

BANCA D'ITALIA

**Summary of the Reports
on economic developments in
the Italian regions in 2002**

Rome 2003

The Summary of the Reports on economic developments in the Italian regions, fruit of cooperation between the Bank's Economic Research Department and its regional research units, analyzes territorial developments on the basis of the information contained in the regional Reports, in which interested readers can find more detailed local information.

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A - REGIONAL ANALYSIS OF THE YEAR'S RESULTS

The Italian economy's rate of growth fell from 1.8 per cent in 2001 to 0.4 per cent in 2002. The slowdown was more pronounced than in the rest of the euro area.

The economy recorded growth of 0.9 per cent in the Centre and 0.7 per cent in the South and Islands, while in the North there was virtually no change from the previous year. The improvement in the economic performance of the two areas was focused in the service sector. The South and Islands was the only part of the country in which industrial value added increased, particularly in some branches geared mainly to the domestic market, such as food products and processing of non-metallic minerals.

The differentials in output growth can be partly ascribed to the pattern of spending on final consumption; household expenditure decreased by 0.5 per cent in the North-East and by 0.1 per cent in the North-West, but was unchanged in the Centre and the South and Islands.

Despite the boost provided by tax incentives, gross fixed investment slowed down in the Centre and North and in the South and Islands in response to the heightened uncertainty about the economic outlook and sluggish demand. Investment in private services expanded faster in the South and Islands and the Centre. In industry excluding construction the downturn in capital formation in the South and Islands and, above all, in the North-West contrasted with modest growth in the North-East and more pronounced expansion in the Centre. Companies' investment plans for 2003 point to a contraction throughout the country.

Despite the recovery in world trade, exports diminished in all the major areas owing to the loss of price competitiveness and the limited growth of the main outlet markets; the decline was sharpest in the North-West. The regions of the Centre and North were affected by the difficulties of the automobile industry and of the main sectors producing typical Italian goods (notably textiles, clothing, leather goods and footwear), which are vulnerable to the increasingly strong competition from the recently industrialized countries.

Between 1995 and 2002 Italy's share of world exports fell from 4.5 to 3.6 per cent. Last year the contribution of exports to GDP growth was minus 0.7 percentage points, while the total negative effect over the seven years was 2.9 points. All the major areas of the country, and especially the North-West, saw a decline in their shares of world trade.

Italian industry as a whole is little in evidence on the world market for high-tech goods. Although recently the composition of exports has shifted slightly towards the high-tech end throughout the country, Italy has lost market shares in these sectors. The same has occurred with medium-to-high-tech products, such as industrial machinery, one of the sectors in which Italy is most highly specialized, particularly in the North-West.

Compared with the other industrial countries, low-tech goods, in which the recently industrialized countries can benefit most from the advantage of low production costs, account for a particularly large share of Italian exports, especially in the regions of the Centre and North-East. The growth in world trade in these sectors was less than average, but Italian exports, notably of fashion goods, lost ground here as well.

The competitive weakness of our firms reflects conditions in the environment in which they operate and the difficulty of keeping pace with the innovations of competitor countries.

In the three years 1998-2000 only 41 per cent of firms in the North of Italy with 10 or more employees introduced product or process innovations. The percentage drops to 36.5 in the Centre and 25 in the South and Islands. In the case of product innovation, where Italy and, above all, the South and Islands lag farthest behind the other European countries, the ability to innovate is positively correlated with firm size, investment in R&D and the percentage of graduates in total employment.

The average size of Italian firms is the smallest in Europe. In industry, local units employ an average of 6.8 workers in the Centre and North and 4.7 in the South and Islands. Spending on R&D in relation to GDP is highest in the North-West and the Centre, but even in these areas the ratio is well below the European average. Only half of the total outlay is borne by the firms, compared with an average of two thirds in the European Union, and the share drops to a quarter in the South and Islands. By contrast, there is little geographical difference in the proportion of 25 to 64 year-olds with post-secondary education, which is about half the EU average. The training activities organized for employees also reflect the differences in firm size, with less than one

sixth of firms in the South and Islands providing staff training, compared with a quarter in the Centre and North and an average of just under two thirds in the European Union.

Since the second half of the 1990s the economy of the South and Islands has grown at a faster pace than that of the Centre and North; the number of non-farm enterprises has increased more than in the rest of the country. Between 1997 and 2002 industrial employment rose by an average of 1.7 per cent a year, whereas it remained virtually stationary in the Centre and North. Between 1991 and 2002 exports from the South, excluding refined oil products, rose from 7.9 to 9.6 per cent of the national total.

These improvements have only closed part of the gap with the more developed regions of the Centre and North. In 2002 per capita GDP in the South and Islands was still only 58 per cent of that of the Centre and North, much the same as in the early 1990s and less than the level achieved in the mid-1970s. The southern regions' disadvantage is due not only to lower productivity but also to differences in employment rates.

According to regional accounts data for the two years 2000-01, value added per standard labour unit in industry excluding construction in the South and Islands was 86 per cent of the corresponding value for the Centre and North; the gap, which was present in all sectors, was most pronounced in low-tech goods. Between 1995 and 2001 labour productivity grew more slowly on average in the South and Islands than in the rest of the country.

In 2002 the employment rate among 15 to 64 year-olds in the South and Islands was 44 per cent, compared with 62 per cent in the North-West, 65 per cent in the North-East and 58 per cent in the Centre. After widening between 1993 and 2000, the gap between the employment rate in the South and those in the rest of the country has remained practically unchanged.

Despite the economic slowdown, employment continued to expand in 2002 thanks to wage moderation and more flexible contracts. In parallel with the performance of the economy, employment growth was more pronounced in the Centre and the South and Islands. The tax credit offered until July 2002 for the recruitment of new payroll employees helped to raise the number of permanent jobs, especially in the South and Islands, where the social contributions relief was increased by 50 per

cent higher. The number of employed workers in the area returned to the level recorded in 1992.

Employment in industry excluding construction grew by 1 per cent, with the largest increase occurring in the South and Islands. Economic conditions in the building sector remained favourable in 2002, with employment up by 2.4 per cent; however, the growth was less buoyant than in 2001, especially in the South and Islands, where there was a sharper fall-off in public works. In the service sector the number of employed workers rose by 1.9 per cent; in the North-East and the Centre the growth was driven by the wholesale and retail sector; in the South and Islands employment in services, particularly other than the wholesale and retail trade, grew faster than in the rest of the country.

The unemployment rate continued to decline throughout the country, with the largest fall being recorded in the Centre and the South and Islands. In the North-West the rate increased slightly for the first time since 1995.

Compared with 2001 bank lending decelerated in the Centre and North, but accelerated in the South and Islands, where the growth rate exceeded that in the first area, particularly in the service sector. In the manufacturing sector lending grew by 0.4 per cent in the South and Islands and declined by 0.3 per cent in the Centre and North.

Credit conditions remained generally easy throughout the country. Undrawn credit lines increased, especially in the North-West and the South and Islands; interest rates on bank loans were gradually reduced.

The spread between the interest rates on short-term loans to non-financial corporations and producer households in the Centre and North and in the South and Islands narrowed from 2.3 percentage points in 1996 to 1.6 in 2002. It reflects the larger proportion of enterprises in the South that are small or operating in higher risk sectors. For the same firm size and sector, the spread narrowed to less than one percentage point in 2002. This residual difference reflects the existence of external diseconomies in the South and Islands and the greater fragility of firms in the area, even of equal size and operating in the same sector. The spread between the interest rates applied on medium and long-term loans in the two areas declined to 0.4 percentage points.

The flow of new bad debts increased slightly as a proportion of outstanding loans owing to the weakness of the economy; however, loan

quality deteriorated less than in similar cyclical phases in the past, partly because of improvements in banks' credit management policies.

Bank deposits and borrowed funds grew by 8 per cent, compared with 6 per cent in 2001. The growth was most pronounced in the regions of the Centre and North. The high level of uncertainty on the financial markets and the fall in share prices encouraged investors in all areas of the country to adjust their portfolios by switching into less risky financial instruments.

The consolidation of the banking system continued in 2002. A total of 29 mergers and acquisitions took place during the year, involving banks with a combined market share of 5 per cent. The average number of banks operating in each province of the country rose to 32 (3 more than in 1996), thus increasing the range of choice available to households and firms. The convergence of conditions for the supply of bank services was fostered by the spread of banking groups operating over most of the country: the percentage of branches owned by groups present in more than 30 provinces rose to 72.9 per cent in the Centre and North and to 79.4 per cent in the South and Islands. The growing presence of banks from the Centre and North in the southern regions was reflected in an increase in the ratio of outstanding loans to funds raised in the South.

B - ECONOMIC ACTIVITY

In 2002 the growth in gross domestic product at constant prices exceeded the national average in the Centre (0.9 per cent) and the South and Islands (0.7 per cent), according to preliminary estimates by Istat. GDP declined by 0.1 per cent in the North-West and expanded by 0.2 per cent in the North-East.

Value added in industry increased only in the South and Islands, by 0.7 per cent. By contrast, value added in services grew throughout Italy, the largest increases being recorded in the Centre (1.3 per cent) and the South and Islands (1.4 per cent). Value added in agriculture, forestry and fishing rose by 1 per cent in the Centre but fell in all the other areas, more markedly in the South and Islands (-4.4 per cent) and the North-East (-2.9 per cent) than in the North-West (-1.2 per cent).

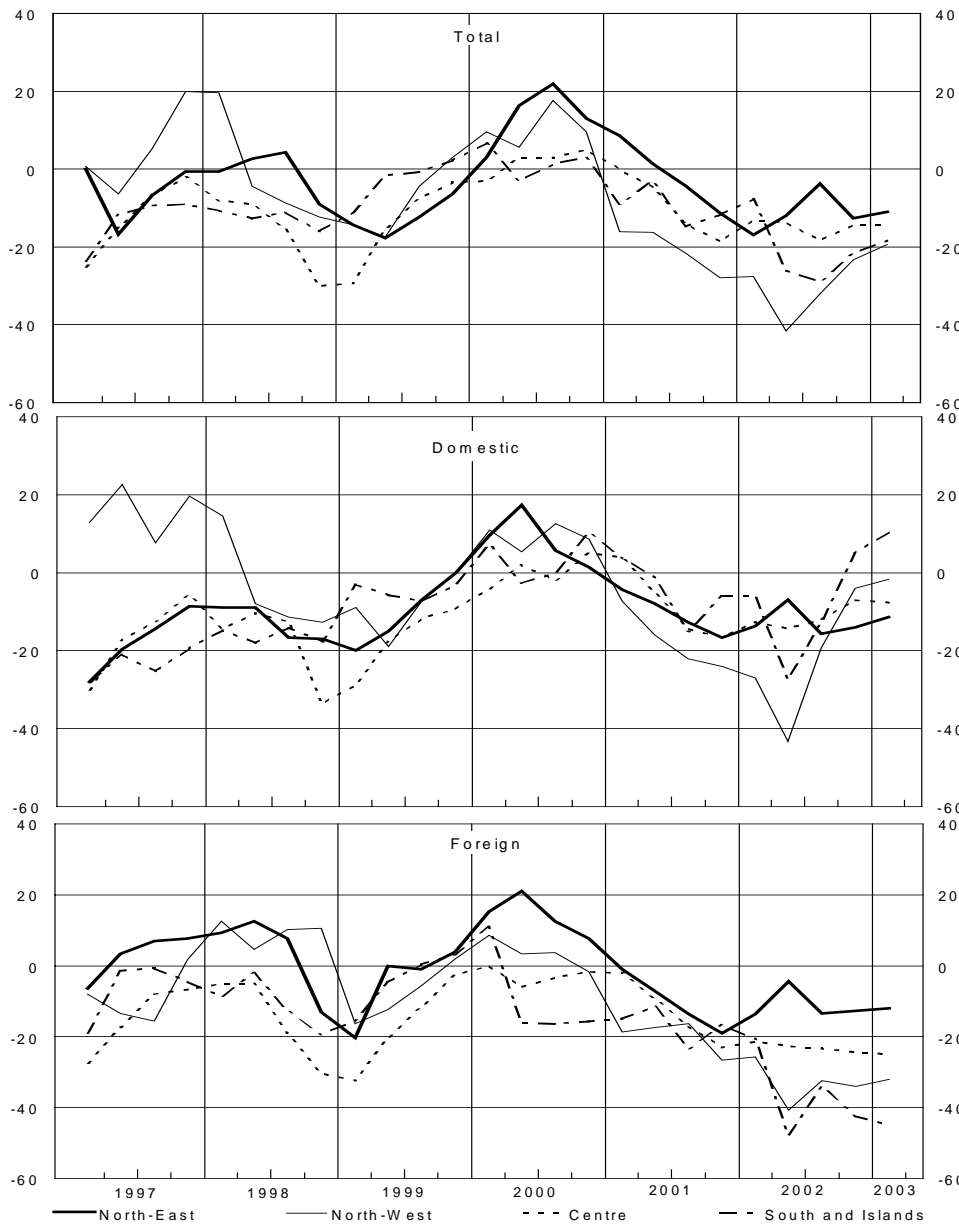
Manufacturing industry

Manufacturing output fell by an average of 2.7 per cent in 2002; the contraction was sharpest in the textiles and clothing, tanning and leather products, electrical machinery and transport equipment industries. By contrast, output expanded in the food products, wood and furniture, paper products, and rubber and plastic goods sectors.

According to ISAE business surveys, demand in industry excluding construction fell throughout Italy in 2002. In the North-West and the South and Islands, the decline in the first half of the year was partially recouped in the second (Figure B1). In the North-East and Centre, orders remained near the end-2001 levels throughout 2002 and in the first few months of 2003.

Figure B1

LEVEL OF ORDERS BY GEOGRAPHICAL AREA (1)
(percentages)



Source: Based on ISAE data (Isco until December 1998).

(1) Three-month averages of the balances between positive responses ("high") and negative responses ("low") in ISAE and Isco business surveys.

In Lombardy and Emilia-Romagna the weakness of demand for capital equipment and for products of the fashion sector (textiles, clothing, leather and footwear) adversely affected overall manufacturing output. In Tuscany, Lazio and Marche, the drop in demand for traditional consumer goods contrasted with a slight expansion in the mechanical engineering sector. In Campania and Sardinia, the level of activity was buoyed by the increase in output of food products, one of the sectors of specialization of the two regions (see the related Reports).

The production and processing of agricultural products is an important part of economic activity in the regions of the South and Islands, and especially in Puglia. According to Istat's regional accounts, in the three years from 1998 to 2000 the sector's value added at constant prices accounted for 7.9 per cent of Puglia's GDP. In the same period, Puglia contributed 10 per cent of the sector's national value added.

The crisis of the Italian automobile industry worsened in 2002. Domestic demand for Italian-made cars contracted by a further 17.5 per cent, as against an increase of 0.8 per cent in sales of foreign cars, according to data from the Italian Automobile Makers' Association. Exports diminished by 11.5 per cent. The Fiat Group's overall market share in Western Europe (including Italy) declined from 13.8 per cent in 1990 to 9.6 per cent in 2001 and 8.2 per cent in 2002.

In the past decade the major car makers have pursued strategies aimed at reducing vertical integration and rationalizing their network of suppliers. The reorganization of the industry has transformed the relationship between car companies and component suppliers along cooperative lines, often based on task-sharing in research, design and development.

In Piedmont the auto components sector has undergone sweeping change in recent years. The number of Fiat's suppliers has fallen sharply; many medium-sized and large companies have diversified their customer base and repositioned themselves in the international markets. These strategies generally appear to have been effective. Between 1996 and 2001, a period in which world car production grew by 9.3 per cent, Piedmont's exports of automobile components rose by 34.2 per cent, led by the 49 per cent growth in sales to the EU countries, where Fiat has relatively few plants. On the basis of Company Accounts Data Service and Cerved data for more than 300 Piedmontese companies in the sector, exports rose from an average of 16 per cent of total sales in 1996 to 31 per cent in 2001; the companies that did the most to diversify their customer base in the direction of exports turned in better-than-average earnings and financial results (see the Report on Piedmont).

According to the Bank of Italy's sample survey of firms in industry excluding construction, investment at constant prices remained broadly unchanged in 2002 at the national level. However, there were considerable geographical differences. On the basis of estimates for the actual location of production units, investment rose by 9.3 per cent in the Centre, boosted by expenditure in the energy and mining and quarrying

sector, and by 1.5 per cent in the North-East, whereas it fell by 4.5 per cent in the North-West and by 1.9 per cent in the South and Islands (Table aB5).

Building and public works

In 2002 activity in the construction sector continued to expand, albeit at a slower pace. Value added at factor cost rose by 0.5 per cent, compared with 4.1 per cent in 2001; the rate of growth of investment in construction, which had averaged 3.9 per cent between 1999 and 2001, fell to 0.3 per cent. Against the modest increase of 0.9 per cent in investment in residential building, there was a contraction of 0.3 per cent in investment in non-residential construction owing to the slowdown in civil engineering works, which was sharper for the public component.

Investment in dwellings continued to benefit from renovation and extraordinary maintenance work, which was favoured by the tax credit introduced in 1998. Applications for the latter increased by 12.3 per cent, after growing by 16.6 per cent in 2001; the rise was larger in the South and Islands than in the Centre and North (33.2 against 9.6 per cent).

The rate of utilization of the tax incentives continues to differ by geographical area. According to statistics released by the National Builders' Association, the applications for tax credits presented up to March 2003 involved more than 10 per cent of housing units in the North, 7 per cent in the Centre and 2.7 per cent in the South and Islands.

The continued growth of demand in the property market caused house prices to accelerate. The index calculated by the Bank of Italy on the basis of the data reported by *Il Consulente Immobiliare* shows that the prices of new or completely renovated dwellings rose in real terms by 9 per cent, compared with 5 per cent in 2001 and 1.2 per cent in 2000.

According to a survey of 464 construction firms conducted in April 2003 by the Bank of Italy's branches, there was an overall decrease in activity in the public works sector in 2002; the decline was sharper in the regions of the Centre and the South and Islands and in firms with fewer than 100 employees.

A fall in the first half was followed by a recovery in the second, which reflected the intensification of work on several major rail and road transport infrastructure projects and the start made on some town-planning and soil-conservation construction projects (see the Reports on Piedmont, Lombardy and Veneto).

Obstacles to the expansion of activity were reported by 63.7 per cent of the firms interviewed; apart from legislative and administrative difficulties, the main difficulties concerned recruitment of workers, particularly in the northern regions (Table B1).

The average interval between the publication of an invitation to tender and the actual start of construction is five and half months; lead time is longer in the South and Islands.

In 2002 some regions adopted measures to streamline administrative procedures and reduce the time for awarding contracts (see, for example, the Reports on Friuli-Venezia Giulia, Sardinia and Sicily).

Table B1

OBSTACLES AND LEAD TIME IN THE PUBLIC WORKS SECTOR
(percentages)

		Presence of obstacles (1)				Average lead time in months (2)
		Legislative	Recruitment of labor	Plant and structures	Other obstacles	
North	65.9	45.6	40.0	11.5	26.4	4.7
Centre	64.5	49.0	32.8	7.6	37.8	5.2
South and Islands	59.9	47.6	16.2	9.5	19.5	6.5
Total	63.7	47.0	31.0	10.1	26.6	5.4

Source: Banca d'Italia, *Rilevazione sulle Opere pubbliche*. See the Methodological Notes in the Appendix.
(1) Percentage of construction firms interviewed that reported obstacles to the expansion of activity in the field of public works in the months ahead. — 2) Average time between the publication of an invitation to tender and the actual start of construction.

According to CRESME data, the value of public works put out to tender was 22.3 per cent greater in 2002 than in 2001. The increase was larger in the South and Islands than in the Centre and North.

According to the indicators published by Istituto Tagliacarne, setting the average for Italy equal to 100, the overall infrastructure endowment of the South and Islands is equal to 78.1. The gap is smaller for roads and larger for rail infrastructure and airports. The area's endowment is above average only for seaport and harbour facilities.

The disadvantage of the South and Islands extends to public utilities, the liberalization of whose markets remains incomplete. The multipurpose survey carried out by Istat and the Electricity and Gas Authority shows that interruptions in the supply of water and electricity are significantly more frequent in the South and Islands than in the Centre and North; moreover, a smaller percentage of the population in the southern regions is served by the natural gas distribution network.

According to Istat data, the share of total Italian public works carried out in the South and Islands fell from close to 36 per cent at the start of the 1990s to 27.8 per cent in 1998; it rose back to 30.1 per cent in 1999.

Services

The sector's value added at factor cost grew in real terms by 0.9 per cent in 2002, compared with 2.3 per cent in 2001. In wholesale and retail trade and repair services value added fell by 0.6 per cent, the decline being less accentuated in retail trade. In hotels and restaurants it declined by 0.5 per cent. In transport services, the value added of maritime and air transport decreased by 2.7 per cent and that of land transport by 0.5 per cent.

According to the survey of non-bank private services conducted by the Bank of Italy on a sample of firms with at least 20 employees, investment grew by 3.3 per cent at constant prices. The expansion involved all the geographical areas except the North-West.

Wholesale and retail trade. – Sales at fixed retail outlets rose by 2.5 per cent at current prices in 2002, compared with 2.7 per cent in 2001. The moderate acceleration in sales of food products from annual growth of 3.9 to 4.1 per cent contrasted with the slowdown from 1.9 to 1.4 per cent in that in sales of other products. The growth in sales amounted to 4.4 per cent for large distributors and 1.2 per cent for small stores.

On the basis of the Bank of Italy's survey of services, the turnover of businesses in wholesale and retail trade grew in real terms by 1.5 per cent; the increase was smaller in the South and Islands than in the Centre and North.

New car registrations fell by 5.2 per cent, after rising by 0.1 per cent in 2001. The drop in car sales involved all geographical areas but was most pronounced in the North (-5.9 per cent).

The National Wholesale and Retail Trade Observatory at the Ministry for Productive Activities reports that the number of fixed outlets engaged mainly in retailing stood at 736,000 at the end of 2002, an increase of around 10,500, or 1.4 per cent, compared with a year earlier.

