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## Opinion on the Macroeconomic Forecasts of the Stability Programme 2024

April 2024



## HELLENIC FISCAL COUNCIL

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[OP.1/2024](#)



Athens, April 30 2024

## Opinion on the Macroeconomic Forecasts of the Stability Programme 2024

The Hellenic Fiscal Council (HFISC), entrusted with the role of an independent fiscal institution, submits its opinion on the Stability Programme's 2024 (SP 2024) macroeconomic forecasts as stipulated in Regulation No 473/2013 of the European Parliament and of the Council of the European Union (EU).<sup>1</sup>

The current assessment takes into account the following:

- (a) The SP 2024 macroeconomic scenario extending up to 2025, that has been forwarded to HFISC by the Ministry of Economy and Finance (MinFin) on 29.3.2024.
- (b) The most recent data published from the Hellenic Statistical Authority (ELSTAT) covering the entire year 2023.<sup>4</sup>
- (c) The 2024 State Budget (SB) projections as well as those of the SP 2023.<sup>5,6</sup>
- (d) European Commission's (EC) 2024 winter forecasts, as well as those by other international and domestic institutions regarding the key macroeconomic variables of the Greek economy, such as real GDP and the Harmonised Index of Consumer Prices (HICP).<sup>7</sup>
- (e) HFISC's GDP projections based on in-house econometric models.

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1. A comprehensive analysis of the macroeconomic developments of the Greek economy will be included in the forthcoming HFISC's bi-annual report.

2. [COM\\_2023\\_141\\_1\\_EN\\_ACT\\_part1\\_v4.pdf \(europa.eu\)](#)

3. [com\\_2022\\_583\\_1\\_en.pdf \(europa.eu\)](#)

4. Hellenic Statistical Authority 7.3.2024: [Statistics - ELSTAT \(statistics.gr\)](#)

5. [State Budget Plan Budget - Ministry of Economy and Finance \(minfin.gr\)](#)

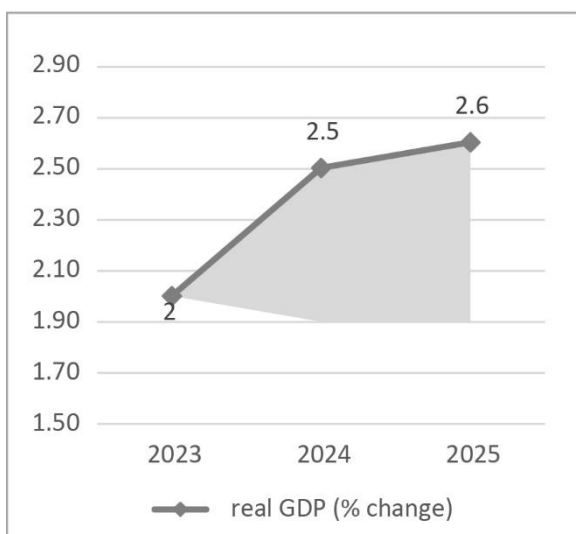
6. [Stability Programme \(europa.eu\)](#)

7. [Economic forecast for Greece \(europa.eu\)](#)

## 2024 Macroeconomic Forecasts

The SP 2024 GDP growth forecast for 2024 from the Ministry of Economy and Finance falls within the HFISC's range (1.9% - 2.5%), albeit at the upper limit and in line with the recent estimates by the EC (2.3%), as well as those of the Bank of Greece (BoG 2.3% see, Charts 1 and 2). HFISC's growth trajectory reflects a possible lower growth rate in EU economies and a delayed easing of the European Central Bank's (ECB) monetary policy.

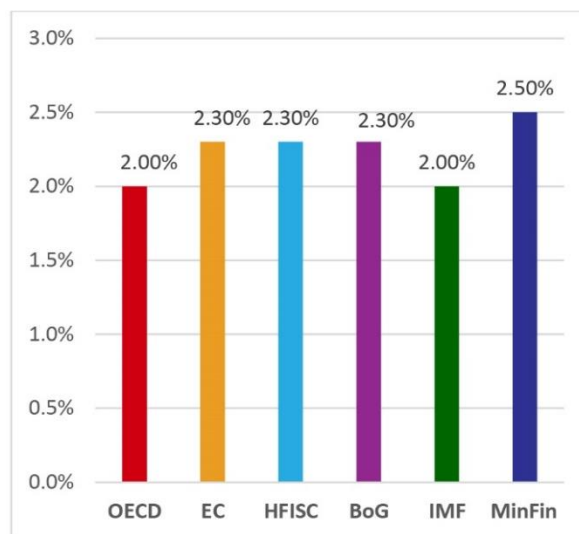
**Chart 1:** 2024 & 2025, HFISC real GDP growth rate projections



