

BANCA D'ITALIA

**Summary of the Reports
on economic developments in
the Italian regions in 1999**

Rome 2000

The Summary of the Reports on economic developments in the Italian regions, fruit of cooperation between the Bank's Research Department and its regional research units, is a selective compendium of the most important information contained in the regional Reports on economic developments in the Italian regions, in which interested readers can find more detailed local information.

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A - THE RESULTS FOR THE YEAR

The growth differential between the two major areas of Italy widened slightly in 1999. According to estimates by Svimez, in the regions of the Centre and North real GDP expanded at the same pace as in 1998 (1.5 per cent), while in the mainland South and the island regions of Sicily and Sardinia the growth of output slowed from 1.3 to 1.1 per cent.

Per capita GDP grew slightly faster in the South and Islands than in the rest of the country (1.3 as against 1.2 per cent), reflecting emigration from the southern to the northern regions.

The pick-up in collective consumption did not offset the slowdown in household consumption, which was more pronounced in the South and Islands owing in part to less favourable labour market trends in that part of the country.

The rate of growth in gross fixed capital investment increased in the Centre and North and diminished in the South and Islands. The Bank of Italy's survey of manufacturing firms with at least 50 employees found that in industry excluding construction gross fixed investment in tangible goods declined in all the geographical areas, most sharply in the North-East and the South and Islands. Investment in intangible assets increased, however, partly as a result of the adaptation of information systems to the introduction of the euro and the year 2000.

For the year now in course, industrial firms expect substantial growth in investment spending. These investment plans are explained by rising capacity utilization and an improved outlook for domestic and export demand.

Investment in construction increased by 1.8 per cent for Italy as a whole in 1999, due partly to a pick-up in public works expenditure. Residential building turned upwards after six years of decline thanks to renovation and extraordinary maintenance activities, which were sustained by the tax subsidies introduced by Law 449 of 27 December 1997. As in 1998, applications for the subsidies were concentrated in the Centre and North.

On average for 1999, exports at current prices contracted most sharply in the mainland South (by 3.5 per cent) and in the North-West (2.9 per cent); the decline was more limited in the Centre (2.1 per cent) and the Islands (1.6 per cent), while the North-East recorded a slight increase (0.5 per cent). Overall, the worst results were those of the textile and clothing, footwear and leather goods industries, which were affected by competition from countries with lower labour costs. Exports recovered in the second half of the year, benefiting from the growth of world trade, the strengthening of economic activity in the main industrial countries and the weakness of the euro.

In the nineties the southern economy was affected more severely than that of the Centre and North by fiscal adjustment and benefited only modestly from the increase in export demand stimulated by the devaluation of the lira in the first half of the decade. Between 1990 and 1999 the GDP of the southern and island regions increased at an average annual rate of 0.9 per cent, as against 1.5 per cent for the Centre and North. The area with the highest growth rates was the North-East.

Per capita investment in the South and Islands decreased from 63.7 per cent of that in the Centre and North in 1989 to 48.3 per cent in 1999.

The productivity of the area's industry, in terms of value added per labour unit, declined relative to that of the Centre and North. The cost of labour rose slightly faster than in the rest of the country, owing in part to the phasing out of social contribution relief.

Notwithstanding the persistence of structural weaknesses, some positive signs have emerged in the South and Islands. During the past decade the area's share of Italian exports has risen modestly. Since 1995 non-farm employment has increased slightly faster than the national average, while in some circumscribed parts of the area clusters of small and medium-sized manufacturing firms have arisen, sometimes resembling nascent industrial districts.

On a year-on-year basis, Italian employment rose by 1.3 per cent in 1999. The increase in employment in the Centre and North reflected the contribution of construction and the services sector. In the South and Islands employment remained at the same level as in 1998; the decline in construction employment continued, albeit less rapidly, while employment growth in industry excluding construction and in services slowed down. As in the preceding three years, the increase in employment involved mainly part-time and fixed-term jobs. There was substantial growth in temporary employment.

In wholesale and retail trade, employment increased in the North and the Centre but declined in the South and Islands. Rationalization and concentration have facilitated a reallocation between self-employment and payroll employment. The ratio of the latter to the former increased appreciably between 1993 and 1999, especially in the regions of the North.

On average for the year, the disparity between northern and southern unemployment rates widened further.

Banks' short-term lending rates declined by 1.5 percentage points in 1999. The reduction came to a halt in the last quarter, as signs of an economic upswing strengthened and monetary conditions became less accommodating.

The differential between short-term lending rates in the South and Islands and those in the Centre and North narrowed by 0.4 percentage points to 1.9 points.

The decline in interest rates to historically low levels and the easy credit conditions fostered an expansion in bank lending. The increase was more rapid in the regions of the North than in the Centre or the South and Islands. The difference is largely due to different growth rates in lending to households — who increased their medium and long-term debt, mostly for home purchase or renovation — and to finance companies.

Lending to industrial firms slowed down in response to the limited expansion of productive activity and the moderate growth of investment, which was largely financed by firms' own resources. Rates of expansion higher than the national average were found in the regions of the North-East, thanks in part to the better performance of industrial activity.

Bad debts declined in all areas of the country except the South. One factor in this overall reduction in bad debt, especially in the Centre, was a set of very large securitization operations. Signs of improvement in asset quality can be seen in the corrected data on net bad debt, which declined in proportion to lending in both the Centre and North and the South and Islands.

The reallocation of savers' financial wealth continued. Units in collective investment undertaking increased very rapidly in all parts of the country. Direct investment in shares by investors increased everywhere except the Centre, thanks in part to the spread of on-line trading services offered by banks. The portion of banks' asset

management business accounted for by investment funds increased. Holdings of government securities continued to decline in all areas.

The reallocation of financial investment towards less liquid instruments was accompanied in all regions by the expansion of bank current accounts. As in 1998, banks' fund-raising increased modestly, reflecting a decline in CDs and a slowdown in bond issues.

The concentration and restructuring of the banking system proceeded. Net of intragroup operations, 64 consolidations were effected. The rationalization of business operations resulted in many changes in branch networks. The growth in the number of branches was slightly greater in the North-East and the Centre than in the other geographical areas. Alternatives to the traditional bank branch are developing rapidly.

The presence of northern banks in the rest of the country has increased. Between 1995 and 1999 the share of lending to residents in the Centre accounted for by banks based in that area declined by nearly 7 percentage points; over the same period banks in the South and Islands lost almost 11 percentage points of their local market share.

Banks' interest income was reduced as a consequence of the narrowing in the spread between borrowing and lending rates. The decline in this traditional income and the fall in net earnings on securities trading were partially offset by increased earnings on services in connection with the growth of assets under management. The total gross income of banks in the North increased while that of banks in the Centre and the South and Islands declined. Net income rose in the North-West and declined elsewhere; the reduction was sharpest in the South and Islands.

B - ECONOMIC ACTIVITY

Manufacturing industry

Value added at factor cost in manufacturing industry rose by 0.7 per cent in real terms on average for the year, or more slowly than the 2.1 per cent rate recorded in 1998. The state of demand and the trend in output, which were deteriorating at the start of the year, recovered gradually over the subsequent months.

Demand. – Domestic demand increased by 2.5 per cent in real terms, declining from 2.9 per cent growth in 1998 because of the weakness of consumer spending, which was only partly offset by the growth of overall investment in the economy.

Foreign orders, which contracted slightly for the year, increased in the second half thanks to the depreciation of the euro and the economic upturn in Italy's main trading partners.

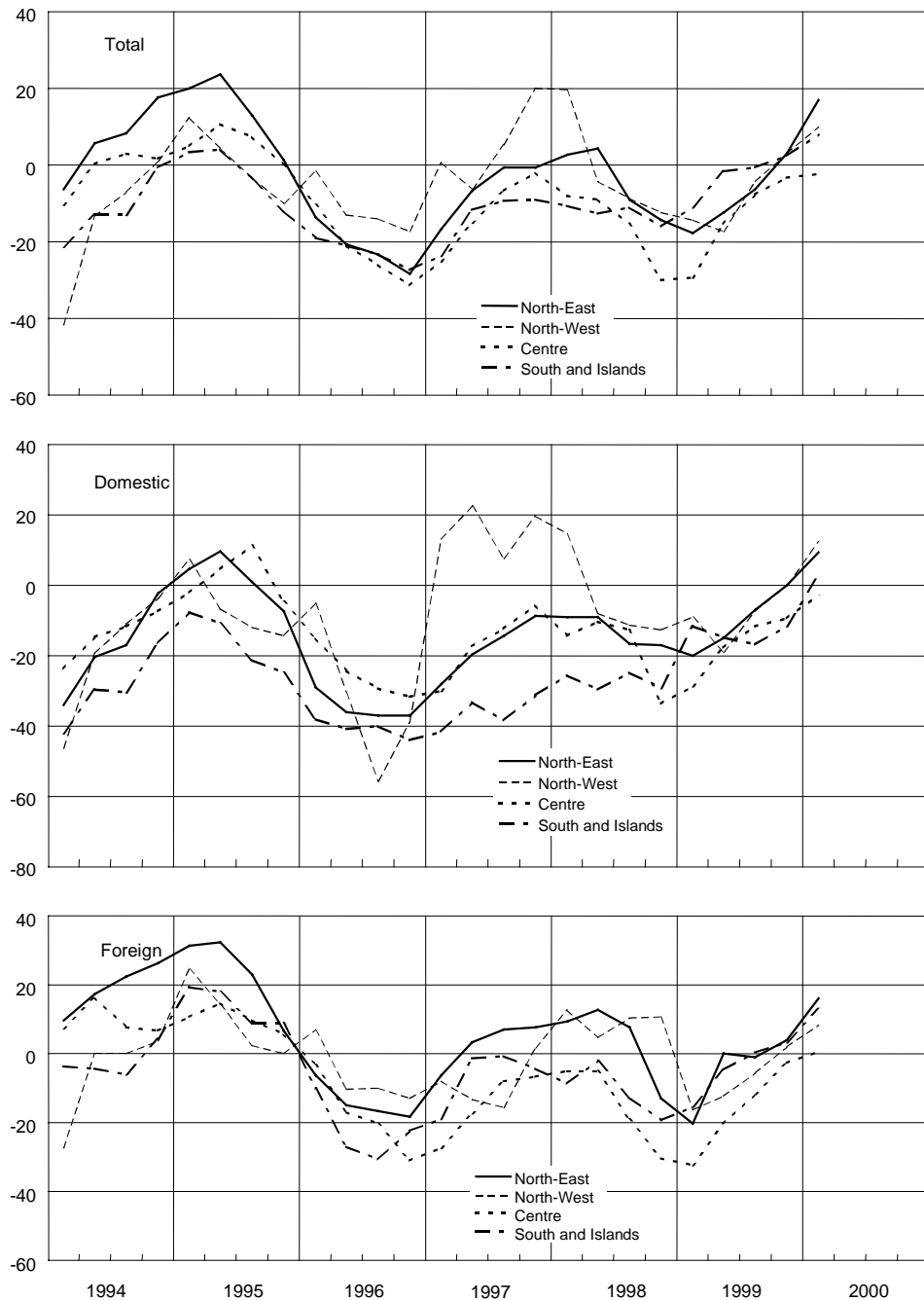
The ISAE survey of industrial firms found that in all areas except the North-West the demand indicator was at least as high as the previous peak in 1997 (Figure B1).

The trend in the regions of the North-West, where the upturn in orders came later than elsewhere, can be ascribed to the domestic component of the demand for consumer goods. As the Report on Piedmont indicates, the recovery in the motor vehicles industry did not come until the last quarter. The trend paralleled that in national passenger car production, which decreased by 7 per cent over the first nine months of 1999 and rose by 27 per cent in the fourth quarter by comparison with the fourth quarter of 1998.

In the regions of the North-East and the Centre total orders began to improve in the second quarter. In the Centre the domestic component of demand provided a positive impetus to order growth from the beginning of the year.

Figure B1

LEVEL OF ORDERS (1)
(seasonally adjusted data)



Source: based on data ISAE (Isco, until december 1998).

(1) Three month-averages of the balances between positive responses ("high") and negative responses ("low") in ISAE business opinion surveys (see the *Methodological Notes* in the Appendix).

According to the Reports on individual regions, in Emilia-Romagna the growth of domestic demand fully offset the contraction in exports during the first nine months of the year. In Trentino-Alto Adige domestic orders did better than foreign orders, owing to the modest economic performance of Germany, which is the region's main export outlet. The Report on Lazio notes that order growth was concentrated in high-technology products. In Marche there was growth in domestic sales and a sharp contraction in foreign demand affecting virtually all industries.

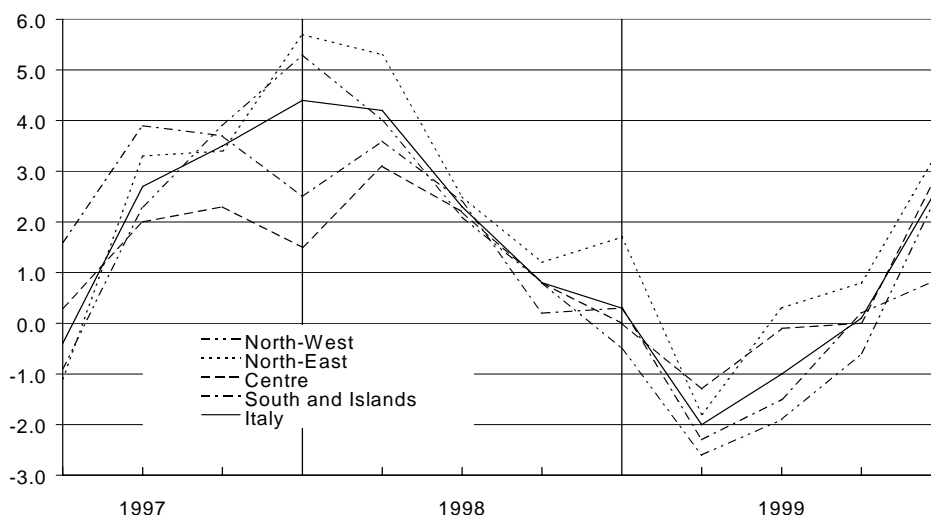
There was a pick-up in orders in the South and Islands as well, albeit with differences from region to region.

In Sardinia demand was sustained by the domestic component, especially in the aluminium, food processing and cork industries. In Puglia foreign demand for machinery and metal products, furniture and chemical products showed positive results; in Sicily, that for machinery and metal products, basic metal, and processed foods.

Productive activity. — The survey by Unioncamere and the Tagliacarne Institute of firms with at least 10 employees indicates that for 1999 as a whole industrial production was roughly unchanged, compared with an increase of 1.9 per cent in 1998. After a decline in the first quarter output recovered and by the fourth quarter was 2.8 per cent greater than in the corresponding period of 1998.

Figure B2

INDUSTRIAL PRODUCTION
(percentage changes on year-earlier quarter)



Source: Tagliacarne-Unioncamere.

Investment. — The Bank of Italy's survey of manufacturing firms with at least 50 employees found that gross fixed investment decreased by 3.2 per cent at constant prices. The persistence of uncertainty over demand at the start of the year apparently led medium-sized and especially large industrial firms to defer part of their planned investment for 1999. The plans for 2000 show an increase in investment of 9.2 per cent.

The decrease in purchases of capital goods was sharpest in the North-East and the South and Islands (5.4 and 3.5 per cent respectively in real terms), most moderate in the Centre (1.0 per cent).

The reduction in expenditure on investment goods in Emilia-Romagna is in part related to a process of industrial reorganization (acquisitions of firms, brands and channels for commercial representation or technical assistance abroad), which diminished the resources available for the expansion of productive capacity. The Report on Piedmont also attributes the decline in the rate of growth in investment not only to cyclical causes bound up with the weakness of demand but also to structural reorganization (greater outsourcing of some production phases).

Among the components of investment, spending on intangible goods rose considerably, owing in part to the adjustments required by the introduction of the euro and the date changeover to 2000. Investment in intangible assets rose fastest in the Centre and in the North-East.

The Bank of Italy survey found that about 90 per cent of the firms surveyed have Internet links. The highest proportions of firms with such connections are in the 200-499-employee size class and in the metal engineering industry. Geographically, Internet connections have been established by 92 per cent of the firms in the North-East, 88 per cent in the Centre and 81 per cent in the North-West and the South and Islands. In the North-East firms use the net mainly for publicity and product information (44 per cent) and to exchange information with other firms for orders and deliveries (39 per cent). In the Centre the main uses are information exchange (46 per cent) and banking services (39 per cent). In the North-West and the South and Islands, the Internet is used most commonly for home banking and to acquire information relevant to corporate objectives. Despite the widespread use of the new information technologies in all geographical areas, commercial relationships continue to be handled through direct contact. Most firms reported making no use of the Internet in their dealings with suppliers and customers (88 per cent nation-wide) or for final consumer sales (about 95 per cent).

Building and construction

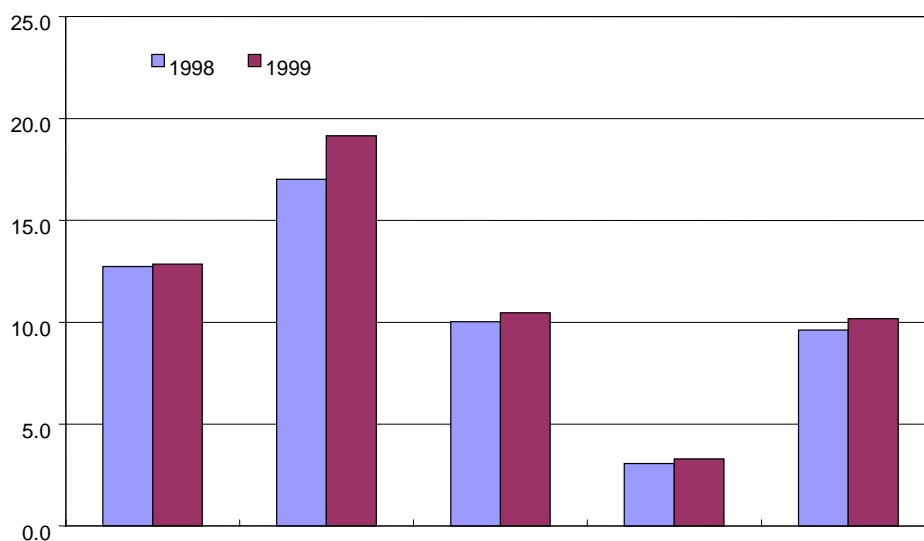
Value added at factor cost and constant prices in the construction sector increased by 1.1 per cent in 1999, following virtual stagnation (growth of 0.1 per cent) in 1998. Investment in building, which had been declining in real terms for two years, increased by 1.8 per cent. The recovery was reflected in an increase in the output of the construction materials industry (4.2 per cent).

The Reports on the individual regions show that the sector's performance was not uniform between the various areas of the country. The upturn was stronger in the northern regions, thanks to greater take-up of tax incentives for renovation and a more favourable trend in public investment.

Figure B3

APPLICATIONS FOR BUILDING RENOVATION TAX CREDITS

(number of applications per thousand dwellings)



Source: ANCE, based on Finance Ministry and Istat data.

Investment in residential building grew by 1.6 per cent, halting a decline that had persisted since 1992. The main factor was a rise in spending on renovation and extraordinary maintenance, sustained by the tax incentives introduced by Law 449/1997, while new residential building investment remained roughly unchanged. The Ministry of

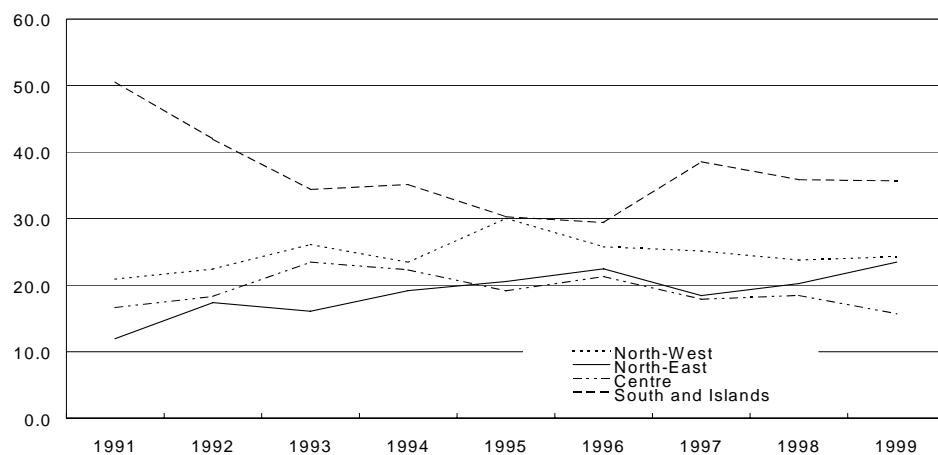
Finance received 255,000 applications for tax credits in 1999, a 6.1 per cent increase over the previous year. Use of the benefits was greater in the northern regions, which accounted for 69.1 per cent of total applications. Even adjusted for the existing housing stock, the interregional disparities remain pronounced (Figure B3).

A number of southern regional Reports ascribe the lesser use of the programme to more widespread off-the-books work in the construction industry, which reduces the economic value of the tax credits. The Report on Campania also cites the greater frequency of building code violations than in other regions.

Figure B4

PUBLIC WORKS TENDER INVITATIONS

(percentage share of national total)



Source: For 1991-1993, based on Quasco estimates made using data from Sitop, Ecosfera e Telemat; for 1994-1999, based on CRESME/SI estimates made using data from Telemat and Sole 24 Ore Servizio-Appalti.

