

Government in Italy.

Talks have entered the final stage but are still ongoing.

The Five Star Movement and Lega Nord, which are engaged in coalition talks, have now completed work on a joint government programme. According to this “collection of ideas”, the coalition’s plans are not centered around savings but focussed on economic growth. Considering Italy’s debt ratio of slightly over 130 percent of its economic output, this may sound strange but, to be fair, one must add that the affordability of debt service depends on (nominal) economic growth.

Critical points can also be found in the areas of EU and foreign policy (e.g. Maastricht criteria) as well as pension reform.

In itself, the government programme looks quite controversial, but the final word on this matter has yet to be spoken. President Mattarella is still taking time to consider the proposed candidate for prime minister, Giuseppe Conte. The decision on this appointment will be an important indicator as to the direction the new government will take. Moreover, the post of finance minister is still very much up for discussion. The choice for this position will likewise send a strong signal to the financial markets. We will thus have to wait and see who will be picked for these posts in the end. Only then will we be able to better assess potential impacts on the financial markets.

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