

# THE GREEK ECONOMY & ITS FINANCIAL SECTOR IN THE TRUMP ERA

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**31<sup>st</sup> Annual Conference of the Multinational Financial Society,  
June 30, 2025, Hania, Crete, Greece**



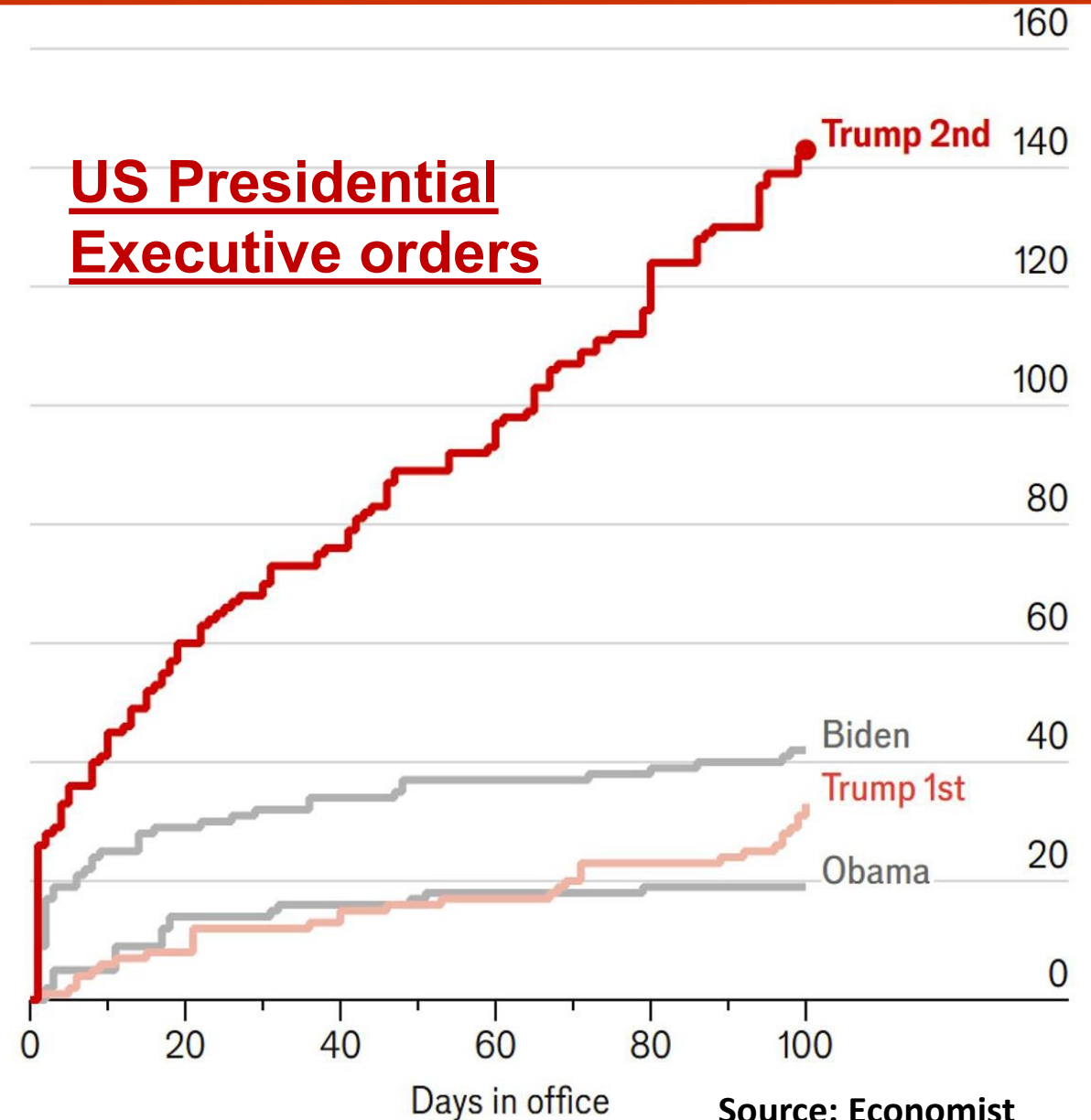
# The Greek Economy and its Financial Sector

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- I. Global Turbulence in the first months of the newly elected US president
- II. Is the Greek economy insulated from the global winds of change?
- III. A robust financial sector
- IV. Challenges ahead

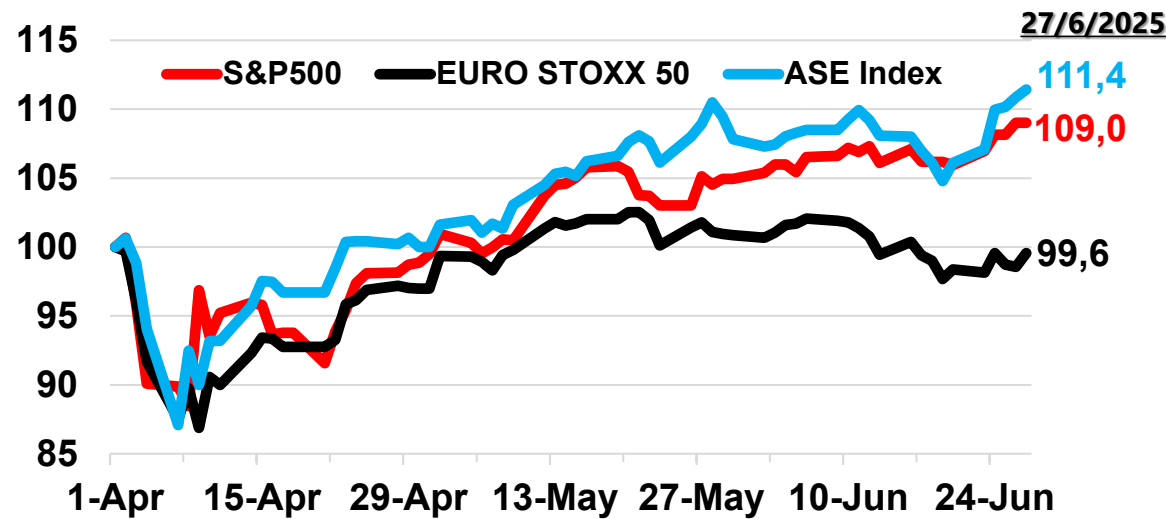
# I. An ambitious US presidential beginning

- ❑ President Trump claims he wants to:
  - ✓ Rewire the global trading system
  - ✓ Bring higher-paid manufacturing jobs back to the US
  - ✓ Make allies pay for the US security umbrella, which is a public good
  - ✓ Use tariff proceeds to finance domestic initiatives
- ❑ There is an apparent underlying US administration belief that Europeans and the rest of the world are either free-riders or simply are extracting more benefits than the US from today's open global and secure trading system, the architecture of which the US helped design over the last 80 years.

