

Monthly Report on Italy

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Italian politics has always been an arcane subject. A handful of specialists and enthusiasts love to talk of its Machiavellian intricacies for hours on end, but most people, especially north of the Alps, not only do not understand it, but see no reason why they should bother to understand it. Today there are at least three reasons why they should. First, in Italy the crisis of the political establishment that is now evident in many advanced democracies began a quarter century ago. This means that the country is further down the road of the democratic malaise – it is a laboratory and a bellwether. Second, Italy is the first country from within the historical core of the European community to be governed by anti-establishment parties. Third, its politics represent the greatest threat to the stability, or possibly even the existence, of the common European currency.

Founded in 2010 in a University that has a very strong international vocation, the LUISS School of Government aims to facilitate the connection between Italy and the world outside of it. It aims to prepare the future Italian public elite for the complexities of an ever more integrated planet, and to provide first-class education to non-Italian students in Italy's capital city. SoG professors have often helped non-Italian journalists and newspaper readers understand Italian politics. Thus, it seems only natural to me that, in light of the recent European elections, the LUISS SoG should offer a monthly report on Italy that provides an interpretation of the country's recent political events, and makes an educated guess about what happens next.

Giovanni Orsina
Director, Luiss School of Government

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1. Politics and Policy

a. Government

The European elections have disrupted the political balance within the Italian governing coalition. **The League made an outstanding leap, from 17.5 % at the last general election to 34.3% in the European polls.** On the contrary, the **Five Star Movement suffered a major defeat**, going from 32.6% in the 2018 elections to 17.5% in the European elections. The turnout decreased from 58% in 2014 to 56% .

The League reached its highest level ever, which seems even more impressive when we consider that in the last European elections Salvini's party got only 6%. Compared with the 2018 general elections, **the far-right party gained nearly 3.5 million votes.** Salvini has succeeded in controlling the political agenda: immigration, tax cuts, euro-scepticism and an offensive against political correctness. He won strong support in northern Italy, where the League got 43% in the North-West and 50% in the North-East, and in the centre, an area where the Democratic Party used to be very strong, where the League's result was closer to 40%. In the South too Salvini enlarged his electorate and obtained 23%, albeit the Five Star Movement is still the largest party in this area.

The turnout distribution favoured the League. It was higher in the centre-north and significantly lower in the South, the stronghold of the Five Star Movement. Furthermore, **the League is a more structured party at local level than the Five Star Movement, which suffered most from a low turnout because it is less able to mobilize its voters, particularly when the vote does not offer any opportunity for a strong campaign (e.g. an anti-politics protest vote) at national level.** For this reason, the Five Star Movement traditionally has obtained better results in the national vote compared to local, regional and European elections. For example, in 2013 they got 25% in the national elections and 21% in the 2014 European elections.

How severe is the Five Star crisis? Di Maio's party has already been through difficult moments in the past, but this time it is in government and it has lost more than six million votes. In one year, it went from being the first to the third party in the Italian political system, now overtaken by the League and the Democratic Party. **The Five Star leadership and policies failed to convince most of the 2018 voters to go to the polls again and a part of them drifted to the allied party voting for Salvini's League. The *Reddito di Cittadinanza*, the universal income for the unemployed introduced by the government, did not meet people's political expectations and it failed to strengthen the Five Star's political message.** Moreover, Di Maio paid for governing with Salvini and his party was perceived as being too vague and divided on many issues, such as the environment, immigration and infrastructure investment. On the other side, the League has created a very strong identity during this year in government. It concentrates on just a few issues, such as immigration, security and the economy,

Salvini commanded the political agenda in the last month and he was perceived as more pragmatic and concrete.

