



BANCA D'ITALIA
EUROSISTEMA

Regional economies

Economic developments
in the Italian regions in 2008

Regional economies

The new series Regional economies aims at documenting the developments and fostering the economic analysis of the Italian economy at the regional breakdown. The series gathers the annual reports on the economic developments in each region, the update of the main indicators analysed in such reports, and the annual overview report on the economic developments in the Italian regions.

ECONOMIC DEVELOPMENTS IN THE ITALIAN REGIONS IN 2008

CONTENTS

SUMMARY	5
ECONOMIC DEVELOPMENTS IN THE ITALIAN REGIONS	
1. Growth and economic activities	9
2. The labour market and the economic conditions of households	22
3. Firms' profitability, financial conditions and debt	29
4. Financial intermediaries.....	33
5. Local public finances	45
6. Policies for underutilized areas	51
SPECIAL TOPICS	58
7. Company-level bargaining and regional wage differentials	58
8. Immigration in the Italian regions.....	62
9. Regional credit demand and supply	69
10. Revenue and expenditure dualism among Italy's municipalities	75
11. Mountain communities: amount and composition of expenditure	84
STATISTICAL APPENDIX	89
METHODOLOGICAL NOTES	117

INDEX OF BOXES

Effects of the economic and financial crisis on firms	12
The international transmission of the crisis through foreign trade	15
Banks and firms in local credit markets	37
The utilization of on-line banking services	43
Subsidized loans to firms: The central credit register data	54
Regional disparities in bureaucratic and administrative costs to firms	56

SYMBOLS AND CONVENTIONS

In the following tables:

- the phenomenon in question does not occur
 - the phenomenon occurs but the value is not known
 - .. the value is known but is nil or less than half the final digit shown
-

The report was drafted by a working group coordinated by Piero Casadio and (for public finance questions) Alessandra Staderini and comprising Antonio Accetturo, Raffaello Bronzini, Diego Caprara, Amanda Carmignani, Guido de Blasio, Alessio D'Ignazio, Silvia Del Prete, Alessandro Fabbrini, Matteo Gomellini, Andrea Lamorgese, Sauro Mocetti, Carlotta Rossi. Boxes and Special Topics were co-authored by Luciana Aimone Gigio, Chiara Bentivogli, Paolo Chiades, Pietro De Matteis, Cristina Fabrizi, Giovanna Firpo, Luigi Leva, Vanni Mengotto, Paola Monti, Marcello Pagnini, Massimiliano Rigon, Paola Rossi. The report was edited by Maria Letizia Cingoli. Any opinions expressed are those of the authors alone and do not necessarily reflect the views of the Bank of Italy.

SUMMARY

With the worsening of the economic and financial crisis, since September of 2008 the advanced economies have experienced the deepest recession in decades. Italy, characterized by low growth rates for a number of years, was the only large euro-area country to record a decline in annual GDP in 2008. The fall in industrial activity and private services was followed by a progressive contraction in household consumption despite declining inflation. After a long expansionary cycle, employment began to fall in all of the country's macro-regions. Economic activity continued to contract rapidly in the first half of 2009; only in April and May did signs appear of a let-up in the decline in industrial activity.

The international crisis and the real economy

Italy's main geographical areas followed the general trends. According to preliminary estimates by Istat, the loss in output was sharpest in the South and Islands and the North West (1.3 and 1.1 per cent, respectively), but it was also significant in the North East and the Centre (0.9 and 0.8 per cent). In the South and Islands, the contraction in industry was echoed by one in private services and household consumption. In the regions of the North industry suffered its worst decline, in part owing to northern industry's greater openness to world trade and specialization in capital goods; services stagnated, while construction slumped. The worse performance of the North West compared with the North West stemmed in part from the difficulties of the automobile industry and public works. In the Centre, the crisis in both industry and construction was somewhat less severe than in the rest of the country.

Sectoral performance by macro-region

The impact of the crisis on firms is studied by means of a survey conducted in March and April on a sample of nearly 4,000 firms. The abrupt decline in foreign trade and orders in the autumn of 2008 hit industry first, particularly exporting firms and capital goods makers, which are more numerous in the North. Companies reacted very quickly by cutting back their demand for labour, raw materials and semi-processed goods and postponing investment plans. The supply and subcontracting chain transmitted the recessionary impulses to firms oriented primarily to the domestic market, such as those based in the South and Islands and service firms. The effects of the crisis were felt in all the geographical areas but in different ways: the impact of the fall in demand was greatest in the North, while the difficulties of obtaining funds were most severe in the South and Islands. Small enterprises reported having more problems than larger firms in all parts of the country. In March and April more than 70 per cent of the industrial firms in the North, and slightly fewer in the South, stated that they had been significantly affected by the crisis. Compared with the period September-October 2008, turnover was down by around 23 per cent in the North and 19 per cent in the Centre and South and

The impact of the crisis on firms

Islands. Non-financial service firms reported a somewhat smaller decline in turnover: 16 per cent in the South and Islands and 14 per cent in the Centre and North. With the outlook still highly uncertain, firms were planning large cutbacks in investment in all the geographical areas.

In 2008 the cyclical deterioration was reflected in a broad-based decline in firms' profitability, very steep among construction firms but also considerable in industry and services, particularly in the South and Islands. The fall in self-financing was reflected in firms' borrowing requirement; the decline in demand and the mounting difficulty of collecting claims due from customers, more acute in the South and among small firms, increased the need for financing of working capital. Firms' debt continued to rise, especially in the Centre and South.

The labour market

The demand for labour fell rapidly from mid-2008 onwards. Recourse to the Wage Supplementation Fund reached historically very high levels, most notably in the North West and the South and Islands. Employment measured by standard labour units was stationary in the Centre and North but fell by 0.7 per cent in the South and Islands, where the unemployment rate turned significantly upwards. In the first quarter of 2009 employment declined in all the macro-regions, most of all in the South and Islands; the survey of firms indicates that further widespread reductions are possible. In the South and Islands, employment is still fluctuating around the peak levels reached in 1991; in the Centre and the North East it has topped those levels by more than 10 percentage points and in the North West by more than 4.

Immigration

In the last ten years the expansion of employment, especially in the Centre and North, has been sustained by large flows of immigration. Foreigners now have a higher employment rate than Italians but significantly lower labour incomes. A Special Topics section describes how the latter phenomenon is partly a result of immigrants' lower levels of educational attainment, higher concentration of jobs in less productive firms and employment mainly in low-skilled jobs. Foreigners residing in the South and Islands have lower levels of schooling, employment rates and labour incomes than those in the Centre and North. The growing presence of foreigners has not, however, reduced job opportunities for Italians, which on the contrary have increased for the more highly educated and for women. In particular, Italian women's participation in the labour force has benefited from the greater provision of childhood services and assistance for the elderly.

Company-level wage bargaining

Gross earnings per employee labour unit in the private sector grew by 2.9 per cent in 2008. This year nominal earnings look set to grow more slowly, both because the effects of the signing of the national labour contracts between end of 2007 and the first half of 2008 will drop out and owing to the reduction in hours worked and in performance-linked bonuses. In the past ten years these bonuses, found mainly in medium-sized and large firms in the North, have gradually fostered the opening of geographical wage differentials that have partly counterbalanced the disparities in productivity. A Special Topics section shows that, in the period 2002-07 for firms of equal size in the industrial sector, the company-level component of additional pay with respect to the national contract minimums was 5-6 percentage points lower in the South and Islands than in the North for production workers and 8-9 points lower for white-collar workers. The percentage of payroll workers earning only the

minimum set by their respective national contracts was about 10 per cent in the North, 30 per cent in the Centre and more than 40 per cent in the South and Islands.

Bank lending slowed from the start of 2008 and more markedly from October onwards. In the twelve months to March 2009, lending contracted slightly in the Centre and grew by about 3 per cent in the North and 5 per cent in the South and Islands. Lending to businesses also continued to slacken, with rates of increase close to 4 per cent in all the macro-regions and lower than average for small firms. The slowdown in lending was due to both demand and supply factors, according to a survey conducted with a sample of more than 400 banks. Business demand for credit, already particularly weak at the end of 2008 among enterprises in the North East and construction firms, fell slightly in the first quarter of 2009. Banks also reported a tightening of credit supply conditions, fairly uniform across Italy, which they carried out mainly by increasing the spreads on riskier positions but also by demanding additional collateral and raising the minimum standards for loan approval. Throughout Italy, and especially in the South and Islands, the decline in lending to riskier firms contrasted with an expansion in credit to the financially soundest.

Banking

The greater caution of banks in disbursing loans is confirmed by the survey of industrial and service firms. Some 35 per cent of firms in the Centre and North and 38 per cent in the South and Islands reported that their borrowing conditions had been tightened in the period from October 2008 onwards. Both in the South and Islands and in the Centre and North, about one third of these firms had been asked by banks to repay outstanding debts. The increase in interest rates on short-term loans, which had weighed on the more heavily indebted firms in the first three quarters of 2008, was reabsorbed in the first few months of 2009 in concomitance with the reduction in official rates.

Access to credit for firms

Lending to households continued the gradual slowdown under way for more than two years. In the twelve months to March 2009, it grew by 4 per cent in the Centre and North and by about 7 per cent in the South and Islands. According to the survey of banks, in the fourth quarter of 2008 the demand for mortgage loans fell by about the same rate in all the macro-regions; the demand for consumer credit contracted in the North, but continued to expand slightly in the South and Islands. Banks also tightened their lending standards for households more or less similarly throughout the country. Supply conditions continued to grow more restrictive in the first quarter of 2009.

Lending to households

The deterioration in economic activity affected the quality of credit. In the first quarter of 2009 new bad debts increased in all areas of the country, reflecting the difficulties of firms. The default rates of firms based in the South and Islands rose more slowly than the average but were high nevertheless. The risk on loans to households remained unchanged with respect to the previous year.

The state of the public finances worsened significantly at national level in 2008, reflecting the first effects of the economic crisis and an expansionary budget. Local authorities cut capital expenditure for the second successive year; they were also affected by measures strongly limiting their tax-levying autonomy, such as the reliefs on the main local taxes (the regional tax on productive activities, IRAP, and the

Expenditure and revenue of Italy's municipalities

municipal property tax, ICI) and the repeated suspension of their right to change the surcharge rates on personal income tax and IRAP.

The recent debate on the measure implementing fiscal federalism has underscored the need to rationalize the finances of local authorities, which display considerable geographical differences in expenditure and revenue. The Finance Law for 2008 had initiated action in particular to rationalize the operating costs of mountain communities, whose expenditure (amount and composition) is examined in a Special Topics section. An additional analysis documents the lower level of per capita tax revenue of the municipalities of the South and Islands, which apply higher personal income tax surcharge and municipal property tax rates than municipalities in the North. In the South, moreover, non-tax revenue is lower, especially revenues from public services. On the expenditure side, per capita expenditure is higher in the municipalities of the Centre and North, despite their greater outsourcing of public services. This difference remains even after the effects of the different size of municipalities are taken into account.

ECONOMIC DEVELOPMENTS IN THE ITALIAN REGIONS

1. GROWTH AND ECONOMIC ACTIVITIES

Growth and productivity

Italy was the only large euro-area country to record a fall in output (1 per cent) in 2008. The decline was concentrated in the second half of the year; output had basically held up in the first six months. In September, with the worsening of the financial crisis, economic activity began to contract rapidly, and this trend continued in the first few months of 2009. Only in April and May did signs emerge of a let-up in the decline in industrial activity. The fall in economic activity affected Italy's macro-regions in a broadly similar way.

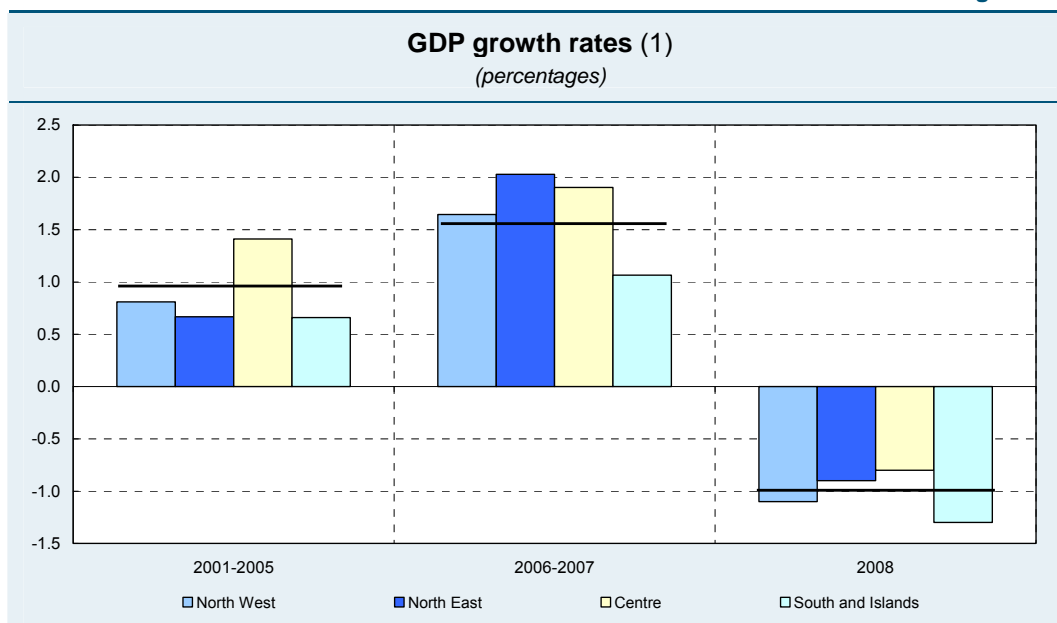
The abrupt drop in orders and foreign trade in the autumn hit industry first, and the capital goods sector with greater intensity. Its effects were felt most strongly in the regions of the North, which are more specialized in the sector. Firms reacted swiftly by cutting back their demand for labour, raw materials and semi-processed goods and postponing investment plans. The supply and subcontracting chain transmitted the recessionary impulses to firms that do business primarily on the domestic market, such as those based in the South and Islands and service firms. Small enterprises appear to be the ones in greatest difficulty.

According to preliminary estimates by Istat, GDP fell in all parts of the country in 2008; the decline was slightly larger in the South and Islands (1.3 per cent) and the North West (1.1 per cent) than in the North East and Centre (0.9 and 0.8 per cent respectively; Figure 1.1). Value added in industry fell by 1.6 per cent in the Centre and by more than 2.5 per cent in the other areas. Developments were more mixed in services, with activity basically flat in the North, down slightly in the Centre (-0.4 per cent) and more markedly in the South and Islands (-0.7 per cent).

The population grew by about 1 per cent in the Centre and North, mainly as a result of immigration, so that per capita GDP decreased there by close to 2 per cent

in 2008. In the South and Islands, whose population was stable, the decline in per capita GDP was 0.5 percentage points smaller.

Figure 1.1



Sources: Calculations based on Istat data for the periods 2001-05 and 2006-07; projections based on Istat's regional economic accounts for 2008. The horizontal line indicates the average annual growth rate of the Italian economy in the reference period.

(1) Chain-linked values until 2007. Values at previous year's prices for 2008. Average annual growth rates for the periods 2001-05 and 2006-07.

The crisis of 2008 interrupted the mild recovery in productivity over the previous two years: value added per standard labour unit fell nationally by 0.9 per cent. The greater specialization in industry and international openness of the Centre and North caused a sharper contraction there (about 1.1 per cent) than in the South and Islands (0.5 per cent), where employment declined. The labour productivity lag of the South and Islands remains very large: approximately 13 per cent overall and greater in industry than in services.

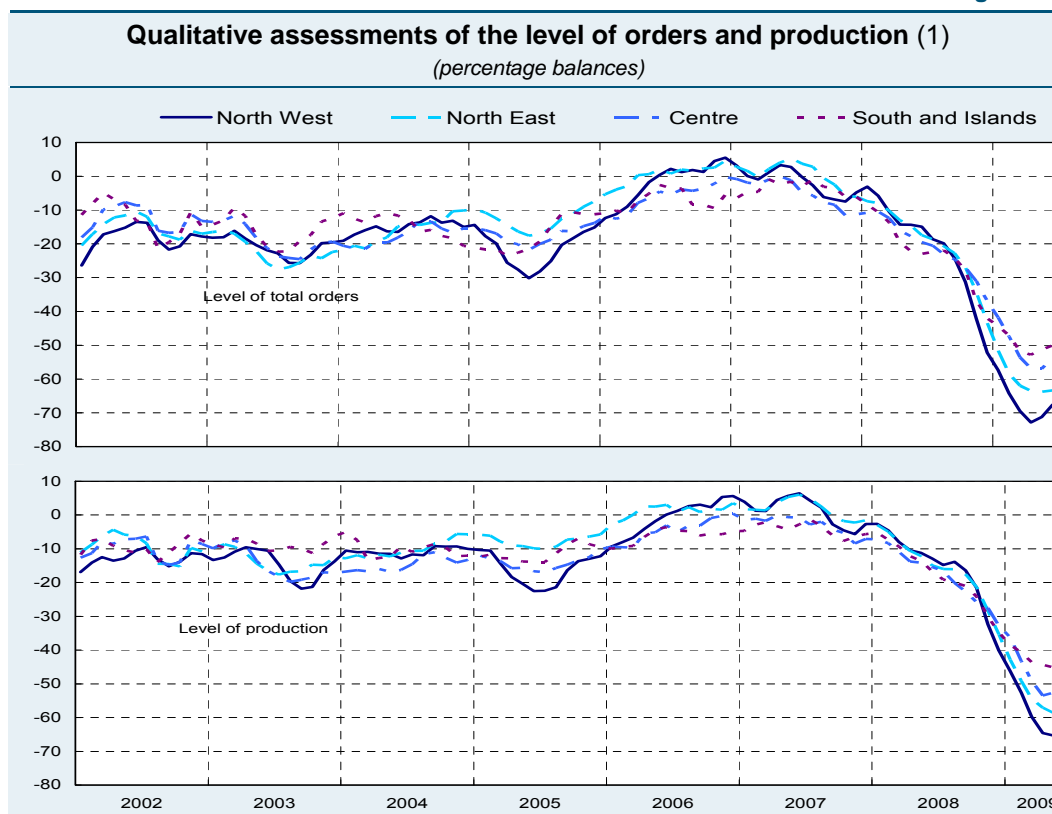
Industry and foreign trade

After two years of rapid growth, the value added in industry fell by 2.7 per cent in 2008. The decline, broadly based by sector and macro-region, was more pronounced in the regions of the North West, in line with the national average in the North East and the South and Islands, and slightly less intense in the Centre.

Demand for industrial goods worsened steadily in the course of the year. According to the Bank of Italy's survey of industrial firms with 20 or more workers, turnover fell by 2.8 per cent for the year as a whole. In the last quarter of 2008 and first quarter of 2009, as the economic and financial crisis grew more acute, the decline in turnover steepened to 23 per cent in the North and about 4 points less

than that in the Centre and the South and Islands (see the box “Effects of the economic and financial crisis on firms”). Firms’ profitability contracted as the cyclical situation deteriorated, with repercussions on their financial condition.

Figure 1.2



Source: Based on ISAE data.

(1) Moving average for the three months ending in the reference month of the balance between the percentage of positive responses (“high”) and negative responses (“low”) by businesses in ISAE surveys; seasonally adjusted.

The balances of businesses’ responses to ISAE survey questions concerning the level of orders and production fell to their lows for the decade (Figure 1.2). According to the Bank of Italy survey, the decline in turnover is likely to continue during 2009 and to be more pronounced in the North than in the rest of Italy.

According to the ISAE survey, the capacity utilization rate also fell steeply towards the end of 2008 and was at historic low levels in the first quarter of 2009. Owing to the highly uncertain macroeconomic outlook and the presence of ample spare capacity, in the last few months firms have put many planned investments on hold. According to the Bank of Italy survey, gross fixed investment at constant prices was stationary on average for the year as a result of a decrease in the North East and Centre and an increase in the North West (on the basis of where firms are headquartered) and in the South and Islands (on the basis of plant location). The latter result reflected the completion of planned investments by large companies headquartered in the Centre and North, especially in the energy sector (Table a1.8). The forecasts for 2009 indicate a generalized, significant fall in gross fixed investment in industry.

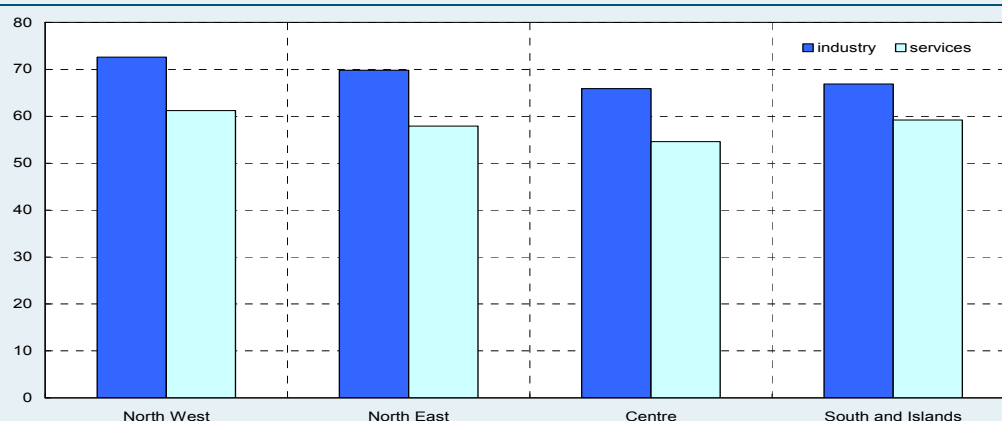
EFFECTS OF THE ECONOMIC AND FINANCIAL CRISIS ON FIRMS

According to a sample of some 4,000 industrial and non-financial service firms with 20 or more workers interviewed by the Bank of Italy between March and April 2009 (see section: Methodological Notes), the impact of the economic and financial crisis has been ample and similar across Italy's macro-regions.

Figure r1

Share of firms significantly affected by the economic crisis as of March-April 2009

(percentages)



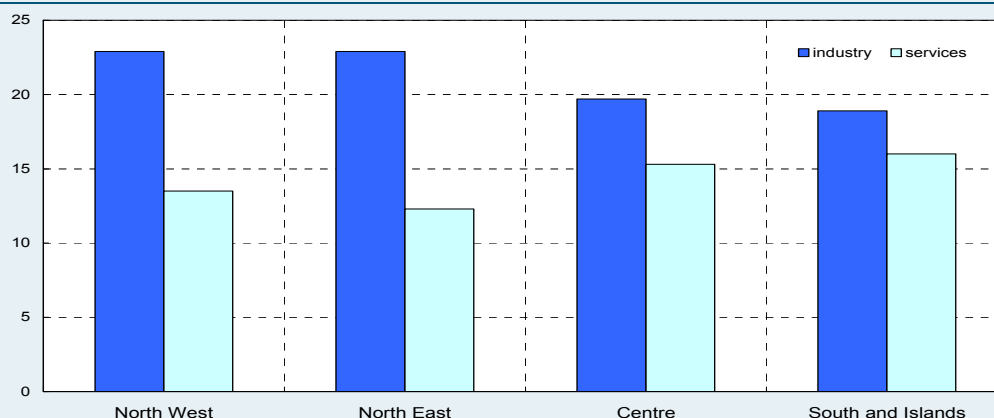
Source: Banca d'Italia, *Survey of Industrial and Service Firms*. See section: Methodological Notes.

In industry, some 71 per cent of firms in the North and 66 in the Centre and the South and Islands have been significantly affected by the crisis (Figure r1). Most firms date the onset of the most acute phase of the crisis to September-October 2008 (Table a1.9). The slump in turnover since then has been slightly greater in the North than in the rest of the country (23 per cent, against 19 per cent; Figure r2). In all the geographical areas, the impact on turnover has been stronger for smaller firms, those with between 20 and 49 workers. In industry, there are slight geographical differences in the channels through which the recession has made itself felt. Firms in the North have been penalized more heavily by the fall in demand, those in the South and Islands by the difficulty of obtaining payment from customers and of procuring funds.

Businesses reported that they had taken or intended to take steps to counter the adverse effects of the cycle, in particular by reducing production costs and diversifying markets (more frequently in the Centre and North than in the South and Islands) or by reducing profit margins (in about the same proportion across Italy). Other measures, such as improving the range of products, scaling down production or transferring plants, were indicated by a low percentage of responses. Overall, measures to counter the effects of the crisis have been taken more frequently in the Centre and North.

Figure r2

**Average contraction in turnover recorded in March-April 2009
with respect to the start of the crisis (1)**
(percentages)



Source: Banca d'Italia, *Survey of Industrial and Service Firms*. See section: Methodological Notes.

(1) Refers only to firms that reported they had been significantly affected by the crisis. The majority of firms date the start of the crisis from September-October 2008.

The impact of the crisis on non-financial service firms, less severe than in industry, has been more accentuated in the Centre and South than in the North. Some 60 per cent of firms reported that they had been significantly affected by the recession, with a larger drop in turnover in the South and Islands than in the Centre and North (16 per cent, against nearly 14 per cent; Figure r2). The crisis in the service sector has mainly taken the form of a fall in demand, less marked for firms in the North West, and of payment difficulties on the part of customers, relatively greater for firms in the South and Islands (Table a1.10). Firms also reported that they had taken steps to cope with the recession, particularly by curbing costs (more frequently in the Centre and North) and reducing profit margins (more frequently in the South and Islands).

Both industrial and service firms, quite independently of their geographical location, expect the crisis to last at least until the first few months of 2010; they predict turnover will fall in 2009, more steeply in the Centre and North.

Foreign trade. – Italian exports of goods and services diminished in real terms by 3.7 per cent in 2008. According to provisional Istat data, at current prices they were practically unchanged (up by 0.3 per cent; Table a1.13). Geographically, exports showed some residual growth in the South and Islands (3.4 per cent, with a contribution of 0.4 percentage points to the growth at national level) and the North West (1.7 per cent, with a contribution of 0.7 points); they fell by 0.5 per cent in the North East (negative contribution of 0.2 points) and by 4.1 per cent in the Centre (negative contribution of 0.6 points).

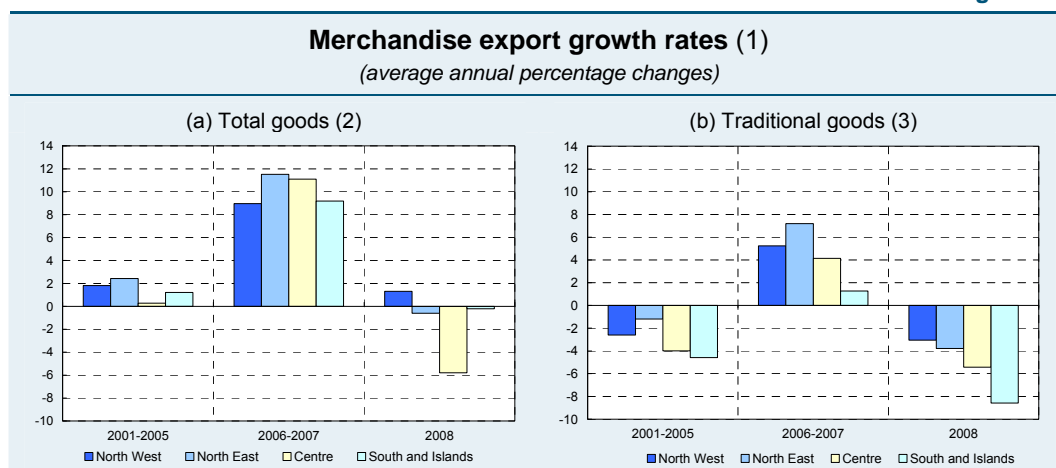
Istat's provisional data on foreign trade at current prices regularly underestimate the final data for trade with the EU-27 because they take only partial account of the delayed, annual Intrastat declarations. Our calculations suggest that, adjusting for the underestimation, the growth rate of Italian exports in 2008 was 1.4 per cent, with expansion in all the geographical areas (South and Islands, 4.5 per cent; North West, 2.9

per cent; North East, 0.7 per cent) except the Centre (-3.1 per cent).

The impact of the global crisis was felt especially from the fourth quarter onwards and grew more acute in the first quarter of 2009. According to Istat's provisional data, the cumulative value of Italian exports fell by nearly 15 per cent in those two quarters after growing slightly in the first nine months of 2008. The contraction was a couple of percentage points less than this in the North West and North East, in line with the national average in the Centre and more than 10 points greater in the South and Islands, where chemical products and transport equipment were the main contributors to the decline. In the Centre, the contraction in the fourth quarter came on the heels of a year-on-year decline in the previous three quarters, particularly for intermediate goods, capital goods, transport equipment, textiles, and leather products and footwear.

The world economic slowdown hit Italy's macro-regions in a differentiated way, depending mainly on their openness to foreign trade, the sectoral composition of their industry and their leading outlet markets. On the way in which the financial crisis that originated in the United States and the United Kingdom was transmitted to Italy's main exporting regions, see the box "The international transmission of the crisis through foreign trade".

Figure 1.3



Source: Istat. See section: Methodological Notes.

(1) At current prices. Growth rates for the periods 2001-05 and 2006-07. – (2) Excludes refined petroleum products and, to allow comparisons over time, ship's stores. – (3) Textiles, clothing, leather products, footwear and other manufactures n.e.c. (including furniture).

The decline in global economic activity interrupted a recovery in exports of traditional products (textiles, clothing, leather products, footwear, and furniture) that had gained pace in the last two years (5.3 per cent on average in the two years 2006-07, compared with an average annual decline of 2.7 per cent in the period 2001-05; Figure 1.3). In 2008 exports of traditional goods fell by 4.3 per cent; the contraction, involving all areas of the country, was largest in the Centre and the South and Islands, which had benefited less from the previous recovery.

THE INTERNATIONAL TRANSMISSION OF THE CRISIS THROUGH FOREIGN TRADE

Internationalization gives companies that are more active in international markets higher growth prospects in the medium term, but in the current downturn it has been a major source of external shocks. This box examines the mechanisms through which these shocks operate and estimates the magnitude of their effects

In the current crisis, international trade underwent a contraction of unprecedented intensity and breadth in the fourth quarter of 2008 and first few months of 2009. Part of the decline was due to the propagation of the recession from the United States and the United Kingdom, where it had begun as early as the end of 2007, through the dense network of economic interdependencies that has linked the different areas of the globe in the last two decades.

In Italy, the regions of the North East and North West, which are more open to foreign trade than the other areas of the country (Table r1), are structurally more exposed to the transmission of the crisis through the foreign trade channel. An additional critical factor for the North is its specialization in capital goods exports, structurally subject to larger cyclical fluctuations.

Table r1

Openness to foreign trade and incidence of exports by macro-region (percentages)

	North West	North East	Centre	South and Islands
Degree of openness to foreign trade (1)	28.7	32.0	16.0	11.3
Exports to the United States/Total exports	5.5	7.0	8.0	7.5
Exports to the United Kingdom/Total exports	5.1	5.6	6.1	5.9
Exports to the euro area/Total exports	45.5	43.6	41.2	46.2

Sources: Based on Istat and Prometeia data. Averages for the two years 2007-08.

(1) Ratio of exports to GDP of the macro-region.

The foreign trade channel operates through the reduction in the demand of the “home countries” of a crisis for products of their trading partners (direct trade links), which in turn depresses the latter’s demand (indirect trade links). An additional effect can develop when, as a consequence of a financial crisis, the exchange rate of a “home country” weakens, giving its exporters an advantage over domestic producers in third countries’ markets. A given geographical area’s exposure to external shocks therefore depends, as a first approximation, on three factors: the importance of direct trade links, the importance of indirect effects and the conditions of competitiveness in third countries’ markets.

Italy has strong direct trade ties with the United States, its third most importance outlet market, and the United Kingdom, its fifth-ranking market (Table r1). A simple measure of the direct trade effects is the contribution of sales to the United States and the United Kingdom to the growth in the total exports of each macro-region. In 2008 the direct effects of the fall in sales to the United States and the United

Kingdom made negative contributions to the growth in exports, most notably in the North East and the Centre (Table r2).

Table r2

Contribution of sales in the United Kingdom and the United States to the growth in exports by macro-region (percentage changes and percentage points)				
	North West	North East	Centre	South and Islands
Total % change in exports (1)	1.7	-0.5	-4.1	0.3
Direct effects (2)	-0.4	-1.6	-1.4	-0.9
Indirect and third-country effects (3)	2.1	1.2	-2.7	1.2

Source: Based on Istat data.

(1) Rate of growth in the value of exports. – (2) Contribution of the United Kingdom and the United States. – (3) Contribution of other countries.

An approximate measure of the net contribution of the indirect and competition-in-third-country effects is given by the difference between the growth rate and the contribution of the direct effects. In 2008 this net contribution was negative only in the regions of the Centre. The Reports on Lombardy and Emilia-Romagna explain how the competitiveness of the United States vis-à-vis exporters based in the North West increased slightly in some outlet markets as a result of the depreciation of the dollar. A similar effect appears to have emerged in the Euro area, owing to the competitive pressure of US firms on firms based in the North East.

In all, despite Italy's international openness, particularly in the North, and specialization in cyclically sensitive sectors, up to now the transmission of the effects of the financial crisis through the trade channel has been rather limited. The first data on 2009, showing significant falls in exports both to the EU and to non-EU markets, indicate that the negative impact could be much greater this year.

Foreign direct investment. – In 2008 direct foreign investment in Italy, excluding real estate and banking and net of disinvestment, diminished by 16.5 per cent compared with the previous year. The flow of investment grew in the North and, above all, in the South and Islands, while it decreased in the Centre. In the North West the net inflow was equal to 1.7 per cent of GDP, a significantly higher proportion than in the other areas. Italian direct investment abroad contracted significantly, mainly as a consequence of the sharp fall in net flows originating from the Centre; among the other macro-regions, only the North East increased its net direct investment abroad.

Services

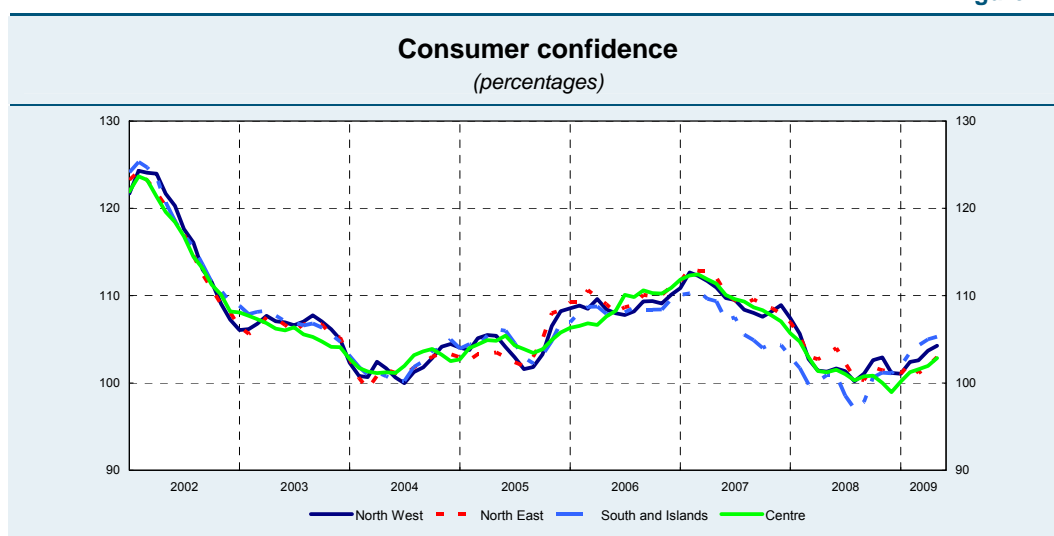
The impact of the international crisis on services was generally more limited than in industry and differed appreciably across the sector. Particularly hard-hit were transport, with its strong ties to industry, and tourism, where demand from abroad bulks large. Distribution was hurt by the deterioration in household confidence and recorded a fall in consumer spending, especially for durable goods.

