

Yannis Stournaras: The Greek economy ten years after the crisis - lessons for national economies, the eurozone and future challenges

Speech by Mr Yannis Stournaras, Governor of the Bank of Greece, at the National Bank of Romania, Bucharest, 30 March 2026.

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Dear Colleagues,

I would like to thank the Governor of the National Bank of Romania and dear friend Mugur Isarescu, for inviting me in the National Bank to share with you my experience on the efforts undertaken by Greece to overcome the debt crisis and enhance its economic resilience. Greece's determined efforts showed that fiscal consolidation, financial restructuring and sustained structural reform can help a country regain economic credibility after years of hardship and lay the foundations for sustainable growth.

That experience remains relevant today, as the recent military escalation in the Middle East unfolds. The geopolitical conflict constitutes an additional adverse supply shock for the global and the euro area economy, with a potentially large macroeconomic impact should the conflict persist or spread across countries. Lessons drawn from the recent Greek economic history matter in the current juncture, because periods of conflict tend to bring budget strain, energy disruption, and wider uncertainty, making sound fiscal governance and coordinated crisis management especially important.

In my speech today, I will offer a concise overview of how Greece entered the debt crisis, how it got out despite the gloomy forecasts of many market analysts, policy makers and academics who predicted Grexit twice, in 2012 and 2015, and the key lessons to be drawn from that experience. I will then outline the substantial progress achieved in recent years and the outlook for the Greek economy, before concluding with the lasting legacy of the crisis and the challenges that still lie ahead, both for Greece and for the eurozone more broadly, particularly under the current circumstances of very high geopolitical uncertainty.

1. What led to the Greek crisis

Following a strong and sustained nominal convergence effort in the 1990's, during which nominal interest rates fell by more than 15 percentage points, Greece experienced strong economic growth, low inflation and falling unemployment from 2000 to 2007, largely driven by rapid credit expansion and cheap borrowing, particularly following entry into the eurozone in 2001. However, structural weaknesses remained. The Maastricht criteria for participation in the eurozone focused primarily on nominal convergence – inflation, fiscal deficit, a falling debt ratio, interest rates and the exchange rate, but did not require deep and sustainable reforms in labour markets, product markets, the pension system and public administration to improve structural competitiveness and institutional capacity. As a result, while GDP per capita rose rapidly and approached the EU average, governance, productivity, pension system sustainability and structural competitiveness did not follow, while the fiscal deficit

remained almost twice as large as the Maastricht reference value at the time, of 3% of GDP.

In fact, towards the end of 2000's fiscal policy became overly expansionary driven by the political cycle, while real wage growth exceeded productivity growth considerably. The ensuing real exchange rate appreciation along with rapid economic growth led to a large current account deficit. The general government deficit in 2008 and 2009 jumped to 10% and 15% of GDP respectively, from an average of about 6% of GDP during 2000-2007. The public debt ratio rose to 128% of GDP in 2009 from 104% in 2007.

Hence, the Greek crisis did not start as a banking crisis as in other Member States, but as a sovereign debt crisis which aggravated the imbalances in the current account and evolved into a banking crisis, through losses on government bond portfolios, withdrawal of deposits and an explosion of non-performing loans (NPLs).

Crucially, Greece failed to use the favourable pre-crisis period to address persistent vulnerabilities. Public administration remained inefficient, tax evasion was widespread, the pension system remained unsustainable and the public debt ratio stayed constant but high, around 105% of GDP, before it exploded in 2008 and 2009 to unsustainable levels.

When the sovereign debt crisis hit in 2010, Greece rapidly lost market access. Credit ratings were downgraded, bond yields surged and both the government and the banking sector were cut off from international funding. People withdrew large amounts of deposits, real estate collateral values slumped and liquidity conditions deteriorated sharply.

Greece attempted to address the large fiscal and external imbalances in its first economic adjustment programme through rapid fiscal consolidation and reforms to achieve the necessary improvement in competitiveness in the absence of an exchange rate devaluation. In May 2010 the ECB started purchasing Greek government bonds in the secondary market [through the Securities Markets Programme (SMP)] in order to address the severe tensions in financial markets, with the aim to restore the smooth functioning of the monetary policy transmission mechanism.