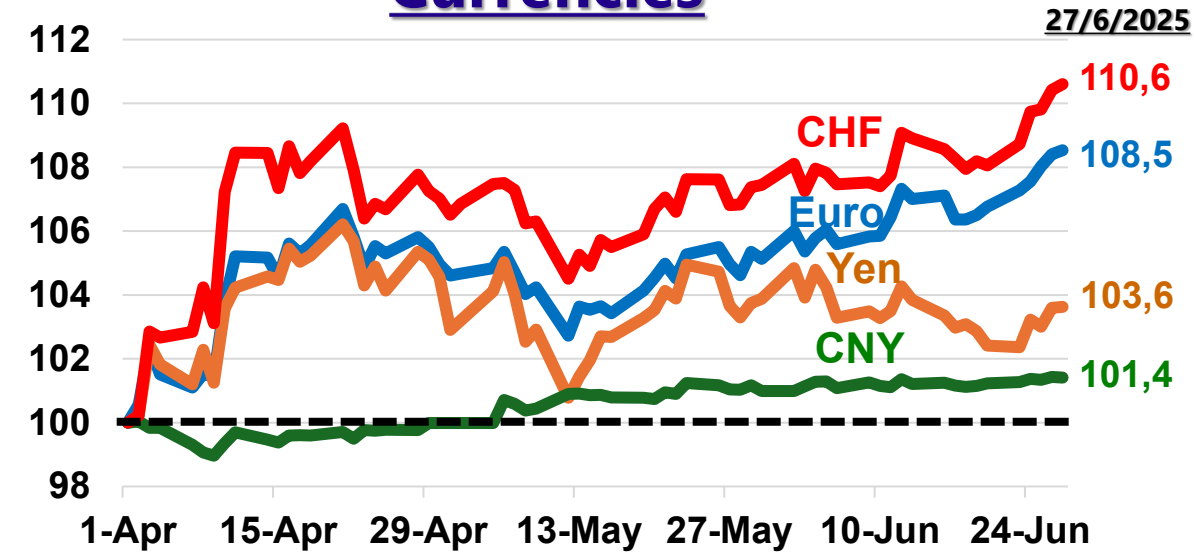


# I. Market responses following the April 2 announcements

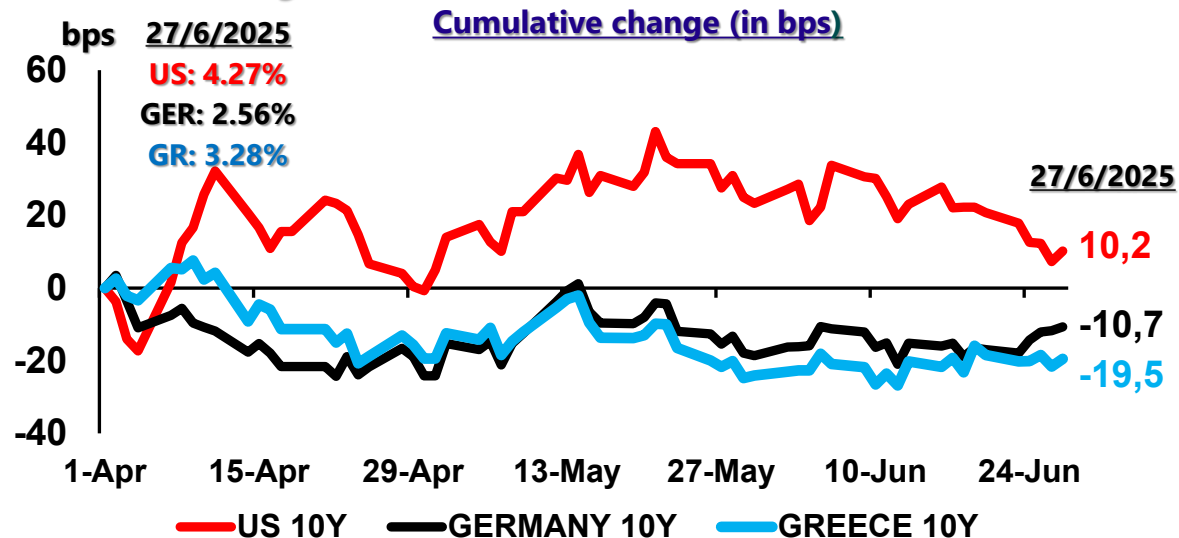
## Stock Markets



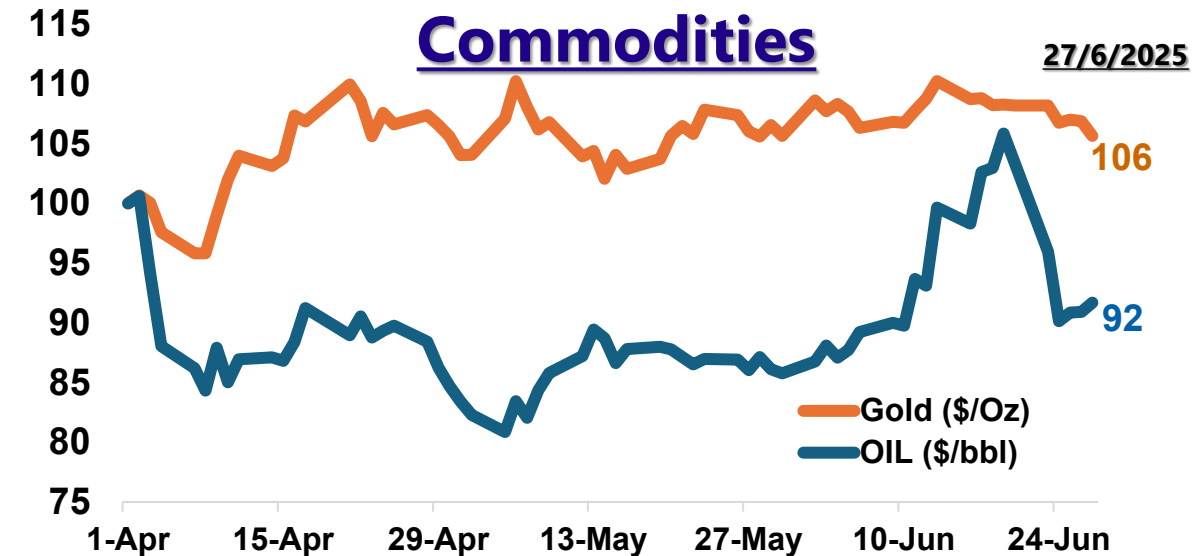
## Currencies



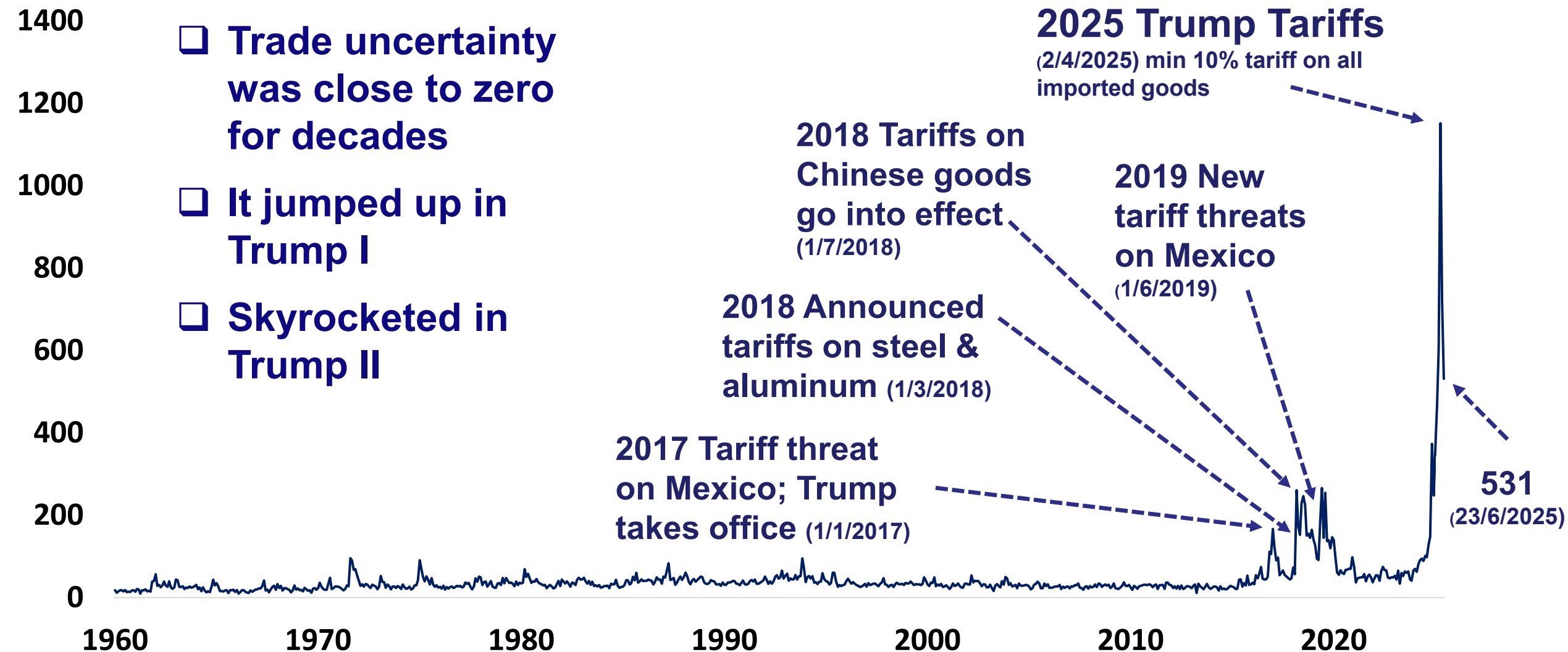
## 10y Government Bond Yields



## Commodities

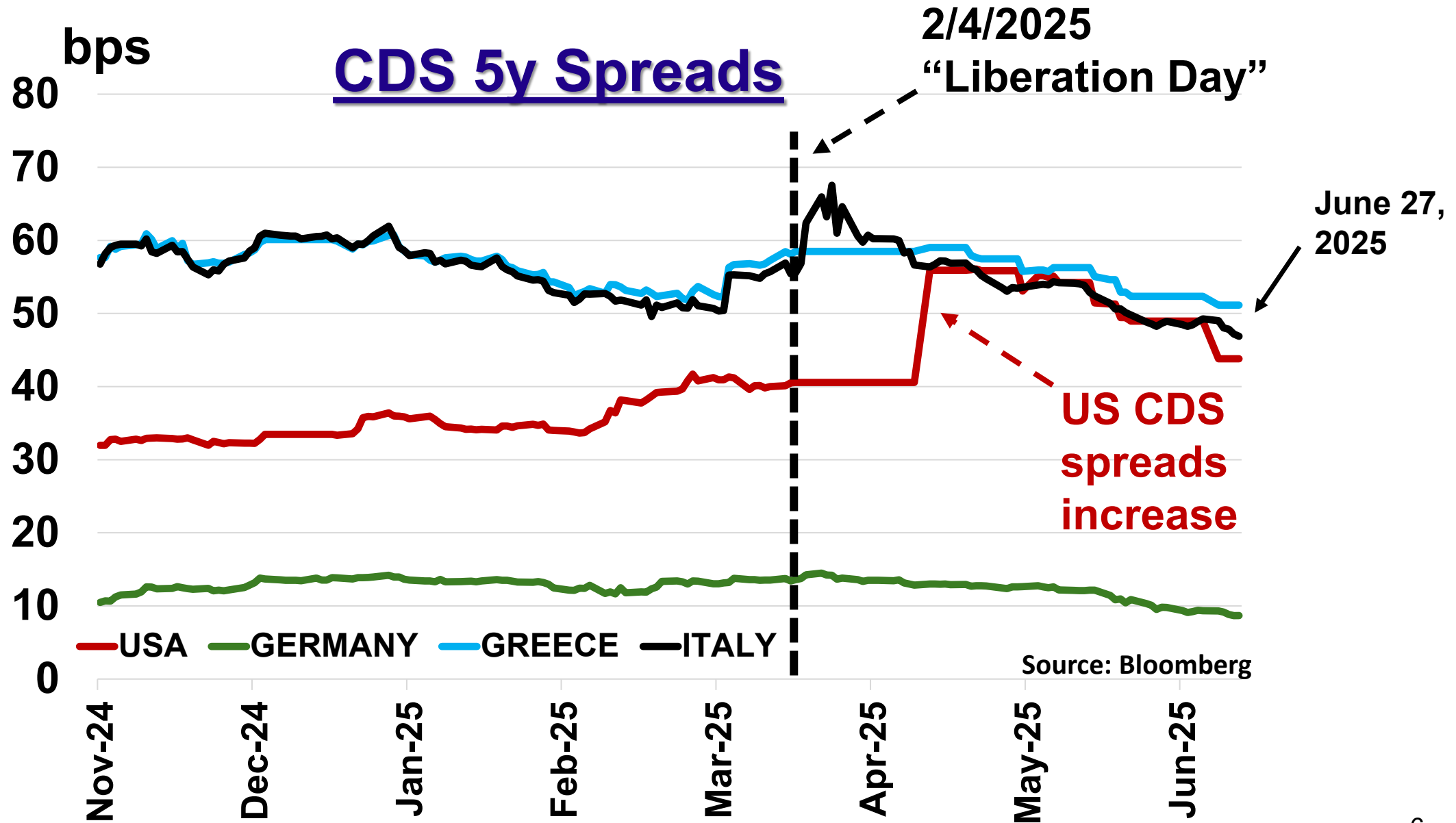


# I. Global trade policy uncertainty at record highs

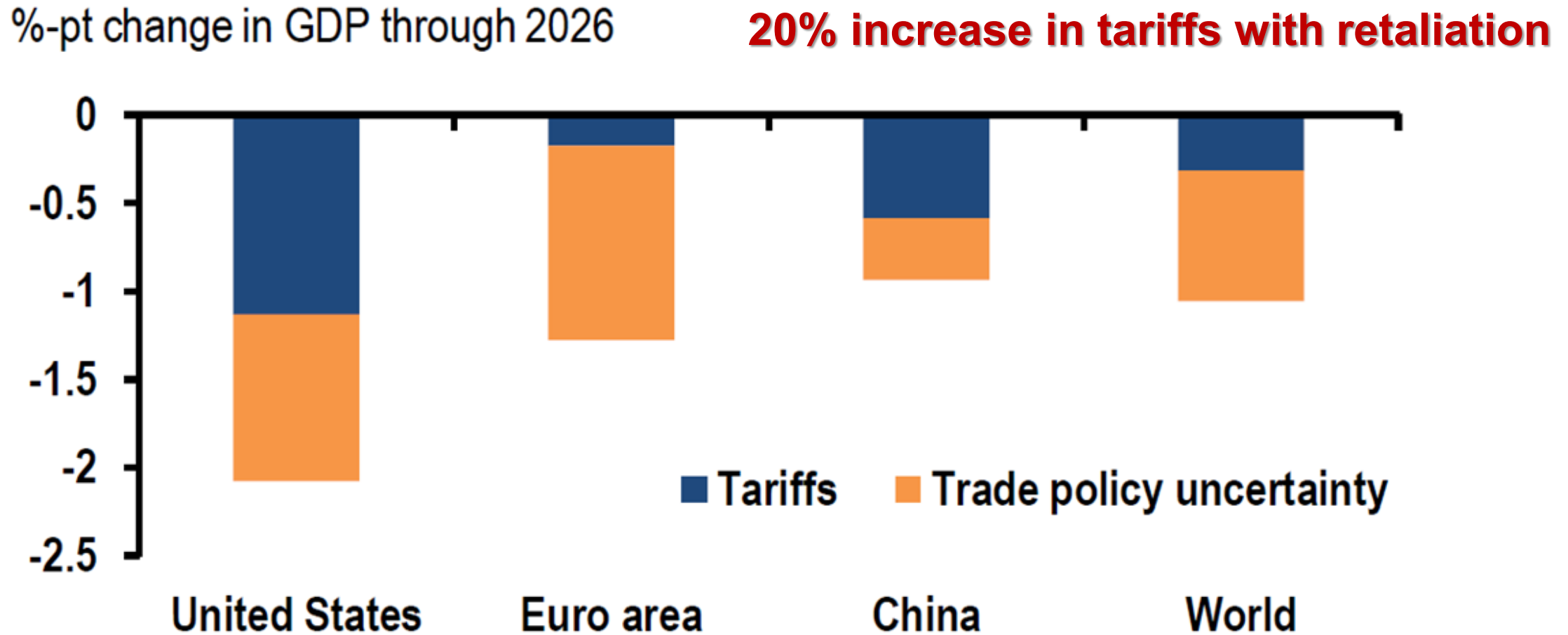


Source: Trade Policy Uncertainty (TPU) Index, <https://www.matteoiacoviello.com/tpu.htm>

# I. The fear of US government default has increased



# Uncertainty has a large negative effect on output



Source: IMF, J.P. Morgan

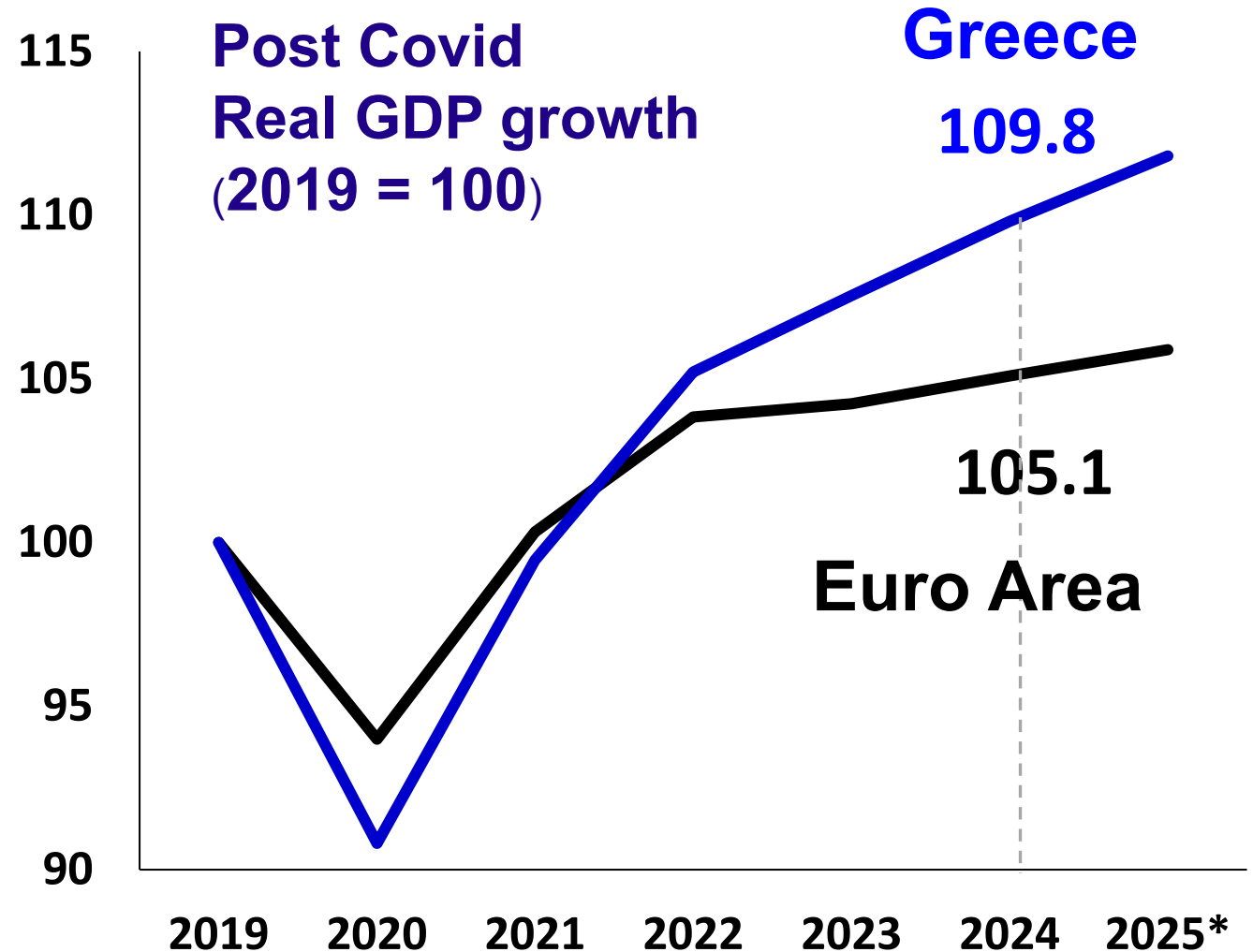
## **II.**

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## II. Greek economy: Less sensitive to Trump uncertainty

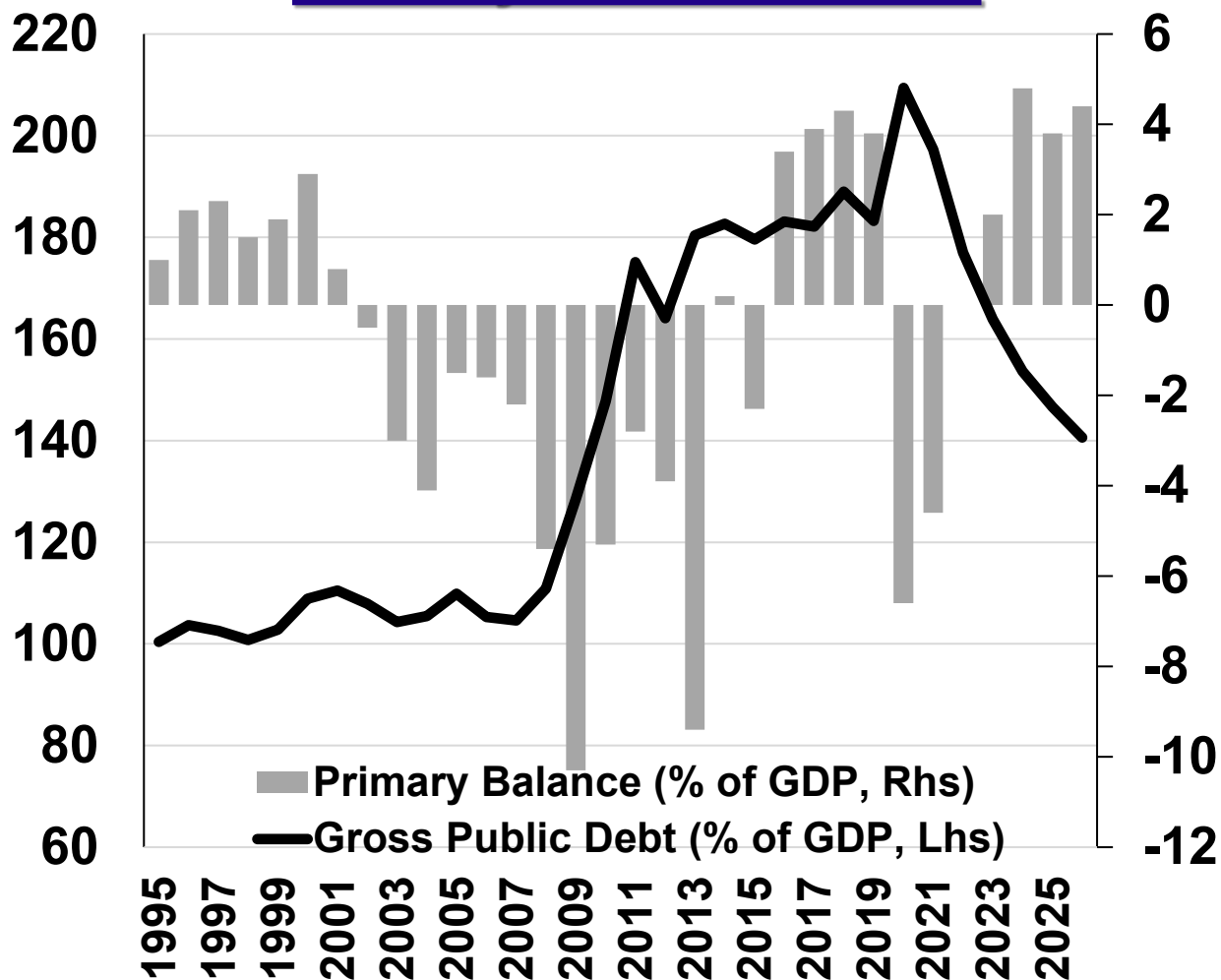
- Greek exports to the US only 1% of GDP (vs. 3% in Euro Area).
  - Yet Greece will be affected in a 2<sup>nd</sup> round from the drop in EA GDP.
  - Uncertainty is the biggest problem.
- Economy grows faster than EA.
- RRF provides a cushion:
  - €16-20bn by the end of RRF program period.
- Fiscal stability is a lesson learned by citizens and politicians.
- Political stability.
- A strong banking sector provides support.



