McKinsey & Company

# Panel I: Investing in Greece

## Opening remarks

October 16th, 2025

# Κύρια μηνύματα

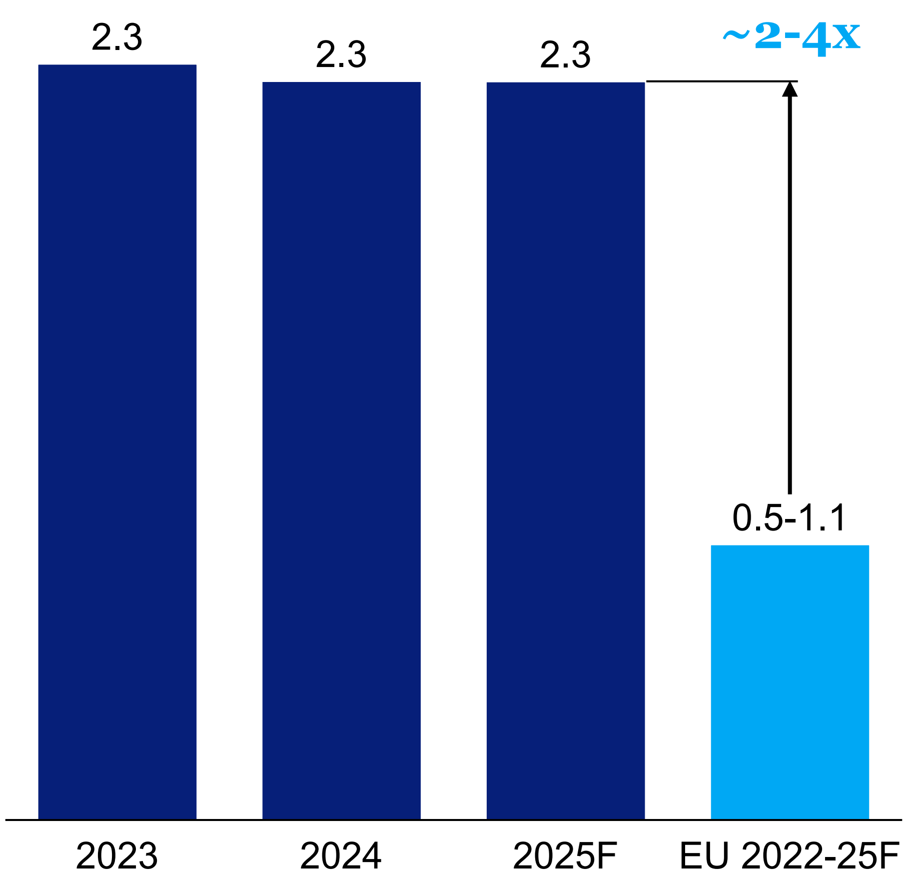
1. Η **τωρινή ανάπτυξη δεν αρκεί**. Καθοδηγείται από την **κατανάλωση** και **υποστηρίζεται από τις επενδύσεις**, αλλά αντισταθμίζεται από τη **διευρυνόμενη αρνητική συμβολή των καθαρών εξαγωγών**
2. Οι επενδύσεις αυξάνονται, αλλά παραμένουν **ανεπαρκείς**. Ο σχηματισμός παγίου κεφαλαίου παραμένει **κάτω από τις φιλοδοξίες**, υστερεί έναντι των **συγκρίσιμων** χωρών και δεν καλύπτει τις ανάγκες του **επιδιωκόμενου οικονομικού μοντέλου της Ελλάδας**
3. Από την προ κρίσης περίοδο, η κατάρρευση των **επενδύσεων σε κατοικίες** (χαμηλού πολλαπλασιαστή) δεν έχει αντικατασταθεί από παραγωγικές **επενδύσεις υψηλού πολλαπλασιαστή**. Θετικό σήμα: αναδύεται μετατόπιση προς **καινοτομία και εξοπλισμό**
4. **Χάσμα έναντι ΕΕ** σε απόδοση και κεφάλαιο. Οι **περισσότεροι ελληνικοί κλάδοι υποεπενδύουν και υποαποδίδουν** σε σχέση με την ΕΕ - τόσο στο top line (έσοδα ανά FTE) όσο και στο bottom line (ROCE)
5. Τρείς διαρθρωτικοί περιορισμοί πέρα από τα συνήθη εμπόδια:
   i. Η επιχειρηματική **δραστηριότητα είναι δυσανάλογα συγκεντρωμένη σε κλάδους χαμηλής προστιθέμενης αξίας**
   ii. Η οικονομία στηρίζεται σε πολύ μικρές, μικρές και μεσαίες επιχειρήσεις, που τυπικά έχουν **χαμηλότερη ροπή προς επένδυσεις και χαμηλότερη πρόσβαση σε ίδια κεφάλαια και δανεισμό**
   iii. Οι επενδύσεις ενδέχεται να **επιβαρύνουν τον πληθωρισμό και το εμπορικό ισοζύγιο**

