

BANCA D'ITALIA

**Summary of the Reports
on economic developments in
the Italian regions in 2003**

Rome 2004

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 stagnated in 2003. GDP grew by 0.7 per cent in the Centre and 0.4 per cent in the South and Islands and the North-East, but contracted by 0.3 per cent in the North-West. Overall the Italian economy expanded by 0.3 per cent, which was less than the already modest figure of 0.4 per cent recorded in 2003.

Final consumption increased by 1.2 per cent in the South and Islands and 1.3 per cent in the other macro-regions; the contribution to the growth in GDP was slightly larger in the South and Islands owing to the higher ratio of consumption to GDP. The low capacity utilization rate and the uncertainty about the timing and strength of the recovery held back grossed fixed investment, which contracted by 2.5 per cent in the Centre and North and 0.8 per cent in the South and Islands.

Despite the upturn in world trade, exports fell in both the Centre and North and the South and Islands. On the one hand this reflected Italian products' loss of competitiveness owing to the strengthening of the euro and the unfavourable trend of unit costs caused by the fall in productivity and on the other the sectoral specialization of Italy's products, with a relatively small proportion of those with a high technological content, for which world demand is growing fastest. Italy's share of world trade at constant prices contracted further. Net exports made a negative contribution of 0.9 percentage points to the growth in GDP.

The decline in exports was most pronounced in the North-East (-5.5 per cent at current prices) and the Centre (-6.5 per cent), the macro-regions with a high concentration of the traditional sectors most exposed to competition from newly-industrialized countries (such as textiles, clothing, leather and leather products); in the North-West exports fell by 2 per cent. In the Centre and North as a whole exports fell by 4.1 per cent, compared with 3.8 per cent in the South and Islands, which benefited from an increase in the value of sales of refined oil products.

In Italy as a whole value added at constant prices increased by 0.6 per cent in services, whereas it decreased by 0.4 per cent in industry. The growth in services was concentrated in business services and services to households and was stronger in the Centre (1.4 per cent) than in the

South and Islands (0.5 per cent) and the North (0.3 per cent). Value added in industry fell by 8.7 per cent in agriculture fell by 8.7 per cent in the Centre and North but by only 0.5 per cent in the South and Islands.

Value added in industry declined in all the macro-regions except the North-East, where it increased by 0.9 per cent. The contractions in the North-West (0.8 per cent) and the Centre (1 per cent) were larger than that in the South and Islands (0.6 per cent). In the North-West the contraction was due to the reduction in activity in industry excluding construction, especially transport equipment, which was offset only in part by the rapid growth in construction. In the North-East the expansion in construction was matched by a better performance of industry excluding construction, thanks to the increase in sales of food products and building materials on the domestic market. In the Centre construction expanded less than in the North, while industry excluding construction was affected by the sharp fall in activity in traditional sectors, especially the fashion industry. In the South and Islands construction expanded even less but the lower ratio of exports to GDP meant that the fall in foreign demand had a less pronounced impact on economic activity.

Owing to the persistent weakness of economic activity, the increase in employment in Italy declined from 1.5 per cent in 2002 to 1 per cent in 2003. The South and Islands recorded a smaller increase (0.2 per cent) than the rest of the country (1.4 per cent). The downturn in the demand for labour appears even more pronounced when measured in terms of the number of standard labour units, which increased by 0.4 per cent in 2003 (as a consequence of a rise of 0.6 per cent in the Centre and North and a fall of 0.1 per cent in the South and Islands), compared with 1.1 per cent in 2002. Especially in the Centre and North, the more marked slowdown in the growth of standard labour units reflects the rapid rise in recourse to the Wage Supplementation Fund and the increase in part-time jobs.

The unemployment rate continued to decline in all the macro-regions. In the South and Islands it was 17.7 per cent, a decrease of more than 4 percentage points compared with the peak recorded in 1999. The differential with respect to the Centre and North narrowed over the same period from 15.5 to 13.1 percentage points.

Between 1995 and 2003 the number of persons in employment increased at an average annual rate of 1.2 per cent in the Centre and North and 1 per cent in the South and Islands (0.9 and 0.8 per cent respectively in terms of standard labour units). The growth in the number of persons in employment benefited from the spread of forms of flexible and part-time work, especially among women. The proportion of these

forms of work increased more in the Centre and North than in the South and Islands.

In the period 1996-2001 the rate of increase in GDP per standard unit of labour slowed compared with the five years 1991-95 in all the macro regions; the slowdown was modest in the South and Islands and much more pronounced in the rest of the country. On average in 2002-03 the change in labour productivity turned negative in all the macro-regions, most notably in the North-West. The increase in total factor productivity also slowed and turned negative in the two years in question. The breakdown of the data by macro-region, available up to 2001, shows that the South and Islands was the only one in which total factor productivity rose slightly faster in the period 1996-2001 than in the five years 1991-95. However, despite the recovery, its level in the southern regions in 2001 was still well below the national average.

In 2003 bank loans grew by about 6 per cent. As in the previous year, the expansion was faster in the South and Islands than in the Centre and North. The bulk of the increase was concentrated in the medium and long-term segment, reflecting the strong growth in loans for house purchases.

Loans to non-financial corporations in the southern regions continued to grow at a rapid pace, although lower than that recorded in 2002. The moderate acceleration in lending to manufacturing and construction failed to offset the effects of the slowdown in lending to services and the fall in that to the energy sector. In the Centre and North lending to non-financial corporations accelerated in all the main sectors of production. At the end of 2003 the rate of growth was modest for manufacturing but much higher for services and especially construction.

In 2003 the growth in lending to smaller firms continued to outpace that to other non-financial corporations and was highest in the Centre and the South and Islands.

Credit supply conditions remained expansionary throughout the country. The undrawn margins of loan facilities increased and the incidence of amounts drawn in excess of current account overdraft limits decreased in all the macro-regions. Interest rates on bank loans to firms declined further, both in the southern regions and to a greater extent in the rest of the country. For medium and long-term transactions the differential in favour of the Centre and North increased by one tenth of a percentage point and for short-term transactions by about four tenths of a point to two points. The differential derives partly from the larger proportion of small firms and the higher incidence of riskier sectors in the southern regions. On an equal size and sector basis the short-term interest

rate differential in 2003 was equal to about one point. This remaining difference reflects the presence of external diseconomies in the South and Islands and the greater fragility of the productive system.

The ratio of loans that became irrecoverable during the year to total lending rose by 0.2 percentage points to 1.2 per cent. The increase was almost entirely due to the classification as bad debts of loans to companies involved in the insolvency of the Parmalat group. Excluding these amounts, the ratio was unchanged in the Centre and North (0.9 per cent) and rose slightly in the South and Islands (from 1.6 to 1.7 per cent).

The rate of increase in bank fund-raising slowed throughout the country in connection with the contraction in repos and the recovery in households' purchases of investment fund units. The growth in fund-raising in the North outpaced that in the Centre and the South and Islands, where there was a sharp slowdown in the take-up of bank bonds, offset by an acceleration in current account deposits. The conditions applied to households' deposits were basically in line across the country.

At the end of 2003 deposits and banknotes continued to be a larger proportion of households' total financial assets in the southern regions than in the rest of the country. By contrast, the proportion of shares, bonds and investment fund units was highest in the South and Islands, followed by the Centre and then the North.

According to the Eighth General Census of Industry and Services, the average size of firms fell to 3.9 workers in 2001, from 4.4 in 1991. The contraction was due to an increase in the proportion of very small units and a reduction in the average size of large firms (with more than 500 workers), offset only in part by an increase in the average size of firms in the classes with from 20 to 249 workers.

Between 1991 and 2001 the number of workers in local manufacturing production units fell by 6.1 per cent. The reduction in the traditional sectors was much sharper; significant declines also occurred in the manufacture of office machinery and IT equipment and of transport equipment. The fall in the number of workers in manufacturing was most pronounced in the North-West and the Centre and least marked in the South and Islands. In the North-East, where industrial districts are more common than in the rest of the country, there was an increase, albeit small, in the number of industrial workers.

The sectoral and size structure of industry in the macro-regions continued to draw closer to the national averages. This development was

most visible in the North-West, where the fall in the number of workers in larger firms was sharper than in the rest of the country.

At the beginning of the 1990s the North-West stood out from the rest of the country by the presence of a larger proportion of technologically advanced branches of industry and medium-sized and large firms, a greater commitment to R&D and a superior endowment of human capital. It was nonetheless significantly behind the most advanced European areas in these respects. In the ten years that followed, the economy of the area lost ground and came closer to the national average. The share of the North-West of world trade in high-tech products, for which world demand is tending to grow faster, declined.

In the North-East there was a decrease in the same period in the area's specialization in foreign trade in low-tech sectors, especially textiles, clothing and leather products. In the Centre there was a shift towards intermediate technology products, accompanied by a decrease in the area's specialization in low-tech sectors and, above all in Lazio, in high-tech sectors. The South and Islands showed a shift towards products in higher technology bands.

The number of workers in wholesale and retail trade fell in Italy by 4.5 per cent between 1991 and 2001, with most of the loss in jobs occurring in the retail sector. The share of workers in large local units (with at least 100 workers) more than tripled. In 2001 the importance of supermarkets and hypermarkets, which increased in all the macro-regions over the decade, was greatest in the North and less in the Centre and especially the South and Islands. In some regions, especially in the Centre and the South and Islands, their expansion was held back by delays in implementing the liberalization of the sector. Despite the changes that occurred during the decade, the structure of distribution is more fragmented in all the macro-regions than in any other leading European country. The smaller size of outlets is coupled with lower labour productivity, measured in terms of both value added and sales revenues per worker.

In services other than distribution, the number of workers increased by about one third over the decade. The gain was concentrated in real estate and business services. The number of workers in these two sectors nearly doubled in the Centre and North but increased less in the South and Islands. The largest increase in the number of workers in the transport and communications sectors was in the North-West; the South and Islands was the only part of the country to record a decline.

The number of workers in financial intermediation services rose by 3.3 per cent. The increase was concentrated in services auxiliary to

financial intermediation, while in insurance and pension funding services and in narrowly-defined financial intermediation services the numbers decreased, by 17 and 4.1 per cent respectively. Most of the decreases occurred between 1997 and 2001.

Between 1996 and 2003 the number of Italian bank employees decreased by 3.5 per cent; over the same period banks' total assets and net revenues, valued at constant prices, increased by respectively 31.7 and 18.3 per cent. The number of banks in operation fell from 937 to 788; the number of branches open for business rose by nearly a quarter, with the increase in the Centre and North (26.6 per cent) outstripping that in the South and Islands (19.3 per cent).

In the South and Islands there was a sharp increase in the number of branches belonging to banks or banking groups located in the Centre and North; this greater presence of intermediaries with their registered offices outside the area was accompanied by a rise in the ratio of loans granted and funds raised in the South and Islands.

Compared with 1996 the number of tellers decreased both in the Centre and North and in the South and Islands. The average number of workers per branch fell from 10 to 7.5. In 2003 it was higher in the North-West (8.1) than in the North-East (6.6). The sum of interest-earning assets and borrowed funds, valued at constant prices, grew by 35 per cent; the aggregate grew rapidly in all the macro-regions and most rapidly in the North.

B -ECONOMIC ACTIVITY

Industry excluding construction

In Italy as whole, value added at factor cost in industry excluding construction fell by 1 per cent at constant prices in 2003.

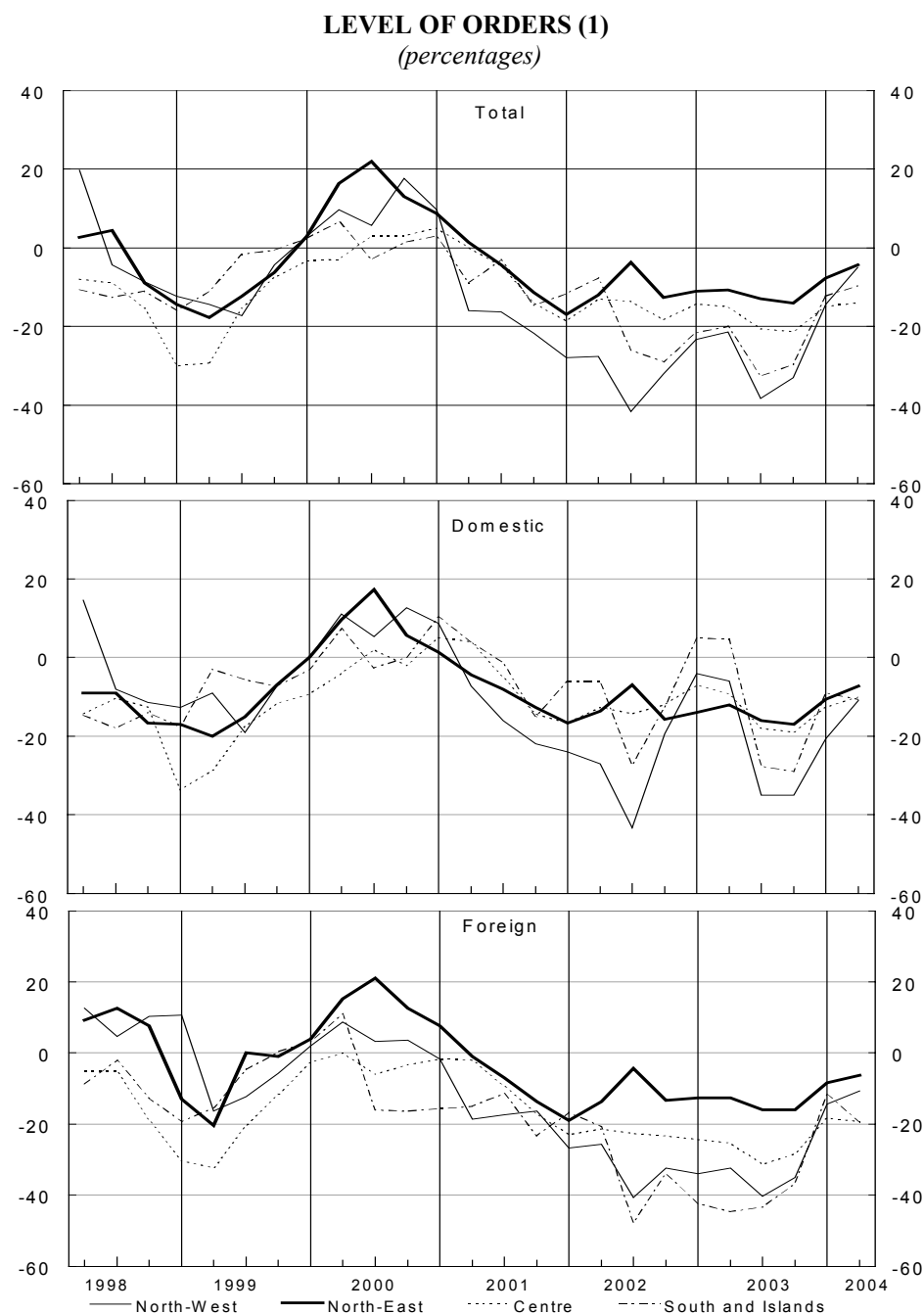
According to ISAE business surveys, in all the macro-regions orders remained well below the level deemed normal by businessmen. A decline in the first half of the year was followed in the third quarter by feeble signs of improvement, which dimmed in the subsequent months (Figure B1).

The weakness of demand, more accentuated in the foreign component, was reflected in a contraction in activity: industrial production fell by an average of 0.8 per cent in 2003. The decline in production was more pronounced in the traditional sectors and involved all the leading regions; significant contractions were recorded in the fashion sector (textiles, clothing, leather and footwear), mechanical engineering, electrical equipment and precision and optical instruments, and transport equipment. In the processed foods, wood, paper and metal products sectors, production rose instead. Output also rose in several branches of production and processing of non-metallic minerals, which benefited from the positive performance of the construction industry.

The production trend was geographically uniform, with a drop in the first two quarters followed by a recovery in the third and stagnation in the fourth. The levels of activity in the different macro-regions reflected differences in the composition of industry by branch (Table aB2).

According to the survey conducted at the beginning of the year by the Bank of Italy's branches on a sample of firms with at least 20 workers in industry excluding construction (see the Methodological Notes in the Appendix), in 2003 sales revenues fell in real terms by 0.4 per cent (Table aB6). This decline is attributable to manufacturing industry, where sales fell by 1 per cent; in the energy and mining sector, sales revenues rose by 4.4 per cent.

Figure B1



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

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

In manufacturing industry, declines in the North-West and Centre (1.7 and 1.8 respectively) contrasted with substantial stability in the North-East (+0.1 per cent) and an increase of 1.4 per cent in the South and Islands, where the presence of the

food-products sector is significantly larger than the national average and the fashion industry is smaller. The drop in production in the transport equipment sector hit the regions of the North-West hardest, especially Piedmont. According to the Italian Automobile Manufacturers' Association, in 2003 demand for domestic cars fell further by 8.6 per cent, which was nonetheless not as large as the previous year's decline. The levels of activity were affected in Lombardy by the reduction of production in the engineering and chemical sectors, and in the regions of Centre by the difficulties encountered in textiles and clothing, leather and footwear, and chemicals and pharmaceuticals. In the Islands, production was buoyed by oil refining.

The plant capacity utilization rate bottomed out in the first half of 2003 and then rose slightly in the second half, but nonetheless remained at historically low levels.

On the basis of the Bank of Italy's survey, the capacity utilization rate averaged around 80 per cent over the year, the lowest level in the last five years; in the North-West, capacity utilization was slightly below the national average.

The ample margin of unutilized capacity and the uncertainty about the timing and strength of the recovery affected capital spending plans. According to the Bank of Italy's survey, gross fixed investment in industry contracted in all the macro-regions. Considering the actual location of production units, the drop in investment was most pronounced in the regions of the North-East and Centre (Table aB6). Firms' plans for 2004 indicate an upturn in investment, modest for companies in the North, more marked for those in the Centre and the South and Islands.

Construction

Value added in the construction sector grew by 2.5 per cent at constant prices, continuing the expansion under way since 1999. Investment in construction increased by 1.8 per cent, its rate of growth moderating with respect to the previous four years. Investment was driven mainly by residential building and public works.

Private building. – Investment in dwellings, which account for 55 per cent of the whole sector, grew by 2.3 per cent, benefiting from the favourable terms of financing and the tax incentives for extraordinary renovation work.

According to a survey by the National Builders' Association, residential building grew by almost 3 per cent in the North and by around twice that rate in the

Centre, thanks to the combined contribution of renovation work and new housing starts. In the South and Islands, by contrast, there was as sharp contraction, entirely attributable to the decline in renovation activity. Owing to the uncertainty about the extension of the tax incentives for extraordinary renovation work, in 2003 applications for incentives fell by around 10 per cent in the North and by nearly 20 per cent in the Centre and South. Over the last six years, the incentives are estimated to have covered a total of more than 12 per cent of the housing units in the North, 8 per cent in the Centre and 3 per cent in the South and Islands.

Demand in the property market remained at the high levels of the previous year, when the number of units sold was around 50 per cent higher than the average for the period 1993-96. Housing prices rose particularly in the large cities of the Centre and North.

According to the publication Il Consulente Immobiliare, the prices of new or totally renovated dwellings rose in real terms by 10.4 per cent, compared with 8.8 per cent in 2002. The increase came to 11.2 per cent in the provincial capitals of the Centre and North and 7 per cent in those of the South and Islands; it was equal to 13.5 per cent in the provincial capitals with more than 250,000 inhabitants and 3 per cent in the others.

The stagnation of the economy and the termination at the end of 2002 of the tax incentives of the so-called Tremonti-bis Law caused a halt in investment in non-residential buildings, which account for one quarter of the entire sector; activity contracted in the northern regions, while it expanded in those of the Centre and South.

Public works. – Investment in public works returned to growth in 2003. The increase in activity involved larger firms and the regions of the Centre and North; the value of the works constructed in the South decreased slightly.

According to a survey conducted in April 2004 by the Bank of Italy's branches of 464 construction firms active mainly in the public works sector, the decline of output in real terms in 2002 was followed last year by an expansion of 5 per cent, with an acceleration in the second half. In the regions of the Centre and North, public works activity grew by more than 7 per cent last year; in those of the South and Islands, it contracted slightly, reflecting a particularly negative performance in the first half.

The growth in the production of public works was buoyed mainly by the progress of projects already initiated. As regards the major projects envisaged by Law 443 of 21 December 2001, firms expect most construction to commence in 2005-06.

The Bank of Italy survey registered the presence of widespread obstacles to the expansion of public works activity. Around two thirds of the respondent firms cited slowness and uncertainty in the appropriation of resources as the main obstacle, and more than half of them pointed to administrative difficulties. Around half of the firms of the North reported difficulties in recruiting workers.

The increase in 2003 in amount of invitations to tender for public works in real terms appears to confirm positive indications for the sector's activity in the future. In the South and Islands, the amount exceeded the previous peak of 1996.

Services

The sector's value added grew in real terms by 0.6 per cent, compared with 0.9 per cent in 2002; the gain was concentrated in business services and services to households. In contrast with a modest recovery of 0.2 per cent in wholesale and retail trade, activity stagnated in transport and communication services (after expanding by 1.5 per cent in 2002) and contracted by 0.7 per cent in hotel and restaurant services.

According to the Bank of Italy survey, in 2003 the sales revenues of private non-financial services fell by 1 per cent in real terms. The growth of 3.3 per cent registered in the South and Islands was offset by a drop of 3.6 per cent in the North-East and slight declines of 0.2 and 0.7 per cent, respectively, in the North-West and Centre (Table aB6).

Wholesale and retail trade. – Fixed retail outlets' sales at current prices grew by 2 per cent, slowing from 2.5 per cent in 2002. Sales growth was stronger in the North (2.4 per cent) than in the Centre (1.6 per cent) and the South and Islands (1.4 per cent). While sales of food products increased by 4.6 per cent, those of other products were broadly unchanged (+0.2 per cent). Modern retailing gained further market share at the expense of traditional outlets: small shops' sales rose by only 0.2 per cent, compared with an increase of 4.7 per cent in those of large-scale retailing.

The restructuring of the sector to the benefit of chain stores and shopping centres continued. According to data released by the Ministry for Productive Activities, in 2002 the number of chain store units rose from 9,108 to 9,290, their selling space grew by 4.9 per cent and their aggregate workforce increased by 3.8 per cent (Table B1).

Table B1

STRUCTURE OF LARGE-SCALE RETAILING
(units and thousands of square metres)

	Units		Selling space		Workers	
Chain stores (1) (2)						
	2001	2002	2001	2002	2001	2002
North	4,779	5,035	6,986	7,600	136,689	145,712
Centre	1,987	1,961	2,448	2,451	49,061	49,636
South and Islands	2,342	2,294	2,483	2,455	41,419	40,534
Italy	9,108	9,290	11,918	12,506	227,169	235,882
Shopping centres (2)						
	2000	2002	2000	2002	2000	2002
North	355	392	4,345	4,936	75,076	88,301
Centre	109	124	1,200	1,420	20,956	24,002
South and Islands	73	87	985	1,187	16,896	20,662
Italy	537	603	6,530	7,544	112,928	132,965

Source: Ministry for Productive Activities.

(1) Includes department stores, hypermarkets, supermarkets and specialized retailers. – (2) Data referring to 1 January of the following year.

The expansion was most pronounced in the northern regions, in terms of both number of units and selling space (5.4 and 8.8 per cent, respectively). In the Centre, total selling space remained stationary, despite the contraction in the number of units, while the number of workers rose by 1.2 per cent. By contrast, the spread of chain stores in the South and Islands came to a halt.

In the two years 2001-02, the number of shopping centres rose by 66, of which 60 large-scale (more than 2,500 square metres). In terms of selling space, the increase was equal to 15.5 per cent. The expansion was most pronounced in the South and Islands, whose share of the total number of units and selling space increased respectively from 13.6 to 14.4 per cent and from 15.1 to 15.7 per cent.

Between 1991 and 2001 retailing registered a significant decline in the number of small shops and an accompanying growth in large-scale distribution operating mainly in the food sector. The intensity of this process varied from area to area.

On the basis of census data, the number of local units in retail trade fell by 18.2 per cent between 1991 and 1996 and then edged upwards by 0.9 per cent over the next five years. The trend of employment was basically in line with that of sales points (Table aB7). The decline involved the smallest units (up to 9 workers), whose share of total employment in the sector fell over the decade by 10.3 percentage points to 77 per cent. Over the same ten years the share in total employment of units with more than 100 workers rose from 1.8 to 6.1 per cent (Table aB8).

In the period 1991-96 the expansion of larger units (in terms of employment) was fastest in the North-East and the South and Islands; in the subsequent period it was fastest in the South and Islands and the Centre.

In 2001 the distribution of local units by size class as measured by the number of workers differed markedly by geographical area. In the North-West and the North-East the smaller size classes (up to 19 workers) accounted for respectively 78.2 and 80.8 per cent of the sector's total workforce. In the Centre, the South and the Islands, the corresponding figures were 84.5, 93.3 and 89.7 per cent. Units with more than 100 employees accounted for 10.2 per cent of the total in the North-West, 6.5 per cent in the North-East, 2.5 per cent in the South and 3.5 per cent in the Islands.

Despite the changes over the decade, the structure of retailing remains more fragmented in Italy than in the other main European countries. In 2001 the number of retail firms per 10,000 inhabitants was around 130 in Italy and Spain and a little higher in Portugal, compared with a European average of 71 and a low of 35 in Germany and the United Kingdom.

The average size of firms in the sector was smallest in Portugal, Spain and Italy, where sales per firm ranged from €200,000 to €300,000, compared with a European average of €653,000 and figures of more than €1 million in many countries of central and northern Europe. Labour productivity, measured by both value added and sales per employee, is lower in the three southern countries, where small firms are more numerous. Productivity tends to increase with the size of retail firms. In Italy, in 2001 productivity in retail firms with more than 100 workers was around two and a half times that of units with fewer than 10 workers and a little less than double the average for the sector.

In the 1990s the distributive sector in Europe showed a tendency towards both concentration in the domestic market and expansion abroad. France, Germany, the United Kingdom, Belgium and the Netherlands are the main countries of origin of the international retail groups, while Italy, Spain and the countries of central and eastern Europe are the principal countries of destination. In Italy, the small size of domestic retailers has been an impediment to their international expansion and favoured the entry of foreign groups in the domestic market.

Tourism. – The weakness of economic activity in the European countries, which account for a major share of foreign visitors to Italy, and the appreciation of the euro against the main international currencies adversely affected the performance of the tourist industry. On the basis of provisional Istat data, in 2003 total arrivals and overnight stays at lodging facilities diminished by 0.4 and 1 per cent respectively (Table B2).

Table B2

TOURIST TRAFFIC BY GEOGRAPHICAL AREA IN 2003
(percentage changes on 2002)

	Italians		Foreigners		Total	
	Arrivals	Overnight stays	Arrivals	Overnight stays	Arrivals	Overnight stays
North-West	2.1	-0.8	-1.6	-2.9	0.5	-1.6
North-East	5.8	2.8	-3.8	-4.5	1.1	-0.7
Centre	0.3	-0.2	-8.4	-6.6	-4.1	-3.1
South and Islands	3.8	3.7	-4.6	-5.5	1.4	1.0
Italy	3.2	1.8	-5.0	-5.0	-0.4	-1.0

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

The contraction exclusively concerned visitors from abroad, whose arrivals and overnight stays both fell by 5 per cent. Among the leading countries of origin, there were significant reductions from Austria (7.5 per cent), Germany (9 per cent), the United States (3.5 per cent) and Japan (14.9 per cent). The number of overnight stays by Italian tourists increased by 1.8 per cent; the average hotel stay continued to shorten.

Table B3

FOREIGNERS' OVERNIGHT STAYS IN HOTELS (1)
(percentage shares)

	1990	1995	1997	1998	1999	2000
Italy	14.4	17.2	16.5	16.3	15.4	16.2
Germany	6.5	5.5	5.5	5.5	5.3	5.8
France	12.0	11.0	11.7	12.4	12.2	12.8
United Kingdom	14.0	11.3	11.3	10.4	9.5	8.8
Greece	7.8	7.6	7.8	7.9	7.8	7.8
Spain	15.6	20.5	20.4	20.9	25.4	23.9
Portugal	3.6	4.1	4.0	4.3	4.0	4.0
Tunisia	4.1	4.8	5.4	5.4	5.7	5.5
Egypt	4.3	4.2	5.1	3.8	5.3	5.5

Source: Based on Eurostat data.

