

Italy: No big fall-out expected from Umbria's regional vote

We believe that the risk of national political instability remains low in the short run, but could grow bigger when heavyweight regional elections will be held in 2020



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The regional electoral test held last Sunday in Umbria, a small region in central Italy, has raised concerns among commentators about the ability of the current government coalition to survive for the rest of the legislature.

Small regional election test was a big defeat for the tentative 5SM/PD coalition

The election result marked an undisputable victory for the centre-right coalition, which scored an impressive 57.6%, topping the centre-left coalition by a substantial 20% margin, clearly beyond expectations. The results show that the centre-right is increasingly on a right-wing/sovranist traction: the League confirmed the most popular party with 37% of votes and the far right Fratelli d'Italia proved the relative best performer with 10.4% (almost doubling from the recent European election result); Forza Italia, instead, continued its recent streak of declines. Interestingly, the

centre-left front had for the first time ever the two heavyweights PD and 5SM running as a coalition: apparently, the experiment did not bear fruits for the allies. The PD managed to limit damages at 22% losing only some limited ground from the European vote notwithstanding investigations on a local scandal involved top officials in the party; the 5SM, instead, fell heavily again, halving its percentage of votes from the European ballot to a meagre 7.4%. Electoral flows analysis run on a subsample of polls and published on *Il Sole 24 Ore* newspaper indicated that the decline in the 5SM support resulted (in descending order of importance) from an increase in the number of abstained voters and from outflows towards the League and Fratelli d'Italia.

We don't see heavy immediate political consequences on the national government

Involving only 1.4% of national potential voters, the Umbria exercise cannot be considered as statistically significant, but the sheer size of the centre-right victory and of the 5SM implosion commands attention. We do not believe that it will have immediate consequences on the national government, but might turn out to be a cause for concern in the medium run as increasing tensions with the 5SM might threaten the party's internal equilibrium. In a short run perspective, Sunday's wake-up call might even induce the 5SM and the PD to seek renewed cohesion on the fine tuning of the budget law, whose contours will unlikely be put under discussion. The fiscal room for manoeuvre remains extremely limited and will unlikely be stretched. Notwithstanding some potential clashes, we do not see the parliamentary approval of the budget (to be completed before year end) as a risky passage.

Political risk might re-emerge in 2020, when bigger regions will be called to the polls

However, a stream of regional elections incoming over 2020 (in heavyweight regions such as Emilia Romagna, Campania, Toscana and Veneto) will put extra pressure on the national government to deliver, potentially increasing tensions among the government coalition members. The first vote will be held on 26 January 2020 in Emilia Romagna, an historical stronghold for the centre-left. We see the Emilian vote as the first real meaningful test for the future of the current government.

Author

Paolo Pizzoli

Senior Economist, Italy, Greece

paolo.pizzoli@ing.com

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