Fiscal consolidation relied more on tax increases rather than expenditure reforms or pro-growth policies. With the benefit of hindsight, reforms were rather poorly sequenced under the insistence of the "three institutions" (IMF, European Commission, ECB), targeting labour markets first and then product markets. As a result, nominal wages declined faster than prices, leading to falling real wages and collapsing household consumption, further exacerbating the recession. Banking sector fragility was aggravated by soaring NPLs, EU-level institutional weaknesses further worsened the crisis as early EMU architecture lacked tools for crisis management, debt relief was delayed, and the sovereign-bank doom loop amplified instability - until the decisive ECB response in mid-2012 with the announcement of the Outright Monetary Transactions programme (OMT) finally stabilised conditions.

2. What was the effect of the economic adjustment programmes

In response to the sovereign debt crisis, Greece implemented three consecutive economic adjustment programmes from 2010 onwards, supported by the "three institutions" and its European partners. These programmes aimed at fiscal consolidation, structural reforms and banking system stabilisation to restore macroeconomic balance and regain market confidence.

The programmes achieved their major stabilisation goals: the primary fiscal deficit of 10.1% of GDP in 2009 turned into a primary surplus exceeding 4% of GDP by 2018, while the current account deficit fell by roughly 12 percentage points, between 2009 and 2018. Comprehensive structural reforms were implemented in pensions, healthcare, labour markets, tax administration and public administration, improving long-term competitiveness and fiscal sustainability. At the same time, Greece began rebalancing its growth model toward exports and tradable activities.

The banking sector underwent deep restructuring. Extensive mergers and liquidations reduced the system to four systemic banks, now controlling over 95% of the market. The Bank of Greece played a pivotal role by ensuring monetary and financial stability, maintaining the provision of liquidity to Greek banks and securing uninterrupted cash availability nationwide, in close coordination with the ECB. Thanks to mechanisms such as the Hellenic Financial Stability Fund (HFSF) and the Hellenic Asset Protection Scheme (HAPS "Hercules"), the NPL ratio was slashed from 49% in 2016 to 3.3% by end-2025, while capital ratios, liquidity ratios, profitability and regulatory resilience all improved significantly. Capital controls were implemented between 2015 and 2019 to safeguard financial stability. Throughout this period, deposits remained fully protected and no depositor losses occurred, despite widespread speculation that Greece could exit the euro area.

However, the adjustment came at a substantial social and economic cost. The process relied more on tax increases rather than expenditure reforms or investment-friendly policies, and privatisation targets were largely unmet. The "three institutions" insisted on excessive and rapid fiscal adjustment and ignored its impact on growth, employment, social cohesion, tax revenue, and the "snowball effect" (that is, the difference between the effective nominal interest rate on public debt and the nominal growth rate, a difference which determines to a large extent the dynamic path of the public debt to GDP ratio). Between 2008 and 2016, Greece lost over one-quarter of its GDP, the unemployment rate surged by 16 percentage points, inequality and poverty indices soared, investment collapsed, and a massive brain drain occurred. Thus, while macroeconomic stabilisation and banking repair were ultimately successful, the cost in terms of lost output, social cohesion and long-term human and physical capital was immense.

3. Lessons learned from the Greek crisis

The Greek crisis offers several key lessons for economic policy, euro area governance and crisis management.

First, political ownership and credibility matter. Populism, political polarisation, and vested interests can hold back reforms and undermine economic recovery. Strong political leadership, institutional commitment and transparent policy frameworks enhance confidence among investors, households and international partners.

Second, fiscal and external imbalances must be addressed before they reach unsustainable levels. Reliance only on nominal convergence criteria, without structural reforms, can mask vulnerabilities and delay necessary adjustments. Member States entering a monetary union need to strengthen institutions, governance and structural competitiveness in parallel with fiscal convergence. Labour cost competitiveness is a necessary but not sufficient condition for structural competitiveness.

Third, related to the previous point, the stance of fiscal policy needs to be consistent with that of monetary policy. The objective of the ECB's Governing Council is price stability, defined as an inflation rate of 2 per cent in the medium term. During the several years prior to the outbreak of the Greek crisis, domestic fiscal policy was overly expansive, resulting in relative high inflation and wage growth, and unproductive spending. The Maastricht Treaty's fiscal criteria had a purpose, but Greece did not adhere to the criteria. And we paid the price of not doing so. Fortunately, the situation today in Greece is vastly different, the government having achieved large primary surpluses.