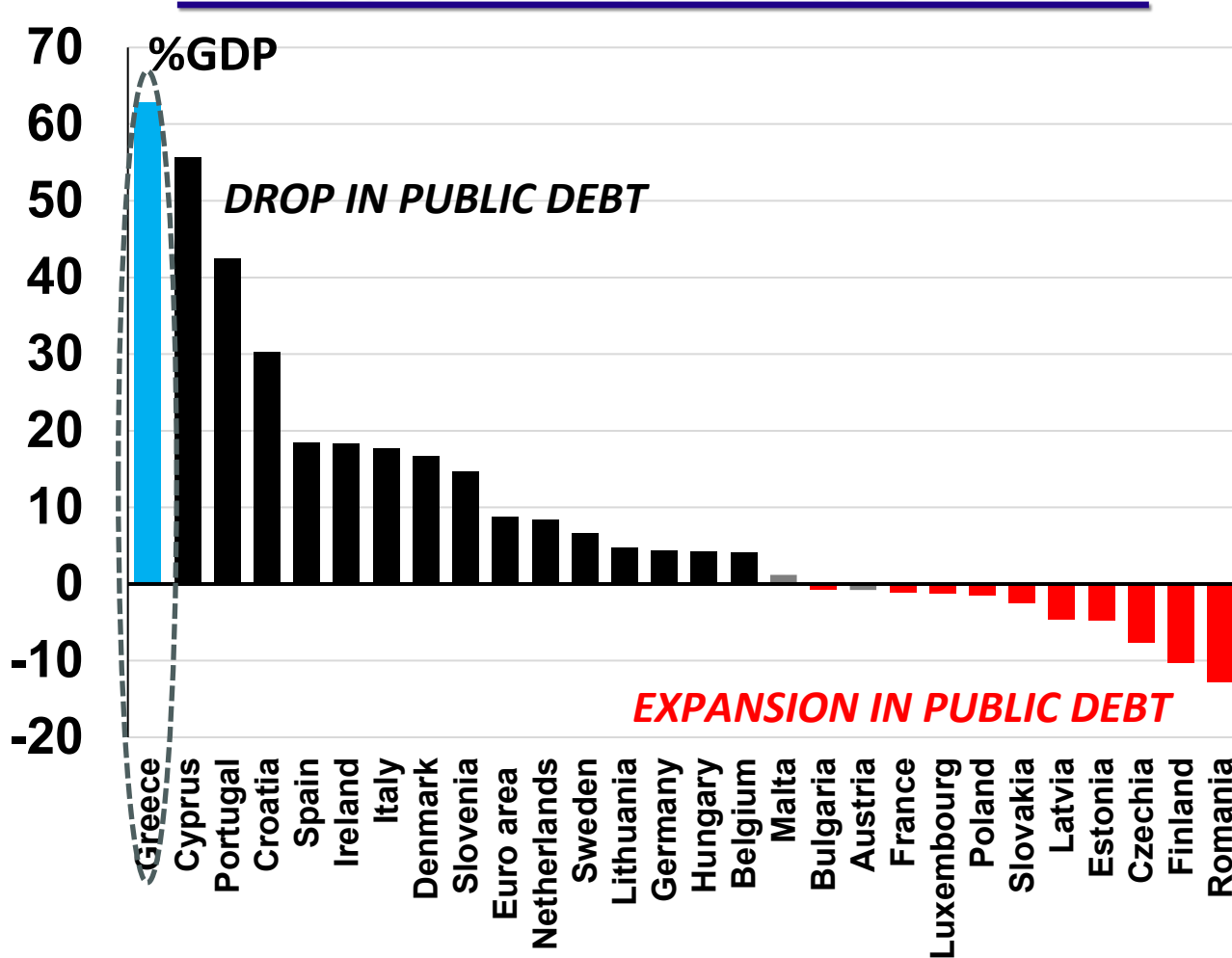
Source: Eurostat, \*IMF WEO

## II. Crisis lesson learned: Fiscal prudence in Greece

Greek General Government  
Primary Fiscal Balance



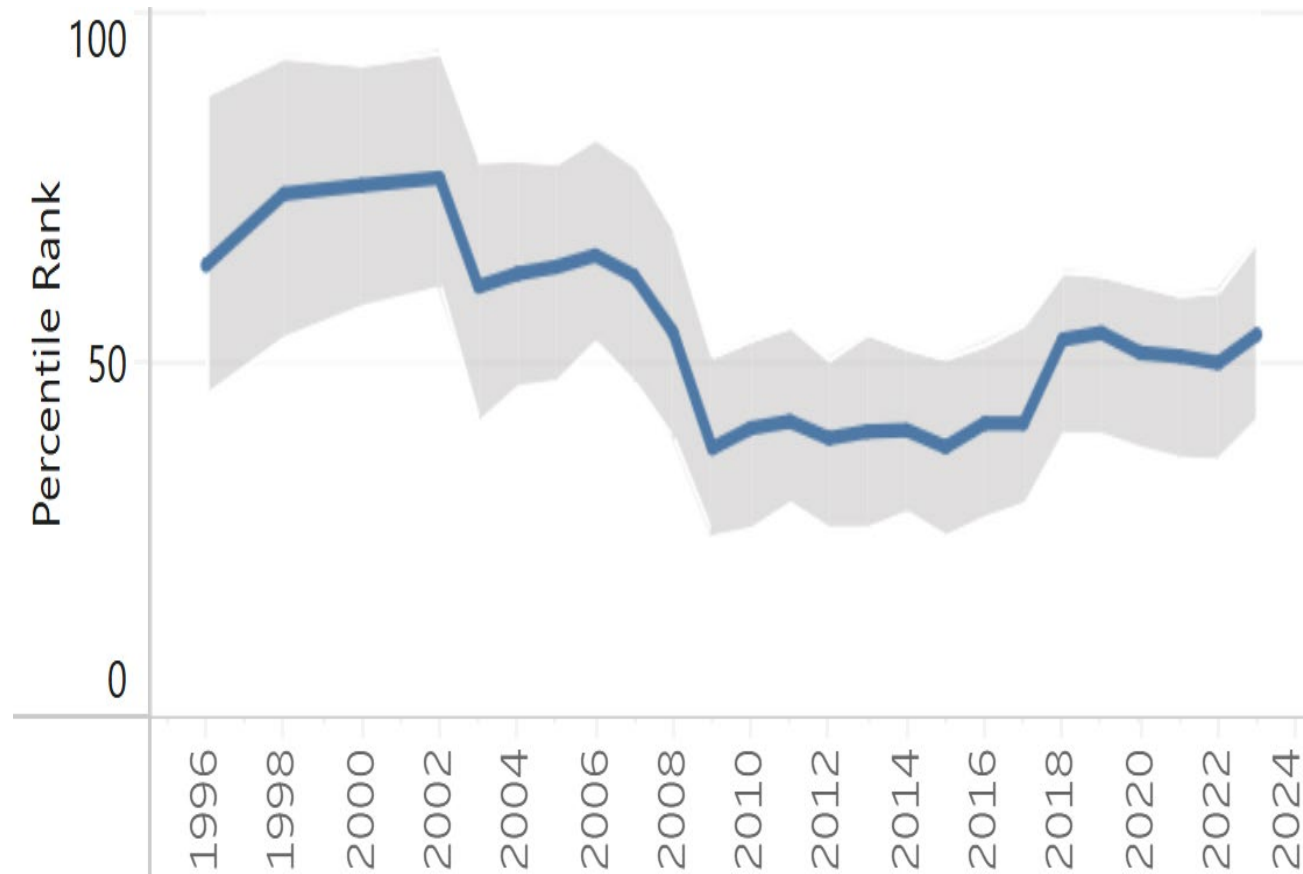
Cumulative drop in public  
debt-to-GDP ratio since end-2020



Source: Ameco

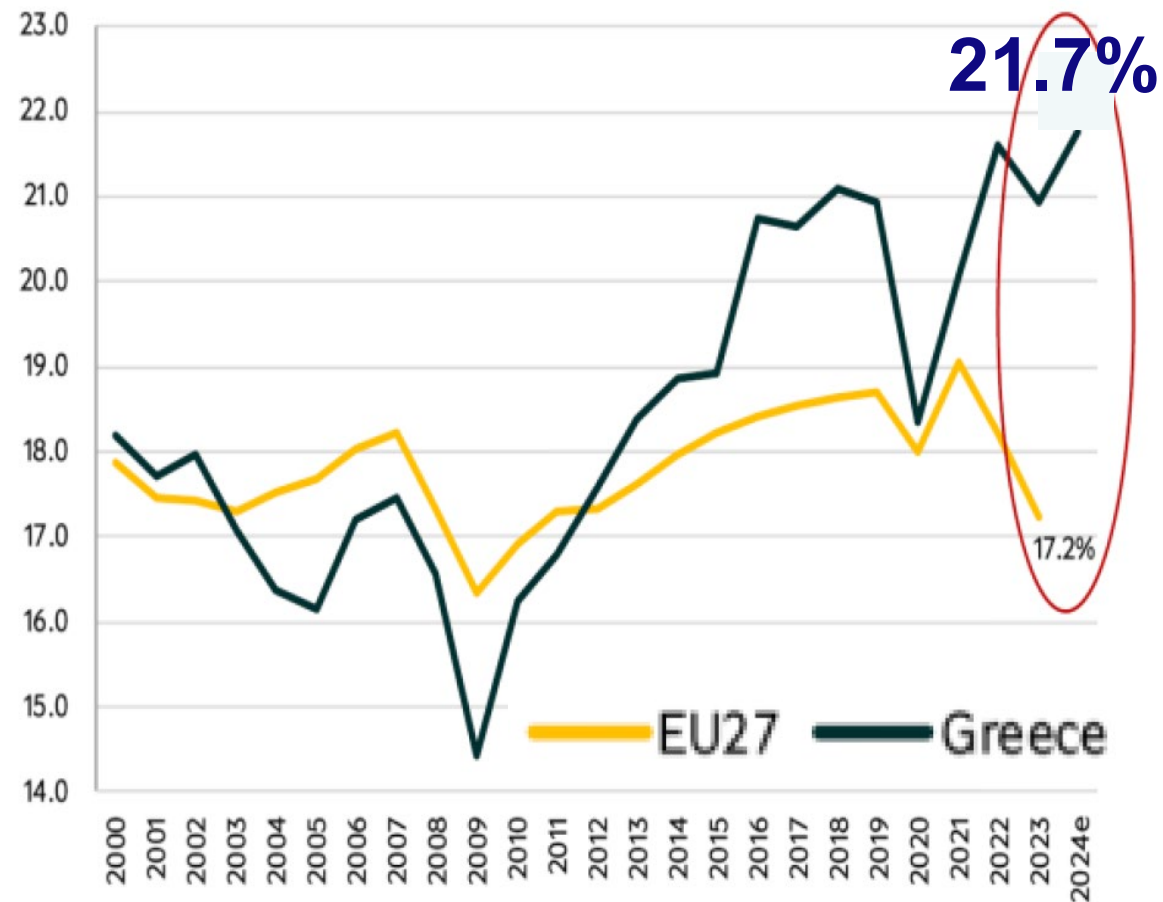
## II. Political stability despite household stress

### Political Stability & Absence of Violence/Terrorism



Source: Worldwide Governance Indicators ([www.govindicators.org](http://www.govindicators.org))

### Effective Tax Rate on Consumption Greece vs EU

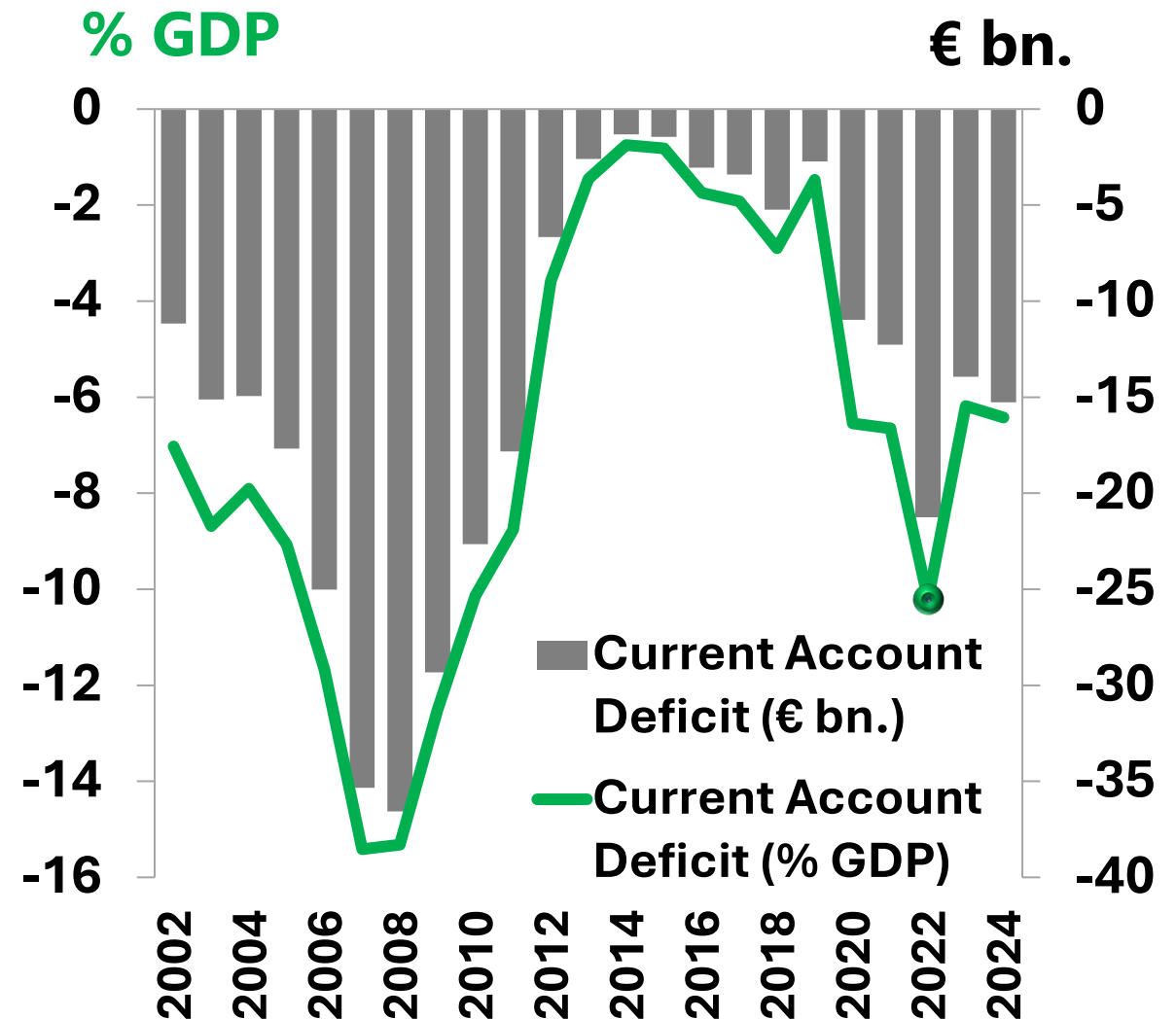


Source: LSE Hellenic Observatory

## II. Yet, irrespective of Trump, a current account problem

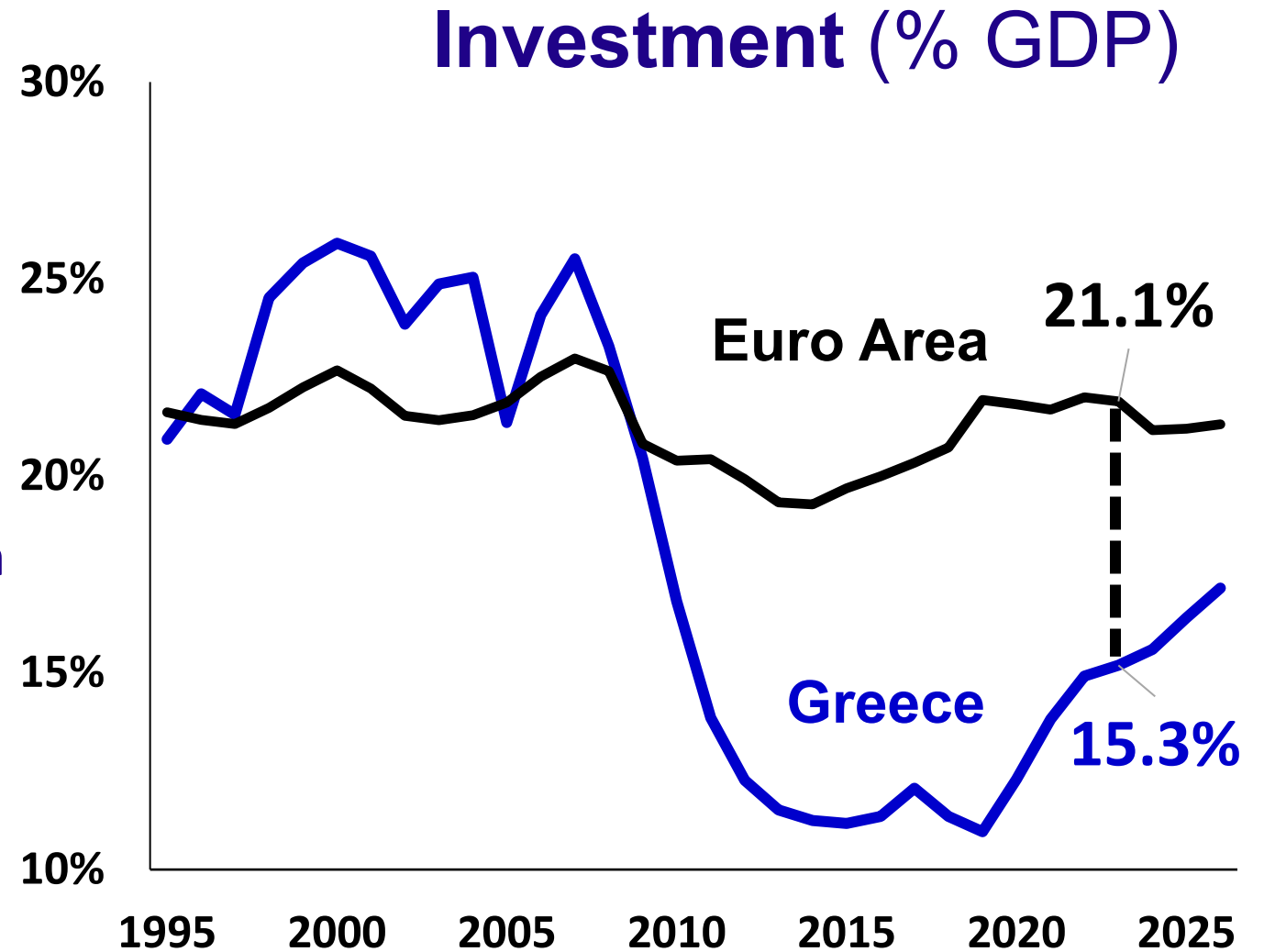
- ❑ During the Greek crisis, the current account deficit shrank as the economy imploded, including imports.
- ❑ Now, with GDP rising, the current account deficit has increased again: Lack of competitiveness?

| % GDP       | 2008  | 2024  |
|-------------|-------|-------|
| Exports G&S | 22.8% | 42.0% |
| Imports G&S | 34.3% | 47.3% |



## II. Investment is not at pre-crisis levels yet

- ❑ In Investment, only half the gap with the Euro Area is closed.
- ❑ Draghi report recommends investment to increase by an additional €800bn annually in Europe (4.7% of EU 2023 GDP).
- ❑ Greece under-invests and over-consumes: Household consumption is at
  - 67.5% of GDP in Greece
  - 51.5% of GDP in Euro Area
- ❑ Type of investment is also important.