Another interesting element is the failure of the political strategy of the Five Star Movement. In the last weeks of the electoral campaign, **Di Maio attempted to steer the party to the left by promising more social security, welfare and inclusion. Paradoxically, the Five Star Movement ended up strengthening the Democratic Party rather than occupying its political space. This is a sign that the Five Star's support in the 2018 general election was fundamentally not ideological and mainly anti-political.** In the past one of the party's main strengths was its chameleon-like nature. **Once it tried to change its colour to red, voters did not follow it.**

Moreover, part of the large growth for the League might be explained by a countervailing theory. A large part of Salvini's new voters opted to support the party perceived as the most reliable and expert in public affairs, in opposition to the party that was seen as the most vague and inexperienced. **It was a vote for the League, but also a vote against the Five Star's weaknesses.**

The League transformed itself into a "Nation Party". The North remained its stronghold, but the "southernization" carried forward by Salvini worked effectively. The League conquered the centre and it became the second party in the South. Its metamorphosis into a national far-right force, a plan driven by Salvini since 2013, is now complete. An agenda based on immigration, euro-scepticism and tax cuts has substituted the old battle-cries of federalism, anti-corruption and small government which characterized the first incarnation of the League.

The results within the coalition might lead to a reshaping of the government's programme and a new approach to policy issues by both parties.

In conclusion, the balance of power differs also at **European level.** The League is a member of the ENF group, it will be in opposition in the European Parliament and **it has become one of the largest far-right parties in Europe. Salvini can manage alliances within its own group and also with the ECR and EFFD groupings. The League's leader is aiming to be a "veto-player" on the issues that the new centrist majority will discuss in Parliament.** Moreover, Salvini will appoint the new Italian member of the European Commission who will most likely be a personality close to the League. On the contrary, the Five Star Movement is far more isolated in Europe. **Di Maio's party is a member of the EFFD group and the young leader aimed to build alliances with new and small populist parties around Europe, without achieving any concrete results.** Due to the inconsistency of this strategy, it seems likely that the Five Star Movement will remain in the EFFD group with a marginal position and that they will cooperate on some issues, such as market or banking regulations, with ENF and ECR parties.

b. Opposition

The opposition had mixed results. **Berlusconi's Forza Italia decreased from 14% at the 2018 general election to 8.8%.** The Cavaliere lost more than two million votes in one year. Most of these voters floated to his competitors on the centre-right, the League and the Brothers of Italy (Fratelli d'Italia). As in the case of the Five Star Movement, Forza Italia traditionally underperforms in local and European elections. However, since 2008 Berlusconi's downward spiral has been slow but constant. **At every**

election the Italian tycoon has been losing votes to his allies. It will be difficult for Forza Italia to return to double-digit support in the future. However, if we consider the personal difficulties of the ageing Berlusconi in recent years, the result cannot be considered a complete defeat. He proved he is still able to rely on a portion of the moderate electorate. He aimed to limit the damage inflicted by his far-right competitors and he partially managed to do so.

The Brothers of Italy, led by Giorgia Meloni, got an outstanding result. The polls predicted around 5% for this party and it got 6.5%. Meloni succeeded in building a conservative alternative between Berlusconi and Salvini. Her party joined the ECR group in Brussels a few months ago and now is one of its components that is in better shape. In this election she gathered voters who were disappointed by Salvini's partnership with the Five Star Movement and those who were tired of Berlusconi's politics. In terms of programme, Meloni is very close to Salvini, but she is more moderate on economic issues and more socially conservative on ethical matters.

Meloni and Berlusconi were allied to Salvini in the local and regional vote, they shared victories and government at these levels, while, at least formally, Forza Italia and Fratelli d'Italia are in opposition in Parliament. Their results, particularly Meloni's, will increase pressure on the League in coming months to break up the coalition with the Five Star Movement and go together to snap elections in order to win and form a centre-right government.

