BANCA D'ITALIA
EUROSISTEMA

Economic Bulletin

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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

Global growth is strengthening, but risks relating to trade restrictions are emerging

Global growth has strengthened and world trade remains robust. However, the outlook for the world economy may be affected by the risk that the US introducing import tariffs on some products will trigger larger-scale trade restrictions and by the risk that uncertainty over growth or developments in monetary policy in some advanced economies may lead to sharp corrections in the financial markets, as observed at the beginning of 2018.

Accommodative monetary conditions are still necessary in the euro area

Growth has continued in the euro area; however, core inflation has yet to display a lasting return towards levels close to 2 per cent. The ECB Governing Council deems that an ample degree of monetary accommodation is still necessary and can be ensured through net asset purchases that will run at least until September 2018, the stock of financial assets in the portfolios of central banks and their reinvestment at maturity, and by means of forward guidance on interest rates.

Growth continues at a more moderate pace in Italy

Based on the information available so far, our estimates indicate that GDP grew by around 0.2 per cent in the first quarter of this year in Italy, slowing down compared with the previous quarter. The decline in industrial production was accompanied by an increase in the service sector confidence indicators, despite less favourable signs for this sector too in March. Surveys of business conditions indicate that the confidence of firms and households remains at cyclically high levels, consistent with continued GDP growth; firms plan to increase their productive investment compared with 2017.

Exports strengthen

Italian exports grew at a particularly rapid pace in the last quarter of 2017 and firms taking part in the most recent surveys pointed to a moderately favourable trend in the first three months of 2018. The strong performance of exports was reflected in a further increase in the current account surplus, which rose to 2.8 per cent of GDP in 2017, and in a considerable improvement in Italy's net debtor position, which fell to 6.7 per cent of GDP.

The number of hours worked increases gradually

The gradual improvement in the labour market continues, although unemployment levels remain high and wage growth is modest. The number of hours worked is increasing; the number of people in employment rose by 1.1 per cent on average in 2017, despite a slight pause in the fourth quarter; according to the most recent indications, employment returned to growth at the beginning of 2018.

Inflation remains low

In Italy consumer price inflation remains modest, standing at 1.1 per cent in March. The slowdown in the prices of the more volatile components, in comparison with the first months of the previous year, has exerted downward pressures on twelve-month inflation. These pressures should gradually abate in the coming months. Core inflation remains low, at 0.7 per cent in March year on year and 1.4 per cent on the previous quarter on an annualized basis. The firms and households interviewed in surveys of business conditions expect a modest increase in prices in 2018.

Loans to firms increase at a sustained pace …

Lending to firms shows signs of a more robust expansion. Growth stood at 2.1 per cent in the three-month period ending in

February 2018 on an annual basis, and at 1.2 per cent year on year. Our surveys indicate a strengthening in the demand for bank credit, as a result of the growth in investment, while credit supply conditions remain accommodative. The increase in loans involved manufacturing and service firms.

... and non-performing loans decrease

The quality of banking credit improved in 2017. At the end of the year the ratio of non-performing loans to total loans disbursed by significant banks fell to 14.5 per cent gross and to 7.3 per cent net of loan loss provisions, against 17.6 and 9.4 per cent respectively in 2016. Both sales of bad loans and internal recovery processes contributed to this fall.

The favourable economic developments buoy the stock market ...

At the beginning of February, Italy's stock market index, like in other economies, suffered from a considerable increase in volatility in the international markets. The tensions subsequently abated and share prices increased again, reflecting above all the upward revisions of expected earnings for listed companies. Bank shares have recorded a particularly strong growth of 18.7 per cent over the last twelve months, against 13.0 per cent for the Italian stock market overall and 0.2 per cent on average for European banks.

... and narrow risk spreads

Sovereign risk premiums remain low in Italy; they have not been affected by international tensions nor do they indicate increases in uncertainty over Italy's economic outlook. Compared with the end of 2017 the spread on ten-year bonds has fallen by 30 basis points to 129 points. The improvement in the economic outlook and the easing of tensions in the banking system have helped to mitigate the impact of the global tensions of early 2018 on Italy and to curb risk premiums. The ongoing favourable conditions require that both a credible adjustment in public finances and the reforms to increase the potential long-term growth of Italy's economy continue.

The debt-to-GDP ratio falls slightly

The ratio of general government net borrowing to GDP decreased by around 0.2 per cent in 2017, to 2.3 per cent. A contributory factor was the further reduction in interest payments. The debt-to-GDP ratio declined slightly to 131.8 per cent.

1 THE WORLD ECONOMY

1.1 THE WORLD ECONOMY

The global economy continues to grow at a rapid pace, although it faces certain risks. The first, that the tariffs introduced by the Trump administration may trigger retaliatory measures on the world trade stage; the second, that changes in expectations regarding growth or monetary policy may cause a recurrence of sharp corrections on the financial markets, as observed in the early weeks of 2018.

Global growth remains strong at the start of 2018

Economic activity continued to expand in the main advanced economies in the fourth quarter of 2017 (Table 1). Cyclical data for the first quarter of 2018 (Figure 1) point to strong growth in the United States, a slight slowdown in the United Kingdom and an expansion in activity in Japan in line with the previous quarter.

In the United States, the entry into effect of the tax reforms and the recent budget agreement calling for a further increase in public spending in the two years 2018-19 have caused an upward revision in growth expectations.

Among the emerging countries, the robust GDP growth recorded in China and India in the fourth quarter of 2017 continued at a similar pace in the early months of 2018. Economic prospects improved in Brazil and Russia, though they remain weak.

In the last quarter of 2017 world trade grew faster than expected thanks to the particularly strong performance of imports in China, the Unites States and Japan.

The Trump administration introduces import tariffs

In March, the Trump administration imposed tariffs on imports of steel

Table 1

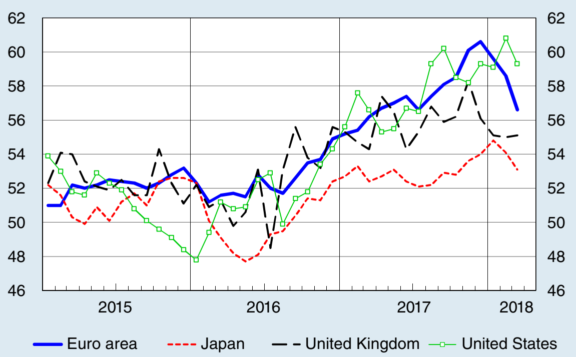
GDP growth and inflation
(percentage points)

	GDP growth 2016	GDP growth 2017 Q3	GDP growth 2017 Q4	Inflation (1) February 2018
Advanced countries (2)				
Japan	0.9	2.4	1.6	1.5
United Kingdom	1.9	1.9	1.6	2.7
United States	1.5	3.2	2.9	2.2
Emerging countries (3)				
Brazil	-3.5	1.4	2.1	2.8
China	6.7	6.8	6.8	2.9
India	7.9	6.5	7.2	4.4
Russia	-0.2	2.2	0.9	2.2
Memorandum item:				
World trade (4)	**1.7**	**3.0**	**7.9**	

Sources: Thomson Reuters Datastream; IMF, *World Economic Outlook Update*, January 2018; and Bank of Italy for the data on world trade.
(1) Consumer price index, monthly data. – (2) Seasonally adjusted data; annualized quarterly percentage change. – (3) Year-on-year percentage changes. – (4) Based on national accounts and customs data. Seasonally adjusted quarterly data, annualized quarterly percentage changes.

Figure 1

Manufacturing PMIs in the main advanced economies (1)
(monthly data)



Sources: Markit, ISM and Thomson Reuters Datastream.
(1) Diffusion indices of economic activity in the manufacturing sector based on purchasing managers' assessments (PMI).

and aluminium (25 per cent and 10 per cent respectively). The measure affects a limited volume of trade, amounting to less than $50 billion (less than 2 per cent of total imports), and does not extend to some of the main supplier countries (among which Mexico, Canada and the European Union). Nonetheless, the discretionary choice of countries and types of products subject to the new tariffs, as well as the threat of additional protectionist measures against China and China's potential retaliation against the US, have introduced a high level of uncertainty in the outlook for trade.

Inflation remains stable at generally low levels

In February inflation in the main advanced economies remained moderate and stable. In the United States it continues to stand at just above 2 per cent, supported by more marked increases in wages. In the United Kingdom consumer price inflation fell to 2.7 per cent, while in Japan it rose to 1.5 per cent (Figure 2). In the main emerging economies price dynamics showed no signs of acceleration.

The growth outlook is revised upwards ...

According to the projections released in January by the IMF, global GDP is expected to grow by 3.9 per cent in both 2018 and 2019, higher than the rate projected in October (Table 2). The upward revision was largely a result of the improved outlook for the advanced economies, partly in response to the expected expansionary effects of the US tax reform. According to our estimates, world trade grew by 5.5 per cent in 2017; it is expected to slow to 4.9 per cent in 2018 (to 4.6 per cent according to the IMF), which is still higher than the growth rate of economic activity as a whole.

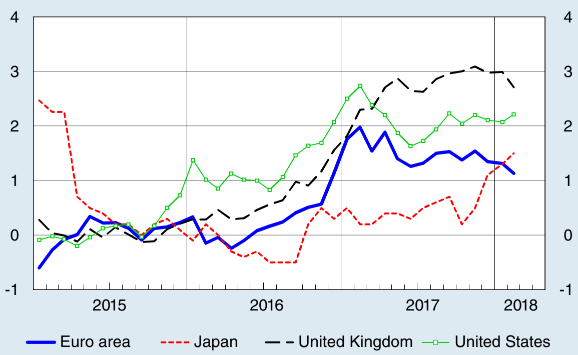
... but risks persist

The main risks at global level stem from a possible worsening of conditions in the financial markets and the spread of trade restrictions. In early February, growing uncertainty regarding monetary policy normalization gave rise to sharp corrections in the markets (see the box 'Increased volatility in the financial markets'). Trade tensions triggered by the protectionist measures introduced and announced by the United States and the resulting threats of retaliation render the future of international trade unpredictable. Uncertainty surrounding the outcome of the Brexit negotiations, despite having slightly diminished following a partial agreement on the terms of the UK's withdrawal from the EU, remains a further source of risk.

Figure 2

Consumer price inflation in the main advanced economies (1)

(monthly data; 12-month percentage changes)



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

Table 2

Macroeconomic projections

(changes and percentage points)

	2017	Forecasts		Revisions (1)	
		2018	2019	2018	2019
GDP (2)					
World	**3.7**	**3.9**	**3.9**	**0.2**	**0.2**
Advanced countries					
of which: Euro area	2.4	2.2	2.0	0.3	0.3
Japan	1.7	1.2	0.9	0.5	0.1
United kingdom	1.8	1.5	1.5	0.0	-0.1
United States	2.3	2.7	2.5	0.4	0.6
Emerging countries					
of which: Brazil	1.0	1.9	2.1	0.4	0.1
China	6.9	6.6	6.4	0.1	0.1
India (3)	6.4	7.4	7.8	0.0	0.0
Russia	1.6	1.7	1.5	0.1	0.0
World trade (4)	**5.5**	**4.9**	**–**	**0.3**	**–**

Sources: IMF, *World Economic Outlook Update*, January 2018, and Bank of Italy for the data on world trade.
(1) Revisions compared with previous forecasting scenario. – (2) Forecasts taken from IMF, *World Economic Outlook Update*, January 2018; revisions compared with *World Economic Outlook*, October 2017. (3) The data refer to the fiscal year starting in April. – (4) Based on national accounts and customs data; the forecasts relate to January 2018, the revisions to October 2017.

Markets expect a slight drop in oil prices

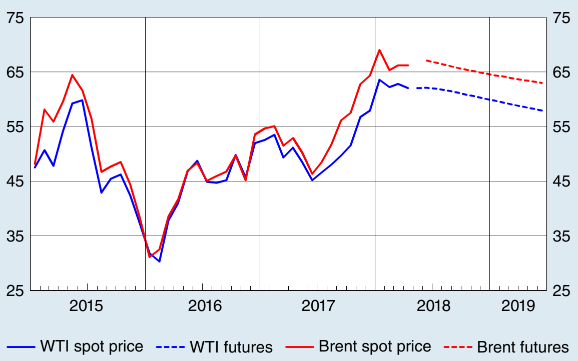
Futures prices point to a slight reduction in oil prices in the medium term (Figure 3). Since the end of December, oil prices have increased slightly but with large fluctuations that correspond to the turbulence in the main financial markets. Price dynamics reflected, albeit marginally, the upward pressure generated by brisk world demand, the gradual reduction in inventories and the interruption in supply caused by tensions in the Middle East and Venezuela. These factors were mitigated by the increase in US production from unconventional sources, making the US the second top oil producer after Russia.

The Federal Reserve raises its benchmark interest rates

The Federal Reserve increased the target range for the federal funds rate by 25 basis points to 1.50-1.75 per cent at its meeting on 21 March 2018. Based on prices for federal funds futures contracts and the expectations of the Federal Open Market Committee, the federal funds rate may be raised two more times this year (Figure 4). The Bank of England has not changed its monetary policy stance but has indicated that, were the economy to evolve in line with the latest projections, it would need to be tightened earlier and by a greater extent than previously anticipated. In China, the central bank continued to maintain restrictive monetary conditions to reduce leverage and contain risks, fostering a gradual increase in interbank rates.

Figure 3

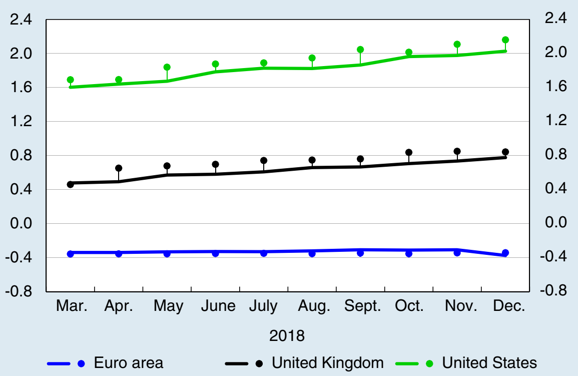
Oil prices (1)
(monthly data; dollars per barrel)



Source: Thomson Reuters Datastream.
(1) For the spot prices, monthly average data through March 2018; the latest data available relate to 6 April 2018.

Figure 4

Overnight interest rates implied by derivative instruments (1)
(monthly values; percentage points)



Source: Based on Thomson Reuters Datastream data.
(1) Expected interest rate implied by overnight indexed swap (OIS) prices. The solid lines indicate the interest rates forecast on 12 January 2018, the dots show those forecast on 6 April 2018.

1.2 THE EURO AREA

Growth in the euro area proceeds at a steady pace; core inflation, however, has yet to display a lasting upward adjustment. The Governing Council of the ECB confirmed the continued need for an ample degree of monetary accommodation, ensured through net asset purchases, the sizeable stock of financial assets in the portfolios of the Eurosystem central banks and the forthcoming reinvestments, and forward guidance on interest rates.

Growth in the euro area remains brisk at the start of the year

In the fourth quarter of 2017, euro-area GDP expanded by 0.5 per cent compared with the previous period (Table 3), slowing marginally with respect to the summer months. The main contribution to growth came from exports, which recorded a sharper increase than imports. Domestic demand was buoyed above all by the upturn in investment. The cyclical indicators are consistent with a slight deceleration in economic activity, though growth continued at a sustained pace in the first quarter

Table 3

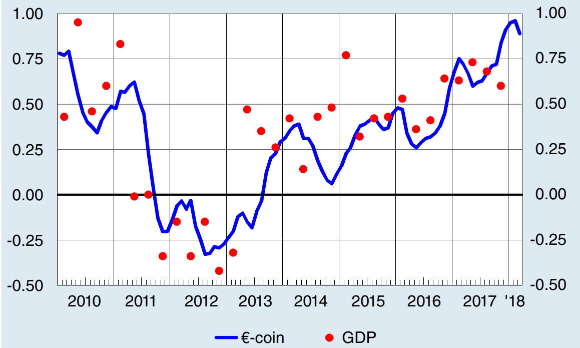
Euro-area GDP growth and inflation
(percentage points)

	GDP growth			Inflation
	2017	2017 Q3 (1)	2017 Q4 (1)	March 2018 (2)
France	1.8	0.5	0.7	(1.7)
Germany	2.2	0.7	0.6	(1.5)
Italy	1.5	0.4	0.3	(1.1)
Spain	3.1	0.7	0.7	(1.3)
Euro area (3)	2.3	0.7	0.5	(1.4)

Sources: Based on national statistics and on Eurostat data. (1) Quarterly series adjusted for seasonal and calendar effects; percentage changes on previous quarter, not year-on-year. – (2) Change on the corresponding period. – (3) The euro-area aggregate is based on a 19-country composition.

Figure 5

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



Sources: Bank of Italy and Eurostat.
(1) For the construction methodology of the indicator, see the box 'The €-coin indicator and the economic situation in the euro area', in *Economic Bulletin*, 53, 2009. Further details are available on the Bank of Italy's website: '€-coin: March 2018'. For GDP, quarterly data, changes on the previous quarter. For €-coin, monthly estimates of changes in GDP on the previous quarter net of the most erratic components.

of 2018. In March the Bank of Italy's €-coin indicator, which estimates the underlying GDP trend in the euro area, fell for the first time since May of last year, though it remained close to the highest levels recorded since 2006 (Figure 5). In the euro area as a whole and in the three leading economies, purchasing managers' indices fell but remain consistent with continued growth.

ECB staff projections released in March indicate that GDP growth in the euro area will increase by 2.4 per cent in 2018, with an upward revision of 0.1 percentage points compared with the previous estimate published in December.

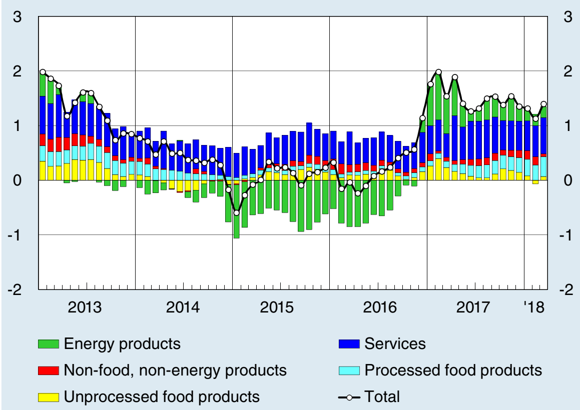
Inflation rises but core inflation remains weak

Inflation has yet to display any signs of a stable upward adjustment. According to preliminary estimates, in March it rose to 1.4 per cent (from 1.1 per cent in February; Figure 6), reflecting the acceleration in the prices of food products, while core inflation remained at 1.0 per cent. ECB staff projections released in March indicate that inflation will amount to 1.4 per cent this year and next (net of the most volatile components, to 1.1 and 1.5 per cent respectively).

Compared with the end of last year, inflation expectations as implied by inflation swap yields were substantially unchanged over both the two-year horizon and the five-year horizon five years forward (at 1.2 and 1.7 per cent, respectively; Figure 7). The probability of deflation over the next five years implied by the prices of inflation options remained essentially nil.

Figure 6

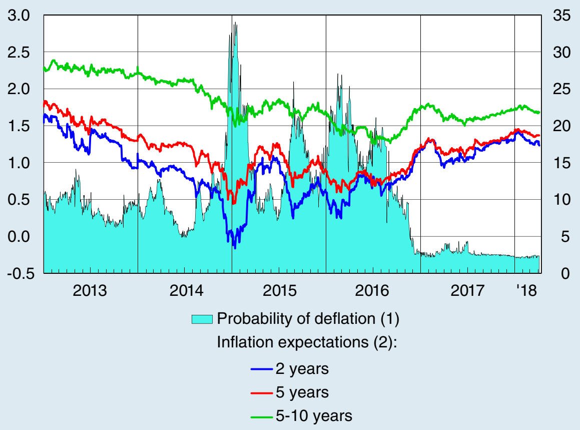
Euro-area inflation and contributions of its components (1)
(monthly data; 12-month percentage changes and percentage points)



Sources: Based on Bank of Italy and Eurostat data.
(1) Harmonized Index of Consumer Prices.

Figure 7

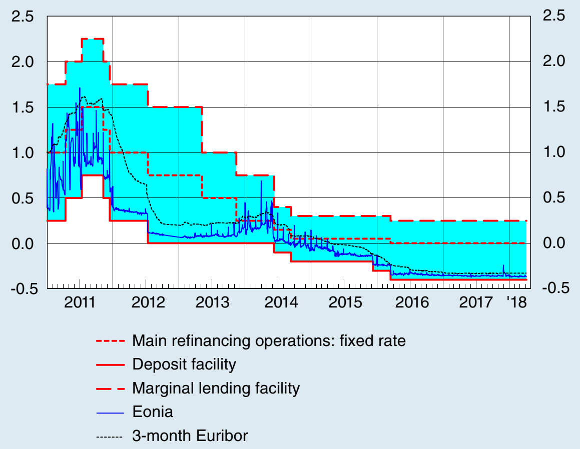
Inflation expectations and probability of deflation implied by derivatives
(daily data; per cent)



Source: Based on Bloomberg data.
(1) Right-hand scale. Risk-neutral probability that euro-area inflation is less than or equal to zero in the next 5 years, implied by inflation option prices (see S. Cecchetti, F. Natoli and L. Sigalotti, 'Tail comovement in option-implied inflation expectations as an indicator of anchoring', Banca d'Italia, Temi di Discussione (Working Papers), 1025, 2015). – (2) Expected inflation rates implied by 2-year, 5-year and 5-year forward 5 years ahead inflation swaps.