Source: Eurostat

## II. Greece's sovereign rating upgraded to investment grade

- ❑ The A+/A1 rating in 2006-2008 was probably an over-estimate
- ❑ At low Investment Grade territory today
- ❑ Banks today have investment grade rating as well, with minor differentiation between them
- ❑ In the case of Moody's, surprisingly, all 4 banks have a better rating than the State:

### Moody's Ratings today

| Greece | NBG  | Eurob. | Alpha | Piraeus |
|--------|------|--------|-------|---------|
| Baa3   | Baa1 | Baa1   | Baa2  | Baa2    |



Source: BoG, Rating agencies. Last obs. 29/5/2025

# **III.**

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### III. Inside Greece, banks are comparatively very large companies

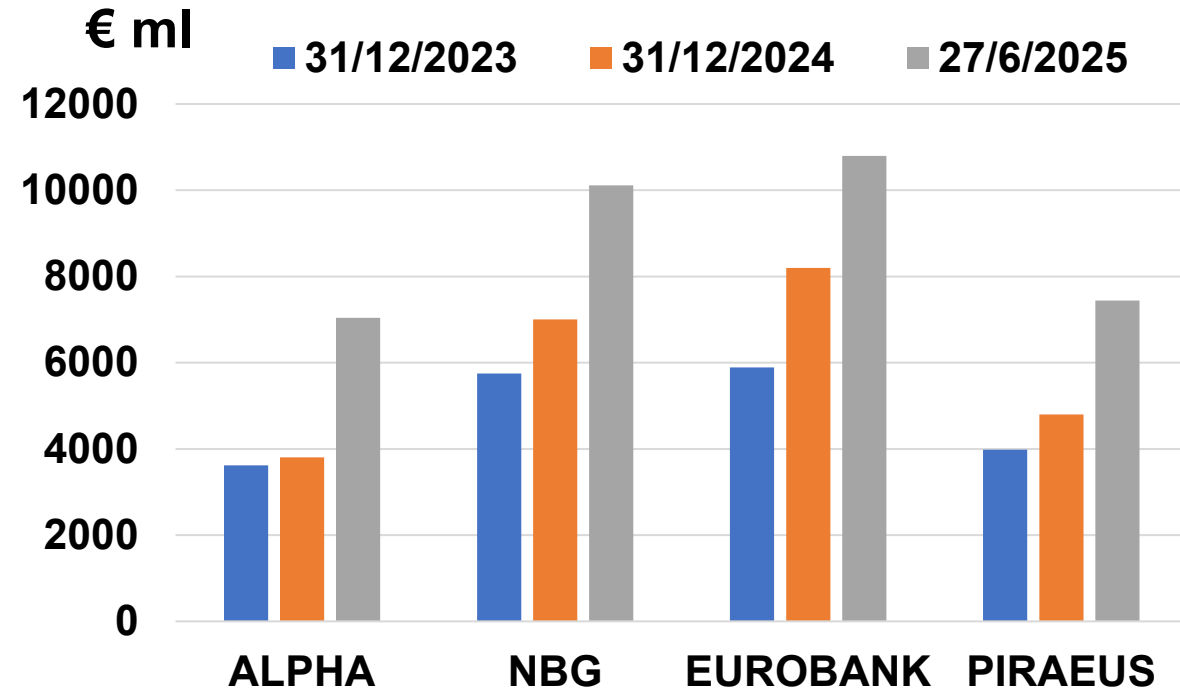
- ❑ Banks and the real economy are an inseparable couple.
- ❑ Despite their small size when compared to int/al peers, Greek banks carry a disproportionately large weight on the domestic economy,
  - Today Greek banks included in the ASE BANK-INDEX represent **28.8%** of total ASE capitalization (as of 27/6/2025).
  - Their total weight goes up to **32.0%** when all listed banks are included, i.e., after adding Attica Bank & Bank of Cyprus.





### III. Compared to Europe, the Greek banking sector is small

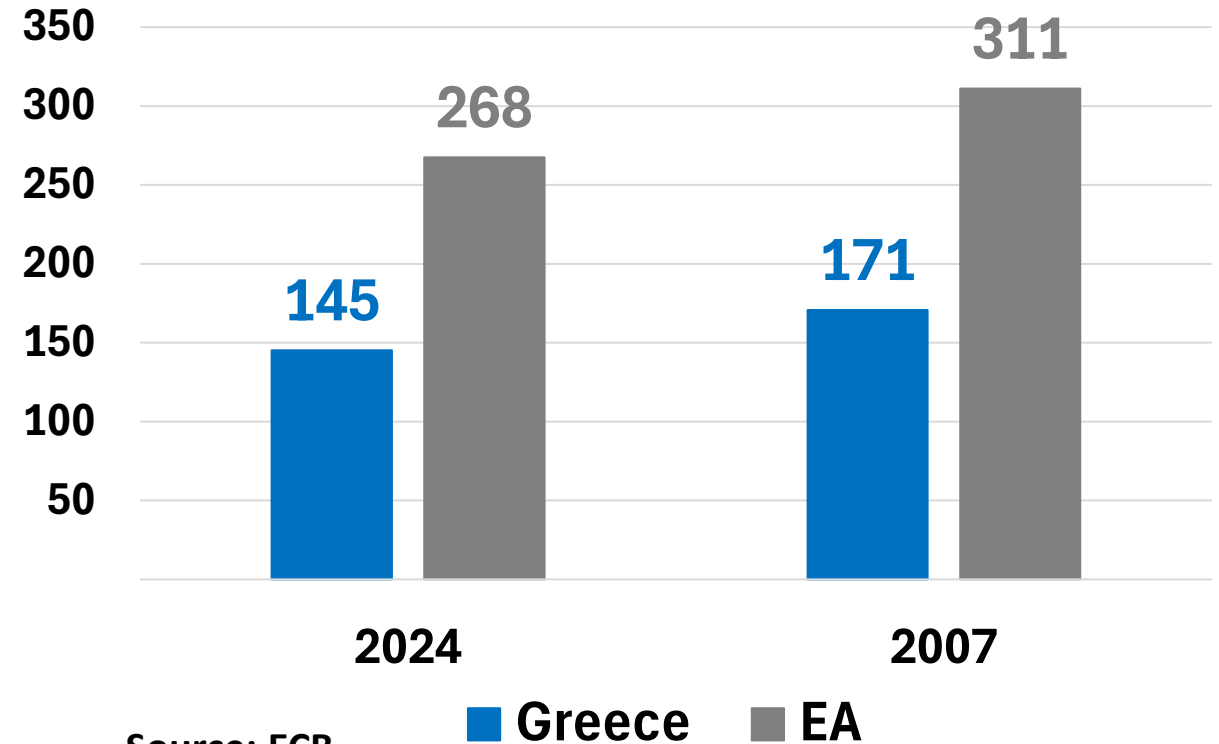
#### Greek Systemic Banks Market Capitalization



Source: Bloomberg

- ❑ Greek banks' capitalization is 50-100 times smaller compared to that of JP Morgan.

#### Banking Sector Assets (% GDP)

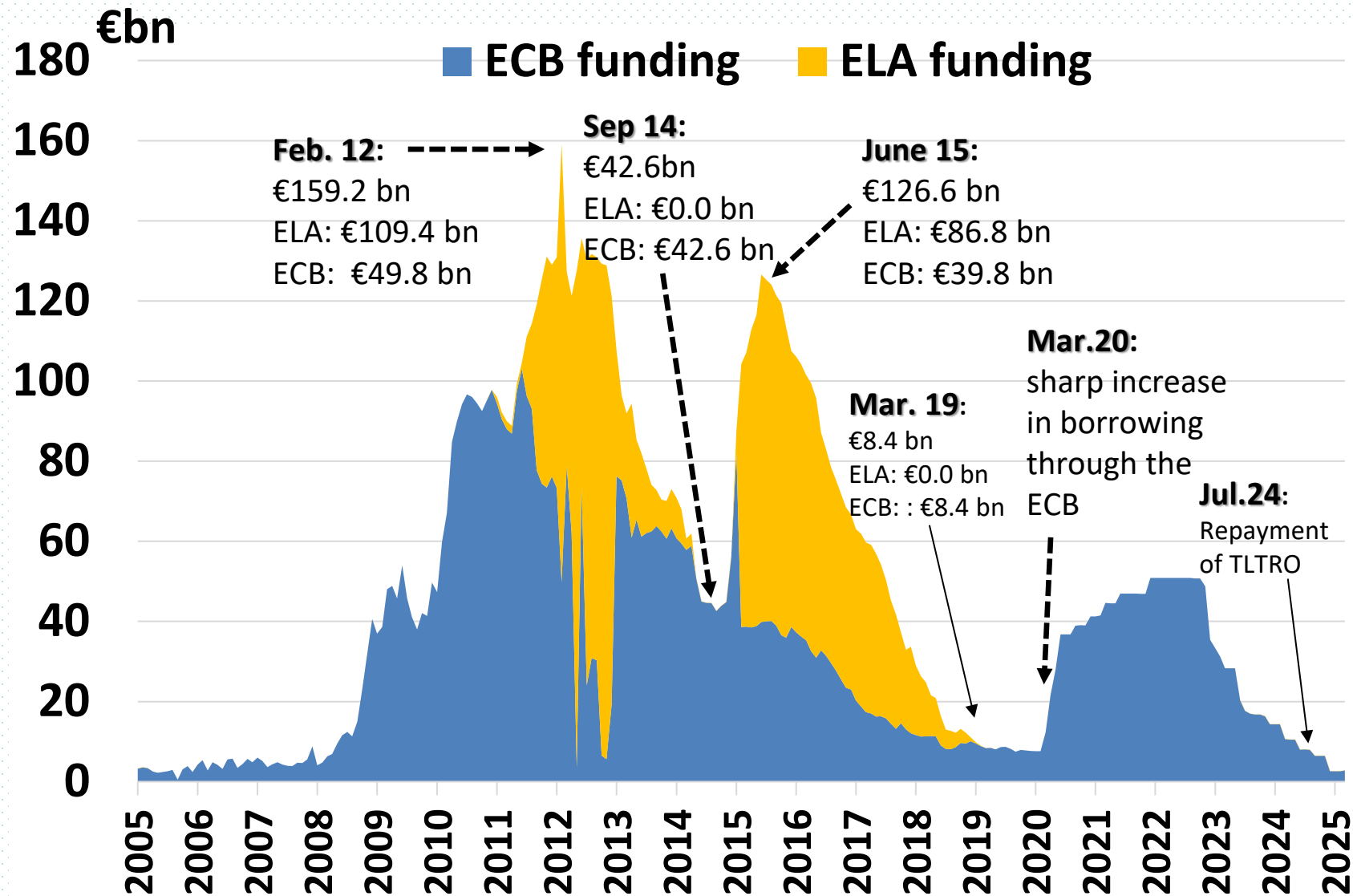


Source: ECB

- ❑ The gap was slightly bigger in 2007, prior to the Great Financial Crisis.
- ❑ In 2007 all banking systems in Europe were bigger than today.

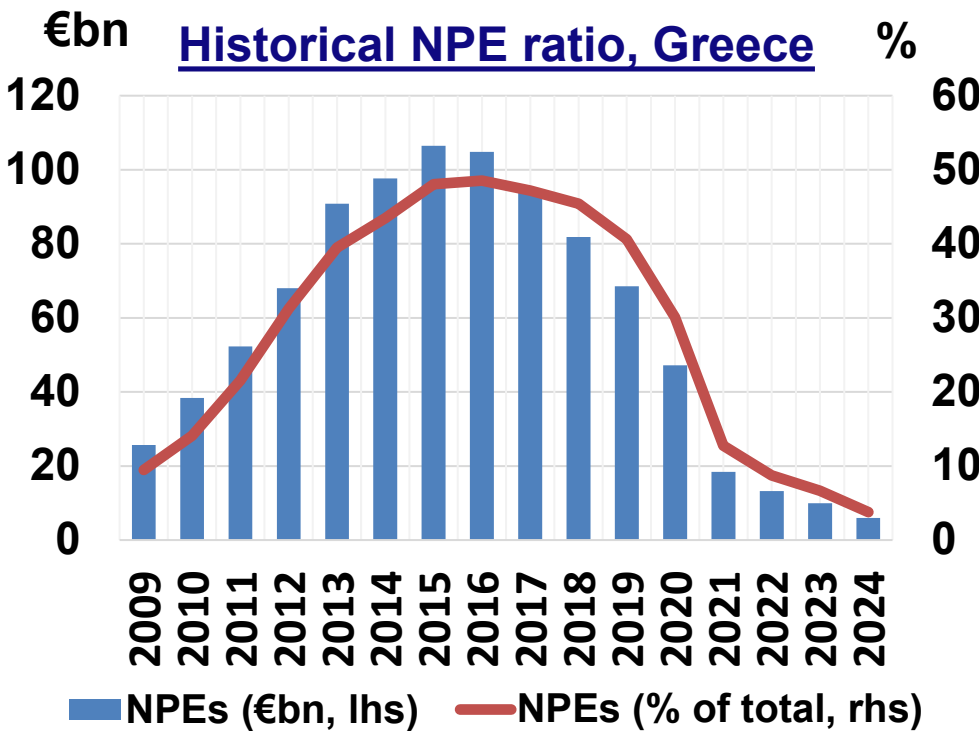
### III. Banks were the first victims of the Greek crisis

- ❑ Banks borrowed from the Eurosystem and were kept functioning.
- ❑ The PSI erased 150% of banks' capital.
- ❑ The 2015 assessment wiped out all the capital for a second time.
- ❑ The two yellow humps reveal the two separate phases of the Greek crisis.
  - The third hump is not a point of stress, but of European arbitrage profits that the ECB offered to all European banks.



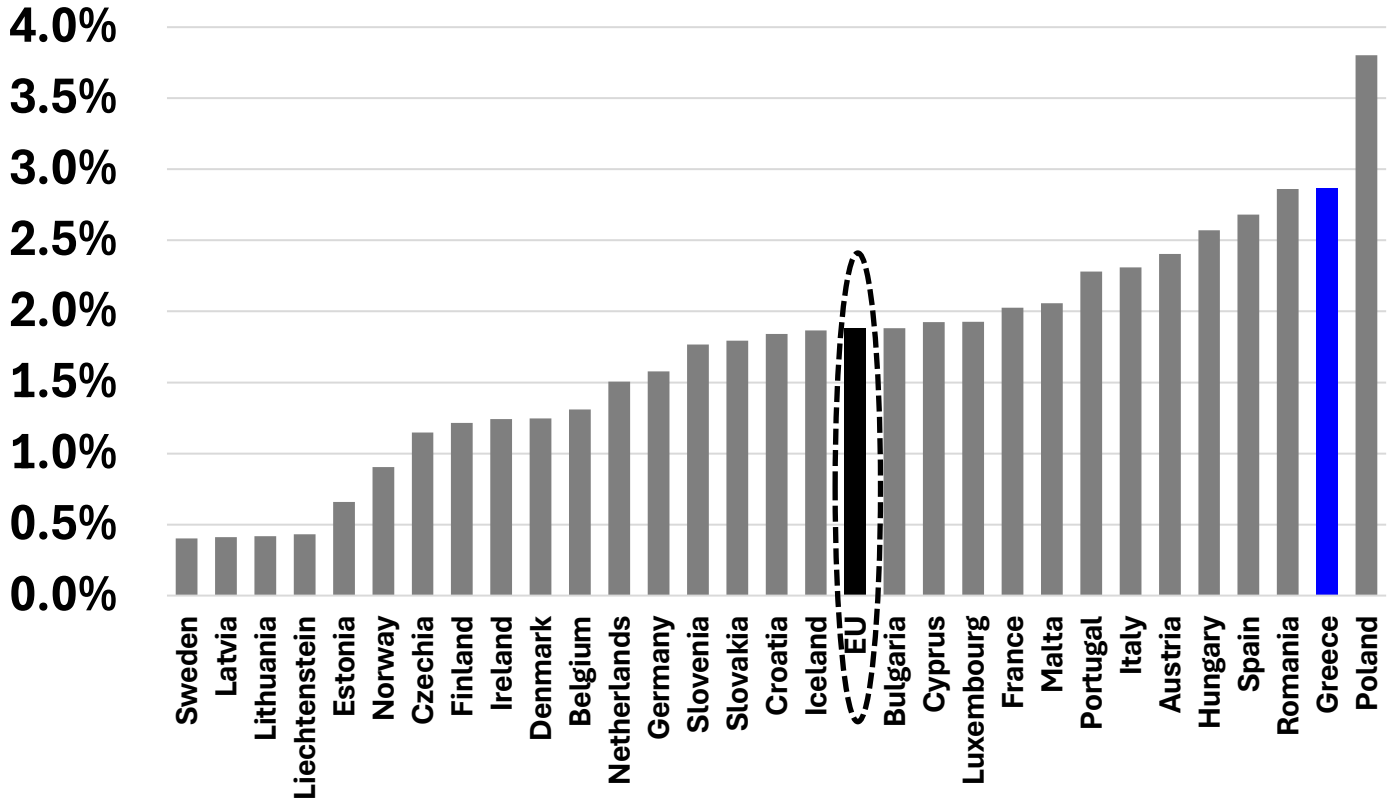
# III. NPEs have dropped to near EU average

- ❑ The Hercules securitization with its government guarantee on the senior notes helped expedite the drop in NPEs.
- ❑ NPL ratio at 2.9% vs EU average at 1.9% (Q4-2024, Source: EBA Dashboard).



