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Italy's political uncertainty in 2023

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Five Bullets 1/2022

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May 31, 2022

Five bullets on Italy's political uncertainty in 2023

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- In less than a year, the elections for the renewal of Italy's Chambers will take place. Uncertainty is growing about the future of Italy's economic policy; the replacement of Mario Draghi; and the shift from a technical to a political mandate.
- The economic data indicate that the resilience of the production structure is hanging on temporary factors: the expiring subsidies to the construction sector, and the savings accumulated during the pandemic and now eroded by rising energy prices.
- Next year, support for the Italian economy will mainly come from the NRRP, the National Recovery and Resilience Plan (191.5 billion euros, or about 11% of GDP), which will provide most of the funds between 2022 and 2024. The transfer is conditional on reforms and spending targets detailed at the end of December 2021 in an "operational agreement" setting deadlines and milestones to be respected. In 2023, both investments and reforms will have to be made operational.
- Also, in recent days the European Commission presented its annual recommendations for Italy in the context of the European Semester, indicating the actions to be taken to address the vulnerability of the economy; the fiscal guidelines for 2023; and actions consistent with the NRRP.
- The framework within which the next government will operate is therefore already defined. This frame is hanging on a firm nail: the billions of euros that the EU will transfer to Italy. It is not easy to imagine that the next parliamentary majority could pull the nail off the wall with the consent of the citizens who, as the recovery shows, are greatly benefiting from it.