Figure 8

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



Sources: ECB and Thomson Reuters Datastream.

An ample degree of monetary accommodation is still necessary

At its meeting of 8 March, the ECB Governing Council confirmed the continued need for an ample degree of monetary accommodation to secure a sustained return of inflation rates towards levels close to 2 per cent. The Governing Council expects key interest rates to remain at present levels (Figure 8) for an extended period of time and well past the horizon of its net asset purchases. The expanded asset purchase programme (APP) will be conducted until September 2018, or beyond, if necessary, until there is a sustained adjustment in the path of inflation consistent with the ECB's inflation aim. The Eurosystem will continue to reinvest the principal payments from maturing securities purchased under the APP for an extended period of time after the end of the net asset purchases.

On 6 April the book value of government securities purchased through the Eurosystem's APP was equal to €1,953 billion, covered bank bonds to €250 billion, asset-backed securities and corporate bonds to €26 billion and €150 billion respectively. At the end of March, purchases of Italian government securities amounted to €337 billion (of which €304 billion by the Bank of Italy).

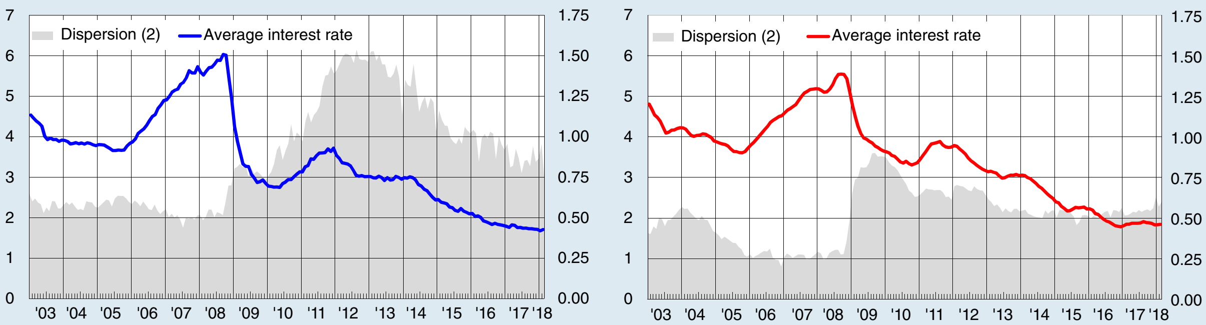
Assets held that will be redeemed at maturity in the next twelve months and reinvested by the Eurosystem amount to €174 billion, of which government securities make up 82 per cent.

Lending expands

Adjusted for seasonal factors and the accounting effect of securitizations, in the three months ending in February, lending to non-financial firms in the euro area increased by an annualized rate of 2.5 per cent; growth in lending continues at a brisk pace in France and Germany and strengthened in Italy (see Section 2.7). Lending to households rose by 3.1 per cent overall, expanding in both the house purchase and consumer credit components. The cost of new loans to firms and to households for house purchase remained at historically low levels (1.7 and 1.8 per cent in February, respectively); the dispersion of interest rates across countries stayed at very low levels (Figure 9).

Figure 9

The cost of borrowing in the euro area (1)
(per cent)



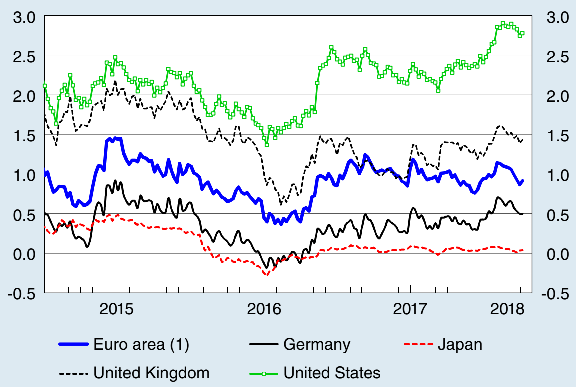
Source: ECB.
(1) Average of interest rates on new short and medium-long term loans weighted using the 24-month moving average of new loan disbursements. For non-financial corporations, includes overdrafts. – (2) Standard deviation of the average interest rates for 12 euro-area countries. Right-hand scale.

1.3 GLOBAL FINANCIAL MARKETS

In February there was a sharp increase in volatility in the international financial markets, accompanied by a rise in long-term interest rates and an adjustment of the share indices in all the main advanced economies. Despite this, sovereign risk premiums continued to decrease in the euro area thanks to very good prospects for economic growth. The euro appreciated against the leading currencies; the positions taken by participants remain consistent with a further appreciation of the euro in the short term.

Figure 10

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



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

Long-term yields are increasing ...

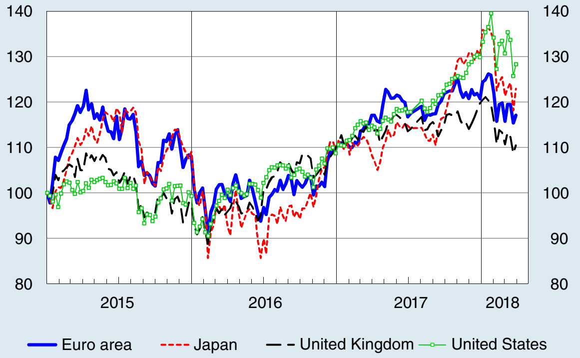
Since the end of December, the increase in the yields on ten-year bonds has been particularly marked in the United States (40 basis points, to 2.8 per cent; Figure 10), where the latest figures on salaries and inflation, slightly higher than expected, have led to an upward revision of the expectations for monetary policy rates.

... and share price volatility rises

Since the end of last year, share prices have fallen in the main advanced economies (Figure 11), firstly because of fears of a swifter tightening of monetary conditions in the United States and subsequently due to the US imposing tariffs on imports (see Section 1.1). Implied volatility has increased markedly and remains high compared with last year (Figure 12; see the box ‘Increased volatility in the financial markets’). The emerging countries’ stock markets have diverged, with a decline in India and China and considerable increases in Brazil and Russia.

Figure 11

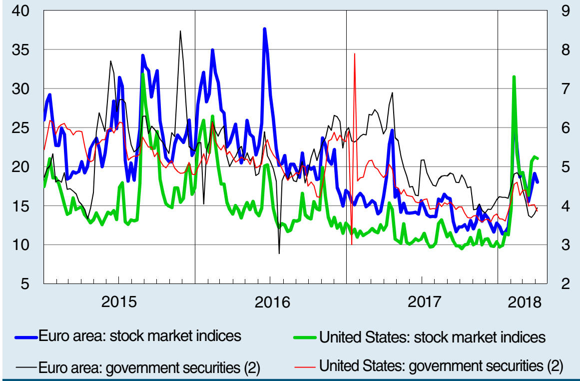
Stock market indices (1)
(end-of-week data; 1st week of January 2015=100)



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 share and government securities prices (1)
(average weekly data; percentage points)



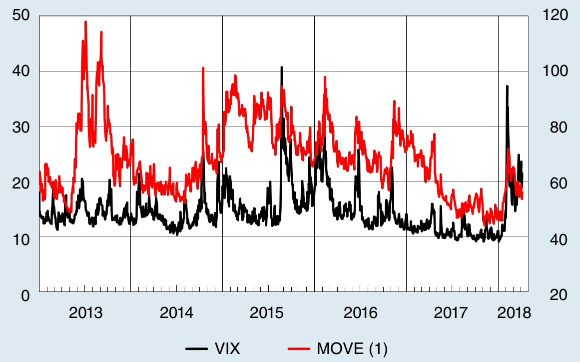
Source: Based on Thomson Reuters Datastream data.
(1) Stock market indices: VSTOXX for the euro area and VIX for the United States. Government bonds: volatility implied by the prices of options on futures on the German Bund for the euro area and on Treasury Notes for the United States. – (2) Right-hand scale.

INCREASED VOLATILITY IN THE FINANCIAL MARKETS

In the first half of February there was a strong downward adjustment of the main international equity indices coupled with a spike in volatility. In just a few days, share prices fell by 9 per cent in the United States and by 6 per cent in the euro area; the VIX index, which measures the implied volatility at 30 days of Standard &Poor's 500 index options (Figure A), more than tripled, reaching its highest point since the turmoil of August 2015.

Figure A

VIX and MOVE indices
(percentage points)



Source: Thomson Reuters Datastream.
(1) Right-hand scale.

The adjustment was triggered by the publication in the United States of labour market data which was better than expected, and which raised fears of a more rapid normalization of monetary policies and of interest rate rises in the medium and long term, fears also indicated by an increase in the implied volatility of US government securities according to the MOVE index (Figure A). The initial reaction of market participants was amplified by hedges on short volatility positions (these positions are taken in anticipation of volatility falling) and by the widespread use of investment strategies that involve the automatic sale of shares as market risk increases.[1]

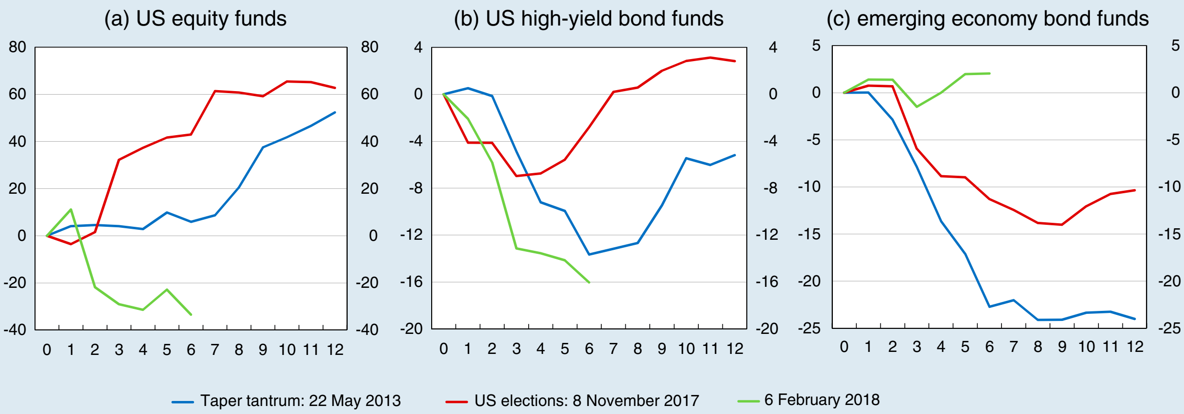
[1] There is evidence that in recent years there has been a significant increase in the use of investment strategies, such as risk parity, volatility targeting and risk premium harvesting, which involve explicitly or implicitly taking short volatility positions, as well as automatically rebalancing them by means of hedges on short volatility positions or selling shares as their volatility increases (see V. Bhansali and L. Harris, 'Everybody's doing it: Short volatility strategies and shadow financial insurers, Financial Analysts Journal, 74, 2, 2018, forthcoming).

The tensions arising in the US stock market rapidly spread globally and to the high-yield bond markets; however, there were no significant effects on investment grade bonds and on sovereign spreads. In response to the sharp increase in volatility, institutional investors significantly rebalanced their portfolios, reducing their exposure to assets with the highest risk.

According to data published by EPFR Global, a company that issues a weekly round-up of information on the leading international investment funds, those funds specializing in US stocks and high-yield bonds were affected by outflows of savings; these outflows were less marked or were not evident at all during the episodes of financial turbulence in 2013 (the 'taper tantrum') and in conjunction with the presidential elections at the end of 2016 (panels (a) and (b) of Figure B). On the other hand, net subscriptions for bond funds specializing in the emerging economies went slightly negative for one week only, then returned to growth (panel (c) of Figure B).

Figure B

Subscriptions of investment funds (1)
(weekly data; billions of dollars)



Sources: Thomson Reuters Datastream and EPFR Global.
(1) Net subscriptions of specialized investment funds surveyed by EPFR: cumulative values over the 12 weeks (x-axis) following each of the events indicated. Positive/negative values indicate inflows/outflows of savings to and from each of the specialized fund categories.

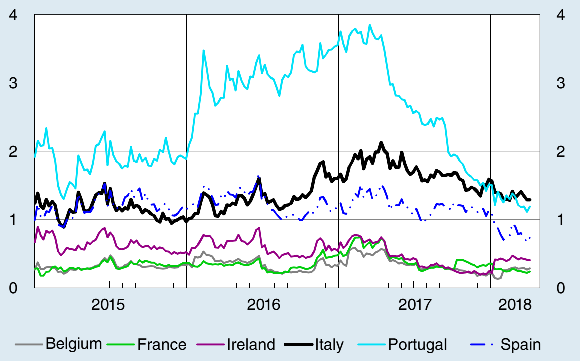
Tensions gradually eased in the second half of February; share prices partly recovered their losses and the volatility fell significantly, although it was still well above both the levels recorded at the end of 2017 and the average for the last five years. The risk remains that future reactions of market participants to macroeconomic surprises may be magnified by the concentration of expectations and by the widespread use of automatic investment strategies able to trigger negative spirals between falling share prices and increases in volatility.

Euro-area sovereign spreads continue to narrow

Neither the increase in volatility in the global financial markets at the beginning of February nor factors of political uncertainty significantly affected the yield spreads in the euro area. The strengthening of economic growth (see Section 1.2) has been matched by a rise in long-term interest rates and a reduction in sovereign spreads. Since the beginning of the year, the yield on German ten-year government bonds has grown by 7 basis points, to 0.50 per cent. Yield spreads for the corresponding ten-year bonds have declined in Spain, Portugal, Italy and France (by 41, 32, 30 and 12 basis points respectively; Figure 13). The modest increases observed in Ireland and Belgium, of 17 and 8 basis points respectively, are mainly

Figure 13

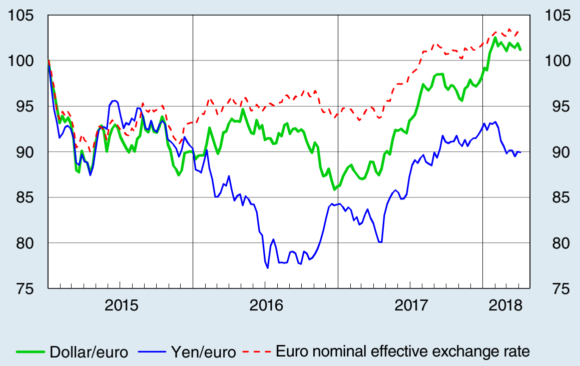
Yield spreads between 10-year government bonds and the corresponding German Bund
(end-of-week data; percentage points)



Source: Based on Thomson Reuters Datastream data.

Figure 14

Exchange rates
(average weekly data; 1st week of January 2015=100)



Sources: ECB, Bloomberg and Thomson Reuters Datastream.

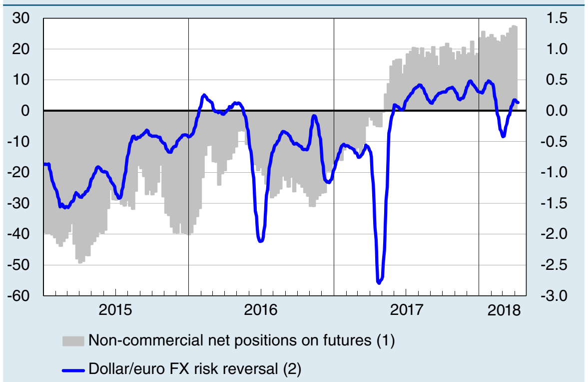
attributable to the transition to the new benchmark bonds.

Euro buying positions prevail

Since the end of December, the euro has appreciated by 3.0 per cent against the dollar, while it has depreciated by 3.0 per cent against the yen and by 1.0 per cent against the pound sterling; in nominal effective terms, the euro has gained 1.0 per cent (Figure 14). Participants continue to anticipate the euro strengthening against the dollar (Figure 15). On the derivatives markets, traders are mainly taking long (buying) positions in euro/dollar exchanges; however, the one-month risk reversal index, an asymmetrical measurement of short-term expectations for the euro/dollar exchange rate, is close to zero.

Figure 15

Net positions in dollar/euro and risk reversal
(per cent)



Sources: ECB, Bloomberg and Thomson Reuters Datastream.
(1) Difference between non-commercial long and short positions on dollar/euro FX futures as a percentage of total outstanding positions (grey band); 1-month risk reversal index (20-day moving average). – (2) Right-hand scale.

2 THE ITALIAN ECONOMY

2.1 THE CYCLICAL SITUATION

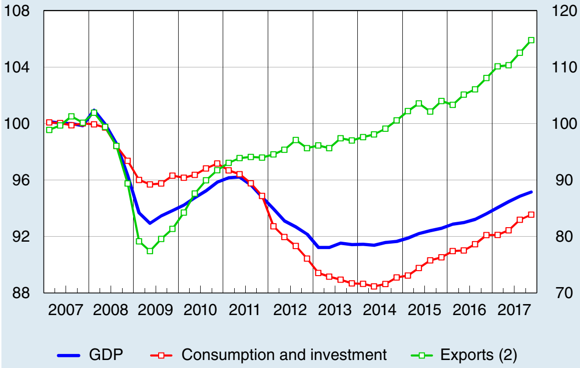
Economic activity continued to expand in the autumn, buoyed both by domestic demand (calculated net of the reduction in inventories), and the rise in exports. In the winter months, GDP appeared to have increased further, though at a slower pace, by 0.2 per cent.

Growth is encouraged by investment and exports

GDP rose by 0.3 per cent in the last quarter of 2017 compared with the previous period (Figure 16) and by 1.5 per cent for the year as a whole. In autumn, exports and domestic demand net of inventories made contributions to GDP growth of 0.6 and 0.4 percentage points respectively, while that of inventories was negative for the second period in a row (Table 4). Gross fixed investment increased in machinery and equipment, in transport

Figure 16

GDP and its main demand components (1)
(quarterly data; indices: 2007=100)



Source: Based on Istat data.
(1) Chain-linked values; the quarterly data are adjusted for seasonal and calendar effects. – (2) Right-hand scale.

Table 4

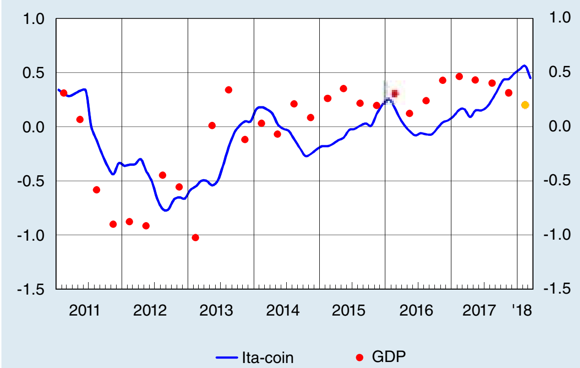
GDP and its main components (1)
(percentage change on previous period)

	2017 Q1	2017 Q2	2017 Q3	2017 Q4	2017
GDP	0.5	0.4	0.4	0.3	1.5
Total imports	0.2	2.0	1.9	1.0	5.3
National demand (2)	-0.1	0.9	0.3	0.0	1.3
National consumption	0.5	0.1	0.3	0.1	1.1
household spending (3)	0.6	0.1	0.4	0.1	1.4
other spending (4)	0.2	0.0	-0.1	0.1	0.1
Gross fixed investment	-2.1	1.5	3.2	1.7	3.8
construction	0.6	0.0	0.9	0.9	1.1
other investment goods	-4.3	2.9	5.2	2.4	6.1
Change in stocks (5) (6)	-0.1	0.6	-0.5	-0.4	-0.2
Total exports	1.9	0.2	2.0	2.0	5.4
Net exports (6)	0.5	-0.5	0.1	0.3	0.2

Source: Istat.
(1) Chain-linked values; the quarterly data are adjusted for seasonal and calendar effects. – (2) Includes the changes in stocks and valuables. – (3) Includes non-profit institutions serving households. – (4) General government expenditure. – (5) Includes valuables. – (6) Contributions to GDP growth on previous period; percentage points.

Figure 17

Ita-coin coincident cyclical indicator and GDP in Italy (1)
(percentage changes)



Sources: Bank of Italy and Istat.
(1) For the construction methodology of the indicator, see the box 'Ita-coin: a coincident indicator of the Italian economic cycle', *Economic Bulletin*, 2, 2015. Further details are available on the Bank of Italy's website: 'Ita-coin: a coincident indicator'. For GDP, quarterly data, changes on the previous quarter. The shaded circle shows the forecast for GDP growth in the first quarter based on bridge models. For Ita-coin, monthly estimates of changes in GDP on the previous quarter net of the most erratic components.

equipment and in construction. Value added climbed by almost 1.0 per cent in non-construction industry and in construction and by a very modest 0.2 per cent in services.

GDP continues to expand in early 2018

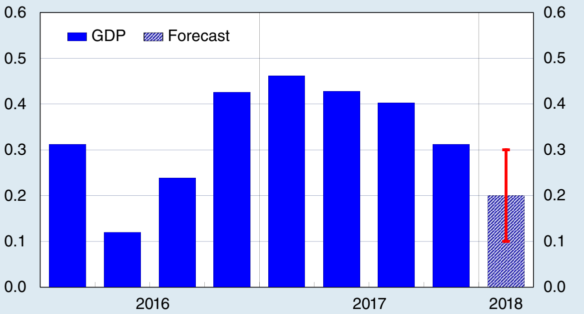
According to our estimates, in the first quarter of this year GDP continued to grow, though at a more moderate pace than in the previous quarter (see the box 'Economic activity in the first quarter of 2018 based on cyclical indicators'). The Bank of Italy Ita-coin indicator fell from 0.56 in February to 0.45 in March (Figure 17), although it remained at its highest levels since 2010. This reflected weaker industrial activity and less optimism of firms, which together outweighed the improvement in consumer confidence (see Sections 2.2 and 2.3).

