



## TD Economics

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### Data Release: Greek Elections are out of the way, but significant hurdles lie ahead

- New Democracy secured first place in yesterday's Greek elections. The party secured 29.7% of the votes, which would translate into 129 seats in the 300-seat Greek parliament.
- Syriza, the Coalition of the Radical Left, came in second with 26.9% of the votes securing 71 seats. Pasok was third with 12.3% (33 seats), followed by Independent Greeks (7.5%, 20 seats), Golden Dawn (6.9%, 18 seats), Democratic Left (6.3%, 17 seats), and the Communist Party (4.5%, 12 seats).
- New Democracy leader Antonis Samaras will receive a three-day mandate to form a government. There is speculation that Mr. Samaras will try to form a coalition with Pasok and Democratic Left, in an effort to have a government by the end of this week.

### Key Implications

- The first hurdle after the elections will be to form a coalition. The sooner the better, given that the troika – IMF / EU / ECB – will not send the next mission to Greece until there is a government in place. Getting the first review of the second bailout under way is critical for Greece as the country could run out of cash shortly.
- If New Democracy manages to form a government this week, discussions with the troika could be resumed next week. European officials have signaled some willingness to make some adjustments to the current program to give Greece more breathing room. These could include extending the periods of adjustment, relax some of the targets, reduce interest rates on the loans, and extend funding for infrastructure projects via the European Investment Bank. All these elements will be part of the negotiations in the coming weeks. Furthermore, after two months of political stalemate, implementation of the current program is very likely to have been delayed, so the new Greek government will first have to secure waivers on the missed targets, which also requires additional funding.
- However, expectations should be kept low given that any relaxation in the program implies more funding for Greece, which will prove a tough sell in many of Greece's euro zone partners. As larger countries within the currency area see their funding costs rise and are forced to seek financial support from their peers, securing additional resources for Greece will become increasingly difficult. We should get some clarification from the upcoming Eurogroup/Ecofin meeting to be held at the end of this week and from the EU Leaders summit on June 28th – 29th.
- Beyond the very short term, having a coalition government formed by two historically antagonistic parties presents risks. It will be hard for the coalition to carry through with the structural reforms and the adjustments that are required under the program. In all, we believe Greece will have to restructure its debt once again and that the country will eventually leave the euro zone.

**Martin Schwerdtfeger, Senior Economist**  
416-982-2559

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