BANCA D'ITALIA
EUROSISTEMA

Economic Bulletin

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July 2014

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SYMBOLS AND CONVENTIONS

Unless indicated otherwise, figures have been computed by the Bank of Italy.

In the following tables:

–	the phenomenon in question does not occur
....	the phenomenon occurs but its value is not known
..	the value is known but is nil or less than half the final digit shown
::	the value is not statistically significant
()	provisional; estimates are in italics

OVERVIEW

The global economy grows, but tensions around the world pose a risk

After a setback in the first quarter of the year, global economic activity appears to have regained strength, in particular in the United States, where growth has resumed, and in China, where the slowdown has come to a halt. However, the risks associated with geopolitical tensions in some of the oil-producing countries have increased; any further intensification would have repercussions for the supply and prices of energy products, economic activity and world trade.

Financial market conditions have improved

Conditions on the international financial markets have picked up in the last three months, although there have been fluctuations and heightened uncertainty in recent weeks. The greatest contribution to the good performance of share and bond prices has come from the reduction in risk premiums in a situation of extremely low volatility. Capital flows to the emerging economies have resumed.

In the euro area growth is moderate and inflation is falling further

In the euro area economic growth is still weak, intermittent and uneven among the member states. Inflation continues to fall more sharply than expected, even excluding the most volatile components such as energy and unprocessed food products. According to the latest Eurosystem projections, it will continue to be low over the next two years, at a level inconsistent with the definition of price stability.

The ECB introduces targeted refinancing operations and a negative interest rate on the deposit facility

The Governing Council of the ECB has taken steps to ease monetary conditions further and to support lending. A negative interest rate on banks' deposits with the Eurosystem has been introduced for the first time in order to foster the circulation of liquidity and counter the appreciation of the euro. Banks will be able to access new targeted longer-term refinancing operations (TLTROs) at advantageous conditions provided they increase lending to households and firms. The Governing Council has reaffirmed its readiness to introduce further stimulus measures, including a securities purchase programme, should the medium-term outlook for inflation make it necessary.

The markets have responded to the monetary policy measures

The monetary policy measures have had an immediate impact: market interest rates have fallen, the euro has depreciated, and capital flows to many euro-area countries, including Italy, have increased. As the banks progressively make use of TLTROs a further expansionary effect may ensue.

In Italy the outlook is still fragile ...

Economic activity in Italy is struggling to return to growth. During the winter months economic activity reflected the contraction in energy production, which was due to some extent to the mild weather, and the continuing weakness of the construction industry. In May industrial production dipped suddenly throughout the euro area, partly owing to calendar effects; the information available suggests that the economy was basically stagnant in the second quarter as well.

... despite some encouraging signs

The continuing stagnation of economic activity is in contrast with the business and household confidence indicators, which have been picking up since the spring. At the beginning of the year some positive signals emerged from *national demand. Household spending rose for the first time since the beginning of 2011, albeit marginally. There was also an increase in investment in machinery and equipment, which responds promptly to changes in the outlook for demand. Business opinion surveys carried out in recent months show an improvement in investment plans, notably in industry.*

Employment stabilizes

The decline in employment under way since the second half of 2012 virtually halted last winter. Labour utilization remains low, however, hampering the recovery of demand in the short term. The unemployment rate has risen once more following the increase in labour market participation.

Inflation is close to zero

Inflation has fallen further in Italy too, and in June the HICP reached 0.2 per cent. Alongside the drop in energy and unprocessed food prices, there has been a decrease in core inflation, still affected by ample spare capacity.

Credit is still slow to improve

The banking markets are becoming progressively less fragmented, as borne out by the reduction in the cost of wholesale funding and in CDS spreads for Italian banks. There are signs of improvement in credit conditions, but they are still faint and uncertain. The latest business surveys indicate that access to bank credit is becoming less difficult; lending to the private sector continues to diminish, however, partly owing to the weakness of the economy. The cost of credit for non-financial corporations is falling, but is still some 70 basis points higher than the average for the euro area.

Our projections point to hesitant growth …

Our projections for 2014-15 presented in this Bulletin *suggest a moderate recovery of the Italian economy, but not without considerable uncertainties. GDP is forecast to expand by 0.2 per cent this year, with downside risks, rising to 1.3 per cent in 2015. Inflation is expected to be 0.4 per cent this year and to rise to 0.8 per cent next year.*

… conditional on a strengthening of domestic demand

The gradual return to growth depends on the good performance of international trade and the revival of domestic demand, in particular of investment, which will benefit from the diminishing restrictive effects of the fiscal adjustment of previous years, the fading of uncertainties regarding demand, and the further easing of financial tensions. Domestic demand should also draw strength from the support measures for lower incomes and the accelerated payment of general government commercial debts.

The balance of payments continues to improve

The acceleration of import growth is not expected to prevent Italy's balance of payments from improving further: the current account surplus is forecast to widen to almost 2 per cent of GDP thanks to the steady expansion of exports.

Monetary policy will support economic activity

Economic activity should also draw support from the expansionary stance of monetary policy. It is estimated that the movements in interest and exchange rates recorded to date will make a positive contribution to GDP growth of about 0.5 percentage points to the end of 2016, with TLTROs having a further positive effect.

This scenario is based on national and European policies to support growth

The forecasting scenario outlined here assumes that consistent national economic policies will be implemented to support growth and boost household and business confidence, and also that the recovery will firm up throughout the euro area. The risks associated with less robust growth in the emerging economies, owing among other things to international tensions, and with the possibility that the present exceptionally favourable financial market conditions prove short-lived should not be underestimated. In this situation, it is crucial to ensure that the medium-term inflation expectations underlying price and wage formation remain stable.

1 THE WORLD ECONOMY

1.1 ECONOMIC DEVELOPMENTS

After decelerating sharply at the start of the year, global economic activity picked up again, albeit growing at a modest pace and unevenly across the main regions. Trade recovered partially after the decline in the first quarter, but it is likely to expand only moderately; the recovery is still uncertain and shadowed by geopolitical tensions. The central banks of the main advanced economies maintain an accommodative stance; the cyclical misalignment between the different economic areas indicates that the timing and speed of the normalization of monetary policy will differ.

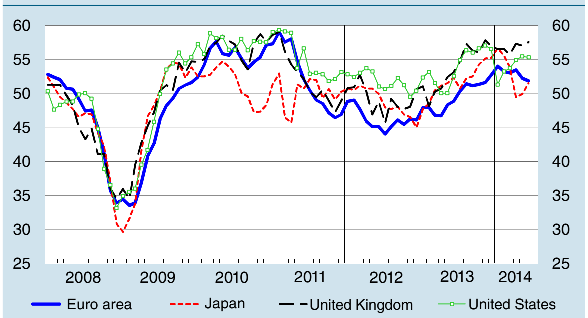
Growth remains uneven in the advanced economies ...

In the first quarter GDP in the United States recorded its first annualized contraction since 2010 (-2.9 per cent) as a result of temporary factors that led to a strongly negative contribution of inventories and a decline in exports. According to the most recent economic indicators (Figure 1), economic activity began to expand again in the second quarter, thanks in part to the recovery in exports in April and May. Employment continued to grow at a rapid pace and in June the unemployment rate fell to 6.1 per cent, the lowest level since September 2008. In Japan, GDP growth was strong in the first quarter (6.7 per cent) as spending decisions were brought forward in view of the increase in indirect taxes scheduled for April; GDP is estimated to have contracted in the second quarter.

Figure 1

Manufacturing purchasing managers indices in the main advanced countries (1)

(monthly data)



Sources: Markit and Thomson Reuters Datastream.
(1) Diffusion indices of economic activity in the manufacturing sector, derived from the assessments of purchasing managers.

... and stabilizes in the emerging countries

After slowing further in the first three months of 2014, China's GDP grew in the second quarter by 7.5 per cent on the year-earlier period (against 7.4 per cent in the first), buoyed by measures to boost investment in infrastructure and the real estate sector and by stronger demand from the advanced economies. In Russia, following the worsening of the crisis with Ukraine there was a decline in confidence and an outflow of capital, leading to a fall in investment and a marked slowdown of GDP growth in the first quarter (0.7 per cent on the year-earlier period); the slowdown continued into the second quarter.

World trade shrinks, but there are signs of recovery

In the first three months of 2014 world trade contracted (-2.8 per cent on an annual basis, after growing by 6.5 per cent in the previous quarter), as a result of a decline in exports from the United States and from the emerging countries of Asia. In recent months, the increase in foreign orders and output in the leading economies points to a recovery of trade to a moderate rate of growth.

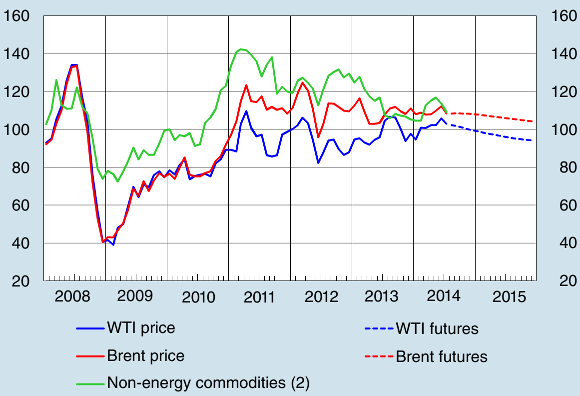
Oil prices are influenced by geopolitical tensions

During the second quarter, oil price movements reflected the political instability in the oil-producing countries. The price of Brent grade crude oil rose to $115 a barrel in May owing to concerns about Iraqi production; it subsequently declined to $107 on 14 July (Figure 2) as expectations of a recovery of exports from Libya gained strength. For the second half of this year, the International Energy Agency expects an increase in demand due to a consolidation of the economic recovery and a widespread rebuilding of stocks. The supply outlook remains uncertain in the short term because of the continuing geopolitical tensions. Between March and mid-July the prices of futures contracts for the mid-2015 horizon increased by almost $5 per barrel. The prices of non-energy commodities, which rose during the first quarter, have started to decline in recent months, mainly owing to a fall in the prices of agricultural goods.

Figure 2

Commodities prices (1)

(monthly data; dollars per barrel and index numbers)



Source: Thomson Reuters Datastream.
(1) For the spot price, monthly averages up to June 2014. – (2) Goldman Sachs Commodity Index excluding energy products (January 2008=100).

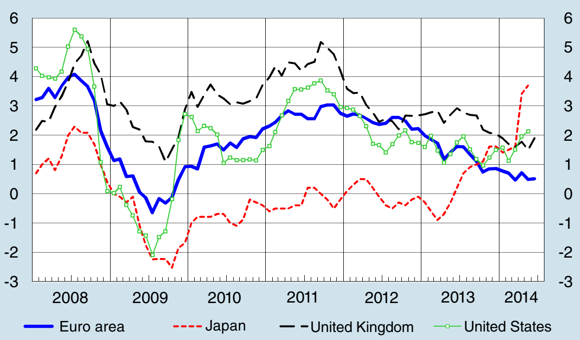
Inflation remains moderate in the advanced economies

In the United States consumer price inflation rose in May to 2.1 per cent on the year-earlier period; the Federal Reserve's reference rate, measured by the consumer price deflator excluding food and energy, stood at 1.5 per cent. In Japan, inflation reached 3.7 per cent in May (from 1.6 per cent in March), due to the increase in indirect taxes. In the United Kingdom price growth rose to 1.9 per cent from 1.6 per cent in March (Figure 3). Among the emerging countries, inflation is moderate in China (2.3 per cent in June), but remains high in India and in Brazil.

Figure 3

Consumer price inflation in the main advanced countries (1)

(monthly data; 12-month percentage changes)



Source: Thomson Reuters Datastream.
(1) For the euro area and the United Kingdom, harmonized consumer prices.

The Federal Reserve continues its tapering programme but in the advanced economies monetary policies are still accommodative

The Federal Reserve continued to taper its quantitative easing; at its meetings in April and June it reduced its monthly purchases of mortgage-backed securities and longer-term Treasury securities by $20 billion overall. Since the start of tapering in January, the monthly purchases of securities have decreased from $85 billion to $35 billion; the Federal Open Market Committee continues to think that the target range for the federal funds rate will remain unchanged for some time after the end of the tapering, which is currently scheduled for November. In the absence of pressure on consumer prices, the Bank of England's Monetary Policy Committee (MPC) left its benchmark rate unchanged at 0.5 per cent and did not vary the amount of the financial assets acquired under its Asset Purchase Programme (£375 billion). Based on the MPC's most recent assessments, the better than expected results for growth and employment seem to be encouraging the utilization of spare capacity. The Financial Policy Committee recommended the adoption of new macroprudential measures to prevent a deterioration in the quality of residential property credit. The

Bank of Japan has maintained its programme to expand the monetary base (by between ¥60 trillion and ¥70 trillion per year), mainly through the purchase of long-term government bonds.

Chinese and Indian reference rates remain unchanged

In the second quarter of 2014, the central banks of China and India left their benchmark interest rates unchanged, while introducing some limited measures of monetary easing. The People's Bank of China reduced the reserve requirement for some categories of intermediaries and urged commercial banks to ease their lending standards for the purchase of first homes. In June the Reserve Bank of India lowered its statutory liquidity ratio, which requires banks to hold a minimum amount of assets in government securities, by 50 basis points to 22.5 per cent. In April, the Central Bank of Brazil instead increased its reference rate (SELIC) by 25 basis points, bringing it to 11 per cent. In the last year, there have been nine consecutive increases, amounting to a total of 375 basis points.

Table 1

Macroeconomic projections
(percentage changes on the previous year)

	OECD			Consensus Economics	
	2013	2014	2015	2014	2015
GDP					
World	**2.8**	**3.4**	**3.9**	**–**	**–**
Advanced countries					
Euro area	*-0.4*	*1.2*	*1.7*	*1.1*	*1.5*
Japan	*1.5*	*1.2*	*1.2*	*1.5*	*1.2*
United Kingdom	*1.7*	*3.2*	*2.7*	*3.0*	*2.6*
United States	*1.9*	*2.6*	*3.5*	*2.2*	*3.1*
Emerging countries					
Brazil	*2.3*	*1.8*	*2.2*	*1.5*	*1.8*
China	*7.7*	*7.4*	*7.3*	*7.3*	*7.1*
India (1)	*4.4*	*5.4*	*5.7*	*5.4*	*6.2*
Russia	*1.3*	*0.5*	*1.8*	*0.2*	*1.6*
World Trade (2)	**3.0**	**4.4**	**6.1**	**–**	**–**

Sources: OECD, *Economic Outlook* No. 95, May 2014; Consensus Economics, June 2014.
(1) The Consensus Economics forecasts refer to the fiscal year beginning in April of the year indicated. – (2) Goods and services.

World growth is expected to gain momentum in 2014 ...

According to the latest OECD estimates, which do not incorporate the sharp contraction in GDP in the United States in the first quarter, world GDP growth will accelerate to 3.4 per cent in 2014 and 3.9 per cent in 2015 (Table 1). Between March and June private professional forecasters progressively revised downwards their growth forecasts for this year for the US (by 0.6 percentage points), Brazil (by 0.3 points), and Russia (by 1.1 points).

...but downside risks remain

There are still downside risks for the world economy. The recent slowdown in economic activity in the emerging economies could last for longer than expected. Furthermore, uncertainty about the development of the crises in Libya and Iraq weighs heavily, in addition to the current tensions between Russia and Ukraine. In the medium term, the continuation of strongly expansionary monetary conditions in the advanced economies could result in a build-up of new imbalances in the financial and real estate markets.

1.2 THE EURO AREA

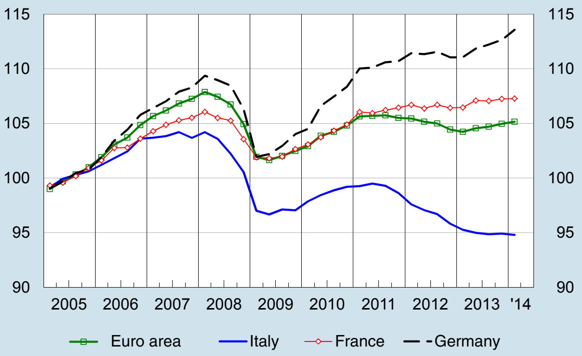
The recovery in the euro area, though modest and uneven, continued and was accompanied by very low inflation and a contraction in lending to firms. In June the Governing Council of the ECB made monetary policy even more accommodative with a combination of decisions on official interest rates and new unconventional measures aimed in particular at fostering the flow of credit to the real economy.

Growth is modest and uneven

In the first quarter of 2014 euro-area GDP continued to expand, growing by 0.2 per cent with respect to the fourth quarter of 2013 (Figure 4) but with large differences from one country to another. Economic activity increased substantially in Germany, benefiting from the sharp rise in consumption and investment, which was favourably

Figure 4

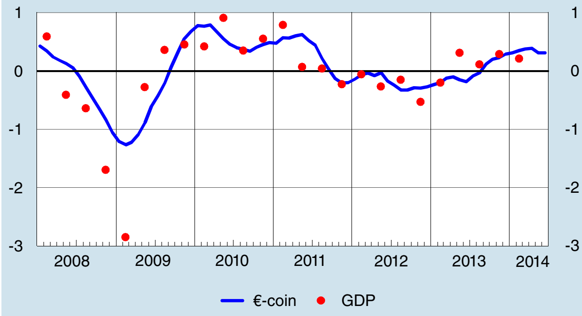
GDP of the euro area and the main area countries (1)
(quarterly data; indices, 2005=100)



Sources: Based on national statistics.
(1) At chain-linked prices.

Figure 5

€-coin coincident cyclical indicator and euro-area GDP (1)
(percentage changes)



Sources: Bank of Italy and Eurostat.
(1) For the methodology used in constructing the indicator, see the box "The €-coin indicator and the economic situation in the euro area", *Economic Bulletin*, July 2009. Details on the indicator are available at http://eurocoin.bancaditalia.it/ For GDP, quarterly data; change on previous quarter. For €-coin, monthly estimates of the change in GDP on the previous quarter net of the most erratic components.

affected by good weather. In France GDP stagnated, held back by the falls in net exports and all the components of domestic demand, except for inventories; in Italy GDP declined slightly.

GDP is pratically stagnant in the second quarter

According to the latest indicators, in the second quarter euro-area GDP was virtually stable. In June the €-coin coincident indicator produced by the Bank of Italy, which provides a monthly estimate of the rate of change in GDP in the euro area net of the most volatile components, was unchanged compared with the previous month, showing a slightly positive value (Figure 5). On average in the two months April-May euro-area industrial production remained nearly unchanged compared with the previous period. Although the composite euro-area PMI index remained above the threshold consistent with an increase in economic activity, it declined further in June. National PMI indices continued to indicate a favourable, albeit worsening, outlook for Germany, in both industry and services; in France they dropped below the level consistent with stable economic activity.

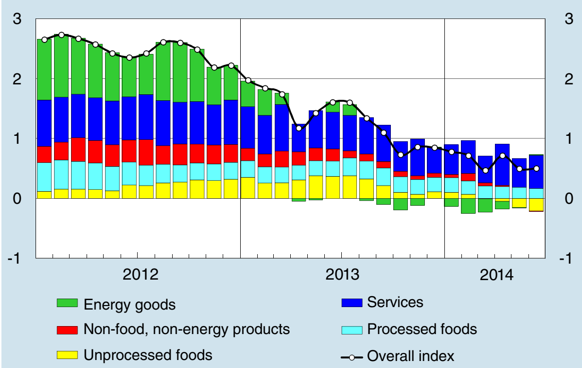
The Eurosystem staff projections released in June point to GDP growth of 1.0 per cent in 2014 and an acceleration to 1.7 per cent in 2015. Professional forecasters' figures are not significantly different (1.1 per cent in 2014 and 1.5 per cent in 2015).