Table B2

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

	North	Centre	South and Islands	Italy
Supermarkets				
1992	670	505	312	509
1998	1,130	839	501	845
1999	1,204	925	561	916
2000	1,187	995	593	934
2001	1,195	1,008	622	951
2002	1,235	1,071	674	1,000
Hypermarkets				
1992	206	187	52	147
1998	320	253	78	219
1999	346	256	90	236
2000	477	294	127	314
2001	550	359	132	361
2002	540	365	163	370

Source: Based on data from the Ministry for Productive Activities referring to 1 January of the year indicated.

The growth came mainly in the South and Islands, with the largest increases recorded in Campania (around 3,600 units), Puglia (1,900) and Sicily (1,600). The expansion was smaller in the Centre except for Lazio (1,300). In the North there was a slight reduction, which was concentrated in Lombardy.

Modern distribution networks continued to grow in 2002 in the South and Islands, whose endowment of supermarkets and hypermarkets nonetheless remains smaller than that of the more developed parts of the country: for supermarkets, surface area per inhabitant has reached the level recorded in the North ten years ago; for hypermarkets, density is still below that level (Table B2).

Tourism. – According to provisional data released by Istat (Table B3), arrivals and overnight stays at lodging facilities in Italy diminished by 0.3 and 1 per cent respectively in 2002, whereas they had increased by 2.2 and 3.4 per cent in 2001. The contraction ended the upward trend of the previous years; it was more intense among Italian tourists, whose arrivals and overnight stays were down by 0.7 and 1.6 per cent respectively.

The South and Islands was the only area to record an increase in the number of overnight stays (0.9 per cent overall, 1.2 per cent in the domestic component and 0.2 per cent in the foreign component). The

decline in overnight stays was especially large in the North-West and North-East (1.6 and 1.8 per cent respectively); it was smaller in the Centre (0.7 per cent), thanks to the 2.5 per cent increase in overnight stays by foreigners.

Table B3

TOURIST TRAFFIC BY GEOGRAPHICAL AREA IN 2002

(percentage changes on 2001)

	Italians		Foreigners		Total	
	Arrivals	Overnight stays	Arrivals	Overnight stays	Arrivals	Overnight stays
North-West	-0.5	-2.5	3.0	-0.2	0.9	-1.6
North-East	-0.8	-1.9	-1.3	-1.6	-1.1	-1.8
Centre	-3.1	-3.1	0.2	2.5	1.5	-0.7
South and Islands	1.7	1.2	1.3	0.2	1.6	0.9
Italy	-0.7	-1.6	0.2	-0.1	-0.3	-1.0

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

The Istat survey of the hotel industry in Italy shows that supply is characterized by marked territorial specialization. In the North-West the industry benefits principally from business trips and conventions (which account for 24 per cent of overnight stays at hotels in the area) and tourism in mountain and hillside resorts (19.7 per cent). In the North-East the bulk of activity comes from mountain and hillside tourism (34.1 per cent) and seaside resorts (27.7 per cent). In the Centre the most important segments are cultural tourism (35.7 per cent) and seaside resorts (19 per cent). In the South and Islands 30.2 per cent of overnight stays are at the seaside. According to Istat's quarterly survey of travel and vacations, 38.1 per cent of the trips made by Italians in 2002 were to the North, 20.7 per cent to the Centre, 26.5 per cent to the South and Islands, and 14.7 per cent to destinations abroad.

Between 1992 and 2002 the growth in overnight stays was larger in the South and Islands than in the rest of the country (50.1 against 31.4 per cent), especially in the foreign component. Despite this expansion, the area's share of overnight stays by tourists — 24.4 per cent for Italians and 14.3 per cent for foreign visitors — remains small in comparison with its environmental, artistic and cultural resources, which the Italian Touring Club estimates at 36 per cent of the national total. The area suffers from a dearth of tourist infrastructure, as well as from inadequate promotion.

Provisional estimates by Istat based on 9 composite indicators of tourist infrastructure endowment show that most of the provinces of the South and Islands stand near the bottom of the national ranking for at least 5 of the 9 indicators.

Transport. – According to Istat data, the turnover of the maritime transport industry fell by 1.5 per cent at constant prices in 2002 after rising by 5.1 per cent in 2001; that of the air transport sector rose by 5.4 per cent after falling by 1.4 per cent in 2001.

Activity in the Calabrian port of Gioia Tauro resumed growing after the contraction of 2001. Container traffic in the port, which accounts for around one third of the national total, increased by 19.5 per cent. The number of ships arriving also rose (by 14.1 per cent), while the number of automobiles handled remained at the level of the previous year. The ports of Liguria saw an increase in both freight traffic (4.9 per cent) and passenger traffic (3.7 per cent for ferry service and 18.4 per cent for cruises).

At Milan-Malpensa airport the number of flights declined by 9.1 per cent and passenger traffic by 6.1 per cent. A contributory factor was the transfer of some activity to Linate airport (which handled 9.5 per cent more passengers than in 2001) and to the minor airports of Orio al Serio and Montichiari (where passenger traffic was up by 18 and 12 per cent respectively), partly as a consequence of the use of those facilities by low-fare carriers. At Rome's airports the number of flights rose by 0.7 per cent while that of passengers was broadly unchanged. Passenger traffic declined further only on non-EU international routes (by 3.2 per cent, compared with 9.9 per cent in 2001).

The demographics of non-farm enterprises

On the basis of statistics provided by the Chambers of Commerce, in 2002 the number of active non-farm businesses remained stationary overall. In the North the balance between entries and exits of enterprises was negative; in relation to the number of active firms, the decline amounted to 0.5 per cent in the North-West and 0.3 per cent in the North-East. The Centre recorded a slightly positive balance (0.1 per cent), while the rising trend under way in the South since 1997 continued with growth of 0.8 per cent (Table B4).

In the Centre and North the decline involved most of the productive sectors; it was most pronounced for industrial enterprises in the North. Construction was the only sector to show an increase throughout the country, while industry excluding construction was the only one to record a decrease in the South and Islands.

In 2001 around one third of the non-farm corporations registered with the Chambers of Commerce were located in the North-West, 21.8 per cent in the North-East, 24.6 per cent in the Centre and 20 per cent in the South and Islands. Between 1981 and 2001 the share of the national

total rose by 3.6 percentage points in the North-East and 4.7 points in the South and Islands while falling by 5.8 points in the Centre and 2.5 points in the North-West.

Table B4

**ENTRY, EXIT AND GROWTH RATES OF NON-FARM ENTERPRISES
IN 2002 BY GEOGRAPHICAL AREA AND SECTOR (1)**

(percentages)

	Entry rate	Exit rate	Growth rate
North-West	6.3	6.8	-0.5
Industry excluding construction	4.3	6.1	-1.8
Construction	9.3	6.7	2.6
Wholesale and retail trade	6.3	7.5	-1.2
Other services	5.8	6.6	-0.8
North-East	6.8	7.1	-0.3
Industry excluding construction	4.9	6.5	-1.6
Construction	10.3	6.8	3.5
Wholesale and retail trade	6.2	7.7	-1.5
Other services	6.5	7.1	-0.6
Centre	6.9	6.8	0.1
Industry excluding construction	5.4	6.7	-1.3
Construction	9.1	6.4	2.7
Wholesale and retail trade	6.8	7.1	-0.3
Other services	6.6	6.7	-0.1
South and Islands	6.7	5.9	0.8
Industry excluding construction	5.6	5.8	-0.2
Construction	7.3	5.9	1.3
Wholesale and retail trade	6.9	6.0	1.0
Other services	6.6	5.7	0.9
Italy	6.6	6.6	0.0
Industry excluding construction	5.0	6.2	-1.2
Construction	8.9	6.4	2.5
Wholesale and retail trade	6.6	6.9	-0.3
Other services	6.3	6.5	-0.2

Source: Unioncamere – Movimprese.

(1) Excludes unclassified enterprises. Entry rates are calculated as the percentage ratio of the number of newly-registered firms to the number in business, exit rates as that of the number of deregistered firms to the number in business, growth rates as that of the balance between entries and exits to the number in business.

Owing to the higher incidence of small retail businesses in the South and Islands, the largest number of firms whose legal form is different from that of a corporation are located in that area. Between 1981 and 2001 the proportion of unincorporated enterprises decreased throughout Italy. In the South and Islands the reduction was smaller than the national average in all the productive sectors, particularly in wholesale and retail trade and industry excluding construction.

Foreign trade and direct investment

Foreign trade. – Despite the recovery of world trade Italian exports fell, owing to the stagnation of demand in Italy’s main outlet markets and the loss in price competitiveness over the last two years.

According to Istat data on foreign trade, exports at constant prices fell by 2.8 per cent in 2002 after increasing by 4.9 per cent in 2001. Imports showed a similar decline (2.6 per cent, compared with growth of 2 per cent in 2001). Imports of goods decreased in all parts of Italy except the North-East, where they rose by 1.9 per cent. Italy’s *cif-fob* trade surplus narrowed from €9.2 billion to €8.4 billion.

The fall in exports was sharpest in the North-West (4.6 per cent) and the South and Islands (3.7 per cent; Table B5). Net of oil products, which accounted for 12.1 per cent of the total exports of the South and Islands, the export decline in that area came to 2.1 per cent, compared with the national average of 2.6 per cent.

Table B5

EXPORTS (*FOB*) BY GEOGRAPHICAL AREA IN 2002

(current values; percentage changes on 2001)

	North-West	North-East	Centre	South and Islands	Italy
Euro area	-5.5	-5.0	-4.7	-6.2	-5.3
Rest of Europe excluding the UK	-5.5	-2.8	0.2	1.0	-3.2
United Kingdom	-2.0	2.4	-3.9	-0.9	-0.9
Eastern Europe including the former USSR	1.6	6.3	9.7	-2.5	4.4
Africa	-0.9	-1.2	12.0	3.9	1.8
United States	-8.1	3.0	-1.8	4.8	-1.5
Canada and Greenland	2.8	-0.6	-14.9	-24.3	-4.5
Central and South America	-29.2	6.7	-10.9	-15.2	-14.0
Middle East	6.5	-3.4	-3.7	-3.5	0.9
China	8.1	6.5	164.8	-0.3	22.7
Japan	-7.0	-6.5	-1.5	10.7	-4.5
Other Asian countries	-4.8	-1.0	-3.7	-17.1	-5.0
Australia and others	0.4	11.0	28.8	8.2	6.8
Total	-4.6	-1.1	-0.8	-3.7	-2.8

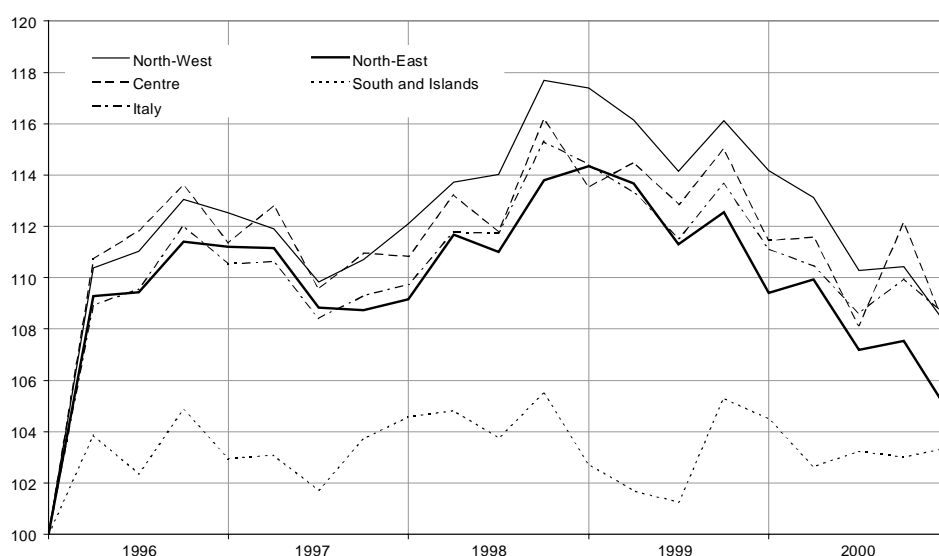
Source: Based on Istat data. See the Methodological Notes in the Appendix.

In the first quarter of 2003 Italian exports were unchanged from the same period of 2002; an increase of just over 2.5 per cent in the South and Islands and the North-West was offset by a reduction in the other parts of the country.

The weakness of demand in the euro area and the continuing crisis of some countries in Latin America led to a general contraction in trade flows to those two regions; only the North-East increased its exports to the latter (by 6.7 per cent). Exports to the countries of Central and Eastern Europe and the former Soviet Union, spurred by the enlargement of the EU, rose substantially for the North-East and the Centre, whereas they diminished for the South and Islands. Overall, the appreciation of the euro against the dollar counteracted the effects of the expansion in US demand on Italian exports to the United States, which fell by 1.5 per cent. However, the impact varied from area to area, with a reduction in the North-West and increases similar to those of 2001 in the North-East and the South and Islands.

Figure B2

**INDICATORS OF INTERNATIONAL COMPETITIVENESS
BY GEOGRAPHICAL AREA (1)**
(indices, average for 1995=100)



Sources: Based on Istat, Bank of Italy and OECD data.

(1) Based on the average unit values of exports. An increase in the index indicates a loss of competitiveness.

Between 1991 and 2002 the share of Italian exports going to the euro area fell from 54.7 to 44.5 per cent of the total. The decline, which involved exports from all parts of Italy, was largest in the North-East (12.9 percentage points) and smallest in the North-West (7.1 points). Nationally, the reduction was almost entirely offset by the growth in the share of exports going to the countries of Eastern Europe and the former Soviet Union and to the United States (6 and 2.9 points respectively).

In manufacturing industry the fall in exports amounted to 2.7 per cent overall and was pronounced in all the country's sectors of

specialization, most notably fashion and electrical machinery. Exports of fashion products from central Italy declined by more than 10 per cent. Exports of electrical equipment and apparatus and precision instruments fell substantially throughout the North except in Emilia-Romagna, where they remained at the previous year's levels (Table aB6).

In the second half of the 1990s international competitiveness, measured by the average unit values of exports of manufactures, showed regionally different trends. Between 1995 and 2000 the loss in price competitiveness was small for the South and Islands; in the other areas a large loss in the first 3 years was followed by a recovery in the last 2 (Figure B2). This appears to reflect different regional trends in relative prices rather than the different geographical composition of exports. In particular, following the appreciation of the currency in 1996 southern firms probably adopted strategies aimed at maintaining export shares in international markets. The appreciation of the euro after 2000 has led to an adverse movement in the index for Italy as a whole.

Between 1995 and 2002 Italy's share of world exports fell from 4.5 to 3.6 per cent at constant prices. The loss of market shares involved all the areas of Italy, notably the North-West (from 2.06 to 1.47 per cent) and the North-East (from 1.34 to 1.13 per cent). The decrease was smaller for the Centre and the South and Islands.

Table B6

**COMPOSITION OF EXPORTS OF MANUFACTURES
BY TECHNOLOGICAL LEVEL AND GEOGRAPHICAL AREA (1)**

(percentage shares and changes in percentage points)

Sectors	North-West	North-East	Centre	South and Islands	Italy
Shares 2001-02					
High-technology sectors	13.0	7.6	16.0	12.9	11.8
Medium-high technology sectors	45.5	39.4	26.9	30.6	39.0
Medium-low technology sectors	17.7	18.7	14.0	26.4	18.3
Low-technology sectors	23.8	34.4	43.1	30.2	31.0
Changes between 1995-96 and 2001-02					
High-technology sectors	1.3	2.6	3.3	3.2	2.1
Medium-high technology sectors	0.0	-0.6	1.8	0.3	-0.4
Medium-low technology sectors	-0.2	-0.1	-1.1	0.1	-0.2
Low-technology sectors	-1.0	-1.8	-4.0	-3.6	-1.5

Based on Istat data. See the Methodological Notes in the Appendix.

(1) The sectoral export shares are calculated on the area's total exports of manufactures. The classification by technological level is taken from OECD, *Science, Technology and Industry Outlook 2002*.

Italian manufacturing industry has a scant presence in the world markets for high-technology products (electronics, pharmaceuticals, telecommunications, etc.). By contrast, compared with the other industrial countries it has a large share of exports in low-technology sectors such as food products and fashion, which are more exposed to competition from the newly-industrialized countries. In 2001 and 2002 low-tech products accounted for an average of more than 43 per cent of central Italy's total exports. Italy's specialization in medium-high tech industries remains significant, especially in the machinery and mechanical equipment sectors (Table B6).

In recent years the specialization of Italian exports has shifted slightly towards technologically advanced sectors. Between 1995-96 and 2001-02 the proportion of high-tech products rose by around 2 percentage points while that of low-tech products fell by 1.5 points. The shift in export composition was due to the growth in world demand for high-tech goods; in all high-tech industries except pharmaceuticals, Italy's share of world exports declined.

Between 1995 and 2000 world trade in high-technology manufactures grew at an average annual rate of more than 15 per cent. Among low-tech sectors, furniture and clothing recorded relatively rapid growth, albeit slower than that of the high-tech sectors, while the rate of growth in trade in textiles and leather and footwear did not exceed 9 per cent. Among mid-tech sectors, trade in machinery and non-metallic mineral products grew by an average of around 10 per cent.

Losses of market share also occurred in Italy's principal sectors of specialization, notably the fashion sector.

According to the Shoe & Allied Trades Research Association, during the 1990s Italy's share of world production of footwear gradually declined (from 4.8 per cent in 1993 to 3.3 per cent in 1999) in concomitance with the growing competition of Asian producers. In 1999 Italy still ranked fifth by volume of output, after China, India, Indonesia and Brazil, and second by volume exported, after China (see the Report on Marche, a region that accounts for around one quarter of total employment in the Italian footwear industry).

Direct investment. – The internationalization of Italian firms in the form of direct investment in companies or the transfer of production abroad slowed down in 2002. The net flow of non-bank direct investment abroad decreased by more than 30 per cent compared with 2001, to €16.4 billion (Table B7).

Regional results differed. Among the regions of the North, whose outward direct investment accounts for more than 60 per cent of the total, the contraction was largest in Lombardy (65.7 per cent) and smallest in Emilia-Romagna (15.7 per cent). Nationally, only Marche and Tuscany increased their net flow of outward direct investment in 2002.

The concentration of foreign direct investment by geographical area of provenance is higher than that of value added or exports. In the North-West, the provinces of Milan and Turin accounted for an average of around 64.5 per cent of Italian industry's net direct investment abroad in the years from 1997 to 2001. The other areas' share, particularly the North-West's, rises appreciably when subcontracting and outward processing are included. The contribution of the regions of the Centre and the South and Islands to outward processing trade has grown and stands at percentage shares slightly lower than that of value added in industry.

Table B7

**INWARD AND OUTWARD DIRECT INVESTMENT
BY GEOGRAPHICAL AREA (1)**

(balances and changes in millions of euros)

	Inward investment		Outward investment		Change 2001-02	
	2001	2002	2001	2002	Inward	Outward
North-West	8,189	7,359	12,845	8,702	-830	-4,142
North-East	1,779	984	2,207	1,586	-795	-621
Centre	1,345	-535	8,434	3,532	-1,880	-4,903
South and Islands	196	154	1,123	275	-42	-848
Italy (2)	15,838	15,078	23,619	16,406	-760	-7,213

Source: Based on Italian Foreign Exchange Office data.

(1) A positive balance on inward investment indicates a net capital inflow, one on outward investment a net capital outflow. Excludes investment in property and the banking sector. (2) Includes unallocated amounts.

According to a study by the Bank of Italy, these developments reflect the fact that most FDI is by large companies, which are concentrated in the North-West. The provinces typified by industrial districts, where small and medium-sized enterprises are most prevalent, have a higher share of exports in relation to valued added than the others but a lower share of FDI.

Direct investment in Italy also slowed down, albeit moderately, falling by 4.8 per cent to €15.1 billion; the decrease mainly involved the North-East and Centre. Inward investment in the South and Islands was very modest, amounting to 0.1 per cent of the area's GDP at constant prices.

Innovation, technology and R&D in Italian firms

The spread of a technological system based on digital technologies requires a greater commitment in terms of innovative investment and research and a more highly-trained workforce.

The European Innovation Scoreboard prepared by the European Commission ranks Italy below the EU average as measured by the main indicators of innovation. In terms of both high-technology patents and business R&D spending, Lombardy and Piedmont, which are Italy's leading regions for these indicators, rank well behind the most advanced regions of Europe. In addition, all the Italian regions rank below the European average for the number of workers with university or equivalent education.

Innovation. — According to the European survey on innovation in enterprises with at least 10 employees, the percentage of innovating firms in industry excluding construction was just over 38 per cent in Italy in the three years from 1998 to 2000; this was the lowest figure for any country except Spain for which survey results are now available and compares with 60 per cent for Germany and just under 50 per cent for Finland, the United Kingdom and Portugal.

Table B8

**PERCENTAGE OF INNOVATING FIRMS BY SIZE CLASS
AND GEOGRAPHICAL AREA IN INDUSTRY
EXCLUDING CONSTRUCTION: 1998-2000 (1)**
(percentages)

	Product innovation			Process innovation		
	Firms with 50-199 employees	Firms with 200 or more employees	Total	Firms with 50-199 employees	Firms with 200 or more employees	Total
North-West	66.8	80.3	69.4	66.3	81.8	69.3
North-East	64.8	78.0	67.3	62.6	73.5	64.7
Centre	66.7	77.8	67.8	68.6	76.9	69.5
South and Islands	51.1	62.1	51.9	64.3	75.7	65.2
Italy	64.3	78.3	66.6	65.3	78.0	67.4

Source: Banca d'Italia, *Indagine sulle imprese dell'industria in senso stretto*. See the Methodological Notes in the Appendix.
(1) Weighted averages on a sample of around 1,400 firms with at least 50 employees.

While some 41 per cent of industrial enterprises in the North introduced innovations, the proportion falls to 36.5 per cent in the Centre and 25 per cent in the South and Islands.

Innovation increases with firm size. According to the Bank of Italy's survey of industrial firms, the proportion of innovators is 78 per cent among firms with at least 200 employees but only 65 per cent among those with between 50 and 199 employees (Table B8).

Italy stands out in the European landscape for the low proportion of firms engaging in product innovation and the high proportion of those that only carry out process innovation. This characteristic is accentuated in the South and Islands, where the gap vis-à-vis the rest of the country is especially large for product innovation but modest for process innovation.