# Key messages

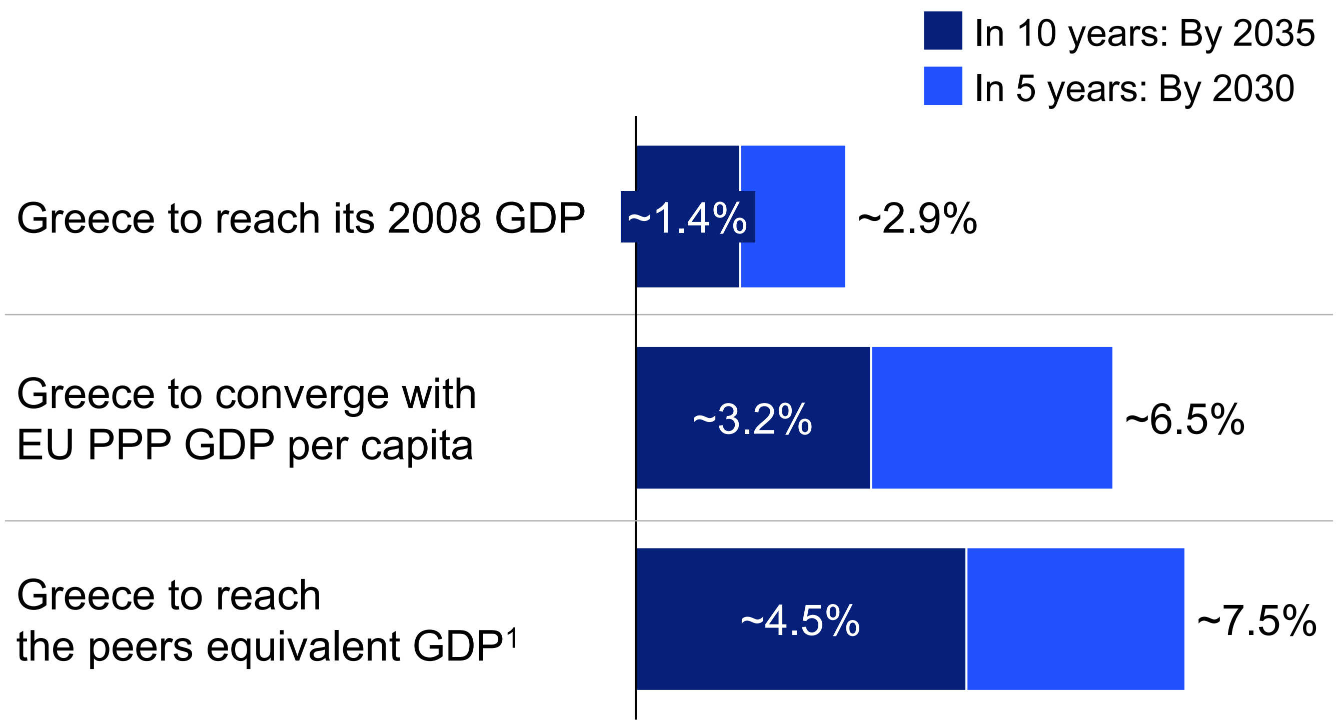
1. **Growth isn't enough**. It's **consumption-led** and **investment-supported**, but offset by a widening **net-export drag**. Investment is rising, but still short
2. Capital formation remains **below ambition**, below **peers**, and below the needs of **Greece's target economic model**
3. Since the pre-crisis era, the collapse in **low-multiplier housing** hasn't been replaced by **high-multiplier productive investments**. Positive sign: shift toward **innovation and equipment** is emerging
4. **EU gap** on performance and capital. Most **Greek sectors under-invest and underperform** vs. the EU - on both top line (revenue/FTE) and bottom line (ROCE)
5. Three structural constraints beyond the usual obstacles:
    i. Business **activity is overrepresented** in **lower value-adding** sectors
    ii. The economy is SB and SME-driven which typically have **lower propensity to invest** and **lower access to equity and debt**
    iii. Investments may have an **adverse impact on inflation and trade balance**

# Greece has grown at ~2.3% p.a., outpacing the EU (~2-4x faster); however, faster growth is needed to regain pre-crisis GDP or converge with the EU

**Greece's real GDP growth**, % p.a.




**Scenarios for real GDP implied CAGR**,% p.a.

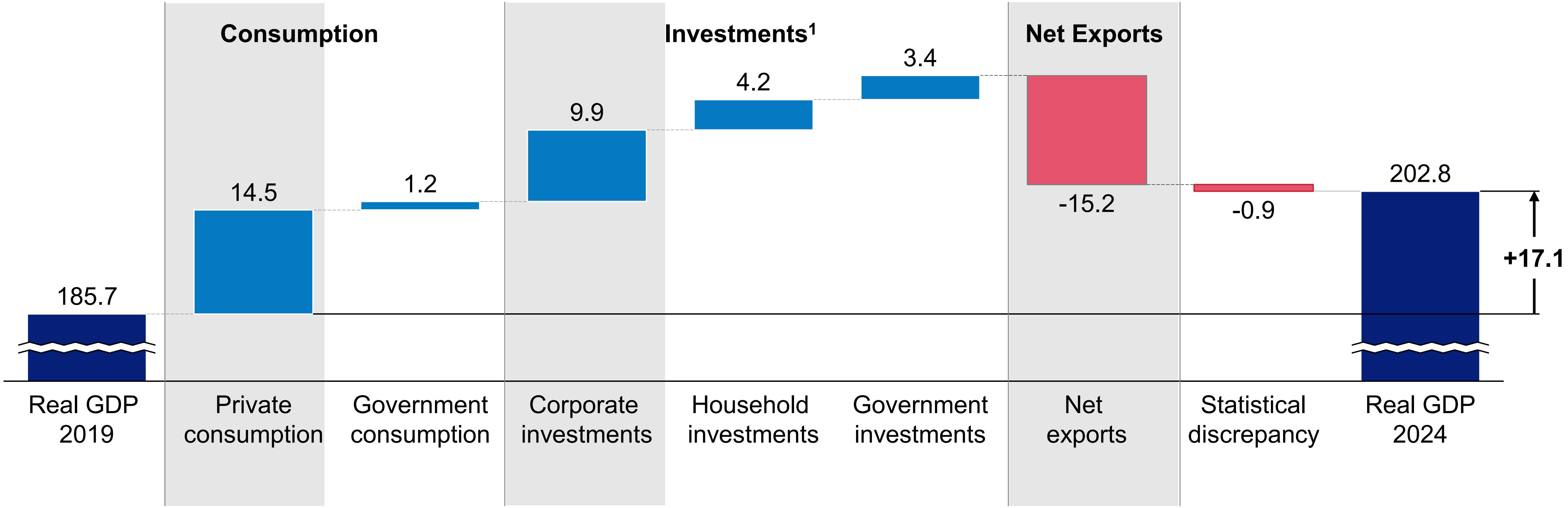



1. Peers are Portugal, Italy, Spain; Assuming Greece would grow at par with peers historically (2008-2019)

Source: Economic Intelligence Unit (EIU)

# Real growth since 2019 is driven by private consumption and corporate investments; Net exports drag down the GDP growth

