Yannis Stournaras: Greece as a strategic investment gateway - stability, sustainability and transformation

Speech by Mr Yannis Stournaras, Governor of the Bank of Greece, at the Athens International Investment Summit (AIIS) "Greece as a strategic investment gateway: stability, sustainability and transformation", Athens, 16 September 2025.

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Introduction

It is a great honour to address this gathering of distinguished policymakers, investors and business leaders at the Athens International Investor Summit. Allow me to extend my warm thanks to Minister of Finance Kyriakos Pierrakakis for hosting this important event, as well as Prime Minister Kyriakos Mitsotakis, Vice President Kostis Hatzidakis and to our international partners who have joined us today to engage in a constructive dialogue on Greece's economic future. This Summit, convening at the Stavros Niarchos Foundation Cultural Center, reflects Greece's re-emergence as a confident, outward-looking economy that is ready to attract investment, drive innovation and strengthen its role within Europe and the world.

We meet at a time of heightened uncertainty in the global economy. Rising protectionism, shifting geopolitical alignments, climate change, and the rapid pace of technological transformation are reshaping the environment in which we all operate. Yet, while challenges abound, opportunities also emerge – particularly for economies that demonstrate resilience, adaptability and strategic foresight. Greece today is one such economy.

The global and European economic environment

The international economic system is undergoing profound transformation, with long-standing principles now under strain. The recent surge of protectionist trade measures, led by the United States, resulted in historically high tariffs on strategic partners, including the European Union. While a temporary EU-US agreement in July has prevented a full-blown trade war, uncertainty remains elevated, undermining investor confidence and disrupting global supply chains.

The euro area has shown resilience and is set to accelerate in the period ahead. The outlook has improved with growth for 2025 revised upwards to 1.2% (from 0.9% previously), reflecting better-than-expected incoming data, related to a frontloading of exports at the beginning of the year, and carry-over from historic revisions. The stronger contribution of domestic demand – driven primarily by investment and supported by private consumption – is providing additional momentum to growth this year. Looking ahead, favourable financing conditions, improving investment sentiment, and resilient demand are expected to support economic growth, even though risks due to trade policy uncertainty and geopolitical tensions are tilted to the downside.

The ECB's monetary policy stance has been pivotal in anchoring price stability across the euro area. Since mid-2024, in response to a sustained decline in inflation, the Governing Council has reduced policy rates by a total of 400 basis points, before pausing as of July. Following a stepwise, meeting-by-meeting and data-dependent approach, the ECB ensured the return of inflation back to 2% this summer (from a euro-area high of over 10% in the autumn of 2022). Inflation is expected to average 2.1% this year, supported by lower energy prices and a stronger euro, and decline below 2% throughout 2026. The Governing Council's latest decision to keep policy rates unchanged underscores its prudent, wait-and-see approach in a fluid and uncertain environment. Going forward, the Governing Council future decisions on interest rates will be based on our assessment of the inflation outlook and the risks surrounding it.

The ECB has mastered a "soft landing", that is a balancing act of safeguarding price stability, while at the same time fostering an environment conducive to investment, sustainable growth and financial stability. The Governing Council's decisions have ensured an orderly easing of financing conditions. Favourable financing conditions, along with rising real incomes and an anticipated increase in public investment in infrastructure and defence, are expected to underpin a gradual recovery of the euro area economy over the medium term. Preserving the credibility of monetary policy requires flexibility and readiness to adjust the policy stance in a timely manner if needed. By keeping inflation expectations firmly anchored to our medium-term target, monetary policy acts as a stabilising force – ensuring price stability, bolstering macroeconomic resilience and mitigating risks to financial stability.

Amid global uncertainty, European assets have become a safe haven, highlighting an important opportunity for the euro. Investors' flight from US Treasuries earlier this year demonstrated declining confidence in US economic policy, while euro area bonds attracted substantial inflows. This shift underscores the potential for the euro to strengthen its role as a global reserve currency. However, this is not automatic: it requires that Europe deepens integration, eliminates internal barriers to trade in goods and services, completes the Banking Union, and advances towards a European Savings and Investment Union. In particular, in order to increase its investment ratio, it needs to raise the rate of return on domestic investment and channel the largest part of its excess savings into it.

European initiatives in infrastructure, defence and green and digital transitions represent a fundamental shift in policy. Plans such as the Competitiveness Compass, the Clean Industrial Deal and ReArm Europe mark decisive steps in building strategic autonomy, enhancing competitiveness, and ensuring resilience. For Greece, these initiatives offer vast opportunities for co-investment in energy, infrastructure, logistics and technology.

Greece's economic performance and outlook

Against a turbulent economic environment, Greece has demonstrated remarkable resilience and recorded positive performance. GDP rose by 2.3% in 2024, outpacing the European average by a large margin, and this momentum continued into early 2025. In the first half of the year, the economy grew by 2% y-o-y, supported by private consumption, net exports and investment.

