

Italy's new government sworn-in following a new pro-EU coalition.

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After last month political crisis, Italy finally has a new government. Following the withdrawal of Matteo Salvini's League party, his former partner, the Five Star Movement, and the Democratic Party reached an agreement to support a new executive, still led by Giuseppe Conte as Prime Minister. His second cabinet is expected to improve relations with the European Union while finding new ways to sustain the Italian economy in the long term.

Even now, the Five Star Movement is the lynchpin of the parliamentary majority but its main ally is the left-wing Democratic Party, marking a significant shift in the direction in which policies will swing. The negotiation between the two parties brought PD-affiliated Roberto Gualtieri, former MEP and Chairmen of the European Parliament Committee on Economic and Monetary Affairs, to be appointed Minister of Economy and Finance; Luigi Di Maio left his post as Minister of Economic Development and Minister of Labour to serve as Minister of Foreign Affairs. The Minister of European Affairs, Enzo Amendola, is also a member of the staunchly pro-EU Democratic Party. As it stands, the risk of further clashes with the soon-to-be inaugurated Von der Leyen Commission is quite low: Paolo Gentiloni, former Prime Minister, was officially designated to be part of it and he is touted as a strong candidate for different economic portfolios. On the home front, speculation on what will the government program be is mainly based on twenty-six topics put forward by the Five Star Movement. Investments, innovation, sustainable economic development are among the main concerns of Conte second cabinet. If implemented correctly, such policies will not compromise Italian public finances while providing a substantial boost for the economy. Saying that markets and international investors are enthused with this political development is not an overstatement. Government bonds yield is at an all-time low and spread between Italian and German ten-year bonds is hovering around 150 base points. Milan stock exchange is still rallying and, on the day of the cabinet swore in, recorded a one-point growth, leaving behind a period of uncertainty, mainly due to the two parties' bargaining. Such figures suggest that the lingering redenomination risk and distrust nurtured by the previous government actions are no longer a concern.

International investors and entrepreneurs may find new reasons to look optimistically at the chance of investing in the Italian economy and its companies. Common wisdom has it that Italian cabinets are always at risk of majority parties pulling their support. However, in this case, it seems that everyone is betting on Conte's cabinet long lifespan, its ideas to improve the Italian economic climate and commitment to strengthening European bonds and relations.