The upswing in the real estate market strengthened. At the end of 1999 the prices of dwellings were higher than a year earlier in the South and Islands as well as in the Centre and North.

Public works spending picked up, with growth of 5.9 per cent compared with 3.2 per cent in 1998. A contributory factor, especially in the Lazio region, was investment for the Holy Year.

The value of public works for which tenders were invited, although 8.1 per cent lower than in 1998 according to CRESME estimates, was still higher than the average for the nineties. The decline was sharpest in the Centre (22 per cent) and more modest

in the North-West and the South and Islands (6.2 and 8.6 per cent respectively). In the North-East there was an increase of 6.6 per cent.

Since the sizeable decline in 1992 and 1993, the value of tender offers in Italy has increased every year. The pace of the recovery has differed from area to area; it has been faster in the North-East, whose share of the nation-wide total thus rose from 12 per cent in 1991 to 23.5 per cent in 1999; meanwhile the share of the South and Islands fell from 50.5 to 35.7 per cent (Figure B4). The infrastructural endowment of the South and Islands, which was equal to 68.9 per cent of the national average in 1992, worsened by comparison with the Centre and North over the following five years according to the summary indicator developed by ISAE using data from Ecoter-Confindustria.

Services

Wholesale and retail trade. – The value added at factor cost and constant prices of trade and repairs increased by 0.3 per cent in 1999, following gains of 2.8 and 2.9 per cent in 1997 and 1998. Net of wholesale trade and sales of motor vehicles, value added declined by 0.3 per cent.

Table B1

FIXED RETAIL SALES IN 1999 BY SECTOR AND GEOGRAPHICAL AREA

(at current prices; percentage change on the previous year)

Areas	Food	Non-food	Total
North-West	1.9	2.9	2.6
North-East	4.5	6.4	5.8
Centre	1.5	0.4	0.8
South and Islands	0.6	1.0	0.8
Italy	2.1	2.6	2.4

Source: Istat.

Trends differed by geographical area. Retail sales at current prices grew by an average of 2.4 per cent nation-wide (Table B1); firms with registered offices in the North-East scored the largest gains (5.8 per cent), followed by those located in the North-West (2.6 per cent). The sales of large-scale distributors increased by 5.9 per cent, those of small retailers 1.7 per cent. Sales of hypermarkets and supermarkets grew especially quickly.

Data from Movimprese indicate that the number of retail firms other than motor vehicle dealers decreased by 0.8 per cent, after a 1.1 per

cent decline in 1998 (Table B2). The decline was more pronounced in the northern regions, though less sharp than the previous year. In the southern regions, where traditional distribution remains more important, the reduction was again less than the national average, as in the previous two years.

Table B2

RETAIL TRADE FIRMS BY GEOGRAPHICAL AREA

(percentage changes on previous year)

Areas	1997	1998	1999
North-West	-3.0	-2.2	-1.5
North-East	-0.1	-2.0	-1.3
Centre	-1.6	-1.2	-0.6
South and Islands	-0.6	-0.1	-0.4
Italy	-1.3	-1.1	-0.8

Source: based on Movimprese data.

Ministry of Industry figures at 1 January 1999 report that following the slowdown in 1996 and 1997, in 1998 the expansion of modern distribution facilities (supermarkets and hypermarkets) was fastest in the South and Islands. The gap between that area and the rest of the country in the density of modern outlets according to population, though still wide, was reduced (Table B3).

Based on the Bank of Italy's survey of large-scale distributors, the number of outlets of the firms in this segment, and in particular those under franchising arrangements, should continue to expand in 2000 despite the slowness in implementation of the new rules governing the sector.

In 1999 and the early part of 2000 nearly all the regions passed laws regulating the commercial sector as required by Legislative Decree 114 of 31 March 1998, albeit behind schedule (summary accounts of the laws are given in the Reports on Piedmont, Valle d'Aosta, Trentino-Alto Adige, Veneto, Tuscany, Marche, Umbria and Basilicata). The slowness with which the new rules have been implemented testifies to the difficulties encountered by the liberalization measure at the local level. According to the Competition Authority, some regions have interpreted the new rules in a restrictive manner, setting surface area limits lower than those of the Decree and restoring saleable product lists for various types of outlet. Others have put off the definition of the criteria for opening or expanding outlets to subsequent administrative acts.

Table B3

DENSITY OF RETAIL OUTLETS*(square meters of surface area per 10,000 inhabitants)*

Year	North	Centre	South and Islands	Italy
Supermarkets				
1982	293	215	99	209
1992	670	505	312	509
1996	951	720	436	719
1997	1,053	771	468	786
1998	1,116	829	497	836
1999	1,191	916	557	908
Hypermarkets				
1992	206	187	52	147
1996	270	215	75	188
1997	302	230	75	205
1998	316	250	77	216
1999	343	253	90	233

Source: Based on Ministry of Industry data. As at 1 January of indicated year.

The application of the new law, as is confirmed by the survey of large-scale food distributors carried out by the branches of the Bank of Italy, should facilitate the introduction of longer opening hours on weekdays and Sunday and holiday opening. The Report on Liguria notes that the possibility of more flexible shop hours has been exploited only by large-scale outlets, while small shopkeepers apparently do not find it advantageous, owing to higher staff costs. The Report on Sicily finds little interest on the part of local operators in altering present hours.

Tourism. — The value added of the hotel and restaurant sector at factor cost and constant prices increased by 0.6 per cent in 1999 (1.0 per cent in 1998).

According to Istat data, arrivals at lodging facilities increased by 2.7 per cent and overnight stays by 3.4 per cent. The average length of stay increased thanks to the foreign component.

Overnight stays at hotels and other facilities increased in all geographical areas except the North-West, where there was a decline of 0.4 per cent (Figure B5).

There was an especially sharp fall in Valle d'Aosta (particularly among foreign tourists) as a result of the closing of the Mont Blanc tunnel and poor weather that hurt the ski season.

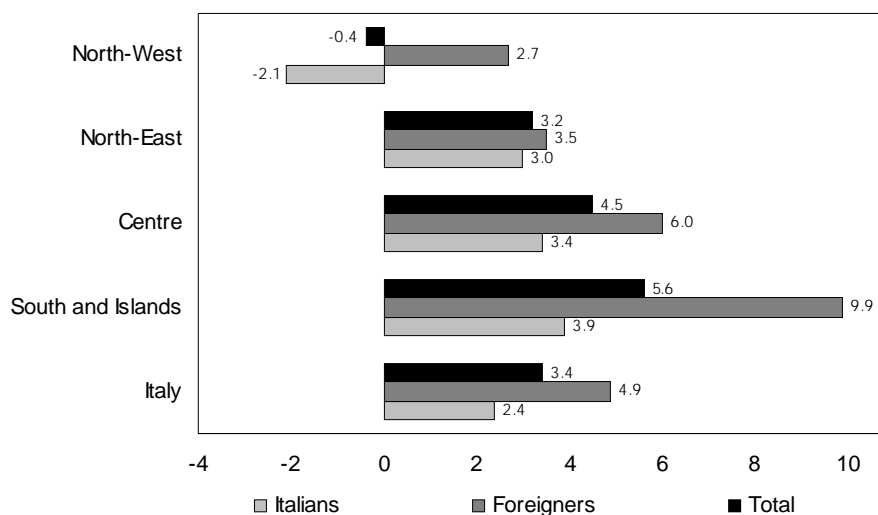
In keeping with the trends of recent years, the area recording the largest gain (5.6 per cent) was the South and Islands; overnight stays by foreign tourists in this area rose by 9.9 per cent.

The regions with the highest rates of increase in overnight stays (especially for foreign tourists) were Calabria, Sardinia, Puglia and Sicily, with gains ranging between 7 and 17 per cent. Umbria also achieved a considerable increase, following the sharp decline in 1998 as a result of the September 1997 earthquake.

Figure B5

TOURIST OVERNIGHT STAYS IN HOTELS AND OTHER LODGING FACILITIES BY GEOGRAPHICAL AREA, 1999

(percentage changes on previous year)



Source: Istat, *Rilevazione sul movimento nelle strutture ricettive* (provisional data).

Transport. — The value added of the transport sector at factor cost decreased by 0.2 per cent in real terms in 1999, following growth of 0.7 per cent in 1998. The decline was due to a contraction of air and maritime transport activity (2.4 per cent, compared with a decline of 1.9 per cent in 1998), which was affected by the slowdown in foreign trade (see the Chapter: Exports).

The growth of container traffic in Italian ports slowed to 3 per cent from 17.5 per cent in 1998. This reflected the slower growth of shipping traffic to the Far East, which did not show clear signs of recovery until the second half of the year.

Container traffic at Italian ports has increased rapidly in the past five years, thanks notably to gains in competitiveness due to the privatization of terminal operation and increased work force flexibility. Container traffic has grown at an average annual rate of 20 per cent over these years, faster than in the other leading Mediterranean ports (Table B4). The growth has been led by the exceptional development of the port of Gioia Tauro, specializing in transshipment; in just five years of operations Gioia Tauro has achieved a volume of traffic that makes it the leader of all Mediterranean ports. Over the same period Genoa has become one of the leading ports of final destination (see the Report on Liguria).

Table B4

**CONTAINER TRAFFIC IN THE MAIN
ITALIAN AND MEDITERRANEAN PORTS**
(thousands of teus and percentage changes)

Port	1995	1996	1997	1998	1999	Change 1998-99	Change 1995-99
Gioia Tauro ⁽¹⁾	..	572	1,449	2,094	2,203	5.2	285.1
Genoa	615	826	1,180	1,266	1,234	-2.5	100.7
La Spezia	965	871	661	732	843	15.2	-12.6
Livorno	424	417	501	535	480	-10.3	13.2
Naples	235	246	299	320	334	4.4	42.1
Salerno	174	190	202	251	267	6.4	53.4
Venice	128	167	212	206	200	-2.9	56.3
Trieste	150	178	204	174	189	8.6	26.0
Ravenna	193	191	188	173	173	0.0	-10.4
Total	2,884	3,658	4,896	5,751	5,923	3.0	105.4
Main ports of the Mediterranean⁽²⁾	4,996	5,443	6,312	7,741	8,290	7.1	65.9

Source: Based on Harbour Authorities and *International Containerisation* data.

(1) Change, 1996-1999. - (2) Data for Algeciras, Barcelona, Valencia, Marseille, Malta, Piraeus, Haifa and Hashdod.

In the future the further growth of container handling in Italian ports, with the start-up of transshipment in Cagliari and Taranto, could result in additional gains in market shares for Italy if it is accompanied by an extension of the services provided by harbour systems. A step in this direction is the plan, noted in the Report on Calabria, for the creation at Gioia Tauro of a platform for the transshipment of cars produced in Japan, Korea and other Asian countries.

Passenger traffic at Italian ports increased during the year, as the strong growth of cruise activity based in the Tyrrhenian ports signaled in the *Reports* on Liguria, Tuscany and Campania more than offset the decline caused by the exclusion of the Adriatic from many international lines' routes due to the war in the Balkans.

The adverse consequences of the conflict bore mainly on the ports of the northern Adriatic, where passenger traffic fell significantly (see the Reports on Veneto and Friuli-Venezia Giulia). The Report on Puglia registers a gain in passenger traffic at the port of Bari, despite a reduction in cruise traffic, owing to a step-up in links with Albania.

Exports

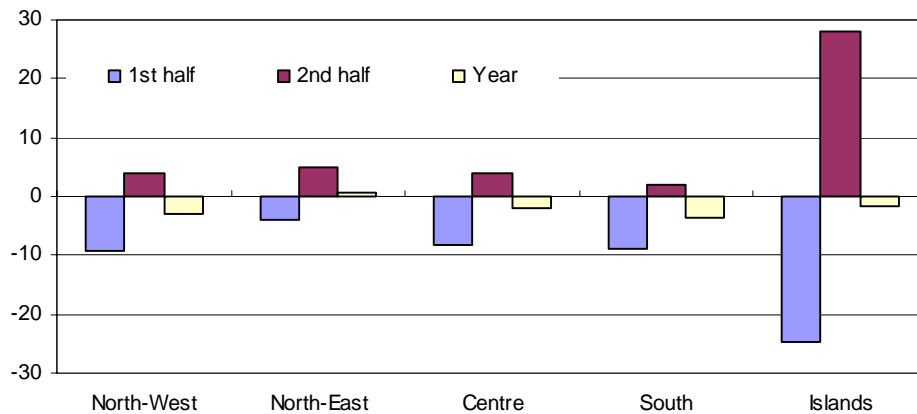
Italy's trade surplus decreased by 22.5 trillion lire to 24.9 trillion on a *cif-fob* basis. Given a slowdown in import growth, which eased in volume terms from 5.9 to 4.0 per cent, the reduction in the surplus reflects a fall in exports (1.7 per cent). The surplus on trade with EU countries was virtually eliminated. Except for the North-East, which registered a modest increase of 0.5 per cent in export value, exports declined in all parts of the country (Table aB4). The sharpest falls were in the South (3.5 per cent) and the North-West (2.9 per cent). In all areas there was a substantial contraction of exports in the first half and an acceleration in the second (Figure B6).

In the North-West the decline in the exports of Piedmont and Lombardy, which together account for 40.7 per cent of Italian exports, came to 3.6 and 2.6 per cent respectively. The growth in the North-East was accounted for by gains in Trentino-Alto Adige and Veneto, while there was a significant contraction in Friuli-Venezia Giulia. In the Centre, a sharp fall in Marche (17.1 per cent) was only partly offset by growth in Lazio. The only region in the South that registered export gains was Basilicata. The exports of the Islands, which decreased by 1.6 per cent on average for the year, displayed considerable variability between the first and second halves in most sectors.

Nearly all the main manufacturing branches were affected by the export contraction, which was most pronounced in textiles and clothing (5.9 per cent), footwear and leather goods (6.5 per cent) and metal and metal products (7.3 per cent). The decrease was more limited for mechanical and electrical machinery and apparatus and precision instruments (1.7 per cent), transport equipment (2.2 per cent), paper and paper products (2.2 per cent) and furniture (1.3 per cent). By contrast, export gains were registered by chemical products (7.0 per cent) and wood and wood products (2.9 per cent).

Figure B6

EXPORT VALUE BY GEOGRAPHICAL AREA IN 1999
(percentage changes on the corresponding period of 1998)



Source: Istat.

The exports of the fashion industry fell sharply in Lombardy, Marche and Puglia. The decline was less severe in Veneto, Emilia-Romagna, Tuscany and Campania. A number of regional Reports ascribe the downturn in exports to competition from the emerging economies, especially those of Asia whose currencies were sharply devalued in 1997 and 1998. However, in the course of the year Italy's competitive position vis-à-vis the Asian countries improved steadily, attenuating domestic producers' loss of market shares. In the first half the fashion industry suffered a 10.6 per cent fall in exports on an annual basis, but in the second half the decline was much more limited (1.6 per cent). The bilateral indices vis-à-vis several Asian countries, which in 1998 had signaled a sharp loss of Italian competitiveness, improved steadily last year, and by the first quarter of 2000 the loss in competitiveness had essentially been made good.

Divergent export trends between geographical areas can be traced to regional differences in product specialization (Table aB5) and in the location of export markets (Table B5). In the textile, clothing, footwear and leather goods industries, the most heavily penalized regions were those whose exports go mainly to EU countries. In mechanical engineering, by contrast, exports to the EU increased while those to other parts of the world decreased.

Table B5

GEOGRAPHICAL DISTRIBUTION OF EXPORTS (1)
(percentages)

Areas	North-West	North-East	Centre	South	Islands	Italy
European Union	56.5	55.8	50.8	60.3	44.0	55.4
Central European countries and ex-USSR	8.1	10.0	9.3	6.8	8.6	8.8
Other European countries	5.3	3.6	3.6	3.8	7.0	4.4
North America	8.1	11.2	14.4	10.8	5.9	10.3
Latin America	4.5	3.7	3.6	2.2	5.9	4.0
China	1.0	0.9	0.7	0.5	0.5	0.9
Japan	1.7	1.5	1.7	1.2	0.9	1.6
Other Far East countries	7.7	6.6	7.8	5.1	10.3	7.2
Rest of world	7.3	6.7	8.2	9.2	16.9	7.6
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: Based on Istat data.

Italian foreign trade is relatively uniform in terms of its export markets, but there are nevertheless some differences between geographical areas. Specifically, the North-East is more strongly oriented to the transition economies, the Centre to North America and the South and Islands to the rest of the world.

The Report on Veneto observes that the geographical specialization of the region's exports changed during the nineties, with an increase in the importance of sales to Central and Eastern Europe and North America. The growth of exports to Eastern Europe was apparently due not only to the changing composition of regional producers' final outlet markets but also to the decentralization of some production stages, which has presumably resulted in an increase in infra-industrial trade flows with those countries.

Development in the productive structure during the nineties

The nineties recorded the lowest rate of Italian economic growth of any decade since the Second World War. The slowdown by comparison with the eighties involved all parts of the country but was most pronounced in the South and Islands. The average annual rate of GDP growth in that area declined by 1.5 percentage points, from 2.4 per cent in 1980-89 to 0.9 per cent in 1990-99. In the Centre and North the reduction was 0.9 points. The most dynamic area was the North-East, which benefited more than the rest of the country from the expansion of foreign demand as a consequence of the depreciation of the lira in the first half of the decade (Table B6).

Table B6

**AVERAGE ANNUAL GROWTH RATES OF GDP AND PER CAPITA GDP BY
GEOGRAPHICAL AREA**

(percentages)

Area	GDP		Per capita GDP	
	1980-89	1990-99	1980-89	1990-99
North-West	2.4	1.2	2.5	1.1
North-East	2.4	2.0	2.4	1.8
Centre	2.3	1.5	2.1	1.3
Centre and North	2.4	1.5	2.4	1.3
South	2.6	0.8	2.0	0.6
Islands	2.0	1.0	1.4	0.7
South and Islands	2.4	0.9	1.8	0.6

Source: Based on Svimez data, ESA79 accounts.

Given the higher share of public spending in gross output and their lesser opening to international markets, the regions of the South and Islands suffered more severely than the rest of the country from the fiscal adjustment begun at the start of the decade and benefited only partially from the increase in export demand following the devaluation of the lira in 1992. The area's per capita consumption and investment both decreased relative to those of the Centre and North. Per capita GDP slipped from 57.8 per cent of that of the rest of the country in 1989 to 53.9 per cent in 1997 and then stabilized, thanks above all to the resumption of emigration towards the central and northern regions.

The poor state of demand and the inadequacy of development policies, which mainly took the form of income support, spotlighted the structural weakness of the southern part of the country, whose competitiveness deteriorated in the course of the decade. Unit labour costs in manufacturing rose from 95.5 per cent of those of the rest of Italy in 1989 to 103.4 per cent in 1999. Contributory factors were a slight relative increase in labour costs as a consequence of the phasing out of social contribution relief and above all a deterioration in relative productivity: value added per labour unit fell from 81.9 per cent of that in the Centre and North in 1989 to 77.3 per cent in 1999.

Nonetheless, some signs of southern dynamism did emerge in the nineties. The share of Italian exports accounted for by the South and Islands rose somewhat (by 1.2 percentage points between 1991 and 1999, to 10.1 per cent). Census data indicate that some southern labour markets increased industrial employment faster than the national average, creating systems of small and medium-sized industries that resemble industrial districts in formation (see the Report on Campania). By comparison with the mature districts of the Centre and North, the sub-suppliers in these southern local systems have greater vertical integration and fewer commissioning firms. Between 1995 and 1999 non-agricultural employment growth, especially in manufacturing and services, was slightly faster than the national average.

C – THE LABOUR MARKET AND REGIONAL POLICIES

Employment

Employment in Italy grew by an average of 1.3 per cent in 1999. The recovery under way since the mid-nineties continued in all the main regions of the Centre and North, with an increase of 1.7 per cent in the North-East and North-West and 1.9 per cent in the Centre (Table C1). In the South and Islands employment remained at its 1998 level.