(1) The shares are calculated with respect to total overnight stays by foreigners in the following countries: Belgium, Denmark, Germany, Greece, Spain, France, Italy, Luxembourg, the Netherlands, Austria, Portugal, Finland, Sweden, the United Kingdom, Norway, Bulgaria, the Czech Republic, Romania, Slovenia, the Slovak Republic, Egypt, Morocco, Tunisia and Israel.

The regions of the Centre suffered the largest drop in tourist traffic, with a sharp decline in overnight stays by foreigners (-6.6 per cent) accompanied by a contraction in those by Italians. The South and Islands alone recorded an increase in total overnight stays (1 per cent).

Italy's share of total overnight stays by foreigners in the main European countries and some Mediterranean countries, after increasing from 14.4 per cent in 1990 to 17.2 per cent in 1995, declined over the subsequent five years to 16.2 per cent in 2000. Italy's loss of share contrasted with the gains by most of the other countries bordering on the Mediterranean, notably Spain, whose share of foreigners' overnight stays rose from 15.6 per cent in 1990 to 23.9 per cent in 2000 (Table B3).

In Italy, the results of the regions of the Centre and of the South and Islands were better overall than those of the regions of the North. Between 1990 and 2002, the share of foreign tourists' total overnight stays in Italy rose from 15.7 to 16.3 per cent in the North-West, while it fell from 45.6 to 42 per cent in the North-East (Table B4). In the same period the Centre's share rose from 24.8 to 26 per cent and that of the South and Islands from 13.9 to 15.7 per cent. The Centre and the South and Islands also increased their shares of total overnight stays by foreigners in the main European and Mediterranean countries: from 3.6 per cent in 1990 to 4.7 per cent in 2000 for the Centre, from 2 to 2.5 per cent for the South and Islands.

Table B4

**FOREIGNERS' OVERNIGHT STAYS IN HOTELS:
SHARES OF THE NATIONAL TOTAL**
(percentages)

	1990	1995	2000	2002
North West	15.7	15.6	14.6	16.3
North-East	45.6	47.0	40.8	42.0
Centre	24.8	24.4	29.1	26.0
South and Islands	13.9	13.0	15.5	15.7
Italy	100.0	100.0	100.0	100.0

Source: Based on Istat data.

Transport. – According to Istat surveys, the turnover at current prices of the maritime transport industry fell by 1 per cent in 2003, after declining by 1.5 per cent in 2002; there were signs of a recovery in the second half of the year.

On the basis of statistics provided by the port authorities, both total freight and container traffic in Italy's main ports increased, by 1.6 and 0.4 per cent respectively (Table B5).

In 2003 the commercial activity of the port of Gioia Tauro, which ranks 17th in the world in container traffic, remained at the previous year's high levels. Activity continued to grow in the ports of Liguria, where container traffic increased by 4.1 per cent, and recovered in Tuscany, where it had stagnated in 2002. Activity also turned upwards in the port of Venice. In the Campania region, the reduction in container

traffic in the port of Naples was more than offset by the increase in the volume handled by the port of Salerno.

On the basis of Istat data, the turnover of the air transport industry edged upwards by 0.1 per cent, ending a two-year contraction (-4 per cent in 2001 and -9.1 per cent in 2002).

According to statistics from the Association of Italian Airports, both passenger traffic and freight traffic recovered strongly from their weak performance in 2002, growing by 10 and 7.1 per cent, respectively. Passenger traffic increased at all the major airports: in Milan, the number of passengers increased by 1 per cent at Malpensa and 12 per cent at Linate; in Rome, by 3.7 per cent at Fiumicino; in Venice, by a notable 25.8 per cent. Contrasting results were registered for freight traffic: in the three leading airports in this sector, the volume of freight traffic increased by 12.3 per cent at the airport of Bergamo and by 10.5 per cent at Malpensa in Milan, while it fell by 2 per cent at Fiumicino in Rome.

Table B5

FREIGHT AND CONTAINER TRAFFIC IN THE LEADING ITALIAN PORTS
(thousands of tons, thousands of TEUs and percentage changes)

	Freight (thousands of tons)			Containers (thousands of TEUs)		
	2002	2003	% change 2002-03	2002	2003	% change 2002-03
Ancona	12,513	9,574	-23.5	94	75	-19.6
Genoa	52,848	54,681	3.5	1,531	1,606	4.9
Gioia Tauro	25,584	25,401	-0.7	3,009	2,948	-2.0
La Spezia	18,203	19,793	8.7	975	1,007	3.2
Naples	18,633	19,414	4.2	446	433	-2.9
Tuscan ports (1)	36,544	37,326	2.1	530	548	3.4
Ravenna	23,932	24,911	4.1	161	160	-0.2
Salerno	4,968	7,078	42.5	375	417	11.4
Trieste	47,174	45,998	-2.5	185	120	-35.0
Venice	29,549	30,127	2.0	262	283	8.1
Total	269,948	274,303	1.6	7,568	7,597	0.4

Source: Based on port authority data.

(1) Livorno, Marina di Carrara, Piombino and Portoferraio.

According to data supplied by Trenitalia, in 2003 the quantity of goods carried by rail decreased by 0.6 per cent; domestic freight traffic, which accounts for just less than one third of the total, rose by 1.1 per cent, while international traffic fell by 1.7 per cent. Both domestic and international traffic declined in the regions of the Centre and the South and Islands, except for Lazio, Puglia and Calabria. In the North, only Lombardy and Veneto registered a decrease, owing to the contraction in the international component, which accounts for respectively 79.6 and 70.2 per cent of the total in the two regions.

Agriculture

The total value at constant prices of the output of agriculture, forestry and fisheries fell substantially for the fourth consecutive year, contracting by 4.4 per cent in 2003. The increase in the fishing industry (5 per cent, compared with a decrease of 10 per cent in 2002) was not sufficient to compensate for the decline in agriculture (-4.7 per cent) and forestry (-5.2 per cent). Intermediate consumption fell less than output; the sector's value added diminished by 5.6 per cent. The fall was concentrated in the regions of the North and Centre; it was modest in the South and Islands (Table B6).

Table B6

PRODUCTION AND VALUE ADDED OF THE PRIMARY SECTOR IN 2003

(percentage changes on the previous year at constant prices)

	North-West	North-East	Centre	South and Islands	Italy
Agriculture	-3.2	-8.4	-10.3	-0.5	-4.7
Farming	-8.0	-14.5	-15.5	-0.6	-7.7
Livestock raising	0.6	-0.7	-0.6	-0.8	-0.2
Related services	1.3	1.3	1.3	1.3	1.3
Forestry	-18.6	-2.0	-2.3	-2.5	-5.2
Fishing	4.1	4.2	5.1	5.6	5.0
Total production	-3.2	-7.9	-9.6	-0.3	-4.4
Total value added	-4.3	-10.6	-12.1	-0.5	-5.6

Source: Istat. Provisional data.

The Fifth General Census of Agriculture counted more than 2.5 million enterprises in farming, livestock and forestry in 2000, 56.9 per cent of them located in the South and Islands.

The number of enterprises was 14.2 per cent lower than in 1990; the reduction was larger than the national average in the North-West and the North-East (39.8 and 20.5 per cent respectively; Table B7). The presence of small farms remains significant: the average farm size is 7.6 hectares. Between 1990 and 2000 the average size of farms increased in the Centre and North from 9.1 to 10.3 hectares, while it fell in the South and Islands from 6.1 to 5.5 hectares.

In terms of agricultural area utilized (AAU: the portion of farmland effectively used in agricultural production), 82 per cent of farms had less than 5 hectares in 2000. Between 1990 and 2000 the share of the smallest farms (up to 2 hectares of

AAU) rose from 61.2 to 64.3 per cent of the total and that of the largest farms (more than 30 hectares) from 2.5 to 2.8 per cent. In 2000, 68.1 per cent of farms in the Centre and the South and Islands had less than 2 hectares of AAU and only 2.3 per cent had more than 30 hectares; in the regions of the North, the corresponding percentages were 52.7 and 4.5 per cent.

Table B7

NUMBER OF FARMS AND FARM SIZE

	Number of farms		Total area (hectares)		Agricultural area utilized (hectares)	
	2000	% change 1990-2000	2000	% change 1990-2000	2000	% change 1990-2000
North-West	245,631	-39.8	3,310,059	-15,4	2,237,883	-7.3
North-East	395,088	-20.5	4,167,893	-9,5	2,620,242	-6.2
Centre	477,973	-9.4	4,047,900	-10,1	2,453,142	-9.4
South and Islands	1.474.398	-7.3	8,081,243	-16,5	5,901,385	-17.3
Italy	2,593,090	-14,2	19,607,094	-13,6	13,212,652	-12.2

Source: Istat, *Censimenti generali dell'agricoltura*.

The evolution of the structure of production

According to the Eighth General Census of Industry and Services, between 1991 and 2001 the average number of workers per firm fell from 4.4 to 3.9 and that per local unit from 4 to 3.6, confirming the trend towards the fragmentation of production in all the main branches of the economy. The average number of workers in local units fell from 8.8 to 8.3 in manufacturing industry, from 3.4 to 2.9 in construction, from 3 to 2.8 in services.

The overall growth in employment (7.8 per cent) derives from the increase in the number of local units. If average size had remained unchanged, the contribution of the increase in the number of local units to the growth in employment would have been 21.3 per cent; the decrease in average size subtracted 13.5 percentage points from the expansion (Table aB9).

Geographically, there was a larger gain in employment in the North-East (11.7 per cent) and the Centre (10.2 per cent); the number of workers in local units in the North-West and the South and Islands rose by 5.7 and 4.9 per cent, respectively. In the North-East, the negative impact of the reduction in the average size of local units was smaller than in the other macro-regions; in the Centre, by contrast, the growth in employment came mainly from the increase in the number of local units. The impact of the decrease in the average size of local units was strongest

in the North-West; in the South and Islands, the modest rise in employment reflected a smaller increase in the number of local units than in the rest of Italy, together with a reduction in their size broadly in line with the national average.

In manufacturing industry, the contraction of 316,000, or 6.1 per cent, in the number of persons employed was accompanied by a redistribution among the different size classes. Employment increased by 2.1 per cent in local units with between 20 and 249 workers. It decreased in the smaller size classes (-5.6 per cent), despite the substantial increase in the number of local units with a single worker (17.6 per cent). It also decreased in the larger size classes (-22.4 per cent); in the largest plants (i.e. at least 500 workers), employment dropped by 30.3 per cent.

The decline was intense for small firms in the fashion sector (-142,000 in plants with up to 19 workers) and large manufacturers of transport equipment (-83,000 in plants with at least 250 workers). By contrast, employment expanded in petrochemicals, basic metals and non-electrical machinery, thanks above all to the increase in medium-sized local units (20-249 workers); these sectors' combined share of total manufacturing employment rose by 4.5 percentage points to 38.5 per cent.

Among the macro-regions, the North-East alone registered an increase in manufacturing employment (2.3 per cent; Table aB10), even though it too suffered a sharp decline in jobs in the fashion industry, where restructuring has caused a steady decline in the number of local units, accompanied by a slight increase in their average size. In the North-West, manufacturing employment fell by 12.8 per cent, more than double the national average: the decline concerned all size classes and almost all branches of activity. The negative impact of the contraction in average size (-9.9 percentage points, considerably larger the national average) was especially strong in the mechanical, electrical and electronic machinery and apparatus sectors and the transport equipment industry.

Developments in central Italy were in line with the national average, with a fall of 6.6 per cent concentrated in the transport equipment industry, where the average size of local units contracted sharply, and in the industries producing typical Italian export goods, where the increase in average size was not sufficient to compensate for the reduction in the number of local units.

Employment in local units with at least 250 workers declined most markedly in the areas where its incidence had been greatest in 1991: its share of the total fell to 19.3 per cent in the North-West and 17.4 per cent in the South and Islands,

respectively 5.3 and 5.2 percentage points less than in 1991; for Italy as a whole, it dropped from 20.3 to 16.7 per cent.

The reduction in the number of workers employed in the industrial districts identified by Istat on the basis of the 1991 Census amounted to 0.8 per cent, substantially smaller than that in non-district areas (10 per cent). The growth in average factory size in the industrial districts had a positive impact of 2.7 percentage points on employment, partly offsetting the 3.4 per cent reduction in the number of workers due to the loss of local units; the benefits were largest in the regions of the North-East, where there is a higher density of industrial districts.

The geographical distribution of manufacturing industry. – Between 1991 and 2001 the geographical concentration of workers in manufacturing industry at regional, provincial and local-labour-system level fell further; at provincial level it declined by practically one half in forty years, albeit with varying intensity from sector to sector (Table B8).

The phenomenon, measured at regional or provincial level, was largely determined by downsizing, restructuring and decentralization in the past decades by large companies in the petrochemical, mechanical engineering and transport equipment industries. By contrast, at the sub-provincial level and notably in light industry, the reduction in concentration may have been fostered by the spread of growth “by contiguity”, on the basis of which the areas bordering with municipalities or local labour systems with a high density of industry showed above-average rates of employment growth.

Table B8

**GEOGRAPHICAL CONCENTRATION OF MANUFACTURING
INDUSTRY(1)**
(Herfindahl indices)

	Regions	Provinces	Local labour systems
1961	0.161	0.049	0.030
1971	0.151	0.044	0.027
1981	0.130	0.033	0.018
1991	0.125	0.029	0.014
2001	0.120	0.025	0.011

Source: Based on Istat, *8° Censimenti dell'industria e dei servizi (2001) e i censimenti delle attività produttive dal 1951 al 1991*. See the Methodological Notes in the Appendix.

(1) Local labour systems identified as of 1991, provinces existing as of 1995.

In 2001 the structure of industry in the different geographical areas was more homogeneous than at the time of the previous census: the index of dissimilarity diminished further in all the macro-regions (Table B9).

The reduction was largest in the North-West, where the number of workers fell more markedly in the sectors and size classes of relative specialization.

Table B9

**DISSIMILARITY BETWEEN THE STRUCTURE OF INDUSTRY
IN EACH MACRO-REGION AND THE REST OF ITALY**

	Census year			
	1971	1981	1991	2001
Total dissimilarity				
North-West	0.75	0.66	0.63	0.59
North-East	0.62	0.57	0.52	0.49
Centre	0.65	0.60	0.57	0.55
South and Islands	0.84	0.76	0.73	0.71
Size-class dissimilarity				
North-West	0.36	0.24	0.21	0.16
North-East	0.23	0.21	0.19	0.14
Centre	0.28	0.22	0.16	0.18
South and Islands	0.36	0.25	0.27	0.26
Sectoral dissimilarity				
North-West	0.64	0.56	0.54	0.51
North-East	0.45	0.44	0.40	0.38
Centre	0.47	0.46	0.42	0.41
South and Islands	0.66	0.61	0.58	0.55

Source: Based on Istat, *Censimenti dell'industria e dei servizi*. The field of observation is that of the 1971 Census. See the Methodological Notes in the Appendix.

Geographical clusters of highly specialized firms are a distinctive feature of Italian industry, above all in some regions and sectors of production. In 2001 it was possible to identify 168 clusters in which there was a significantly higher degree of industrial specialization than the national average (Table B10; see the Methodological Notes in the Appendix). Overall, these agglomerations employ just under 1.5 million workers in the sectors of specialization, equal to 30.2 per cent of national manufacturing employment.

The clusters characterized by a prevalence of small and medium-sized firms specializing in typical Italian export goods and light industry, which best fit the traditional description of industrial districts, number 130 and employ around 829,000 workers, of whom 77.1 per cent are concentrated in just five regions of central and northern Italy (Lombardy, Emilia Romagna, Veneto, Tuscany and Marche). These agglomerations account for 35.2 per cent of total national employment in these sectors.

Table B10

**INDUSTRIAL CLUSTERS IDENTIFIED IN 2001
BY GEOGRAPHICAL AREA AND SECTOR OF ACTIVITY**
(number of clusters and workers; percentages)

	Typical Italian export goods and light industry (1)			Other sectors (2)		
	Clusters	Workers (3)	% of total (4)	Clusters	Workers (3)	% of total (4)
North-West	25	191,547	27.9	14	397,457	35.1
Liguria	0	397	1.6	0	0	0.0
Lombardy	18	151,626	31.8	8	274,485	37.0
Piedmont	7	39,524	21.6	6	122,972	36.9
Valle d'Aosta	0	0	0.0	0	0	0.0
North-East	40	281,152	39.6	11	169,063	24.0
Emilia Romagna	16	87,564	34.9	3	87,759	30.5
Friuli Venezia Giulia	3	25,131	38.2	1	6,182	8.7
Trentino Alto Adige	1	6,090	15.7	0	687	2.0
Veneto	20	162,367	45.8	7	74,435	23.9
Centre	34	259,788	50.7	5	32,273	9.4
Lazio	3	7,687	8.7	1	11,585	10.4
Marche	6	76,264	60.5	3	18,558	23.1
Tuscany	20	160,850	63.8	1	1,663	1.4
Umbria	5	14,987	32.7	0	467	1.5
South and Islands	31	96,113	21.6	8	50,356	14.0
Abruzzo	2	12,673	19.9	0	0	0.0
Basilicata	0	3,676	23.3	1	7,584	43.7
Calabria	1	259	1.0	0	0	0.0
Campania	11	25,841	22.0	2	14,077	13.3
Molise	1	996	9.1	0	0	0.0
Puglia	9	45,560	38.0	3	20,320	27.0
Sardinia	1	1,743	5.8	1	2,899	11.6
Sicily	6	5,365	8.7	1	5,476	9.4
Total	130	828,600	35.2	38	649,149	25.5

Source: Based on Istat, 8° Censimento generale dell'industria e dei servizi (2001) e i censimenti delle attività produttive dal 1951 al 1991. See the Methodological Notes in the Appendix.

(1) Food processing, fashion, paper and publishing, manufacture of non-metallic mineral products, wood products and furniture and other manufacturing activities. Also includes production of capital goods and intermediate goods used in the sectors indicated. – (2) Petrochemicals, rubber and plastic products, mechanical engineering and transport equipment. – (3) The presence of workers in regions without clusters reflects the fact that some municipalities belong to territorial clusters centred in bordering regions. – (4) Calculated on total workers in the geographical area employed in the industrial cluster's sectors of specialization.

The share of employment is at least 60 per cent in Tuscany, Marche and Veneto for the production of textiles and clothing and for leather goods and footwear, in Emilia Romagna for ceramic tiles, in Friuli Venezia Giulia, Veneto and Marche for furniture, and in Piedmont, Veneto, Marche and Tuscany for the production of jewellery, musical instruments and toys.

The clusters' share of employment in the sectors producing typical Italian export goods was 0.6 percentage points lower than in 1991: the decline involved the North-West and the Centre (-3.6 and -1.2 points, respectively); in the North-East and the South and Islands, the share grew by 0.3 and 4.2 points, respectively.

In the regions of the South and Islands, the incidence of these clusters on sectoral employment increased over the ten years in Puglia (from 30.1 to 38 per cent), Basilicata (from 8 to 23.3 per cent) and Campania (from 14.1 to 22 per cent). It also rose in Molise, Calabria, Sardinia and Sicily, regions where it is lower than the average for the South and Islands. It decreased in Abruzzo.

In the branches of light industry, production units in the clusters employed an average of 9.1 workers, significantly greater than the average workforce of plants in the same branches of activity in non-cluster areas (5.8 workers). The difference is largely attributable to the different relative importance of small local units (fewer than 20 workers): these account for 45 per cent of the workers in the cluster areas, compared with 53 per cent in the other areas. By contrast, the employment share of large plants (at least 250 workers) was broadly similar: 9.6 per cent in the industrial clusters and 9.3 per cent in the other areas.

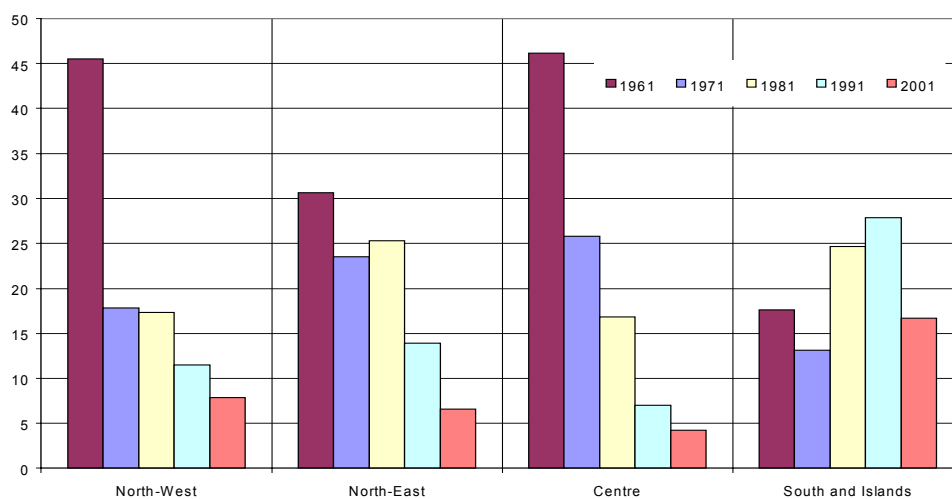
In the sectors of production other than typical Italian export goods and light industry, in which there is a greater presence of large firms and which include petrochemicals, rubber and plastic products, engineering and transport equipment, industrial clusters' share of total employment in the same sectors fell from 25.8 per cent in 1991 to 25.5 per cent in 2001. More than 86 per cent of the workers are concentrated in Lombardy, Piedmont, Emilia Romagna and Veneto.

Over a longer time horizon, the diffusion of clusters by sector displays differing trends, bearing in mind that the phenomenon can be reconstructed with less precision owing to the different levels of sectoral and geographical detail of the available data. In the sectors of typical Italian export goods and light industry, the phenomenon grew appreciably between 1961 and 1981 and then remained virtually stable. In the other sectors, the incidence of industrial clusters plummeted between 1961 and 1971 and subsequently remained basically unchanged.

In the regions of the North and Centre, most of the municipalities belonging to the clusters identified in 2001 displayed the same high level of relative specialization that they had already attained in the 1960s and 1970s. In the South and Islands, instead, the formation of clusters is generally of more recent date (Figure B2).

Figure B2

**INDUSTRIAL CLUSTERS IN 2001: DISTRIBUTION OF MUNICIPALITIES
ACCORDING TO THE YEAR IN WHICH THEY WERE FIRST IDENTIFIED
AS BELONGING TO A CLUSTER**
(percentage shares)



Source: Based on Istat, 8° *Censimento dell'industria e dei servizi (2001)* e *Censimenti delle attività produttive dal 1951 al 1991*. See the Methodological Notes in the Appendix.

C – FOREIGN TRADE

Exports

Despite the growth in world trade, Italian exports fell by 4.7 per cent in real terms in 2003, compared with 2.8 per cent in 2002, reflecting the appreciation of the euro and the unfavourable trend in unit costs, largely due to the decline in productivity.

The downturn in exports, which involved all parts of Italy, was largest in the Centre and the North-East (6.5 and 5.5 per cent respectively at current prices), and smaller in the South and Islands (3.8 per cent), where it was partially offset by the growth in the value of exports of oil products, and smallest in the North-West (2 per cent; Table C1). A contributory factor was the substantial decline in exports of traditional products, notably textiles, clothing, leather and footwear.

In the first quarter of 2004 Italian exports grew by 1.3 per cent at current prices compared with the year-earlier period. The increases of 6.1 per cent in the South, 4.7 per cent in the Centre and 2.8 per cent in the North-East were set against a decline of 0.5 per cent in the North-West and as much as 17.9 per cent in the South and Islands owing to the drop in exports of oil products.

Italian exports to all the main areas of the world contracted, except for those to Central and Eastern Europe and to ‘other European countries’. There was a 7 per cent rise in exports to the ten countries that joined the European Union on 1 May 2004 (Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia).

The new EU members account for a far from negligible share of Italy’s trade flows. The proportion of exports going to these countries rose from 3.7 per cent in 1994 to 6 per cent in 2003, with the largest share coming from the North, compared with 5.7 per cent from the South and Islands and 4.8 per cent from the Centre (Table C2). Around 3.6 per cent of all Italian imports came from the same ten countries; in the North-East, where more production has been relocated to Eastern Europe, the share rises to 5.7 per cent. In the Centre and South trade integration between Italy and the new member states is closest in the regions bordering the Adriatic Sea for reasons of geographical proximity and similarity of productive specialization.

Table C1

EXPORTS (FOB) BY GEOGRAPHICAL AREA IN 2003*(current values; percentage changes on 2002)*

	North-West	North-East	Centre	South and Islands	Italy
Euro area	-3.7	-6.4	-5.2	-1.1	-4.5
of which: <i>Germany</i>	-1.0	-6.4	-5.8	-8.6	-4.3
of which: <i>France</i>	-4.0	-5.0	-7.1	0.8	-4.2
United Kingdom	-5.6	-9.7	-0.6	4.3	-4.8
Central and Eastern Europe	10.7	3.6	3.2	-0.6	5.7
Other European countries	7.5	2.6	5.2	-2.0	4.7
North America	-5.2	-11.9	-23.9	-22.2	-13.7
of which: <i>United States</i>	-6.6	-12.3	-24.8	-24.0	-14.8
Central and South America	-8.4	-25.0	-15.4	-17.3	-16.7
Asia	-5.9	-0.4	-10.7	-2.0	-5.0
of which: <i>China</i>	-1.1	19.5	-47.4	27.9	-4.1
of which: <i>Japan</i>	-4.8	1.5	-6.1	-7.6	-3.6
Africa, Australia and others	0.7	-5.2	1.7	-2.8	-0.8
Total	-2.0	-5.5	-6.5	-3.8	-4.0
of which: <i>new EU members</i>	12.2	2.8	3.1	5.8	7.0

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

In the past ten years traditional Italian goods, which are labour intensive, have been hit by competition from the new member states as well as from South-East Asia. An indicator of the extent to which these goods have been crowded out is the share of EU-15 imports that come from Italy and from the Central and Eastern European Countries. Between 1993 and 2000 Italy's share of trade in furniture and furnishing fell from 21.7 to 14.8 per cent, while that of the CEECs rose from 11.8 to 18.2 per cent. EU imports from Italy also declined in the clothing sector, from 11.6 to 7.8 per cent, in favour of goods produced by the CEECs, whose share increased from 8.5 to 10.1 per cent. The enlargement of the EU is subjecting Italian manufacturers to growing competition from the new members; their geographical proximity, however, may also lead to a growth in demand for Italian goods as the area develops.

Between 1992 and 2003 the loss of world market shares was particularly marked in the North-West, whose share of exports fell from 2.3 to 1.6 per cent at current prices. The North-East's share decreased from 1.3 to 1.2 per cent and that of the Centre from 0.7 to 0.6 per cent, while in the South and Islands the share was virtually unchanged at 0.4 per cent.

Table C2

**TRADE WITH NEW EU MEMBER COUNTRIES BY GEOGRAPHICAL
AREA IN 2003 (1)**

(percentage shares of total imports and exports of the area at current prices)

	Exports					Imports				
	North - West	North-East	Centre	South and Islands	Italy	North-West	North-East	Centre	South and Islands	Italy
Cyprus	0.1	0.2	0.1	0.3	0.2	0.0	0.0	0.0	0.0	0.0
Malta	0.3	0.1	0.2	1.4	0.3	0.0	0.0	0.0	0.0	0.0
Baltic states (2)	0.4	0.4	0.4	0.2	0.4	0.1	0.1	0.1	0.0	0.1
Poland	2.1	1.5	1.8	1.1	1.8	1.1	0.6	1.5	0.8	1.0
Czech Rep.	1.2	1.1	0.6	0.4	1.0	0.6	1.2	0.3	0.2	0.6
Slovakia	0.4	0.5	0.3	0.3	0.4	0.4	0.8	0.2	0.1	0.4
Slovenia	0.7	1.3	0.4	1.5	0.9	0.4	1.7	0.2	0.2	0.6
Hungary	1.2	1.3	0.9	0.7	1.1	0.8	1.2	0.4	0.2	0.7
Total	6.3	6.5	4.8	5.7	6.0	3.5	5.7	2.7	1.6	3.6

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

(1) The total includes amounts not allocated by area. – (2) Estonia, Latvia and Lithuania.