Inflation remains low

Twelve-month consumer price inflation has been less than 1.0 per cent without interruption since last October and in June was 0.5 per cent (Figure 6). Even when the most volatile components are excluded, inflation fell to a historically low level (0.8 per cent), influenced by the weakness of the cyclical recovery and the persistence of wide margins of idle capacity. Price increases were small for a very large number of the items in the HICP basket, confirming that the downward pressure on prices is widespread. In May half the items showed

Figure 6

Inflation in the euro area and contributions of the components (1)
(monthly data; 12-month percentage changes and percentage points)



Sources: Based on Eurostat and ECB data.
(1) Harmonized index of consumer prices.

twelve-month price changes of less than 1 per cent, as against an average of just over a quarter in the period 2001-13. About one third of the items showed a decrease in price.

Producer prices decline ...

The pressure exerted by producer prices is still downward. In May they showed a twelve-month decrease of 1.0 per cent, owing to the fall in the prices of energy products and intermediate goods, which are influenced by the fall in the euro prices of raw materials. Compared with the year-earlier period, the increase in unit labour costs in the economy as a whole slowed to 0.4 per cent in the first quarter, reflecting the deceleration in hourly earnings.

... as do inflation expectations

In recent months the professional forecasters surveyed by Consensus Economics have progressively lowered their euro-area inflation expectations, which in June stood at 0.7 per cent for 2014 and 1.2 per cent for 2015. These projections are virtually the same as the latest Eurosystem figures, according to which inflation will also remain low in 2016 (1.4 per cent). Firms' intentions regarding changes in their list prices also point to continued low inflation.

Monetary growth slows and the decrease in lending to firms continues

The growth in euro-area M3 slowed further, to 1.0 per cent in the twelve months ending in May, as a result of the weakness of economic activity and the shifts in portfolios towards higher-yielding assets than money. In the same month lending to firms contracted by 1.0 per cent compared with three months earlier on an annual basis (seasonally adjusted and net of the accounting effect of securitizations); lending to households stagnated (0.6 per cent). In the last twelve months lending to firms has decreased in all the main euro-area countries except France.

The Governing Council introduces a negative interest rate on the deposit facility and targeted refinancing operations

In its meeting at the beginning of June the Governing Council of the ECB adopted measures to make the stance of monetary policy even more accommodative and support the flow of credit to the real economy. It lowered the official interest rates, reducing that on the main refinancing operations of the Eurosystem to 0.15 per cent and that on the deposit facility to a negative value for the first time (-0.10 per cent). To sustain the supply of credit to firms and households, the Governing Council also introduced, as of next September, targeted longer-term refinancing operations (TLTROs) at extremely advantageous conditions for banks that increase their lending (see the box "The monetary policy measures adopted in June 2014"). The Council reaffirmed that if the risk of excessively low inflation were to continue for a too prolonged period, further monetary policy measures would be taken, possibly including a securities purchase programme.

THE MONETARY POLICY MEASURES ADOPTED IN JUNE 2014

In its meeting at the beginning of June the Governing Council of the ECB adopted a series of measures that included: (a) the reduction in the official rates, which cut the rate on main refinancing operations from 0.25 to 0.15 per cent and made the rate on the deposit facility negative for the first time (-0.10 per cent); (b) the implementation of targeted longer-term refinancing operations maturing in September 2018; (c) the prolongation for as long as necessary and in any case until December 2016 of fixed-rate, full allotment tender procedures for refinancing operations; (d) the suspension of the operations sterilizing the liquidity injected under the Securities Markets Programme; and (e) an intensification of the preparatory work related to outright purchases of asset-backed securities.

The negative interest rates on the deposit facility will also apply to average reserve holdings in excess of reserve requirements. In addition to helping to bring down market interest rates and to countering the upward pressure on the euro, this penalty rate may spur the circulation of liquidity, thereby reducing the fragmentation of financial systems along national lines.

Banks will be able to access the targeted refinancing operations at very advantageous conditions (the interest rate, fixed for the duration of each operation, will be equal to that on the Eurosystem's main refinancing operations prevailing at the time of take-up, plus a spread of 10 basis points). Recourse to the targeted operations will be subject to the expansion of lending to firms and households (excluding loans to households for house purchase) in excess of a bank-specific benchmark. An initial allotment (in September and December 2014) will allow banks to obtain funds up to 7 per cent of the total amount of their loans to households and firms outstanding on 30 April 2014 (the maximum amount of liquidity disbursable in this period will therefore be about €400 billion for euro-area banks, €70 billion for Italian banks alone). In addition, from March 2015 to June 2016, it will be possible for each bank to borrow up to three times its net lending in excess of the benchmark. Banks whose increase in lending in the period between May 2014 and April 2016 does not exceed the benchmark will have to repay the amounts borrowed early (in September 2016).

The amount potentially available to Italian banks is substantial; it could exceed €200 billion over the life of the whole programme.

The immediate impact of the decisions taken by the Governing Council on monetary and financial conditions, which came on top of the effect of their announcement in the previous meeting at the beginning of May, was significant.

Between the day before the meeting at the beginning of May and the days immediately following the meeting in June, the euro depreciated by 2.7 per cent against the US dollar and by 1.9 per cent in nominal effective terms. In the days after the June meeting interest rates declined for all maturities. Between 4 and 10 June the yields implied by the prices of three-month Euribor futures contracts maturing after 2015 decreased by about 10 basis points. In the same period the yields on ten-year government securities also decreased, especially in the peripheral countries: those on Italian and Spanish securities fell by about 20 basis points; there was also a similar contraction in the spreads with respect to the corresponding German securities.

Since the reduction in the official interest rates and especially the introduction of the negative interest rate on the deposit facility, the Eonia rate has remained just above zero on average. Following the application of the negative interest rate to banks' excess reserves, there was an acceleration in the flow of liquidity back to the economies most severely hit in the past by tensions and the fragmentation of financial markets: the Bank of Italy's balance on TARGET2, which reflects the inflow of private capital, improved significantly (by €27 billion in the maintenance period that began on 11 June, of which about €11 billion on the very first day).

The effects of the TLTROs may also be substantial, but they will necessarily take longer to materialize; they will depend on how much use banks make of this instrument and the extent to which the lower cost of the funds obtained is passed on to the standards for loans to households and firms (see the box "The impact of the recent monetary policy measures").

Monetary policy measures affect financial markets

The new measures adopted by the Eurosystem rapidly had an effect on monetary and financial conditions. The Eonia rate fell by about 20 basis points compared with its average value in March, and came to stand just above zero. The rate on three-month unsecured interbank loans (Euribor) came down by 10 basis points to 0.20 per cent (Figure 7). Immediately after the introduction of the negative rate on the deposit facility, there was an increase in the capital flows towards the countries previously hit by tensions: the debtor balances in the TARGET2 payment system – a measure of the fragmentation of the euro-area's financial markets along national lines – contracted, especially for Italy (see Section 2.4).

The preparations for Banking Union continue

Work is still under way on the comprehensive assessment of the soundness of banks that are to be subject to centralized supervision from November 2014 as part of the Single Supervisory Mechanism. From the beginning of 2016 the Single Resolution Mechanism for banking crises will also be fully operational, as approved in April by the European Parliament.

1.3 WORLD FINANCIAL MARKETS

Conditions in the international financial markets improved over the last three months, although recent days have been marked by fluctuations and uncertainty. In a setting of unusually low volatility, the strong performance of share and bond prices was driven by lower risk premiums. Euro-area sovereign spreads continued to narrow, a trend assisted by the ECB's new expansive measures. Capital resumed flowing to emerging economies.

Long-term rates come down only in the euro area ...

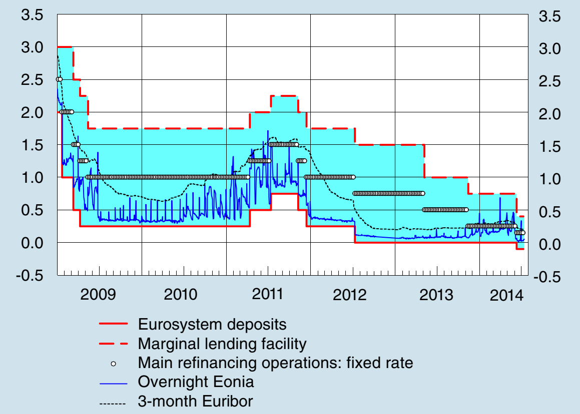
Interest rates on 10-year government bonds fell in the euro area while remaining broadly stable in the other advanced economies (Figure 8). In mid-July they stood at 2.5 per cent in the United States, 2.7 per cent in the United Kingdom and 0.5 per cent in Japan. From the end of March the yield on German Bunds came down by 36 basis points to 1.2 per cent, reflecting the dimming outlook for economic recovery in the euro area; expectations of expansive measures by the Eurosystem and then their materialization also contributed to the reduction (see the box "The monetary policy measures adopted in June 2014").

... where sovereign spreads also decline

The yield spreads between euro-area and German government bonds decreased, despite a transitory increase in mid-May engendered mainly by worries about the outcome of the elections for the European Parliament and by an unexpected slowdown in euro-area GDP growth. Sovereign spreads began to narrow again after the ECB adopted new measures of monetary easing at the beginning of June (Figure 9). In recent

Figure 7

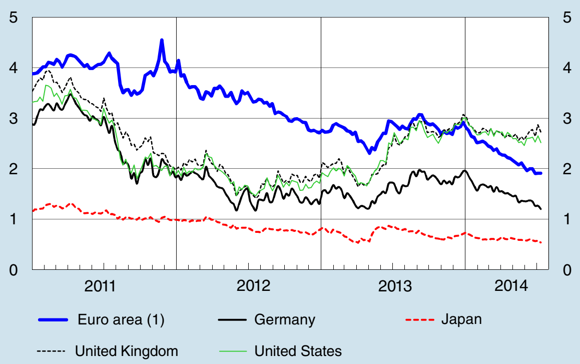
Official interest rates and money market rates in the euro area
(daily data; per cent)



Sources: ECB and Thomson Reuters Datastream.

Figure 8

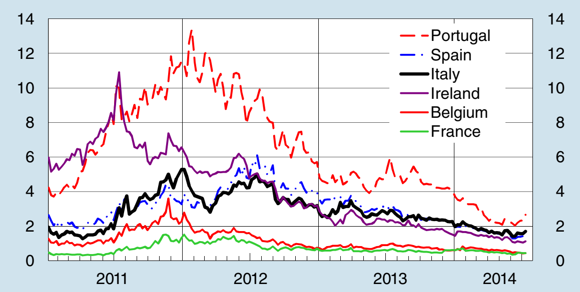
Yields on 10-year government bonds
(end-of-week data; per cent)



Source: Thomson Reuters Datastream.
(1) Average yields, weighted by 2010 GDP at constant prices, of the 10-year benchmark government securities of the euro-area countries excluding Cyprus, Estonia, Greece, Luxembourg, Malta, Slovakia and Slovenia.

Figure 9

Yield spreads between 10-year government bonds and the corresponding German Bund
(end-of-week data; percentage points)



Sources: Based on Bloomberg and Thomson Reuters Datastream data.

weeks the improvement ceased amid doubts about the strength of the recovery in the euro area and about the soundness of a Portuguese bank.

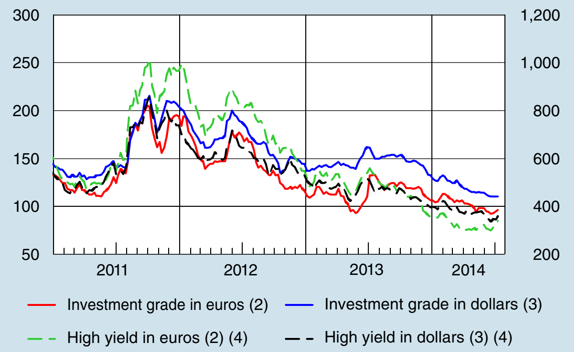
Private debt risk premiums continue to shrink

From the end of March the risk premiums on corporate debt declined. Major banks' 5-year CDS spreads diminished in both the euro area and the United States, by 14 and 4 basis points respectively. The yield spreads on investment-grade bonds of non-financial corporations declined for both euro- and dollar-denominated issues (Figure 10).

Figure 10

Yield spreads between bonds of non-financial corporations and government securities in euros and dollars (1)

(end-of-week data; basis points)



Source: Merrill Lynch

(1) Investment-grade bonds are those issued by firms with high credit ratings (not lower than BBB- or Baa3). High-yield bonds are those issued by corporations rated below those grades. – (2) Fixed-rate bonds with a residual maturity of not less than one year, issued on the Euromarket; yield spreads are calculated with respect to French and German government securities. – (3) Fixed-rate bonds denominated in dollars with a residual maturity of not less than one year issued on the US domestic market; yield spreads are calculated with respect to US Treasury securities. – (4) Right-hand scale.

Share prices rise in the advanced economies outside the euro area

Share prices rose in the main advanced countries outside the euro area (Figure 11), reflecting the strengthening economic recovery in the United States, Japan and the United Kingdom, where the indices have risen by respectively 5.6, 3.2 and 1.0 per cent since the end of March. In the euro area share prices fell by 0.7 per cent, reflecting above all the poor performance of banking shares. The volatility implied by the prices of stock index options fell to unusually low levels, close to those registered before the global financial crisis (Figure 12).

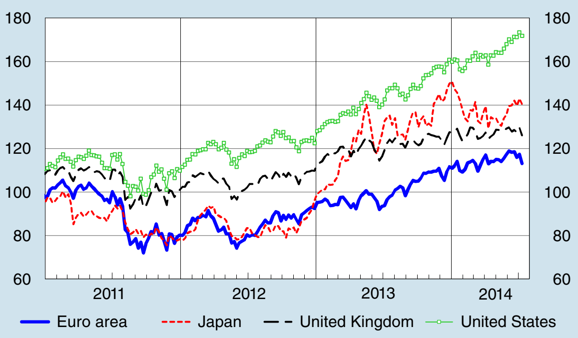
Capital flows to the emerging countries resume

After the tensions that arose in the second half of 2013, financial conditions in the emerging markets remained generally relaxed, with gains in share price indices and a reduction in the yield spreads between long-term dollar-denominated sovereign securities and US Treasuries. In a context of reviving international

Figure 11

Stock market indices (1)

(end-of-week data; first week of January 2011=100)



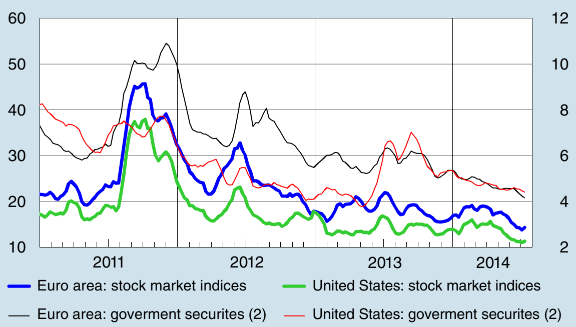
Source: Thomson Reuters Datastream.

(1) Dow Jones Euro Stoxx for the euro area, Nikkei 225 for Japan, FTSE All Share for the United Kingdom and Standard & Poor's 500 for the United States.

Figure 12

Implied volatility of stock market indices and government securities prices (1)

(end-of-week data; percentage points)



Source: Based on Thomson Reuters Datastream data.

(1) Moving averages over 5 days. Stock market indices: VSTOXX for the euro area and VIX for the United States. Government securities: volatility implied by the prices of options on futures on the German Bund for the euro area and on Treasury notes for the United States. – (2) Right-hand scale.

capital flows, the main emerging market currencies remained stable against the dollar.

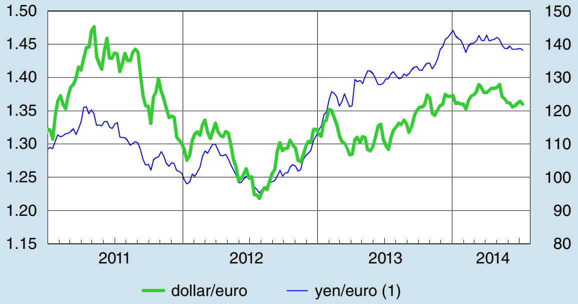
The euro stops appreciating

The strengthening of the euro came to an end in the first days of May, in conjunction with the ECB's announcement of the monetary easing measures that would be introduced in June. From the end of March the single currency depreciated by 1.2 per cent against the dollar, 3.8 per cent against the pound and 2.9 per cent against the yen (Figure 13). In nominal effective terms it depreciated during the second quarter by 1.5 per cent.

Figure 13

Bilateral exchange rates

(average weekly data)



Source: ECB.
(1) Right-hand scale.

2 THE ITALIAN ECONOMY

2.1 THE CYCLICAL SITUATION

Despite signs of improving business confidence, the economic recovery is still struggling to gain traction. The main contribution to output growth continues to come from foreign trade, although initial signs of an improvement in some domestic demand components have also emerged. The continuing weakness of economic activity is reflected in prices, with inflation falling to historically low levels.

GDP contracts slightly in the first quarter

In the first quarter of 2014 Italian GDP shrank by 0.1 per cent compared with the fourth quarter of 2013. Economic activity was affected by a fall in energy production due in part to relatively mild weather and by persistent weakness in the construction sector. Moreover, changes in stocks shaved 0.2 percentage points off output (Table 2). At the end of the first quarter GDP was at a level about 9 per cent below that of 2007, owing above all to the fall in consumption and investment (Figure 14).

Some encouraging signs emerge ...

In the first quarter net foreign demand was again the chief source of support for economic activity, contributing 0.2 percentage points to growth. Investment outlays – after increasing in the fourth quarter of 2013, owing partly to tax incentives and to spending in anticipation of new environmental regulations for road transport – fell by 1.1 per cent. However, there were more encouraging signs from some national demand components. Presumably spurred by more favourable expectations for demand, investment in machinery and equipment returned to growth (0.5 per cent) after declining for ten consecutive quarters. Household spending also grew for the first time since the start of 2011, by a very modest 0.1 per cent.

Table 2

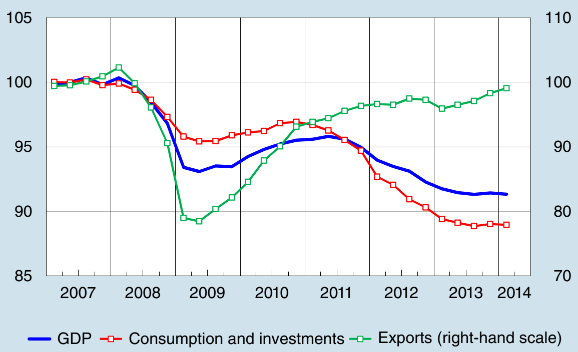
GDP and its main components (1)
(percentage changes on the previous period)

	2013			2014	2013 (2)
	Q2	Q3	Q4	Q1	
GDP	-0.3	-0.1	0.1	-0.1	-1.9
Total imports	-0.2	1.0	0.2	0.3	-2.8
National demand (3)	-0.6	-0.1	-0.2	-0.3	-2.7
National consumption	-0.4	-0.2	0.1	0.1	-2.2
household spending	*-0.5*	*-0.2*	*..*	*0.1*	*-2.6*
other spending (4)	*..*	*-0.2*	*0.2*	*0.4*	*-0.8*
Gross fixed investment	..	-0.9	0.8	-1.1	-4.7
construction	*-0.6*	*0.1*	*-0.5*	*-0.9*	*-6.7*
other investment goods	*0.7*	*-1.9*	*2.2*	*-1.3*	*-2.4*
Change in stocks (5) (6)	-0.3	0.2	-0.4	-0.2	-0.1
Total exports	0.6	0.6	1.2	0.8	0.1
Net exports (6)	0.2	-0.1	0.3	0.2	0.8

Source: Istat.
(1) Chain-linked volumes; data adjusted for seasonal and calendar effects. (2) Data not adjusted for calendar effects. – (3) Includes the change in stocks and valuables. – (4) Expenditure of general government and non-profit institutions serving households. – (5) Includes valuables – (6) Contributions to GDP growth on previous period, in percentage points.