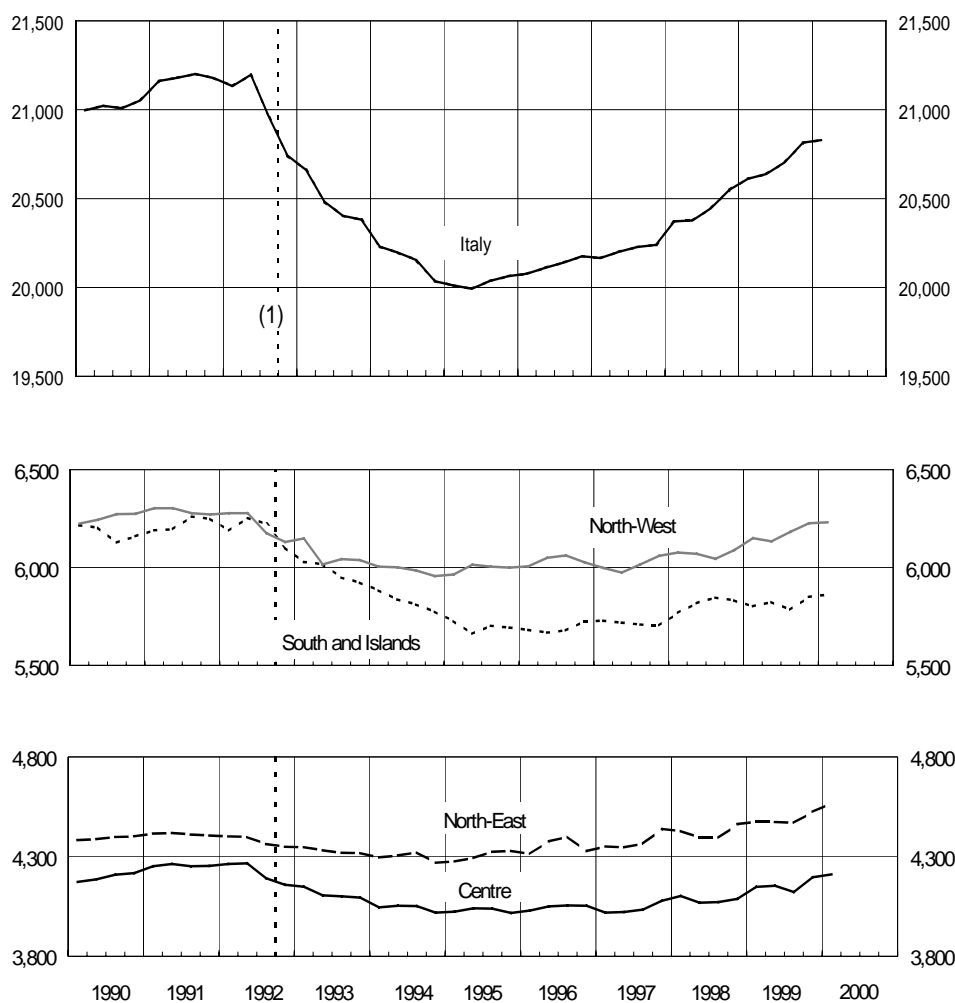
The number of persons in employment at the end of 1999 was about 800,000 greater than at the start of 1995 but still 500,000 below the peak registered in 1991 (Figure C1). Only in the North-East did employment exceed its 1991 level, with a gain of 70,000; it still fell short of its maximum by about 100,000 in the North-West and Centre and 400,000 in the South and Islands (50,000 excluding agriculture).

Labour demand by sector and geographical area. – The overall stagnation in employment in the South and Islands last year was attributable to the contraction recorded in agriculture, wholesale and retail trade and, less severely, construction. By contrast, employment in industry excluding construction and, above all, services other than wholesale and retail trade continued to expand. There were also differences in employment performance among the regions of the area.

Labour demand continued to rise in Puglia, Basilicata and Sardinia, which recorded increases of between 1.5 and 1.1 per cent, but fell in Abruzzo, Molise, Campania and Calabria. (Table aC1). In Puglia, employment rose by 22,000 (4.2 per cent) in services other than wholesale and retail trade and 6,000 in construction (6.1 per cent). In Campania, employment declined by 0.7 per cent after expanding in the previous two years. The reversal was due to the decrease in employment in agriculture and construction and self-employment in wholesale and retail trade. In Sicily, the rise in the number of persons employed in private services and industry excluding construction offset the fall in agriculture, wholesale and retail trade and construction.

Figure C1

EMPLOYMENT IN ITALY BY GEOGRAPHICAL AREA
(seasonally adjusted, thousands of persons)



Source: based on Istat data. *Indagine sulle forze di lavoro*.

(1) The figures for data before October 1992 have been adjusted to take account of changes in survey methodology (See the *Methodological Notes* in the Appendix).

In the regions of the Centre and North, employment growth was fueled by the recovery in building activity and the acceleration in labour demand in services. After expanding rapidly in 1998, employment in industry excluding construction declined by 1.0 per cent in the North-West and rose by just 0.3 per cent in the North-East and the Centre. Employment in the sector declined in the first half of 1999 as productive activity slowed down but recovered in subsequent months.

Table C1

**STRUCTURE AND DYNAMICS OF EMPLOYMENT
BY GEOGRAPHICAL AREA**
(thousands of persons, percentages and percentage changes)

Sectors	Employment			Cumulative percentage changes		
	1995	1999	Composition in 1999	1997-98	1998-99	1995-99
North-West						
Agriculture	183	168	2.7	-4.6	-3.6	-8.2
Industry excluding construction	2,088	2,012	32.5	1.0	-1.0	-3.6
Construction	419	440	7.1	-0.1	6.5	5.0
Services	3,306	3,575	57.7	1.3	3.0	8.1
<i>Wholesale and retail trade</i>	911	969	15.6	0.8	3.8	6.4
Total	5,966	6,195	100.0	0.8	1.7	3.3
North-East						
Agriculture	285	259	5.7	-2.4	-0.2	-9.1
Industry excluding construction	1,328	1,399	31.0	2.0	0.3	5.3
Construction	300	310	6.9	-0.7	1.9	3.3
Services	2,392	2,542	56.4	0.7	2.7	6.3
<i>Wholesale and retail trade</i>	700	703	15.6	-0.7	1.4	0.4
Total	4,305	4,510	100.0	0.8	1.7	4.8
Centre						
Agriculture	176	146	3.5	-3.9	-8.5	-17.0
Industry excluding construction	929	920	22.1	2.2	0.3	-1.0
Construction	285	280	6.7	-2.3	1.7	-1.8
Services	2,639	2,825	67.7	1.0	3.0	7.0
<i>Wholesale and retail trade</i>	686	707	17.0	1.6	4.8	3.1
Total	4,029	4,171	100.0	0.9	1.9	3.5
South and Islands						
Agriculture	689	561	9.6	-3.6	-7.6	-18.6
Industry excluding construction	843	844	14.5	2.7	0.3	0.1
Construction	568	546	9.4	-2.0	-1.1	-3.9
Services	3,595	3,865	66.5	3.1	1.3	7.5
<i>Wholesale and retail trade</i>	917	929	16.0	2.0	-3.7	1.3
Total	5,695	5,816	100.0	1.8	0.0	2.1
Italy						
Agriculture	1,333	1,134	5.5	-3.5	-5.6	-14.9
Industry excluding construction	5,188	5,175	25.0	1.8	-0.2	-0.3
Construction	1,573	1,575	7.6	-1.3	2.0	0.1
Services	11,933	12,807	61.9	1.6	2.4	7.3
<i>Wholesale and retail trade</i>	3,214	3,308	16.0	1.0	1.3	2.9
Total	20,027	20,691	100.0	1.1	1.3	3.3

Source: Based on Istat data. See the *Methodological Notes* in the Appendix.

In 1999 employment growth accelerated to more than 2 per cent in Piedmont, Emilia-Romagna, Tuscany, Umbria and Marche. In Lombardy and Veneto, employment increased by 1.7 per cent following its rapid expansion of the previous two years. The use of flexible labour contracts spread especially quickly in both regions.

The Report on Emilia-Romagna notes that employment growth in the region was especially rapid in services and food processing, mechanical engineering and ceramics. In Umbria and Marche the expansion in industry excluding construction was accompanied by the post-earthquake recovery in construction and services. In Piedmont, the strong rise (2.3 per cent) was concentrated in wholesale and retail trade and other private services.

Employment in services other than wholesale and retail trade grew rapidly in all areas of the country. The growing tendency of firms to outsource services and the spread of temporary work (which is recorded under services regardless of the sector in which the work is actually performed) led to a further increase (110,000) in employment in business services.

The shift towards payroll employment in wholesale and retail trade continued. Between 1993 and 1999 the ratio of salaried employees to the self-employed increased by about 20 percentage points in the North and 10 in the Centre and South. In 1999 the number of employees was equal to that of self-employed in the North, compared with a ratio of 3/4 in the Centre and 2/3 in the South and Islands.

Flexibility in employment relationships

According to the labour force survey, nine-tenths of net job creation in the last four years was accounted for by temporary or part-time jobs. In the second half of 1999 the number of employees on full-time, permanent contracts began to increase again in the North as the recovery strengthened.

Fixed-term contracts. – There were an average of 1.4 million Italian employees on fixed-term contracts in 1999, almost 370,000 more than in 1996. The rise was registered more severely in the South and Islands (143,000). Hirings on fixed-term contracts under the provisions of Law 196 of 24 June 1997 contributed to the increase.

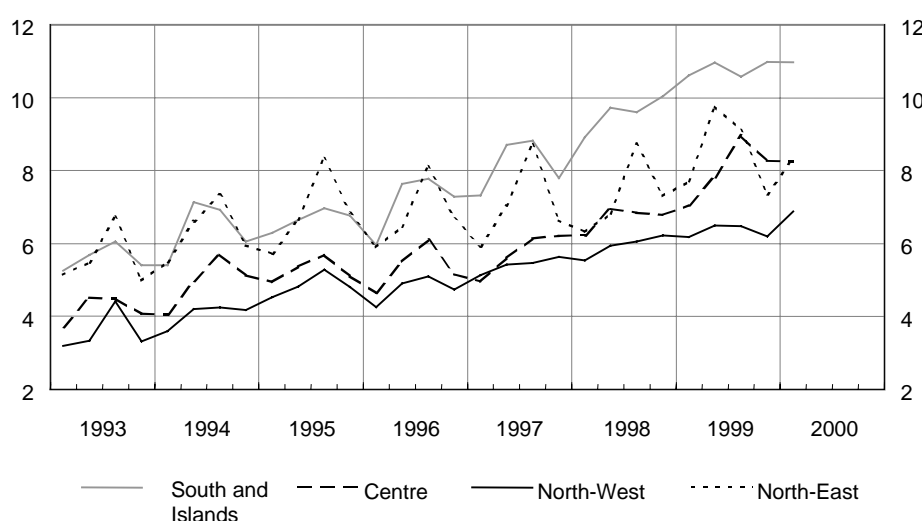
Fixed-term employment has spread rapidly beyond its traditional confines in agriculture and construction. Excluding these two sectors, between 1993 and 1999 the share of employees on fixed-term contracts

increased from 4.7 to 8.4 per cent. This proportion reaches 11 per cent in the South and Islands and ranges between 8 and 9 per cent in the North-East and the Centre, but remains below 7 per cent in the North-West despite the rapid spread of temporary work (Figure C2)

Figure C2

**SHARE OF FIXED-TERM CONTRACTS
IN SALARIED EMPLOYMENT (1)**

(percentages)



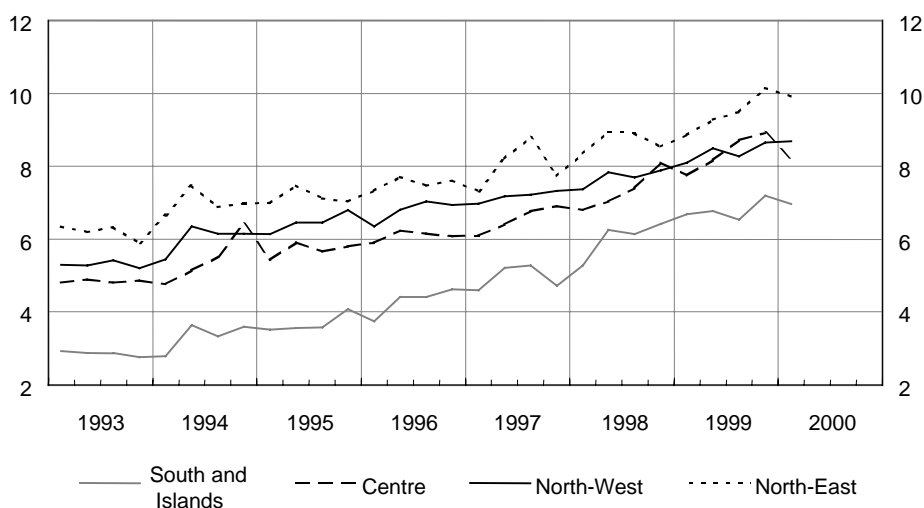
Source: Istat, *Indagine sulle forze di lavoro*.
(1) Excluding agriculture and construction.

In industry excluding construction, the proportion of employees on fixed-term contracts increased from 3.8 to 6.7 per cent between 1993 and 1999. The highest proportion (10 per cent) was registered in the South and Islands and the lowest, once again, in the North-West. Fixed-term contracts are most widely used in wholesale and retail trade and the hotel industry, where their incidence rises above 20 per cent in the three summer months in the South and the North-East, close to the ceiling established in national labour contracts.

Part-time jobs. – Part-time work has spread more slowly than fixed-term employment. In 1999 part-time workers accounted for 8.2 per cent of total employment, compared with 5.4 per cent in 1993. Excluding agriculture and construction, the proportion for Italy as a whole was 8.7 per cent, compared with 5.2 per cent in 1993; this share was nearly 10 per cent in the North-East, but less than 7 per cent in the South and Islands (Figure C3).

Figure C3

SHARE OF PART-TIME CONTRACTS IN SALARIED EMPLOYMENT (1)
(percentage shares)

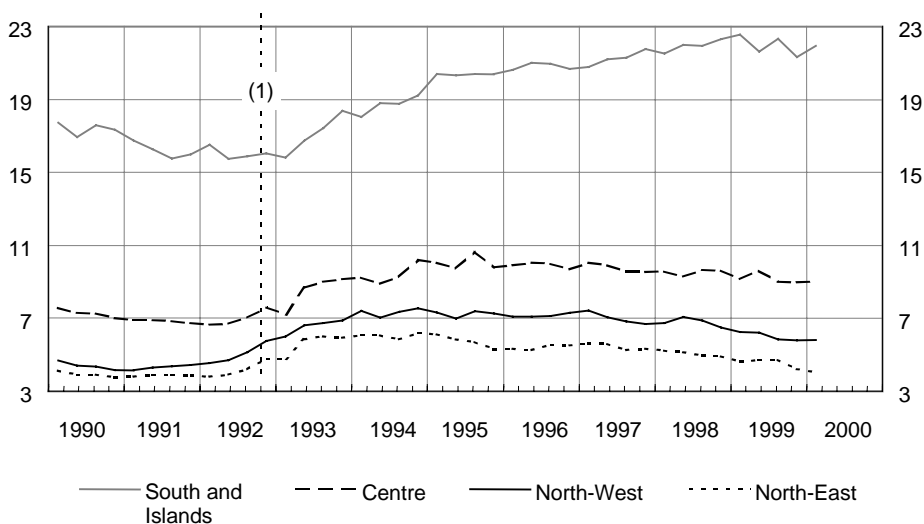


Source: Istat, *Indagine sulle forze di lavoro*.

(1) Excluding agriculture and construction.

Figure C4

UNEMPLOYMENT RATE BY GEOGRAPHICAL AREA
(percentages)



Source: Based on Istat, *Indagine sulle forze di lavoro*.

(1) The figures for dates before October 1992 have been adjusted to take account of changes in survey methodology (see the Methodological Notes in the Appendix).

The labour force and unemployment

The total labour force grew by 0.8 per cent in 1999, continuing the expansion under way since 1995. It increased by more than 1 per cent in the Centre and North, but remained unchanged in the South and Islands, although the number of economically active women increased in the latter area.

The average unemployment rate declined from 11.8 to 11.4 per cent, the first decrease since 1992 (Figure C4). The North boasts some of the lowest unemployment rates in Europe and signs of labour shortages have begun to emerge, especially in the eastern regions. Since the start of 1999 there have also been signs of a reversal of the rising trend in unemployment in the South and Islands: in October the rate was 21.1 per cent, compared with 22.1 per cent a year earlier. The decline continued in the first few months of 2000.

Table C2

PARTICIPATION RATE AND UNEMPLOYMENT RATE BY GEOGRAPHICAL AREA (percentages)

	Participation rate (population aged 15 -64)		Unemployment rate		Youth unemployment rate (population aged 15-24)	
	1998	1999	1998	1999	1998	1999
Men						
North-West	75.0	75.4	4.5	3.8	15.3	14.1
North-East	77.0	77.5	3.3	2.6	9.1	8.9
Centre	74.4	74.7	7.2	6.6	26.2	24.6
South and Islands	72.2	72.0	18.2	17.3	50.9	51.0
Italy	74.2	74.4	9.5	8.8	29.8	29.2
Women						
North-West	51.3	52.3	10.9	9.2	26.8	22.3
North-East	53.6	54.7	8.2	7.1	16.9	14.6
Centre	47.2	48.8	14.1	13.2	36.8	35.8
South and Islands	35.2	35.5	31.8	31.3	64.3	64.5
Italy	45.1	46.0	16.8	15.7	39.0	37.4
Total						
North-West	63.2	63.9	7.1	6.0	20.6	18.0
North-East	65.4	66.2	5.3	4.6	12.7	11.6
Centre	60.7	61.6	10.0	9.2	31.0	29.6
South and Islands	53.5	53.6	21.9	22.0	56.2	56.6
Italy	59.7	60.2	11.8	11.4	33.8	32.9

Source: Based on Istat data. (See the Methodological Notes in the Appendix).

Social shock absorbers and active labour policies

Social shock absorbers. – Recourse to the Wage Supplementation Fund, which has been declining since 1994 primarily owing to the gradual reduction of extraordinary benefits, continued to fall in 1999, although the rate of decrease slowed down from 18.9 to 3.1 per cent. As a result of the downturn in industry excluding construction in the first part of the year, ordinary benefits in that sector increased by 33.6 per cent, compared with a fall of 10.9 per cent the previous year. The trend of total wage supplementation hours varied by area, rising in the North and falling in the Centre and the South and Islands. The sharpest rises were recorded in Piedmont, Lombardy, Veneto and Marche, the steepest declines in Lazio, Puglia and Campania (Table aC5).

Table C3

ORDINARY WAGE SUPPLEMENTATION HOURS IN THE MECHANICAL ENGINEERING AND FASHION INDUSTRIES (percentages and percentage changes)

	Mechanical engineering		Textiles, clothing, leather goods and footwear	
	Percentage of total wage supplementation benefits in the area (1998)	Percentage change in hours granted (1998-99)	Percentage of total wage supplementation benefits in the area (1998)	Percentage change in hours granted (1998-99)
North-West	26.5	51.3	19.7	78.5
North-East	21.1	41.9	29.3	27.0
Centre	41.3	-39.2	27.6	46.7
South	41.4	-9.2	19.7	97.9
Islands	56.5	-7.2	8.4	41.7
Total	32.1	14.6	21.5	66.3

Source: INPS.

The regional differences were largely the product of variations in ordinary benefits in the mechanical engineering industry, which rose sharply in the North and decreased in the South and Islands and, even more so, the Centre (Table C3). The fall in hours in the Centre was due to the pronounced drop in Lazio (66.7 per cent). Also contributing to the overall increase in ordinary benefits were the various branches of the fashion industry in all areas.

In industry excluding construction, the number of full-time equivalent workers drawing wage supplementation increased slightly in the North (from 1.1 to 1.2 per cent

of total payroll employees) and the South and Islands (from 3.1 to 3.2 per cent), but declined in the Centre (from 1.5 to 1.4 per cent)

Some of the workers who had previously received extraordinary wage supplementation continued to swell the ranks of those on mobility lists. At 31 December 1999 there were more than 309,000 workers registered on the lists. The ratio of persons on mobility lists to total payroll employment ranges from 1.3 per cent in the North-East to 3.3 per cent in the South and Islands, with a peak of 6.9 per cent in Campania. Hirings exceeded 36 per cent of workers on the lists in the North, but were about 17 per cent in the Centre and less than 10 per cent in the South and Islands.

In a number of regions, the use of persons on the mobility lists for community service work was especially common (see the Reports on Tuscany, Molise and Basilicata). In the first half of 1999 just over 144,000 were employed in such works, an increase of 9.6 per cent on the same period of 1998. Campania and Sicily accounted for 53.4 per cent of these workers.

Active labour policies. – The number of workers hired on trainee contracts fell sharply in 1999, from 373,000 to 301,000, partly owing to the EU finding that some forms of social contribution relief were illegal. By contrast, the number of persons hired on apprenticeship contracts continued to rise. After declining since the early eighties, the number of apprentices, surveyed by the Ministry of Labour at the end of August each year, rose by 45,000 over the last two years to stand at 438,000. More than 85 per cent of such contracts are concentrated in the regions of the Centre and North (see the *Report* on Piedmont).

Experiments with a number of forms of subsidized employment (“work grants”, plans for vocational placement and community service projects) generated temporary jobs for more than 120,000 unemployed persons in 1998, 84 per cent of them resident in the South and Islands. The measures concerning work grants were not extended after the three calls for applications issued between the end of 1997 and 1998. The number of young people brought into the work force under plans for vocational placement decreased from 81,821 in 1998 to 24,532 in 1999.

In Calabria about 10 per cent of the 5,820 work grants activated in 1998 and 8 per cent of the 6,144 vocational integration plans were transformed into permanent contracts. According to the Report on Sicily, the use of vocational placement plans, which was especially high in 1998, with about 45,000 requests approved, contracted sharply in 1999 to about 4,000.

The use of temporary employment contracts, which were introduced with Law 196/1997 and became operative in 1998, spread rapidly. According to Confinterim, the temporary employment agencies' trade association, there were just over 200,000 temporary employment assignments in 1999, the equivalent of about 25,000 full-time workers. Of total assignments, 45.6 per cent were in the North-West and 26.2 per cent in the North-East, while the Centre and the South and Islands had comparable shares, at 14.7 and 13.5 per cent respectively.

Lombardy and Piedmont registered the largest number of temporary assignments, accounting for 29.2 and 14.6 per cent of the total respectively. The Report on Lombardy cites the findings of a survey conducted with a sample of manufacturing firms indicating that 59 per cent of businesses are using temporary personnel to meet seasonal or unexpected surges in demand and most are hiring non-specialized blue-collar workers. In Piedmont, temporary work is most common in the automobile industry, mechanical engineering and textiles. In the South and Islands, use of temporary workers was greatest in Puglia, with more than 11,000 assignments, equal to 44 per cent of the total for the area. Both Campania and Sicily recorded a significant increase in 1999, whereas in other regions (see the Reports for Sardinia and Basilicata) temporary employment agencies were just beginning to open branch offices.