Particularly noteworthy is investment, which has shown a strong momentum in recent years. Since 2019, investment has been steadily increasing (+60% up to 2024), covering part of the large investment gap that emerged during the debt crisis. Its contribution to annual GDP growth has averaged 1.6 percentage points (pps) post-pandemic, significantly higher than the euro area average of just 0.3 pps. Still, a substantial investment gap remains between Greece and the euro area: despite this strong momentum, investment in Greece is expected to reach 16.3% of GDP in 2025, compared with 21.1% in the euro area.

Foreign direct investment (FDI) rose markedly last year, coming to about 2.5% of GDP – the second highest level in the past twenty years. Overall, the rise in FDI reflects the improved business environment following the recent credit rating upgrades of the Greek economy, as well as the completion of privatisation projects.

The medium-term outlook remains positive, with growth expected to outperform the euro area average. According to Bank of Greece latest projections, GDP is forecast to grow slightly above 2% in 2025, 2026 and 2027, almost double the euro area average, despite rising uncertainty in the international economic environment. Private consumption and investment will remain the key drivers of growth. This trajectory will allow Greece to continue converging towards the EU average in terms of per capita income, assuming, of course, that reforms continue steadily and investment projects are implemented in a timely manner.

However, inflation has shown persistence, exceeding the euro area average. Headline inflation has hovered around 3% this year, driven by services and food prices, wage growth and strong tourism demand. Overall, it is projected to remain elevated at around 3.1% in 2025 before gradually easing to 2.6% in 2026, mainly reflecting the Greek economy's positive output gap, against an estimated negative output gap in the euro area.

The labour market continues to improve, though challenges remain. Unemployment has fallen to 8.6% in the second quarter, down from 9.8% a year earlier, with employment growth broad-based across sectors. Yet labour shortages in construction, manufacturing and tourism persist, reflecting demographic pressures and skills mismatches. Wage growth has strengthened, enhancing household incomes but raising competitiveness concerns.

The current account balance is expected to improve in 2025, supported by resilient export performance, higher travel receipts from an extended tourist season, as well as lower interest payments due to falling interest rates. Nonetheless, challenges remain. Greece's export base is still concentrated in lower-technology goods and services, import dependency remains high, and any slowdown in euro area demand or renewed trade disruptions could weigh on performance. Addressing these vulnerabilities requires continued investment in competitiveness, diversification, infrastructure, skills, and higher value-added production.

For Greece, the direct impact of the new tariffs is expected to be limited, given our relatively low trade exposure to the United States. The risks are more likely to be indirect, as a slowdown in global trade could dampen demand for Greek goods and services and weigh on growth prospects. Heightened uncertainty in international markets also discourages investment, as businesses hesitate to commit capital in an unstable environment. Yet, in this challenging context, Greece stands out as a positive exception: recent credit rating upgrades for both the sovereign and Greek banks underscore the economy's improved fundamentals and resilience, offering reassurance to investors at a time of elevated global volatility.

Fiscal and financial stability

These dynamics highlight that stability has been restored – but to sustain it, fiscal and financial foundations remain crucial.

Greece's fiscal performance has been exceptional, strengthening confidence and sustainability. In 2024, the general government achieved an overall surplus of 1.3% of GDP, the first since 2019, with a primary surplus of 4.8% – one of the highest in Europe. Public debt fell sharply to 153.6% of GDP, a post-2010 low, marking the largest debt reduction among EU Member States.

Greece's fiscal outlook remains robust, with high primary surpluses (above 3% of GDP) and public debt on a steady downward trajectory. These achievements reflect both sustained gains from tackling tax evasion and strengthening tax compliance, combined with prudent control of public spending. Building on this foundation, the government has announced a new package of tax cuts and investment incentives, targeted at middle-income households, families and young workers. Fully financed within the EU fiscal framework, these measures aim to raise disposable incomes, strengthen local communities and support structural change, while safeguarding fiscal sustainability. They are also expected to deliver a modest boost to growth in 2026–27.

The government's commitment to early repayment of official sector loans sends a strong signal of fiscal discipline and confidence. The planned repayment of EUR 31.6bn of GLF loans by 2031 – a full decade ahead of schedule – will accelerate debt reduction, lower future financing needs, and enhance creditworthiness. By reinforcing fiscal credibility, this initiative not only eases the requirements for future fiscal adjustment but also helps to safeguard intergenerational fairness, relieving future taxpayers from part of today's fiscal burden.

The Greek banking system has emerged significantly stronger, underpinned by solid fundamentals. Capital ratios have improved, profitability has increased, and non-performing loans have fallen to historic lows. Liquidity remains robust, while successive credit rating upgrades have firmly placed Greek banks within investment-grade territory. The recently published 2025 EU-wide stress test results further confirm their resilience, showing that Greek banks would maintain capital levels comfortably above regulatory requirements – and outperform the European average – even under adverse macroeconomic scenarios. These achievements create a stable foundation for banks to finance investment and support the real economy more effectively.