On the left, the Democratic Party (PD) got slightly fewer votes than in the 2018 general election. However, the low turnout disadvantaged the Five Star Movement and favoured **the PD which achieved nearly full mobilization of its hardcore voters.** The new Secretary Zingaretti got 22% in the polls, an improvement compared to the 18% obtained by Matteo Renzi in the 2018 electoral defeat. The real problem for the party's leadership now is how to engage new voters, particularly those of the Five Star Movement. **The PD performed significantly better in the largest cities than in rural areas. In a country like Italy, where 85% of voters live in small towns, this might be a really serious gap to overcome in coming months.** However, this result is important because it places PD as the second largest party and, from this perspective, it might be easier for Zingaretti to be perceived as the main alternative to Salvini and the centre-right. In coming months the Democrats will strongly oppose Salvini and they will put pressure on the Five Star Movement over its social policies, in order to erode its electoral base. **A problem for the PD might be its internal divisions and factions, which are always ready to argue with each other.** Zingaretti is a left-leaning secretary, very close to traditional social democratic ideas, but there are different positions within the party. In particular, **Matteo Renzi and Carlo Calenda, respectively former PM and former Minister for Economic Development, could make the case to restructure the party and to adopt a centrist, pro-European agenda.** We cannot exclude the rise of a political movement against Zingaretti's leadership or a schism by Renzi and Calenda to form a new centrist party. They might be encouraged by the result of the small pro-European party +Europa, which got 3.2% in the polls but failed to reach the electoral threshold, and by Forza Italia's decline. A new centrist political party could aim to gather these moderate voters and to break with the more left-wing programme envisaged by Zingaretti.

c. Public Policies

The asymmetry that occurred within the government at the European elections will mould the political agenda in favour of the League. Here is what we might expect:

- **Tax cuts priority.** Soon after his great electoral result Salvini announced tax cuts as the main priority for the League. Hence, on the economic side the implementation and extension of the flat tax will come top of the list for Conte's government. Salvini has promised to apply a 15% flat rate income tax both to entrepreneurs and employees. This ambitious programme is practically impossible to achieve in one shot, however fiscal relief will become the priority for the Italian government. The implementation will be gradual, it will affect only some taxpayer classes and some income thresholds. Salvini will try to reward his voters with tax cuts, i.e. mostly the self-employed and private sector workers.
- **No more discussion on immigration policy.** Salvini, as Minister of Interior, has applied a tighter immigration policy, closing Italian ports to NGO ships which brought illegal immigrants from Africa. Di Maio has attempted to contest this hard line on immigration in recent months. After the result of the European elections, it has become very difficult for Di Maio to oppose the League on immigration. It is very likely Salvini will have carte blanche on this issue.
- **End of Nimby politics.** The Five Star Movement is characterized by environmentalist and Nimby policies. The main example of this has been the Movement's opposition to the high-speed rail link between Italy and France known as the TAV. As from this moment it will be much more difficult for Di Maio to effectively oppose the League on new infrastructure and the TAV. The League is also helped by victories in local and regional elections, whose governments are involved in the decision-making process on infrastructure.
- **The policy space for the Five Star Movement.** The League can give the Five Star sovereignty on other issues. In particular, justice reform, anti-corruption policy, some minor welfare (healthcare) and environmental policies. Moreover, the Five Star Movement can be compensated in the next round of political appointments to the boards of public entities and State-owned enterprises. Most of them expire in early 2020 and the boards must be filled with new appointees. Indeed, with the implementation of the citizens' income, pension reform and the new labour law approved last summer, most of the Five Star's part of the government programme has been already implemented.

In conclusion, we have to consider the political effect of the two major policies implemented by the Conte government, citizens' income and the flat tax on the self-employed. As we noted in previous reports, citizens' income is having a troubled implementation due to bureaucratic procedures and tight eligibility requirements established by the executive. Probably Five Star voters expected a simpler procedure, fewer restrictions to access the income and a higher amount of money as the Five Star Movement promised during the 2018 election campaign. The policy was downsized for budget reasons and made cumbersome by the government to avoid fraud. Half-measures hardly ever pay in contemporary politics. Indeed, citizens' income did not pay in electoral terms and so it does not help the Five Star Movement to increase its support.