Regional development policies

Financial resources. – In 1999 the funding allocated to depressed areas increased to 15.621 trillion lire, up from 11.382 trillion in 1998 and 9.5 trillion in 1997. The reduction in appropriations for the completion of extraordinary development projects (provided for under Law 64 of 1 March 1986), which decreased from 4.613 trillion lire in 1998 to 2.084 trillion in 1999, was more than offset by the doubling of appropriations for new projects (from 6.769 to 13.537 trillion).

The categories of new projects that absorb the largest share of funding include public investment in infrastructure (28.2 per cent), industrial subsidies under Law 488 of 19 December 1992 (25.2 per cent) and measures concerning negotiated development planning (18.8 per cent).

Provisional figures on the use of EU structural funds indicate that at the end of the year cumulative disbursements amounted to 60.6 per cent of total grants (Table C4), an increase of 5.3 percentage points; in 1998 and 1997 the ratio had increased by 16.5 and 22.9 points respectively. Expenditure commitments now equal total Community funding.

Table C4

**COMMUNITY SUPPORT FRAMEWORK (1994-99) FOR OBJECTIVE 1
REGIONS: STATE OF IMPLEMENTATION**

(amounts in millions of euros and percentages)

Type of intervention	Total grant	Disbursement/total grant (%)			
		31.12.1996	31.12.1997	31.12.1998	31.12.1999 (1)
Total	31,598	15.9	38.8	55.3	60.6
<i>of which:</i>					
multiregional	16,433	22.0	44.6	59.0	65.6
Regional	15,166	9.2	32.4	51.2	55.3
<i>of which:</i>					
Abruzzo	551	15.6	40.5	56.3	68.1
Molise	617	11.7	44.9	64.2	73.9
Campania	3,092	2.4	37.1	51.0	52.7
Puglia	2,635	5.2	24.8	45.9	47.2
Basilicata	1,272	20.9	43.2	60.6	66.8
Calabria	1,916	12.9	30.2	55.4	60.5
Sicily	3,265	5.8	32.4	44.6	47.9
Sardinia	1,816	18.2	34.1	55.0	61.0

Source: Ministero del Tesoro, Dipartimento della Ragioneria generale dello Stato.

(1) Provisional data.

Investment subsidies. – Nearly 18,000 of the requests for subsidies received in the four calls for applications held between 1996 and 1998 under Law 488/1992 were approved (58.6 per cent in the South and Islands), with total planned investment of 57.280 trillion lire (60.4 per cent in the South and Islands).

The Report on Campania contains the results of a sample survey indicating that in the two-year period between 1998 and 1999 the level of public subsidies rose to equal that of bank credit among manufacturing firms' sources of investment finance.

The progress of implementation of subsidized projects differs from area to area: at the end of last year 76 per cent of the projects monitored from the first round of applications in 1996 had been completed, with completion rates ranging from 91.6 per cent in the Centre and North to

60.7 per cent in the South and Islands (Table C5). The differential also obtains in terms of the amount of investment completed (63.8 per cent in the Centre and North and 43.0 per cent in the South and Islands) and with reference to the subsidies granted in the three subsequent rounds.

Table C5

LAW 488/1992: STATE OF IMPLEMENTATION AT 31 DECEMBER 1999
(percentages)

	Number of projects monitored		Investment under monitored projects		Implementation rate (1)	
	Monitored projects/Total	Completed projects/Total monitored projects	Monitored projects/Total	Completed projects/Total monitored projects	Monitored projects	Completed monitored projects
1996 (1st round)						
Centre and North	87.9	91.6	90.5	63.8	65.4	85.8
South and Islands	94.5	60.7	97.3	43.0	61.7	88.3
1997 (2nd round)						
Centre and North	82.2	47.2	89.4	31.1	46.8	85.9
South and Islands	90.4	15.2	85.2	9.2	35.9	83.7
1998 (3rd and 4th round)						
Centre and North	71.1	8.3	72.4	4.1	27.0	92.4
South and Islands	76.2	1.4	76.6	1.0	12.9	92.4

Source: Based on provisional data from the Istituto per la promozione industriale (IPI).

(1) Investment carried out as a percentage of planned investment.

The state of implementation of projects appears to be correlated with the deadlines established for completing the investments, which are tighter for Objective 2 regions, and with the proportion of investments going towards new plant (more than half the total for the first two rounds of grants in the South and Islands, compared with less than 33 per cent in the Centre and North), which on average require more time to implement than other types of investment (see the Report on Puglia).

Following the extension of the subsidy programme established under Law 488/1992 to tourism and the issuing of the related call for applications, in 1999 1,135 initiatives received support (847 in the South and Islands) for investments totaling 3.769 trillion lire (78.3 per cent in the South and Islands).

The promotion of entrepreneurial development. – After the acceleration registered in the second half of 1998, disbursements of funding for territorial pacts and area contracts continued apace in 1999.

Table C6

**TERRITORIAL PACTS APPROVED UNDER
OLD PROCEDURES, BY REGION**

(disbursements in billions of lire and millions of euros)

	Pacts approved		Situation at 31/12/1999		Disbursements					
	Number of active initiatives	Number of planned new jobs	Number of active initiatives	Number of planned new jobs	Lire				euros	
					H1 1998	H2 1998	H1 1999	H2 1999	Total	Total
Campania	73	1,254	49	893	-	9.8	6.0	3.2	19.0	9.8
Puglia	135	2,477	109	2,117	-	16.9	18.8	9.0	44.7	23.1
Calabria	29	324	27	303	-	0.1	4.3	4.9	9.3	4.8
Sicily	181	2,730	149	2,266	11.4	30.0	9.2	14.5	65.1	33.6
Sardinia	17	198	11	80	-	-	3.9	2.3	6.2	3.2
Total	435	6,983	345	5,659	11.4	56.8	42.2	33.9	144.3	74.5

Source: Ministero del Tesoro, del bilancio e della p.e., *Relazione generale sulla situazione economica del Paese*, 1999.

As regards the twelve original territorial pacts (approved about three years ago using the old procedures set out in the Interministerial Committee for Economic Planning's resolutions of 10 May 1995, 20 November 1995 and 12 July 1996), decrees authorizing subsidies have been issued for 249 of the 435 initiatives originally approved. At the end of 1999 funding of about 800 billion lire had been approved, equal to 64 per cent of the appropriations authorized by the Interministerial Committee. Funding actually disbursed amounted to 144.3 billion lire (Table C6), 19.6 per cent of total appropriations.

Disbursements for the 39 pacts approved under the new procedures (set out in the Interministerial Committee's resolutions of 21 March 1997 and 9 July 1998 and in Law 662 of 23 December 1996) began in the second half of 1999 and totaled 110.7 billion lire (Table C7), equal to 4.4 per cent of appropriated resources.

Finally, disbursements for initiatives under the fifteen approved area contracts and the related supplementary protocols accelerated. At the end of 1999 actual disbursements amounted to 14.4 per cent of the funds appropriated by the Interministerial Committee (CIPE).

Among the programs designed to foster entrepreneurship, the *Reports* on Campania and Calabria pay special attention to "word-of-honour" loans.

By 31 December 1999, a total of 59,054 applications for word-of-honour loans had been received; 25.5 per cent were located in Campania, 21.2 per cent in Sicily, 18.4 per cent in Puglia and 15.2 per cent in Calabria.

Table C7

**TERRITORIAL PACTS APPROVED UNDER
NEW PROCEDURES**

(disbursements in billions of lire and millions of euros)

	Number of initiatives	Number of planned new jobs	Disbursements	
			Lire	Euros
Piedmont	223	2,142	1.4	0.7
Liguria	60	164	-	-
Veneto	222	2,039	13.0	6.7
Emilia-Romagna	37	408	1.1	0.6
Tuscany	417	4,717	6.0	3.1
Marche	117	753	-	-
Lazio	72	1,040	0.6	0.3
Centre-North	1,148	11,263	22.1	11.4
Abruzzo	79	1,164	0.4	0.2
Campania	151	1,342	2.9	1.5
Puglia	276	3,295	16.7	8.6
Basilicata	41	358	-	-
Calabria	310	3,211	45.9	23.7
Sicily	79	1,009	22.7	11.7
South and Islands	936	10,379	88.6	45.8

Source: Ministero del Tesoro, del bilancio e della p.e., *Relazione generale sulla situazione economica del Paese*, 1999.

D - BANKING

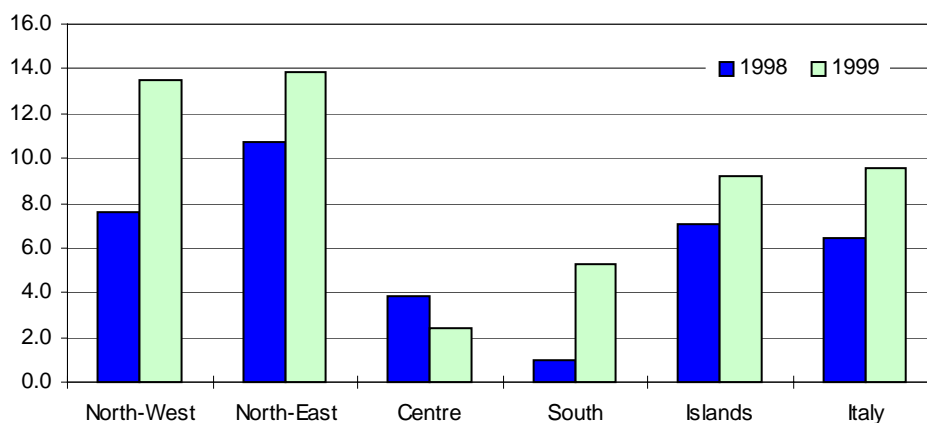
Lending

Bank lending in Italy accelerated to grow by 9.5 per cent last year, compared with 6.4 per cent in 1998 (Table aD2). The expansion was fostered by the easing of conditions for bank loans and was fastest in the medium and long-term component (14.2 per cent), thanks in part to mortgage loans to consumer households for home purchase or renovation.

Figure D1

BANK LENDING BY GEOGRAPHICAL AREA

(percentage changes on previous year)



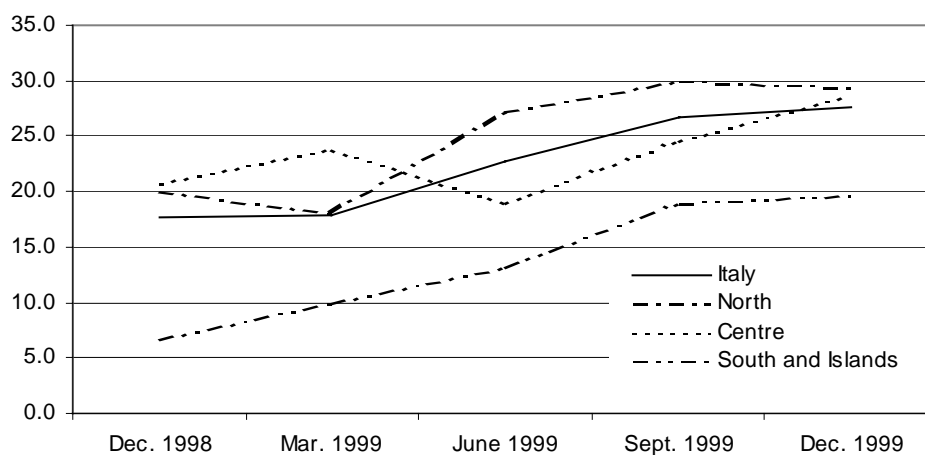
Source: Supervisory returns. Data classified by borrower's residence. See the Methodological Notes in the Appendix.

The growth in bank lending was most pronounced in the North (Figure D1) in every sector of the economy.

Lending to consumer households jumped by 20.5 per cent. In the South and Islands the increase was smaller (15.5 per cent), owing in part to less extensive utilization of the tax incentives for home renovation; the rate of growth in mortgage loans for the purchase of dwellings was lower than in the other parts of Italy (Figure D2).

Figure D2

**MEDIUM AND LONG-TERM LOANS TO CONSUMER HOUSEHOLDS
FOR THE PURCHASE OF DWELLINGS**
(percentage changes on year-earlier period)



Source: Supervisory returns. Data classified by geographical location of the investment.

Lending to non-financial companies and to producer households increased by 5.9 per cent overall (Table aD3) and by 13.6 per cent in the medium and long-term segment.

The geographical differences in the maturity composition of bank lending to enterprises have decreased markedly in the last two years (Figure D3). The proportion of medium and long-term loans grew most swiftly in the South and Islands, though it is still below the national average there.

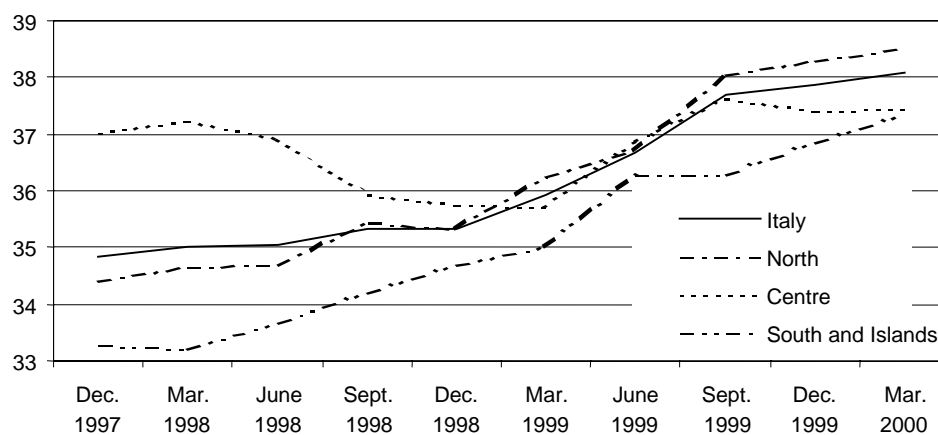
The steady rise in the share of medium and long-term bank debt is partly due to the lengthening of the average residual maturity of corporate liabilities in connection with the decline in inflation and interest rates to historically low levels (see the Reports on Piedmont, Friuli-Venezia Giulia and Puglia). In some regions of the Centre and North the surveys conducted by Bank of Italy branches found growing corporate demand for special finance for acquisitions, changes in ownership structures and reorganizations of family-controlled groups (see the Reports on Piedmont, Lombardy, Veneto and Tuscany).

The annual growth in credit to industrial firms eased from 5.2 to 4.1 per cent last year, reflecting developments in production and greater recourse to self-financing of investment. The slowdown was sharpest in the North-West (from 6.4 to 3.4 per cent) and the Islands (from 18.0 to 6.4 per cent). Lending contracted by 0.6 per cent in the transport equipment and fashion sectors, which were affected more strongly by the sluggishness of the economy.

In the North-West the slowdown in bank lending involved the traditional branches of manufacturing industry as well as transport equipment (see the Reports on Piedmont and Lombardy). In the Islands it was most notable in the food-processing sector. In the North-East the growth in bank credit slowed slightly from 8.3 to 7.8 per cent; it was buoyed by borrowing by food and engineering firms (see the Reports on Veneto, Friuli-Venezia Giulia and Emilia-Romagna).

Figure D3

**SHARE OF MEDIUM AND LONG-TERM LOANS
IN TOTAL LENDING TO FIRMS**
(percentages)



Source: Supervisory returns. Data classified by customer's location. See the Methodological Notes in the Appendix.

Lending to the construction industry increased by 1.1 per cent in Italy as a whole, with strong growth only in the North-East (9.8 per cent); it continued to contract in many regions of the South and Islands and in Lazio.

Lending to service businesses grew by 9.1 per cent, compared with 6.7 per cent in 1998, and was the most dynamic component of corporate lending. The acceleration was concentrated in the North and the Islands; credit to the tourist and hotel industry expanded vigorously in many regions. The smaller growth of credit to the service sector in the South was mainly a reflection of the poor performance of wholesale and retail trade.

Lending to general government grew by 3.6 per cent overall, with some of the geographical differences stemming from the need to cover the past deficits of local health care systems (see the *Reports* on Veneto, Campania and Calabria).

The rate of growth in lending to financial companies rose from 8.7 to 18.8 per cent, reflecting the expansion of leasing, factoring and consumer credit. In Lombardy, where the largest number of financial companies are based, the rate of growth was 31.3 per cent.

Lending by financial companies. — *Loans granted by financial companies entered in the special register referred to in Article 107 of the 1993 Banking Law increased by 22.9 per cent, compared with 12.8 per cent in 1998, and rose from 8.8 to 9.3 per cent of the year-end stock of bank loans. The acceleration was most pronounced in the South and Islands, especially in the consumer credit and leasing sectors (Table D1).*

Table D1

LENDING BY FINANCIAL COMPANIES
(percentage changes on previous year)

	Total		of which:					
			Factoring		Leasing		Consumer credit	
	1998	1999	1998	1999	1998	1999	1998	1999
North-West	9.8	23.6	3.1	26.8	17.4	21.3	14.3	19.5
North-East	14.5	22.6	11.9	16.5	14.8	24.4	23.0	21.4
Centre	20.3	16.2	15.9	11.0	12.3	19.4	26.5	29.4
South	19.5	29.5	15.9	20.2	27.5	31.5	30.2	35.8
Islands	15.0	34.4	-0.2	23.3	24.9	47.4	25.7	30.3
Italy	12.8	22.9	7.7	19.5	15.3	22.0	21.9	25.9

Source: Supervisory returns of companies entered in the special register referred to in Article 107 of the 1993 Banking Law. Data classified by customer's location. The changes are calculated taking account of the transformation of some financial companies into banks.

Households' growing propensity to borrow and the expansion of the range of goods and services purchasable on the instalment plan helped to fuel the spread of consumer credit (see the Reports on Piedmont, Lombardy and Puglia).

Bad debts

After growing by only 1.6 per cent in 1998, the stock of bad debts contracted by 6.8 per cent and fell from 8.6 to 7.3 per cent of the total loan portfolio. Several securitization transactions, write-offs of uncollectible items covered by specific provisions and the assignment of claims to collection companies contributed to the favourable trend.

Some 22.5 trillion lire in claims were securitized in 1999, of which 80 per cent were bad debts. Securitizations were especially important for several banks based in Central Italy (see the Report on Lazio).

The ratio of bad debts to loans remained much higher in the South and Islands (20.2 per cent) than in the Centre and North (5.0 per cent). The widest differences were those in the construction sector (39.9 and 13.7 per cent respectively) and wholesale and retail trade (26.4 and 6.5 per cent).

Table D2

NEWLY CLASSIFIED ADJUSTED BAD DEBTS BY GEOGRAPHICAL AREA (billions of lire, millions of euros, percentages and percentage changes)

	Annual flow of adjusted bad debts			Bad debts/total loans (%) (1)	
	1999		% change 1998-99	1998	1999
	lire	euros			
North-West	4,435	2,290	-5.6	1.0	0.8
North-East	2,510	1,296	10.6	0.9	0.8
Centre	5,618	2,902	-9.8	1.7	1.5
South	3,559	1,838	3.2	2.3	2.3
Islands	1,407	727	-39.6	3.3	1.8
Italy	17,530	9,054	-7.6	1.4	1.2

Sources: Supervisory returns and Central Credit Register. Data classified by borrower's location. See the Methodological Notes in the Appendix.

(1) Ratio of the annual flow of bad debts to the stock of loans outstanding at the beginning of the period.

Newly classified adjusted bad debts were 7.6 per cent less than in 1998 and declined from 1.4 to 1.2 per cent of the total loan portfolio

(Table D2). The only sectoral increases in new bad debts involved the fashion, food and construction industries.

The ratio of new bad debts to total loans fell in all parts of the country except the South, where it remained at 2.3 per cent.

Deposits and borrowed funds

Funds raised from resident customers grew by 2.3 per cent last year (Table D3). Current accounts and bond issues increased while certificates of deposit and repos contracted again.

Current accounts continued to expand at a rapid pace throughout Italy. As in 1998, the growth was particularly fast in Lombardy owing to the large increase in the deposits of asset management companies, most of which are based in that region, and in Lazio, where the current account balances of the public sector increased (see the Report on Lazio).

Table D3

BANKS' DEPOSITS AND BORROWED FUNDS IN 1999 BY GEOGRAPHICAL AREA

(end-of period data; percentage changes on previous year)

	Funding					
		Deposits				Bonds (1)
			<i>of which: current accounts</i>	<i>of which: certificates of deposit</i>	<i>of which: repos</i>	
North-West	1.4	-0.6	12.0	-33.5	-25.5	6.2
North-East	2.9	-1.3	7.5	-28.9	-10.3	12.3
Centre	3.4	3.8	12.7	-26.0	-11.2	2.0
South	2.2	0.8	8.7	-25.1	34.8	8.6
Islands	0.5	-0.3	10.5	-23.2	-24.4	2.9
Italy	2.3	0.6	10.8	-28.5	-16.1	7.0

Source: Supervisory returns. Data classified by customer's location.

(1) Data derived from information on third parties' securities deposited with banks.

Households built up their balances in view of the greater risk and lesser liquidity of their growing investment in asset management products. The increase in current accounts was assisted by banks'

offering a greater range of current accounts and related services. It was most marked in the Centre and the South and Islands, where a larger share of the funds released by disinvestment in government securities and CDs went temporarily into current accounts. The growth in current accounts intensified throughout Italy in the second part of the year following massive redemptions of units in bond and money-market funds.