Figure 14

GDP and the main components of demand (1)
(quarterly data; indices, 2007=100)



Source: Based on Istat data.
(1) Chain-linked volumes; adjusted for seasonal and calendar effects.

... but economic activity remains weak

Judging by the indicators of industrial activity available to date, GDP was practically flat in the second quarter (see Section 2.2). Foreign demand apparently increased again, while domestic demand remained slack. Consumers' assessments of the general state of the economy have been improving markedly since February, but their opinions concerning their own personal situation remain cautious, reflecting the still uncertain trend in employment (see Section 2.5).

Inflation is at historically low levels

Consumer price inflation has fallen further, to a twelve-month rate of 0.2 per cent in June as measured by the HICP. Even net of the more volatile components, it came to just 0.7 per cent, one of the lowest rates on record.

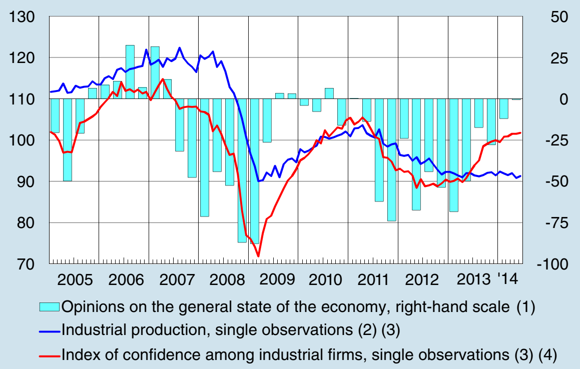
2.2 FIRMS

Notwithstanding the improving climate of business confidence, industrial output still has not picked up. Investment in machinery and equipment increased in the first quarter for the first time after three years of contraction. Investment is nonetheless being held back by widespread uncertainty about the outlook for demand and by ample spare capacity.

Figure 15

Industrial production and business confidence

(monthly data)



Sources: Based on Istat, Terna and Bank of Italy data.
(1) Balance of the "better" and "worse" responses to the question in the Bank of Italy–*Il Sole 24 Ore* quarterly survey on the state of the economy reported in "Survey on inflation and growth expectations. June 2014", published in Supplements to the Statistical Bulletin No. 38, 2014; the data refer to industrial firms only. – (2) Industrial production adjusted for seasonal and calendar effects; for June 2014, estimated data. – (3) Index, 2010=100. – (4) In June 2013 methodological changes were introduced to the sample and the survey techniques which make the data since then not directly comparable with the earlier data.

Industrial production struggles to recover ...

Industrial production declined by 1.2 per cent between April and May; all components except energy were involved. The fall, which was pronounced in the other main euro-area countries as well, may reflect the number of days falling between two holidays, which is not accounted for in the adjustment for calendar effects, based strictly on working days. Our estimates for June indicate that industrial production diminished by about 0.5 per cent on average in the second quarter (Figure 15).

... despite a rise in the indicators of business confidence

This trend in industrial output runs counter to that prevailing in the surveys of business confidence in manufacturing. In the second quarter firms' confidence stayed at high levels and the PMI index held well above the level consistent with an increase in manufacturing output. The picture in the service sector is mixed, however: there, the PMI index rose above the level consistent with an expansion of activity, but the Istat index of confidence, while still rising in retail and wholesale trade, declined in market services. The quarterly survey conducted in June by the Bank of Italy and *Il Sole 24 Ore* found further improvement in assessments of the short-term outlook, most markedly in industry excluding construction (see the box "The investment outlook according to recent business surveys").

THE INVESTMENT OUTLOOK ACCORDING TO RECENT BUSINESS SURVEYS

Firms' assessments of the prospects for investment are steadily improving. The complete findings of the yearly Survey of Industrial and Service Firms, conducted in the spring by the Bank of Italy, have now been released and are available together with the results of the quarterly Survey on

Inflation and Growth Expectations, which the Bank of Italy and *Il Sole 24 Ore* carried out in the first three weeks of June.

In the Survey of Industrial and Service Firms, respondents' plans for 2014 as a whole indicated a broadly stable volume of investment compared with 2013 in industry excluding construction (-0.8 per cent) and a contraction, though much more moderate than in the previous survey, in non-financial private services (-2.0 per cent); for the entire sample, the results pointed to a 1.4 per cent diminution (Figure A).

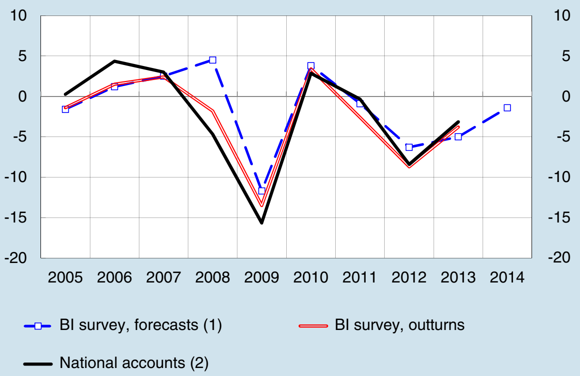
On average, the investment realized in 2013 was marginally greater than that planned in the spring of the same year; the picture is far from uniform, however, even within the different categories of firm. The survey data suggest that the deviations of investment outturns with respect to spending plans were mostly in response to the trend of demand during the year, but they also betrayed firms' uncertainty about future developments: those with the greatest uncertainty about the evolution of demand – firms are asked to state their maximum and minimum expected variation in turnover – generally reported the largest downward revisions to spending. The non-implementation of investment plans also reflected the difficulty of obtaining credit. Firms that applied for a loan but failed to get the desired amount realized a smaller proportion of their planned investment than the others.

Looking ahead, the progressive reduction of the share of firms reporting that they were credit-rationed (down by 3 percentage points to 9 per cent in 2013; see the chapter "The financial condition of households and firms" in the Bank's Annual Report for 2013), together with the attenuation of firms' uncertainty about their turnover, found by the survey in the spring, could be harbingers of a pick-up in investment, even if only a moderate one.

The quarterly survey conducted in June found an appreciable amelioration in expectations for investment in 2014 compared with the previous survey: the improvement was broadly based, but it was more pronounced in industry excluding construction than in services (Figure B). Especially in manufacturing, the share of firms reporting growth in demand for their products increased both among exporters and among businesses that make most of their sales on the domestic market.

Figure A

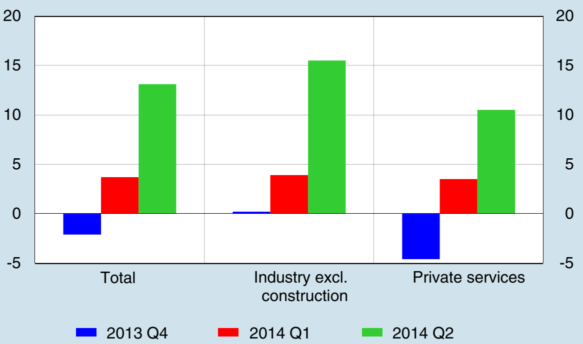
Annual change in investment expenditure (1)
(percentage points; chain-linked volumes)



(1) Forecasts made in the spring of the reference year for the entire year in the Bank of Italy's Survey of Industrial and Service Firms for 2013, forthcoming in Supplements to the Statistical Bulletin. – (2) Calculated for total industry excluding construction and for non-financial private services.

Figure B

Balances between the shares of firms planning an increase/decrease in fixed investment (1)
(percentage points)



(1) Balances between higher spending plans and lower spending plans in 2014 compared with 2013 in the Survey on Inflation and Growth Expectations. The June survey, conducted by the Bank of Italy together with *Il Sole 24 Ore*, is published in Supplements to the Statistical Bulletin, No. 38, 2014, English version forthcoming.

Trends in the various investment components are uneven

The decrease in firms' investment in capital goods in the first quarter was due to the contraction in spending on transport equipment, which had risen significantly in the last quarter of 2013 thanks to tax incentives and in anticipation of the new environmental rules scheduled to come into effect with the new year. Expenditure on machinery and equipment, by contrast, registered its first gain (0.5 per cent) after contracting for ten quarters, owing most likely to better expectations for demand. Based on the latest quarterly survey conducted by the Bank of Italy and *Il Sole 24 Ore*, firms' opinions of the conditions for investing improved further, especially in industry excluding construction, thanks in part to a more favourable evaluation of the terms of access to credit.

The outlook for construction is uncertain but improving somewhat

The building industry remains weak despite some encouraging signs. In the first quarter investment in construction fell again, but more recent indicators suggest that the cyclical difficulties are abating. In March and April the prolonged contraction of construction activity came to an end. In the Bank of Italy–*Il Sole 24 Ore* quarterly survey in June, the negative balance between builders expecting the situation to improve and those expecting it to worsen narrowed somewhat.

In the first quarter seasonally adjusted house sales recouped the dip registered in the fourth quarter of 2013, which had been due in part to the approaching reduction in registration fees and mortgage and cadastral charges in January (Figure 16). House prices continued to fall in the first quarter, but much less steeply, diminishing by 0.7 per cent by comparison with the previous period.

The decline in competitiveness ceases

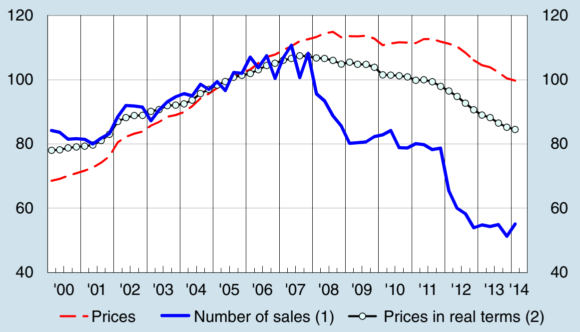
Preliminary data indicate that Italian exporters' price competitiveness, measured by the producer prices of manufactures, improved in May and June, chiefly because of the recent depreciation of the euro (Figure 17). It still remains about 3 percentage points lower than in the third quarter of 2012, when the exchange rate was at its low point. This trend in competitiveness, which is shared with Italy's main euro-area trading partners, continues to reflect the appreciation of the currency in 2012 and 2013.

Profitability remains unchanged

Estimates based on the national accounts indicate that in the first quarter of 2014 firms' operating profitability – measured as gross operating profit over value added in the twelve months to March 2014 – was practically the same as in the fourth quarter of 2013. Financial costs and self-financing also remained broadly unchanged,

Figure 16

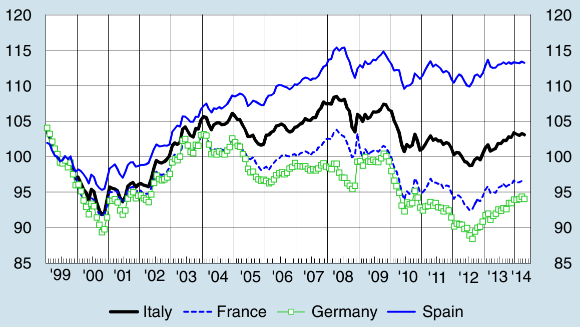
House prices and sales in Italy
(quarterly data; indices, 2005=100)



Sources: Based on Osservatorio del Mercato Immobiliare, Bank of Italy, Istat and Consulente Immobiliare data.
(1) Adjusted for seasonal and calendar effects. – (2) House prices deflated by the consumer price index.

Figure 17

Indicators of competitiveness (1)
(monthly data; indices, 1999=100)

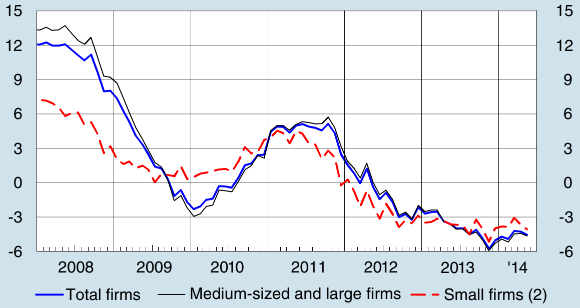


Sources: Based on IMF, OECD and Eurostat data.
(1) In relation to 61 competitor countries; based on producer prices of manufactured goods. An increase in an index indicates a loss of competitiveness. The latest data refer to April 2014.

Figure 18

Firms' bank debt by size of firm (1)

(monthly data; 12-month percentage changes)

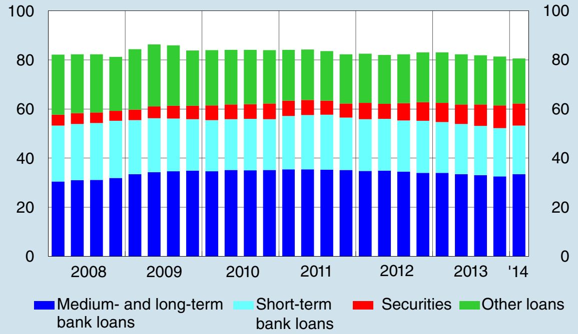


(1) Non-financial firms. Data adjusted for the accounting effect of securitizations and for reclassifications. Includes repos and bad debts. – (2) Limited partnerships, general partnerships, informal partnerships, de facto companies and sole proprietorships with up to 19 workers.

Figure 19

Debt of non-financial firms (1)

(quarterly data; per cent of GDP)



Sources: Based on Bank of Italy and Istat data.
(1) The data refer to the 12 months ending in the quarter in question. Debt is net of intra-sector exposures and includes securitized loans.

while funding requirements diminished slightly in relation to value added, given the contraction in gross fixed investment.

The decline in bank lending to firms slows slightly

In the twelve months ending in May the decline in bank loans to firms (including producer households) eased to 4.5 per cent (Figure 18). Firms' total debt diminished in proportion to GDP in the first quarter to just under 81 per cent (Figure 19).

Bond issues are still substantial

Italian companies' bond issuance remained substantial in the first quarter at €3.3 billion, compared with €6.6 billion in the fourth quarter of 2013 (see Table 7). They made further net issues in April and May (€1.6 billion), and at the same time funding in the equity market also increased.

2.3 HOUSEHOLDS

Household consumption picked up to show a modest expansion in the opening part of the year, and the latest cyclical indicators suggest that it stabilized in recent months. The recently introduced tax reliefs for labour incomes could provide some support.

Consumption returns to growth ...

Resident households' spending recorded a marginal increase of 0.1 per cent in the first quarter with respect to the previous quarter, the first growth since the start of 2011. Expenditure on durable and semi-durable goods grew by 0.9 and 1.9 per cent respectively, while spending on services declined by 0.1 per cent and that on non-durable goods by 0.5 per cent.

In the same period, disposable income continued to stagnate in both real and nominal terms; the propensity to save also remained practically unchanged at 10.0 per cent of disposable income, close to the figures recorded in the second half of 2013.

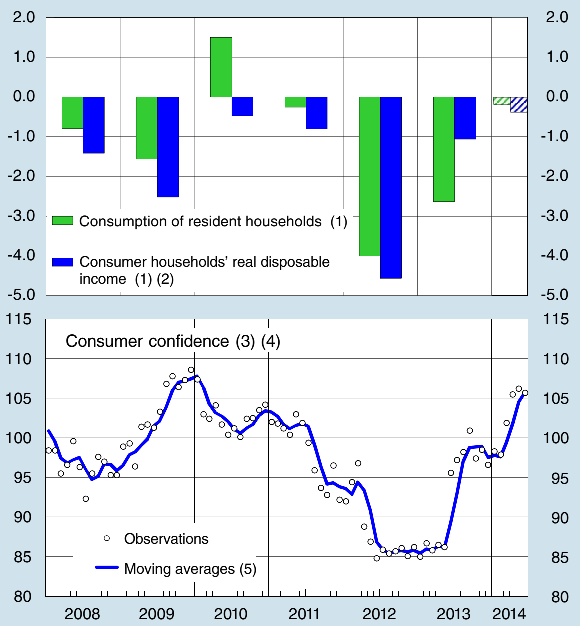
... although the outlook remains uncertain

Looking ahead, cyclical indicators paint a still uncertain picture for household consumption. Retail sales grew slightly in the three months to April. New car registrations declined by 1.1 per cent on a seasonally adjusted basis in the second quarter compared with the first, although this came after a quarterly gain. The

Figure 20

Consumption, disposable income and consumer confidence in Italy

(percentage changes and indices)

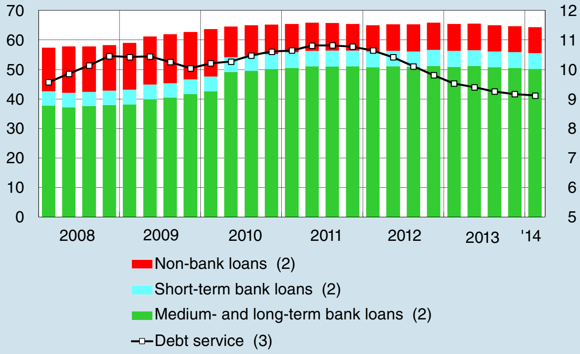


Source: Based on Istat data.
(1) Chain-linked volumes; percentage changes on the previous year. Annual data up to 2013; for 2014, percentage changes in the first quarter compared with a year earlier. – (2) Obtained using the consumption deflator for resident households. – (3) Monthly data, seasonally adjusted. Indices, 2005=100. – (4) In June 2013 methodological changes were introduced to the sample and survey techniques which make the data since then not directly comparable with the earlier data. – (5) Monthly data; moving averages for the three months ending in the reference month.

Figure 21

Household debt (1)

(quarterly data; as a percentage of gross disposable income)



Sources: Based on Bank of Italy and Istat data.
1) End-of-quarter stocks and flows in the twelve months to the end of the quarter. Data for the last quarter are provisional. Includes securitized loans. – (2) In the second quarter of 2010 there was a methodological break in the computation of the statistics on the distribution between bank and non-bank loans. For the methodology see the note in "Monetary and Financial Indicators. Financial Accounts", Supplements to the Statistical Bulletin, No. 58, 2010. – (3) Right-hand scale. Estimated cost of debt service (payment of interest and repayment of principal) for consumer households only.

index of consumer confidence rose sharply (Figure 20), reflecting the improvement in survey respondents' opinions about the general economic situation of the country, while their assessments of their own prospects remain highly cautious. The tax reliefs introduced in May for low-income earners could encourage consumption in the second half of the year.

Household debt declines slightly, its cost remains stable

Italian households' debt fell slightly in the first quarter of 2014 to 64 per cent of disposable income (Figure 21), well below the euro-area average (about 98 per cent in December 2013). Households' debt servicing costs (interest plus repayment of principal) remained broadly stable at 9.1 per cent of disposable income.

2.4 FOREIGN DEMAND AND THE BALANCE OF PAYMENTS

Exports of goods have continued to expand, despite a contraction in world trade, and expectations for foreign orders are moderately optimistic on the whole. The current account balance improved again. Foreign capital inflows have continued, driven by confidence in the prospects of the monetary union and of Italy, but also by exceptionally favourable global financial conditions.

Exports expand…

In the first quarter the volume of exports of goods and services was up by 0.8 per cent on the last quarter of 2013, with positive developments in both components. Sales of Italian goods increased in both EU and non-EU markets. The fastest growth was recorded in Germany, the United States and East Asia. In addition to transport equipment and machinery, the main contributions to the growth in exports came from metal products, which had suffered a protracted period of weakness. On average in April and May foreign sales grew moderately in value terms compared with the first quarter, while growth in volumes appeared more robust.