The decrease can be put down in part to the specialization of Italy's exports, which still consist chiefly of low-technology products. World demand for these goods grows at a slower pace and they are more exposed to competition from the newly-industrialized countries.

Classifying the sectors of manufacturing on the basis of the technological level of their products using the OECD methodology and measuring their degree of specialization by the contribution of each to the trade balance of the single areas (Lafay's indices; see the Methodological Notes in the Appendix), it emerges that specialization in low-tech sectors is common to all areas of the country. It coincides with a shift away from technologically advanced sectors, which is also taking place in all geographical areas (Table C3).

The North-West has greater than average specialization in medium-high technology products, particularly in the machinery and mechanical equipment sector. This sector also accounts for the largest share of exports in the North-East, which has less specialization, however, not only in medium-high tech products but also in low-tech sectors. The Centre's exports consist mainly of low-tech products, notably textiles, clothing and leather goods, sectors of specialization in which Tuscany is the undisputed leader. The South and Islands have the strongest

specialization in low-tech products, notably furniture (in Puglia) and textiles, clothing and leather.

Table C3

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

(Lafay's indices of specialization)

	North-West	North-East	Centre	South and Islands	Italy
	average 1992-93				
High-technology sectors	-4.9	-1.4	-1.1	-1.7	-3.5
Medium-high technology sectors	2.9	0.8	-7.2	-0.7	0.4
Medium-low technology sectors	0.4	-1.5	-2.0	1.3	-0.4
Low-technology sectors	1.6	2.2	10.3	1.1	3.4
	average 2001-02				
High-technology sectors	-5.4	-1.2	-2.5	-0.4	-3.7
Medium-high technology sectors	1.6	0.6	-4.1	-0.4	-0.1
Medium-low technology sectors	1.2	-0.4	-2.0	0.1	0.3
Low-technology sectors	2.7	1.0	8.6	0.7	3.5

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

(1) Values classified according to the Ateco91 sectorial distribution.

The marked shift away from high-tech sectors in the North-West is partly due to the fact that Lombardy has the highest proportion of imports of these products; this is reflected in the trade balance and hence in the specialization index. On the other hand, Lombardy and the North-West have a larger share of exports in high-tech sectors than the national average, though still well below the average of world exports.

During the 1990s exports of advanced technology products increased at a faster rate than those of other products, rising from 10.4 per cent of Italy's total exports in 1992 to 11.9 per cent in 2002. Nonetheless the increase was less than the growth in world trade.

The changes that have taken place in the past decade have varied from region to region and from one geographical area to another. In the North-West the high and medium-high technology sectors have lost ground while the low and medium-low tech sectors have gained strength. The North-East has diminished its presence in low-tech sectors, notably textile, clothing and leather goods. In the Centre, particularly in Lazio, there has been a decline in specialization in high-tech sectors, notably office equipment and computers, and in low-tech products, notably in the fashion sector. The exports of the South and Islands, which account for just under 11 per cent of the national total at current prices, have shifted towards the upper end of specialization, especially in the pharmaceuticals sector.

Internationalization and the technology account

In 2003 foreign direct investment in Italy, excluding in property and the banking sector, fell by around €1.6 billion from the previous year (equal to 10.9 per cent; Table C4). The regions affected were those in the North, whereas inward investment in the South and especially the Centre increased. Almost three quarters of foreign investment in Italy for which a geographical breakdown is available was concentrated in the North-West.

Table C4

INWARD AND OUTWARD DIRECT INVESTMENT BY GEOGRAPHICAL AREA (1)

(balances and changes in millions of euros)

	Inward investment		Outward investment		Change 2002-2003	
	2002	2003	2002	2003	Inward	Outward
North-West	7,175	6,606	8,461	-646	-569	-9,107
North-East	984	-772	1,570	1,868	-1,756	298
Centre	-735	2,851	3,514	1,746	3,586	-1,768
South and Islands	154	261	275	291	106	16
Italy (2)	15,078	13,443	16,406	6,243	-1,645	-10,163

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.

Outward direct investment declined by more than €10 billion. This was due to the substantial increase in disinvestment, most of which can be ascribed to large loans by foreign subsidiaries to Italian parent companies. The decline in the North-West's share of outward investment, which fell by over €9 billion, and to a smaller extent in that of the Centre (down by €1.8 billion), was offset by a modest increase in net investment in the North-West and South and Islands.

Between 1997 and 2003 the North-West, where most of the largest Italian companies are located, accounted for more than half Italy's total foreign direct investment, the Centre for about one quarter and the North-East for nearly one sixth. In the last area, alternative forms of internationalization, such as trade agreements, technical and productive agreements and joint R&D, are more widespread than elsewhere.

Table C5

**INTERNATIONALIZATION OF INDUSTRIAL FIRMS WITH AT LEAST 50
EMPLOYEES BY GEOGRAPHICAL AREA**

(percentages)

	Firms with trade agreements with foreign companies at the end of 2003	Firms with technical and productive agreements with foreign companies at the end of 2003	Firms undertaking R&D with foreign companies at the end of 2003
North-West	25.0	17.6	5.1
North-East	22.8	12.5	6.2
Centre	16.7	10.6	3.6
South and Islands	10.5	4.5	2.1
Italy	21.1	13.0	4.9

Source: Banca d'Italia, *Indagini sulle imprese industriali e dei servizi*.

According to the Bank of Italy's survey of industrial firms with 50 or more employees, at the end of 2003 about one fifth had signed trade agreements with foreign companies (Table C5). In the North-West and North-East the percentages were 25 and 22.8 respectively, while in the Centre the proportion dropped to 16.7 per cent and in the South and Islands to 10.5 per cent. At the end of 2003 13 per cent of firms had entered into technical and productive agreements with foreign companies; the proportion rises to 17.6 per cent in the North-West and drops to 4.5 per cent in the South and Islands. Firms undertaking R&D in cooperation with foreign companies amount to around 5 per cent of the total; in the North-East the percentage is higher than the national average.

Table C6

**RATIO OF REIMPORTS TO VALUE ADDED IN INDUSTRY EXCLUDING
CONSTRUCTION IN 2001 BY GEOGRAPHICAL AREA AND SECTOR (1)**

(percentage shares at current prices)

	North-West	North-East	Centre	South and Islands	Italy
Food, beverages and tobacco products	0.3	0.2	0.1	0.1	0.2
Paper, printing and publishing	0.1	0.2	..	..	0.1
Coke, oil products, chemicals and pharmaceuticals	1.5	0.2	3.8	0.1	1.5
Metal and mechanical engineering products	1.8	3.3	2.2	1.0	2.2
Non-metallic minerals	0.1	..	..	..	..
Textiles, clothing, leather and footwear	3.0	7.5	1.8	4.4	4.1
Wood, rubber, plastics and other manufactures	0.6	0.3	0.3	0.1	0.4
Other non-manufactured products	0.1	..	..	..	..
Total	1.3	2.2	1.4	0.7	1.5

Source: Based on Istat data.

(1) Ratio of reimports for final processing at current prices and value added in industry excluding construction at current prices.

In 2001 re-importation after outward processing accounted for about 1.5 per cent of the value added in Italian industry; the percentages were highest for the textiles, clothing, leather and footwear sectors (4.1 per cent) and for metals and mechanical engineering (2.2 per cent; Table C6). In the North-East re-imports

accounted for the highest percentage of the value added, particularly in the fashion and metal and mechanical engineering sectors (7.5 and 3.3 per cent respectively).

In 2003 Italy's technology account, which records receipts and payments associated with transactions involving technology that not incorporated in tangible assets, closed with a deficit of €608 million, compared with one of €16.7 million in 2002. Only the South and Islands recorded a surplus (€6 million), while the North-West's deficit amounted to over €244 million (Table C7).

There were deficits on trade in trademarks and designs in all areas of the country. The North-West received €265 million worth of net financing from abroad for R&D.

The technology deficit is structural. Between 1997 and 2003 aggregate revenues totalled just under €21 billion, compared with over €24 billion worth of expenditure. All the areas of the country contributed to the deficit. Between 1997 and 2003 the Centre recorded largest deficit, accounting for just under half the total, followed by the North-West and the North-East with €886 and €775 million respectively and finally the South and Islands with a deficit of €150 million. In the same period the revenues from trade in technology not incorporated in tangible assets were largest in the North-West and Centre (€13 and €5 billion respectively) and lowest in the North-East and the South and Islands (around €2 and €0.25 billion respectively).

Table C7

**BALANCE OF PAYMENTS ON TECHNOLOGY IN 2003 BY
GEOGRAPHICAL AREA**

(millions of euros)

	North-West	North-East	Centre	South and Islands	Italy
Technology exports	-418	-68	-56	7	-534
Trade in trademarks, designs, etc.	-187	-105	-17	-8	-318
Services with technology content	148	-17	170	-1	299
Inward and outward financed R&D	265	-2	79	10	352
Other technology settlements	-53	-1	-352	-1	-408
Total	-244	-193	-178	6	-608

Source: Based on Italian Foreign Exchange Office data.

D – THE LABOUR MARKET AND REGIONAL POLICIES

Employment

According to Istat's labour force survey, employment growth slowed from 1.5 per cent in 2002 to 1 per cent last year, owing to the cyclical slowdown in the economy. The deceleration was due to developments in the South and Islands, where the rate of increase in employment fell sharply from 1.9 to 0.2 per cent (Figure D1 and Table aD1). In the Centre and North there was an average gain of 1.4 per cent, about the same as in 2002, thanks mainly to job creation in construction.

The national accounts indicate a more pronounced slowdown in labour input (an increase of just 0.4 per cent, compared with 1.1 per cent in 2002), again due mainly to the trend in the southern regions. In the South and Islands the number of standard labour units employed diminished, by 0.1 per cent, after rising 1.4 per cent in 2002. Labour input also slowed in the Centre and North, from growth of 1 to 0.6 per cent.

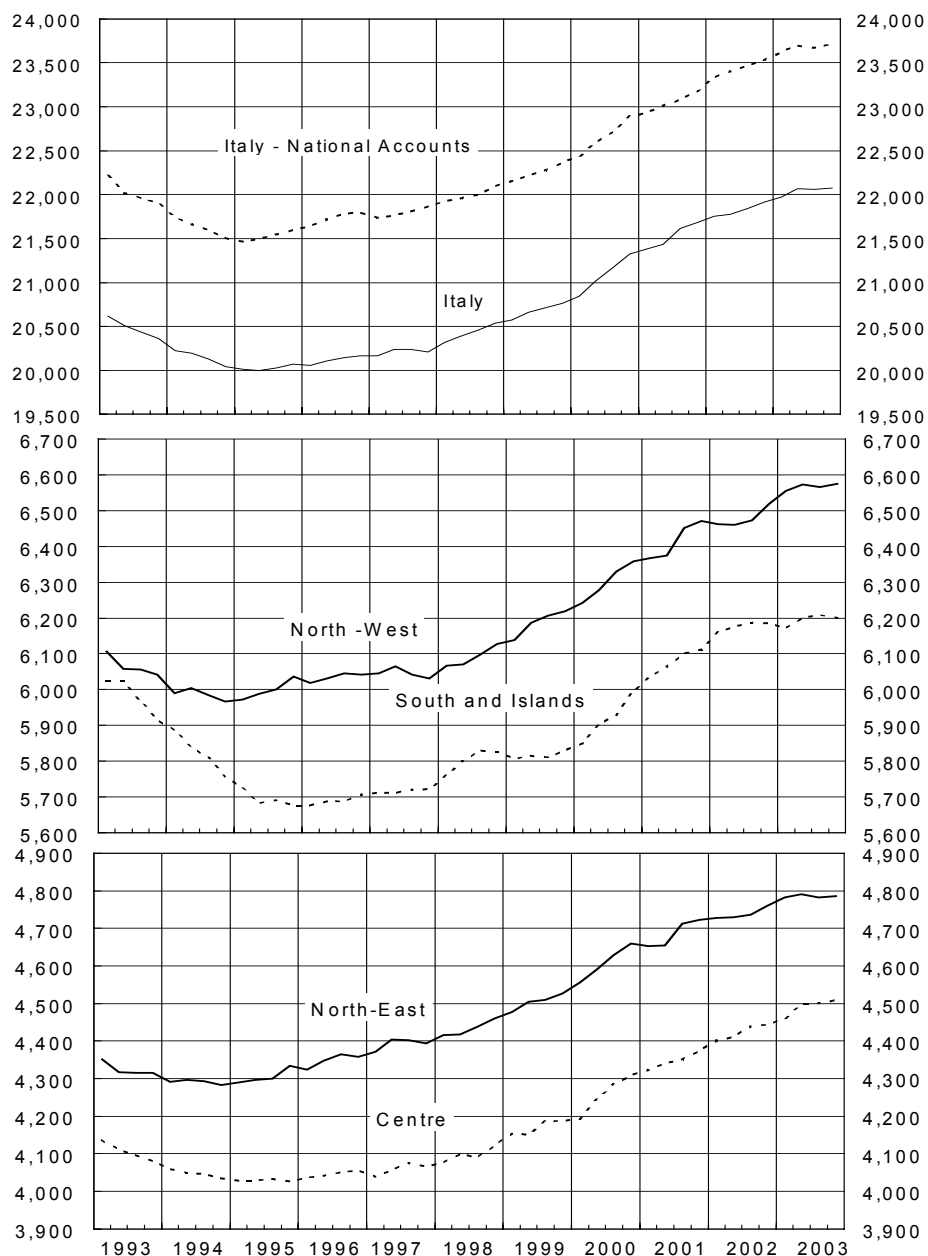
The significantly slower increase in standard labour units than in the number of persons employed in the regions of the Centre and North reflected both an increase in part-time jobs and an increase in recourse to Wage Supplementation. The number of part-time workers outside agriculture rose by 2.4 per cent, while Wage Supplementation benefit hours increased by a third (extraordinary benefit hours by two thirds; Table aD8).

Labour demand by sector and geographical area. – Agricultural employment contracted in all the macro-regions except the North-West, where employment levels recovered after the marked decline of the start of the decade.

In industry excluding construction the average number of persons employed rose by 0.5 per cent, thanks to gains of 1.9 per cent in the North-East and 1.3 per cent in the South and Islands. The number of workers declined by 0.1 per cent in the North-West and 1.1 per cent in the Centre.

Figure D1

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, save other indications.

The Bank of Italy's survey of industrial firms with at least 20 workers, conducted at the start of the year, found that the work force declined in all macro-regions (by an average of 1.7 per cent in the North-West, 1.3 per cent in the North-East, 1.5 per cent in the Centre and 0.9 per cent in the South and Islands). The number

of hours worked per employee declined by amounts ranging from 0.5 per cent in the Centre and the North-East to 0.8 per cent in the North-West.

In the construction industry employment expanded for the fifth consecutive year, led by the North (6 per cent in the North-West and 5.7 per cent in the North-East; Table aD1). The gain was smaller in the Centre (3.7 per cent) and almost insignificant in the South and Islands (0.4 per cent).

The number of workers in the distributive trades rose by 2.2 per cent. In the South and Islands the increase came to 2.4 per cent, contributing 0.4 points of the area's sluggish overall employment growth. Employment also expanded in the regions of the North-West and the Centre. In the North-East it contracted by 0.3 per cent.

Types of employment relationship. – As in the previous two years, about 80 per cent of overall employment growth involved permanent full-time payroll jobs (Table aD4). The rise in permanent non-farm positions to 1.3 per cent in the Centre and North and 1.2 per cent in the South and Islands.

In all parts of the country the overall increase in permanent employment was accounted for by workers aged 52-64. Due mainly to men, the increment can be largely ascribed to the slowdown in retirement since 1998.

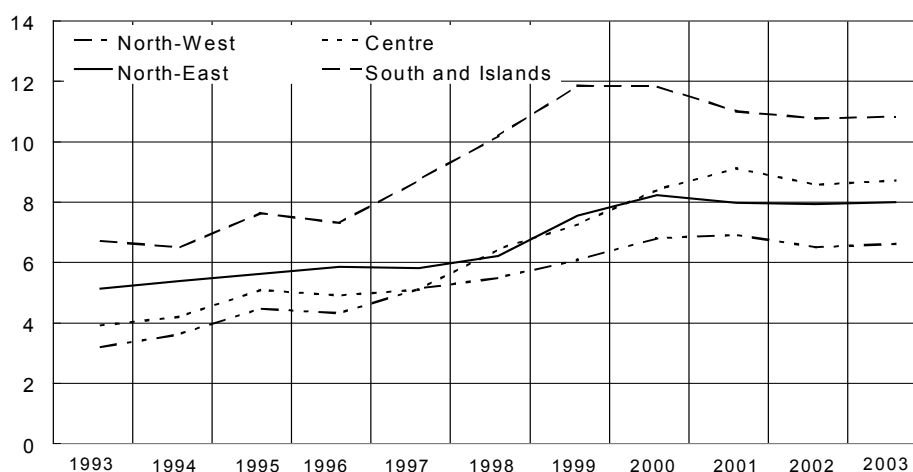
The number of fixed-term employees increased by 1.2 per cent, the gain being most pronounced in the regions of the Centre and in the service sector. As in the previous two years, fixed-term employment again contracted in the South, by 3.7 per cent.

Between 1993 and 2000 the use of fixed-term and temporary employment contracts increased significantly in all parts of the country (Figure D2). From 2001 onwards the growth in fixed-term employment slowed owing to the introduction, in the Finance Law for that year, of a tax credit for firms that increased their staff by hiring workers aged at least 25 to permanent positions. The incentives, which were augmented by 50 per cent in the South and Islands, helped bring about a more substantial reduction in fixed-term employment in the area. Suspended in July 2002 and reintroduced in December, the tax credit was reduced in amount and subjected to prior authorization. The Ministry of Labour and Social Policies estimated that it involved an average of 250,000 workers in 2002, half of them in the South and Islands. Preliminary data on the first half of 2003 indicate a significant reduction in the number of beneficiaries. From its initial introduction through the first half of 2003 the credit cost €2.73 billion in lost tax revenue.

Figure D2

**FIXED-TERM EMPLOYEES AS A PERCENTAGE OF TOTAL NON-FARM
EMPLOYEES BY GEOGRAPHICAL AREA**

(annual averages)



Source: Istat, labour force surveys..

The number of part-time employees outside farming rose by 1.2 per cent in 2003. The increase was sharpest in the regions of the North-East (5.9 per cent). In the South and Islands, where part-time work is less common, the number of part-time employees diminished by a further 3.2 per cent.

Between 1995 and 2003 the share of part-time and fixed-term employment rose from 9.2 to 12.8 per cent of total non-farm employment in the North-West, from 11.1 to 15.6 per cent in the North-East, from 9.1 to 12.7 per cent in the Centre and from 10.7 to 12.8 per cent in the South and Islands.

The 8th census of industry and services, conducted in October 2001, found that local units of firms employed about 628,000 non-payroll workers on continuous collaboration contracts and another 100,000 temporary workers, respectively accounting for 4 and 0.6 per cent of their work force. Collaboration contracts were most common in the regions of the Centre (4.5 per cent of the total number of persons working at local production units). Temporary employment was most widespread in the North-West (0.8 per cent). The regional differences depend in part on the sectoral composition of employment. Use of temporary workers was most common in industry (0.9 per cent), while continuous collaboration was most frequent in the services (5.1 per cent). In addition, 199,000 collaborators and 18,000 temporary workers were employed by public or non-profit institutions.

The average number of self-employed workers rose by 0.5 per cent

overall and by 0.7 per cent outside agriculture in 2003. The increase came mainly in the North-West, the number remaining unchanged in the other regions.

Labour supply and unemployment

The labour force expanded by 0.7 per cent nationwide in 2003, less than the 0.9 per cent increase recorded in 2002. The total labour supply increased in all parts of the country except the South and Islands, where it diminished by 0.5 per cent (Table aD1).

The labour force participation rate for persons aged 15-64 averaged 61.4 per cent for the country as a whole, up from 61 per cent in 2002. In the South and Islands it fell from 54 to 53.7 per cent. Geographical disparities widened further. The rate in the South and Islands was more than 12 points lower than in the North-West and nearly 14 points lower than in the North-East.

The number of persons unemployed decreased by 3.1 per cent. The decline was sharpest in the North-West (4.2 per cent) and in the South and Islands (3.7 per cent). In southern Italy, which has 64 per cent of the country's job-seekers, more than half the fall in unemployment was accounted for by workers abandoning the search.

The decline in the unemployment rate continued, although more slowly than in the previous three years. The rate was 8.7 per cent nationwide and 17.7 per cent in the South and Islands, compared with 9 and 18.3 per cent in 2002. Again in 2003 the female unemployment rate fell faster than the male. In the South and Islands it fell by 1.1 percentage points to 25.3 per cent, as a substantial number of women left the labour force (Table aD7).

Labour market mobility, 1993-2002

The probability of finding a job during the year for workers who undertook at least one job search action rose from 61 per cent in 1993-1994 to 69 per cent in 2001-2002. The improvement came largely between 1999 and 2001, in coincidence with the cyclical peak (Figure D3). All parts of the country showed improvement, but pronounced regional differences remain. In 2001-2002 the probability of finding a job within a year was 91 per cent in the North-East, 84 per cent in the North-West, 69 per cent in the Centre and 56 per cent in the South and Islands.

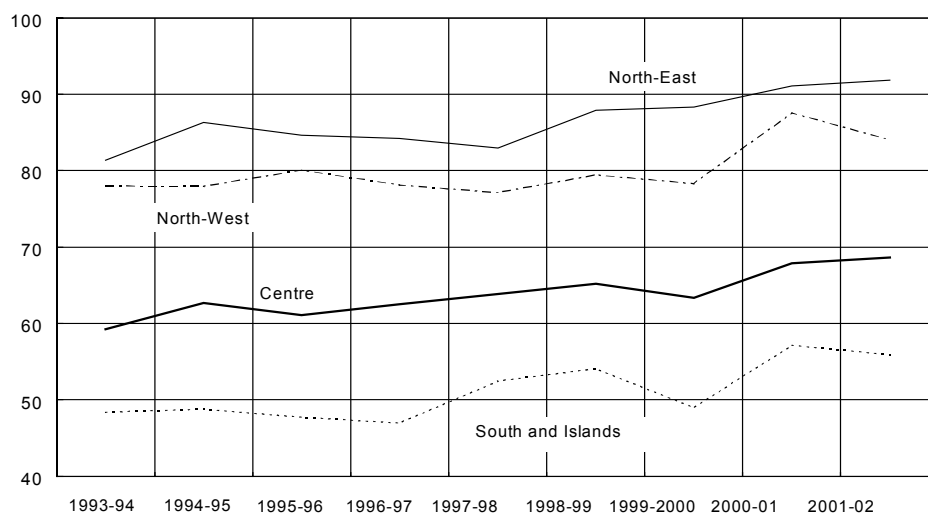
The chances of finding work improved by about the same amount for men and women between 1993-1994 and 2001-2002: from 69 to 76 per cent for men and from 56 to 62 per cent for women.

Above all, the chances of finding work have improved for young job-seekers. For people aged 15-24, the probability of getting work within a year rose from 59 per cent in 1993-1994 to 72 per cent in 2001-2002. In the North the probability increased by 9 percentage points to 90 per cent; the gain was even sharper in the South and Islands, with an increment of 13 points (but only to 50 per cent).

The probability of finding work improved by about the same amount for young people who elected not to continue their education beyond compulsory schooling as for those with the high school degree.

Figure D3

PROBABILITY OF FINDING WORK WITHIN 12 MONTHS FOR WORKERS UNDERTAKING AT LEAST ONE SEARCH ACTION
(percentages)



Source: Istat, labour force surveys.

(1) Includes transitions from non-labour force to employment.

The exit rate (the ratio between the number of persons who go from employment to non-employment and the total number employed at the start of the year) has come down sharply, from 7 per cent in 1993-1994 to 5 per cent in 2001-2002. The difference between the male and female rates narrowed slightly. The gap to the disadvantage of young people remained substantial. The exit rate for persons aged 15-24 was 13 per cent in 2001-2002.

The spread of fixed-term employment in the 1990s did not result in an increased likelihood of leaving employment in any part of the country. Job-to-job mobility increased. The portion of terminations not followed by a new job declined significantly, from 68 per cent in 1993-1994 to 54 per cent in 2000-2001. The decline in this rate was sharpest in the Centre and the North and was of about equal intensity for men and women and for the various age-groups. The decline also involved young people aged 15-24. For them, however, the percentage remained about 10 points higher than for workers aged 25-44. In the South and Islands the rate for young workers was around 70 per cent for the entire period from 1993 to 2002, while in the Centre and North it fell by some 15 points to 45 per cent. A survey by Istat of university graduates' transition from school to work found that from the end of the 1990s to 2002 the improvement in the chances of getting one's first job was more pronounced for young people in the South. In the South and Islands the chances of finding permanent employment remain lower. Three years after university graduation, 34 per cent of young southerners had fixed-term employment, compared with 22 per cent for northerners and 28 per cent for those in the Centre of Italy.

Regional development policies

According to the estimates of the Ministry for the Economy, public capital spending in addition to ordinary expenditure for the regions of the South and Islands amounted to €14.8 billion in 2003. Thanks above all to increased outlays of Community funds, in 2003 spending nearly regained its 2001 level after falling by €3.1 billion in 2002.

The regional accounts put ordinary and additional capital expenditure by the enlarged public sector at 7.7 per cent of GDP in the South and Islands and 4.1 per cent in the Centre and North of Italy (Table D1). The share of total public development resources allocated to the South and Islands fell from 39 per cent in 2000 to an estimated 38 per cent in 2002, thus falling further short of the mid-term objective of 45 per cent. By comparison with the Centre and North, capital spending in the South and Islands consists to a greater extent in transfers to firms and households. In 2001 gross fixed investment accounted for 71 per cent of total capital spending in the Centre and North and only 58 per cent in the South and Islands.

Table D1

PUBLIC DEVELOPMENT EXPENDITURE ON CAPITAL ACCOUNT
(millions of euros and percentages)

	1998	1999	2000	2001
Centre and North	30,146	32,765	32,878	37,249
<i>investment expenditure</i>	21,349	24,105	22,392	26,511
<i>capital transfers</i>	7,871	7,563	8,732	9,561
<i>current expenditure on training</i>	927	1,098	1,754	1,177
South and Islands	18,246	19,346	20,677	23,199
<i>investment expenditure</i>	10,439	10,416	11,704	14,404
<i>capital transfers</i>	7,334	8,484	8,254	8,124
<i>current spending on training</i>	473	446	719	671
As a percentage of GDP				
Centre and North	3.7	3.9	3.7	4.1
South and Islands	7.0	7.1	7.3	7.7

Source: Ministry for the Economy and Finance, *Conti pubblici territoriali*.

The Community Support Frameworks for 2000-2006 envisage funding of €51 billion for public investment programmes, 40 per cent of it to come from EU contributions (Table D2). All the programmes activated have made full use of the resources committed up to 2001, so that none were wasted. Provisional data indicate that the cumulative flow of payments effected by December 2003 exceeded 20 per cent of planned spending to 2006.

Through the end of 2003, actual payments made in connection with programmes for the less developed areas of the Centre and North (Objective 2 areas) amounted to €1.2 billion, or 15 per cent of planned spending.

The Ministry for Productive Activities reports that in 2002, the last year for which data are available, total spending on national incentives to firms outside agriculture and transport came to more than €7 billion, of which 63 per cent was allocated to the South and Islands. Incentives under Law 488/1992, including those under planning contracts, accounted for 26 per cent of the total, while the tax credit for new investment in underdeveloped areas introduced by the Finance Law for 2001 accounted for 24 per cent.

Sixty-nine different national initiatives were in effect in 2002, 18 of them put under regional authority by Legislative Decree 112/1998, for which allocations under

the Single Regional Fund amounted to €760 million. Another 23 initiatives, discontinued, were nevertheless still making residual disbursements. The Ministry for Productive Activities also reported 303 regional initiatives of support to firms entailing disbursements of €586 million in 2002; €501 million of this was in the regions of the Centre and North (about half in Trentino-Alto Adige).