The Reports on Piedmont and Lombardy observe that the withdrawal of small investors from bond and money-market funds, whose yields were affected by the rise in interest rates in the second half of the year, was accompanied by an expansion in investors' cash holdings as well as by an increase in their purchases of other types of fund, above all equity funds and funds specializing in foreign securities.

The growth in companies' holdings of cash throughout Italy contributed to the increase in current accounts.

There was a slowdown in bond sales, reflecting both the completion of the process of substitution of bonds for CDs and the growth of asset management products. Banks stepped up their marketing of so-called structured bonds, the yields on which are linked to share indices or the performance of investment funds.

The growth in bank bonds was fastest in the North-East (12.3 per cent), where the expansion in medium and long-term lending was largest. In some cases bond sales were helped by banks' diversifying the conditions offered to savers (see the Reports on Trentino-Alto Adige and Emilia-Romagna). The stock of bonds rose by a small margin in the Centre (2.0 per cent) and the Islands (2.9 per cent); it diminished everywhere in the North-West except in Lombardy.

Asset management services

The nominal value of securities deposited with banks by persons other than institutional investors increased by 5.2 per cent last year.

This result was mainly due to the growth of asset management products: units of collective investment undertakings rose by 23.6 per cent; the assets administered by banks' portfolio management services increased by only 6.5 per cent, and even this thanks mainly to the very rapid growth of services that buy investment fund units. Savers also increased their direct holdings of bonds (especially those of foreign issuers) and equity securities by respectively 10.4 and 23.7 percent, whereas they continued to run down their holdings of Italian government

securities, which fell by 11.0 per cent and declined from 29.6 to 25.1 per cent of the total securities deposited with banks.

Savers' decisions also differed by geographical area (Table D4). The increase in units of collective investment undertakings was smaller in the North-West and South than in the other areas, where this form of investment is less developed.

Direct investment in shares grew in almost every region — most notably in the South, where shares account for a very small proportion of the total portfolio, and the North-East. Such investment was particularly intense in the second half of the year, reflecting the positive performance of the share markets and the effects of the rise in interest rates. A contributory factor was the rapid spread of on-line trading services supplied by banks (See the Chapter: *The structure of the banking system*).

Investment in foreign bonds increased in the North and, to a lesser extent, the Centre, although these instruments still constitute a small proportion of securities deposited with banks. The growth was concentrated in the second half of the year.

Banks' sales of life insurance policies surged in many regions (see the *Reports* on Piedmont, Lombardy, Liguria, Veneto, Umbria and Puglia). These products combine insurance and financial features, with yields commonly linked to stock exchange indices or the value of investment funds.

Households' financial assets. — There were significant geographical differences in the allocation of households' financial assets with the banking system at the end of 1999 (Figure D4).

Despite a contraction, bank deposits still were the most important assets, especially in the South and Islands, where they accounted for nearly half of the total. The proportion of government securities declined throughout Italy and did not differ significantly from area to area. Bank bonds were most widespread in the North-East and the Islands.

In the North-West, where the switch from custody accounts to asset management products began earlier, units of collective investment undertakings constituted 22.9 per cent of households' total portfolio, compared with around 10 per cent in the rest of Italy. Portfolio management accounts were much rarer in the South and Islands, where they accounted for respectively 4.9 and 3.1 per cent of households' financial assets.

Table D4

**SECURITIES DEPOSITED WITH BANKS AND BANKS' PORTFOLIO
MANAGEMENT SERVICES BY GEOGRAPHICAL AREA (1) (2)**

*(end-of-period data; billions of lire, millions of euros and
percentage changes on previous year)*

	North-West			North-East		
	1999		% change	1999		% change
	Lire	euros		Lire	Euros	
Custody accounts (3)	844,384	436,088	6.7	393,622	203,289	9.8
<i>of which:</i>						
<i>Italian government securities</i>	220,125	113,685	-1.9	112,042	57,865	-9.1
<i>Bonds</i>	284,037	146,693	1.7	157,479	81,331	9.3
<i>Shares and warrants</i>	60,203	31,092	13.3	44,925	23,202	64.6
<i>Collective investment undertakings</i>	235,929	121,847	22.0	59,962	30,968	29.4
Portfolio management	136,619	70,558	16.2	86,147	44,491	3.0
	Centre			South		
	1999		% change	1999		% change
	Lire	euros		Lire	euros	
Custody accounts (3)	348,554	180,013	-2.2	120,010	61,980	2.1
<i>of which:</i>						
<i>Italian government securities</i>	131,401	67,863	-12.2	37,362	19,296	-11.3
<i>Bonds</i>	108,003	55,779	5.3	41,547	21,457	5.9
<i>Shares and warrants</i>	30,843	15,929	-0.8	7,087	3,660	76.8
<i>Collective investment undertakings</i>	64,307	33,212	27.4	28,411	14,673	17.1
Portfolio management	48,244	24,916	-4.3	14,479	7,478	-13.1
	Islands			Italy		
	1999		% change	1999		% change
	Lire	euros		Lire	euros	
Custody accounts (3)	59,922	30,947	0.8	1,766,492	912,317	4.9
<i>of which:</i>						
<i>Italian government securities</i>	15,010	7,752	-14.7	515,940	266,461	-11.0
<i>Bonds</i>	28,012	14,467	2.3	619,078	319,727	10.4
<i>Shares and warrants</i>	4,448	2,297	21.6	147,505	76,180	23.7
<i>Collective investment undertakings</i>	10,063	5,197	24.7	398,672	205,897	23.6
Portfolio management	4,074	2,104	14.1	289,563	149,547	6.5

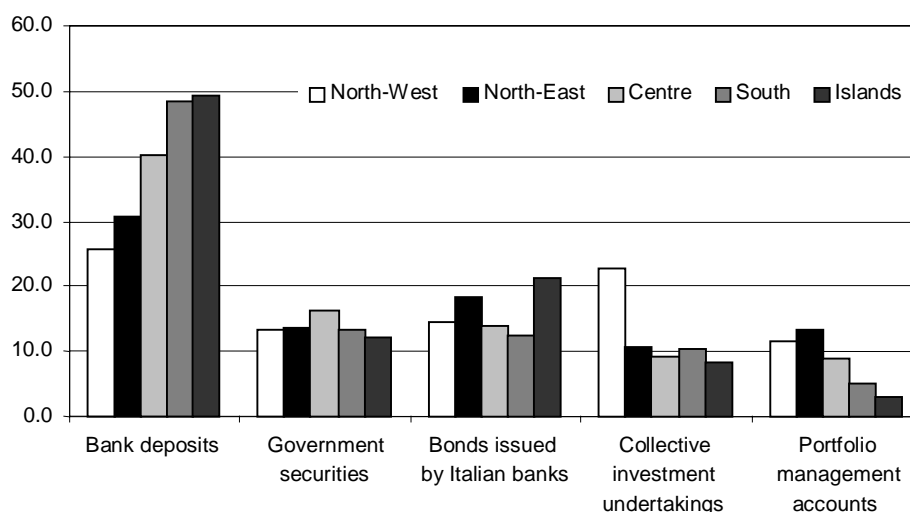
Source: Supervisory returns. Data classified by customer's location.

(1) At face value. - (2) Excludes securities deposited by banks, investment funds, trust companies and securities firms. - (3) Excludes securities relating to banks' portfolio management services.

Households' direct holdings of shares represented a small but growing percentage of the total throughout Italy. The gain was largest in the North-East (from 1.8 to 4.5 per cent).

Figure D4

**HOUSEHOLDS' FINANCIAL ASSETS
WITH THE BANKING SYSTEM IN 1999**
(percentage changes)



Source: Supervisory returns. Data classified by customer's location.

According to the financial accounts, the years between 1991 and 1998 saw a significant shift in the composition of households' financial assets in Italy as in most of the other industrial countries. The proportion of asset management products and shares rose, most markedly from 1996 onwards, while that of bank deposits and other non-equity instruments declined.

According to the Bank of Italy's Survey of Household Income and Wealth, between 1995 and 1998 the number of households that owned investment fund units or portfolio management accounts grew rapidly throughout Italy (except for the number holding portfolio management accounts in the southern regions, which remained unchanged). The percentage of households with bank current accounts also increased throughout Italy, most notably in the Centre, South and Islands, where it was initially lower. By contrast, the number of households holding government securities, certificates of deposit and repos declined in all geographical areas.

The penetration of financial instruments other than postal deposits is still less extensive in the South and Islands than in the other areas, even for households of equal wealth. Although it remained less than half the national average, between 1995 and 1998 the incidence of ownership of bonds and investment funds rose from 1.4 to 4.5 per cent in the South and Islands, outpacing the rest of Italy in relative terms; in the same period the ratio doubled in the North (from 9.1 to 18.6 per cent) and the Centre (from 5.2 to 10.9 per cent). Similar trends can be observed for shares, whose incidence rose

from 1.2 to 3.1 per cent in the South and Islands, from 7.5 to 11.6 per cent in the North and from 5.1 to 6.2 per cent in the Centre. By contrast, portfolio management accounts and foreign securities became more widespread in the North (where they were held by respectively 4.6 and 1.4 per cent of households in 1998, compared with 1.7 and 0.8 per cent in the 1995) and the Centre (2.1 and 0.6 per cent in 1998, against 0.6 and 0.1 per cent in 1995) but not in the South and Islands.

Interest rates

Bank interest rates continued to come down in 1999. In the fourth quarter the average rate on short-term loans recorded by the Central Credit Register was 5.4 per cent, 1.5 points lower than a year earlier (Table aD6). The decline in rates involved every region and was sharpest in the Islands. The differential between short-term lending rates in the South and Islands and those in the Centre and North narrowed by 0.4 percentage points to 1.9 points (Figure D5).

The differential between short-term interest rates in the South and Islands and those in the Centre and North averaged 2.1 percentage points in the nineties. It narrowed up to the third quarter of 1992, when it reached a minimum of 1.6 points; subsequently it widened to 2.6 points at the end of 1994 and fluctuated around 2.3 points over the next four years. The average ratio of bad debts to total loans during the nineties was 10 percentage points higher in the South and Islands than in the rest of Italy.

The differential between medium and long-term lending rates in the South and Islands and those in the Centre and North widened slightly in 1999. Excluding subsidized lending, the gap increased by 0.1 percentage points on loans to enterprises and producer households and by 0.3 points on loans to consumer households (to 1.0 and 0.8 percentage points respectively).

Deposit rates fell by 0.8 percentage points to 1.8 per cent. The pattern was uniform throughout Italy. Deposit rates were 8 basis points lower in the South and Islands than in the Centre and North, compared with a difference of 13 basis points in 1998.

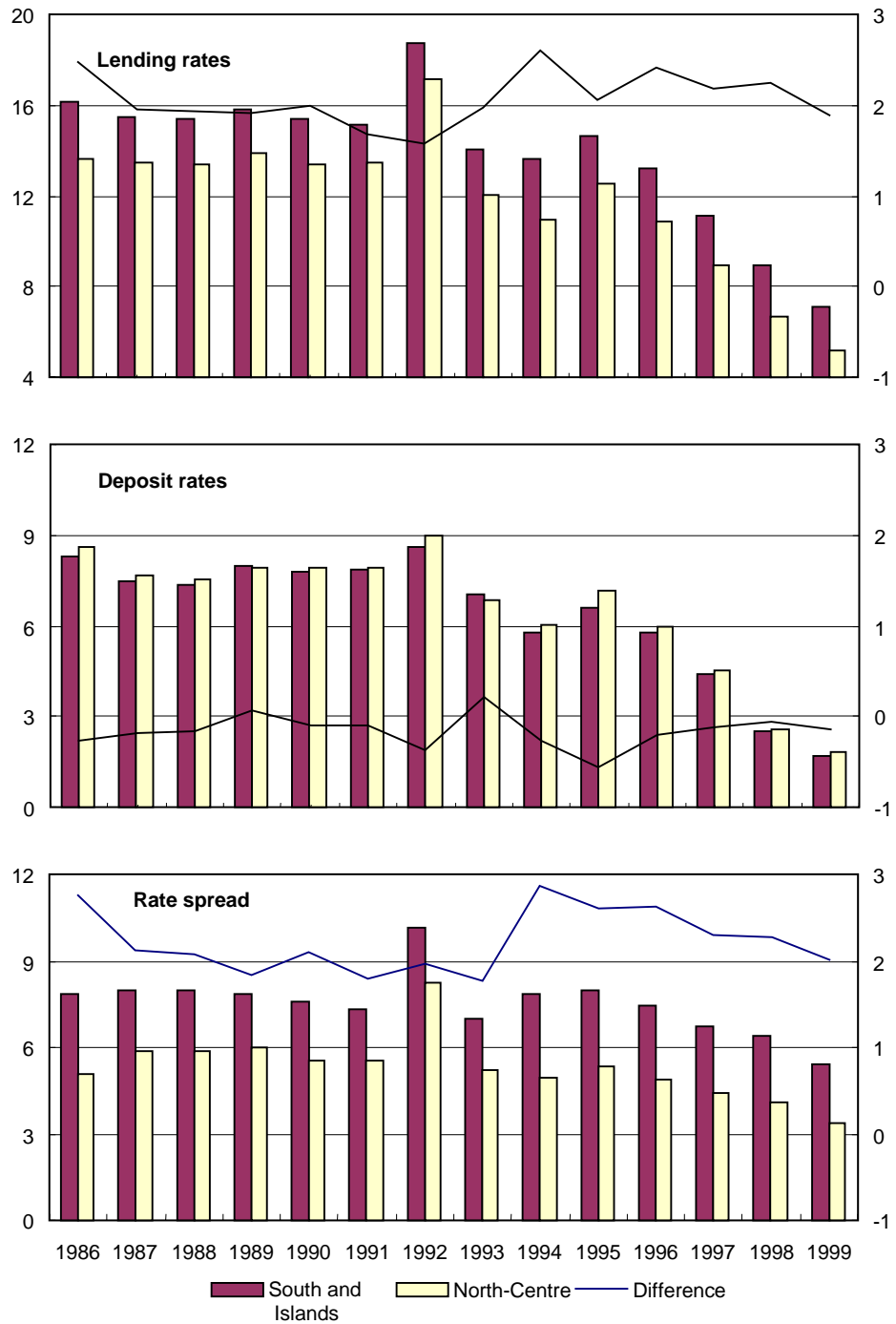
Deposit rates did not differ significantly among regions during the nineties. The differential between rates in the South and Islands and those in the rest of Italy was positive only in 1993 and 1994, when it peaked at 0.4 points. It was negative during the next three years, widening to as much as 0.6 points at the end of 1995. Since 1998 the differential has been close to nil.

The larger fall in lending rates than in deposit rates caused the spread to narrow in all parts of the country.

Figure D5

**SHORT-TERM BANK INTEREST RATES AND THE RATE SPREAD
IN THE MAIN GEOGRAPHICAL AREAS (1)**

(percentages and percentage points)



Source: Based on Central Credit Register data.

(1) For rates and the spread, left-hand scale. For the difference between the two main areas, right-hand scale.

Profit and loss accounts

Banks' results confirmed the previous year's recovery in profitability: net profit was equal to 0.62 per cent of total assets, compared with 0.46 per cent in 1998. Extraordinary items contributed to the growth in earnings. The improvement in profitability was concentrated in banks based in the North (Table D5).

Net interest income fell to 1.95 per cent of total assets, the lowest level since 1991. The decline was steepest for banks based in the South and Islands (from 2.69 to 2.39 per cent of total assets), where net interest income represents a larger share of gross income (67 per cent, compared with 62 per cent in the Centre and 50 per cent in the North).

The contraction of 48.2 per cent in dealing profits was partly offset by the increase of 22.2 per cent in income from services, the bulk of it from the gain of 36.2 per cent in income from asset management services. Income from financial operations increased substantially.

Dividends from shareholdings in other banks totaled 4.5 trillion lire, compared with 1.7 trillion the previous year. Most of this income went to banks based in the North, which account for the ownership of 67 per cent Italian banking groups (only 12.3 per cent of all dividends were paid to banks based in the South and Islands). Accounting for dividends paid to shareholder banks involves double-counting of profits, necessitating an adjustment of the data reported in banks' annual accounts.

Excluding dividends from shareholdings in banks, gross income rose by 3.4 and 1.5 per cent respectively for banks based in the North-West and North-East; it declined substantially for banks based in the Centre (5.0 per cent) and the South and Islands (5.7 per cent).

Operating expenses rose by 2.2 per cent, partly because of increased spending to upgrade information systems.

Staff costs fell by 0.9 per cent. The decline was sharper for banks based in the Centre (5.2 per cent) than for those of the North-West (0.8 per cent). By contrast, overall spending on personnel increased by 5.7 per cent in the South and Islands, owing to extraordinary outlays for incentives for voluntary severance, and by 1.0 per cent in the North-East.

Encouraging the voluntary severance of senior employees close to retirement age enabled banks to hire less costly workers on fixed-term or trainee contracts. The banking industry's new national contract, which went into effect in November 1999, provides for pay increases totaling 2.3 per cent for the two years 2000 and 2001 (see

the Chapter: "Supervision of banks and non-bank intermediaries" in the Bank of Italy' Annual Report for 1999).

Table D5

BANKS' PROFIT AND LOSS ACCOUNTS BY GEOGRAPHICAL AREA
(percentages of total assets)

	North-West		North-East	
	1998	1999	1998	1999
Net interest income	1.84	1.69	2.62	2.40
Non-interest income	1.46	1.85	1.67	1.83
<i>of which: from trading</i>	0.24	0.13	0.39	0.18
<i>from services</i>	0.71	0.85	0.79	0.96
Gross income	3.30	3.54	4.29	4.22
Operating expenses	1.94	1.99	2.40	2.37
<i>of which: staff costs</i>	1.17	1.14	1.42	1.38
Net income	1.35	1.55	1.88	1.85
Value adjustments, readjustments and allocations to provisions	0.31	0.25	0.56	0.43
Profit before tax	1.05	1.30	1.33	1.42
Tax	0.50	0.48	0.60	0.56
Net profit	0.54	0.82	0.73	0.86
	Centre		South and Islands	
	1998	1999	1998	1999
Net interest income	2.15	2.03	2.69	2.39
Non-interest income	1.30	1.25	1.11	1.15
<i>of which: from trading</i>	0.42	0.20	0.37	0.20
<i>from services</i>	0.45	0.53	0.41	0.52
Gross income	3.45	3.28	3.81	3.54
Operating expenses	2.17	2.12	2.75	2.86
<i>of which: staff costs</i>	1.38	1.30	1.77	1.85
Net income	1.28	1.17	1.06	0.68
Value adjustments, readjustments and allocations to provisions	0.72	0.63	0.74	0.46
Profit before tax	0.56	0.54	0.32	0.23
Tax	0.29	0.28	0.23	0.14
Net profit	0.27	0.26	0.09	0.09

Source: Supervisory returns. The data refer to the monthly sample of the Bank of Italy and are classified according to the regional location of each bank's registered office. For definitions, see the Methodological Notes in the Appendix and the "Note metodologiche" and "Glossario" sections in the Appendix to the Bank's Annual Report in Italian.

The number of staff shrank by 1.9 per cent. Banks based in the Centre recorded the largest decline (3.4 per cent), those based in the North-East the smallest (0.4 per cent). The decline in staff numbers for banks based in the North-West (1.4 per cent) and the South and Islands (1.5 per cent) was broadly in line with the national average.

Sample surveys of regional banks show the growth of incentive pay schemes linking a portion of earnings to results, especially for the branch network (see the Report on Emilia-Romagna). In some cases there was greater recourse to stock options for managers (see the Report on Lombardy).

Net income decreased by 3.4 per cent. The largest contraction was recorded by banks based in the South and Islands (34.8 per cent); those based in the North-West saw net income rise by 3.4 per cent.

Profit before tax reflected the effects of deferred taxation and the inclusion of capital gains on shareholdings.

Prior-year income was more limited in the North-West, where some banks had already recognized the effects of deferred taxation in 1998. Capital gains on the disposal of shareholdings were especially large in the North and Centre (5 trillion lire, compared with 1.4 trillion in 1998).

Recognition of the tax incentives on mergers, introduced by Legislative Decree 153 of 17 May 1999, resulted in a 4.5 per cent decrease in direct taxes for the year; these incentives have now been suspended by the European Commission pending an assessment of their compatibility with EU rules on state aid.

Net profit for the year rose from 7.4 to 10.0 per cent of equity and reserves. Return on equity was higher in the North (10.1 per cent) than for banks based in the South and Islands (7.8 per cent).

The structure of the banking system

Consolidation and reorganization continued, with 36 mergers and 28 acquisitions in 1999. A total of 324 bank mergers and 137 acquisitions took place during the nineties; the share of total assets attributable to the target banks was equal to 40 per cent.

In several cases the restructuring process involved major changes in the organization of individual banks or groups.

In Lombardy, in particular, there were new concentrations and operations to rationalize groups organized along federal lines. The latter included numerous instances of consolidation, aimed at reducing duplication in such areas of business such as asset management, and centralization of back-office functions. These operations were accompanied by the creation of companies specializing in specific market segments, most notably the new field of online trading. In Veneto too there was a rationalization of the structures of existing banking groups, some of which enhanced their diversification by acquiring banks and financial companies specializing in specific sectors of activity.