ECONOMIC ACTIVITY IN THE FIRST QUARTER OF 2018 BASED ON CYCLICAL INDICATORS

Based on the latest data calculated using the Bank of Italy's statistical models,[1] in the first quarter of 2018 GDP increased by 0.2 per cent quarter on quarter (Figure A). The main qualitative indicators, while down according to the most recent data, remain broadly compatible with an expansion in GDP. Uncertainty concerning the GDP growth estimate is quantifiable within a range of 0.1 percentage points above or below the central projection, with a prevalence of upside risks: the acceleration in activity in services, which acted as the main driver in GDP growth, may have been more pronounced than the acceleration rate used in the central projection. Instead, it appears that the contribution provided by non-construction industry was nil while construction continued to recover.

Figure A

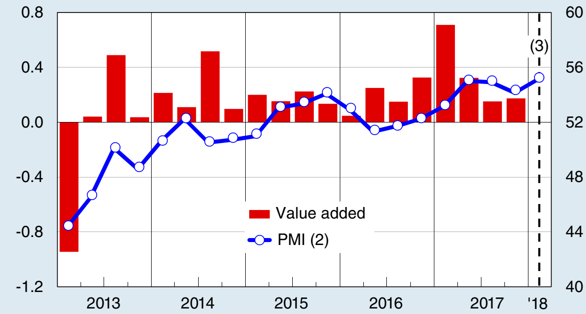
GDP estimates in the first quarter (1)
(percentage changes)



Source: Based on Istat data.
(1) For GDP and estimates, percentage changes on the previous period. The red line indicates the uncertainty of the estimates within a range of the central projection plus or minus 0.1 percentage points and equal in width to twice the forecast root mean square error over the last 3 years.

Figure B

PMI and value added in services (1)
(levels and percentage changes)



Sources: Based on Istat and Markit data.
(1) For the PMI, average level in the reference quarter. For value added in services, percentage change on the previous period, seasonally adjusted. – (2) Right-hand scale. – (3) The figure for value added in the first quarter of 2018 is not yet available.

For service firms the purchasing managers' index (PMI) began to turn upward again on average in the first three months of the year, despite a decline in March (Figure B), while the forward-looking component was unchanged.

[1] The evaluation of GDP performance, in advance of the official figure to be released by Istat on 2 May (about 30 days after the end of the reference quarter, rather than 45 days as has occurred up until now) is based on a wide range of partial information (such as electricity consumption, goods transport and industrial production), on business surveys and on other qualitative assessments, which can then be combined according to the statistical models. For an overview of the short-term forecasting models see the box 'Economic activity in the fourth quarter of 2016 according to coincident indicators', in *Economic Bulletin*, 1, 2017. See also 'Macroeconomic Models' on the Bank of Italy's website.

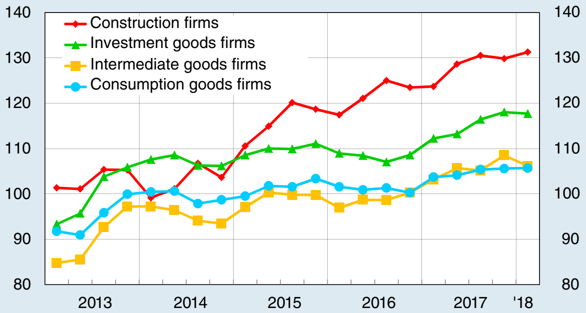
According to our estimates, in the first quarter of 2018 the cyclical variation in industrial production, equal to 0.9 per cent in the final quarter of last year, was virtually nil. Istat's manufacturing confidence index, while deteriorating slightly, continues nonetheless to point to favourable conditions (Figure C).

Weaker growth in industrial activity is also indicated by the deceleration in goods transport flows and electricity consumption in the early months of 2018. New vehicle registrations rose compared with the previous quarter, remaining at cyclically high levels (Figure D).

Value added in the construction sector, which has been recovering since the end of 2016, continued to contribute positively to the growth in GDP. Similar indications have come from the slight but persistent improvement in the confidence of construction firms, which has reached new highs since the end of 2007 (Figure C). The Bank of Italy's business surveys also point to a rise in the sector's employment (See 'Survey on Inflation and Growth Expectations', Banca d'Italia, Statistics Series, 9 April 2018).

Figure C

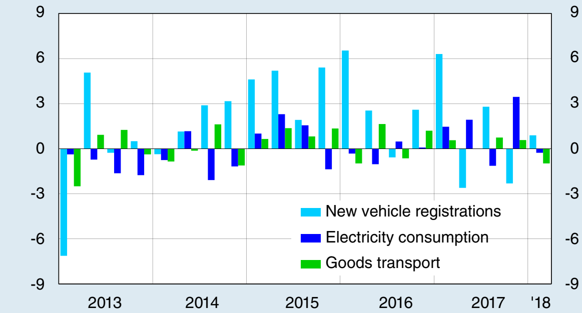
Business confidence indices (1)
(levels; indices: 2010=100)



Source: Based on Istat data.
(1) Average level in the reference quarter.

Figure D

Cyclical indicators (1)
(seasonally adjusted percentage changes)



Sources: Based on data from Istat, Terna, Autostrade per l'Italia and Ferrovie dello Stato.
(1) Average change in the reference quarter; seasonally adjusted data. For goods flows, the synthetic indicator is drawn from road and rail transport flows provided respectively by Autostrade per l'Italia and Ferrovie dello Stato. The two companies are not responsible for the estimates and related conclusions.

2.2 FIRMS

Industrial production stagnated in the first quarter of 2018. Although business confidence diminished slightly, it was still high in all the main sectors. According to our surveys, firms' assessments of the short-term outlook for demand have improved further in industry and services and investment projections for 2018 remain generally positive.

Industrial production stagnates ...

There was a further decline in industrial production in February (0.5 per cent on a quarterly basis) following January's sharp drop. According to our estimates, it stagnated over the first quarter as a whole. Istat's index of industrial production has been published with a new basis of 2015 equal to 100. The new data significantly alter the recent dynamics of production. The new raw index shows an average annual growth of production of 1.4 per cent in 2016 and 3.1 per cent in 2017, respectively 0.2 and 0.6 percentage points higher than the old index (Figure 18).

... although business confidence remains high

Indicators such as the business confidence index and PMI remain at levels consistent with output growth even though they have dropped in the main sectors.

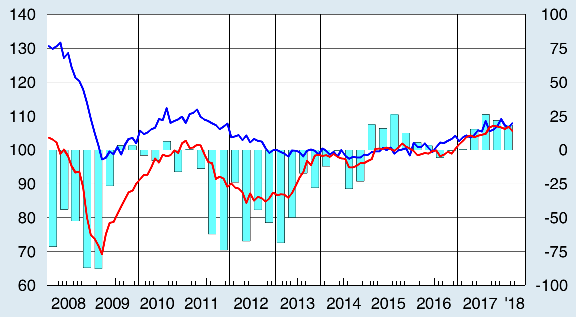
According to the quarterly survey conducted in March by the Bank of Italy and *Il Sole 24 Ore*, assessments of general economic conditions remained positive in the first three months of 2018, although less favourable than in December. Short-term expectations regarding demand improved in all the main sectors.

Investment increases, especially in transport

Investment activity continued through the autumn months, driven by a very sharp rise in purchases of transport equipment (8.2 per cent) alongside smaller increases in investment in machinery and equipment (1.3 per cent) and in construction (0.9 per cent, the same as in the third quarter of 2017). The Bank of Italy-*Il Sole 24 Ore* survey indicates that although opinions regarding the conditions for investment were less favourable, firms generally intend to keep to last quarter's plans to increase investment spending this year (see the box 'Italian firms' investment according to the survey on inflation and growth expectations').

Figure 18

Industrial production and business confidence indicators
(monthly data)



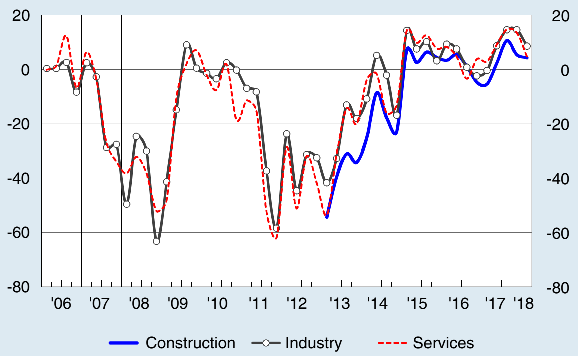
Sources: Based on data from Istat, Terna and Bank of Italy.
(1) Right-hand scale. Balance, in percentage points, of the responses 'better' and 'worse' to the question on the general state of the economy (see 'Survey on Inflation and Growth Expectations', Banca d'Italia, Statistics Series, 9 April 2018). – (2) Industrial production adjusted for seasonal and calendar effects; for March, estimated data. – (3) Index 2015=100.

ITALIAN FIRMS' INVESTMENT ACCORDING TO THE SURVEY ON INFLATION AND GROWTH EXPECTATIONS

In March, the Bank of Italy and *Il Sole 24 Ore* carried out their quarterly survey on a sample of about 1,000 industrial, service and construction firms with 50 or more employees (see 'Survey on Inflation and Growth Expectations', Banca d'Italia, Statistics Series, 9 April 2018). It emerged that firms' assessments were still strongly positive, although there was less optimism about the current economic situation. Economic and political factors remained a source of uncertainty about the business environment.

The share of firms that judged investment conditions to have improved from the previous quarter diminished slightly, while the percentage of those judging them to be unchanged increased. Although still close to the high values recorded over the last ten years, the balance between the opinions indicating an

Firms' assessment of conditions for investing compared with the previous quarter (1)
(quarterly data; percentage points)



(1) Balance between judgments of improvement and deterioration by comparison with the previous quarter reported in the quarterly survey conducted on a sample of firms with 50 or more workers by the Bank of Italy and *Il Sole 24 Ore* (see 'Survey on Inflation and Growth Expectations', Banca d'Italia, Statistics Series, 9 April 2018).

improvement and those indicating a deterioration narrowed slightly (see the figure), particularly among non-construction and service firms and large companies. Firms assessed credit supply conditions to be unchanged with respect to the last quarter of 2017.

The gap between the percentage of firms intending to increase their nominal investment expenditure in 2018 and those planning a decrease remained wide for firms as a whole and within industry and services (see the table). The balance was narrower in the construction sector, however, and diminished with respect to the previous survey. This was due to the sharp deterioration in the outlook for firms in the non-residential building segment, while in the residential construction sector the share of firms intending to increase their planned investment far outweighed the share proposing a reduction.

Firms' expectations regarding investment (1)
(per cent)

RESPONSES	Non-construction industry	Services	Construction	Total economy
	Investment expenditure planned for H1 2018 compared with H2 2017			
Higher	36.7	29.7	27.1	32.9
About the same	49.5	56.8	53.4	53.1
Lower	13.8	13.6	19.5	14.0
	Investment expenditure planned for 2018 compared with actual investment in 2017			
Higher	44.9	35.1	27.4	39.3
About the same	42.8	54.2	55.5	48.9
Lower	12.4	10.7	17.1	11.8

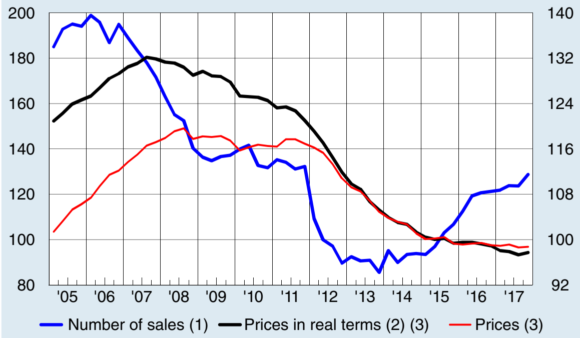
(1) Estimates weighted to take into account the ratio between the number of respondent firms and the number of firms in the reference universe in the quarterly survey of Italian firms with 50 or more employees conducted by the Bank of Italy with *Il Sole 24 Ore* (see 'Survey on Inflation and Growth Expectations', Banca d'Italia, Statistics Series, 9 April 2018). Rounding may cause discrepancies.

House sales increase

The number of house sales increased by 4.1 per cent in the last quarter of 2017 compared with the third (Figure 19). Residential property prices virtually stagnated (0.1 per cent), falling slightly overall in 2017 (-0.4 per cent). According to the Housing Market Survey conducted in December and January on a sample of real estate agents, there are clearer signs that demand is picking up: the number of agencies that handled at least one sale has increased and the stock of mandates to sell has diminished. Assessments of the short-term trends in the domestic market remain positive.

Figure 19

House prices and sales
(quarterly data; indices: 2015=100)



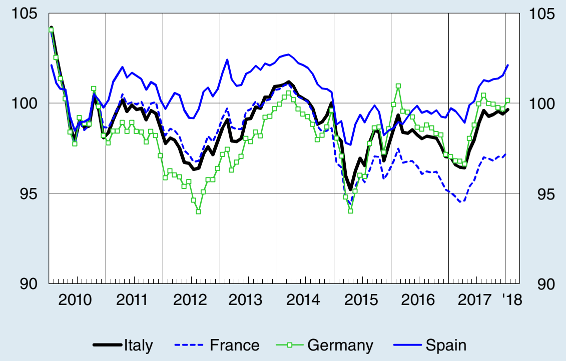
Sources: Based on data from Osservatorio del Mercato Immobiliare, Bank of Italy, Istat and Consulente Immobiliare.
(1) Adjusted for seasonal and calendar effects. – (2) House prices deflated by the consumer price index. – (3) Right-hand scale.

Firms' price competitiveness remains stable

Our estimates indicate that firms' price competitiveness, measured by the producer prices of manufactured goods and taking account of the structure of Italy's trade, remained stable in the first quarter, but worsened in the other leading euro-area economies (Figure 20).

Figure 20

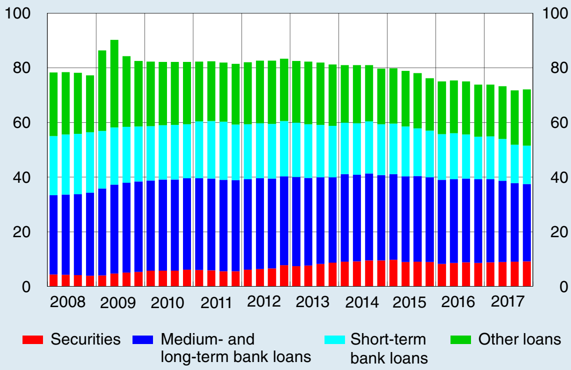
Indicators of competitiveness (1)
(monthly data; indices: 2010=100)



Sources: Based on data from the ECB, CEPII, Eurostat, IMF, OECD, UN, and national statistics.
(1) Vis-à-vis 61 competitor countries; based on the producer prices of manufactures. An increase in the index indicates a loss of competitiveness; the latest data relate to December 2017. For the method of calculation, see A. Felettigh, C. Giordano, G. Oddo and V. Romano, 'Reassessing price-competitiveness indicators of the four largest euro-area countries and of their main trading partners', Banca d'Italia, Questioni di Economia e Finanza (Occasional Papers), 280, 2015.

Figure 21

Debt of non-financial corporations (1)
(quarterly data; per cent of GDP)



Sources: Based on Bank of Italy and Istat data.
(1) The data relate to the 12 months ending in the quarter in question. Debt includes securitized loans. The data for the last quarter are provisional.

Firms' profitability decreases slightly ...

Based on Istat data and our own estimates, in the fourth quarter of 2017 the ratio of gross operating profit to value added decreased further with respect to the previous quarter as a result of the increase in the cost of labour. Firms' self-financing capability (calculated as the difference between gross operating profit and total interest costs) diminished slightly although continuing to benefit from the fall in net interest expense. The ratio of investment expenditure to value added as well as firms' financing requirement increased.

... and their indebtedness increases

In the fourth quarter total firms' debt as a percentage of GDP returned to growth, albeit slightly, from 71.8 to 72.1 per cent (Figure 21). Demand for bank credit accelerated, reflecting the low level of interest rates and expenditure on fixed investment (see Section 2.7).

2.3 HOUSEHOLDS

Households' expenditure and purchasing power increased slightly during the autumn months. Consumer confidence strengthened, suggesting that consumption has continued to expand in line with last year's performance.

Consumption increases slightly at the end of 2017 ...

Household consumption slowed in the fourth quarter of 2017 (to 0.1 per cent on the previous period, compared with 0.4 per cent), following a brief acceleration in the summer.

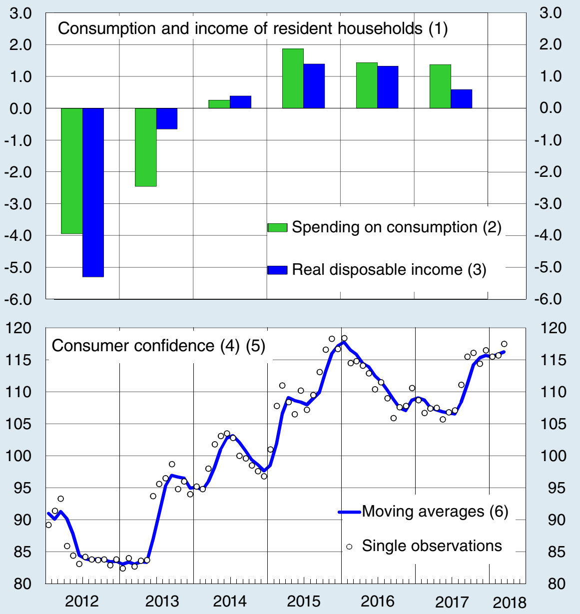
... as does purchasing power

Expenditure slowed, as did disposable income, which fell to 0.2 per cent net of inflation, from 0.9 in the third quarter (Figure 22). The propensity to save held stable at around 8 per cent in the fourth quarter (Figure 23), in line with the average for 2017 as a whole.

Figure 22

Consumption, disposable income and consumer confidence in Italy

(percentage changes and index numbers)

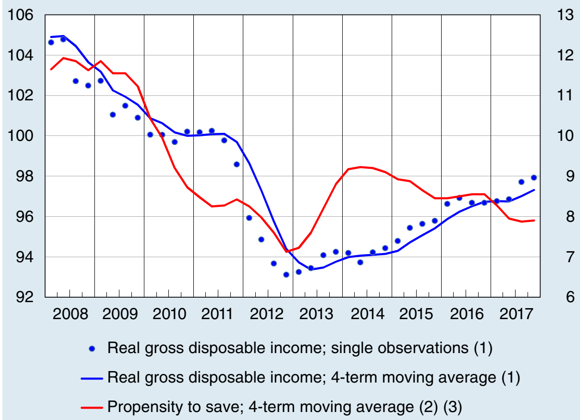


Source: Based on Istat data.
(1) Percentage changes on previous year. – (2) Chain-linked volumes. – (3) Obtained using the consumption expenditure deflator for households (chain-linked values, reference year 2010). – (4) Seasonally adjusted monthly data. Indices: 2010=100. – (5) In June 2013 methodological changes were introduced that make the data since then not directly comparable with the earlier data. – (6) Monthly data; moving averages for the 3 months ending in the reference month.

Figure 23

Consumer households' disposable income and propensity to save

(seasonally adjusted data)

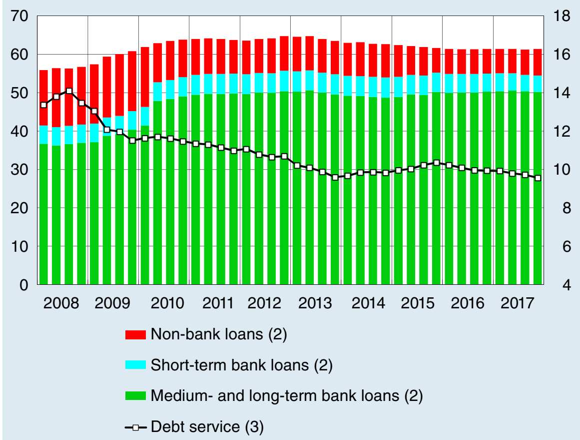


Source: Based on Istat data.
(1) Net of the variation in the final consumption expenditure deflator for resident households. Indices: 2010=100. – (2) Consumer households' savings as a percentage of real gross disposable income. – (3) Right-hand scale.

Figure 24

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 12 months to the end of the quarter. The data for the last quarter are provisional. Debt 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*, 58, 2010. – (3) Right-hand scale. Estimated cost of debt service (interest plus repayment of principal) for consumer households only.

Household expenditure increases slightly in early 2018

The latest cyclical indicators suggest that consumption continued to expand at a moderate pace at the beginning of 2018. New car registrations picked up in the winter months and recouped part of the decline recorded in the previous quarter. Consumer confidence began to improve again, particularly regarding assessments of the general economic situation and future outlook. Labour market expectations also improved.

Household indebtedness remains low by international standards

During the autumn months the ratio of Italian household debt to disposable income rose to 61.3 per cent (from 61.2 per cent in September; Figure 24), well below the Eurozone average of 94.6 per cent recorded at the end of September). As a share of GDP, household debt rose to 41.3 per cent, from 41.2 per cent (58.0 per cent in the Eurozone). Debt servicing costs (interest plus repayment of principal) declined further, to 9.6 per cent of disposable income. Interest rates on new mortgage loans remain at historically low levels (see Section 2.7).