Fourth, the sequence and design of structural reforms are crucial. Reforms that excessively depress wages or focus narrowly on one sector can exacerbate recessions. A balanced approach that combines fiscal consolidation with growth-enhancing structural measures and public investment is essential. Legislative and administrative capacity must be sufficient to implement reforms efficiently and effectively. The Greek experience also demonstrated that adjustment through internal devaluation-reductions in wages and prices in the absence of exchange rate flexibility-is slow and socially costly, particularly when not accompanied by reforms in product and service markets and policies that support investment and productivity growth.

Fifth, the banking sector requires careful oversight and timely interventions not only during but even before a crisis hits. The failure to early manage NPLs, prolonged the recession and weakened banks' capacity to finance the real economy. A systemic solution for distressed assets at the earliest possible period supported by an appropriate legal and institutional framework, is critical.

Sixth, the architecture of a monetary union affects crisis resolution. The absence of effective risk-sharing mechanisms, crisis management tools and coordinated oversight within EMU amplified Greece's difficulties. Timely ECB intervention, the creation of ESM, public debt restructuring and favourable refinancing conditions were essential to prevent a disorderly default and stabilise the system. Notably, Greece ultimately benefited from generous debt refinancing on very favourable terms, which created a favourable "snowball effect" by allowing the debt-to-GDP ratio to improve as the effective interest rate on public debt remained below GDP growth for extended periods. In addition, the ECB waiver on the collateral eligibility of Greek government bonds ensured the smooth refinancing of the Greek banking system during the crisis years-a support that was no longer necessary once Greece regained investment-grade status.

More broadly, the crisis demonstrated that monetary unions require robust institutional frameworks, including credible crisis-management mechanisms, financial backstops and coordinated supervision to prevent the amplification of asymmetric shocks.

Finally, crisis management requires both fiscal discipline and support for long-term growth. Greece's experience demonstrates that adjustment programmes can restore macroeconomic balance and improve competitiveness, but at high social costs. Future policy programmes should balance fiscal targets with structural reforms and growth-oriented policies to minimise social hardship and shorten recovery periods. Public investment should be exempted from expenditure cuts while the effects on the public debt ratio from the improvement in the primary balance of the general government from fiscal measures should be considered along with the "snowball effect".

In sum, Greece's crisis underscores the need for robust institutions, both at home and in the EU, effective governance, prudent fiscal policies and comprehensive structural reforms. The combination of domestic weaknesses, institutional gaps, delayed reforms and external shocks created one of the most severe economic crises in history. Yet, the response through the adjustment programmes has restored macroeconomic and financial stability, fiscal sustainability and competitiveness. An important contribution was made by the Bank of Greece, through its actions to preserve financial stability, notably the liquidity provision and its role in the recapitalisation, restructuring and consolidation of the banking sector. Greece acted as the midwife of history: due to the Greek crisis, Europe created new institutions and obtained experience and the necessary attitude and tools for crisis management, which proved useful later during the Covid 19 pandemic.

4. Progress, current state and outlook of the Greek economy, and policy priorities ahead

Greece has undergone a profound economic transformation in recent years, emerging as one of the euro area's strongest performers after over a decade of crisis and structural adjustment. Since 2019, Greek GDP growth has consistently outpaced the euro area average, bringing the country back to a path of convergence towards European income levels following many years of divergence. In 2025, real GDP grew by 2.1%, the same as in 2024, significantly above the euro area average growth rate, which was 1.4%.

Economic growth in 2025 was underpinned by both private consumption and investment, each contributing 1.4 and 1.5 percentage points respectively to output growth. Net exports also contributed positively, adding 1.2 percentage points, as exports expanded by 1.7%, weathering the adverse external environment. Overall, private consumption grew by 2% in 2025 on the back of strong labour market performance, while investment growth accelerated to 8.9% mainly due to the RRF (Recovery and Resilience Facility) funding.

Economic prospects for the Greek economy remain positive, despite strong external headwinds.

If the conflict in the Middle East does not last more than the next few weeks, and if energy prices start to de-escalate, real GDP growth in 2026 is expected to be only

marginally below that of 2025, 1.9% instead of 2.1%, corresponding to the ECB's last March baseline scenario, exceeding again the euro area average which is expected to be 0,9%, thereby fostering further catching up with European income levels. The main driver of growth is expected to be consumption, while investment should continue to contribute positively. In the short term, investment will be supported by the remaining available RRF resources.