Source: Bank of Greece

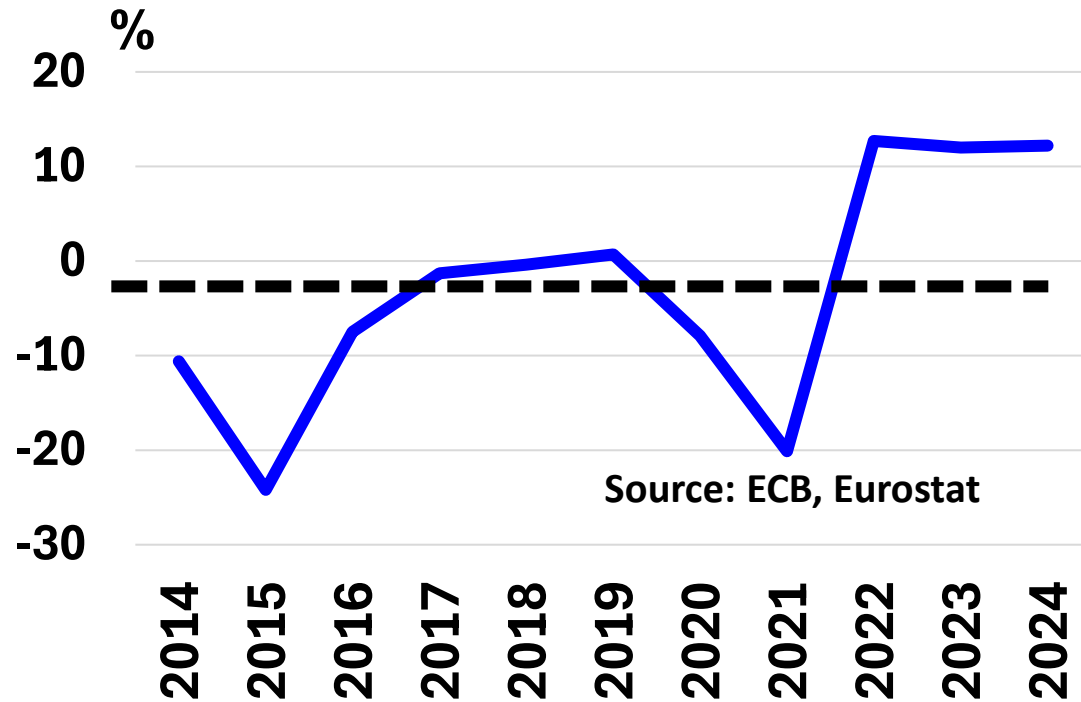
**NPL ratio in Europe**  
(Gross non-performing loans, domestic and foreign entities, as % of gross loans)  
(Q4-2024)



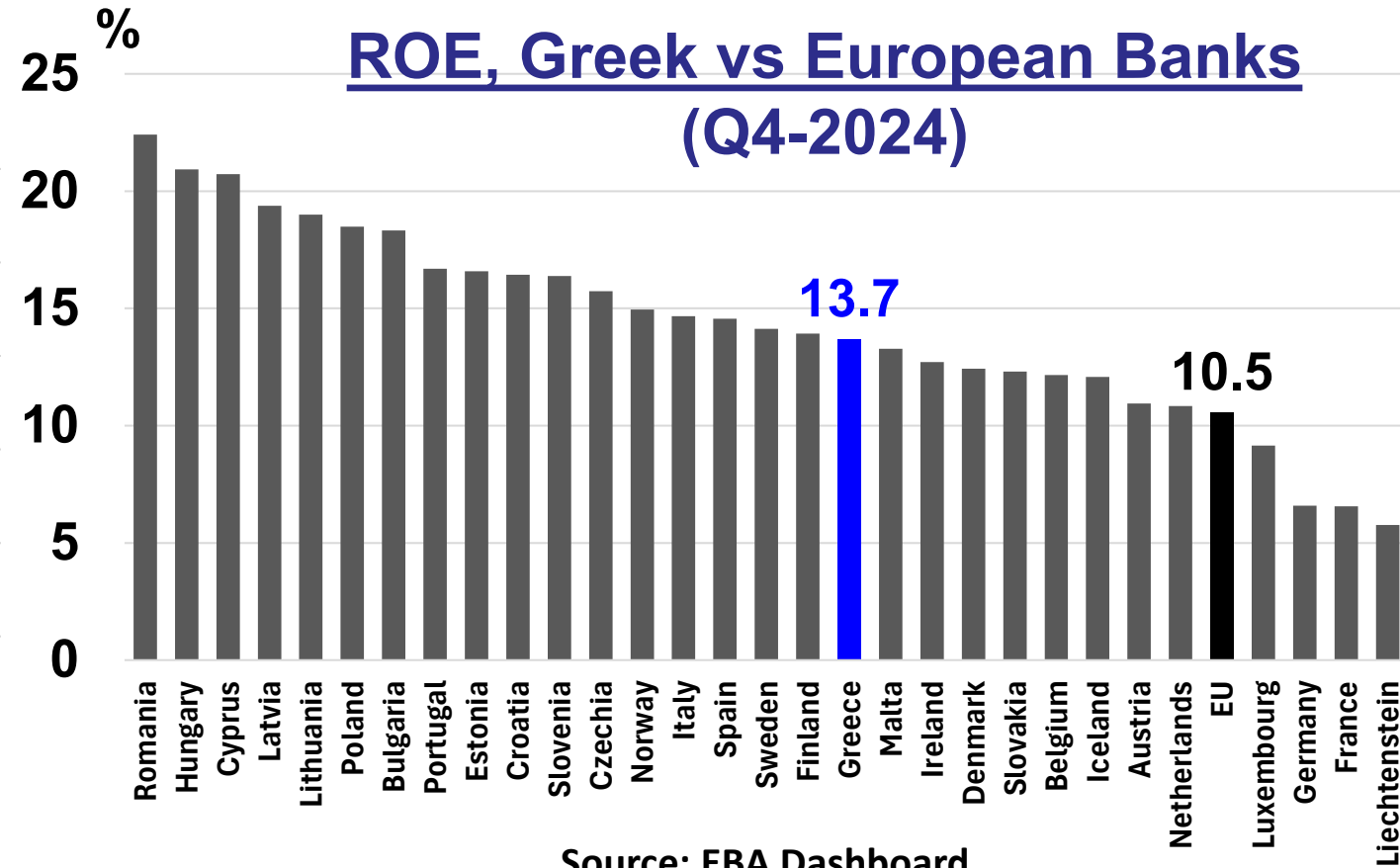
Source: EBA Dashboard

### III. The sector went through a major shrinkage & consolidation during the Greek crisis but survived: ROE is back to normal

ROE, Greek Banks



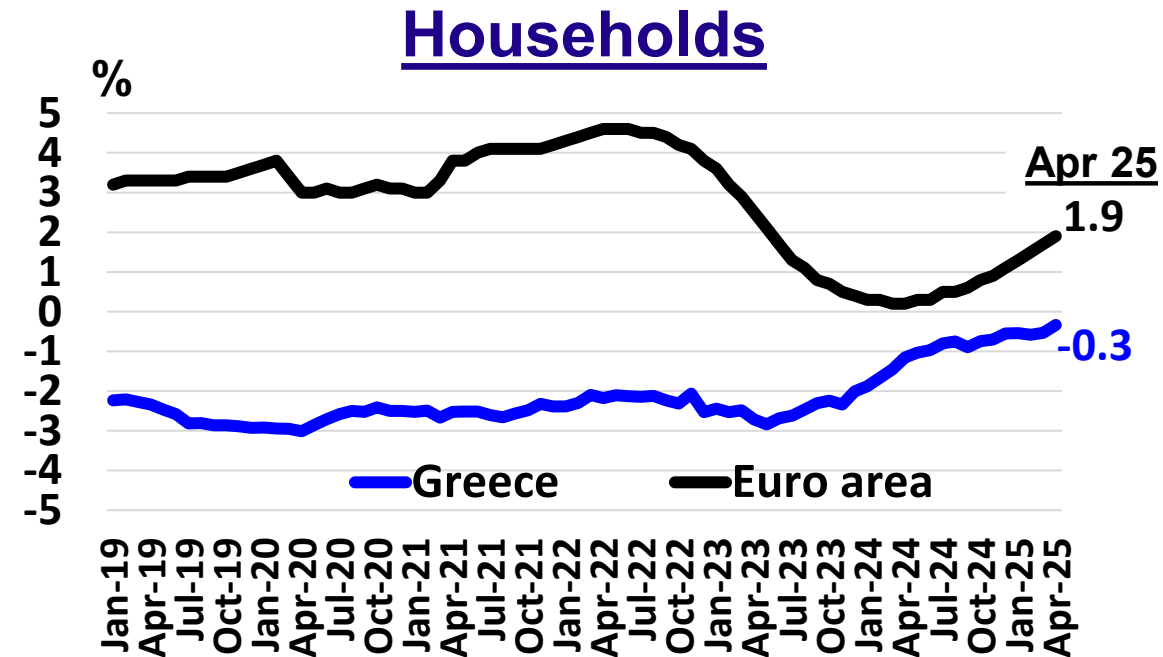
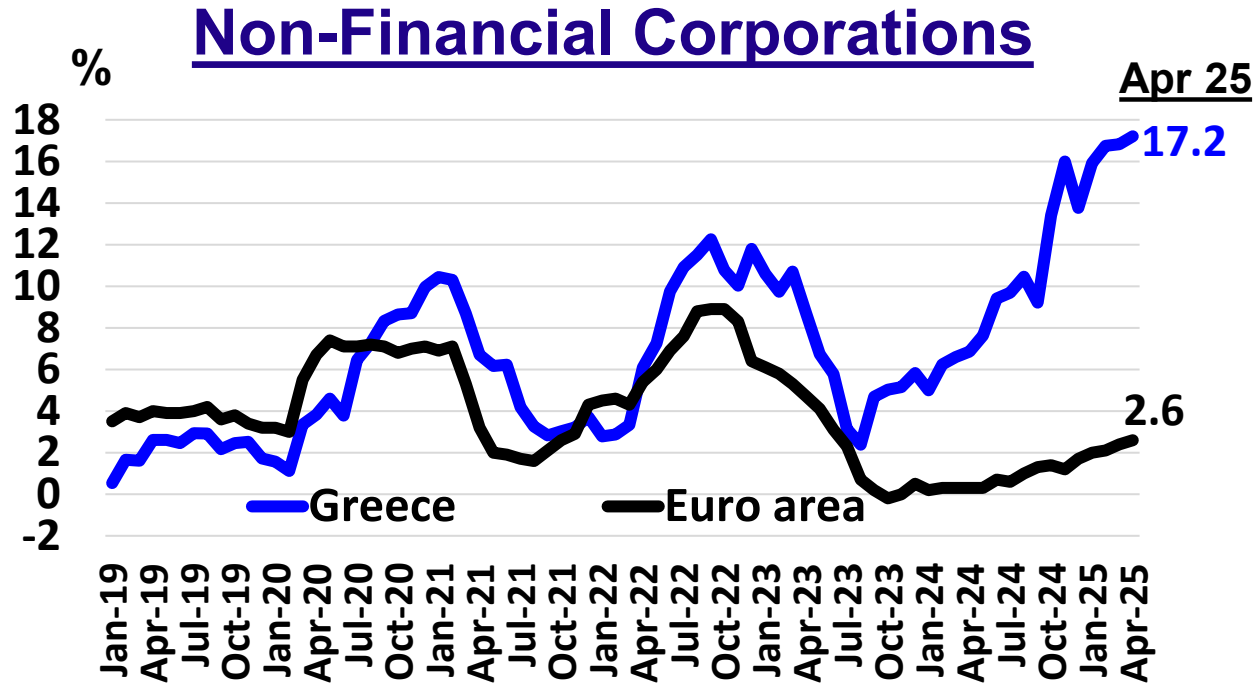
ROE, Greek vs European Banks  
(Q4-2024)



- Return on Equity (ROE) positive for a third year, at 12.2% in 2024, very close to the EU average.
- The negative ROEs in 2020-21 are due to the NPE securitizations of the time.

### III. A boost to the economy: Corporate lending has skyrocketed

#### Bank lending to the private sector (%yoy)

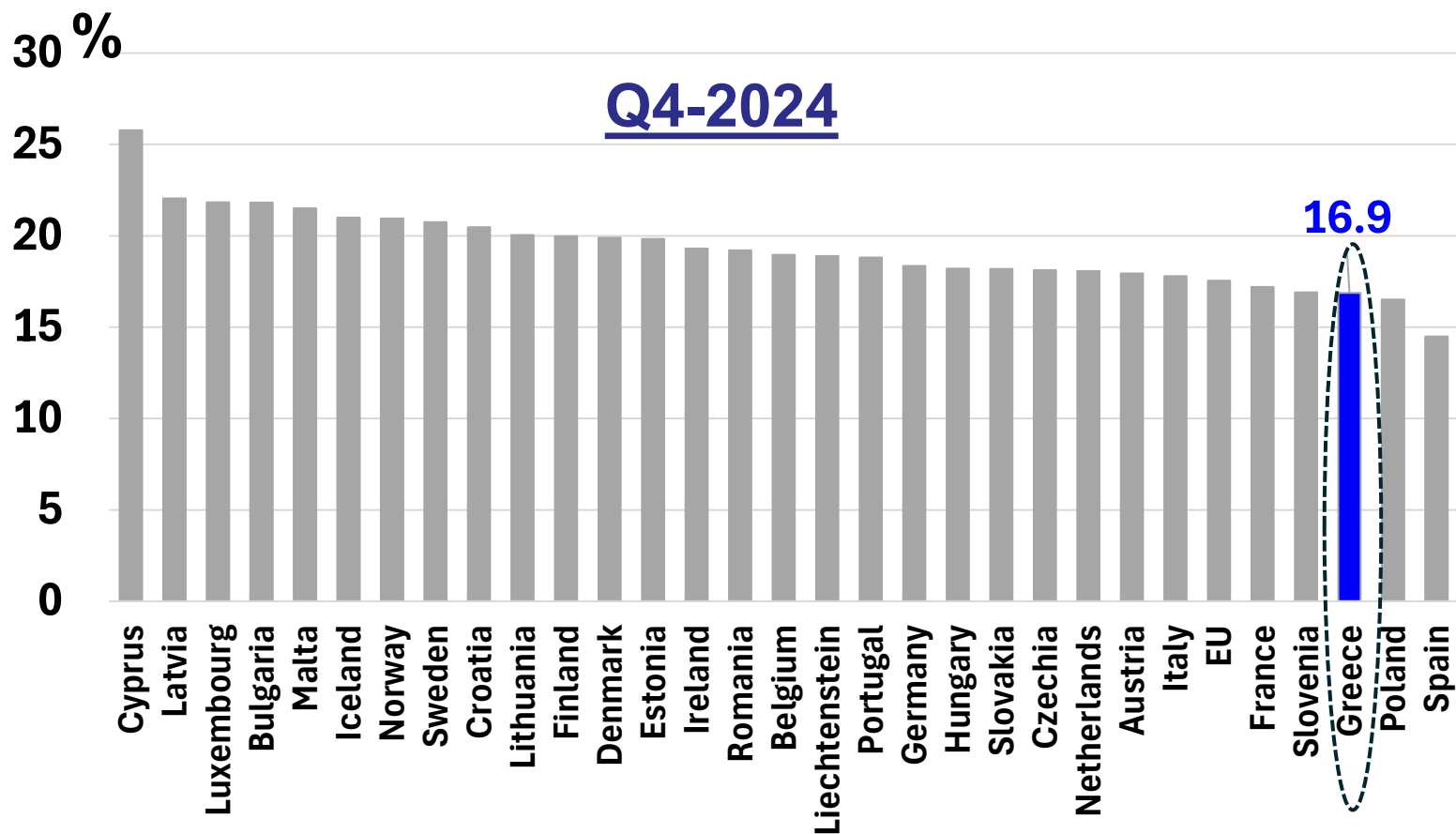
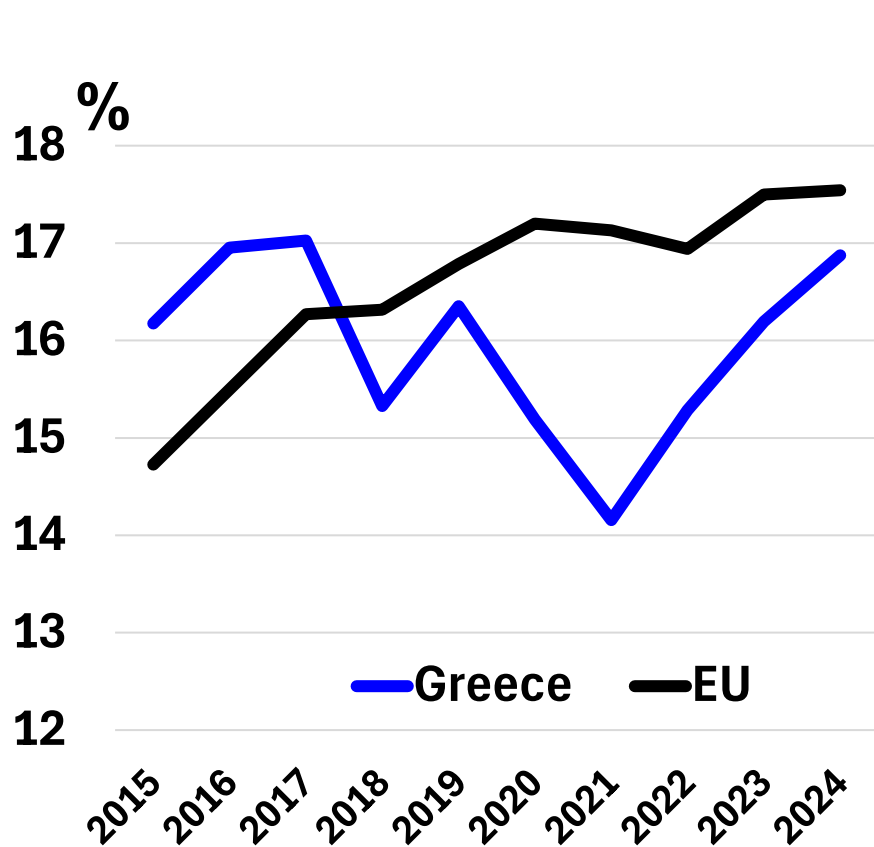


Source: Bank of Greece, ECB

- ❑ In corporate lending, positive growth since 2019, and stronger than in Europe since 2022.
- ❑ Lending growth to households is mildly negative. It is recovering during the last year (mainly consumer loans), with new loans approaching repayments of previous loans.