The reorganization of the banking system led to a further reduction in the number of intermediaries in 1999. There were 876 banks in business in Italy at the end of 1999, a decrease of 45 from a year earlier; in 1990 there had been 1,156. The reduction was largest in the South and Islands, where the number of banks fell from 235 to 205.

Between 1995 and 1999 the number of intermediaries in business in the South and Islands fell by one quarter. The decline was limited almost entirely to minor banks, whose ranks diminished by 56 in the South and 18 in the Islands (from 194 and 63 respectively in 1995). In this period the contraction was less pronounced in the North-East and Centre (respectively 9.1 and 4.6 per cent). In the North-West, by contrast, the number of banks increased by 14, or 7.0 per cent, thanks primarily to the rise in the number of minor banks.

The reduction in the number of intermediaries was accompanied by a redistribution of market shares between local banks and outside banks, most notably in the South and Islands (Figure D6).

Between 1995 and 1999 local banks' share of the loan market in their respective regions fell considerably in the Centre and even more markedly in the South. In 1999 banks based in the Centre had a 62 per cent share of the local loan market, a decrease of nearly 7 percentage points compared with 1995. In the same five years banks based in the South and those based in the Islands saw their market shares contract by around 11 percentage points to respectively 36 and 53 per cent in 1999. By contrast, local banks increased their share of their local markets from 74 to 80 per cent in the North-West and from 64 to 65 per cent in the North-East.

The developments in deposit-market shares were similar, although the numbers are higher. Banks based in the Centre lost around 8 percentage points, falling to 73 per cent. The loss of share was smaller for banks based in the South and Islands (2 and 5 percentage points, respectively).

Various *Reports*, particularly those on regions of the South, Sicily and Sardinia, dwell at length on the development of local banks' position in their respective credit markets.

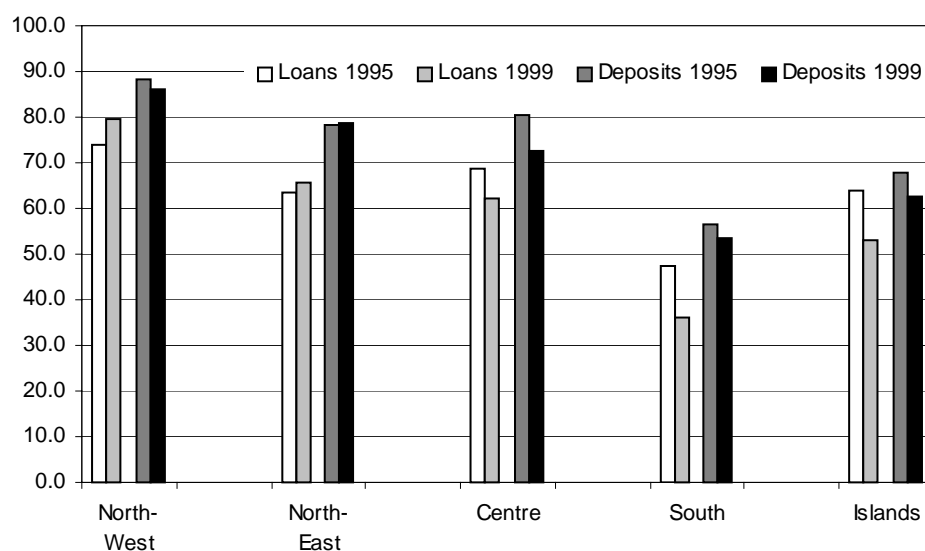
In Puglia there was a substantial increase in loan and deposit-market shares for

banks based in the Centre or North during the nineties, due in part to takeovers of numerous distressed regional banks. Similar developments occurred in Calabria, Basilicata and Sicily; in the latter, the market share of local banks not owned or controlled by non-Sicilian banks or groups fell in 1999 to 10 per cent for loans and 18 per cent for deposits.

In Lombardy, after contracting up to 1995, local banks' share of the loan market expanded in the second half of the nineties. The decline in their share of the deposit market possibly reflected the intense expansion of their asset management and bond placement activity. In Piedmont, local banks' share of the deposit market remained unchanged last year, while their share of the loan market diminished slightly owing to the selective policy followed by several banks in granting credit. Smaller banks, including mutual banks (*banche di credito cooperativo*), strengthened their relative position in their home market of Piedmont. As in the previous years, mutual banks also increased their share of the loan market in Trentino-Alto Adige, but other local banks in that region suffered from the competition of outside intermediaries. In Veneto, mutual banks and local cooperative banks increased their share of the regional loan market.

Figure D6

**LOCAL BANKS' SHARES OF THE
LOAN AND DEPOSIT MARKETS BY GEOGRAPHICAL AREA**
(percentages)



Source: Supervisory returns. Data classified by customer's location.

Branch and marketing networks. — The branch network expanded throughout Italy in 1999, increasing by 877 units to 27,132 at the year's end. Non-traditional channels of distribution grew rapidly.

The increase in the number of bank branches was slightly larger in the North-East and Centre, negligible in the Islands.

Between 1989 and 1999 the total number of bank branches in Italy grew by 74 per cent. The increase was above the national average in the North-East (88.1 per cent), thanks mainly to the particularly rapid rate of expansion recorded in Veneto, where branches more than doubled and those of banks based outside the region rose by nearly 230 per cent. It was less pronounced in the Centre (67.3 per cent), owing to the more limited growth in Tuscany, and slower still in the Islands (49.9 per cent). New branch openings surged in all parts of Italy in the years following the liberalization of branching; the pace slowed down steadily beginning in 1992.

In every region except Sardinia and Valle d'Aosta, the rate of new branch openings was highest for outside banks. Competition in local markets increased. Local banks' share of total bank branches in their respective regions decreased between 1989 and 1999, most notably in the South and Islands. In the North-West and in the regions of Veneto and Friuli-Venezia Giulia, the penetration of local markets by outside banks appears to have come to a halt: in the second half of the nineties local banks outpaced outsiders in opening new branches, and their share of the total number of branches began to grow again.

Although the branch network remains the principal form in which banks are present in the market, recent years have seen the rapid growth of alternative marketing channels that permit operating costs to be reduced and enhance operational flexibility — networks of financial salesmen, automated branches, telephone and computer banking.

The number of financial salesmen has virtually doubled over the last two years, rising from 1.9 to 3.7 per cent of total staff. The highest proportion is that for banks in the North-West (6.8 per cent), which were the first to begin developing asset management services.

At the end of last year 74 per cent of Italy's banks had automated teller machines. There were 30,000 ATMs in service, compared with 24,000 at the end of 1996, and more than 437,000 POS terminals installed in commercial outlets.

Telephone and computer banking have developed at an even faster pace, especially over the past year. The number of corporate banking contracts allowing businesses to carry out transactions via dedicated electronic networks rose from 190,000 to 245,000 in the last two years; customers enabled to use telephone banking tripled in the same period, rising to 790,000.

The number of intermediaries using the Internet to distribute financial products to households and firms increased in 1999. The key advantages of using the Internet are lower unit costs and the scope for banks to increase their market share, possibly by

entering new areas of business. The growth of Internet banking and telephone banking thus far has been closely related to the spread of online trading (see the Report on Lombardy). In Trentino Alto-Adige and Veneto small banks as well as large ones have started to offer Internet trading services.

Table D6

**INDICES OF DENSITY OF BANKING SERVICES IN 1999
BY GEOGRAPHICAL AREA**

(Italy=100)

	Branches/ inhabitants	ATMs / inhabitants	POS units/ inhabitants	Telephone banking/ inhabitants	Corporate computer banking/ number of firms
North-West	119	125	128	144	125
North-East	145	158	140	105	166
Centre	102	97	121	100	91
South	59	57	44	62	27
Islands	71	49	59	73	35
Italy	100	100	100	100	100

Sources: Supervisory returns and Istat.

The progress of the new channels of distribution is geographically uneven. The density of banking services with respect to population and the number of businesses is highest in the North (Table D6). In particular, the incidence of telephone banking is highest in the North-West while that of ATMs, POS units and corporate computer banking is highest in the North-East.

The new channels are most widespread in the areas where the density of the traditional branch network is greatest, showing that banks regard the different modes of providing banking services as complementary.

The popularity of telephone and corporate computer banking in the North is partly the result of the provision of these services by smaller banks. The fact that 11 “small” or “minor” banks in the North-West serve 16 per cent of all Italian telephone banking customers is reflected in the density of that service in the area (see the *Report* on Lombardy). The large number of firms linked to banks by electronic networks in the North-East also appears to be related to the presence in that area of 205 “minor” and 16 “small” banks that supply these services.

APPENDIX

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Table aB1

SECTORAL COMPOSITION OF VALUE ADDED BY REGION IN 1996*(percentages and amounts in billions of lire)*

	Agriculture, forestry and Fishing	Industry			Services	Total	Amounts (1)
		Industry excluding construction	Construction				
Piedmont	2.88	35.59	30.59	5.00	61.53	100.0	150,342
Valle d'Aosta	2.51	25.30	15.93	9.37	72.19	100.0	4,649
Lombardy	1.84	37.35	32.16	5.19	60.80	100.0	353,106
Liguria	2.31	23.07	19.31	3.76	74.62	100.0	58,737
Trentino-Alto Adige	4.98	25.56	17.69	7.87	69.46	100.0	34,915
Veneto	3.80	35.09	28.84	6.25	61.12	100.0	164,698
Friuli-Venezia Giulia	2.85	27.92	22.18	5.74	69.23	100.0	44,534
Emilia-Romagna	4.14	32.72	27.39	5.33	63.14	100.0	155,504
Tuscany	2.38	30.46	25.83	4.63	67.16	100.0	116,320
Umbria	4.92	29.32	22.10	7.21	65.77	100.0	24,147
Marche	3.69	32.59	26.52	6.07	63.72	100.0	45,856
Lazio	1.74	17.68	13.78	3.90	80.58	100.0	176,783
Abruzzo	4.97	29.14	23.67	5.47	65.89	100.0	33,969
Molise	6.61	25.87	17.38	8.50	67.52	100.0	7,753
Campania	3.83	20.05	15.50	4.55	76.12	100.0	113,350
Puglia	7.85	20.91	16.19	4.72	71.24	100.0	86,581
Basilicata	7.56	26.64	18.69	7.95	65.80	100.0	12,601
Calabria	6.44	16.25	9.73	6.52	77.30	100.0	36,598
Sicily	6.19	19.07	13.34	5.73	74.74	100.0	99,877
Sardinia	5.38	22.53	15.08	7.45	72.09	100.0	35,918
Italy	3.50	28.93	23.65	5.28	67.57	100.0	1,756,237

Source: Based on Istat data.

(1) Value added at factor costs, gross of imputed banking services.

Table aB2

COMPOSITION OF REGIONAL MANUFACTURING VALUE ADDED IN 1996
(percentages)

	Ferrous, non-ferrous minerals and metals	Non-metallic minerals and products	Chemical and pharmaceutical products	Machinery and metal products	Transport equipment	Food products, beverages and tobacco products	Textiles and clothing, leather and footwear	Paper, paper products, printing and publishing	Wood, rubber and other industrial products	Total manufacturing industry
Piedmont	7.97	3.43	6.41	32.76	13.37	7.51	13.19	4.10	11.27	100.0
Valle d'Aosta	33.59	24.64	10.30	11.59	0.42	6.98	2.75	2.14	7.59	100.0
Lombardy	6.38	3.16	11.77	32.71	3.44	7.25	17.59	7.38	10.33	100.0
Liguria	14.07	6.47	13.50	38.06	11.47	4.64	3.59	3.82	4.39	100.0
Trentino-Alto Adige	8.59	10.56	4.85	21.21	5.56	15.93	7.21	7.25	18.86	100.0
Veneto	3.13	5.36	5.95	28.37	3.77	7.82	22.15	8.03	15.43	100.0
Friuli-Venezia Giulia	6.25	6.29	6.16	30.59	5.30	9.03	7.88	7.06	21.44	100.0
Emilia-Romagna	2.21	9.87	5.00	40.36	4.81	14.72	11.10	3.97	7.96	100.0
Tuscany	5.67	12.09	7.53	18.65	4.85	4.44	29.60	5.93	11.24	100.0
Umbria	7.28	17.15	7.81	12.02	3.15	17.70	19.11	5.22	10.55	100.0
Marche	2.36	4.05	2.88	22.97	3.46	9.38	31.29	5.02	18.60	100.0
Lazio	1.57	6.42	15.98	27.56	7.95	9.55	4.44	17.82	8.71	100.0
Abruzzo	2.38	8.17	6.53	24.38	8.35	11.46	17.76	12.26	8.71	100.0
Molise	15.38	11.45	10.50	11.38	14.37	17.24	12.19	0.28	7.21	100.0
Campania	4.62	8.50	7.92	25.89	14.82	12.34	12.11	4.88	8.94	100.0
Puglia	15.67	9.00	7.04	23.98	6.61	11.99	13.75	2.74	9.21	100.0
Basilicata	0.25	6.11	6.17	14.11	39.35	14.08	7.78	2.01	10.14	100.0
Calabria	1.68	9.21	7.55	26.31	5.09	18.12	14.62	4.50	12.92	100.0
Sicily	1.85	17.70	13.75	21.89	11.48	12.61	8.59	2.48	9.65	100.0
Sardinia	4.12	18.79	28.95	15.34	3.67	12.38	3.63	2.87	10.25	100.0
Italy	5.53	6.55	8.81	29.66	6.41	9.12	16.12	6.60	11.20	100.0

Source: Based on Istat data.

Table aB3

**GROSS FIXED INVESTMENT, TURNOVER AND EMPLOYMENT OF
MANUFACTURING FIRMS WITH AT LEAST 50 EMPLOYEES**

(percentage changes at 1999 prices) (1)

Area(2)	No. of firms in sample (1999)		% change 1998-99	% change 1999-2000 (3)
North-West	459	Investment (4)	- 2.5	6.9
		Turnover	0.8	2.7
		Employment at end of year	- 2.3	- 0.1
North-East	259	Investment (4)	- 5.4	7.2
		Turnover	4.2	2.7
		Employment at end of year	0.0	1.3
Centre	189	Investment (4)	- 1.0	7.7
		Turnover	1.7	2.8
		Employment at end of year	- 1.6	0.5
South and Islands	228	Investment (4)	- 3.5	20.8
		Turnover	1.9	6.9
		Employment at end of year	- 1.5	1.4
Italy	1,135	Investment (4)	- 3.2	9.2
		Turnover	1.9	3.2
		Employment at end of year	- 1.5	0.5

Source: Banca d'Italia, *Indagine sugli investimenti delle imprese dell'industria in senso stretto*. See the Methodological Notes.

(1) The deflator of investment and turnover was calculated as the average of the price changes estimated by sample firms. - (2) Sample firms are classified by geographical area according to location of registered office, whereas investment and employment are classified by geographical area according to actual location and turnover is assigned on the same basis as employment. - (3) Forecasts. - (4) "Winsorized" robust averages obtained by reducing the extreme positive and negative values of the distribution of annual changes in investment on the basis of the 5th and 95th percentiles. The method was applied taking account of the proportions polled in each stratum of the sample ("Winsorized Type II estimator").

Table aB4

REGIONAL EXPORTS (FOB) BY ECONOMIC SECTOR
(billions of lire and, in brackets, millions of euros; percentage changes)

	Total		of which:							
			Chemical products		Machinery, equipment and precision instruments		Transport equipment		Textiles and clothing, leather and footwear	
	1999	% change 1998-99	1999	% change 1998-99	1999	% change 1998-99	1999	% change 1998-99	1999	% change 1998-99
Piedmont	50,307	-3.6	2,744	1.4	14,870	-4.1	12,677	-6.1	5,456	-4.8
Valle d'Aosta	554	-0.8	3	66.2	179	-3.5	13	165.4	23	-0.8
Lombardy	120,012	-2.6	15,848	3.9	43,862	-3.0	8,568	10.4	16,500	-8.5
Liguria	5,364	-3.2	755	-3.6	1,232	-17.6	364	11.1	119	5.3
North-West	176,238	-2.9	19,350	3.2	60,143	-3.6	21,621	0.1	22,098	-7.6
Trentino-Alto Adige	7,476	3.1	604	6.7	1,767	4.3	816	6.8	561	3.0
Veneto	60,861	2.8	2,863	20.1	17,925	1.5	4,140	19.0	13,814	-2.0
Friuli-Venezia Giulia	14,778	-6.2	366	10.3	5,713	-2.9	1,376	-35.5	464	-11.2
Emilia-Romagna	49,604	-0.4	3,138	-5.1	19,014	-1.1	4,939	4.3	5,185	-3.0
North-East	132,720	0.5	6,971	5.8	44,418	-0.1	11,271	1.4	20,024	-2.4
Tuscany	33,701	-1.3	1,793	11.6	5,886	2.1	1,844	-9.2	12,740	-4.6
Umbria	3,695	-0.5	291	-6.1	834	1.7	64	8.7	805	0.2
Marche	10,930	-17.1	223	-30.1	4,089	-9.6	236	-23.0	3,313	-20.9
Lazio	18,555	7.3	4,902	20.0	5,387	9.0	3,954	2.0	816	-9.4
Centre	66,881	-2.1	7,209	14.1	16,195	0.9	6,097	-2.8	17,674	-8.2
Abruzzo	7,425	-10.2	447	18.5	1,528	-9.7	2,240	-23.9	847	-1.2
Molise	936	-1.0	181	-8.5	40	1.0	11	-39.0	416	-5.0
Campania	12,316	-3.4	957	9.7	2,242	-8.0	3,127	3.6	1,503	-5.0
Puglia	9,483	-1.9	483	43.8	958	37.7	1,307	5.9	1,962	-11.8
Basilicata	2,135	18.5	98	7.4	59	45.2	1,549	21.6	33	3.2
Calabria	438	-6.3	103	10.3	77	-44.8	14	102.2	44	42.4
South	32,733	-3.5	2,268	15.3	4,903	-2.8	8,247	-2.9	4,807	-7.0
Sicily	6,584	-4.7	835	26.9	768	21.6	763	-46.5	62	7.3
Sardinia	3,039	5.9	513	11.1	66	-31.9	43	-83.3	36	6.7
Islands	9,623	-1.6	1,348	20.4	833	14.5	806	-52.1	98	7.1
Italy	418,750	-1.7	37,203	7.0	126,612	-1.7	48,066	-2.2	64,884	-6.1
	(216,270)		(19,214)		(65,391)		(24,825)		(33,510)	

Source: Based on Istat data. Discrepancies in totals are due to geographically unattributed exports.

Table aB5

**REGIONAL INDICATORS OF EXPORT SPECIALIZATION
BY BRANCH OF MANUFACTURING INDUSTRY IN 1999 (1)**

	Non-metallic minerals and products	Chemical products	Metals and metal products	Machinery, equipment and precision instruments	Transport equipment		Food products	Textiles and clothing	Leather and footwear	Other
						<i>of which: cars and car engines</i>				
Piedmont	0.40	0.60	0.79	0.95	2.14	2.70	1.23	0.92	0.15	0.96
Valle d'Aosta	0.26	0.06	5.93	1.04	0.20	0.27	0.30	0.35	0.08	0.65
Lombardy	0.42	1.45	1.43	1.18	0.61	0.65	0.61	1.11	0.32	0.87
Liguria	1.27	1.97	1.59	0.95	0.74	0.42	1.80	0.21	0.12	0.90
North-West	0.43	1.21	1.26	1.11	1.05	1.23	0.81	1.03	0.27	0.89
Trentino-Alto Adige	0.98	0.94	1.15	0.81	0.99	1.30	2.65	0.55	0.40	1.30
Veneto	1.09	0.52	0.89	0.96	0.58	0.29	0.86	1.12	2.16	1.36
Friuli-Venezia Giulia	0.63	0.27	1.04	1.26	0.80	0.25	0.81	0.22	0.16	2.17
Emilia-Romagna	3.21	0.71	0.75	1.26	0.86	0.99	1.31	0.80	0.37	0.51
North-East	1.82	0.59	0.87	1.10	0.73	0.60	1.12	0.87	1.17	1.13
Tuscany	1.34	0.59	0.51	0.57	0.47	0.22	0.85	2.17	2.97	1.31
Umbria	1.29	0.88	2.83	0.74	0.15	0.09	1.31	1.75	0.61	0.64
Marche	0.32	0.22	0.90	1.21	0.18	0.06	0.24	0.64	4.70	1.26
Lazio	0.73	2.97	0.29	0.96	1.86	1.10	0.46	0.32	0.21	0.59
Centre	1.00	1.20	0.64	0.79	0.79	0.43	0.67	1.38	2.37	1.07
Abruzzo	1.73	0.66	0.74	0.66	2.57	3.47	0.96	0.77	0.61	0.93
Molise	0.11	2.18	0.10	0.14	0.10	0.14	1.76	4.09	0.20	1.23
Campania	0.50	0.89	0.49	0.61	2.25	1.89	3.28	0.44	1.59	0.63
Puglia	0.47	0.63	1.50	0.37	1.31	1.36	1.36	0.67	3.21	1.59
Basilicata	0.06	0.51	0.06	0.09	6.22	8.56	0.30	0.14	0.01	1.05
Calabria	0.47	2.97	0.39	0.66	0.31	0.08	3.57	1.03	0.09	0.84
South	0.74	0.80	0.78	0.51	2.25	2.50	1.96	0.68	1.63	1.01
Sicily	1.23	2.69	0.39	0.73	1.90	2.14	3.10	0.14	0.06	0.19
Sardinia	0.89	3.87	3.43	0.15	0.25	0.03	2.77	0.22	0.01	0.51
Islands	1.13	3.04	1.30	0.55	1.41	1.51	3.00	0.16	0.05	0.28

Source: Based on Istat data

(1) Ratio of each branch's share of total regional manufacturing exports to the branch's share of total Italian manufacturing exports.