**Change in Greece's real GDP, 2019–24**
EUR B, Base year 2015



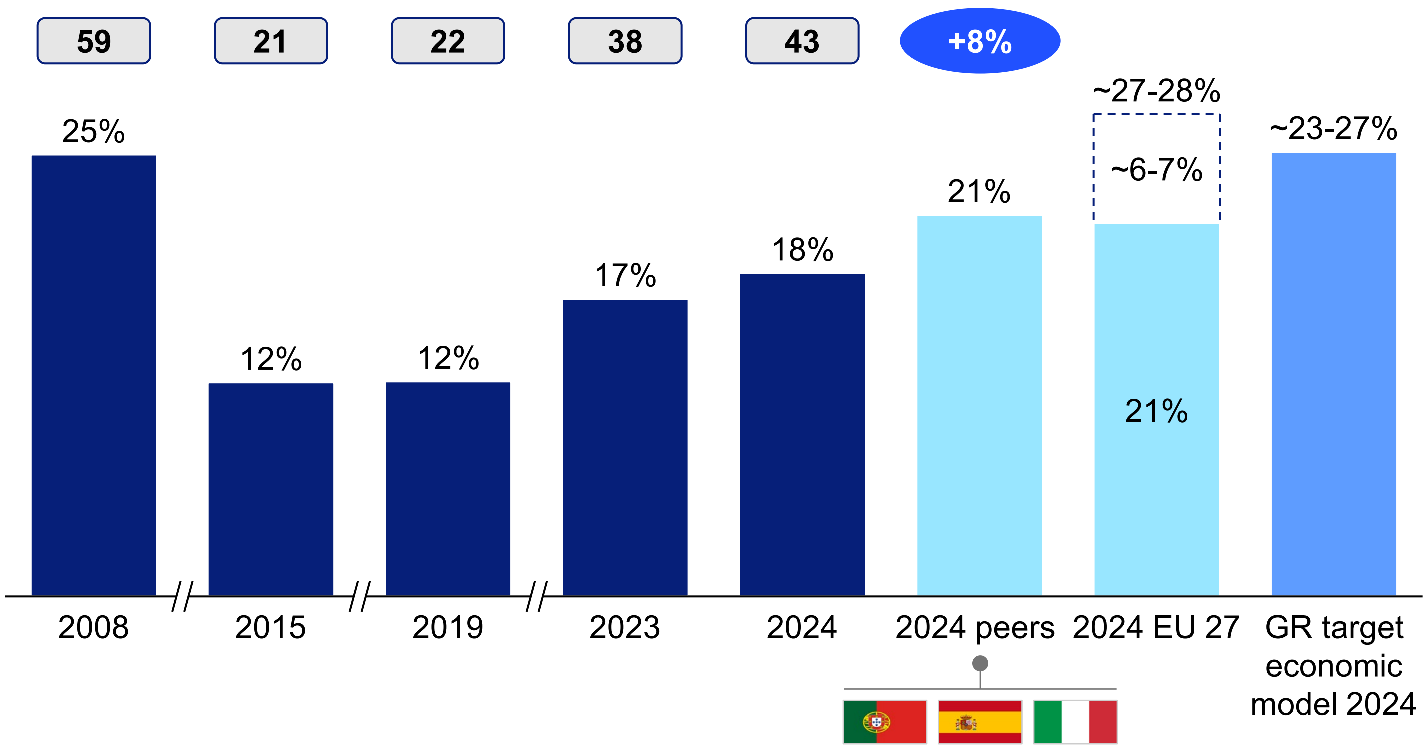

1 Applied government/household/corporate gross capital formation split from AMECO database

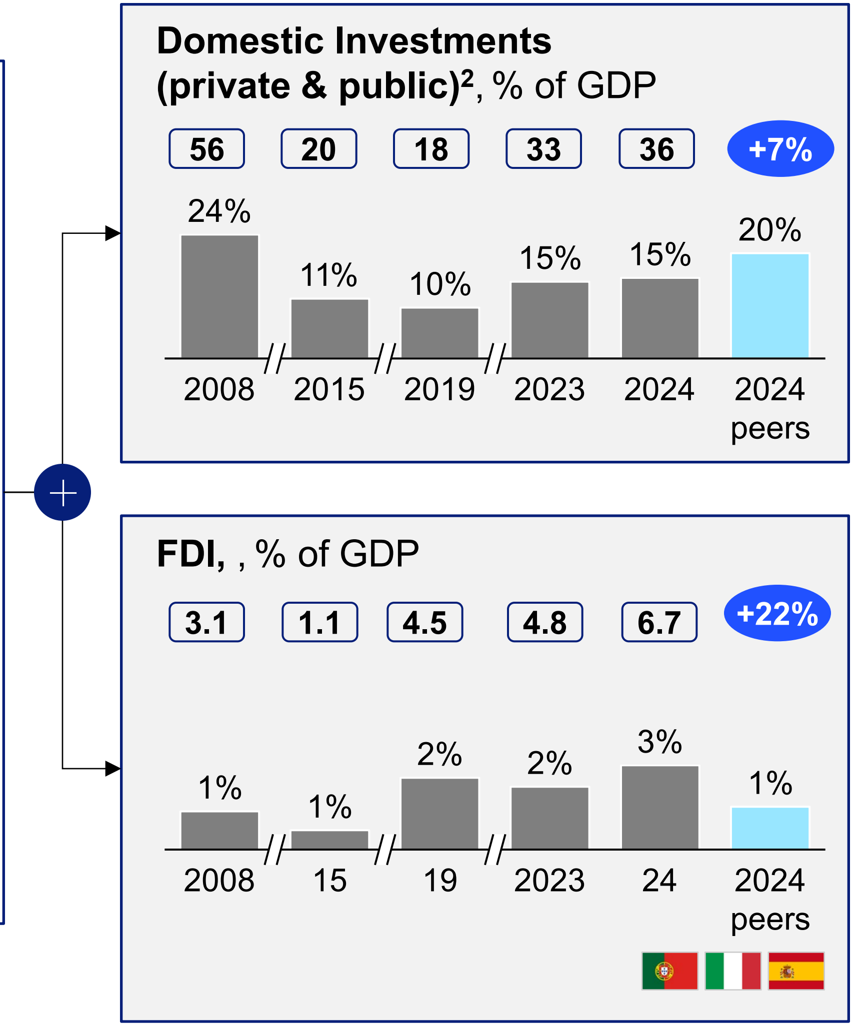
SOURCE: AMECO database

# Investments grew to ~18% of GDP; yet Greece trails Europe which in turn trails the US, and remains far from its target economic model

