

A surge in support for populist parties in the Italian election

Italian voters have sent a stark message to the country’s political establishment by voting for the populist Five Star Movement and anti-immigrant, Eurosceptic Northern League in record numbers. Support for them has been driven by an economy that has underperformed its peers since joining the Eurozone, high unemployment, the migrant crisis and an impression of being abandoned by the EU.

Exit polls show the anti-establishment populist Five Star Movement leading with 32%-33% of the vote, up from about 26% in the 2013 elections. Well back in second place is the governing Democratic Party at just under 20%, an over 10% drop in support from its 2013 election results.

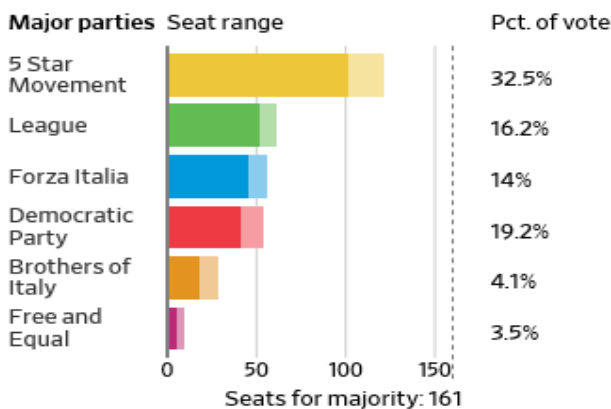
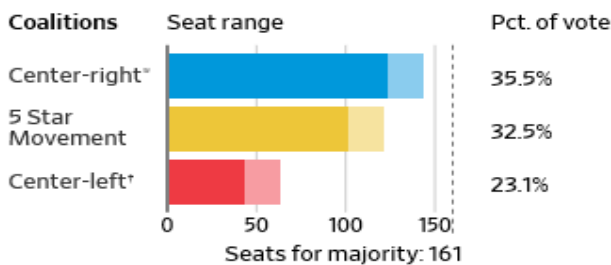
The right leaning coalition that includes Forza Italia, the Northern League and the fascist Brothers of Italy party are on course to get as much as 35%-37% of the vote. The surprise being that the Northern League got more votes (17%) than Berlusconi’s Forza Italia party (14%). In 2013, the Northern League got only 4% of the vote.

It is estimated that a party or coalition requires at least 40% of the popular vote to have a chance of forming a governing majority- a threshold no single party or existing coalition attained.

Italian Election-Result Projections

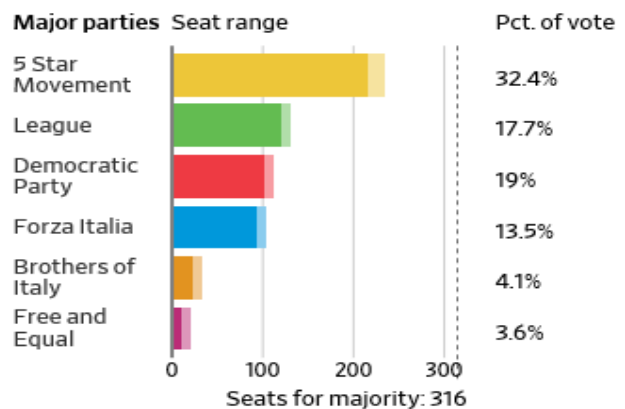
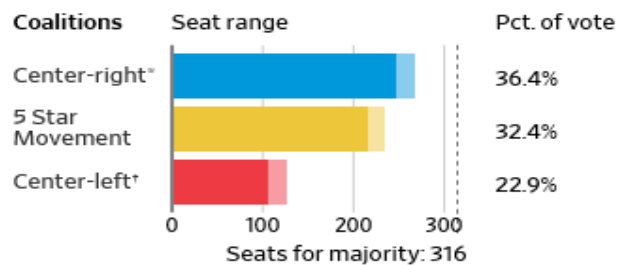
Senate

Seats as of 8:17 p.m. EST Sunday; Votes as of 7:44 p.m. (margin of error: +/- 2.8 pct. pts.)



Chamber of Deputies

Seats as of 9:24 p.m.; Votes as of 8:55 p.m. (margin of error: +/- 3 pct. pts.)



*Includes Forza Italia, League, Brothers of Italy, and We’re with Italy †Includes Democratic Party, More Europe, Popular Civic List, and Together

This electoral outcome could lead to several weeks of negotiations or even another election. Scenarios range from an unstable coalition that will be incapable of passing major reforms to the formation of an anti-Euro coalition that will challenge the EU on many fronts. **Indeed, while the establishment forces have walked back from their promise to hold a referendum on Italian membership in the Eurozone for the time being, all parties support policies that risk adding to Italy's already high sovereign debt load in defiance of EU budgetary rules.** This will make it even more difficult to convince the likes of Germany and the Netherlands to support the creation of a Eurozone finance ministry in order to provide much greater financial assistance to struggling member states.

The EU's nightmare scenario would be an agreement by the Five-Star Movement and the Northern League to form a governing coalition. **While they do have more than enough votes to govern, the question is whether they can overcome the deep animosity they hold for one another to forge an agreement.** The Five-Star movement is reportedly reconsidering its opposition to forming a governing coalition with other parties.

Finally, regardless of how negotiations unfold, it is important to note that over 50% of Italians voted for parties that are deeply sceptical of the EU. This makes Italy the latest chapter in the European story of declining support for traditional mainstream parties in favour of anti-establishment forces. What distinguishes Italy from other European countries is the fact their mainstream parties do not have sufficient support to form a governing coalition able to exclude populist forces.

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Geopolitical Briefing

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Geopolitical Briefing

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