Table aC1

EMPLOYMENT AND LABOUR FORCE
(thousands of persons and percentage changes)

	Employment					Job seekers	Labour force
	Agriculture	Industry excluding construction	Construction	Other sectors	Total		
Average values in 1999							
Piedmont	65	580	107	972	1,724	135	1,859
Valle d'Aosta	3	7	6	36	52	3	55
Lombardy	80	1,332	282	2,139	3,833	194	4,027
Liguria	20	94	44	428	586	64	650
North-West	168	2,013	440	3,575	6,195	396	6,591
Trentino-Alto Adige	36	72	37	262	407	14	421
Veneto	87	676	132	991	1,887	89	1,976
Friuli-Venezia Giulia	19	133	29	292	474	28	502
Emilia-Romagna	117	517	112	997	1,743	83	1,826
North-East	259	1,399	310	2,542	4,510	215	4,725
Tuscany	44	394	89	866	1,393	108	1,501
Umbria	16	77	25	195	314	26	340
Marche	28	204	37	314	582	38	620
Lazio	58	245	129	1,451	1,884	249	2,133
Centre	146	920	280	2,825	4,172	422	4,594
Abruzzo	29	110	35	262	436	49	485
Molise	13	20	11	61	106	20	126
Campania	121	241	128	1,059	1,549	482	2,031
Puglia	134	208	104	728	1,174	275	1,449
Basilicata	25	35	21	98	179	37	216
Calabria	65	41	60	365	531	207	738
Sicily	129	128	131	938	1,326	430	1,756
Sardinia	45	60	55	354	514	137	651
South and Islands	561	844	546	3,865	5,815	1,636	7,451
Italy	1,134	5,175	1,575	12,807	20,692	2,669	23,361
Changes on 1998							
Piedmont	-5.3	-0.5	0.7	4.7	2.3	-11.4	1.1
Valle d'Aosta	-14.3	-3.4	3.6	1.9	0.3	-11.4	0.3
Lombardy	-4.4	-1.4	9.8	3.0	1.7	-12.3	1.0
Liguria	8.1	0.7	1.9	-0.5	0.2	-3.9	-0.3
North-West	-3.6	-1.0	6.5	3.0	1.7	-10.7	0.9
Trentino-Alto Adige	-1.3	-0.1	3.9	1.9	1.4	4.6	1.6
Veneto	1.2	0.1	1.6	2.5	1.5	-8.2	1.0
Friuli-Venezia Giulia	-8.7	-3.0	3.3	3.5	1.1	-0.7	1.0
Emilia-Romagna	0.6	1.6	1.3	2.8	2.2	-14.9	1.3
North-East	-0.2	0.3	1.9	2.7	1.7	-8.9	1.2
Tuscany	-14.3	-2.0	5.3	5.1	2.3	-6.4	1.6
Umbria	-12.6	6.1	3.2	4.8	3.9	-10.1	2.8
Marche	-9.6	2.7	-4.2	4.9	2.7	0.4	2.6
Lazio	-1.5	0.5	0.8	1.2	1.0	-0.1	0.9
Centre	-8.5	0.3	1.7	3.0	1.9	-2.2	1.5
Abruzzo	-7.0	0.0	-1.7	-1.6	-1.6	9.9	-0.5
Molise	-5.7	-2.5	-2.4	2.3	-0.2	-6.6	-0.9
Campania	-13.3	0.9	-5.3	1.2	-0.7	-1.2	-0.8
Puglia	-6.2	-0.8	6.1	3.2	1.5	-6.6	-0.1
Basilicata	-5.9	10.9	-1.7	0.9	1.3	-5.9	0.2
Calabria	-3.3	1.7	-2.2	-1.6	-1.6	8.8	1.0
Sicily	-5.4	1.8	-2.6	0.9	0.0	1.2	0.3
Sardinia	-9.5	-6.6	2.6	3.9	1.1	3.8	1.6
South and Islands	-7.6	0.3	-1.1	1.3	0.0	0.2	0.0
Italy	-5.6	-0.2	2.0	2.4	1.3	-2.8	0.8

Source: Istat, *Indagine sulle forze di lavoro*. See the Methodological Notes.

Table aC2

TOTAL EMPLOYMENT
(thousands of persons)

	1993	1994	1995	1996	1997	1998	1999
Men and women							
Piedmont	1,719	1,696	1,692	1,711	1,700	1,686	1,724
Valle d'Aosta	52	51	51	51	52	52	52
Lombardy	3,699	3,669	3,681	3,697	3,705	3,768	3,833
Liguria	592	571	572	577	577	585	586
North-West	6,061	5,987	5,996	6,036	6,034	6,091	6,195
Trentino-Alto Adige	384	386	382	394	395	401	407
Veneto	1,803	1,787	1,797	1,816	1,846	1,859	1,887
Friuli-Venezia Giulia	454	453	456	463	463	469	474
Emilia-Romagna	1,689	1,672	1,669	1,681	1,693	1,705	1,743
North-East	4,329	4,298	4,305	4,354	4,397	4,434	4,510
Tuscany	1,366	1,347	1,355	1,351	1,351	1,362	1,393
Umbria	303	298	295	296	298	302	314
Marche	564	556	559	567	562	567	582
Lazio	1,880	1,841	1,820	1,833	1,850	1,865	1,884
Centre	4,113	4,042	4,030	4,047	4,061	4,095	4,172
Abruzzo	439	434	437	448	444	443	436
Molise	112	107	105	105	106	106	106
Campania	1,597	1,578	1,505	1,497	1,514	1,559	1,549
Puglia	1,212	1,169	1,152	1,159	1,140	1,156	1,174
Basilicata	183	177	175	173	175	176	179
Calabria	597	577	556	539	538	540	531
Sicily	1,346	1,292	1,278	1,280	1,299	1,326	1,326
Sardinia	495	494	487	488	500	509	514
South and Islands	5,981	5,827	5,696	5,688	5,715	5,816	5,815
Italy	20,484	20,154	20,026	20,125	20,207	20,435	20,692
Women							
Piedmont	648	641	643	662	661	656	680
Valle d'Aosta	21	21	20	21	21	21	21
Lombardy	1,377	1,381	1,393	1,413	1,419	1,459	1,505
Liguria	211	206	210	210	214	222	228
North-West	2,256	2,249	2,266	2,306	2,315	2,359	2,434
Trentino-Alto Adige	143	146	145	152	155	159	162
Veneto	644	641	651	670	696	698	715
Friuli-Venezia Giulia	166	169	173	180	179	183	188
Emilia-Romagna	680	669	673	689	697	709	734
North-East	1,632	1,625	1,643	1,691	1,727	1,749	1,799
Tuscany	504	502	517	519	519	530	555
Umbria	110	105	105	109	112	115	120
Marche	214	211	215	221	218	222	234
Lazio	632	626	627	643	652	663	681
Centre	1,460	1,444	1,463	1,492	1,501	1,531	1,590
Abruzzo	153	148	148	155	155	157	151
Molise	38	38	36	36	37	37	36
Campania	449	456	438	429	434	453	449
Puglia	347	334	323	326	321	330	328
Basilicata	57	54	54	53	55	56	59
Calabria	186	179	175	166	162	161	157
Sicily	348	330	323	325	336	356	364
Sardinia	143	143	138	141	149	158	165
South and Islands	1,721	1,680	1,635	1,633	1,649	1,707	1,710
Italy	7,069	6,998	7,007	7,122	7,192	7,345	7,533

Source: Istat, *Indagine sulle forze di lavoro*. See the Methodological Notes.

Table aC3

PARTICIPATION RATES (1)
(percentages)

	1993	1994	1995	1996	1997	1998	1999
Men and women							
Piedmont	61.9	62.0	62.3	63.4	63.3	63.1	64.2
Valle d'Aosta	66.1	65.5	65.7	65.5	66.5	66.2	66.5
Lombardy	62.3	62.2	62.3	62.6	62.7	63.6	64.2
Liguria	58.2	57.3	58.4	59.4	59.6	60.9	61.5
North-West	61.8	61.6	61.9	62.5	62.6	63.2	63.9
Trentino-Alto Adige	65.4	65.4	64.8	66.3	66.2	66.7	67.5
Veneto	62.0	61.9	61.9	62.4	63.2	63.5	64.1
Friuli-Venezia Giulia	59.9	60.1	60.7	61.6	61.8	62.1	62.9
Emilia-Romagna	67.1	6.5	66.6	67.0	67.9	68.2	69.2
North-East	63.9	63.7	63.7	64.4	65.0	65.4	66.2
Tuscany	62.4	61.9	62.4	62.4	62.5	63.0	64.2
Umbria	60.1	60.0	59.9	60.2	59.9	60.6	62.4
Marche	63.1	62.2	62.5	63.2	63.4	63.3	64.9
Lazio	57.8	57.2	57.5	57.9	58.2	58.5	59.0
Centre	60.1	59.5	59.9	60.2	60.3	60.7	61.6
Abruzzo	58.1	57.2	57.8	59.0	58.5	58.3	58.0
Molise	60.1	59.7	58.5	58.2	59.0	59.6	59.4
Campania	52.4	52.7	52.1	51.7	52.2	53.1	52.6
Puglia	51.7	50.5	50.5	51.0	51.0	52.7	52.8
Basilicata	53.6	52.9	53.1	52.6	53.9	54.0	54.2
Calabria	54.3	52.8	52.3	51.9	51.3	53.7	54.4
Sicily	51.3	50.3	49.6	49.9	50.8	52.4	52.6
Sardinia	53.9	53.9	53.5	53.2	54.2	55.5	56.5
South and Islands	52.8	52.2	51.8	51.8	52.3	53.5	53.6
Italy	58.7	58.3	58.2	58.6	58.9	59.7	60.2
Women							
Piedmont	48.7	49.3	50.0	51.9	52.1	52.2	53.4
Valle d'Aosta	56.2	55.7	55.9	56.2	56.9	56.9	57.4
Lombardy	48.1	48.6	48.9	49.7	49.9	51.4	52.1
Liguria	43.2	43.2	44.6	45.9	46.5	48.0	49.9
North-West	47.8	48.3	48.8	50.0	50.2	51.3	52.3
Trentino-Alto Adige	49.9	50.8	50.7	52.8	53.4	54.3	55.4
Veneto	46.1	46.3	46.7	48.2	49.6	49.8	50.6
Friuli-Venezia Giulia	46.2	46.8	48.6	50.2	50.2	50.7	52.1
Emilia-Romagna	55.8	55.0	55.8	56.9	58.2	58.6	59.9
North-East	50.1	50.0	50.7	52.0	53.2	53.6	54.7
Tuscany	48.2	48.6	50.0	50.0	50.3	51.4	53.3
Umbria	45.1	44.5	45.4	47.1	47.7	49.2	50.5
Marche	49.9	49.3	49.8	50.9	51.6	51.8	54.3
Lazio	40.7	40.6	41.5	42.4	42.7	42.9	44.2
Centre	44.6	44.5	45.5	46.2	46.6	47.2	48.8
Abruzzo	42.3	41.2	41.8	43.3	43.2	43.3	43.0
Molise	44.6	45.7	44.3	43.8	44.6	45.0	44.2
Campania	32.5	33.6	34.1	33.2	33.9	34.6	34.0
Puglia	31.3	30.4	30.7	31.5	31.6	33.4	33.2
Basilicata	36.4	35.2	36.4	35.5	37.9	38.3	39.7
Calabria	37.3	36.2	36.6	36.4	35.1	37.8	38.9
Sicily	30.3	28.7	28.1	28.6	29.6	32.0	33.1
Sardinia	35.1	35.4	34.9	35.2	36.9	39.1	40.8
South and Islands	33.3	32.9	33.0	33.0	33.6	35.2	35.5
Italy	42.5	42.4	42.8	43.5	44.1	45.1	46.0

Source: Istat, *Indagine sulle forze di lavoro*. See the Methodological Notes.

(1) Ratio of labour force to population aged 15-64.

Table aC4

UNEMPLOYMENT RATES*(percentages)*

	1993	1994	1995	1996	1997	1998	1999
Piedmont	7.1	8.2	8.2	8.2	8.3	8.3	7.2
Valle d'Aosta	5.0	5.8	6.6	5.7	5.3	5.3	5.3
Lombardy	5.9	6.4	6.1	6.0	5.8	5.5	4.8
Liguria	9.2	10.4	11.3	11.2	10.6	10.2	9.9
North-West	6.6	7.3	7.2	7.2	7.0	6.8	6.0
Trentino-Alto Adige	4.0	4.1	4.2	3.8	3.8	3.2	3.4
Veneto	5.4	6.2	5.6	5.4	5.1	5.0	4.5
Friuli-Venezia Giulia	6.8	7.2	7.3	6.8	6.6	5.6	5.6
Emilia-Romagna	6.0	6.0	5.9	5.4	5.8	5.4	4.6
North-East	5.6	6.0	5.7	5.4	5.4	5.1	4.6
Tuscany	8.0	8.4	8.3	8.0	8.1	7.8	7.2
Umbria	7.0	8.6	9.5	9.8	8.6	8.6	7.6
Marche	6.7	6.6	6.6	6.2	7.2	6.3	6.1
Lazio	9.6	11.0	12.4	12.3	11.9	11.8	11.7
Centre	8.5	9.4	10.1	9.9	9.8	9.5	9.2
Abruzzo	8.9	8.9	9.1	8.9	9.0	9.1	10.1
Molise	13.0	16.2	16.0	15.9	16.2	16.8	16.2
Campania	19.0	20.9	24.2	24.4	24.6	23.8	23.7
Puglia	13.7	15.0	16.5	17.2	18.7	20.3	19.0
Basilicata	14.6	16.3	17.7	17.8	18.6	18.1	17.1
Calabria	19.1	19.7	21.8	23.8	23.1	26.1	28.0
Sicily	19.3	21.7	22.3	22.9	23.4	24.2	24.5
Sardinia	18.2	19.7	20.3	20.0	20.0	20.6	21.0
South and Islands	17.1	18.7	20.4	20.8	21.3	21.9	22.0
Italy	10.1	11.1	11.6	11.6	11.7	11.8	11.4

Source: Istat, *Indagine sulle forze di lavoro*. See the Methodological Notes.

Table aC5

AUTHORIZED HOURS OF WAGE SUPPLEMENTATION
(*thousands*)

	Ordinary benefits		Total (1)	
	1998	1999	1998	1999
Piedmont	9,648	13,793	16,211	19,907
Valle d'Aosta	198	257	790	814
Lombardy	14,631	25,441	34,254	35,035
Liguria	608	2,113	4,112	4,277
Trentino-Alto Adige	604	916	5,584	5,603
Veneto	3,270	4,287	6,273	7,708
Friuli-Venezia Giulia	700	959	2,812	2,251
Emilia-Romagna	2,709	3,386	6,433	6,323
Tuscany	3,449	4,569	8,911	8,941
Umbria	836	870	2,246	2,089
Marche	1,615	3,003	2,746	4,385
Lazio	5,701	3,974	15,859	11,568
Abruzzo	1,816	2,512	5,010	5,423
Molise	569	651	1,448	1,270
Campania	4,390	3,470	18,549	14,852
Puglia	4,055	5,513	18,932	16,725
Basilicata	640	958	2,899	2,574
Calabria	938	559	3,730	3,839
Sicily	3,567	2,915	10,698	9,503
Sardinia	839	1,061	4,919	4,048

Source: INPS.

(1) Includes ordinary and extraordinary benefits and hours authorized by the special building industry fund.

Table aD1

NUMBER OF BANKS AND BANK BRANCHES BY REGION
(end-of-year values)

	1989		1998		1999	
	Banks	Branches	Banks	Branches	Banks	Branches
Piedmont	75	1,354	67	2,220	68	2,281
Valle d'Aosta	12	49	14	85	14	87
Lombardy	222	2,881	239	5,038	232	5,228
Liguria	36	548	42	828	44	836
North-West		4,832		8,171		8,432
Trentino-Alto Adige	191	634	150	857	142	870
Veneto	127	1,269	121	2,709	124	2,815
Friuli-Venezia Giulia	68	434	58	764	58	802
Emilia-Romagna	123	1,492	115	2,583	118	2,714
North-East		3,829		6,913		7,201
Tuscany	86	1,241	96	1,901	101	1,956
Umbria	30	261	35	412	38	441
Marche	54	487	59	825	60	871
Lazio	133	1,198	144	1,989	142	2,064
Centre		3,187		5,127		5,332
Abruzzo	42	310	51	490	50	514
Molise	21	62	27	113	26	116
Campania	88	717	93	1,374	88	1,408
Puglia	77	681	59	1,144	58	1,180
Basilicata	37	149	35	216	35	224
Calabria	58	296	49	452	42	467
South		2,215		3,789		3,909
Sicily	107	1,305	69	1,619	65	1,623
Sardinia	15	201	15	636	17	635
Islands		1,506		2,255		2,258
Italy		15,569		26,255		27,132

Source: Supervisory returns.

Table aD2

BANK LOANS AND BAD DEBTS BY REGION*(end-of-year stocks in billions of lire and millions of euros, percentages and percentage changes)*

	Loans			Bad debts			Bad debts/total loans (%)	
	1999		% change 1998-99	1999		% change 1998-99	1998	1999
	lire	euros		lire	euros			
Piedmont	129,670	66,969	12.1	4,827	2,493	-0.4	4.2	3.7
Valle d'Aosta	2,691	1,390	1.4	165	85	-12.4	7.1	6.1
Lombardy	440,302	227,397	14.4	16,300	8,418	-5.3	4.5	3.7
Liguria	31,435	16,235	7.9	2,678	1,383	-6.9	9.9	8.5
North-West	604,099	311,991	13.5	23,969	12,379	-4.6	4.7	4.0
Trentino-Alto Adige	32,558	16,815	13.9	703	363	-2.9	2.5	2.2
Veneto	132,772	68,571	13.0	5,989	3,093	-6.9	5.5	4.5
Friuli-Venezia Giulia	31,346	16,189	10.6	1,233	637	-7.3	4.7	3.9
Emilia-Romagna	148,715	76,805	15.5	5,460	2,820	-7.7	4.6	3.7
North-East	345,392	178,380	13.9	13,385	6,913	-7.1	4.7	3.9
Tuscany	97,286	50,244	7.8	5,851	3,022	-12.4	7.4	6.0
Umbria	19,034	9,830	9.9	1,210	625	-15.7	8.3	6.4
Marche	34,973	18,062	11.3	2,182	1,127	-10.8	7.8	
Lazio	244,458	126,252	-1.2	20,209	10,437	-19.6	10.2	8.3
Centre	395,750	204,388	2.4	29,453	15,211	-17.5	9.2	7.4
Abruzzo	20,430	10,551	6.0	2,459	1,270	-12.5	14.6	12.0
Molise	3,820	1,973	7.1	459	237	-26.9	17.6	12.0
Campania (1)	65,589	33,874	10.5	10,696	5,524	15.1	15.0	16.3
Puglia	45,847	23,678	3.9	9,157	4,729	-2.1	21.2	20.0
Basilicata	8,158	4,213	7.4	1,863	962	3.4	23.7	22.8
Calabria	17,194	8,880	4.4	3,995	2,063	-5.8	25.7	23.2
South	161,038	83,169	5.3	28,628	14,785	1.8	18.4	17.8
Sicily	60,903	31,454	9.8	17,618	9,099	-4.4	33.2	28.9
Sardinia	23,684	12,232	7.5	3,561	1,839	8.6	14.9	15.0
Islands	84,588	43,686	9.2	21,179	10,938	-2.4	28.0	25.0
Italy	1,590,872	821,617	9.5	116,623	60,231	-6.8	8.6	7.3

Source: Supervisory returns. The data are classified by customer's location. Loans include bad debts. See the Methodological Notes.

(1) The change in loans is adjusted for the effects of the transactions between Banco di Napoli and the non-bank company SGA.

