

Italy: New Meloni government passed both confidence votes

After passing the confidence vote in both branches of parliament, the Meloni government is now fully empowered. We expect a prudent approach to the budget, and a bias towards cheap but visible measures which should help to contain political risk



The Meloni government is fully empowered after passing confidence votes in both branches of government

Meloni government easily passed both confidence votes

After passing a confidence vote at the Lower House yesterday (235 votes in favour out of 400), today the Meloni government got the rubber stamp also from the Senate (115 votes in favour out of 206), and is now fully empowered.

Meloni keen to reassure on Atlantic alliance and relationship with European institutions

In her parliamentary address before the confidence votes, PM Meloni had broadly outlined the programme for the legislature. She sounded aware of the scope of short-run challenges and is very keen to reassure her enlarged audience about the international positioning of Italy and the relationship with European institutions. On the first, she re-affirmed that under her leadership Italy will remain well anchored into the Atlantic alliance, unambiguously supporting Ukraine. On

European integration, she clarified that the promised defence of national interests will be met by acting “from within”, in an attempt to better steer the process when facing crises and external threats. The absence of any reference to Italexit options of sort is clearly reassuring, but the way this strategy will be implemented is still unclear.

Prudent approach on economic matters, for the time being

When dealing with economic matters, Meloni adopted a relatively prudent approach, acknowledging that in the current deteriorating economic environment the short-term priority will be to refinance the set of measures to help households and businesses weather the energy price shock (energy bills, temporary reduction of fuel tax). As this will likely use up most available resources, she added that some planned measures (tax wedge cuts and extension of the flat tax) will only gradually be introduced. We thus suspect that the government will set up a priority list topped by those measures bearing a small monetary cost tag but high symbolic value. The proposal by Salvini to raise the limit for cash transactions to €10K seems to point in this direction. The replacement of the expiring early pension scheme (the so-called level 102) will also likely be high in the priority list, as inaction on the subject would bear a high political cost.

Frictions among coalition to remain under control in the short run

After some frictions with junior ally Forza Italia when the list of ministers was compiled, tensions within the government alliance have seemingly cooled down. Furthermore, the appointment of Giancarlo Giorgetti, an experienced moderate politician from the Lega, in the key role of finance minister should in principle reduce in perspective the risk of political instability coming from the benches of the Lega.

2023 budget and RRF implementation as forced priorities

All in all, we remain convinced that in the short run PM Meloni will have very limited room to manoeuvre on the economic front, with priorities mainly set by external constraints (energy inflation) and by the need to implement the Recovery and Resilience facility measures to contrast the incoming recession.

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 www.ing.com.