An econometric analysis carried out on a sample of firms used in the Mediocredito Centrale survey shows there is a positive correlation between the share of turnover attributable to new products and firm size, the ratio of R&D spending to turnover, and the percentage of university graduates in the workforce; in particular, a high percentage of in-house R&D has a significant impact on innovation. Companies in the high-tech sectors and export-oriented firms are more likely to innovate; by contrast, strategies of cutting costs through the transfer of production are negatively correlated with product innovation.

Table B9

**R&D EXPENDITURE BY GEOGRAPHICAL AREA
AND INSTITUTIONAL SECTOR IN 2000**

(millions of euros and percentages)

	General government (1)	Universities	Enterprises	Total	Total expenditure as a percentage of GDP
North-West	436	799	3,623	4,859	1.3
North-East	277	728	983	1,987	0.8
Centre	1,318	1,077	1,028	3,423	1.4
South and Islands	325	1,262	605	2,192	0.8
Italy	2,356	3,865	6,239	12,460	1.1

Sources, Based on Istat, *Statistiche sulla ricerca scientifica* and *Conti economici regionali*.
(1) Government, other public bodies and research agencies (CNR, ENEA and others).

R&D spending. – Italy's scant presence in the technologically advanced sectors and weakness in innovation also stem from the paucity of public and private resources allocated to research and development. On the basis of Istat data, in 2000 expenditure on R&D in Italy amounted

to just under €12.5 billion or 1.1 per cent of GDP, compared with an average of 1.9 per cent in the countries of the EU (according to OECD estimates). In the North-West and Centre the ratio of expenditure to GDP was 1.3 and 1.4 per cent respectively, while in the North-East and South and Islands it was 0.8 per cent (Table B9).

The northern regions with the highest ratios were Piedmont (1.6 per cent of GDP) and Lombardy and Friuli-Venezia Giulia (1.2 per cent). In central Italy, the proportion in Lazio was 2 per cent, while in the South and Islands spending on R&D amounted to 1 per cent of GDP in Abruzzo and Campania. The lowest figures were those of Calabria and Molise.

Enterprises accounted for only one half of R&D spending nationally, compared with the EU average of almost two thirds. The share of corporate R&D spending is higher in the North-West, where it reaches 75 per cent; it is just over 25 per cent in the South and Islands, where a leading role is played by the universities, which accounted for more than half of the area's total expenditure. In the Centre expenditure was fairly evenly divided among firms, general government and universities; spending by general government was higher than in the other areas owing to the presence of the main public research bodies.

The results of the Bank of Italy survey of a sample of industrial firms with at least 50 employees indicate that expenditure per employee on research, development and design amounted to €2,200 nationally in 2002 (Table B10). Expenditure tends to increase with firm size. Firms in the South and Islands invest less in research and design than those of the same size in the Centre and North.

Table B10

**CORPORATE SPENDING ON R&D AND DESIGN PER EMPLOYEE
IN INDUSTRY EXCLUDING CONSTRUCTION IN 2002
BY FIRM SIZE AND GEOGRAPHICAL AREA (1)**

(thousands of euros)

	Firms with 50-199 employees	Firms with 200 or more employees	Total
Centre and North	1.3	3.2	2.3
South and Islands	1.0	1.0	1.0
Italy	1.3	3.1	2.2

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

(1) Weighted averages on a sample of round 1,300 firms with at least 50 employees. The amount includes spending for market research and the production of prototypes.

The gap separating the South and Islands from the Centre and North is wider for large companies than for small and medium-sized ones. Southern firms with at least 200 employees invest less than one third the amount spent by their counterparts in the Centre and North; the disparity reflects the different sectoral specialization of the two areas.

Utilization of the new technologies. – On the basis of the results of the Bank of Italy survey, pronounced geographical disparities persist in the utilization of new technologies, whereas access to electronic networks is more homogeneous. In industrial firms with at least 20 employees there was an average of 40.1 personal computers for every 100 employees in the North and Centre, compared with 27.8 in the South and Islands. In the South and Islands 90.1 per cent of the firms surveyed had an intranet and 95 per cent an Internet connection; the proportions in the Centre and North were similar. Despite the spread of electronic links, in the South and Islands only 27.3 per cent of firms with at least 50 employees offered services over the Web, compared with 33.4 per cent in the Centre and North.

Education and continuous training. – The intensification of R&D and the application of the new technologies require a more highly skilled labour force and continuous training. In Italy the proportion of the population aged 25 to 64 with post-high-school education is 10 per cent, half the EU average; the overall difference between the proportion in the Centre and North and that in the South and Islands is small (around 1.4 percentage points). The percentage of new university graduates in technical and scientific fields is low by international standards and fell from 32 to 29.7 per cent between 1995 and 2001; here, again, the geographical differences are modest.

In Italy private returns to education – the percentage increase in wages attributable to an additional year of schooling – appear to be in line with the European average; the highest returns, exceeding 10 per cent, are found in the United Kingdom and Ireland, the lowest, around 4 per cent, in Norway, Sweden and Denmark.

According to calculations by the Bank of Italy's Economic Research Department, in the period from 1986 to 2000 private returns to education were about the same in the Centre and North and in the South and Islands; by contrast, in the period from 1977 to 1984 returns in the South were one fifth higher than those in the Centre and North. A positive correlation was also found between a worker's earnings and the average level of education attainment in the local labour market where he or she resides, after controlling for workers' individual characteristics and the productive structure of the area.

According to Eurostat, in 1999 almost two thirds of EU firms with at least 10 employees provided vocational training for their own workforce; the corresponding ratio in Italy was 23.9 per cent. Italy's disadvantage is partly the consequence of the very large number of small production units, in which informal, on-the-job training prevails.

In Italy the percentage of firms carrying out continuous training declines from more than 80 per cent among companies with at least 250 employees to 16.3 per cent among those with between 10 and 19 workers. In the latter size class, the ratio falls further to 11.2 per cent in the South and Islands while it reaches 19.5 per cent in the North-East. Overall, the percentage of firms providing training stands at only 15.4 per cent in the South and Islands, compared with 25.6 per cent in the Centre and North.

C - THE LABOUR MARKET AND REGIONAL POLICIES

Employment

According to Istat's labour force surveys, average employment in 2002 increased by 315,000 or 1.5 per cent (2.1 per cent in 2001; Table aC1). The increase in employment mainly concerned the Centre (1.8 per cent) and the South and Islands (1.9 per cent), while it was less marked in the North (1.1 per cent). Average employment in the South and Islands returned to its level in 1992. The first survey in 2003 shows employment in the Centre and North continuing to increase in January on a twelve-month basis, albeit at a slower pace; in the South and Islands there was a decrease in employment, for the first time since 1999 (Figure C1).

On the basis of the national accounts, the input of labour increased by 255,000 standard units or 1.1 per cent (1.7 per cent in 2001). The regional accounts show that the increase was concentrated in the Centre and South (1.4 per cent); in the North the number of standard labour units increased by 0.8 per cent.

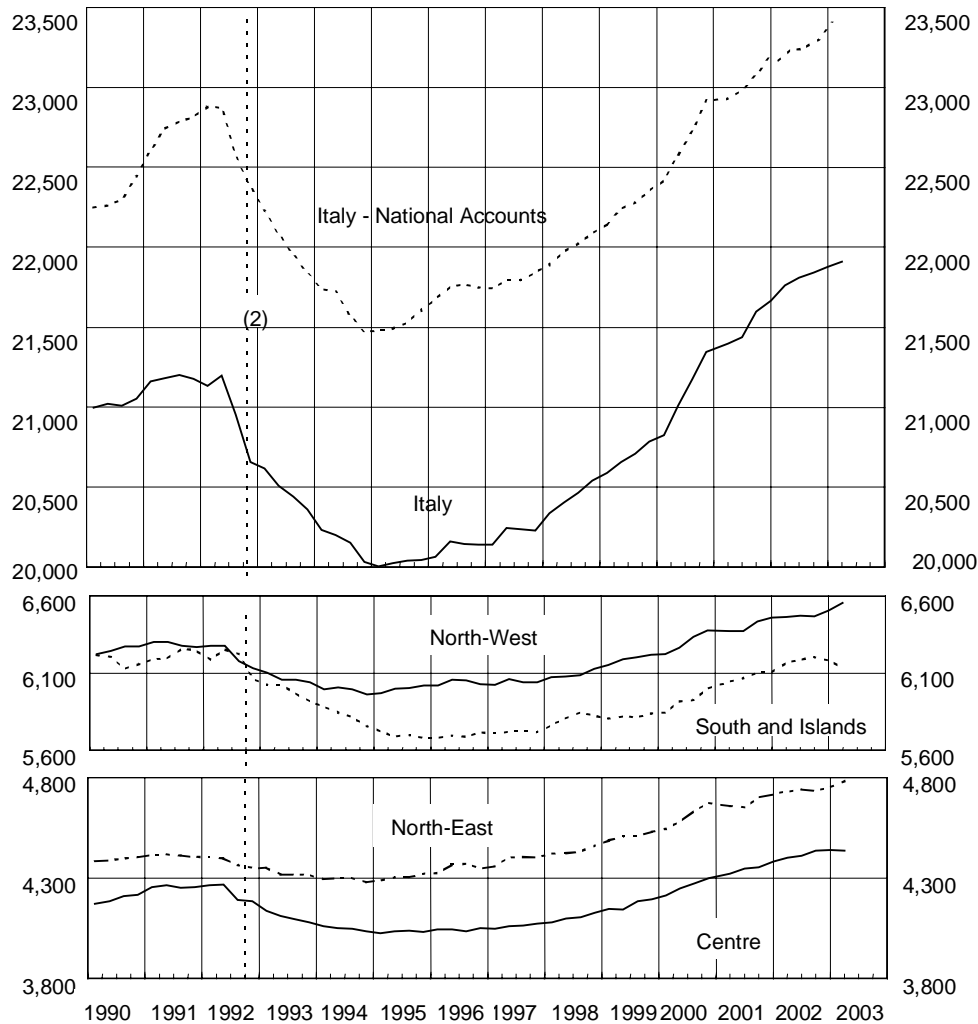
In the non-farm sectors 2002 saw further growth in part-time employment and a recovery in fixed-term employment after the fall recorded in 2001. A factor contributing to this result was the suspension in July of the incentives for new additional permanent jobs. The percentage of total employment consisting of self-employment continued to fall in all the macro-regions except the Centre, in part owing to the further decline in the number of self-employed workers in the distributive trades (Table aC4).

Labour demand by sector and geographical area. – In 2002 average employment increased in all the main sectors except agriculture, where it declined in all the macro-regions and contracted by 2.7 per cent on a national basis.

Figure C1

EMPLOYMENT BY GEOGRAPHICAL AREA (1)

(seasonally adjusted; thousands of persons)



Sources: Istat, *national accounts and labour force surveys*. See the Methodological Notes in the Appendix.

(1) Number of persons employed according to the labour force survey; number of jobs according to the national accounts. – (2) A new questionnaire was introduced to the labour force survey in October 1992. The data through July 1992 are reconciled with subsequent data to take account of the methodological changes.

On the basis of the regional accounts, the increase in the input of labour concerned industry and above all services, while in the farm sector the number of standard labour units fell by 2.3 per cent. In industry including construction the total demand for labour increased by 0.7 per cent (1.5 per cent in the South and Islands and 0.5 per cent in the Centre and North). In services the number of standard labour units rose by 1.5 per cent overall, with increases in the South and Centre (respectively 2.1 and 2 per cent) nearly twice those in the North-West and the North-East (respectively 1 and 1.3 per cent).

Despite the slowdown in economic activity, the number of persons employed in industry excluding construction rose by 1 per cent, the first increase since 1998. Small falls in employment of 0.2 and 0.3 per cent respectively in the North-East and the Centre were accompanied by increases in the North-West (1.1 per cent) and especially the South and Islands (4.1 per cent; Table aC3).

Most of the increase in employment in this sector came in the first part of the year. On a seasonally adjusted basis the figure for July was unchanged compared with April, while that for October showed a small decrease of 0.2 per cent compared with July. In January 2003 the level was down by a further 0.3 per cent compared with October 2002. The Bank of Italy survey of firms in industry excluding construction showed a small reduction across the country in the number of hours worked per capita that was partly due to the increase in the number of hours paid by the Wage Supplementation Fund.

The expansion in construction under way since 1999 continued, albeit at a slower pace (2.4 per cent, as compared with 5.5 per cent in 2001). The fastest expansion occurred in the North-East (4.5 per cent). The result in the North-West was unchanged compared with 2001 at 2.8 per cent, while the expansion in the Centre slowed from 7.9 to 3.2 per cent and that in the South and Islands from 7.5 to 0.4 per cent. The poor performance of public works was a contributory factor in the sharp slowdown in the southern regions.

The number of persons employed in services rose by 1.9 per cent or 254,000. Two thirds of the increase occurred in the Centre and South, where the number rose by 2.4 per cent. In the Centre and North-East the distributive trades made a major contribution, with increases of respectively 2.8 and 2.7 per cent; in the North-West they made a negative contribution of 1.1 per cent. In the southern regions the increase in employment in services was fueled by services other than distribution (Table aC3).

In all the macro-regions the increase in employment occurred mainly in business services, partly as a consequence of the inclusion of temporary workers in that branch regardless of the branch in which they are actually employed.

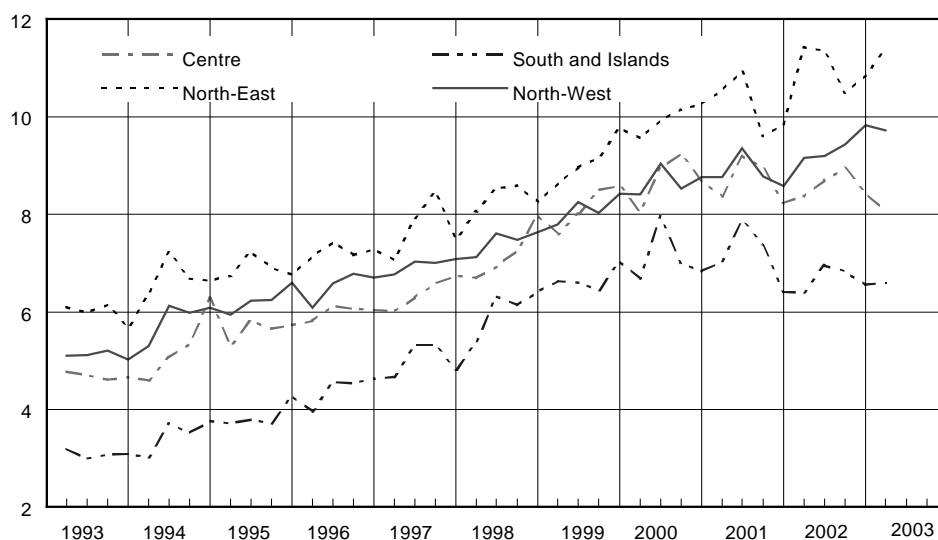
In 2002 the total number of hours paid by the Wage Supplementation Fund rose by 16.3 per cent as a consequence of the large increase of 40.6 per cent in ordinary benefits (Table aC9). Extraordinary benefits declined, continuing the downward trend under way since 1996.

The total number of hours paid increased mainly in the North-West (23 per cent) and the Centre (30 per cent); in the North-East and the South and Islands, the contraction in the extraordinary component helped to offset the increase in the ordinary component.

The flexibility of employment. – According to Istat’s labour force surveys, the increase in the average number of permanent employees continued in 2002, albeit at a slower pace (2 against 2.9 per cent). In the first few months of 2002 the tax incentives introduced by Law 388/2000 provided a significant stimulus to hire permanent employees. The effect was strongest in the South and Islands, where the incentives were 50 per cent larger than in the rest of the country. In July 2002 the Government suspended the reductions in social security contributions and reintroduced them only in 2003, albeit with amendments of a restrictive nature.

Figure C2

PART-TIME EMPLOYEES AS A PERCENTAGE OF TOTAL NON-FARM EMPLOYEES BY GEOGRAPHICAL AREA



Source: Based on Istat, *labour force surveys*.

The average number of fixed-term non-farm employees rose by 3.6 per cent, after declining by 1.8 per cent in 2001 (Table aC4). The increase was nationwide but especially pronounced in the North, which accounted for more than 80 per cent of the additional fixed-term employment (39,000 workers).

Part-time employment also increased (by 3 per cent, against 2.1 per cent in 2001) and the average number of workers with part-time contracts rose to 1,870,000. Excluding the farm sector, part-time employees rose slightly in relation to total employees (from 8.7 to 8.9 per cent). The figures vary significantly across the country: in the South and Islands, where part-time work is less common, the ratio fell further to 6.7 per cent; in the Centre it remained basically stable at 8.6 per cent, while in the North-West it rose to 9.4 per cent and in the North-East to 11 per cent (Figure C2).

As in the rest of the European Union, the bulk of part-time workers are females. In 2002 the ratio of part-time employment to total employment was 16.9 per cent for females and 3.5 per cent for males. The ratio for females was highest in the North-East, more than 20 per cent.

Labour supply and unemployment

In 2002 the labour force rose on average by 211,000 (0.9 per cent). The growth was fastest in the Centre and North, especially the North-West (1.2 per cent), where more than one third of the increase was concentrated (Table aC1). The participation rate for persons aged between 15 and 64 rose to 61 per cent. The rate rose throughout the country, but large disparities remain between the South and Islands and the Centre and North. The female participation rate continued to rise, albeit at a slower pace than in the preceding years; the male participation rate turned up (Table aC6).

Immigrants continued to account for a significant share of employment. In Veneto they were 16 per cent of total hirings in 2002. In Lombardy 50 per cent of industrial firms employ such workers (see the related Reports).

There was a further rise in the employment rate in 2002. The increase was slightly more pronounced in the Centre and the South and Islands (Table aC7).

The unemployment rate continued to decline: year on year it fell from 9.5 to 9 per cent for the country as a whole. Substantial stability in the North was accompanied by reductions in the Centre (from 7.4 to 6.6 per cent) and the South and Islands (from 19.3 to 18.3 per cent). In the North-West unemployment increased slightly for the first time since 1995, rising from 4.3 to 4.4 per cent (Table aC8).

Regional development policies

Financial resources. – According to the estimates for depressed areas prepared by the Ministry for the Economy and Finance, public expenditure in the depressed areas (which includes the cash flows on capital account specifically allocated to the Objective 1 and 2 areas in addition to the ordinary expenditure allocated to them) fell to €12.1 billion, after rising by about €5 billion to €15.3 billion in 2001. Most of the reduction was due to the fall in disbursements of Community funds, which had risen in 2001 in connection with the termination of payments under the Community Support Framework for 1994-1999.

In 2002 funding allocated by the Interministerial Committee for Economic Planning (CIPE) to depressed areas amounted to €6,816 million on an accrual basis. This figure does not include the industrial incentives provided for by Law 488/1992, disbursed directly to the Ministry for Productive Activities.

Table C1

PUBLIC EXPENDITURE ON CAPITAL ACCOUNT

(millions of euros and percentages)

	1997	1998	1999	2000
Centre and North	27,610	30,146	32,766	33,742
<i>investment expenditure</i>	19,461	21,349	24,105	22,663
<i>capital transfers</i>	7,528	7,871	7,563	9,598
<i>current expenditure on training</i>	621	926	1,098	1,481
South and Islands	17,580	18,246	19,346	20,916
<i>investment expenditure</i>	10,194	10,439	10,416	11,784
<i>capital transfers</i>	6,996	7,334	8,484	8,610
<i>current expenditure on training</i>	390	473	446	522
As a percentage of GDP				
Centre and North	3.6	3.7	3.9	3.8
South and Islands	7.0	7.0	7.1	7.4

Source: Ministry for the Economy and Finance, Development and Cohesion Policies Department, *Public regional accounts*.

The regional accounts show that total capital expenditure for development supported by government and companies controlled by public entities amounted to €54.7 billion in 2000. In relation to gross domestic product, such expenditure was equal to 7.4 per cent in the South and Islands and 3.8 per cent in the Centre and North (Table C1).

The Community Support Framework. – The Framework for 2000-2006, approved in August 2000, makes more than €50 billion available for spending by the end of 2008 (Table C2).

Table C2

**COMMUNITY SUPPORT FRAMEWORK (2000-06) FOR OBJECTIVE 1
REGIONS: STATE OF IMPLEMENTATION**

(millions of euros and percentages)

Programmes	Planned expenditure		Cumulative disbursements as a percentage of total cost		
	Total cost	of which: Community contribution	31.12.2000	31.12.2001	31.12.2002
Multiregional	12,784	6,452	1.5	7.7	17.6
Regional	38,447	15,206	1.1	3.8	8.9
<i>Molise</i>	619	181	2.4	7.5	9.7
<i>Campania</i>	9,322	3,845	1.4	4.4	7.8
<i>Puglia</i>	6,695	2,639	0.7	4.0	7.5
<i>Basilicata</i>	1,615	743	2.3	8.0	19.2
<i>Calabria</i>	5,303	1,994	2.2	6.5	10.7
<i>Sicily</i>	10,224	3,858	0.3	1.6	6.0
<i>Sardinia</i>	4,669	1,946	1.1	2.3	13.9
Total	51,231	21,658	1.2	4.8	11.1

Sources: Ministry for the Economy and Finance, SIRGIS.

Planned spending for the first three years was scheduled to amount to about 14 per cent per cent of the total by the end of 2002. The degree of attainment of the intermediate objectives was 78 per cent at the end of September 2002.

According to provisional data released by the Ministry for the Economy and Finance, all the programmes that had been activated made full use of the resources committed in 2000, so that none were wasted.

Disbursements speeded up in the second half of the year for most programmes. A start was also made in 2002 on implementing the measures for the Objective 2 areas in the Centre and North. Progress, with expenditure amounting to 1.6 per cent of the planned total, was slow owing to the delay with which the European Commission recognized the areas to be included and approved the programmes submitted by the autonomous regions and provinces.

Investment incentives. – The rankings of the 11th, 12th and 13th calls for applications under Law 488/1992 by firms in industry and services, tourism and distribution were announced (Table C3).