Table aD3

BANK LOANS BY REGION AND SECTOR IN 1999 (1)*(percentage changes on previous year)*

	General overmen t	Financial and insurance companies	Holding companies	Non-financial companies and sole proprietorships			Consumer ouseholds (2)	Total	
				Industry excluding construc- tion	Construc- tion	Services			
Piedmont	8.4	40.3	12.4	5.5	4.2	1.1	7.5	25.4	12.1
Valle d'Aosta	-18.6	20.5	-	-5.5	-8.8	1.0	-7.2	17.3	1.4
Lombardy	36.7	31.3	2.4	7.4	3.2	3.3	13.5	22.3	14.4
Liguria	19.1	-21.7	-33.0	3.9	2.1	-2.2	6.5	21.5	7.9
North-West	26.6	31.8	3.5	6.7	3.4	2.3	11.3	23.0	13.5
Trentino-Alto Adige	-5.0	14.4	42.6	11.7	9.2	13.1	13.1	22.2	13.9
Veneto	32.2	15.9	1.4	8.4	6.3	6.5	11.2	30.1	13.0
Friuli-Venezia Giulia	3.1	5.6	-17.7	8.1	7.9	9.0	8.6	24.8	10.6
Emilia-Romagna	6.7	34.7	31.2	10.6	9.1	11.6	11.8	31.3	15.5
North-East	13.1	24.1	12.2	9.6	7.8	9.8	11.5	29.0	13.9
Tuscany	8.5	-15.7	-14.6	7.7	5.3	2.8	10.6	20.0	7.8
Umbria	-16.9	41.1	-38.9	8.1	11.5	3.2	7.6	23.4	9.9
Marche	-3.9	38.9	60.3	6.1	2.1	7.0	11.4	28.8	11.3
Lazio	-1.8	-6.4	-5.2	-3.0	-6.7	-5.1	0.7	9.6	-1.2
Centre	-1.6	-7.2	-5.4	1.9	0.0	-2.2	4.9	15.3	2.4
Abruzzo	17.3	50.7	8.8	1.3	0.6	-6.0	7.3	19.0	6.0
Molise	14.2	27.3	-56.3	6.4	8.6	1.8	8.3	8.2	7.1
Campania (3)	23.7	105.4	-32.4	2.8	2.7	-1.0	4.3	22.3	10.5
Puglia	3.4	-60.7	53.6	3.2	9.9	-2.8	3.0	11.6	3.9
Basilicata	0.4	-64.1	-	6.5	6.6	-1.6	10.6	15.7	7.4
Calabria	29.3	-93.1	-100.0	-1.1	0.9	-3.8	-1.4	11.9	4.4
South	13.8	-12.7	-25.7	2.6	4.3	-2.5	3.9	16.4	5.3
Sicily	-1.5	65.3	4.3	7.8	8.4	-4.9	14.2	13.2	9.8
Sardinia	28.2	-3.8	-25.0	3.0	3.0	1.7	3.5	17.7	7.5
Islands	6.0	17.4	0.0	6.4	6.4	-3.1	11.3	14.3	9.2
Italy	3.6	18.8	1.6	5.9	4.1	1.1	9.1	20.5	9.5

Source: Supervisory returns. The data are classified by customer's location. See the Methodological Notes.

(1) Loans include bad debts. - (2) Includes private non-profit institutions and units not elsewhere classified.- (3) Changes adjusted for the effects of the transactions between Banco di Napoli and the non-bank company SGA.

Table aD4

BANK DEPOSITS BY REGION*(end-of-year stocks in billions of lire and millions of euros and percentage changes)*

	1999				% change 1998-99	
	lire		euros			
	Total deposits		Total deposits		Total deposits	
		current accounts		current accounts		current accounts
Piedmont	90,641	60,878	46,812	31,441	-6.7	-1.1
Valle d'Aosta	2,881	2,020	1,488	1,043	-4.9	1.6
Lombardy	279,888	212,734	144,550	109,868	1.9	17.5
Liguria	29,458	20,950	15,214	10,820	-4.0	3.9
North-West	402,868	296,582	208,064	153,172	-0.6	12.0
Trentino-Alto Adige	24,529	15,314	12,668	7,909	2.2	9.6
Veneto	85,573	55,466	44,195	28,646	-1.6	7.1
Friuli-Venezia Giulia	24,358	16,727	12,580	8,639	-3.5	6.7
Emilia-Romagna	91,657	61,405	47,337	31,713	-1.3	7.6
North-East	226,118	148,913	116,780	76,907	-1.3	7.5
Tuscany	75,871	48,184	39,184	24,885	3.1	5.2
Umbria	13,430	7,869	6,936	4,064	-0.5	6.6
Marche	25,557	13,968	13,199	7,214	-1.9	3.5
Lazio	132,786	106,638	68,578	55,074	5.9	18.3
Centre	247,643	176,659	127,897	91,237	3.8	12.7
Abruzzo	17,556	9,401	9,067	4,855	0.2	8.9
Molise	2,871	1,686	1,483	871	-5.0	4.6
Campania	64,536	37,988	33,330	19,619	2.4	5.8
Puglia	46,095	22,325	23,806	11,530	-0.7	12.3
Basilicata	6,250	3,034	3,228	1,567	0.1	12.8
Calabria	17,355	8,996	8,963	4,646	0.7	11.9
South	154,663	83,430	79,877	43,088	0.8	8.7
Sicily	49,590	25,024	25,611	12,924	-1.7	9.9
Sardinia	20,097	13,345	10,379	6,892	3.2	11.5
Islands	69,686	38,369	35,990	19,816	-0.3	10.5
Italy	1,100,979	743,954	568,608	384,220	0.6	10.8

Source: Supervisory returns. The data are classified by customer's location. See the Methodological Notes.

Table aD5

**SECURITIES HELD FOR CUSTODY AND
PORTFOLIO MANAGEMENT SERVICES BY REGION (1)**

(end-of-period data; stocks in billions of lire and millions of euros and percentage changes)

	Securities held for custody (2)			Portfolio management services		
	1999		% change 1998-99	1999		% change 1998-99
	lire	euros		lire	euros	
Piedmont	203,287	104,989	-1.4	25,822	13,336	-7.1
Valle d'Aosta	3,727	1,925	-1.4	472	244	22.0
Lombardy	578,176	298,603	10.7	101,848	52,600	26.6
Liguria	59,194	30,571	0.1	8,477	4,378	-5.1
North-West	844,384	436,088	6.7	136,619	70,558	16.2
Trentino-Alto Adige	24,709	12,761	8.9	4,442	2,294	1.3
Veneto	123,280	63,669	15.0	29,933	15,459	8.9
Friuli-Venezia Giulia	50,829	26,251	1.8	6,275	3,241	3.1
Emilia-Romagna	194,804	100,608	9.0	45,497	23,497	-0.4
North-East	393,622	203,289	9.8	86,147	44,491	3.0
Tuscany	102,450	52,911	4.9	22,054	11,390	0.3
Umbria	14,952	7,722	5.8	2,504	1,293	7.8
Marche	29,166	15,063	1.2	4,105	2,120	9.3
Lazio	201,986	104,317	-6.4	19,581	10,113	-12.5
Centre	348,554	180,013	-2.2	48,244	24,916	-4.3
Abruzzo	13,232	6,834	2.7	821	424	-11.1
Molise	1,956	1,010	11.0	118	61	10.9
Campania	49,735	25,686	-6.2	5,389	2,783	-32.1
Puglia	36,909	19,062	5.7	6,864	3,545	8.2
Basilicata	4,523	2,336	15.2	302	156	-8.8
Calabria	13,655	7,052	23.4	986	509	-3.6
South	120,010	61,980	2.1	14,479	7,478	-13.1
Sicily	48,122	24,853	1.5	2,538	1,311	25.1
Sardinia	11,800	6,094	-1.7	1,535	793	-0.4
Islands	59,922	30,947	0.8	4,074	2,104	14.1
Italy	1,766,492	912,317	4.9	289,563	149,547	6.5

Source: Supervisory returns. The data are classified by customer's location

(1) At face value. Excludes securities deposited by banks, investment funds, trust companies and Italian securities firms (SIMs). - (2) Excludes securities held for banks' portfolio management services.

Table aD6

SHORT-TERM BANK INTEREST RATES BY REGION
(percentages)

	Loans					Deposits				
	Dec. 1998	Mar. 1999	June 1999	Sept. 1999	Dec. 1999	Dec. 1998	Mar. 1999	June 1999	Sept. 1999	Dec. 1999
Piedmont	6.56	5.61	5.15	4.95	5.10	2.36	1.88	1.58	1.53	1.64
Valle d'Aosta	8.16	7.25	7.00	6.72	6.66	2.49	1.87	1.51	1.64	1.62
Lombardy	6.17	5.40	4.81	4.37	4.63	2.59	2.04	1.70	1.67	1.81
Liguria	7.62	6.55	6.15	5.81	6.07	2.36	1.90	1.62	1.51	1.54
North-West	6.31	5.51	4.96	4.55	4.79	2.52	1.99	1.66	1.62	1.75
Trentino-Alto Adige	7.24	6.17	5.79	5.53	5.70	2.34	1.85	1.49	1.51	1.75
Veneto	7.16	6.31	5.79	5.57	5.85	2.59	1.99	1.65	1.60	1.75
Friuli-Venezia Giulia	6.80	6.01	5.73	5.64	5.56	2.54	1.94	1.60	1.63	1.79
Emilia-Romagna	6.49	5.69	5.15	4.70	5.17	2.38	1.88	1.55	1.47	1.63
North-East	6.86	6.03	5.53	5.19	5.54	2.49	1.93	1.60	1.55	1.71
Tuscany	7.13	6.29	5.84	5.56	5.59	2.84	2.30	2.00	1.96	2.14
Umbria	8.56	7.45	7.03	6.82	6.80	2.93	2.41	2.05	2.02	2.12
Marche	6.94	6.10	5.55	5.25	5.18	2.35	1.95	1.67	1.65	1.79
Lazio	7.57	6.38	6.02	5.96	6.00	2.63	2.09	1.60	1.65	1.97
Centre	7.40	6.35	5.95	5.79	5.80	2.69	2.16	1.75	1.77	2.02
Abruzzo	8.59	7.42	6.62	6.42	6.36	2.44	1.91	1.56	1.62	1.72
Molise	9.36	8.34	8.02	8.23	8.14	2.14	2.08	1.68	1.50	1.60
Campania	8.52	7.78	7.23	7.14	7.24	2.28	2.03	1.66	1.59	1.63
Puglia	8.57	7.67	7.04	7.18	6.59	2.53	2.07	1.78	1.66	1.69
Basilicata	9.27	8.34	8.06	7.57	7.72	2.32	2.14	1.86	1.81	1.84
Calabria	9.77	8.55	8.33	8.47	7.32	2.51	2.08	1.83	1.74	1.74
South	8.71	7.82	7.25	7.25	7.05	2.39	2.05	1.72	1.63	1.67
Sicily	9.48	8.61	6.90	6.68	6.95	2.88	2.22	1.93	1.85	1.73
Sardinia	9.51	8.12	7.81	7.41	7.51	2.48	1.98	1.60	1.59	1.70
Islands	9.49	8.41	7.20	6.91	7.12	2.75	2.15	1.83	1.76	1.72
Italy	6.89	6.02	5.48	5.13	5.36	2.55	2.03	1.69	1.65	1.79

Source: Central Credit Register. The data are classified by the location of each branch. For 1998 the data refer only to operations in lire; for 1999 they include operations denominated in euros and euro-area currencies. See the Methodological Notes.

Table aD7

BANKS' PROFIT AND LOSS ACCOUNTS BY GEOGRAPHICAL AREA*(billions of lire and millions of euros, percentages and percentage changes)*

	1999		% change (1)	% change (1)(2)	as a % of total assets 1998	as a % of total assets 1999
	lire	euros				
North-West						
Net interest income	23,955	12,372	-7.5	-7.5	1.84	1.69
Non-interest income	26,323	13,595	29.1	17.9	1.46	1.85
Gross income	50,278	25,966	8.6	3.4	3.30	3.54
Operating expenses	28,227	14,578	3.4	3.4	1.94	1.99
<i>of which: banking staff costs</i>	<i>16,246</i>	<i>8,390</i>	<i>-0.8</i>	<i>-0.8</i>	<i>1.17</i>	<i>1.14</i>
Net income	22,052	11,389	16.2	3.4	1.35	1.55
Value adjustments and allocations to provisions	3,607	1,863	-17.0	10.5	0.31	0.25
Profit before tax	18,445	9,526	26.0	1.1	1.05	1.30
Net profit	11,654	6,019	53.1	5.8	0.54	0.82
North-East						
Net interest income	10,773	5,564	-5.0	-5.0	2.62	2.40
Non-interest income	8,222	4,246	14.1	12.0	1.67	1.83
Gross income	18,995	9,810	2.4	1.5	4.29	4.22
Operating expenses	10,663	5,507	2.7	2.7	2.40	2.37
<i>of which: banking staff costs</i>	<i>6,214</i>	<i>3,209</i>	<i>1.0</i>	<i>1.0</i>	<i>1.42</i>	<i>1.38</i>
Net income	8,332	4,303	2.1	-0.2	1.88	1.85
Value adjustments and allocations to provisions	1,945	1,005	-20.4	-20.4	0.56	0.43
Profit before tax	6,387	3,299	11.6	8.9	1.33	1.42
Net profit	3,862	1,995	23.3	19.2	0.73	0.86
Centre						
Net interest income	14,739	7,612	-4.9	-4.9	2.15	2.03
Non-interest income	9,089	4,694	-3.1	-5.2	1.30	1.25
Gross income	23,827	12,306	-4.2	-5.0	3.45	3.28
Operating expenses	15,359	7,932	-1.7	-1.7	2.17	2.12
<i>of which: banking staff costs</i>	<i>9,425</i>	<i>4,868</i>	<i>-5.2</i>	<i>-5.2</i>	<i>1.38</i>	<i>1.30</i>
Net income	8,468	4,373	-8.4	-10.8	1.28	1.17
Value adjustments and allocations to provisions	4,554	2,352	-13.1	-13.1	0.72	0.63
Profit before tax	3,914	2,021	-2.3	-7.6	0.56	0.54
Net profit	1,867	964	-3.6	-16.1	0.27	0.26
South and Islands						
Net interest income	5,972	3,084	-10.1	-10.1	2.69	2.39
Non-interest income	2,881	1,488	4.7	4.7	1.11	1.15
Gross income	8,854	4,573	-5.7	-5.7	3.81	3.54
Operating expenses	7,146	3,691	5.5	5.5	2.75	2.86
<i>of which: banking staff costs</i>	<i>4,611</i>	<i>2,381</i>	<i>5.7</i>	<i>5.7</i>	<i>1.77</i>	<i>1.85</i>
Net income	1,708	882	-34.7	-34.8	1.06	0.68
Value adjustments and allocations to provisions	1,138	588	-36.2	-36.2	0.74	0.46
Profit before tax	570	294	-31.6	-31.9	0.32	0.23
Net profit	229	118	-14.0	-14.6	0.09	0.09

Source: Supervisory returns. The data refer to the Bank of Italy's monthly sample and are classified by geographical area according to the location of each bank's registered office. For definitions of the series, see the Methodological Notes below and the "Note metodologiche" and "Glossario" sections in the Appendix to the Bank's Annual Report in Italian.

(1) For a homogeneous sample with respect to 1998. - (2) Calculated excluding dividends on shareholdings in banks.

METHODOLOGICAL NOTES

B - ECONOMIC ACTIVITY

Figure B1

ISAE indicators for industry excluding construction

The series for domestic, foreign and total orders and production are seasonally adjusted using the TRAMO-SEATS procedure.

Table aB3

Gross fixed investment, turnover and employment of manufacturing firms with at least 50 employees

In 1999 the Bank of Italy's annual survey of investment by manufacturing firms was carried out using a stratified sample of 1,135 firms with at least 50 employees. The participation rate was 80.4 per cent.

For more detailed information, see the "*Note metodologiche*" section in the Appendix to the Bank's Annual Report in Italian.

Table aB4

Regional exports (*fob*) by economic sector

The data on trade with EU countries are obtained using the Intrastat system; those on trade with other countries using customs data. The regional data are the result of the aggregation of the data classified by province of origin and destination. The province of origin is that in which goods for export were produced or obtained following the processing, transformation or repair of temporarily imported goods. For further information, see the "Avvertenze generali" section in *Statistiche del commercio con l'estero*, published by Istat.

C - THE LABOUR MARKET AND REGIONAL POLICIES

Tables C1,C2 and aC1-aC4

Labour force, unemployment rate and participation rate

Istat conducts the labour force survey every three months — in January, April, July and October — by interviewing a sample of around 75,000 households in some 1,400 municipalities in all of Italy's provinces. The annual averages refer to the four surveys.

For further information, see the notes to the “Forze di lavoro” table in the Appendix to the Bank’s Annual Report in Italian and the “Note metodologiche” section in the Bank of Italy’s *Bollettino economico*.

The main changes and discontinuities introduced with the revision of the survey in the last three months of 1992 and the criteria adopted for data reconciliation are described in the entry, “Incidenza degli occupati sul totale della popolazione”, in the Appendix to the Bank’s Annual Report for 1995 in Italian.

D - BANKING

Tables D1-D3, D6 and aD1-aD4

Balance sheet data

The data are drawn from the statistical reports (third section of the supervisory returns) that the Bank of Italy requires banks to send under Article 51 of the 1993 Banking Law (Legislative Decree 385/1993). Since 1995 the former special credit institutions have been submitting identical reports to those sent by other banks; from the same date the information on the former special credit sections is included in the reports of their parent institutions. For details on the classification of customers by economic activity, see the “Glossario” section of the Bank of Italy’s *Bollettino statistico* (under the items “settori” and “comparti”).

The aggregates are consistent with those adopted by the European System of Central Banks for the euro area and are based on end-of-period data.

The definitions of some items in the tables are given below:

Deposits: savings deposits, certificates of deposit, savings certificates, current accounts and repos vis-à-vis resident non-bank customers.

Loans to residents: lending in lire and foreign currency to resident non-bank customers in the following technical forms: discounting of bills, current account overdrafts, self-liquidating transactions (advances on bills, other credit instruments and amounts credited subject to final payment), import and export credits, mortgage loans, advances other than current account advances, pledge loans, loans secured by the pledge of salary, assignments of claims, loans granted drawing on funds administered for third parties, and other financial investments (banker’s acceptances and commercial paper, etc.). Short-term loans are those with maturities of up to 18 months; medium and long-term loans, more than 18 months.

Substandard loans: Claims on borrowers in temporary difficulties that they can be expected to overcome within a reasonable period of time. The data are available half-yearly.

Bad debts: Loans to insolvent persons (even if they have not been officially declared bankrupt) or in essentially comparable circumstances.

Adjusted bad debts: Total debt of a borrower to the financial system where the borrower’s position has been reported to the Central Credit Register as:

- a) bad debt by the only intermediary that disbursed credit;
- b) bad debt by one intermediary and overdrawn by the only other intermediary exposed to the borrower;

- c) bad debt by one intermediary and the amount of such bad debt is at least 70 per cent of the borrower's total debt with the financial system or there are excess drawings of at least 10 per cent;
- d) bad debt at least two intermediaries and the amount of such bad debt equals or exceeds 10 per cent of the total credit drawn by the borrower.

Unless otherwise specified, the data refer to the residence of the counterparty. The figures for loans include bad debts.

Tables D4 and aD5

Securities deposited with banks

The collective investment undertakings referred to in the table comprise UCITS and real-estate investment funds. The UCITS include open-end securities investment funds, SICAVS, units of unharmonized investment funds specializing in foreign securities, closed-end securities funds. For further information, see the "Glossario" section of the Bank of Italy's Annual Report in Italian.

Table aD5 and Figure D5

Bank interest rates

The observations on interest rates are based on quarterly reports by two groups of banks comprising 69 banks for lending rates and 58 for deposit rates at the end of 1999. Both groups include the leading Italian banks except for former special credit institutions..

The data on lending rates refer to the average rates on loans in lire (and, from 1 January 1999, in euros and euro-area currencies) to non-bank resident customers reported to the Central Credit Register, which records the positions where the credit granted or drawn exceeds 150 million lire (€77,469).

The data on deposit rates (shown gross of withholding tax) refer to savings and current account deposits in lire of at least 20 million lire (€10,329) held by non-bank resident customers. The data are averaged by weighting the reported rates with the amounts outstanding at the end of the reference period (presumed rate). The information for the fourth quarter of each year, when interest is paid on most accounts, corresponds to the average cost of funds for the whole year (average effective rate).

For further information, see the "Appendice metodologica" in the Bank of Italy's *Bollettino Statistico*.

Tables D5 and aD7

Banks' profit and loss accounts by geographical area

Total assets, the denominator of the profit-and-loss-account ratios, are calculated as averages of thirteen monthly observations, assigning a weight of 1 to the figures for December of the reference year and that of the previous year and a weight of 2 to the months in between. The percentage ratios to total assets are obtained considering only the banks that have produced profit and loss reports in the year. In Table aD7 the percentage changes are calculated with reference to homogeneous samples for the reference year and the previous year.

The Reports on economic developments in the Italian regions can be obtained from the Bank of Italy, Servizio Studi, Divisione Biblioteca e Pubblicazioni, Via Nazionale 91, 00184 Rome (Fax: 0647922059) or directly from the Bank of Italy's branch in each regional capital (addresses shown below).

Piedmont

Via Arsenale, 8
10121 Torino

Valle d'Aosta

Avenue du Conseil des Commis, 21
11100 Aosta

Lombardy

Via Cordusio, 5
20123 Milano

Liguria

Via Dante, 3
16121 Genova

Trentino-Alto Adige

Piazza A. Vittoria, 6
38100 Trento

Veneto

Calle Larga Mazzini,
4799 San Marco
30124 Venezia

Friuli-Venezia Giulia

Corso Cavour, 13
34132 Trieste

Emilia-Romagna

Piazza Cavour, 6
40124 Bologna

Tuscany

Via dell'Oriuolo, 37
50122 Firenze

Umbria

Piazza Italia, 15
06100 Perugia

Marche

Piazza Kennedy, 9
60122 Ancona

Lazio

Via XX Settembre, 97/e
00187 Roma

Abruzzo

Corso Federico II, 1
67100 L'Aquila

Molise

Via Mazzini, 2
86100 Campobasso

Campania

Via Cervantes, 71
80133 Napoli

Puglia

Corso Cavour, 4
70121 Bari

Basilicata

Via Pretoria, 175
85100 Potenza

Calabria

Piazza Serravalle, 1
88100 Catanzaro

Sicily

Via Cavour, 131/a
90133 Palermo

Sardinia

Largo Carlo Felice, 13
09124 Cagliari

The Summary of the Reports on economic developments in the Italian regions in 1999 and the Reports on each single Italian Region in the Italian version are also available on the Internet at www.bancaditalia.it.