% 2015-24 CAGR | Absolute figures; EUR B | EU investment gap vs. US

**Total Investments[1]**, % of GDP



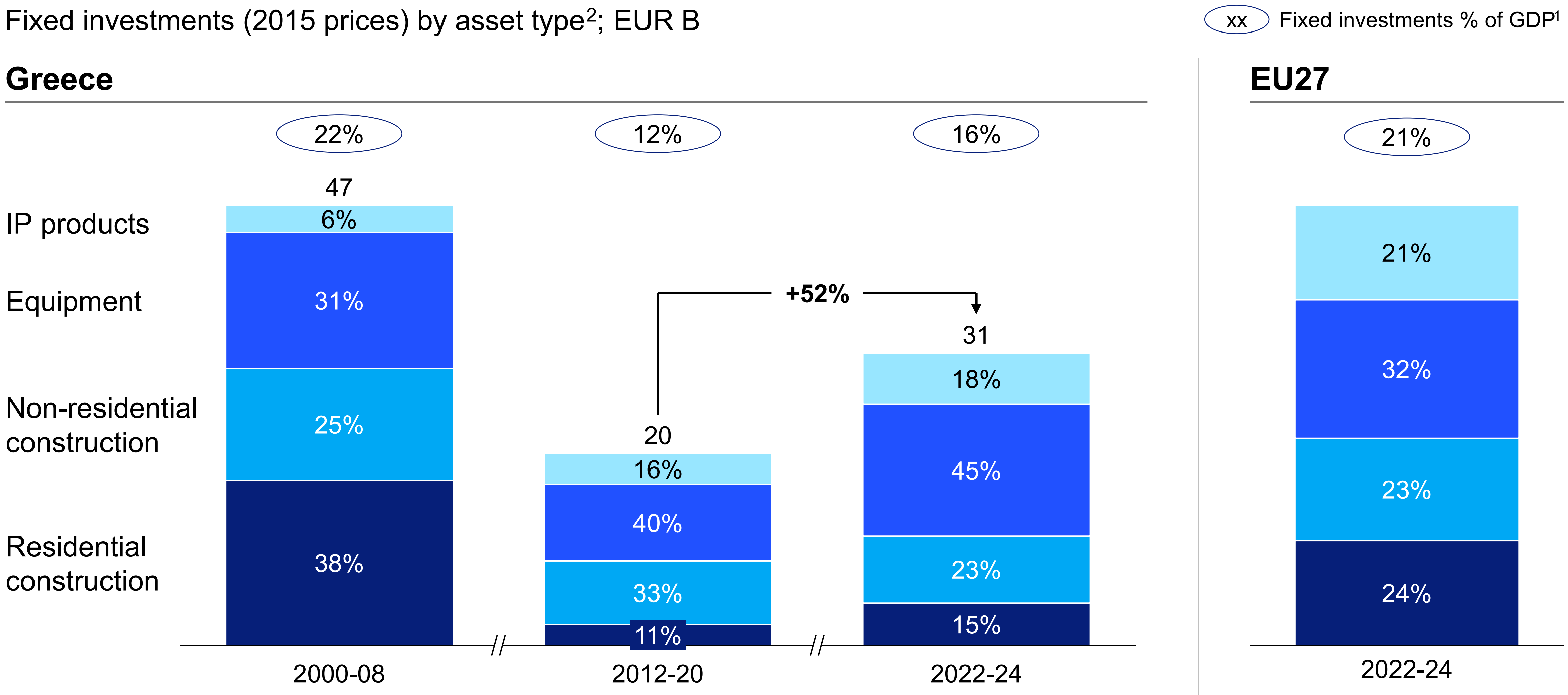

1. Gross capital formation = Gross fixed capital formation + Changes in inventories + Acquisitions less disposals of valuables
2. Estimate (due to variance in methodologies) calculated as Total investments minus FDI, as reported by BoG

Note: Percentages may not sum up to 100% due to rounding

Source: AMECO, BoG; Draghi Report

# Investment drop led by housing which has not been offset by other sectors; the investments have shifted towards innovation and equipment

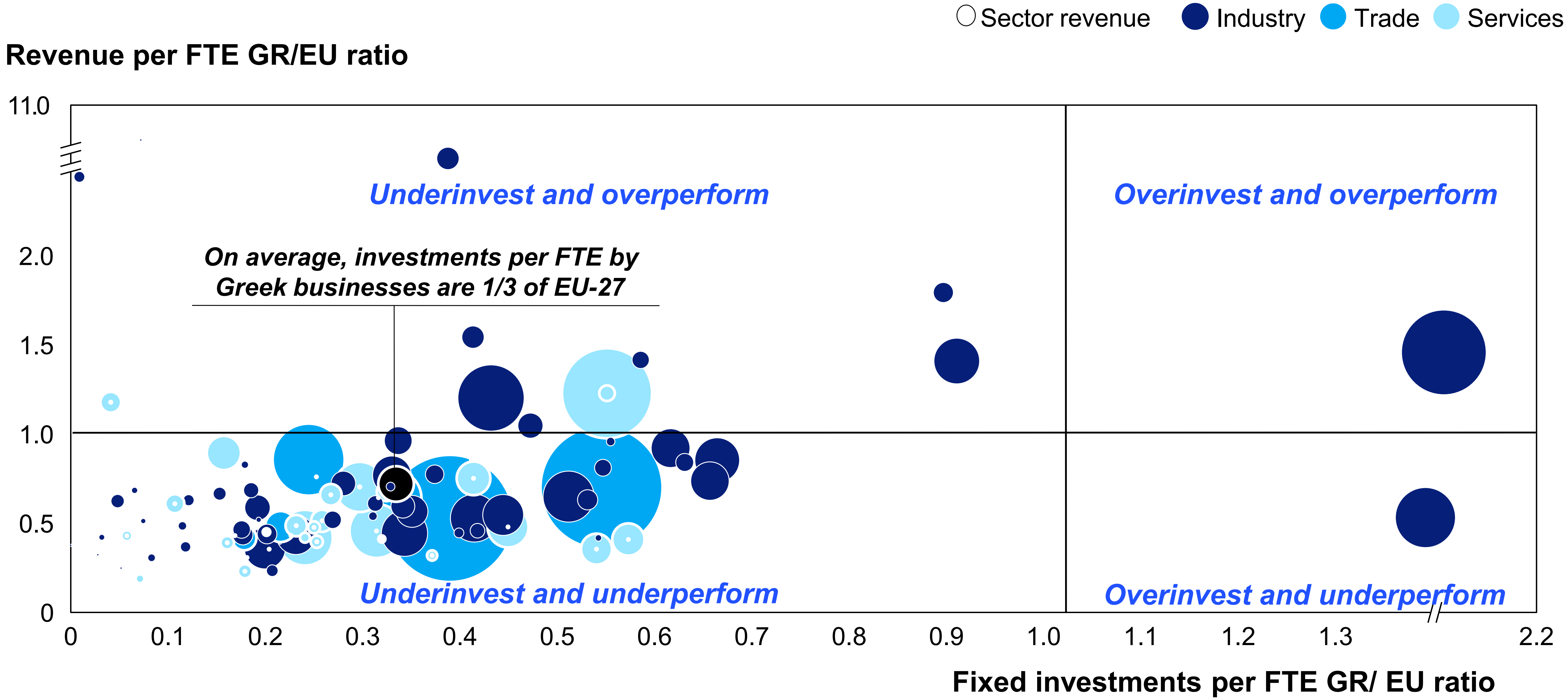
Fixed investments (2015 prices) by asset type[2]; EUR B




