

Mattarella president of Italy again, his will notwithstanding

The re-election of Mattarella, with Draghi as prime minister, should in principle best guarantee short-term continuity in the government's actions. The ripple effects of the election process might increase uncertainty regarding future political alliances



Italian President Sergio Mattarella was re-elected as President

The option of last resort after many futile attempts

After a 6-day tour de force, on Saturday the assembly of Italian "great electors" ended up re-electing outgoing President Mattarella as the new Italian president for another 7-year mandate.

The electoral process, which had started with the stillborn self-candidature of Silvio Berlusconi, after some false starts accelerated last week when the centre-right alliance failed in its attempt to have the speaker of the Senate, Mrs Casellati, as the winning candidate. In the ballot she obtained far less votes than the sum of the alliance of great electors, signalling cracks in the coalition and a weakening of the role of the League's leader Salvini as the potential king maker. Subsequent cross vetoing on possible candidates, including Mario Draghi, brought the process to a standstill; the final attempts to find a name capable to attract ample support ended up in failures, highlighting the inability of political leaders to arrive at a solution. In this environment, the last ballots recorded a rising wave of support from great electors for outgoing President Mattarella, who became the

option of last resort and finally obtained 759 votes in the decisive eighth ballot (the quorum was 505).

After signalling his unwillingness, he accepted for sense of duty and responsibility

While among the possible outcomes of the vote, the Mattarella option was not seen as the most likely. This was the case as during the pre-election period President Mattarella had clearly signalled his willingness to run for a second mandate, seen in a way as a political anomaly (it already happened with President Napolitano). Reportedly, PM Draghi played a decisive role in convincing him to change his mind and accept the nomination before the final ballot was run. In his very succinct declaration made after the results were officially announced, Mattarella said that he had accepted for sense of duty and responsibility, in particularly difficult times for the country. The installation speech to the Parliament, expected on Thursday 3 February, will give us more insights.

Short-term continuity thanks to well-established Mattarella-Draghi relationship

The presidential election result should in principle offer the maximum degree of continuity with respect to the recent past, at least in the short run. The well-established relationship between President Mattarella and PM Draghi should guarantee a friction-less resumption of the government activity, with a confirmed focus on the fight of the Covid-19 pandemic and, increasingly, on the implementation of investments and reforms foreseen by the recovery plan. In our view, the risk of a government crisis will be low and the legislature should survive until its natural maturity in Spring 2023.

Medium-term political picture more uncertain, on both fronts

However, as a result of Mattarella's election dynamics, the Italian medium-term political picture will likely be subject to higher uncertainty, in our view. The political ripples started by the presidential election saga will likely reach both the League and the 5SM, currently part of the national unity alliance. The centre-right emerges extremely divided from the vote, and Salvini's leadership of the coalition could be subject to scrutiny. The League might undergo increasing pressures, torn between a centrist pull, with Forza Italia and its allies already re-affirming their pro-European and Atlantic stances, and the fear of losing voters to Meloni's right-wing Fratelli d'Italia, firm in their opposition to the government (and to Mattarella's confirmation). On the centre-left front, the experiment of a structured PD-5SM alliance will be hardly reinforced by the presidential election week. The 5SM has not yet completed its soul searching and looks divided, with Conte and Di Maio now openly calling for an internal clarification. In a year's time, when the next parliamentary elections will be held, the party roster might have changed substantially. In such volatile times, opinion polls might ex post prove of little guidance to gauge the actual political risk.

Expect increasing focus on the recovery plan if Omicron wave regresses

All in all, we believe that in the short run the Draghi-Mattarella axis will be stronger than ever. Under a protective presidential umbrella, PM Draghi should be able to set the government agenda without big obstacles. Should the Omicron wave continue regressing, we would not be surprised to

see an explicit shift in focus towards the recovery plan front, where a very demanding list of targets lies ahead. In the process, PM Draghi will be in a position to play an active role in the reworking of the Stability and Growth Pact. This is another positive side effect of the presidential continuity outcome.

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>.