**Sources:**

- 1) Six different groups of econometric models (Dynamic Factor Model, VECMs, MIDAS, AR, ARIMA, & ARFIMA) produce HFISC forecasts.
- 2) The grey area indicates the range of the forecasts (1.9% to 2.5% for 2024 & 1.9% to 2.6% for 2025).
- 3) In the above chart we note that the Ministry of Economy and Finance (SP 2024) forecasts are within the range of the HFISC forecasts

**Chart 2:** 2024, a comparison of annual GDP growth rates projection (y-o-y rate of change)

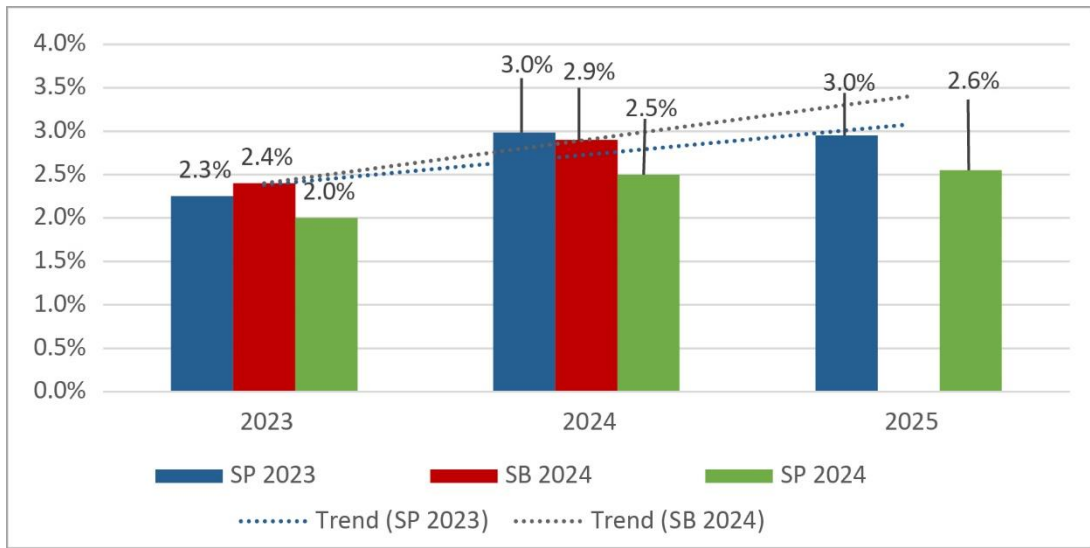


**Sources:**

- 1) OECD Economic Outlook, Volume 2023 Issue 2, No 114, November 2023.
- 2) EC, European Economic Forecast, February 2024.
- 3) HFISC, March 2024.
- 4) BoG, Governor's Annual Report, April 2024.
- 5) IMF, World Economic Outlook, April 2024.
- 6) SP 2024, Ministry of Economy and Finance, April 2024.

The SP 2024 macroeconomic scenario for 2024, revises downwards the expected GDP growth rate compared to the SB 2024 (November 2023), to 2.5% from 2.9% (see, Chart 3). This revision, is mainly due to a worse than anticipated slowdown momentum observed in some Eurozone economies. However, the above growth rate is expected to remain well above the EU average (according to EC's winter forecast 2024 report the Euro area's growth rate is estimated to be 0.8%).

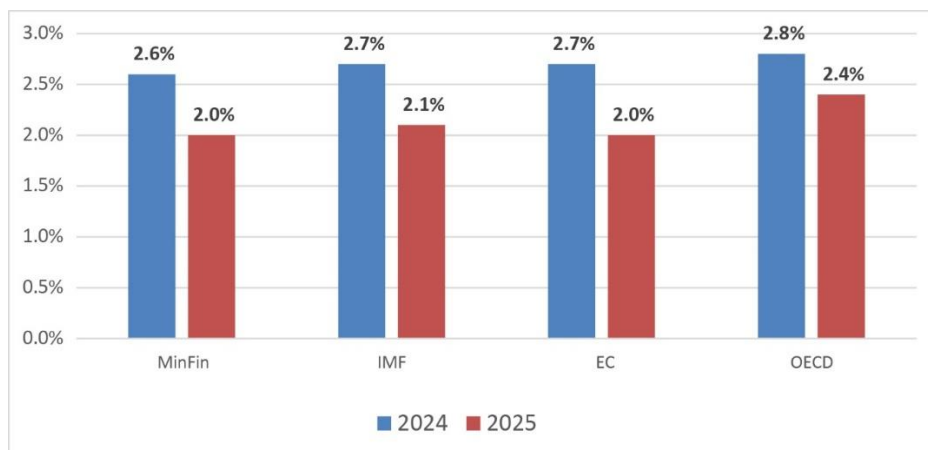
**Chart 3:** 2023-2025, Ministry of Economy and Finance economic growth rates