1. Constant 2015 prices
2. Excluding "Cultivated biological resources" category

Source: Eurostat

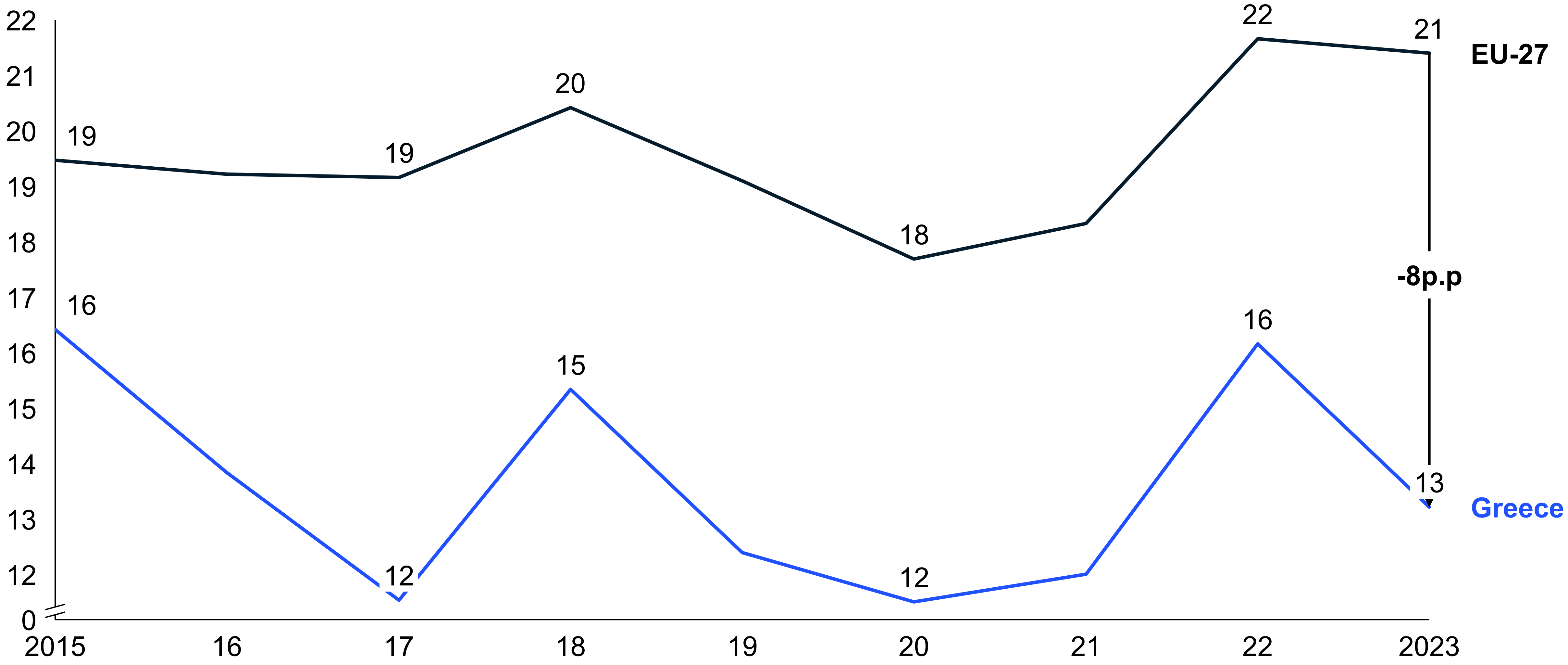
# There is a profound level of underinvestment across almost all Greek subsectors




Source: Eurostat 2022 data

# Greek corporate investments have historically yielded lower returns on capital employed vs. EU

Gross return on capital employed, before taxes, of non-financial corporations, %




Source: Eurostat

# Greece needs to tackle the hurdles to unleash investment scale

## *A. Investments are not picking up as fast because of the 'usual culprits'*

**Top-5 obstacles to investment**

% of responding firms in EIB survey 2024

| | Greece | EU |
|---|---|---|
| *Energy costs* | *93%* | *77%* |
| *Uncertainty about the future* | *92%* | *79%* |
| *Business regulations* | *90%* | *66%* |
| *Availability of skilled staff* | *88%* | *77%* |
| *Labor market regulations* | *84%* | *61%* |

## *B. Still, there are considerations driven by the economic model structure*

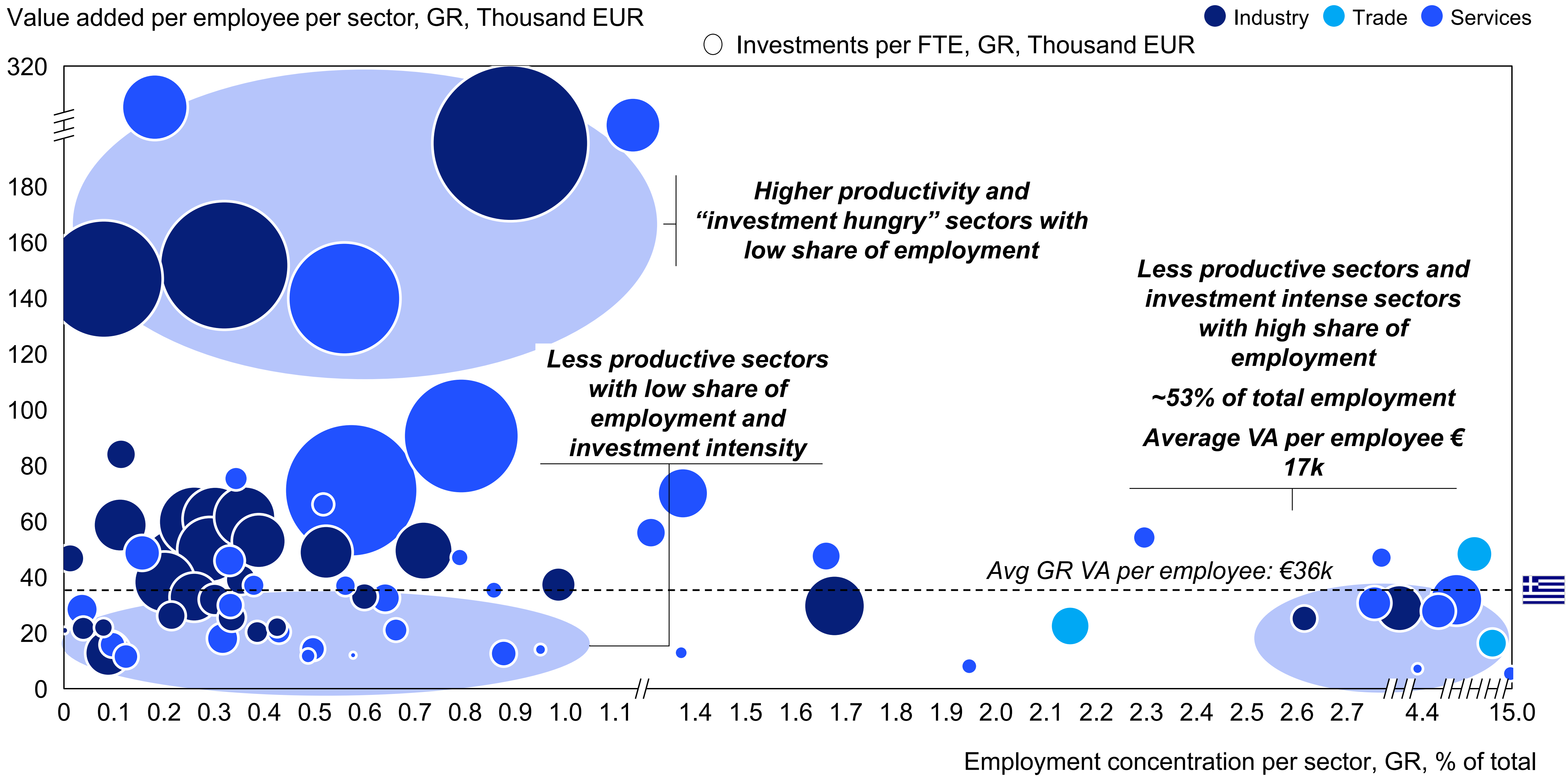
Business activity is **overrepresented in lower value-adding sectors**

