

## Greece: Changing of the guard after the snap election

As anticipated by opinion polls, Greece's New Democracy party won over the incumbent Syriza by an ample margin, and will be able to run the country by itself. Focus will soon shift to the 2020 Budget Draft, to be disclosed in September



Source: Shutterstock

### ND easily wins unusual July snap election

On Sunday, Greeks were called to a snap election to renew their 300 seat Parliament. As a quick reminder, the current Greek electoral system attributes 250 seats on a proportional basis, and the remaining 50 seats as a bonus, to the party obtaining the relative majority. The system includes a 3% minimum parliamentary representation threshold.

For once, opinion polls had correctly anticipated the outcome, pre-announcing a neat victory for the centre-right New Democracy (ND) over the radical left Syriza. New Democracy did indeed win, coming first with 39.9% of votes, while Syriza came second with 31.5% of votes. The relative majority of votes allowed ND to win the 50 seat bonus.

## With 158 seats out of 300, ND will be able to run the country by itself

On the eve of the vote, observers were very much focused on the number of parties breaking the 3% representation threshold, as this would be decisive in determining whether or not ND would be in the position to reach an absolute majority. The poll results show that, beyond ND and Syriza, only four other parties broke the 3% threshold: Kinal (8.1%), the KKE (5.3%), the Greek Solution (3.7%) and MeRA25 (3.4%).

ND was thus able to get 158 seats, topping by a 7 seat margin the 151 absolute majority threshold. As smaller parties towards the end of the campaign had increasingly shown little inclination to cooperate with the big ones, Mitsotakis, the leader of ND and next Prime Minister, will likely choose to run the country alone.

Mitsotakis will be sworn in today. He will then announce the composition of the cabinet, which will be sworn in tomorrow. The new Parliament will convene on 17 July.

## New PM Mitsotakis aims at more investment and lower taxes, likely looking into 2020 and beyond

As for his next steps, these will likely follow the line set in the campaign, but not without some difficulties. Mitsotakis' very first statements after his ample victory reiterated his campaign slogans of more investment, lower taxes and a better job market. This is easier said than done in the current closely-monitored post bailout programme environment. He will soon be confronted with the fiscal impact of the last measures approved by the outgoing Tsipras government, which could have jeopardised the attainability of the 3.5% primary surplus target for 2019. We believe Mitsotakis will not try to enforce changes in 2019 but will instead concentrate on the draft of the 2020 budget, which will possibly be drafted in time for the Thessaloniki international fair to be held between 7 and 15 September. As calls for tax cuts and more investment are also coming from the Italian government, the 13 September Eurogroup meeting might offer an interesting, if imperfect, viewpoint on Europe's reaction to the first real attempts to change the direction of European governance after the May elections. Interesting times ahead.

### Author

#### Paolo Pizzoli

Senior Economist, Italy, Greece

[paolo.pizzoli@ing.com](mailto:paolo.pizzoli@ing.com)

### Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit <http://www.ing.com>.