Most importantly, the resilience of the Greek economy has not been underpinned by short-term stimulus, but rather by strong fundamentals: solid public finances, resilient household consumption, a powerful rebound in investment supported by the RRF, and exceptional export performance - particularly in tourism, logistics, digital services and innovation-intensive sectors such as pharmaceuticals. Meanwhile, the labour market has strengthened, with unemployment falling to single-digit levels for the first time since the beginning of the crisis at 8,9% in 2025 and labour force participation rising, while export reach is extending beyond tourism towards high-value-added manufacturing goods. Rising disposable incomes and a decline in the absolute poverty rate (keeping the poverty threshold fixed in terms of 2019 real purchasing power) between 2019 and 2023 demonstrate that the recovery is now translating into social welfare gains as well, rather than just macroeconomic ones.

Macroeconomic governance has been instrumental in rebuilding international confidence. Greece continues to deliver robust primary budget surpluses and overall budget surpluses without reverting to restrictive fiscal policy measures, but instead supported by disciplined public finances, improved tax administration and a forceful crackdown on tax evasion. Public debt is firmly declining as a percentage of GDP, expected to reach about 138% of GDP in 2026, driven by strong nominal GDP growth and favourable debt service conditions. Sound fiscal policies have created space for targeted tax relief, protection of vulnerable households and investment in digital, green and infrastructure priorities - all while remaining fully aligned with the EU fiscal rules. International rating agencies have responded with upgrades in the sovereign and banking ratings, helping to attract renewed foreign capital into Greek assets.

However, the external environment remains very fragile. Geopolitical instability and an escalation of the war in the Middle East, a new, major energy crisis stemming from this war, protectionist pressures, economic policy uncertainty, financial fragmentation, and climate change, are sources of considerable downside risks. The war, if sustained, is bound to produce stagflationary effects, that is higher inflation and lower growth. In this case, our ECB baseline scenario will not be valid any longer. The same will apply to national economy scenarios, including Greece's.

The more we deviate in a worse direction from the assumptions of the baseline scenario, regarding particularly energy prices, inflation will be higher and growth will be lower compared to the baseline. In such a case, monetary policy decisions will also be affected accordingly, to prevent second-round inflationary effects.

At home, certain legacy issues from the crisis such as private debt, lower capital stock and labour force, as well as demographic pressures, low female and youth labour force participation, and delays in judicial and administrative reform, remain unresolved, while housing costs continue to impose a growing burden on households.

Against this background, Greece has shifted its focus from recovery to "strategic acceleration". Its central economic objective is now to secure long-term real convergence with the euro area without recreating past macroeconomic imbalances. Achieving this requires closing faster the remaining investment gap with the euro area, sustaining productivity gains by investing in new technologies, continuing the implementation of reforms, efficiently mobilising and allocating domestic resources, EU structural and RRF funds as well as foreign direct investment, especially in sectors producing internationally traded goods and services, in a world increasingly shaped by technological progress and geopolitical competition.

Macroeconomic, fiscal and financial stability must remain the linchpin. Strict adherence to EU rules and accelerated debt reduction, including early repayment of the Greek Loan Facility (GLF), have been, and continue to be, essential to preserve credibility. But stability is not enough. Fiscal strategy needs to become intrinsically pro-growth, redirecting spending toward infrastructure, education, innovation and demographic support, while modernising further the tax system to reinforce competitiveness and fairness.

The decisive battleground is investment mobilisation. The deployment of the remaining RRF funds must be fast and effective, but external funding alone is insufficient. Private capital must be aggressively attracted through faster licensing, capital market deepening and non-bank finance development – while private savings should be rebuilt through the enhancement of the fully funded pillars of the pension system, the provision of incentives for closing the insurance gap for natural catastrophes and improvements in financial literacy.

Finally, Greece must treat the green and digital transitions not as obligations but as strategic competitiveness opportunities. Accelerated investment in renewables, grid capacity, interconnections, AI readiness and circular economy innovation is essential - as is a housing policy shift from subsidies to structural supply-side reform. The new energy crisis is a stark reminder that Greece should maximize its efforts to reduce dependence on (imported) fossil fuels.

If political stability, fiscal responsibility, financial stability, institutional credibility and reform momentum are maintained, Greece is positioned not merely to sustain recovery but to graduate into a phase of permanently higher investment ratio, productivity growth and economic resilience.