The economy is SB and SME-driven which typically have:

- **Lower propensity to invest** as a result of their relatively lower scale and sophistication
- **Lower access to equity** and **debt financing** and rely relatively more on grants and subsidized loans

Investments may have an adverse impact on **inflation and trade balance,** given the current economic model (imports of capital goods)

# Business activity and employment is focused on low value-adding sectors with relatively limited investment opportunity




Source: Eurostat 2022 data

# SBs and SMEs invest less and have a lower debt to revenue ratio compared to larger companies and EU peers

| **Company size class by revenue,** EUR M | **Net fixed assets to revenue ratio** | **Share of total fixed assets** | **Debt to revenue ratio** | **Share of total debt** |
|---|---|---|---|---|
| €250M+ | 0.40 | 59% | 0.25 | 55% |
| €50M - €250M | 0.38 | 9% | 0.28 | 10% |
| **€5M - €50M** | 0.31 **-23%** | 23% | 0.23 **-9%** | 27% |
| **€1M - €5M** | 0.30 | 8% | 0.19 | 8% |
| | **-25%** | | **-23%** | |

Greek firms rely **~10 p.p. less** on **internal funds** and use **~15-20 p.p. more grants and subsidized loans** vs. comparable EU peers.

**SME loans as % of GDP** is at **11% in Greece vs. 17%** of EU peers[1]

1. Italy, Spain, Portugal

Note: 2023 data, N=16,842 companies (excluding from sample outliers with >20x median rates)

Source: ICAP DataPrisma; "Survey on the access to finance of enterprises (SAFE)" Analytical Report 2024

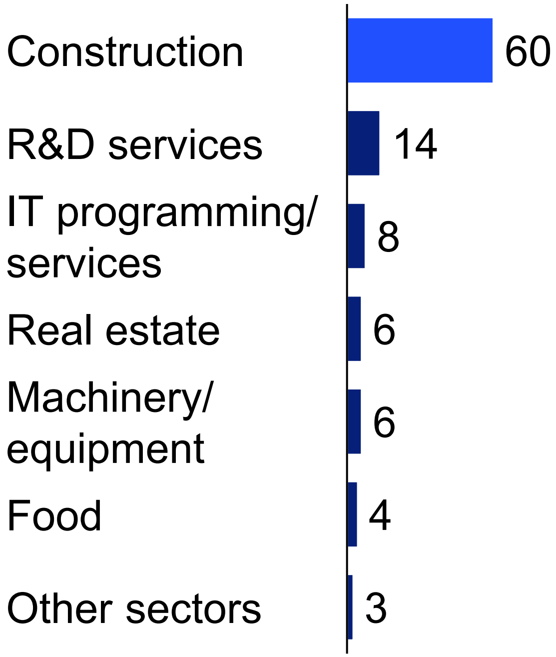
# A blanket ramp-up of investments given current economic model, mostly boosts construction and imports, yielding modest overall macro benefits

***€1M incremental investment***

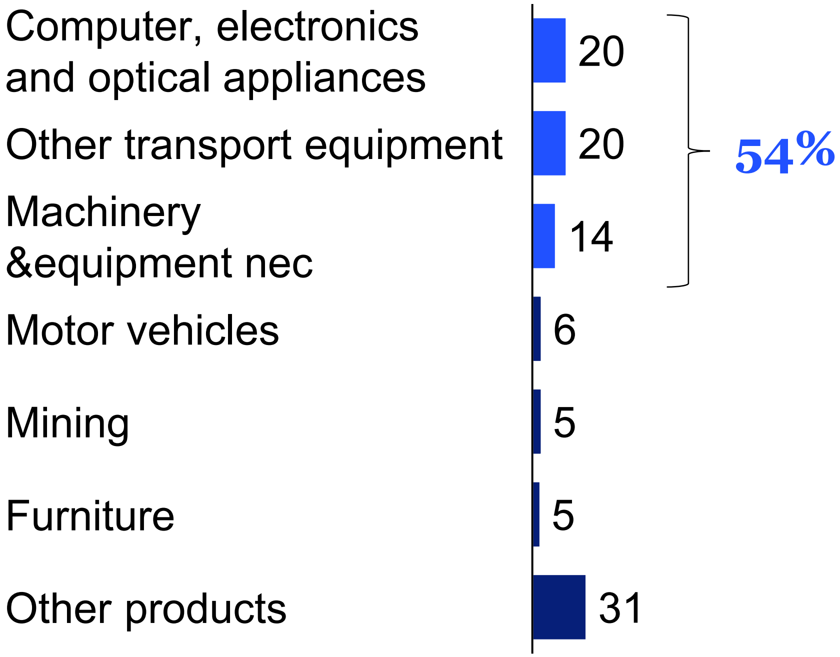
***+€0.68M GDP increase***

***+€0.61M imports increase***

**GDP impact split,** % of total




**Imports impact split**, % of total




*A **long-term industrial plan** is crucial to boost investments by **incentivizing domestic production**, reducing imports, and **reshaping inter-sectoral dynamics** for a sustainable economic paradigm*

Source: KEPE 2020 Report “Ο (μη) εφικτός ρόλος των επενδύσεων στη μετά-COVID-19 ελληνική οικονομία”