... more than imports

By contrast, in the first three months of the year the increase in imports of goods and services was very modest (0.3 per cent in volume). Purchases of refined petroleum products and of energy raw materials fell sharply, in part owing to the mild winter weather.

Expectations for foreign orders are upbeat

The outlook remains favourable. Since the start of the year the PMI index on foreign orders in manufacturing has held well above the level consistent with an expansion of sales. In recent months positive signals have also come from firms' qualitative assessments of foreign orders, which are higher than in the last two years, and from the expectations for export volumes (Figure 22).

The current account surplus keeps mounting

Italy's current account surplus, which in 2013 amounted to 1 per cent of GDP, continued to expand, reaching €3 billion in the first five months of the year, compared with a deficit of €4 billion in the corresponding year-earlier period (Table 3). The main contribution came from the expanding trade surplus, which reached €17 billion, driven both by the surplus on non-energy products and by the contraction in the energy deficit.

Capital inflows continue ...

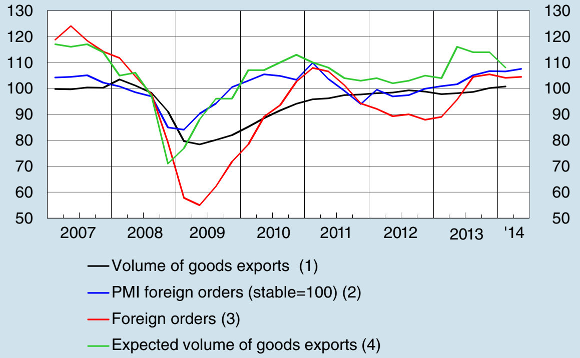
Italy continued to record capital inflows. Between January and May foreign investors made substantial net purchases totalling €75 billion of mostly medium- and long-term Italian government securities, sharply up on the €13 billion recorded in 2013 as a whole. Non-resident investors also showed sustained interest in bank and corporate bonds, and in equity securities.

... benefiting the TARGET2 balance

Strong private capital inflows led to a marked fall in the Bank of Italy's debtor position on the TARGET2 European payment

Figure 22

Export volumes, foreign orders and firms' expectations
(seasonally adjusted quarterly data)



Sources: Istat, Markit and Thomson Reuters Datastream.
(1) Index, 2007=100 (national accounts data). – (2) PMI quarterly average plus 50. – (3) Quarterly average based on Istat's monthly survey of firms' opinions on the economic outlook; percentage balance of replies of "increasing" and "decreasing" minus the average, plus 100 – (4) Based on Istat's quarterly survey of firms' opinions on the economic outlook for the next three months; percentage balance between "favourable" and "unfavourable" replies plus 100.

Table 3

Italy's balance of payments (1)
(billions of euros)

	2012	2013	Jan.-May 2013	Jan.-May 2014
Current account	**-4.1**	**15.5**	**-4.0**	**3.0**
Goods	17.0	37.2	11.2	17.0
non-energy products (2)	*78.7*	*90.5*	*33.7*	*35.6*
energy products (2)	*-61.7*	*-53.3*	*-22.5*	*-18.6*
Services	0.9	2.6	-0.5	-1.2
Income	-6.7	-9.8	-6.3	-4.4
Current transfers	-15.2	-14.5	-8.4	-8.3
Capital account	**3.9**	**-0.1**	**-2.5**	**-1.2**
Financial account	**13.4**	**-24.7**	**-3.0**	**-10.2**
Direct investment	-6.1	-11.4	8.2	0.1
Portfolio investment	25.9	14.6	2.0	73.4
Financial derivatives	-5.7	-3.0	-2.3	2.9
Other investment	0.8	-23.4	-9.1	-86.8
Change in official reserves	-1.5	-1.5	-1.8	0.2
Errors and omissions	**-13.2**	**9.3**	**9.4**	**8.4**

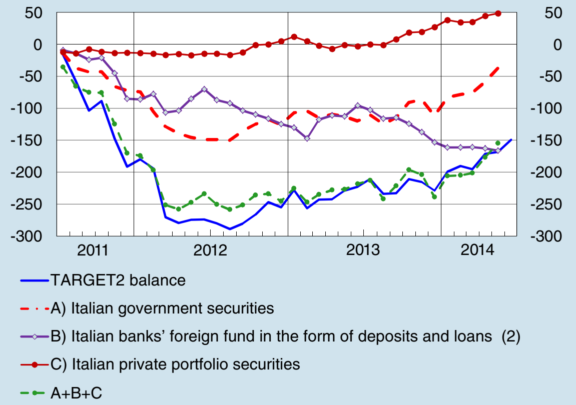
(1) For April and May 2014, provisional data. – (2) Based on Istat foreign trade data.

system: at end-June this was around €150 billion, down by almost half from the peak recorded in August 2012. The improvement has been steady in the first half of this year, intensifying after the introduction of the negative rate on deposits with the Eurosystem, which led to a further reduction in the fragmentation of the markets (Figure 23; see the box "The monetary policy measures adopted in June 2014").

Italy's international investment position was negative at the end of March by €506.5 billion, or 32.4 per cent of GDP. Net liabilities increased by 3 percentage points with respect to the end of 2013 but this was wholly attributable to valuation adjustments. In particular narrowing spreads and rising share prices resulted in higher prices of the Italian securities in non-residents' portfolios, which are recorded as external liabilities at market value.

Figure 23

Cumulative capital flows of non-residents and TARGET2 balance (1)
(billions of euros)



(1) Monthly data. Bank of Italy's TARGET2 balance vis-à-vis the ECB at the end of the month; for the other variables, cumulative capital flows of non-residents from July 2011 onwards. – (2) Including funds intermediated by resident central counterparties.

2.5 THE LABOUR MARKET

The decline in employment under way since the middle of 2012 came to a halt at the beginning of the year. Due to the increase in labour market participation, typical of improvements in the business cycle, however, the number of unemployed persons rose further, especially among the long-term jobless and the young. Early indications for April and May confirm that employment is stable and suggest that the unemployment rate, after rising for twelve consecutive quarters, is settling at the levels recorded in the first three months of the year.

Employment stabilizes

According to national accounts data the stabilization of employment in the first quarter of 2014 (down by 0.1 per cent on the previous quarter; Table 4), reflected uneven developments across sectors. In industry excluding construction the number of workers remained the same, while in construction and private services it continued to decline. There were especially sharp drops in wholesale and retail trade, accommodation and food services, and transport, which are weighed down by persistently weak domestic demand (see Section 2.1). While self-employment declined, an encouraging sign is the slight expansion in salaried employment, the first such increase following six quarters of contraction. Preliminary data for April and May confirm the stabilization of employment levels.

The intensity of labour utilization remains limited

In the first quarter the total number of hours worked, adjusted for seasonal and calendar effects, fell slightly by 0.2 per cent on the previous period (Figure 24). The number of wage supplementation hours authorized remained unchanged from the previous quarter; preliminary data indicated a sharp reduction in the spring months. Hours worked per capita, a measure of the intensity of labour utilization, diminished slightly in the first quarter after indications of a pick-up in 2013. Like the number of workers, labour intensity declined in the private services sector, reaching its lowest level since 2008; in industry excluding construction it remained basically unchanged from the previous quarter and well below the levels prior to the crisis.

Table 4

Employment and unemployment (1)
(thousands of persons; millions of hours; percentage changes on the previous quarter)

	Persons/hours	Change			
	2014 Q1	2013 Q2	2013 Q3	2013 Q4	2014 Q1
Total persons in work (2)	**24,073**	**-0.5**	**-0.2**	**-0.2**	**-0.1**
of which: Industry excluding construction	*4,615*	*-0.4*	*-0.2*	*0.4*	*..*
Private services (3)	*10,013*	*0.3*	*-0.9*	*-0.1*	*-0.3*
Employees	*18,533*	*-0.5*	*-0.2*	*-0.4*	*0.1*
Self-employed workers	*5,540*	*-0.4*	*-0.1*	*0.7*	*-0.6*
Hours worked (2)	**10,559**	**0.1**	**-0.3**	**..**	**-0.2**
of which: Industry excluding construction	*1,909*	*0.6*	*0.7*	*0.6*	*-0.1*
Private services (3)	*4,740*	*0.6*	*-1.3*	*..*	*-1.0*
Employees	*7,350*	*0.2*	*-0.2*	*-0.1*	*..*
Self-employed workers	*3,210*	*-0.1*	*-0.4*	*0.3*	*-0.5*
Job seekers (4)	**3,236**	**1.3**	**1.6**	**1.9**	**1.1**
Labour force (4)	**25,569**	**-0.3**	**..**	**..**	**0.1**

Source: Istat.
(1)Seasonally adjusted. – (2) Quarterly national accounts. – (3) Excludes services to households and individuals. – (4) Labour force survey.

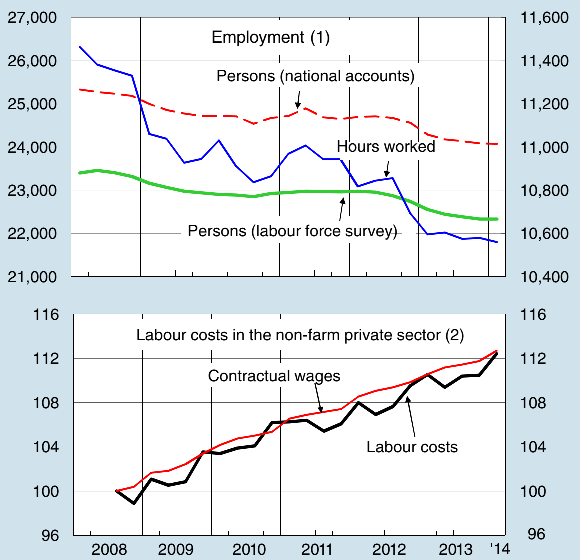
The increase in unemployment reflects greater labour market participation

The number of persons unemployed rose again in the first three months of the year, most markedly for the long-term component, mainly owing to the increase in the workforce (Table 4). The seasonally adjusted unemployment rate averaged 12.7 per cent for the period (Figure 25); it rose to 42.8 per cent among young people aged between 15 and 24, from 41.7 per cent at the end of 2013. Given the lower participation rate of this age group, the number of persons unemployed make up 11.4 per cent of the total reference population. Early indications for April and May show a seasonally adjusted unemployment rate averaging 12.6 per cent over the two months, the first time in three years that it has not risen.

In the first quarter, growth in hourly labour costs was modest overall (up by 1.7 per cent from a year earlier in the non-farm private sector), despite the payment of tranches and lump sums as part of contract renewals in sectors of industry and services that account for about one third of the total wage bill. Cyclical growth in hourly productivity amounted to 0.7 per cent year-on-year in the first quarter while hourly unit labour costs in the non-farm private sector rose by 0.9 per cent.

Figure 24

Employment and labour costs
(seasonally adjusted quarterly data; thousands of persons; millions of hours; indices)



Sources: Istat labour force survey, quarterly national accounts, and releases on collective labour contracts and contractual wages.
(1) Persons in employment as defined in the quarterly national accounts and the labour force survey; hours worked as defined in the quarterly national accounts (right-hand scale), calendar-adjusted. – (2) Contractual wages per hour worked and hourly labour costs for employees as defined in the quarterly national accounts (2008 Q3=100).

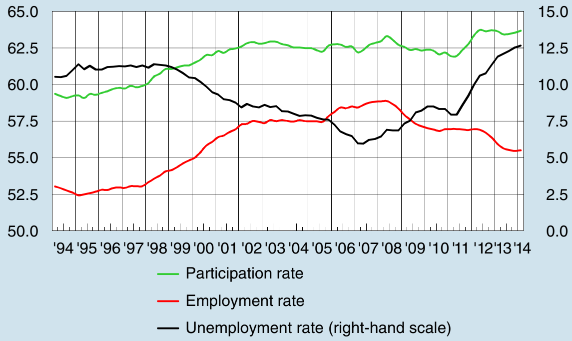
Labour market prospects remain stable

With continued low labour utilization, the firms interviewed by Istat do not anticipate any recovery in labour demand in the next few months. According to our assessments, in the two years 2014-15 the increase in labour costs is likely to continue at its current pace.

Figure 25

Participation, unemployment and employment rates

(seasonally adjusted quarterly data; per cent)



Source: Istat, labour force survey.

2.6 PRICE DEVELOPMENTS

Inflation declined again in the spring, more sharply than analysts had expected; this reflected both the decline in the prices of the more volatile components and the deceleration of core inflation, which is suffering from the weakness of economic activity and the labour market. Forecasters expect that inflation will increase only gradually over the next two years.

Inflation is close to zero ...

In the second quarter consumer price inflation as measured by the HICP declined gradually, to 0.4 per cent in May and 0.2 per cent in June (Table 5 and

Table 5

Indicators of inflation in Italy

(12-month percentage changes)

	HICP (1)			CPI (2)			PPI (3)
	Overall index	Excl. energy and food	Overall index at constant taxation (4)	Overall index	At 1 month (5)	Excl. energy and food	Overall index
2011	2.9	2.0	2.6	2.8	–	1.3	5.1
2012	3.3	2.0	2.5	3.0	–	1.7	4.1
2013	1.3	1.3	1.1	1.2	–	1.1	-1.2
2013 – Jan.	2.4	1.7	2.2	2.2	0.2	1.6	0.7
Feb.	2.0	1.4	1.9	1.9	..	1.3	0.5
Mar.	1.8	1.5	1.7	1.6	0.1	1.4	..
Apr.	1.3	1.2	1.1	1.1	-0.2	1.1	-1.1
May	1.3	1.4	1.1	1.1	..	1.3	-1.1
June	1.4	1.2	1.3	1.2	0.1	1.1	-0.7
July	1.2	1.0	1.1	1.2	0.1	1.1	-1.5
Aug.	1.2	1.2	1.2	1.2	0.2	1.1	-2.4
Sept.	0.9	1.3	0.9	0.9	..	1.2	-2.2
Oct.	0.8	1.2	0.3	0.8	-0.1	1.1	-2.5
Nov.	0.7	1.1	0.2	0.7	-0.1	1.1	-2.3
Dec.	0.7	0.9	0.3	0.7	0.1	0.8	-2.1
2014 – Jan.	0.6	0.9	0.3	0.7	0.2	0.9	-1.5
Feb.	0.4	0.9	0.1	0.5	-0.1	0.9	-1.7
Mar.	0.3	0.9	-0.1	0.4	..	0.8	-1.9
Apr.	0.5	1.1	0.2	0.6	..	1.0	-1.7
May	0.4	0.8	..	0.5	-0.1	0.7	-1.7
June	0.2	0.7	-0.2	0.3	-0.1	0.7	....

Sources: Based on Istat and Eurostat data.
(1) Harmonized index of consumer prices. – (2) Consumer price index for the entire resident population; this differs from the harmonized index principally on account of the different method of recording the prices of pharmaceutical products and promotional sales. – (3) Index of producer prices of industrial products sold on the domestic market. – (4) Index calculated by Istat by subtracting from sales prices the impact of indirect tax changes, on the assumption that these were passed on immediately and in full. – (5) Overall index, seasonally adjusted.

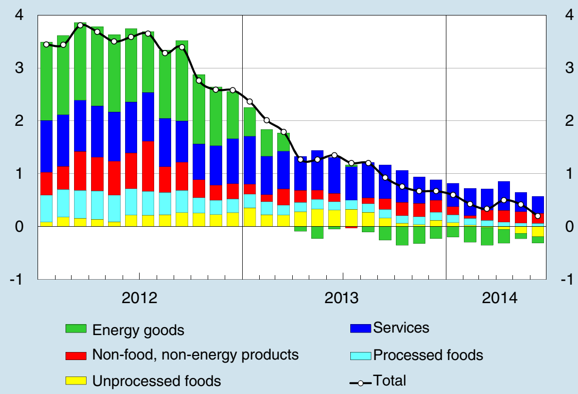
Figure 26). The drop in the prices of energy and food products steepened. Net of these components inflation fell to one of the lowest levels on record (0.7 per cent), owing to the protracted weakness of domestic demand.

Prices moderate across the board ... The moderation of price rises has involved a large number of the individual items within the HICP basket. In June, around one quarter of these recorded negative twelve-month variations and 61 per cent rises of less than 1 per cent, the highest share since 2001. In May the twelve-month variation in producer prices was once again negative (-1.7 per cent), owing to the continuing fall in energy prices (-4.6 per cent), while the twelve-month rate of increase in the producer prices of final consumption goods came to 1 per cent.

Figure 26

Consumer price inflation in Italy and its components (1)

(monthly data; 12-month percentage changes and percentage points)



Source: Based on Eurostat data.
(1) Harmonized index of consumer prices.

... and the pressures remain downward The firms polled in the June quarterly survey conducted by the Bank of Italy and *Il Sole 24 Ore* expect modest adjustments to list prices in the coming months; pricing policies are being affected by persistently weak domestic demand and competitive pressures in a context of moderating input prices. Similar indications come from the June release of the Purchasing Managers Index with regard to firms' assessments of trends for their own selling prices.

Inflation expectations are also falling In June the professional analysts surveyed by Consensus Economics lowered their monthly consumer price inflation forecast for 2014 in Italy to 0.6 per cent: it was 1.1 per cent in January. Expectations for 2015 were also trimmed to 1.0 per cent from 1.3 per cent. For longer-term horizons too the firms interviewed in the latest Bank of Italy-*Il Sole 24 Ore* survey said they expect consumer price inflation to be modest, at 1.2 per cent in period 2016-18. Looking ahead, the drop in inflation could affect wage developments: Istat's recent estimates for the HICP index net of imported energy products, which serves as a collective bargaining benchmark, indicate an annual average increase of 1.2 per cent in the three years 2014-16.

2.7 BANKS

Lending to firms has declined further, reflecting the weak economic outlook and, less than in the past, tight supply conditions. Business surveys show that problems in accessing credit have eased in recent months. The cost of new loans to the productive economy is falling, though it remains noticeably higher than the euro-area average. The flow of new bad debts continues to diminish.

Banks' funding from residents remains solid From the end of February to the end of May, Italian banks' retail funding from resident savers increased by €27 billion (Table 6); its twelve-month growth rate rose from 1.4 to 2.6 per cent, chiefly as a result of developments in household deposits. Over the same period there was also a slight increase in non-residents' deposits, consisting mostly of interbank funds. Net bond placements declined, both at bank branches and on the wholesale market.