Table C3

LAW 488/1992: APPLICATIONS FOR FINANCIAL SUPPORT IN 2002 (1)
(number of projects, millions of euros)

	Applications approved	Investment	Support
Industry and services			
Centre and North	695	1,507	151
South and Islands	2,440	6,293	1,907
Italy	3,135	7,800	2,058
Tourism			
Centre and North	186	542	54
South and Islands	732	1,813	461
Italy	918	2,355	515
Distribution			
Centre and North	55	60	6
South and Islands	605	475	157
Italy	660	535	163

Source: Ministry for the Economy and Finance, *Relazione Generale sulla situazione economica del Paese*, 2002.
 (1) With reference to the 11th, 12th and 13th rounds.

In industry and services more than 3,100 applications were approved (78 per cent in the South and Islands), for a total of about €2 billion of support, which was 30 per cent less than in 2001. In July 2002 the third ranking for tourism was released, with the acceptance of more than 900 applications in respect of more than €2.3 billion of capital spending, against €2.2 billion in 2001. In the same month the second ranking for distribution was released, providing for €163 million of support, which was nearly 8 per cent less than for the first call.

The monitoring of the activities engaged in shows that the right granted to regions to establish a list of priorities for the selection of projects according to their structural features (location, sector of activity) has led to greater concentration of incentives on labour-intensive businesses.

In the early months of 2002 considerable recourse use was made to the tax incentives introduced by Law 388/2000 for capital spending in disadvantaged areas. Between January and May the support granted amounted to more than €571 million. Decree Law No. 138 of 8 July 2002, subsequently ratified by Law No. 178 of 8 August 2002, tightened the eligibility requirements and reduced the scale of the support.

The tax credits from which firms benefited in 2002 amounted to €1,928 million, with the South and Islands accounting for 89.4 per cent of the total.

The promotion of local development. - A total of 220 Territorial Pacts have been approved since 1996, for total financial commitments of over €5 billion. At the end of 2002 there were 190 pacts active (60 in the Centre and North and 130 in the South and Islands), against 84 at the end of 2001.

Table C4

STATE OF IMPLEMENTATION OF TERRITORIAL PACTS

(at 31 December 2002; millions of euros)

Type of pact	Number	Total investment (1)	Cost to government	Disbursements
1 st generation (2) (3)	12	514	371	198
2 nd generation	208	10,805	4,619	882
of which: <i>active</i>	178	9,380	3,898	882
Total	220	11,319	4,990	1,081
<i>Active</i> (3)	190	9,893	4,269	1,081
<i>Centre and North</i>	60	4,495	1,124	191
<i>South and Islands</i>	130	5,398	3,145	889
<i>Non-active</i>	30	1,426	721	-

Source: Ministry for the Economy and Finance, Development and Cohesion Policies Department, Servizio per la programmazione negoziata.

(1) Total investment includes both productive and infrastructure investment. – (2) All these pacts are active. – (3) Active pacts are those for which state support has actually been disbursed.

At the end of 2002 some €198 million had been disbursed under the twelve first generation Territorial Pacts (which were approved in 1996-97 and were all in southern regions); this was 53.4 per cent of the total planned financial support by the government (Table C4). For the second generation pacts, which have been operational since 1999, the proportion was 19.1 per cent. Overall, the disbursements amounted to 28 per cent of the resources allocated to the South and Islands and 17 per cent of those allocated to the Centre and North. Another €642 million were disbursed for the Area Contracts concluded since 1998, corresponding to 30 per cent of the resources allocated. At the end of 2002 the disbursements under the eight Objective 1 region Pacts, which enjoyed EU co-financing, amounted to €331 million, corresponding to 80.7 per cent of the available resources. The disbursements under the two employment Pacts in Abruzzo and the central Apennines, which are outside the Objective 1 regions and receive only national funding, rose to more than 40 per cent of the available resources.

According to the survey of the effects of the Territorial Pacts conducted by the Ministry for the Economy and Finance, the level of efficiency of the spending process appears to depend significantly on the quality of the concertation. The different initial conditions in the areas concerned do not appear to have contributed to the differences between the results obtained.

The types of public support for economic activity. - The current system of public support for firms comprises a wide variety of instruments. The survey conducted in June 2002 by the Ministry for Productive Activities shows that there are 71 national initiatives and 270 regional initiatives, excluding agriculture, support aimed at maintaining or increasing employment and initiatives that are not operational. However, just 15 initiatives accounted for 81.3 per cent of the support approved between 1998 and 2001.

Table C5

INVESTMENT INCENTIVES IN THE PERIOD 1997-2001
(number of projects, amounts in millions of euros)

	1997	1998	1999	2000	2001	Total
Centre and North						
Applications submitted	79,422	117,008	117,662	58,679	76,817	449,588
Applications approved	57,038	103,021	115,660	73,768	62,191	411,678
Support approved (amounts)	1,220	3,127	2,978	2,179	3,247	12,751
Supportable projects approved (amounts)	13,462	12,544	19,326	10,838	17,227	73,397
<i>SMEs</i>	6,389	8,596	13,203	6,690	10,057	44,935
<i>large enterprises</i>	5,815	3,599	3,963	4,081	4,387	21,845
<i>unclassified enterprises and other beneficiaries</i>	1,257	350	2,160	67	2,783	6,617
Support revoked (amounts)	163	202	400	342	784	1,889
Support disbursed (amounts)	1,016	2,037	1,508	1,864	1,890	8,316
South and Islands						
Applications submitted	55,880	55,430	60,214	46,347	99,561	317,432
Applications approved	23,691	37,740	34,262	37,696	50,265	183,654
Support approved (amounts)	3,160	3,299	5,508	2,231	6,751	20,948
Supportable projects approved (amounts)	6,790	6,652	10,110	3,824	17,279	44,655
<i>SMEs</i>	4,518	5,090	7,651	1,768	10,922	29,948
<i>large enterprises</i>	1,621	1,380	917	817	3,379	8,114
<i>unclassified enterprises and other beneficiaries</i>	651	182	1,542	1,239	2,978	6,591
Support revoked (amounts)	248	344	337	376	648	1,953
Support disbursed (amounts)	2,835	3,483	1,900	2,182	2,869	13,269

Source: Ministry for Productive Activities, *Relazione 2002 sugli interventi di sostegno alle attività economiche e produttive*.

In particular, about 27 per cent of the support served to finance applications approved under Law 488/1992; another 19 per cent went to interventions in the context of negotiated development planning (Territorial Pacts, Area Contracts and Planning Contracts). The measures for the support of the aeronautical sector provided for in Law 808/1985 absorbed just under 9 per cent of the resources, while each of the

other national laws accounted for less than 6 per cent. In terms of the resources allocated, the total interventions of the regions amounted to about 10 per cent of commitments and disbursements.

More than 76 per cent of the applications for support approved concerned just four instruments: Law 949/1952 (capital spending by craft enterprises; 43 per cent), Law 449/1997 (automatic incentives for the distributive trades and tourism; 14.5 per cent), Law 1329/1965 (the Sabatini law for the purchase of machine tools; 12.1 per cent) and Law 608/1996 (the “word-of-honour” loans law; 6.7 per cent).

With reference to all the laws in force some 600,000 applications for support were approved between 1997 and 2001, of which 31 per cent in respect of projects in the South and Islands (Table C5). In this part of Italy both the number of applications and the value of the investments receiving support doubled over these five years. The investments activated in the Centre and North exceeded €70 billion and those in the South and Islands €40 billion; the share of these investments made by small and medium-sized enterprises was 61 per cent in the Centre and North and 67 per cent in the South and Islands. Projects in the South and Islands accounted for more than 60 per cent of the support approved and of that disbursed.

Territorial disparities

Between 1990 and 2002 the GDP of the South and Islands grew by an annual average of 1.4 per cent, which was slightly less than the growth in the Centre and North (1.5 per cent). The slower growth recorded by the southern regions in the first half of the 1990s was largely made good in the second half. Between 1997 and 2002 the South and Islands grew at an average rate of 2 per cent, against 1.6 per cent for the Centre and North.

On a per capita basis the recovery in GDP growth staged by the southern regions was more pronounced: an average annual rate of 2.1 per cent against 1.3 per cent in the Centre and North. These results were affected by the different demographic trends present in the two areas. In the South and Islands the population growth rate gradually declined and turned negative from 1998 onwards; by contrast, in the Centre and North the rate was positive throughout the period and somewhat higher from 1996 onwards.

Despite the gains recorded in recent years, in 2002 per capita GDP in the South and Islands was only 58 per cent of that in the Centre and

North. This was in line with the values recorded in the early nineties and lower than those of the mid-seventies.

The disparity reflects both the differences between employment rates in the two parts of the country and the lower level of labour productivity in the South and Islands.

In 2002 the employment rate of the population aged between 15 and 64 was 44 per cent in the South and Islands, against 62.3 per cent in the North-West, 64.8 per cent in the North-East and 58.2 per cent in the Centre. From the mid-nineties onwards the employment rate increased in all the macro-regions: in 1996 it was 40.4 per cent in the South and Islands, 57.2 per cent in the North-West, 59.8 per cent in the North-East and 53.2 per cent in the Centre (Table aC7).

According to the regional accounts for the two years 2000-01, value added per standard labour unit in industry excluding construction in the South and Islands was 86 per cent of that in the Centre and North; the gap was present in every sector but largest for low-tech industries. Between 1995 and 2001 the average gain in labour productivity was smaller in the southern regions than in the rest of the country.

In 2001 compensation per employee in industry excluding construction in the South and Islands was 83 per cent of that in the Centre and North. The disparity was affected by the differences between the two parts of the country in terms not only of sectoral composition and firm size but also of irregular employment, which is more widespread in the southern regions. According to Istat's survey of firms' results, which does not take into account the contribution of irregular workers, in 2000 compensation per employee in industry excluding construction in the South and Islands was 84, 91 and 93 per cent of that in respectively the North-West, the North-East and the Centre; the corresponding figures for value added were 77, 85 and 89 per cent.

In 2000 the number of irregular workers increased by 93,000 or 2.7 per cent, after falling slightly in 1999 (by 6,000 or 0.2 per cent). In relation to total employment, there was little change compared with the two previous years (about 15 per cent). There are sizable differences across the country. In the Centre irregular employment was 15.5 per cent of total employment, in the South and Islands the proportion was 22.4 per cent, about twice the figure for the northern regions. Agriculture was the sector with the largest proportion of irregular employment (32.1 per cent). In services excluding general government the proportion was 18.3 per cent, with a peak of 82 per cent in domestic services. Irregular employment is less widespread in industry excluding construction (5.9 per cent) than in construction (16 per cent). Regional data, available from 1995 onwards, show that the South and Islands contributed more than 50 per cent of the growth in irregular employment in the second half of the nineties and the Centre more than 30 per cent (Table aC5).

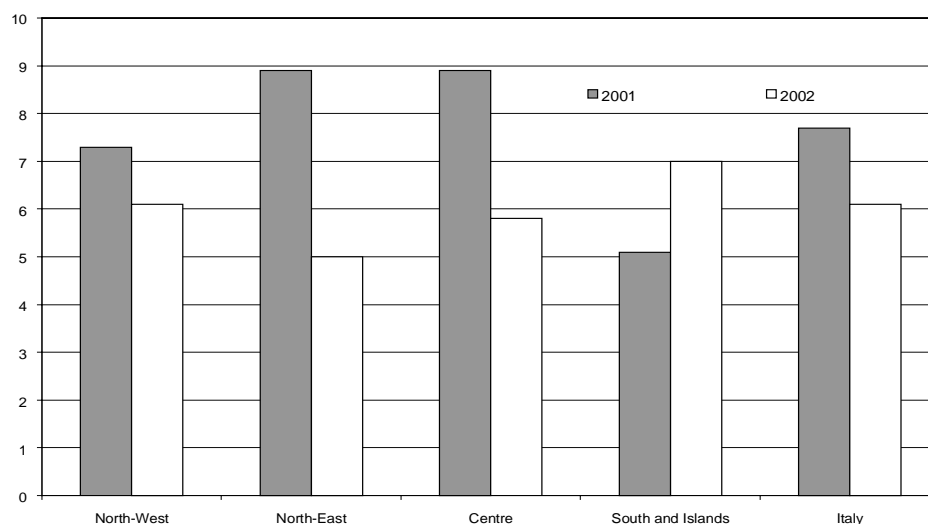
D - FINANCIAL INTERMEDIARIES

Lending

Excluding bad debts and repurchase agreements, in 2002 bank lending to resident customers increased by 6.1 per cent, down from 7.7 per cent in 2001 (Figure D1). The deceleration involved the North and Centre; in the South and Islands the overall rate of growth in lending picked up and was higher than in the rest of Italy.

Figure D1

LENDING BY GEOGRAPHICAL AREA (1)
(percentage changes on previous year)



Source: Supervisory returns. Data classified by customer location.

(1) Excluding bad debts and repos.

In the North-West the slowdown concerned lending to non-financial corporations and sole proprietorships; in the North-East and Centre it also involved financial corporations. Lending to consumer households continued to expand rapidly throughout Italy (Table aD2).

Growth in medium and long-term lending accelerated from 9 per cent in 2001 to 11.7 per cent in 2002; that in short-term lending slowed from 6.4 to 0.5 per cent.

Non-financial corporations and sole proprietorships. – The rate of growth in lending to non-financial corporations and sole proprietorships declined from 7.9 per cent in 2001 to 4.4 per cent in 2002, entirely on account of the short-term component.

The slowdown involved the North and Centre; in particular, the growth in lending fell from 7.1 to 0.1 per cent in the North-East. By contrast, in the South and Islands lending to enterprises accelerated and grew more rapidly than in the Centre and North, especially in the service sector (Table aD2).

Year-on-year growth in lending to industrial firms slowed from 7 to 0.7 per cent growth (Table aD2); that to textile and chemical firms and to makers of machinery and equipment contracted. Lending to the manufacturing sector rose by 0.4 per cent in the South and Islands and fell by 0.3 per cent in the Centre and North.

Loans for purchases of capital equipment declined in all parts of the country except the Centre.

With regard to the southern regions, in Calabria and Sicily there was further rapid growth in lending to industry, particularly to the energy, food products and publishing industries in Calabria and the chemical and energy sectors in Sicily (Table aD3; see the related Reports).

Credit to the construction industry grew more rapidly than in the previous year in Italy as a whole (9.1 against 6.7 per cent), expanding most notably in the South. Growth in bank lending to service firms eased from 9.4 to 6.5 per cent overall, contracting in the North-West but gaining pace in the Centre and the South and Islands (Table aD2).

There was a sharp acceleration in credit to the service sector in the South and Islands, especially in lending to hotels and to “other services”. Among the latter, lending to companies in the real-estate sector and to those providing business services contributed to the overall growth. By contrast, lending to service firms slowed down in Lombardy and contracted in Piedmont owing to the performance of credit to companies providing transport, telecommunications and other market services (see the related Reports).

Overall, the slowdown in lending was most pronounced for firms with credit lines of more than €25 million, which in the previous years had drawn heavily on these facilities for mergers and acquisitions; lending to these firms rose by 4.7 per cent, compared with 13.5 per cent in 2001. The growth in credit drawn by companies with credit lines of less than €500 thousand was similar across the country to that of the previous year, with an acceleration for southern firms.

The rate of growth in credit disbursed to sole proprietorships and companies with fewer than 20 employees rose by around 3 percentage points to 7.2 per cent in 2002; for those located in the South it increased from 3.1 to 7.5 per cent.

During the year lending by finance companies lost pace, especially as regards factoring; the variation in leasing was partially influenced by securitizations. The slowdown was sharpest in the North-West and Centre (Table D1).

Table D1

**FACTORING, LEASING AND CONSUMER CREDIT
BY GEOGRAPHICAL AREA**

(percentage changes on previous year)

	Total							
			of which:					
	2001	2002	Factoring		Leasing		Consumer credit	
	2001	2002	2001	2002	2001	2002	2001	2002
North-West	14.6	5.9	14.3	5.2	16.0	8.9	6.7	11.0
North-East	15.5	13.7	4.3	15.6	19.3	15.3	2.5	13.0
Centre	16.4	6.3	12.7	-0.7	16.0	12.2	9.7	11.4
South	17.0	12.9	11.9	13.6	24.2	17.8	9.7	6.0
Islands	12.6	9.7	3.0	15.8	21.9	11.6	5.2	3.2

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

Consumer households. – Year-on-year growth in lending to consumer households accelerated from 9.2 to 10.8 per cent, expanding rapidly throughout Italy and providing a major contribution to the increase in long-term lending. The most dynamic component was that of loans for the purchase of property.

Factors contributing to this trend were, on the demand side, the low level of long-term interest rates and the tax credits for building renovation, and, on the supply

side, the lengthening of the average duration of loan contracts and the increase in financing as a proportion of the value of the property.

Bank lending to finance the purchase of durable goods slowed down. By contrast, consumer credit disbursed by finance companies continued to expand rapidly, above all in the credit card component (Table D1).

Lending conditions. – Lending conditions remained generally easy. Over the year short-term lending rates came down by 0.3 percentage points, to 5.7 per cent; medium and long-term lending rates fell by 0.5 points for households and 0.3 points for firms, to 5.4 and 4.4 per cent respectively.

Table D2

RATIO OF CREDIT DRAWN TO CREDIT GRANTED FOR FIRMS (1)
(percentages)

	2001	2002
By geographical area		
North-West	53.0	50.3
North-East	50.8	50.1
Centre	56.5	56.3
South and Islands	60.7	59.3
By size of credit line		
€75,000 to €125,000	53.3	53.1
€125,000 to €500,000	55.3	55.0
€500,000 to €25,000,000	54.3	52.8
More than €25,000,000	52.7	51.1
Total	53.7	52.3

Source: Central Credit Register. See the Methodological Notes in the Appendix.

(1) The ratio is calculated with reference to all short-term exposures; sole proprietorships and holding companies are included.

The average differential between the short-term lending rate and the three-month interbank rate was in line with that prevailing in the three years from 1998 to 2001; the differences between geographical areas in the cost of credit have diminished in recent years. The ratio of credit drawn to that granted for non-financial corporations and sole proprietorships, for all short-term transactions, fell by more than one percentage point; the decline was largest in the North-West and the South and Islands (Table D2).

Bad debts. – The ratio of adjusted new bad debts to the stock of loans outstanding at the beginning of the year increased slightly, rising from 0.9 to 1 per cent. There were geographical differences in its performance: an increase in the North-West (from 0.6 to 0.8 per cent) contrasted with a decrease in the South and Islands (from 1.8 to 1.6 per cent).

The stock of bad debts grew by 1.9 per cent, whereas it had contracted by 12.5 per cent in 2001, but it declined from 4.6 to 4.5 per cent of total lending. The difference between the ratio of bad debts to lending in the Centre and North and that in the South and Islands narrowed as a consequence of the reduction (from 13.9 to 12.4 per cent) in the bad debt ratio in the latter area.

Securitizations of bad debts diminished by 69.7 per cent overall and more sharply for loans granted in the Centre and North. The share of bad debts outstanding at the end of 2001 involved in securitizations was highest in the South and Islands, where it amounted to 14.3 per cent, compared with a national average of 8 per cent.

Banks' substandard loans, to borrowers in temporary financial difficulty, grew by 4.6 per cent, compared with 1.9 per cent in 2001. The increase was largest in the North-West and North-East (8.8 and 10 per cent respectively).

Interest rate differentials and credit risk

In 2002 interest rates on short-term loans to non-financial corporations and sole proprietorships came down by 0.4 percentage points in the Centre and North and 0.3 points in the South and Islands, to 6.3 and 7.9 per cent respectively. The differential between the interest rates in the two areas has narrowed by almost one third since 1996.

The difference in the cost of credit is partly a reflection of the different characteristics of the firms based in the two areas; in the South and Islands there is a higher proportion of small firms and companies operating in high-risk sectors. Adjusting for the different characteristics of borrowers in the two areas (according to sector of activity and size), the differential between short-term lending rates in the two areas was equal to 0.9 percentage points.

The residual differential reflects the difference in riskiness of the firms located in the two areas, due to the external diseconomies that afflict productive activity in the southern regions. In 2002 the differential between the ratio of the flow of adjusted bad debts to the stock of loans outstanding at the beginning of the year to non-financial

corporations and sole proprietorships was 1 percentage point (0.8 points after adjusting for the different characteristics of the firms in the two areas).

Interest rates on unsupported medium and long-term loans to non-financial corporations and sole proprietorships decreased by 0.5 percentage points both in the Centre and North and in the South and Islands, to 4.7 and 5.4 per cent respectively. If supported loans are included, the differential between the rates applied in the two areas works out to 0.4 points.

The financial structure and profitability of firms

Firms' financial debt grew more slowly in 2002 and its composition by maturity shifted in favour of the medium and long-term component.

Calculations based on information reported to the Company Accounts Data Service show that between 1995 and 2001 (the latest year for which data are available) Italian firms' leverage fell from 55.4 to 50.7 per cent (Table D3). The decline was steeper for companies with 200 or more employees.

By contrast, financial debt grew in relation to value added. The ratio in the South and Islands is higher than in the Centre and North (162.9 against 131.2 per cent in 2001), especially for small firms.

The share of bank debt in financial debt fell from 70.6 per cent in 1995 to 61.8 per cent in 2001; the decline was sharper in the Centre and North, especially the North-East. The share of bank debt is higher in the South and Islands; the difference is attributable both to firms with fewer than 50 employees (80.8 against 74.8 per cent) and to those with at least 200 workers (70.4 against 52.6 per cent).

In 2002 domestic and foreign trade credit payable rose from 10.6 to 11.8 per cent of the total stock of firms' financial liabilities (including shareholders' equity).

In the last two years actual payment time in transactions between firms has lengthened in connection with the cyclical slowdown. On the basis of the sample surveys carried out by the Bank of Italy, for industrial firms with at least 50 employees the share of trade credit paid after the due date rose from 26 per cent in 2000 to 31 per cent in 2002.