The value added of the service sector diminished by 0.3 per cent in real terms, against average annual growth of 1.8 per cent in the two previous years. According to preliminary estimates by Istat, value added was basically unchanged in the North West and North East, but fell by 0.4 per cent in the Centre and 0.7 per cent in the South and Islands.

Demand for services shrank rapidly. According to the Bank of Italy’s survey, turnover at constant prices declined by 1.8 per cent overall; the contraction came to about 2.5 per cent in the Centre and the South and Islands, while it was limited to about 1.5 per cent in the North East and North West. From the fourth quarter of 2008 onwards, the effects of the economic crisis were significant for service firms in all the macro-regions (see the box “Effects of the economic and financial crisis on firms”).

Distribution. – Svimez estimates indicate that households’ final consumption diminished in real terms in Italy by about 1 per cent last year. The decline involved all parts of the country but was sharpest in the South and Islands. The reduction in purchases was concentrated in durable goods, for which the ISAE surveys found a progressive and geographically fairly uniform worsening in consumers’ spending plans from October onwards. The drop in consumption was accompanied by a steady deterioration in consumer confidence, slightly more intense in the South and Islands. Consumer confidence has improved somewhat since the start of 2009 in all the macro-regions (Figure 1.4).

Figure 1.4



Source: Based on ISAE data.

Retail sales in the first half of 2008, the latest date for which data are available, were already down nationally by nearly 0.5 per cent compared with the year-earlier period as a result of a decline of 1 per cent in the South and Islands and a flat performance in the rest of the country. After falling slightly in the first half of 2008, new car registrations plummeted by 20 per cent over the fourth quarter of 2008 and

first quarter of 2009; the fall was steepest in the South and Islands.

Transport. – In the final part of 2008 the transport system, freight transport in particular, was extensively affected by the deepening of the economic and financial crisis. Maritime transport fell sharply, and it continued to slump in the first half of 2009; the decline was largest for ports located in the North West. Container traffic, which had expanded rapidly in the previous years, also diminished.

Road haulage, the main means of transport for Italian exports and imports, displayed a similar trend. Interviews with the main road haulage operators indicate that the decline in freight traffic intensified from October 2008 and then stabilized at lower levels. In particular, international transport of heavy goods on the motorway network was down by about 20 per cent in April 2009; the decline mainly involved the northern regions. Long-distance domestic freight traffic was down by close to 10 per cent, with a somewhat smaller drop in the South and Islands. By contrast, freight transport around the major cities, consisting mainly of consumer goods, was only marginally affected. There also appears to have been a limited decline in motor vehicle traffic starting in October 2008 and lasting at least through April 2009.

According to the Italian Association of Airport Operators, in 2008 air passenger and freight traffic fell by 2 and 10 per cent respectively. The outlook this year seems worse. In the first four months of 2009 passenger traffic declined by 9 per cent and freight traffic by 30 per cent. In the air transport industry the recession came on top of the crisis of Alitalia, which, at least through April 2009, entailed the absence of a major national carrier operating in the cargo sector and some considerable operating problems in the passenger sector.

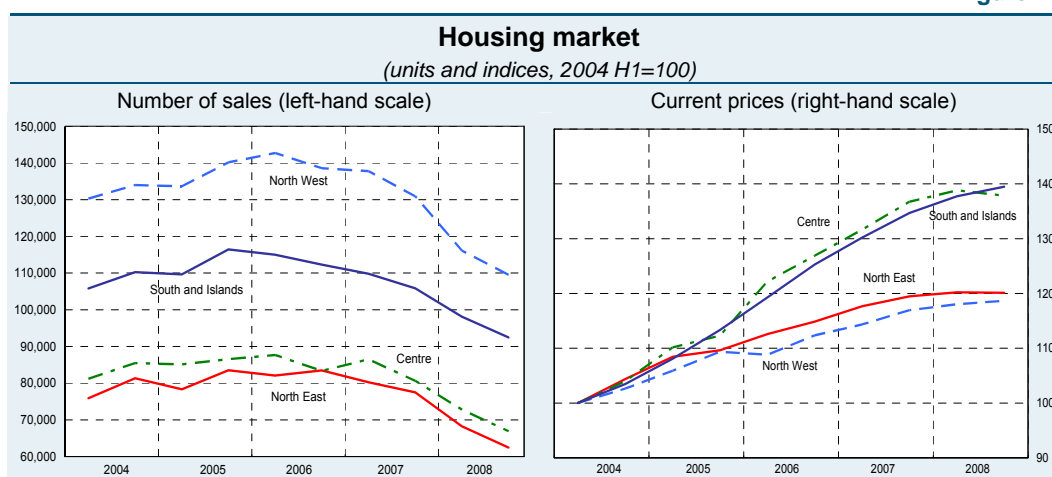
Tourism. – Estimates based on data of the regional statistical offices and tourist promotion agencies indicate that the number of overnight stays by tourists at lodging facilities in Italy fell by 0.7 per cent last year after increasing by 2.8 per cent in 2007. In contrast with the pattern of past years, the decline mainly involved foreign tourists, whose overnight stays fell by 1.3 per cent. The contraction was fueled by the decreases in the regions of the Centre and, to a lesser extent, the South and Islands, where the rise in overnight stays in the Adriatic regions and Sardinia (4.8 and 2.3 per cent respectively) was offset by sharp reduction in Sicily and Campania (-6.1 and -5.7 per cent). In the rest of the country, only Piedmont, Trentino-Alto Adige and Friuli Venezia Giulia registered an increase in overnight stays. During the Easter holidays this year the number of overnight stays in Italy as a whole was practically the same as in 2008. The national figure conceals significant geographical differences: a contraction in the Centre and North contrasted with a gain of 17 per cent in the South and Islands. According to Istat's sample survey, the forecasts for the summer 2009 tourist season point to a generalized decline by comparison with the same period of the previous year, more pronounced in the Centre and North than in the South and Islands.

Construction

Developments were negative in the construction sector in 2008. Residential investment fell, reflecting the deterioration in the property market, and activity in public works weakened further. Construction firms' profitability worsened significantly.

From the autumn onwards construction, like industry and some private services, suffered a very sharp slump in activity. The Istat index of production for the construction sector fell by 10 per cent over the fourth quarter of 2008 and first quarter of 2009. Residential building activity showed signs of deteriorating in all the geographical areas; these signs were strongest in the North East. On the basis of Territorial Agency data, the number of house sales fell in 2008 for the second consecutive year in all the macro-regions. The decline over the fourth quarter of 2008 and first quarter of 2009 amounted to 19 per cent. Compared with the peak reached in the first half of 2006, at the end of 2008 the cumulative decline came to 24 per cent in the Centre and North and 20 per cent in the South and Islands (Figure 1.5).

Figure 1.5



Source: Based on Territorial Agency half-yearly data. See section: Methodological Notes.

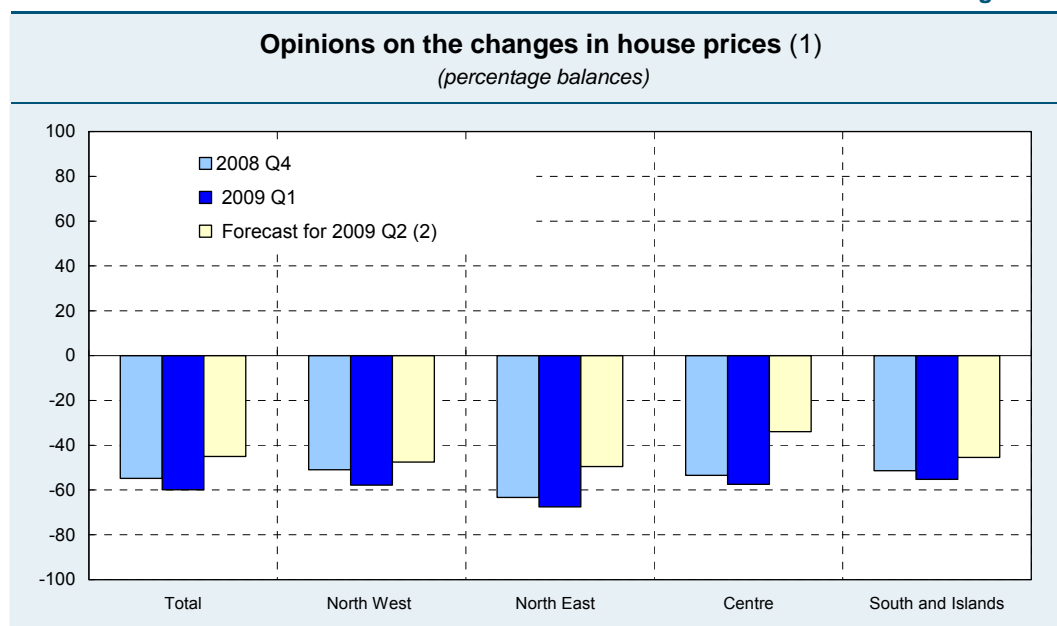
The fall in house sales was associated with a slowdown in prices, especially in the second half of the year. According to calculations based on Territorial Agency data, in the North East and the Centre prices were only marginally higher in the second half of 2008 than in the same period a year earlier, with gains of 0.5 and 0.8 per cent respectively. The rate of increase also fell markedly in the North West, to 1.5 per cent, and in the South and Islands, to 3.6 per cent (Figure 1.5).

According to a new quarterly survey jointly conducted by the Bank of Italy and Tecnoborsa with a representative sample of real-estate agents, in the first quarter of 2009 house prices fell (most steeply in the North East; see Figure 1.6) and reflected deeper discounts (largest in relative terms in the South) with respect to the owners' initial asking prices. Time on the market, which had lengthened in the fourth quarter of 2008 according to more than half of the interviewees, was reported to have remained basically unchanged in the first quarter of 2009. The main reasons for the cessation of agents' mandates were again the lack of offers due to unrealistically high asking prices (two thirds of the agencies), bids deemed too low by the seller (53 per cent on

average, with a higher frequency among agencies located in the South and Islands) and the difficulty for the prospective buyer to obtain a mortgage loan (50 per cent). For the second quarter of this year agents' forecasts remained negative, but expectations of a worsening in both local and national market conditions eased.

The number of applications granted for tax relief for house renovation work fell nationally by 2.8 per cent after rising by 8.5 per cent in 2007. The decrease was largest in the North East (4.6 per cent) and more moderate in the North West (2.7 per cent) and Centre (1 per cent). A slight gain of 0.8 per cent was recorded in the South and Islands.

Figure 1.6



Source: Banca d'Italia—Tecnoborsa, *Housing Market Survey*. See section: Methodological Notes.

(1) Balance between indications of rising prices and falling prices in the market where the agency does business. The percentages refer to valid responses of real-estate agencies that reported making sales in the reference quarter, weighted by the population of agencies derived from the Istat-ASIA archives (2006). – (2) Continuous variable discretized as follows: "decreasing": decrease of more than 1 per cent; "stable": change in the range from -1 to +1 per cent; "increasing": increase of more than 1 per cent.

In public works, the value of production of the firms in the Bank of Italy's sample (see section: Methodological Notes) declined at constant prices by 1.8 per cent (-3.5 per cent in 2007). There was a steep decline in the North West, where a good performance in Lombardy contrasted with a highly negative one in Piedmont (see the Reports for Lombardy and Piedmont), and a more moderate decrease in the North East; the trend was flat in the Centre and rose slightly in the South and Islands.

The value of public works put out to tender rose by 12.7 per cent after three years of decline, although the municipalities' share of the total fell to less than a quarter, from about 30 per cent in 2005. The increase involved all the macro-regions except the North West (-11.3 per cent), where the amount was high nevertheless. In the North East, the increase was close to 40 per cent, owing to the start of the procedures for the award of major contracts for road work in Emilia-Romagna and health facilities construction in Veneto.

On the basis of the latest CRESME data, in the first five months of 2009 the value of public works put out to tender was about 40 per cent higher than in the same period of 2008. The increase was concentrated in the North West and the South and Islands; in the North East the amount was in line with that of the previous year, while in the Centre it was 12 per cent lower.

2. THE LABOUR MARKET AND THE ECONOMIC CONDITIONS OF HOUSEHOLDS

After a long period of expansion, the demand for labour gradually diminished in response to the worsening in economic conditions. The reduction in levels of activity, which became more pronounced from the fourth quarter of 2008 onwards, was reflected in a fall in hours worked and increased recourse to the Wage Supplementation Fund. Since the beginning of 2009 the number of persons employed has begun to fall in all the macro-regions. The deterioration in labour market conditions has been more pronounced in the South and Islands, where the unemployment rate has begun to rise significantly again. Business opinion surveys suggest that the outlook for employment is likely to deteriorate in the coming months in all the macro-regions.

Employment

On the basis of the national accounts, in 2008 the growth in the number of persons employed in Italy (which includes unregistered and non-resident workers) slowed to 0.3 per cent from 1.2 per cent. The number of full-time equivalent workers fell by 0.1 per cent (Figure 2.1); most of the fall occurred in the South and Islands (0.7 per cent), while the situation was unchanged in the North West and the Centre and there was a further small increase in the North East (0.3 per cent). The fall in the number of labour units was especially marked in industry (1.4 per cent), above all in the North West and the South and Islands (2 per cent).

The South and Islands is the only area in which employment is still close to the peak reached in 1991; in the Centre and the North East this has been exceeded by more than 10 per cent and in the North West by more than 4 per cent.

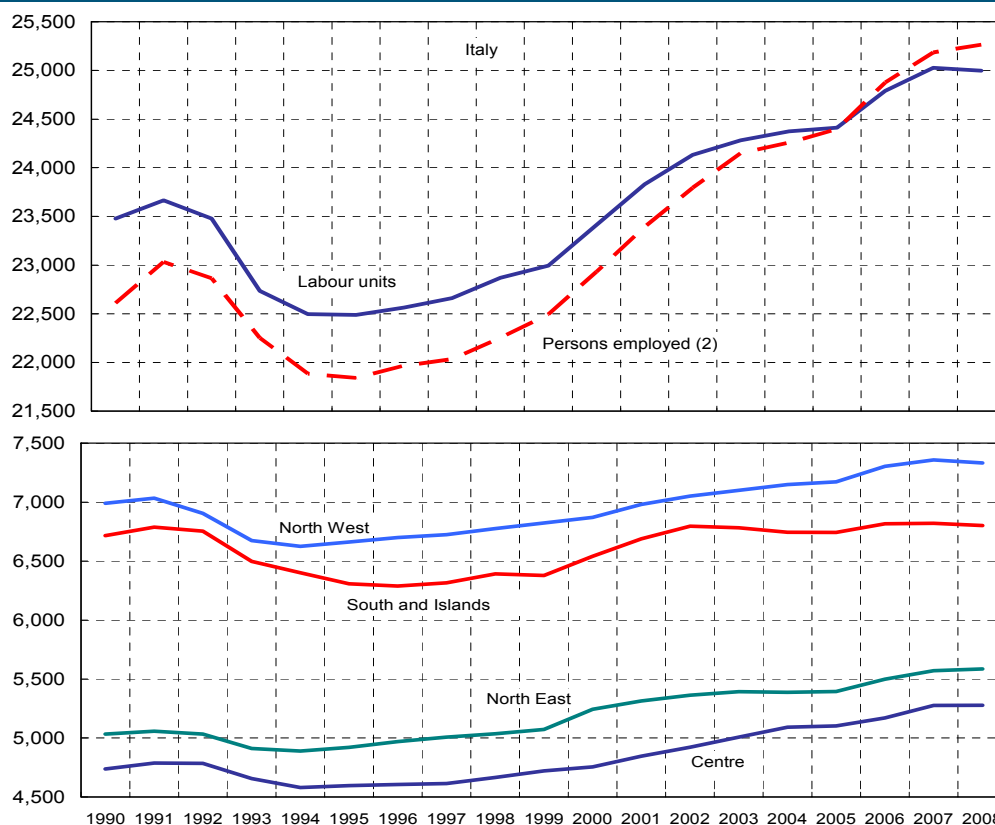
From the second half of 2008 onwards recourse to the Wage Supplementation Fund increased rapidly (Figure 2.2). The number of Wage Supplementation hours authorized in industry, which amounted to the equivalent of 1.5 per cent of the sector's labour units at the end of 2007, rose to 4 per cent in the first quarter of 2009, with higher figures in the North West (6.2 per cent) and the South and Islands (4.1 per cent). In April and May recourse to the Wage Supplementation Fund continued to increase, partly owing to the start of exceptional payments.

According to the Istat labour force survey, in the fourth quarter of 2008 the persons employed who declared that they had not worked in the reference week of the survey or that they had worked for less hours than usual because they were on Wage Supplementation more than doubled compared with the fourth quarter of 2007; persons employed who worked for less hours than usual owing to a reduction in firms' activity but who were not on Wage Supplementation increased by 14 per cent. The bulk of the increase was in the Centre

and the North. At the end of 2008 such workers amounted to 1.4 per cent of total employment in all the macro-regions.

Figure 2.1

Standard labour units by geographical area (1)
(thousands of units)



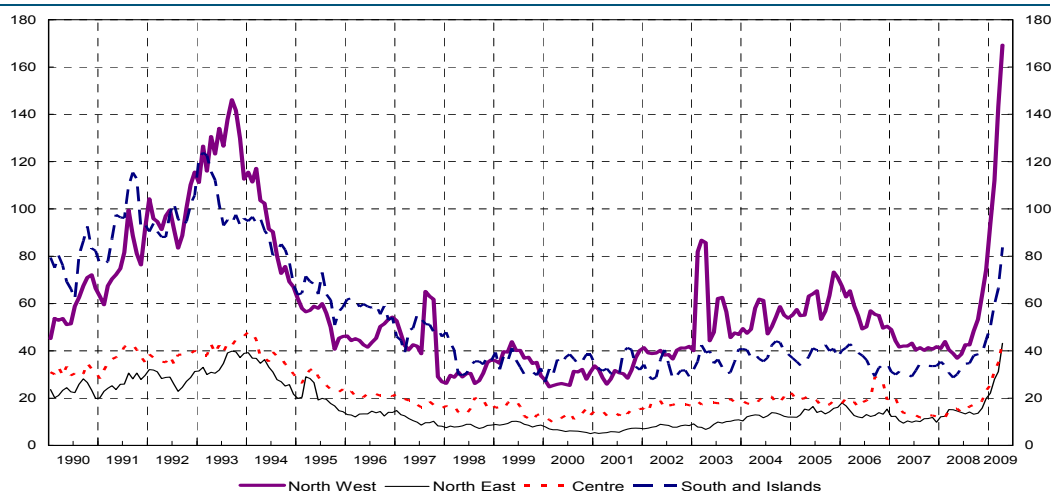
Sources: Istat, *Conti regionali* and *Conti nazionali*. See the methodological notes.
(1) Equivalent full-time employees, resident and non-resident, regular and non-regular. The territorial data for 2008 are provisional and derived from a preliminary Istat release in June 2009. – (2) Resident and non-resident workers, regular and non-regular, in resident firms.

According to the survey conducted by the Bank of Italy in March 2009 on firms with at least 20 workers in industry and services (see the methodological notes), the per capita hours actually worked in 2008 fell by 0.7 per cent. The fall was more pronounced in the South and Islands than in the Centre and North (1.8 per cent as against 0.5 per cent); it was also more pronounced for industrial and especially export-oriented firms (1.1 per cent), than for service firms, for which worked hour were virtually stable. Employment at the end of the year decreased by 0.1 per cent and slightly more in the South and Islands. The fall in employment was due primarily to industry (0.9 per cent) and smaller firms: the number of persons employed in firms with between 20 and 40 workers fell by 1.4 per cent in the Centre and North and by 3.7 per cent in the South and Islands. Looking ahead, firms' demand for labour is likely to fall further during the year. The average level of employment in

2009 is expected to be 2.1 per cent below that in 2008. The fall is expected to be greater in industry and in smaller firms, without any significant local heterogeneity.

Figure 2.2

Full-time labour units equivalent to the hours of wage supplementation (1)
(migliaia di unità)



Sources: Based on Istat and INPS data. See the *methodological notes*.

1) Full-time labour units equivalent to the hours of ordinary and extraordinary wage supplementation in industry excluding construction and in building. Estimates obtained on the basis of contractual hours; the monthly data are seasonally adjusted and obtained as three-term moving averages.

The inflows recorded in the mobility lists point out, an increase in the number of dismissals, in the regions for which the information is available (Valle d'Aosta, Piedmont, Trentino-Alto Adige, Veneto, Friuli Venezia Giulia, Emilia-Romagna, Marche, Lazio, Molise and Basilicata; see L'economia del Friuli Venezia Giulia and L'economia del Veneto nell'anno 2008). Between October 2008 and February 2009 the inflows recorded in mobility lists grew annually by 37 per cent; the increase was almost entirely due to the individual dismissals by small firms with less than 16 workers, which increased by more than 50 per cent.

According to Istat's labour force surveys, the average number of persons employed increased by 0.8 per cent in 2008, a slower rate than in 2007. The number of persons employed rose by 1 per cent in the North West, by 1.5 per cent in the North East and the Centre and fell by 0.5 per cent in the South and Islands. The growth in employment gradually weakened in all the macro-regions over the year and turned into a decline in the first quarter of 2009. Compared with the first quarter of 2008, the decline was equal to 0.4 per cent in the North, 0.9 per cent in the Centre and 1.8 per cent in the South and Islands.

In 2008 foreigners made a significant contribution to the increase in the number of employed persons, partly owing to the progressive completion of the procedures for the registration at municipal registries of persons from new EU countries. Net of the contribution made by foreigners, in 2008 employment contracted by 1 per cent in the South and Islands and remained at its 2007 level in the Centre and North.

In 2008 there were about 1.8 million foreigners in Italy and their share of total employment rose by 1 percentage point to 7.5 per cent. Foreigners were concentrated in the regions of the Centre and North, where

they accounted for 9.2 per cent of total employment (as against 3 per cent in the South and Islands); they tended to do jobs requiring lower human capital that were mostly complementary to those of Italians (see Chapter 8: Immigration in the Italian regions).

The composition of employment. – Continuing the trend of the previous year, only female employment increased (by 1.9 per cent), while male employment remained basically unchanged. The increase in female employment was more pronounced in the Centre and North, so that the gap compared with the South and Islands widened.

In industry excluding construction the number of persons employed declined by 1.2 per cent after rising by 0.4 per cent in 2007. The crisis made itself felt to a greater extent in the fourth quarter, especially in the South and Islands and the North West, where the number of persons employed fell by 7.3 and 3.4 per cent respectively). In the construction sector, after the rapid growth of the last few years, employment slowed significantly (growing by 0.7 per cent, compared with 2.9 per cent in 2007) in connection with the weakening of the business cycle in the housing market; in the southern regions the number of persons employed in the construction sector fell by 1.7 per cent. In both parts of the country the downward trend of agricultural employment continued. In services, which are less reactive to the economic cycle, employment continued to grow, especially in the Centre and North.

Employment relationships. – In 2008 the number of payroll workers rose by 1.6 per cent, while the number of self-employed fell by the same amount and to an even greater extent among project collaborators and occasional workers. Payroll workers with fixed-term contracts, project collaborators and occasional workers accounted for 14.5 and 10.9 per cent of total employment in the South and Islands and the Centre and North respectively. The higher proportion of these forms of contract in the South and Islands is partly due to the greater importance of agriculture and construction in that macro-region. The workers who were affected by the crisis first were those with fixed-term contracts, project collaborators and occasional workers, who decreased in number by 1.9 per cent in the fourth quarter of 2008 compared with the previous year period (with a fall of 6.1 per cent in the South and Islands, compared with no change in the Centre and North). The situation deteriorated in the first quarter of 2009, when the number of fixed-term employees fell by 7 per cent compared with the previous year period.

There was a further increase in the number of part-time employees (6.4 per cent), which took them to 14.8 per cent of total employment (more than 28 per cent for the female component). The incidence of part-time employment in the South and Islands is nearly three percentage points lower than in the Centre and North. A large and growing proportion of part-time workers would prefer a full-time job (nearly 43 per cent in the country as a whole and more than 65 per cent in the South and Islands).

The employment rate. – The employment rate among the population of working age in 2008 was about 66 per cent in the North, remained about 4 percentage points lower in the Centre and more than 20 points lower in the South and Islands. The differences were even more marked for female workers. Compared with the male employment rate in the North, equal to about 75 per cent, that in the Centre is 3

percentage points lower and that in the South and Islands 15 points lower. The female employment rate is about 57 per cent in the North, that in the Centre is 5 percentage points lower and that in the South and Islands is no less than 27 points lower.

Compared with the EU-27, Italy's employment rate is about 7 percentage points lower, with a larger difference for the female employment rate (about 12 points). The gaps are entirely due to the employment rates in the South and Islands, which are the lowest in the EU-27 countries for both the male and the female components.

The labour supply and unemployment

In 2008 the labour force grew by 1.5 per cent after remaining basically unchanged in 2007. The growth was due to the increase in the number of persons employed, which was driven by the foreign component, and to that in the number of job-seekers, up by 186,000 compared with 2007. The number of unemployed rose by about 1.7 million, more than half of whom were resident in the South and Islands.

As a consequence of these changes, in 2008 the unemployment rate rose in all the macro-regions: from 3.8 per cent in 2007 to 4.2 per cent in the North West, from 3.1 to 3.4 per cent in the North East, from 5.3 to 6.1 per cent in the Centre, and from 11.0 to 12.0 per cent in the South and Islands. The youth unemployment rate turned up in 2008 and rose to 21.3 per cent, up by one percentage point on 2007. The increase was especially sharp in the fourth quarter, when the rate rose to nearly 24 per cent on a national basis and to nearly 37 per cent in the southern regions.

In the South and Islands significant forms of discouragement lead to the underestimation of the unemployment rate. Counting as unemployed also persons who, though not having undertaken a job search action in the previous month, stated that they were willing to go to work immediately, the unemployment rate in the South and Islands would have been nearly 30 per cent (8.7 per cent in the Centre and North).

Households' economic conditions

The data on households' economic conditions confirm the existence of a wide gap between the South and Islands and the Centre and North, which has not changed significantly in the last few years. The increase in unemployment due to the economic crisis is likely to increase the risk of poverty among Italian households, especially in the southern regions.

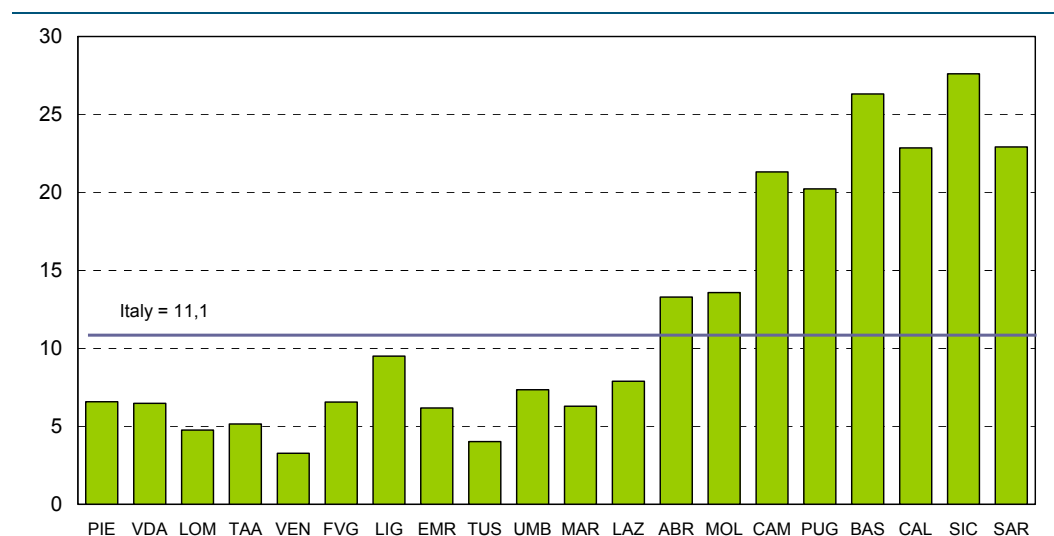
According to Istat, in 2007 the proportion of households living in conditions of relative poverty, or in other words had a level of monthly consumption below a conventional threshold, was about 11 per cent of the total, in line with the previous year (Figure 2.3). The incidence of poor households continues to be significantly higher in the South and Islands, 22.5 per cent compared with 5,5 per cent in the North and 6.4 per cent in the Centre. In Basilicata and Sicily the figure exceeds 25

per cent. Poverty is more widespread in households where the number of children is higher and those with a lower level of education. It also depends on the occupational status of the head of the household: the incidence of poor households rises to 27.5 per cent where the head of the household is unemployed (more than 38 per cent in the South and Islands), about three times the figure for households whose head is employed. Among the latter the incidence of poor households is higher for those headed by a blue-collar worker than for those headed by another type of employee or a self-employed person.

Istat has recently supplemented the index of relative poverty, which does not take account of regional differences in the cost of the basket of goods and services, by introducing an index of absolute poverty, which identifies the poverty threshold by taking account of the regional differences in the cost of the basket as well. This reduces the regional disparities between households' economic conditions: according to the latest data available, for 2007, in the South and Islands 5.8 per cent of households are in conditions of absolute poverty, compared with 3.5 per cent in the North and 2.9 per cent in the Centre.

Figure 2.3

Regional incidence of relative poverty in 2007 (1)
(percentages)



Source: Istat, La povertà relativa in Italia nel 2007

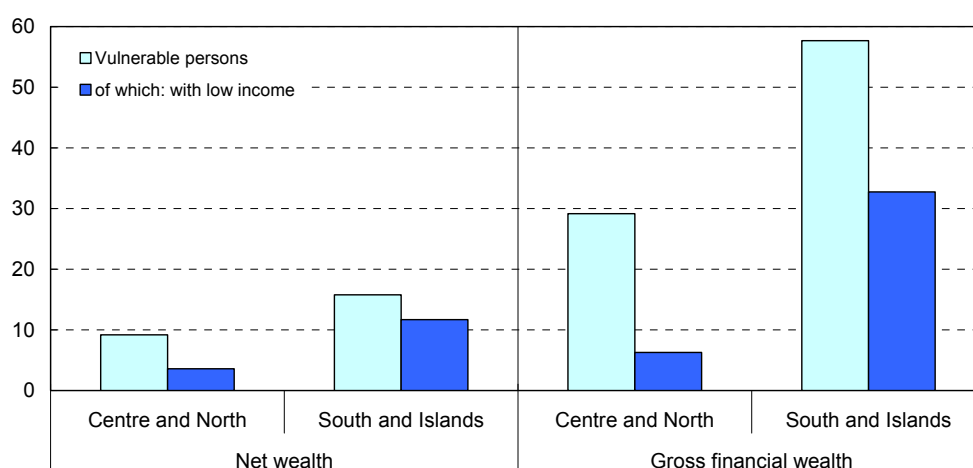
(1) Percentage of households whose average monthly consumption is equal to or below a conventional threshold known as the poverty line; in 2007 for a two-member household this was equal to €986.35.

In 2006 households' available income with reference to the resident population, obtained from Istat's national accounts data, was equal to €17,215, an increase of 13.4 per cent on 2001. Per capita income was significantly higher in the northern regions (about 17 per cent above the national average) and lower in the southern regions (less than three quarters of the figure for Italy). Between 2001 and 2006 per capita income increased in all the geographical areas at a similar rate that was slightly lower only in the North East. Consequently, the distribution of income among the various regions did not show a significant convergence.

Looking ahead, it is likely that the greater uncertainty with respect to earnings and the rise in unemployment will increase the number of persons deemed to be vulnerable. According to the definition of the World Bank, a person is deemed to be vulnerable if he owns assets whose value is less than what he would need – fully liquidating them and not having any other income – to live for a given period above the poverty threshold. Considering a period of three months, on the basis of the 2006 data of the Bank of Italy’s *Survey on household income and wealth*, nearly 12 per cent of persons are vulnerable at national level; in the South and Islands the figure is close to 16 per cent and in the Centre and North it is 9 per cent (Figure 2.4). Considering only financial assets, the proportion of vulnerable persons rises to 39 per cent, with values that are higher in the South and Islands (58 per cent) and lower in the Centre and North (29 per cent). One out of three vulnerable persons in the southern regions also has a low income, less than 60 per cent of the median value.

Figure 2.4

Proportion of persons deemed vulnerable by geographical area (1)
(percentages)



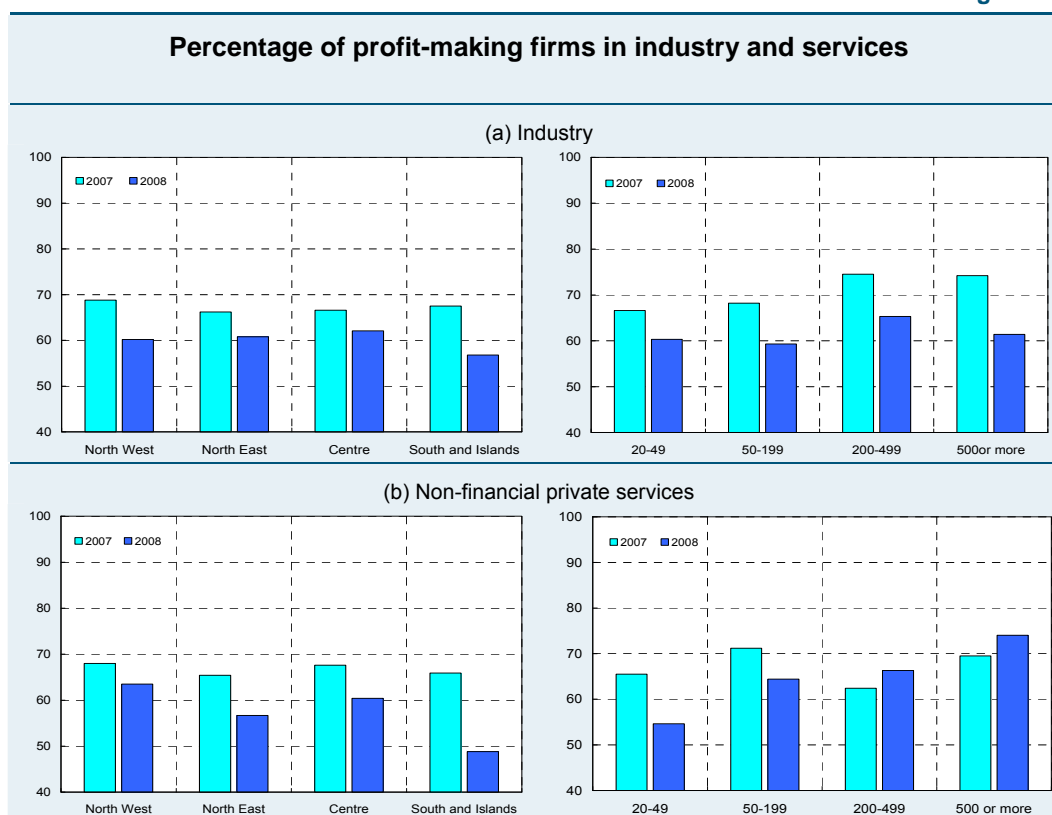
Source: *Survey on household income and wealth, historical archive*. See the *methodological notes*.