Structural challenges

Despite the significant progress described earlier, Greece still faces long-standing structural challenges. Regulatory complexity, frequent changes in the legal framework, delay in the delivery of justice and inefficiencies in the judicial system, inter alia, undermine transparency and investor confidence. Addressing these requires determined reforms in governance and the rule of law.

Labour productivity and structural competitiveness remain below European peers. Although labour cost competitiveness has improved markedly since the crisis, the level of productivity still lags behind despite recent productivity growth, and Greece's integration into EU value chains remains limited. Investment in R&D, technology adoption, and skills development must be scaled up.

Housing affordability has emerged as a pressing economic and social concern. Rising rents and property prices, particularly in metropolitan areas and key tourist destinations, stemming from mismatches between supply and demand, are eroding household purchasing power – especially for those with lower income. Policy interventions must focus on increasing housing supply, encouraging regional development, and ensuring access to affordable housing.

Demographic trends, inequality, and social cohesion present further challenges. Population decline, skills mismatches, and regional disparities continue to weigh on long-term growth. At the same time, social inclusion policies are needed to ensure that growth remains equitable and sustainable.

Strategic investment opportunities

Addressing these structural challenges will require significant investment, and Greece offers compelling opportunities for such strategic investment in the years ahead. The combination of macroeconomic stability, improved creditworthiness, and EU funding creates an attractive environment for investors.

Energy transition and renewables are central to Greece's growth strategy. Investments in wind, solar, and offshore projects, coupled with upgrades to grids and interconnections, as well as increasing storage capacity for electricity, will support the green transition while enhancing energy security. Greece's geography offers unique potential for the country to become a clean energy hub in Southeast Europe – and an investment magnet.

Logistics and infrastructure investments can turn Greece into a regional hub. Ports, marinas, and transport networks are gateways linking Europe, Asia, and Africa. Modernising these assets will reinforce Greece's role in global supply chains and deliver long-term returns for investors.

Digital transformation and services present dynamic growth prospects. Greece's tech ecosystem is expanding rapidly, supported by venture capital and government initiatives. Investment in AI, big data, and digital infrastructure can unlock productivity gains across sectors. For investors, this means early access to one of Europe's fastest-growing technology markets.

Innovation and R&D are vital to moving up the value chain. Linking research with industry, providing fiscal incentives, and strengthening partnerships will help transform Greece into a knowledge-based economy. This creates opportunities not just for domestic firms, but for international investors seeking high-value projects.

The defence industry also offers a new area for strategic engagement. Greece is committed to deeper European defence cooperation, and active participation in international programmes can expand domestic production, add value, and reduce reliance on imports.

Policy priorities and reforms

Harnessing these opportunities requires parallel reforms and policy priorities.

Safeguarding fiscal sustainability must remain the cornerstone of economic policy. Compliance with European fiscal rules, combined with prudent debt management, ensures credibility and market confidence.

Fiscal reforms should make policy more growth-friendly and equitable. A more progressive tax system, improved spending efficiency, and reduced administrative burden will boost productivity and fairness.

The timely absorption of EU funds is critical for sustaining investment momentum. Greece has received over EUR 21bn in RRF disbursements so far, covering nearly 60% of its allotted resources. Ensuring swift and effective use of these funds will accelerate green and digital transitions.

Labour market reforms are also needed, to enhance human capital and address demographic pressures. Upgrading education, expanding training programmes, incentivising female and youth participation, and attracting skilled workers are essential for raising potential growth.

The banking system should strengthen intermediation and alternatives sources of finances should be available to business and households. The new Microfinance Fund and access to capital markets can broaden financing sources for SMEs and innovative enterprises, complementing bank credit.

European context and strategic autonomy

But Greece's path forward is inseparable from Europe's wider strategic trajectory. The EU's initiatives in technology, infrastructure, higher integration and defence reflect a collective response to global uncertainty. Greece is well positioned to benefit from – and contribute to – these efforts.

Completing the Banking Union and establishing a European Savings and Investment Union are urgent priorities. These steps would strengthen financial integration, improve risk sharing, and mobilise savings for investment across Europe.

Europe must also establish a permanent fiscal capacity to finance common priorities. Building on the successful model of NextGenerationEU, a European safe asset (such as a Eurobond) would enhance resilience and competitiveness and facilitate more investment into the euro area, while supporting the international role of the euro.

For Greece, alignment with Europe's strategic autonomy agenda is both an opportunity and a responsibility. By advancing reforms, safeguarding stability, and offering investment opportunities, Greece can emerge as a reliable partner for investors and a strong contributor to European prosperity.

Conclusion

Greece today is a story of stability, resilience, and opportunity – truly a strategic investment gateway in Southeast Europe. The economy has proven its capacity to withstand shocks, restore fiscal discipline, rebuild its banking sector, and attract international investment.

For investors, Greece represents stability, sustainability and transformation – the very pillars of this Summit's theme. We invite you to join us in advancing the energy transition, modernising infrastructure, driving digital innovation, and strengthening services. The path for Greece is not only to converge with Europe, but also to actively contribute to shaping a stronger, more resilient Europe.

Thank you very much.