Table D3

**FINANCIAL STRUCTURE OF FIRMS
BY SIZE AND GEOGRAPHICAL AREA**

(weighted averages; percentages)

Size classes	Centre North		South and Islands		Italy	
	1995	2001	1995	2001	1995	2001
	<i>Financial debt / (financial debt + equity)</i>					
1-49 employees	62.6	59.7	61.3	60.6	62.3	59.8
50-199 employees	57.1	55.8	55.3	52.1	56.9	55.4
200+ employees	52.6	46.9	50.0	46.7	52.4	46.9
Total firms	55.4	50.6	56.1	52.1	55.4	50.7
	<i>Financial debt / value added</i>					
1-49 employees	146.6	180.4	231.3	245.1	155.0	187.2
50-199 employees	108.1	132.9	153.2	139.0	112.0	133.5
200+ employees	112.8	121.0	123.7	143.2	113.4	122.1
Total firms	116.6	131.2	160.4	162.9	119.5	133.3
	<i>Bank debt / financial debt</i>					
1-49 employees	84.2	74.8	85.4	80.8	84.4	75.6
50-199 employees	76.7	71.5	75.9	71.9	76.7	71.5
200+ employees	61.7	52.6	77.2	70.4	62.5	53.7
Total firms	69.5	60.6	80.6	73.9	70.6	61.8

Source: Based on Company Accounts Data Service data for non-financial firms.

According to reports to the Company Accounts Data Service, in 2001 trade payables represented 43 per cent of firms' total debt. The proportion was slightly higher in the South and Islands (44.9 per cent, compared with 42.9 per cent in Centre and North) reflecting the figures for firms with at least 200 employees (43 per cent, compared with 39.8 per cent).

Territorial differences in the efficiency of the judicial system may help to explain the difference in the ratio of trade payables to firms' total debt. While the enforcement of trade claims is mainly based on self-protection, the actual protection of bank claims depends on the costs and duration of judicial procedures. In the South and Islands banks face higher credit recovery costs in the case of default. Analyses by the Bank's Economic Research Department show that where court proceedings are longer firms are more apt to resort to delayed payment of suppliers than to other sources of short-term financing, thus increasing trade payables as a proportion of a firm's total debt.

Table D4

**PROFITABILITY OF FIRMS
BY SIZE AND GEOGRAPHICAL AREA**
(weighted averages; percentages)

Size classes	Centre North		South and Islands		Italy	
	1995	2001	1995	2001	1995	2001
	<i>Gross operating profit / total assets</i>					
1-49 employees	10.3	7.9	6.8	7.2	9.8	7.8
50-199 employees	11.1	8.9	8.2	6.8	10.7	8.7
200+ employees	11.7	9.8	9.1	6.2	11.5	9.5
Total firms	11.1	9.1	7.8	6.4	10.8	8.9
	<i>Net interest expense / gross operating profit</i>					
1-49 employees	25.1	14.7	37.5	20.9	26.4	15.4
50-199 employees	18.7	8.3	20.4	11.7	18.9	8.6
200+ employees	12.0	-1.7	16.4	5.8	12.2	-1.4
Total firms	16.3	2.8	25.7	12.2	17.0	3.4
	<i>Return on assets (1)</i>					
1-49 employees	1.4	1.7	0.2	2.3	1.2	1.8
50-199 employees	1.6	1.2	1.1	1.4	1.5	1.2
200+ employees	1.9	1.2	0.7	-2.0	1.9	0.9
Total firms	1.7	1.2	0.5	0.1	1.5	1.1

Source: Based on Company Accounts Data Service data for non-financial firms.

(1) Before accelerated depreciation and other adjustments and revaluations.

Firms' profitability, measured by the ratio of gross operating profit to value added, decreased slightly in 2002. The fall in interest rates was reflected in a decline in net interest expense in relation to value added. Self-financing remained stable in relation to value added; internally generated funds covered a slightly smaller percentage of investment than in 2001.

After the recession of the early 1990s the profitability of Italian non-financial firms recovered. On the basis of Company Accounts Data Service data, in 2001 the return on assets was 1.1 per cent (Table D4), down from the peak of 2.4 per cent reached in 1999 but well above the low of 1993, when firms reported losses amounting to 1.2 per cent of assets.

A breakdown by size class and geographical location reveals pronounced differences in profitability. The profits disadvantage of firms based in the South and Islands is mainly attributable to large firms (Table D4). The rebound in Italian firms' profitability during the 1990s was partly due to the fall in interest rates, which lowered the ratio of net interest expense to gross operating profit from 24.4 per cent in 1990 to 17 per cent in 1995 and 3.4 per cent in 2001. This trend was nationwide:

between 1995 and 2001 the ratio of net interest expense to gross operating profit fell by 13.5 percentage points both in the Centre and North (to 2.8 per cent) and in the South and Islands (to 12.2 per cent).

Banks' fund-raising

The stock of funds raised by banks from resident customers in the form of deposits and bonds grew by 8 per cent in 2002, compared with 6 per cent in 2001 (Table D5). The expansion was fastest in the regions of the Centre (10.2 per cent, up from 4.2 per cent in 2001) and North (8.2 per cent, up from 5.8 per cent).

Bond funding accelerated, with annual growth rising from 4.9 to 9.6 per cent, outpacing deposits, for which it rose from 6.5 to 7.4 per cent.

Bank bonds grew more rapidly in the central regions than in Italy as a whole. Subordinated bank bonds continued to expand at a high rate (9.3 per cent), albeit more slowly than in 2001; the sharpest increases were recorded in the South and Islands and the North-East.

Table D5

BANK FUNDING IN 2002 BY GEOGRAPHICAL AREA (percentage changes on the previous year)

	Total funding						
		Deposits					Bonds (1)
		of which:					
		Current accounts	Certificates of deposit	Repos	Savings deposits		
North-West	8.3	9.2	7.4	-13.5	23.8	16.5	6.2
North-East	8.2	6.5	9.3	-10.3	3.2	5.5	11.7
Centre	10.2	8.9	6.6	-5.5	30.8	9.1	14.4
South	3.6	2.3	5.5	-12.4	-3.5	6.1	8.7
Islands	6.2	5.2	9.2	-4.0	-13.6	3.2	9.0
Italy	8.0	7.4	7.5	-10.3	17.3	8.0	9.6

Source: Supervisory returns. Data classified by customer location.

(1) Data at face value derived from information on securities held for custody by banks. Excludes bonds deposited by banks and money market funds. See the Methodological Notes in the Appendix.

Current accounts increased by 7.5 per cent, compared with 9.6 per cent in 2001. The preference for liquidity remained high; the uncertainty prevailing in the financial markets was accompanied by a further reduction in the yield differential between government securities and

bank deposits, which is an indicator of the opportunity cost of holding liquid assets. In 2002 deposit rates fell by 0.3 percentage points, to 1.5 per cent; the size of the reduction was similar throughout Italy (Table aD6).

The slowdown in current accounts was more pronounced in the South and Islands, where they had grown fastest in 2001 in conjunction with the approach of the changeover to the euro, which had spurred holders of cash to speed up the conversion of cash into other instruments (see the Report on Campania).

The growth in repos accelerated from 11.3 to 17.3 per cent overall. Balanced against the large increases recorded in the Centre (30.8 per cent, compared with marginal growth in 2001) and the North-West (23.8 per cent, compared with 11 per cent), there was a decrease in the South and Islands and a sharp deceleration (from 17.4 to 3.2 per cent) in the North-East.

The expansion in repos was due above all to banks' transactions with investment firms, trust companies and investment funds in the final part of 2002. The increase in temporary sales of securities to consumer households was smaller (6.3 per cent) and geographically more homogeneous.

Table D6

**HOUSEHOLDS' SAVINGS ACCOUNTS AND CURRENT ACCOUNTS IN 2002
BY GEOGRAPHICAL AREA**

(percentage changes on previous year; balances in thousands of euros)

	Percentage change 2002/2001				Average balance in 2002
	less than €10,000	from €10,000 to €50,000	from €50,000 to €250,000	more than €250,000	Thousands of euros
North-West	-2.3	7.8	21.0	27.9	9.8
North-East	-1.8	6.9	17.4	34.6	8.8
Centre	-1.7	5.7	17.8	35.3	10.9
South	-0.7	7.0	13.5	4.8	8.8
Islands	-0.7	6.8	16.9	20.6	7.6
Italy	-1.7	7.0	17.9	26.3	9.4

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

The volume of certificates of deposit outstanding fell further throughout Italy. By contrast, savings deposits rose by 8 per cent, compared with 0.4 per cent in 2001, with the fastest growth in the North-West. The geographical breakdown of deposits at the end of 2002 shows pronounced differences in the ratio of savings deposits to total deposits,

ranging from 18.1 per cent in the South and Islands to 4.8 per cent in the North-West.

The increase in households' accounts was concentrated in the largest size classes, especially in the Centre and North; as in 2001, it was fueled by the flows from savers' disposals of riskier financial assets. The total amount of accounts smaller than €10,000 contracted slightly (Table D6). The average account balance grew, particularly in the Centre and North.

Managed assets

In 2002 the net inflow of funds to institutional investors decreased. Falling share prices and persistent, acute uncertainty in the international markets led to a reallocation of investors' financial portfolios in favour of less risky instruments.

Table D7

SECURITIES HELD FOR CUSTODY BY BANKS AND BANKS' PORTFOLIO MANAGEMENT SERVICES IN 2002 BY GEOGRAPHICAL AREA (1)

	North-West	North-East	Centre	South and Islands	Italy
Year-end stocks in millions of euros					
Securities held for custody (2)	319,599	186,385	173,382	102,053	781,419
of which: <i>Italian government securities</i>	79,903	44,913	46,235	30,420	201,470
<i>Bonds</i>	133,310	87,556	60,127	47,458	328,451
Portfolio management services (3)	41,891	27,330	16,456	6,944	92,620
Total	361,490	213,715	189,838	108,997	874,039
Percentage changes on previous year					
Securities held for custody (2)	3.2	4.2	28.5	0.1	7.7
of which: <i>Italian government securities</i>	7.2	2.8	9.8	-0.6	5.5
<i>Bonds</i>	12.0	13.0	17.5	11.5	13.2
Portfolio management services (3)	-13.3	-10.0	-1.7	-10.8	-10.2
Total	1.0	2.2	25.2	-0.7	5.5

Source: Supervisory returns. Data classified by customer location.

(1) At face value. Comprises securities deposited by consumer householders, producer households and non-financial corporations except for holding companies. - (2) Excludes securities held for banks' portfolio management services and units of collective investment undertakings without a custody contract. - (3) Securities held for banks' portfolio management services.

The nominal amount of bonds other than government securities held for custody by the banking system rose by 13.2 per cent (Table D7); as in 2001, the increase in foreign securities held for custody was especially large (18.1 per cent).

The expansion involved all parts of the country, although it was larger in the regions of the Centre (17.5 per cent) and smaller in those of the South and Islands (11.5 per cent). The share of bonds in securities held for custody, i.e. excluding those held for portfolio management services, rose further to reach 42 per cent overall; it was highest in the South and Islands (46.5 per cent) and lowest in the Centre (34.7 per cent).

After falling by 5.3 per cent in 2001, the stock of government securities held for custody began growing again in 2002, with an overall increase of 5.5 per cent resulting from a rise of 6.7 per cent in the Centre and North and a decline of 0.6 per cent in the South.

The share of government securities in total securities held for custody not connected with portfolio management services continued to shrink, falling to 25.8 per cent. The reduction involved all parts of the country except the North-West, where the share rose from 24.1 to 25 per cent. As in the preceding years, the share of government securities was lower in the Centre and North than in the South and Islands (25.2 against 29.8 per cent).

The total net inflow of funds to portfolio management services run by banks, investment firms and asset management companies diminished considerably. The services operated by banks recorded a net outflow, continuing a trend under way since 2000. The nominal amount of the securities held for banks' portfolio management services fell by 10.2 per cent, after declining by 7.9 per cent in 2001 (Table aD5). The reduction, which was nationwide, was smallest in the Centre (1.7 per cent).

Portfolio management services' share of all securities on deposit with banks fell for the third consecutive year to stand at 10.6 per cent, compared with 15.7 per cent at the end of 1999. The decline did not modify the geographical differences: the share attributable to banks' portfolio management services was still higher in the North (12 per cent) than in the South and Islands (6.4 per cent) and the Centre (8.7 per cent).

For the third successive year there was a net outflow of savings from Italian collective investment undertakings (harmonized investment funds and SICAVs). The outflow was only partially offset by the inflow

of fresh funds to foreign investment funds controlled by Italian intermediaries.

Fund-raising by Italian collective investment undertakings was negative by €12.3 billion, compared with €20.4 billion in 2001. The outflow of savings occurred in the North (€16.4 billion); in the South and Islands collective investment undertakings recorded a net inflow of €4 billion and in the Centre subscriptions and redemptions were broadly in balance. Fund-raising was negative for equity funds, balanced funds and bond funds throughout Italy; by contrast, investors' growing preference for short-term assets boosted net subscriptions of money market funds.

The premium income of insurance companies in the life sector grew further by 19.4 per cent. During a period of wide fluctuations in securities prices, investors preferred policies that guarantee the insured a minimum return. The majority of insurance policies were again sold through the banking system (56.5 per cent). The expansion came mostly in the Centre and North.

Table D8

HOUSEHOLD WEALTH BY GEOGRAPHICAL AREA IN 2001

(amounts in thousands of euros at current prices unless specified otherwise)

	North	Centre	South and Islands	Italy
Per capita real assets (1) (a)	89.00	82.99	48.87	73.40
Per capita financial assets (b)	56.21	40.03	21.65	40.65
Per capita debt (c)	4.48	4.51	2.44	3.75
Per capita net wealth (a)+(b)-(c)	140.73	118.52	68.08	110.30
Percentage ratios				
<i>Financial assets / total assets</i>	38.7	32.5	30.7	35.6
<i>Risky securities (2) / financial assets (3)</i>	43.8	29.4	17.9	37.2
<i>Shares and other equity / financial assets (3)</i>	12.9	6.2	7.8	10.9
<i>Households with risky assets (2) (3) / total households</i>	32.2	19.7	6.4	21.1

Sources: Estimates based on the financial accounts (2001), the Bank of Italy's survey of household income and wealth (2002), the national accounts (2001) and the periodical *Il Consulente Immobiliare*.
 (1) Dwellings, land and durable goods. - (2) Bond issues by private-sector issuers, loans to cooperatives, Italian shares, investment fund units and portfolio management accounts. - (3) The ratios are calculated on the basis of data for 2000 from the Bank's survey of household income and wealth; simple averages of the sample values extrapolated to the universe.

Household wealth. – At the end of 2001 consumer households' net wealth amounted to €6.4 trillion, or five times GDP, corresponding to €110,000 per capita (Table D8). The North led in per capita wealth with

€141,000, followed by the Centre (€119,000) and the South and Islands (€68,000).

Real assets — property and durable goods — accounted for the bulk of net wealth in each area, with proportions ranging from 69.3 per cent in the South and Islands to 61.3 per cent in the North.

Financial assets grew more rapidly than real assets throughout Italy during the 1990s. Between 1991 and 2001 real assets declined as a proportion of financial wealth by 3.5 percentage points in the North, 4.7 points in the Centre and 3.7 points in the South and Islands.

Regional disparities in terms of per capita net wealth diminished between 1991 and 1996 but grew again over the next four years and by 2001 had returned to the levels of 1996. The decrease during the first half of the decade mainly reflected the reduction in the dispersion of property prices; the subsequent increase between 1996 to 2000 was primarily the consequence of the sharp rise in the prices of shares, which figure more prominently in the portfolios of households resident in the North.

The structure of the banking system and distributive networks

The consolidation of the Italian banking system regained pace following a pause in 2001. There were 29 mergers and acquisitions involving 5 per cent of the system's total assets, compared with 1.6 per cent in 2001. The number of banks fell from 830 to 814.

Between 1996 and 2002 the average number of banks operating in each province increased from 29 to 32; the increase was largest in the North-West and the Centre. Over the same period the number of branches per 10,000 inhabitants rose from 4.3 to 5.3.

The number of banking groups increased from 76 to 78. At the end of 2002 groups consisting of at least two intermediaries possessed 84.3 per cent of all bank branches, compared with 83.8 per cent in 2000 (Table D9).

The presence of banking groups with geographically widespread operations increased further. The share of all bank branches held by groups present in more than 30 provinces rose to 74.4 per cent, from

69.4 per cent in 2000; the increase was more accentuated in the South and Islands, where the share rose from 72.2 to 79.4 per cent.

Table D9

**GEOGRAPHICAL REACH OF BANKING GROUPS
AND INDEPENDENT BANKS (1)**

(percentage shares of the total number of branches in the area)

	Centre North		South and Islands		Italy	
	2000	2002	2000	2002	2000	2002
Banking groups	82.9	82.9	86.8	89.0	83.8	84.3
- up to 10 provinces	5.7	3.4	12.6	4.7	7.2	3.7
- 11 to 30 provinces	8.6	6.7	2.0	4.9	7.1	6.3
- 31 to 50 provinces	17.7	15.6	8.9	21.1	15.7	16.9
- more than 50 provinces	50.9	57.3	63.3	58.3	53.7	57.5
Independent banks	17.1	17.1	13.2	11.0	16.2	15.7
- up to 10 provinces	16.9	17.0	13.2	9.8	16.0	15.4
- 11 to 30 provinces	0.2	0.1	0.0	1.2	0.2	0.3
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: Siotec archive.

(1) Operational branches. Only groups with more than one non-instrumental company are considered. Geographical reach is defined by the number of provinces in which the group or the bank has a branch of its own.

In the South and Islands this development, which coincided with the penetration of the area by large banking groups based in the Centre and North, was accompanied by an increase in the ratio between lending to and fund-raising from customers resident in the area, which rose to 82.9 per cent (compared with 78.9 per cent in 1997). Lending by banks based in the Centre and North to customers resident in the South exceeded their fund-raising in the area. Moreover, the local lending/fund-raising ratio was higher for southern intermediaries belonging to banking groups based in the Centre and North than for “independent” southern banks.

The choices available to households and firms have increased, thanks to the growth in the average number of banks operating per province, in the number of branches and in large banking groups' geographical reach.

Of the companies reporting to the Company Accounts Data Service that at the end of 1996 were customers of fewer than four banks, 50 per cent had increased the total number of their banking relationships or had replaced at least one of their original banks by the end of 2000. The proportion was higher in the South and Islands (almost 57 per cent) and lower in the North-West (just over 45 per cent).

Distributive networks. – In 2002 the number of bank branches grew by nearly 700 or 2.3 per cent, compared with 3.8 per cent in 2001. The expansion was fastest in the North-East and Centre (2.8 and 2.6 per cent respectively; Table aD1).

At the end of 2002 there were 2,080 financial shops in operation: 541 in the North-West, 537 in the North-East, 470 in the Centre and 532 in the South and Islands.

The number of financial salesmen used by banks rose by 35 per cent to more than 37,000, beside the 4,164 salesmen working for investment firms belonging to banking groups.

There was a further strengthening of the network of distance services (ATMs, POS terminals, phone and computer banking). The number of ATMs installed rose by 8.8 per cent to more than 37,000; the increase was largest in the North-West and the southern regions. The rate of growth of POS terminals slowed from 23.7 to 9.6 per cent, with almost 820,000 terminals in service at the end of the year; growth was fastest in the South and Islands (15.5 per cent). The density of ATMs and POS terminals remains lowest in the southern regions.

The number of customers having distance banking services available to them continued to grow swiftly. Those enabled to use home banking and phone banking respectively were equal to almost 7 and 8.5 per cent of the entire population. The increase in retail home banking was due largely to the growth in transaction services.

The number of businesses using computer banking services rose to almost 20 per cent of total firms, the largest percentage increase coming in the Centre. The growth in the number of firms using phone banking services was smaller, and at the end of the year these firms represented around 3 per cent of the total; the North-West recorded the fastest increase and the North-East a slight decline. The majority of the firms using computer or phone banking services use transaction functions.

APPENDIX

STATISTICAL TABLES

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SYMBOLS AND CONVENTIONS

The following symbols are used in the tables in the text and the Appendix:

- the phenomenon in question does not occur;
- the phenomenon in question occurs but its value is not known;
- .. the value is known but is nil or less than half the final digit shown;
- :: the data are not statistically significant.

Table aB1

SECTORAL COMPOSITION OF VALUE ADDED IN 2001
(percentage shares and amounts in millions of euros at 1995 prices)

	Agriculture, forestry and fishing	Industry			Services	Total	Amounts (1)
		Industry excluding construction	Construction				
Piedmont	2.4	35.1	30.2	4.9	62.6	100.0	84,597
Valle d'Aosta	1.6	19.1	13.5	5.6	79.3	100.0	2,512
Lombardy	1.9	36.0	31.7	4.3	62.2	100.0	198,548
Liguria	2.4	20.3	15.0	5.3	77.3	100.0	29,052
North-West	2.0	34.2	29.6	4.5	63.8	100.0	314,709
Trentino-Alto Adige	3.9	25.7	17.2	8.6	70.4	100.0	21,202
Veneto	3.4	35.7	30.0	5.7	60.9	100.0	90,073
Friuli-Venezia Giulia	3.2	28.0	23.2	4.8	68.8	100.0	22,618
Emilia-Romagna	3.9	34.1	28.7	5.5	61.9	100.0	85,825
North-East	3.6	33.3	27.5	5.8	63.0	100.0	219,717
Tuscany	1.8	30.5	26.1	4.4	67.7	100.0	65,009
Umbria	3.8	28.9	23.8	5.1	67.2	100.0	13,863
Marche	3.1	33.1	27.9	5.2	63.8	100.0	25,044
Lazio	1.6	18.4	14.3	4.1	80.0	100.0	97,366
Centre	2.0	24.8	20.5	4.4	73.1	100.0	201,283
Abruzzo	4.0	28.9	23.9	5.0	67.1	100.0	18,164
Molise	5.2	25.8	19.7	6.1	69.0	100.0	4,333
Campania	3.5	21.0	15.7	5.2	75.6	100.0	62,173
Puglia	6.1	22.6	17.1	5.5	71.3	100.0	45,317
Basilicata	6.7	26.9	20.8	6.1	66.4	100.0	7,025
Calabria	6.3	16.7	10.3	6.5	76.9	100.0	20,919
Sicily	4.8	17.3	11.7	5.6	77.8	100.0	55,262
Sardinia	4.9	20.9	14.5	6.4	74.2	100.0	20,517
South and Islands	4.9	20.9	15.3	5.6	74.2	100.0	233,710
Italy	3.1	28.9	23.8	5.0	68.1	100.0	970,229

Source: Based on Istat data. The total for Italy does not correspond to the sum of the individual regions or areas owing to geographically unattributed value added.

