

Greece's New Democracy party wins a second term

After a second round of voting, under a different electoral system, New Democracy managed to obtain an absolute majority. A new mandate for PM Kyriakos Mitsotakis looms, with non-trivial challenges ahead



Greek Prime Minister and New Democracy leader Kyriakos Mitsotakis

ND confirms the percentage of votes, but a different system does the trick

The first election round held late in May under a purely proportional system did not result in a workable majority. New Democracy (ND), the party of PM Mitsotakis, came in first with an ample lead over Syriza, the main opposition party, but failed to obtain an outright majority. As no contender intended to form a coalition, a new election was called for 25 June.

The new contest was held yesterday under a different rule, which reintroduced a majority premium, worth up to 50 seats for the party in first place. ND would have secured an ample majority in the first round under the new electoral rule, opening the door to a re-run of a Mitsotakis government. The party would have failed to obtain a majority only if it scored less than 39% of votes in the ballots and at the same time, another seven parties managed to obtain parliamentary

representation.

This was not the case. Indeed, while seven other parties managed to enter parliament, ND scored well. With almost all votes counted, ND managed to get 40.6% of the vote and, thanks to the bonus component, obtained an absolute majority with 158 seats (required majority 151). Syriza came in second with 17.8% of the vote, confirming it as the main opposition party, with PASOK coming in third with 11.9% of the vote. Another five parties managed to break the 3% threshold and obtain parliamentary representation. Three of them, the Spartans, Niki and Greek Solution, positioned on the hard-right of the political spectrum, obtained a combined vote of more than 12%.

Challenges lie ahead on both the geopolitical and economic front

Having obtained an absolute majority, Mitsotakis will very likely announce that he will not seek any form of coalition. In his second four-year mandate, Mitsotakis will soon have to confront non-trivial challenges, both on the geopolitical and the economic front.

On the first, the search for some normalisation of bilateral relations with Turkey (where elections were held in May) will likely be a top priority. On the economic front, he will have to try to meet electoral promises (wage and pension increases) in a changing external environment, where the availability of resources will likely be constrained by the reinstallation of budgetary rules. The implicit call for (and support of) continuity from voters might not be easy to satisfy. To be sure, some support might come from the economic impact of a possible rating upgrade (Greece is still sub-investment grade) but, for this to materialise, the reform plan, delayed over the recent crisis years, will have to be revitalised.

Greek economy set to remain an outperformer within the eurozone, for now

In the short run, the Greek economy will not be immune to the impact of rising interest rates on domestic demand, but a resilient labour market and positive tourism inflows should help the country post positive, if unspectacular, quarterly growth rates over the second and third quarters. If this is the case, Greece is likely to be confirmed, at least temporarily, as an economic outperformer among countries in the eurozone.

Author

Paolo Pizzoli

Senior Economist, Italy, Greece

paolo.pizzoli@ing.com

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