Table 6

Main assets and liabilities of Italian banks (1)

	End-of-month stocks (2)		12-month percentage changes (3)	
	February 2014	May 2014	February 2014	May 2014
Assets				
Loans to Italian residents (4)	1,847	1,834	-3.2	-2.8
To firms (5)	*835*	*822*	*-5.1*	*-4.7*
To households (6)	*600*	*598*	*-1.2*	*-1.0*
Claims on central counterparties (7)	68	59	-17.4	-27.0
Debt securities excluding bonds of resident MFIs (8)	545	547	4.6	-3.5
Securities of Italian general government entities	*403*	*413*	*6.6*	*-1.8*
Claims on the Eurosystem (9)	20	16	-36.7	-32.4
External assets (10)	282	290	-9.6	-5.6
Other assets (11)	1,291	1,250	-6.4	-7.9
Total assets	**4,054**	**3,996**	**-4.3**	**-5.4**
Liabilities				
Deposits of Italian residents (4) (12) (13)	1,247	1,274	1.4	2.6
Deposits of non-residents (10)	304	309	-6.0	-6.1
Liabilities towards central counterparties (7)	120	98	4.4	-34.4
Bonds (13)	520	505	-9.0	-6.5
Liabilities towards the Eurosystem (9)	214	216	-23.7	-16.5
Liabilities connected with transfers of claims	146	137	-3.9	-11.4
Capital and reserves	405	405	5.8	5.8
Other liabilities (14)	1,099	1,052	-7.2	-9.9
Total liabilities	**4,054**	**3,996**	**-4.3**	**-5.4**

Source: Supervisory reports.
(1) The figures for May 2014 are provisional. – (2) Billions of euros. – (3) Adjusted for reclassifications, value adjustments and exchange rate variations. Loans to firms and households are adjusted for securitizations. – (4) Excludes transactions with central counterparties. – (5) Harmonized definition; excludes producer households. – (6) Harmonized definition; includes producer households, non-profit institutions serving households and units not classified elsewhere. – (7) Only repos. – (8) Excludes bonds of resident MFIs, i.e. banks and money market funds. – (9) Accounts with the Eurosystem for monetary policy operations; see Supplements to the Statistical Bulletin, Monetary and Financial Indicators, Money and Banking, Tables 1.4a and 1.4b. – (10) In the period considered these refer mainly to interbank transactions. – (11) Bonds issued by resident MFIs, loans to resident MFIs, shares and other equity of resident companies, cash, money market fund units, derivatives, movable and immovable goods, and other, minor items. – (12) Excludes liabilities connected with transfers of claims. – (13) Excludes liabilities towards resident MFIs. – (14) Bonds held by resident MFIs, deposits of resident MFIs, money market fund units, derivatives and other, minor items.

The supply strains on bank lending are subsiding ...

Recent qualitative surveys indicate that the restrictions on credit supply are easing gradually, even if banks' lending policies – especially vis-à-vis small and medium-sized firms – are still cautious, in consideration of high credit risk. Business surveys confirm that the improvement in credit access is still very modest in the case of small firms (see the box "Credit supply and demand").

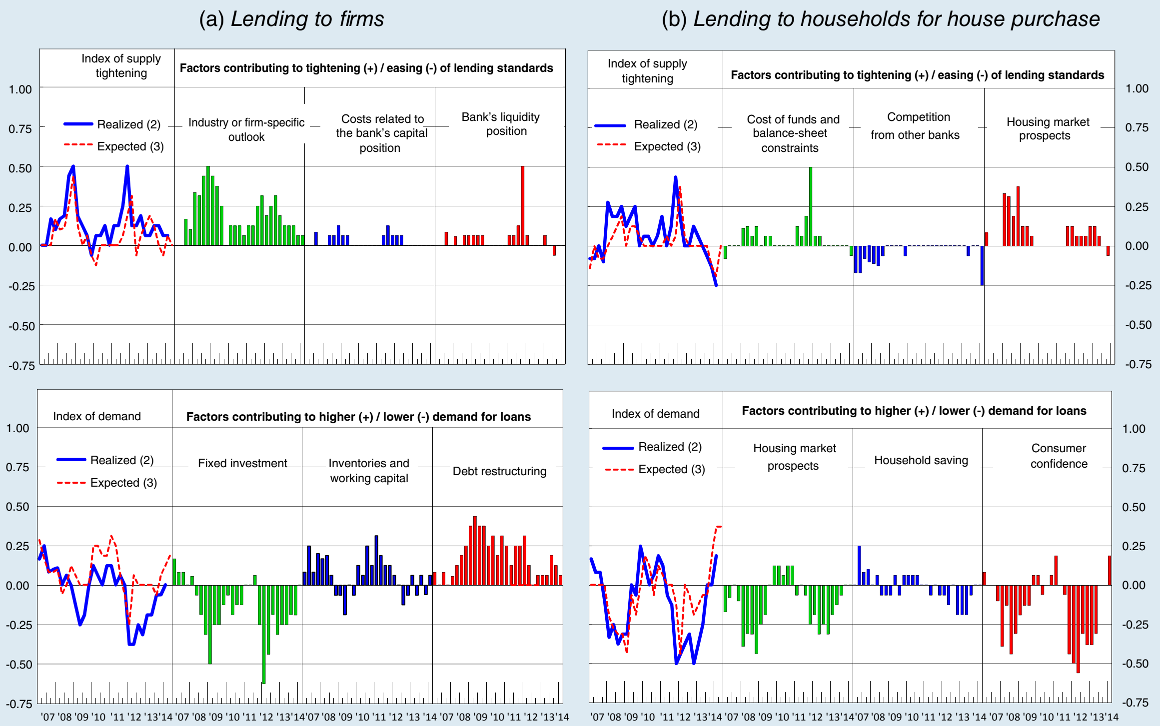
CREDIT SUPPLY AND DEMAND

According to the banks interviewed in Italy as part of the quarterly euro-area bank lending survey, in the first quarter of 2014 credit standards for loans to firms had remained basically unchanged at slightly restrictive levels, continuing to reflect the perception of credit risk (Figure A).[1] Lending

[1] Eight leading Italian banking groups took part in the survey, which was completed on 8 April. The results for Italy are available at www.bancaditalia.it and those for the euro area at www.ecb.int. The responses concerning assessments for the second quarter of 2014 and expectations for the next quarter will be published on 30 July.

Figure A

Supply conditions and trends in credit demand in Italy (1)



Source: Euro-area Bank Lending Survey.
(1) Positive values indicate supply restriction/demand expansion compared with the previous quarter. Diffusion indices are constructed on the basis of the following weighting scheme. For supply conditions: 1 = tightened considerably, 0.5 = tightened somewhat, 0 = basically unchanged, -0.5 = eased somewhat, -1 = eased considerably; for demand: 1 = increased considerably, 0.5 = increased somewhat, 0 = basically unchanged, -0.5 = decreased somewhat, -1 = decreased considerably. The range of variation of the index is from -1 to 1. – (2) Refers to the quarter ending at the time of the survey. – (3) Forecasts made in the preceding quarter.

standards for loans to households for house purchase instead recorded a further easing – in particular as a result of the pressure of greater competition – implemented mainly through a reduction of the margins applied.

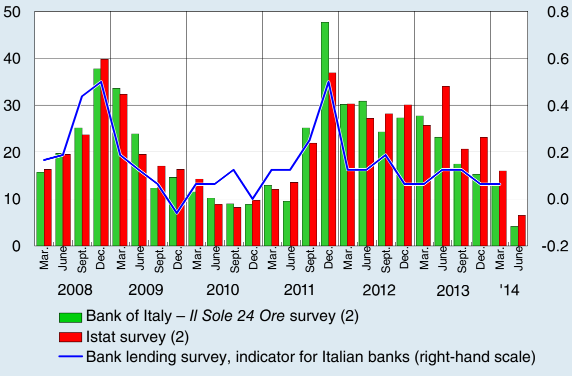
In their assessments, the banks indicated a break in the contraction in firms' demand for loans, mainly as a result of the growth of fixed investment; households' demand for mortgage loans increased, benefiting from the improvement in consumer confidence.

The latest business surveys indicate a moderation of the tensions affecting credit supply (Figure B), which was more pronounced for medium-sized and large firms.

According to the quarterly survey conducted in June by the Bank of Italy and *Il Sole 24 Ore*, the net percentage of medium-sized and large

Figure B

Indicators of credit access conditions for businesses in Italy (1)



(1) The Bank of Italy – *Il Sole 24 Ore* survey and the Istat survey are conducted respectively on a sample of firms in industry and services and in manufacturing. The Istat result is taken from the end-of-quarter survey; in the month of June 2013 some methodological changes involving the sample and data observation techniques were made, precluding direct comparison with previous periods. For the bank lending survey, see Figure A. – (2) Net percentages of firms reporting difficulty in obtaining credit.

firms (with 50 or more employees) reporting difficulties in obtaining credit decreased in the second quarter of 2014 to 4.1 per cent from 13.2 per cent in the first quarter.[2] For firms in the service sector, obtaining bank financing remains more difficult: the corresponding indicator fell to 8.7 per cent, from 13.0 per cent.

Similar indications are contained in Istat's monthly survey, which is specific to manufacturing firms: in June the net percentage of firms reporting less favourable conditions of creditworthiness than in the previous month fell to 6.5 per cent (from 16.0 per cent in March). According to the sample firms, the improvement mainly took the form of lower interest rates and was more marked for medium-sized and large firms. The share of firms reporting that they had not obtained the financing they had requested was nevertheless still 13.1 per cent (compared with 14.7 per cent in March); it was higher for small firms (16.6 per cent, against 17.2 per cent in March).

[2] The net percentage is calculated as the difference between the percentage of replies indicating a tightening of lending standards and the percentage of those indicating an easing.

... but the volume of loans continues to shrink

Bank lending to the non-financial private sector nevertheless fell further, at a seasonally adjusted annual rate of 2.0 per cent in the three months ending in May (Figure 27). Lending was affected – on the demand side as well – by the weakness of economic activity (see Section 2.2). Lending to non-financial corporations showed another steep drop of 3.1 per cent, while that to households almost stabilized (down by 0.4 per cent).

The cost of credit to firms and households declines

Between February and May the average cost of new loans to firms came down by 0.2 percentage points to 3.3 per cent (Figure 28). The decline involved both loans smaller than €1 million and larger loans, their respective interest rates falling to 4.2 and 2.6 per cent. The differential between the rates on new business loans between Italy and the euro area also narrowed, by 10 basis points, to 70 basis points. The average cost

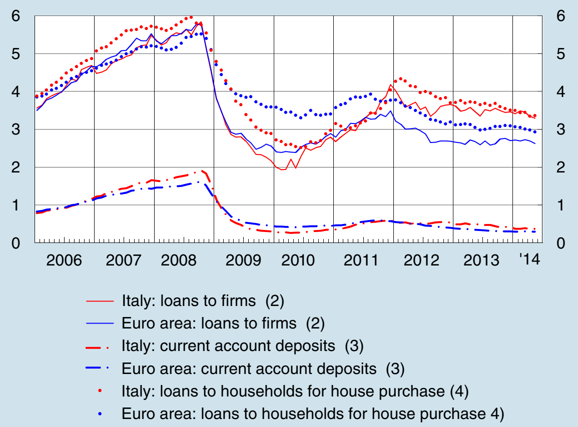
Figure 27

Growth in bank lending to the non-financial private sector (1)
(monthly data; percentage changes)

(1) Includes bad debts, repos and the loans not reported in banks' balance sheets because they have been securitized. The percentage changes are calculated net of reclassifications, exchange rate variations, value adjustments and other variations not due to transactions. – (2) Seasonally adjusted.

Figure 28

Bank interest rates (1)
(monthly data; per cent)



Sources: Bank of Italy and ECB.
(1) The data on lending and deposit rates refer to transactions in euros and are gathered and processed using the Eurosystem's harmonized method. – (2) Average rate on new loans to firms. – (3) Average rate on current accounts of households and firms. – (4) Average rate on new loans to households for house purchase.

of new mortgage loans to households diminished by a tenth of a percentage point to 3.4 per cent, remaining 40 basis points above the area-wide average.

The new bad debt ratio falls further

The ratio of new bad debts to outstanding loans to firms, still high, has continued to decline. On a seasonally adjusted annual basis it came to 4.1 per cent in the first quarter (compared with 4.8 per cent in the third quarter and 4.5 per cent in the fourth quarter of 2013). On loans to consumer households the ratio, much lower to begin with, came down by a tenth of a point to 1.2 per cent. Preliminary data indicate that the improvement has continued. In the period April-May banks' total exposure to borrowers with loans reported as bad debts for the first time was 20 per cent lower than twelve months earlier; it also diminished by comparison with February-March on a seasonally adjusted basis.

The profitability of the major groups is stable

According to consolidated quarterly financial statements, in the first quarter of 2014 the profitability of the five largest Italian banking groups was broadly unchanged from a year earlier. Annualized ROE came to 2.9 per cent, compared with 2.7 per cent in the first quarter of 2013. The decline of 0.8 per cent in net interest income, due largely to a contraction in the volume of lending, and a 9.9 per cent fall in fee income pushed gross income down by 5.3 per cent. Despite a further reduction of 2.2 per cent in operating costs, operating profit fell by 9.6 per cent. Loan loss provisioning diminished by 9.1 per cent.

The new capital rules for banks (Basel III), as defined in Europe by the CRD IV-CRR legislative package, have been in force since the 1st of January. Under transitional national rules – in Italy the new regulations will be fully phased in by 2018 – the new common equity tier 1 ratio, which measures the highest-quality capital and is not directly comparable to the previous core tier 1 ratio, averaged 10.9 per cent for the five largest groups at the end of March. Under the previous definition, their average core tier 1 ratio had been 10.4 per cent at the end of the year. The new tier 1 and total capital ratios were 11.3 and 14.8 per cent respectively.

2.8 THE FINANCIAL MARKETS

Conditions in Italy's financial markets continued to improve in the second quarter. Following the announcement of new expansionary measures by the ECB, sovereign risk premiums diminished again, as did risk premiums for private sector bonds, leading to a fresh fall in the cost of public and private bond funding. The general index of the Italian stock exchange, which was stable in the second quarter, fell in the first half of July owing to negative developments in the banking sector, in part as a result of fears triggered by the troubles at one of Portugal's main banks.

Italian government yield spreads decline ...

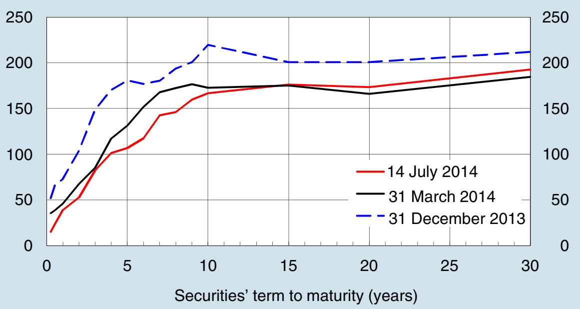
From the end of March onwards, the yield spreads between Italian and German government bonds diminished, in part after expectations of new expansionary measures by the ECB gained strength. Spreads narrowed again at the beginning of June following the decisions adopted by the Governing Council. Between the end of March and 14 July the yields on ten-year Italian securities declined by 40 basis points, to 2.9 per cent, while the spreads over the corresponding German securities narrowed by 5 basis points, to 168 points (Figure 29).

... as do those on private debt

The reduction in risk premiums also involved private sector debt. The yield spreads between bonds issued by Italian non-financial corporations and investment grade euro-area government securities came down by 19 basis points from the end of March. The largest Italian banks' CDS spreads diminished by 23 basis points, to 141 basis points; the gap

Figure 29

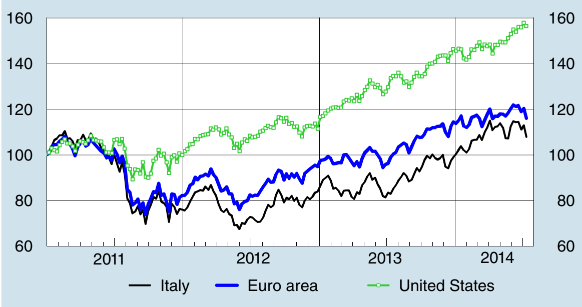
Term structure of the yield spread between Italian and German government securities
(basis points)



Source: Based on Bloomberg data.

Figure 30

Share prices (1)
(end-of-week data; indices, 31 December 2010=100)



Source: Thomson Reuters Datastream.
(1) Indices: for Italy, FTSE Italia MIB storico; for the euro area, Dow Jones Euro Stoxx; for the United States, Standard & Poor's 500.

with respect to the average for the major German and French banks narrowed to 83 and 75 basis points respectively.

Bank bond placements continue but at a slower pace than redemptions

In the first quarter of 2014 net redemptions of bonds by banks both in Italy and in the euro area continued, reflecting the high volumes of maturing securities (€49 billion and €116 billion respectively; Table 7). However, according to provisional Dealogic data on gross issues only, in the second quarter of 2014 Italian banks made placements amounting to €14 billion (compared with €18 billion in the previous quarter), including €6 billion of uncollateralized securities.

The general stock exchange index falls in July

At the beginning of July share prices, which were stable in the second quarter, fell in Italy and in the euro area as a whole (Figure 30). In Italy prices declined sharply in the services, banking and automobile sectors (by 16, 12 and 7 per cent) while they made gains in the petroleum products sector and in telecommunications (of 6 and 2 per cent). The expected volatility of share prices, derived from the prices of stock index options, declined slightly.

Table 7

Net bond issues (1)
(billions of euros)

	Banks	Other financial corporations	Non-financial corporations	Total
		Italy		
2012	83.2	-5.6	12.7	90.3
2013	-80.3	-16.7	22.4	-74.5
2013 – Q1	-29.8	-3.2	3.8	-29.2
Q2	-14.8	-2.5	3.5	-13.9
Q3	-21.5	-3.4	8.6	-16.3
Q4	-14.2	-7.5	6.6	-15.2
2014 – Q1	-48.5	-8.5	3.3	-53.8
		Euro area		
2012	5.7	-0.7	124.3	129.3
2013	-352.8	-46.4	87.7	-311.6
2013 – Q1.	-117.8	-17.4	18.0	-117.1
Q2	-99.3	15.9	12.0	-71.4
Q3	-92.2	-12.5	32.7	-72.0
Q4	-43.5	-32.5	25.0	-51.0
2014 – Q1	-115.7	-28.2	18.2	-125.7

Sources: Bank of Italy and ECB.
(1) Bonds with a maturity at issue of more than one year, at face value, issued by companies resident in Italy or the euro area. Net issues are equal to the difference between the face value of the securities placed and that of the securities redeemed.

There are substantial net inflows to investment funds

According to Assogestioni data, in the first quarter of 2014 the net inflow of savings to Italian and foreign open-end investment funds jumped to €25 billion, against €6 billion in the fourth quarter of 2013. Net inflows were particularly high for flexible and bond funds, while money market and hedge funds registered net outflows.

2.9 PROJECTIONS

The scenario is still uncertain

According to the forecasts for 2014-15 presented in this *Bulletin* the Italian economy will expand by about 0.2 per cent this year, but with downside risks; it will then resume growing by 1.3 per cent next year (Table 8 and Figure 31). The poor performance in the first quarter has entailed a lowering of the growth estimate for the year as a whole. The expected improvement will come from the fading of the effects of previous years' budget corrections, the good performance of international trade, the further easing of financial tensions, and the impact of the ECB's new monetary policy measures. However, the prospects of recovery are still fragile, partly owing to the uncertain evolution of geopolitical tensions and their transmission to world trade (see Section 1.1 and the box "Technical assumptions and the international context").

Monetary conditions are sustaining economic activity

The projections are based on assumptions for interest rates that are consistent with the expansionary stance of monetary policy, which has been strengthened by the measures approved in June by the ECB's Governing Council (see Section 1.2). The markets expect the three-month interest rate to remain at about 0.2 per cent for the rest of this year and the next. The spread between ten-year Italian government securities and German Bunds is projected to be stable at about 170 basis points. Against this background, the new monetary policy measures and the recovery in economic activity should foster a return to more relaxed conditions on the credit market (see the box "Credit supply and demand").