**Sources:** MinFin: 1) SP 2023 (April 2023), 2) SB 2024 (November 2023), 3) SP 2024 (April 2024) and HFISC calculations.

The inflation forecasts (HICP) of the Ministry of Economy and Finance for the current year are in line with recent forecasts by IMF, EC and the OECD (see, Chart 4). This forecast remains in line with the SB 2024 (2.6%) and has been slightly revised upwards to 2.6% from the relevant forecast of the SP 2023 (2.4% see, Chart 4). According to the latest data from ELSTAT in March 2024, the HICP stood at 3.4%, indicating a stabilization around the 3% mark over the past six months. Main sources of inflation dynamics are the sub-categories of food and non-alcoholic beverages, clothing and footwear, restaurants and hotels.

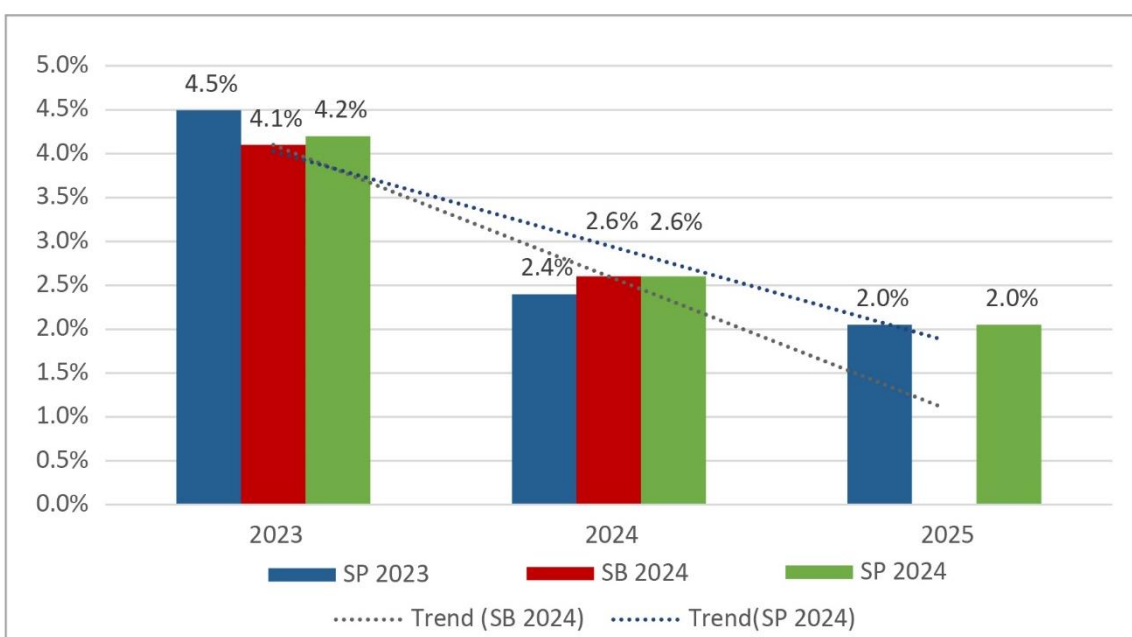
**Chart 4:** 2024-2025 Ministry of Economy and Finance, inflation (HICP) and international organizations



**Sources:**

- 1) [OECD Economic Outlook, Volume 2023 Issue 2, November 2023.](#)
- 2) [EC, European Economic Forecast, February 2024.](#)
- 3) [IMF, World Economic Outlook, April 2024.](#)
- 4) SP 2024, MinFin, April 2024.

