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GREEK GOVERNMENT AT CROSSROADS DUE TO OVERLAPPING CRISES

Ruling party struggles to recover momentum as main parties fragment ahead of 2027 elections

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EXECUTIVE SUMMARY

The government of Greek Prime Minister Kyriakos Mitsotakis continues to face overlapping and serious crises, despite ongoing attempts by his ruling New Democracy party to highlight economic progress. The PM sought to revive sagging poll numbers with a €2 billion package of tax cuts and benefits announced during September's Thessaloniki International Fair (TIF), however the plan, meant to ease cost-of-living pressures and boost youth and families, drew a lukewarm response. Polls now place the ruling ND near 25–30%—far below its 2023 victory margin. In parallel, many Greeks have dismissed the TIF pledges as token relief amid high prices and rents. Government rhetoric has hardened, with Mitsotakis railing against "fake news" and emphasising law-and-order and migration to consolidate conservatives.

Simultaneously, corruption probes and mismanagement scandals have put the ruling ND on the defensive. The European Public Prosecutor's Office (EPPO) is investigating major fraud in EU-funded farm subsidies, while public anger over the 2023 Tempi train tragedy persists. These controversies highlight governance weaknesses and have strengthened the opposition's attacks on ND's "clientelist state."

Economically, Greece's macro-indicators remain solid, with GDP growth at 2.2–2.3%, public debt projected near 138% of GDP by 2026 (down from 180%+), and unemployment at below 9%, the lowest in a decade. The country has regained investment-grade status after 13 years, marking a strong economic policy result. Yet, 3%+ inflation and soaring housing costs continue to erode living standards. New tax arrears jumped €3 billion in early 2025, underscoring the gap between macroeconomic success and household hardship—a key political risk for the government.

ND's parliamentary majority ensures short-term stability, however ongoing scandals, inflation and infrastructure strains are eroding its authority. Mitsotakis rejects early elections, yet as Greece heads into the 2026 pre-election year and a constitutional review process, pressure will intensify. Greece's fundamentals remain sound, but public patience is thinning and the margin for error is narrowing.

Below, Aretera takes a deeper look at Greece's political and economic landscape, the challenges faced by the Mitsotakis Government, as well as the country's likely political directions.

RECENT POLICY PLEDGES & PUBLIC REACTION

As is now tradition, Greece's autumn political season was opened with Prime Minister Kyriakos Mitsotakis' speech at the Thessaloniki International Fair (TIF) on 6th September. Over the years, the centre-right PM's TIF speech has become a much-anticipated event containing important policy pledges. This year was no exception: Mitsotakis unveiled €1.6–1.8 billion in tax cuts, a 2-point income-tax reduction from 2026, full exemption for workers under 25 (and large cuts for those under 30), a new relief package for low-income families, accelerated pension adjustments, pay raises for security forces and industrial energy subsidies. The stated goal was to shield household incomes and confront Greece's demographic decline.

Public reception to Mitsotakis' speech has been muted: post-TIF polling shows the ruling New Democracy (ND) party only slightly above 25%. Many Greeks view the measures as insufficient: unions mocked the small pay increments, while the offered pensioner bonuses of €100–200 barely offset inflation. Even ND supporters worry the steps fail to match housing and cost-of-living realities.

Politically, the PM hoped for a reboot but remains on the defensive. He has ruled out early elections and hinted at a third-term bid while shifting toward tougher law-and-order and migration rhetoric. The government blames "vested interests" for the discontent, but critics see deflection. The TIF package briefly changed the narrative without reversing ND's decline in popular support. This suggests that Mitsotakis must now turn macroeconomic gains into tangible relief as his political capital wanes.

GREECE'S 2026 BUDGET & SHORT-TERM ECONOMIC OUTLOOK

Submitted to parliament on 6th October, Greece's draft budget for 2026 projects 2.4.% in GDP growth (with 2.2% projected for 2025), a primary surplus of 2% above GDP and debt falling near 137–138% of GDP. The country's investment-grade stability is confirmed by projects supported by the EU recovery funds, strong tourism support, as well as upgrades by international ratings agencies such as the S&P and the DBRS.

However, structural strains persist beneath the above gains. Inflation has cooled in recent months but remains high in food and housing, while wages lag real costs. Public frustration explains the disconnect between strong macro numbers and weak consumer sentiment. Unpaid tax liabilities now exceed €113 billion and rising arrears signal distress among households and SMEs. The real-estate boom is easing under high rates, while slower Eurozone growth plus geopolitical uncertainty could weigh on exports and their growth.

Accordingly, Greece's fiscal footing is firmer than in a decade, but broad-based prosperity remains elusive. Translating recovery into visible social dividends will determine whether the ruling party's economic narrative will be able to transform the PM's recent policy pledges into political success.

GOVERNMENT ACCOUNTABILITY TESTED BY SCANDAL PROBES

In addition to the economic challenges and public pressure over the cost of living, the ruling New Democracy party is facing even more pressure from two headline scandals.