5. The EU/EMU lessons from the Greek crisis

The Greek crisis showcased the vital need for fiscal discipline in the euro area. It also highlighted that structural rigidities must be addressed to boost productivity and investment. Greece's experience underscores the importance of innovation, high-tech transition, efficient use of EU funds and FDI, deeper capital markets and secure, affordable energy to enhance long-term competitiveness and resilience.

However, while Greece and other Member States must remain fully committed to structural reforms, a purely national strategy is no longer sufficient. The global environment has shifted dramatically in just a few years, with rising geopolitical fragmentation, energy crises, armed conflicts, trade tensions, tariffs and intensifying

technological rivalry among major powers. Europe as a whole now confronts a broad set of challenges, not only economic but also technological, environmental, energy, and security-related. It is increasingly clear that a coherent European-wide strategy is required, in line with the strategic thinking reflected in recent high-level reports such as the Letta report on deepening the Single Market and eliminating the (still large) internal barriers to trade in goods and services, as well as the Draghi report on Europe's investment needs, productivity and competitiveness. Only through coordinated joint action can the EU hope to close productivity and innovation gaps, reinforce resilience and preserve its strategic autonomy.

In this regard, recent EU initiatives such as the ReArm Europe Plan and Readiness 2030, as well as the European Commission's Competitiveness Compass and Clean Industry Pact, signal a major policy shift towards a stronger, forward looking industrial policy which seek to incentivise investment in new technologies and innovation. These initiatives support deeper market integration and stimulate large-scale investment in critical technologies and infrastructure, thereby increasing resilience to external shocks. Completing the banking union -especially through the establishment of a European deposit insurance scheme – and launching a true savings and investment union would significantly reduce financial fragmentation.

Building on the success of NextGenerationEU, the issuance of more joint European debt could catalyse higher cross-border investment, strengthen the international role of the euro and decisively enhance Europe's long-term competitiveness.

It is undoubtedly encouraging that the debate on the issuance of more joint European debt has progressed. Our objective should be to issue joint debt to pursue well-defined common European purposes of high importance, such as enhancing defence, green energy, and strategic investment. This would send a clear signal that Europe is moving toward greater unity, shared responsibility and a more resilient and integrated future. At the same time, issuing common debt will strengthen financial market integration and deepen capital markets. A larger supply of euro-denominated safe assets would attract global investors looking to diversify their portfolios.

A common European safe asset can be a transformative step for market integration, financial stability and the international role of the euro. However, it cannot become a substitute for sound national fiscal frameworks. The objective is to complement national discipline, not to weaken it. Common borrowing can ensure prudent fiscal management, if done in a disciplined and credible manner – provided it is rules-based, purpose-driven and institutionally anchored.

The experience of NGEU is instructive in this respect. The large-scale joint bond issuance demonstrated that the EU can borrow collectively at scale, build a liquid yield curve and attract strong global demand – without undermining fiscal responsibility at the national level. Crucially, NGEU financing was linked to clearly defined European objectives, time-bound commitments and reform conditionality. This architecture helped alleviate moral hazard, while enhancing credibility in markets.

Demand for high-quality European sovereign bonds remains strong, both domestically and internationally. This partly reflects the euro area's structural savings surplus, with a significant share of savings currently invested abroad due to the limited supply of jointly-

issued high-quality securities. A well-designed European safe asset, issued in sufficient volumes, would help absorb this demand, support financial market functioning and contribute to financing European investment in much needed areas.

These dynamics suggest that expanded common issuance, provided it is underpinned by medium-term fiscal prudence, a well-structured strategy and clear communication, could be readily absorbed by market participants.

I am confident that Europe can translate the present political momentum into concrete action. The military escalation in the Middle East and the resulting energy crisis, irrespective of the end result, has put Europe, a large net energy importer, once more in a very difficult position, due to its dependence on imported fossil fuels. There are two relevant key considerations. First, within a period of few months, there have been more than one wake-up calls to European policy makers that institutional changes are imperative. Second, the resulting political momentum is of essence. Converting it into concrete decisions, however, will require careful preparation, coordinated actions, and sustained agreement among member states.

Given the geopolitical situation, there is a clear opportunity to accelerate progress. By prioritising the most critical policy steps and ensuring that political momentum is maintained over time, this positive trajectory can translate into tangible outcomes in the coming years.

How important is the need to translate momentum into actions? I think that there is widespread agreement in Europe that our future depends on a major change in the strategic direction of our continent. What is now required is determination to act collectively and deliver the reforms and policies that will strengthen Europe's resilience and competitiveness.