

## ALL ABOUT GREEK ELECTIONS



**Nicolas Roth**, Head of Private Assets

On May 21st, general elections will take place in Greece following the end of the current government's four-year term. Although New Democracy, led by PM Kyriakos Mitsotakis, has been leading for most of its term, the wire-tapping scandal, and the Tempi train accident changed the trajectory. New Democracy's main opponent, Syriza, led by former PM Alexis Tsipras, recently regained some voting intentions as of late, narrowing the gap between the two parties. While Greece is a small country off many investors' radar, this election is crucial as the country is becoming a key regional player in Europe. What will be the outcome of the elections and what is at stake for Greece?

### HOW DOES THE SYSTEM FUNCTION?

The Greek parliament has 300 seats and a party needs 151 seats to win a majority. Following a change in electoral law in 2016, the first round of elections will follow a proportional representation system. If no party wins an outright majority, Greek President Katerina Sakellariopoulou will allow the party leader who received the most ballots to form a coalition. If no coalition is formed, the second party will be asked to form a coalition and so on. If all parties fail to form one, a second election will take place 40 days after the first. This second election will follow a semi-proportional representation system with a sliding scale seat bonus. The sliding scale bonus system allocates 20 bonus seats to the party that garners 25% of votes, then uses a linear rule to allocate 30 more seats up to 40%, totaling 50 bonus seats.

Given recent polls, it is likely that no party will win an outright majority after

the first election and a second election will take place.

### WHICH PARTIES ARE RUNNING IN THIS ELECTION?

Kyriakos Mitsotakis' center-right party New Democracy (ND) is the incumbent in this election. During its four-year term that started in 2019, ND has reached many milestones, the highlight being the exit from the EU surveillance programme in August 2022. Additionally, from declining unemployment and a ratings upgrade to solid GDP growth and confident management of the Covid crisis, ND has demonstrated that being pragmatic pays off. In light of the Ukrainian conflict, Greece came to play a key role in the EU energy strategy through several projects such as LNG terminals, EastMed pipeline and the TAP connector. Polls suggest ND are currently expected to win around a 32% share of the vote.

**"Greece could soon regain its Investment Grade rating lost in 2011, following 12 years of wandering in the junk area."**

Syriza is the runner-up, led by former PM Alexis Tsipras. Syriza is a left-wing coalition and is the main opposition to Mitsotakis. Syriza, polling at 26%, has been vocal about the lack of investigation of the wiretapping scandal involving Mitsotakis and blames ND for the tragic train accident in Tempi. More recently, Tsipras has hinted at a potential coalition with MeRA25, Yanis Varoufakis's party.

Pasok, a socialist movement currently polling at 9% and led by Nikos Androulakis, is the third most important party in the country. Pasok is critical of ND and Syriza, claiming that both parties supported austerity measures during the crisis. If part of a coalition, Pasok will push for a PM that will not be a party leader. In the likely event of a second election, a Pasok-Syriza coalition is a probable outcome.

Other parties include KKE, the communist party, polling at 6%, will be winning a few seats. Greek Solution, an ultra-nationalist party polling around 4% today, above the 3% threshold while MeRA25,

the radical left-wing party of Varoufakis, is currently polling slightly above 3%. Many Greeks have little esteem for Varoufakis, who gambled away the country's fate in 2015, while some EU-based intellectuals continue to praise his unconventional thinking. Finally, Golden Dawn has been banned very recently by the Supreme Court from taking part in the election.

### WHAT IS AT STAKE?

Most reforms have gained irreversible momentum. Large foreign companies are now investing in Greece. Microsoft, for example, is developing data centres there, and more recently, Hewlett-Packard, is creating an AI excellence centre in the country.

Greece has also implemented its largest ever growth plan called *Greece 2.0*, a major investment plan developed by the Pissarides Committee. This plan has allowed the country to apply for the Recovery and Resilience Facility and NextGenEurope. Finally, and crucially, Greece could soon regain its *Investment Grade* rating lost in 2011, following 12 years of wandering in the junk area. This upgrade could dramatically change Greece's trajectory of development as investors will likely again consider the country investable.

Alex Patelis, the chief economic adviser to Greece's Prime Minister, recently spoke at the Delphi forum and mentioned three crucial pre-conditions. He noted that debt should be trending down; reforms must be taken, and banks must be stabilised before Greece can be seen as investable again. Any Greece observer knows that all these conditions have been more than fulfilled today. Greece's future continues to be brighter than ever.



**REYL**  
**INTESA SANPAOLO**

**IMPORTANT INFORMATION** - This content is being provided by REYL & Cie Ltd or/and its affiliates (hereinafter referred to as "REYL") solely for information purposes and is not intended to be a solicitation or offer, recommendation or advice to buy or sell interests in any financial instrument mentioned in it, to effect any transaction, or to conclude any transaction of any kind whatsoever, in particular to any recipient who is not a qualified, accredited, eligible professional or institutional investor. It is intended for the sole use of the recipient and may not be forwarded, printed, downloaded, used or reproduced for any other purpose. It is not intended for distribution/offering to, or use by, natural or legal persons that are nationals of a country or subject to a jurisdiction of which the laws or regulations would prohibit such distribution/offering or use. Whilst REYL shall use reasonable efforts to obtain information from sources which it believes to be reliable, REYL, its directors, officers, employees, agents or shareholders assume no liability regarding this content and give no warranty as to the accuracy, completeness or reliability of any mentioned data and thus assume no liability for losses arising from the use of this content. The information, opinions and assessments contained in the present document shall apply at the time of publication and may be revoked or changed without prior notice. This content is intended only for recipients who understand and are capable of assuming all risks involved. Before entering into any transaction, recipients should determine if the relevant financial instrument mentioned in the content suits particular circumstances and should ensure that they independently assess (together with their professional advisers) the specific risks, the legal, tax, accounting consequences and eligibility requirements of any purchase, holding or sale of financial instruments mentioned in the content. REYL, its directors, officers, employees, agents or shareholders may from time to time have interests and/or underwriting commitments in the financial instruments described herein. REYL makes no representation as to the suitability of the mentioned information, opinions or securities and financial instruments. Historical data on the performance of the financial instruments or on the underlying assets are no indication for future performance. The present content has been compiled by a department of REYL which is not an organisational unit responsible for financial research. REYL is subject to distinct regulatory requirements and certain services and/or financial instruments may not be available in all jurisdictions or to all recipient types. Recipients are therefore responsible to comply with all applicable laws and regulations. There is no intention to offer services and/or financial instruments in countries or jurisdictions where such offer would be unlawful under the relevant laws and regulations.

**SUCCESS. TOGETHER.**

**reyl.com**