by a large current account deficit, a deeply negative NIIP, and high gross external debt. The current account deficit remains elevated at -7.0% of GDP in 2024 and is projected at -5.8% in 2025, despite rising tourism receipts. Looking ahead, the deficit is expected to narrow gradually to -3.1% of GDP by 2030 as import-heavy RRP investments come down. The net international investment position (NIIP) remained negative at -135% of GDP in Q3 2025, reflecting a substantial stock of foreign-owned assets in the country. Gross external debt stood at 234% of GDP in Q3 2025, with about half held by official-sector creditors and denominated in euros, which limits exchange-rate risk. Although gross external debt has declined from its 2020 peak, it remains elevated.

Foreign direct investment inflows have strengthened alongside the improving economic environment, averaging around 2.7% of GDP during 2022–24, compared with about 2.0% in the pre-pandemic period (2017–19). While tourism and higher FDI provide some support, Greece's external position remains constrained by structural weaknesses.

Monetary & Financial Stability

Greece benefits from euro area membership, with monetary policy anchored by the European Central Bank, supporting policy credibility and access to deep financial markets. Inflation has eased sharply from its peak, with headline inflation falling to 3% in 2024 from 9.3% in 2022. However, price pressures remain relatively sticky, with HICP inflation averaging 2.9% in 2025, unchanged from 2024 and above the euro area average of 2.1% (2025), largely reflecting elevated services inflation.

Financial sector conditions have improved markedly. Bank non-performing loans have declined sharply from around 38.1% in 2019 to 3.1% in Q3 2025, largely driven by balance sheet clean-ups under the Hercules Asset Protection Scheme. Despite this progress, NPL ratios remain above the EU average of 2.2% (Q3 2025), indicating scope for further improvement

in asset quality. Capital adequacy has strengthened, and liquidity conditions remain comfortable.

Institutions & Quality of Governance

Greece has effective regulatory mechanisms and has proactively addressed challenges by introducing reforms in recent years. The sovereign has undertaken structural reforms in tax administration to tackle problems related to tax evasion, demonstrating a commitment to enhancing the efficiency and effectiveness of the overall legal and fiscal frameworks. While Greece has experienced past episodes of fiscal stress, including the 2009 fiscal data revisions, the 2012 debt restructuring, and the 2015 missed IMF payment, the authorities have since strengthened fiscal reporting and data transparency, aligning with EU standards, supported by regular post-programme surveillance and independent oversight. On the other hand, judicial proceedings take a long time to resolve, and the issue is being addressed through comprehensive reforms aimed at expediting judicial proceedings.

Greece – Select Indicators									
	Unit	2019	2020	2021	2022	2023	2024	2025 F	2026 F
Economic Indicators									
Nominal GDP	USD Billion	207.3	191.2	218.4	219.1	243.6	257.1	282.0	304.8
GDP Per Capita (Constant-PPP)	USD	33,540	30,472	33,233	35,878	36,876	37,761	38,580	39,428
Real GDP Growth	%	2.3	-9.2	8.7	5.7	2.3	2.3	2.0	2.0
GFCF/GDP	%	11.0	12.3	13.8	14.9	15.2	15.3	-	-
Gross Domestic Savings/GDP	%	10.6	6.1	10.0	9.2	11.4	12.7	-	-
Exports (G&S)/GDP	%	39.6	31.5	40.3	49.2	43.8	42.1	-	-
Working-Age (15-64) Population (% Share in Total)	%	63.6	63.4	63.1	62.9	62.9	62.8	62.7	62.7
Old-Age (65+) Population (% Share in Total)	%	22.1	22.4	22.8	23.2	23.5	23.9	24.4	24.7
Fiscal Indicators – General Government									
Fiscal Balance/GDP	%	-0.1	-10.3	-7.6	-2.5	-1.4	1.3	0.0	-0.8
Revenue/GDP	%	47.5	49.0	49.1	50.4	48.2	49.3	49.8	50.0
Expenditure/GDP	%	47.6	59.3	56.7	52.8	49.5	48.0	49.8	50.8
GG Gross Debt/GDP	%	183.7	209.9	197.8	178.4	165.2	154.8	144.9	141.9
GG External Debt (by Creditor)/GG Gross Debt	%	88.1	81.6	78.4	74.7	74.2	73.4	-	-
Interest/Revenue	%	6.1	5.9	4.9	4.9	7.1	7.0	-	-
External Indicators									
Current Account Balance/GDP	%	-2.2	-7.2	-7.0	-10.7	-6.7	-7.0	-5.8	-5.3
FDI, Net Inflows/GDP	%	2.4	1.7	2.8	3.6	1.9	2.5	-	-
Outstanding FII Liabilities/GDP	%	31.3	26.3	24.9	22.5	27.3	28.8	-	-
NIIP/GDP	%	-153.1	-184.5	-162.8	-145.1	-142.8	-140.0	-	-
Foreign Exchange Reserves	USD Billions	8.5	11.9	14.5	12.1	13.6	15.2	-	-
Import Cover	Months	1.2	2.0	1.7	1.1	1.4	1.5	-	-
External Debt/GDP	%	243.0	317.4	287.7	266.6	251.3	238.9	-	-
Monetary and Financial Indicators									
CPI Inflation	%	0.5	-1.3	0.6	9.3	4.2	3.0	2.9	2.5
Exchange Rate (Average)	LC per USD	0.9	0.9	0.8	1.0	0.9	0.9	0.9	-
Non-Performing Loans/Total Gross Loans	%	38.1	30.8	11.9	8.2	6.2	3.6	-	-
Private debt, loans and debt securities/GDP	%	110.0	124.0	120.5	99.8	93.5	94.6	-	-

Sources: International Monetary Fund, World Bank, Bank for International Settlements, National Sources, CareEdge Global

Note: F - Forecast; PPP – Purchasing Power Parity; GFCF – Gross Fixed Capital Formation; Exports (G&S) – Exports of Goods and Services; GG – General Government; FDI – Foreign Direct Investment; FII – Foreign Institutional Investment; NIIP – Net International Investment Position; Data refers to fiscal/calendar year and actual/estimate as reported by the source; Where general government data is unavailable, central government data is used; Latest available data for 2024

Solicitation Status

The rating is unsolicited, but with limited interaction with relevant authorities of the Government.

Rating History

Instrument	Type	Rating	Date
Issuer Rating	Long-Term Foreign Currency (Unsolicited)	CareEdge BB+/Positive	January 30, 2026
Issuer Rating	Long-Term Foreign Currency (Unsolicited)	CareEdge BB+/Stable	February 03, 2025
Issuer Rating	Long-Term Foreign Currency (Unsolicited)	CareEdge BB+	October 03, 2024

Criteria Applied

[CareEdge Sovereign Rating Methodology](#)

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