Hellenic Republic's (Greece) rating reaffirmed at 'CareEdge BB+/Positive'

Issuer rating (Long-Term Foreign Currency)	**CareEdge BB+/Positive (Unsolicited)**

Rating action

CareEdge Global Ratings has reaffirmed Greece's Long-Term Foreign Currency issuer rating at **'CareEdge BB+/Positive'** (Unsolicited).

Rationale

The rating reaffirmation reflects Greece's improving credit fundamentals, underpinned by steady improvements in fiscal performance, prudent debt management, consistent economic growth, and a healthy banking sector. However, the sovereign's credit profile is constrained by its weak external position and elevated gross general government (GG) and external debt.

Fiscal performance has been strengthening, with the GG fiscal balance recording surplus for two consecutive years, supported by strong revenue performance from improvements in tax collection and compliance, and controlled expenditure. Gross GG debt-to-GDP ratio declined significantly in recent years, aided by strong nominal GDP growth, sustained primary surplus and proactive debt management, though it is still higher than the pre-crisis levels and similarly rated peers.

Greece's economy has been growing steadily, with real GDP growth remaining above the euro area average in recent years, supported by domestic demand, tourism and investment under the National Recovery and Resilience Plan (NRRP). Growth is expected to moderate gradually over the medium term as NRRP-related investment tapers and demographic pressures weigh on the economy, partly cushioned by a projected increase in labour force participation.

The banking sector has strengthened further, with steady improvements in asset quality, profitability and capitalisation reducing financial sector vulnerabilities. Nevertheless, asset quality and capital quality are weaker than the EU average.

Greece's external position remains a key credit constraint, reflecting persistent current account deficits, a highly negative net international investment position, and elevated external debt.

High gross GG debt and contingent liabilities continue to weigh on the sovereign's credit profile despite their declining trend. As the proportion of concessional debt in GG debt declines and borrowing costs rise moderately, maintaining a fiscal surplus remains a monitorable for further decline in the debt ratio.

Outlook: Positive

The positive outlook reflects Greece's sustained economic growth, surpassing the Euro Area average, supported by firm domestic demand and ongoing investments. 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 sector vulnerabilities, with key indicators moving closer to the European Union average, reflecting substantial decline 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 gross GG 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 will 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. Following a strong post-pandemic recovery, real GDP growth averaged 3.0% during 2022-25, supported by domestic demand and investment, and consistently exceeded the euro area average. Economic activity moderated in early 2026, with GDP growth easing to 2.0% y-o-y in Q1 2026 from 2.3% in Q4 2025 amid heightened geopolitical uncertainty, although growth remained above the Euro Area average. Growth is expected to continue to be supported by private consumption, tourism activity and investment associated with the implementation of the NRRP, before moderating to around 1.7% over the medium term as NRRP-related investment tapers off and demographic pressures weigh on the economy, partly offset by higher labour force participation.

Labour market conditions have been improving, with unemployment declining to 8.9% in 2025 from 10.1% in 2024 and projected to fall further to 8.2% in 2026, although still above the EU average. Investment has strengthened in recent years, supported by RRF implementation, with gross fixed capital formation increasing to an estimated 16.8% of GDP in 2025 from 11-12% of GDP prior to the pandemic, although remaining below the EU average of around 22%. Tourism activity has remained robust despite geopolitical uncertainty, with travel receipts and tourist arrivals increasing by 36.9% and 27.1%, respectively, during January-April 2026.

However, the economy remains exposed to structural challenges, notably adverse demographics, with nearly 24.4% of the population aged 65 and above in 2025. 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 GG debt averaging 169% of GDP over 2021-25. Fiscal space remains constrained by adverse demographics, as a super-aged population drives structurally high spending on pensions and social benefits. Concurrently, 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 15% of GDP (€39 billion at end-March 2026).

Fiscal balance is projected to moderate over the medium term, with the GG surplus narrowing to around 0.4% of GDP in 2026 before returning to a modest deficit of around 0.3% of GDP in 2027, reflecting permanent tax reductions, targeted social measures, and higher defence expenditure. Primary surplus is nevertheless expected to remain sizeable, averaging 3% of GDP over 2026-30 and continuing to support debt reduction. Temporary support measures amounting to around 0.2% of GDP were adopted in 2026 to mitigate the impact of higher energy prices following the escalation of tensions in West Asia and are expected to contribute modestly to the narrowing of the fiscal surplus in 2026.

Public debt dynamics have improved significantly, with the debt-to-GDP ratio declining from over 190% in 2018 to 146% in 2025 and further to 137.8% in Q1 2026, supported by strong nominal GDP growth, sustained primary surpluses, favourable interest-growth differentials and proactive debt management. Debt is projected to steadily decline to around 111% of GDP by 2031, although it remains elevated relative to similarly rated peers.

Fiscal risks persist through sizeable contingent liabilities. Government guarantees remain elevated at around 10.3% of GDP in 2023, while liabilities of government-controlled entities outside the general government sector stand at around 40.7% of GDP in 2024. 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 a fiscal surplus remains important to support a further decline in the debt ratio.

External position & linkages

Greece's external profile is constrained by a large current account deficit, a deeply negative net international investment position (NIIP), and high gross external debt. The current account deficit, high at 5.7% of GDP in 2025, is expected to widen to 6.4% of GDP in 2026 due to higher energy import costs and trade disruptions associated with geopolitical tensions in West Asia, before narrowing gradually over the medium term as import-intensive NRRP-related investment phases out.