(1) A person is deemed vulnerable if he owns assets whose value is less than what he would need – fully liquidating them and not having any other income – to survive for three months above the poverty threshold (60 per cent of the median equivalent income). Net wealth is the value of the real and financial assets net of liabilities; gross financial wealth is equal to the value of the gross financial assets. A person is considered to have a low income if it is less than 60 per cent of the median income.

3. FIRMS' PROFITABILITY, FINANCIAL CONDITIONS AND DEBT

Profitability in 2008. – According to the national accounts, in 2008 non-financial firms' operating profitability, measured by the ratio of gross operating profit to value added, fell back to the levels of the early 1990s. Net interest expense rose from nearly 18 to more than 20 per cent of gross operating profit.

Figure 3.1



Source: Bank of Italy Survey of Industrial and Service Firms. See section: Methodological Notes.

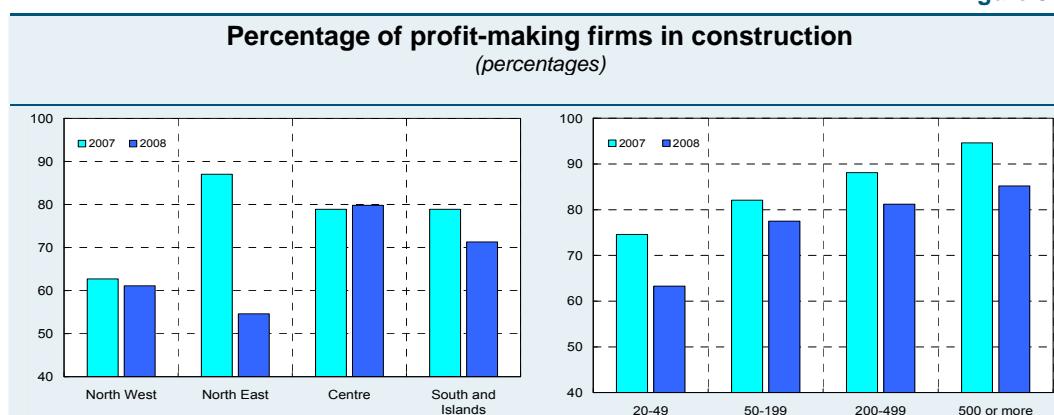
According to the Bank of Italy's survey of industrial and service firms with 20 or more workers, net profitability also fell last year (Figure 3.1). Compared with 2007, the proportion of firms reporting a profit for the year in their provisional accounts declined from 67 to 60 per cent in industry and from 67 to 58 per cent in services. The fall in the profitability of industrial firms involved all the macro-regions and all sizes of firm; it was most pronounced in the South and Islands and among large companies. Whereas in 2007 the share of profit-making firms increased with firm size, in 2008 it was fairly similar across size classes. In non-financial private services the fall in profitability involved all the macro-regions, but it was concentrated in firms with fewer than 200 workers, while the performance of the

largest companies improved. In the South and Islands the share of service businesses showing a profit fell markedly, from 66 to 49 per cent.

A factor in the decline in profitability was the slowdown in sales volumes. Between 2007 and 2008 the rate of growth in industrial and service firms' turnover fell from 4.8 to 2.5 per cent in nominal terms and turned negative in real terms. The expansion in sales was modest in all the geographical areas, with a sharper slowdown for firms based in the South and Islands and the North East.

The reduction in profitability was especially marked in the construction sector. According to the Bank of Italy's survey, in 2008 the percentage of firms showing a profit fell by 10 percentage points to 66 per cent. The worsening involved firms of all sizes; it was largest for companies based in the North East, where the share making a profit fell from 87 to 55 per cent, and for firms with fewer than 50 workers (Figure 3.2).

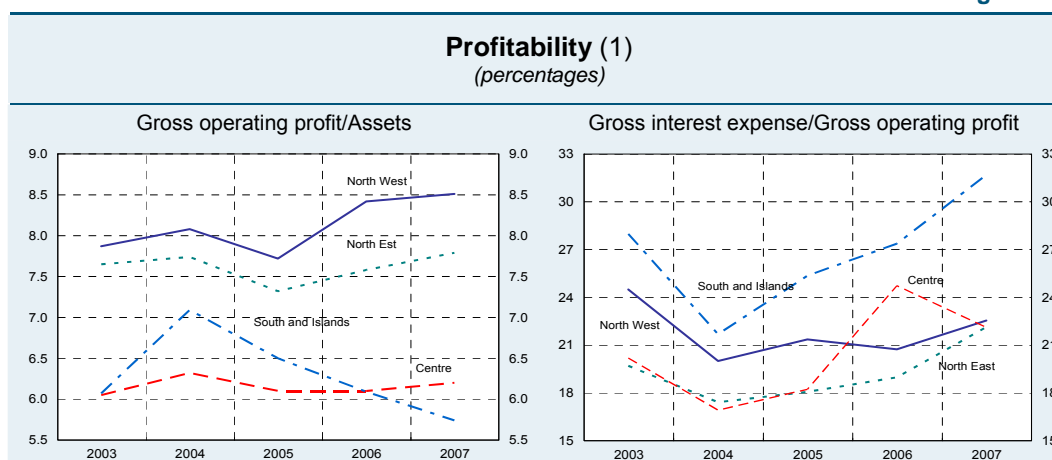
Figure 3.2



Source: Bank of Italy Survey of Industrial and Service Firms. See section: Methodological Notes.

Profitability up to 2007. – According to the Company Accounts Data Service and Cerved archives, the slackening in sales had already begun in 2007 in all sectors of the economy and had affected all the macro-regions in varying degree; it had been most pronounced for firms based in the North West and Centre. The slowdown in sales volumes had not, however, adversely affected operating profitability, measured by the ratio of gross operating profit to assets, except in the South and Islands, where the ratio, already declining in the preceding years, fell below 6 per cent (Figure 3.3). Partly owing to the rise in bank lending rates, in 2007 gross interest expense had risen in relation to gross operating profit in all the macro-regions except the Centre; given the higher level of debt, the increase had been largest in construction and services and for firms in the South and Islands, where gross interest expense had exceeded 30 per cent of gross operating profit.

Figure 3.3



Sources: Based on Company Accounts Data Service and Cerved data.

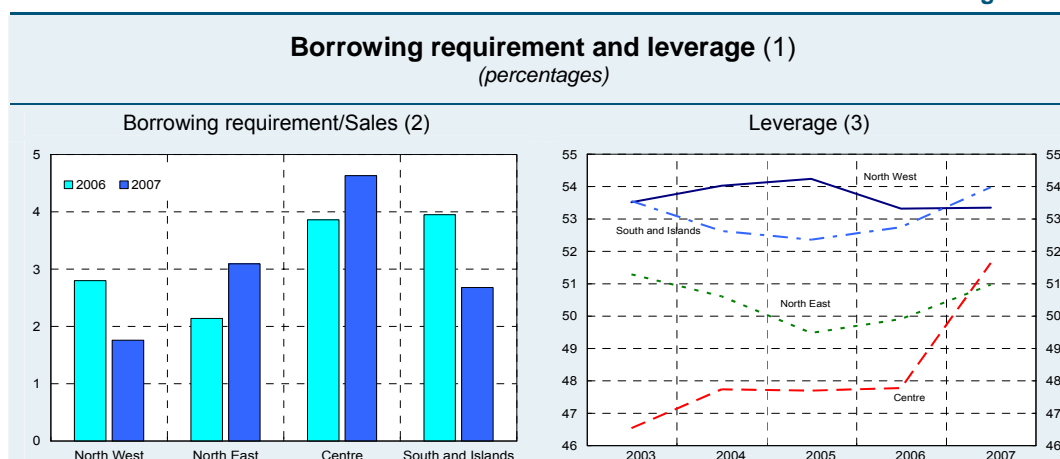
(1) Balance sheet values; weighted averages for the denominator of each ratio.

Borrowing requirement and debt conditions. – Despite the downward revision of fixed investment plans, according to national accounts data firms' borrowing requirement grew further in 2008, rising to 3.8 per cent of GDP: the fall in demand and growing problems in collecting claims due from customers led to a lengthening of the cash conversion cycle, thereby increasing the need for financing of working capital. Firms' debt continued to grow: leverage, defined as the ratio of financial debt to the sum of financial debt and equity at market prices, rose by about 8 percentage points, to 48.7 per cent.

On the basis of the Bank of Italy's survey of industrial and service firms with 20 or more workers and supervisory statistical reports, indebtedness in terms of the ratio of bank debt to sales grew most rapidly for service firms, especially those located in the Centre and South, and for industrial firms based in the Centre. Among companies with 50 or more workers, self-financing fell in all the macro-regions and more frequently for industrial than for service firms; the decline was most widespread in the North West.

On the basis of Company Account Data Service and Cerved data, in 2007 firms' borrowing requirement fell from 3 to 2.8 per cent of sales revenues; a decline for companies located in the North West and the South and Islands contrasted with an increase for those based in other parts of the country (Figure 3.4). In the same period, leverage, calculated at balance sheet values, rose in varying degree in all the macro-regions, most sharply in the Centre and only slightly in the North West; in the South and Islands it came close to 54 per cent. The leverage ratio in smaller enterprises (with sales of less than €10 million) was 57.9 per cent, about 5.5 percentage points above the national average (Table a3.1). Among the sectors of economic activity, the leverage ratio of construction and transport firms exceeded 60 per cent. In terms of the ratio of financial debt to value added, the indebtedness of small and medium-sized enterprises had risen fastest in the South and Islands, increasing from about 156 per cent in the three years 2004-06 to more than 170 per cent in 2007.

Figure 3.4



Sources: Based on Company Accounts Data Service and Cerved data.

(1) Balance sheet values; weighted averages for the denominator of each ratio. – (2) Only for firms present in the Company Accounts Data Service database. The borrowing requirement is defined as the amount of resources required for net investment and for the change in working capital not covered by self-financing. – (3) Ratio of financial debt to the sum of financial debt and equity at balance sheet values.

Conditions of access to credit. – Firms were affected by banks' more cautious lending stance. According to the Bank of Italy's survey, 36 per cent of firms with 20 or more workers reported a tightening of credit supply conditions starting in October 2008. The tightening was reported more frequently by industrial firms (38 per cent), especially large ones (47 per cent), except in the South and Islands. In the latter areas the phenomenon was more widespread among industrial firms with fewer than 50 workers (42 per cent; 37 per cent among larger firms), the opposite situation obtaining in the rest of the country.

About 12 per cent of firms had received at least one request for early partial or total loan repayment. The incidence was higher for industrial firms (13 per cent), especially smaller ones or those located in the South and Islands. The differences by geographical area are possibly due to the differing conditions of profitability and indebtedness of the borrower firms: according to econometric estimates, firm characteristics being equal, the probability of receiving a repayment request is not correlated with the area in which firms are based.

Between 2007 and 2009 the proportion of businesses that had been turned down for new loans rose from 3 to 8 per cent; among industrial firms of the South and Islands, it increased from 6 to nearly 12 per cent. According to the ISAE surveys, in May 2009 the conditions of access to credit for manufacturing firms and those in mining and quarrying became more favourable.

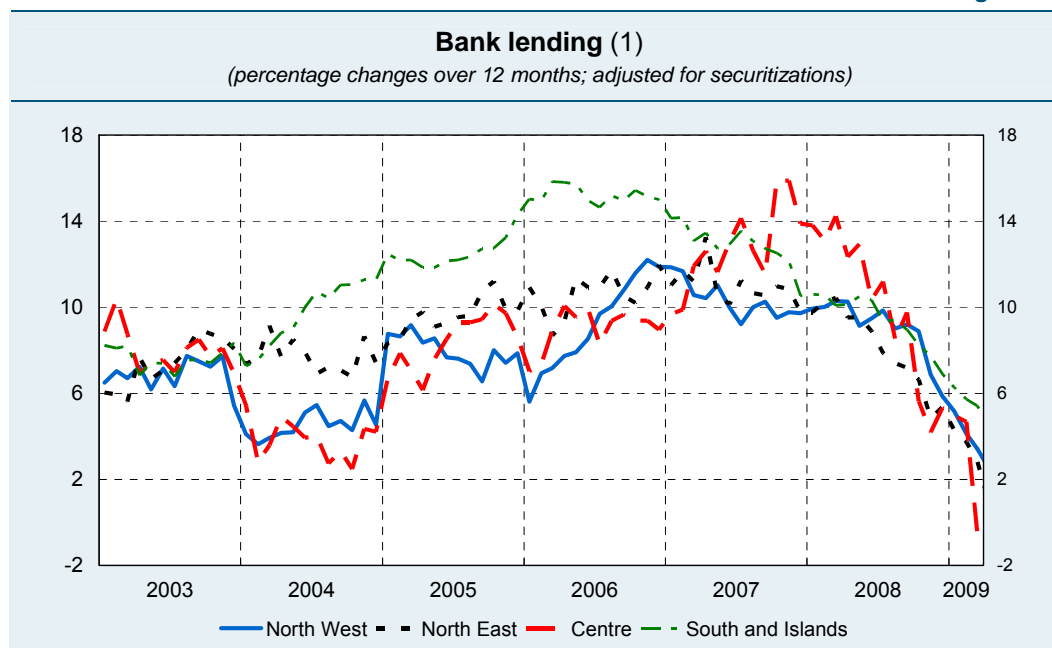
4. FINANCIAL INTERMEDIARIES

Lending to households and firms

Net of repos and bad debts and adjusted for the accounting effects of securitizations, bank lending grew by 5.8 per cent in 2008, down from 10.8 per cent in 2007. The slowdown affected all the macro-regions but was sharpest in the Centre and most moderate in the South and Islands. For the year as a whole, the rate of growth in lending ranged between 5.3 and 5.9 per cent in the regions of the Centre and the North and came to 6.9 per cent in the South and Islands.

In the twelve months ending in March 2009 lending growth rates fell further in the North and the South and Islands; in the Centre lending decreased slightly, reflecting the fall in loans to financial and insurance companies (Figure 4.1).

Figure 4.1



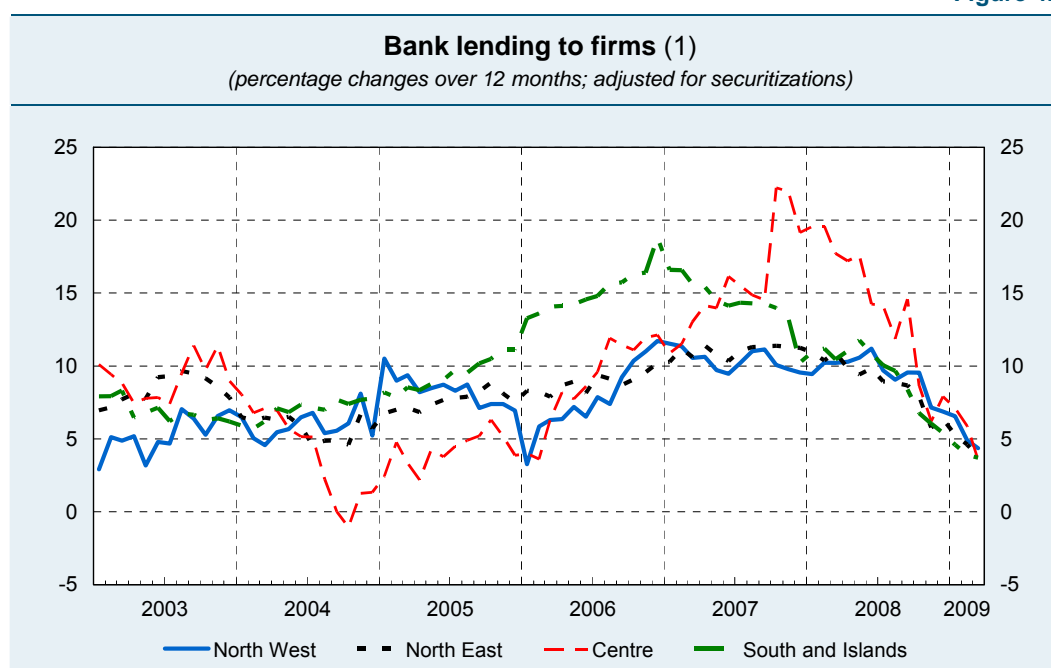
(1) The location refers to the borrower's region of residence. Starting in 2005, includes subordinated loans. See Methodological Notes.

Firms. – Bank lending to firms slowed from a national average rate of 12.2 per cent in 2007 to 6.8 per cent in 2008. The slowdown was sharpest in the regions of the Centre. A significant factor in the slowdown was firms in the energy sector,

lending to which had expanded sharply in 2007 in connection with major takeovers of foreign companies.

In the twelve months ending in March 2009 the growth in lending to firms continued to slow in all macro-regions, to rates ranging between 3.5 and 4.4 per cent (Figure 4.2)

Figure 4.2



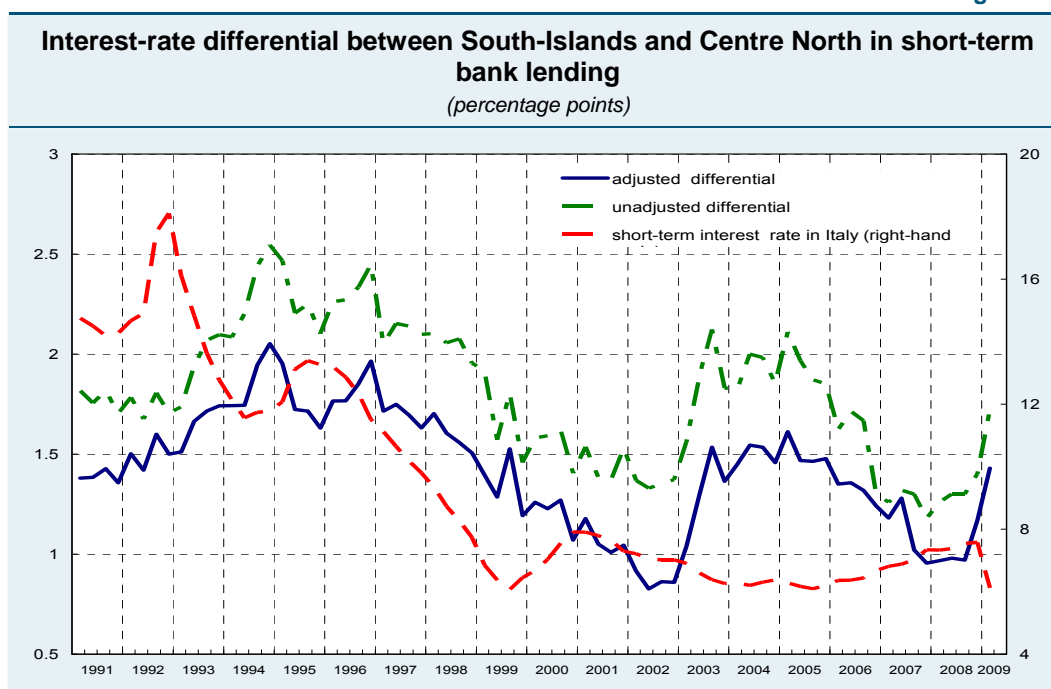
(1) The location refers to the borrower's residence. Starting in 2005, includes subordinated loans. See Methodological Notes.

The slowdown in lending expansion involved all the sectors of economic activity. Following the rapid growth of the last decade, lending to the construction industry slowed sharply (from over 14 to 8.4 per cent), but still remaining above the overall average (Table a4.1). The deceleration in lending to service and construction firms characterized all macro-regions; lending to manufacturing firms slowed in the North East and the South and Islands, held steady in the Centre, and accelerated slightly in the North West.

The slowdown of lending to non-financial companies involved all sizes of firm but was more pronounced for the larger ones; nevertheless, lending to the larger firms continued to grow faster than that to smaller ones. Lending to small firms slowed more markedly in the South than in the Centre and North while still growing at a higher rate. In March 2009 year-on-year lending to small firms, not adjusted for securitizations, increased by 2.4 per cent in the South and Islands and by 1.3 per cent in the Centre and North.

The slowdown in business lending growth involved mostly the top five banking groups. Lending from such intermediaries slowed in a similar way in the two Italian territorial areas (Figure 4.3).

Figure 4.4



Source: Central Credit Register.

The differential in the cost of credit mainly reflects the greater riskiness of southern firms: in 2008 the ratio of adjusted new bad debts to total loans outstanding was 0.7 percentage points higher in the South and Islands than in the Centre and North. The differential also stems from the greater fragility of the southern economy, the longer time needed for credit recovery, and the expected evolution of risk: in recent months the proportion of loans for which banks note temporary repayment difficulties has risen more sharply in the South and Islands.

According to Central Credit Register data, leasing credit granted by banks and financial companies decelerated sharply from 17.8 per cent to 1.7 per cent, unadjusted for the accounting effect of securitizations; virtual stagnation in the North was accompanied by moderate growth in the Centre and South. The slowdown depended in part on retrenchment of investment plans by firms. The use of factoring showed divergent trends: an acceleration in the North West was accompanied by a slowdown in the rest of the country.

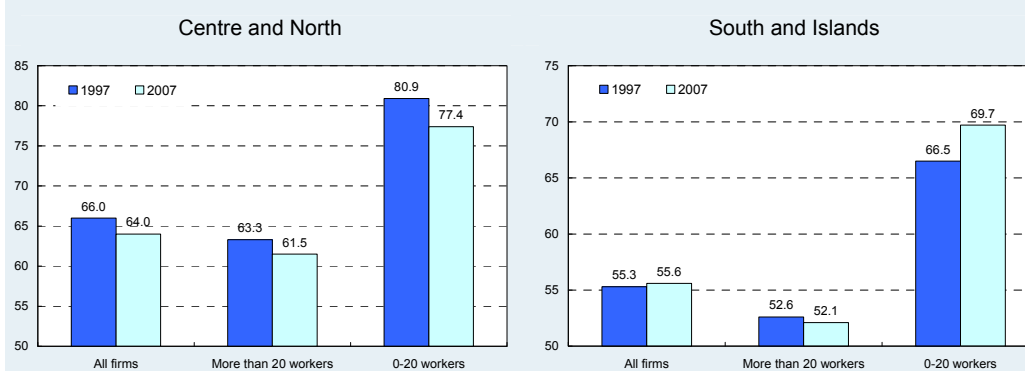
BANKS AND FIRMS IN LOCAL CREDIT MARKETS

In the last decade the configuration of the financial industry has been transformed. While the national banking system has been consolidated, geographical proximity between banks and firms continues to be a significant factor in credit relations. Nearness can be an advantage for banks and firms alike. Local banks, thanks to their greater familiarity with the state of the local economy, may enjoy lower credit risk and so offer better terms to borrowers. The “operational distance” between bank and borrower firm can be represented by the capacity of a restricted territory – a local labour system, say – to contain credit demand and supply relations (its self-containment capacity).

Between 1997 and 2007 Italian credit markets remained local in character, and the self-containment capacity of restricted territories, though diminishing slightly, remained high. In 2007, 62.9 per cent of loans were granted by bank branches located within the same local labour system as the borrower firm, compared with 64.6 per cent in 1997. The slight fall nationwide was due exclusively to the regions of the Centre and North, while in those of the South and Islands the distance between bank and borrower held practically unchanged. Nevertheless, in 2007 the distance between bank and firm was smaller in the central and northern regions: 64.0 per cent of loans were granted by bank branches located in the borrower’s local labour system, compared with 55.6 per cent in the South and Islands (Figure r3). The region with the shortest distance of all was Trentino-Alto Adige, followed by Liguria and Lombardy. Those where the distance is greatest are Valle d’Aosta, Molise and Basilicata.

Figure r3

Credit relation self-containment index by local labour systems (1) (2)
(percentages)



Source: Based on Central Credit Register data.

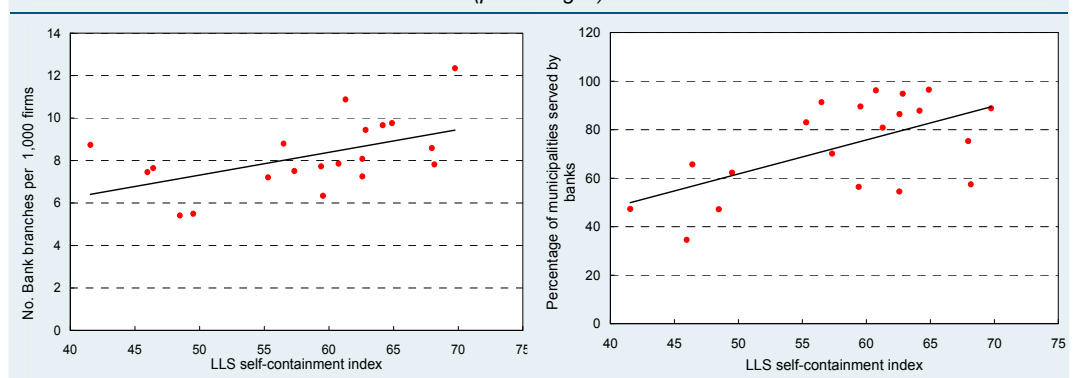
(1) Percentage of the credit drawn by firms resident within a given local labour system granted by bank branches in the same local labour system. – (2) Data refer to firms effecting self-liquidating credit transactions, revocable credit transactions, and loans with specified maturity; does not include bad debts and loans subject to bankruptcy proceedings. – (3) Non-financial companies and producer households.

The average distance between bank and firm depends on a number of factors involving the characteristics of the local economy and the way in which the banking system has established its presence.

In all the regions of Italy the importance of local credit markets increases as average company size decreases. In the Centre and North, in 1977 firms with fewer than 20 workers got 77 per cent of their credit from bank branches located within their own local labour system; for larger firms, the proportion falls to 61.5 per cent. In the South and Islands, these shares were 69.7 and 52.1 per cent respectively.

Figure r4

Local labour system credit self-containment index and branching density by region, 2007
(percentages)



Sources: Based on Central Credit Register, Istat and Bank File data.

The distance between bank and firm is correlated with the density of the branch network (Figure r4). The interregional comparison suggests a positive correlation between degree of self-containment within local labour systems and some indicators of banking density: a larger number of branches facilitates proximity between banks and customers and helps to explain the smaller distances observed in the Centre and North than in the South and Islands, where there are fewer branches in proportion to the number of firms and a lower percentage of municipalities with at least one bank.

Multi-borrowing has diminished. The average number of banks per borrower firm declined from 2.0 in 1997 to 1.7 in 2007, while the share of credit granted by the customer's main bank rose from 55.8 to 60.4 per cent. The portion of all lending going to one-bank borrowers also increased. The degree of concentration in bank-firm relations decreases as firm size increases, and is lower in the central and northern regions. In 2007 the average number of banks per borrower was 1.75 in the Centre and North against 1.57 in the South and Islands. The portion of total lending accounted for by the borrower's main bank ranged from 59.6 per cent in the northern part of the country to 65.2 per cent in the South (Table r3). The portion of credit going to firms with more than 5 banking partners is some 9 percentage points higher in the Centre and North than in the southern part of the country (46.6 as against 37.7 per cent). The larger size of firms in the Centre and North helps explain the lower degree of concentration in banking relationships there. For firms with at

most 20 workers, in 2007 there was practically no difference between northern and southern Italy in terms of average number of banks per borrower and percentage of total credit coming from the borrower's main bank.

Table r3

Concentration in bank-firm relations, 2007(1) (percentages)						
	Average number of banks per borrower	Per cent of total credit coming from principal	Percentage of credit utilized			
			1-bank borrowers	2-bank borrowers	3-4-bank borrowers	>5-bank borrowers
Centre and North						
Firms (2)	1.75	59.6	22.9	13.6	16.8	46.6
<i>of which: 20 workers +</i>	2.28	55.6	17.8	12.2	16.6	53.4
<i>0-20 workers</i>	1.34	81.6	51.2	21.5	17.8	9.5
<i>0-5 workers (3)</i>	1.19	87.9	64.8	18.3	12.3	4.6
South and Islands						
Firms (2)	1.57	65.2	27.3	15.0	20.0	37.7
<i>of which: 20 workers +</i>	1.98	60.9	20.7	13.9	20.7	44.7
<i>0-20 workers</i>	1.28	82.0	53.3	19.2	17.3	10.2
<i>0-5 workers (3)</i>	1.18	87.6	65.6	17.2	12.5	4.8

Source: Based on Central Credit Register data.

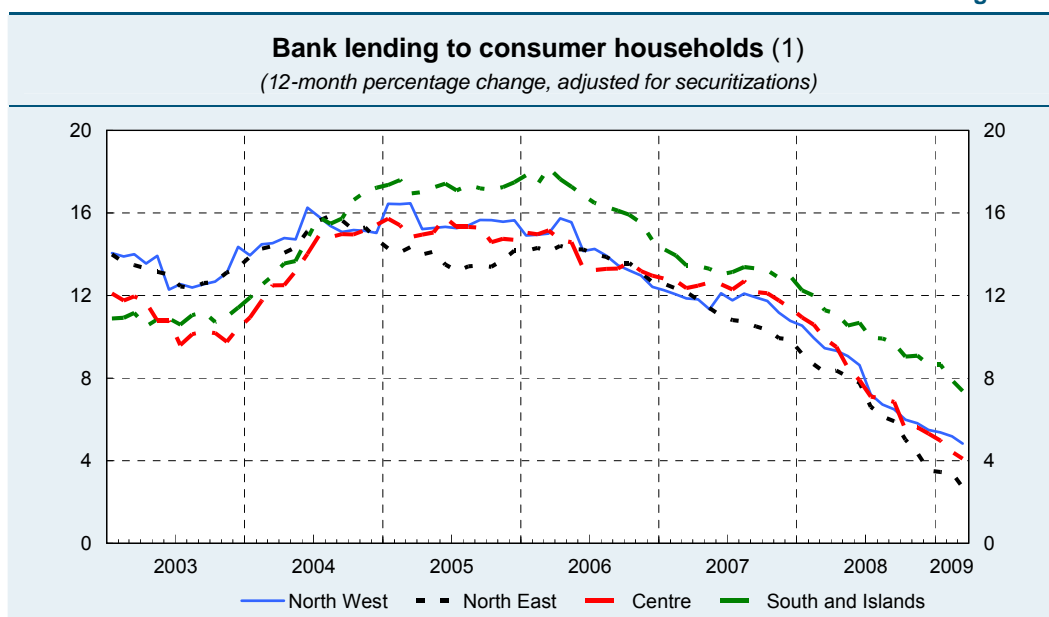
(1) Data refer to self-liquidating credit transactions, revocable credit transactions, and loans with specified maturity; bad debts and loans subject to bankruptcy proceedings not included. – (2) Non-financial companies and producer households. – (3) Excludes non-financial companies.

Consumer households. – The growth of lending to consumer households, net of the accounting effect of securitizations, decelerated for the third consecutive year. The slowdown affected all macro-regions and was sharper in the Centre and North. At the end of 2008 the rate of growth was nearly twice as high in the South and Islands as in the rest of the country (Figure 4.5). These trends continued in the first quarter of 2009 as well.

New home purchase loans contracted by about 10 percentage points, the decrease being evenly distributed by macro-region. This dynamic was influenced by the shrinking residential real estate market, higher interest rates for most of the year, and more selective lending policies by banks.

The cost of debt service sustained by households in 2008 rose to 10 per cent of disposable income, more than 1 point higher than in 2007. The latest Bank of Italy Survey of Household Income and Wealth (SHIW), covering 2006, shows that 2.1 per cent of households had a debt service burden amounting to more than 30 per cent of disposable income. This proportion was lower in southern than in central and northern Italy, due to the smaller percentage of indebted households (18.1 per cent in the South and Islands, 26.1 per cent in the Centre and 26.6 per cent in the North) and the lower ratio of debt to income (due in part to lower house prices).

Figure 4.5



(1) Data refer to borrower's place of residence. See Methodological Notes.

In 2008, according to an estimate for households that on the basis of the SHIW had a loan outstanding in 2006, home mortgage debt service for the median household rose by more than 3 percentage points to 20.5 per cent of disposable income. The share of households with heavy debt service obligations apparently rose to 3.5 per cent. The increase was sharper for low-income households, which, however, hold a small part of overall household debt, just 7 per cent. The share of financially vulnerable households is apparently lower in southern than in northern Italy.

The rate of growth in consumer credit disbursed by banks and financial companies, not adjusted for securitizations, declined to 8.5 per cent (14.2 per cent in 2007). The slowdown, which affected all macro-regions, was especially sharp in the North East (from 15.8 to 2.3 per cent).

According to the Bank of Italy's qualitative survey of banks, households' demand for home mortgage loans decreased in the fourth quarter of 2008 at about the same rate throughout the country; the demand for consumer credit increased above all for southern households (see chapter 9: Regional credit: demand and supply).

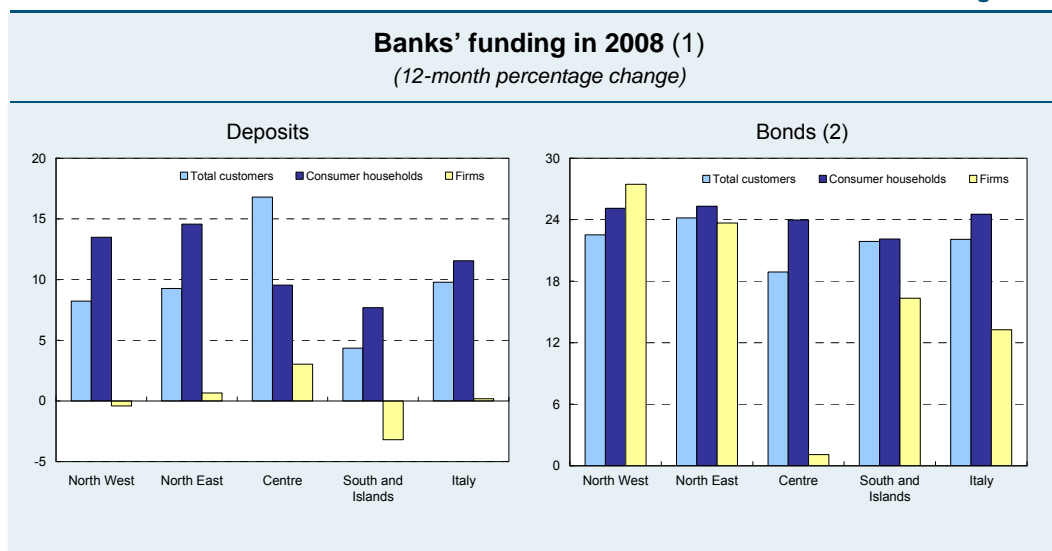
Credit risk. – Adjusted new bad debts rose slightly from 1.0 per cent of total loans outstanding in 2007 to 1.2 per cent last year (Table a4.2), reflecting the deterioration in the quality of loans to firms. The rise in insolvency rates was less pronounced among southern than among northern firms, thanks in part to the smaller incidence in the South and Islands of export-oriented firms, which have been more severely affected by the international crisis. The risk on household credit remained unchanged.