Table 8

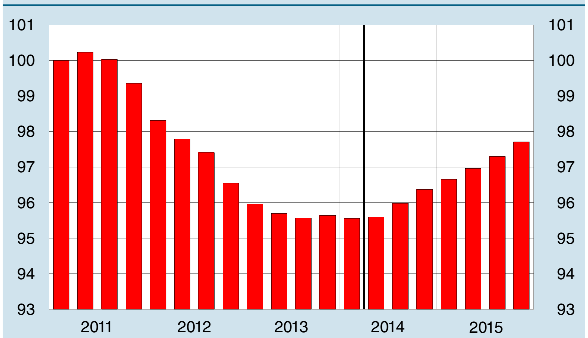
Macroeconomic scenario in Italy
(percentage changes on previous year, unless otherwise indicated)

	2013	2014	2015
GDP (1)	-1.8	0.2	1.3
Household consumption	-2.6	0.2	1.1
Government consumption	-0.8	0.0	0.4
Gross fixed investment	-4.6	-0.7	2.3
of which: in machinery, equipment and transport equipment	*-2.2*	*0.7*	*3.6*
Total exports	0.0	3.4	4.7
Total imports	-2.9	1.7	4.9
Change in stocks (2)	-0.1	-0.4	0.0
HICP	1.3	0.4	0.8
HICP net of food and energy	1.3	0.8	0.9
Employment (3)	-1.9	-0.6	0.3
Unemployment rate (4)	12.2	12.7	12.6
Export competitiveness (5)	-2.9	-0.1	0.1
Current account balance (6)	1.0	1.8	1.8

Sources: Based on Bank of Italy and Istat data.
(1) For GDP and its components: chain-linked volumes; changes estimated on the basis of quarterly data adjusted for seasonal and calendar effects. – (2) Includes valuables. Contribution to GDP growth; percentage points. – (3) Standard labour units. – (4) Annual averages; per cent. – (5) Calculated by comparing the price of foreign manufactures with the deflator of Italian merchandise exports (excluding energy and agricultural products); a positive value indicates a gain in competitiveness. – (6) Per cent of GDP.

Figure 31

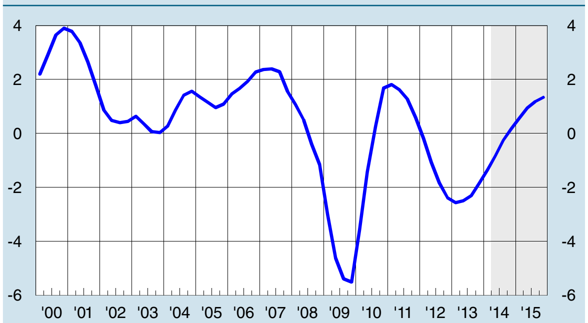
GDP projections: quarterly profile (1)
(levels, 2011 Q1=100)



Sources: Based on Bank of Italy and Istat data.
(1) Adjusted for seasonal and calendar effects. Up to the first quarter of 2014, actual data; for subsequent quarters, projections.

Figure 32

Gross domestic product (1)
(quarterly data; percentage changes on year-earlier period; 4-term moving averages)



Sources: Based on Bank of Italy and Istat data.
(1) Adjusted for seasonal and calendar effects. Up to the first quarter of 2014, actual data; for subsequent quarters, projections; the value for the fourth quarter of each year coincides with the annual average rate of change.

TECHNICAL ASSUMPTIONS AND THE INTERNATIONAL CONTEXT

Our macroeconomic scenario is based on the assumptions listed in the Table, which are in line with those underlying the projections for the euro area agreed by the central banks of the Eurosystem and presented by the ECB in the June issue of its *Monthly Bulletin*; they have been updated here to take account of the latest cyclical developments.

Assumptions for the main exogenous variables
(percentage changes on the previous year unless otherwise indicated)

	2013	2014	2015
World trade	2.6	3.7	5.5
Potential foreign demand	1.5	3.3	4.9
Dollar/euro (1)	1.33	1.37	1.36
Nominal effective exchange rate (2)	-2.5	-0.6	0.3
Crude oil price (3)	108.8	109.5	106.5
Three-month Euribor (1)	0.2	0.2	0.2
1-year BOT rate (1)	1.0	0.4	0.4
10-year BTP rate (1)	4.3	3.2	3.4

Sources: Based on Bank of Italy and Istat data.
(1) Annual averages. – (2) Positive changes indicate a depreciation. – (3) Dollars per barrel, Brent.

World trade is expected to expand by around 4 per cent in 2014 and to accelerate to 5.5 per cent in 2015. Compared with January's *Economic Bulletin*, the pace of growth in international trade has been revised downward by over one percentage point for this year and by around half a point for 2015. Growth in foreign demand, weighted according to the importance of the markets for Italian exports, is forecast to be below that of international trade by around half a percentage point each year.

The assumptions for exchange rates, interest rates and oil prices have been updated in the light of the market data in the ten working days through 14 July 2014. On the basis of futures contracts, the price of a barrel of Brent crude oil, which was $108.8 in 2013, is assumed to rise to $109.5 in 2014 and then drop to $106.5 in 2015.

Three-month interest rates, calculated on the basis of Euribor futures, are assumed to stay at around 0.2 per cent in both 2014 and in 2015. The long-term interest rate on ten-year BTPs is set to diminish by about 110 basis points in 2014, to 3.2 per cent, before rising to 3.4 per cent in 2015. The euro is expected to appreciate slightly with respect to the average levels recorded in 2013; the dollar-euro exchange rate is forecast to be equal to 1.37 in 2014 and 1.36 in 2015.

As usual, the forecasts for the Italian public finances take account of the measures already enacted, in particular those to support household income and productive activities approved in Decree Laws 66/2014 and 91/2014. The forecasting scenario also assesses the effects of the decision to settle €47 billion of general government debts in the two years 2013-14 (see the box "General government commercial debts", *Economic Bulletin*, No. 2, 2014).

Our estimates for GDP growth in 2014 are about 0.5 percentage points lower than the projections published in January's *Economic Bulletin* (Figure 32). The main reasons for the downward revision are the pattern of GDP growth in the first quarter of the year and estimated for the second (see Section 2.1). However, the projections for 2015 are better than anticipated in January, by 0.3 percentage points, reflecting above all the more expansionary stance of monetary policy (see the box "The impact of the recent monetary policy measures").

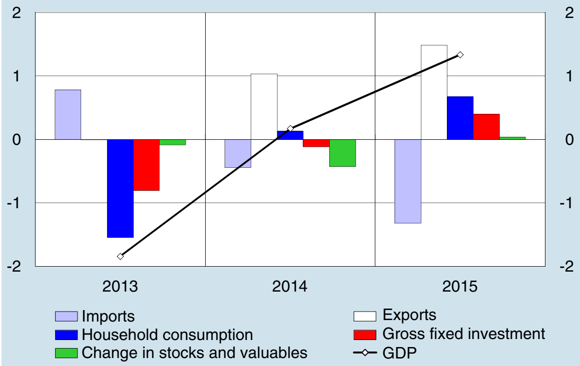
Output is buoyed by exports ...

Economic growth will continue to be sustained by foreign sales. Exports are projected to increase at a rapid pace as world trade gathers momentum (Figure 33). However, our estimates assume that export growth will be less than the expansion of potential demand in Italy's markets owing to the loss of price competitiveness associated with the appreciation of the euro, which has been only partially reversed recently (the technical assumptions are based on the exchange rate recorded between 1 and 14 July; see the box "Technical assumptions and the international context").

Figure 33

GDP growth and contributions of the main demand components and imports (1)

(percentage points)



Sources: Based on Bank of Italy and Istat data.
(1) Adjusted for seasonal and calendar effects.

... but a return to growth depends on a revival of investment

The resumption of growth depends ineluctably on a strengthening of domestic demand. Our forecasting scenario assumes a recovery of investment in machinery and equipment (which expanded in the first quarter of 2014, after about three years of contraction); the improved outlook for demand and better financing conditions will make this possible. Investment in construction is expected to pick up more slowly, given the persistent weakness of the real estate market. Gross fixed investment, which contracted by about 13 per cent overall in 2012-13, is expected to become positive once more in 2015. A contribution to the recovery of investment will come from the injection of liquidity to firms as a result of the measures to speed up the payment of general government commercial debts, assuming these are implemented in full (the effect on GDP will be just over 0.5 percentage points in 2014-15; see the box "General government commercial debts", *Economic Bulletin*, No. 2, 2014), and the incentives to invest in production facilities introduced by the Government with Decree Law 91/2014, the impact of which should amount to about 1 percentage point on investment in machinery, equipment and transport equipment and 0.05 points on GDP.

THE IMPACT OF THE RECENT MONETARY POLICY MEASURES

The forecasting framework takes account of the effects on the Italian economy of the monetary policy measures adopted by the Governing Council of the ECB on 5 June, which are transmitted through the structure of interest rates, the exchange rate and the cost and availability of credit. The effects will materialize gradually over the next three years and are incorporated in the scenario described here for the part regarding 2014-15.

The reduction in the official interest rates, the introduction of a negative rate on the Eurosystem deposit facility and the implicit strengthening of forward guidance were transmitted, in the days following the decisions, to short- and long-term interest rates and the exchange rate (see the box "The monetary policy measures adopted in June 2014"). Overall, on the basis of the equations estimated in the Bank of Italy's quarterly model, the downward shift of the curve of short- and long-term market interest rates and the weakening of the exchange rate observed in the wake of the monetary-policy decisions (including the effect produced by the announcement of the measures in May) can be expected to produce an increase in GDP estimated at about half a percentage point at the end of the three years 2014-16, of which about half by the end of 2015.

The impact of the targeted longer-term refinancing operations (TLTROs) will be more gradual and uncertain: banks' use of this instrument will in fact be possible on an increasing scale over the whole period from September 2014 to June 2016 and will depend, after the first two tranches, on how fast their lending expands. Assuming these operations are widely used and that their effects are transmitted in full to credit conditions, the cumulative impact at the end of the three years 2014-16 could be up to half a percentage point; one third of this increase in GDP has been included in the scenario for 2014-15.

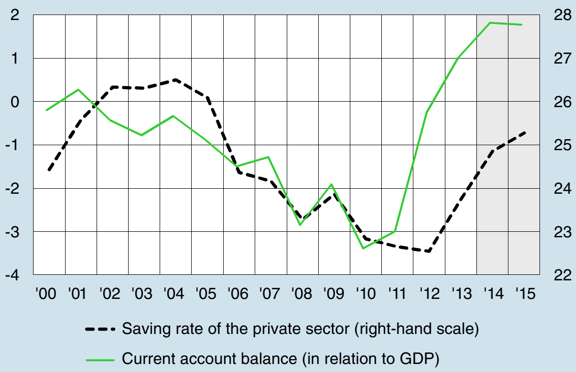
Household consumption picks up slowly

Consumption is expected to recover more slowly. Household spending, which increased marginally in the first quarter of this year after contracting for twelve quarters, is projected to stabilize this year and grow in 2015 with the upturn in disposable income. A boost should come from the Government's support measures for lower-income employees introduced in April of this year. Their net expansionary effect is estimated at about 0.2 percentage points on consumption and 0.1 on GDP in 2014-15. This estimate takes account of the restrictive effect of the measures included in the same decree to cover the expenditure. The measures to reduce the burden of taxation on labour could have a stronger impact (which is not considered in this scenario, however, which is based only on measures already passed) if they were maintained in the years to come, as the Government has announced, and perceived as part of a consistent, long-term economic policy strategy. The private sector's saving rate, which had been greatly reduced during the global crisis, is forecast to increase and by the end of the projection horizon to return close to its pre-crisis levels (Figure 34).

Figure 34

Saving rate and current account balance

(percentage points)



Sources: Based on Bank of Italy and Istat data.

The labour market stabilizes

The improvement in the economic situation will be transmitted to the labour market only gradually. Exployment is forecast to stabilize during the course of this year and then begin to expand again slightly in 2015, rising by 0.3 per cent in the economy as a whole and by 0.5 per cent in the private sector. However, labour supply, which had been held back in 2013 by worker discouragement, will also resume growing this year as the latter abates, keeping the unemployment rate high.

The balance of payments surplus widens ...

The balance of payments surplus is projected to continue even in the more favourable economic climate. Although imports will accelerate, led by the demand components with the largest foreign goods content (exports and investment in machinery), the growth in exports is expected to boost the current account surplus to almost 2 per cent of GDP.

... and fiscal consolidation continues

In this scenario, general government net borrowing is projected to decrease in 2015, while the primary surplus should stay above 2 per cent of GDP this year and next. The debt-to-GDP ratio should begin to decrease again in 2015.

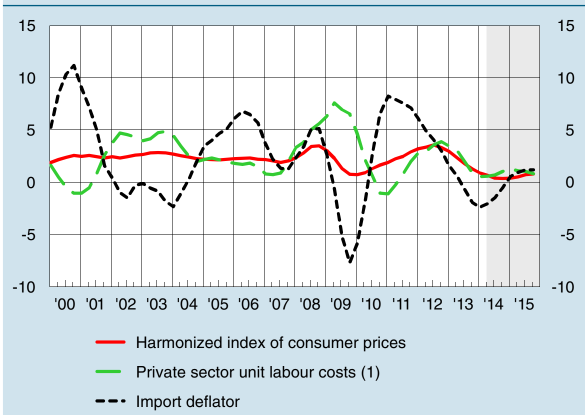
Inflation stays low

Although inflation will accelerate in 2015 to 0.8 per cent (Figure 35), it should remain extremely low

Figure 35

Main determinants of consumer price inflation

(quarterly data; percentage changes on year-earlier period; 4-term moving averages)



Sources: Based on Bank of Italy and Istat data.
(1) Net of energy and agriculture; calculated as the ratio of compensation per standard employee labour unit to output per standard labour unit; output is value added at factor cost.

for the whole of the forecasting horizon. The weakness of consumer prices can be ascribed largely to the domestic components: the GDP deflator is expected to grow by just over 1 per cent in 2015. The still ample idle production capacity and persistence of difficult employment conditions will affect both unit labour costs, which should rise by slightly less than 1 per cent a year in the private sector, and firms' profit margins; only a small part of the substantial decline in profits suffered in the last three years will be recouped. Our current projection for inflation is over 0.5 percentage points below the estimate published in the January *Economic Bulletin*. This reflects both the larger than expected decrease recorded in the first half of the year, caused by the core components, and the weaker performance of raw material prices.

The other growth projections

The growth projections for 2014 given here are less optimistic than those of the main international organizations, which in any case are less recent and do not take account of the performance of GDP in the first quarter of the year, which was considerably lower than forecast by all analysts, or of the cyclical data for the second quarter (Table 9). On the other hand, we predict a slightly stronger economic upturn in 2015, based on more favourable assumptions regarding monetary and financial conditions, partly in the wake of monetary policy decisions.

The scenario assumes consistent policies

This forecasting scenario assumes that the economic policy measures introduced in Italy to boost households' and firms' confidence in making investment and spending plans will be

Table 9

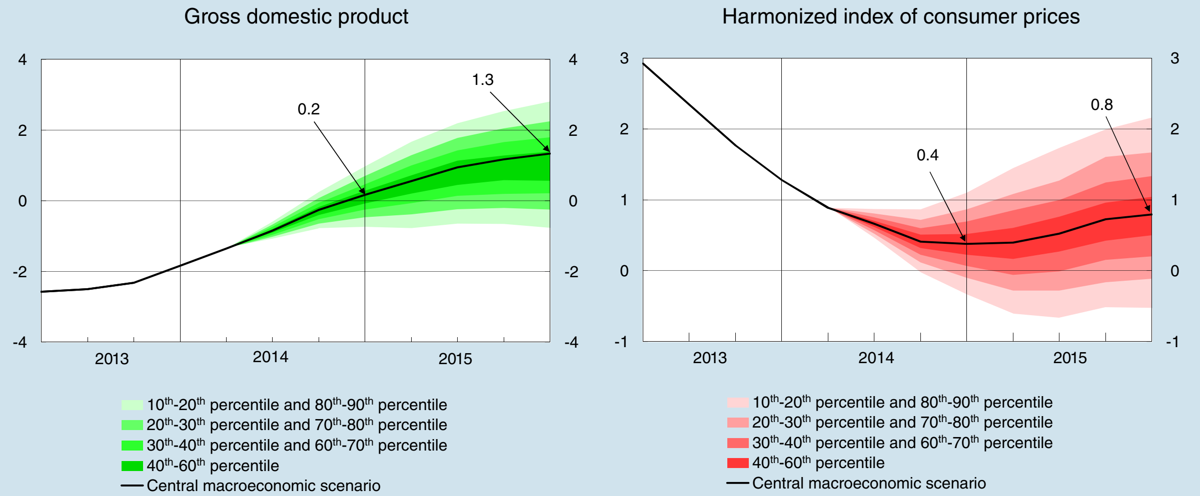
Other organizations' forecasts for Italy
(percentage changes on previous period)

	GDP (1)		Inflation (2)	
	2014	2015	2014	2015
IMF (April)	0.6	1.1	0.7	1.0
OECD (May)	0.5	1.1	0.5	0.9
European Commission (May)	0.6	1.2	0.7	1.2
Consensus Economics (June)	0.4	1.2	0.6	1.0

Sources: IMF, *World Economic Outlook*, April 2014; OECD, *Economic Outlook*, No. 95, May 2014; European Commission, *European Economic Forecast - Spring 2014*, May 2014; Consensus Economics, *Consensus Forecasts*, June 2014.
(1) The growth rate forecasts of the OECD are adjusted for calendar effects; those of the European Commission and the IMF are not. – (2) HICP.

Figure 36

Distribution of probabilities of GDP and HICP projections (1)
(percentage changes on year-earlier period; 4-term moving averages)



(1) The probability distribution is graphed, for percentile groups, by fan charts, based on stochastic simulations effected via random extractions from the shock distribution of the Bank of Italy quarterly econometric model. The distribution takes account of asymmetric shocks to the equations that reflect the main risk factors, by the procedure described in C. Miani and S. Siviero (2010) "A non-parametric model-based approach to uncertainty and risk analysis of macroeconomic forecasts", Banca d'Italia, *Temi di discussione (Working Papers)*, No. 758, 2010. The figure shows year-on-year percentage changes of 4-term moving averages. The value corresponding to the fourth quarter of each year coincides with the average annual percentage change.

implemented fully and consistently; that the institutional framework in Europe will remain favourable; and that the Eurosystem's monetary measures will prove effective. The scenario is highly uncertain, with downside risks for growth and balanced but significant risks for inflation (Figure 36).

The scenario is subject to downside risks for growth

The economic outlook and in particular the prospects for investment could be marred if the conditions of access to bank credit improve less rapidly than we forecast. The exceptionally favourable conditions that now distinguish the international markets have elements of fragility and may turn out to be short-lived. The risks stemming from geopolitical tensions in the oil-producing countries have increased. Were these to intensify, the supply and price of energy would be affected, with repercussions on trade, which might also bear the brunt of less dynamic economic growth in the emerging economies.

The risks to inflation forecasts are balanced. Against the possibility of energy prices rising in response to a worsening of geopolitical tensions there is the risk, in Italy, that ample spare capacity will exert stronger downward pressure on prices. In this situation, it is crucial to ensure that the inflation expectations underlying price and wage formation remain stable in the medium term.