Table D2

**COMMUNITY SUPPORT FRAMEWORK (2000-06) FOR OBJECTIVE 1
REGIONS: STATE OF IMPLEMENTATION IN DECEMBER 2003**

(millions of euros and percentages)

Programmes	Planned expenditure		Cumulative disbursements as a percentage of total cost			
	Total cost		2000	2001	2002	2003 (1)
		of which: Community contribution				
Multiregional	12,783	6,452	3.9	11.0	22.2	34.1
Regional	38,465	15,186	1.5	4.5	9.9	16.0
<i>Molise</i>	626	181	1.4	5.9	11.7	19.7
<i>Campania</i>	9,256	3,825	1.3	4.0	8.3	12.6
<i>Puglia</i>	6,722	2,639	0.8	4.2	10.6	19.7
<i>Basilicata</i>	1,633	743	3.4	9.5	20.0	26.4
<i>Calabria</i>	5,303	1,994	2.5	7.1	11.7	14.8
<i>Sicily</i>	10,255	3,858	0.4	1.7	6.2	12.1
<i>Sardinia</i>	4,669	1,946	3.2	7.3	14.4	23.3
Total	51,248	21,638	2.1	6.1	13.0	20.5

Source: Ministry for the Economy and Finance. The data on planned expenditure and disbursements include the share of the private sector. (1) Provisional.

In 2003 the total resources available for investment incentives under Law 488/1992, comprising national and Community funds, were reduced by a fourth, from €3 billion to €2.2 billion. The rankings of the 14th, 15th and 16th calls for applications by firms in industry, tourism and distribution were announced. For industry, 2,919 applications were approved for a total of €1.6 billion, 24 per cent less than in 2002 and nearly 50 per cent less than in 2001 (Table D3). In three years the share going to the South and Islands fell from 95 to 84 per cent. The 4th ranking of applications in tourism was announced in October 2003, making available €1.8 billion compared with €2.4 billion in 2002. The same month, the 3rd ranking for distributive trades was released, providing for grants worth €65 million, down from €100 million in the previous ranking.

Table D3

LAW 488/1992: APPLICATIONS FOR FINANCIAL SUPPORT IN 2003 (1)
(number of projects, millions of euros)

	Applications approved	Investment	Support
		Industry	
Centre and North	1,126	2,459	253
South and Islands	1,793	4,722	1,305
Italy	2,919	7,180	1,558
		Tourism	
Centre and North	140	225	26
South and Islands	617	1,619	415
Italy	757	1,844	541
		Distribution	
Centre and North	50	35	4
South and Islands	391	192	61
Italy	441	226	65

Source: Ministry for the Economy and Finance, *Relazione generale sulla situazione economica del Paese, 2003*.

(1) With reference to the 14th, 15th and 16th rounds.

There has been a substantial upturn in the past two years in use of planning contracts, an instrument for funding major industrial investment through contractual relations between public administrations and firms or consortia of firms. In 2002 a total of €312 million was disbursed, up from €73 million the year before; for 2003, according to Centro Studi MET, the amount was €560 million.

The Finance Law for 2003 again modified the investment tax credit, instituting stricter information requirements for beneficiaries and time limits for its utilization. Disbursements in 2003 came to €770 million, four-fifths of it relating to investments completed in 2002.

With the disbursement in 2003 of an initial public contribution to 18 territorial pacts, the activation of the 220 pacts approved between 1998 and 2001 was practically concluded. The 208 active pacts received nearly €1.7 billion in 2003, or €700 million more than in 2002. At the end of 2003 the funds disbursed represented 35.4 per cent of the amount assigned to the 141 pacts in the South and Islands and 26 per cent of that for the 67 pacts in the Centre and North. The area contracts signed since 1998 received €837 million, or 39 per cent of the resources allocated (up from 30 per cent in 2002). In June 2003 disbursements for the 8 territorial pacts for employment in the Objective 1 regions, which enjoyed Community funding, totaled €346 million, or 85 per cent of the resources available.

Territorial disparities

According to the regional accounts prepared by Istat and Svimez, between 1990 and 1996 the GDP of the South and Islands grew less than that of the rest of the country: 0.6 per cent per year compared with 1 per cent in the North-West, 2.1 per cent in the North-East and 1.5 per cent in the Centre. The southern regions recouped ground starting in 1996, with annual average growth 0.7 percentage points higher than that of the North-West, 0.3 points higher than the North-East and 0.2 points higher than the Centre. Measured against the gap separating the South from the rest of the country, however, the gain was modest. In 2003 per capita output in the South and Islands was still only 58 per cent of that of the rest of the country.

Table D4

PRODUCTIVITY BY GEOGRAPHICAL AREA, 1991-2003

(average annual percentage change)

	North-West	North-East	Centre	South and Islands
Labour productivity (1) – Total economy				
1991-1995	1.9	2.6	2.1	1.7
1996-2001	0.8	1.0	0.9	1.3
2002	-0.6	-0.4	-0.4	-0.7
2003	-1.0	0.2	-0.3	0.5
Total factor productivity (2) – Private sector (3)				
1991-1995	1.7	2.5	1.6	1.2
1996-2001	0.4	0.4	0.6	1.4

Sources: Based on Istat and Svimez data.

(1) Labour productivity is calculated as the ratio of value added at constant prices to total standard labour units. – (2) The rate of growth of total factor productivity is calculated as the difference between the growth rate of value added at constant prices and that of labour inputs and the stock of physical capital, weighted by their shares in value added. – (3) The following service branches are excluded: real estate and business services, public administration, education, health care, domestic services, and other public, social and personal services.

The modest relative advance for the South came in a general context of decelerating economic activity. Between 1996 and 2001 the rate of growth in value added per standard labour unit declined in all parts of the country by comparison with the previous five years (Table D4). In 2002 and 2003 productivity actually diminished. The deterioration was sharpest in the North-West, less pronounced in the South and Islands and in the North-East.

In the private sector, total factor productivity – an indicator of technical and organizational improvement in the structure of production – also slowed down starting in the second half of the 1990s. In 2002-2003 it too diminished (see Banca d'Italia, *Annual Report for 2003*, abridged

English version). Estimates by macroregion, available up to 2001, show that the slowdown in total factor productivity in the private sector between 1991-1995 and 1996-2001 affected the North and the Centre, while the South and Islands showed a slight acceleration. Despite this relative gain, TFP in the southern regions was still far below that of the rest of the country in 2001.

The regions of Italy in the European context

In May 2004 the European Union was enlarged to embrace ten new Member States, increasing its population by 19 per cent and its GDP by 5 per cent. On a purchasing power parity basis, the per capita GDP of the new members was less than half that of the 15-member EU, or of Italy, in 2001. It was lower than that of the southern part of Italy. More than 90 per cent of the population in the new member countries lived in areas with per capita GDP of less than 75 per cent of the 25-country EU average. This compares with 20 per cent in Italy and Spain, 13.4 per cent in Germany, and 2.8 per cent in France.

Istat estimates that if the European structural funds continue to assign resources to regions with per capita income lower than 75 per cent of the EU average, 36 of the 41 regions in the new Member States will be eligible for aid over the next planning period beginning in 2007. By this same standard, two of the Italian regions currently benefiting from the Regional Fund would be excluded: Basilicata, whose per capita income would be higher than the new ceiling, and Sardinia, whose per capita income would be above the threshold even in the 15-member EU.

The employment rate for the population aged 15-64 was 55.9 per cent in the accession countries in 2002, against 64.2 per cent in the EU-15 and 55.5 in Italy. The new members' employment rate was higher than that of Italy's southern regions, and in particular than that of Campania, Calabria and Sicily, with their rates of around 42 per cent. The unemployment rate in the new members was 14.9 per cent, against 7.8 per cent in the EU-15 and 9 per cent in Italy. It was higher than in Abruzzo, Molise and Puglia, but lower than in the other southern regions, especially Calabria, which has one of the highest unemployment rates in the entire Union.

The new members are relatively well placed in terms of the educational level of the population and spending on education. These indicators are relevant to the objective set at the Lisbon Council in 2000 of making the European Union a more dynamic, competitive, knowledge-

based economy with greater social cohesion. The disparities among the regions of Europe continue to be very pronounced in the areas of training, R&D, and innovation. Italy lags significantly behind the other leading European countries.

Table D5

**R&D SPENDING, PATENT APPLICATIONS AND SHARE OF
EMPLOYMENT IN HIGH-TECH SECTORS BY GEOGRAPHICAL AREA**
(number of patent applications, percentages)

	North-West	North-East	Centre	South and Islands
Private sector R&D spending as percentage of GDP (1)	0.9	0.4	0.4	0.2
Public sector R&D spending as percentage of GDP (1)	0.1	0.1	0.5	0.1
Patent applications per million persons employed (2)	316.7	299.2	121.2	35.9
Patent applications in high-tech per million persons employed (2)	34.4	11.3	10.6	5.5
Percentage of persons employed in high-tech manufacturing sectors (3)	1.5	1.2	0.8	0.6
Percentage of persons employed in high-tech service sectors (3)	3.4	2.7	3.9	2.1

Source: Based on Eurostat data.

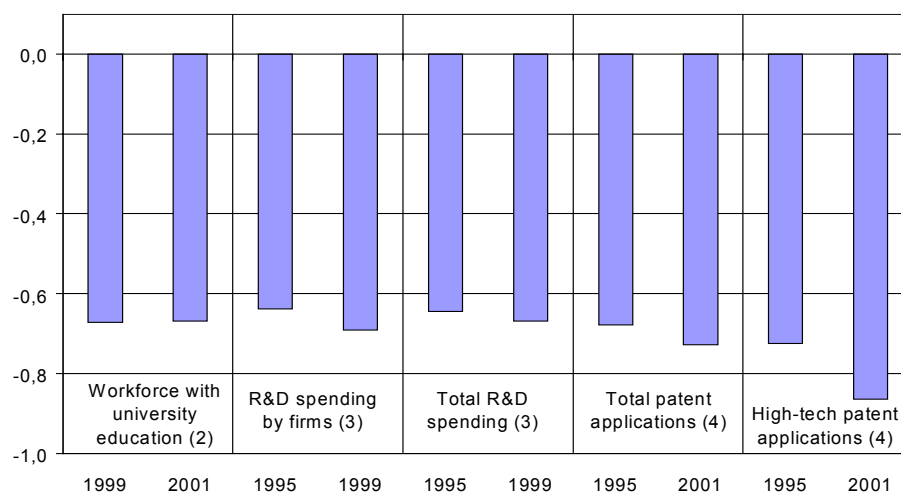
(1) In 1999. – (2) Deposited with the EPO in 2001. – (3) In 2001. Excluding Valle d'Aosta and Trentino Alto Adige.

According to the Commission, Italian R&D spending in proportion to GDP was half the EU average in 2001. In 2002 the country spent 2.5 per cent of GDP on information technology, compared with 3.5 per cent in the EU as a whole. That same year the percentage of the population aged 15-64 with high school education was 33.9 per cent, compared with an EU average of 42.9 per cent. Only 10.2 per cent of Italians in that age-group had a university degree, about half the European average.

There are significant disparities within Italy. Svimez finds that for every thousand students enrolling in the first year of middle school, just 676 get a high school degree in the South and Islands as against 768 in the rest of the country, and only 144 a university degree (against 251). In proportion to GDP private sector R&D spending in the North-West is twice as high as in the North-East and the Centre and over four times as high as in the South and Islands (Table D5). The differences in number of patent applications to the European Patent Office are even more marked, the North far outweighing the Centre and south. Employment in high-tech sectors as a share of total manufacturing employment is highest in the North-West and lowest in the South and Islands (1.5 and 0.6 per cent, respectively). In the service sector, the highest shares of high-tech employment are in the Centre and the North-West (3.9 and 3.4 per cent respectively).

Figure D4

**HUMAN CAPITAL AND INNOVATION:
THE ITALIAN NORTH-WEST COMPARED WITH THE TOP TEN
EURO-AREA REGIONS IN PER CAPITA GDP AND INCIDENCE OF
MANUFACTURING (1)**



Source: Based on Eurostat data.

(1) The indices are the relative difference between the value of each indicator for the Italian North-West and the corresponding value for the European region (of the 10 considered) with the highest value. – (2) Percentage of total persons employed. – (3) As a percentage of GDP. – (4) Patent applications to EPO per million employees.

In the mid-1990s the Italian North-West had a relatively strong specialization in mid-to-high-technology sectors, by European standards. However, it lagged behind the most advanced European regions in high-tech specialization, quality of human capital, propensity to innovate, and R&D intensity. In the second half of the decade the gap in propensity to innovate widened, while the difference in higher education rates narrowed slightly (Figure D4). At the same time the economic specialization of the North-West drew nearer to the Italian average. GDP grew more slowly than in the other parts of the country.

E - FINANCIAL INTERMEDIARIES

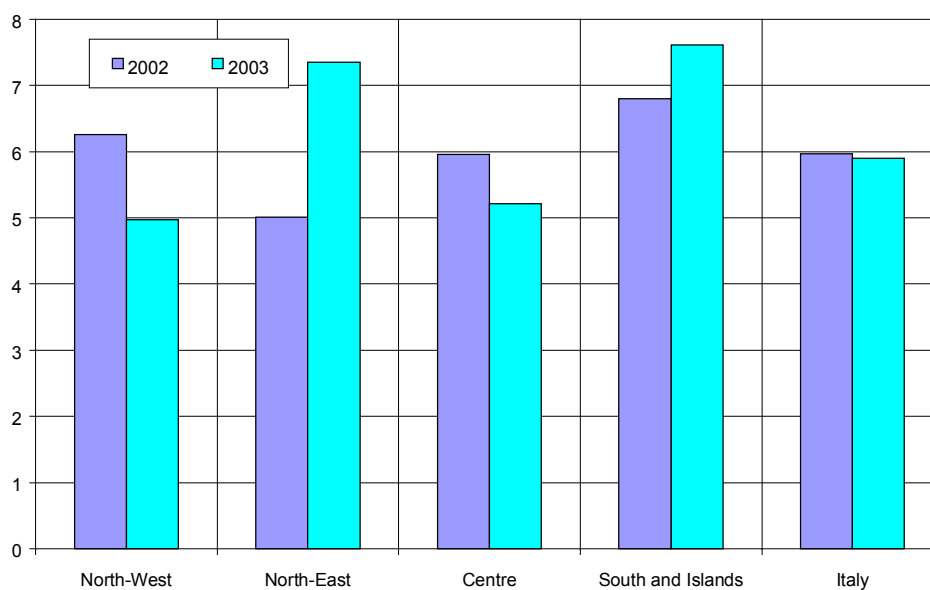
Lending to non-bank customers

Territorial bank statistics in 2003 outstanding bank loans net of bad debts and repurchase agreements increased by 7.6 per cent in the South and Islands and 7.3 per cent in the North-East (Figure E1); the increases in the North-West and the Centre were smaller (respectively 5 and 5.2 per cent). In all the areas the growth was concentrated in the medium and long-term segment, which was affected by the sharp rise in loans for property purchases.

Figure E1

OUTSTANDING LOANS BY GEOGRAPHICAL AREA (1)

(percentage change on previous year)



Source: Supervisory reports. Data classified by customer location.

(1) Excluding bad debts and repurchase agreements. The changes are calculated gross of the effects of reclassifications, exchange rate variations and other variations not due to transactions. See the Methodological Notes in the Appendix.

Lending to firms. – At national level outstanding loans to firms grew by 6 per cent, compared with 4 per cent in 2002 (Table aE2).

In the southern regions lending to non-financial corporations continued to grow rapidly, although less fast than in 2002 (5.7 per cent, as against 6.9 per cent). The acceleration in lending to the construction sector did not fully offset the slowdown in lending to industry excluding construction and services.

The slowdown in the growth of outstanding loans to industry excluding construction in the South and Islands (from 2.3 to 0.2 per cent) reflected the fall of 8 per cent in lending to the energy products sector (compared with a rise of 11.6 per cent in 2002). In manufacturing industry the growth in lending accelerated from 0.5 to 1.9 per cent. In services the fall of 0.4 per cent in lending to the transport sector (compared with a rise of 5.1 per cent in 2002) contributed to the overall slowdown in the growth in lending.

In the Centre and North the growth in outstanding loans to non-financial corporations accelerated from 3.6 to 6.3 per cent. The services and construction sectors recorded high rates of growth that exceeded those of the previous year. In manufacturing the expansion was modest, while in the energy sector there was a contraction. Overall, there was a small reduction in lending to industry excluding construction.

The expansion of 5.7 per cent in outstanding loans to non-financial corporations in the North-West (compared with a contraction of 0.6 per cent in 2002) was fueled by the medium and long-term component, which grew by 16.7 per cent, as against 10.8 per cent in 2002. A contribution to this result was made by transactions aimed at restructuring the debts of firms in difficulty (see the section on “Firms’ financial structure and profitability”).

In the Centre the contraction in lending to industry excluding construction accelerated from 4.4 to 7.6 per cent; the regions most affected were Lazio and Tuscany. In the former the fall was related to the difficulties of large food processing firms involved in the financial crises of Cirio and Parmalat; in the latter it reflected the difficulties encountered by firms in the fashion industry, smaller firms in general and firms producing medium-quality goods.

The growth in lending to the construction industry in the Centre and North benefited from that in outstanding loans to finance public works, which increased by 12.1 per cent, as against 5.4 per cent in the South and Islands.

Lending to service firms operating in the property market expanded in all the macro-regions and especially the North-West, where it grew by 18.7 per cent, as against 9.9 per cent in 2002.

In 2003 the increase in outstanding loans to small firms (sole proprietorships and partnerships with less than 20 workers) was again

higher than that for other non-financial corporations (respectively 7.6 and 6.1 per cent). The growth in this type of lending accelerated in the North-West and the South and Islands (respectively from 5.5 to 7.4 per cent and from 6.9 to 8.6 per cent); in the North-East it slowed from 7.3 to 6.6 per cent, while in the Centre it remained stable at 8.6 per cent.

Factoring business by financial companies decreased in all the main areas except for the Centre; the most pronounced contraction occurred in the North-West. Leasing business slowed nationwide and actually decreased in the South and Islands; this result can be attributed largely to securitizations carried out during the year (Table E1).

Table E1

**FACTORING, LEASING AND CONSUMER CREDIT
BY GEOGRAPHICAL AREA (1)**
(percentage changes on previous year)

	Total							
			of which:					
	2002	2003	Factoring		Leasing		Consumer credit	
	2002	2003	2002	2003	2002	2003	2002	2003
North-West	5.8	1.0	5.2	-6.3	8.9	1.1	11.0	11.5
North-East	13.7	3.9	15.6	-3.2	15.3	7.0	13.0	12.5
Centre	6.3	3.3	-0.7	4.8	12.1	2.8	11.4	16.2
South and Islands	11.9	4.8	14.1	-0.6	15.7	-0.3	5.0	21.7

Source: Supervisory reports of companies entered in the special register referred to in Article 107 of the Consolidated Law on Banking. See the Methodological Notes in the Appendix.

(1) Data classified by customer location. The changes are calculated taking account of the transformation of some financial companies into banks. Consumer credit includes credit cards.

Lending to consumer households. – Outstanding loans to consumer households continued to expand at a rapid pace (10.6 per cent, as against 10.8 per cent in 2002). All the macro-regions recorded growth, but it accelerated compared with the previous year in the Centre and the South and Islands. The growth in the medium and long-term component accelerated in all the main areas, rising from 13.2 to 14.4 per cent in Italy as a whole. The expansion in outstanding mortgage loans for house purchases was especially sharp in the South and Islands (32.3 per cent, as against 19.5 per cent in 2002).

The growth in mortgages for house purchases benefited not only from the low level of interest rates but also from the lengthening of the average duration of loan contracts and the increase in financing in relation to the value of buildings.

The consumer credit provided by banks increased by 8.7 per cent (that granted to consumer households by 11.2 per cent), while that

provided by financial companies increased by 16 per cent. Both components expanded in all the macro-regions, with particularly high rates of growth in the South and Islands, where the credit provided by financial companies surged (Table E1).

Lending conditions. – Conditions on the supply side remained expansionary. Between the end of 2002 and the end of 2003 interest rates on short-term loans came down by 0.7 percentage points, to stand at 5.1 per cent (Table aE6).

In 2003 interest rates on short-term loans to firms and producer households came down by 0.6 percentage points in the Centre and North and 0.2 points in the South and Islands, to stand at respectively 5.7 and 7.7 per cent. The interest rate differential between the two areas widened by about 0.4 points to 2 percentage points. Adjusting for the different sectoral composition and size of borrowers in the two areas, the differential narrows to about 1 percentage point but remains positive in every southern region. It reflects the greater riskiness of firms in the South and Islands.

As regards the amounts charged on new medium and long-term loans to firms with no interest rate support, the differential between the South and Islands and the Centre and North widened by 0.1 points to 7 points.

The undrawn margins on firms' and producer households' overdraft facilities remained ample in 2003 and the ratio of credit drawn to credit granted declined from 47.2 to 44.7 per cent. Reductions occurred in all the macro-regions but were most pronounced for larger overdraft facilities and firms in the Centre (Table E2). The ratio of amounts drawn in excess of overdraft limits to the facilities granted fell in the Centre and North from 12 to 9.4 per cent and in the South and Islands from 11.2 to 10.2 per cent.

Bad debts. – The ratio of adjusted new bad debts to the outstanding amount of loans at the beginning of the year rose from 1 to 1.2 per cent, reflecting the losses on loans to companies involved in the financial crisis of the Parmalat group. Excluding this component, the ratio rose slightly in the South and Islands, from 1.6 to 1.7 per cent, and remained unchanged at 0.9 per cent in the rest of the country.

Table E2

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

	2002	2003
By geographical area		
North-West	44.0	41.3
North-East	48.0	45.5
Centre	46.7	43.7
South and Islands	56.3	55.5
By size of credit facility		
from 75,000 to 125,000 euros	52.5	51.5
from 125,000 to 500,000 euros	54.4	53.4
from 500,000 to 25,000,000 euros	51.5	50.0
more than 25,000,000 euros	37.7	32.9
Total	47.2	44.7

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

(1) The ratio is calculated with reference to overdraft facilities; firms include producer households and holding companies.

The increase in the indicator in the southern regions was due to the growth of bad debts among non-financial corporations.

In Emilia Romagna the loans classified as bad debts during the year amounted to 3.6 per cent of the loans outstanding at the beginning of the year (0.7 per cent in 2002). The classification as bad debts of loans to companies involved in the crisis of the Parmalat group accounted for 2.4 percentage points of the increase.

In the period 1997-2003 the annual ratio of new bad debts to outstanding loans for firms and producer households was 1.6 percentage points higher on average in the South and Islands than in the Centre and North. Adjusting for the different sectoral composition and size of borrowers in the two areas, the differential narrows by 0.2 percentage points and remains positive in every southern region.

In 2003 the quantity of bad debts increased by 10.7 per cent. The growth in bad debts, which was common to the whole of Italy except the Islands, was most pronounced in the North-East. Nationwide the ratio of bad debts to total loans rose from 4.5 to 4.7 per cent. In the southern regions the ratio was 8.3 percentage points higher than in the Centre and North.

Banks' exposure to borrowers in temporary difficulty (substandard loans) grew by 3.8 per cent, compared with 4.6 per cent in 2002; the growth was faster in the South and Islands (6 per cent) than in the Centre and North (3.2 per cent).

Firms' financial structure and profitability

Firms' financial debt grew by 5.5 per cent in 2003, compared with 6.4 per cent in 2002. Considerable recourse was made to medium and long-term bank loans in view of the low level of interest rates and the debt rescheduling undertaken by some industrial groups.

Central Credit Register data show that Italian firms' financial leverage – defined as the ratio of financial debt to the sum of the latter and shareholders' equity – rose slightly between 2000 and 2002, from 50.2 to 50.5 per cent (Table E3), after falling over the whole of the previous decade. Both in the Centre and North and in the South and Islands the increase came mainly from firms with at least 200 workers, while there was actually a decrease for small firms.

Financial debt also increased in relation both to sales revenues, from 28.3 to 30.6 per cent, and to value added, from 131 to 141 per cent. Although the financial debt of small firms in the South and Islands contracted, at the end of 2002 as a ratio to value added it was still more than 80 percentage points higher than the corresponding figure for the Centre and North. The gap for medium-sized and large firms was much smaller and equal to about 12 percentage points. Considering the composition of financial debt, bank debt plays a larger role in the South and Islands than in the Centre and North for all the firm size brackets.

The sample surveys of manufacturing industry conducted in 2003 by the Bank of Italy found that the average effective duration of trade payables increased with firm size: from 83 days for firms with between 20 and 49 workers to 99 days for those with at least 500 workers. The growth in financial debt of medium-sized firms between 2000 and 2003 was accompanied by a lengthening of the average effective duration of trade payables from 84 to 93 days.

In 2003 firms' operating profits were depressed by the weak economic cycle and the ratio of gross operating profit to value added declined by one percentage point, from 36 to 35 per cent. Thanks to the fall in interest rates, financial costs declined from 5.2 to 4.9 per cent of value added. Despite the contraction in cash flows, the percentage of investment financed with internally-generated funds remained unchanged as a consequence of the reduction in investment.

Table E3

FIRM'S FINANCIAL STRUCTURE
BY SIZE CLASS AND GEOGRAPHICAL AREA (1)
(weighted averages; percentages)

Size classes	Centre and North		South and Islands		Italy	
	2000	2002	2000	2002	2000	2002
	<i>Financial debt / (financial debt + shareholders' equity)</i>					
1-49 workers	61.7	58.4	62.6	58.7	61.8	58.5
50-199 workers	54.8	55.3	52.7	49.9	54.6	54.7
200 workers and more	45.1	47.3	40.5	47.1	44.8	47.3
Total firms	50.1	50.5	50.4	50.8	50.2	50.5
	<i>Financial debt / sales revenues</i>					
1-49 workers	24.4	23.5	31.7	31.0	25.2	24.2
50-199 workers	27.9	26.9	30.5	29.9	28.2	27.2
200 workers and more	30.6	35.3	24.8	30.3	30.2	34.9
Total firms	28.3	30.7	28.3	29.5	28.3	30.6
	<i>Financial debt / value added</i>					
1-49 workers	181.1	181.3	272.9	262.1	189.8	189.1
50-199 workers	127.9	132.1	136.1	144.3	128.6	133.1
200 workers and more	116.4	133.7	113.4	146.2	116.2	134.4
Total firms	127.0	139.1	147.2	163.1	130.8	141.4
	<i>Bank debt / financial debt</i>					
1-49 workers	71.1	74.4	82.1	81.4	72.6	75.3
50-199 workers	70.8	69.1	71.5	73.3	70.9	69.5
200 workers and more	54.7	51.4	71.0	65.7	55.6	52.3
Total firms	61.6	59.0	74.8	71.9	62.8	60.0

Source: Based on Company Accounts Data Service data for non-financial corporations. See the Methodological Notes in the Appendix.

(1) Balance sheet values. The figures for total firms include data for which the geographical area and size class are not available.

For the country as a whole, the ratio of gross operating profit to total assets declined from 8.3 to 8 per cent between 2000 and 2002. The decrease was most pronounced for firms in the South and Islands with at least 200 workers (Table E4). Return on equity also dropped overall, from 7.1 to 3.2 per cent, despite net financial costs having fallen by nearly one percentage point in relation to gross operating profit. The decrease in ROE was most pronounced for firms with at least 200 workers, which suffered from large increases in writedowns of equity interests and non-recurring expense.

Table E4

FIRMS' PROFITABILITY
BY SIZE CLASS AND GEOGRAPHICAL AREA (1)
(weighted averages; percentages)

Size class	Centre and North		South and Islands		Italy	
	2000	2002	2000	2002	2000	2002
	<i>Gross operating profit / total assets</i>					
1-49 workers	7.7	7.6	5.9	6.3	7.5	7.4
50-199 workers	8.7	8.2	6.8	6.5	8.5	8.1
200 workers and more	9.1	8.6	7.8	5.3	9.0	8.4
Total firms	8.5	8.2	6.8	5.7	8.3	8.0
	<i>Net financial costs / gross operating profit (2)</i>					
1-49 workers	14.9	12.6	24.6	20.7	15.9	13.5
50-199 workers	7.6	9.1	12.7	12.1	8.0	9.3
200 workers and more	-3.5	-3.7	5.1	1.3	-3.0	-3.5
Total firms	2.1	1.5	12.4	9.5	2.8	2.0
	<i>Profit for the year / shareholders' equity (3)</i>					
1-49 workers	8.6	9.0	5.8	8.2	8.2	8.9
50-199 workers	6.6	4.8	4.7	5.7	6.4	4.9
200 workers and more	7.5	1.9	3.4	-1.1	7.2	1.7
Total firms	7.3	3.3	4.4	2.7	7.1	3.2

Source: Based on Company Accounts Data Service data for non-financial corporations. See the Methodological Notes in the Appendix.