2.4 FOREIGN DEMAND AND THE BALANCE OF PAYMENTS

Italian exports continued to grow at a particularly rapid pace in the last few months of 2017, although cyclical indicators for the first quarter of 2018 suggest a less certain outlook. The strong performance of exports was reflected in a further increase in the current account surplus, which rose to 2.8 per cent of GDP in 2017, and an additional improvement in Italy's net international position.

Exports continue to increase in the fourth quarter ...

Exports grew significantly in the last quarter of 2017 (2.0 per cent in volume terms on a quarterly basis), mimicking their performance in the third. Foreign sales were largely driven by the goods component, especially in EU markets, where demand gradually strengthened over the course of the year. At sectoral level, the main contribution came from the pharmaceutical and the transport equipment segments. Exports of services remained broadly unchanged at 0.2 per cent, largely owing to the fall in non-euro-area markets. In 2017 as a whole, total exports grew by 5.4 per cent, compared with 2.4 per cent in 2016.

Import growth slowed to 1.0 per cent in volume terms in the fourth quarter of 2017, affected by the drop in the services component; by contrast, imports of goods continued to expand, partly driven by the further increase in investment goods. Overall, imports grew by 5.3 per cent in 2017.

... but the outlook is somewhat uncertain

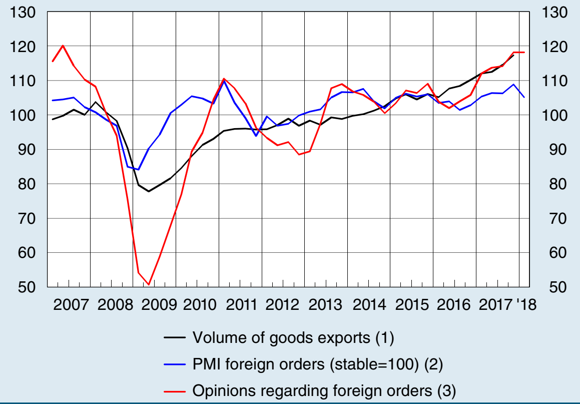
In January, goods exports, valued at current prices and seasonally adjusted, fell towards both EU and non-EU markets, where sales again decreased in February. On average, manufacturing firms' assessments of foreign orders as recorded by Istat nonetheless remained favourable in the first quarter and the corresponding PMI, though decreasing, stood above the threshold compatible with an expansion in foreign sales (Figure 25).

The current account surplus widens further in 2017 ...

For 2017 as a whole, the current account surplus was €47.3 billion, or 2.8 per cent of GDP, up from 2.6 in 2016 (Table 5 and

Figure 25

Manufacturing firms' assessments of foreign orders
(seasonally adjusted quarterly data; index numbers)



Sources: Istat, Markit and Thomson Reuters Datastream.
(1) Index: 2007=100 (national accounts data). – (2) Quarterly average of the PMI plus 50. – (3) Quarterly average based on Istat's monthly survey of firms; percentage balance of replies of 'increasing' and 'decreasing', minus the average, plus 100.

Table 5

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

	2016	2017	Jan. 2017	Jan. 2018
Current account	**43.1**	**47.3**	**-1.0**	**-1.3**
Memorandum item: % of GDP	2.6	2.8	–	–
Goods	57.7	55.7	0.3	0.5
non-energy products (2)	83.1	87.5	3.4	3.4
energy products (2)	-25.5	-31.8	-3.1	-2.9
Services	-2.9	-3.9	-0.8	-1.2
Primary income	5.0	10.2	0.6	0.6
Secondary income	-16.7	-14.7	-1.1	-1.1
Capital account	**-3.1**	**-0.9**	**..**	**-0.2**
Financial account	**65.4**	**47.2**	**0.5**	**3.8**
Direct investment	-4.1	-11.2	-3.1	-0.1
Portfolio investment	159.5	98.4	-2.5	-2.4
Derivatives	-3.0	-5.7	0.3	0.2
Other investment (3)	-85.9	-36.9	5.7	6.3
Changes in official reserves	-1.2	2.7	0.1	-0.2
Errors and omissions	**25.4**	**0.8**	**1.5**	**5.2**

(1) Based on the international standards set out in the sixth edition of the IMF's *Balance of Payments and International Investment Position Manual* (BPM6), 2009. For January 2018, provisional data. – (2) Based on Istat foreign trade data. – (3) Includes change in TARGET2 balance.

Figure 26). The fall in the trade surplus, caused by the higher expenditure on energy commodities, and the wider deficit in the services component were more than offset by the improvement in the primary income account balance; this improvement was driven mainly by investment income, particularly that from portfolio securities.

... and foreign investors purchase Italian public and private sector securities

Following the net sales recorded in 2016, foreign investors again made net purchases of Italian portfolio securities in 2017 (€28.7 billion for the year). Foreign investments were made in both public sector (€3.6 billion) and private sector securities, especially bank bonds and equity.

On the asset side, purchases of foreign securities by Italian residents amounted to €127.1 billion, continuing the process underway since 2014 of diversifying their portfolios with foreign investments. As in the past, their purchases mainly consisted of foreign investment fund units (€91.5 billion), which were largely made by households, insurance companies, pension funds and other financial intermediaries. Equity investments picked up, while purchases of debt instruments fell slightly.

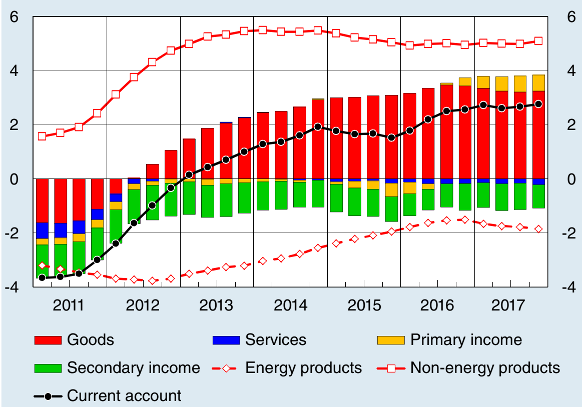
The debtor position in TARGET2 fluctuates slightly

The Bank of Italy's debtor position in the TARGET2 European payment system remained substantially unchanged from May 2017 to January 2018 before growing slightly in the following two months to reach €442 billion at the end of March. Until January, the last month for which balance of payments data are available, the substantial stabilization of the balance reflected the current account and capital account surpluses and the increase in foreign purchases of Italian securities, offset by investments in foreign securities by Italian residents and the decrease in banks' net foreign funding (Figure 27).

Figure 26

Current account balance and its main components

(per cent of GDP; 4-quarter moving averages)

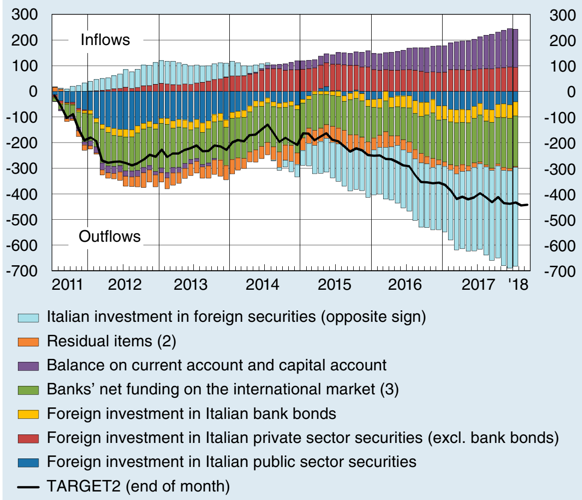


Sources: For GDP, Istat; for the breakdown between energy and non-energy products, based on Istat foreign trade data.

Figure 27

TARGET2 balance and cumulative balance of payments flows (1)

(monthly data; billions of euros)



(1) Using the balance of payments accounting identity, an increase in the Bank of Italy's debit balance vis-à-vis the ECB in the TARGET2 payment system may reflect investments in Italy by non-residents (greater liabilities), residents' disposals of foreign assets (fewer assets) or a current account and capital account surplus. Cumulative capital flows since July 2011. – (2) Direct investment, derivatives, other investment, official reserves, errors and omissions. – (3) Net bank funding in the form of loans, deposits and other investments by the banking sector, including those intermediated by resident central counterparties.

The net international position continues to improve markedly

Thanks to the current and capital account surpluses and to the positive contribution made by valuation adjustments, at the end of the fourth quarter of 2017, Italy's net international position decreased further, to 6.7 per cent of GDP, almost 18 percentage points below the peak recorded in March 2014.

2.5 THE LABOUR MARKET

In the fourth quarter of 2017 the number of hours worked continued to increase while employment recorded a slight decline, presumably owing to the deferral to 2018 of new hires on permanent contracts in order to benefit from social security contribution relief. According to the latest short-term economic indicators, employment turned upward again in February. Contractual earnings showed signs of accelerating in the course of 2017.

The number of hours worked continues to rise ...

In the last three months of 2017 the number of hours worked continued to expand (0.2 per cent), despite a small contraction in the number of persons in employment (0.3 per cent; Figure 28 and Table 6), primarily in industry excluding construction and personal services. On average in 2017, hours worked rose by 1.2 per cent and total persons in employment by 1.1 per cent.

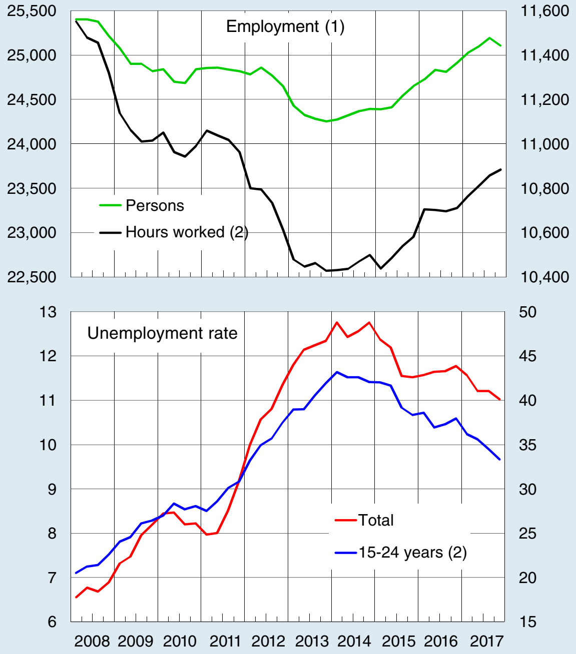
... as does the number of fixed-term employees

In the same period, while the number of persons in self-employment fell further, fixed-term employment increased by 2 per cent, translating into 56,000 additional workers. The number of workers on permanent contracts fell slightly (by 0.2 per cent or 25,000 fewer people). The reduction in permanent employment could reflect the decision by firms to put off making some new hires to

Figure 28

Employment and unemployment

(seasonally adjusted quarterly data)



Sources: Istat's quarterly national accounts and labour force survey.
(1) Thousands of persons; millions of hours. – (2) Right-hand scale.

Table 6

Employment and hours worked

(seasonally adjusted quarterly data; thousands of persons, millions of hours and percentage changes on the previous quarter)

	Stocks	Changes			
	Q4 2017	Q1 2017	Q2 2017	Q3 2017	Q4 2017
Total number of persons employed	**25,108**	**0.4**	**0.3**	**0.4**	**-0.3**
of which: industry excluding construction	4,207	0.1	0.3	0.6	-0.5
private services (1)	11,069	0.4	0.4	0.6	0.1
Payroll employees	19,089	0.7	0.8	0.5	-0.3
Self-employed	6,020	-0.4	-1.2	0.2	-0.4
Hours worked	**10,884**	**0.5**	**0.4**	**0.5**	**0.2**
of which: industry excluding construction	1,881	0.4	0.9	1.0	0.8
private services (1)	5,021	0.2	0.6	0.7	0.4
Payroll employees	7,574	0.8	0.8	0.6	0.2
Self-employed	3,310	-0.3	-0.4	0.0	0.4

Source: Istat's quarterly national accounts.
(1) Does not include services to households and individuals.

the early months of this year, in order to benefit from the new three-year measures introduced by the 2018 budget law, which halve social security contributions for workers up to the age of 35.

Employment returns to growth in February

According to provisional data from Istat's labour force survey, the number of those in employment turned upward again in February, after dropping further in January. Administrative data from INPS published in March, which provide advance indications of the trend in payroll employment (see the box 'Hirings: the effects of the labour market measures as reflected in the administrative data', in *Economic Bulletin*, 4, 2015), point to an expansion in employment at the start of 2018, driven by both fixed-term and permanent contracts; the latter appeared to pick up also thanks to social security contribution relief.

The unemployment rate continues to fall

The unemployment rate continued to come down in the autumn months, reaching around 11.0 per cent. On average in 2017 it fell to 11.3 per cent (from 11.7 per cent in 2016), reflecting the increase in the employment rate, which rose to 57.9 per cent, and exceeded that in the participation rate, which reached 65.4 per cent. Over the year, the rate of unemployment among young people aged between 15 and 24 was in constant decline, reaching 33.6 per cent in the last quarter, 4.4 percentage points below what it was one year earlier (Figure 28). Provisional data from Istat's labour force survey suggest that in the early months of 2018 the rate of youth unemployment improved further; total unemployment instead remained unchanged with respect to the end of 2017.

Contractual earnings rise

In the autumn, hourly contractual earnings in the non-farm private sector increased by 0.8 per cent on the year-earlier period, accelerating slightly compared with the previous quarters. Growth in February reached 1.0 per cent compared with the same month in 2017.

2.6 PRICE DEVELOPMENTS

The low level of consumer price inflation, which reached 1.1 per cent in March, partly reflects the slowdown over the past year in the prices of the more volatile components, like energy and unprocessed food products, caused by the statistical effect of the acceleration in the prices of these products in the first part of 2017. Firms, households and analysts expect inflation to increase moderately in the coming months, though it is projected to remain below 2 per cent for the remainder of the year.

Consumer price inflation is low, reflecting the trend in the most volatile components

In the winter months, consumer price inflation weakened, notwithstanding a recovery in March when it reached 1.1 per cent compared with the year-earlier period (provisional data, Figure 29). In the last quarter, downward pressure was exerted by the slowdown in the prices of unprocessed food and energy products, mainly in comparison with the previous year; these downward pressures should gradually abate in the coming months. The seasonally adjusted annualized 3-month inflation rate has increased, fluctuating above 2 per cent since the start of the year (Figure 30).

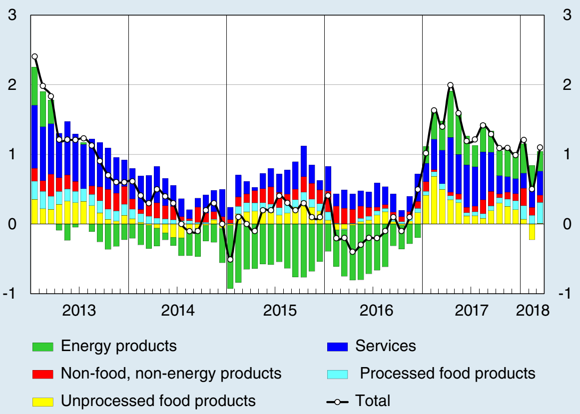
Core inflation remains low

In March core inflation remained low at 0.7 per cent year on year (Table 7) and 1.4 per cent on the previous quarter (on a seasonally adjusted and annualized basis).

In February the producer prices of industrial products sold on the domestic market accelerated to a twelve-month rate of 1.8 per cent, driven mainly by the energy component.

Figure 29

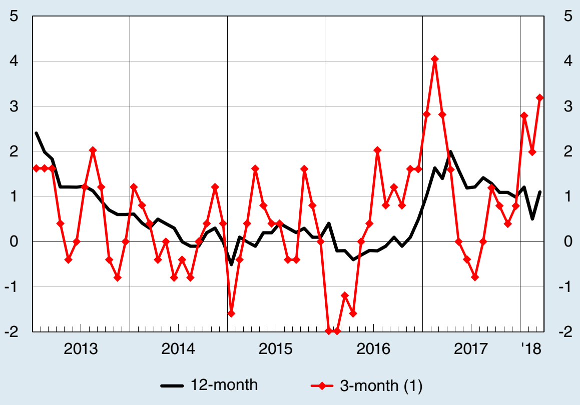
Consumer price inflation in Italy and contributions of its components (1)
(monthly data; 12-month percentage changes and percentage points)



Source: Based on Eurostat data.
(1) Harmonized Index of Consumer Prices. Provisional data for March 2018.

Figure 30

Consumer price inflation
(monthly data; percentage changes)



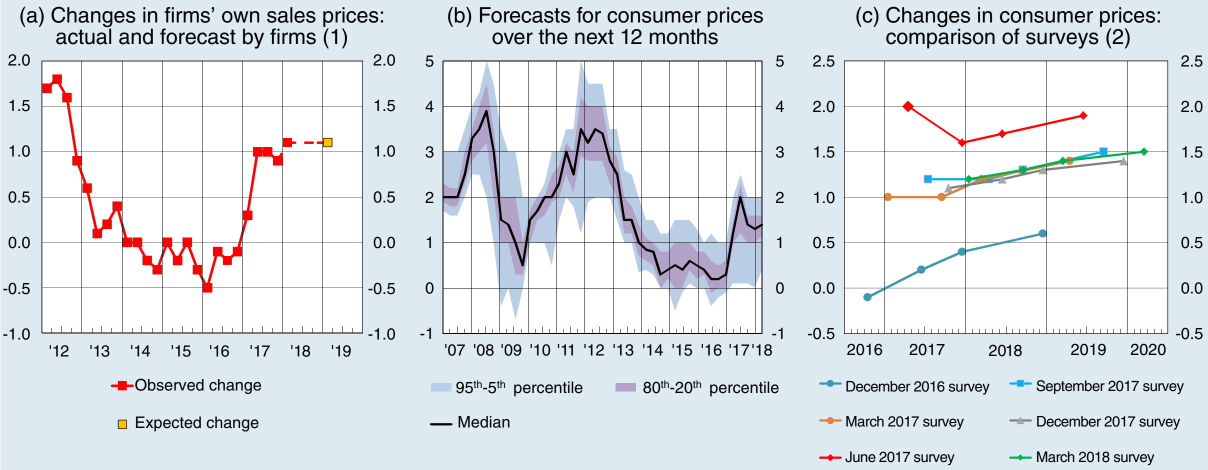
Sources: Based on Eurostat and ECB data.
(1) Annualized and seasonally adjusted.

Households and firms expect a moderate increase in prices ...

According to the quarterly survey conducted in March by the Bank of Italy and *Il Sole 24 Ore*, firms reported an increase of 1.0 per cent in their list prices compared with the year-earlier period; they expect their prices to increase by 1.1 per cent over the next twelve months. The consumer price inflation expectations of the firms interviewed were revised slightly upwards across all time horizons compared with the previous survey (Figure 31). Based on Istat surveys, on average in the first quarter of 2018 the balance between the share of manufacturing firms expecting to raise their prices and that of those

Figure 31

Inflation expectations of industrial (excluding construction) and service firms
(12-month percentage changes)



(1) Robust average of responses to questions concerning the observed percentage change in firms' own sales prices over the past 12 months and the change expected over the next 12 months in the Bank of Italy-*Il Sole 24 Ore* quarterly survey (see 'Survey on Inflation and Growth Expectations', Banca d'Italia, Statistics Series, 9 April 2018). – (2) The first point of each curve is the definitive figure available at the time of the survey that is provided to respondents to use as the basis for formulating their expectations; the second point represents the average of the forecasts for the next 6 months; the third point is the average of the forecasts for the next 12 months; the fourth point is the average of the forecasts for the next 24 months.

Table 7

Indicators of inflation in Italy

(12-month percentage changes)

	HICP (1)			CPI (2)			PPI (3)	GDP Deflator
	Overall index	Excl. food and energy	Overall index at constant taxation (4)	Overall index	at 1 month (5)	Excl. food and energy	Overall index	
2013	1.2	1.2	1.1	1.2	–	1.1	-1.2	1.2
2014	0.2	0.7	-0.1	0.2	–	0.7	-1.8	1.0
2015	0.1	0.7	0.0	0.0	–	0.5	-3.4	0.9
2016	-0.1	0.5	-0.1	-0.1	–	0.5	-2.2	0.8
2017	1.3	0.8	1.3	1.2	–	0.7	2.6	0.6
2016 – Jan.	0.4	0.9	0.4	0.3	-0.2	0.7	-3.0	–
Feb.	-0.2	0.5	-0.2	-0.3	-0.2	0.5	-4.1	–
Mar.	-0.2	0.8	-0.3	-0.2	0.1	0.7	-3.9	–
Apr.	-0.4	0.6	-0.4	-0.5	-0.3	0.5	-4.5	–
May	-0.3	0.6	-0.4	-0.3	0.3	0.5	-4.1	–
June	-0.2	0.5	-0.3	-0.4	0.1	0.4	-3.4	–
July	-0.2	0.5	-0.2	-0.1	0.1	0.6	-1.3	–
Aug.	-0.1	0.4	-0.1	-0.1	-0.1	0.5	-1.0	–
Sept.	0.1	0.4	0.0	0.1	0.2	0.4	-0.7	–
Oct.	-0.1	0.2	-0.2	-0.2	0.1	0.1	-0.7	–
Nov.	0.1	0.4	0.1	0.1	0.1	0.4	-0.3	–
Dec.	0.5	0.7	0.5	0.5	0.2	0.6	0.8	–
2017 – Jan.	1.0	0.5	1.0	1.0	0.3	0.5	2.9	–
Feb.	1.6	0.7	1.5	1.6	0.3	0.6	3.7	–
Mar.	1.4	0.6	1.4	1.4	0.0	0.7	3.3	–
Apr.	2.0	1.3	1.9	1.9	0.1	1.1	4.3	–
May	1.6	0.9	1.6	1.4	-0.1	0.8	3.2	–
June	1.2	1.0	1.3	1.2	-0.1	1.0	2.5	–
July	1.2	0.9	1.1	1.1	0.0	0.8	0.8	–
Aug.	1.4	1.2	1.3	1.2	0.1	0.9	1.6	–
Sept.	1.3	1.1	1.3	1.1	0.0	0.8	1.6	–
Oct.	1.1	0.5	1.1	1.0	0.0	0.4	2.2	–
Nov.	1.1	0.4	1.1	0.9	0.1	0.3	2.7	–
Dec.	1.0	0.5	0.9	0.9	0.1	0.4	2.2	–
2018 – Jan.	1.2	0.7	1.1	0.9	0.3	0.4	1.8	–
Feb.	0.5	0.5	0.6	0.5	-0.1	0.5	1.8	–
Mar.	(1.1)	(0.7)	....	(0.9)	(0.4)	(0.5)	....	–

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 HICP principally owing to 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) Seasonally adjusted.

planning to reduce them remained positive but narrowed somewhat. The percentage of consumers expecting prices to remain unchanged or to decline over the next twelve months has fallen slightly since the fourth quarter of 2017, declining from 59.4 per cent to 57.3 per cent.