(1) Value added at base prices, gross of imputed financial intermediation services.

Table aB2

COMPOSITION OF MANUFACTURING VALUE ADDED IN 2000

(percentage shares)

	Food products, beverages and tobacco products	Textiles and clothing	Leather and leather products	Paper, paper products, printing and publishing	Coke, refined petroleum products, chemicals and pharmaceuticals	Non-metallic mineral products	Basic metals and fabricated metal products	Machinery, equipment, electrical apparatus, precision instruments and transport equipment	Wood, rubber and other products of industry	Total manufacturing industry
Piedmont	8.8	10.9	0.3	6.3	6.1	3.1	16.1	36.8	11.6	100.0
Valle d'Aosta	19.6	1.6	0.1	5.6	2.8	4.0	34.9	12.3	19.2	100.0
Lombardy	6.6	11.4	0.8	7.1	14.7	3.4	17.3	27.5	11.4	100.0
Liguria	12.9	3.4	0.1	6.5	6.4	6.3	20.8	34.4	9.3	100.0
North-West	7.5	10.9	0.6	6.8	11.9	3.4	17.1	30.3	11.4	100.0
Trentino-Alto Adige	12.0	5.9	0.5	11.2	5.0	7.2	15.0	20.9	22.3	100.0
Veneto	7.2	13.4	5.1	5.3	6.5	6.9	14.3	25.7	15.7	100.0
Friuli-Venezia Giulia	7.3	5.5	0.5	7.1	4.4	6.5	16.2	26.0	26.5	100.0
Emilia-Romagna	12.3	8.9	1.4	5.4	5.2	13.7	13.4	30.9	8.8	100.0
North-East	9.6	10.5	2.9	5.8	5.7	9.7	14.1	27.6	14.2	100.0
Tuscany	6.0	22.4	9.1	7.7	6.5	7.2	8.9	20.0	12.2	100.0
Umbria	12.5	15.1	0.6	7.6	7.5	11.2	18.7	15.5	11.3	100.0
Marche	7.6	8.7	14.9	6.1	6.1	3.5	10.6	23.7	18.7	100.0
Lazio	10.4	4.8	0.2	14.4	21.4	7.2	6.6	26.0	9.0	100.0
Centre	8.2	14.0	6.7	9.5	11.1	6.8	9.3	22.1	12.3	100.0
Abruzzo	10.9	13.5	2.0	7.5	7.4	12.3	10.7	24.9	10.8	100.0
Molise	20.9	14.4	0.1	2.2	10.5	7.8	8.5	26.0	9.6	100.0
Campania	16.7	8.5	4.0	5.5	7.8	6.1	10.4	31.7	9.4	100.0
Puglia	14.7	12.6	4.4	4.4	6.0	7.0	19.7	19.4	11.8	100.0
Basilicata	15.0	4.8	0.2	2.7	6.1	7.1	8.7	41.0	14.4	100.0
Calabria	27.4	7.8	0.6	4.3	8.4	13.1	9.0	15.3	13.9	100.0
Sicily	18.3	3.0	0.3	4.8	24.4	9.4	10.0	18.7	11.2	100.0
Sardinia	18.4	5.4	0.2	4.9	23.4	10.4	12.8	13.0	11.7	100.0
South and Islands	16.4	8.9	2.5	5.1	11.2	8.4	12.5	23.9	11.0	100.0
Italy	9.4	11.0	2.6	6.8	10.0	6.4	14.3	27.2	12.3	100.0

Source: Based on Istat data.

Table aB3

GDP GROWTH*(percentage changes on previous year at constant prices)*

	1996	1997	1998	1999	2000	2001	2002 (1)
Piedmont	-0.3	2.4	0.9	2.2	2.6	2.7	....
Valle d'Aosta	0.0	-1.0	4.6	2.6	0.7	1.4	....
Lombardy	1.4	1.8	1.8	1.5	2.0	1.0	....
Liguria	0.9	1.9	0.8	1.2	3.3	2.3	....
North-West	0.9	1.9	1.5	1.7	2.3	1.6	-0.1
Trentino-Alto Adige	2.9	-0.5	4.0	0.7	4.5	2.3	....
Veneto	1.6	3.6	1.0	1.5	3.4	2.2	....
Friuli-Venezia Giulia	0.7	-0.7	1.0	1.4	3.6	1.7	....
Emilia-Romagna	1.0	1.6	1.6	1.6	4.3	2.0	....
North-East	1.4	2.0	1.5	1.5	3.9	2.1	0.2
Tuscany	1.5	1.5	1.7	2.0	4.6	0.2	....
Umbria	-0.7	3.2	1.4	2.8	4.7	0.6	....
Marche	1.7	3.9	0.5	3.2	3.3	1.9	....
Lazio	0.8	0.5	3.4	0.4	1.2	2.4	....
Centre	1.1	1.4	2.3	1.4	2.8	1.5	0.9
Abruzzo	1.4	2.3	0.4	0.5	3.7	3.1	....
Molise	0.8	4.2	0.6	-0.5	5.5	2.4	....
Campania	-0.4	3.9	2.7	0.9	2.7	2.1	....
Puglia	0.9	1.2	2.8	3.9	3.2	1.3	....
Basilicata	1.6	5.6	3.8	4.6	1.3	-1.7	....
Calabria	1.5	1.5	1.6	3.2	1.8	2.1	....
Sicily	2.8	2.1	1.4	0.7	3.0	2.4	....
Sardinia	0.0	4.2	1.5	1.1	1.5	2.5	....
South and Islands	1.0	2.7	2.0	1.7	2.8	2.0	0.7
Italy	1.1	2.0	1.8	1.6	2.9	1.8	0.4

Source: Based on Istat data.

(1) Istat, *Conti economici territoriali: stima anticipata per grandi ripartizioni geografiche*.

Table aB4

GDP PER CAPITA GROWTH*(percentage changes on previous year at constant prices)*

	1996	1997	1998	1999	2000	2001 (1)
Piedmont	-0.3	2.4	1.0	2.3	2.6	2.6
Valle d'Aosta	-0.4	-1.3	4.3	2.3	0.4	1.1
Lombardy	1.1	1.4	1.4	1.1	1.5	0.4
Liguria	1.3	2.4	1.4	1.7	3.6	2.7
North-West	0.8	1.8	1.3	1.5	2.0	1.3
Trentino-Alto Adige	2.4	-1.1	3.4	0.0	3.7	1.6
Veneto	1.3	3.2	0.6	1.0	2.8	1.6
Friuli-Venezia Giulia	1.0	-0.5	1.1	1.4	3.4	1.4
Emilia-Romagna	0.8	1.3	1.4	1.2	3.7	1.4
North-East	1.2	1.7	1.2	1.0	3.3	1.5
Tuscany	1.5	1.4	1.7	1.9	4.3	-0.1
Umbria	-1.1	2.9	1.2	2.5	4.2	0.1
Marche	1.4	3.7	0.2	2.8	2.8	1.4
Lazio	0.6	0.1	3.0	0.2	0.8	1.8
Centre	0.9	1.2	2.1	1.2	2.4	1.0
Abruzzo	1.1	2.1	0.2	0.3	3.6	2.9
Molise	1.0	4.4	0.9	-0.2	5.8	2.7
Campania	-0.8	3.6	2.7	1.0	2.8	2.1
Puglia	0.8	1.1	2.8	3.9	3.2	1.3
Basilicata	1.8	5.5	3.8	5.0	1.5	-1.5
Calabria	1.6	1.6	1.8	3.8	2.3	2.5
Sicily	2.6	1.9	1.5	0.9	3.2	2.6
Sardinia	-0.1	4.2	1.8	1.4	1.7	2.8
South and Islands	0.9	2.5	2.1	1.9	2.9	2.1
Italy	0.9	1.8	1.7	1.5	2.7	1.5

Source: Based on Istat data.

(1) Based on Simez data for the population.

Table aB5

**GROSS FIXED INVESTMENT AND EMPLOYMENT IN INDUSTRY EXCLUDING
CONSTRUCTION: FIRMS WITH AT LEAST 20 EMPLOYEES (1)**
(percentage changes on previous year at constant prices)

	Location of registered office				Actual location (2)			
	2002		2003 (3)		2002		2003 (3)	
		<i>of which: manufac- turing</i>		<i>of which: manufac- turing</i>		<i>of which: manufac- turing</i>		<i>of which: manufac- turing</i>
North West								
Investment (4)	-4.9	-8.5	-9.1	-11.2	-4.5	-6.5	-9.1	-11.9
Employment at end of year	-1.7	-1.7	..	..	-1.7	-1.7	..	0.1
North-East								
Investment (4)	4.4	2.7	-16.0	-17.4	1.5	-1.3	-15.6	-18.5
Employment at end of year	-0.1	-0.1	0.9	0.9	-0.2	-0.2	0.8	0.8
Centre								
Investment (4)	8.1	2.7	-11.3	-17.0	9.3	0.8	-16.1	-16.7
Employment at end of year	-1.2	-0.6	..	0.1	-0.6	-0.4	0.2	0.3
South and Islands								
Investment (4)	-7.9	-8.3	-8.0	-9.2	-1.9	-9.5	-5.2	-5.8
Employment at end of year	0.1	0.3	1.2	1.3	-1.0	-0.4	0.5	0.7
Italy								
Investment (4)	-0.1	-4.1	-11.2	-13.6	-0.1	-4.1	-11.2	-13.6
Employment at end of year	-1.0	-0.9	0.3	0.4	-1.0	-0.9	0.3	0.4

Source: Banca d'Italia, *Indagine sulle imprese dell'Industria in senso stretto*. See the Methodological Notes.

(1) The deflator of investment was calculated as the average of the price changes reported by sample firms. – (2) Investment and employment are classified by geographical area according to actual location. – (3) Forecasts. – (4) "Winsorized" robust averages obtained by reducing the outliers 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 aB6

EXPORTS (FOB) IN 2002
(percentage changes on 2001)

	Total products of manufacturing	Food products	Textiles and clothing	Leather and footwear	Chemical products	Non-metallic mineral products	Basic metals and fabricated metal products	Machinery, equipment, electrical apparatus and precision instruments	Transport equipment	Other products of manufacturing
Piedmont	-3.9	6.8	-8.3	12.6	-1.7	0.0	-3.4	-5.4	-5.0	-3.5
Valle d'Aosta	-5.7	62.3	8.6	23.1	13.2	80.7	3.7	-28.4	-30.0	27.9
Lombardy	-4.4	6.3	-5.5	-12.4	4.7	-5.6	-6.6	-7.5	-4.4	-4.8
Liguria	-9.7	9.9	17.5	13.9	21.4	-4.8	3.1	-7.4	-54.3	1.2
North-West	-4.4	6.8	-6.0	-7.5	4.3	-4.0	-5.6	-7.1	-7.3	-4.2
Trentino-Alto Adige	-1.8	4.3	-9.3	1.1	1.9	-12.6	-2.3	-9.2	6.7	1.2
Veneto	-1.9	2.9	-1.6	-6.4	14.2	-5.8	-5.0	-4.5	15.7	-4.4
Friuli-Venezia Giulia	-3.1	-3.9	3.4	-13.6	-8.4	-1.7	-8.9	-15.0	59.6	-1.4
Emilia-Romagna	0.5	4.2	0.6	-2.7	1.7	1.2	2.6	-0.4	0.8	-1.0
North East	-1.1	3.0	-1.0	-5.8	5.9	-1.3	-3.2	-4.3	12.7	-2.9
Tuscany	-4.4	6.7	-11.6	-12.0	-1.4	-8.0	-7.1	4.1	5.0	-2.3
Umbria	4.8	18.2	-17.2	-22.8	0.3	-5.3	24.6	3.8	6.1	11.4
Marche	-0.3	2.8	3.7	-7.3	12.7	-6.9	-0.1	-1.0	78.5	-1.4
Lazio	5.1	10.5	-10.1	-26.9	3.7	-11.2	38.3	-9.3	44.2	-6.8
Centre	-0.8	8.4	-10.4	-10.9	2.7	-8.3	6.8	-1.5	28.2	-2.4
Abruzzo	1.5	10.5	13.3	-18.0	5.9	4.3	4.4	1.5	-4.4	-0.7
Molise	2.5	10.3	6.9	20.1	-2.5	-0.5	-38.1	8.1	-24.2	-4.9
Campania	-7.0	14.3	10.9	-16.8	0.6	-10.4	-0.2	-22.5	-15.4	3.9
Puglia	-4.5	-5.3	0.1	-5.7	-12.9	-2.0	-3.3	-10.0	-8.3	1.3
Basilicata	20.9	-8.9	-8.7	-4.2	7.5	6.7	71.8	-1.5	30.2	6.0
Calabria	4.4	4.7	-39.9	-17.4	11.3	-14.1	21.2	19.0	-21.5	11.7
South	-2.2	9.9	7.6	-11.8	-0.8	-1.1	-0.6	-9.2	-5.3	1.8
Sicily	-7.2	-1.1	5.8	24.6	5.3	3.5	3.5	-0.9	18.6	-16.6
Sardinia	-7.1	-7.3	-41.5	0.8	-8.5	-24.4	6.9	-42.7	6.8	-6.6
Islands	-7.2	-3.4	-10.7	20.8	0.6	-0.3	6.0	-5.4	18.2	-13.2
Italy	-2.7	5.7	-4.7	-8.7	3.8	-2.9	-3.0	-5.5	2.2	-3.9

Source: Based on Istat data.

**EXPORT SPECIALIZATION INDEX
BY BRANCH OF MANUFACTURING INDUSTRY IN 2002 (1)**

	Food products	Textiles and clothing	Leather and footwear	Chemical products	Non-metallic mineral products	Basic metals and fabricated metal products	Machinery, equipment, electrical apparatus and precision instruments	Transport equipment		Other manufactured products
									<i>of which: motor vehicles and engines</i>	
Piedmont	1.31	0.94	0.22	0.59	0.44	0.78	0.97	2.12	2.76	0.91
Valle d'Aosta	0.62	0.39	0.17	0.06	0.37	6.03	0.82	0.52	0.78	0.63
Lombardy	0.62	1.09	0.29	1.60	0.44	1.38	1.18	0.58	0.68	0.79
Liguria	1.37	0.33	0.13	1.36	1.18	1.35	1.21	0.86	0.44	0.85
North-West	0.83	1.03	0.27	1.31	0.46	1.23	1.12	1.01	1.24	0.83
Trentino-Alto Adige	2.98	0.58	0.44	0.85	1.03	1.14	0.78	1.02	1.43	1.19
Veneto	0.89	1.21	2.18	0.47	1.05	0.90	0.98	0.68	0.34	1.19
Friuli-Venezia Giulia	0.78	0.22	0.09	0.30	0.63	1.26	1.18	1.11	0.25	1.94
Emilia-Romagna	1.28	0.85	0.41	0.60	3.36	0.75	1.33	0.91	1.10	0.46
North-East	1.13	0.94	1.20	0.52	1.87	0.89	1.12	0.83	0.67	0.99
Tuscany	0.92	1.96	2.85	0.63	1.25	0.58	0.59	0.62	0.28	1.25
Umbria	1.48	1.51	0.43	0.61	1.20	3.44	0.76	0.29	0.27	0.56
Marche	0.26	0.75	4.60	0.32	0.29	0.90	1.18	0.29	0.06	1.12
Lazio	0.57	0.34	0.21	3.01	0.63	0.45	0.83	1.86	1.15	0.58
Centre	0.73	1.27	2.35	1.20	0.90	0.76	0.78	0.87	0.47	1.01
Abruzzo	0.85	1.13	0.40	0.66	1.43	0.75	0.92	1.99	2.90	0.82
Molise	1.39	4.49	0.27	1.99	0.07	0.08	0.15	0.04	0.05	1.12
Campania	3.42	0.57	1.80	0.80	0.47	0.52	0.44	2.36	1.94	0.68
Puglia	1.07	0.70	2.81	0.55	0.52	1.73	0.46	0.91	1.04	1.75
Basilicata	0.25	0.13	0.04	0.37	0.07	0.08	0.08	5.84	8.73	1.45
Calabria	3.38	0.61	0.07	2.69	0.45	0.44	0.80	0.24	0.15	0.95
South	1.86	0.83	1.50	0.72	0.70	0.85	0.55	2.04	2.36	1.06
Sicily	1.13	0.08	0.04	1.49	0.74	0.23	0.44	0.78	0.66	3.39
Sardinia	1.37	0.05	0.01	1.42	0.18	1.43	0.07	0.04	0.01	4.18
Islands	1.20	0.07	0.03	1.47	0.56	0.61	0.32	0.54	0.45	3.64

Source: Based on Istat data.

(1) The specialization index is calculated as the 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 THE LABOUR FORCE
(thousands of persons and percentage changes)

	Employment					Job-seekers	Labour force
	Agriculture	Industry excluding construction	Construction	Services	Total		
Average values in 2002							
Piedmont	62	573	111	1,047	1,793	96	1,889
Valle d'Aosta	3	8	6	38	55	2	57
Lombardy	77	1,321	292	2,333	4,023	159	4,182
Liguria	22	92	46	450	610	41	652
North-West	164	1,993	456	3,868	6,481	299	6,780
Trentino-Alto Adige	33	75	41	276	425	11	436
Veneto	80	646	153	1,108	1,987	70	2,057
Friuli-Venezia Giulia	16	133	34	316	499	19	518
Emilia-Romagna	98	524	124	1,076	1,822	62	1,884
North-East	228	1,377	353	2,775	4,733	163	4,895
Tuscany	56	378	103	922	1,460	74	1,534
Umbria	15	84	24	204	327	20	347
Marche	25	208	41	338	613	28	641
Lazio	67	251	153	1,554	2,024	190	2,215
Centre	163	922	321	3,019	4,424	313	4,737
Abruzzo	28	112	37	295	472	31	503
Molise	11	21	11	67	110	16	126
Campania	105	246	154	1,138	1,644	441	2,085
Puglia	130	215	123	791	1,259	204	1,464
Basilicata	19	38	23	104	184	33	218
Calabria	71	50	64	387	572	186	758
Sicily	131	140	147	989	1,407	354	1,761
Sardinia	47	69	58	368	543	123	666
South and Islands	541	893	617	4,141	6,192	1,389	7,581
Italy	1,096	5,184	1,748	13,802	21,829	2,163	23,993
Changes on 2001							
Piedmont	-6.4	0.3	0.0	0.9	0.4	5.1	0.6
Valle d'Aosta	-13.4	12.9	12.3	-2.1	0.6	-13.3	0.0
Lombardy	3.9	1.8	3.5	1.2	1.6	4.1	1.7
Liguria	4.3	-5.1	4.4	0.1	-0.2	-1.8	-0.3
North-West	-0.5	1.1	2.8	1.0	1.1	3.4	1.2
Trentino-Alto Adige	-4.4	0.7	7.9	0.7	0.9	-1.3	0.8
Veneto	-3.7	-1.6	6.1	2.0	0.9	-1.0	0.8
Friuli-Venezia Giulia	-2.2	2.5	10.3	-0.6	0.8	-7.4	0.5
Emilia-Romagna	-2.6	0.6	0.0	2.6	1.6	-12.5	1.0
North-East	-3.2	-0.2	4.5	1.8	1.1	-6.5	0.9
Tuscany	0.0	-4.1	2.6	2.3	0.5	-4.9	0.2
Umbria	-3.4	1.9	-6.5	-0.8	-0.7	6.4	-0.3
Marche	3.7	1.4	1.8	1.8	1.7	-1.5	1.6
Lazio	-5.8	3.7	5.7	3.4	3.3	-14.5	1.5
Centre	-2.3	-0.3	3.2	2.6	1.8	-10.2	0.9
Abruzzo	-2.8	-0.7	-13.9	3.6	0.5	8.8	1.0
Molise	-1.4	-0.6	-5.4	1.8	0.2	-9.0	-1.0
Campania	-4.0	2.3	4.7	3.9	3.2	-4.6	1.4
Puglia	-10.5	6.3	2.8	2.9	1.9	-4.0	1.0
Basilicata	-2.0	-2.8	-2.2	4.7	1.5	-6.6	0.2
Calabria	4.9	6.7	3.6	1.2	2.4	-3.3	0.9
Sicily	-1.7	8.8	-1.4	0.6	0.9	-7.4	-0.9
Sardinia	3.6	7.1	-1.0	0.3	1.3	-0.6	0.9
South and Islands	-3.3	4.1	0.4	2.3	1.9	-4.6	0.6
Italy	-2.7	1.0	2.4	1.9	1.5	-4.6	0.9

Source: Istat, labour force surveys. See the Methodological Notes.