For all bank borrowers, the adjusted new bad debt ratio rose further in the first quarter of 2009 in all the macro-regions.

Bank funding and asset management

Bank deposits. – The expansion of bank deposits accelerated from 4.0 to 9.8 per cent. The pickup involved all the macro-regions, but was sharper in the Centre and North.

Figure 4.6



(1) End-of-period stocks; region is by customer's residence. Does not include reports of Cassa depositi e prestiti spa. and Poste Italiane spa. "Total customers" comprises general government, financial and insurance companies, firms and consumer households. See Methodological Notes. – (2) At 30 September 2008. The 12-month change to December 2008 for bank bonds is unavailable, as from that date the supervisory reports use a new definition of the aggregate, resulting in a break in the series.

The climate of uncertainty engendered by the financial market turmoil accentuated the liquidity preference of savers, and it was strengthened further by the diminished opportunity cost of holding cash, which fell to practically nil in the first quarter of 2009. This affected the growth of consumer households' deposits, especially current accounts, and mainly involved the North (Figure 4.6, Table a4.4). In the South and Islands the expansion of bank saving was more moderate: households' deposits increased at a much lower rate. The deposits of firms and producer households essentially stagnated in the North, expanded slightly in the Centre, and declined in the South and Islands, where customers' payment difficulties were more pronounced (Figure 3.2; See the box "The effects of the economic and financial crisis on firms").

The average interest rate on current accounts remained essentially unchanged in 2008, rising only from 1.9 to 2.0 per cent in the course of the year. But by March 2009 it had fallen by nearly a point to 1.1 per cent. These trends were broadly uniform throughout the country, with no significant regional disparities (Table a4.3).

Securities in custody. – In the twelve months ending in September 2008 (the last available data before the break in the time series), the face value of securities in custody with the banking system fell by 1.0 per cent on an annual basis (Table a4.5). Over the same period bank bond issues, net of those on the Euromarket, accelerated

to a annual growth rate of 22.1 per cent (11.8 per cent at the end of 2007). At the end of September, placements of bank bonds increased rapidly in all the macro-regions, with a differentiation between households and firms. In the South and Islands, and even more so in the Centre, firms' subscriptions grew more slowly than those of households (Figure 4.6).

The structure of the financial system and distribution networks

Last year saw the rationalization of the overall bank branch network and the reorganization of the leading banking groups, following major mergers in 2007 (see Bank of Italy *Annual Report for 2008*, Chapter 18, "The structure of banking and financial intermediaries"). In the course of the year the number of banks belonging to groups diminished by 1 to 223; nearly 90 per cent of them had their registered office in the Centre and North.

The total number of banks in Italy came down from 806 to 799; a slight increase in the number with their administrative office in the North East failed to offset the contraction in the North West and especially the South and Islands.

The number of bank branches in Italy rose by 914 (2.8 per cent) at the end of the year (Table a4.6). Of these new branches, 15 per cent were located in the South and Islands and 36 per cent in the North West. The share of branches located in the same geographical area as the bank's registered office increased significantly in the Centre (by about 7 percentage points to 77.2 per cent) and declined in the North West (from 78.1 to 73.8 per cent); in the rest of the country it remained roughly unchanged.

Table 4.1

Number of banks by legal form and location of administrative office										
<i>(units)</i>										
Geographical area	Limited company banks		Cooperative banks		Mutual banks		Branches of foreign banks		Total	
	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008
North West	100	97	6	5	60	57	64	67	230	226
North East	54	58	12	12	180	177	6	6	252	253
Centre	64	64	9	9	87	87	9	9	169	169
South and Islands	30	28	12	12	113	111	-	-	155	151
Italy	248	247	39	38	440	432	79	82	806	799

Source: Register of Banks. See Methodological Notes.

The number of banks' electronic payment-system access points (ATMs and POS units) increased further in 2008, as did the number of non-cash payment

instruments (credit cards). In the last eight years there has also been substantial growth in the number of home and corporate banking contracts (see the box “The utilization of on-line banking services”).

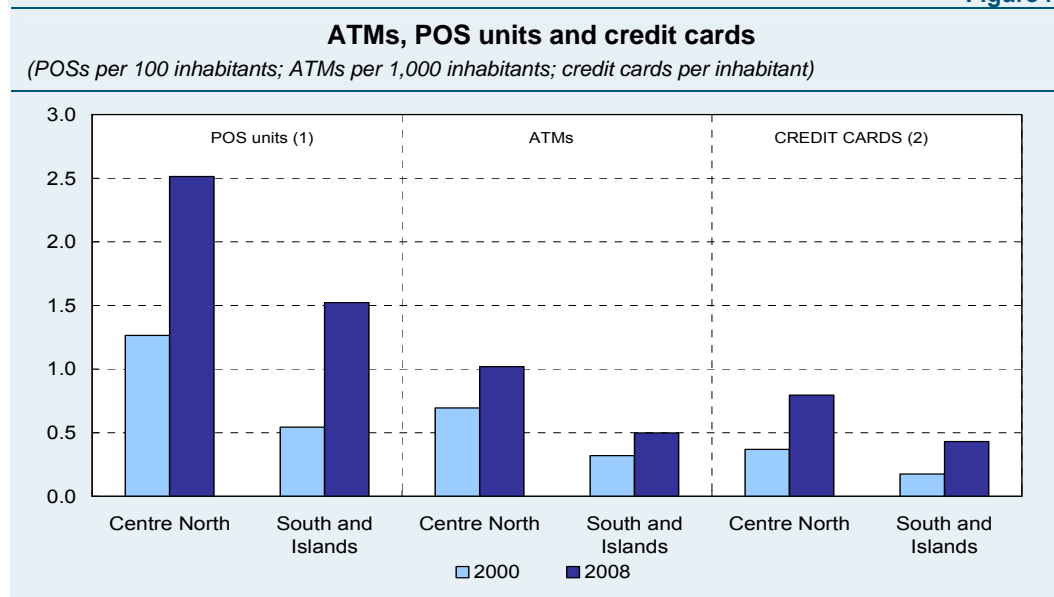
THE UTILIZATION OF ON-LINE BANKING SERVICES

The development of information and communications technology and the growing use of the Internet have spurred the diffusion of banking services and instruments based on electronic links, above all in the area of non-cash payments and remote banking contracts.

Between 2000 and 2008 the number of electronic payment-system access points (ATMs and POS units) increased substantially in all the macro-regions of Italy. Even though the increase was faster in the southern regions, the number of access points per capita remains significantly higher in the Centre and North than in the South and Islands (Figure r5; see Economic developments in the Italian regions in 2007).

The number of credit cards in circulation also rose considerably between 2000 and 2008 in all four macro-regions; the fastest rises were recorded in the North West and in the Centre.

Figure r5



Sources: statistical reports of banks; for resident population, Istat. See Methodological notes.

(1) From 2004 on includes those reported by non-bank financial companies. – (2) Data reported by banks and financial intermediaries referred to in Article 107 of the Consolidated Law on Banking.

The number of credit cards per 1,000 residents more than doubled in the regions of the North West and the Centre between 2000 and 2008, to 843 and 848 respectively; this was well above the national average of 668. The number of active cards – those used at least once every half-year – grew more slowly.

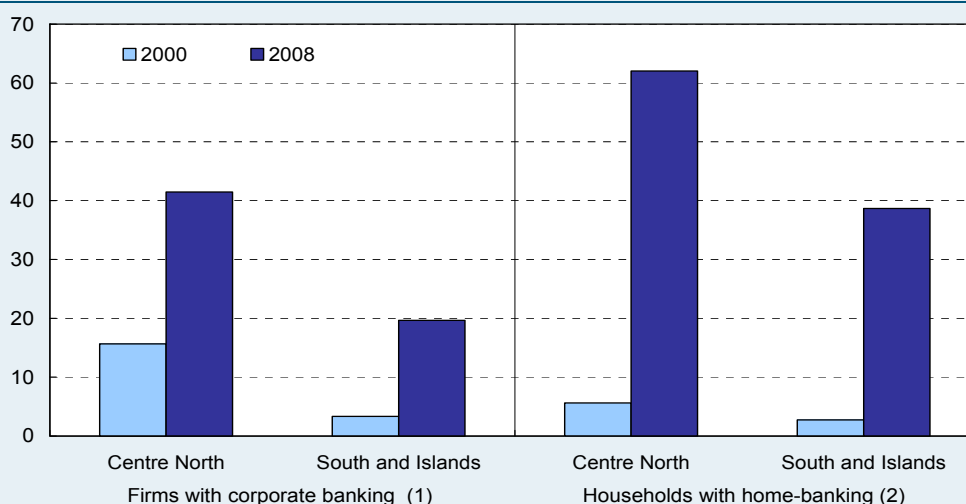
On-line banking services to households and firms have expanded steadily since 2000 (Figure r6), owing both to banks’ policy of offering remote services with rapid

execution and greater operational content and to the steady spread and ease of access to Internet for customers.

Remote banking contracts are utilized mostly by households; they are more common among customers in the Centre and North. At the end of 2008 about 65 per cent of households in the North West and the North East, over 55 per cent of those in the Centre and almost 40 per cent of those in the South and Islands were using home banking services. Corporate banking contracts have also increased sharply. The share of active firms using these services rose from 11.5 per cent in 2000 to 34.3 per cent in 2008. Here too, geographical disparities are substantial. The proportion of business customers with corporate banking contracts was just 20 per cent of active firms in the South and Islands as against 40 per cent in the Centre and North.

Figure r6

Corporate banking and home banking
(percentages)



Sources: statistical reports of banks; for number of active firms, Infocamere – Movimprese; for number of households, Istat. See Methodological notes.

(1) Corporate banking customers as percentage of active firms. – (2) Home banking customers as percentage of resident households.

Another alternative to traditional banking methods, especially for household customers, is phone banking. Since 2000 the number of such contracts has grown, although less rapidly than the other types of remote banking contracts. The share of households involved is higher in the Centre North than in the South and Islands (46 and 30 per cent respectively).

5. LOCAL PUBLIC FINANCES

Public finances developments and the contribution of local government

The economic crisis combined with an expansive budget produced a deterioration in Italian public finances in 2008. The growth of primary expenditure (4.5 per cent) far outpaced that of revenue (1.0 per cent).

For the sub sector of local governments, primary expenditure expanded by 5.0 per cent. Capital spending contracted for the second consecutive year (by 2.4 per cent), but current outlays more than offset this, growing by 6.3 per cent. About half of the increase was due to compensation of employee in connection with the renewal of the labour contracts for 2006-2007 of health service personnel and the non-managerial staff of regional and local governments. Intermediate consumption also increased sharply (7.4 per cent). On the revenue side, which registered an increase of 2.4 per cent, the reduction in the main local levies (Irap and the municipal real estate tax), owing to tax relief enacted in the past two years, was offset by the proceeds of the personal income surtax (rate increases decided in 2007 affected revenue in 2008) and transfer payments.

Between 2005 and 2008 the primary current expenditure of subcentral or subnational governments (net of transfer payments to public agencies) increased at an average rate of 4.3 per cent per year. This was 2.3 percentage points higher than the growth of central government spending and 1.2 points more than GDP. The increase was especially rapid for health spending (an average of 4.8 per cent per year), which resulted in large deficits in some regions. Municipalities, by contrast, showed slower overall spending growth and a contraction in capital expenditure.

Municipal capital expenditure diminished by 11.3 per cent in the three years from 2005 through 2007, according to the data of the Interior Ministry (certificates of budget outturns). This reflected the decline in central government transfers and the inclusion of investment among the outlays restricted by the Domestic Stability Pact. During these three years the potential contribution of local fiscal measures to increasing municipal revenue was limited. For instance, the power to increase the local income surtax was suspended through 2006 (see chapter 10: “Revenue and expenditure dualism among Italy’s municipalities”).

A contribution to the containment of local spending could come from the performance of some functions collectively by small municipalities. One form of aggregation already in existence is the “mountain communities,” which have been rationalized (see chapter 11: “Mountain communities: amount and composition of expenditure”).

Local government expenditure

Regional health expenditure. – Defined consistently with the general government accounts (drafted under ESA95 rules), health expenditure increased by 6.6 per cent in 2008 owing mainly to compensation of employees (which increased by 10.5 per cent in connection with the labour contract renewals) and intermediate consumption (which grew by 7.7 per cent); their respective contributions to the increase came to 3.6 and 1.8 percentage points.

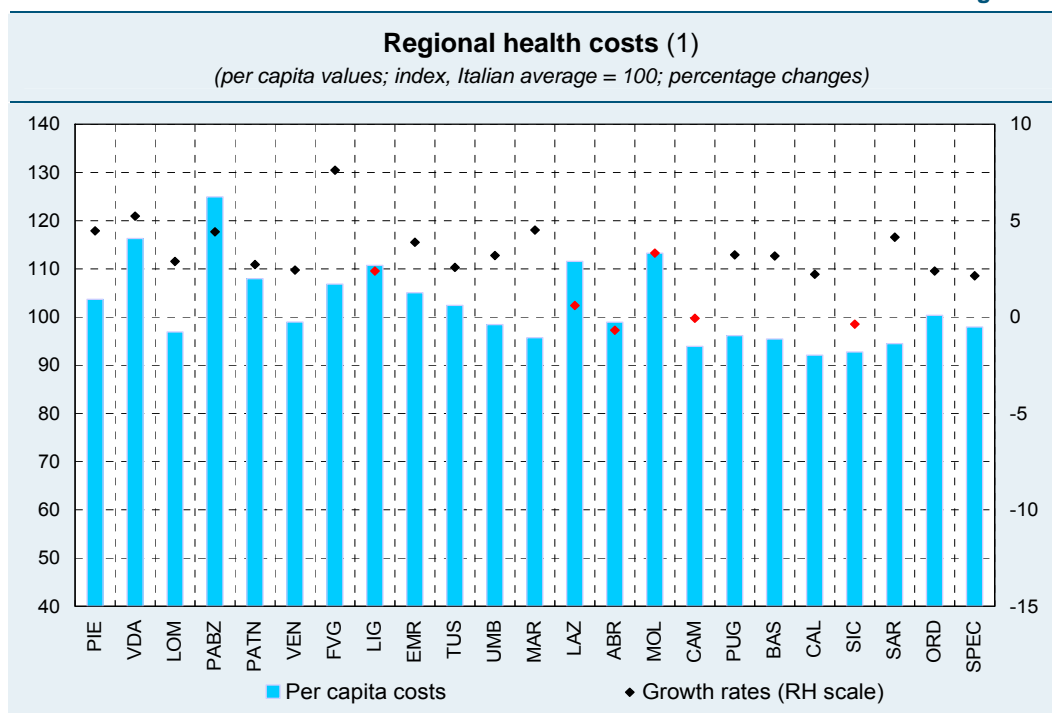
Spending on pharmaceuticals fell for the second straight year (by 2.9 per cent) in 2008. According to data from the pharmaceuticals manufacturers association, Federfarma, the cost of drugs under conventions, which accounts for some 10 per cent of total health care spending, after rising 14.7 per cent per year between 1995 and 2001, increased by just 1.2 per cent per year from then until 2006, and fell 3.9 per cent per year in 2007 and 2008.

A series of measures to curb pharmaceutical spending have been passed by both the central government and regional governments since the turn of the decade. The State-Regions agreement of 8 August 2001 originally provided that the cost to the National Health Service for pharmaceuticals under convention could not come to more than 13 per cent of total public health expenditure in any Region. In 2004, the ceiling on total spending for medicines (including direct purchasing) was set at 16 per cent. The Finance Law for 2005 (Law 311/2004) instituted incentives to limit spending, consisting in additional funding to the regions that complied with the 13 per cent ceiling. The Finance Law for 2006 (Law 266/2005) authorized the Italian Pharmaceuticals Agency to require temporary price reductions when it was forecast that the ceiling would be violated. Finally, Decree Law 159/2007, ratified as Law 222/2007, provided that starting in 2008 a new limit on public spending for medicines (including direct purchases and gross of patient co-payments) of 14 per cent of ordinary central government health funding both nationwide and region by region. Regions enacted measures to reduce their spending for pharmaceuticals: the introduction of co-payments (a measure that was not taken by Valle d'Aosta, Trento, Friuli Venezia Giulia, Emilia-Romagna, Tuscany, Umbria, Marche and Basilicata); incentives for the use of generics (adopted in Piedmont, Lazio and the entire South except Sardinia); and incentives for direct distribution.

Region-by-region data on health spending can be taken from the New Health Information System, whose data collection standards differ somewhat from those of the national accounts. Per capita costs for health care in the different regions are quite uniform (more so than in other areas of public spending). The per capita costs of structures located in the regions of the Centre and North are 5.7 per cent higher than the national average; in the regions of the South and Islands, they are 2.9 per cent lower. For ordinary statute regions alone, these differences above and below the average narrow to 1.7 and 2.6 per cent, respectively.

In the regions that recorded substantial health care deficits (Abruzzo, Campania, Lazio, Liguria, Molise and Sicily), the rise in spending has been more moderate in recent years, thanks to the measures to contain outlays under the deficit re-entry plans subscribed by each region. In 2008, outlays actually diminished in three of these regions, and in the other three the increases were modest (Figure 5.1).

Figure 5.1



Source: Based on data from New Health Information System (NSIS), Ministry of Labour, Health and Social Policies (formerly Ministry of Health), 2008.

(1) The average for Italy is set at 100. Growth rates are in absolute terms. The costs for each region include care provided to non-residents. For growth rates, the red symbol designates regions with large deficits.

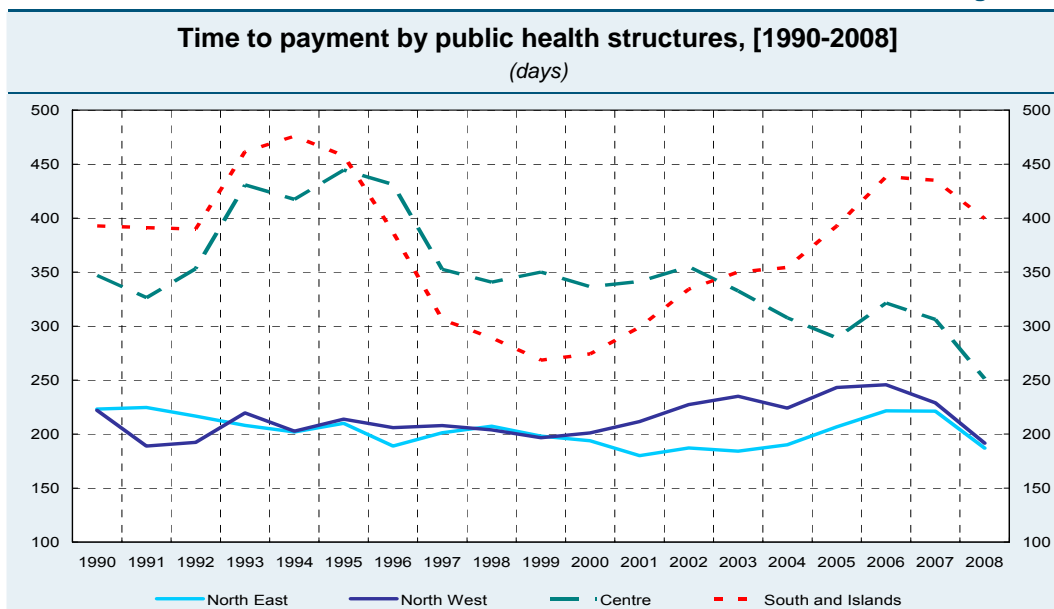
In recent years the central government has instituted a system of sanctions designed to prevent the formation of new health system deficits, while at the same time providing the resources to cover back debts (in particular those formed between 2001 and 2005). Some regions (Abruzzo, Campania, Lazio, Molise and Sicily) were subject to the automatic raising of their Irap and income surtax rates to the maximum permitted under national law. Funds to cover past debts were appropriated by the Finance Laws for 2006 (deficits from 2002 to 2004), and 2007 (a temporary fund for high-deficit regions) and by Decree Law 23/2007. The Finance Law for 2008, moreover, authorized a 30-year advance to extinguish debts contracted by regions in the financial markets and the cumulative trade debt through 31 December 2005. Access to central government funds was made conditional on subscription of a re-entry plan. Six regions signed the plans (Abruzzo, Campania, Lazio, Liguria, Molise and Sicily). The Government also signed an agreement with Sardinia to determine its debtor position in respect of 2001, and the debt reduction plan for Calabria, relating to the emergence of previous debt between 2001 and 2007, is being finalized.

Italy's public health institutions are marked by very slow payment of private suppliers and providers. Assobiomedica data indicate an average time before payment of 296 days in 2008. the lag had held more or less steady between 1997 and 2001, then lengthened steadily until 2006 (to an average of 351 days). Since 2007 it has been decreasing.

Geographically, since the turn of the decade the rise in the average time to payment has been more marked in the South and Islands, presumably because of the

financial difficulties of some regions. In the North East and North West the lengthening has been modest, while in the Centre time to payment has diminished (Figure 5.2).

Figure 5.2



Source: Assobiomedica.

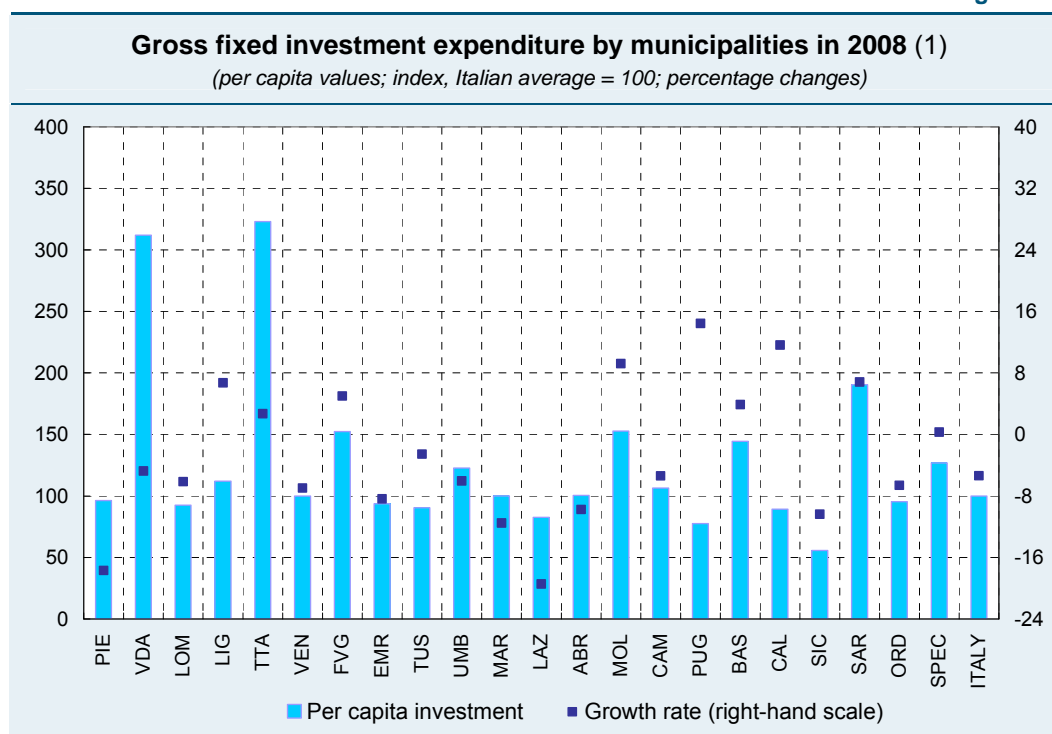
Expenditure on fixed investment

According to the national accounts, in the four years from 2005 to 2008 gross fixed investment by local governments, which goes mainly for economic and social infrastructure, fell progressively from 2.1 to 1.7 per cent of GDP. In 2008 their investment expenditure declined by 2.9 per cent to €26.8 billion.

According to the State Accounting Office tables on a cash basis, the fall has been sharpest for municipalities (which account for a substantial portion of total subnational government spending), whose investment expenditure fell by 5.4 per cent in 2008.

The data reveal extremely large regional differences in municipal investment spending (Figure 5.3). The municipalities of the special statute regions other than Sicily have significantly higher levels of per capita investment than those of the ordinary statute regions. The sharpest contractions in overall municipal investment were in Lazio, Piedmont, Marche and Sicily. The sharpest increases were in Puglia, Calabria and Molise.

Figure 5.3



Source: Ragioneria generale dello Stato.

(1) Average per capita amounts in 2008; growth rates in absolute terms.

The main channels of financing

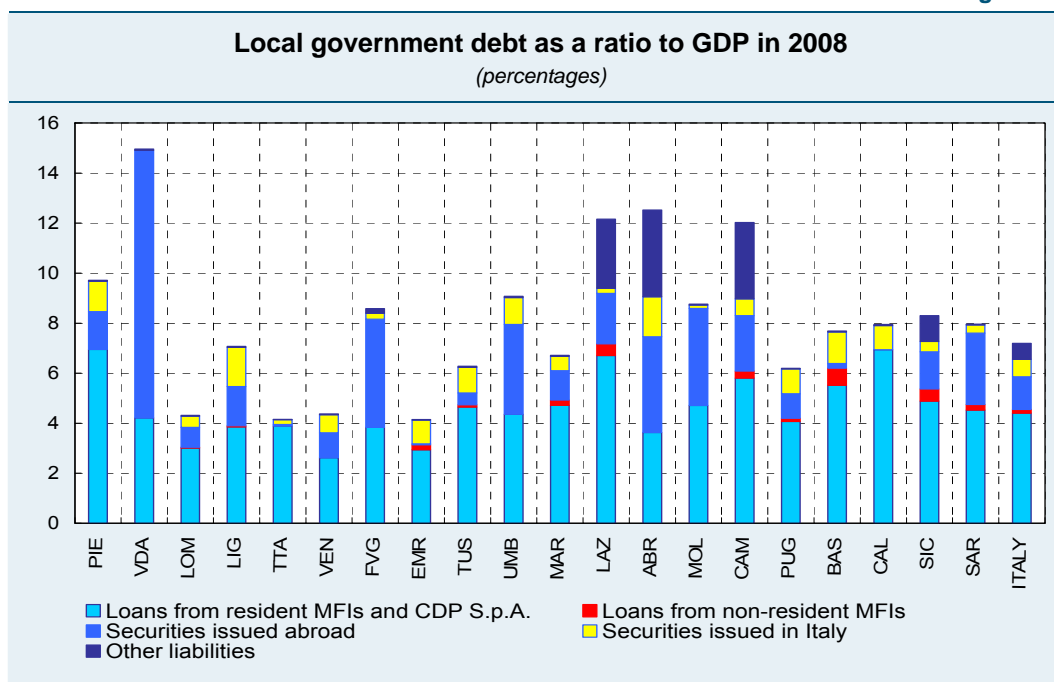
Tax revenues. – The own tax revenue of local governments declined in 2008 after eight years of expansion. The results for the year reflected the Irap relief on labour costs (the overall proceeds of this levy fell by 8.5 per cent) and the abolition of the municipal property tax on the principal residence (cutting proceeds by 23.2 per cent).

Indirect tax revenue decreased even more than the sharp increase in the proceeds from direct taxes (which rose by 10.4 per cent to €32.3 billion); among the latter, the regional and municipal income surtaxes increased by 10.6 and 21.6 per cent to €8.1 billion and €2.7 billion respectively, the latter owing to the rate increases decided in 2007.

Debt. – The debt of local authorities was reduced by 3.4 per cent to €106.7 billion in 2008, or from 6.9 to 6.4 per cent of total Italian public debt at the end of the year.

The sharpest reductions were in Sicily, Trentino-Alto Adige, Molise and Lazio. In some regions (Campania, Lazio, Molise and Sicily) debt reduction reflected early redemption of bond issues as part of health sector securitizations, which had been a factor in the increase in the debt in previous years. The regions' liquidation of these liabilities was financed by advances from the central government tied to coverage of past debt, as part of health deficit re-entry plans.

Figure 5.4



Sources: Bank of Italy; for GDP, Svimez.

The regions whose debt was highest in relation to gross product were Valle d’Aosta, Lazio, Abruzzo and Campania (Figure 5.4). In most regions the largest component of the debt consists in bank loans. The share of securities issued abroad is preponderant in Valle d’Aosta and Friuli Venezia Giulia. “Other liabilities” are significant in Lazio, Abruzzo and Campania, regions with substantial health care deficits where private sector claims on health service entities have been securitized.

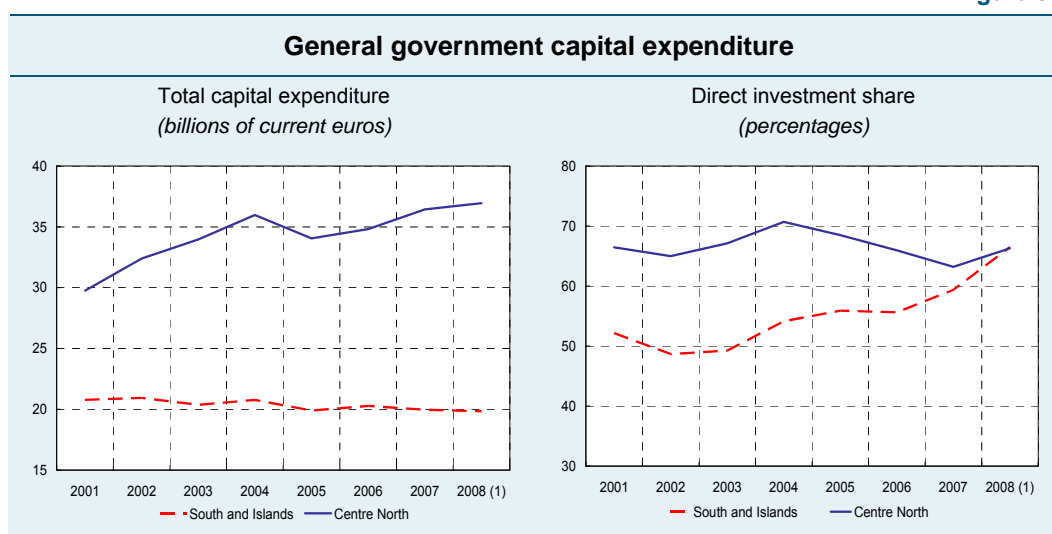
6. POLICIES FOR UNDERUTILIZED AREAS

Expenditure

Between 2001 and 2007 general government capital expenditure in the South and Islands (net of financial items, i.e. credits and advances, shareholdings and contributions of assets) was broadly stable at around €21 billion a year, while in the Centre and North such spending rose from around €30 billion to over €36 billion (Figure 6.1). According to estimates of the Ministry for Economic Development, these amounts remained more or less the same in 2008 as well.

Total general government capital spending in 2008 is estimated at just under €57 billion, about 35 per cent of it in the South and Islands; this share is about 4 percentage points lower than in 2001. In 2008, as in 2007, capital expenditure amounted to €950 per capita in both parts of the country. In 2001 it had been just over €800 in the Centre and North and more than €1,000 in the South and Islands.

Figure 6.1



Source: Ministry for Economic Development.

(1) Ministry estimates.

Since 2003 there has been a progressive increase in the share of general government capital expenditure in the South and Islands accounted for by direct investments, which came to two thirds in 2008, while transfer payments accounted for one third. This has brought the area into line with the Centre and North. In 2001 the incidence of direct investment spending had been 52 per cent in the South and Islands and 66.5 per cent in the Centre and North (Figure 6.1).

Community funds. – By its decision 1112 of 18 February 2009 the European Commission extended for six months, until 30 June, the deadline for admissible expenditure under Objective 1 and Objective 3 operational programmes and for community initiatives not under any objective for the 2000-2006 planning cycle. The extension avoided the reimbursement of substantial unused amounts. At the end of 2008 effective disbursements had been made for 93.6 per cent of the total cost of the programmes under Objective 1, 103.3 per cent for Objective 2 and 95.5 per cent for Objective 3.

For the period 2007-2013, the National Strategic Reference Framework approved by the Commission's decision 3329 of 13 July 2007 establishes that the three objectives – Convergence, Regional competitiveness and employment, and European territorial cooperation – will be assigned, respectively, 72.0, 26.1 and 1.9 per cent of the total resources including co-financing allocated at national level (about €60.5 billion). As has been decided at European level, Italy has assigned 68 per cent of the Convergence funds and 82 per cent of the Regional competitiveness and employment funds to implementing the Lisbon strategy.

European Commission data on the financial implementation of the structural funds for the 2007-2013 planning period indicate that at 23 April 2009 the Commission's payments to Italy amounted to 6.9 per cent of the available Community resources. This is slightly below the proportions for Germany, France and Spain (8.3, 7.5 and 7.4 per cent respectively).

In order to counteract the economic and financial crisis, the Commission has proposed to increase, in 2009, the share of pre-funding of the programmes financed by the structural funds for the 2007-2013 planning cycle and to speed up intermediate payments for the largest programmes (those for more than €50 million).

On 17 December 2008, with a Communication, the Commission adopted its "Temporary framework for State aid measures to support access to finance in the current financial and economic crisis". The Communication permits the adoption of a series of measures, until 31 December 2010, to facilitate access to funding for firms and investment. Among the measures envisaged is the possibility of state aid on a one-time-only basis for up to €500,000 per firm, which exceeds the "de minimis" ceiling of €200,000. Revision of the rules governing public loan guarantees is also envisaged, raising the amount eligible for guarantee from 80 to 90 per cent of the loan.

An independent assessment for the Commission, released in April 2009, sets out some possible lines of action for cohesion policy reform after 2013. For the allocation of expenditure among objectives, the report suggests concentrating resources on a few priority aims (innovation, climate change, migration, childhood and old age assistance, human capital). It sees no need to modify the territorial allocation of funds. The report makes a case for stepped-up monitoring of progress toward the objectives and for counter-factual evaluation of programmes' effectiveness.