... as do professional analysts

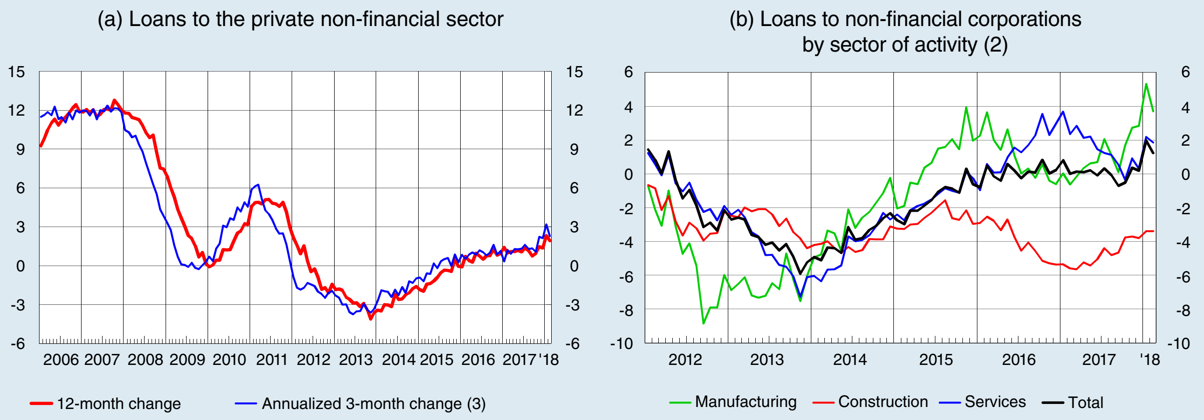
The analysts polled in March by Consensus Economics expected an average inflation rate of 1.1 per cent in 2018, below that forecast for the euro area as a whole (see Section 1.2).

2.7 BANKS

In recent months lending to firms has expanded at a brisk pace, reflecting increased demand associated with the stabilization of the short-term outlook and the strengthening of productive investment;

Figure 32

Bank lending (1)
(monthly data; percentage changes)



Source: Supervisory reports.
(1) Includes bad debts, repos and loans not reported in banks' balance sheets because they have been securitized. The percentage change is net of reclassifications, exchange rate variations, value adjustments, and other variations not due to transactions. – (2) Twelve-month changes; until December 2013, the data for each sector are not corrected for value adjustments. – (3) Seasonally adjusted. In accordance with the guidelines of the European Statistical System, the models used to make seasonal adjustments are reviewed annually to ensure they correctly represent the dynamics of the time series. Consequently, direct comparison between the series shown in the graph and the series presented in previous issues of the *Economic Bulletin* may not be possible.

the incentives for lending provided under longer-term refinancing operations are also likely to have contributed. In 2017 the share of non-performing bank loans held by significant banks fell by one fifth.

Lending to the non-financial private sector continues to expand ...

In the three months ending in February, loans to the private non-financial sector increased by 2.3 per cent (seasonally adjusted and annualized; Figure 32.a). This was also driven by the more marked expansion in lending to firms. Lending to households (both for house purchase and in the form of consumer credit) continued to increase at a robust pace.

... also owing to greater demand on the part of firms

Growth in lending to non-financial firms (1.2 per cent in the twelve months ending in February, compared with 0.4 per cent in November; 2.1 per cent on a three-month basis), benefited from the greater demand linked to increased investment (see Section 2.2). The incentives for lending provided under longer-term refinancing operations are likely to have also contributed to this trend, in particular the impending conclusion of the reference period last January for calculating credit to firms and households, on the basis of which the final cost of operations for each participating bank was defined (see the box 'The monetary policy measures adopted in March 2016', *Economic Bulletin*, 2, 2016). The improvement was recorded in both manufacturing (3.7 per cent in the same twelve-month period; Figure 32.b) and services (1.9 per cent), though the decline in lending to construction firms continued (-3.4 per cent), albeit at a slightly slower pace. Growth in lending was stronger for loans disbursed by small banks and by branches and subsidiaries of foreign banks (3.0 and 3.4 per cent respectively, compared with 0.5 per cent for the other banks).

Deposits by residents increase

Between November and February, Italian banks' total funding expanded by €15 billion (Table 8), following an increase in the deposits of residents and greater net wholesale funding through central counterparties; bonds, on the other hand, declined further.

Credit supply conditions remain favourable and demand strengthens

Credit supply conditions remain favourable. According to the banks that took part in the euro-area bank lending survey, in the fourth quarter of 2017 supply policies were virtually unchanged for both corporate and household

Table 8

Main assets and liabilities of Italian banks (1)

	End of month stocks (2)		12-month percentage changes (3)	
	November 2017	February 2018	November 2017	February 2018
Assets				
Loans to Italian residents (4)	1,771	1,766	-0.3	-0.4
of which: firms (5)	741	733	0.4	1.2
households (6)	631	629	2.9	2.8
Claims on central counterparties (7)	110	68	24.3	-4.2
Debt securities excluding bonds of resident MFIs (8)	459	467	-10.0	-7.8
of which: securities of Italian general government entities	344	345	-12.7	-12.0
Claims on the Eurosystem (9)	136	119	186.9	117.0
External assets (10)	361	372	8.2	8.0
Other assets (11)	1,083	901	-3.3	-3.9
Total assets	**3,920**	**3,693**	**1.2**	**0.0**
Liabilities				
Deposits of Italian residents (4) (12) (13)	1,454	1,480	3.2	4.0
Deposits of non-residents (10)	302	299	0.1	0.3
Liabilities towards central counterparties (7)	138	104	-6.9	-25.1
Bonds (13)	285	267	-16.3	-19.0
Liabilities towards the Eurosystem (9)	252	251	36.2	25.9
Liabilities connected with transfers of claims	110	119	-6.3	0.8
Capital and reserves	440	441	1.3	-2.7
Other liabilities (14)	938	732	0.1	0.4
Total Liabilities	**3,920**	**3,693**	**1.2**	**0.0**

Source: Supervisory reports.
(1) The data for February 2018 are provisional. – (2) Billions of euros. – (3) Adjusted for reclassifications, value adjustments and exchange rate movements. Changes in 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 borrowers not classified elsewhere. – (7) Only repos. – (8) Excludes bonds of resident MFIs, i.e. banks and money market funds. – (9) Includes the accounts with the Eurosystem for monetary policy operations; see Tables 3.3a and 3.3b in 'Banks and Money: National Data', Banca d'Italia, Statistics Series. – (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 some 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, derivatives, and some minor items.

loans, while demand increased further (see the box 'Credit supply and demand'). Based on the latest data from business surveys carried out in March by Istat and by the Bank of Italy together with *Il Sole 24 Ore*, supply conditions improved for medium-sized and large firms.

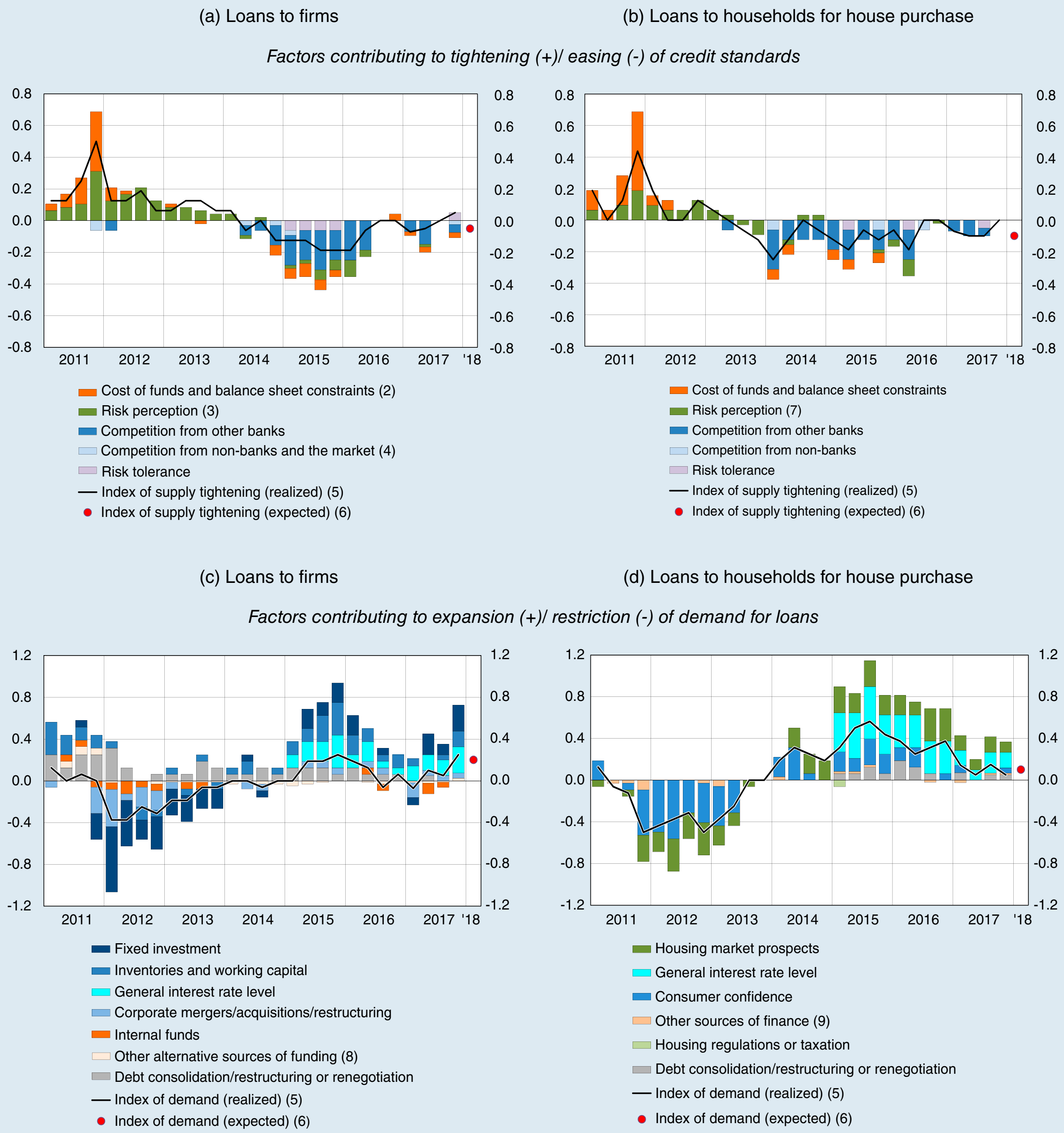
CREDIT SUPPLY AND DEMAND

The Italian banks interviewed in the euro-area bank lending survey reported that, in the fourth quarter of 2017, credit supply policies for new loans remained virtually unchanged for both firms and households (Figure A). The average margin on loans continued to decline and there was a further increase in the size of corporate loans.[1]

[1] Ten of the main Italian banking groups took part in the survey, which ended in late December. The results for Italy are available at www.bancaditalia.it, those for the euro area are available at www.ecb.int.

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. The 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=decreased somewhat, -1=decreased 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) Average of the following factors: bank's capital position; bank's ability to access market financing; and bank's liquidity position. – (3) Average of the following factors: general economic situation and outlook; industry- or firm-specific situation and outlook; and risks associated with collateral. – (4) Average of the following factors: competition from non-banks and competition from other financing sources. – (5) Refers to the quarter ending at the time of the survey; right-hand scale. – (6) Forecasts prepared in the previous quarter; right-hand scale. – (7) Average of the following factors: general economic situation and outlook; housing market prospects; and borrowers' creditworthiness. – (8) Average of the following factors: loans granted by other banks; loans granted by non-banks; issues/redemptions of debt securities; and issues/redemptions of equity. – (9) Average of the following factors: self-financing of house purchase with savings; loans granted by other banks; and other sources of external funding.

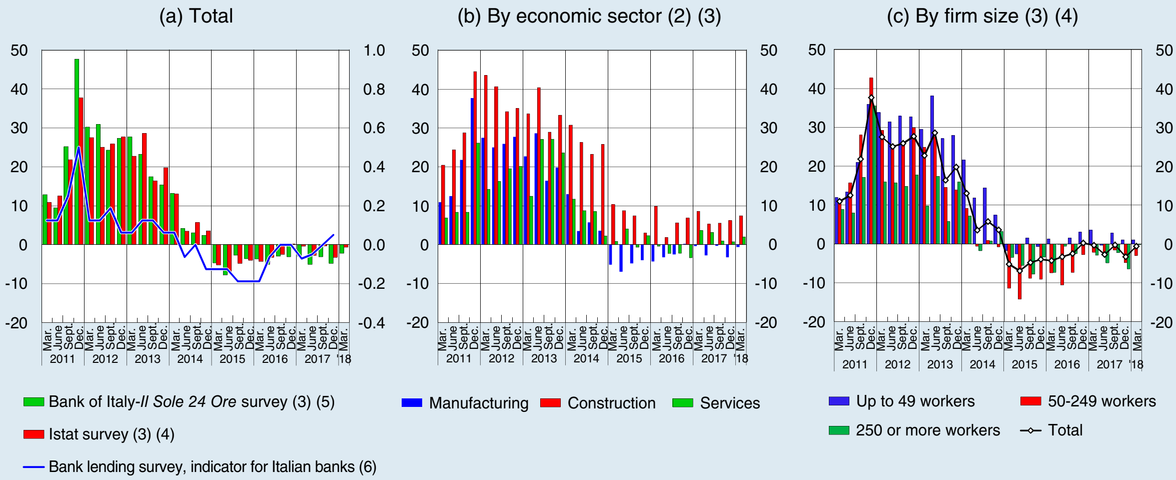
According to the banks interviewed, the growth in demand for business lending increased in the fourth quarter of 2017. The main contributory factors were persistently low interest rates and the favourable performance of spending on fixed investment. The gradual improvement in housing market prospects and the low cost of loans continued to buoy household demand for mortgages.

The survey included specific questions on the effects of the new regulatory and supervisory requirements concerning capital, leverage, liquidity and provisions. Based on the answers given, in the second half of last year these measures led to an increase in capital, above all through new share issues; they had no significant impact on total assets, but were accompanied by a reduction in the incidence of riskier loans, which is expected to continue during the first half of this year.

According to the business confidence survey carried out by Istat and the Survey on Inflation and Growth Expectations conducted by the Bank of Italy and *Il Sole 24 Ore*, in the first quarter of 2018 credit access conditions improved for medium-sized and large manufacturing firms; in contrast, conditions worsened further for construction firms (Figure B).

Figure B

Firms' access to credit (1)



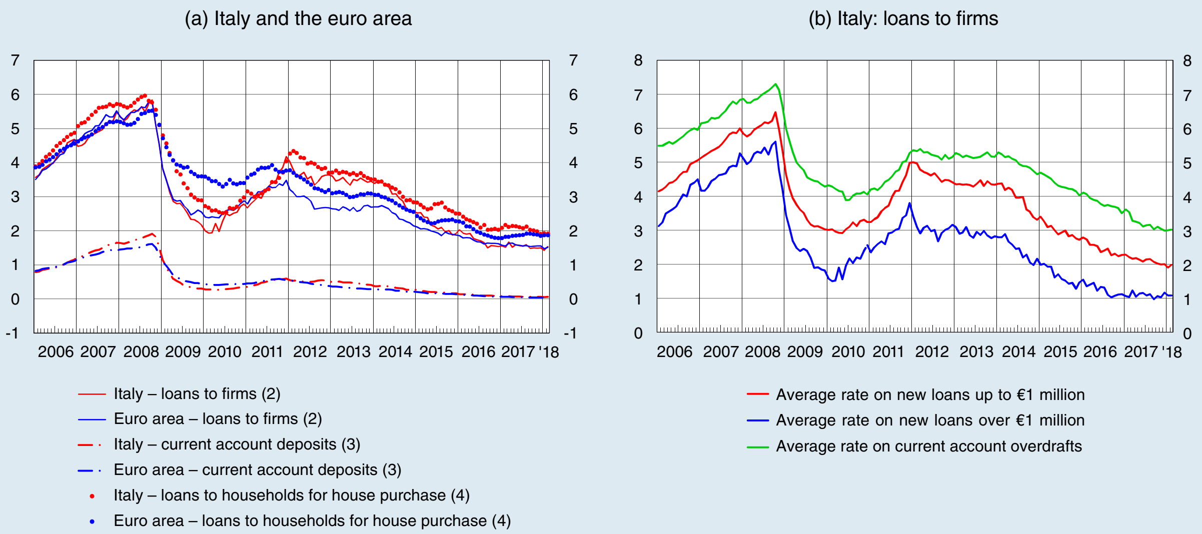
(1) The Bank of Italy-*Il Sole 24 Ore* survey is conducted quarterly on a sample of medium-sized and large firms (with at least 50 employees) in industry (excluding construction) and services; the Istat business confidence surveys are conducted on samples of manufacturing and service firms (excluding retail and wholesale trade) and construction companies. The data for the Istat survey are taken from the end-of-quarter observations; in June 2013 some methodological changes involving the sample and data observation techniques were made that preclude direct comparison with previous periods. For the bank lending survey, see Figure A. – (2) Istat, business confidence surveys. – (3) Net percentage of firms reporting difficulty in obtaining credit. The net percentage is calculated as the difference between the percentage of replies indicating a worsening of credit access conditions and the percentage of those indicating an improvement. – (4) Istat, business confidence survey in the manufacturing sector. – (5) 'Survey on Inflation and Growth Expectations' conducted by the Bank of Italy and *Il Sole 24 Ore* and published in the Statistics Series. – (6) Right-hand scale.

The cost of new loans remains low and dispersion decreases

Compared with November, the average interest rate on new loans to firms held practically stable (1.5 per cent in February; Figure 33). The difference between the interest rate applied to loans below €1 million and that applied to loans above €1 million, which measures the gap between the cost of loans to small firms and larger firms, recorded a further slight fall, settling at 90 basis points. The cost of new mortgage loans to households for house purchase fell by around one tenth of a percentage point to 1.9 per cent, reflecting the decline in the fixed-rate component.

Figure 33

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



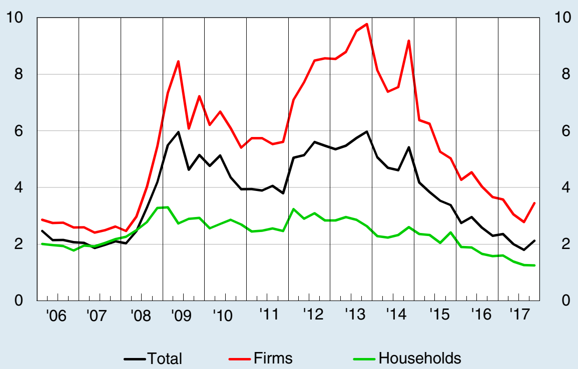
Sources: Bank of Italy and ECB.
(1) Averages. The data on lending and deposit rates refer to transactions in euros and are gathered and processed using the Eurosystem's harmonized method. – (2) Rate on new loans to firms. – (3) Rate on current account deposits of households and firms. – (4) Rate on new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

The ratio of non-performing loans remains close to pre-crisis levels

The ratio of new non-performing loans to outstanding loans remained at the levels preceding the financial crisis; in 2017 as a whole, it fell to 2.1 per cent, from 2.6 per cent in 2016. In the fourth quarter, net of seasonal factors and on an annualized basis, this ratio rose slightly for firms (to 3.4 per cent; Figure 34), primarily owing to the increase in the construction sector. For loans to households the non-performing loan rate fell by one tenth of a point in the last quarter (to 1.2 per cent).

Figure 34

New non-performing loan rate (1)
(per cent)



Source: Central Credit Register.
(1) Annualized quarterly flows of adjusted NPLs in relation to the stock of loans at the end of the previous quarter net of adjusted NPLs. Data seasonally adjusted where necessary.

The share of non-performing loans continues to decline

For the banking groups classified as significant for supervisory purposes, the ratio of the stock of NPLs to total outstanding loans fell again in the fourth quarter of the year, both gross and net of loan loss provisions (to 14.5 and 7.3 per cent respectively, from 15.3 and 7.8 per cent in the third quarter). Both sales of bad loans and internal recovery processes contributed to the fall. The coverage ratio for non-performing loans (the ratio of loan loss provisions to total non-performing loans) rose to 53.8 per cent, from 53.3 per cent.