(1) Balance sheet values. The figures for total firms include data for which the geographical area and size class are not available.
 – (2) Excluding firms with a zero or negative gross operating profit. – (3) Before accelerated depreciation and other adjustments and revaluations.

The proportion of gross operating profit absorbed by net financial costs varied considerably according to area of location and firm size, with a differential in favour of the Centre and North that, although narrowing, in 2002 still exceeded 8 percentage points for firms in the 1-49 worker size class.

Banks' fund-raising

In 2003 the growth in the outstanding funds raised by banks from resident customers slowed sharply throughout the country (Table E5). The deceleration was mainly due to the fall of 23.1 per cent in repos, following a very substantial increase in 2002. The North-East recorded the highest rate of growth and the South and Islands and the Centre the two lowest.

Table E5

BANKS' BORROWED FUNDS (1)
(percentage changes on the previous year)

	Total borrowed funds						
	Deposits						Bonds (3)
	of which: (2)						
	Current accounts	Certificates of deposit	Repos	Savings deposits			
	North-West						
2002	8.3	9.2	7.3	-13.6	23.8	16.4	6.2
2003	3.0	-0.5	4.2	-23.2	-18.9	6.4	11.7
	North-East						
2002	8.2	6.5	9.3	-10.3	3.3	5.5	11.8
2003	5.9	3.1	7.1	-9.6	-17.7	5.4	11.1
	Centre						
2002	10.2	8.9	7.0	-5.5	30.9	9.0	14.4
2003	1.6	2.0	8.3	-8.9	-32.3	5.9	0.6
	South and Islands						
2002	4.4	3.2	6.3	-9.9	-5.4	4.7	8.8
2003	1.2	1.3	7.2	-11.9	-30.5	3.7	0.9
	Italy						
2002	8.0	7.4	7.5	-10.3	17.3	7.8	9.6
2003	3.0	1.1	6.2	-13.9	-23.1	5.1	7.8

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

(1) Net of funds raised from monetary financial institutions (banks and other intermediaries). – (2) Excludes deposits of central government departments. – (3) Data at face value derived from information on securities held for custody by banks.

Current accounts continued to grow at a rapid pace, albeit slightly down on that recorded in 2002 (6.2 per cent, as against 7.5 per cent), thanks in part to the reduction in the opportunity cost of holding cash. The interest rate on current account deposits fell from 1.5 to 1 per cent, while the pre-tax differential with respect to the rate on 3-month Treasury bills narrowed by 0.3 percentage points to 1.1 points.

Since 1999 current accounts have grown at an average annual rate of 8.9 per cent in the South and Islands, 1.2 percentage points faster than in the Centre and North. At the end of 2003 their share of banks' total borrowed funds had risen to 50.7 per cent in the South and Islands, basically in line with the figure for the North (50.2 per cent) and below that for the Centre (56.5 per cent; Figure E2).

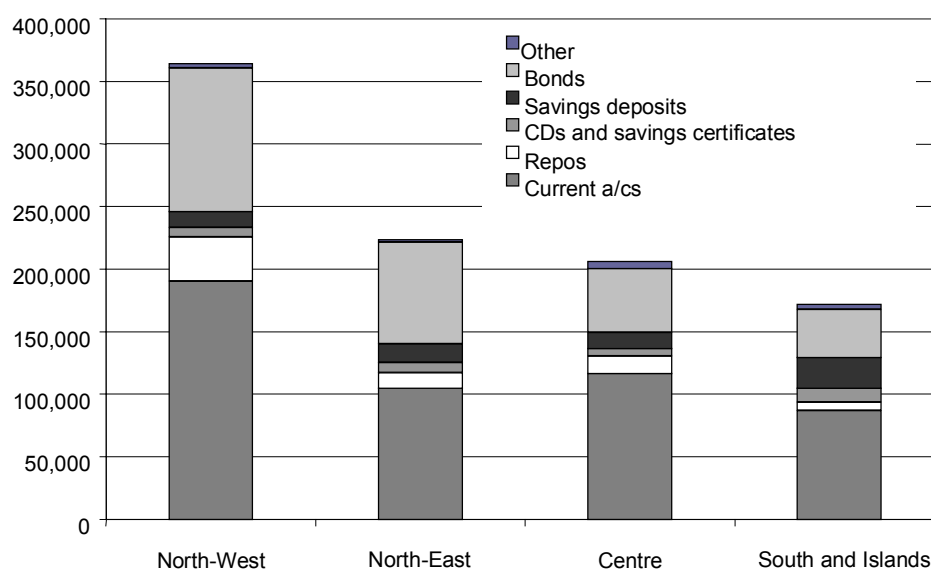
As in the two preceding years, current accounts grew fastest for consumer households, although at a slower pace than in 2002 (8 per cent, as against 8.8 per cent). The rate of growth decreased both for households in the Centre (from 10 to 7.1 per cent) and in the South and Islands (from 8 to 7.1 per cent), while it remained virtually unchanged in

the North (rising from 8.6 to 8.8 per cent). The difference between the South and Islands and the Centre and North in the interest rates applied to households remained negligible (less than 0.1 percentage point).

Fig. E2

COMPOSITION OF BANKS' BORROWED FUNDS

(millions of euros)



Source: Supervisory reports. See the Methodological Notes in the Appendix.

Savings deposits expanded by 5.1 per cent. Most of the increase was accounted for by branches of foreign banks, whose share of this segment of the market grew significantly following the offer of high-yield deposits. By contrast, the contraction in certificates of deposit continued in the absence of large issues.

The increase in savings deposits in the last three years mainly concerned the Centre and North. However, this instrument continues to be more popular in the South and Islands, where it accounts for 14.1 per cent of total borrowed funds or more than twice the figure found in the rest of the country.

Bank bonds continued to expand at a rapid pace (7.8 per cent, compared with 9.6 per cent in 2002); the growth came both from consumer households (7.6 per cent) and from other sectors (9.3 per cent).

The increase was particularly marked in Friuli Venezia Giulia (51 per cent), in connection with an operation of an extraordinary nature in the financial and

insurance company sector, Liguria (26.7 per cent) and Lombardy (10.8 per cent). Restricting the analysis to consumer households, the growth in bonds slowed most in the Centre (from 16.6 to 3.1 per cent); in the South and Islands there was a small contraction of 0.2 per cent, compared with an expansion of 7.6 per cent in 2002.

Financial assets held with banks

The volume of government securities owned by Italian investors continued to contract: between the end of December 2002 and the end of December 2003 the face value of those deposited with the banking system for safekeeping fell by 7.8 per cent (Table E6). Consumer households reduced the value of their government securities to an even greater extent (16 per cent).

The decrease occurred throughout the country but the largest was recorded by households living in the Centre (27.1 per cent), followed by those in the South and Islands (16 per cent) and the North (11.9 per cent).

The face value of bonds of issuers other than Italian banks deposited with the banking system rose by 10.5 per cent, in line with the previous year. The growth was fueled mainly by financial and insurance companies with an increase of 20.3 per cent, while consumer households contributed an increase of only 0.7 per cent).

The growth in bonds deposited by consumer households was generated in the North, where they increased by 2.8 per cent, while decreases of respectively 5.9 and 3 per cent were recorded in the Centre and the South and Islands. At the end of 2003 holdings of bonds of foreign issuers were largest in the North-West and the Centre, followed by the North-East and at a very low level by the South and Islands.

Valued at purchase price, units of collective investment schemes deposited by households rose by 4.4 per cent. The largest rise was in the North (5.5 per cent), followed by the South and Islands (3.3 per cent), while in the Centre there was virtually no change (+0.3 per cent).

The total net inflow of funds to portfolio management services run by banks, investment firms and asset management companies fell further (from €4 billion to €2.3 billion). The downward trend under way since 2000 in portfolios managed by banks continued, but was less steep (-3.4 per cent, as against -11.2 per cent in 2002). Consumer households recorded the largest fall (8.6 per cent).

Table E6

**SECURITIES HELD FOR CUSTODY BY BANKS AND BANKS' PORTFOLIO
MANAGEMENT ACCOUNTS IN 2002 BY GEOGRAPHICAL AREA (1)(2)**

	North-West	North-East	Centre	South and Islands	Italy
Year-end stocks in millions of euros					
Securities held for safekeeping	420,729	206,397	176,028	61,925	865,078
of which: <i>Italian government securities</i>	147,271	80,929	62,317	26,181	316,698
<i>bonds</i>	94,904	48,648	39,138	10,344	193,034
Portfolio management accounts	50,795	29,704	19,124	5,944	105,567
Total	471,525	236,101	195,152	67,869	970,646
Percentage changes on previous year					
Securities held for safekeeping	-2.2	8.5	-10.9	-7.9	-2.3
of which: <i>Italian government securities</i>	-8.1	-2.2	-9.2	-17.6	-7.8
<i>bonds</i>	7.3	28.9	3.6	-3.0	10.5
Portfolio management accounts	-4.2	-7.3	10.3	-13.8	-3.4
Total	-2.4	6.3	-9.2	-8.4	-2.4

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

(1) At face value. – (2) Excludes debt securities issued by banks, securities deposited by monetary financial institutions (banks and other intermediaries), securities deposited by collective investment schemes and pension funds.

The reduction in the portfolios of consumer households was greater in the South and Islands (-16.5 per cent) than in the Centre and North (-8 per cent). This further increased the differential in favour of the North in portfolios managed by banks.

The premium income of insurance companies in the life sector continued to grow at a rapid pace (13.5 per cent). The increase occurred more in with-profits policies (16.5 per cent) than in those linked to investment funds or market indices (8.1 per cent). The share of premium income collected by the banking industry rose further, to nearly 60 per cent.

According to Isvap data, in 2002 some two thirds of premium income was collected in the North, with the remainder divided almost equally between the Centre and the South and Islands.

Household wealth. – According to estimates based on the financial accounts and the national accounts, in the ten years from 1991 to 2001 Italian households' net wealth grew in nominal terms at an average annual

rate of 5.5 per cent, or more than the average compound increase in the consumer price index (3.2 per cent). Financial wealth grew faster than real wealth (dwellings, land and durable goods), with rates of respectively 7.2 and 4.7 per cent.

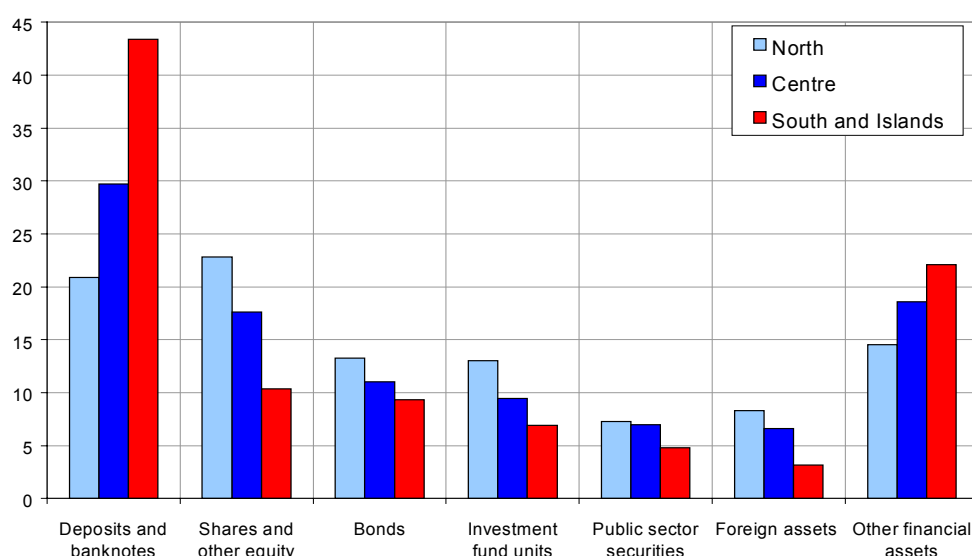
The fall in the share of real assets (from 69.8 to 65.1 per cent at national level) affected all the macro-regions. It was more pronounced in the Centre, down from 74.3 to 68.6 per cent, than in the North, down from 66.2 to 61.5 per cent, and the South and Islands, down from 75.1 to 71 per cent, leaving this the area with the largest share of real wealth.

The share of wealth held in dwellings fell from a maximum of 61.2 per cent in 1992, the year in which property prices peaked, to a minimum of 49.8 per cent in 1999, and then rose again in the two following years. Econometric estimates based on the results of the Bank of Italy's survey on Italian household income and wealth in 2002 show that the gap between the Centre and North and the South and Islands in the share of wealth held in buildings depends almost entirely on the sociological and demographic characteristics of households and the differences between the levels of income, total wealth and the prices of dwellings.

During the 1990s the composition of Italian households' financial portfolio shifted in favour of riskier assets: the share of deposits and government securities decreased and that of shares, bonds, investment fund units and other assets increased. The southern regions remained oriented towards less risky assets.

Figure E3

COMPOSITION OF FINANCIAL WEALTH
(percentages)



Source: Based on supervisory reports, the financial accounts and Istat and Svimez data. See the Methodological Notes in the Appendix.

At the end of 2003 the share of deposits and banknotes in the total financial assets of the household sector (which includes consumer households, firms with up to 5 workers and non-profit institutions serving households) was equal to 43.4 per cent in the South and Islands, 29.7 per cent in the Centre and 20.9 per cent in the North (Figure E3). The aggregate consisting of shares, bonds and investment fund units was equal to 49.1 per cent of total financial assets in the North, 38.1 per cent in the Centre and 26.6 per cent in the South and Islands.

According to the survey on Italian household income and wealth in 2002, some 91.5 per cent of households in the North had bank deposits, compared with 85.4 per cent in the Centre and 55.6 per cent in the South.

The structure of the Italian banking system and distribution networks

In 2003 there were 26 mergers and acquisitions, involving 1.7 of the banking system's total assets, compared with respectively 30 and 5.1 per cent in 2002. The number of banks declined over the year from 814 to 788 (Table aE1). Of this number 225 were part – together with financial companies, investment firms, asset management companies, instrumental companies and foreign intermediaries – of 82 banking groups.

At the end of 2003 more than 45 per cent of the bank branches in operation belonged to major banks or groups headed by a major bank, with only small differences between the macro-regions (Table E7). The proportion of the branches of large banks was highest in the North-West, and that of medium-sized banks in the Centre and the South and Islands. The proportion of the branches of small and minor banks was 27 per cent for the country as a whole and ranged from 21.9 per cent in the South and Islands to 32.6 in the North-East. Excluding Trentino Alto Adige and Sardinia, where such branches were respectively 77 and 3 per cent of the total, there were only relatively small differences between the macro-regions.

Table E7

BANK BRANCHES BY SIZE OF BANK (1)

(percentages of all branches at end-2003)

	Major	Large	Medium-sized	Small and minor
North-West	43.5	18.6	10.9	26.9
North-East	43.9	12.0	11.5	32.6
Centre	48.2	8.2	18.6	24.9
South and Islands	46.7	12.2	19.3	21.9
Total	45.3	13.3	14.5	27.0

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

(1) Branches in operation. Banks belonging to groups with more than one non-instrument company are assigned to the size class of the bank parent company or, in the case of a non-bank parent company to that of the bank in the highest size class belonging to the group. The branches of foreign banks are excluded.

Adopting the classification by productive specialization used by Istat for the results of the 1996 intermediate census, the presence of branches of the major and large banks tends to be relatively greater in urban areas and in local labour systems where the average size of firms is highest. Branches of small and minor banks are less present in non-manufacturing systems, whereas their presence does not differ significantly between systems without a specialization and manufacturing systems (Table E8).

Table E8

DISTRIBUTION OF BANK BRANCHES BY SPECIALIZATION OF THE LOCAL LABOUR SYSTEM AND BANK SIZE (1)

(percentages of all branches at end-2003)

Local labour systems	Major	Large	Medium-sized	Small and minor
Systems without a specialization	40.7	11.2	16.9	31.2
Non-manufacturing systems	51.3	13.5	15.2	20.1
of which: <i>urban</i>	<i>54.0</i>	<i>14.6</i>	<i>14.6</i>	<i>16.8</i>
Manufacturing systems	43.3	13.9	13.3	29.5
Light manufacturing systems	41.1	15.4	13.3	30.2
Other manufacturing systems	48.6	10.5	13.1	27.7

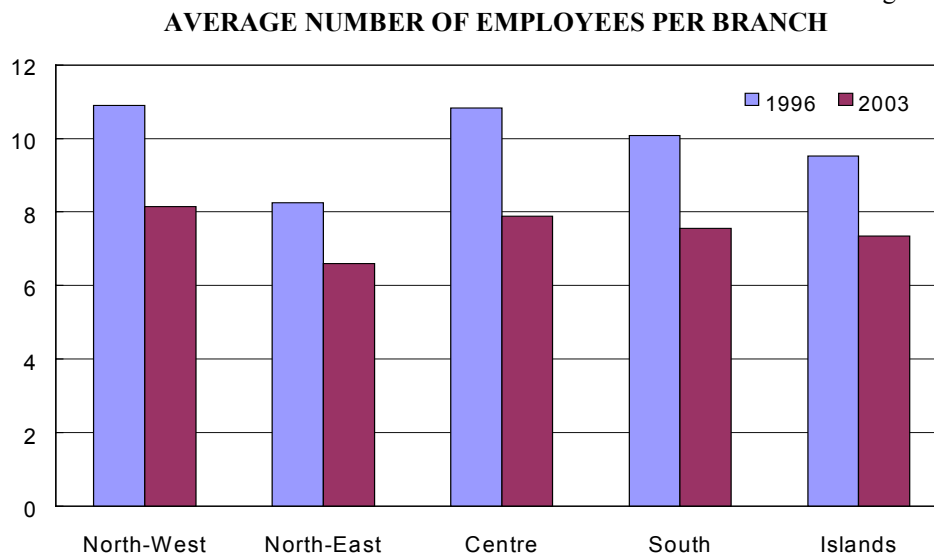
Source: Based on Archivio Siotec data. See the Methodological Notes in the Appendix.

(1) Branches in operation. Banks belonging to groups with more than one non-instrument company are assigned to the size class of the bank parent company or, in the case of a non-bank parent company to that of the bank in the highest size class belonging to the group. The branches of foreign banks are excluded.

Between 1996 and 2003 the share of the market for corporate loans held by small and minor banks not controlled by a larger bank rose from 16 to 18 per cent. The growth was most marked in lending to the agricultural sector and the building industry; it occurred throughout the country, notably in the North-East and the South, where at the end of 2003 these banks' share had risen to respectively 28 and 20 per cent.

Distribution networks. – In 2003 the number of bank branches rose above 30,500, up by 1.9 per cent, as against 2.3 per cent in 2002 (Table aE1). The largest increases occurred in the North-East and the Centre (respectively 2.9 and 2.7 per cent), whereas the South and Islands recorded an increase of only 0.7 per cent. Financial shops numbered about 2,200.

Figure E4



Sources: Based on supervisory reports and Archivio Siotec data. See the Methodological Notes in the Appendix.

Compared with 1996 there was an increase of nearly a quarter in the number of branches in operation, from 24,421 to 30,502. The growth was faster in the Centre and North (26.6 per cent) than in the South and Islands (19.3 per cent). In the same period the number of branch employees fell by 8,000 and 5,000 respectively in the two areas, so that nationwide the average number of employees fell from 10 to 7.5, with a roughly similar pattern in all the macro-regions. At the end of 2003 the average number of employees per branch ranged from a minimum of 6.6 in the North-East to 8.1 in the North-West (Figure E4). The sum of loans and borrowed funds per branch employee rose at constant prices by 35 per cent. The fastest growth was in the North-West (46 per cent) and the slowest in the Centre and the South and Islands (25 per cent). The growth in the North-East was in line with the national average.

Between 1996 and 2003 in the South and Islands the share of branches of banks located in the Centre and North or belonging to banking groups of the Centre and North rose from 43 to 83 per cent. In the same period the ratio between loans disbursed and funds borrowed by the banking system in the South and Islands – with reference to households and non-financial corporations – rose by nearly ten percentage points.

The number of financial salesmen working for banks decreased by 6 per cent to 34,600. This result reflects the rationalization of distribution channels following the consolidation of the banking system in the last few years. Investment firms belonging to banking groups employed about 6,200 financial salesmen.

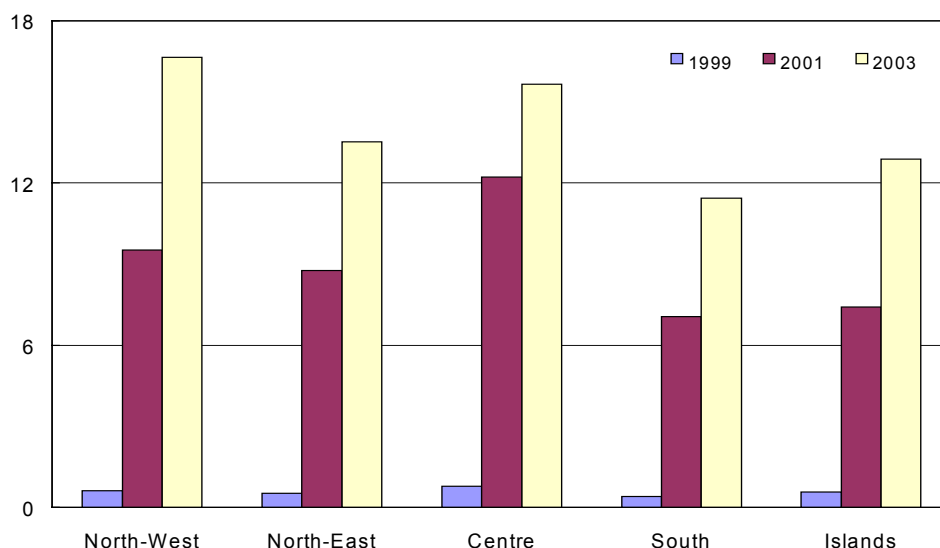
The number of POS terminals rose by 9.2 per cent, with substantially higher rates of growth in the South (13 per cent) and the

Islands (17 per cent), while the number of ATMs installed rose by 0.8 per cent or about 300, to nearly 37,000.

There was a further increase in the number of users of distance services: the number of customers using home, corporate and phone banking services rose by 8 per cent. Home banking, which in nearly every case is based on the Internet, grew by about 5 per cent; the proportion of contracts providing for customers to carry out transactions exceeded 80 per cent.

Figure E5

NUMBER OF CUSTOMERS USING HOME BANKING SERVICES
(percentages of total depositors)



Source: Supervisory reports. The percentages are calculated exclusively with reference to consumer households. See the Methodological Notes in the Appendix.

The spread of distance services among households was basically uniform across the country. At the end of 2003 the ratio between consumer household customers using home banking services and that of comparable customers with deposit accounts ranged from 11.4 per cent in the South to 16.6 per cent in the North-West; four years earlier, the corresponding figures were 0.4 and 0.6 per cent (Figure E5).

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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.

SECTORAL COMPOSITION OF VALUE ADDED IN 2002
(percentage shares and amounts in millions of euros at 1995 prices)

	Agriculture, forestry & fishing	Industry excluding construction	Construction	Wholesale & retail trade, hotels, transport & communication	Financial intermediation; real-estate & business services	Other services	Total	Amounts (1)
Piedmont	2.3	28.9	5.1	24.5	24.6	14.6	100.0	82,842
Valle d'Aosta	1.5	15.1	4.5	28.1	22.1	28.7	100.0	2,564
Lombardy	1.9	31.4	4.1	23.2	26.9	12.5	100.0	201,460
Liguria	2.1	15.8	4.6	30.5	27.7	19.3	100.0	29,242
North-West	2.0	29.2	4.4	24.2	26.3	13.8	100.0	316,109
Trentino-Alto Adige	3.8	17.0	9.4	30.0	19.9	19.9	100.0	21,343
Veneto	3.3	29.2	5.6	25.8	22.3	13.9	100.0	89,822
Friuli-Venezia Giulia	3.2	23.1	5.1	25.3	25.0	18.2	100.0	23,363
Emilia-Romagna	3.8	28.4	5.5	25.0	22.9	14.4	100.0	86,392
North-East	3.5	27.0	5.9	25.8	22.6	15.1	100.0	220,921
Tuscany	2.0	24.9	4.8	26.6	24.2	17.6	100.0	66,135
Umbria	3.9	24.6	5.3	25.4	21.7	19.0	100.0	14,029
Marche	3.1	27.4	4.8	24.1	22.6	18.1	100.0	25,361
Lazio	1.5	14.9	3.7	26.7	28.8	24.3	100.0	100,381
Centre	2.0	20.3	4.3	26.3	26.1	21.0	100.0	205,906
Abruzzo	4.2	24.6	4.9	24.4	21.7	20.2	100.0	18,429
Molise	4.9	18.6	5.9	20.4	25.0	25.1	100.0	4,429
Campania	3.5	16.3	5.5	25.1	24.8	24.7	100.0	64,036
Puglia	5.7	16.9	5.3	23.8	25.5	22.9	100.0	45,352
Basilicata	5.8	20.1	5.9	19.8	22.2	26.2	100.0	7,159
Calabria	6.2	11.0	5.9	26.1	24.2	26.6	100.0	21,223
Sicily	4.2	11.8	5.9	24.2	26.3	27.6	100.0	55,719
Sardinia	4.6	14.7	6.7	26.3	23.1	24.6	100.0	21,054
South and Islands	4.5	15.6	5.7	24.5	24.8	24.9	100.0	237,401
Italy	3.0	23.6	5.0	25.1	25.0	18.3	100.0	981,201

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.

COMPOSITION OF MANUFACTURING VALUE ADDED IN 2001 (1)

(percentage shares)

	Food products, beverages & tobacco products	Textiles & clothing	Leather & leather products	Paper, paper products, printing & publishing	Coke, refined petroleum products, chemicals & pharmaceuticals	Non-metallic mineral products	Basic metals & fabricated metal products	Machinery, equipment, electrical apparatus, precision instruments & transport equipment	Wood, rubber & other products of industry	Total manufacturing industry
Piedmont	9.6	10.8	0.2	7.3	5.2	3.4	16.8	35.3	11.3	100.0
Valle d'Aosta	21.3	1.4	0.0	4.1	3.0	2.8	33.8	15.2	18.5	100.0
Lombardy	6.5	11.9	0.8	7.9	13.7	3.7	17.4	27.0	11.1	100.0
Liguria	11.5	2.3	0.1	5.7	5.4	5.9	22.0	38.7	8.5	100.0
North-West	7.6	11.1	0.6	7.6	11.0	3.7	17.5	29.7	11.1	100.0
Trentino-Alto Adige	12.5	4.9	0.5	12.1	4.3	6.9	15.2	20.7	23.1	100.0
Veneto	6.7	14.1	5.0	5.4	5.8	6.9	14.5	25.6	15.9	100.0
Friuli-Venezia Giulia	7.0	4.5	0.4	7.3	3.7	7.4	18.4	25.0	26.2	100.0
Emilia-Romagna	12.1	9.0	0.9	5.4	4.3	12.9	14.2	32.4	8.9	100.0
North-East	9.3	10.6	2.7	6.0	4.9	9.5	14.8	28.1	14.3	100.0
Tuscany	6.0	22.6	9.2	6.9	6.5	7.2	8.9	20.0	12.7	100.0
Umbria	13.7	15.3	0.5	7.1	8.2	11.5	17.3	15.2	11.2	100.0
Marche	7.7	8.9	15.2	6.5	5.6	3.5	11.3	22.5	18.9	100.0
Lazio	9.9	4.7	0.1	13.3	23.3	7.5	6.4	26.1	8.8	100.0
Centre	8.1	14.0	6.8	8.8	11.7	7.0	9.3	21.9	12.5	100.0
Abruzzo	10.5	13.5	2.0	6.3	8.2	11.6	11.2	27.0	9.9	100.0
Molise	22.1	12.6	0.1	2.7	12.2	8.3	8.3	22.8	10.9	100.0
Campania	18.0	8.6	4.0	5.9	6.3	5.6	10.5	32.0	9.0	100.0
Puglia	15.7	14.0	3.3	4.8	6.5	7.3	19.3	17.2	11.9	100.0
Basilicata	14.5	5.3	0.1	3.2	6.0	8.1	9.7	35.7	17.3	100.0
Calabria	25.0	6.9	0.5	5.7	7.4	13.7	9.3	17.5	14.0	100.0
Sicily	16.6	3.1	0.2	4.9	25.6	10.0	10.6	17.5	11.6	100.0
Sardinia	17.0	5.2	0.2	4.3	24.6	10.0	11.4	14.5	12.7	100.0
South and Islands	16.5	9.2	2.2	5.2	11.4	8.5	12.4	23.5	11.1	100.0
Italy	9.4	11.2	2.5	7.0	9.5	6.5	14.6	27.0	12.2	100.0

Source: Based on Istat data.