**Chart 5: 2023-2025 Ministry of Economy and Finance, inflation (HICP)**



**Sources:** MinFin: 1) SP 2023 (April 2023), 2) SB 2024 (November 2023), 3) SP 2024 (April 2024).

**Table 1: Key macroeconomic variables forecasts, at constant prices 2015 (y-o-y percentage changes, unless otherwise stated)**

	SP 2023		SB 2024	SP 2024	
	2024	2025	2024	2024	2025
GDP	3.0%	3.0%	2.9%	2.5%	2.6%
Private Consumption	2.0%	2.0%	1.3%	1.6%	1.6%
Public Consumption	-1.2%	-0.3%	-1.6%	0.7%	-2.5%
Gross fixed capital formation	9.7%	10.7%	15.1%	9.1%	14.4%
Exports of goods & services	6.2%	5.3%	5.6%	3.7%	4.9%
Imports of goods & services	4.4%	4.8%	4.6%	3.5%	4.9%
External balance of goods & services *	0.0	-0.15	-	-0.07	-0.24
Inflation (HICP)	2.4%	2.0%	2.6%	2.6%	2.0%
Employment (national accounts basis)	1.0%	0.9%	0.9%	0.8%	0.5%
Unemployment rate**	10.9%	10.0%	10.6%	10.6%	9.9%

**Sources:** MinFin: 1) SP 2023 (April 2023), 2) SB 2024 (November 2023), 3) SP 2024 (April 2024) and HFISC calculations.

\* As a percentage of GDP.

\*\* As a percentage of the Labour Force, Labour Force Survey (LFS).

## 2025 Macroeconomic Forecasts

For 2025, the GDP growth rate forecasts of the HFISC (2.4%) align closely with the macroeconomic scenario outlined in the current SP (2.6%), albeit at the upper limit (see, Table 2). However, forecasts from the EC and other international and domestic organizations fall within a more reserved range.

**Table 2:** 2024-2025 Real GDP forecasts, Ministry of Economy and Finance, domestic and international organizations

	Publication date	2024	2025
OECD <sup>1</sup>	November 2022	2.0%	2.4%
EC <sup>2</sup>	February 2023	2.3%	2.3%
HFISC <sup>3</sup>	March 2023	2.3%	2.4%
BoG <sup>4</sup>	April 2023	2.3%	-
IMF <sup>5</sup>	April 2024	2.0%	1.9%
MinFin <sup>6</sup>	April 2024	2.5%	2.6%

**Sources:**

1) OECD Economic Outlook, Volume 2023, Issue 2, No 114, November 2023. 2) EC, European Economic Forecast, February 2024. 3) HFISC, March 2024. 4) BoG, Governor's Annual Report, April 2024. 5) IMF, World Economic Outlook, April 2024. 6) SP 2024, MinFin, April 2024.

The fundamental assumptions underpinning the SP 2024 projections for 2025 entail a continued decline in inflation, aiming to align with the ECB's target of 2.0%. At the European level, the downward trajectory of inflation would limit interest rate hikes with even further positive macroeconomic effects. Private consumption is expected to maintain its dynamic trajectory with a growth rate of 1.6%, along with a substantial uptick in exports, projected to rise by 4.9% (see, Table 1). Additionally, it is anticipated that the Recovery and Resilience Facility (RRF) funds will exert a notably positive influence on gross fixed capital formation, with a projected increase of 14.4%. It is estimated that the contribution of RRF funds to this upsurge in investment will exceed 10 billion euros.<sup>8</sup> In any case, the level of investment will play the crucial role in achieving the new scenario, with particular emphasis on those projects financed by the RRF. Timely and effective implementation of the Recovery and Resilience Plan is essential.

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8. It should be noted that the Greek economy had received so far (22.4.2024), €14.9 billion out of the €30.1 billion for financing the Greek economy with the remaining €15.2 billion in loans and grants until 2026.

## Summary-Conclusions

The SP 2024 macroeconomic scenario is consistent with both SP 2023 and SB 2024. The driving force behind the expected GDP growth for 2024 and 2025 is the rise in gross fixed capital formation, with a substantial contribution from the RRF funds. In addition, the possible de-escalation of ECB interest rates, the further sovereign rating upgrade by foreign rating agencies for Greece, the completion of the consolidation of the banking system and the use of the high stock deposits, yield positive prospects for the success of the presented macroeconomic scenario.

On the other hand, uncertainties related to the persistence of inflationary pressures, exogenous shocks on the economy due to geopolitical uncertainties, and the recently introduced European fiscal governance framework could challenge the implementation of the SP 2024 macroeconomic scenario.

In the light of the above, the Hellenic Fiscal Council endorses the macroeconomic forecasts of the Stability Programme 2024 for Greece.

For the Hellenic Fiscal Council

The Chairperson

Anastasia Miaouli