Profitability improves

In 2017 as a whole, operating profits of the significant groups, net of extraordinary components, grew markedly with respect to the previous year (by 22.4 per cent). Gross income rose by 0.6 per cent, driven by the increase of 6.6 per cent in fees, which more than offset the decline of 1.6 per cent in interest income. Operating costs fell by 6.6 per cent, mostly owing to the discontinuation of the extraordinary contributions to the National Resolution Fund and the lower costs associated with early retirement incentives; net of these one-off components the fall was estimated at 3.0 per cent. Loan loss provisions were down 46.3 per cent; their share of operating profits fell to 81.6 per cent (from 204.6 per cent in 2016).

The annualized return on equity rose to 8.6 per cent (-10.4 per cent in 2016), in part following the extraordinary income associated with the mergers and acquisitions carried out by some groups in the first half of 2017 (see *Economic Bulletin*, 4, 2017); excluding this income it would have amounted to 4.7 per cent.

Capital ratios increase slightly

In the last quarter of the year the capital ratios of the significant banks rose further. At the end of December, common equity tier 1 (CET1) was equal to 13.3 per cent of risk-weighted assets (13.2 per cent in September, while in December of 2016 it came to 10.4 per cent).

2.8 THE FINANCIAL MARKETS

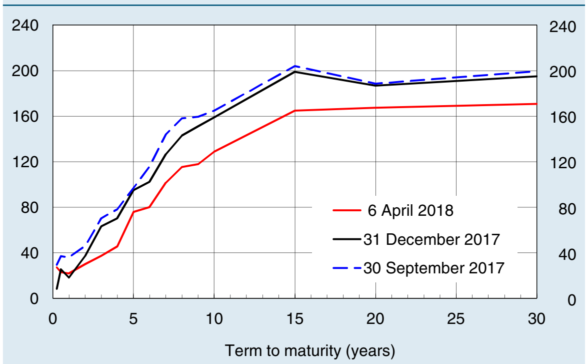
The yield spreads between Italian and German government securities narrowed, in line with the trend common to most of the euro-area countries. Despite falling at the beginning of February in conjunction with the international turmoil, share prices are rising, benefiting from the strengthening of cyclical conditions and an upward revision of the expected earnings of listed companies; the improvement has been particularly marked for banks.

Sovereign spreads decline

The yields on Italian government securities have declined by about 23 basis points since the end of 2017; the yield on ten-year bonds stood at 1.79 per cent in mid-April. The yield spread with the corresponding German securities narrowed by 30 basis points to reach 129 (Figure 35). The strengthening of the economic situation has contributed to the trend towards lower sovereign risk premiums, common to most of the euro area.

Figure 35

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



Source: Based on Bloomberg data.

Despite tensions on the international markets, share prices rise ...

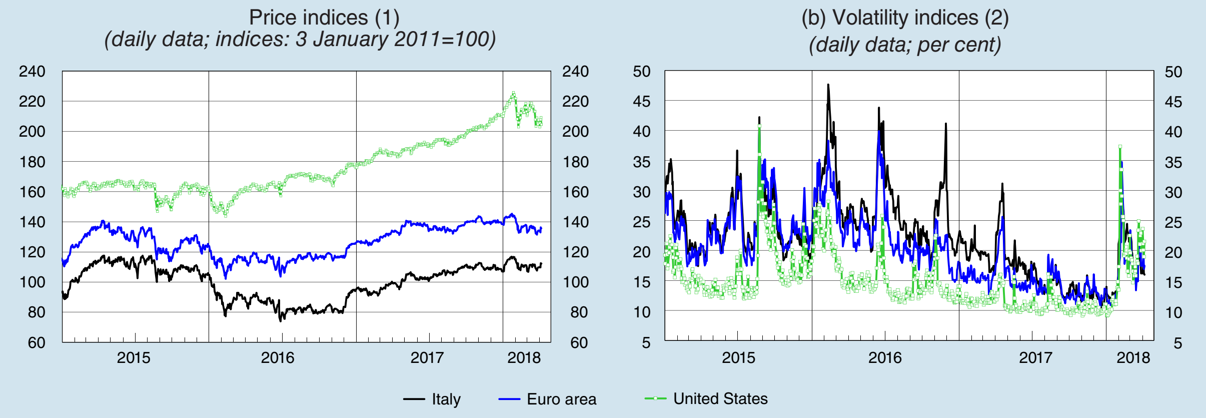
Following a very positive performance in January, share prices suffered from the sharp increases in volatility observed on the international markets in February. Overall, since the end of last year the general index of the Italian stock market has risen by 4.9 per cent, mainly driven by the upward revision of profit expectations, while the index of leading euro-area stocks has fallen by 1.9 per cent (Figure 36).

... especially in the banking sector

Since the end of December, Italian bank share prices have risen by 8.8 per cent on average. Year-on-year the increase was 18.7 per cent against 13.0 per cent for the general Italian index and 0.2 per cent for the European banks in the Eurostoxx 300 index. In recent months, the favourable trend in prices can mostly be explained by the upward revision of earnings expectations, up by around 4.0 per cent since the start of the year on an annual

Figure 36

Share prices



Source: Thomson Reuters Datastream.
(1) Indices: for Italy, FTSE MIB; for the euro area, Dow Jones Euro Stoxx; for the United States, Standard & Poor's 500. – (2) Indices: for the euro area, VSTOXX; for Italy, volatility implied by the prices of options on the FTSE MIB; for the United States, VIX.

basis. The premiums on bank credit default swaps rose by 17 basis points on average in the first quarter, as a result of the tensions on the global stock markets and the increase in volatility.

Firms' net bond issues remain positive

Net bond issues by non-financial corporations were quite substantial in the fourth quarter of 2017. By contrast, the banks continued to make net redemptions, for a total that was very much greater than in the first three quarters (see *Selected Statistics*, Table A10). According to preliminary data from Dealogic on gross issues only, in the first three months of 2018 the volume of placements by Italian banks rose to around €11 billion, compared with €6 billion in the previous quarter, while corporate bond issues declined significantly to around €4 billion, from €20 billion in the previous quarter.

Net inflows to investment funds grow

According to Assogestioni data, in the fourth quarter of 2017 net inflows of savings to Italian and foreign open-ended investment funds rose to €19 billion, compared with €14 billion in the previous quarter. Savers mainly preferred flexible, bond, balanced and equity funds; money market and hedge funds reported more modest net inflows.

2.9 THE PUBLIC FINANCES

In 2017 general government net borrowing amounted to 2.3 per cent of GDP, compared with 2.5 per cent in 2016; without the actions taken during the year to support the banking sector, it would have fallen by about half a percentage point. The debt-to-GDP ratio declined slightly, to 131.8 per cent, and over the last three years has remained essentially stable.[1] In 2017 the average cost of debt diminished somewhat, while the average residual maturity rose for the third consecutive year.

[1] The outturn for 2017 (initially estimated at 1.9 per cent and 131.5 per cent of GDP for general government net borrowing and debt, respectively) was revised at the end of March when the public finance data were reported to Eurostat. The revisions largely reflect the advice Istat had asked of Eurostat in August on the statistical treatment of the orderly liquidation of Banca Popolare di Vicenza and of Veneto Banca (see European Commission, 'Recording of the winding down of Banca Popolare di Vicenza S.p.A. and Veneto Banca S.p.A.', 31 March 2018). As for general government debt, Eurostat's methodological guidelines specifically address the reclassification of the liquidators of the two Veneto banks and/or their liabilities as part of the general government sector (see 'The Public Finances: Borrowing Requirement and Debt', Banca d'Italia, Statistics Series, 13 April 2018).

In 2017 net borrowing declines slightly

Last year general government net borrowing reached 2.3 per cent of GDP, compared with 2.5 per cent in 2016 (Table 9). The reduction reflects the fall in interest expense, which went from 4.0 per cent to 3.8 per cent of GDP, while the primary surplus remained steady at 1.5 per cent of GDP. Excluding the actions taken during the year to support the banking sector, the deficit would have fallen by about half a percentage point of output, a reduction basically in line with the Government's forecasts of last autumn (Table 10).

The ratio of primary expenditure to GDP continues to decline

The ratio of general government primary expenditure to output decreased by 0.3 percentage points, to 45.1 per cent, mainly reflecting the decline in the share of current expenditure (Table 11). Among capital account expenditure, gross fixed investment continued to fall (-0.2 percentage points of GDP).

The tax burden continues to lighten

The general government revenue-to-GDP ratio fell by another 0.3 percentage points, after an almost 1 percentage point decline in 2016. The tax burden diminished slightly for the fourth year in a row, reaching 42.5 per cent.

The debt-to-GDP ratio falls slightly

In 2017 the general government borrowing requirement was equal to 3.4 percentage points of GDP (Table 12), of which about 1 point is attributable to the measures taken to support the banking sector during the year. The debt-to-GDP ratio came down by 0.2 percentage points, to 131.8 per cent. Without the reduction in the Treasury's liquid balance (0.8 percentage points of output), the ratio would have risen by 0.6 percentage points.

In 2017 the average cost of debt declined somewhat, to 3.0 per cent (from 3.1 per cent in 2016; Figure 38), benefiting from the persistently modest yields at issue. The average residual maturity of the debt rose for the third year in a row, from 7.3 years at the end of 2016 to 7.4 years at the end of last December.

Table 9

Main indicators of the general government accounts (1)
(per cent of GDP)

	2014	2015	2016	2017
Net borrowing	3.0	2.6	2.5	2.3
Primary surplus	1.6	1.5	1.5	1.5
Interest expense	4.6	4.1	4.0	3.8
Tax burden	43.3	43.2	42.7	42.5
Borrowing requirement	4.1	3.1	2.6	3.4
Net borrowing requirement (2)	4.3	3.4	2.6	3.4
Debt	131.8	131.5	132.0	131.8

Source: for the general government national accounts, based on Istat data (press release of 4 April 2018).
(1) Rounding of decimal points may cause discrepancies in totals. – (2) Excludes State privatization receipts.

Table 10

Public finance objectives and estimates for 2017
(per cent of GDP)

	General government			*Memorandum item:*	
	Net borrowing	Primary surplus	Change in debt (1)	Real GDP growth rate	Nominal GDP growth rate
Objectives					
April 2016 (2)	1.8	2.0	-1.5	1.4	2.5
September 2016 (3)	2.0	1.7	-0.3	1.0	1.9
October 2016 (4)	2.3	1.4	-0.2	1.0	2.0
April 2017 (5)	2.1	1.7	-0.1	1.1	2.3
September 2017 (6)	2.1	1.7	-0.4	1.5	2.1
Estimates					
April 2017 (5)	2.3	1.5	0.1	1.1	2.2
September 2017 (6)	2.1	1.7	-0.4	1.5	2.1
Outturn (7)	**2.3**	**1.5**	**-0.2**	**1.5**	**2.1**

(1) Change in the debt-to-GDP ratio compared with the previous year. – (2) *2016 Economic and Financial Document.* – (3) *Update of the 2016 Economic and Financial Document.* – (4) *Italy's 2017 Draft Budgetary Plan.* – (5) *2017 Economic and Financial Document.* – (6) *Update of the 2017 Economic and Financial Document.* – (7) For GDP, net borrowing and primary surplus, based on Istat data (press release of 4 April 2018).

Table 11

General government expenditure and revenue
(billions of euros and percentage changes)

	2016	2017	% change on previous year 2016	% change on previous year 2017
EXPENDITURE				
Final consumption expenditure	316.5	319.5	1.5	0.9
of which: compensation of employees	163.9	164.0	1.1	0.1
Intermediate consumption	92.3	94.8	2.8	2.6
Social benefits in kind	44.7	45.4	1.9	1.7
Social benefits in cash	336.4	342.1	1.1	1.7
Interest expense	66.4	65.6	-2.3	-1.2
Other expenditure	68.2	62.0	4.5	-9.1
Current expenditure	**771.9**	**773.9**	**1.3**	**0.3**
% of GDP	45.9	45.1		
Current expenditure net of interest expense	**705.5**	**708.3**	**1.7**	**0.4**
% of GDP	42.0	41.3		
Investment (1)	35.7	33.7	-4.3	-5.6
Investment grants	14.2	13.4	-10.9	-5.8
Other capital expenditure	7.6	18.6	-52.5	143.7
Capital expenditure	**57.5**	**65.7**	**-17.0**	**14.2**
Total expenditure net of interest expense	**763.0**	**774.0**	**0.0**	**1.4**
% of GDP	45.4	45.1		
TOTAL EXPENDITURE	**829.5**	**839.6**	**-0.2**	**1.2**
% of GDP	49.3	48.9		
REVENUE				
Direct taxes	248.3	250.5	2.1	0.9
Indirect taxes	243.1	249.9	-2.8	2.8
Social security contributions	220.6	226.2	0.7	2.5
Production for market and for own use	37.9	38.2	-0.9	0.7
Other current revenue	31.1	30.3	0.4	-2.7
Current revenue	**781.0**	**795.1**	**-0.1**	**1.8**
% of GDP	46.5	46.3		
Capital revenue	**6.8**	**4.8**	**-0.7**	**-29.4**
of which: capital taxes	5.4	2.2	341.9	-58.6
TOTAL REVENUE	**787.8**	**799.9**	**-0.1**	**1.5**
% of GDP	46.9	46.6		
of which: tax burden	42.7	42.5		
NET BORROWING	**41.6**	**39.7**		
% of GDP	2.5	2.3		
Primary balance	**24.8**	**26.0**		
% of GDP	1.5	1.5		
Memorandum item:				
GDP	1,680.9	1,716.9		2.1

Source: Based on Istat data (press release of 4 April 2018).
(1) Includes proceeds of property sales which are entered with a negative sign.

Table 12

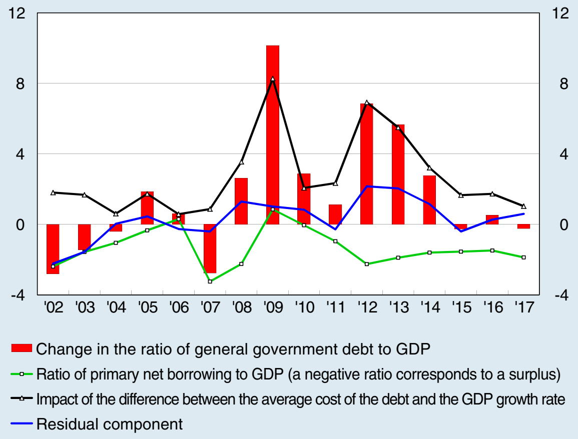
Changes in general government debt and its components
(billions of euros)

	2014	2015	2016	2017
Change in the debt = (a)+(b)+(c)+(d)	**67.1**	**36.0**	**46.2**	**43.5**
(a) Total borrowing requirement	66.6	50.4	43.2	58.7
of which: support to EMU countries	4.7	-2.1	0.0	0.0
(b) Change in Treasury's liquid balances	8.8	-10.7	7.4	-13.8
(c) Issue discounts and premiums/redemptions (1)	-8.8	-4.0	-4.5	-1.1
(d) Euro equivalent of foreign currency liabilities	0.5	0.4	0.0	-0.4

(1) Includes the effect of the revaluation of inflation-indexed securities.

Figure 37

General government debt: trend and determinants of the changes
(annual data; per cent of GDP)

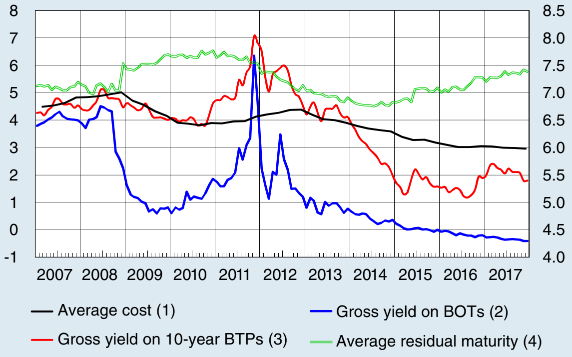


Source: for GDP, based on Istat data (press release of 4 April 2018).

In 2017 the average cost of debt declined somewhat, to 3.0 per cent (from 3.1 per cent in 2016; Figure 38), benefiting from the persistently modest yields at issue. The average residual maturity of the debt rose for the third year in a row, from 7.3 years at the end of 2016 to 7.4 years at the end of last December.

Figure 38

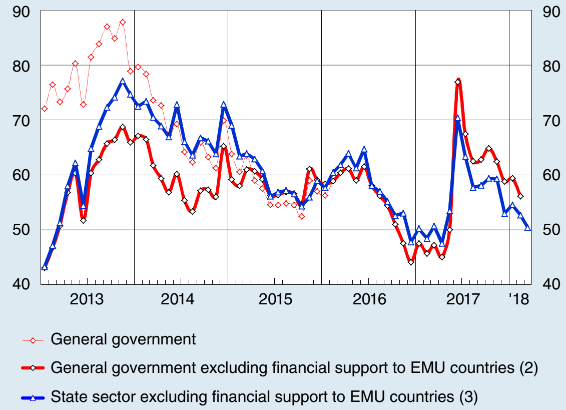
Gross yields on BOTs and 10-year BTPs, average cost and average residual maturity of debt
(per cent and years)



Source: for interest expense, based on Istat data (press release of 4 April 2018). (1) Ratio between interest expense in the preceding 4 quarters and the stock of the debt at the end of the year-earlier quarter. – (2) The yield at issue is the average, weighted by the issue amounts allotted, of the compound allotment rates at the auctions settled during the month. – (3) Average monthly yield at maturity of the benchmark traded on the online government securities market. – (4) Right-hand scale.

Figure 39

12-month cumulative borrowing requirement (1)
(monthly data; billions of euros)



Source: For the state sector, Ministry of Economy and Finance.
(1) Excluding State privatization receipts. – (2) Excludes liabilities in connection with loans to EMU countries, disbursed both bilaterally and via the EFSF, and with Italy's capital contribution to the ESM. – (3) Excludes liabilities in connection with bilateral loans to EMU countries and Italy's capital contribution to the ESM; loans disbursed through the EFSF are not included in the state sector borrowing requirement.

In the first quarter of this year, the state sector borrowing requirement amounted to €26.7 billion (Figure 39), just under that for the corresponding period of 2017.

SELECTED STATISTICS

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

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Table A1

Sources and uses of income: euro area (1)
(percentage changes on 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								
2014	1.3	4.9	2.4	-0.4	4.3	1.9	0.8	0.7	4.7
2015	2.1	6.7	3.4	0.5	6.1	3.3	1.8	1.3	6.4
2016	1.8	4.8	2.7	2.5	6.6	4.6	2.0	1.8	3.4
2017	2.3	4.4	2.9	3.3	3.6	3.5	1.6	1.2	4.9
2014 – Q1	0.4	1.2	0.6	0.8	1.1	1.0	0.1	0.0	0.9
Q2	0.1	1.4	0.5	-1.4	0.1	-0.7	0.3	0.2	1.0
Q3	0.4	1.6	0.8	0.0	1.5	0.7	0.4	0.4	1.8
Q4	0.5	1.1	0.6	-0.1	1.6	0.7	0.5	0.2	1.3
2015 – Q1	0.8	2.8	1.4	0.6	1.9	1.3	0.4	0.5	2.5
Q2	0.3	0.9	0.5	-0.6	0.8	0.1	0.4	0.2	1.4
Q3	0.4	1.1	0.6	0.3	1.8	1.1	0.5	0.5	0.3
Q4	0.4	1.8	0.8	1.3	1.5	1.4	0.5	0.4	1.1
2016 – Q1	0.5	0.4	0.5	0.6	0.3	0.5	0.7	0.8	0.4
Q2	0.4	2.0	0.8	-0.1	4.8	2.4	0.3	0.3	1.3
Q3	0.4	0.6	0.5	1.6	-0.1	0.7	0.3	0.2	0.4
Q4	0.6	1.8	1.0	0.4	1.1	0.8	0.5	0.3	1.6
2017 – Q1	0.6	0.2	0.5	1.4	-1.0	0.2	0.5	0.2	1.3
Q2	0.7	1.8	1.0	0.5	2.9	1.7	0.5	0.4	1.2
Q3	0.7	0.6	0.7	0.9	-1.3	-0.2	0.3	0.4	1.6
Q4	0.6	1.1	0.8	0.7	1.0	0.9	0.2	0.3	1.9
	Implicit prices								
2014	0.9	-1.5	….	….	….	0.7	0.5	0.9	-0.7
2015	1.4	-2.0	….	….	….	0.8	0.3	0.5	0.3
2016	0.8	-2.4	….	….	….	0.8	0.4	0.6	-1.5
2017	1.1	2.8	….	….	….	1.4	1.4	1.1	1.9
2014 – Q1	0.4	-0.6	….	….	….	0.1	0.2	0.5	-0.5
Q2	0.1	-0.4	….	….	….	0.1	0.1	0.1	-0.1
Q3	0.3	0.1	….	….	….	0.4	0.1	0.3	0.2
Q4	0.3	-0.7	….	….	….	0.2	0.0	0.2	0.0
2015 – Q1	0.5	-1.3	….	….	….	0.1	-0.2	-0.1	0.0
Q2	0.3	1.2	….	….	….	0.2	0.5	0.2	0.9
Q3	0.3	-1.2	….	….	….	0.2	0.1	0.2	-0.4
Q4	0.3	-1.2	….	….	….	0.2	0.0	0.1	-0.6
2016 – Q1	0.1	-2.2	….	….	….	0.0	-0.3	0.0	-1.5
Q2	0.1	0.4	….	….	….	0.3	0.3	0.2	0.0
Q3	0.2	0.8	….	….	….	0.3	0.2	0.2	0.5
Q4	0.3	1.2	….	….	….	0.4	0.5	0.3	0.8
2017 – Q1	0.2	2.1	….	….	….	0.3	0.5	0.3	1.3
Q2	0.5	-0.9	….	….	….	0.3	0.2	0.3	-0.2
Q3	0.3	-0.4	….	….	….	0.4	0.1	0.3	-0.3
Q4	0.3	0.9	….	….	….	0.4	0.5	0.3	0.5