SELECTED STATISTICS

Additional tables are contained in the Statistical Appendix of the *Economic Bulletin* available on the Internet at www.bancaditalia.it/pubblicazioni

CONTENTS

Table A1

Sources and uses of income: United States (1)

(seasonally adjusted data; percentage changes on the previous period and contribution to growth, on an annual basis)

	GDP	Resident households' expenditure		General government expenditure		Investment		Domestic demand (2)		Exports	Imports	Net exports	Stocks
	Change	Change	Contri-bution	Change	Contri-bution	Change	Contri-bution	Change	Contri-bution	Change	Change	Contri-bution	Contri-bution
2010	2.5	2.0	1.3	0.1	..	1.5	0.2	2.9	3.0	11.5	12.8	-0.5	1.5
2011	1.8	2.5	1.7	-3.2	-0.7	6.2	0.9	1.7	1.7	7.1	4.9	0.1	-0.2
2012	2.8	2.2	1.5	-1.0	-0.2	8.3	1.2	2.6	2.7	3.5	2.2	0.1	0.2
2013	1.9	2.0	1.4	-2.2	-0.4	4.5	0.7	1.7	1.8	2.7	1.4	0.1	0.2
2011 – Q1	-1.3	2.1	1.4	-7.5	-1.6	-0.5	-0.1	-1.3	-1.3	3.8	2.8	..	-1.1
Q2	3.2	1.5	1.0	-1.3	-0.3	8.6	1.2	2.6	2.7	4.9	0.7	0.5	0.7
Q3	1.4	2.1	1.4	-2.5	-0.5	14.8	2.0	1.2	1.3	7.0	4.9	0.1	-1.6
Q4	4.9	2.4	1.7	-1.5	-0.3	10.0	1.4	5.3	5.5	2.7	5.9	-0.6	2.7
2012 – Q1	3.7	2.9	2.0	-1.4	-0.3	8.6	1.2	3.1	3.3	4.2	0.7	0.4	0.4
Q2	1.2	1.9	1.3	0.3	0.1	4.7	0.7	1.1	1.1	3.8	2.5	0.1	-0.9
Q3	2.8	1.7	1.2	3.5	0.7	2.7	0.4	2.7	2.8	0.4	0.5	..	0.6
Q4	0.1	1.7	1.1	-6.5	-1.3	11.6	1.6	-0.5	-0.6	1.1	-3.1	0.7	-2.0
2013 – Q1	1.1	2.3	1.5	-4.2	-0.8	-1.5	-0.2	1.4	1.4	-1.3	0.6	-0.3	0.9
Q2	2.5	1.8	1.2	-0.4	-0.1	6.5	1.0	2.5	2.6	8.0	6.9	-0.1	0.4
Q3	4.1	2.0	1.4	0.4	0.1	5.9	0.9	3.9	4.0	3.9	2.4	0.1	1.7
Q3	2.6	3.3	2.2	-5.2	-1.0	2.8	0.4	1.6	1.6	9.5	1.5	1.0	..
2014 – Q1	-2.9	1.0	0.7	-0.8	-0.1	-1.8	-0.3	-1.4	-1.4	-8.9	1.8	-1.5	-1.7

Source: National statistics.
(1) Chain-linked volumes. Public sector investment is included in government expenditure. – (2) Includes change in stocks.

Table A2

Sources and uses of income: Japan (1)

(seasonally adjusted data; percentage changes on the previous period and contribution to growth, on an annual basis)

	GDP	Resident households' expenditure		General government consumption expenditure		Investment		Domestic demand (2)		Exports	Imports	Net exports	Stocks
	Change	Change	Contri-bution	Change	Contri-bution	Change	Contri-bution	Change	Contri-bution	Change	Change	Contri-bution	Contri-bution
2010	4.7	2.8	1.7	1.9	0.4	-0.2	-0.1	2.9	2.9	24.4	11.1	1.7	0.9
2011	-0.5	0.3	0.2	1.2	0.2	1.4	0.3	0.4	0.4	-0.4	5.9	-0.9	-0.3
2012	1.4	2.0	1.2	1.7	0.4	3.4	0.7	2.3	2.3	-0.1	5.3	-0.9	0.1
2013	1.5	2.0	1.2	2.0	0.4	2.6	0.6	1.8	1.9	1.7	3.4	-0.3	-0.3
2011 – Q1	-6.9	-7.0	-4.1	0.3	0.1	-0.5	-0.1	-5.8	-5.9	-2.9	5.2	-1.1	-1.6
Q2	-3.0	4.0	2.3	1.1	0.2	-0.1	..	1.4	1.4	-26.7	-2.0	-4.3	-1.2
Q3	10.8	6.6	4.0	0.5	0.1	6.7	1.3	6.9	6.7	44.4	13.7	3.8	1.5
Q4	0.9	2.4	1.4	1.0	0.2	17.5	3.3	4.0	3.9	-11.6	7.8	-3.0	-1.1
2012 – Q1	4.1	1.5	0.9	6.1	1.2	-1.1	-0.2	3.7	3.7	11.8	8.1	0.4	1.8
Q2	-2.5	1.6	1.0	-2.5	-0.5	1.2	0.2	-1.2	-1.3	-2.1	5.9	-1.3	-2.0
Q3	-3.0	-1.9	-1.1	1.7	0.3	-5.0	-1.1	-0.8	-0.8	-15.1	-1.4	-2.2	1.1
Q4	0.2	1.8	1.1	2.7	0.5	0.5	0.1	0.7	0.7	-11.6	-7.3	-0.5	-1.1
2013 – Q1	5.3	4.2	2.6	3.7	0.8	-0.8	-0.2	3.5	3.5	18.1	4.6	1.7	0.4
Q2	2.9	2.9	1.8	1.7	0.4	8.6	1.7	2.3	2.3	12.1	7.3	0.5	-1.5
Q3	1.3	0.9	0.5	0.8	0.2	10.8	2.2	3.3	3.3	-2.6	10.1	-2.0	0.4
Q4	0.3	1.5	0.9	0.8	0.2	7.8	1.6	2.5	2.5	1.8	15.5	-2.2	-0.2
2014 – Q1	6.7	9.2	5.5	0.4	0.1	19.4	4.0	7.6	7.6	26.3	27.6	-1.1	-2.0

Source: Based on national statistics.
(1) Chain-linked volumes. Statistical discrepancies may cause differences between the sum of contributions and GDP growth. – (2) Includes change in stocks.

Table A3

Sources and uses of income: euro area (1)

(percentage changes on the previous period)

	Sources			Uses					
	GDP	Imports	Total	Gross fixed capital formation			Resident households' consumption expenditure (2)	General government consumption expenditure	Exports
				Construction	Machinery. equipment. sundry products & vehicles	Total			
Chain-linked volumes									
2009	-4.5	-11.0	-6.3	-10.0	-16.7	-12.8	-1.0	2.6	-12.4
2010	1.9	10.0	4.1	-4.4	5.5	-0.4	1.0	0.6	11.6
2011	1.6	4.5	2.4	-0.3	4.3	1.6	0.3	-0.1	6.5
2012	-0.7	-0.9	-0.7	-4.1	-3.7	-4.0	-1.3	-0.6	2.5
2013	-0.4	0.4	-0.2	-3.9	-1.7	-2.9	-0.7	0.1	1.4
2012 – Q1	-0.1	0.1	..	-1.1	-0.9	-1.0	-0.2	-0.3	0.9
Q2	-0.3	-0.1	-0.2	-1.5	-2.1	-1.8	-0.6	-0.2	0.9
Q3	-0.2	0.2	..	-0.7	-0.5	-0.6	-0.1	-0.3	0.7
Q4	-0.5	-1.0	-0.7	-1.6	-1.1	-1.4	-0.5	0.1	-0.6
2013 – Q1	-0.2	-0.8	-0.4	-2.1	-0.9	-1.6	-0.2	0.2	-0.8
Q2	0.3	1.5	0.7	-0.2	0.6	0.1	0.2	..	2.3
Q3	0.1	1.1	0.4	0.8	0.1	0.5	0.1	0.3	0.1
Q4	0.3	0.6	0.4	0.1	2.1	0.9	0.1	-0.3	1.4
2014 – Q1	0.2	0.8	0.4	0.5	-0.2	0.2	0.2	0.7	0.2
Implicit prices									
2009	1.0	-6.3	....	....	....	-0.3	-0.4	2.0	-3.4
2010	0.8	5.0	....	....	....	0.8	1.6	0.8	3.1
2011	1.2	5.7	....	....	....	1.5	2.4	0.8	3.6
2012	1.3	2.4	....	....	....	1.1	2.0	1.0	1.6
2013	1.4	-1.2	....	....	....	0.3	1.3	1.1	-0.3
2012 – Q1	0.3	1.5	....	....	....	0.3	0.8	-0.3	0.9
Q2	0.3	..	....	....	....	0.2	0.3	0.8	..
Q3	0.3	0.2	....	....	....	0.2	0.2	0.1	0.4
Q4	0.4	-0.1	....	....	....	0.3	0.6	-0.2	0.1
2013 – Q1	0.6	-0.4	....	....	....	-0.1	0.4	0.9	-0.2
Q2	0.3	-0.9	....	....	....	-0.1	0.1	0.1	-0.3
Q3	0.1	-0.3	....	....	....	0.2	0.3	0.2	-0.3
Q4	0.1	-0.4	....	....	....	0.3	0.1	-0.1	-0.2
2014 – Q1	0.4	-0.5	....	....	....	-0.2	0.2	0.4	-0.3

Source: Eurostat.
(1) Quarterly data are seasonally and calendar adjusted. – (2) Includes expenditure of non-profit institutions serving households.

Table A4

Sources and uses of income: Italy (1)

(percentage changes on the previous period)

	Sources			Uses					
	GDP	Imports	Total	Gross fixed capital formation			Resident households' consumption expenditure	General government consumption expenditure (2)	Exports
				Construction	Machinery, equipment, sundry products & vehicles	Total			
				Chain-linked volumes					
2009	-5.5	-13.4	-7.3	-8.8	-15.0	-11.7	-1.6	0.8	-17.5
2010	1.7	12.6	3.8	-4.5	6.8	0.6	1.5	-0.4	11.4
2011	0.4	0.8	0.5	-3.7	-0.5	-2.2	-0.3	-1.3	6.2
2012	-2.4	-7.0	-3.5	-6.1	-10.0	-8.0	-4.0	-2.6	2.1
2013	-1.9	-2.8	-2.1	-6.7	-2.4	-4.7	-2.6	-0.8	0.1
2012 – Q1	-1.1	-2.6	-1.4	-3.5	-4.3	-3.9	-1.7	-1.8	0.3
Q2	-0.5	-0.8	-0.6	-0.4	-2.5	-1.4	-0.5	-0.5	-0.1
Q3	-0.4	-1.5	-0.6	-1.3	-0.9	-1.1	-1.5	-0.5	1.0
Q4	-0.9	-1.7	-1.1	-1.0	-1.1	-1.1	-0.7	-0.4	-0.2
2013 – Q1	-0.6	-1.1	-0.7	-4.7	-0.4	-2.7	-0.8	-0.1	-1.4
Q2	-0.3	-0.2	-0.3	-0.6	0.7	..	-0.5	..	0.6
Q3	-0.1	1.0	0.1	0.1	-1.9	-0.9	-0.2	-0.2	0.6
Q4	0.1	0.2	0.1	-0.5	2.2	0.8	..	0.2	1.2
2014 – Q1	-0.1	0.3	..	-0.9	-1.3	-1.1	0.1	0.4	0.8
				Implicit prices					
2009	2.1	-7.7	..	1.1	0.8	1.0	-0.1	2.1	-2.4
2010	0.4	6.6	1.7	2.7	0.5	1.7	1.5	1.1	2.6
2011	1.4	7.0	2.6	3.2	1.1	2.2	2.8	-0.3	4.0
2012	1.6	3.0	1.9	2.3	0.8	1.6	2.7	0.1	1.8
2013	1.4	-1.9	0.7	0.9	-0.2	0.3	1.3	..	..
2012 – Q1	0.4	2.4	0.9	0.9	0.3	0.6	0.6	0.4	1.0
Q2	0.5	-0.9	0.2	0.5	0.1	0.3	0.7	0.2	0.3
Q3	..	0.8	0.1	0.2	0.1	0.1	0.5	-0.4	0.2
Q4	0.5	-0.2	0.4	0.4	0.2	0.3	0.5	-0.7	-0.1
2013 – Q1	0.7	-0.6	0.4	0.2	-0.4	-0.1	0.2	1.8	0.1
Q2	0.4	-1.7	-0.1	0.1	..	..	0.1	-0.8	-0.3
Q3	-0.2	0.1	-0.1	0.1	-0.1	..	0.4	-0.8	0.1
Q4	0.2	-0.7	..	..	-0.2	-0.1	0.1	-0.2	-0.3
2014 – Q1	0.8	-0.5	0.5	-0.2	0.6	0.2	0.1	0.7	-0.1

Source: Istat.
(1) Quarterly data are seasonally and calendar adjusted. – (2) Includes consumption of non-profit institutions serving households.

Table A5

Unit labour costs, per capita compensation and productivity: euro area (1)

(percentage changes on the year-earlier period)

	Hourly compensation	Hourly productivity			Unit labour costs
			Value added (2)	Hours worked	
		Total industry excluding construction			
2010	1.1	10.0	9.5	-0.4	-8.0
2011	2.7	2.2	3.0	0.8	0.4
2012	3.6	0.9	-1.1	-2.0	2.6
2013	2.3	0.6	-0.6	-1.2	1.7
2012 – Q1	2.7	0.0	-0.7	-0.8	2.6
Q2	4.0	1.2	-1.0	-2.2	2.8
Q3	4.1	1.8	-0.8	-2.5	2.3
Q4	3.9	1.3	-1.4	-2.7	2.5
2013 – Q1	4.3	1.8	-1.6	-3.3	2.4
Q2	1.5	-0.3	-0.9	-0.6	1.8
Q3	2.1	-0.4	-1.0	-0.7	2.5
Q4	1.0	1.5	1.5	0.0	-0.5
2014 – Q1	0.3	-0.2	1.0	1.1	0.5
		Services			
2010	1.2	0.4	0.9	0.6	0.8
2011	1.5	0.9	1.7	0.8	0.6
2012	2.1	0.7	0.0	-0.7	1.3
2013	1.8	0.8	0.1	-0.7	1.0
2012 – Q1	2.4	1.0	0.5	-0.5	1.4
Q2	2.1	1.1	0.2	-0.9	1.1
Q3	2.3	0.3	-0.1	-0.5	1.9
Q4	1.7	0.6	-0.3	-0.8	1.1
2013 – Q1	2.5	1.1	-0.4	-1.4	1.5
Q2	1.5	0.5	0.0	-0.5	1.0
Q3	1.6	1.0	0.2	-0.8	0.6
Q4	1.5	0.6	0.6	0.0	0.9
2014 – Q1	0.8	0.4	1.0	0.6	0.4
		Total economy			
2010	1.3	2.1	2.0	-0.1	-0.8
2011	2.0	1.5	1.8	0.3	0.5
2012	2.6	0.9	-0.5	-1.4	1.7
2013	1.9	0.8	-0.3	-1.1	1.1
2012 – Q1	2.7	1.0	0.0	-1.0	1.7
Q2	2.7	1.2	-0.3	-1.6	1.5
Q3	2.8	0.8	-0.6	-1.4	2.0
Q4	2.3	0.7	-0.9	-1.6	1.5
2013 – Q1	3.0	1.3	-0.9	-2.3	1.7
Q2	1.6	0.4	-0.5	-0.9	1.2
Q3	1.8	0.7	-0.2	-0.9	1.0
Q4	1.4	0.8	0.6	-0.2	0.5
2014 – Q1	0.8	0.4	1.0	0.5	0.4

Source: Based on Eurostat data.
(1) Based on hours effectively worked. Annual figures are unadjusted, quarterly data are seasonally and calendar-adjusted. – (2) Value added at base prices, volumes at chain-linked prices – reference year 2005.

Table A6

Unit labour costs, per capita compensation and productivity: Italy (1)

(percentage changes on the year-earlier period)

PERIODO	Hourly compensation	Hourly productivity	of which: Value added (2)	of which: Hours worked	Unit labour costs
		Total industry excluding construction			
2010	3.1	8.2	6.0	-2.0	-4.8
2011	2.8	1.2	1.5	0.3	1.6
2012	2.8	-0.2	-3.0	-2.8	3.0
2013	1.7	-2.1	-3.2	-1.1	3.9
2012 – Q1	2.7	-1.1	-2.9	-1.8	3.9
Q2	2.2	-1.2	-3.8	-2.6	3.4
Q3	2.8	0.4	-2.3	-2.7	2.4
Q4	4.2	1.5	-3.5	-4.9	2.7
2013 – Q1	2.0	-0.7	-3.6	-2.9	2.7
Q2	2.4	-1.8	-3.5	-1.7	4.2
Q3	2.1	-3.0	-4.2	-1.2	5.3
Q4	0.1	-2.9	-1.3	1.6	3.1
2014 – Q1	-0.4	-2.3	-0.5	1.8	2.0
		Services			
2010	2.1	1.2	1.1	-0.1	0.9
2011	0.1	0.0	0.8	0.8	0.1
2012	0.5	-1.5	-1.6	-0.2	1.9
2013	1.0	0.5	-0.9	-1.4	0.5
2012 – Q1	0.3	0.2	-0.5	-0.7	0.2
Q2	-0.3	-1.2	-1.5	-0.4	0.8
Q3	0.6	-3.2	-2.3	1.0	3.9
Q4	1.2	-1.4	-2.1	-0.7	2.6
2013 – Q1	1.7	-0.7	-1.4	-0.6	2.5
Q2	1.0	0.0	-1.1	-1.1	0.9
Q3	1.2	2.0	-0.7	-2.6	-0.8
Q4	0.2	0.9	-0.3	-1.2	-0.7
2014 – Q1	0.1	0.4	-0.2	-0.6	-0.3
		Total economy			
2010	2.3	2.4	1.7	-0.7	-0.1
2011	1.0	0.3	0.6	0.3	0.6
2012	1.2	-0.7	-2.2	-1.4	2.0
2013	1.4	0.4	-1.6	-2.0	1.0
2012 – Q1	1.2	-0.1	-1.5	-1.4	1.2
Q2	0.4	-0.7	-2.2	-1.5	1.1
Q3	1.3	-1.7	-2.5	-0.8	3.1
Q4	2.2	-0.3	-2.6	-2.3	2.5
2013 – Q1	2.0	0.0	-2.0	-2.0	2.0
Q2	1.6	0.3	-1.9	-2.2	1.2
Q3	1.7	1.0	-1.6	-2.6	0.6
Q4	0.4	0.3	-0.7	-1.1	0.1
2014 – Q1	0.1	0.0	-0.3	-0.3	0.1

(1) Based on hours effectively worked; annual figures are unadjusted data; quarterly data are seasonally and calendar-adjusted. – (2) Value added at base prices, volumes at chain-linked prices – reference year 2005.

Harmonized index of consumer prices: main euro-area countries

(indices, 2005=100; percentage changes on the year-earlier period)

	France		Germany		Italy		Spain		Euro area (1)	
	Total	Total excl. energy and food	Total	Total excl. energy and food	Total	Total excl. energy and food	Total	Total excl. energy and food	Total	Total excl. energy and food
2010	1,7	1,0	1,2	0,6	1,6	1,7	2,1	0,8	1,6	1,0
2011	2,3	1,1	2,5	1,2	2,9	2,0	3,1	1,2	2,7	1,4
2012	2,2	1,5	2,1	1,3	3,3	2,0	2,4	1,3	2,5	1,5
2013	1,0	0,7	1,6	1,2	1,3	1,3	1,5	1,3	1,4	1,1
2012 – July	2,2	1,8	1,9	1,2	3,6	2,6	2,2	1,1	2,4	1,7
Aug.	2,4	1,7	2,2	1,2	3,3	2,0	2,7	1,0	2,6	1,5
Sept.	2,2	1,5	2,1	1,2	3,4	1,8	3,5	1,8	2,6	1,5
Oct.	2,1	1,2	2,1	1,2	2,8	1,4	3,5	2,3	2,5	1,5
Nov.	1,6	1,0	1,9	1,2	2,6	1,4	3,0	2,2	2,2	1,4
Dec.	1,5	1,0	2,0	1,5	2,6	1,6	3,0	2,1	2,2	1,5
2013 – Jan.	1,4	0,9	1,9	1,1	2,4	1,7	2,8	2,1	2,0	1,3
Feb.	1,2	0,7	1,8	1,2	2,0	1,4	2,9	2,1	1,8	1,3
Mar.	1,1	0,8	1,8	1,8	1,8	1,5	2,6	2,2	1,7	1,5
Apr.	0,8	0,5	1,1	0,6	1,3	1,2	1,5	1,8	1,2	1,0
May	0,9	0,6	1,6	1,1	1,3	1,4	1,8	2,0	1,4	1,2
June	1,0	0,5	1,9	1,2	1,4	1,2	2,2	1,9	1,6	1,2
July	1,2	0,7	1,9	1,2	1,2	1,0	1,9	1,5	1,6	1,1
Aug.	1,0	0,6	1,6	1,2	1,2	1,2	1,6	1,4	1,3	1,1
Sept.	1,0	0,8	1,6	1,3	0,9	1,3	0,5	0,5	1,1	1,0
Oct.	0,7	0,9	1,2	1,0	0,8	1,2	0,0	-0,1	0,7	0,8
Nov.	0,8	1,0	1,6	1,7	0,7	1,1	0,3	0,0	0,9	0,9
Dec.	0,8	0,8	1,2	0,7	0,7	0,9	0,3	-0,1	0,8	0,7
2014 – Jan.	0,8	0,8	1,2	1,2	0,6	0,9	0,3	-0,1	0,8	0,8
Feb.	1,1	1,4	1,0	1,2	0,4	0,9	0,1	0,0	0,7	1,0
Mar.	0,7	1,1	0,9	0,9	0,3	0,9	-0,2	-0,3	0,5	0,7
Apr.	0,8	1,2	1,1	1,4	0,5	1,1	0,3	0,1	0,7	1,0
May	0,8	1,1	0,6	0,7	0,4	0,8	0,2	-0,1	0,5	0,7
June	0,6	0,9	1,0	1,1	0,2	0,7	0,0	-0,1	0,5	0,8

Source: Based on Eurostat data.
(1) Weighted average of the indices of the countries belonging to the euro area at the date indicated.