The Fund for Underutilized Areas. – Intervention for development in the weaker parts of the country are financed not only by Community funds and national co-financing but also by the Fund for Underutilized Areas. Resolution 166/2007 of 21 December 2007 of the Interministerial Committee for Economic Planning had appropriated €63.3 billion to the Fund for 2007-2013, €53.8 billion going to the South and Islands. Successive measures reduced the appropriation and modified its

planned utilization, in favour of objectives assigned high priority for economic recovery. In March 2009 the Fund's endowment came to €54 billion, after cuts of about €10.5 billion and the assignment of €1.2 billion in resources revoked from the 2000-2006 planning period because they had not yet been committed or programmed by 31 May 2008. Of these resources, about €27 billion were assigned to regional and interregional programmes (including €21.8 billion to regions in the South and Islands and to the Essential services programme) and €25.4 billion went to national funds, subdivided into the Fund for employment and training (€4 billion), the Infrastructure fund (€12.4 billion) and the Strategic fund for the country in support of the real economy (€9 billion). The rest consisted in preallocations and other measures.

Policy instruments

Investment incentives. – Beginning in 2002, when they amounted to about €1 billion, outlays under Law 488/1992 diminished progressively and in 2008 were down to €124 million, €93 million of which was for competitive tenders in industry and services. This programme was not refinanced, nor have the changes enacted by Law 127/2007 been implemented. Law 129/2008 establishes the procedures for tax credits to firms in the disadvantaged areas of the South and Islands that invest in the purchase of new capital equipment. For an assessment of the effectiveness of these subsidies, see Regional Economies: Economic Developments in the Italian Regions in 2007.

Subsidies for innovation. – In March 2008 the Ministry for Economic Development issued the decree instituting a programme of assistance for research, development and innovation called for by the bill “Industry 2015” issued by the Government on 22 September 2006. By the end of April 2009 two calls for projects had been concluded in the framework of the industrial innovation projects programme (one on energy efficiency and one on sustainable development).

Public support to private spending on R&D is a traditional part of industrial policy in the Western countries. The case for public intervention is that the private return on this type of investment is presumably lower than the social return. As part of a research project to assess the impact of public policies, the effectiveness of some recent incentives in Italy has been analyzed: the Special Fund for Applied Research, active until 2000; the Fund for Technological Innovation, reformed in 2001; and the Emilia-Romagna region's “Promotion of the regional system of industrial research, innovation and technology transfer”, instituted in 2002. The studies found that the effectiveness of the incentives is generally modest. But they did show that support for innovative activity does translate into higher investment, and in some cases into an overall improvement in firms' performance, when the beneficiaries are the smaller firms, those most subject to financial constraints.

SUBSIDIZED LOANS TO FIRMS: THE CENTRAL CREDIT REGISTER DATA

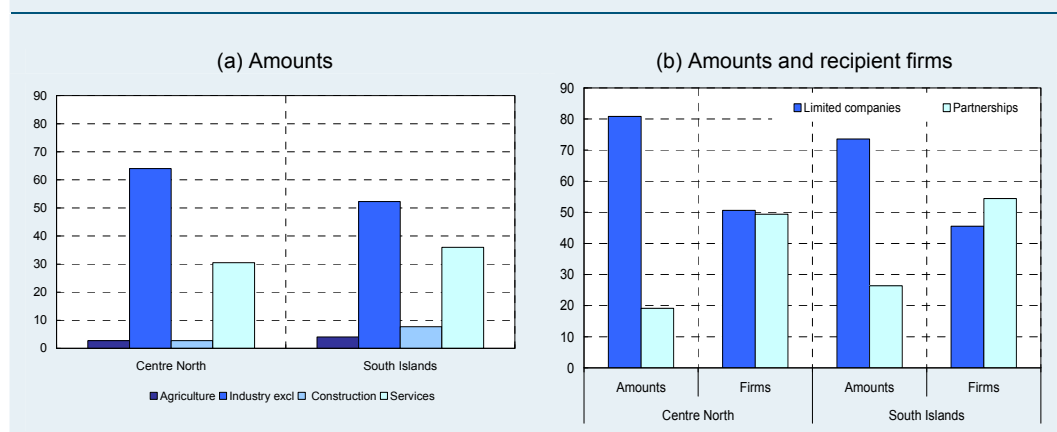
In their role as concessionaries for central and local governments, Italian banks and other financial intermediaries make monthly reports to the Central Credit Register on the stock of outstanding subsidized loans to firms. The reports, submitted by the institutions subject to the supervision of the Bank of Italy, are broken down according to the location of the firm's registered office; as a rule only loans larger than €75,000 are reported. Subsidized credit is the most common form of public support for firms in the Centre and North; capital grants, which have been more important historically in the South and Islands, are not ordinarily reported to the Register.

A comparison with the data of the Ministry for Economic Development on public incentives to firms, which are broken down according to the purpose of the investment, shows that the subsidized loan reports to the Register represent slightly less than a third of all subsidies not entirely in the form of capital grants.

Figure r7

Subsidized loans in 2008

(percentages)



Source: Based on Central Credit Register data.

The Central Credit Register data can also be broken down according to the characteristics of the borrower firms. At the end of 2008, the outstanding stock of subsidized lending came to about €4.2 billion in the Centre and North and €1 billion in the South and Islands. These volumes accounted for 0.5 and 0.7 per cent, respectively, of bank lending to firms in the two parts of the country. In 2008 more than 60 per cent of subsidized lending went to industry excluding construction and over 30 per cent to firms in the service sector. Nearly half of these resources went to large firms (classed by amount of borrowing, those with credit drawings of at least €2.5 million gross of bad debts), which account for less than a fifth of all the beneficiary firms.

Local development policy. – No new financial commitments for the instruments of negotiated planning were made in 2008. The activity of resolving on new territorial pacts and area contracts was concluded. New implementation procedures were devised for Programme contracts. For an assessment of the effectiveness of the Territorial pacts, see Regional Economies: Economic Developments in the Italian Regions in 2007.

For the 94 Programme contracts approved between 2000 and 2008 (73 of them in the South and Islands), the public contribution amounted to €3,806.4 million (81.1 per cent from the Central government and the rest from the Regions). By 31 December 2008 disbursements amounted to 28 per cent of the public contribution. A Ministry for Economic Development decree (24 January 2008), implementing Law 127/2007, Article 8-bis, introduced new rules for industrial planning contracts as concerns the type of entity that can propose the contract, the eligible beneficiaries and the amount of investment eligible for subsidy. By a decree of 2 May 2008 these provisions were extended to the agricultural and food processing sector. Under the new rules, 36 Programme contract proposals were submitted in 2008, 16 of them in the South and Islands. A resolution of the Interministerial Committee for Economic Planning of 30 January 2008, published in Gazzetta Ufficiale 131, 6 June, laid down the standards for identifying and setting the boundaries of Urban Enterprise Zones. Accordingly, the Ministry for Economic Development identified 22 zones (3 each in the regions of Sicily, Campania, Sardinia, Calabria and Puglia, 2 in Lazio and 1 each in Molise, Abruzzo, Basilicata, Liguria and Tuscany), with a total population of 333,000. The enterprise zones are areas within a municipality with high levels of economic and social distress; the population of a zone must be between 7,500 and 30,000 and must not exceed 30 per cent of the total municipal population. The municipality itself must have at least 25,000 inhabitants and an unemployment rate above the national average. The measure institutes a series of tax relief and subsidies for small and tiny enterprises started up in the zone.

Urban enterprise zones for local development are new to Italy but quite common in other countries. At least 40 US states had similar programmes already in the mid-1980s; they were instituted in the United Kingdom in 1981 and in France in 1997. The latest impact assessments of the American and French experiences, however, show that their effectiveness is questionable: the increase in employment in the zones themselves is generally offset by a simultaneous decline in neighbouring areas. Moreover, if the subsidies are restricted to particular categories of enterprise, they tend to foster the growth of these firms at the expense of those not eligible.

Public goods. – The quality of public goods is generally lower in the South and Islands than in the rest of the country. On education, see the “Special topic: Early school leavers and pupils’ skills” in Regional Economies: Economic Developments in the Italian Regions in 2007. On justice and local public services, see the Bank of Italy’s Annual Report for 2007, Chapter 11, “The southern economy and regional policies”. As regards regulations, there is room for improvement through simplification of the legislative process (see the box “Regional disparities in bureaucratic and administrative costs to firms”).

REGIONAL DISPARITIES IN BUREAUCRATIC AND ADMINISTRATIVE COSTS TO FIRMS

By international standards Italy has an excess of regulations on businesses. According to the World Bank, Italy ranks 65th out of 182 countries in ease of doing business; by way of comparison, the United Kingdom ranks 6th, Germany 24th, France 31st and Spain 49th. Italy is furthest behind in the speed of settlement of lawsuits, ranking 176th with a time to settlement twice as long as in Spain and at least three times as long as in the other leading European countries (Table r4). These more protracted proceedings correspond to greater costs for dispute settlement. Italy is also very poorly placed – ranking 145th – in the granting of building permits.

Table r4

Time needed to complete business regulatory obligations (1)						
(days)						
Macroregion	Start-up w/out single notif. (3)	Start-up with single notif. (3)	Building permit	Registration of real estate ownership	Settlement of lawsuits	Firm closure procedure (in months) (2)
North West	13,2	9,1	415	10,7	1826	27,2
North East	13,3	9,3	442	10,5	1856	33,1
Centre	12,1	10,1	356	11,4	2095	32,4
South and Islands	25,3	16,6	585	10,4	2105	22,9
Italy	18,0	11,7	515	10,5	1972	29,5
<i>Memo item:</i>	<i>Italy's World Bank ranking out of 182 countries (4)</i>					
	27	27	145	53	176	36

Source: Based on data from Indagine della Banca d'Italia sui tempi e costi della regolazione dell'attività d'impresa.

(1) Weighted according to regional GDP. – (2) The "single notification" for business start-up, governed by Law 40/2007, was applied on a trial basis during the period covered by the survey. – (3) Ranking based only on time needed for administrative obligations.

In December 2008 and January 2009 the regional main branches of the Bank of Italy conducted a survey along the same lines as the World Bank's ease of doing business survey, measuring the time and cost of complying with regulatory obligations in five separate phases of business. Notaries, accountants, lawyers and other professionals who perform administrative procedures were consulted. The survey found quite considerable regional variability in the time and cost of bureaucracy (Table r4).

The problem of the long time required to settle lawsuits is severe in the regions of the North but worse still in the Centre and South-Islands, where the average suit lasts nearly one year longer. In the South and Islands, but not in the Centre, it also takes longer than in the North to receive building permits or to start up a business. The situation on business start-ups has improved throughout the country with the introduction of the "single notification" whereby the entrepreneur, with a unified procedure, registers with the Business Register, the Revenue Agency, INPS and INAIL, but this has not altered the relative slowness of the South and Islands.

Longer waiting time is generally associated with higher costs. The survey found that costs are higher for firms in the South and Islands for all the operations considered in the table except for building permits, whose cost is fairly uniform throughout Italy.

Essential services programme. – The National Strategic Reference Framework for 2007-2013 (described in more detail in Regional Economies: Economic Developments in the Italian Regions in 2007) introduced the Essential services programme, providing for about €3 billion in financing for the Fund for Underutilized Areas, with a reward mechanism tying the allocation of these resources to regions' actual performance in four service areas: education, childhood and old age assistance, urban waste, and water system management. In 2008 or early 2009, all the southern regions approved action plans to attain the service objectives.

An analysis of the action plans of Abruzzo, Basilicata, Calabria and Sardinia, however, has found that for the most part the allocation of public resources among the various expenditure items is governed by planning criteria that are outside the reward mechanism. The effectiveness of the new system will depend on the ability of the regions, using among other things sub-regional systems of incentives, to foster greater efficiency on the part of local bodies (municipalities, provinces, health units, water and other special authorities, and so on).

SPECIAL TOPICS

7. COMPANY-LEVEL BARGAINING AND REGIONAL WAGE DIFFERENTIALS (*)

In April 2009 the main Italian business and labour organizations, with the major exception of the CGIL trade union confederation, signed an agreement to reform collective wage bargaining. The accord retains the two-level bargaining system of national contracts plus supplementary agreements at company or province level but also makes some significant changes. It introduces a three-year contract term for both wages and work rules (previously the wage section was for two and the work-rules section for four years). Wage raises under the national industry-wide contract will refer to a new three-year consumer price forecasting index, net of imported energy goods.¹ Also, it will be possible, through local agreements between the two sides, to derogate from the national wage agreement in order to cope with company crises or to support growth and employment in certain areas.

The role of second-level bargaining in stimulating productivity is reaffirmed. The agreements call for an extension of the tax incentives for wage components that may be linked to productivity gains. In addition, special compensation should be introduced for employees who are earning only the contractual minimum laid down in the industry-wide wage agreement. Detailed information on many of these matters is lacking.

Past Bank of Italy surveys of industrial and service firms with 20 or more workers have found that company-level wage agreements are not widespread, and are particularly uncommon at small firms and in the South and Islands. “Performance related pay” has been discontinuous and for small amounts, limiting the distribution of productivity gains, which have been modest in any case.² The same survey now offers new data on the share of total employee compensation accounted for by company-level components, on the percentage of workers earning only the national-contract minimum (high especially in the South), and on the significant regional wage differentials owing to company-level bargaining.

(*) Prepared by Piero Casadio (Structural Economic Analysis Department).

¹ For an examination of the prospects for wage bargaining, see the report to the Chamber of Deputies by Ignazio Visco, “Indagine conoscitiva sull’assetto delle relazioni industriali e sulle prospettive di riforma della contrattazione collettiva”, Banca d’Italia, 25 November 2008.

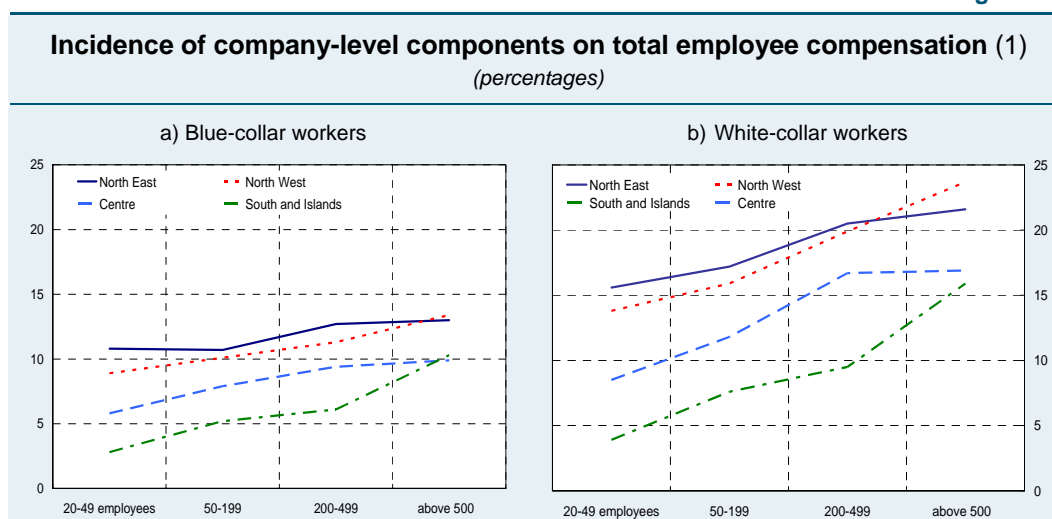
² For more details see the paper in *Mezzogiorno e politiche regionali, Seminari e convegni*, No. 2 November 2009, and *Indagine sulle imprese industriali e dei servizi, Supplementi al Bollettino statistico*, July 2009, published by Banca d’Italia.

The relevance of wage components set at company level

The survey observes the incidence of wage components paid at company level above the amount set in the relevant industry-wide collective bargaining agreement.³ This is the sum of the wage items paid unilaterally by firms, those stemming from company-level bargaining as fixed amounts, and those under company-level agreements related to the company performance.

Between 2002 and 2007 the average overall incidence of additional wage items set at company level was about 15 per cent in industry. The incidence increases with company size, rising from 7 per cent among firms with 20-49 workers to 17 per cent among the largest firms. By macro-region, it ranges from 8 per cent in the South and Islands to 18 per cent in the North West. Holding firm size equal, the company-level component of earnings is 5 or 6 percentage points lower in the South and Islands than in the North for blue-collar workers (Figure 7.1a) and 8 or 9 points lower for white-collar (Figure 7.1b). The company premiums at small firms in the North are of the same order of magnitude as those at the larger firms in the Centre and South, for both production and clerical workers.

Figura 7.1



Source: Banca d'Italia, *Indagine sulle imprese dell'industria e dei servizi*. See the Methodological Notes.

(1) Averages, 2002-2007, for single firms with at least 20 workers.

Among blue-collar workers in the North the portion of earnings above the contractual minimum is slightly higher in larger than in smaller industrial firms (13 and 10 per cent respectively; Figure 7.1a). In the Centre it is between 2 and 3 percentage points lower than in the North, coming to as much as 10 per cent only in the few firms in that area with more than 500 workers. Among white-collar workers the

³ Total yearly compensation includes social security and income taxes charged to the worker; it excludes employers' payments on behalf of INPS and other social security institutions. The specific sector minimum wage set at the national level comprises: the monthly wage specified, the cost-of-living-allowance component, the "thirteenth" and other additional months' pay, seniority increments, canteen allowances, overtime pay and shift bonuses.

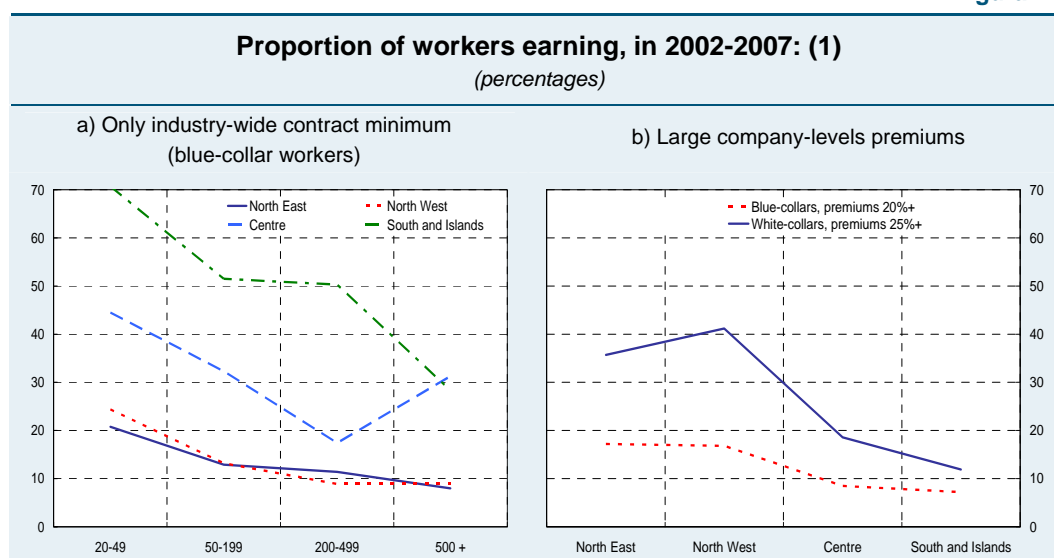
trends are similar but the geographical differences are wider. In the North the portion of earnings above the minimum is 15 per cent in small industrial firms and 22-23 per cent in the larger ones (Figure 7.1b). In the South and Islands as well the portion increases with firm size but is always between 8 and 10 percentage points lower than in the North. The Centre is in an intermediate position.

Workers earning only the contract minimum

The incidence of extra, company-level items on overall compensation is highly heterogeneous, depending on the simultaneous presence of a large number of firms that pay only the national contract minimums and others with very substantial company-level pay. A conservative estimate of the number of employees earning only the nationwide contract minimum puts it at an average of 20 per cent of the total; the percentage is 4-5 points higher among production than among white-collar workers; it is higher in smaller firms, in the Centre and in the South and Islands.

Specifically, the proportion is near 50 per cent in the small industrial firms, falling progressively to 16 per cent in the largest. Geographical differences are wider still: 10 per cent in the North, 30 per cent in the Centre, over 40 per cent in the South and Islands (Figure 7.2a). Taking firm size and macro-region together, we find an extremely strong impact of the regional labour market on firms with fewer than 50 workers, fewer than a quarter of whose employees earn only the contractual minimum in the North as against over two thirds in the South and Islands. It is more common to earn only the contractual minimum in the large firms of the Centre and South than in the small firms of the North.

Figura 7.2



Source: Banca d'Italia, *Indagine sulle imprese dell'industria e dei servizi*. See Methodological Notes.

(1) Data for single firms with at least 20 workers.

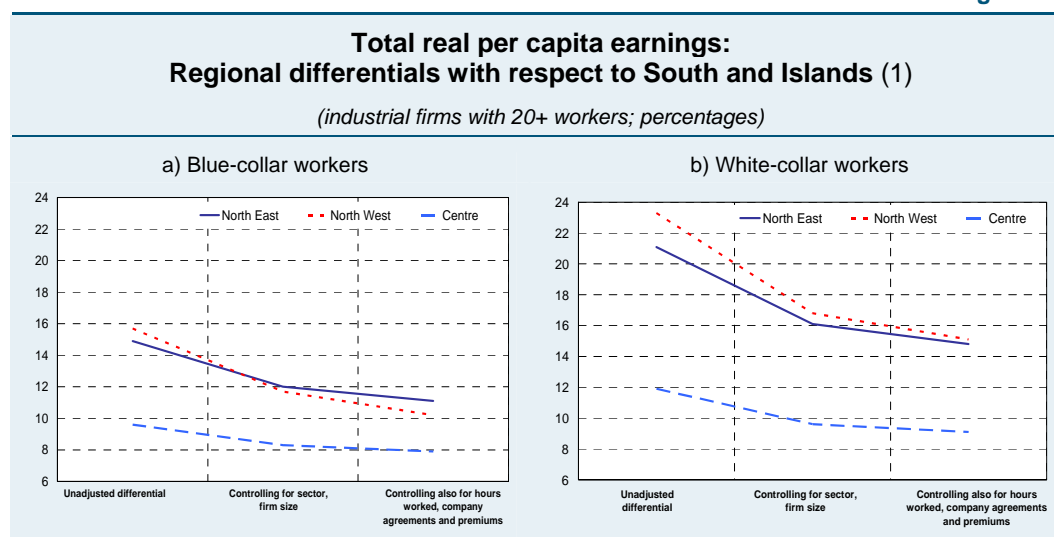
There is also a significant and geographically differentiated presence of firms paying “large” additional wage premiums, defined as more than 20 per cent of total earnings for blue-collar and more than 25 per cent for white-collar workers. In the

North more than a third of clerical and a sixth of production workers earn substantial company-level pay elements. These shares fall by about half in the Centre and are lower still in the South and Islands (Figure 7.2b). Taking firm size and geographical area together, again we find that clerical workers – but not production workers – are more likely to earn large company premiums in small firms in the North than in large ones in the South and Islands.

Regional wage differentials in industry

The Bank of Italy sample of almost 3,000 firms with at least 20 workers offers some 14,000 observations from 2002 through 2007 that can be processed jointly, because over those years there were no significant changes either in real wages or in the incidence of the wage components set by the national contract.

Figura 7.3



Source: Banca d'Italia, *Indagine sulle imprese dell'industria e dei servizi*. See Methodological Notes.

(1) Averages, 2002-2007, for single firms with at least 20 workers.

The overall earnings differential in industry between North and South/Islands came to about 15 percentage points for production and 22 points for white-collar workers (Figure 7.3). Controlling for product sector, firm size, hours worked per capita, existence of a company-level agreement, and any performance-based pay, the differentials come down to 11 points for production and 15 points for white-collar workers.

One third of the overall differential is due to the variety of contractual minimum wage levels, which vary not only by sector and firm size but also according to the contracts themselves (“large firms,” “SMEs,” “cooperatives,” etc.) and product sector (investment goods, consumer goods, intermediate goods). The remaining two thirds of the differential is due to the earnings items set at company level, which includes any unilateral, non-bargained payments.

8. IMMIGRATION IN THE ITALIAN REGIONS (*)

The inflow of immigrants in the last ten years has boosted the growth in employment in Italy and helped to offset the progressive aging of the population. Foreigners have a significantly higher employment rate than Italians and a significantly lower level of compensation that reflects a lower level of educational achievement and a more pronounced concentration in sectors and jobs with a smaller professional content and in less productive firms. The educational qualifications, employment rates and compensation levels of foreigners resident in the South and Islands are lower than those of foreigners resident in the Centre and North.

The growth in the number of foreigners present in Italy has not been reflected in a reduction in the job opportunities for Italians, which appear, instead, to grow for those with better educational qualifications and for women. The new generations of foreigners, who represent an important component of the country's future labour force, show significant school dropout rates and a skills level below that of Italians, which is already low by international standards. The economic and social integration of immigrants improves with the time they have been in Italy.

The demographic impact of immigration. – Since the 1990s Italy has been the destination of large inflows of immigrants. The share of the immigrant population rose from 0.6 per cent in 1991 to nearly 6 per cent in 2008. In the last five years the number of resident foreigners more than doubled to 3.4 million (Table 8.1). The increase was fueled by the regularization programme launched in 2002, which revealed some 650,000 foreigners who were already working in Italy, and the entry into Italy of citizens of countries that were recent additions to the European Union.

The inflow of immigrants has not been uniform across the country: the share of foreigners in the population is currently much higher in the Centre and North (nearly 8 per cent) than in the South and Islands (2.1 per cent). Lombardy, Veneto, Lazio, Emilia-Romagna and Piedmont, which account for 45 per cent of the Italian population, and produce just under 60 per cent of the country's value added, have nearly 70 per cent of the foreign population.

The data provided by municipal registry offices do not include foreigners whose presence in Italy is irregular. According to estimates made by the Iniziativa e studi sulla multiethnicità (Ismu) foundation, in 2008 there were about 650,000 irregular foreigners. Much of the irregular component of immigration contributes to Italy's economic activity: according to Istat's latest estimates, the irregular foreigners present in Italy contributed about 350,000 labour units, a figure in line with that found by Ismu for that year. Istat's index of irregularity (the ratio between the number of applications presented under the 2002 regularization scheme and

(*) Prepared by Antonio Accetturo (Milan branch) and Sauro Mocetti (Bologna branch). Some of the evidence reported here is the result of research carried out as part of the project "Immigration in Italy: characteristics and economic consequences".

the stock of existing residence permits) was high in the South and Islands and relatively low in the North East.

The inflow of immigrants has sustained the growth in the resident population, which grew by 4.6 per cent between 2002 and 2008. In the South and Islands net immigration offset the outflow of residents to the more developed parts of the country. The growth of the population in the Centre and North was fueled by the arrival of immigrants from abroad and national domestic migrants, while the natural population growth was negative.

Table 8.1

Demographic statistics (thousands of units, percentage shares and changes)								
	Resident foreigners in 2008 (1)	Share of foreigners			Population growth rate 2002-08 (1)	Contributions to growth (2)		
		1991	2001	2008 (1)		Natural balance	Foreign migratory balance	Domestic migratory balance
North West	1,223	0.8	3.1	7.8	5.6	-0.6	4.5	0.8
North East	924	0.7	3.4	8.1	6.6	-0.4	4.8	1.9
Centre	857	0.9	3.1	7.3	7.0	-0.7	4.5	1.1
South and Islands	428	0.3	0.9	2.1	1.6	0.7	1.3	-1.4
Italy	3,433	0.6	2.3	5.8	4.6	-0.1	3.4	0.3

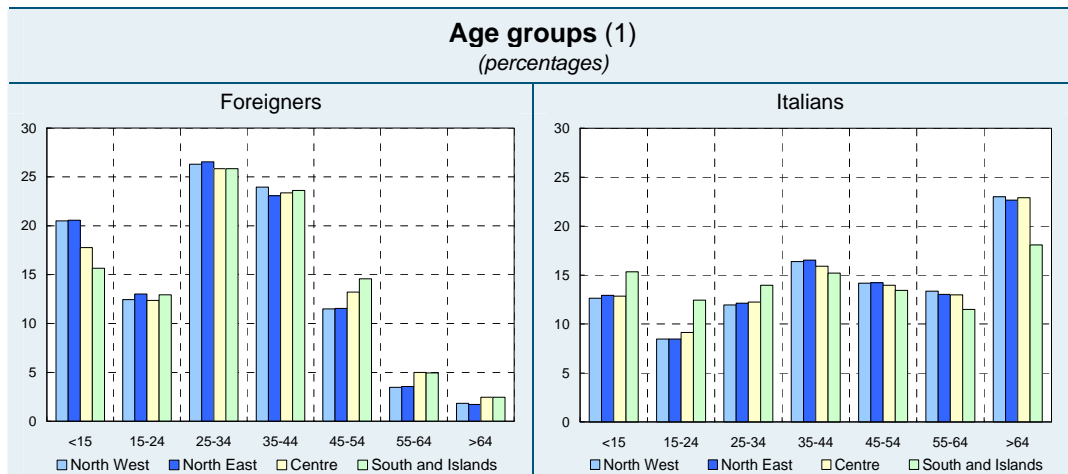
Source: Based on Istat data.

(1) The data refer to 1 January. – (2) The sum of contributions to the population growth rate net of registrations and cancellations for other reasons (not linked to an actual transfer of residence but to corrections made at the registry). The national domestic migratory balance can be different from zero owing to delays in registering entries and/or cancellations at registry offices.

On average immigrants are younger than Italians: more than 80 per cent are less than 45 years old, against 50 per cent for Italians. Immigrants less than 15 years old are nearly 20 per cent of the total, against less than 14 per cent for Italians. The percentage of such immigrants is especially high in the North, partly owing to the more consolidated nature of migration in this part of the country (Figure 8.1).

The younger age of immigrants and their higher fertility rate help to reduce the demographic imbalances connected with the aging of the population. According to Istat, in 2050 the population in the Centre and North could exceed 43 million, an increase of 12 per cent on today. The increase is expected to be due entirely to the foreign component, with the Italian population shrinking slightly. The old-age dependency ratio, the ratio of the population aged over 65 to the number of persons of working age (15-64), is expected to rise from 30 per cent to about 58 per cent; in the absence of migratory inflows it would rise to 68 per cent. By contrast, in the South and Islands the contribution of immigration is much smaller and accompanied by a fall in the population. The old-age dependency ratio is expected to rise to nearly 70 per cent; almost the same as it would have been without migratory inflows.

Figure 8.1



Source: Based on Istat data.
(1) Population share by age group.

Foreign employment and the impact on local labour markets. – According to Istat’s *Labour force survey*, in 2008 foreign workers resident in Italy accounted for 7.5 per cent of total employment; in the Centre and North the figure was 9 per cent, while in the South and Islands it was 3 per cent.

Foreigners of working age had an employment rate of 67 per cent, 9 percentage points higher than for Italians. The gap is due partly to individual characteristics, such as foreigners’ lower average age and the need to have a job in order to obtain a residence permit and partly to their being concentrated in the more developed areas of the country, where the demand for labour is greater. The employment rate of foreigners resident in the South and Islands was 59 per cent, about 9 percentage points lower than in the Centre and North. It is reasonable to suppose that the lower employment rates in the southern regions reflect the larger size of the underground economy and the greater frequency of off-the-books jobs.

Estimates based on Ismu data, which are only available for Lombardy, show considerable differences between female employment rates by country of origin. The rates are especially high for women coming from EU and non-EU countries in Central and Eastern Europe and Central and Southern America; they are much lower for women coming from North Africa, the Middle and Near East, and central Asia.

Estimates based on the Bank of Italy’s *Survey on Household Income and Wealth* shows that the employee earnings in the private sector of foreign workers are about 11 per cent lower than those of Italian workers. The wage gap is due not only to foreigners’ lower educational qualifications but also to their higher concentration in sectors and jobs with a smaller professional content and in less productive firms. The earnings of foreigners in the South and Islands are lower than those of their counterparts in the Centre and North.

On average the educational qualifications of foreign workers are lower than those of Italians. In 2008, foreign nationals in employment aged between 25 and 65 with at most an educational qualification corresponding to the lower secondary school diploma were 44 per cent of the total, nearly 7 percentage points more than

the corresponding figure for Italians; those with a degree were about 13 per cent of the total, against 18 per cent for Italians. The educational qualifications of foreigners are lower in the South and Islands, where the share of foreign workers with a degree is 8 per cent (5 percentage points less than in the Centre and North) and the share of workers with at most the compulsory educational qualification is about 65 per cent (13 percentage points more than in the Centre and North). The differences are due to the characteristics of the economies in the two areas and to the gaps in terms of the return to schooling.

Our analyses based on data from the Bank of Italy's Survey on Household Income and Wealth and Ismu data show that the returns to schooling and work experience in the country of origin are positive, but much lower than those of Italians with similar characteristics. In addition, the returns to schooling for foreigners located in the Centre and North are higher than those for foreigners located in the South and Islands. The process of integrating and assimilating skills gathers pace the longer immigrants stay; the earnings of foreigners, although they remain lower than those of Italian workers, grow faster with each year of work experience in Italy.

Table 8.2

	Employment of immigrants by category and sector in 2008							
	(percentages)							
	Centre and North				South and Islands			
	Males		Females		Males		Males	
Italians	Foreigners	Italians	Foreigners	Italians	Foreigners	Italians	Foreigners	
Employees	68.8	83.6	80.6	89.3	70.9	71.7	78.2	82.9
Managers/cadres	9.2	1.1	6.9	1.0	6.4	1.3	8.3	1.0
White collar	24.5	3.2	47.3	10.3	23.9	5.2	44.3	15.5
Blue collar	35.1	79.3	26.4	78.1	40.6	65.2	25.6	66.4
Self-employed	31.2	16.4	19.4	10.7	29.1	28.3	21.8	17.1
Agriculture	3.3	3.6	2.0	0.8	6.9	13.7	5.9	5.5
Industry excluding construction	29.1	32.5	17.6	13.9	16.7	10.5	7.5	4.4
Construction	11.1	27.6	1.3	0.6	14.3	20.9	0.9	0.1
Wholesale and retail trade	14.9	8.2	15.6	6.8	16.5	29.1	16.8	10.3
Lodging and catering services	3.6	6.9	6.0	12.3	4.6	6.0	5.5	12.9
Other private services (1)	22.2	14.1	20.4	12.2	17.6	4.3	15.3	5.1
General government	12.1	1.3	29.5	10.6	19.2	1.0	39.5	5.1
Other social services (2)	3.7	5.8	7.5	42.7	4.3	14.5	8.6	56.7
Employment rate	74.5	83.1	56.3	53.5	60.9	72.6	30.9	47.9

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

(1) Monetary and financial intermediation, real estate services, transport and communication, business services provided to enterprises, and other business and entrepreneurial services.. – (2), Public and social services and services for households.