### III. Tier-1 capital ratio in Greece is close to EU average

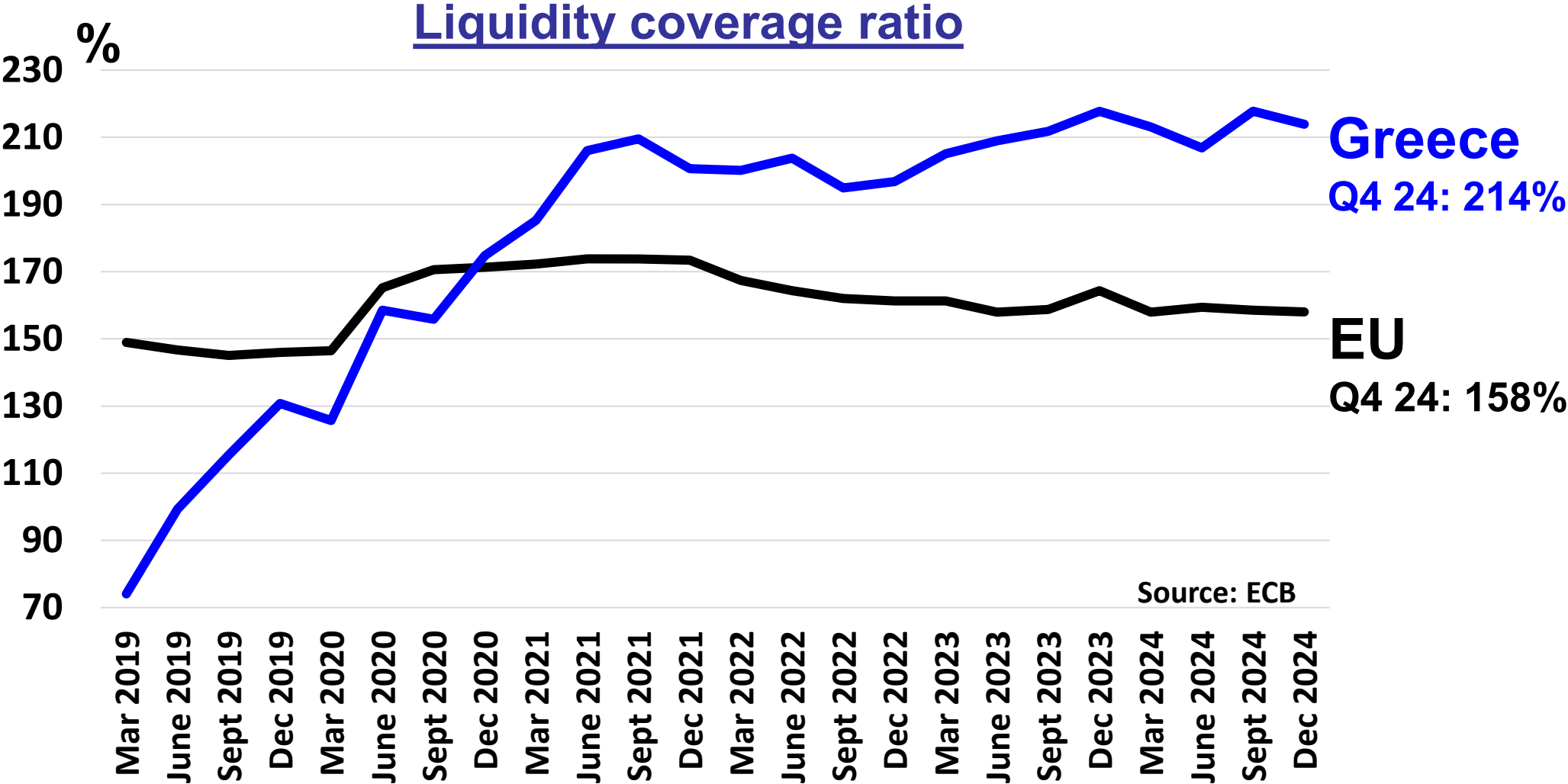
#### % of risk-weighted assets



Source: EBA Dashboard

- ❑ A large % of CET1 is DTC and DTA, yet this component is linearly declining and fast. After a recent oral agreement with the SSM, it will be fully retired by the mid-30s.

### III. Abundant liquidity: Liquidity conditions have improved even after the TLTRO III repayment



### III. Greek bank challenges are European-wide challenges

- ❑ **AI** brings a transformation in economic activity (Some economists claim it would be 10 times the equivalent of the Industrial Revolution).
- ❑ **Fin-techs and shadow banking.**
- ❑ **Lack of a complete Savings & Investment Union in Europe (the Capital Markets Union expanded). See 2024 Letta & Draghi reports.**
- ❑ **European and national instant payment systems (account to account) and the digital euro.**
- ❑ **Over-regulation in contrast to the threat of a new banking crisis, always in comparison with US and Asia → Recent EC simplification initiative.**
- ❑ **New Trump global governance policies and the resulting need for European banks to provide loans to the defense sector.**
- ❑ **Connection to society and ESG.**



# **IV.**

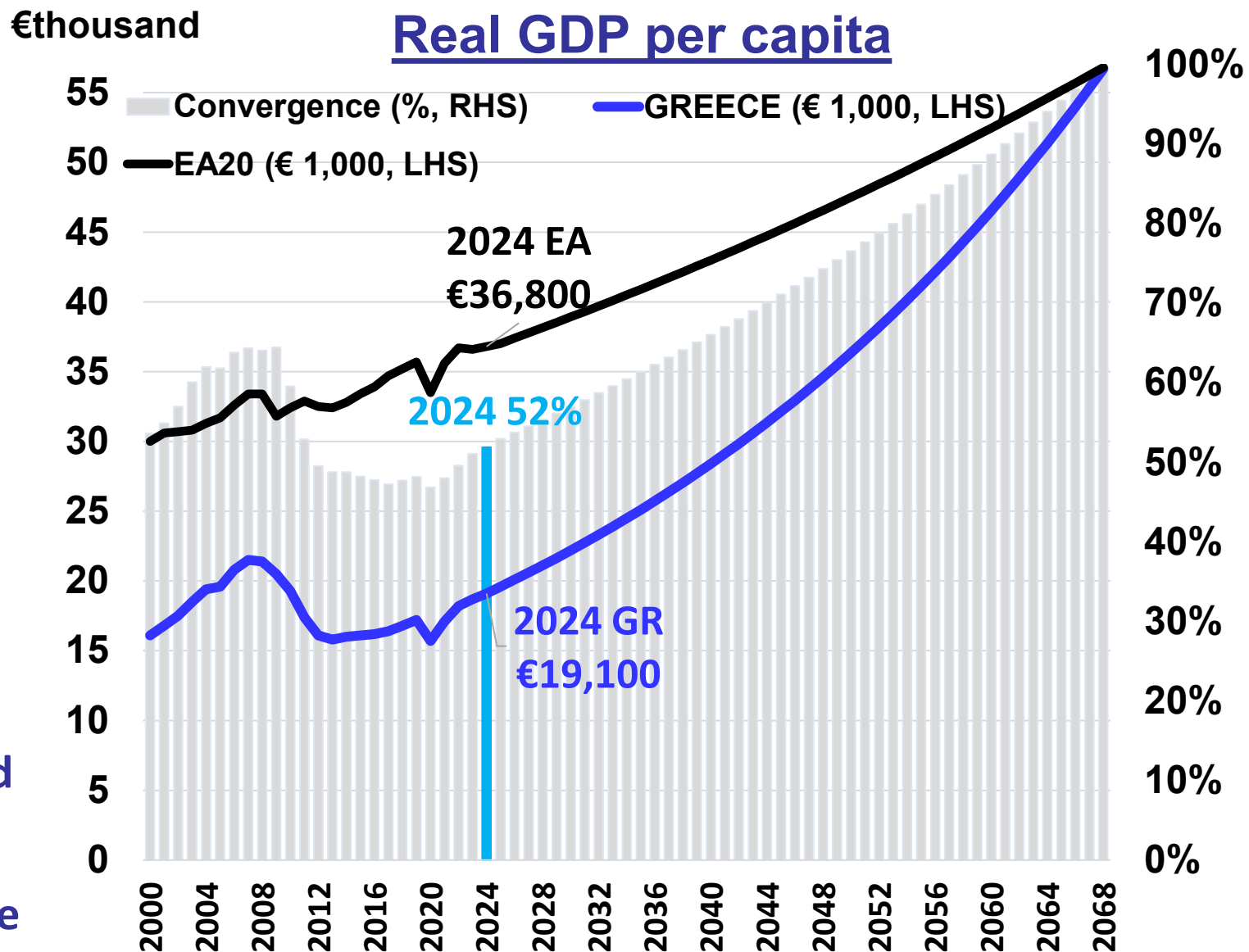
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## IV. Economic & Structural Challenges

- ❑ The challenges to the economy are much more serious compared to the financial sector challenges
- ❑ How soon would the Greek economy converge to the European average?  
Need to improve productivity and population growth
- ❑ Digital transformation is a priority
- ❑ Institutional reforms a priority (justice, land-use, corporate governance, SME revitalization)
- ❑ Labor market improvements
  - Low student performance
  - Skills mismatch and labor shortages, low participation rates for women and youth
  - Negative population trend

## IV. Convergence to average Euro Area living standards

- ❑ Despite growing faster than EA, real GDP today is still 15.1% less than the peak of 2008.
- ❑ It will take around 7 years with 2.5% growth to reach the level of 2008.
- ❑ Euro Area's real GDP is 15% higher than its 2008 level.
- ❑ Today real GDP per capita at 52% of EA20 (67.3% in PPS terms).
- ❑ Assuming similar population growth, and growth rates of 2.5% and 1% in Greece and EA20, convergence would take 43 years to achieve.
- ❑ Need to improve both population size and productivity.

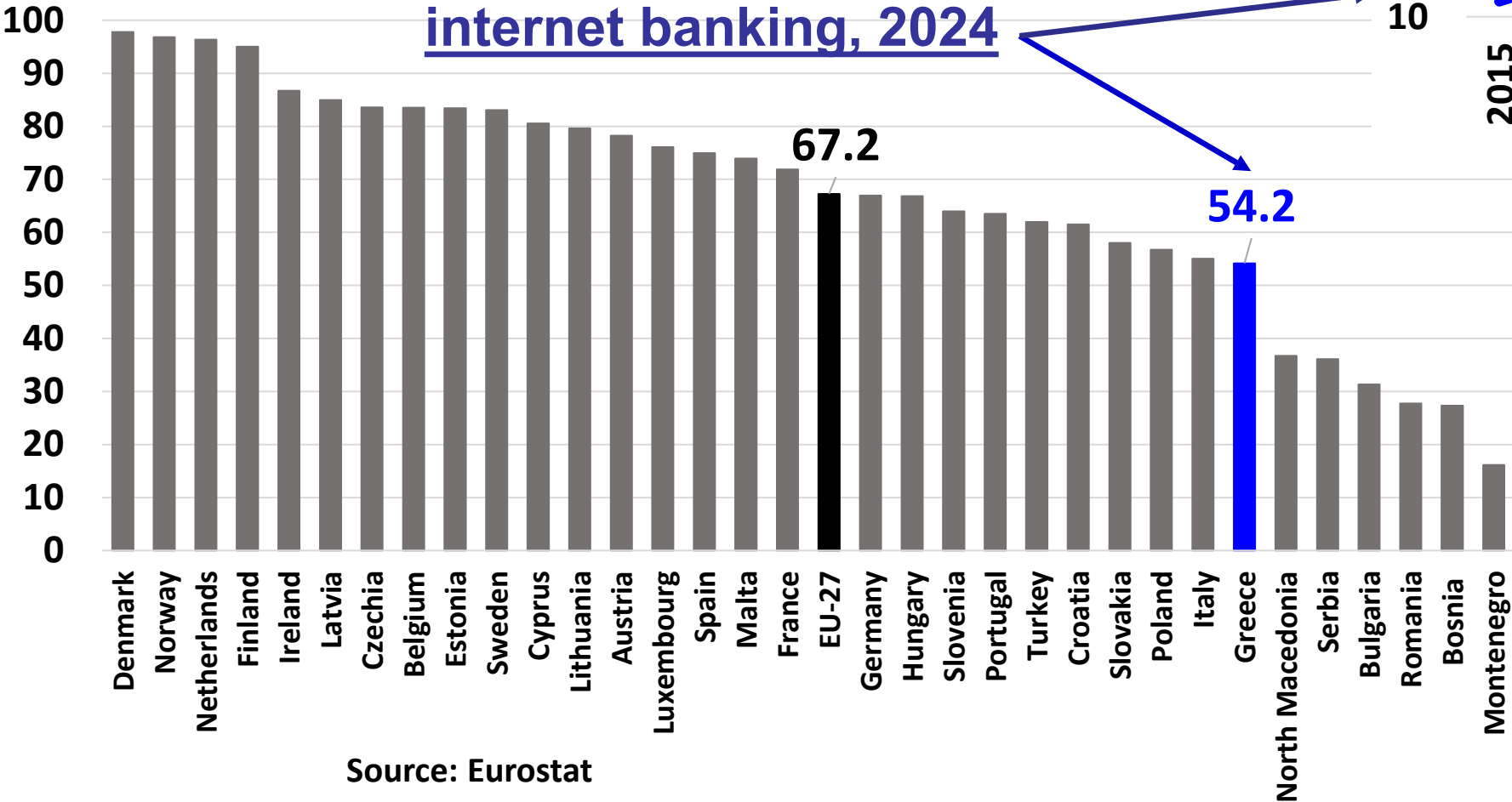


Source: Ameco

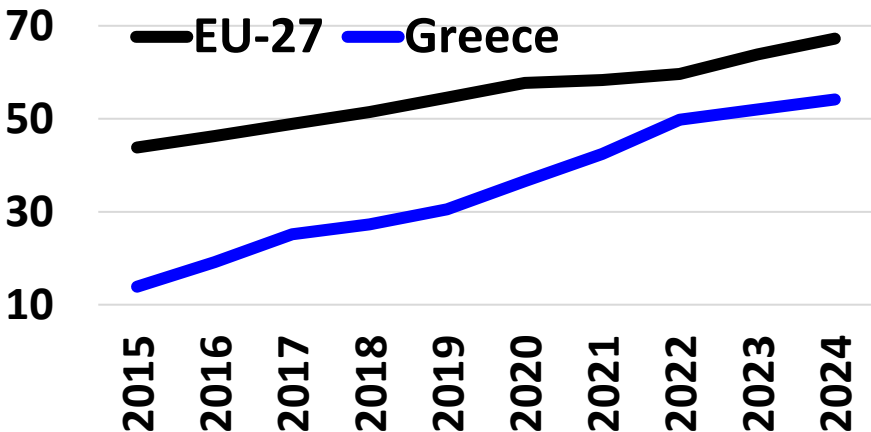
# IV. Digitalization: An urgent challenge

❑ % of individuals using internet banking in Greece steadily rising since 2015, yet still below EU average.

% of individuals using internet banking, 2024



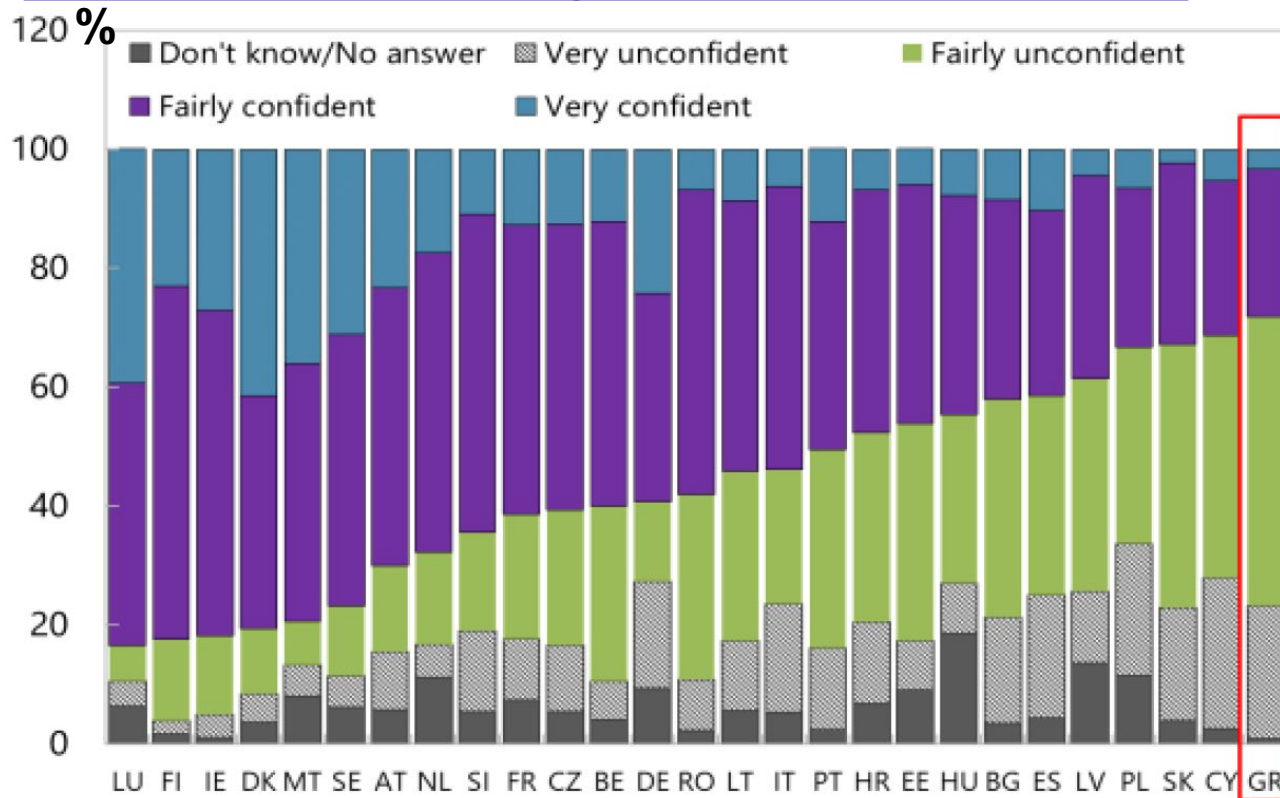
Source: Eurostat



- ❑ Banks are ahead of the Greek curve, making large investments in IT.
- ❑ Banks are main users of AI.