Table aC2

TOTAL EMPLOYMENT
(thousands of persons)

	1996	1997	1998	1999	2000	2001	2002
Men and women							
Piedmont	1,711	1,700	1,686	1,724	1,769	1,785	1,793
Valle d'Aosta	51	52	52	52	54	55	55
Lombardy	3,697	3,705	3,768	3,833	3,875	3,959	4,023
Liguria	577	577	585	586	596	612	610
North-West	6,036	6,034	6,091	6,195	6,294	6,410	6,481
Trentino-Alto Adige	394	395	401	407	419	421	425
Veneto	1,816	1,846	1,859	1,887	1,940	1,970	1,987
Friuli-Venezia Giulia	463	463	469	474	480	495	499
Emilia-Romagna	1,681	1,693	1,705	1,743	1,773	1,794	1,822
North-East	4,354	4,397	4,434	4,510	4,613	4,680	4,733
Tuscany	1,351	1,351	1,362	1,393	1,424	1,453	1,460
Umbria	296	298	302	314	323	330	327
Marche	567	562	567	582	591	602	613
Lazio	1,833	1,850	1,865	1,884	1,916	1,960	2,024
Centre	4,047	4,061	4,095	4,172	4,255	4,345	4,424
Abruzzo	448	444	443	436	448	469	472
Molise	105	106	106	106	108	110	110
Campania	1,497	1,514	1,559	1,549	1,559	1,593	1,644
Puglia	1,159	1,140	1,156	1,174	1,212	1,236	1,259
Basilicata	173	175	176	179	185	182	184
Calabria	539	538	540	531	541	559	572
Sicily	1,280	1,299	1,326	1,326	1,350	1,394	1,407
Sardinia	488	500	509	514	515	536	543
South and Islands	5,688	5,715	5,816	5,815	5,918	6,079	6,192
Italy	20,125	20,207	20,435	20,692	21,080	21,514	21,829
Women							
Piedmont	662	661	656	680	713	733	738
Valle d'Aosta	21	21	21	21	23	23	23
Lombardy	1,413	1,419	1,459	1,505	1,530	1,585	1,624
Liguria	210	214	222	228	235	245	246
North-West	2,306	2,315	2,359	2,434	2,501	2,587	2,631
Trentino-Alto Adige	152	155	159	162	170	170	172
Veneto	670	696	698	715	748	773	782
Friuli-Venezia Giulia	180	179	183	188	195	202	206
Emilia-Romagna	689	697	709	734	753	766	785
North-East	1,691	1,727	1,749	1,799	1,866	1,910	1,944
Tuscany	519	519	530	555	577	592	599
Umbria	109	112	115	120	128	133	132
Marche	221	218	222	234	238	249	255
Lazio	643	652	663	681	706	740	768
Centre	1,492	1,501	1,531	1,590	1,648	1,714	1,754
Abruzzo	155	155	157	151	154	166	174
Molise	36	37	37	36	37	39	39
Campania	429	434	453	449	452	463	476
Puglia	326	321	330	328	348	370	386
Basilicata	53	55	56	59	60	57	59
Calabria	166	162	161	157	165	174	179
Sicily	325	336	356	364	374	404	414
Sardinia	141	149	158	165	160	175	181
South and Islands	1,633	1,649	1,707	1,710	1,749	1,848	1,908
Italy	7,122	7,192	7,345	7,533	7,764	8,060	8,236

Source: Istat, *labour force surveys*. See the Methodological Notes.

Table aC3

STRUCTURE OF EMPLOYMENT BY SECTOR
(thousands of persons, percentage shares and changes)

Sector	Employment			Change		
	1995	2002	Share 2002 (%)	2000-01 (%)	2001-02 (%)	Absolute change 2001-02
North-West						
Agriculture	183	164	2.5	-3.6	-0.5	-1
Industry excluding construction	2,087	1,993	30.8	-0.4	1.1	22
Construction	419	456	7.0	2.7	2.8	12
Services	3,307	3,868	59.7	3.2	1.0	37
<i>of which: distribution</i>	911	994	15.3	1.2	-1.1	-11
Total	5,996	6,481	100.0	1.9	1.1	70
North-East						
Agriculture	285	228	4.8	-3.2	-3.2	-8
Industry excluding construction	1,327	1,377	29.1	-1.2	-0.2	-3
Construction	300	353	7.5	3.7	4.5	15
Services	2,393	2,774	58.6	3.0	1.8	49
<i>of which: distribution</i>	700	729	15.4	-1.6	2.7	19
Total	4,305	4,732	100.0	1.4	1.1	53
Centre						
Agriculture	176	163	3.7	8.6	-2.3	-4
Industry excluding construction	929	922	20.8	0.3	-0.3	-3
Construction	285	321	7.3	7.9	3.2	10
Services	2,640	3,018	68.2	1.8	2.6	76
<i>of which: distribution</i>	686	723	16.3	1.1	2.8	20
Total	4,030	4,424	100.0	2.1	1.8	79
South and Islands						
Agriculture	689	541	8.7	1.3	-3.3	-18
Industry excluding construction	843	893	14.4	0.7	4.1	35
Construction	568	617	10.0	7.5	0.4	3
Services	3,596	4,141	66.9	2.7	2.3	93
<i>of which: distribution</i>	917	1,009	16.3	3.2	1.2	12
Total	5,696	6,192	100.0	2.7	1.9	113

Source: Based on Istat, *labour force surveys*. See the Methodological Notes.

Table aC4

**COMPOSITION OF NON-AGRICULTURAL EMPLOYMENT BY TYPE
OF EMPLOYMENT CONTRACT**

(thousands of persons and percentages)

Type of employment	Employment			Changes		
	1995	2002	Share 2002 (%)	2000-01 (%)	2001-02 (%)	Absolute change 2001-02
North-West						
Self-employment	1,492	1,556	24.6	0.7	-0.2	-3
Employees	4,320	4,761	75.4	2.5	1.6	74
<i>of which: permanent</i>	4,111	4,427	70.1	2.9	1.3	56
<i>Fixed-term</i>	209	334	5.3	-3.8	5.7	18
North-East						
Self-employment	1,103	1,184	26.3	0.0	-0.3	-4
Employees	2,917	3,321	73.7	2.3	2.0	64
<i>of which: permanent</i>	2,720	3,026	67.2	2.5	1.5	43
<i>fixed-term</i>	197	295	6.5	0.5	7.7	21
Centre						
Self-employment	1,051	1,148	26.9	1.8	2.5	28
Employees	2,802	3,113	73.1	1.9	1.8	55
<i>of which: permanent</i>	2,648	2,846	66.8	2.3	1.9	52
<i>fixed-term</i>	154	267	6.3	-1.9	1.0	3
South and Islands						
Self-employment	1,366	1,459	25.8	1.7	-0.7	-10
Employees	3,640	4,192	74.2	3.3	3.5	141
<i>of which: permanent</i>	3,346	3,704	65.6	4.0	3.8	134
<i>fixed-term</i>	294	488	8.6	-1.5	1.3	6
Italy						
Self-employment	5,012	5,346	25.8	1.0	0.2	11
Employees	13,680	15,387	74.2	2.5	2.2	334
<i>of which: permanent</i>	12,827	14,002	67.5	3.0	2.1	286
<i>fixed-term</i>	853	1,385	6.7	-1.8	3.6	48

Source: Based on Istat, *labour force surveys*. See the Methodological Notes.

Table aC5

IRREGULAR LABOUR UNITS BY SECTOR*(thousands of persons and percentages)*

	Irregular labour units		Share of total labour units	
	1995	2000	1995	2000
			North-West	
Agriculture	43	45	16.6	21.0
Industry excluding construction	78	68	3.9	3.5
Construction	39	41	9.1	9.3
Services excluding government	593	613	15.9	15.0
Total	753	767	11.3	11.0
			North-East	
Agriculture	80	74	22.9	24.9
Industry excluding construction	44	44	3.2	3.1
Construction	20	18	6.2	5.5
Services excluding government	408	443	15.4	15.3
Total	552	579	11.2	11.2
			Centre	
Agriculture	48	47	23.5	27.2
Industry excluding construction	56	61	6.0	6.5
Construction	53	56	17.9	18.2
Services excluding government	496	584	18.0	19.3
Total	653	747	14.2	15.5
			South and Islands	
Agriculture	282	268	34.8	40.1
Industry excluding construction	131	136	14.7	14.9
Construction	137	135	29.3	28.0
Services excluding government	754	920	20.9	23.3
Total	1,305	1,458	20.7	22.4
			Italy	
Agriculture	453	433	27.9	32.1
Industry excluding construction	310	309	5.9	5.9
Construction	249	250	16.5	16.0
Services excluding government	2.251	2.560	17.7	18.3
<i>of which: to households (1)</i>	<i>544</i>	<i>603</i>	<i>79.7</i>	<i>82.0</i>
Total	3,263	3,552	14.5	15.1

Source: Based on Istat, *Irregular employment statistics*. See the Methodological Notes.

(1) Services to households and non-profit institutions serving households.

Table aC6

PARTICIPATION RATES*(labour force as a percentage of population aged 15-64)*

	1996	1997	1998	1999	2000	2001	2002
Men and women							
Piedmont	62.5	62.1	62.2	63.3	64.6	64.6	65.2
Valle d'Aosta	64.8	65.5	65.1	65.5	67.5	68.6	68.6
Lombardy	61.8	61.7	62.6	63.3	63.7	64.6	65.6
Liguria	58.3	58.5	59.7	60.5	60.8	61.8	62.1
North-West	61.7	61.5	62.2	63.0	63.7	64.4	65.2
Trentino-Alto Adige	65.3	65.2	65.7	66.4	67.5	67.5	68.0
Veneto	61.6	62.4	62.6	63.2	64.3	64.9	65.3
Friuli-Venezia Giulia	60.8	60.9	61.1	61.9	62.4	63.9	64.2
Emilia-Romagna	65.6	66.4	66.9	67.7	68.6	69.0	69.7
North-East	63.3	63.9	64.3	65.0	66.0	66.6	67.0
Tuscany	61.3	61.4	62.0	63.0	63.7	64.4	64.5
Umbria	59.2	58.7	59.6	61.4	62.4	62.8	62.4
Marche	61.9	61.7	62.0	63.8	64.0	64.5	65.5
Lazio	57.0	57.1	57.5	58.1	58.8	59.5	60.0
Centre	59.2	59.2	59.6	60.6	61.3	61.9	62.3
Abruzzo	57.7	57.1	57.1	57.0	57.0	58.3	59.1
Molise	57.0	57.9	58.5	58.4	58.5	59.7	59.2
Campania	51.1	51.5	52.5	52.1	52.3	52.5	53.2
Puglia	50.4	50.5	52.1	52.1	52.5	52.0	52.6
Basilicata	51.6	52.9	53.1	53.4	54.9	54.3	54.4
Calabria	51.3	50.5	53.0	53.8	53.6	55.2	55.6
Sicily	49.2	50.0	51.7	52.0	52.5	52.7	52.4
Sardinia	52.4	53.4	54.6	55.7	55.8	56.7	57.3
South and Islands	51.1	51.5	52.8	53.0	53.3	53.6	54.0
Italy	57.7	57.9	58.7	59.3	59.9	60.4	61.0
Women							
Piedmont	51.3	51.3	51.6	52.9	54.7	55.0	55.7
Valle d'Aosta	55.6	56.1	56.2	56.6	59.6	60.2	59.4
Lombardy	49.2	49.3	50.8	51.6	52.2	53.4	54.9
Liguria	45.2	45.7	47.3	49.1	49.6	50.9	51.3
North-West	49.4	49.6	50.7	51.7	52.7	53.7	54.8
Trentino-Alto Adige	52.3	53.0	53.9	54.7	56.3	56.5	56.9
Veneto	47.8	49.2	49.3	50.1	51.7	53.0	53.5
Friuli-Venezia Giulia	49.6	49.5	50.1	51.3	52.7	54.0	54.8
Emilia-Romagna	56.1	57.4	57.9	59.1	60.1	60.6	61.7
North-East	51.5	52.6	53.0	54.0	55.3	56.3	57.0
Tuscany	49.2	49.6	50.8	52.5	53.4	54.4	54.6
Umbria	46.5	47.0	48.6	50.0	51.6	52.7	52.5
Marche	50.2	50.6	51.2	53.7	53.4	55.1	56.4
Lazio	41.9	42.1	42.4	43.6	44.9	46.1	46.7
Centre	45.6	45.9	46.6	48.1	49.1	50.3	50.8
Abruzzo	42.7	42.3	42.7	42.5	41.4	43.3	45.6
Molise	43.2	43.9	44.3	43.5	43.7	46.3	45.3
Campania	32.9	33.5	34.3	33.7	34.1	34.7	34.9
Puglia	31.0	31.3	33.0	32.9	33.8	33.9	34.7
Basilicata	34.9	37.5	37.8	39.3	39.5	38.4	38.7
Calabria	36.0	34.5	37.4	38.6	38.4	41.0	41.1
Sicily	28.2	29.2	31.7	32.9	33.6	34.4	33.9
Sardinia	34.9	36.5	38.5	40.3	39.8	41.3	42.5
South and Islands	32.7	33.2	34.8	35.2	35.5	36.4	36.8
Italy	43.0	43.5	44.6	45.5	46.3	47.3	47.9

Source: Istat, *labour force surveys*. See the Methodological Notes.

Table aC7

EMPLOYMENT RATES
(percentage of population aged 15-64)

	1996	1997	1998	1999	2000	2001	2002
Men and women							
Piedmont	57.3	57.0	57.0	58.7	60.6	61.4	61.8
Valle d'Aosta	61.1	62.0	61.6	62.0	64.4	65.7	66.1
Lombardy	58.1	58.1	59.1	60.2	60.9	62.2	63.1
Liguria	51.7	52.2	53.5	54.4	55.8	57.7	58.1
North-West	57.2	57.2	57.9	59.2	60.3	61.6	62.3
Trentino-Alto Adige	62.8	62.7	63.6	64.1	65.6	65.7	66.2
Veneto	58.2	59.1	59.4	60.3	61.9	62.7	63.0
Friuli-Venezia Giulia	56.6	56.8	57.6	58.4	59.6	61.3	61.8
Emilia-Romagna	62.0	62.5	63.2	64.5	65.8	66.4	67.4
North-East	59.8	60.4	61.0	62.0	63.4	64.1	64.8
Tuscany	56.3	56.4	57.1	58.4	59.8	61.1	61.4
Umbria	53.3	53.6	54.4	56.7	58.3	59.4	58.8
Marche	58.0	57.2	58.0	59.8	60.8	61.5	62.5
Lazio	50.0	50.3	50.6	51.2	52.2	53.3	54.8
Centre	53.2	53.3	53.9	55.0	56.1	57.3	58.2
Abruzzo	52.5	51.8	51.8	51.1	52.5	54.9	55.4
Molise	47.8	48.3	48.5	48.8	50.2	51.4	51.7
Campania	38.5	38.7	39.9	39.7	39.8	40.5	41.9
Puglia	41.6	40.9	41.4	42.2	43.5	44.3	45.2
Basilicata	42.3	43.0	43.3	44.1	45.9	45.3	46.0
Calabria	38.9	38.7	39.1	38.6	39.5	40.9	41.8
Sicily	37.8	38.2	39.1	39.1	39.8	41.3	41.8
Sardinia	41.8	42.6	43.2	43.9	44.2	46.0	46.6
South and Islands	40.4	40.4	41.1	41.2	42.0	43.1	44.0
Italy	50.9	51.0	51.7	52.5	53.5	54.6	55.4
Women							
Piedmont	44.7	44.8	44.8	46.8	49.3	51.1	51.6
Valle d'Aosta	50.9	52.0	52.6	52.1	55.9	56.7	56.2
Lombardy	44.7	45.0	46.3	47.8	48.7	50.5	51.8
Liguria	37.4	38.5	40.4	42.2	44.0	46.3	46.8
North-West	44.0	44.3	45.3	47.0	48.4	50.3	51.2
Trentino-Alto Adige	49.5	50.1	51.5	51.9	54.2	54.2	54.7
Veneto	43.5	45.2	45.2	46.4	48.6	50.1	50.7
Friuli-Venezia Giulia	44.2	44.3	45.4	46.8	48.8	50.6	51.7
Emilia-Romagna	51.3	52.0	53.2	54.9	56.7	57.4	58.9
North-East	47.0	48.0	48.8	50.1	52.1	53.2	54.2
Tuscany	43.2	43.3	44.5	46.5	48.5	50.1	50.6
Umbria	39.2	40.3	41.8	43.9	46.4	48.4	47.8
Marche	45.5	44.7	46.1	48.5	49.3	51.5	52.7
Lazio	34.8	35.2	35.6	36.7	38.2	39.9	41.1
Centre	39.1	39.3	40.2	41.8	43.4	45.1	46.0
Abruzzo	36.7	36.4	37.0	35.6	36.2	39.0	41.1
Molise	33.2	33.5	33.8	33.4	34.9	36.5	36.8
Campania	21.9	22.1	23.0	22.8	22.9	23.5	24.1
Puglia	23.0	22.8	23.3	23.3	24.7	26.3	27.5
Basilicata	26.1	27.0	27.3	29.4	29.6	28.4	29.4
Calabria	24.1	23.3	23.3	22.9	24.1	25.5	26.4
Sicily	19.0	19.4	20.7	21.3	21.8	23.6	24.2
Sardinia	24.3	25.4	26.7	28.2	27.5	30.2	31.2
South and Islands	23.0	23.1	24.0	24.1	24.6	26.1	27.0
Italy	36.0	36.4	37.3	38.3	39.6	41.1	42.0

Source: Istat, labour force surveys. See the Methodological Notes.

Table aC8

UNEMPLOYMENT RATES
(percentages)

	1996	1997	1998	1999	2000	2001	2002
Men and women							
Piedmont	8.2	8.3	8.3	7.2	6.3	4.9	5.1
Valle d'Aosta	5.7	5.3	5.3	5.3	4.5	4.2	3.6
Lombardy	6.0	5.8	5.5	4.8	4.4	3.7	3.8
Liguria	11.2	10.6	10.2	9.9	8.2	6.5	6.4
North-West	7.2	7.0	6.8	6.0	5.3	4.3	4.4
Trentino-Alto Adige	3.8	3.8	3.2	3.4	2.7	2.6	2.6
Veneto	5.4	5.1	5.0	4.5	3.7	3.5	3.4
Friuli-Venezia Giulia	6.8	6.6	5.6	5.6	4.6	4.0	3.7
Emilia-Romagna	5.4	5.8	5.4	4.6	4.0	3.8	3.3
North-East	5.4	5.4	5.1	4.6	3.8	3.6	3.3
Tuscany	8.0	8.1	7.8	7.2	6.1	5.1	4.8
Umbria	9.8	8.6	8.6	7.6	6.5	5.3	5.7
Marche	6.2	7.2	6.3	6.1	5.0	4.6	4.4
Lazio	12.3	11.9	11.8	11.7	11.0	10.2	8.6
Centre	9.9	9.8	9.5	9.2	8.3	7.4	6.6
Abruzzo	8.9	9.0	9.1	10.1	7.7	5.7	6.2
Molise	15.9	16.2	16.8	16.2	14.0	13.7	12.6
Campania	24.4	24.6	23.8	23.7	23.7	22.5	21.1
Puglia	17.2	18.7	20.3	19.0	17.1	14.7	14.0
Basilicata	17.8	18.6	18.1	17.1	16.2	16.5	15.3
Calabria	23.8	23.1	26.1	28.0	26.1	25.7	24.6
Sicily	22.9	23.4	24.2	24.5	24.0	21.5	20.1
Sardinia	20.0	20.0	20.6	21.0	20.6	18.7	18.5
South and Islands	20.8	21.3	21.9	22.0	21.0	19.3	18.3
Italy	11.6	11.7	11.8	11.4	10.6	9.5	9.0
Women							
Piedmont	12.7	12.7	13.0	11.5	9.7	7.1	7.3
Valle d'Aosta	8.5	7.4	6.5	7.8	6.3	5.6	5.5
Lombardy	9.1	8.9	8.9	7.4	6.7	5.5	5.6
Liguria	17.0	15.5	14.3	14.0	11.4	9.0	8.7
North-West	10.9	10.6	10.6	9.2	8.0	6.3	6.4
Trentino-Alto Adige	5.4	5.4	4.5	5.1	3.7	4.0	3.8
Veneto	8.9	8.1	8.1	7.3	6.1	5.4	5.2
Friuli-Venezia Giulia	10.8	10.5	9.3	8.7	7.5	6.4	5.6
Emilia-Romagna	8.5	9.2	8.1	7.0	5.7	5.3	4.6
North-East	8.6	8.6	7.9	7.1	5.9	5.4	4.9
Tuscany	12.2	12.6	12.3	11.3	9.0	8.0	7.4
Umbria	15.4	14.1	14.0	12.1	10.2	8.0	8.9
Marche	9.3	11.6	9.9	9.6	7.5	6.7	6.4
Lazio	16.9	16.4	15.7	15.9	15.0	13.6	11.9
Centre	14.1	14.3	13.6	13.2	11.6	10.3	9.4
Abruzzo	14.0	13.8	13.3	15.9	12.6	9.8	10.0
Molise	23.0	23.3	23.4	23.0	20.1	20.8	18.8
Campania	33.3	33.9	32.6	32.0	32.4	32.1	30.6
Puglia	25.5	27.1	29.1	29.1	26.8	22.1	20.6
Basilicata	25.0	27.8	27.4	24.8	24.9	25.8	23.8
Calabria	32.8	32.2	37.3	40.5	37.1	37.4	35.7
Sicily	32.7	33.0	34.4	35.0	35.0	31.2	28.4
Sardinia	30.3	30.1	30.2	29.8	30.6	26.7	26.4
South and Islands	29.4	30.0	30.8	31.3	30.4	28.1	26.4
Italy	16.1	16.2	16.3	15.7	14.5	13.0	12.2

Source: Istat, *labour force surveys*. See the Methodological Notes.

Table aC9

AUTHORIZED HOURS OF WAGE SUPPLEMENTATION
(thousands)

	Ordinary benefits		Total (1)	
	2001	2002	2001	2002
Piedmont	15,217	20,127	23,271	31,912
Valle d'Aosta	411	226	1,134	766
Lombardy	13,655	19,820	26,273	29,599
Liguria	870	969	3,588	4,287
North-West	30,154	41,143	54,266	66,564
Trentino-Alto Adige	490	565	5,343	4,750
Veneto	2,695	4,081	5,860	7,579
Friuli-Venezia Giulia	498	1,181	1,730	2,357
Emilia-Romagna	1,799	2,775	4,737	5,939
North-East	5,483	8,601	17,669	20,624
Tuscany	2,844	4,815	7,965	8,336
Umbria	722	1,244	2,093	2,417
Marche	1,098	1,995	2,053	3,459
Lazio	6,145	6,943	12,660	17,950
Centre	10,809	14,997	24,772	32,162
Abruzzo	2,827	3,579	5,035	6,082
Molise	210	377	713	965
Campania	2,446	3,247	11,820	14,936
Puglia	3,611	6,170	18,990	17,411
Basilicata	963	1,086	2,381	2,829
Calabria	399	814	3,630	3,794
Sicily	2,843	3,969	9,151	9,357
Sardinia	466	674	3,828	2,421
South and Islands	13,765	19,915	55,547	57,795
Italy	60,211	84,656	152,253	177,145

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*(end-of-year data)*

	2000		2001		2002	
	Banks	Branches	Banks	Branches	Banks	Branches
Piedmont	75	2,343	82	2,418	84	2,467
Valle d'Aosta	14	92	16	94	14	97
Lombardy	224	5,435	242	5,654	243	5,774
Liguria	49	864	50	881	50	899
North-West		8,734		9,047		9,237
Trentino-Alto Adige	143	881	139	896	133	902
Veneto	133	2,949	139	3,054	138	3,154
Friuli-Venezia Giulia	61	834	62	874	59	902
Emilia-Romagna	119	2,840	124	2,970	124	3,058
North-East		7,504		7,794		8,016
Tuscany	106	2,045	109	2,117	114	2,167
Umbria	38	457	39	493	41	510
Marche	61	918	66	973	65	1,005
Lazio	152	2,179	164	2,286	169	2,345
Centre		5,599		5,869		6,027
Abruzzo	46	552	47	574	48	599
Molise	28	126	30	137	27	137
Campania	83	1,445	83	1,483	87	1,507
Puglia	61	1,226	61	1,275	64	1,311
Basilicata	34	229	32	234	31	240
Calabria	41	477	42	496	39	502
South		4,055		4,199		4,296
Sicily	70	1,640	71	1,687	67	1,686
Sardinia	18	643	23	649	22	664
South and Islands		2,283		2,336		2,350
Italy	841	28,175	830	29,245	814	29,926

Source: Supervisory returns.