In 2008 more than three quarters of foreigners in employment in the Centre and North were blue-collar workers, more than twice the proportion of Italians. In the South and Islands the proportion of self-employed foreigners was relatively higher (Table 8.2). In the Centre and North more than 40 per cent of foreign workers are employed in industry and construction. In the South and Islands, by contrast, the employment of foreigners is concentrated in agriculture, lodging and catering ser-

vices, retail trade and services to households. Within the various sectors of activity foreigners tend to perform tasks with a smaller professional content and to work in less productive firms. Some 44 per cent of immigrants work in unskilled and semi-skilled jobs (compared with 15 per cent of Italians); this percentage rises to nearly 60 per cent in the South and Islands. Furthermore, according to the Bank of Italy survey of industrial firms, the share of non-EU foreigners is higher in smaller firms, which are less productive and less open to international trade.

There exist ethnic specializations in employment. Among the most important communities, more than 40 per cent of the men coming from the former Yugoslav countries and Romania work in the construction industry; analogous percentages of Africans work in industry, of immigrants from western Asia in wholesale and retail trade and catering services; one Indian out of four works in agriculture. For females there is a high degree of specialization in social services and services to households, which account for 70 per cent of women from Ukraine, Ecuador and Peru and more than 80 per cent of Sinhalese and Philippine women. The ethnic segmentation of the labour market is also a consequence of networking. In turn these specializations have an effect on the geographical distribution of foreigners: the demand for housekeeping services, for example, is greater in the large metropolitan areas and in the regions with a higher proportion of old people.

The rapid growth in the foreign population has also led to an increase in the proportion of sole proprietorships run by immigrants. At the end of 2008 there were 240,000 with a non-EU head, equal to 7 per cent of the total number of firms in operation (4.4 per cent in the South and Islands, compared with values in excess of 8 per cent in the rest of the country). It should be noted, moreover, that foreign businesses have greater difficulty in accessing credit than those set up by Italians.

Bank of Italy analyses show that the cost of credit for non-EU sole proprietorships is higher, when the business and the entrepreneur have comparable characteristics, by about 60 basis points than it is for those of persons born in Italy. The differential between the interest rates applied to immigrant entrepreneurs is wider in the Centre and North. Moreover, it declines with the time that has past since the business first turned to the banking system, suggesting that it may reflect greater initial difficulty in assessing creditworthiness. All types of banks apply higher interest rates to foreign sole proprietorships, although mutual banks apply relatively smaller surcharges; such banks may have an advantage in interacting with businesses for which the evaluation of risk is largely based on information that cannot be codified and they are therefore in a better position to select customers. The cost differential also varies with the sole proprietor's continent of origin: in fact it is wider for immigrants from Asia and Eastern Europe.

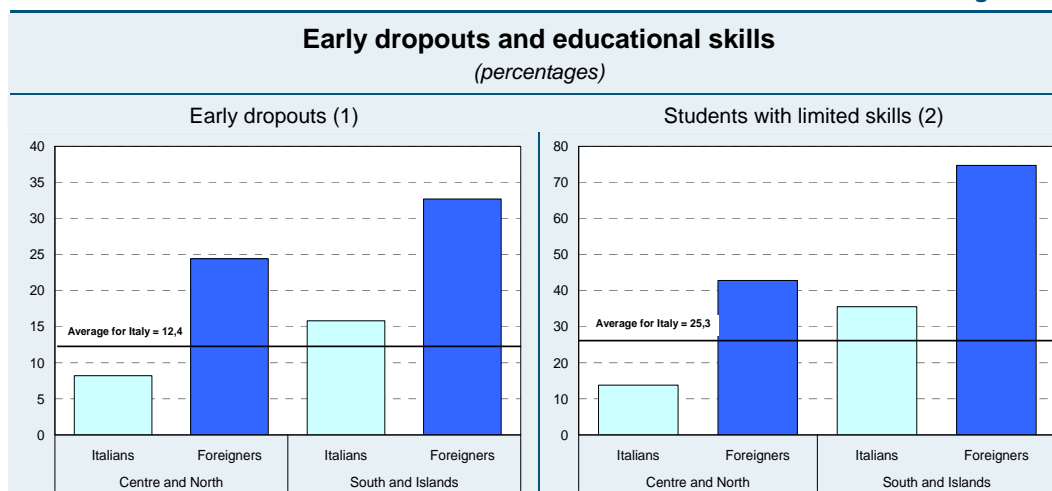
The increase in the number of immigrants has not led to a worsening of Italians' employment opportunities, although there are disparities between the various segments of the population. Bank of Italy analyses, which take account of the differences between individuals' characteristics and local labour markets, show that complementarities exist between better educated foreigners and Italians and women. For the latter, the growing presence of foreigners attenuates the constraints related to the existence of children and the assistance of old family members, thus permitting an increase in labour supply. In addition, the inflow of foreign workers employed in technical and blue-collar jobs may have boosted the demand for managerial and administrative labour, which has to have higher qualifications and is represented to a greater extent by Italians.

In the regions of the Centre and North, affected to a greater extent by immigration from abroad, there

has been an increase in the inflow of Italians with degrees, together with a slight reduction in the inflow of those with lower educational qualifications. In the case of the latter effect, the greater concentration of foreigners in the regions of the Centre and North has met a demand for labour, primarily in industry, that in the past was met by domestic immigration from the South and Islands.

The educational situation of young foreigners. – Family reunifications and the higher fecundity of foreign women have caused a sharp increase in the number of young foreigners. In the 2007/08 school year there were about 570,000 non-Italian schoolchildren, equal to 6.4 per cent of the total; in the North the figure was higher, more than 10 per cent. About one third of these schoolchildren were born in Italy. The degree of foreign schoolchildren’s educational integration will influence the quality of the human capital available in the coming years in Italy. According to Istat’s *Labour force survey*, about one foreigner out of four aged between 15 and 19 has dropped out of school with at most a middle school diploma, a much higher proportion than for Italians, 12 per cent; in the South the proportion of dropouts is even higher, about one in three (Figure 8.2). At the lower secondary school level nearly one foreigner out of two is behind, about five times the figure for Italians. Among young foreigners those born abroad are twice as likely to be behind than those born in Italy, highlighting the greater difficulty of learning and integration faced by first-generation immigrants. Among higher secondary schoolchildren, in both parts of the country, foreigners tend to enroll at professional and technical schools (three out of four, against about half for Italians).

Figure 8.2



Sources: Based on Istat and OECD –PISA data.

(1) Proportion of the population aged between 15 and 19 not enrolled at school and with at most a middle school diploma. – (2) Percentages of 15-year-old schoolchildren with limited skills in science subjects.

The backwardness of foreign schoolchildren with respect to Italians and the greater difficulties faced by those resident in the South and Islands are confirmed by the results of the PISA survey (Programme for International Student Assessment), which measures the skills of 15-year-old students. The main objective of the third edition of the survey, carried out in 2006 by the OECD, was to measure science literacy. Nearly one foreign student out of two had limited literacy, compared with 23 per cent for Italians, which was already above the OECD average. On average first-

generation foreigners (young people born abroad with foreign parents) are less literate than those of second generation (young people born in Italy with foreign parents). As for Italian schoolchildren, the proportion of foreign students with limited literacy is much higher in the South and Islands than in the rest of the country, nearly 75%, compared with about 40 per cent in the Centre and North.

Our calculations show that the geographical gap between young foreigners in terms of dropout rates and skill levels does not narrow significantly if the different backgrounds of the families of origin are taken into account.

9. REGIONAL CREDIT DEMAND AND SUPPLY (*)

A survey on a sample of more than 400 banks in February and March 2009 offers information on their lending policies to households and firms, including their response to the financial crisis and the economic recession. The survey is patterned after the Eurosystem's Bank Lending Survey but differs in having a larger sample and giving a regional breakdown (see the Methodological Notes).

Credit demand and supply to firms. – Firms' loan applications showed practically no growth in the fourth quarter of 2008 and a slight decline in the first quarter of 2009, affecting all sectors (Figure 9.1a). In the fourth quarter growth had been a bit faster for small and medium-sized than for large firms. Credit demand in manufacturing and in the service sector stagnated; in construction it recorded a decline that steepened in the first quarter of 2009.

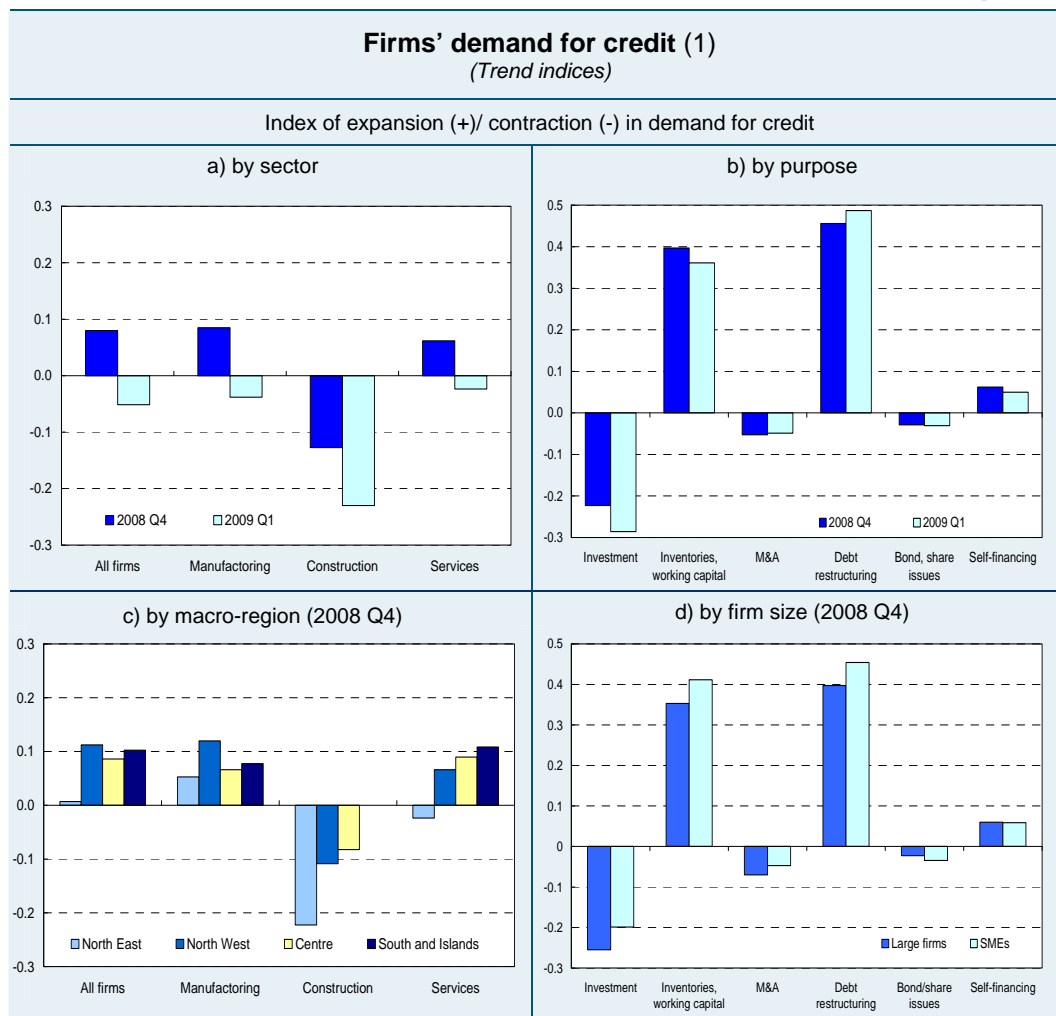
By macro-region – data are available only for the fourth quarter of 2008 – patterns differ according to economic branch (Figure 9.1c). In manufacturing the trend is more or less the same in all parts of the country; in construction, the decline was sharpest in the North East, less marked in the Centre and practically nil in the South and Islands; in the service sector the weakness of demand was more pronounced in the North and Centre than in the South and Islands. Overall, credit applications increased more in the South and Islands than in the Centre and North; the North East in particular displayed slack credit demand.

The small overall decline in demand was the result of highly differentiated component factors: a very sharp decline in demand for investment was nearly offset by increasing credit applications for inventory-building and working capital, while businesses' self-financing held broadly unchanged. Another factor sustaining demand was requests for debt restructuring. The weight of these factors varied modestly both between the two quarters considered and, for the fourth quarter of 2008, across firms of different size (Figures 9.1b and 9.1d).

Generally speaking, credit demand was slackest at the larger banks. In the fourth quarter of 2008 overall applications for credit showed a moderate expansion at small banks but stagnated at larger ones. And the decline in the first quarter of 2009 too was less pronounced at small than at large banks.

(*) Prepared by Silvia Del Prete (Florence regional main office), Luigi Leva (Rome regional main office), Marcello Pagnini (Bologna regional main office) and Paola Rossi (Milan regional main office).

Figure 9.1

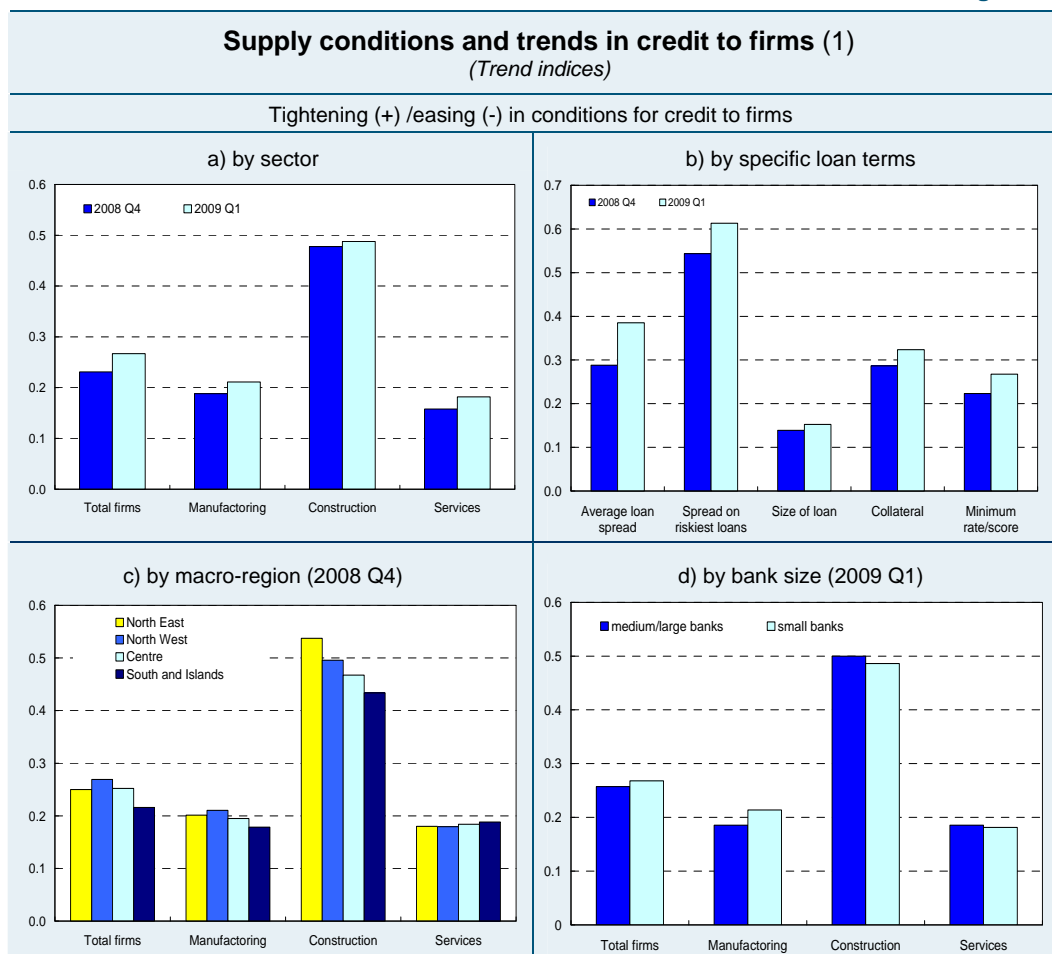


Source: Bank of Italy survey of a sample of more than 400 banks.

(1) A positive value means an increase in the demand for credit; a negative value, a decrease. The indices are constructed by aggregating the qualitative responses of the banks surveyed. The range of variation of the index is from -1 to 1. For the method of aggregation, see the Methodological Notes.

The surveyed banks indicated that they had tightened their lending conditions for firms in the last three months of 2008 and tightened them somewhat more sharply in the first quarter of 2009 (Figure 9.2a). There were no significant differences between manufacturing and the service sector, but the tightening was about twice as sharp in construction. The banks' restrictive stance was relatively similar by category of firm and geographical area (Figures 9.2a and 9.2c). The more selective approach was most marked with respect to firms in manufacturing and construction in the Centre and North. In the South and Islands a more prudent attitude was found with respect to service firms.

Figure 9.2



Source: Bank of Italy survey of a sample of more than 400 banks.

(1) Positive values of the indices indicate a tightening of credit supply conditions; negative values, an easing. The supply trend indices are constructed by aggregating the qualitative responses of the banks surveyed. The range of variation of the index is from -1 to 1. For the method of aggregation, see the Methodological Notes.

The tightening on the supply side mainly involved the interest-rate spreads on higher-risk loans and to a lesser extent on the average loan. Restrictions on the amounts lent were less severe, but there was an increase in collateral requirements and a raising of minimum rating requirements (Figure 9.2b). In the first quarter of 2009 the widening of spreads accelerated. The tightening of lending conditions was sharpest in the North West as regards spreads. Stiffer collateral requirements were slightly less common, especially in the South and Islands and were imposed mainly by small banks.

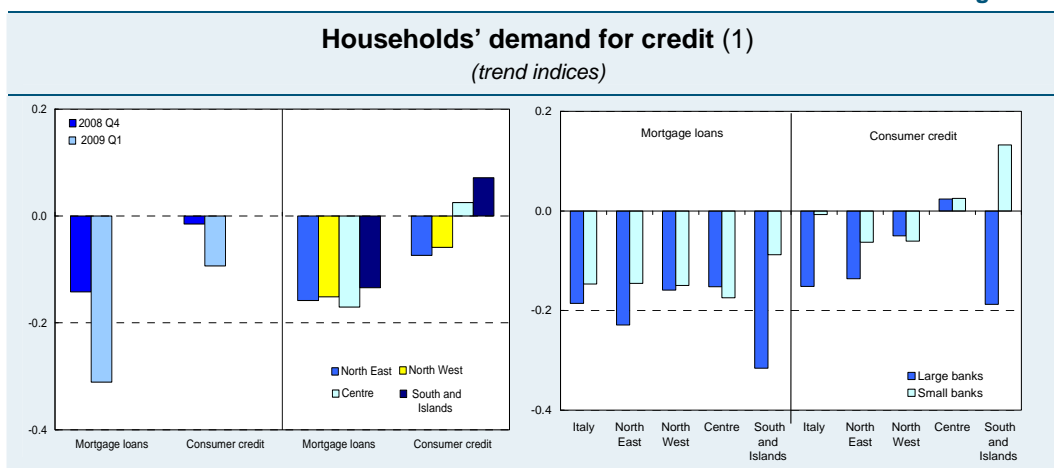
The main reason for the tightening cited by the banks was a heightened perception of risk in connection with the overall performance of the economy and that of specific sectors or firms; a smaller role was attributed to liquidity constraints and capital requirements. In the first quarter of 2009 there was a further moderate tightening of credit conditions, quite similar across banks of different size (Figure 9.2d).

The lending conditions practiced by banks belonging to Italy's top five groups confirm the findings of the Bank of Italy survey and are in line with those of the Italian banks participating in the Eurosystem's Bank Lending Survey. When weighted according to volume of lending to firms, the tightening appears generally more pronounced; thus the tightening proves to be correlated with bank size, even in the case of the smaller banks.

In the fourth quarter of 2008 more than half the large banks in the sample conducted a special review, not part of their regular monitoring, of their business lending; the share of small banks that did so was considerably smaller. The review covered an average of about 10 per cent of all outstanding credit positions, a proportion that was fairly similar across bank of different size. Most of the banks reported that in the first quarter of 2009 the percentage reviewed was higher. The most frequent outcomes were repricing by large banks and debt restructuring at the small ones. Overall, only a few of the reviews resulted in a request for repayment or the termination of the credit. For the most part the re-examination of existing credit positions, among both small and large banks, involved firms in the construction industry. The small intermediaries decided which loans to review mainly on the basis of summary data on how the loan was performing; the larger ones, based on ratings.

Credit demand and supply to households. – Households' demand for bank credit diminished in the fourth quarter of 2008, and the contraction gathered strength in the first quarter of 2009. It was more pronounced for mortgage loans than for consumer credit (Figure 9.3).

Figure 9.3



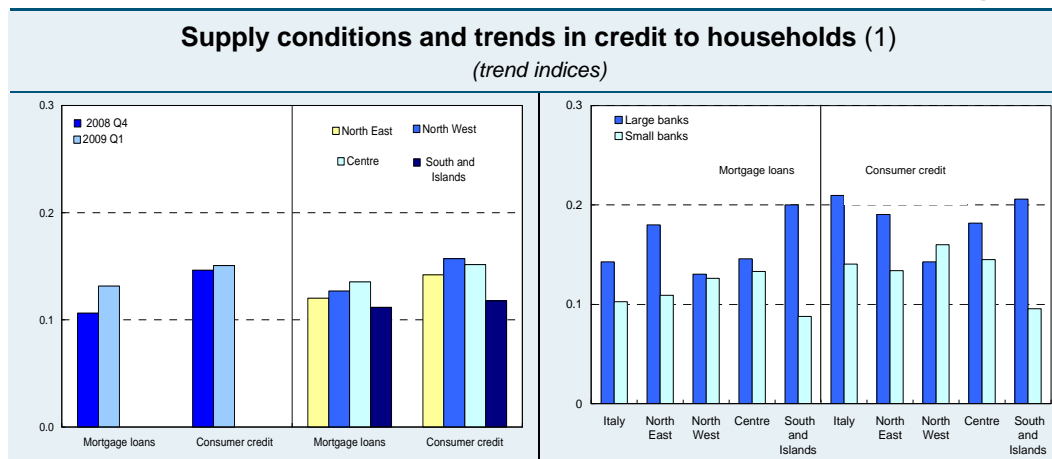
Source: Bank of Italy survey of a sample of more than 400 banks.

(1) The regional data are for the fourth quarter of 2008. For the construction of the trend indices, see the note to Figure 9.1.

The fall in the demand for home mortgages in the last quarter of 2008 (the most recent for which the territorial breakdown is available) was broadly similar throughout the country. The reduction was sharper at medium-sized and large banks in all the macro-regions; the differences were most pronounced in the North East and mainly in the South and Islands (Figure 9.3).

There was greater geographical diversification in the trend in demand for consumer credit, which contracted in the North while rising modestly in the Centre and more sharply in the South and Islands. Here again, the differences according to bank size were significant. While the largest banks recorded a contraction in all the macro-regions except the Centre, the smaller banks registered an increase in the regions of the South and Islands (Figure 9.3).

Figure 9.4



Source: Bank of Italy survey of a sample of more than 400 banks.

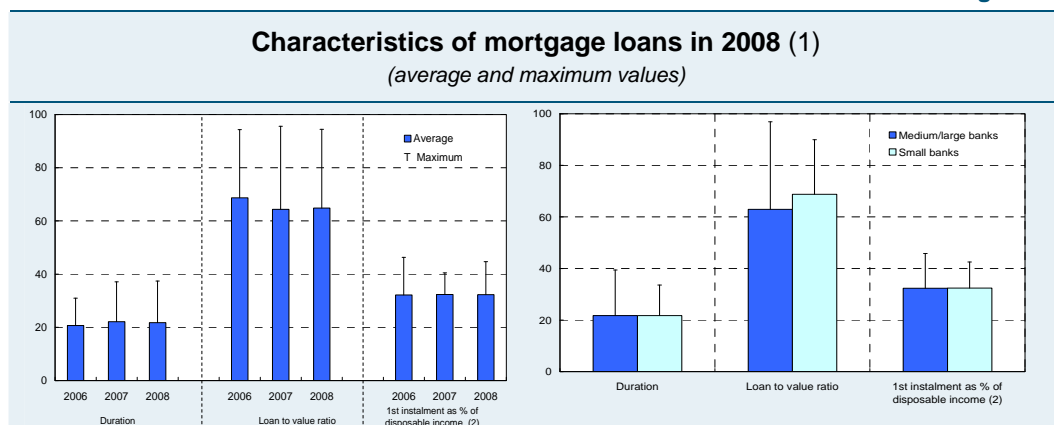
(1) The regional data are for the fourth quarter of 2008. For the construction of the trend indices, see the note to Figure 9.2.

On average, the banks tightened their lending standards to households as well as to firms. The trend began in the fourth quarter of 2008 and continued into 2009 (Figure 9.4). The degree of tightening did not differ significantly between the two main forms of lending to households (home mortgages and consumer credit).

The tightening in the fourth quarter was more or less equivalent in the different macro-regions but slightly sharper at the larger banks, especially vis-à-vis customers in the South and Islands and also, in part, in the North East (Figure 9.4). The top five banking groups in particular were more selective in their lending conditions. In the first quarter of 2009 the leading Italian banking groups eased their restrictive attitude in customer selection very slightly, in line with the findings of the Bank Lending Survey. The other banks tightened conditions further, if only slightly.

Characteristics of loans to households. – The typical characteristics of home mortgage loans to households have not changed significantly in recent years, and there is little variation according to bank size (Figure 9.5). As in the two previous years, again in 2008 the new mortgages were for an average of about 22 years, and the loan-to-value ratio held at around 65 per cent. The first repayment installment averaged just over 30 per cent of the borrowing household's disposable income.

Figure 9.5



Source: Bank of Italy survey of more than 400 banks, various years.

(1) Weighted average by outstanding mortgages. – (2) Disposable income does not include imputed rent from home ownership, which is included in the disposable income statistics of Istat and the Bank of Italy.

In 2008 about a quarter of the mortgage loans granted by the sample banks were for very long duration, 30 years or more; 6.7 per cent had loan-to-value ratios higher than 80 per cent, down from 9 per cent in 2007. Other mortgages with special or innovative features – interest rate cap option, second mortgage, possibility of additional borrowing against the value of the property – generally accounted for only a marginal share of lending in terms of flow and end-year stocks alike. A high proportion of new mortgages, more than 20 per cent, had clauses for the temporary suspension of repayment or for contract extension.

A significant share of the new mortgage loans in 2008 involved the substitution of loans already in being at other intermediaries (13 per cent of the total, counting both outright substitutions and other procedures).

In order to help households in difficulty, signaled by the rising incidence of overdue installments, over 90 per cent of the sample banks renegotiated mortgages with some customers in 2008. By the end of the year 7.5 per cent of all the household mortgages within the banking system had been renegotiated; 2.7 per cent had been renegotiated under the convention between ABI and the Ministry for the Economy and Finance.

10. REVENUE AND EXPENDITURE DUALISM AMONG ITALY'S MUNICIPALITIES (*)

This essay examines the main characteristics of Italian municipalities' revenue and expenditure. More specifically the focus is on the accounts of municipalities in the ordinary statute regions¹ in the period 2005-07, using information taken from budget outturn certificates gathered by the Ministry of the Interior. The analysis shows that the resources available to municipalities are considerably affected by the gaps in the levels of economic development that determine local tax bases; on average these are lower in the South and Islands, where the dependence on central government transfers is much greater than in the rest of the country.

Analysis of per capita current expenditure also shows a higher level in the Centre and North, which remains even after adjusting for municipalities' size and despite the greater degree of outsourcing of important public services in that part of Italy. The differential in expenditure is associated with a better quality of local public services in the municipalities in the Centre and North², where more recourse is made to charges. Moreover, analysis of the accounts in the South and Islands reveals a lower ratio between the values on a cash and an accrual basis, both for revenue (the so-called ability to collect revenue) and for expenditure (in particular for the component on capital account).

The use of taxation is also analyzed with reference to the municipal property tax (ICI) and the personal income surtax, which in 2007 provided respectively 77 and 15 per cent of municipal tax revenue net of municipalities' share of personal income tax (Irpef). It was found for 2008 that tax rates were higher in the ordinary statute regions than in the special statute regions and that, among the former, they were higher in the South than in the North (and highest in the Centre). In the same year both taxes were the subject of important legislative measures: the abolition of ICI on main residences and the suspension of municipalities' right (which had been reintroduced in 2007) to vary the rate of the personal income surtax. These measures appear to conflict with the aim of disseminating budgetary rules based on the principle of a close correlation between revenue and expenditure, in accordance with the logic of fiscal decentralization.

(*) Prepared by Paolo Chiades and Vanni Mengotto (Venice branch), Luciana Aimone Gigio (Turin branch) and Giovanna Firpo (Milan branch).

¹ For an analysis of the municipalities of the special statute regions, see the related *Rapporti sull'economia regionale*, June 2009.

² For an analysis of the regional characteristics of and differences in the supply of local public services, see Banca d'Italia, *Occasional Papers* (Questioni di economia e finanza), nos. 18-23, September 2008.

Revenue and expenditure: a macro-regional analysis

In the three years 2005-07 the per capita tax revenue of the municipalities in the South was €290 and 27 per cent lower than that of the municipalities in the Centre and North, €398 (Table a10.1). This resulted in a different ratio of tax revenue to current revenue (the indicator of fiscal autonomy), equal 39.8 per cent in the South, 42.2 per cent in the Centre and 46.6 per cent in the North. The largest geographical differences occurred among the smallest municipalities (up to 5,000 inhabitants) and those with more than 60,000 inhabitants.

The disparities between macro-regions grow even bigger when we consider the so-called ability to collect revenue (the ratio between revenue on a cash and an accrual basis). In the municipalities in the South and Islands the revenue actually received amounted on average over the three years 2005-07 to 52.9 per cent of the tax revenue on an accrual basis included in the budget, a figure 16 percentage points lower than that for the North and 13 points lower than that for the Centre. Particularly low values were found in Calabria (42.6 per cent), also when compared with the average of the macro-region.

Another feature of the revenue of the municipalities in the South is the smaller contribution of non-tax own revenue, more than half of which consists of revenue deriving from public services. For the municipalities in the Centre and North non-tax own revenue amounts to more than a quarter of current revenue, whereas for those in the South and Islands it amounts to little more than 15 per cent.

Despite the greater degree of outsourcing of important public services in the regions in the Centre and North, and the consequent non-inclusion in the municipalities' accounts of the receipts from charges and tariffs, the per capita revenue from public services in the Centre and North was 40 per cent higher on average than that of the regions in the South and Islands. The municipalities in the Centre and North also benefited from the larger receipts linked to the profits of the entities that run public services, which, in view of the greater presence of multi-utility groups operating in activities that are well known to be more profitable, such as the supply of gas and the production and distribution of electricity, are more profitable on average than their counterparts in the South and Islands.

The extent to which current expenditure is covered by own (tax and other) revenue ranges from 58.3 per cent for the municipalities in the South to 73.2 per cent for those in the Centre and 76.6 per cent for those in the North (Table. a10.1).

The smaller role of own revenue typical of the municipalities in the South and Islands is coupled with larger transfers of central government tax revenue. The overall level and growth rate of central government tax transfers in the last thirty years basically reflect, apart from the legislative changes that have modified their distribution, the original model introduced by the “Stammati decrees” (1977-78), based on the criterion of financing historical expenditure. The ratio of state transfers to total current revenue was about 23 per cent for the regions in the North, about 25 per cent for those in the Centre and more than 37 per cent for those in the South.

The geographical differences in per capita current transfers are partly due to the size distribution of municipalities. Net of this effect, i.e. assuming a standard demographic structure across regions, on average over the three years the municipalities in the Centre and North, except for those in Lazio, benefited from smaller

per capita tax transfers than the average transfers of the ordinary statute regions. The negative differential was found to be larger for the municipalities in the North East (-22.6 per cent for Emilia-Romagna and -13.2 per cent for Veneto) than for those in the North West (-9.6 per cent for Lombardy, -7.3 per cent for Piedmont and -3.6 per cent for Liguria) and the Centre (-10 per cent for Tuscany, -4.1 per cent for the Marche and -0.1 per cent for Umbria). Among the regions in the South figures slightly below the average of the ordinary statute regions were found for the municipalities in Puglia (-0.4 per cent) and Abruzzo (-2.3 per cent), accompanied by much larger transfers to the municipalities in Molise (11.9 per cent), Campania (38.2 per cent) and Basilicata (44 per cent).

By contrast the geographical variability of regional transfers, which was also high within the macro-regions, does not appear to reveal a sharp distinction between the Centre and North and the South. The share of regional transfers in total current revenue, equal to about 5 per cent on average for the ordinary statute regions, could be due in part to the organization of the duties and delegated powers embodied in the relations between each region and its municipalities, which have not followed geographical models differentiated by macro-region. The ratio is higher than the national average in regions in both the North and the Centre (Liguria, Veneto, Umbria and Lazio) and in regions in the South (Basilicata, Molise and Puglia).

The per capita current expenditure of the municipalities in the South (about 700 euros) is respectively 13 and 21 per cent less than that of the municipalities in the North and the Centre (Table a10.2). In the Centre and North the lowest per capita expenditure was in Veneto (on a par with the municipalities in the South) and the highest in Liguria. As for the South, the highest level was in Campania and the lowest in Puglia. Over the three years, the geographical variability diminished slightly, with a narrowing of the gap between the national average and the municipalities in the South, where current expenditure grew more (at an annual average rate of 4 per cent) than that of the municipalities in the Centre and North (1.7 per cent).

The differences between the levels of current expenditure are affected by the different distribution by demographic size. Per capita expenditure tends to decrease as the population increases, up to a certain limit, owing to the existence of economies of scale in the supply of some essential services, and then rises again with the largest populations, owing to the additional services required by larger municipalities and the emergence of congestion diseconomies. Assuming an identical distribution by population size for all the regions, the negative differential of the South with respect to the North remains unchanged at 13 per cent, while that with respect to the Centre falls to 15 per cent. The gap between the region with the lowest expenditure (Puglia) and that with the highest (Liguria) narrows from 42 to 37 per cent.

Another reason for the gaps between expenditure in the Centre and North and the South lies in the different ways in which the supply of services is organized. The greater recourse made in the Centre and North to the outsourcing of important public services (such as the management of water services and urban waste disposal) to public entities or firms (environmental authorities, consortia of municipalities, investee and in-house companies) entails the removal from the accounts of the related expenditure; this causes a reduction in the information value of the accounts and an underestimate of the actual levels of expenditure incurred by public bodies.

As for capital expenditure, measured net of the loans and advances granted, shareholdings and contributions of capital, the level in the South (358 euros) is 4 per

cent higher than that in the Centre and 17 per cent higher than that in the North. The municipalities in the South benefit from higher per capita central government tax and regional transfers, owing in part to the use of Community funds.

In the three years 2005-07 capital expenditure fell on an accrual basis by 11.3 per cent on average for the year. The fall, which was particularly sharp in the two years 2005-06, affected municipalities in all the macro-regions. On a cash basis the fall was much smaller (1.6 per cent) and occurred entirely in the North (4.6 per cent).