# IV. Institutional reforms needed – The Justice system

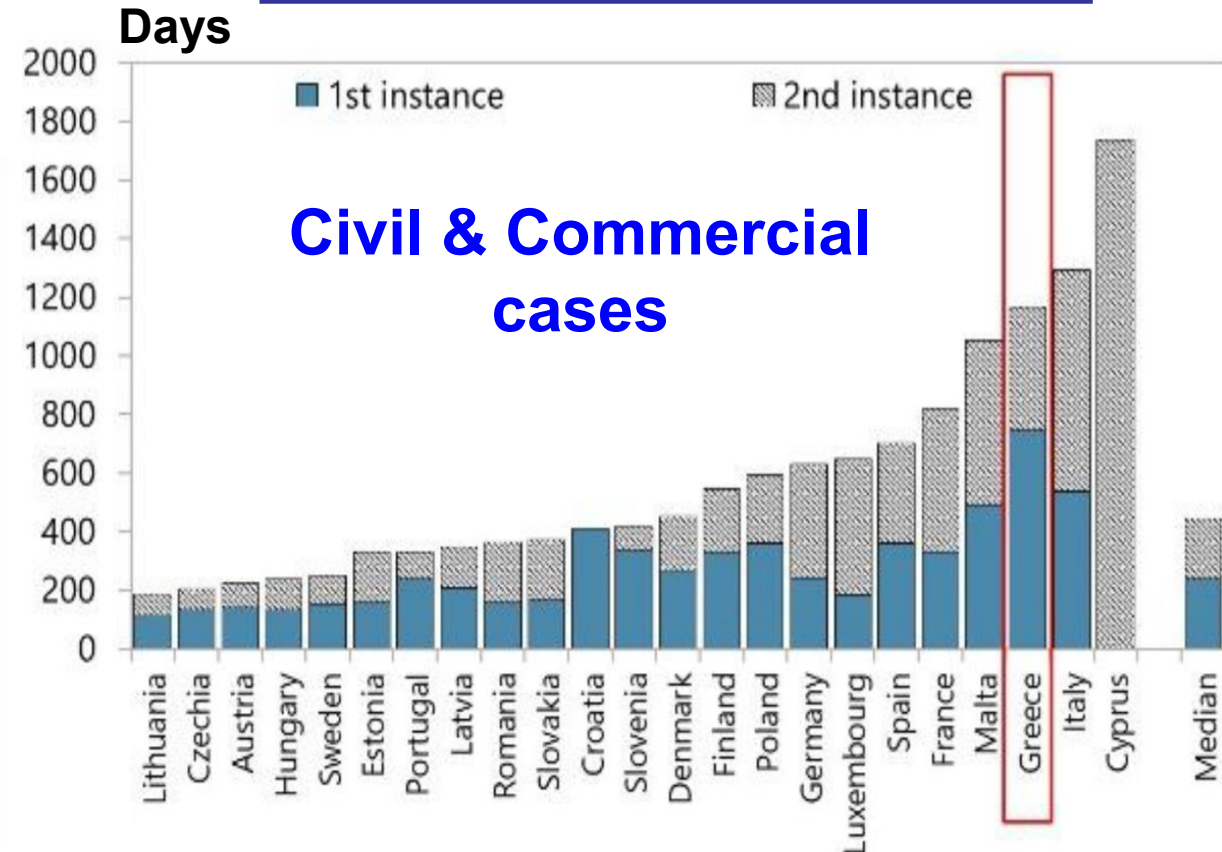
## How Companies Perceive the Effectiveness of Investment Protection by the Law and Courts, 2024



- ❑ The vast majority (2/3) of companies in Greece feel very/fairly **unconfident** about the Effectiveness of Investment Protection by the Law and Courts.

Source: IMF, EU Justice Scoreboard

## Law Disposition Time, 2022



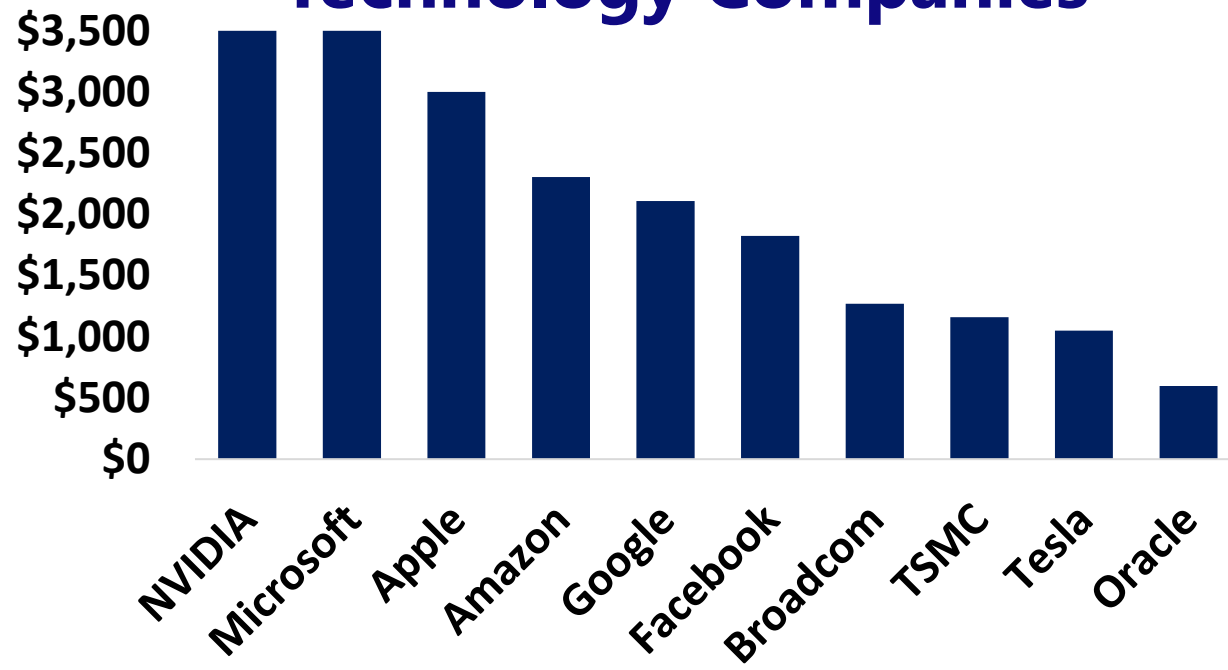
- ❑ Greece records the longest proceedings for 1st instance courts in the EU (746 vs. 239 days).
- ❑ For 1st & 2nd instance courts, it takes 1,200 days to reach a decision for civil & commercial cases, 2.7 times higher than the EU average of 446 days.

## IV. Need for an Investments & Saving Union in the EU

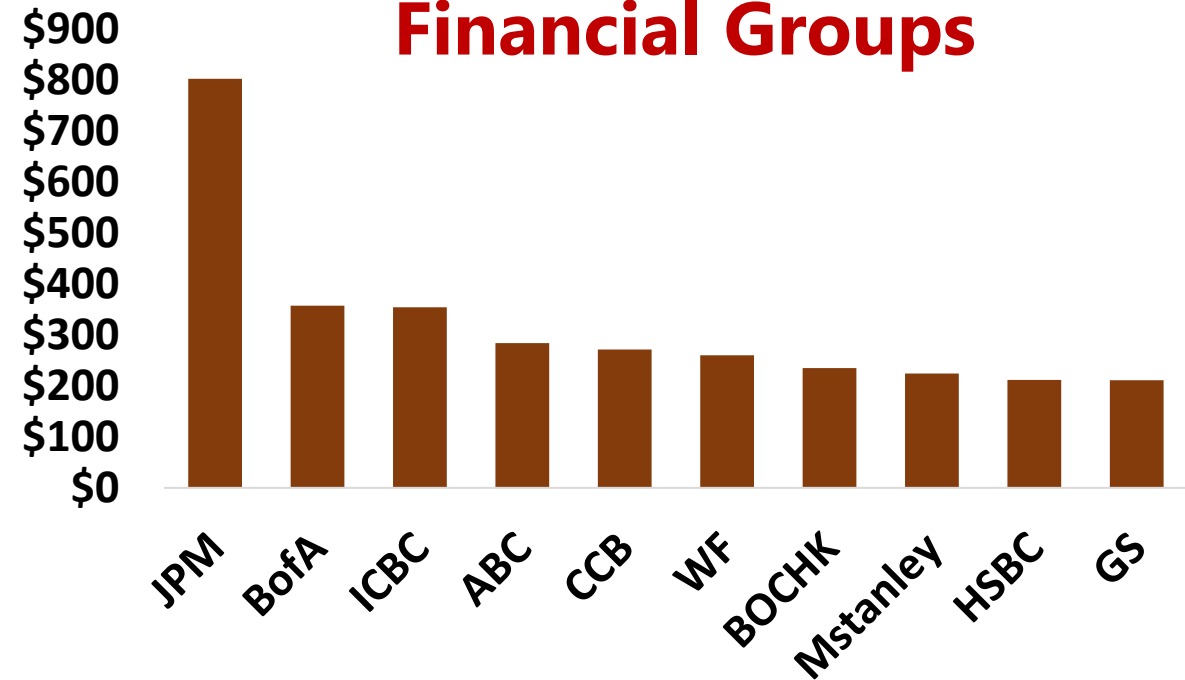
- ❑ The desired “Capital Markets” Union expanded to “Investments & Savings” Union.
- ❑ Banks in Europe are small relative to US banks, and those are even smaller relative to IT companies, none of which is European.

### Market capitalization (\$bn, June 26, 2025)

#### Technology Companies

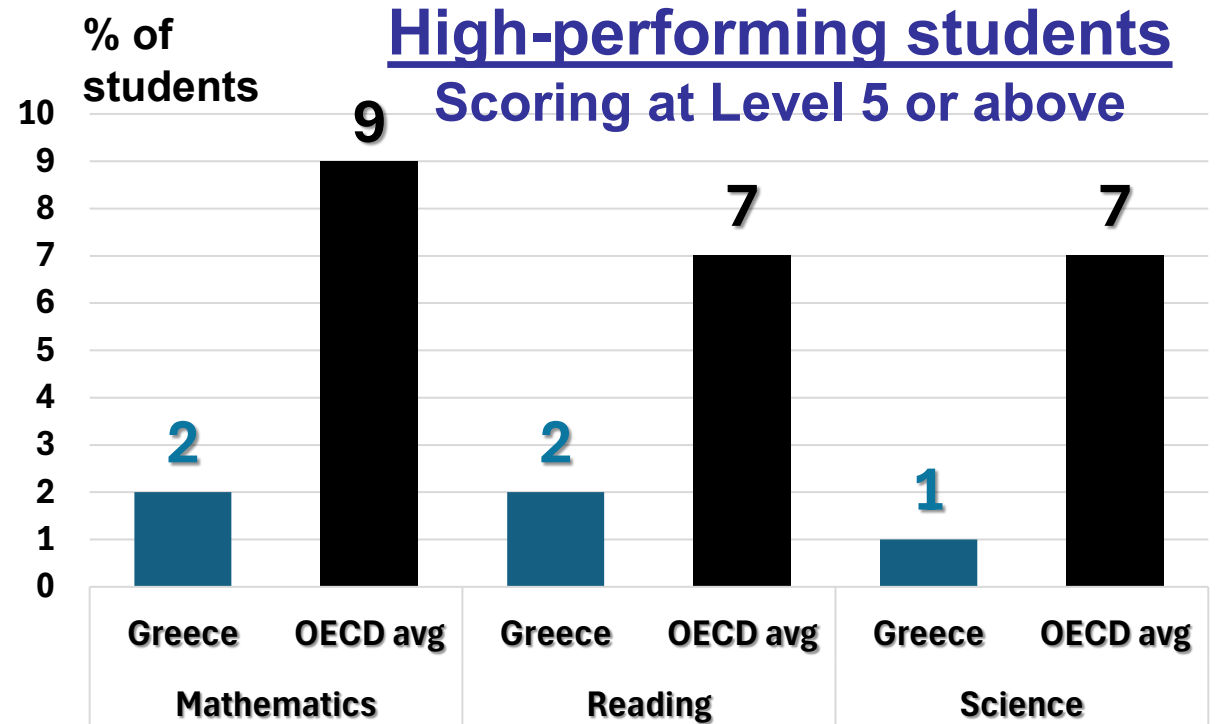
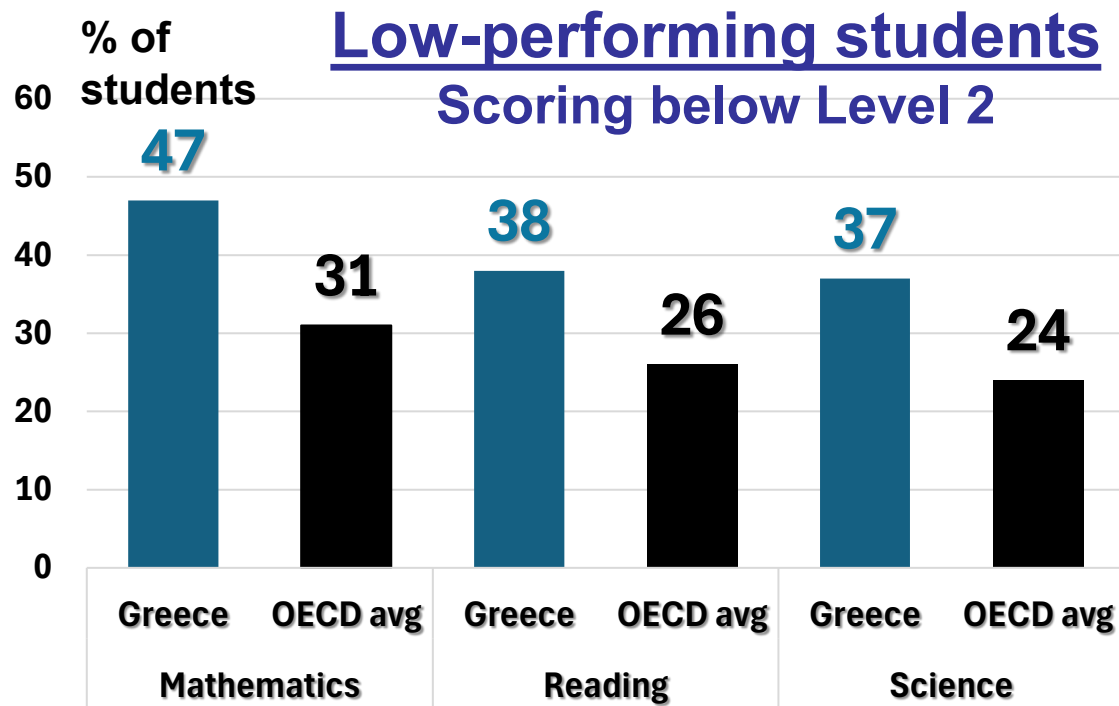


#### Financial Groups



Source: Bloomberg

# IV. Education & low student performance, 2022 PISA results



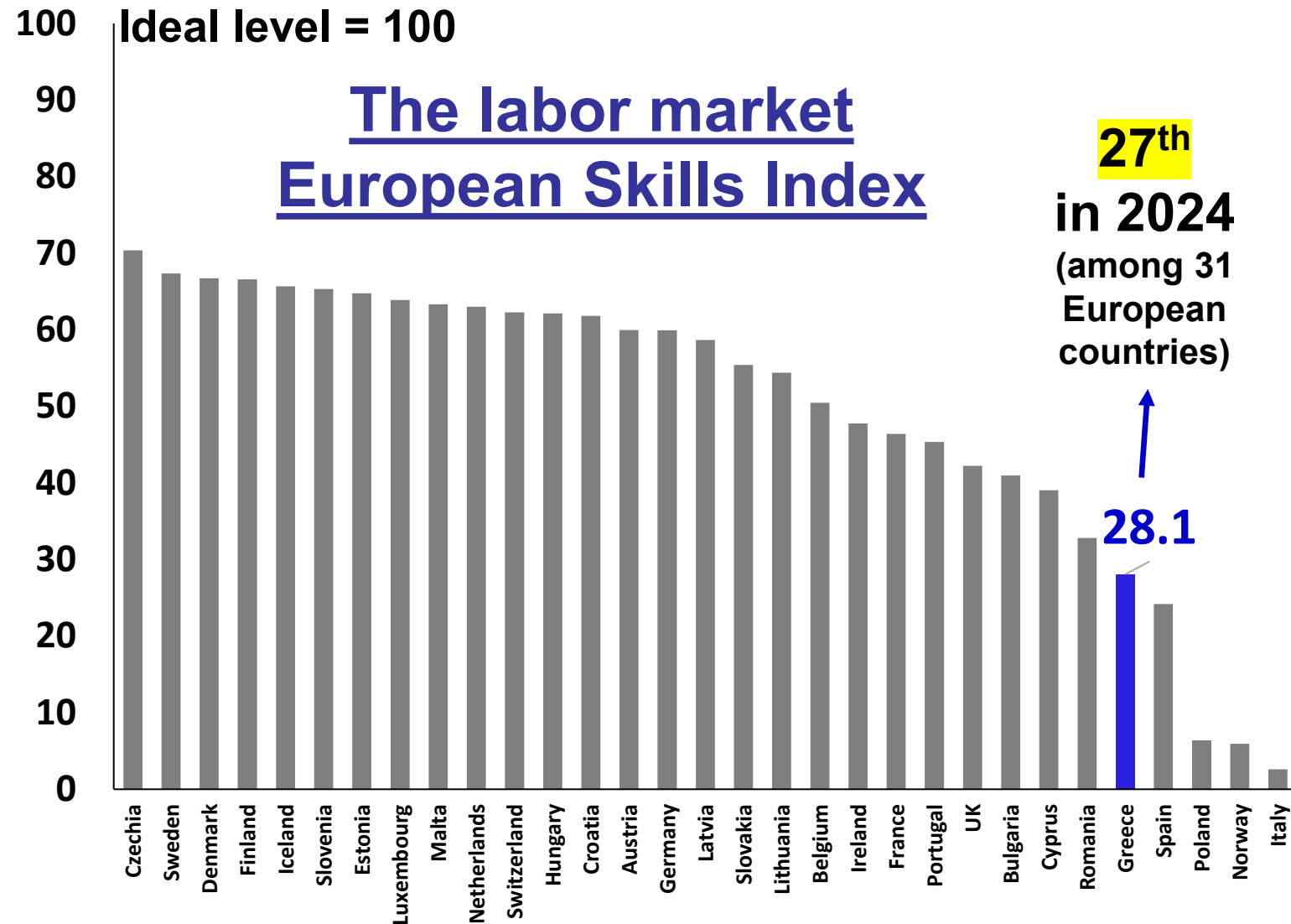
Source: OECD, PISA 2022 Database, [https://www.oecd.org/en/publications/pisa-2022-results-volume-i-and-ii-country-notes\\_ed6fbcc5-en/greece\\_a24e696b-en.html](https://www.oecd.org/en/publications/pisa-2022-results-volume-i-and-ii-country-notes_ed6fbcc5-en/greece_a24e696b-en.html)

- ❑ An international comparison of student cognitive abilities casts questions on our educational system.
- ❑ The Programme for International Student Assessment (PISA) assesses the knowledge and skills of 15-year-old students in mathematics, reading and science.
- ❑ Students in Greece scored less than the OECD average in all 3 areas: Mathematics, Reading and Science.
- ❑ The percentage of low performers students was much higher & the percentage of high performers were much lower in Greece relative to the OECD average.



