

Draghi's resignation now looks inevitable

The government crisis crystalised yesterday, when the 5SM, the League and Forza Italia decided not to take part in a confidence vote which followed Mario Draghi's address to the Senate. After the collapse of the national unity government, we expect President Mattarella to dissolve parliament and call a snap election in early October



Italian Prime Minister Mario Draghi addressed the Senate yesterday in a bid to avert a government crisis after the 5SM party refused to participate in a confidence vote on a cost of living aid package worth €26 billion. Draghi resigned last week, affirming that the political conditions needed to effectively meet the targets set by his government were no longer in place. But President Mattarella turned down the resignation, calling for a parliamentary debate to be held on 20 July.

Yesterday, Draghi reiterated his pro-Atlantic and pro-European stance and described what had yet to be done in the government agenda. He said that in order to complete his task, a new coalition agreement should be built from scratch to restore the necessary level of cohesion between the parties supporting the government. In doing so, he left little room for ambiguity, setting his own conditions, touching upon themes such as the revision of the citizenship income (a stronghold for the 5SM) and opening up to competition taxi licences and seaside concessions (strongly opposed by the League).

His address was received badly not only by the 5SM, but also by the League and, more surprisingly, by Forza Italia. They all decided not to take part in the confidence vote, which was eventually passed, mainly due to abstentions. The parliamentary debate should have resumed today at the House of Deputies, but it seems very likely that at the start of the session (scheduled at 9am) Draghi will announce he will leave to hand President Mattarella his irrevocable resignation.

What will happen next?

Given the poor relations among former coalition partners, there seems to be no room left for another attempt to form a national unity/technocrat government. President Mattarella will then have little alternative but to dissolve parliament and call snap elections, which could be held between late September and early October. As PM Draghi was not voted down in parliament, he will likely be called to run the government for ordinary affairs until the elections.

Looking at the political scene in the very short run, the parties which decided to pull the plug will have a hard time explaining to their electorate why such a decision was made at such a difficult economic and geopolitical moment, and this might be particularly difficult with centre-right moderates in richer northern regions. This might be reflected in volatile opinion polls, which, at least in the short term, should be taken with a pinch of salt.

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.