Table A8

Balance of payments (current account and capital account): Italy

(millions of euros)

	Current account						Capital account			
	Total	Goods	Services	Income	Current transfers		Total	Intangible assets	Capital transfers	
					Private	Public			Private	Public
2010	-52,565	-20,918	-7,437	-8,117	-5,427	-10,666	30	-81	-109	220
2011	-47,303	-17,378	-5,601	-8,499	-4,538	-11,287	993	-61	-54	1,108
2012	-4,063	17,035	887	-6,738	-5,249	-9,997	3,907	1,784	-88	2,211
2013	15,504	37,239	2,623	-9,835	-2,591	-11,932	-144	-3,441	-91	3,388
2012 – Q2	768	5,113	1,621	-2,900	-1,316	-1,751	-116	-141	-1	26
Q3	1,422	5,907	1,665	-1,655	-1,438	-3,057	79	-15	,,	94
Q4	6,238	8,301	-311	-1,586	-1,294	1,129	4,309	2,239	-75	2,145
2013 – Q1	-5,936	4,024	-1,670	-1,917	-507	-5,866	-2,413	-2,416	-16	19
Q2	4,730	11,178	2,365	-5,436	-531	-2,847	120	-196	-2	318
Q3	6,077	9,613	2,717	-1,611	-828	-3,814	-4	-173	-7	175
Q4	10,633	12,424	-789	-871	-725	594	2,153	-657	-66	2,875
2014 – Q1	-874	8,558	-1,996	-671	-570	-6,195	-622	-548	-13	-60
2012 – May	-752	1,623	463	-1,926	-506	-406	-82	-54	,,	-27
June	2,489	3,249	975	-716	-440	-580	47	-28	,,	76
July	4,398	5,297	997	-316	-474	-1,107	70	24	,,	46
Aug.	-1,799	-25	47	-367	-488	-965	36	-5	,,	42
Sept.	-1,177	635	621	-972	-475	-986	-28	-34	,,	6
Oct.	2,109	2,913	206	-1,482	-489	960	1,626	765	-20	882
Nov.	1,754	2,593	-445	-539	-407	552	1,496	744	-19	772
Dec.	2,375	2,795	-72	434	-399	-383	1,186	731	-35	491
2013 – Jan.	-4,069	-1,210	-606	-723	-247	-1,283	-559	-573	-3	18
Feb.	-1,351	1,581	-420	-538	-152	-1,823	-592	-603	-4	15
Mar.	-516	3,653	-645	-656	-108	-2,760	-1,262	-1,240	-9	-14
Apr.	849	2,619	408	-998	-157	-1,023	-31	-80	-1	49
May	1,086	4,520	767	-3,351	-205	-645	-27	-77	-1	51
June	2,795	4,039	1,189	-1,086	-169	-1,179	178	-40	-1	218
July	6,519	6,656	1,407	123	-330	-1,337	48	-35	-2	86
Aug.	-99	1,535	244	-365	-321	-1,192	24	-50	-2	76
Sept.	-342	1,422	1,067	-1,369	-177	-1,285	-76	-87	-3	14
Oct.	4,367	4,643	38	-590	-267	544	953	-145	-18	1,116
Nov.	3,123	3,608	-545	-80	-227	367	838	-136	-17	991
Dec.	3,142	4,173	-282	-201	-231	-317	362	-375	-31	768
2014 – Jan.	-1,543	922	-535	-345	-211	-1,374	-126	-116	-3	-7
Feb.	281	3,161	-648	-122	-167	-1,943	-143	-124	-4	-15
Mar.	388	4,475	-813	-204	-193	-2,878	-354	-309	-7	-38
Apr.	(2,033)	(3,336)	(246)	(-511)	,,,,	,,,,	(-381)	,,,,	,,,,	,,,,
May	(1,889)	(5,063)	(526)	(-3,213)	,,,,	,,,,	(-235)	,,,,	,,,,	,,,,

Lending by banks in Italy by geographical area and sector (1)

(twelve-month percentage changes)

	General government	Finance and insurance companies	Firms	medium and large	small (2)	producer households (3)	Consumer households	Non-profit institutions and non-classifiable and non-classified units	Total
				Centre and North					
2011 – Dec.	-0.9	-2.4	2.3	3.0	-0.6	1.3	3.7	9.8	1.7
2012 – Sept.	5.7	8.9	-3.3	-3.1	-4.2	-2.6	0.7	3.7	0.2
Dec.	4.6	4.4	-2.2	-2.0	-2.9	-2.4	0.2	-1.6	0.0
2013 – Mar.	0.3	1.3	-2.6	-2.5	-3.2	-2.6	-0.2	-1.3	-1.2
June	-0.7	-4.2	-4.2	-4.3	-3.8	-2.9	-0.3	-3.1	-2.8
Sept.	-4.6	-8.6	-4.2	-4.5	-3.2	-2.7	-0.6	-3.5	-3.9
Dec.	-2.5	-4.9	-5.4	-5.7	-4.1	-3.1	-0.8	-3.4	-3.8
2014 – Mar.	0.3	-5.5	-4.5	-4.8	-3.1	-2.6	-0.6	-3.2	-3.0
Apr.	0.7	-4.4	-4.5	-4.7	-3.8	-3.0	-0.5	-3.3	-2.8
May	0.6	-3.4	-4.8	-4.9	-4.1	-3.1	-0.4	0.2	-2.8
				South and Islands					
2011 – Dec.	3.0	-10.4	3.5	4.4	1.0	1.2	3.9	3.2	3.4
2012 – Sept.	-3.8	-8.5	-1.7	-1.3	-2.7	-2.9	0.4	-1.4	-1.1
Dec.	-1.7	-4.5	-2.1	-1.8	-2.9	-3.2	-0.4	-0.8	-1.4
2013 – Mar.	-2.5	-4.3	-2.1	-1.8	-2.8	-3.0	-0.8	1.9	-1.6
June	-2.8	-0.5	-2.9	-2.7	-3.4	-3.4	-1.1	1.1	-2.1
Sept.	-2.6	0.2	-3.2	-3.2	-3.3	-3.2	-1.6	-1.5	-2.5
Dec.	-5.4	-2.9	-3.0	-2.9	-3.4	-3.0	-1.5	-3.0	-2.6
2014 – Mar.	-5.0	-1.3	-2.8	-2.7	-2.9	-2.8	-1.4	-5.0	-2.4
Apr.	-5.5	-3.3	-2.8	-2.7	-3.2	-3.0	-1.2	-6.1	-2.4
May	-4.0	-3.3	-2.8	-2.6	-3.2	-2.8	-1.1	-0.3	-2.2
				ITALY					
2011 – Dec.	-0.5	-2.6	2.5	3.2	-0.2	1.3	3.7	9.1	1.9
2012 – Sept.	4.7	8.5	-3.0	-2.8	-3.9	-2.7	0.6	3.2	0.0
Dec.	4.0	4.2	-2.2	-2.0	-2.9	-2.6	0.0	-1.5	-0.2
2013 – Mar.	0.0	1.2	-2.5	-2.4	-3.2	-2.7	-0.3	-1.0	-1.3
June	-0.9	-4.1	-4.0	-4.1	-3.7	-3.0	-0.5	-2.7	-2.7
Sept.	-4.4	-8.4	-4.1	-4.3	-3.2	-2.8	-0.8	-3.3	-3.7
Dec.	-2.8	-4.9	-5.0	-5.3	-4.0	-3.1	-0.9	-3.4	-3.7
2014 – Mar.	-0.2	-5.5	-4.2	-4.5	-3.1	-2.6	-0.7	-3.4	-2.9
Apr.	0.1	-4.3	-4.3	-4.4	-3.6	-3.0	-0.6	-3.6	-2.7
May	0.2	-3.4	-4.5	-4.6	-3.9	-3.0	-0.6	0.1	-2.7

(1) Statistics for November 2013 are provisional. Loans include repurchase agreements and bad debts. The breakdown by geographical area is according to customers' place of residence. Net of the effects of securitizations, reclassifications and other changes not due to transactions. – (2) Limited partnerships and general partnerships with fewer than 20 employees. Informal associations, de facto companies and sole proprietorships with fewer than 20 employees. – (3) Informal associations, de facto companies and sole proprietorships with up to 5 employees.

Table A10

Financing of the general government borrowing requirement: Italy (1)

(millions of euros)

	Currency and deposits	*of which:* PO funds	Short-term securities	Medium and long-term securities	MFI loans	Other operations	*of which:* change in Treasury's liquid balances (2)	*of which:* investments of liquidity	Borrowing requirement	*of which:* financed abroad	*of which:* in connection with financial support to EMU countries (3)
2011	-3,635	-3,116	1,319	43,013	18	23,056	18,994	0	63,771	-1,311	9,209
2012	6,965	-1,314	20,417	24,942	782	13,570	-10,138	0	66,675	14,714	29,547
2013	-1,802	-2,183	-10,972	91,356	-3,524	1,934	-3,247	-10,000	76,991	2,536	12,956
2011 – Mar.	-1,984	-1,605	12,380	10,484	1,232	8,632	8,309	0	30,744	-1,271	4,746
June	1,147	-895	-5,607	32,808	1,129	-13,421	-15,502	0	16,057	-682	1,371
Sept.	-3,693	-355	9,090	-23,065	-1,677	33,741	34,039	-800	14,396	2,472	1,006
Dec.	894	-261	-14,544	22,786	-666	-5,896	-7,852	800	2,574	-1,830	2,085
2012 – Mar.	8,028	-1,236	31,493	308	-105	-2,823	-10,202	-5,556	36,900	8,319	7,985
June	-3,934	470	-1,493	17,797	1,886	-3,131	-11,661	-2,382	11,125	4,276	8,599
Sept.	4,803	-1,243	5,063	4,196	-229	433	199	-22,727	14,267	82	499
Dec.	-1,932	695	-14,645	2,641	-770	19,090	11,525	30,665	4,383	2,037	12,464
2013 – Mar.	303	-1,367	4,992	42,536	-449	-11,098	-11,463	-10,746	36,284	615	1,074
June	-5,147	-737	6,533	32,915	473	-26,194	-30,395	-8,646	8,580	2,253	7,100
Sept.	222	178	600	-4,449	-1,970	34,251	35,472	7,310	28,655	-121	673
Dec.	2,819	-257	-23,098	20,354	-1,578	4,974	3,139	2,082	3,472	-212	4,109
2014 – Mar.	6,236	-456	3,455	46,168	-366	-25,612	-24,300	-6,518	29,881	294	0
2013 – Jan.	1,695	-1,162	6,549	28,069	-1,408	-33,893	-33,717	-13,033	1,012	-244	384
Feb.	-4,481	-558	266	-2,194	78	19,052	18,461	-110	12,721	603	691
Mar.	3,090	353	-1,823	16,660	880	3,744	3,793	2,397	22,552	256	0
Apr.	-3,087	43	3,050	6,495	622	3,879	3,894	-1,111	10,959	-47	2,866
May	312	-559	3,613	24,909	301	-18,035	-20,398	-90	11,100	3,270	2,883
June	-2,371	-222	-130	1,511	-450	-12,038	-13,891	-7,445	-13,478	-970	1,350
July	1,168	-88	-1,095	785	-3,481	7,589	8,053	13,000	4,966	483	481
Aug.	-209	883	104	-13,090	804	21,359	21,769	-5,994	8,969	-52	0
Sept.	-737	-616	1,591	7,856	707	5,303	5,650	304	14,720	-552	192
Oct.	-1,956	-324	-514	21,208	-1,577	-7,029	-6,722	6,590	10,131	38	2,866
Nov.	-204	-107	-2,508	21,063	-577	-10,872	-11,518	-10,558	6,903	-190	711
Dec.	4,979	174	-20,076	-21,916	577	22,875	21,379	6,050	-13,562	-60	532
2014 – Jan.	4,315	-628	6,716	10,162	926	-20,640	-20,236	-4,372	1,480	216	0
Feb.	-1,409	-93	-2,781	23,394	-1,189	-7,312	-6,836	587	10,703	29	0
Mar.	3,330	265	-480	12,611	-103	2,340	2,773	-2,733	17,698	50	0
Apr.	-1,837	-88	-1,524	28,676	23	-14,178	-15,481	2,548	11,160	1,156	4,318
May	1,100	-223	312	19,297	-90	-15,153	-14,875	-2,801	5,466	-46	0

(1) For more information, see the Methodological Appendix in "The Public Finances, borrowing requirement and debt" Supplement to the Statistical Bulletin. – (2) Treasury deposits held at the Bank of Italy and investment of liquidity with the banking system. – (3) Includes loans to other EMU countries, disbursed both bilaterally and via the European Financial Stability Facility, and the contribution of capital to the European Stability Mechanism.

General government debt: Italy (1)

(millions of euros)

	Currency and deposits	Currency and deposits – *of which:* PO funds	Short-term securities	Medium and long-term securities	MFI loans	Other liabilities	Other liabilities – *of which:* in connection with EFSF loans	General government debt	*Memorandum item:* Treasury's liquid balances (2)	*Memorandum item:* Treasury's liquid balances – *of which:* investments of liquidity	*Memorandum item:* Deposits with resident MFIs net of liquidity transactions	*Memorandum item:* Financial support to EMU countries (3)
2011	153,226	22,080	131,181	1,473,113	132,540	17,310	3,110	1,907,369	24,255	0	35,385	13,118
2012	160,191	20,765	151,600	1,503,454	133,321	41,018	26,925	1,989,584	34,394	0	27,210	42,665
2013	158,388	18,582	140,626	1,594,356	129,797	46,198	34,148	2,069,365	37,640	10,000	24,681	55,621
2011 – Mar.	154,878	23,590	142,246	1,430,961	133,753	13,571	786	1,875,408	34,940	0	35,794	8,655
June	156,025	22,696	136,638	1,466,958	134,882	15,652	2,157	1,910,155	50,442	0	36,526	10,026
Spt.	152,332	22,341	145,736	1,445,144	133,205	15,353	2,157	1,891,771	16,403	800	36,274	11,032
Dec.	153,226	22,080	131,181	1,473,113	132,540	17,310	3,110	1,907,369	24,255	0	35,385	13,118
2012 – Mar.	161,254	20,844	162,677	1,474,046	132,434	24,689	11,095	1,955,100	34,457	5,556	33,626	21,103
June	157,320	21,314	161,186	1,496,614	134,321	33,219	19,695	1,982,660	46,118	7,938	26,507	29,702
Spt.	162,123	20,071	166,248	1,500,374	134,092	33,454	20,193	1,996,290	45,919	30,665	25,380	30,201
Dec.	160,191	20,765	151,600	1,503,454	133,321	41,018	26,925	1,989,584	34,394	0	27,210	42,665
2013 – Mar.	160,494	19,398	156,590	1,544,738	132,872	41,383	27,999	2,036,077	45,856	10,746	24,609	43,739
June	155,347	18,661	163,123	1,579,119	133,345	45,584	32,232	2,076,519	76,251	19,392	27,075	50,839
Spt.	155,570	18,839	163,724	1,573,674	131,375	44,364	32,905	2,068,706	40,779	12,082	26,270	51,511
Dec.	158,388	18,582	140,626	1,594,356	129,797	46,198	34,148	2,069,365	37,640	10,000	24,681	55,621
2014 – Mar.	164,625	18,126	144,081	1,637,120	129,431	44,886	34,148	2,120,143	61,940	16,518	25,084	55,621
2013 – Jan.	161,886	19,603	158,147	1,531,013	131,913	40,842	27,309	2,023,801	68,110	13,033	26,327	43,048
Feb.	157,404	19,045	158,413	1,529,001	131,991	41,433	27,999	2,018,242	49,650	13,143	25,761	43,739
Mar.	160,494	19,398	156,590	1,544,738	132,872	41,383	27,999	2,036,077	45,856	10,746	24,609	43,739
Apr.	157,407	19,441	159,640	1,550,959	133,494	41,369	27,999	2,042,868	41,963	11,857	26,750	46,605
May	157,718	18,883	163,253	1,577,521	133,795	43,731	30,883	2,076,019	62,361	11,947	26,645	49,489
June	155,347	18,661	163,123	1,579,119	133,345	45,584	32,232	2,076,519	76,251	19,392	27,075	50,839
July	156,515	18,573	162,029	1,580,240	129,864	45,120	32,713	2,073,767	68,199	6,392	28,067	51,319
Aug.	156,306	19,455	162,133	1,567,423	130,668	44,710	32,713	2,061,240	46,429	12,386	26,803	51,319
Spt.	155,570	18,839	163,724	1,573,674	131,375	44,364	32,905	2,068,706	40,779	12,082	26,270	51,511
Oct.	153,613	18,515	163,210	1,595,106	129,797	44,057	32,905	2,085,783	47,501	5,492	26,437	54,378
Nov.	153,410	18,408	160,702	1,616,505	129,220	44,703	33,617	2,104,540	59,019	16,050	26,107	55,089
Dec.	158,388	18,582	140,626	1,594,356	129,797	46,198	34,148	2,069,365	37,640	10,000	24,681	55,621
2014 – Jan.	162,704	17,954	147,342	1,603,243	130,723	45,795	34,148	2,089,806	57,876	14,372	23,688	55,621
Feb.	161,295	17,862	144,561	1,626,561	129,534	45,319	34,148	2,107,269	64,713	13,785	22,757	55,621
Mar.	164,625	18,126	144,081	1,637,120	129,431	44,886	34,148	2,120,143	61,940	16,518	25,084	55,621
Apr.	162,787	18,038	142,557	1,665,385	129,454	46,190	35,600	2,146,373	77,421	13,970	26,766	59,938
May	163,887	17,815	142,870	1,684,309	129,364	45,911	35,600	2,166,340	92,296	16,771	24,938	59,938

(1) For more information, see the Methodological Appendix in "The Public Finances, borrowing requirement and debt" *Supplement to the Statistical Bulletin*. – (2) Treasury deposits held at the Bank of Italy and investment of liquidity with the banking system. – (3) Includes loans to other EMU countries, disbursed both bilaterally and via the European Financial Stability Facility, and the contribution of capital to the European Stability Mechanism.