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

COMPOSITION OF SERVICE VALUE ADDED IN 2001 (1)

(percentage shares)

	Retail & wholesale trade & repair services	Hotels & restaurants	Transport, storage & communication	Financial intermediation	Services to households & business (2)	Public administration (3)	Education	Health & social work	Other community, social & personal services; domestic services	Total services
Piedmont	22.3	3.4	13.0	9.1	29.5	5.1	5.3	6.6	5.8	100.0
Valle d'Aosta	11.1	11.2	13.4	5.3	22.5	16.9	5.6	6.5	7.4	100.0
Lombardy	22.6	4.3	10.7	13.4	29.0	3.7	4.4	5.3	6.6	100.0
Liguria	18.8	8.0	13.4	7.6	27.2	7.8	4.7	7.5	5.0	100.0
North-West	22.0	4.6	11.6	11.6	28.9	4.6	4.7	5.9	6.2	100.0
Trentino-Alto Adige	17.3	15.2	11.3	8.1	19.8	11.4	5.1	5.7	6.0	100.0
Veneto	23.6	6.9	11.3	9.2	26.6	5.0	5.3	6.1	5.9	100.0
Friuli-Venezia Giulia	19.7	6.0	13.3	9.1	25.5	9.5	5.7	6.3	4.9	100.0
Emilia-Romagna	22.0	6.6	11.7	10.0	26.5	5.1	5.0	6.5	6.7	100.0
North-East	21.9	7.6	11.7	9.4	25.7	6.2	5.2	6.3	6.1	100.0
Tuscany	21.9	6.4	10.7	10.0	25.5	6.2	5.6	6.6	7.1	100.0
Umbria	21.2	5.9	11.5	8.5	24.4	7.3	7.4	7.3	6.4	100.0
Marche	20.0	6.4	11.1	9.1	25.5	6.5	6.7	8.4	6.4	100.0
Lazio	14.9	3.6	15.7	10.2	25.2	10.5	5.3	5.9	8.7	100.0
Centre	17.9	4.9	13.4	10.0	25.3	8.6	5.7	6.5	7.8	100.0
Abruzzo	19.4	5.6	11.6	7.8	25.5	8.5	8.1	7.8	5.7	100.0
Molise	16.6	3.9	9.3	6.9	27.5	11.6	9.5	8.5	6.2	100.0
Campania	17.8	3.9	12.3	6.6	26.5	9.1	10.2	8.1	5.5	100.0
Puglia	20.4	3.9	9.1	7.2	27.7	9.0	9.1	7.9	5.8	100.0
Basilicata	17.0	3.9	8.0	6.6	26.1	13.2	10.9	9.2	5.1	100.0
Calabria	18.3	4.4	10.8	5.9	26.2	10.1	10.9	8.3	5.3	100.0
Sicily	16.8	3.9	10.8	5.9	27.7	11.7	9.4	8.3	5.5	100.0
Sardinia	19.0	5.5	10.6	6.2	25.3	10.7	9.3	8.3	5.1	100.0
South and Islands	18.3	4.2	10.8	6.5	26.8	10.1	9.6	8.2	5.5	100.0
Italy	20.1	5.2	11.8	9.4	26.8	7.3	6.3	6.7	6.4	100.0

Source: Based on Istat data.

(1) Value added at base prices, gross of imputed financial intermediation services. - (2) Includes real-estate, renting and business services. - (3) Includes defence and compulsory social security.

GDP GROWTH*(time averages and percentage changes on previous year; constant prices)*

	1983-1991	1992-1993	1994-1995	1996-2000	2001	2002	2003 (1)
Piedmont	2.2	-0.6	3.4	1.5	0.5	-0.2	....
Valle d'Aosta	2.2	-0.2	0.2	0.7	4.6	-1.0	....
Lombardy	3.2	-0.9	3.3	1.7	2.0	0.2	....
Liguria	1.7	-2.3	1.6	1.9	2.8	-1.2	....
North-West	2.8	-0.9	3.1	1.6	1.7	-0.1	-0.3
Trentino-Alto Adige	2.5	0.5	1.6	2.4	1.2	0.1	....
Veneto	2.6	1.2	4.0	2.4	1.1	-0.6	....
Friuli-Venezia Giulia	2.6	0.2	5.8	1.4	1.3	1.7	....
Emilia-Romagna	2.1	0.9	4.3	2.1	1.5	0.4	....
North-East	2.4	0.9	4.1	2.2	1.3	0.1	0.4
Tuscany	1.7	0.5	2.9	2.1	1.8	0.1	....
Umbria	1.9	1.2	2.6	2.1	1.5	0.4	....
Marche	2.1	0.9	4.9	2.5	2.1	0.2	....
Lazio	3.2	0.6	1.3	1.5	2.5	1.8	....
Centre	2.5	0.7	2.3	1.9	2.1	0.9	0.7
Abruzzo	2.9	-0.9	2.0	2.0	1.5	0.2	....
Molise	2.9	-0.2	1.9	1.7	3.0	1.6	....
Campania	1.8	-0.1	0.8	2.1	2.6	1.8	....
Puglia	3.0	-0.8	1.4	2.4	1.1	0.5	....
Basilicata	2.3	2.1	3.4	3.1	-0.4	1.1	....
Calabria	2.7	1.1	1.1	2.0	2.5	0.0	....
Sicily	2.2	-1.2	-0.8	2.1	2.6	-0.1	....
Sardinia	2.3	0.8	0.1	1.8	3.2	1.1	....
South and Islands	2.4	-0.3	0.7	2.1	2.2	0.7	0.4
Italy	2.5	-0.1	2.6	1.9	1.8	0.4	0.3

Source: Based on Istat data.

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

GDP PER CAPITA GROWTH*(time averages and percentage changes on previous year; constant prices)*

	1983-1991	1992-1993	1994-1995	1996-2000	2001	2002	2002 (1)
Piedmont	2.6	-0.6	3.5	1.5	0.5	-0.2	20.4
Valle d'Aosta	1.9	-1.1	-0.2	0.4	4.4	-1.3	24.0
Lombardy	3.2	-1.1	3.1	1.3	1.4	-0.4	22.9
Liguria	2.5	-1.9	1.7	2.3	3.2	-0.8	19.4
North-West	3.0	-1.0	3.1	1.5	1.4	-0.3	21.9
Trentino-Alto Adige	2.3	-0.2	1.0	1.8	0.5	-0.5	23.4
Veneto	2.5	0.8	3.8	1.9	0.5	-1.2	20.7
Friuli-Venezia Giulia	2.9	0.4	5.9	1.5	1.0	1.5	20.6
Emilia-Romagna	2.2	0.7	4.3	1.7	0.8	-0.2	22.6
North-East	2.4	0.6	3.9	1.8	0.7	-0.5	21.7
Tuscany	1.8	0.5	2.9	2.0	1.5	-0.1	19.8
Umbria	1.9	0.9	2.2	1.8	1.0	0.0	17.4
Marche	2.0	0.6	4.7	2.2	1.5	-0.3	18.3
Lazio	2.9	0.3	1.1	1.2	1.9	1.3	19.5
Centre	2.4	0.4	2.2	1.6	1.7	0.5	19.3
Abruzzo	2.7	-1.3	1.6	1.9	1.3	0.1	15.5
Molise	2.8	-0.4	1.8	1.9	3.3	1.9	14.4
Campania	1.5	-0.7	0.2	2.0	2.6	1.8	11.7
Puglia	2.5	-1.2	1.2	2.3	1.1	0.6	12.0
Basilicata	2.3	2.0	3.5	3.2	-0.2	1.4	13.0
Calabria	2.7	1.0	1.2	2.3	2.9	0.5	11.3
Sicily	2.0	-1.6	-1.5	2.2	2.9	0.3	12.0
Sardinia	2.0	0.5	0.0	1.9	3.5	1.4	13.9
South and Islands	2.1	-0.7	0.3	2.1	2.3	0.9	12.3
Italy	2.5	-0.3	2.3	1.8	1.6	0.2	17.9

Source: Based on Istat and Svimez data.

(1) At 1995 prices.

**GROSS FIXED INVESTMENT, SALES, AND EMPLOYMENT IN FIRMS WITH
AT LEAST 20 EMPLOYEES (1)**

(percentage changes on previous year at constant prices)

	Location of registered office				Actual location (2)			
	2003		2004 (3)		2003		2004 (3)	
	Industry excluding construction	Services (4)	Industry excluding construction	Services (4)	Industry excluding construction	Services (4)	Industry excluding construction	Services (4)
				North-West				
Investment (5)	-14.0	17.8	3.8	-4.2	-15.0	-2.2	0.9	2.7
Sales	-1.0	-0.2	2.3	2.7	-0.9	-0.6	2.3	2.4
Employment	-1.8	1.8	....	....	-1.7	2.0	....	....
				North-East				
Investment (5)	-18.9	-9.4	0.6	-1.5	-18.8	1.5	0.9	-3.6
Sales	0.1	-3.6	2.6	3.0	0.3	-3.6	2.7	2.8
Employment	-1.1	3.1	....	....	-1.3	2.8	....	....
				Centre				
Investment (5)	-21.7	-8.7	6.7	3.9	-24.4	2.1	4.1	-3.3
Sales	-0.1	-0.7	5.4	3.6	-1.4	0.9	4.4	4.2
Employment	-1.8	-0.4	....	....	-1.5	0.4	....	....
				South and Islands				
Investment (5)	-12.4	-4.8	-3.0	-5.6	-12.2	8.3	13.1	-5.0
Sales	1.2	3.3	3.1	4.2	0.9	1.4	4.6	4.7
Employment	-0.2	1.4	....	....	-0.9	-0.1	....	....
				Italy				
Investment (5)	-16.9	2.2	3.2	-2.1	-16.9	2.2	3.2	-2.1
Sales	-0.4	-1.0	3.0	3.1	-0.4	-1.0	3.0	3.1
Employment	-1.4	1.5	....	....	-1.4	1.5	....	....

Source: Banca d'Italia, *Indagine sulle imprese industriali e dei servizi*. 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; the breakdown of sales by geographical area is estimated on the basis of employment. – (3) Forecasts. – (4) Private non-financial services. – (5) "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 aB7

**EMPLOYMENT IN LOCAL UNITS IN THE RETAIL TRADE
BY SIZE OF UNIT**
(percentage changes)

Number of employees	Local units 1996-1991	Local units 2001-1996	Employees 1996-1991	Employees 2001-1996
North-West				
Up to 9	-19.7	-1.6	-22.2	-3.7
from 10 to 19	1.7	19.2	1.6	20.6
from 20 to 49	10.2	20.4	10.1	18.9
from 50 to 99	-6.5	35.7	-5.8	35.4
over 100	70.0	50.7	66.9	45.0
Total	-19.4	-1.2	-15.6	4.3
North-East				
Up to 9	-18.9	1.0	-17.8	-3.5
from 10 to 19	4.3	25.4	5.0	25.9
from 20 to 49	5.9	33.9	8.4	33.3
from 50 to 99	31.0	32.0	30.9	33.6
over 100	85.3	63.5	132.1	54.4
Total	-18.5	1.6	-11.3	4.8
Centre				
Up to 9	-17.2	0.5	-20.8	-1.8
from 10 to 19	0.3	27.2	1.3	28.3
from 20 to 49	20.5	38.5	19.8	39.5
from 50 to 99	16.1	19.7	14.9	16.2
over 100	36.1	77.6	62.2	85.7
Total	-17.0	0.9	-16.2	5.1
South				
Up to 9	-17.4	2.5	-24.4	4.6
from 10 to 19	-6.2	43.8	-5.3	45.0
from 20 to 49	12.7	31.1	14.3	30.5
from 50 to 99	4.3	8.3	2.8	8.7
over 100	166.7	137.5	258.0	97.2
Total	-17.3	2.7	-22.1	8.2
Islands				
Up to 9	-19.4	-0.3	-26.9	3.4
from 10 to 19	-8.7	33.4	-8.4	32.8
from 20 to 49	18.2	35.6	18.5	30.7
from 50 to 99	-34.5	178.9	-33.9	193.5
over 100	60.0	62.5	90.8	107.3
Total	-19.2	0.1	-24.1	9.6
Italy				
Up to 9	-18.4	0.5	-22.1	-0.7
from 10 to 19	-0.1	27.1	0.4	27.9
from 20 to 49	11.8	30.2	12.6	29.3
from 50 to 99	6.4	32.6	6.4	32.3
over 100	68.7	63.9	85.6	59.2
Total	-18.2	0.9	-17.1	5.8

Source: Istat, 8° Censimento dell'industria e dei servizi.

EMPLOYMENT IN LOCAL UNITS IN THE RETAIL TRADE
BY SIZE OF UNIT
(percentage shares)

Number of employees	Local units 1991	Local units 1996	Local units 2001	Employees 1991	Employees 1996	Employees 2001
North-West						
Up to 9	98.6	98.1	97.7	83.0	76.5	70.7
from 10 to 19	1.0	1.2	1.4	5.4	6.5	7.5
from 20 to 49	0.4	0.5	0.6	4.6	6.0	6.8
from 50 to 99	0.1	0.1	0.2	3.3	3.7	4.8
over 100	0.0	0.1	0.1	3.7	7.3	10.2
Total	100.0	100.0	100.0	100.0	100.0	100.0
North-East						
Up to 9	98.4	97.9	97.3	84.5	78.4	72.1
from 10 to 19	1.1	1.4	1.7	6.1	7.2	8.7
from 20 to 49	0.4	0.6	0.7	5.4	6.6	8.4
from 50 to 99	0.1	0.1	0.2	2.3	3.4	4.3
over 100	0.0	0.0	0.1	1.7	4.4	6.5
Total	100.0	100.0	100.0	100.0	100.0	100.0
Centre						
Up to 9	98.8	98.5	98.0	87.4	82.6	77.1
from 10 to 19	0.8	1.0	1.3	5.0	6.1	7.4
from 20 to 49	0.3	0.4	0.5	3.5	5.1	6.7
from 50 to 99	0.1	0.1	0.1	2.6	3.5	3.9
over 100	0.0	0.0	0.1	1.4	2.7	4.8
Total	100.0	100.0	100.0	100.0	100.0	100.0
South						
Up to 9	99.4	99.3	99.1	93.8	91.0	87.9
from 10 to 19	0.4	0.5	0.7	3.3	4.1	5.4
from 20 to 49	0.1	0.1	0.2	1.8	2.6	3.1
from 50 to 99	0.0	0.0	0.0	0.8	1.0	1.0
over 100	0.0	0.0	0.0	0.3	1.4	2.5
Total	100.0	100.0	100.0	100.0	100.0	100.0
Islands						
Up to 9	99.1	99.0	98.6	91.2	87.8	82.9
from 10 to 19	0.7	0.8	1.0	4.7	5.6	6.8
from 20 to 49	0.2	0.2	0.3	2.5	3.9	4.7
from 50 to 99	0.0	0.0	0.1	0.9	0.8	2.2
over 100	0.0	0.0	0.0	0.7	1.8	3.5
Total	100.0	100.0	100.0	100.0	100.0	100.0
Italy						
Up to 9	98.9	98.6	98.2	87.3	82.1	77.0
from 10 to 19	0.8	1.0	1.2	5.0	6.0	7.3
from 20 to 49	0.3	0.4	0.5	3.7	5.0	6.2
from 50 to 99	0.1	0.1	0.1	2.2	2.8	3.5
over 100	0.0	0.0	0.1	1.8	4.0	6.1
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: Istat, 8° Censimento dell'industria e dei servizi.

Table aB9

EMPLOYMENT IN LOCAL UNITS
(changes and percentage shares)

	Employment: % changes 1991-2001					Effect of change in number of local units					Effect of change in average local unit size				
	Italy	North-West	North-East	Centre	South and Islands	Italy	North-West	North-East	Centre	South and Islands	Italy	North-West	North-East	Centre	South and Islands
Industry excluding construction	-6.9	-13.3	1.7	-7.7	-4.2	-0.4	-2.9	-3.1	-1.7	7.7	-6.5	-10.3	4.8	-6.0	-11.9
of which: Mining & quarrying products	-23.4	-28.2	-15.8	-21.6	-24.2	-5.3	-13.0	-9.2	-6.4	6.2	-18.1	-15.2	-6.6	-15.2	-30.3
Products of manufacturing	-6.1	-12.8	2.3	-6.6	-2.5	-0.3	-2.9	-3.0	-1.5	7.9	-5.8	-9.9	5.3	-5.0	-10.4
<i>food products</i>	-4.9	-6.6	-2.6	-9.8	-2.6	8.8	4.1	-1.8	8.3	18.0	-13.6	-10.7	-0.8	-18.1	-20.6
<i>textiles & clothing</i>	-26.1	-28.8	-30.7	-24.7	-12.2	-25.7	-28.0	-34.1	-25.2	-9.6	-0.5	-0.8	3.4	0.6	-2.6
<i>leather & footwear</i>	-15.4	-45.0	-18.9	-6.9	-4.9	-12.2	-29.8	-22.0	-9.8	12.2	-3.2	-15.2	3.0	2.9	-17.1
<i>wood products</i>	-3.7	-8.8	4.8	1.8	-13.3	-12.8	-10.8	-4.7	-8.9	-22.3	9.1	2.0	9.5	10.6	9.0
<i>paper products</i>	-9.3	-16.0	-0.2	-11.3	1.8	8.0	1.6	5.8	11.9	18.6	-17.3	-17.6	-5.9	-23.2	-16.9
<i>coke</i>	-15.6	-20.2	-29.4	5.3	-17.5	-9.2	-30.4	-17.7	-10.7	11.9	-6.3	10.2	-11.7	16.0	-29.4
<i>chemical products</i>	-13.6	-12.7	-5.7	-12.8	-27.5	7.7	2.3	8.4	7.2	21.8	-21.3	-14.9	-14.1	-20.0	-49.4
<i>rubber & plastic products</i>	20.9	12.8	35.1	22.0	30.6	14.1	6.9	16.4	22.0	29.4	6.8	5.9	18.7	0.1	1.3
<i>non-metallic mineral prods</i>	-8.2	-14.2	4.0	-15.0	-13.3	5.8	-1.9	4.4	0.9	15.4	-14.1	-12.4	-0.3	-16.0	-28.7
<i>metal products</i>	7.0	0.2	17.0	11.3	8.0	10.5	6.7	11.2	17.9	12.3	-3.4	-6.6	5.8	-6.6	-4.3
<i>machinery & equipment</i>	10.9	-0.1	21.5	22.7	14.4	26.1	19.2	22.4	35.6	53.7	-15.2	-19.4	-1.0	-13.0	-39.3
<i>electrical & electronic equip.</i>	-5.2	-15.8	17.1	-4.7	-4.0	8.0	4.4	5.2	12.5	14.6	-13.2	-20.2	11.9	-17.3	-18.6
<i>transport equipment</i>	-21.2	-34.6	1.0	-12.1	-5.5	11.2	-0.2	2.4	31.1	32.6	-32.4	-34.4	-1.4	-43.2	-38.1
<i>furniture</i>	-4.3	-20.4	1.1	-11.9	33.0	-8.0	-15.1	-5.7	-9.7	5.6	3.7	-5.2	6.9	-2.2	27.5
<i>other manufacturing prods</i>	10.2	1.7	11.7	12.2	37.6	10.8	-2.0	8.7	15.0	37.6	-0.6	3.7	2.9	-2.8	0.0
Electricity, water & gas supply	-26.6	-28.5	-18.1	-32.0	-25.9	-6.5	-2.7	-12.8	-10.2	-4.0	-20.1	-25.9	-5.2	-21.8	-21.9
Construction	14.7	15.0	16.7	21.5	8.6	36.5	33.3	25.9	46.3	45.5	-21.8	-18.3	-9.2	-24.8	-36.9
Services:	17.0	21.2	19.2	18.8	8.2	24.1	30.3	21.7	31.4	15.3	-7.1	-9.1	-2.5	-12.5	-7.0
of which: <i>wholesale & retail trade</i>	-4.5	-4.6	-1.0	-3.2	-8.3	-2.7	-3.3	-2.4	-0.4	-3.8	-1.8	-1.3	1.4	-2.8	-4.6
<i>hotels & restaurants</i>	17.2	17.8	14.4	22.8	14.6	11.5	11.8	1.8	20.2	15.8	5.7	5.9	12.5	2.7	-1.2
<i>transport & communication</i>	6.4	17.5	7.7	1.7	-2.1	18.9	18.2	4.3	28.4	31.1	-12.5	-0.7	3.4	-26.7	-33.3
<i>financial intermediation</i>	3.3	3.9	9.6	4.0	-5.2	49.0	56.5	48.6	57.1	33.8	-45.7	-52.6	-39.0	-53.1	-38.9
<i>real-estate & business servs</i>	90.5	92.7	92.7	94.2	80.4	119.8	135.0	110.6	134.2	97.2	-29.3	-42.3	-17.9	-40.1	-16.8
<i>education</i>	-22.7	-35.7	-16.7	-23.2	-13.5	10.6	12.9	15.3	13.3	5.4	-33.3	-48.6	-32.0	-36.5	-19.0
<i>health services</i>	35.8	43.0	37.0	39.4	27.2	44.0	47.2	41.7	63.1	30.9	-8.1	-4.1	-4.6	-23.7	-3.7
<i>other services</i>	19.9	21.6	19.2	29.3	9.6	14.2	21.3	10.3	26.1	1.6	5.7	0.3	8.9	3.2	8.1
Total	7.8	5.7	11.7	10.2	4.9	21.3	24.5	17.6	27.1	16.9	-13.5	-18.8	-5.9	-16.9	-12.0

Source: Istat, *Censimenti dell'industria e dei servizi*. The total may not equal the sum of the items due to rounding.

Table aB10

CHANGES IN EMPLOYMENT IN LOCAL UNITS IN MANUFACTURING
(percentage changes 1991-2001)

	Local unit size				Total
	1-19	20-99	100-249	>249	
North-West					
Food & tobacco	-1.7	-5.6	-7.4	-16.8	-6.6
Fashion (1)	-34.9	-27.3	-32.0	-21.1	-30.5
Petrochemicals, rubber & plastics	-1.5	13.0	9.2	-20.4	-1.9
Basic metals & metal products	1.1	11.8	8.5	-31.4	0.2
Machinery & equipment	8.1	4.8	5.9	-19.6	-0.1
Electrical & optical equipment	-3.9	1.9	-19.9	-34.8	-15.8
Transport equipment	-16.5	-8.2	21.5	-46.2	-34.6
Other products of manufacturing	-12.8	-12.5	-2.3	-32.9	-13.4
Total	-9.6	-3.7	-5.0	-31.5	-12.8
North-East					
Food & tobacco	-5.8	-1.5	-13.1	17.2	-2.6
Fashion (1)	-34.5	-25.7	-9.7	-20.5	-28.1
Petrochemicals, rubber & plastics	9.4	31.2	6.0	-4.5	12.9
Basic metals & metal products	10.7	30.9	28.9	-6.0	17.0
Machinery & equipment	14.5	23.9	32.9	18.5	21.5
Electrical & optical equipment	3.2	26.8	32.4	24.2	17.1
Transport equipment	-16.3	15.9	7.0	-0.9	1.0
Other products of manufacturing	-3.1	6.2	18.8	7.0	3.2
Total	-6.2	8.1	12.6	6.4	2.3
Centre					
Food & tobacco	5.1	-14.4	-8.6	-40.7	-9.8
Fashion (1)	-19.5	-13.1	-15.4	-34.8	-17.9
Petrochemicals, rubber & plastics	7.2	29.5	4.5	-21.4	-0.5
Basic metals & metal products	16.3	33.6	19.2	-41.0	11.3
Machinery & equipment	23.8	14.9	34.6	24.3	22.7
Electrical & optical equipment	6.7	-0.6	-5.6	-22.0	-4.7
Transport equipment	10.6	2.9	107.4	-32.7	-12.1
Other products of manufacturing	-7.2	-0.9	-6.7	-38.6	-8.0
Total	-5.2	0.5	3.4	-26.5	-6.6
South and Islands					
Food & tobacco	5.2	-12.0	-22.3	-9.1	-2.6
Fashion (1)	-12.6	-1.4	-44.7	11.5	-10.3
Petrochemicals, rubber & plastics	16.5	31.3	81.4	-47.7	-9.0
Basic metals & metal products	15.6	37.7	1.4	-30.9	8.0
Machinery & equipment	40.8	50.9	3.4	-40.4	14.4
Electrical & optical equipment	18.8	27.8	-33.2	-23.0	-4.0
Transport equipment	15.9	14.6	29.6	-14.4	-5.5
Other products of manufacturing	-3.7	9.8	7.8	-26.5	-1.9
Total	2.8	11.9	-7.6	-25.0	-2.5

Source: Istat, *Censimenti dell'industria e dei servizi*. (1) Includes textiles, clothing, leather and footwear.

EXPORTS (FOB) IN 2003*(percentage shares on 2002)*

	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	-1.0	-1.3	-3.4	-10.9	1.2	0.7	1.7	-5.3	4.6	-1.9
Valle d'Aosta	6.9	24.1	-34.1	-65.9	43.8	-24.7	6.9	4.8	74.2	-11.1
Lombardy	-3.4	3.0	-6.9	-2.3	-9.0	-9.5	-0.8	-2.5	6.6	-4.2
Liguria	-1.7	-1.3	20.9	10.7	-0.1	7.0	-3.2	-10.7	23.4	-6.6
North-West	-2.6	1.0	-5.8	-4.1	-7.5	-5.6	-0.3	-3.4	6.0	-3.6
Trentino-Alto Adige	3.2	11.2	-2.9	23.3	3.3	-3.8	-6.7	11.0	-5.4	-2.9
Veneto	-9.1	-8.3	-10.3	-12.1	-1.0	-9.3	-6.4	-4.2	-18.1	-13.8
Friuli-Venezia Giulia	-10.0	-6.8	-6.1	-17.0	5.9	-8.3	5.1	-5.6	-42.7	-8.6
Emilia-Romagna	-2.7	-2.7	-6.6	-8.1	-1.1	-4.9	-1.7	-2.0	2.9	-8.2
North East	-6.2	-3.3	-8.7	-11.0	-0.3	-6.1	-3.2	-2.9	-12.1	-11.1
Tuscany	-7.8	-6.5	-8.8	-7.4	-4.4	-16.7	-3.0	-3.5	-2.1	-13.9
Umbria	-6.1	-10.8	-10.3	5.8	-6.2	-19.6	1.6	-10.0	-6.1	-5.0
Marche	1.1	-13.0	-3.6	-8.4	69.9	-5.0	-4.0	11.5	-32.8	-7.5
Lazio	-12.7	-6.0	-10.3	-17.4	-5.6	-12.0	-36.8	-7.6	-37.4	15.9
Centre	-7.3	-7.3	-8.4	-7.9	-1.4	-15.3	-7.3	-0.6	-24.1	-7.8
Abruzzo	-3.0	-11.3	-2.1	-12.6	16.3	1.1	0.9	-12.4	3.9	-4.8
Molise	-6.9	-1.9	1.3	39.6	-40.4	-34.4	-27.2	-7.2	45.0	6.6
Campania	-15.2	-3.8	-7.5	-20.1	-10.0	-2.4	-6.4	-30.7	-24.6	-1.8
Puglia	-5.4	-2.6	-11.5	-4.4	2.4	-16.8	5.4	-8.1	-10.7	-8.3
Basilicata	1.7	-37.2	-13.7	328.1	-7.9	10.9	28.7	0.8	-1.8	13.8
Calabria	3.3	3.0	14.4	3.3	-12.2	39.1	-21.6	12.5	1.2	16.5
South	-7.9	-4.6	-5.0	-11.1	-3.6	-2.8	1.6	-16.4	-11.1	-3.2
Sicily	3.7	-5.7	19.3	-7.0	1.9	-15.6	9.2	-8.0	-6.2	10.8
Sardinia	13.9	-1.8	-6.3	-58.5	12.4	-9.6	-5.3	70.2	143.6	17.6
Islands	6.9	-4.3	13.4	-13.9	5.1	-15.0	-1.6	-2.9	-2.7	13.3
Italy	-4.7	-2.5	-7.1	-9.0	-4.4	-7.3	-1.9	-3.4	-5.9	-5.1

Source: based on Istat data.