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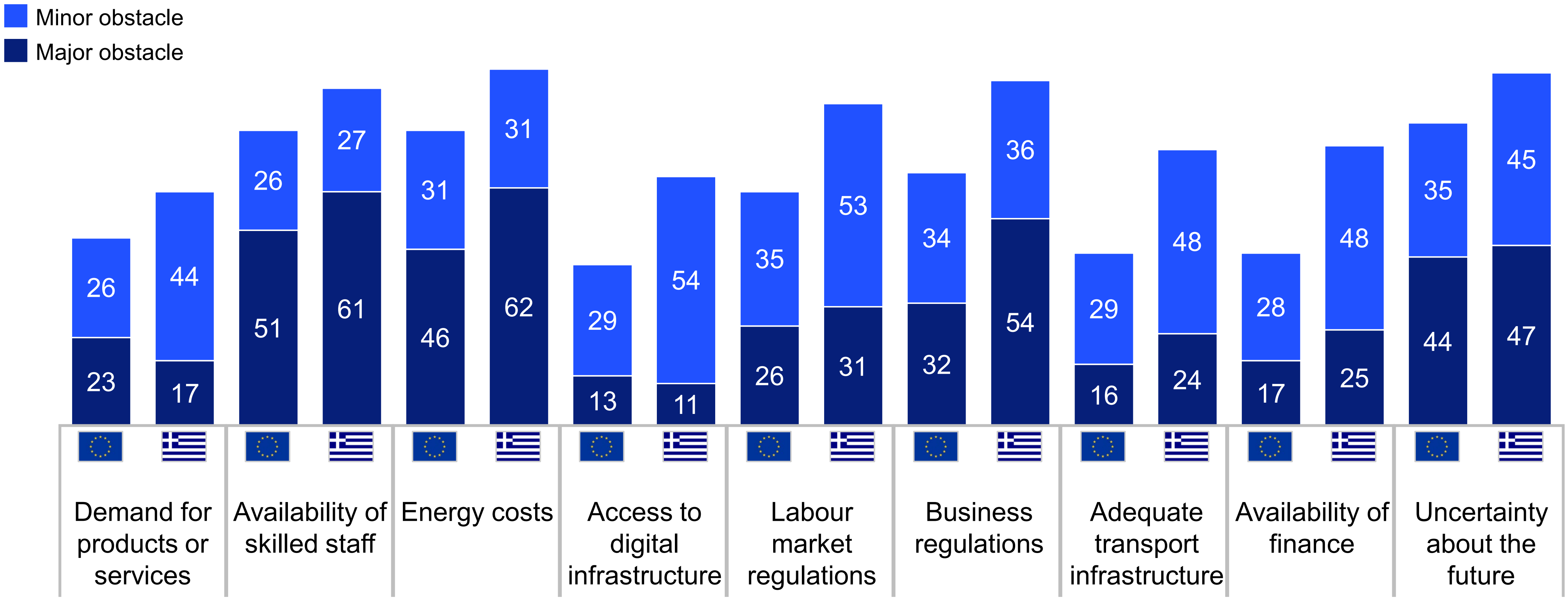
# Appendix

# A. *Obstacles to investment:* Greek firms are concerned about energy costs, business regulations, and uncertainty about the future more than their EU27 counterparts

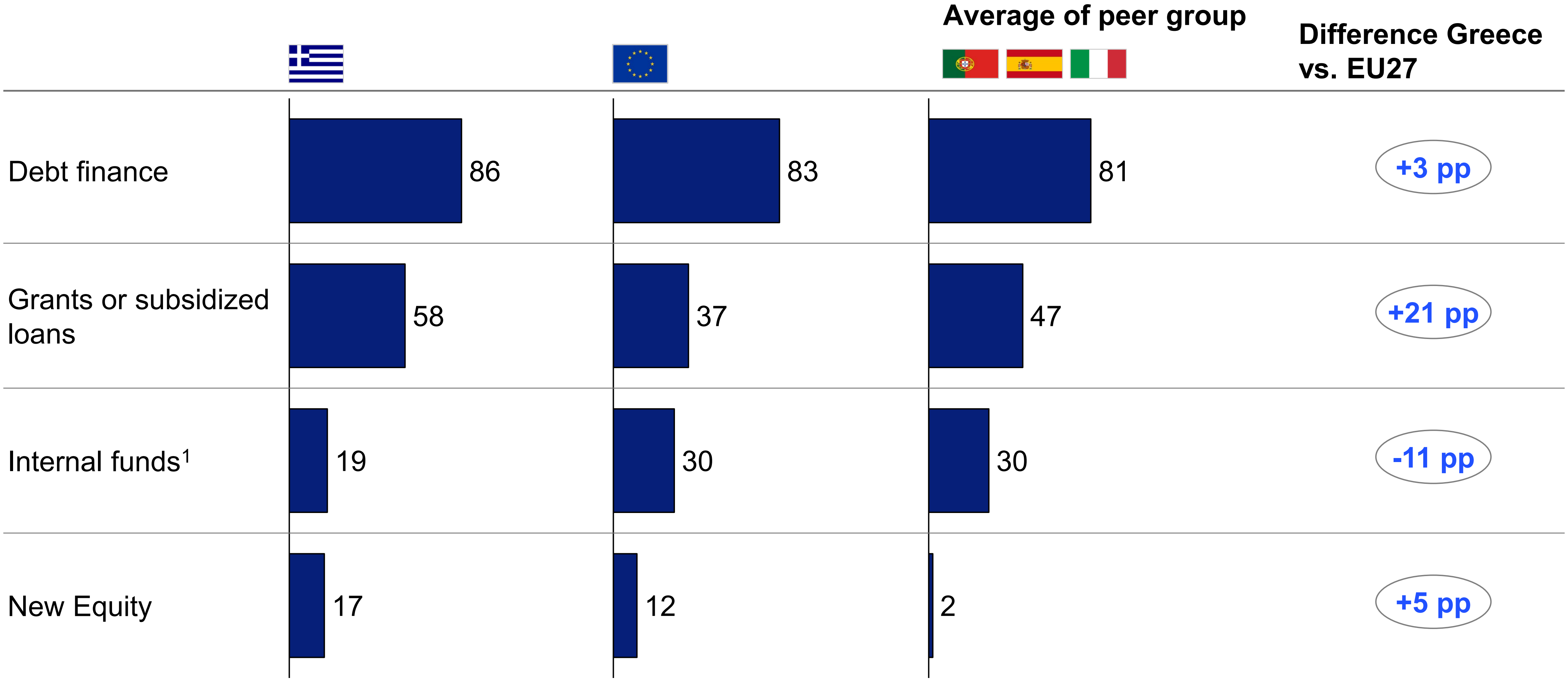
Q. Thinking about your investment activities, to what extent is each of the following an obstacle? Is it a major obstacle, a minor obstacle or not an obstacle at all?
Base: All firms (data not shown for not an obstacle at all/don't know/refused responses).