The NIIP remained negative at 136% of GDP in 2025, reflecting a substantial stock of foreign-owned assets in the country. Gross external debt was 238% of GDP in 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 2.8% of GDP during 2022-24 compared with 2.0% during the pre-pandemic period (2017-19), and increased further to 4.8% of GDP in 2025, supported by privatisation activity and investment in the real estate and tourism sectors alongside improvements in the investment environment.

Monetary & financial stability

Greece benefits from Euro Area membership, with monetary policy anchored by the European Central Bank (ECB), supporting policy credibility and access to deep financial markets. Inflation has moderated significantly from its peak of 9.3% in 2022, with HICP inflation averaging 2.9% in 2025. However, inflationary pressures re-emerged in early 2026, with HICP inflation averaging 3.8% during the first six months of the year, reflecting higher energy prices associated with geopolitical tensions in West Asia alongside persistent services inflation. Inflation is expected to moderate gradually over the medium term, converging towards the ECB's 2% target by 2029.

Financial sector conditions have improved markedly. Bank non-performing loans have declined sharply from around 38.1% in 2019 to 3% in 2025, driven by balance sheet clean-ups under the Hercules Asset Protection Scheme. Despite this progress, NPL ratios remain above the EU average of 1.6% (2025), indicating scope for further improvement in asset quality. Profitability remains above the EU average, while capital adequacy has strengthened and liquidity conditions remain comfortable. Nevertheless, capital quality remains weaker than European peers.

Institutions & quality of governance

Greece benefits from effective regulatory institutions and has implemented a broad range of structural reforms in recent years. Reforms in tax administration and digitalisation have strengthened tax compliance and revenue collection, demonstrating a commitment to improving the effectiveness of fiscal institutions.

While Greece has experienced episodes of fiscal stress in the past, 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. Judicial inefficiencies and lengthy court procedures continue to weigh on the business environment, although reforms aimed at improving the efficiency of judicial processes are ongoing.

Select indicators									
	Unit	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026 F**	**2027 F**
Economic indicators									
Nominal GDP	USD billion	191.2	218.4	218.2	243.0	256.2	280.5	307.6	320.2
GDP per capita (constant-PPP)	USD	30,472	33,233	35,796	36,728	37,632	38,425	39,176	39,887
Real GDP growth	%	-9.2	8.7	5.5	2.1	2.1	2.1	1.8	1.7
GFCF/GDP	%	12.3	13.8	15.7	15.9	16.0	16.8	-	-
Gross domestic savings/GDP	%	6.1	10.0	9.2	11.4	12.7	12.7	-	-
Exports (G&S)/GDP	%	31.5	40.3	49.2	43.8	42.1	39.5	-	-
Working age (15-64) population (% share in total)	%	63.4	63.1	62.9	62.9	62.8	62.7	62.7	62.6
Old age (65+) population (% share in total)	%	22.4	22.8	23.2	23.5	23.9	24.4	24.7	25.1
Fiscal indicators – general government									
Fiscal balance/GDP	%	-9.9	-7.2	-2.6	-1.4	1.3	1.7	0.4	-0.3
Revenue/GDP	%	49.4	49.3	50.5	48.1	49.4	50.0	49.9	48.7
Expenditure/GDP	%	59.3	56.6	53.1	49.5	48.1	48.3	49.5	49.0
GG gross debt/GDP	%	209.9	197.8	179.2	165.5	155.4	145.7	136.9	130.3
GG external debt (by creditor)/GG gross debt	%	76.2	72.3	68.4	67.9	70.4	70.2	-	-
Interest/revenue	%	6.6	5.7	5.4	7.5	7.5	6.3	-	-
External Indicators									
Current account balance/GDP	%	-7.2	-7.2	-10.7	-6.8	-7.2	-5.7	-6.4	-5.7
FDI, net inflows/GDP	%	1.7	3.0	3.7	1.9	2.6	4.8	-	-
Outstanding FII liabilities/GDP	%	26.3	24.9	22.6	27.3	28.9	40.7	-	-
NIIP/GDP	%	-177.1	-175.6	-149.4	-145.9	-137.6	-136.4	-	-
Foreign exchange reserves	USD billion	11.9	14.5	12.1	13.6	15.2	23.8	-	-
Import cover	Months	2.0	1.7	1.1	1.4	1.5	2.3	-	-
External debt/GDP	%	317.4	306.3	270.5	252.2	243.3	237.7	-	-
Monetary and financial indicators									
CPI inflation	%	-1.3	0.6	9.3	4.2	3.0	2.9	3.5	2.7
Exchange rate (average)	LC per USD	0.9	0.9	1.0	0.9	0.9	0.9	-	-
Non-performing loans/total gross loans	%	30.8	11.9	8.2	6.0	3.5	3.0	-	-
Private debt, loans and debt securities/GDP	%	124.0	120.5	99.8	93.5	94.6	97.4	-	-

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 2025

Solicitation status

The rating is unsolicited, but with limited interaction with relevant government authorities.

Rating history

Instrument	Type	Rating	Date
Issuer Rating	Long-Term Foreign Currency (Unsolicited)	CareEdge BB+/Positive	July 24, 2026
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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