**EXPORT SPECIALIZATION INDEX BY BRANCH OF MANUFACTURING
INDUSTRY IN 2003 (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	1.27	0.94	0.20	0.60	0.47	0.78	0.92	2.28	2.75	0.90
Valle d'Aosta	0.71	0.25	0.06	0.08	0.27	5.83	0.79	0.87	1.19	0.52
Lombardy	0.65	1.08	0.31	1.50	0.42	1.38	1.18	0.66	0.68	0.79
Liguria	1.35	0.41	0.15	1.37	1.32	1.28	1.08	1.11	0.43	0.81
North-West	0.85	1.02	0.27	1.24	0.46	1.22	1.10	1.12	1.25	0.82
Trentino-Alto Adige	3.13	0.56	0.54	0.85	0.99	1.00	0.82	0.95	1.23	1.12
Veneto	0.88	1.22	2.20	0.51	1.07	0.91	1.02	0.62	0.35	1.13
Friuli-Venezia Giulia	0.79	0.24	0.09	0.35	0.68	1.43	1.22	0.71	0.26	1.98
Emilia-Romagna	1.25	0.83	0.40	0.61	3.35	0.73	1.33	0.99	1.14	0.44
North East	1.14	0.93	1.20	0.55	1.91	0.90	1.15	0.79	0.69	0.95
Tuscany	0.91	1.99	3.01	0.65	1.16	0.59	0.61	0.68	0.29	1.17
Umbria	1.38	1.49	0.50	0.62	1.05	3.60	0.71	0.30	0.24	0.57
Marche	0.22	0.74	4.33	0.52	0.28	0.84	1.27	0.20	0.07	1.03
Lazio	0.60	0.36	0.20	3.25	0.66	0.31	0.87	1.35	1.23	0.77
Centre	0.72	1.29	2.45	1.27	0.84	0.74	0.82	0.72	0.48	1.01
Abruzzo	0.76	1.18	0.38	0.79	1.63	0.75	0.83	2.12	2.80	0.81
Molise	1.41	4.98	0.41	1.33	0.05	0.06	0.15	0.06	0.08	1.27
Campania	3.80	0.64	1.76	0.86	0.56	0.55	0.36	2.11	1.89	0.79
Puglia	1.08	0.68	2.94	0.60	0.47	1.86	0.44	0.87	0.88	1.70
Basilicata	0.15	0.11	0.17	0.33	0.08	0.10	0.09	5.70	7.83	1.64
Calabria	3.32	0.69	0.09	2.28	0.62	0.32	0.85	0.25	0.17	1.07
South	1.89	0.88	1.50	0.76	0.79	0.90	0.49	1.98	2.26	1.11
Sicily	1.01	0.10	0.04	1.46	0.61	0.24	0.38	0.71	0.48	3.64
Sardinia	1.15	0.04	0.01	1.39	0.14	1.14	0.10	0.09	0.02	4.34
Islands	1.06	0.08	0.03	1.43	0.46	0.54	0.29	0.50	0.33	3.87

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 aD1

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 2003							
Piedmont	70	559	129	1,075	1,832	92	1,925
Valle d'Aosta	3	7	6	40	55	2	57
Lombardy	86	1,334	303	2,341	4,064	152	4,215
Liguria	22	92	45	463	622	40	661
North-West	180	1,991	483	3,918	6,573	286	6,859
Trentino-Alto Adige	35	73	44	278	429	11	440
Veneto	80	661	167	1,095	2,004	71	2,074
Friuli-Venezia Giulia	16	137	29	320	503	21	524
Emilia-Romagna	93	532	133	1,092	1,849	58	1,907
North-East	224	1,403	373	2,785	4,785	160	4,945
Tuscany	55	371	107	951	1,483	73	1,556
Umbria	15	83	26	206	330	18	348
Marche	24	211	40	349	624	25	649
Lazio	54	247	160	1,596	2,057	196	2,253
Centre	148	912	333	3,102	4,494	312	4,806
Abruzzo	28	114	34	303	478	27	506
Molise	10	20	12	67	109	15	124
Campania	105	256	153	1,141	1,654	419	2,073
Puglia	127	211	123	787	1,247	199	1,446
Basilicata	19	39	23	103	183	35	218
Calabria	74	46	68	389	577	177	754
Sicily	117	148	146	994	1,405	354	1,760
Sardinia	44	71	60	373	548	111	659
South and Islands	524	904	620	4,155	6,203	1,338	7,540
Italy	1,075	5,210	1,809	13,960	22,054	2,096	24,150
Changes on 2002							
Piedmont	13.9	-2.4	15.9	2.6	2.2	-4.0	1.9
Valle d'Aosta	-3.3	-10.1	-6.4	3.9	0.4	12.3	0.8
Lombardy	11.1	1.0	3.6	0.3	1.0	-4.7	0.8
Liguria	-3.8	-0.7	-1.7	3.1	1.9	-3.9	1.5
North-West	9.9	-0.1	6.0	1.3	1.4	-4.2	1.2
Trentino-Alto Adige	3.8	-2.1	5.2	0.7	0.9	-4.2	0.8
Veneto	0.3	2.3	9.1	-1.1	0.8	1.0	0.9
Friuli-Venezia Giulia	2.6	3.4	-14.9	1.4	0.9	7.1	1.1
Emilia-Romagna	-6.0	1.5	7.5	1.5	1.5	-6.1	1.2
North-East	-1.7	1.9	5.7	0.4	1.1	-1.3	1.0
Tuscany	-2.7	-2.1	4.4	3.1	1.6	-1.6	1.4
Umbria	2.9	-1.0	6.3	1.0	1.0	-8.9	0.4
Marche	-3.2	1.1	-3.3	3.2	1.8	-13.7	1.1
Lazio	-19.9	-1.5	4.6	2.7	1.6	3.1	1.7
Centre	-9.3	-1.1	3.7	2.8	1.6	-0.3	1.5
Abruzzo	1.7	1.1	-7.8	2.5	1.3	-12.6	0.5
Molise	-8.9	-4.2	8.3	-0.9	-1.4	-4.0	-1.7
Campania	0.2	3.9	-0.9	0.2	0.6	-5.0	-0.6
Puglia	-2.4	-2.0	-0.5	-0.5	-1.0	-2.5	-1.2
Basilicata	-2.3	1.0	0.1	-1.3	-0.8	4.7	0.1
Calabria	4.6	-6.8	6.6	0.4	1.0	-5.3	-0.6
Sicily	-10.6	5.2	0.0	0.5	-0.1	0.1	-0.1
Sardinia	-6.5	2.5	3.6	1.2	0.9	-9.5	-1.0
South and Islands	-3.2	1.3	0.4	0.4	0.2	-3.7	-0.5
Italy	-1.9	0.5	3.5	1.1	1.0	-3.1	0.7

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

Table aD2

TOTAL EMPLOYMENT
(thousands of persons)

	1997	1998	1999	2000	2001	2002	2003
Men and women							
Piedmont	1,700	1,686	1,724	1,769	1,785	1,793	1,832
Valle d'Aosta	52	52	52	54	55	55	55
Lombardy	3,705	3,768	3,833	3,875	3,959	4,023	4,064
Liguria	577	585	586	596	612	610	622
North-West	6,034	6,091	6,195	6,294	6,410	6,481	6,573
Trentino-Alto Adige	395	401	407	419	421	425	429
Veneto	1,846	1,859	1,887	1,940	1,970	1,987	2,004
Friuli-Venezia Giulia	463	469	474	480	495	499	503
Emilia-Romagna	1,693	1,705	1,743	1,773	1,794	1,822	1,849
North-East	4,397	4,434	4,510	4,613	4,680	4,733	4,785
Tuscany	1,351	1,362	1,393	1,424	1,453	1,460	1,483
Umbria	298	302	314	323	330	327	330
Marche	562	567	582	591	602	613	624
Lazio	1,850	1,865	1,884	1,916	1,960	2,024	2,057
Centre	4,061	4,095	4,172	4,255	4,345	4,424	4,494
Abruzzo	444	443	436	448	469	472	478
Molise	106	106	106	108	110	110	109
Campania	1,514	1,559	1,549	1,559	1,593	1,644	1,654
Puglia	1,140	1,156	1,174	1,212	1,236	1,259	1,247
Basilicata	175	176	179	185	182	184	183
Calabria	538	540	531	541	559	572	577
Sicily	1,299	1,326	1,326	1,350	1,394	1,407	1,405
Sardinia	500	509	514	515	536	543	548
South and Islands	5,715	5,816	5,815	5,918	6,079	6,192	6,203
Italy	20,207	20,435	20,692	21,080	21,514	21,829	22,054
Women							
Piedmont	661	656	680	713	733	738	764
Valle d'Aosta	21	21	21	23	23	23	23
Lombardy	1,419	1,459	1,505	1,530	1,585	1,624	1,645
Liguria	214	222	228	235	245	246	253
North-West	2,315	2,359	2,434	2,501	2,587	2,631	2,685
Trentino-Alto Adige	155	159	162	170	170	172	175
Veneto	696	698	715	748	773	782	792
Friuli-Venezia Giulia	179	183	188	195	202	206	209
Emilia-Romagna	697	709	734	753	766	785	804
North-East	1,727	1,749	1,799	1,866	1,910	1,944	1,980
Tuscany	519	530	555	577	592	599	608
Umbria	112	115	120	128	133	132	133
Marche	218	222	234	238	249	255	262
Lazio	652	663	681	706	740	768	784
Centre	1,501	1,531	1,590	1,648	1,714	1,754	1,787
Abruzzo	155	157	151	154	166	174	179
Molise	37	37	36	37	39	39	37
Campania	434	453	449	452	463	476	486
Puglia	321	330	328	348	370	386	370
Basilicata	55	56	59	60	57	59	59
Calabria	162	161	157	165	174	179	184
Sicily	336	356	364	374	404	414	409
Sardinia	149	158	165	160	175	181	188
South and Islands	1,649	1,707	1,710	1,749	1,848	1,908	1,913
Italy	7,192	7,345	7,533	7,764	8,060	8,236	8,365

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

STRUCTURE AND PATTERN OF EMPLOYMENT

BY SECTOR

(thousands of persons and percentage shares)

	Employment			Shares		
	1995	2002	2003	1995	2002	2003
North-West						
Agriculture	183	164	180	3.1	2.5	2.7
Industry excluding construction	2,087	1,993	1,991	34.8	30.8	30.3
Construction	419	456	483	7.0	7.0	7.3
Services	3,306	3,868	3,918	55.1	59.7	59.6
<i>of which: retail trade</i>	911	994	1,029	15.2	15.3	15.6
Total	5,996	6,481	6,573	100.0	100.0	100.0
North-East						
Agriculture	285	228	224	6.6	4.8	4.7
Industry excluding construction	1,327	1,377	1,403	30.8	29.1	29.3
Construction	300	353	373	7.0	7.5	7.8
Services	2,392	2,775	2,785	55.6	58.6	58.2
<i>of which: retail trade</i>	700	729	726	16.3	15.4	15.2
Total	4,305	4,732	4,785	100.0	100.0	100.0
Centre						
Agriculture	176	163	148	4.4	3.7	3.3
Industry excluding construction	929	922	912	23.1	20.8	20.3
Construction	285	321	333	7.1	7.3	7.4
Services	2,639	3,019	3,102	65.5	68.2	69.0
<i>of which: retail trade</i>	686	723	742	17.0	16.3	16.5
Total	4,030	4,424	4,494	100.0	100.0	100.0
South and Islands						
Agriculture	689	541	524	12.1	8.7	8.4
Industry excluding construction	843	893	904	14.8	14.4	14.6
Construction	568	617	620	10.0	10.0	10.0
Services	3,595	4,141	4,155	63.1	66.9	67.0
<i>of which: retail trade</i>	917	1,009	1,034	16.1	16.3	16.7
Total	5,696	6,192	6,203	100.0	100.0	100.0
Italy						
Agriculture	1,333	1,096	1,075	6.7	5.0	4.9
Industry excluding construction	5,187	5,184	5,210	25.9	23.7	23.6
Construction	1,573	1,748	1,809	7.9	8.0	8.2
Services	11,933	13,802	13,960	59.6	63.2	63.3
<i>of which: retail trade</i>	3,214	3,456	3,530	16.0	15.8	16.0
Total	20,026	21,829	22,054	100.0	100.0	100.0

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

Table aD4

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

(thousands of persons and shares)

	Employment			Shares		
	1995	2002	2003	1995	2002	2003
			North-West			
Self-employment	1,492	1,556	1,576	25.7	24.6	24.7
Payroll employment	4,320	4,761	4,816	74.3	75.4	75.3
<i>of which: permanent</i>	4,112	4,427	4,478	70.7	70.1	70.1
<i>fixed-term</i>	209	334	338	3.6	5.3	5.3
			North-East			
Self-employment	1,103	1,184	1,188	27.4	26.3	26.1
Payroll employment	2,917	3,321	3,373	72.6	73.7	73.9
<i>of which: permanent</i>	2,720	3,027	3,065	67.7	67.2	67.2
<i>fixed-term</i>	197	295	308	4.9	6.5	6.7
			Centre			
Self-employment	1,051	1,148	1,163	27.3	26.9	26.7
Payroll employment	2,802	3,113	3,184	72.7	73.1	73.3
<i>of which: permanent</i>	2,649	2,846	2,886	68.7	66.8	66.4
<i>fixed-term</i>	154	267	297	4.0	6.3	6.8
			South and Islands			
Self-employment	1,366	1,459	1,458	27.3	25.8	25.7
Payroll employment	3,640	4,192	4,221	72.7	74.2	74.3
<i>of which: permanent</i>	3,346	3,703	3,750	66.8	65.5	66.0
<i>fixed-term</i>	294	488	471	5.9	8.6	8.3
			Italy			
Self-employment	5,012	5,346	5,385	26.8	25.8	25.7
Payroll employment	13,680	15,387	15,594	73.2	74.2	74.3
<i>of which: permanent</i>	12,827	14,003	14,179	68.6	67.5	67.6
<i>fixed-term</i>	853	1,385	1,414	4.6	6.7	6.7

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

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

	1997	1998	1999	2000	2001	2002	2003
Men and women							
Piedmont	62.1	62.2	63.3	64.6	64.6	65.2	66.5
Valle d'Aosta	65.5	65.1	65.5	67.5	68.6	68.6	69.3
Lombardy	61.7	62.6	63.3	63.7	64.6	65.6	66.2
Liguria	58.5	59.7	60.5	60.8	61.8	62.1	62.9
North-West	61.5	62.2	63.0	63.7	64.4	65.2	66.0
Trentino-Alto Adige	65.2	65.7	66.4	67.5	67.5	68.0	68.6
Veneto	62.4	62.6	63.2	64.3	64.9	65.3	65.8
Friuli-Venezia Giulia	60.9	61.1	61.9	62.4	63.9	64.2	64.8
Emilia-Romagna	66.4	66.9	67.7	68.6	69.0	69.7	70.4
North-East	63.9	64.3	65.0	66.0	66.6	67.0	67.6
Tuscany	61.4	62.0	63.0	63.7	64.4	64.5	65.4
Umbria	58.7	59.6	61.4	62.4	62.8	62.4	62.5
Marche	61.7	62.0	63.8	64.0	64.5	65.5	66.2
Lazio	57.1	57.5	58.1	58.8	59.5	60.0	61.2
Centre	59.2	59.6	60.6	61.3	61.9	62.3	63.2
Abruzzo	57.1	57.1	57.0	57.0	58.3	59.1	59.2
Molise	57.9	58.5	58.4	58.5	59.7	59.2	58.3
Campania	51.5	52.5	52.1	52.3	52.5	53.2	53.0
Puglia	50.5	52.1	52.1	52.5	52.0	52.6	52.1
Basilicata	52.9	53.1	53.4	54.9	54.3	54.4	54.5
Calabria	50.5	53.0	53.8	53.6	55.2	55.6	55.4
Sicily	50.0	51.7	52.0	52.5	52.7	52.4	52.5
Sardinia	53.4	54.6	55.7	55.8	56.7	57.3	56.7
South and Islands	51.5	52.8	53.0	53.3	53.6	54.0	53.7
Italy	57.9	58.7	59.3	59.9	60.4	61.0	61.4
Women							
Piedmont	51.3	51.6	52.9	54.7	55.0	55.7	57.4
Valle d'Aosta	56.1	56.2	56.6	59.6	60.2	59.4	60.9
Lombardy	49.3	50.8	51.6	52.2	53.4	54.9	55.3
Liguria	45.7	47.3	49.1	49.6	50.9	51.3	52.3
North-West	49.6	50.7	51.7	52.7	53.7	54.8	55.6
Trentino-Alto Adige	53.0	53.9	54.7	56.3	56.5	56.9	57.4
Veneto	49.2	49.3	50.1	51.7	53.0	53.5	53.9
Friuli-Venezia Giulia	49.5	50.1	51.3	52.7	54.0	54.8	55.6
Emilia-Romagna	57.4	57.9	59.1	60.1	60.6	61.7	63.1
North-East	52.6	53.0	54.0	55.3	56.3	57.0	57.8
Tuscany	49.6	50.8	52.5	53.4	54.4	54.6	55.4
Umbria	47.0	48.6	50.0	51.6	52.7	52.5	52.7
Marche	50.6	51.2	53.7	53.4	55.1	56.4	57.4
Lazio	42.1	42.4	43.6	44.9	46.1	46.7	47.9
Centre	45.9	46.6	48.1	49.1	50.3	50.8	51.8
Abruzzo	42.3	42.7	42.5	41.4	43.3	45.6	46.2
Molise	43.9	44.3	43.5	43.7	46.3	45.3	43.6
Campania	33.5	34.3	33.7	34.1	34.7	34.9	34.3
Puglia	31.3	33.0	32.9	33.8	33.9	34.7	33.6
Basilicata	37.5	37.8	39.3	39.5	38.4	38.7	39.7
Calabria	34.5	37.4	38.6	38.4	41.0	41.1	40.6
Sicily	29.2	31.7	32.9	33.6	34.4	33.9	33.8
Sardinia	36.5	38.5	40.3	39.8	41.3	42.5	42.4
South and Islands	33.2	34.8	35.2	35.5	36.4	36.8	36.3
Italy	43.5	44.6	45.5	46.3	47.3	47.9	48.3

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

Table aD6

EMPLOYMENT RATES
(percentage of population aged 15-64)

	1997	1998	1999	2000	2001	2002	2003
Men and women							
Piedmont	57.0	57.0	58.7	60.6	61.4	61.8	63.3
Valle d'Aosta	62.0	61.6	62.0	64.4	65.7	66.1	66.5
Lombardy	58.1	59.1	60.2	60.9	62.2	63.1	63.8
Liguria	52.2	53.5	54.4	55.8	57.7	58.1	59.1
North-West	57.2	57.9	59.2	60.3	61.6	62.3	63.2
Trentino-Alto Adige	62.7	63.6	64.1	65.6	65.7	66.2	66.9
Veneto	59.1	59.4	60.3	61.9	62.7	63.0	63.5
Friuli-Venezia Giulia	56.8	57.6	58.4	59.6	61.3	61.8	62.2
Emilia-Romagna	62.5	63.2	64.5	65.8	66.4	67.4	68.3
North-East	60.4	61.0	62.0	63.4	64.1	64.8	65.4
Tuscany	56.4	57.1	58.4	59.8	61.1	61.4	62.3
Umbria	53.6	54.4	56.7	58.3	59.4	58.8	59.2
Marche	57.2	58.0	59.8	60.8	61.5	62.5	63.7
Lazio	50.3	50.6	51.2	52.2	53.3	54.8	55.8
Centre	53.3	53.9	55.0	56.1	57.3	58.2	59.1
Abruzzo	51.8	51.8	51.1	52.5	54.9	55.4	56.0
Molise	48.3	48.5	48.8	50.2	51.4	51.7	51.0
Campania	38.7	39.9	39.7	39.8	40.5	41.9	42.2
Puglia	40.9	41.4	42.2	43.5	44.3	45.2	44.9
Basilicata	43.0	43.3	44.1	45.9	45.3	46.0	45.7
Calabria	38.7	39.1	38.6	39.5	40.9	41.8	42.3
Sicily	38.2	39.1	39.1	39.8	41.3	41.8	41.8
Sardinia	42.6	43.2	43.9	44.2	46.0	46.6	47.0
South and Islands	40.4	41.1	41.2	42.0	43.1	44.0	44.1
Italy	51.0	51.7	52.5	53.5	54.6	55.4	56.0
Women							
Piedmont	44.8	44.8	46.8	49.3	51.1	51.6	53.5
Valle d'Aosta	52.0	52.6	52.1	55.9	56.7	56.2	57.5
Lombardy	45.0	46.3	47.8	48.7	50.5	51.8	52.4
Liguria	38.5	40.4	42.2	44.0	46.3	46.8	47.9
North-West	44.3	45.3	47.0	48.4	50.3	51.2	52.3
Trentino-Alto Adige	50.1	51.5	51.9	54.2	54.2	54.7	55.5
Veneto	45.2	45.2	46.4	48.6	50.1	50.7	51.2
Friuli-Venezia Giulia	44.3	45.4	46.8	48.8	50.6	51.7	52.5
Emilia-Romagna	52.0	53.2	54.9	56.7	57.4	58.9	60.2
North-East	48.0	48.8	50.1	52.1	53.2	54.2	55.1
Tuscany	43.3	44.5	46.5	48.5	50.1	50.6	51.3
Umbria	40.3	41.8	43.9	46.4	48.4	47.8	48.0
Marche	44.7	46.1	48.5	49.3	51.5	52.7	54.2
Lazio	35.2	35.6	36.7	38.2	39.9	41.1	42.1
Centre	39.3	40.2	41.8	43.4	45.1	46.0	46.9
Abruzzo	36.4	37.0	35.6	36.2	39.0	41.1	42.4
Molise	33.5	33.8	33.4	34.9	36.5	36.8	35.4
Campania	22.1	23.0	22.8	22.9	23.5	24.1	24.6
Puglia	22.8	23.3	23.3	24.7	26.3	27.5	26.5
Basilicata	27.0	27.3	29.4	29.6	28.4	29.4	29.5
Calabria	23.3	23.3	22.9	24.1	25.5	26.4	27.0
Sicily	19.4	20.7	21.3	21.8	23.6	24.2	24.0
Sardinia	25.4	26.7	28.2	27.5	30.2	31.2	32.4
South and Islands	23.1	24.0	24.1	24.6	26.1	27.0	27.1
Italy	36.4	37.3	38.3	39.6	41.1	42.0	42.7

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

Table aD7

UNEMPLOYMENT RATES
(percentages)

	1997	1998	1999	2000	2001	2002	2003
Men and women							
Piedmont	8.3	8.3	7.2	6.3	4.9	5.1	4.8
Valle d'Aosta	5.3	5.3	5.3	4.5	4.2	3.6	4.1
Lombardy	5.8	5.5	4.8	4.4	3.7	3.8	3.6
Liguria	10.6	10.2	9.9	8.2	6.5	6.4	6.0
North-West	7.0	6.8	6.0	5.3	4.3	4.4	4.2
Trentino-Alto Adige	3.8	3.2	3.4	2.7	2.6	2.6	2.4
Veneto	5.1	5.0	4.5	3.7	3.5	3.4	3.4
Friuli-Venezia Giulia	6.6	5.6	5.6	4.6	4.0	3.7	3.9
Emilia-Romagna	5.8	5.4	4.6	4.0	3.8	3.3	3.1
North-East	5.4	5.1	4.6	3.8	3.6	3.3	3.2
Tuscany	8.1	7.8	7.2	6.1	5.1	4.8	4.7
Umbria	8.6	8.6	7.6	6.5	5.3	5.7	5.2
Marche	7.2	6.3	6.1	5.0	4.6	4.4	3.8
Lazio	11.9	11.8	11.7	11.0	10.2	8.6	8.7
Centre	9.8	9.5	9.2	8.3	7.4	6.6	6.5
Abruzzo	9.0	9.1	10.1	7.7	5.7	6.2	5.4
Molise	16.2	16.8	16.2	14.0	13.7	12.6	12.3
Campania	24.6	23.8	23.7	23.7	22.5	21.1	20.2
Puglia	18.7	20.3	19.0	17.1	14.7	14.0	13.8
Basilicata	18.6	18.1	17.1	16.2	16.5	15.3	16.1
Calabria	23.1	26.1	28.0	26.1	25.7	24.6	23.4
Sicily	23.4	24.2	24.5	24.0	21.5	20.1	20.1
Sardinia	20.0	20.6	21.0	20.6	18.7	18.5	16.9
South and Islands	21.3	21.9	22.0	21.0	19.3	18.3	17.7
Italy	11.7	11.8	11.4	10.6	9.5	9.0	8.7
Women							
Piedmont	12.7	13.0	11.5	9.7	7.1	7.3	6.8
Valle d'Aosta	7.4	6.5	7.8	6.3	5.6	5.5	5.4
Lombardy	8.9	8.9	7.4	6.7	5.5	5.6	5.2
Liguria	15.5	14.3	14.0	11.4	9.0	8.7	8.4
North-West	10.6	10.6	9.2	8.0	6.3	6.4	6.0
Trentino-Alto Adige	5.4	4.5	5.1	3.7	4.0	3.8	3.3
Veneto	8.1	8.1	7.3	6.1	5.4	5.2	5.0
Friuli-Venezia Giulia	10.5	9.3	8.7	7.5	6.4	5.6	5.6
Emilia-Romagna	9.2	8.1	7.0	5.7	5.3	4.6	4.5
North-East	8.6	7.9	7.1	5.9	5.4	4.9	4.7
Tuscany	12.6	12.3	11.3	9.0	8.0	7.4	7.3
Umbria	14.1	14.0	12.1	10.2	8.0	8.9	8.8
Marche	11.6	9.9	9.6	7.5	6.7	6.4	5.6
Lazio	16.4	15.7	15.9	15.0	13.6	11.9	12.0
Centre	14.3	13.6	13.2	11.6	10.3	9.4	9.3
Abruzzo	13.8	13.3	15.9	12.6	9.8	10.0	8.2
Molise	23.3	23.4	23.0	20.1	20.8	18.8	18.8
Campania	33.9	32.6	32.0	32.4	32.1	30.6	28.0
Puglia	27.1	29.1	29.1	26.8	22.1	20.6	21.1
Basilicata	27.8	27.4	24.8	24.9	25.8	23.8	25.4
Calabria	32.2	37.3	40.5	37.1	37.4	35.7	33.3
Sicily	33.0	34.4	35.0	35.0	31.2	28.4	28.9
Sardinia	30.1	30.2	29.8	30.6	26.7	26.4	23.4
South and Islands	30.0	30.8	31.3	30.4	28.1	26.4	25.3
Italy	16.2	16.3	15.7	14.5	13.0	12.2	11.6

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

AUTHORIZED HOURS OF WAGE SUPPLEMENTATION

(thousands)

	Ordinary benefits		Total (1)	
	2002	2003	2002	2003
Piedmont	20,127	20,663	31,912	61,234
Valle d'Aosta	226	373	766	1,234
Lombardy	19,820	20,080	29,599	35,219
Liguria	969	858	4,287	3,598
North-West	41,143	41,974	66,564	101,284
Trentino-Alto Adige	565	562	4,750	4,798
Veneto	4,081	5,300	7,579	9,243
Friuli-Venezia Giulia	1,181	1,195	2,357	2,540
Emilia-Romagna	2,775	2,906	5,939	7,678
North-East	8,601	9,963	20,624	24,260
Tuscany	4,815	4,093	8,336	8,937
Umbria	1,244	1,044	2,417	2,322
Marche	1,995	2,814	3,459	4,357
Lazio	6,943	7,290	17,950	16,861
Centre	14,997	15,241	32,162	32,477
Abruzzo	3,579	3,485	6,082	7,987
Molise	377	822	965	1,580
Campania	3,247	3,524	14,936	16,801
Puglia	6,170	5,642	17,411	15,080
Basilicata	1,086	1,976	2,829	3,734
Calabria	814	763	3,794	4,747
Sicily	3,969	2,987	9,357	14,736
Sardinia	674	729	2,421	4,473
South and Islands	19,915	19,929	57,795	69,138
Italy	84,656	87,107	177,145	227,158

Source: INPS.