As for revenue, the gap between the cash- and accrual-based values of expenditure is wider for the municipalities in the regions in the South, especially in the case of capital expenditure. Between 2005 and 2007 the ratio of the sum of the payments made on an accrual basis (i.e. out of amounts allotted in the same financial year) and budget expenditure carryovers to expenditure commitments averaged 70 per cent for the municipalities in the South, 93 per cent for those in the Centre and 97 per cent for those in the North.

The use made of taxation

The personal income surtax. – Municipalities were given the right to levy a personal income surtax with effect from 1 January 1999 (Legislative Decree 360/1998). Ten years after it was introduced, the municipalities that had taken advantage of this possibility accounted for 87 per cent of Italy's total population. For the ordinary statute regions, the maximum take-up (98 per cent) was in the regions in the Centre and the minimum (84 per cent) in those in the North (Table a10.3). For the special statute regions, the take-up was lower (74 per cent), especially for the regions in the North (52 per cent).

Legislative Decree 360/1998 also granted municipalities the right to vary the surtax rate within given limits. Following the introduction by national law of restrictions at various times, municipalities were able to take advantage of this right until September 2002 and in the period from 2007 to July 2008. In 2007, after four years of suspension, widespread use was made of the right to raise the surtax rate. The average rate, weighted by the municipal tax base, for all the Italian municipalities (including those that do not apply the surtax) rose from 0.26 per cent in 2006 to 0.43 per cent in 2008. The largest increases occurred in the Centre: in Lazio the average rate rose by 0.28 percentage points; in the Marche and Umbria by 0.25 points.

In 2008 the average rate for the ordinary statute regions was higher than that for the special statute regions (respectively 0.45 and 0.35 per cent). Among the ordinary statute regions it was highest for those in the Centre and South. The lower levels in the North for both ordinary and special statute regions was due to the lower take-ups attributable above all to the right to impose the surtax not having been exercised by some large municipalities (Milan, Venice and Brescia) and numerous municipalities in the autonomous provinces of Trento (including the capital city) and Bolzano.

Despite the lower level of recourse to taxation in the ordinary statute regions in the North, the per capita revenue of the municipalities in the North (52 euros in 2008) is higher than that of the municipalities in the South (35 euros), owing to their larger tax bases.

The increase in revenue that municipalities could obtain in the various regions differs depending not only on the extent to which the right to impose the personal income surtax has been used but also on the existence of large disparities in fiscal capacity. Assuming that the maximum possible use is made of taxation, in terms of both the maximum legal rate (0.8 per cent) and take-up by all the Italian municipalities, the increase in revenue for the ordinary statute regions ranges from 23 per cent for the Marche to 180 per cent for Lombardy.

The municipal property tax (ICI). – This tax was introduced in 1993 (Legislative Decree 504/1992) and initially provided for a single rate to be applied to the tax base (buildings, buildable land and agricultural land). In 1996 municipalities were entrusted with establishing the rate, between a minimum of 4 per thousand and a maximum of 7 per thousand, and required to grade tax credits and deductions on the basis of the characteristics of the building and whether it was the owner's main residence.

In the three years 2006–08 the average ordinary rate (weighted by the resident population in each municipality) was 6.45 per thousand for Italy as a whole. As for the personal income surtax, the rate was higher in the ordinary statute regions (6.52 per thousand) than in the special statute regions (6.09 per thousand); among the former ones it was highest in the regions in the Centre (6.80 per thousand) and lowest in those of the North (6.39 per thousand; Table a10.4). The increase in the rate over the period was small (from 6.40 to 6.49 per thousand) and was more pronounced in the regions in the South and Islands. The limited use of taxation can also be attributed to the room for manoeuvre permitted by law in the largest municipalities having been fully exploited.

The per capita revenue produced by the municipal property tax is much lower in the regions in the South and Islands, a consequence of the significantly smaller tax base.

Under Legislative Decree 93/2008 (ratified by Law 126/2008), with effect from 2008 buildings used as main residences and the like were excluded from the ICI tax base. The consequent loss of revenue has been offset – up to now only in part – by central government transfers drawing on the ordinary fund. On average in 2006–07 the revenue deriving from main residences in Italy was 27 per cent of the total revenue deriving from the tax. The ratio was highest in the Centre (31 per cent) and lowest in the special statute regions in the North (21 per cent), as a consequence of lower rates accompanied by higher tax credits.

Assuming the absence of municipal property tax revenue on main residences, in 2006–07 the ratio of tax revenue (excluding municipalities' share of personal income tax) to total current revenue (the indicator of fiscal autonomy) would have been 6 percentage points lower than the actual result (41 per cent). The loss of fiscal autonomy in the ordinary statute regions would have been 7 percentage points (from 44 to 37 per cent), with a maximum of 8 points in the regions in the Centre (from 42 to 34 per cent). The loss in the special statute regions would have been 3 points (from 28 to 25 per cent), uniformly distributed across the country.

STATISTICAL APPENDIX

Table a10.1

Municipalities' current revenue (1) <i>(per capita amounts in euros and percentages; averages for the period 2005-07)</i>								
REGIONS AND MACRO-REGIONS	Per capita tax revenue (2)	Composition of current revenue					Cash receipts ratio (5)	Ratio of own current revenue to current expenditure (2)
		Tax revenue (2)	Non-tax revenue	Central gov- ernment transfers (2)	Transfers from the re- gions (3)	Other transfers (4)		
ORDINARY STATUTE REGIONS (OSRS)								
Emilia-Romagna	424.1	47.8	27.5	19.9	2.7	2.1	69.3	78.1
Liguria	557.8	49.9	20.4	21.4	7.3	1.1	69.6	76.2
Lombardy	381.8	44.9	27.8	22.9	3.2	1.3	67.9	78.1
Piedmont	388.6	46.2	22.5	25.3	4.0	2.0	66.3	71.8
Veneto	363.8	47.8	22.4	22.8	6.3	0.7	71.3	76.7
North	398.3	46.6	25.2	22.6	4.1	1.5	68.6	76.6
Lazio	408.7	40.9	26.5	27.1	4.4	1.1	65.7	72.1
Marche	353.0	43.0	24.3	23.6	7.3	1.7	65.9	71.3
Tuscany	411.2	44.3	28.2	21.5	4.4	1.6	67.5	77.6
Umbria	356.4	41.5	19.9	27.0	9.7	1.8	66.1	64.9
Centre	398.1	42.2	26.3	24.9	5.1	1.4	66.3	73.2
Abruzzo	351.0	48.3	19.1	27.2	4.2	1.1	67.5	71.9
Basilicata	231.8	31.0	15.4	41.2	10.7	1.6	47.0	49.3
Calabria	237.7	32.9	19.7	40.7	5.9	0.8	42.6	55.6
Campania	294.4	37.1	16.7	39.6	5.8	0.8	49.7	56.0
Molise	274.2	33.6	21.0	30.1	13.4	2.0	48.0	57.3
Puglia	302.6	47.5	9.8	34.8	7.3	0.6	56.7	60.7
South	290.9	39.8	15.6	37.3	6.5	0.8	52.9	58.3
OSRS	368.1	43.8	23.2	26.8	4.9	1.3	64.5	71.2
Italy	354.3	41.1	22.0	25.9	9.8	1.3	63.3	67.2
<i>Memorandum items:</i>								
SPECIAL STATUTE REGIONS (SSRS)								
Friuli V.G.	351.4	32.1	22.0	1.7	41.2	2.9	66.4	60.3
Sardinia	325.0	33.4	13.7	22.3	29.4	1.3	48.7	50.3
Sicily	245.9	28.5	11.6	35.3	24.2	0.5	48.2	41.7
Trentino-Alto Adige	248.6	17.9	29.5	0.4	50.9	1.4	75.0	54.9
Valle d'Aosta	444.2	25.3	17.4	1.0	54.3	2.0	66.0	50.2
SSRS	277.7	28.2	16.4	21.6	32.6	1.2	54.5	48.0

Sources: Based on data published by Istat and the Ministry of the Interior (*Certificati di conto consuntivo*).

(1) On an accrual basis. – (2) Municipalities' share of personal income tax is excluded from tax revenue and included among central government transfers. – (3) Includes transfers from the regions for functions that have been transferred. In Trentino-Alto Adige this item also includes transfers from the autonomous provinces of Trento and Bolzano. – (4) Includes transfers from other national public entities, such as those from the provinces and Community bodies. – (5) Ratio of receipts on an accrual basis to assessments of tax revenue excluding municipalities' share of personal income tax.

Table a10.2

Municipalities' current and capital expenditure (1)

(per capita amounts in euros and percentage changes; averages for the period 2005-07)

REGIONS AND MACRO-REGIONS	Current expenditure			Capital expenditure (2)		
	Per capita	Per capita with same demo- graphic structure (3)	Average annual change (4)	Per capita	Average annual change (4)	Total payments / appropriations
ORDINARY STATUTE REGIONS (OSRS)						
Emilia-Romagna	855.4	822.4	2.0	309.0	-7.8	97.6
Liguria	1.030.9	965.4	0.1	314.8	-12.3	96.2
Lombardy	790.5	819.2	2.3	303.2	-11.0	88.7
Piedmont	804.8	811.3	1.4	321.2	-14.3	105.5
Veneto	696.2	748.0	1.6	286.4	-10.6	104.2
North	801.6	814.1	1.8	304.9	-11.1	96.7
Lazio	934.6	837.0	2.6	343.2	-5.2	86.0
Marche	775.6	826.3	2.8	294.4	-12.8	114.2
Tuscany	867.2	847.4	-0.2	293.0	-7.0	94.1
Umbria	813.4	807.4	0.5	638.7	-19.7	100.2
Centre	882.8	836.6	1.6	343.3	-8.4	93.4
Abruzzo	681.1	734.4	2.4	325.6	-12.8	86.4
Basilicata	703.2	771.7	2.0	471.1	-10.0	88.7
Calabria	682.8	709.7	2.8	351.8	-13.3	58.6
Campania	761.6	759.2	4.3	397.1	-5.6	71.5
Molise	777.5	876.4	2.2	593.7	-11.7	70.1
Puglia	600.8	611.5	5.3	281.7	-22.6	64.1
South	694.4	710.4	4.0	358.2	-12.4	70.2
OSRS	790.1	..	2.3	328.7	-10.8	87.7
Italy	809.2	..	2.4	339.4	-11.3	87.9
Memorandum items: SPECIAL STATUTE REGIONS (SSRS)						
Friuli Venezia Giulia	982.7	979.6	3.7	447.9	-7.6	109.6
Sardinia	911.4	906.7	5.9	520.8	-22.7	103.0
Sicily	830.4	841.9	2.4	220.8	-18.2	66.1
Trentino-Alto Adige	1.197.5	1.154.6	3.0	943.2	-0.6	91.3
Valle d'Aosta	1.496.0	1.467.8	0.9	1.098.7	-9.1	92.4
SSRS	915.6	..	3.3	398.6	-13.3	88.7

Sources: Based on data published by Istat and the Ministry of the Interior (*Certificati di conto consuntivo*).

(1) On an accrual basis. – (2) Excludes loans and advances granted, expenditure on equity holdings and capital contributions. – (3) Per capita expenditure on the assumption that the distribution of municipalities by size is the same as the average of respectively the ordinary statute regions and the special statute regions. – (4) Calculated as the geometric mean with reference to per capita values not corrected for different demographic structures.

Table a10.3

PERSONAL INCOME SURTAX
(percentage changes and per capita amounts in euros)

DEMOGRAPHIC SIZE CLASSES	Average rate (1) (percentages)			Activation level (2) (percentages)			Per capita theoretical revenue (3) (euros)			% increase in the theoretical revenue obtainable by using the remaining room for raising rates
	2006	2007	2008	2006	2007	2008	2006	2007	2008	2008
Piedmont	0.320	0.437	0.456	93	94	95	41	56	58	75
Valle d'Aosta	-	0.094	0.091	-	30	30	-	13	13	775
Lombardy	0.189	0.264	0.286	65	70	71	27	37	40	180
Liguria	0.349	0.420	0.549	86	88	88	45	54	71	46
PA Trento	0.005	0.005	0.005	2	2	2	1	1	1	..
PA Bolzano	0.098	0.104	0.104	45	46	46	13	14	14	669
Veneto	0.301	0.405	0.439	83	85	87	36	48	52	82
Friuli Venezia Giulia	0.128	0.322	0.342	65	77	78	17	42	44	134
Emilia-Romagna	0.233	0.442	0.483	90	95	95	32	60	66	66
Tuscany	0.319	0.446	0.462	96	96	96	39	54	56	73
Umbria	0.280	0.514	0.531	96	96	96	30	55	56	51
Marche	0.402	0.579	0.652	98	98	98	43	62	69	23
Lazio	0.249	0.494	0.528	93	96	99	30	59	63	51
Abruzzo	0.318	0.479	0.528	89	91	94	28	42	47	52
Molise	0.324	0.472	0.480	84	88	88	25	36	37	67
Campania	0.345	0.471	0.504	87	92	95	22	30	32	59
Puglia	0.341	0.484	0.539	82	89	95	24	33	37	48
Basilicata	0.332	0.467	0.564	89	91	91	23	33	39	42
Calabria	0.332	0.448	0.493	81	86	89	20	27	30	62
Sicily	0.253	0.374	0.464	75	79	85	17	25	31	73
Sardinia	0.257	0.373	0.380	64	73	73	21	30	31	111
OSRS	0.275	0.411	0.446	85	88	92	31	46	49	79
<i>North</i>	0.249	0.360	0.394	79	83	84	33	48	52	103
<i>Centre</i>	0.292	0.490	0.522	95	96	98	35	57	61	53
<i>South</i>	0.338	0.472	0.518	85	90	94	23	32	35	54
SSRS	0.189	0.303	0.347	65	71	74	16	26	30	100
<i>North</i>	0.088	0.195	0.205	44	51	52	12	25	27	290
<i>Islands</i>	0.254	0.374	0.439	73	77	82	18	26	31	82
Total	0.264	0.398	0.434	82	85	87	29	43	46	84

Sources: Based on data published by Istat, the Ministry of the Interior and the Ministry for the Economy and Finance. See the Methodological Notes section.

(1) Average weighted by the municipal tax base, with reference to all the Italian municipalities (including those that do not apply the personal income surtax). – (2) Percentage ratio between the population subject to the personal income surtax and the total population. – (3) Calculated on the basis of the resident population; includes municipalities that do not apply the personal income surtax.

Table a10.4

Municipal property tax – ICI (per thousand, percentages and euros)										
REGIONS AND MACRO REGIONS	Ordinary verage rate (OSRS) (per thousand)			ICI: main resi- dence (average 2006-07)		Per capita revenue (average 2006-07)			Fiscal autonomy (av- erage 2006-07) (1)	
	2006	2007	2008	Rate (per thou- sand)	Tax credit (euros)	Ordinary rate (euros)	Main resi- dence (euros)	Ratio main resi- dence to total (%)	With main residence taxed (%)	Without main residence not taxed (%)
Piedmont	6.27	6.31	6.33	5.29	120	164	61	27	47	39
Valle d'Aosta	4.30	4.33	4.37	4.11	117	259	46	15	26	23
Lombardy	6.11	6.18	6.21	4.99	115	171	56	25	45	38
Liguria	6.72	6.83	6.83	5.35	110	235	89	27	49	41
Trentino-Alto Adige	5.20	5.25	5.26	4.18	255	169	23	12	17	16
Veneto	6.42	6.46	6.48	4.85	117	172	55	24	48	41
Friuli Venezia Giulia	6.07	6.10	6.11	4.69	115	148	60	29	32	26
Emilia-Romagna	6.73	6.77	6.81	5.50	113	226	71	24	48	40
Tuscany	6.73	6.77	6.79	5.43	125	190	75	28	44	36
Umbria	6.77	6.85	6.84	5.33	108	145	52	27	41	35
Marche	6.73	6.80	6.82	5.05	108	147	43	22	44	38
Lazio	6.76	6.83	6.85	5.01	107	182	97	35	40	31
Abruzzo	6.37	6.48	6.53	4.98	114	148	46	24	49	43
Molise	6.21	6.25	6.27	5.31	113	113	42	27	33	28
Campania	6.62	6.66	6.70	5.40	121	96	40	29	37	32
Puglia	6.31	6.49	6.55	4.84	114	119	40	25	48	42
Basilicata	6.16	6.24	6.32	5.12	113	75	26	26	32	28
Calabria	6.22	6.27	6.31	5.37	111	80	26	25	33	30
Sicily	6.35	6.39	6.44	4.87	117	93	27	22	29	26
Sardinia	5.77	5.81	5.81	4.49	112	116	43	27	33	29
OSRS	6.46	6.53	6.56	5.15	115	160	59	27	44	37
<i>North</i>	6.35	6.40	6.43	5.13	115	184	61	25	47	39
<i>Centre</i>	6.75	6.81	6.83	5.17	113	173	77	31	42	34
<i>South</i>	6.42	6.51	6.56	5.18	116	105	38	27	40	35
SSRS	6.05	6.09	6.12	4.69	129	115	34	23	28	25
<i>North</i>	5.60	5.64	5.65	4.45	171	163	43	21	25	21
<i>Islands</i>	6.20	6.25	6.28	4.77	115	99	31	24	30	27
Italy	6.40	6.46	6.49	5.08	117	153	55	27	41	35

Sources: Based on data published by Istat, IFEL and the Ministry of the Interior. See the Methodological Notes section.

(1) Percentage ratio between tax revenue (excluding share of personal income tax) and total current revenue.

11. MOUNTAIN COMMUNITIES: AMOUNT AND COMPOSITION OF EXPENDITURE (*)

In the discussion on the measure implementing fiscal federalism (ultimately passed as Law 42/2009), renewed emphasis was placed on the need to rationalize local public bodies' activities and finances in order to enhance their effectiveness and reduce their costs. One way to achieve this is joint performance of some functions of small municipalities, for example through mountain communities, introduced into Italian law in the 1950s as permanent consortiums intended to “foster the technical and economic improvement of mountain territories”¹. Since then, these entities have sometimes been created for other purposes, leading to a distorted use of public resources. One factor permitting this was that the law provided for many derogations from the definition of mountain municipality based purely on altitude and topography². This is why mountain communities were the subject of a first reform measure with the Finance Law for 2008 (Law 244/2007) and, together with other public entities controlled by local authorities, are now the subject of draft legislation that could lead to their suppression.

This chapter gives an overview of the structure of mountain communities and of the financial resources at their command, also in relation to the resources of the participating municipalities, and briefly describes how the individual regions have reacted to the reorganization provided for in the Finance Law for 2008. It contains useful background information for understanding the debate on the future of Italy's minor local entities following the awaited local government reform.

Regulation at regional level

The activity of mountain communities is currently governed by regional laws. In the 1970s, among the many legislative measures that initiated the political and administrative decentralization envisaged by the Constitution, the regions were delegated to

(*) Prepared by Pietro De Matteis (Campobasso branch) and Massimiliano Rigon (Milan branch).

¹ The current version of mountain communities dates from Law 1102/1971, but measures in favour of mountain communities (defined as such by Law 991/1952) had been envisaged as early as Presidential Decree 987/1955.

² The main derogation was already in Law 991/1952, which alongside the criteria of altitude and topography had established an indicator based on average taxable income per hectare. Further derogations were established by special provisions (i.e. those for municipalities damaged by war) or introduced de facto by the National Tax-Assessment Commission. Law 142/1990 froze the definition of mountain territory by repealing Law 991/1952. For the definition of mountain area in other European countries, see, for example, the 2004 report: *Mountain Areas in Europe: Analysis of Mountain Areas in EU Member States, Acceding and Other European Countries*.

institute mountain communities³. Accordingly, each region independently identified the communities, essentially on the basis of the zones defined soon after the Second World War, to which were added communities determined according to “criteria of territorial, economic and social unity”. In 2000 with the renewed federalist impulse of national legislation, mountain communities’ nature and functions were confirmed in the Consolidated Law on Local Authorities⁴, although, with the amendment of Title V of the Constitution (2001), they were not included among the local government bodies having constitutional status. Nevertheless, in recent years their role has been confirmed, with varying emphasis, in the regional statutes of many ordinary-statute regions (OSRs)⁵.

The functions the individual mountain communities actually perform can be highly heterogeneous, as they are conferred by the municipalities, the province, the region and the central government; in addition, the communities are responsible for the special interventions for mountain areas provided for by the European Union or by central government or regional laws.

The reorganization launched with the Finance Law for 2008 aimed at reducing the current expenditure of mountain communities in the OSRs by an amount equal to one third of the share of the ordinary current funds for 2007 assigned to the mountain communities⁶. The regions were charged with implementing the spending cut by reducing both the number of communities and the size and compensation of their representative bodies⁷.

All the ordinary-statute regions except Veneto have passed legislation going in the direction indicated by the Finance Law for 2008. These measures could result in a sizable reduction in the number of mountain communities, which would fall from 300 to a maximum of 179 (holding the number in Veneto unchanged).

Expenditure in mountain communities and their participating municipalities

At the end of 2007 there were 330 mountain communities (300 in the OSRs) embracing 3,888 municipalities with a total population of more than 11 million. Mountain communities existed in all the regions except Sicily and Sardinia, which abolished them in 1986 and 2007, respectively⁸.

³ Article 4 of Law 1102/1971: “In each homogeneous zone, on the basis of regional law, a mountain community - a public-law entity - shall be established among the municipalities within the zone.”

⁴ Legislative Decree 267/2000.

⁵ The instances range from mere references to capitalizing on the functions of mountain communities to their inclusion in the Council of Local Governments (Veneto and Tuscany), while two regions (Lazio and Campania) already envisage the possibility of delegating some tasks to mountain communities. Constitutional Law 1/1999 introduced new provisions governing the statutes of OSRs.

⁶ The reduction is estimated at €31.8 million for the OSRs as a group.

⁷ Mountain communities’ government structure consists of a representative body elected by the municipal councils of the participating municipalities, an executive body made up of mayors, other executive officers or municipal councilors of the participating municipalities, and a president.

⁸ Sardinia recently approved the institution of four new mountain communities.

Mountain communities cover a considerably higher share of the resident population and municipalities in the South, although the percentage of their population living in mountain municipalities is higher in the North (Table 11.1)⁹.

Table 11.1

Mountain communities in Italy in 2007						
	Number of mountain communities	Municipalities		Population (1)		
		Number	% of total	Number of inhabitants	% of total	of which: in mountain municipalities(3)
North West	105	1,383	45.2	2,664	17.0	86.7
North East	59	731	49.4	2,731	24.4	77.4
Centre	64	598	59.6	2,697	23.4	68.6
South (2)	102	1,176	65.7	3,673	26.1	66.8
Ordinary-statute regions	300	3,382	50.5	10,155	20.3	71.9
Special-statute regions (2)	30	506	80.1	1,226	52.6	91.9
Italy (2)	330	3,888	53.0	11,381	21.7	74.0

Source: Based on Istat, *Atlante statistico della montagna*.
(1) At 31 December 2006 in thousands. — (2) Excluding Sicily and Sardinia, which abolished mountain communities in 1986 and 2007, respectively. — (3) Percentage of the population of mountain communities resident in mountain municipalities (defined using Istat's criteria).

In the three years 2004-06, the total expenditure of mountain communities in the OSRs amounted on average to 0.1 per cent of regional GDP (against 0.6 per cent for the special-statute regions, or SSRs¹⁰); the ratio was higher in the OSRs of the South (0.2 per cent). In the three years, mountain communities' average expenditure totaled more than €2 billion (of which some 30 per cent in the SSRs); their per capita expenditure came to about €130 in the OSRs and €215 in the SSRs.

According to the mountain community budget outturn certificates made available by Istat, in the three years 2004-06 services were the largest item of current expenditure in the mountain communities of the North and Centre, accounting for 44.9 and 44.7 per cent, respectively (Table 11.2). In the South services accounted for only 26.6 per cent of current expenditure, while staff costs made up 47.6 per cent (against 23.3 per cent in the North and 34.2 per cent in the Centre).

⁹ The definition of mountain municipality in this case is that used by Istat

¹⁰ Including the 25 Sardinian mountain communities abolished in 2007.

Table 11.2

	OSRs				SSRs (2)	Italy (2)
	Total	North	Centre	South		
Composition of expenditure in mountain communities (1) <i>(average percentages for the period 2004-06)</i>						
Current expenditure	44.8	48.5	59.1	31.9	64.0	50.5
Staff	14.7	11.3	20.2	15.2	21.2	16.6
Purchases: consumer goods and raw materials	1.9	1.9	2.9	1.3	4.9	2.8
Services	18.0	21.8	26.4	8.5	28.8	21.2
Current transfers	7.5	10.9	6.2	4.3	6.4	7.2
Other current expenditure	2.8	2.5	3.4	2.6	2.7	2.8
Capital expenditure (3)	55.2	51.5	40.9	68.1	36.0	49.5
Investment in works (4)	21.6	14.4	14.4	34.4	19.4	21.0
Purchases: machinery and equipment	2.8	2.9	3.5	2.2	6.0	3.7
Capital transfers	29.0	31.4	21.6	30.5	6.8	23.7
Other capital expenditure	1.8	2.8	1.4	1.0	3.8	1.1
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: Based on Istat data.

(1) On a legal accrual basis. – (2) Excluding Sicily. – (3) Net of grants of loans and advances. – (4) Acquisition of property, expropriations and acquisitions of easements for a valuable consideration; acquisition of goods and use of third-party goods on a time and materials basis.

Consolidated accounts for the mountain communities and their participating municipalities, constructed using the budget outturn certificates for 2007, show that the communities accounted overall for about 10 per cent of the consolidated total¹¹. However, both mountain communities' per capita expenditure and their share of the consolidated total varied markedly from region to region. Their share is higher on average in the SSRs. Among the OSRs, it is higher in the North and South than in the Centre, though with appreciable differences within each geographical area. In the North, it is lower in the North East and rather high in the regions of the North West (except for Liguria). Similar differences are also found in the South, with the ratio generally low in Calabria but among the highest in Basilicata, and the Centre, where Lazio has the lowest ratio among all the OSRs (2.7 per cent; Table 11.3).

¹¹ The estimation was performed with the data available as of 12 May 2009, when not all the municipalities belonging to a mountain community had sent the budget outturn certificate for 2007 to the Ministry for the Interior. The coverage of the sample used is nonetheless satisfactory for the purposes of the analysis; in terms of population, it averages 94 per cent for all the municipalities included in mountain communities, with a low of 76 per cent for those in the region of Campania. For the mountain communities, the coverage is 92 per cent, with a low of 57 per cent for Trentino-Alto Adige.

Table 11.3

Expenditure in mountain communities and their participating municipalities in 2007 (1) <i>(euros per capita and percentages)</i>				
REGION	Municipalities	Mountain communities	Consolidated expenditure (2)	Mountain communities' share
Piedmont	1,067	186	1,244	15.0
Valle d'Aosta	2,679	700	3,379	20.7
Lombardy	1,096	158	1,237	12.7
Trentino-Alto Adige	2,233	376	2,603	14.4
Veneto	1,025	84	1,102	7.6
Friuli Venezia Giulia	1,656	245	1,891	12.9
Liguria	1,260	68	1,320	5.1
Emilia-Romagna	1,172	108	1,264	8.6
Tuscany	1,172	152	1,307	11.7
Umbria	1,422	135	1,554	8.7
Marche	1,169	144	1,302	11.0
Lazio	1,073	30	1,103	2.7
Abruzzo	1,017	118	1,129	10.4
Molise	1,582	163	1,739	9.3
Campania	1,261	165	1,425	11.6
Puglia	965	122	1,086	11.2
Basilicata	1,281	220	1,501	14.6
Calabria	1,002	62	1,063	5.9
Ordinary-statute regions	1,138	124	1,254	9.9
<i>North</i>	1,107	131	1,226	10.7
<i>Centre</i>	1,191	105	1,288	8.2
<i>South</i>	1,130	130	1,258	10.3
Special-statute regions (3)	2,144	375	2,513	14.9
Italy (3)	1,242	144	1,379	10.4

Sources: Based on Istat data and budget outturn certificates from the Ministry of the Interior.

(1) Data refer only to municipalities that had provided a 2007 budget outturn certificate to the Ministry of the Interior by 12 May 2009. – (2) Sum of the per capita expenditure of the mountain communities and of their participating municipalities net of transfers from municipalities to communities. Per capita expenditure includes both current and capital expenditure, net of grants of loans and advances, and excludes loan repayments. – (3) Excluding Sicily.

STATISTICAL APPENDIX

TABLES

Table a1.1	Sectoral composition of value added
“ a1.2	Composition of manufacturing value added in 2005 in 2006
“ a1.3	Composition of service-sector value added in 2006
“ a1.4	GDP growth rates
“ a1.5	Per capita GDP growth rates
“ a1.6	Labour productivity by sector
“ a1.7	Value added in manufacturing, 2000-2006
“ a1.8	Investment, sales revenue and employment of firms with at least 20 workers
“ a1.9	The effects of the crisis on industrial firms in March-April 2009
“ a1.10	The effects of the crisis on service firms in March-April 2009
“ a1.11	Value of retail sales in the first six months
“ a1.12	Structure of large-scale distribution in 2008
“ a1.13	Exports (FOB) in 2008
“ a1.14	Indices of export specialization in 2008
“ a1.15	House prices
“ a2.1	Employment and the labour force in 2008
“ a2.2	Total employment: 1993-2008
“ a2.3	Main labour market indicators
“ a2.4	Employment by geographical area and type of employment relationship
“ a2.5	Hours of wage supplementation
“ a3.1	Profitability and financial condition of firms by firm size
“ a4.1	Bank lending by sector in 2008
“ a4.2	Ratio of new bad debts to outstanding loans
“ a4.3	Short-term bank lending and deposit rates
“ a4.4	Bank fund-raising by region
“ a4.5	Third parties' securities on deposit
“ a4.6	Number of banks and bank branches in operation

Table a1.1

Sectoral composition of value added (1) (percentage shares)								
	2007				2008 (2)			
	Agriculture, forestry and fishing	Industry	Services	Share by region and area (3)	Agriculture, forestry and fishing	Industry	Services	Share by region and area (3)
Piedmont	1.5	29.6	68.9	8.1	....	....	....	....
Valle d'Aosta	1.4	24.6	74.0	0.2	....	....	....	....
Lombardy	1.2	32.9	65.9	21.1	....	....	....	....
Liguria	1.6	17.7	80.7	2.8	....	....	....	....
North West	1.3	30.7	68.0	32.2	1.3	30.0	68.7	32.2
Bolzano	4.2	22.1	73.7	1.1	....	....	....	....
Trento	3.1	26.1	70.9	1.0	....	....	....	....
Veneto	1.9	34.4	63.7	9.5	....	....	....	....
Friuli Venezia Giulia	1.7	26.9	71.4	2.3	....	....	....	....
Emilia-Romagna	2.3	33.2	64.5	8.8	....	....	....	....
North East	2.2	32.2	65.6	22.7	2.3	31.6	66.1	22.7
Tuscany	2.0	26.5	71.5	6.7	....	....	....	....
Umbria	2.2	27.9	69.9	1.4	....	....	....	....
Marche	1.9	31.8	66.3	2.6	....	....	....	....
Lazio	1.2	15.5	83.3	11.0	....	....	....	....
Centre	1.6	21.7	76.8	21.7	1.6	21.5	76.9	21.7
Centre and North	1.6	28.6	69.8	76.5	1.7	28.0	70.3	76.6
Abruzzo	2.8	30.7	66.4	1.8	....	....	....	....
Molise	3.9	24.6	71.4	0.4	....	....	....	....
Campania	2.7	19.5	77.8	6.2	....	....	....	....
Puglia	3.7	22.7	73.6	4.5	....	....	....	....
Basilicata	5.1	24.7	70.2	0.7	....	....	....	....
Calabria	4.8	17.0	78.2	2.2	....	....	....	....
Sicily	4.0	16.6	79.5	5.4	....	....	....	....
Sardinia	3.6	19.0	77.4	2.1	....	....	....	....
South and Islands	3.6	20.3	76.2	23.4	3.6	19.9	76.4	23.3
Italy	2.1	26.7	71.2	100.0	2.1	26.2	71.7	100.0

Source: Based on Istat data, *Conti economici regionali*.

(1) Value added at previous-year's prices. – (2) Preliminary figures based on Istat data, *Conti economici territoriali*. – (3) The total for Italy does not correspond to the sum of the shares of the regions or areas owing to geographically unallocated amounts.

Table a1.2

Composition of manufacturing value added in 2006 (1)
(percentage shares)

	Food products, beverages and tobacco	Textiles and clothing	Leather, leather products and the like	Paper, paper products, printing and publishing	Coke, refined petroleum products, chemicals and pharmaceuticals	Non-metallic mineral products	Basic metals and fabricated metal products	Basic metals and fabricated metal products	Basic metals and fabricated metal products	Total manufacturing industry
Piedmont	10.1	9.0	0.3	6.1	6.0	3.1	17.2	37.4	10.7	100
Valle d'Aosta	15.0	1.7	0.1	2.2	1.6	3.1	29.0	36.1	11.0	100
Lombardy	7.1	8.5	0.7	6.8	11.6	2.9	20.6	30.9	10.7	100
Liguria	12.7	1.7	0.1	4.6	9.7	6.9	13.6	42.1	8.8	100
North West	8.1	8.4	0.6	6.5	10.2	3.1	19.5	32.9	10.7	100
Bolzano	17.9	1.1	0.1	5.8	2.5	5.5	16.4	29.2	21.5	100
Trento	12.1	4.8	0.7	12.1	6.0	6.7	13.5	28.3	15.9	100
Veneto	7.2	9.3	4.2	4.6	5.5	6.2	17.9	30.3	14.9	100
Friuli Venezia Giulia	6.9	2.3	0.6	5.4	2.2	5.9	23.5	30.5	22.8	100
Emilia-Romagna	13.3	6.4	1.2	3.9	5.3	10.2	16.5	34.9	8.2	100
North East	10.1	7.2	2.5	4.6	5.1	7.8	17.6	32.1	13.0	100
Tuscany	7.1	16.6	9.9	6.4	8.5	6.4	11.2	22.5	11.7	100
Umbria	12.9	10.8	0.6	5.4	3.5	12.7	22.6	19.3	12.1	100
Marche	6.6	8.3	14.7	5.0	3.5	3.4	15.3	24.6	19.2	100
Lazio	9.9	4.0	0.2	13.7	22.3	6.1	9.6	26.5	7.8	100
Centre	8.3	10.7	7.4	8.1	10.9	6.2	12.6	23.8	12.3	100
Centre and North	8.8	8.4	2.5	6.2	8.6	5.3	17.6	30.9	11.7	100
Abruzzo	10.1	12.7	1.8	7.2	5.5	9.0	14.2	28.9	10.7	100
Molise	14.7	13.9	0.4	1.5	7.5	10.5	13.8	28.4	9.1	100
Campania	16.1	7.4	4.2	6.1	6.7	6.0	13.3	30.5	9.7	100
Puglia	14.2	11.5	3.6	4.0	5.3	7.8	20.5	20.4	12.8	100
Basilicata	14.2	8.5	1.4	3.0	3.5	11.3	8.3	34.9	14.5	100
Calabria	21.0	8.2	0.4	5.0	8.5	17.1	11.5	18.5	10.0	100
Sicily	17.0	2.5	0.2	4.2	21.8	10.2	12.3	20.3	9.6	100
Sardinia	19.6	4.1	0.2	4.4	16.1	11.2	13.4	19.8	10.5	100
South and Islands	15.4	8.2	2.3	5.0	9.7	8.9	14.5	24.9	10.7	100
Italy	9.7	8.4	2.5	6.0	8.8	5.8	17.2	30.1	11.6	100

Source: Based on Istat data, *Conti economici regionali*.

