

The Mattarella-Draghi ticket provides short-term government stability

The re-election of President Sergio Mattarella, a solution of last resort, should help to secure government stability until the end of the legislature period. Prime minister Mario Draghi will likely try to maximise efforts to deliver on the recovery plan, and play an active role in the reform of the stability pact



Italian President Sergio Mattarella has agreed to serve a second term

Mattarella re-elected to preserve institutional stability

Last year, when looking at possible risky events for 2022, we singled out the Italian presidential election, due to the fact that this would happen when the implementation of the recovery plan would still be at a very early stage and that any relevant discontinuity would risk slowing the process.

Uncertainty was accentuated by President Sergio Mattarella's clear hints about his unwillingness to run for a second term, which he deemed an institutional overstretch. Still, with a national unity government in office, it seemed quite possible for political leaders to reach an agreement on a non-divisive candidate. The reality turned out to be more complicated than that. Political leaders approached the contest positioning themselves according to a centre-right vs centre-left division, and some of them did not manage to set the election in the right context. After a false start and

cross vetoing, the electoral process resumed only after centre-right parties failed to impose as the winning candidate the speaker of the Senate, who fell victim to internal filibustering. The futile and confused attempts which followed ultimately highlighted that the only solution to preserve institutional stability was to re-elect outgoing President Mattarella, who accepted the position out of a sense of duty and responsibility.

The Mattarella/Draghi ticket should help secure government stability

In our view, the re-election of Mattarella, with Mario Draghi as prime minister, remains the outcome best suited to secure continuity in the government action for the rest of the legislature (due to end in Spring 2023). To be sure, political troubles within the League and the 5 Star Movement (5SM), damaged by the poor management of the presidential election week, might occasionally reverberate on the government. However, we believe that the risk of severe incidents or protracted tactical filibustering is lower now than a month ago.

Expect an acceleration on the recovery plan front and a gradual normalisation of fiscal policy

PM Draghi, fully backed by Mattarella, will likely push to speed up the implementation of the recovery plan, pressed by the long list of targets and milestones (102 between them) to be met this year to get the 2022 European funding. Showing that Italy can deliver would also have a positive side effect: it would give Draghi extra credibility capital at the negotiation table for the upcoming review of the Stability and Growth Pact. With that in mind, any evidence that Italy is fully aware that the time for limitless fiscal expansion is coming to an end would clearly help.

Still, rising cross-party calls on the parliament to authorise ample pre-emptive extra deficits to compensate businesses and households for the impact of higher energy prices, suggest that such a normalisation in fiscal policy might not be frictionless. So far finance minister Daniele Franco has managed to resist pressures, preferring a gradual approach, which will be difficult to defend should the energy inflation rally continue unabated.

Author

Paolo Pizzoli

Senior Economist, Italy, Greece

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>.