Following months of police investigation, the government in September confirmed that Greek farmers misused an estimated €22 million in EU subsidies between 2019 and 2024. An earlier investigation by the European Public Prosecutor's Office (EPPO) uncovered a vast EU-subsidy scam

involving "fake farmers" and alleged political ties. As a result, two former agriculture ministers are now under scrutiny, resulting in the resignation of Agriculture Minister Makis Voridis in June. The EU fined Greece nearly €400 million and imposed a 5% cut in future EU agricultural funds. Athens also moved to dissolve the Greek Payment Authority of Common Agricultural Policy Aid Schemes (OPEKEPE) and promised reforms, but critics have accused the ruling ND of shielding its political allies. The ongoing parliamentary inquiry – also controlled by the ruling party's majority – has also faced criticism for limiting witnesses and the inquiry as a whole.

In parallel with the OPEKEPE scandal, the government continues to face public pressure over the handling of an investigation into the 2023 Tempi train disaster[1], which resulted in the death of 57 citizens, mainly students. Following investigations revealed the chronic neglect of safety upgrades and patronage-based hiring. Public anger reignited after a victim's father staged a hunger strike demanding an independent autopsy. Prosecutors eventually conceded, highlighting official reluctance to face scrutiny. Meanwhile, opposition parties are accusing the government of interference, deepening public mistrust.

Combined with cost-of-living pressures, the two scandals have reinforced views of entrenched cronyism. While the ruling ND's majority protects the party institutionally, political damage is mounting. The EPPO may expand probes into other EU-funded programs, keeping corruption front and centre. The outcomes will shape both domestic credibility and investor confidence.

INFRASTRUCTURE STRAINS COME TO THE FORE

Booming tourism has exposed Greece's infrastructure limitations. Athens International Airport saw repeated summer delays after air-traffic controllers imposed safety-driven landing caps, sparking disputes over staffing and pay. Airlines complained of out-dated systems, while unions cited chronic underinvestment. In parallel, the Greek capital also faced taxi strikes in protest at expanded ride-sharing services, which drivers see as unfair competition. The Tourism Ministry defended the reforms as a move to modernize transport due to record visitor numbers, but the stoppage highlighted the capital's mobility gaps.

Beyond these disputes, Greece still grapples with weak railways, overloaded ports and fragile island power grids. Each disruption chips away at the ruling ND's technocratic image and feeds opposition claims of neglecting public services despite fiscal surpluses. Sustained investment in infrastructure is becoming a political as well as economic imperative.

CYPRUS INTERCONNECTOR UNDER EU MICROSCOPE

Greece's infrastructure challenges have also spilled over into its regional partnerships, where technical projects increasingly intertwine with geopolitics. In mid-2024, neighbouring Türkiye sent warships near the Greek island of Kasos to disrupt seabed surveys for the planned Cyprus–Greece electricity interconnector. The move forced Athens to defuse the crisis by keeping the survey vessel within the 6-nautical-mile limit of Greek territorial waters. Many in Cyprus saw this de-escalation as Greece yielding to Turkish pressure, which—combined with financial disputes—has fuelled Nicosia's scepticism about Athens' commitment to the bilateral partnership.

[1] See here for our overview of the political consequences of the Tempi disaster from June 2025

In parallel with its investigation into the misuse of Greek agricultural funds, the EPPO is now probing possible irregularities in the project's early funding, including a suspicious €48.8 million transaction between the original Cypriot developer and Greece's grid operator (ADMIE).

Tensions also arose over financing terms. The ADMIE reportedly asked Cyprus to pay five €25 million instalments up front—before the cable becomes operational—to help fund the project, an unusual demand that Cyprus has resisted by withholding the first payment, pending clearer progress and cost transparency.

Some in Nicosia interpret the ADMIE's hardline stance as an attempt to undermine the project and shift blame onto Cyprus, whereas Athens maintains it is simply enforcing sound fiscal discipline for a strategic EU-backed venture. Both governments have publicly reaffirmed support for the interconnector, but these diplomatic and financial frictions have left the Cypriot side increasingly cautious about Athens' reliability and intent going forward.

LOOKING AHEAD

As Greece heads towards 2026, the political landscape is fracturing in ways unseen since the crisis years. Both the ruling New Democracy and its once prominent rival, the left-wing SYRIZA – the two parties have alternated in power for over a decade – are now splintering. Within ND, internal friction between Mitsotakis' centrist technocrats and the traditional nationalist wing has deepened. Former centre-right Prime Minister Antonis Samaras, a former leader of ND, is reportedly preparing a new conservative movement that could draw support from voters disillusioned with the government's handling of sovereignty and migration.

On the left, SYRIZA has withered following months of turmoil and leadership changes. Meanwhile, Alexis Tsipras—now a politically independent after resigning from parliament on 6th October—is said to be shaping a new left-populist movement aimed at reclaiming the anti-systemic energy that once brought him and SYRIZA to power. Polling second after the ruling ND, the social democratic PASOK remains steady in the low-teens but has yet to transform its stability into momentum. In parallel, smaller protest forces, such as Zoe Konstantopoulou's right-wing Course of Freedom, continue to channel public anger over Tempi, corruption, and the cost-of-living crisis.

Against this backdrop of political fragmentation, Mitsotakis insists on serving his full term (until mid-2027), yet the combination of economic strain, governance scandals and emerging personalist parties, is eroding predictability. Greece's fundamentals remain sound, but its political centre is weakening—making the 2027 election likely to be the most fluid and uncertain in years.

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