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

Table A2

Sources and uses of income: Italy (1)

(percentage changes on 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					
2014	0.1	3.2	0.8	-6.6	2.4	-2.3	0.3	-0,7	2.7
2015	1.0	6.8	2.2	-0.7	4.8	2.1	1.9	-0,6	4.4
2016	0.9	3.5	1.4	1.2	5.0	3.2	1.4	0.6	2.4
2017	1.5	5.3	2.3	1.1	6.1	3.8	1.4	0.1	5.4
2014 – Q1	0.0	0.0	0.0	-1.2	2.6	0.6	-0.2	-0.2	0.6
Q2	-0.1	1.8	0.3	-2.3	0.1	-1.1	0.2	-0.6	0.5
Q3	0.2	1.0	0.4	-1.4	0.8	-0.3	0.2	0.6	1.0
Q4	0.1	0.5	0.2	-0.1	2.6	1.2	0.5	0.0	1.5
2015 – Q1	0.3	3.6	1.0	-0.2	0.9	0.4	0.4	-0.7	1.6
Q2	0.3	1.6	0.6	0.1	1.4	0.8	0.8	-0.1	1.3
Q3	0.2	-0.4	0.1	0.1	0.9	0.6	0.7	0.2	-1.4
Q4	0.2	2.3	0.6	1.2	-0.3	0.4	0.4	-0.2	1.8
2016 – Q1	0.3	-0.7	0.1	0.3	1.8	1.0	0.2	1.0	-0.7
Q2	0.1	2.0	0.5	0.3	-0.8	-0.2	0.2	-0.3	1.8
Q3	0.2	1.0	0.4	0.0	3.9	2.1	0.3	-0.3	0.9
Q4	0.4	2.3	0.8	0.1	4.5	2.5	0.3	0.2	1.9
2017 – Q1	0.5	0.2	0.4	0.6	-4.3	-2.1	0.6	0.2	1.9
Q2	0.4	2.0	0.8	0.0	2.9	1.5	0.1	0.0	0.2
Q3	0.4	1.9	0.7	0.9	5.2	3.2	0.4	-0.1	2.0
Q4	0.3	1.0	0.5	0.9	2.4	1.7	0.1	0.1	2.0
				Implicit prices					
2014	1.0	-2.7	0.2	0.1	0.7	0.4	0.3	0.0	-0.1
2015	0.9	-2.6	0.2	0.3	1.5	0.9	0.2	0.1	-0.4
2016	0.8	-3.4	-0.1	-0.1	-0.3	-0.2	0.1	1.0	-1.1
2017	0.6	3.1	1.2	0.6	0.5	0.6	1.2	0.8	1.7
2014 – Q1	0.7	-0.8	0.4	-0.2	0.0	-0.1	0.1	0.0	0.2
Q2	-0.3	-0.5	-0.3	0.0	0.4	0.2	0.0	-0.1	-0.2
Q3	0.0	-0.2	0.0	0.4	0.5	0.4	-0.1	0.0	0.3
Q4	0.6	-1.2	0.2	0.2	0.4	0.3	0.0	0.3	-0.2
2015 – Q1	0.3	-1.2	-0.1	-0.1	0.5	0.2	-0.1	-0.1	-0.2
Q2	0.0	1.4	0.3	-0.1	0.4	0.2	0.4	0.1	0.2
Q3	0.4	-1.8	-0.1	0.3	0.3	0.3	0.0	0.1	-0.4
Q4	0.4	-1.6	0.0	-0.2	0.0	-0.1	0.2	-0.7	-0.5
2016 – Q1	0.3	-2.1	-0.2	-0.1	-0.5	-0.4	-0.2	1.1	-0.9
Q2	-0.2	-0.2	-0.2	0.1	0.1	0.1	0.0	0.1	0.0
Q3	0.1	0.7	0.2	-0.1	0.1	0.0	0.2	0.3	0.4
Q4	0.5	1.0	0.6	0.2	-0.2	0.0	0.4	0.3	0.4
2017 – Q1	-0.2	2.5	0.4	0.2	0.3	0.3	0.7	0.1	1.1
Q2	0.1	-0.6	0.0	0.1	0.4	0.3	0.1	0.3	0.0
Q3	0.4	-0.6	0.2	0.1	0.0	0.1	-0.1	0.2	0.0
Q4	0.5	1.3	0.7	0.3	-0.1	0.1	0.4	0.1	0.6

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

Table A3

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		
2014	1.7	2.8	2.7	-0.1	-1.1
2015	1.5	3.3	3.9	0.6	-1.8
2016	1.3	1.3	1.9	0.6	0.0
2017	1.5	1.7	2.8	1.1	-0.3
2015 – Q1	1.9	3.5	3.5	0.1	-1.5
Q2	1.9	2.9	3.4	0.5	-1.0
Q3	1.7	3.6	3.9	0.3	-1.8
Q4	1.7	3.5	3.4	0.0	-1.7
2016 – Q1	1.5	1.0	1.8	0.8	0.5
Q2	1.0	1.1	1.7	0.6	-0.2
Q3	1.4	1.0	1.5	0.5	0.4
Q4	1.4	2.0	2.6	0.7	-0.5
2017 – Q1	1.4	1.0	1.8	0.7	0.4
Q2	1.3	1.8	3.0	1.1	-0.5
Q3	1.1	2.2	3.9	1.6	-1.1
Q4	1.0	1.9	3.8	1.8	-0.9
			Services		
2014	1.2	0.2	1.1	0.9	1.0
2015	1.4	0.2	1.5	1.3	1.2
2016	1.3	0.1	1.7	1.6	1.2
2017	1.7	0.5	2.2	1.7	1.2
2015 – Q1	1.4	0.5	1.4	0.8	0.8
Q2	1.3	0.4	1.6	1.2	0.9
Q3	1.4	0.1	1.4	1.3	1.4
Q4	1.6	0.1	1.3	1.3	1.6
2016 – Q1	1.3	-0.2	1.5	1.7	1.5
Q2	1.3	0.2	1.7	1.5	1.1
Q3	1.4	0.3	1.7	1.4	1.0
Q4	1.7	0.5	1.8	1.3	1.2
2017 – Q1	1.7	0.6	2.1	1.5	1.1
Q2	1.7	0.4	2.2	1.8	1.3
Q3	1.5	0.4	2.4	2.0	1.1
Q4	1.6	0.6	2.4	1.8	0.9
			Total economy		
2014	1.3	0.8	1.3	0.6	0.5
2015	1.3	0.9	1.9	1.1	0.4
2016	1.3	0.5	1.7	1.2	0.8
2017	1.6	0.9	2.3	1.4	0.8
2015 – Q1	1.4	1.1	1.7	0.6	0.3
Q2	1.3	0.9	1.9	1.0	0.4
Q3	1.4	0.8	1.8	1.0	0.5
Q4	1.5	0.8	1.8	0.9	0.7
2016 – Q1	1.2	0.1	1.5	1.4	1.2
Q2	1.2	0.5	1.6	1.2	0.8
Q3	1.4	0.6	1.6	1.1	0.8
Q4	1.6	0.9	1.9	1.0	0.7
2017 – Q1	1.6	0.8	2.0	1.2	0.8
Q2	1.6	0.9	2.4	1.5	0.7
Q3	1.4	0.9	2.7	1.8	0.5
Q4	1.4	1.0	2.7	1.8	0.4

Source: Based on Eurostat data.
(1) Based on hours effectively worked. Annual figures are unadjusted, quarterly data are adjusted for seasonal and calendar effects. – (2) Value added at base prices, volumes at chain-linked prices. Reference year 2010.

Table A4

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

(percentage changes on the year-earlier period)

	Hourly compensation	Hourly productivity			Unit labour costs
			Value added (2)	Hours worked	
			Total industry excluding construction		
2013	2.6	0.6	-2.2	-2.8	2.0
2014	1.0	0.9	-0.3	-1.2	0.1
2015	2.0	1.2	1.1	0.0	0.8
2016	-0.7	-0.2	1.4	1.7	-0.5
2017	0.4	0.6	2.1	1.5	-0.2
2015 – Q1	2.7	0.8	-0.5	-1.3	1.8
Q2	2.6	1.0	0.8	-0.2	1.6
Q3	2.2	1.7	1.3	-0.3	0.5
Q4	1.8	0.6	0.7	0.1	1.2
2016 – Q1	-0.9	-0.1	2.6	2.7	-0.8
Q2	-0.8	-1.3	0.9	2.1	0.5
Q3	-1.3	-0.3	1.4	1.7	-1.0
Q4	-0.8	1.6	2.9	1.3	-2.3
2017 – Q1	0.3	0.6	0.6	0.0	-0.3
Q2	-0.1	1.3	2.5	1.2	-1.4
Q3	0.6	1.0	3.3	2.4	-0.3
Q4	0.4	0.1	3.1	3.0	0.3
			Services		
2013	1.2	0.8	-1.1	-1.9	0.4
2014	-0.1	0.5	0.8	0.4	-0.5
2015	0.4	-0.1	0.8	1.0	0.5
2016	0.3	-1.4	0.6	2.0	1.7
2017	0.1	0.4	1.5	1.1	-0.3
2015 – Q1	0.4	0.4	0.9	0.5	0.0
Q2	0.6	0.4	1.0	0.6	0.2
Q3	0.5	-0.5	0.7	1.2	1.0
Q4	0.1	-0.5	0.7	1.2	0.6
2016 – Q1	-0.3	-2.1	0.6	2.7	1.8
Q2	0.2	-1.8	0.7	2.5	2.1
Q3	0.4	-1.0	0.6	1.6	1.4
Q4	1.1	-0.7	0.8	1.5	1.8
2017 – Q1	0.5	0.7	1.5	0.7	-0.2
Q2	-0.1	0.4	1.6	1.1	-0.6
Q3	-0.2	-0.1	1.6	1.7	-0.1
Q4	0.0	0.2	1.4	1.2	-0.2
			Total economy		
2013	1.6	1.2	-1.5	-2.6	0.5
2014	0.3	0.3	0.2	-0.1	0.0
2015	0.8	0.2	0.9	0.7	0.6
2016	0.0	-0.9	0.7	1.7	1.0
2017	0.1	0.4	1.4	1.0	-0.3
2015 – Q1	1.0	0.4	0.4	0.1	0.6
Q2	1.0	0.4	0.8	0.5	0.7
Q3	0.9	0.2	0.8	0.7	0.7
Q4	0.4	0.1	0.9	0.8	0.3
2016 – Q1	-0.5	-1.5	1.0	2.6	1.0
Q2	-0.1	-1.3	0.7	2.1	1.2
Q3	0.0	-0.8	0.7	1.5	0.8
Q4	0.6	-0.2	1.0	1.2	0.8
2017 – Q1	0.3	0.6	1.2	0.6	-0.4
Q2	-0.1	0.5	1.6	1.0	-0.7
Q3	-0.1	0.2	1.7	1.5	-0.3
Q4	0.0	0.0	1.6	1.6	0.0

Source: Based on Istat data.
(1) Based on hours effectively worked. Annual figures are unadjusted, quarterly data are adjusted for seasonal and calendar effects. – (2) Value added at base prices, volumes at chain-linked prices. Reference year 2010.

Table A5

Harmonized index of consumer prices: Italy and other main euro-area countries

(indices: 2015=100; percentage changes on the year-earlier period)

	France		Germany		Italy		Spain		Euro area (1)	
	Total	Total excl. food and energy	Total	Total excl. food and energy	Total	Total excl. food and energy	Total	Total excl. food and energy	Total	Total excl. food and energy
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	1.2	1.2	1.5	1.3	1.4	1.1
2014	0.6	1.0	0.8	1.1	0.2	0.7	-0.2	-0.1	0.4	0.8
2015	0.1	0.6	0.1	1.1	0.1	0.7	-0.6	0.3	0.0	0.8
2016	0.3	0.6	0.4	1.1	-0.1	0.5	-0.3	0.7	0.2	0.9
2017	1.2	0.6	1.7	1.3	1.3	0.8	2.0	1.2	1.5	1.0
2016 – Jan.	0.3	0.9	0.4	1.1	0.4	0.9	-0.4	0.7	0.3	1.0
Feb.	-0.1	0.7	-0.2	0.8	-0.2	0.5	-1.0	0.8	-0.2	0.8
Mar.	-0.1	0.7	0.1	1.3	-0.2	0.8	-1.0	0.8	0.0	1.0
Apr.	-0.1	0.6	-0.3	0.7	-0.4	0.6	-1.2	0.5	-0.2	0.7
May	0.1	0.6	0.0	1.1	-0.3	0.6	-1.1	0.5	-0.1	0.8
June	0.3	0.6	0.2	1.2	-0.2	0.5	-0.9	0.5	0.1	0.9
July	0.4	0.6	0.4	1.3	-0.2	0.5	-0.7	0.6	0.2	0.9
Aug.	0.4	0.5	0.3	1.0	-0.1	0.4	-0.3	0.7	0.2	0.8
Sept.	0.5	0.7	0.5	1.1	0.1	0.4	0.0	0.7	0.4	0.8
Oct.	0.5	0.6	0.7	1.1	-0.1	0.2	0.5	0.6	0.5	0.8
Nov.	0.7	0.6	0.7	1.0	0.1	0.4	0.5	0.7	0.6	0.8
Dec.	0.8	0.4	1.7	1.4	0.5	0.7	1.4	0.9	1.1	0.9
2017 – Jan.	1.6	0.7	1.9	1.1	1.0	0.5	2.9	1.2	1.8	0.9
Feb.	1.4	0.3	2.2	1.1	1.6	0.7	3.0	1.3	2.0	0.9
Mar.	1.4	0.5	1.5	0.9	1.4	0.6	2.1	0.8	1.5	0.7
Apr.	1.4	0.6	2.0	1.6	2.0	1.3	2.6	1.4	1.9	1.2
May	0.9	0.5	1.4	1.1	1.6	0.9	2.0	1.1	1.4	0.9
June	0.8	0.6	1.5	1.5	1.2	1.0	1.6	1.4	1.3	1.1
July	0.8	0.6	1.5	1.5	1.2	0.9	1.7	1.7	1.3	1.2
Aug.	1.0	0.6	1.8	1.5	1.4	1.2	2.0	1.7	1.5	1.2
Sept.	1.1	0.6	1.8	1.5	1.3	1.1	1.8	1.3	1.5	1.1
Oct.	1.2	0.6	1.5	1.1	1.1	0.5	1.7	1.1	1.4	0.9
Nov.	1.2	0.6	1.8	1.3	1.1	0.4	1.8	0.9	1.5	0.9
Dec.	1.2	0.6	1.6	1.4	1.0	0.5	1.2	0.9	1.4	0.9
2018 – Jan.	1.5	1.0	1.4	1.3	1.2	0.7	0.7	1.0	1.3	1.0
Feb.	1.3	0.8	1.2	1.4	0.5	0.5	1.2	1.3	1.1	1.0
Mar.	(1.7)	….	(1.5)	….	(1.1)	(0.7)	(1.3)	….	(1.4)	(1.0)

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

Industrial production and business opinion indicators: Italy (1)

(seasonally adjusted data)

	Industrial production (2)					Business opinion indicators (3)				
	General index	Consumer goods	Investment goods	Intermediate goods	Energy	Level of orders			Expected demand in 3 months	Stocks of finished goods vis-à-vis normal
						domestic	foreign	total		
2010	108.6	109.3	102.4	111.4	114.3	-29.7	-27.4	-27.0	12.1	-1.6
2011	109.0	106.7	106.5	112.0	111.9	-25.1	-14.9	-19.8	9.2	2.3
2012	102.5	102.2	100.3	102.1	109.1	-43.2	-27.5	-36.9	-3.0	3.3
2013	99.4	99.8	95.6	100.8	103.1	-44.4	-18.3	-32.0	4.1	1.5
2014	98.3	99.0	95.5	100.2	97.6	-33.0	-15.1	-19.3	8.8	2.0
2015	100.0	100.0	100.0	100.0	100.0	-21.7	-13.0	-12.7	12.4	3.1
2016	101.4	100.2	102.7	101.9	99.4	-18.5	-15.5	-13.7	10.9	3.7
2017	104.5	102.3	107.7	104.7	101.6	-9.8	-5.4	-3.6	16.7	2.6
2010 – Q1	105.2	108.8	96.7	107.3	115.8	-39.1	-41.1	-38.8	8.1	-3.3
Q2	107.2	108.5	100.8	110.6	113.3	-32.7	-29.3	-29.8	11.9	-2.6
Q3	109.7	109.9	104.1	110.8	111.1	-25.4	-24.1	-22.5	13.1	-1.1
Q4	109.1	107.7	104.6	113.9	116.5	-21.6	-15.0	-17.2	15.4	0.7
2011 – Q1	109.8	107.3	107.5	114.5	114.2	-20.4	-9.2	-14.1	15.0	0.4
Q2	110.2	109.1	107.7	113.9	111.8	-20.4	-11.8	-14.6	14.0	1.1
Q3	107.9	105.9	107.6	112.1	113.0	-26.3	-16.0	-22.1	7.4	4.3
Q4	106.9	104.9	104.6	109.3	109.1	-33.5	-22.7	-28.3	0.3	3.4
2012 – Q1	104.0	102.4	102.2	105.0	112.9	-38.6	-25.5	-32.5	-1.0	3.1
Q2	103.1	102.9	100.0	103.4	109.0	-44.4	-27.5	-37.0	-2.6	4.8
Q3	102.8	103.1	101.3	101.8	110.7	-44.6	-26.7	-37.8	-4.2	3.9
Q4	99.8	100.3	98.9	98.5	103.7	-45.3	-30.1	-40.4	-4.3	1.6
2013 – Q1	99.4	101.0	94.7	99.7	106.0	-46.2	-29.2	-39.2	-1.3	2.8
Q2	99.2	98.7	96.8	100.0	103.3	-48.9	-21.6	-38.8	-0.2	2.7
Q3	99.0	100.1	95.1	101.6	101.9	-43.0	-11.8	-28.3	7.6	1.0
Q4	99.5	99.5	95.5	102.6	101.0	-39.4	-10.7	-21.5	10.3	-0.3
2014 – Q1	99.6	100.3	96.7	102.3	97.1	-36.4	-12.7	-19.9	9.7	-0.9
Q2	99.2	99.9	95.6	101.4	100.4	-31.6	-13.6	-17.6	10.3	1.1
Q3	97.9	99.3	95.0	100.1	98.0	-33.0	-15.6	-19.6	7.7	4.1
Q4	98.1	98.9	97.2	99.3	95.3	-31.0	-18.7	-20.1	7.6	3.6
2015 – Q1	99.2	99.4	98.5	99.5	99.0	-26.6	-15.9	-15.9	10.9	3.3
Q2	100.0	99.8	99.9	99.9	101.1	-22.0	-12.4	-12.0	13.0	2.6
Q3	99.8	99.1	100.2	99.5	103.2	-20.1	-13.1	-12.1	12.8	3.3
Q4	99.6	100.1	99.7	100.6	96.2	-17.9	-10.6	-10.9	13.0	3.2
2016 – Q1	101.3	100.6	103.5	102.0	97.9	-18.8	-15.5	-13.9	10.1	3.7
Q2	100.6	99.3	102.0	102.2	95.9	-18.6	-17.3	-13.9	10.4	3.2
Q3	101.7	100.4	104.2	102.7	98.7	-19.8	-15.5	-14.5	10.2	3.3
Q4	103.4	101.0	105.3	103.5	105.0	-16.6	-13.7	-12.2	12.8	4.8
2017 – Q1	103.6	101.0	105.8	104.1	103.1	-13.6	-7.7	-7.1	15.2	3.3
Q2	104.6	102.9	108.1	105.1	100.1	-11.2	-6.2	-4.9	16.0	2.4
Q3	106.5	104.0	110.8	107.2	100.9	-9.2	-5.7	-3.3	17.5	2.2
Q4	107.3	104.6	111.8	108.1	101.8	-5.0	-1.9	1.1	18.1	2.4
2018 Q1	….	….	….	….	….	-4.6	-1.9	0.8	17.0	3.7

Source: Based on Istat data.
(1) Annual industrial production data are not calendar adjusted. – (2) Indices: 2015=100. – (3) Average balances of the responses to the survey of business confidence in the manufacturing sector.