Source: EIB Survey 2024 (https://www.eib.org/files/documents/lucalli/20240238_econ_eibis_2024_greece_en.pdf)

# B. Greek firms rely ~10 p.p. less on internal funds and instead use ~15-20 p.p. more grants and subsidized loans vs. comparable EU peers

Question: Are the following sources of financing relevant to your firm, that is, have you used them in the past or considered using them in the future? % of respondents

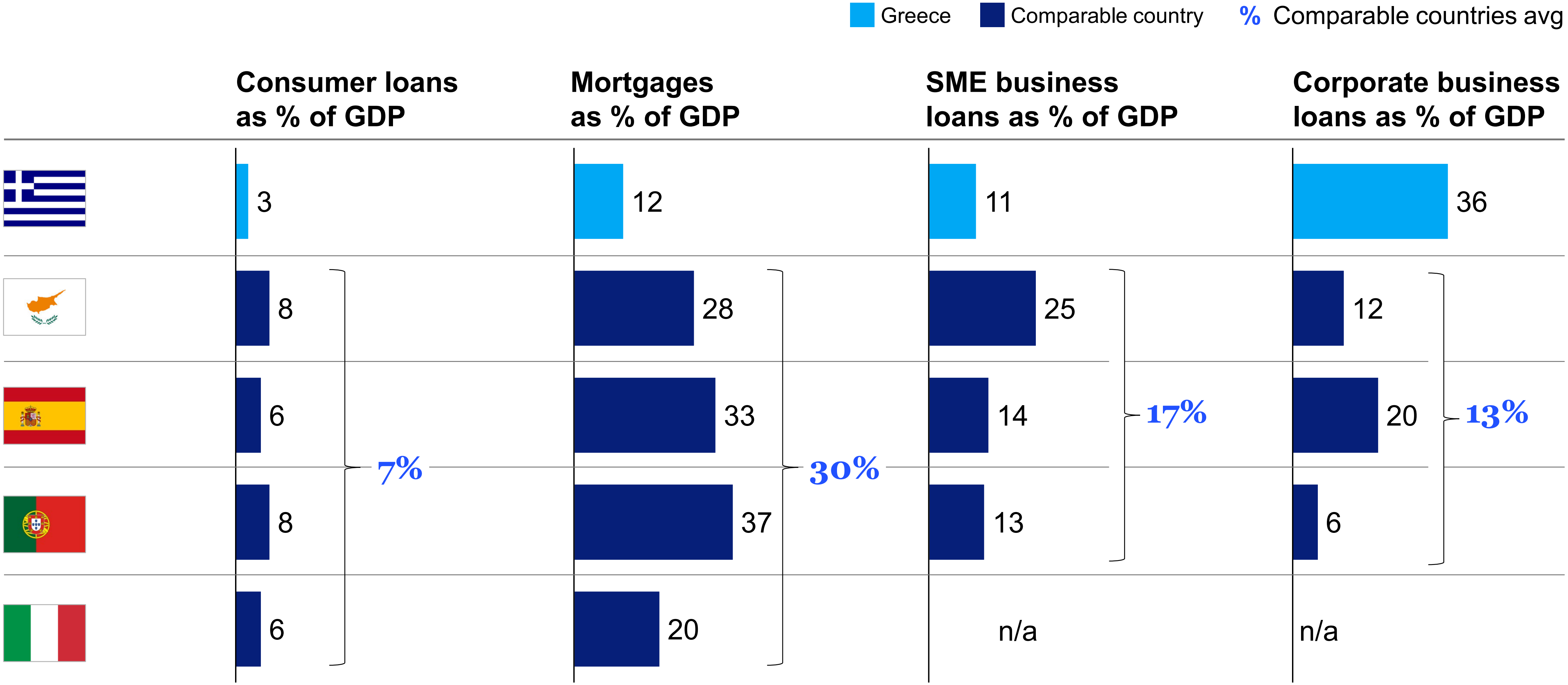



1. Retained earnings or sale of assets

Source: "Survey on the access to finance of enterprises (SAFE)" Analytical Report 2024

# B. Lending penetration in Greece is large corporate-focused with lower penetration of SMEs vis-as-vis comparable peers

Lending penetration as % of GDP Greece vs EU




Note: data refers to 2024 for Greece and 2023 for Cyprus, Spain, Portugal, Italy

Source: ECB, Central banks, Eurostat, Bank of Greece

# Europe needs to step up on 7 forces to stay competitive in new era

### Scale disruptive technologies

**2x**[1,2] corporate R&D to lead in at least one-third of future arenas of competition like autonomous driving

### Develop domestic source of energy supply

**2–3x**[1,3] reduction in electricity and gas prices to remain competitive in energy intensive sectors

### Increase corporate investments

**>€400b**[1,2] corporate investment and **>€200b**[1,6] rise in greenfield FDI investment to ensure future growth

### Unlock new domestic supply sources

**10%** domestic mining, **40%** domestic processing, and **15%** recycling of critical materials to ensure access[4]

### Accelerate reskilling and labor rotation

**18m**[5] reskilled workers to enable the net-zero transition and more for rapid adoption of technology

### Operate firms at European level

**2x**[1,2] increase in average size of European firms to enable economies of scale

### Design rules to compete effectively in the future

**Match** US level of industrial packages, e.g., bridge 6x[7] difference on chips legislation

1. Increase required to match the United States.
2. McKinsey & Company Corporate Performance Analytics.
3. Montel and Eurostat.
4. European Critical Raw Materials Act, March 16, 2023.
5. *The future of work and reskilling in Europe*, McKinsey, November, 2020.
6. World Bank; FDI Markets.
7. European Chips Act, European Commission; CHIPS and Science Act of 2022, H.R. 4346, 117th Congress

Source: McKinsey Global Institute analysis

# Global mega trends: 18 future arenas could reshape the global economy and generate $29 trillion to $48 trillion in revenues by 2040

Arenas, 2040 estimated revenue ($T)

E-commerce
**14 – 20**

AI software and services
**1.5 – 4.6**

Cloud services
**2.1 – 3.4**

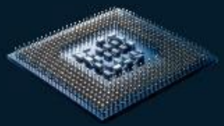
Digital advertisements
**2.1 – 3.4**

Cybersecurity
**0.6 – 1.2**

Electric vehicles
**2.5 – 3.2**

Streaming video
**0.5 – 1**

Semiconductors
**1.7 – 2.4**

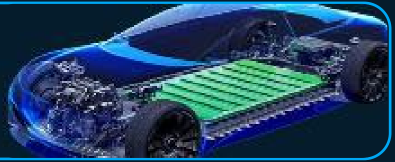


Shared autonomous vehicles
**0.6 – 2.3**

Video games
**0.5 – 0.9**

Industrial & consumer biotech
**0.3 – 0.9**

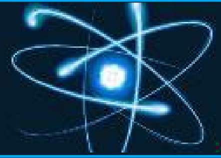
Batteries
**0.8 – 1.1**



Modular construction
**0.5 – 1.1**

Drugs for obesity and related conditions
**0.1 – 0.3**

Nuclear fission
**0.07 – 0.2**



Future air mobility
**0.08 – 0.3**

Robotics
**0.2 – 0.9**

Space
**1 – 1.6**

Source: MGI