Table aD2

BANK LOANS BY SECTOR (1)
(*percentage changes on previous year*)

	General government	Financial and insurance companies	Holding companies	Non-financial companies and sole proprietorships			Consumer households (2)	Total	
				Industry excluding construction	Construction	Services			
North-West									
2001	3.8	7.7	1.7	7.1	7.6	4.6	7.2	10.2	7.3
2002	2.4	6.4	44.7	0.1	1.9	5.6	-3.0	12.4	6.1
North-East									
2001	-2.2	31.8	-3.0	8.5	5.4	13.7	11.2	8.0	8.9
2002	-1.7	-7.2	-51.4	6.8	1.7	15.1	10.2	12.2	5.0
Centre									
2001	-5.7	27.3	4.3	10.7	9.0	6.8	13.4	10.5	8.9
2002	-7.0	9.6	13.9	8.1	-4.0	8.5	18.1	7.3	5.8
South									
2001	-5.6	-15.1	24.3	4.8	4.2	0.8	7.1	9.6	4.7
2002	10.9	-16.9	-9.8	7.5	1.2	10.8	12.0	9.5	7.3
Islands									
2001	17.8	6.9	60.6	4.7	6.6	1.3	4.6	7.6	6.4
2002	-5.5	-5.1	100.7	5.7	6.1	1.1	7.2	7.5	5.8
Italy									
2001	-4.1	12.8	1.3	7.9	7.0	6.7	9.4	9.2	7.7
2002	-3.2	4.9	22.7	4.4	0.7	9.1	6.5	10.8	6.1

Source: Supervisory returns. The data are classified by the customer's location. See the Methodological Notes.
(1) Excluding bad debts and repos. - (2) Includes private non-profit institutions and units not elsewhere classified.

Table aD3

BANK LOANS BY SECTOR IN 2002 (1)
(percentage changes on previous year)

	General government	Financial and insurance companies	Holding companies	Non-financial companies and sole proprietorships			Consumer households (2)	Total	
				Industry excluding construction	Construction	Services			
Piedmont	2.3	-2.3	31.9	-8.3	1.4	2.3	-20.6	9.0	-1.5
Valle d'Aosta	46.6	-7.1	..	10.1	13.7	0.9	10.8	7.1	10.9
Lombardy	0.8	7.6	47.0	2.2	1.9	6.3	1.4	13.8	8.0
Liguria	6.9	-25.0	228.0	8.2	3.9	8.9	10.2	11.8	9.5
North-West	2.4	6.4	44.7	0.1	1.9	5.6	-3.0	12.4	6.1
Trentino-Alto Adige	-7.4	49.5	7.6	9.3	2.9	14.3	11.5	9.3	9.6
Veneto	2.9	-7.3	-21.2	6.9	3.4	18.0	8.4	11.5	6.2
Friuli-Venezia Giulia	-3.9	-48.2	-6.6	7.9	-2.8	8.4	20.8	15.2	4.6
Emilia-Romagna	-4.5	-0.1	-66.5	5.9	0.7	14.1	9.4	12.9	3.0
North-East	-1.7	-7.2	-51.4	6.8	1.7	15.1	10.2	12.2	5.0
Tuscany	-17.0	-14.8	103.3	8.5	0.4	13.2	14.1	3.2	3.7
Umbria	8.4	16.4	73.0	3.7	-4.7	0.1	11.4	10.6	5.9
Marche	14.2	-0.5	-47.3	11.1	6.9	18.3	14.8	5.4	8.7
Lazio	-7.2	24.2	12.5	7.7	-10.9	5.6	21.4	10.1	6.3
Centre	-7.0	9.6	13.9	8.1	-4.0	8.5	18.1	7.3	5.8
Abruzzo	14.6	14.4	..	8.6	2.5	16.3	13.0	11.7	9.9
Molise	-1.9	52.7	-2.7	-5.5	-21.5	5.5	9.1	7.5	-1.2
Campania	24.3	-24.9	-41.2	9.3	3.4	12.9	13.4	10.4	7.3
Puglia	3.1	29.9	-36.5	6.5	-0.9	10.6	10.4	8.9	7.2
Basilicata	0.8	156.2	..	-0.5	-7.9	1.4	7.6	5.6	1.9
Calabria	3.4	18.2	76.5	10.0	16.8	1.6	11.3	7.3	8.8
South	10.9	-16.9	-9.8	7.5	1.2	10.8	12.0	9.5	7.3
Sicily	-5.9	-21.4	133.0	6.4	10.1	-0.7	6.4	7.4	6.2
Sardinia	-4.9	2.4	73.7	4.2	-0.2	4.6	9.2	7.7	4.9
Islands	-5.5	-5.1	100.7	5.7	6.1	1.1	7.2	7.5	5.8
Italy	-3.2	4.9	22.7	4.4	0.7	9.1	6.5	10.8	6.1

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

(1) Excluding bad debts and repos. - (2) Includes private non-profit institutions and units not elsewhere classified.

Table aD4

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

	2001		2002		% change 2001-02	
	Total deposits		Total deposits		Total deposits	
		of which: current accounts		of which: current accounts		of which: current accounts
Piedmont	49,475	35,728	51,608	37,261	4.3	4.3
Valle d'Aosta	1,503	1,126	1,642	1,285	9.2	14.1
Lombardy	163,023	121,562	181,074	131,619	11.1	8.3
Liguria	15,844	12,148	16,720	12,954	5.5	6.6
North-West	229,845	170,564	251,044	183,118	9.2	7.4
Trentino-Alto Adige	13,063	8,781	14,261	9,887	9.2	12.6
Veneto	48,978	33,732	52,189	36,715	6.6	8.8
Friuli-Venezia Giulia	13,824	10,240	14,988	11,549	8.4	12.8
Emilia-Romagna	53,741	36,957	56,548	39,940	5.2	8.1
North-East	129,606	89,710	137,985	98,091	6.5	9.3
Tuscany	40,787	28,512	42,565	30,530	4.4	7.1
Umbria	7,593	4,840	8,077	5,206	6.4	7.6
Marche	14,657	8,631	15,955	9,342	8.9	8.2
Lazio	76,946	62,054	85,881	65,789	11.6	6.0
Centre	139,983	104,037	152,478	110,867	8.9	6.6
Abruzzo	10,108	5,906	10,494	6,199	3.8	5.0
Molise	1,685	1,096	1,702	1,138	1.0	3.8
Campania	39,028	24,974	39,690	25,941	1.7	3.9
Puglia	25,463	13,933	26,079	15,021	2.4	7.8
Basilicata	3,424	1,901	3,446	1,986	0.6	4.5
Calabria	9,190	5,418	9,572	5,860	4.2	8.2
South	88,898	53,228	90,983	56,145	2.3	5.5
Sicily	27,457	15,915	28,998	17,665	5.6	11.0
Sardinia	11,050	7,784	11,507	8,226	4.1	5.7
Islands	38,507	23,699	40,505	25,891	5.2	9.2
Italy	626,840	441,239	672,995	474,112	7.4	7.5

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

Table aD5

**SECURITIES HELD FOR CUSTODY
AND PORTFOLIO MANAGEMENT SERVICES (1)**
(end-of-period data in millions of euros and percentage changes)

	Securities held for custody (2)			Portfolio management services (3)		
	2001	2002	Var. % 2001-02	2001	2002	Var. % 2001-02
Piedmont	83,439	86,494	3.7	10,599	10,605	0.1
Valle d'Aosta	1,626	1,617	-0.5	192	201	4.6
Lombardy	194,043	200,702	3.4	34,277	27,847	-18.8
Liguria	30,454	30,786	1.1	3,230	3,237	0.2
North-West	309,562	319,599	3.2	48,299	41,891	-13.3
Trentino-Alto Adige	13,446	15,227	13.3	1,530	1,349	-11.8
Veneto	65,493	64,967	-0.8	9,767	8,847	-9.4
Friuli-Venezia Giulia	14,927	15,120	1.3	2,137	2,007	-6.1
Emilia-Romagna	84,958	91,071	7.2	16,923	15,126	-10.6
North-East	178,823	186,385	4.2	30,358	27,330	-10.0
Tuscany	55,285	66,108	19.6	8,495	6,958	-18.1
Umbria	8,202	8,957	9.2	1,078	980	-9.1
Marche	17,178	18,535	7.9	1,856	2,861	54.1
Lazio	54,254	79,782	47.1	5,303	5,657	6.7
Centre	134,919	173,382	28.5	16,733	16,456	-1.7
Abruzzo	7,750	8,011	3.4	486	537	10.6
Molise	1,142	1,162	1.8	76	48	-36.9
Campania	27,788	28,347	2.0	2,360	2,168	-8.1
Puglia	22,548	23,348	3.5	1,978	1,821	-7.9
Basilicata	2,486	2,475	-0.4	105	111	4.9
Calabria	6,645	6,734	1.3	582	423	-27.2
South	68,359	70,077	2.5	5,588	5,109	-8.6
Sicily	26,753	25,371	-5.2	1,575	1,265	-19.7
Sardinia	6,824	6,605	-3.2	625	569	-8.9
Islands	33,577	31,976	-4.8	2,200	1,834	-16.6
Italy	725,241	781,419	7.7	103,176	92,620	-10.2

Source: Supervisory returns. The data are classified by the 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. (3) Securities held for banks' portfolio management services.

Table aD6

SHORT-TERM BANK LENDING AND DEPOSIT RATES*(percentages)*

	Loans					Deposits				
	Dec. 2001	Mar. 2002	June 2002	Sept. 2002	Dec. 2002	Dec. 2001	Mar. 2002	June 2002	Sept. 2002	Dec. 2002
Piedmont	6.2	6.1	6.3	6.1	6.0	1.7	1.5	1.5	1.5	1.4
Valle d'Aosta	7.8	7.8	7.0	6.6	6.4	1.6	1.5	1.5	1.6	1.4
Lombardy	5.5	5.3	5.2	5.1	5.1	1.8	1.7	1.8	1.7	1.5
Liguria	7.0	6.9	6.7	6.8	6.8	1.5	1.4	1.4	1.5	1.2
North-West	5.7	5.5	5.4	5.3	5.3	1.7	1.6	1.7	1.7	1.5
Trentino-Alto Adige	6.4	6.1	6.0	6.0	6.0	1.8	1.7	1.8	1.9	1.4
Veneto	6.8	6.7	6.6	6.6	6.6	1.8	1.7	1.7	1.7	1.5
Friuli-Venezia Giulia	6.8	6.5	6.7	6.5	6.7	1.7	1.8	1.8	1.7	1.4
Emilia-Romagna	5.9	5.8	5.8	5.7	5.8	1.8	1.8	1.8	1.7	1.5
North-East	6.3	6.3	6.2	6.2	6.3	1.8	1.7	1.8	1.7	1.5
Tuscany	6.6	6.5	6.1	6.5	6.6	1.9	1.9	1.8	1.8	1.6
Umbria	7.5	7.6	7.1	7.4	7.2	1.9	1.7	1.7	1.7	1.6
Marche	6.2	6.1	6.0	6.0	6.0	1.8	1.8	1.8	1.8	1.6
Lazio	6.2	6.3	6.0	6.0	5.8	2.0	2.0	2.0	2.0	1.7
Centre	6.4	6.4	6.0	6.2	6.1	2.0	1.9	1.9	1.9	1.7
Abruzzo	7.6	7.3	7.1	7.1	7.1	1.5	1.5	1.7	1.5	1.3
Molise	8.2	8.1	8.1	8.1	8.3	1.5	1.5	1.5	1.4	1.3
Campania	8.0	7.9	7.5	7.8	7.6	1.6	1.4	1.4	1.4	1.2
Puglia	7.9	7.6	7.3	7.3	7.4	1.7	1.6	1.5	1.5	1.4
Basilicata	8.3	5.2	7.2	6.8	7.0	1.7	1.4	1.5	1.4	1.2
Calabria	9.4	9.1	8.5	8.5	8.6	1.5	1.4	1.3	1.4	1.2
South	8.0	7.6	7.5	7.6	7.6	1.6	1.5	1.5	1.4	1.3
Sicily	7.6	8.1	7.8	7.9	7.9	2.0	1.7	1.7	1.7	1.5
Sardinia	7.9	8.0	7.7	7.6	7.0	1.7	1.7	1.7	1.7	1.4
Islands	7.7	8.1	7.8	7.8	7.6	1.9	1.7	1.7	1.7	1.5
Italy	6.0	6.0	5.9	5.8	5.7	1.8	1.7	1.7	1.7	1.5

Source: Central Credit Register. The data are classified by the location of each branch. Transactions denominated in euros and euro-area currencies are included. See the Methodological Notes.

METHODOLOGICAL NOTES

B - ECONOMIC ACTIVITY

Table B1

Survey on public works

Since 2002 the Bank of Italy has carried out a half-yearly survey on the progress of public works. To date there have been three surveys (May 2002, September 2002 and April 2003). The sample consists of about 500 firms located all over Italy that are engaged primarily in the construction of public works. The data are collected by the Bank of Italy's branches.

Table aB5

Survey of firms in industry excluding construction

The Bank of Italy's survey of investment in industry excluding construction in 2002 was carried out using a stratified sample of 3,051 firms with at least 20 employees. The participation rate was 82.3 per cent. For more detailed information, see the "Note metodologiche" section in the Appendix to the Bank's Annual Report in Italian.

Tables B5, B6, aB6 and aB7

Regional exports (*fob*) by sector

The data on trade with EU countries are obtained using the Intrastat system; those on trade with other countries using customs documentation. 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.

From 1998 onwards, sales revenues are used for the breakdown by geographical area.

The data presented are based on Istat press releases reporting the foreign trade of the Italian regions. For further information, see the "Note metodologiche" section in *Commercio estero e attività internazionali delle imprese*, published by Istat-Ice.

C – THE LABOUR MARKET AND REGIONAL POLICIES

Table aC9

Wage Supplementation Fund

This is a fund administered by INPS for the partial compensation of the wages lost by employees in the case of short-time working or lay-off provided for by law. In the labour force survey the respondents receiving Wage Supplementation benefits should report themselves as employed. In estimating the total labour input of the economy, the number of hours of Wage Supplementation benefits is translated into number of persons employed (equivalent workers on Wage Supplementation) by dividing it by the contractual working hours.

Figures C1 and C2; Tables aC1-aC4 and aC6-aC8

Labour force surveys

Istat conducts the quarterly labour force survey in January, April, July and October, interviewing a sample of around 75,000 resident households in Italy. For this survey the labour force does not include persons performing compulsory military service, prisoners, members of religious orders and non-resident aliens, all of whom who are comprised in the national accounts (See *Standard labour units and employment in the national accounts*).

Employed persons are defined as those persons of working age (15 or older) who state that they have a job or do some hours of work at a production unit in Italy. Employed persons may have the professional status either of *wage and salary earners* (or *payroll employees*), if they receive a wage or salary; or *self-employed*, if they engage in an activity and assume the related economic risk. Persons employed *part-time* are those who report themselves as such in the labour force survey. *Fixed-term payroll employees* are those who state that they are engaged in salaried employment on a fixed-term contract.

Job-seekers are defined as persons of working age (15 and older) who are actively looking for work. This means having taken at least one job-search action in the 30 days prior to the survey, as well as not having worked in the reference week and being available to start work immediately. Persons receiving Wage Supplementation benefits are not counted as unemployed.

The *labour force* is the total of persons employed and job-seekers. The *employment rate* is the percentage ratio of persons employed to the total population or the population of a given age-group. The *participation rate* is the percentage ratio of the labour force to the total population or the population of a given age-group. The *unemployment rate* is the percentage

ratio of the number of job seekers to the labour force. This rate may be adjusted for Wage Supplementation, considering as unemployed a number of persons equal to the full-time equivalent of the number of authorized hours of Wage Supplementation during the reference period.

Table aC5

Non-regular employment

Istat defines “non-regular employment” as employment deriving from activities that are legal but not reported to the tax and social security authorities, or which are not in accordance with the type of employment contract and working hours prescribed. Specifically, this aggregate includes non-resident aliens without a regular employment contract and unreported second jobs.

Figure C1; Table aC5

Standard labour units and employment in the National Accounts

Employed persons, for the National Accounts, in addition to those found by the labour force survey, comprise persons performing compulsory military service, prisoners, members of religious orders and foreigners (legally present or not) who perform an activity (see the note on Non-regular employment).

Standard labour units, as defined in the national accounts, measure the amount of labour employed in productive activity in Italy, reduced to homogeneous quantities in terms of work time. Labour input as measured in standard units (or “full-time equivalent workers”) is net of Wage Supplementation but includes the labour of persons performing compulsory military service, undeclared employed persons, non-resident aliens, and second jobs.

D - BANKING

Table D1

Consumer credit, leasing and factoring

The figures shown are obtained from the statistical supervisory reports of non-bank financial intermediaries entered in the special list referred to in Article 107 of the Consolidated Banking Law. The data refer to customers resident in each region and are those provided for in Section II (“Other information”), subsection 6 (“Distribution by economic activity and geographical area”) of the reports.

Further information can be found in the “Note metodologiche” section in the Appendix to the Bank’s Annual Report in Italian and in “Manuale per

la compilazione delle Segnalazioni di Vigilanza per gli Intermediari Finanziari iscritti nell'“Elenco Speciale”” (Circular no. 217 of 5 August 1996).

Table D2

Statistics of the Central Credit Register on credit granted and drawn

The Central Credit Register records all the exposures of banks (including the Italian branches of foreign branches for credit granted to borrowers resident in Italy) for which the amount granted or drawn exceeds €75,000. Bad debts are recorded regardless of the amount. For further information, see the “Methodological Appendix” in the Bank of Italy’s *Statistical Bulletin*.

Figure D1; Tables D1, D5, D6, D7, and aD1-aD5

Supervisory returns

The data are drawn from the statistical reports (third section of the supervisory returns) that the Bank of Italy requires banks to send pursuant to Article 51 of the Consolidated Banking Law (Legislative Decree 385/1993). As of 1995 the former special credit institutions have submitted identical reports to those sent by other banks; from the same date the information on the former special credit sections has been included in the reports of their parent institutions. For details on the classification of customers by economic activity, see the Glossary of the Bank of Italy’s *Statistical Bulletin* (“Classification of customers by sector and segment of economic activity”).

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 accounts, certificates of deposit, savings certificates, current accounts and repos with resident non-bank customers.

Loans: lending 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 documents credited subject to final payment), import and export credits, mortgage loans, repos, 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 a temporary situation of objective difficulty whose solution can be expected within a reasonable period of time. The data are available half-yearly.

Bad debts: loans to persons in a state of insolvency (even if not judicially declared) or basically equivalent situations.

Adjusted bad debts: the total loans outstanding when a borrower is reported to the Central Credit Register:

- a) as a bad debt by the only intermediary that disbursed credit;
- b) as a bad debt by one intermediary and as having an overshoot by the only other intermediary exposed;
- c) as a bad debt by one intermediary and the amount of the bad debt is at least 70 per cent of its exposure to the financial system or as having overshoots equal to or more than 10 per cent of its total loans outstanding;
- d) as a bad debt by at least two intermediaries for amounts equal to or more than 10 per cent of its total loans outstanding.

Unless otherwise specified, the data refer to the residence of the borrower.

Table aD6

Bank interest rates

The data on interest rates are based on quarterly reports by two groups of banks: 70 for lending rates and 60 for deposit rates at the end of 2002. 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 euros to resident non-bank customers reported to the Central Credit Register. The latter records, in general, the positions where credit granted or drawn exceeds €75,000.

The data on deposit rates (shown gross of withholding tax) refer to savings and current account deposits in euros of at least €10,000, held by resident non-bank 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 the interest accrued is paid on most accounts, corresponds to the average cost of funds for the whole year (average effective rate).

For further information, see the “Methodological appendix” in the Bank of Italy’s *Statistical Bulletin*.

The Reports on economic developments in 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 Turin

Valle d'Aosta

Avenue du Conseil des Commis, 21
11100 Aosta

Lombardy

Via Cordusio, 5
20123 Milan

Liguria

Via Dante, 3
16121 Genoa

Trentino-Alto Adige

Piazza A. Vittoria, 6
38100 Trento

Veneto

Calle Larga Mazzini,
4799 San Marco
30124 Venice

Friuli-Venezia Giulia

Corso Cavour, 13
34132 Trieste

Emilia-Romagna

Piazza Cavour, 6
40124 Bologna

Tuscany

Via dell'Oriuolo, 37
50122 Florence

Umbria

Piazza Italia, 15
06100 Perugia

Marche

Piazza Kennedy, 9
60122 Ancona

Lazio

Via XX Settembre, 97/e
00187 Rome

Abruzzo

Corso Federico II, 1
67100 L'Aquila

Molise

Via Mazzini, 2
86100 Campobasso

Campania

Via Cervantes, 71
80133 Naples

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

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