# IV. Inadequate skills development, activation and matching

- ❑ Cedefop's European Skills Index is based on of 3 pillars for Skills: (i) Development, (ii) Activation, (iii) Matching.
- ❑ Greece ranked 27<sup>th</sup> in 2024: (i) 28<sup>th</sup> in skills development (35.2 of 100pts), (ii) 27<sup>th</sup> in skills activation (37.4 of 100pts) and (iii) 30<sup>th</sup> in skills matching (20.0 of 100pts).
- ❑ In creating ESI, the ideal performance is chosen as the highest achieved in a given pillar by any country over a period of 7 years.



Source: Cedefop, <https://www.cedefop.europa.eu/en/tools/european-skills-index>



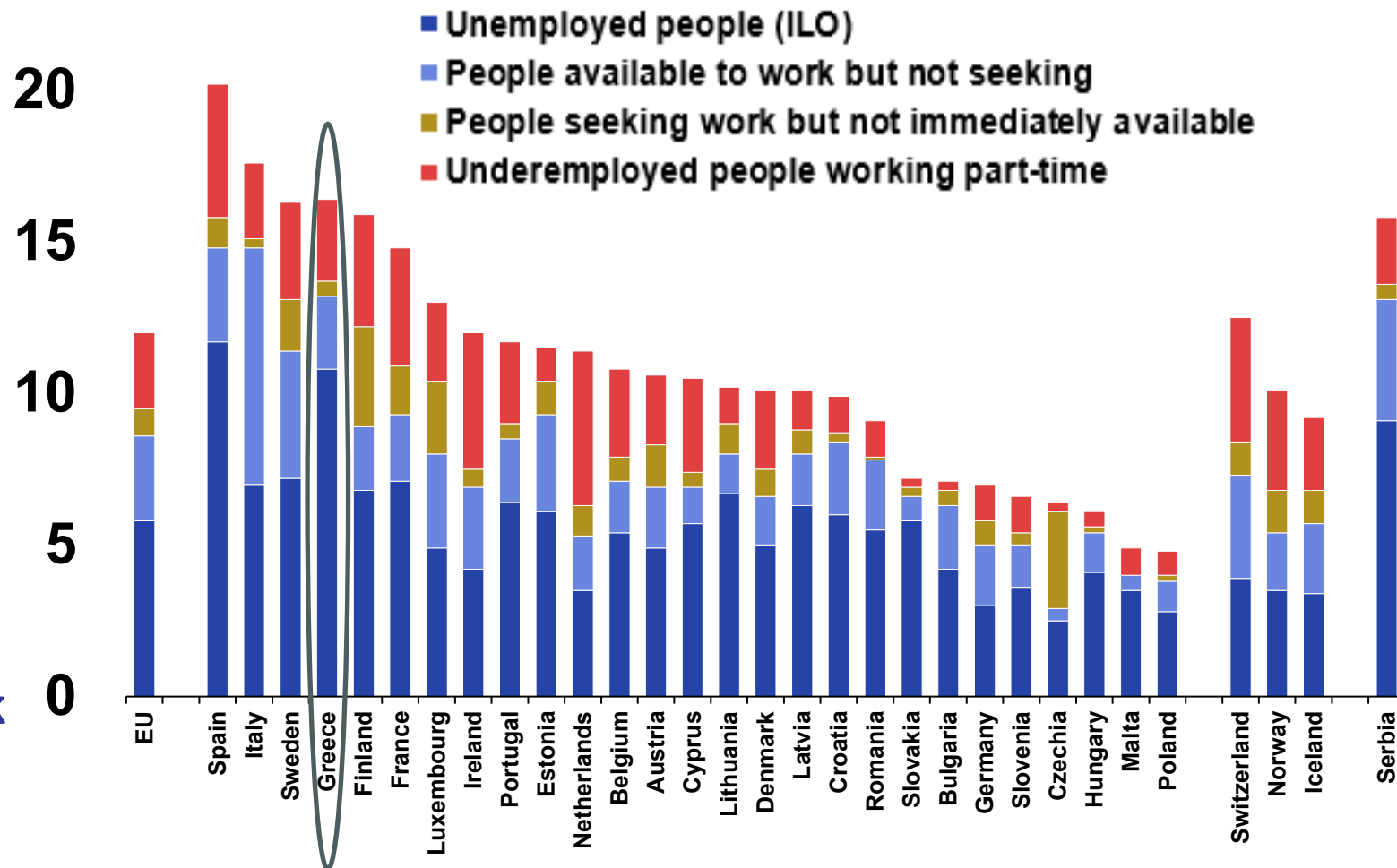
# IV. Labor market has recovered but not fully

## □ Employment rate

- Up by 8.5 ppts since 2019.
  - Yet lower than EU/EA average (2024-Greece: 69.3% EA20: 75.3%).
  - Among females, the second lowest in EU/EA (2024-GR: 59.9% vs. EA20: 70.5%)
- ## □ Unemployment declined after the crisis, now at single digits, yet labor resources remain underutilized: Labor market slack is the 4<sup>th</sup> highest in EU.

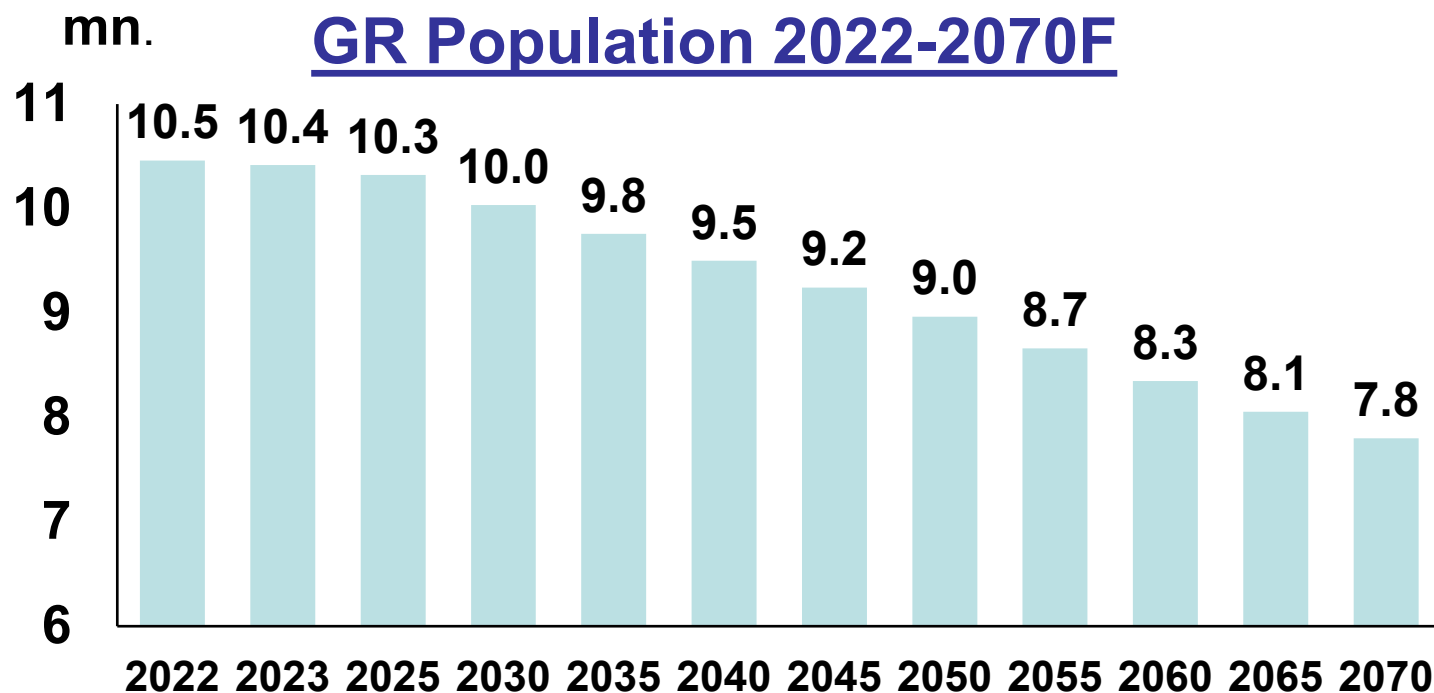
## Labor market slack, 2023

(% of extended labor force, people aged 15-74)



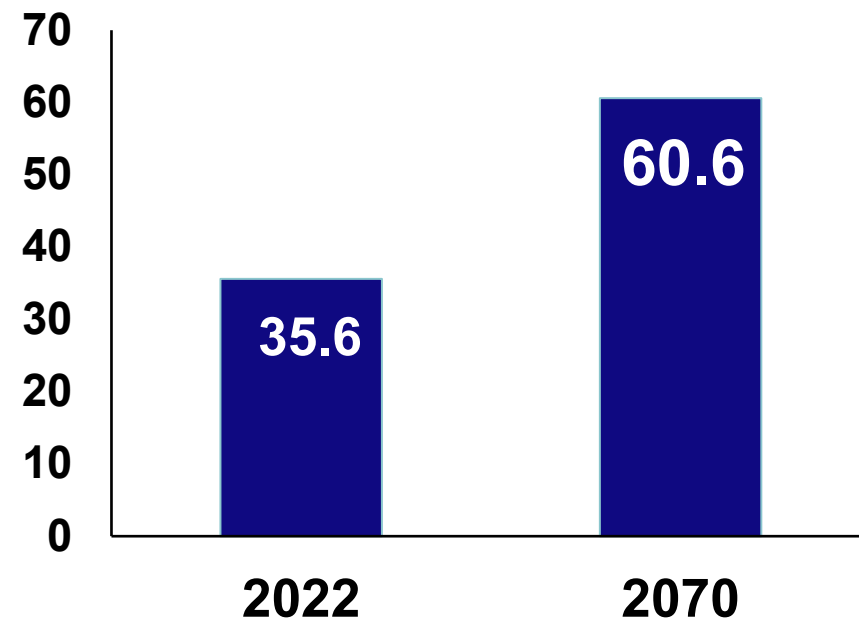
Source: Eurostat

## IV. Dismal Demographics



Source: Eurostat population projections

### GR Old Age Dependency Ratio



- ❑ Population growth is a main source of economic & political power and does not look good.
  - According to Eurostat, the **Greek population** is expected to **decrease to 7.8 mn. in 2070** from 10.5 in 2022.
  - The **Greek Old Age Dependency Ratio** (the ratio between inactive population above 64 y.o. and the employed aged 22-64) is expected to **increase to 60.6% in 2070** from 35.6% in 2022.

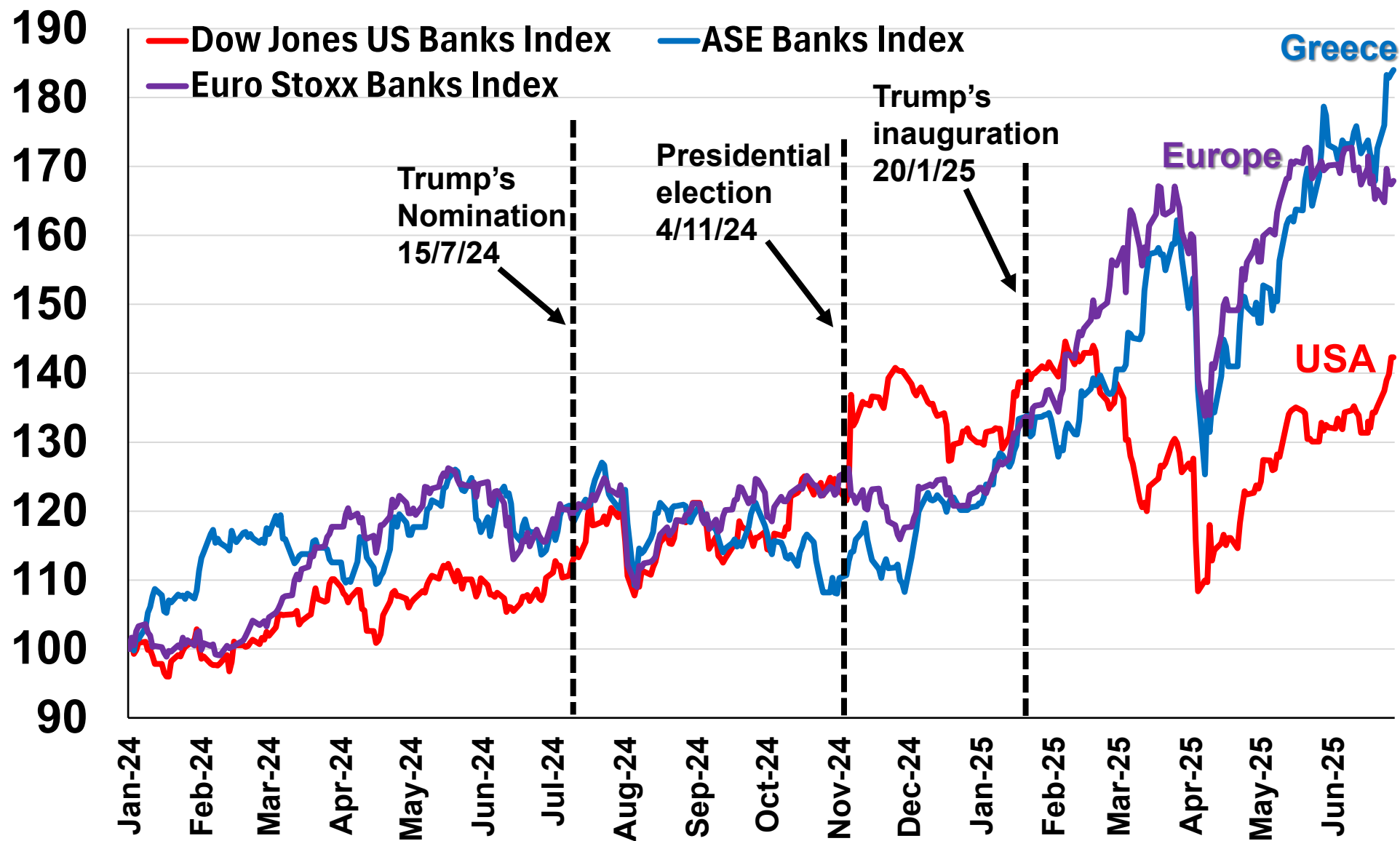
## IV. Bullish sentiment for Greek & European banks

□ 2024 was a good year for all. Bank stock prices up by:

- 20% in Greece & Europe.
- 30% in the US.

□ 2025 is different:

- Another 50% up (until now) in Greece & Europe.
- Yet stagnation in the US, revealing worries about Trump's economic policy.



Source: Bloomberg

# Conclusion

- ❑ The Greek economy is resilient to the Trump-induced global turbulence, yet a war would be stagflationary.
- ❑ The Greek economy has made rapid progress since the crisis a decade ago.
- ❑ The Greek financial sector is stable and profitable and compares well relative to European peers, supporting the economy: Its challenges are pan European.
- ❑ The Greek challenges today are anchored around the economy's performance:
  - The road back to convergence is long and difficult.
  - Investment to GDP ratio has closed only half the gap compared to Europe, while Europe itself needs to invest even more.
  - The current account is in deficit, partly indicating lack of competitiveness.
  - Reforms are needed in many fronts: Digitalization, justice, land-use, corporate governance, SMEs, labor market, education, European financial sector, etc.
- ❑ Rating agencies and the stock markets are bullish on Greece, suggesting there is optimism the country is in the right direction.

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**Thank you for your attention!**

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