On the other hand, in 2019 the government adopted a 15% flat rate tax on the self-employed with gross income below 65,000 euros and Salvini announced that in 2020 it will add a 20% flat tax up to 100,000 euros. The self-employed in Italy number 5.4 million, 23.2% of the total workforce, a much higher number than the EU average which is 15.7%. As we have underlined in the previous reports, **the most of Italian commentators have underestimated the influence of tax cuts on this part of the electorate that is very sensitive to tax reform because the self-employed are those who suffered most in the economic crisis coupled with low growth.** The European elections demonstrated that **Italians this time, among the other factors which influence an election, preferred a clear tax cut rather than an excessively bureaucratic social policy.**

d. Forecasts

Probability of snap elections:

Elections within Q3 2019: 30%

Elections within Q2 2020 (spring): 45%

Election after 2020 or at the end of the legislature (2023): 25%

With the large victory by Salvini in the European elections, an earthquake might occur inside the government. **The temptation for the League's leader to pull the plug on the coalition with the now downsized Five Star Movement and go for a snap election in order to achieve a full victory leading a centre-right coalition is now greater than a few months ago.** In this case Salvini could become Prime Minister of a more cohesive and consistent right-wing cabinet, based on a majority consisting of the League, the Brothers of Italy and possibly Forza Italia.

However, **snap elections present some risks and not only opportunities.** The first risk is related to a **timeline problem.** In Italy a general election has never been held in the summer or early autumn and by mid-September it has to start the negotiation with the European Commission over the next budget law. It would be unusual to vote around that date and the markets could interpret the political crisis as a sign of volatility and instability. Moreover, Salvini stated soon after the vote that he will discuss rules and deficit spending levels with Brussels. This might imply he does not have in mind a rapid divorce from the Five Star Movement. **A second risk derives from a new general election itself.** Italians have increasingly supported Salvini for two elections, the general election in 2018 and the European election in 2019 and voting again within three/four months might annoy League voters. **Indeed, even if citizens were voting to elect the European Parliament, the public considered this election also from a national perspective. It was a vote on Europe, but also on the government's work. A snap election within a few months could be perceived as repetition and it might be difficult for Salvini to once again mobilize such an amount of voters, who in Italy are traditionally more volatile than left-wing voters.** A **third risk** is related to **Berlusconi.** If Salvini and Meloni together do not get the majority of seats in a snap election, the Cavaliere will come back as holding the balance of power. Salvini and his supporters would again be in the hands of the old tycoon and a reinvigorated Forza Italia would become the pillar of the majority. **During recent years Salvini has shown that he can barely stand Berlusconi's domineering personality and he got rid of him when he had the chance in 2018.** Moreover, Forza Italia

is part of the EPP and it is very likely that the next majority in the European Parliament will be formed by EPP, ESP and ALDE. Today Salvini is the leader of one of the largest parties among Conservatives and Nationalists, i.e. the main opposition to the centrist coalition that is governing European Union, and in the case of a coalition with Berlusconi he would be forced to govern together with an EPP party member. For all these reasons, **it might not be a good option for him now both to take the risk to fall back into the embrace of Forza Italia and to pull the plug on the current government.**

Moreover, the duration of the government depends also on how the Five Star Movement handle their defeat. **Some analysts have suggested to Di Maio to build the case for a divorce because the alliance with the League has already weakened his party enough. But how could Five Star break up the coalition after such a severe defeat?** The risk is to get even fewer votes than in the European polls. Indeed, Five Star voters might split further between the League and the Democratic Party if a snap election comes soon. Moreover, Conte, Di Maio, most of the ministers and members of Parliament would lose their seats in this case. **There are not many incentives to vote for the Five Star's upper echelons.** So, Di Maio is in a lose-lose situation. Indeed, remaining in office with the League implies a reversal of policy priorities and Salvini will play a major role. **The Five Star Movement, in any case, will suffer a loss of centrality in the Italian political system.** In coming weeks Di Maio has to negotiate with Salvini on the government's programme and he must find two or three major policies to sell to his voters in coming months. It won't be an easy game, tensions will probably increase within the coalition. However, the negotiation on deficit spending with the European Commission and the concerns of the financial markets might tame the animal spirits of the two parties. **Paradoxically, European politics and international markets could keep the government together.**