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

NUMBER OF BANKS AND BANK BRANCHES*(end-of-year data)*

	2001		2002		2003	
	Banks	Branches	Banks	Branches	Banks	Branches
Piedmont	82	2,418	84	2,467	90	2,530
Valle d'Aosta	16	94	14	97	16	97
Lombardy	243	5,654	246	5,772	244	5,841
Liguria	50	881	51	899	55	904
North-West		9,047		9,235		9,372
Trentino-Alto Adige	139	896	133	902	132	912
Veneto	139	3,054	139	3,154	135	3,266
Friuli-Venezia Giulia	63	874	60	902	53	922
Emilia-Romagna	124	2,970	124	3,057	126	3,148
North East		7,794		8,015		8,248
Tuscany	109	2,117	114	2,167	119	2,218
Umbria	39	493	42	510	45	524
Marche	67	973	66	1,005	69	1,043
Lazio	164	2,286	169	2,345	167	2,407
Centre		5,869		6,027		6,192
Abruzzo	48	574	49	599	51	613
Molise	30	137	27	137	29	140
Campania	83	1,483	87	1,507	87	1,509
Puglia	62	1,275	65	1,311	67	1,332
Basilicata	32	234	31	240	32	242
Calabria	42	496	39	502	37	507
South		4,199		4,296		4,343
Sicily	72	1,687	67	1,685	66	1,679
Sardinia	24	649	23	664	24	668
Islands		2,336		2,349		2,347
Italy	830	29,245	814	29,922	788	30,502

Source: Supervisory returns

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

	General government	Financial and insurance companies	Non-financial and holding companies						Households		Total
			Holding companies	Non-financial companies			Consumer households (2)	Producer households (3)			
				of which:							
				Industry excluding construction	Construction	Services					
<i>North-West</i>											
2002	2.4	14.9	1.5	19.0	-0.6	1.6	5.2	-4.0	13.7	7.8	6.3
2003	-3.3	2.1	3.7	-10.5	5.7	-0.2	13.2	10.4	12.6	10.3	5.0
<i>North-East</i>											
2002	-1.6	-7.2	3.9	-51.4	6.6	1.6	15.4	10.3	12.2	7.9	5.0
2003	-5.0	-1.7	7.4	28.2	6.9	3.1	12.1	9.3	11.3	6.7	7.3
<i>Centre</i>											
2002	-5.3	9.6	7.9	13.9	7.7	-4.4	8.7	18.5	7.3	10.8	6.0
2003	-12.0	3.3	8.8	57.4	6.5	-7.6	16.0	14.5	8.3	11.4	5.2
Centre-North											
2002	-3.5	11.0	3.7	5.5	3.6	0.2	9.4	5.4	11.3	8.6	5.8
2003	-9.6	1.9	6.0	2.8	6.3	-0.8	13.7	11.2	11.0	9.2	5.7
<i>South</i>											
2002	10.9	-16.9	7.3	-9.8	7.5	0.9	12.4	12.4	9.5	7.8	7.3
2003	17.1	12.5	5.4	-27.4	5.6	2.1	9.0	7.6	10.0	9.2	8.2
<i>Islands</i>											
2002	-5.5	-5.1	5.9	100.7	5.8	5.8	1.0	7.5	7.5	5.3	5.8
2003	-9.3	-14.6	6.2	46.8	6.0	-4.4	8.0	12.5	8.5	8.5	6.4
South and Islands											
2002	6.7	-14.6	6.9	1.2	6.9	2.3	8.3	10.7	8.7	7.0	6.8
2003	11.1	6.6	5.6	-12.8	5.7	0.2	8.7	9.2	9.4	9.0	7.6
Italy											
2002	-2.4	10.1	4.0	5.4	3.9	0.4	9.3	6.0	10.8	8.2	6.0
2003	-7.3	2.1	6.0	2.6	6.2	-0.7	12.9	11.0	10.6	9.1	5.9

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

(1) Excluding bad debts and repos. Changes do not take account of reclassifications, exchange rate movements or other changes not due to transactions.
 – (2) Includes private non-profit institutions and units not elsewhere classified. – (3) Partnerships and sole proprietorships with up to 5 employees.

BANK LOANS BY SECTOR IN 2003 (1)*(percentage changes on previous year)*

	General government	Financial and insurance companies	Non-financial and holding companies						Households		Total
			Holding companies	Non-financial companies			Consumer households (2)	Producer households (3)			
				of which:							
				Industry excluding construction	Construction	Services					
Piedmont	20.5	11.7	1.0	-1.6	1.4	-4.6	7.3	7.3	9.7	9.1	5.0
Valle d'Aosta	20.5	3.7	-2.0	-14.7	-1.7	-3.4	2.0	-2.3	6.2	5.0	2.3
Lombardy	-13.1	1.7	5.0	-14.3	7.9	1.9	15.4	12.5	15.0	10.5	5.5
Liguria	-5.0	-54.8	9.8	11.8	9.8	4.4	19.9	10.4	12.1	12.8	8.3
North-West	-3.3	2.1	3.7	-10.5	5.7	-0.2	13.2	10.4	12.6	10.3	5.0
Trentino-Alto Adige	9.5	8.3	11.6	54.1	11.1	5.5	15.7	12.1	10.3	6.4	10.6
Veneto	-13.3	-13.0	10.0	29.0	9.5	7.4	15.5	10.5	13.1	7.4	8.6
Friuli-Venezia Giulia	-7.3	62.6	4.2	-9.6	4.3	7.2	12.7	-0.3	5.9	8.4	6.8
Emilia-Romagna	2.3	-1.5	4.6	26.9	4.1	-2.4	8.5	9.5	11.3	5.7	5.6
North East	-5.0	-1.7	7.4	28.2	6.9	3.1	12.1	9.3	11.3	6.7	7.3
Tuscany	0.4	4.9	9.5	46.3	9.0	-0.4	14.6	15.4	9.8	9.7	8.9
Umbria	-4.7	-26.0	5.2	124.0	4.8	2.4	4.4	7.6	2.9	6.0	3.7
Marche	-18.2	6.0	9.0	130.9	8.1	3.7	22.9	9.5	9.8	13.9	8.3
Lazio	-12.7	2.7	6.3	56.5	4.9	-19.4	16.3	12.7	7.7	14.4	3.2
Centre	-12.0	3.3	8.8	57.4	6.5	-7.6	16.0	14.5	8.3	11.4	5.2
Abruzzo	13.3	18.5	7.0	-65.6	7.7	5.8	11.0	8.3	11.7	10.9	9.0
Molise	0.3	126.0	-1.4	-14.1	-0.4	-13.0	11.1	-2.6	1.3	12.1	2.7
Campania	46.0	21.2	2.0	-24.1	2.2	-3.3	7.2	5.0	9.9	8.1	8.7
Puglia	-3.5	-15.0	8.9	-6.3	8.9	9.0	9.2	9.5	10.1	11.1	8.5
Basilicata	-5.9	-69.6	5.3	-91.5	5.4	-0.1	12.5	17.6	6.0	1.2	3.5
Calabria	-4.3	-31.1	10.0	163.5	9.8	5.8	9.3	13.2	10.8	7.6	7.5
South	17.1	12.5	5.4	-27.4	5.6	2.1	9.0	7.6	10.0	9.2	8.2
Sicily	13.9	-52.6	6.4	98.1	6.1	-6.2	6.8	13.4	8.7	9.1	7.4
Sardinia	-37.2	-1.0	5.8	-10.4	5.9	-1.3	10.2	10.1	8.0	7.1	4.3
Islands	-9.3	-14.6	6.2	46.8	6.0	-4.4	8.0	12.5	8.5	8.5	6.4
Italy	-7.3	2.1	6.0	2.6	6.2	-0.7	12.9	11.0	10.6	9.1	5.9

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

(1) Excluding bad debts and repos. Changes do not take account of reclassifications, exchange rate movements or other changes not due to transactions. – (2)

Includes private non-profit institutions and units not elsewhere classified. – (3) Partnerships and sole proprietorships with up to 5 employees.

BANK DEPOSITS (1)*(end-of-year stocks in millions of euros and percentage changes)*

	2002		2003		% change 2002-03	
	Total deposits		Total deposits		Total deposits	
		of which: (2) current accounts		of which: (2) current accounts		of which: (2) current accounts
Piedmont	51,608	37,171	57,693	40,127	11.8	8.0
Valle d'Aosta	1,642	1,271	1,690	1,340	2.9	5.4
Lombardy	181,074	131,249	173,389	135,021	-4.2	2.9
Liguria	16,720	12,905	16,906	13,710	1.1	6.2
North-West	251,044	182,597	249,678	190,197	-0.5	4.2
Trentino-Alto Adige	14,261	9,875	14,806	10,462	3.8	5.9
Veneto	52,189	36,610	53,473	39,196	2.5	7.1
Friuli-Venezia Giulia	14,988	11,507	15,622	12,313	4.2	7.0
Emilia-Romagna	56,548	39,864	58,428	42,817	3.3	7.4
North East	137,985	97,856	142,330	104,788	3.1	7.1
Tuscany	42,565	30,222	43,397	32,856	2.0	8.7
Umbria	8,077	5,190	8,387	5,635	3.8	8.6
Marche	15,955	9,294	16,205	9,953	1.6	7.1
Lazio	85,881	62,852	87,483	68,042	1.9	8.3
Centre	152,478	107,557	155,472	116,486	2.0	8.3
Abruzzo	10,494	6,169	11,126	6,836	6.0	10.8
Molise	1,702	1,134	1,955	1,388	14.8	22.5
Campania	39,690	25,763	38,564	27,056	-2.8	5.0
Puglia	26,078	14,864	26,560	16,068	1.8	8.1
Basilicata	3,446	1,970	3,488	2,114	1.2	7.3
Calabria	9,572	5,782	9,663	6,143	1.0	6.2
South	90,983	55,683	91,356	59,605	0.4	7.0
Sicily	28,998	17,461	29,829	18,674	2.9	6.9
Sardinia	11,507	8,086	11,995	8,804	4.2	8.9
Islands	40,505	25,547	41,824	27,478	3.3	7.6
Italy	672,995	469,240	680,659	498,554	1.1	6.2

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

(1) Excluding deposits on monetary financial institutions (banks and other intermediaries). – (2) Excluding deposits of central government departments.

Table aE5

SECURITIES HELD FOR CUSTODY AND PORTFOLIO MANAGEMENT SERVICES (1)(2)

(end-of-period data in millions of euros and percentage changes)

	Securities held for custody			Portfolio management services		
	2002	2003	% change 2002-03	2002	2003	% change 2002-03
Piedmont	86,999	85,776	-1.4	14,706	13,406	-8.8
Valle d'Aosta	1,854	1,908	2.9	201	159	-20.6
Lombardy	315,522	306,126	-3.0	34,544	34,084	-1.3
Liguria	25,914	26,919	3.9	3,571	3,146	-11.9
North-West	430,288	420,729	-2.2	53,021	50,795	-4.2
Trentino-Alto Adige	9,234	8,571	-7.2	1,479	1,250	-15.5
Veneto	53,616	52,858	-1.4	11,990	11,073	-7.7
Friuli-Venezia Giulia	48,788	62,117	27.3	2,526	2,791	10.5
Emilia-Romagna	78,520	82,851	5.5	16,039	14,591	-9.0
North East	190,158	206,397	8.5	32,034	29,704	-7.3
Tuscany	47,014	47,717	1.5	7,646	7,279	-4.8
Umbria	6,566	5,798	-11.7	1,177	982	-16.6
Marche	11,444	10,402	-9.1	1,360	1,436	5.6
Lazio	132,571	112,111	-15.4	7,163	9,428	31.6
Centre	197,595	176,028	-10.9	17,346	19,124	10.3
Abruzzo	5,490	4,942	-10.0	533	441	-17.2
Molise	696	639	-8.1	48	48	0.9
Campania	19,998	17,812	-10.9	2,156	1,746	-19.0
Puglia	16,016	14,825	-7.4	1,809	1,604	-11.3
Basilicata	1,646	1,470	-10.7	104	119	14.4
Calabria	4,142	3,946	-4.7	421	434	3.2
South	47,988	43,635	-9.1	5,071	4,393	-13.4
Sicily	14,397	13,860	-3.7	1,253	1,074	-14.2
Sardinia	4,844	4,431	-8.5	572	476	-16.8
Islands	19,241	18,290	-4.9	1,825	1,551	-15.0
Italy	885,270	865,078	-2.3	109,296	105,567	-3.4

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

(1) At face value. – (2) Excluding securities issued by banks, securities deposited by monetary financial institutions (banks and other intermediaries) and securities deposited by undertakings for collective investment in transferable securities and private pension funds in connection with depository bank duties.

SHORT-TERM BANK LENDING AND DEPOSIT RATES

(percentages)

	Loans (1)					Deposits (2)				
	Dec. 2002	Mar. 2003	June 2003	Sept. 2003	Dec. 2003	Dec. 2002	Mar. 2003	June 2003	Sept. 2003	Dec. 2003
Piedmont	5.92	5.76	5.51	5.35	5.31	1.60	1.40	1.12	1.04	0.94
Valle d'Aosta	5.87	5.71	6.20	5.58	5.68	1.48	1.51	1.25	1.38	0.99
Lombardy	5.09	4.84	4.69	4.52	4.57	1.65	1.40	1.24	1.12	1.02
Liguria	7.29	7.15	6.96	6.47	6.32	1.39	1.17	1.05	0.91	0.90
North-West	5.30	5.07	4.90	4.73	4.72	1.62	1.38	1.19	1.08	1.00
Trentino-Alto Adige	5.76	5.47	5.06	4.78	4.54	1.72	1.58	1.43	1.15	1.15
Veneto	6.62	6.42	6.07	5.72	5.62	1.62	1.48	1.27	1.08	1.06
Friuli-Venezia Giulia	6.62	6.19	5.95	5.58	5.36	1.73	1.43	1.25	1.26	1.10
Emilia-Romagna	5.80	5.68	5.28	4.84	4.58	1.70	1.43	1.19	1.04	1.04
North East	6.24	6.05	5.68	5.29	5.10	1.67	1.46	1.24	1.09	1.06
Tuscany	6.52	6.19	5.88	5.75	5.36	1.64	1.56	1.26	1.06	0.99
Umbria	7.09	7.19	5.66	6.63	6.39	1.60	1.36	1.18	0.96	0.98
Marche	6.07	5.75	5.34	5.17	5.04	1.65	1.44	1.24	1.10	1.03
Lazio	5.77	5.51	5.39	5.23	5.20	1.85	1.57	1.37	1.23	1.13
Centre	6.04	5.79	5.54	5.42	5.27	1.77	1.55	1.32	1.16	1.07
Abruzzo	6.87	6.97	6.97	6.55	6.50	1.33	1.14	0.90	0.83	0.83
Molise	7.83	7.85	7.88	7.84	7.61	1.24	1.19	0.98	0.79	0.82
Campania	7.62	7.61	7.71	7.70	7.48	1.29	1.08	0.91	0.87	0.78
Puglia	7.46	7.42	7.45	7.50	7.01	1.23	1.25	1.00	0.87	0.75
Basilicata	6.79	6.98	7.20	6.93	6.61	1.21	1.08	0.91	0.74	0.73
Calabria	7.86	7.62	7.88	7.74	7.35	1.18	1.00	0.85	0.73	0.75
South	7.48	7.46	7.55	7.46	7.18	1.26	1.12	0.93	0.85	0.77
Sicily	7.59	7.46	7.27	7.18	6.66	1.01	1.22	1.19	0.90	0.84
Sardinia	6.26	6.12	6.59	5.66	4.95	1.81	1.19	1.08	0.79	1.14
Islands	7.12	7.00	7.08	6.68	6.03	1.26	1.21	1.15	0.86	0.96
Italy	5.84	5.64	5.41	5.20	5.10	1.59	1.40	1.20	1.07	0.99

Source: Records of lending and deposit rates. See the Methodological Notes.

(1) Loans in euros classified by counterparty's place of residence. – (2) Deposits in euros classified by bank location.

METHODOLOGICAL NOTES

B - ECONOMIC ACTIVITY

Industry excluding construction and services

Table aB6

Bank of Italy survey of firms in industry and services

A) Structure of the sample

Every year, between February and March, the Bank of Italy conducts a survey of investment and employment in industrial firms based on a sample stratified by region, sector and firm size. The sample is basically “closed” and includes about 3,100 firms (of which more than 1,900 with more than 50 workers). Starting in 2002 a new annual survey was launched covering service firms with at least 20 workers in the following sectors: wholesale and retail trade; hotels and restaurants; transport and communication; and business services. The sample includes about 1,000 firms (of which about 620 with more than 50 workers). Table 1 reports the structural characteristics of the sample.

B) Weighting of the data

The values shown in the table were calculated using weighting coefficients that, for each stratum, take account of the ratio of the number of firms observed to the number of firms in the reference universe. Owing to the smallish number of sample firms in some geographical areas and/or size classes, the results of the survey for such categories should be considered as qualitative indicators and not as estimates of the corresponding variables.

Construction and public works

Survey of construction and public works

Since 2002 the Bank of Italy has conducted a half-yearly survey aimed, among other things, at monitoring the value of production in the construction and public works sectors. For the purposes of the survey, public works are defined as: works financed by the state or local authorities (regions, provinces, etc.) and those of public utility, even if they are financed by private entities (such as roads, hospitals and schools). The total sample consists of about 500 firms or temporary groupings of firms whose prevalent activity is related to the carrying out of public works, distributed throughout Italy. The interviews are conducted by the branches of the Bank of Italy in the periods February-March and September-October of each year. In the latest survey the firms surveyed included

176 in the North, 159 in the Centre and 129 in the South and Islands. The results of the survey have to be considered as indicative and not as estimates of the corresponding variables at the sub-national level.

Table 1

**Composition of the samples of the survey
of industrial and service firms in 2003**
(number of firms)

	Firms with 50 or more workers		Firms with between 20 and 40 workers		Total firms with imprese 20 or more workers	
	number in sample	universe (1)	number in sample	universe (1)	number in sample	universe (1)
Industrial firms (2)						
Geographical area (3)						
North-West	549	5,342	195	9,615	744	14,957
North-East	429	3,935	176	8,606	605	12,542
Centre	416	1,877	252	4,999	668	6,876
South and Islands	513	1,475	613	4,295	1,126	5,770
Number of workers						
20 – 49	-	-	1,236	27,516	1,236	27,516
50 – 199	1,189	10,498	-	-	1,189	10,498
200 – 499	406	1,514	-	-	406	1,514
500 and more	312	617	-	-	312	617
Total industrial firms	1,907	12,629	1,236	27,516	3,143	40,145
Service firms (4)						
Geographical area (3)						
North-West	148	3,102	77	5,826	225	8,929
North-East	157	1,818	60	4,408	217	6,226
Centre	145	1,617	85	3,485	230	5,102
South and Islands	170	1,317	152	3,356	322	4,673
Number of workers						
20 – 49	-	-	374	17,075	374	17,075
50 – 199	327	6,243	-	-	327	6,243
200 – 499	149	1,101	-	-	149	1,101
500 and more	144	511	-	-	144	511
Total service firms	620	7,855	374	17,075	994	24,930
Total	2,527	20,484	1,610	44,591	4,137	65,075

(1) The data for the universe are taken from Istat and refer to 2001. - (2) Firms in industry excluding construction. - (3) The geographical area is established on the basis of the location of the corporate headquarters. - (4) Excludes firms in the banking and insurance sectors, public services and other and other social and personal services.

Evolution of the structure of production

Industrial districts

As defined by Istat, a local system of work in which: *a*) the ratio of employment in manufacturing to total non-farm employment is above the national average; *b*) in manufacturing industry the proportion of employment in firms with less than 250 workers is above the national average; *c*) in at least one manufacturing sector the ratio of the number of workers to total employment in manufacturing is above the national average; and *d*) in at least one of the sectors satisfying the condition referred to in point *c*) the proportion of employment in firms with less than 250 workers is above the national average.

Tables. B10 and B11 and Figures B2 and B3

Census data series: 1961-2001

The classification systems for manufacturing activities are based on the solution adopted by Istat to render the data of the censuses from 1961 to 1991 homogeneous at municipal level (see Istat, *I Censimenti delle attività produttive dal 1951 al 1991*). Compared with this solution, the calculations reported here were made eliminating activities from the list of manufacturing sectors that since 1981 have been classified to a significant extent among service activities (i.e. photo-phonographic-cinematographic services and workshops for sundry mechanical jobbing and repair work).

Table B11

Industrial structure dissimilarity index

The total dissimilarity index is calculated, for each macro-region (*a*) and with respect to all the other macro-regions (*b*), by applying the following formula:

$$\sum_{ij} |a_{ij} - b_{ij}|$$
 where a_{ij} is the ratio of the number of workers in firms belonging to

sector *i* and size class *j* to the total number of workers in the macro-region *i*: 1..101 (ATECO 3-figure sectors); *j*: 1..13 (size classes). The partial dissimilarity indices (for size classes or sectors of production) are calculated on the basis of the corresponding marginal distributions of the index.

Table B12 and Figures B2 and B3

Industrial clusters

Agglomerations are identified by selecting the municipalities that in the census reference year showed a significantly high level of specialization in the sectors considered. For details on the statistical thresholds used for the identification of industrial agglomerations, see G. Iuzzolino: "Costruzione di un algoritmo di identificazione delle agglomerazioni territoriali di imprese manifatturiere", in

Economie locali, modelli di agglomerazione e apertura internazionale, Banca d'Italia (2004). To identify agglomerations before 1991, the algorithm described in the above-mentioned work has been adapted in the light of the less detailed information available.

C – EXTERNAL SECTOR

Tables C1, C2, aC1

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.

Table C3

Structure of foreign trade in manufactures by level of technology and geographical area

Lafay's index is calculated as:

$$L_{ij} = \left[\frac{x_{ij} - m_{ij}}{x_{ij} + m_{ij}} - \frac{\sum_i x_{ij} - \sum_i m_{ij}}{\sum_i x_{ij} + \sum_i m_{ij}} \right] * \left[\frac{x_{ij} + m_{ij}}{\sum_i x_{ij} + \sum_i m_{ij}} \right] * 100$$

where x_{ij} and m_{ij} are respectively the exports and imports of the i -th sector's products by region or area j . The index is given by the difference between the normalized balance of the i -th sector and the overall normalized balance, weighted by the share of the i -th sector in total trade. If $L_{ij} > 0$, the region or area is despecialized in sector i . The sum of the Lafay indices for all the sectors is equal to zero. The absolute value measures the degree of specialization/despecialization

Ranking of sectors by technological content

The flows of imports and exports at current prices, based on Istat data, for 19 branches of manufacturing industry according to the Ateco91 3-digit classification are ranked in decreasing order of technological content on the basis of the OECD proposed classification with reference to the median values of the distribution of spending on R&D in relation to the value added of each sector in 1999. For further information, see OECD, *Science, Technology and Industry Scoreboard 2003*.

D – THE LABOUR MARKET AND REGIONAL POLICIES

Table aD8

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. D1, D2 and D3; Tables aD1-aD4 and aD5-aD7

The labour force survey

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 *Unità standard di lavoro e occupazione nei conti nazionali.*)

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.

Istat has recently begun to publish linked data from the Quarterly Labour Force Survey for the period 1993-2002, which show individuals' employment status in April of one year and 12 months later. For the first time these data make it possible to obtain some measures of mobility in the Italian labour market in the 1990s.

The different employment statuses (employed, job seeker, inactive and not part of the labour force) can be considered as states of the labour market, so that changes in employment status in a given period of time correspond to a shift from one state to another.

The probability of a shift towards employment does not correspond to the probability of a shift from unemployed status to employed status since it refers to the set of those who have made at least one job search in the 12 reference months, which therefore includes those who have shifted from not-part-of-the-labour-force status to employed status.

Figure D1

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.

***E* - BANKING**

Table. E1

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 E2

Reports to the Central Credit Register

The Central Credit Register records the exposures of banks ((including the Italian branches of foreign banks exclusively as regards credit granted to residents of Italy) for which the amount granted or drawn or the guarantee provided exceeds €75,000. Bad debts are covered regardless of the amount.

Definitions of some items:

Facilities granted: the amount of credit that the customer can use directly insofar as it derives from a fully effective contract that has been concluded.

Used margin: the amount of credit actually disbursed to a customer.

Overshoot: the positive difference between credit used, excluding bad debts, and credit granted.

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

Additional information is contained in the Statistical Appendix and in the Glossary of *Bollettino Statistico*, Banca d'Italia.

Tables. E5, E6 and aE2-aE5, Figures E1-E5

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:

Loans: loans disbursed by banks to resident non-banks. The aggregate includes the bill portfolio, current account overdrafts, matched loans (advances on advances on bills, other credit instruments and documentary credits subject to final payment), bills of exchange and other import and export documentary

credits, mortgage loans, advances not settled via current accounts, stock exchange repos, sundry secured loans not settled via current accounts, pledge loans, loans secured by pledge of salaries, credit implicit in financial leasing contracts, loans granted from funds administered for third parties, and other financial investments (e.g. traded banker's acceptances); unless otherwise specified, it includes repos, bad debts, and unpaid and protested own bills. Short-term loans have a maturity of up to 18 months, medium and long-term loans of 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.

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

Unless otherwise specified, the data refer to the residence of the borrower and loans include bad debts and unpaid and protested bills.

Tables E3 and E4

Company Accounts Data Service information

Centrale dei bilanci is a limited liability company set up in 1983 at the initiative of the Bank of Italy and ABI to collect, classify and store electronically the annual accounts of the main Italian firms and to carry out financial analyses. The company's services are provided to the numerous participating banks, which contribute to the collection of the data.

Tables E7 and E8

Classification of banks by size

Banks are divided into five size groups: major banks (with average total assets of more than €45 billion); medium-sized banks (with average total assets between €20 billion and €45 billion); large banks (with average total assets between €7 billion and €20 billion); small banks (with average total assets between €1 billion and €7 billion); and minor banks (with average total assets of less than €1 billion). For more details, see the Glossary published in *Relazione del Governatore sull'anno 2001* (under "Banche").

Table E8

The production specialization of Local Labour Systems (LLS)

On the basis of the information contained in the 1996 intermediate census, Istat has classified the 784 LLSs into 11 groups, divided in turn between LLSs without any specialization, non-manufacturing LLSs and manufacturing LLSs. For additional information, see *Rapporto Annuale – La situazione del Paese nel 1999*, Istat.

Table aE6

Bank interest rates

The data on interest rates are based on quarterly reports by two groups of banks: 60 for lending rates and 50 for deposit rates at the end of 2003. 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 are calculated on the basis of the products and the costs collected or debited in the form of interest, fees and commissions.

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*.

Figure E3

The financial accounts

The financial accounts record the stocks and annual flows of financial assets and liabilities. As of the Bank of Italy’s Annual Report for 1998, the financial accounts are presented in accordance with the ESA95 classification of institutional sectors and financial instruments. For more information, see the manual *The Italian financial accounts*, published by the Bank of Italy in the Institutional Issues series (under Publications - Other publications on the Bank’s website).

The availability of new information, the revision of earlier data and the introduction of methodological innovations may result in the statistics published being revised. The regional breakdown of national financial wealth is based on information regarding the residence of the counterparty for some financial aggregates obtained from supervisory reports and on the regional distribution of GDP (Istat and Svimez).

Tables E7, E8 and aE1 and Figure E4

The archives containing data on intermediaries

The information on credit and financial intermediaries are drawn from the registers kept by the Bank of Italy and Consob as prescribed by law.

For additional 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

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Marche

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