

## Italy's regional vote may be a national test

A key regional vote in Italy over the weekend could deal a further blow to the country's fragile coalition, which is already reeling from the resignation of Five Star leader Luigi Di Maio. But we believe members of the coalition will seek a compromise, irrespective of what happens on Sunday



Source: Shutterstock

### Emilia Romagna regional vote a test for the government...

Following parliamentary approval of the 2020 budget in December, political focus has shifted to forthcoming regional elections in Calabria and Emilia Romagna on 26 January. The latter will be particularly relevant, as the result could have nationwide repercussions.

The government was due to review the state of the current coalition at the beginning of January but Prime Minister Giuseppe Conte and others decided instead to postpone this review until after the vote in Emilia. Members will then have to decide whether to keep the government operating and on what terms. But the lack of an agreed pre-commitment before the vote, leaves the government vulnerable to attack if the opposition League candidate wins the election.

## **...as the region is nationally relevant and an historical stronghold of the left**

Emilia Romagna is an economically important region and has been run by left/centre-left administrations for the last 50 years (so since regional administrative entities were first created). Recent municipal election results in Forlì and Ferrara, won by right-centre candidates, have shown that this old stronghold of the left has become vulnerable. The main candidates in the Emilian election (to be run under a semi proportional system with some bonus seats added to ensure a majority) are Stefano Bonaccini- the incumbent president of the region, backed by a centre-left alliance led by the Democratic Party (PD) party, and Lucia Borgonzoni- a League senator backed by a right-centre alliance led by the League.

## **Very different campaign styles**

The two main competitors have been running very different campaigns. Matteo Salvini, the leader of the opposition League party, has been heavily involved in the campaign on the ground, trying to convey to the Emilian electorate the message that the vote, officially to elect a local administration, is in fact very political (and national) in nature. PD party leader Nicola Zingaretti, instead, has adopted a low-key approach, leaving the floor to the local incumbent candidate who has focused on his administrative track record. The 5SM, after checking with its most committed supporters in an online poll, decided to run with its own candidate instead of supporting the PD's; a factor which could have a decisive impact on the election result.

## **Di Maio's resignation possibly adds uncertainty to the outcome**

The decision by Luigi Di Maio to step down as a leader of the 5SM just ahead of the Emilian vote adds an element of uncertainty to the local election outcome. Given extremely poor electoral results for the 5SM in the last European and regional elections and the haemorrhage of 5SM MPs seen over the last couple of months, the decision was not completely unexpected, but its timing came as a surprise. His pro-tempore successor Vito Crimi, one of the early joiners of the 5SM, will have to navigate the movement- in the middle of an identity crisis- towards a re-foundation congress (meant to review the identity, goal and rules of the movement) which will be held by mid-March. The possibility of a split in the 5SM has been perceived as a powerful factor which could potentially put a premature end to the current government. But Di Maio's reassurance that he will never leave the 5SM and that the 5SM wants to complete its term has reduced this risk. The big question now is, to what extent the current government coalition is able to manage and handle the possible electoral success of a right-centre (League) candidate in the Emilian vote under a pro-tempore leadership, with a month and a half to go to the congress.

## **Emilian election outcome too close to call, based on available opinion polls**

Based on available opinion polls published before the start of the blackout period (10 January), the outcome of Sunday's regional vote in Emilia is too close to call. Polls have consistently placed the two candidates neck and neck, with the centre-left incumbent candidate showing a relatively stable two percentage point lead, within the statistical error of projections. In the last two weeks of the campaign, Salvini has continued to insist on national themes, opposed by the rising grass roots movement known as Sardines against Salvini, while the PD candidate has continued his locally-

focused campaign. The resignation of Di Maio might, in principle, weaken the position of the 5SM candidate, possibly to the benefit of contenders.

## Very high cost of government crisis for coalition members...

Although the latest developments have added to political uncertainty, we maintain as our base case that the current government can bear the brunt of a possible defeat in the Emilia election. Based on available opinion polls, a national election would be easily won by Salvini and his right-centre alliance. The political cost of a government crisis would thus be extremely high for most members of the current coalition.

## ...remains a strong incentive for a continuation of the government alliance, whatever the result of the Emilian vote

This creates a very powerful incentive for all members of the current government alliance to try hard to find a compromise and renew the governing pact, notwithstanding existing political divergences. This process would likely be eased by a victory of the PD candidate in Sunday's Emilia election, as Salvini would lack the political leverage to call for a snap election. A thin victory for the League candidate would obviously bring about more political noise, and, presumably, market volatility, but is not likely to cause the government to collapse. Political risk would likely increase should a landslide victory for the League's candidate materialise, as this would likely have an impact on internal politics within both the PD party and the 5SM.

### Author

**Paolo Pizzoli**

Senior Economist, Italy, Greece

[paolo.pizzoli@ing.com](mailto: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 [www.ing.com](http://www.ing.com).