A final risk for the Five Star Movement might be internal unity and the party leadership's weakness. After the defeat at the European elections both its founder Grillo and Casaleggio did not ask for the head of Luigi Di Maio and party members voted on the e-platform confirming Di Maio's leadership with the 80% of votes. However, **there is a radical faction which would like to break with Salvini and challenge his leadership.** Will Di Maio be able to manage his party in the future? Despite its democratic approach, the Five Star Movement has a traditional party hierarchy and until Grillo and Casaleggio publicly dump Di Maio, the political leadership won't change. However, in coming months Di Maio should be on the lookout to avoid a scission by the radical faction, led by the President of the Chamber of Deputies Roberto Fico and the former MP Alessandro Di Battista.

e. Mapping risks

There are two major risks in this moment concerning the Italian political system:

- Uncertainty over the new budget law. Today we do not have a clear view on the content of the 2020 budget law. Salvini has called for a fiscal shock and he stated he is ready to negotiate a new pact with Brussels on budget rules. The new lord of Italian politics wants to call into question European constraints on the budget/GDP ratio. The Italian government did not reveal any detail on how it intended to finance the fiscal shock. Italy is already under scrutiny from Brussels over the size of its budget deficit ahead of a meeting of the outgoing European Commission next month, at which it will publish policy recommendations that could affect the

Conte government. Moreover, Rome must find around €23bn in additional revenues next year to avoid breaching deficit limits that it previously agreed with Brussels. Salvini has excluded automatic increases in VAT to fund this. Uncertainty on the future budget and the Rome-Brussels relationship remain key issues.

- **The rising of political instability.** As we have seen above, political instability might soon return to Italy. We cannot exclude a snap election in a few months or the possibility that a new general election could occur by the end of 2020. The populist alliance, in parliamentary terms, seemed much more stable than previous centre-left coalitions but the European elections reverse the balance of power between the Five Star Movement and the League. In this situation, political stability cannot be guaranteed.

2. Public Opinion Trends

a. Polls

In the last few months Matteo Salvini's party has been constantly ahead in the polls, well ahead of all the other actors in the Italian political arena. The results of May 26 have fully confirmed this. The League easily won the elections with 34.3% of the vote, exceeding even the most optimistic expectations. The Five Star Movement lost its predominance: listed in second place in the polls before the elections, the party led by Di Maio achieved only a meagre 17.1%. Conversely, and somewhat unexpectedly, the Democratic Party increased its percentage of votes. After the defeat at the general election of March 2018, the leadership of the new secretary Zingaretti has brought new momentum to a dispirited party, a party which now stands at 22.7%. A good result was also achieved by Fratelli d'Italia: the small party led by Giorgia Meloni reached 6.5% of votes, just little more than two percentage points below Forza Italia, whose electoral decline now seems irreversible (Silvio Berlusconi's party got just 8.8%, below the 10% psychological threshold set during the electoral campaign).

	May 26 European elections	Polls last week of March	Polls last week December	March 4 elections
League	34.3%	33.1%	32.9%	17.3%
Five Star	17.1%	21.3%	26.3%	32.7%
PD	22.7%	21.0%	17.6%	18.7%
FI	8.8%	9.6%	8.7%	13.9%
FDI	6.5%	4.5%	3.8%	4.4%
+EU	3.1%	2.9%	2.5%	2.6%
LeU (MDP and SI)	2.5%	2.3%	2.1%	2.2%
PAP	17.1%	21.3%	26.3%	32.7%

Table 1 – Electoral results in European elections and electoral trends in recent surveys