Table A7

Labour force, employment and unemployment: Italy

(data not seasonally adjusted; thousands of persons; unemployment rates and activity rates in percentages)

	In employment							Job-seekers	Labour force	Unem-ployment rate	Participa-tion rate ages 15-64
	Agricul-ture	Industry excluding construc-tion	Construc-tion	Services	Centre and North	South and Islands	Total				
2010	849	4,556	1,889	15,233	16,364	6,163	22,527	2,056	24,583	8.4	62.0
2011	832	4,602	1,791	15,374	16,419	6,179	22,598	2,061	24,660	8.4	62.1
2012	833	4,524	1,700	15,508	16,410	6,156	22,566	2,691	25,257	10.7	63.5
2013	799	4,449	1,553	15,390	16,289	5,901	22,191	3,069	25,259	12.1	63.4
2014	812	4,509	1,484	15,474	16,423	5,856	22,279	3,236	25,515	12.7	63.9
2015	843	4,507	1,468	15,646	16,514	5,950	22,465	3,033	25,498	11.9	64.0
2016	884	4,541	1,404	15,929	16,707	6,051	22,758	3,012	25,770	11.7	64.9
2017	871	4,571	1,416	16,165	16,901	6,122	23,023	2,907	25,930	11.2	65.4
2010 – Q1	780	4,559	1,908	15,174	16,345	6,076	22,421	2,224	24,644	9.0	62.2
Q2	861	4,555	1,908	15,332	16,454	6,203	22,657	2,048	24,705	8.3	62.3
Q3	863	4,542	1,869	15,175	16,281	6,169	22,450	1,822	24,272	7.5	61.3
Q4	892	4,566	1,871	15,251	16,378	6,202	22,580	2,129	24,709	8.6	62.3
2011 – Q1	790	4,620	1,808	15,319	16,430	6,107	22,536	2,105	24,642	8.5	62.0
Q2	820	4,577	1,861	15,455	16,479	6,234	22,713	1,904	24,617	7.7	61.9
Q3	873	4,567	1,775	15,357	16,376	6,196	22,572	1,862	24,434	7.6	61.5
Q4	844	4,643	1,721	15,363	16,392	6,179	22,571	2,374	24,945	9.5	62.8
2012 – Q1	794	4,580	1,709	15,340	16,342	6,082	22,424	2,729	25,153	10.8	63.3
Q2	875	4,467	1,762	15,597	16,473	6,229	22,702	2,651	25,353	10.5	63.8
Q3	835	4,503	1,675	15,604	16,441	6,176	22,617	2,439	25,056	9.7	62.9
Q4	829	4,548	1,653	15,491	16,383	6,138	22,521	2,945	25,466	11.6	63.9
2013 – Q1	766	4,482	1,535	15,341	16,174	5,951	22,125	3,221	25,346	12.7	63.6
Q2	787	4,381	1,552	15,499	16,312	5,906	22,218	3,029	25,248	12.0	63.3
Q3	833	4,411	1,563	15,393	16,328	5,872	22,201	2,812	25,012	11.2	62.7
Q4	810	4,521	1,563	15,325	16,343	5,876	22,219	3,212	25,431	12.6	63.8
2014 – Q1	727	4,478	1,471	15,350	16,220	5,805	22,026	3,447	25,472	13.5	63.9
Q2	799	4,501	1,496	15,520	16,467	5,850	22,317	3,102	25,419	12.2	63.6
Q3	855	4,509	1,515	15,519	16,521	5,878	22,398	2,975	25,374	11.7	63.6
Q4	867	4,549	1,454	15,505	16,483	5,892	22,375	3,420	25,794	13.3	64.7
2015 – Q1	772	4,436	1,454	15,497	16,306	5,852	22,158	3,302	25,460	13.0	63.9
Q2	815	4,504	1,530	15,648	16,526	5,970	22,497	3,101	25,598	12.1	64.2
Q3	890	4,550	1,481	15,724	16,631	6,014	22,645	2,677	25,322	10.6	63.6
Q4	895	4,539	1,408	15,716	16,594	5,964	22,559	3,053	25,612	11.9	64.5
2016 – Q1	817	4,462	1,402	15,720	16,497	5,904	22,401	3,087	25,488	12.1	64.2
Q2	868	4,546	1,455	16,067	16,801	6,135	22,936	2,993	25,928	11.5	65.3
Q3	917	4,622	1,387	15,958	16,759	6,125	22,884	2,808	25,692	10.9	64.8
Q4	935	4,535	1,371	15,970	16,770	6,041	22,811	3,161	25,972	12.2	65.5
2017 – Q1	828	4,482	1,411	16,005	16,763	5,963	22,726	3,138	25,864	12.1	65.3
Q2	887	4,532	1,424	16,246	16,931	6,158	23,089	2,839	25,928	10.9	65.4
Q3	865	4,633	1,412	16,276	16,953	6,234	23,187	2,737	25,924	10.6	65.4
Q4	905	4,635	1,416	16,134	16,958	6,132	23,090	2,914	26,003	11.2	65.7

Source: Istat, labour force survey.

Table A8

Balance of payments of Italy: current account and capital account (1)

(millions of euros)

	Current account					Capital account		
	Total	Goods	Services	Primary income	Secondary income	Total	Intangible assets	Capital transfers
2012	-5,455	16,829	-123	-2,646	-19,516	3,959	1,835	2,124
2013	16,037	36,099	443	-2,433	-18,072	-744	-3,142	2,398
2014	31,102	47,407	-1,017	618	-15,905	2,682	-942	3,624
2015	25,009	51,106	-2,618	-8,184	-15,295	3,901	-1,183	5,085
2016	43,051	57,657	-2,907	5,020	-16,719	-3,111	-1,973	-1,138
2017	47,305	55,663	-3,862	10,224	-14,720	-869	-1,208	339
2017 – Q1	4,971	9,550	-2,719	2,822	-4,682	-281	-262	-20
Q2	9,639	14,245	-23	-1,177	-3,406	-738	-276	-462
Q3	17,113	15,171	1,747	4,069	-3,875	-284	-248	-36
Q4	15,582	16,698	-2,867	4,509	-2,758	434	-422	856
2017 – Jan.	-1,012	313	-783	572	-1,114	-48	-57	9
Feb.	1,488	2,875	-947	1,088	-1,528	-55	-56	1
Mar.	4,496	6,362	-989	1,163	-2,040	-178	-149	-29
Apr.	3,045	4,256	-477	312	-1,045	-243	-99	-144
May	2,120	4,899	-120	-1,860	-799	-248	-93	-155
June	4,474	5,090	574	372	-1,561	-247	-84	-162
July	7,833	7,108	769	1,258	-1,302	-81	-81	..
Aug.	4,683	3,485	646	1,877	-1,326	-71	-68	-3
Sept.	4,597	4,578	332	934	-1,247	-131	-99	-33
Oct.	5,887	5,542	-634	1,727	-748	301	-79	380
Nov.	4,512	5,381	-1,280	1,171	-760	246	-75	321
Dec.	5,183	5,775	-953	1,611	-1,250	-113	-268	156
2018 – Jan.	(-1,266)	(476)	(-1,194)	(584)	(-1,132)	(-152)	(-120)	(-32)

(1) Based on the international standards in the sixth edition of the IMF's *Balance of Payments and International Investment Position Manual* (BPM6), *2009*.

Table A9

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

(12-month percentage changes)

	General government	Finance and insurance companies	Firms: Total	Firms: Medium and large	Firms: Small (2)	Firms: Small – *of which:* producer households (3)	Consumer households	Non-profit institutions and non-classifiable and non-classified units	Total
					Centre and North				
2015 – Dec.	0.5	-2.9	-0.9	-0.4	-2.7	-1.6	1.2	-1.9	-0.4
2016 – June	-3.8	0.1	0.0	0.5	-2.5	-1.4	1.9	-4.4	-0.1
Sept.	-2.9	3.2	-0.1	0.5	-2.6	-1.5	2.1	-3.0	0.3
Dec.	-3.8	2.1	0.1	0.7	-2.7	-1.3	2.3	-4.0	0.2
2017 – Mar.	-2.2	-1.4	0.1	0.5	-1.9	-0.7	2.8	-2.6	0.3
June	1.5	1.7	-0.1	0.3	-1.7	-0.1	2.8	-2.0	1.1
Sept.	3.9	0.3	-0.6	-0.3	-2.2	0.0	2.9	-1.8	1.1
Dec.	-0.4	6.5	0.3	0.6	-1.3	0.7	3.0	-0.5	1.4
2018 – Jan.	-0.2	7.1	2.2	2.8	-1.0	0.9	3.0	-4.8	2.4
Feb.	-0.1	7.3	1.4	1.9	-1.0	0.9	3.0	-3.2	2.1
					South and Islands				
2015 – Dec.	-4.4	-2.2	0.1	0.4	-0.8	-0.3	1.2	-3.1	0.1
2016 – June	-5.7	2.9	0.7	0.9	0.2	0.8	2.4	-3.2	0.9
Sept.	-1.8	2.8	0.6	0.8	0.0	0.6	2.7	-2.9	1.3
Dec.	-3.2	3.1	0.4	0.7	-0.3	0.0	2.9	-3.4	1.2
2017 – Mar.	-2.9	5.5	0.4	0.5	0.2	0.6	3.4	-2.0	1.4
June	-3.1	2.9	0.3	0.4	0.2	0.9	3.7	-1.9	1.5
Sept.	-3.4	1.4	0.0	-0.2	0.5	1.0	3.8	0.2	1.4
Dec.	-7.6	9.6	0.2	0.1	0.6	1.4	3.8	3.9	1.3
2018 – Jan.	-4.5	8.2	0.6	0.5	0.8	1.4	3.8	2.1	1.7
Feb.	-4.7	6.5	0.2	0.1	0.6	1.0	3.8	0.6	1.5
					Italy				
2015 – Dec.	0.0	-2.9	-0.7	-0.3	-2.3	-1.3	1.2	-2.1	-0.3
2016 – June	-4.0	0.2	0.1	0.6	-1.9	-0.9	2.1	-4.2	0.0
Sept.	-2.8	3.2	0.0	0.5	-2.1	-1.0	2.2	-3.0	0.5
Dec.	-3.7	2.2	0.1	0.7	-2.2	-1.0	2.5	-3.9	0.4
2017 – Mar.	-2.3	-1.2	0.1	0.5	-1.5	-0.4	2.9	-2.6	0.4
June	1.1	1.7	0.0	0.3	-1.3	0.2	3.0	-2.0	1.1
Sept.	3.3	0.4	-0.5	-0.3	-1.6	0.2	3.1	-1.6	1.1
Dec.	-1.0	6.6	0.3	0.5	-0.9	0.9	3.2	0.0	1.4
2018 – Jan.	-0.5	7.1	1.9	2.5	-0.6	1.1	3.2	-4.1	2.3
Feb.	-0.5	7.3	1.2	1.7	-0.7	1.0	3.2	-2.8	2.0

Source: Supervisory reports.
(1) The data for the last month are provisional. Loans include bad debts, repos and loans not reported in banks' balance sheets because they have been securitized. Net of reclassifications, value adjustments, exchange rate and other variations not due to transactions. Growth rates are slightly different from those published in the last Bulletin following a new correction made due to exchange rate variations. – (2) Limited partnerships and general partnerships with fewer than 20 employees, informal associations, de facto companies and sole proprietorships with more than 5 and fewer than 20 employees. – (3) Informal associations, de facto companies and sole proprietorships with up to 5 employees.

Table A10

Net bond issues: Italy and euro area (1)

(billions of euros)

	Banks	Other financial corporations	Non-financial corporations	Total
		Italy		
2016	-66.9	0.6	-2.1	-68.5
2017	-64.9	15.0	21.1	-28.8
2016 – Q1	-34.2	-5.2	-8.6	-47.9
Q2	-4.1	0.9	4.0	0.7
Q3	-12.3	2.5	2.5	-7.3
Q4	-16.3	2.4	0.0	-14.0
2017 – Q1	-13.8	0.6	4.6	-8.5
Q2	-12.5	-5.1	2.7	-14.9
Q3	-15.2	1.9	3.4	-9.8
Q4	-23.5	17.6	10.4	4.4
		Euro area		
2016	-146.3	-39.7	88.6	-97.4
2017	-51.2	24.9	66.9	40.6
2016 – Q1	-32.7	-124.8	1.3	-156.2
Q2	-4.5	-29.1	31.4	-2.2
Q3	-55.0	68.9	27.9	41.8
Q4	-54.1	45.3	28.0	19.3
2017 – Q1	5.7	-3.7	13.9	15.9
Q2	4.9	42.3	18.0	65.3
Q3	-36.4	-15.4	20.4	-31.4
Q4	-25.5	1.7	14.6	-9.2

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

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

(billions of euros)

	Currency and deposits	*of which:* PO funds	Short-term securities	Medium- and long-term securities	MFI loans	Other liabilities	Transactions in debt instruments	Change in Treasury's liquid dbalances (2)	*of which:* investments of liquidity	Borrowing requirement	*of which:* in connection with financial support to EMU countries (3)
2012	7.0	-1.3	20.4	24.1	1.3	23.8	76.6	-10.1	0.0	66.5	29.5
2013	-1.8	-2.2	-11.0	91.7	-3.6	4.9	80.3	-3.2	-10.0	77.0	13.0
2014	14.7	-1.1	-16.0	82.1	-4.3	-1.2	75.3	-8.8	-28.0	66.6	4.7
2015	5.1	-1.5	-9.5	43.5	1.7	-1.0	39.8	10.7	8.0	50.4	-2.1
2016	-4.9	0.1	-8.0	62.7	1.1	-0.3	50.6	-7.4	-3.0	43.2	0.0
2017	0.0	-1.9	-0.5	41.1	3.7	0.6	45.0	13.8	10.5	58.7	0.0
2016 – Jan.	1.6	0.6	4.5	17.1	-0.2	-0.6	22.4	-27.8	-22.1	-5.4	0.0
Feb.	-2.6	-1.0	-1.1	25.0	0.9	-0.3	21.9	-11.2	-0.5	10.8	0.0
Mar.	-0.7	0.2	0.2	16.3	1.3	0.4	17.5	4.7	-2.1	22.2	0.0
Apr.	-2.0	-0.3	0.2	4.9	-0.1	-0.5	2.5	5.2	3.3	7.7	0.0
May	0.0	0.1	-0.1	9.5	0.8	-0.1	10.0	-8.0	4.8	2.1	0.0
June	-2.4	0.4	-0.8	14.3	-2.9	0.5	8.7	-19.8	-9.5	-11.0	0.0
July	0.7	-0.6	-0.6	3.3	1.0	-0.4	3.9	-8.5	9.5	-4.6	0.0
Aug.	-0.5	0.2	-0.3	-29.2	-0.5	-0.5	-31.0	36.4	0.6	5.4	0.0
Sept.	-1.1	-0.1	-0.7	-8.3	0.5	0.5	-9.1	25.3	13.9	16.2	0.0
Oct.	1.1	0.0	-1.4	12.6	-1.4	-0.4	10.3	-8.4	-3.5	1.9	0.0
Nov.	-2.0	-0.2	-0.6	7.9	1.2	0.3	6.7	1.6	2.5	8.3	0.0
Dec.	3.1	0.9	-7.2	-10.6	0.6	0.8	-13.3	3.0	0.1	-10.3	0.0
2017 – Jan.	2.3	-1.4	7.3	24.1	-1.3	-0.1	32.3	-34.3	-2.9	-2.1	0.0
Feb.	-1.9	0.5	0.2	-10.9	1.1	-0.2	-11.7	20.7	-0.1	9.0	0.0
Mar.	2.4	0.2	-0.2	18.5	0.8	0.0	21.6	2.2	-0.2	23.7	0.0
Apr.	1.1	0.0	0.5	7.5	0.1	0.1	9.4	-3.9	0.8	5.5	0.0
May	1.3	0.5	0.7	5.9	-0.3	0.0	7.6	-0.5	5.0	7.1	0.0
June	3.5	-1.0	0.2	-0.3	5.4	0.6	9.6	6.3	-5.8	15.9	0.0
July	-0.1	0.1	0.3	21.1	-1.9	0.2	19.6	-32.9	0.3	-13.3	0.0
Aug.	1.9	0.0	-0.1	-23.4	0.0	-0.1	-21.7	22.2	-0.2	0.5	0.0
Sept.	2.1	-0.4	-0.8	3.3	0.8	-0.2	5.2	11.3	0.0	16.5	0.0
Oct.	-0.9	0.4	-0.9	9.5	-1.7	-0.7	5.3	-1.3	0.8	4.0	0.0
Nov.	-0.4	-0.5	-1.0	-13.4	0.6	-0.1	-14.3	20.2	17.4	5.9	0.0
Dec.	-11.4	-0.1	-6.8	-0.8	0.0	1.2	-17.7	3.8	-4.6	-13.9	0.0
2018 – Jan.	7.0	0.4	6.3	12.7	-2.4	0.0	23.7	-25.2	-9.1	-1.5	0.0
Feb.	-1.5	-0.3	0.0	1.6	-0.1	-0.3	-0.5	6.2	16.0	5.7	0.0

(1) For more information, see the Methodological Appendix in 'The Public Finances, borrowing requirement and debt' in S*upplements to the Statistical Bulletin* for data up to December 2016 and for subsequent months 'The Public Finances, borrowing requirement and debt' in the Statistics series. – (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.

Table A12

General government debt: Italy (1)

(billions of euros)

		Currency and deposits	of which: PO funds	Short-term securities	Medium- and long-term securities	MFI loans	Other liabilities	of which: in connection with EFSF loans	General government debt	Memorandum item: Treasury's liquid balances (2)	of which: investments of liquidity	Deposits with resident MFIs net of liquidity transactions	Financial support to EMU countries (3)
2012		160.3	20.8	151.6	1,502.6	134.4	41.3	26.9	1,990.1	34.4	0.0	27.2	42.7
2013		158.5	18.6	140.6	1,593.9	131.1	46.2	34.1	2,070.3	37.6	10.0	24.7	55.6
2014		173.2	17.5	124.5	1,667.7	126.8	45.0	36.0	2,137.3	46.4	38.0	25.7	60.3
2015		178.3	16.0	115.0	1,707.2	128.9	44.0	33.9	2,173.4	35.7	30.0	26.9	58.2
2016		173.4	16.2	107.0	1,765.3	130.1	43.7	33.9	2,219.5	43.1	33.0	29.9	58.2
2017		173.3	14.3	106.6	1,805.0	133.8	44.4	33.9	2,263.1	29.3	22.5	32.2	58.2
2016 –	Jan.	179.8	16.7	119.6	1,724.0	128.8	43.4	33.9	2,195.6	63.5	52.1	26.5	58.2
	Feb.	177.3	15.7	118.5	1,748.6	129.6	43.1	33.9	2,217.1	74.7	52.6	27.6	58.2
	Mar.	176.6	15.9	118.7	1,762.0	130.9	43.5	33.9	2,231.7	70.0	54.6	27.4	58.2
	Apr.	174.5	15.6	118.9	1,766.4	130.9	43.0	33.9	2,233.7	64.7	51.4	27.9	58.2
	May	174.5	15.6	118.7	1,776.7	131.6	43.0	33.9	2,244.6	72.7	46.6	29.9	58.2
	June	172.2	16.1	117.9	1,790.2	128.7	43.5	33.9	2,252.5	92.5	56.1	29.0	58.2
	July	172.9	15.5	117.3	1,793.7	129.7	43.1	33.9	2,256.7	101.0	46.6	31.0	58.2
	Aug.	172.4	15.6	117.0	1,764.6	129.2	42.5	33.9	2,225.8	64.6	46.0	32.1	58.2
	Sept.	171.2	15.5	116.3	1,754.4	129.7	43.0	33.9	2,214.7	39.3	32.1	31.2	58.2
	Oct.	172.3	15.5	114.9	1,766.8	128.3	42.6	33.9	2,224.8	47.7	35.6	31.7	58.2
	Nov.	170.3	15.2	114.2	1,774.8	129.5	42.9	33.9	2,231.6	46.1	33.1	33.5	58.2
	Dec.	173.4	16.2	107.0	1,765.3	130.1	43.7	33.9	2,219.5	43.1	33.0	29.9	58.2
2017 –	Jan.	175.7	14.8	114.3	1,789.1	128.7	43.6	33.9	2,251.5	77.4	35.9	29.9	58.2
	Feb.	173.8	15.2	114.5	1,779.2	129.9	43.4	33.9	2,240.7	56.8	36.0	31.4	58.2
	Mar.	176.3	15.5	114.3	1,796.6	130.7	43.3	33.9	2,261.2	54.6	36.2	32.6	58.2
	Apr.	177.4	15.5	114.8	1,805.1	130.8	43.5	33.9	2,271.6	58.5	35.4	33.9	58.2
	May	178.6	16.0	115.5	1,811.7	130.6	43.5	33.9	2,279.8	58.9	30.3	35.3	58.2
	June	182.2	15.0	115.7	1,811.5	136.0	44.1	33.9	2,289.5	52.6	36.2	35.3	58.2
	July	182.1	15.1	116.0	1,831.6	134.1	44.3	33.9	2,308.0	85.6	35.9	37.0	58.2
	Aug.	184.0	15.1	115.9	1,808.6	134.1	44.1	33.9	2,286.7	63.4	36.1	36.7	58.2
	Sept.	186.1	14.6	115.2	1,811.2	134.9	43.9	33.9	2,291.2	52.1	36.1	35.2	58.2
	Oct.	185.2	15.0	114.3	1,820.3	133.2	43.2	33.9	2,296.1	53.3	35.3	34.7	58.2
	Nov.	184.8	14.5	113.3	1,806.4	133.8	43.1	33.9	2,281.4	33.1	17.9	35.3	58.2
	Dec.	173.3	14.3	106.6	1,805.0	133.8	44.4	33.9	2,263.1	29.3	22.5	32.2	58.2
2018 –	Jan.	180.4	14.7	112.9	1,817.5	131.4	44.4	33.9	2,286.6	54.5	31.6	33.5	58.2
	Feb.	178.8	14.4	112.8	1,819.5	131.3	44.0	33.9	2,286.5	48.3	15.6	34.4	58.2

(1) For more information, see the Methodological Appendix in 'The Public Finances, borrowing requirement and debt' in *Supplements to the Statistical Bulletin* for data up to December 2016 and for subsequent months 'The Public Finances, borrowing requirement and debt' in the Statistics series. – (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.