The balance of power within the governing coalition has therefore radically changed: in these elections the Five Star Movement got as much as Salvini did in the 2018 general elections; on the contrary, the League multiplied its votes, approaching the electoral performance of the Five Star Movement in the general election of March 2018. At the same time, a right-wing front seems to be strengthening: the League and Fdi together now have 40% of the votes. Including FI, an eventual

centre-right coalition could come close to an absolute majority of 50%, a result that would guarantee the possibility of forming a right-wing government. For this to happen, however, Matteo Salvini must be willing to break the alliance with the Five Star Movement and bring down the government. If and when this is going to happen will only become clear in coming weeks.

b. Salvini's hatrick

A triple victory for Salvini: numerical (he becomes the centre of gravity of the government); geographical (his party is now truly national, with homogenous electoral support), strategic (he now has several options). The geography of Salvini's success is in three numbers: compared to its 2018 results, the League multiplied its votes by 1.5 times in the North, twofold in the Centre, and more than threefold in the South and Islands. Thus, the current geographical profile of the League appears to be more national, while the electoral decline of the 5 Star Movement (higher in the Northern regions, lower in the Southern strongholds) makes it even more geographically confined to the South, where the FdI increased the most.

Salvini also has a strategic centrality, which derives from his possibility – if he wants to exercise it – to explore (or even just threaten) an alternative majority. In order to win a majority of the parliamentary seats in the next general elections, you need to win 40% of the votes in the proportional vote and 70% of the single member district seats. Today, especially in a context of fragmentation of other forces, Salvini can achieve this not only with the classic centre-right alliance with Berlusconi and Meloni – which seems almost obvious given these results; but also with FdI alone, this time forming a politically homogeneous coalition. In this context, we also note the surprising result of FdI which, despite the noticeable rise of the League, managed to grow considerably.

Given the current tripolar structure, today Salvini is perhaps stronger than Berlusconi ever was in times of bipolarism. The Cavaliere, in order to win the elections, always needed a broad and heterogeneous coalition (FI, AN, Lega, UDC). Instead, today Salvini could be competitive just with the party led by Giorgia Meloni.

This possibility calls into question the strategies of the other parties. What will the PD do? Zingaretti has achieved an important result: to confirm that the party is still alive – moving away from Renzi's defeat (18.7%) and approaching Bersani's "non-victory" of 2013 (25.4%). Compared to the 2018 defeat, Zingaretti's PD has an additional resource: the chance to rebuild bridges with other parties in the centre-left field (such as the Greens and +Europa). Moreover, the party now enjoys a certain geographical homogeneity in its electoral performance, although it is still a little weaker in the South.

3. Economic Scenario

After the previous year ended with the Italian economy in steep decline, in 2019 the positive reaction of some industrial sectors means that the expectations of a continual state of recession have been called into question. Indeed, **the increase of 0.8% in the industrial production index for the month of February will help Italy avoid, at least for the moment, the most pessimistic scenario envisaged for the current year.** The sectors responsible for the recovery in the economy, and those in difficulty, can be easily identified through an accurate analysis of the purchasing managers indices (PMI). While at the end of March the tertiary sector appeared to be the driving force behind Italian production, with the fastest increase since September 2018, the highest rate of growth in total new orders for the last six months was interrupted. **In fact, in April the PMI settled at a value of 50.4 compared to 53.1 in March. More important was the contribution made by the Italian construction sector, with production and new orders growing at a fast rate.** After the continuous contraction that lasted until February and the recovery in March, the seasonally adjusted PMI for the construction sector increased to 52.2 in April. **At present, the construction sector, in showing a positive trend and being above the threshold value of 50 for the PMI, is the key sector generating the recovery in the Italian economy.** On the contrary, the economic activity of Italian manufacturing firms continued to struggle in April, recording the ninth consecutive drop on a monthly production basis. Nevertheless, in April, the rate of contraction in new orders was the weakest of the year so far. **The PMI for the manufacturing sector in April increased to 49.1 from 47.4 in March. This is mainly due to the improvement in overseas demand.** The negative expectations in the manufacturing sector were not confirmed by the ISTAT business confidence index, with an increase from 100.8 in April to 102 in May. The largest improvements were recorded in the construction sector, from 141.2 in April to 144.3 in May. Finally, in line with the PMI of the service sector, the confidence index in the construction sector increased, from 100.7 in April to 103.1 in May.

According to ISTAT surveys, the **index measuring consumer confidence increased in all its components.** More specifically, in April the confidence index on the future business climate turned out to be the least affected, with a small increase from 115.6 to 115.8, while in increasing order we see the index on the personal climate that increased from 105.9 to 107.4, and the index on the current climate going from 106.9 to 109.6. Finally, the index on the economic climate shows the most noticeable rise, with an increase from 122.8 to 125.9.

In March, the continuous decline in consumer confidence, reflecting internal political instability within the present coalition government and external political instability triggered by the recent European Parliament elections, justified the downward expectations on private consumption and on a

higher saving rate for households. Nevertheless, this unexpected reversal in the consumer confidence index should capture our attention. In fact, this month the negative trend in confidence has been interrupted, probably due to the reaction of some industrial sectors.

Since, with the new post-Draghi presidency, the European Central Bank may no longer guarantee a high degree of liquidity in the markets, a crucial element in the risk of destabilization of the Italian economy will be the higher cost of funding for banks, with rates on the rise in the near future, especially if there is more political instability for the state.

Although the ECB Governing Council confirmed that it would maintain an accommodative monetary policy, with uncertainty enshrouding the next presidency we cannot exclude the possibility of the Central Bank deviating from its current position. The question arises as to whether the next ECB president will have the same willingness to deploy unconventional monetary policy instruments in pursuing the bank's objective. Currently, Mario Draghi is more concerned with investors' downward pressure on inflation. Indeed, a tool used by the ECB to quantify investors' expectations of price levels in the euro area, the five-year inflation swap rate, has reached the lowest level in the last three years. Normally, to reassure the markets, an announcement by the ECB President would suffice, one with precise directions for the actions to be taken in order to counter these expectations, so-called forward guidance. Unfortunately, with the end of Draghi's term approaching, his directions could be unreliable. Nevertheless, Mario Draghi, during his last meeting on April 10, distanced himself from the similar fall in the inflation rate that occurred in 2016, emphasizing the temporary nature of the current downward pressure on inflation. These expectations could be explained by the presence of certain candidates on the list for the post-Draghi presidency. In particular, Jens Weidmann, current president of the Bundesbank, has long been against the decision to adopt quantitative easing (Qe).

In the first Economic and Financial Document the current Italian government predicted a rise in the debt-to-GDP ratio to 132.2%, which is destined to grow over time, and an adjustment of the deficit-to-GDP ratio from 2.0% to 2.4% for 2019, precisely that 2.4% which, at the presentation of the draft budget law in October, contributed to the slowdown of the Italian economy.

Recently, a warning from the International Monetary Fund has highlighted the negative consequences of this budgetary policy on public accounts. As early as next year, the primary surplus is expected to be zero, the deficit-to-GDP ratio will rise to 3.4% and public debt will not decrease or even stabilize. In the IMF report it appears that the effect of the budget will lead to a consequent increase in instability for the Italian economy. Clearly, with the recent elections for the European Parliament and the consequent change in the presidency of the European Commission and the ECB, it is expected that Italy's "yellow-green" government will take advantage of this moment of transition in the main European institutions and will not trigger the VAT increase envisaged by the budget's safeguard clauses. In this case, the result will be deficit financing of the fiscal maneuvers planned for this year and next.

Credits

Lorenzo Castellani
Davide Angelucci
Alessandro Franconi

Luiss

School of Government

Via di Villa Emiliani 14
00197 Rome
T +39 06 85 22 50 52/5065
F +39 06 85 22 50 56
sog@luiss.it