(1) Value added at previous-year's prices.

Table a1.3

Composition of service-sector value added in 2006 (1)
(percentage shares)

	Wholesale and retail trade and repair services	Hotel and restaurant	Transport, storage and communication	Financial intermediation	Services to households and businesses (2)	Public administration (3)	Education	Health and social work	Other community, social and personal services (4)	Total services
Piedmont	18.5	4.7	11.8	7.3	32.7	6.0	5.6	8.4	3.9	100
Valle d'Aosta	11.6	10.0	10.3	5.3	28.0	16.5	7.3	8.7	1.2	100
Lombardy	19.9	3.8	11.6	9.7	33.4	4.2	4.7	7.0	4.0	100
Liguria	14.7	6.4	15.6	7.0	29.9	8.3	5.2	8.5	3.3	100
North West	19.0	4.4	12.0	8.8	32.8	5.2	5.0	7.5	3.9	100
Bolzano	17.3	15.4	8.5	6.9	23.9	10.1	6.9	8.5	2.1	100
Trento	14.6	9.7	10.3	6.7	27.7	11.3	6.1	10.2	2.5	100
Veneto	20.1	6.8	11.6	7.3	31.2	5.6	5.2	7.6	3.7	100
Friuli Venezia Giulia	16.8	6.2	11.2	7.9	29.4	9.3	5.9	8.9	3.5	100
Emilia-Romagna	18.2	5.7	10.6	8.1	32.8	5.8	5.1	8.5	3.9	100
North East	18.6	6.9	10.9	7.6	31.0	6.6	5.4	8.3	3.6	100
Tuscany	18.5	7.0	11.1	7.4	30.3	7.0	5.7	7.3	4.3	100
Umbria	18.2	5.3	10.0	6.1	28.8	9.2	7.3	8.9	4.5	100
Marche	18.5	5.4	9.5	7.2	31.0	7.8	7.2	8.8	3.5	100
Lazio	13.3	4.2	13.5	7.3	29.6	11.6	6.5	6.4	5.6	100
Centre	15.6	5.2	12.2	7.3	29.9	9.7	6.4	7.0	4.9	100
Centre and North	17.8	5.3	11.8	8.0	31.4	7.0	5.5	7.6	4.1	100
Abruzzo	16.8	5.2	10.9	5.3	26.9	11.8	8.7	10.4	3.3	100
Molise	14.1	4.3	10.8	4.7	25.7	15.8	10.8	10.4	2.9	100
Campania	15.0	4.7	13.3	4.5	25.9	10.8	10.9	9.9	3.3	100
Puglia	16.4	4.1	11.1	4.7	27.6	12.0	10.7	9.6	2.9	100
Basilicata	17.4	4.4	11.7	4.5	24.0	11.6	11.4	10.9	3.3	100
Calabria	13.6	3.9	11.4	3.3	26.1	15.3	11.9	10.1	3.6	100
Sicily	14.6	3.7	10.1	4.6	24.9	15.2	11.0	10.6	4.2	100
Sardinia	15.7	6.1	10.9	4.4	25.0	15.2	8.0	10.6	2.7	100
South and Islands	15.3	4.4	11.5	4.5	25.9	13.1	10.6	10.2	3.4	100
Italy	17.2	5.1	11.7	7.1	30.0	8.6	6.8	8.2	3.9	100

Source: Based on Istat data, *Conti economici regionali*.

(1) Value added at previous-year's prices. – (2) Includes real-estate, rental, information technology, research and other professional services and business activities. – (3) Includes defence and compulsory social security. – (4) Includes private households with employed persons.

Table a1.4

GDP growth rates							
<i>(percentage changes; chain-linked volumes; reference year 2000)</i>							
	2002	2003	2004	2005	2006	2007	2008 (1)
Piedmont	-0.4	0.0	1.6	0.6	1.5	1.0	....
Valle d'Aosta	1.7	2.4	1.2	-1.5	2.3	1.9	....
Lombardy	1.1	0.1	1.1	0.6	1.8	1.7	....
Liguria	-1.8	-0.2	0.6	0.0	2.3	2.3	....
North West	0.4	0.1	1.2	0.6	1.7	1.6	-1.1
Bolzano	-1.0	1.3	2.9	0.5	3.4	1.6	....
Trento	-0.2	0.3	0.1	1.3	1.6	1.9	....
Veneto	-1.0	1.3	2.7	0.7	1.8	1.8	....
Friuli Venezia Giulia	-0.4	-2.0	0.5	2.1	2.2	1.9	....
Emilia-Romagna	-0.4	-0.5	1.0	1.0	2.5	2.0	....
North East	-0.7	0.2	1.7	1.0	2.2	1.9	-0.9
Tuscany	0.6	0.4	1.2	0.3	2.0	1.1	....
Umbria	-0.9	-0.3	2.3	-0.1	2.5	2.3	....
Marche	2.0	-0.4	1.4	0.9	2.7	1.8	....
Lazio	2.8	-0.5	4.4	0.3	1.9	2.0	....
Centre	1.8	-0.2	2.9	0.4	2.1	1.7	-0.8
Centre and North	0.5	0.0	1.8	0.6	2.0	1.7	-1.0
Abruzzo	0.0	-1.4	-2.1	1.9	2.0	0.5	....
Molise	0.5	-1.6	1.6	0.4	3.3	0.9	....
Campania	2.0	-0.6	0.4	-0.3	0.6	0.4	....
Puglia	-0.5	-1.1	1.2	-0.1	2.2	1.8	....
Basilicata	0.3	-1.3	1.6	-1.3	2.8	1.4	....
Calabria	-0.3	1.2	2.4	-1.9	2.6	0.2	....
Sicily	0.2	-0.1	-0.1	2.2	1.2	0.1	....
Sardinia	-0.4	2.1	0.9	0.0	0.9	0.7	....
South and Islands	0.4	-0.3	0.5	0.3	1.5	0.7	-1.3
Italy (2)	0.5	0.0	1.5	0.7	2.0	1.6	-1.0

Source: Based on Istat data, *Conti economici regionali*.

(1) Istat, *Conti economici territoriali*, estimate of 4 June 2009, percentage change calculated on values at previous year's prices. – (2) The figures for Italy are taken from the national accounts and differ from those of the regional accounts for the years 2005-07 because the latter do not yet incorporate the latest revisions.

Table a1.5

Per capita GDP growth rates (1)
(percentage changes and thousands of euros)

	2002	2003	2004	2005	2006	2007	2007 Thousands of euros per capita
Piedmont	-0.6	-0.7	0.5	-0.2	1.2	0.3	23.7
Valle d'Aosta	1.0	1.3	0.3	-2.2	1.5	1.1	28.2
Lombardy	0.5	-1.0	-0.4	-0.6	0.9	0.8	28.0
Liguria	-1.6	-0.5	-0.1	-1.0	1.8	2.3	22.1
North West	0.1	-0.8	-0.1	-0.5	1.1	0.8	26.2
Bolzano	-1.6	0.4	1.8	-0.7	2.3	0.4	28.5
Trento	-1.1	-1.1	-1.4	0.2	0.6	0.8	25.3
Veneto	-1.7	0.1	1.3	-0.3	1.0	0.8	25.2
Friuli Venezia Giulia	-0.8	-2.6	0.0	1.7	1.8	1.3	24.1
Emilia-Romagna	-1.2	-1.7	-0.5	-0.3	1.6	0.9	26.8
North East	-1.4	-0.9	0.4	-0.1	1.4	0.9	25.8
Tuscany	0.3	-0.5	0.1	-0.4	1.4	0.4	23.6
Umbria	-1.4	-1.6	0.8	-1.3	1.7	1.3	20.5
Marche	1.3	-1.5	0.3	0.1	2.1	1.0	22.0
Lazio	2.5	-1.4	3.2	-0.6	-0.2	-0.3	25.3
Centre	1.4	-1.1	1.7	-0.5	0.7	0.2	24.0
Centre and North	0.0	-1.0	0.5	-0.4	1.1	0.7	25.4
Abruzzo	-0.5	-2.3	-3.1	1.1	1.6	-0.2	17.7
Molise	0.6	-1.8	1.5	0.5	3.6	0.9	16.4
Campania	1.9	-1.1	-0.2	-0.6	0.6	0.2	13.7
Puglia	-0.4	-1.4	0.6	-0.5	2.2	1.7	14.4
Basilicata	0.5	-1.3	1.6	-1.1	3.3	1.6	15.4
Calabria	0.0	1.2	2.3	-1.7	2.9	0.1	14.1
Sicily	0.2	-0.4	-0.5	2.1	1.1	0.0	14.2
Sardinia	-0.5	1.7	0.5	-0.4	0.7	0.4	16.6
South and Islands	0.4	-0.6	0.1	0.1	1.5	0.5	14.6
Italy (2)	0.1	-0.8	0.5	-0.1	1.5	0.8	21.7

Source: Based on Istat data, *Conti economici regionali*.

(1) Value added at base prices, chain-linked volumes, reference year 2000. – (2) The figures for Italy are taken from the national accounts and differ from those of the regional accounts for the years 2005-07 because the latter do not yet incorporate the latest revisions.

Table a1.6

Labour productivity by sector (1) (percentage changes)						
	North West	North -East	Centre	Centre and North	South and Islands	Italy
Industry excluding construction						
2001	-0.4	-0.7	2.4	0.0	-0.7	-0.1
2002	-1.0	-0.9	-3.2	-1.4	-0.8	-1.4
2003	-1.2	-1.9	-3.6	-1.9	-4.2	-2.2
2004	-0.2	1.8	-0.3	0.5	-2.6	0.2
2005	-0.4	1.1	0.4	0.3	1.2	0.4
2006	1.6	1.5	0.2	1.3	0.9	1.2
Construction						
2001	4.4	5.1	-4.5	2.1	-0.4	1.3
2002	0.0	2.4	-3.0	-0.1	1.2	0.3
2003	-1.4	1.9	-0.1	0.0	0.1	0.0
2004	1.3	-2.9	-0.2	-0.5	-1.3	-0.7
2005	-3.9	0.5	-5.0	-2.8	-3.0	-2.8
2006	1.6	0.3	-1.1	0.4	2.3	1.0
Non-financial private services (2)						
2001	1.5	0.4	1.9	1.3	1.2	1.3
2002	0.5	-5.3	1.2	-1.0	-4.8	-2.0
2003	-0.7	-0.7	-8.1	-2.9	-2.5	-2.7
2004	0.7	3.8	3.9	2.5	1.7	2.4
2005	1.3	1.7	2.9	1.9	1.7	1.9
2006	1.0	1.2	1.2	1.1	0.6	1.0
Goods and non-financial private services (2)						
2001	0.6	0.2	0.7	0.5	-0.4	0.2
2002	-0.2	-2.5	-0.5	-1.0	-1.8	-1.2
2003	-1.2	-1.1	-5.0	-2.1	-1.8	-2.0
2004	0.4	2.7	2.3	1.6	0.9	1.5
2005	-0.1	1.8	1.1	0.8	0.8	0.8
2006	1.3	1.1	0.6	1.0	0.3	0.9

Source: Based on Istat data, *Conti economici regionali*.

(1) Labour productivity is calculated as the ratio of value added at base prices (chain-linked volumes, reference year 2000) to total standard labour units. – (2) Excludes the following: financial intermediation, real-estate services and business activities, public administration, education; health services, domestic services, and other community, social and personal service activities.

Table a1.7

Value added in manufacturing, 2000-2006

(percentage changes; chain-linked volumes, reference year 2000)

SECTORS	North West	North East	Centre	South and Islands	Italy
Cumulative percentage changes					
Food products, beverages and tobacco	-3.2	-7.0	-2.5	-6.7	-5.1
Textiles and clothing	-19.6	-17.9	-11.5	-18.4	-17.5
Leather and leather products	-20.2	-23.4	-13.6	-19.8	-18.1
Paper, paper products, printing and publishing	0.9	-11.2	-12.8	4.4	-4.8
Coke, refined petroleum products, chemicals and pharmaceuticals	-10.3	-5.6	-5.6	-13.3	-8.7
Non-metallic mineral products	5.2	0.2	-5.4	15.7	3.2
Basic metals and fabricated metal products	1.5	13.5	17.4	17.2	8.4
Mechanical and electrical machinery and equipment, precision tools and transport equipment	5.5	3.7	-2.9	-3.7	2.7
Wood, rubber and plastic products and other manufactures	-7.1	-8.3	-7.6	-10.7	-8.0
Total manufacturing industry	-2.1	-1.9	-4.7	-3.3	-2.6
Sectoral contributions to growth (1)					
Food products, beverages and tobacco	-0.3	-0.7	-0.2	-1.1	-0.5
Textiles and clothing	-2.0	-1.5	-1.3	-1.8	-1.7
Leather and leather products	-0.2	-0.7	-1.1	-0.5	-0.5
Paper, paper products, printing and publishing	0.1	-0.6	-1.1	0.2	-0.3
Coke, refined petroleum products, chemicals and pharmaceuticals	-1.1	-0.3	-0.6	-1.4	-0.8
Non-metallic mineral products	0.1	0.0	-0.3	1.2	0.2
Basic metals and metal products	0.3	2.1	1.8	2.1	1.3
Mechanical and electrical machinery and equipment, precision tools and transport equipment	1.7	1.1	-0.7	-0.9	0.8
Wood, rubber and plastic products and other manufactures	-0.8	-1.2	-1.0	-1.2	-1.0
Total manufacturing industry	-2.1	-1.9	-4.7	-3.3	-2.6
Geographical contributions to growth (2)					
Food products, beverages and tobacco	-1.1	-2.2	-0.3	-1.5	-5.1
Textiles and clothing	-8.2	-4.5	-2.2	-2.6	-17.5
Leather and leather products	-2.1	-7.3	-6.2	-2.6	-18.1
Paper, paper products, printing and publishing	0.4	-2.7	-3.0	0.5	-4.8
Coke, refined petroleum products, chemicals and pharmaceuticals	-4.9	-0.9	-1.1	-2.2	-8.7
Non-metallic mineral products	1.1	0.1	-1.0	3.0	3.2
Basic metals and metal products	0.7	3.9	1.9	1.9	8.4
Mechanical and electrical machinery and equipment, precision tools and transport equipment	2.4	1.1	-0.4	-0.5	2.7
Wood, rubber and plastic products and other manufactures	-2.6	-2.7	-1.3	-1.4	-8.0
Total manufacturing industry	-0.9	-0.5	-0.8	-0.5	-2.6

Source: Based on Istat data, *Conti economici regionali*.

(1) Percentage change in the sector's value added in the area, weighted by the sector's share of total manufacturing value added in the area. – (2) Percentage change in the sector's value added in the area, weighted by its value added in the area as a share of its total value added in Italy.

Table a1.8

Investment, sales revenue and employment of firms with at least 20 workers
(percentage changes on previous year at current prices)

	Head office				Actual location (2)			
	Industry excluding construction		Non-financial private services		Industry excluding construction		Non-financial private services	
	2008	2007	2008	2007	2008	2007	2008	2007
North West								
Investment (1) (3)	3.2	3.8	-4.7	-4.9	0.2	7.8	-6.9	-6.7
Turnover (1) (3)	-2.7	2.0	-1.6	1.2	....	....	....	....
Average payroll employment	-1.2	0.1	0.2	1.9	-1.3	-0.1	0.7	1.8
North East								
Investment (1) (3)	-3.2	8.1	2.5	1,1	-2.6	9.9	5.4	3.4
Turnover (1) (3)	-1.1	2.7	-1.3	2.2	....	....	....	....
Average payroll employment	0.1	0.8	3.0	3,5	0.1	0.9	1.7	3.1
Centre								
Investment (1) (3)	-0.6	7.9	-5.6	7.3	-4.0	6.9	0.0	7.6
Turnover (1) (3)	-5.3	-3.1	-2.3	2.1	....	....	....	....
Average payroll employment	-0.4	-0.3	-0.1	1.7	0.3	0.2	0.3	3.1
South and Islands								
Investment (1) (3)	-1.1	3.2	-1.3	-0,1	11.3	-3.4	-3.4	-1.0
Turnover (1) (3)	-2.0	0.8	-2.7	2.1	....	....	....	....
Average payroll employment	-1.6	0.7	1.5	2.1	-2.3	0.3	1.0	1.3
Italy								
Investment (1) (3)	0.4	5.6	-3.5	-0.1	0.4	5.6	-3.5	-0.1
Turnover (1) (3)	-2.8	1.1	-1.8	1.8	-2.8	1.1	-1.8	1.8
Average payroll employment	-0.7	0.3	0.9	2.3	-0.7	0.3	0.9	2.3

Source: Banca d'Italia, *Survey of Industrial and Service Firms*. See the Methodological Notes section.

(1) The investment and turnover deflator is calculated as the average of the price changes estimated by the firms interviewed. – (2) Actual percentage distribution of investment and employment at the end of the year, distribution of turnover according to the number of workers. – (3) Winsorized averages obtained by trimming the extreme values (both negative and positive) of the distributions of the annual changes in investments on the basis of the 5th and 95th percentiles. The method was applied taking account of the fractions surveyed in each layer of the sample ("Winsorized Type II Estimator").

Table a1.9

The effects of the crisis on industrial firms in March-April 2009

	North West	North East	Centre	South and Islands	Italy
Percentage of firms that have suffered somewhat or a lot from the crisis (1)	72.6	69.8	65.9	66.9	69.8
Months since the crisis began	6.3	6.4	7.1	7.5	6.6
Fall in turnover since the crisis began (2)	22.9	22.9	19.7	18.9	21.8
Percentage of firms that judged the crisis to be severe or very severe in the following respects: (3)					
<i>fall in demand</i>	81.6	82.2	76.7	71.2	79.6
<i>payment difficulties of contracting entities/customers</i>	62.5	61.0	67.8	74.8	64.5
<i>difficulty in raising funds via the channels normally used by the firm</i>	19.5	19.7	28.9	32.1	22.8
<i>difficulty in obtaining raw materials and/or intermediate goods via the usual network of suppliers</i>	4.6	5.5	8.2	10.6	6.3
Steps taken or planned to tackle the crisis (percentages of responses) (4) :					
<i>reduce margins</i>	49.0	46.4	48.5	46.6	47.8
<i>cut costs</i>	84.0	86.8	85.0	81.2	84.7
<i>diversify customers</i>	41.2	51.2	48.4	41.3	45.5
<i>improve services supplied</i>	29.6	30.7	32.7	23.0	29.5
<i>downsize</i>	26.0	30.9	24.8	23.5	27.0
<i>other</i>	3.3	2.2	2.4	3.8	2.9
Steps taken or planned to tackle the crisis (percentages of responses) (4) :	7.5	9.6	13.1	9.5	9.4

Source: Banca d'Italia, *Survey of Industrial and Service Firms*. See the Methodological Notes section. Rounding may cause totals to differ from 100.

(1) Other possible answers were "not at all" and "a little". – (2) With reference exclusively to firms that said they had suffered "a lot" or "somewhat" from the crisis. Arithmetic means. – (3) The other possible responses were "negligible" and "moderate". – (4) Since firms can take more than one step, the total is not equal to 100.

Table a1.10

The effects of the crisis on service firms in March-April 2009

	North West	North East	Centre	South and Islands	Italy
Percentage of firms that have suffered somewhat or a lot from the crisis (1)	61.2	57.9	54.6	59.2	58.6
Months since the crisis began	7.0	6.4	6.8	8.0	7.0
Fall in turnover since the crisis began (2)	13.5	12.3	15.3	16.0	14.1
Percentage of firms that judged the crisis to be severe or very severe in the following respects: (3)					
<i>fall in demand</i>	51.0	68.1	66.9	60.8	60.3
<i>payment difficulties of contracting entities/customers</i>	63.5	62.9	57.1	66.9	62.8
<i>difficulty in raising funds via the channels normally used by the firm</i>	17.3	19.9	23.1	25.0	20.8
<i>difficulty in obtaining raw materials and/or intermediate goods via the usual network of suppliers</i>	1.8	3.3	0.9	10.1	3.8
Steps taken or planned to tackle the crisis (percentages of responses) (4) :					
<i>reduce margins</i>	32.1	45.1	38.9	40.3	38.3
<i>cut costs</i>	91.2	91.3	92.6	80.8	89.3
<i>diversify customers</i>	28.9	28.8	35.0	30.1	30.3
<i>improve services supplied</i>	33.3	41.5	39.2	31.9	36.1
<i>downsize</i>	35.8	31.7	47.0	34.1	36.7
<i>other</i>	16.5	6.7	11.6	10.2	11.9

Source: Banca d'Italia, *Survey of Industrial and Service Firms*. See the Methodological Notes section. Rounding may cause totals to differ from 100.

(1) Other possible answers were "not at all" and "a little". – (2) With reference exclusively to firms that said they had suffered "a lot" or "somewhat" from the crisis. Arithmetic means. – (3) The other possible responses were "negligible" and "moderate". – (4) Since firms can take more than one step, the total is not equal to 100.

Table a1.11

Value of retail sales in the first six months		
<i>(percentages at current prices)</i>		
	2007	2008
Piedmont	4.9	-0.4
Valle d'Aosta	1.9	-0.5
Lombardy	0.6	0.1
Liguria	1.1	-0.6
North West	1.8	-0.1
Trentino-Alto Adige	-1.2	-0.6
Veneto	0.9	-0.7
Friuli Venezia Giulia	0.2	-0.5
Emilia-Romagna	2.6	0.4
North East	1.3	-0.2
Tuscany	0.6	-0.5
Umbria	2.3	0.9
Marche	-1.1	0.2
Lazio	-0.8	-0.5
Centre	-0.1	-0.3
Centre and North	1.1	-0.2
Abruzzo	1.0	0.7
Molise	5.5	1.0
Campania	1.2	-1.5
Puglia	-1.4	-1.7
Basilicata	-0.1	-0.4
Calabria	1.7	0.8
Sicily	0.9	-0.9
Sardinia	-2.2	-1.2
South and Islands	0.3	-1.0
Italy	0.9	-0.4

Source: Ministero dello Sviluppo economico.

Table a1.12

Structure of large-scale distribution in 2008
(units and squared meters)

	Hypermarkets (1)			Department stores (2)			Supermarkets (3)		
	No.	Sq. ms per 1,000 inhabitants	Work- force	No.	Sq. ms per 1,000 inhabitants	Work- force	No.	Sq. ms per 1,000 inhabitants	Work- force
Piedmont	72	84	10,624	63	30	1,749	686	139	11,951
Valle d'Aosta	2	124	495	7	48	89	14	93	318
Lombardy	128	88	22,503	160	35	4,598	1,447	150	33,616
Liguria	6	23	1,445	33	37	695	196	98	4,649
North West	208	80	35,067	263	34	7,130	2,343	141	50,535
Trentino-Alto Adige	8	25	594	38	42	519	276	209	4,407
Veneto	55	65	6,905	80	36	2,316	1,088	212	16,784
Friuli Venezia Giulia	16	61	1,641	20	50	789	273	205	4,699
Emilia-Romagna	40	61	8,698	50	30	1,503	703	142	15,986
North East	119	59	17,838	188	36	5,127	2,340	185	41,876
Tuscany	29	46	5,138	124	49	2,127	496	131	13,304
Umbria	9	68	1,125	54	73	747	196	207	3,278
Marche	20	67	2,537	65	47	769	316	160	4,227
Lazio	23	24	3,983	165	44	3,542	679	109	13,665
Centre	81	40	12,783	408	48	7,186	1,687	130	34,524
Centre and North	408	62	65,688	859	39	19,443	6,370	151	126,935
Abruzzo	15	76	2,536	51	52	720	265	160	3,238
Molise	3	45	323	5	13	44	43	109	554
Campania	18	27	2,639	80	19	1,303	449	58	6,049
Puglia	23	49	3,665	57	13	530	461	81	4,678
Basilicata	3	22	437	7	12	80	64	77	771
Calabria	13	38	1,108	65	38	803	236	100	2,701
Sicily	19	24	2,351	121	28	1,769	618	96	8,316
Sardinia	18	60	2,841	47	36	829	308	154	4,656
South and Islands	112	37	15,900	433	25	6,079	2,444	91	30,963
Italy	520	53	81,588	1,292	34	25,522	8,814	130	157,898

Source: Ministry for Economic Development. Data at 1° January 2008. Resident population at 31 December 2008.

(1) Retail outlets with over 2,500 sq. m. of selling space, divided into sections (food and non-food) having the characteristics of a supermarket and a department store respectively. – (2) Non-food retail outlets with over 400 sq. m. of selling space and at least five separate departments for goods, mainly mass consumption products, belonging to different product categories. – (3) Food retail outlets, mainly self-service, with over 400 sq. m. of selling space, offering a large assortment of mostly pre-packed mass consumption goods and possibly some commonly used non-food products.

Table a1.13

EXPORTS (FOB) IN 2008*(percentage changes on previous year at current prices)*

	Food products, beverages and tobacco	Textiles and clothing	Leather and footwear	Paper, printing and publishing	Chemical, rubber and plastic products	Non-metallic mineral products	Basic metals and metal products	Machinery and equipment, precision tools	Transport equipment	Other manufactures; wood and furniture	Coke, refined petroleum products, other	Total
Piedmont	9.1	-7.6	4.4	-4.1	-3.3	-4.8	1.1	0.7	7.6	-12.1	10.6	1.5
Valle d'Aosta	-14.8	57.6	-19.8	-3.9	7.1	0.4	-22.3	-9.2	3.0	0.2	-15.1	-18.1
Lombardy	9.5	-3.1	5.9	5.1	-4.3	-3.8	3.0	2.4	0.4	-3.8	60.8	1.6
Liguria	7.1	2.3	-10.3	5.7	4.6	-2.0	12.3	26.7	-4.0	-1.7	-0.4	9.4
North West	9.1	-4.2	5.4	2.1	-3.8	-4.0	2.2	2.7	3.9	-5.7	31.7	1.7
Trentino-Alto Adige	5.1	-26.7	-41.5	5.2	6.9	-5.7	-5.5	-1.1	-1.6	-3.1	7.3	-0.6
Veneto	9.5	-3.6	-8.6	-0.6	-7.6	-9.0	-5.2	-2.4	-15.9	-8.2	2.5	-4.6
Friuli Venezia Giulia	-16.5	7.5	-33.1	-4.0	-10.2	-0.5	16.0	-0.1	66.2	-6.4	43.0	5.9
Emilia-Romagna	8.7	2.8	6.8	14.2	2.8	-4.4	1.3	2.9	0.5	-1.4	12.1	2.4
North East	6.7	-1.4	-7.1	2.2	-2.1	-5.5	0.5	0.3	0.6	-6.5	10.1	-0.5
Tuscany	2.7	-6.2	-6.8	-8.8	-0.3	-9.2	0.9	-5.0	-14.8	-2.5	5.8	-4.9
Umbria	16.8	4.9	-6.0	0.9	-6.2	11.9	-21.0	1.8	-0.1	6.3	-25.6	-6.3
Marche	4.5	-10.1	-4.0	0.6	-33.4	-5.6	-6.6	-14.4	-25.3	-6.1	19.9	-14.5
Lazio	-1.8	3.9	0.5	-3.3	10.4	-11.7	-7.9	-13.6	2.7	4.6	51.2	7.7
Centre	3.5	-5.1	-5.7	-6.2	-3.0	-8.1	-7.0	-9.4	-9.8	-2.4	32.9	-4.1
Centre and North	7.3	-3.4	-4.7	0.3	-3.2	-5.5	0.5	0.2	0.6	-5.4	25.2	-0.1
Abruzzo	5.2	-3.3	0.6	-6.3	4.7	-1.1	14.5	1.5	9.4	-5.9	16.8	4.9
Molise	21.4	-2.6	-6.4	9.9	10.6	2.1	127.0	-13.1	38.3	4.4	36.8	3.9
Campania	13.3	-8.5	-12.0	2.8	27.3	-8.9	-0.7	13.4	-25.7	-10.5	0.9	-1.8
Puglia	8.2	-6.9	-17.0	-14.0	26.5	-2.9	9.9	-3.7	5.3	-15.3	-11.5	2.1
Basilicata	17.5	2.0	-43.8	-9.5	-10.9	-64.7	120.5	34.4	-23.7	-32.0	89.2	-6.6
Calabria	-0.1	-57.1	-56.7	-5.6	-13.2	62.7	20.1	-18.9	-3.4	0.6	-17.7	-11.0
Sicily	0.9	-6.3	8.3	7.3	-1.8	-0.2	11.3	-18.9	-15.8	-18.8	5.0	2.0
Sardinia	-1.5	-4.5	316.7	13.7	-19.8	14.0	-5.5	-43.0	188.7	13.4	35.5	22.4
South and Islands	9.3	-5.6	-12.7	-0.7	8.8	-2.8	8.3	0.2	-9.6	-13.4	13.6	3.4
Italy	7.6	-3.5	-5.4	-0.1	-1.9	-5.4	1.1	0.2	-1.4	-5.9	14.3	0.3

Source: Based on Istat data. See the Methodological Notes section

Indices of export specialization in 2008 (1)

	Food products, beverages and tobacco	Textiles and clothing	Leather and footwear	Paper, printing and publishing	Chemical, rubber and plastic products	Non-metallic mineral products	Basic metals and metal products	Machinery and equipment, precision tools	Transport equipment	Other manufactures; wood and furniture	Coke, refined petroleum products, other
Piedmont	1.55	0.95	0.20	1.25	0.98	0.51	0.80	0.92	2.26	0.64	0.28
Valle d'Aosta	1.06	0.02	0.02	0.37	0.11	0.26	5.83	0.40	0.60	0.44	0.01
Lombardy	0.70	1.11	0.44	1.00	1.29	0.45	1.48	1.18	0.70	0.79	0.28
Liguria	0.87	0.24	0.13	0.59	1.26	0.89	0.87	1.13	1.01	0.46	1.92
North West	0.92	1.03	0.36	1.05	1.20	0.48	1.31	1.11	1.11	0.74	0.34
Trentino-Alto Adige	2.85	0.38	0.26	2.82	0.96	0.90	0.82	0.97	0.82	0.85	1.02
Veneto	1.02	1.35	2.29	1.26	0.52	1.17	0.99	1.16	0.51	1.88	0.30
Friuli Venezia Giulia	0.56	0.20	0.07	1.08	0.44	0.66	1.67	1.33	0.97	2.62	0.33
Emilia-Romagna	1.21	1.08	0.51	0.44	0.68	3.14	0.67	1.39	1.07	0.58	0.25
North East	1.14	1.05	1.19	0.99	0.60	1.91	0.92	1.26	0.81	1.37	0.32
Tuscany	0.90	1.97	3.51	1.80	0.68	1.14	0.77	0.68	0.89	1.88	0.44
Umbria	1.54	1.49	0.56	0.56	0.63	1.17	2.51	0.86	0.38	0.78	0.28
Marche	0.32	0.74	5.03	1.15	1.15	0.29	0.62	1.20	0.37	1.72	0.12
Lazio	0.57	0.42	0.26	0.73	2.96	0.69	0.26	0.53	1.13	0.56	2.11
Centre	0.73	1.28	2.75	1.30	1.39	0.85	0.71	0.75	0.82	1.42	0.81
Centre and North	0.97	1.08	1.07	1.07	1.02	1.07	1.07	1.10	0.95	1.09	0.41
Abruzzo	0.78	1.09	0.47	1.03	0.89	1.64	0.56	0.65	3.41	0.66	0.16
Molise	1.10	5.17	1.20	0.12	2.81	0.44	0.08	0.25	0.29	0.33	0.04
Campania	3.66	0.64	1.12	1.83	1.08	0.63	0.49	0.57	2.06	0.37	0.48
Puglia	0.93	0.52	1.56	0.13	1.54	0.44	1.87	0.50	0.76	1.40	1.35
Basilicata	0.22	0.26	0.20	0.31	0.53	0.07	0.32	0.16	4.89	0.88	2.53
Calabria	3.19	0.20	0.06	0.15	1.68	1.09	0.35	0.73	1.27	0.35	1.67
Sicily	0.72	0.05	0.02	0.05	0.90	0.54	0.20	0.14	0.27	0.04	8.65
Sardinia	0.41	0.04	0.04	0.06	0.69	0.13	0.52	0.04	0.18	0.12	9.23
South and Islands	1.36	0.53	0.63	0.64	1.04	0.67	0.66	0.38	1.51	0.51	3.72

Source: Based on Istat data. See the Methodological Notes section

(1) Ratio of sector's share of total regional exports to its share of total Italian exports. A figure greater than one indicates that the region has a comparative advantage with respect to the Italian average in exports of that sector.

Table 1.15

House prices (1)

(percentage of estate agents; reference quarter January-March 2009)

	Comparison with the previous period			Balances	
	Falling	Stable	Rising	Q I 2009	Q IV 2008
By geographical area					
North West	58.6	40.6	0.8	-57.8	-50.9
of which: <i>urban areas</i> (2)	66.9	31.6	1.6	-65.3	-59.1
<i>non-urban areas</i>	50.5	49.5	....	-50.5	-42.7
North East	69.3	28.9	1.8	-67.5	-63.3
of which: <i>urban areas</i> (2)	74.1	25.6	0.2	-73.9	-71.7
<i>non-urban areas</i>	66.7	30.7	2.7	-64.0	-58.6
Centre	58.6	40.2	1.2	-57.4	-53.5
of which: <i>urban areas</i> (2)	71.9	27.4	0.7	-71.2	-62.9
<i>non-urban areas</i>	47.5	50.8	1.6	-45.9	-46.0
South and Islands	59.1	37.1	3.8	-55.3	-51.4
of which: <i>urban areas</i> (2)	75.1	23	1.9	-73.2	-63.6
<i>non-urban areas</i>	48.5	46.5	5.1	-43.4	-43.7
By resident population					
Urban areas (> 250,000 inhabitants) (2)	70.4	28.5	1.1	-69.3	-63.1
Non-urban areas (< 250,000 inhabitants)	54.4	43.8	1.7	-52.7	-48.3
Metropolitan areas (> 500,000 inhabitants) (3)	69.8	28.9	1.3	-68.5	-60.8
Non-metropolitan areas (< 500,000 inhabitants)	57.8	40.7	1.6	-56.2	-52.2
Total	61.4	37.1	1.5	-59.9	-54.8

Source: Banca d'Italia-Tecnoborsa survey. See the Methodological Notes section

(1) The data refer to the valid responses of the estate agencies that took part in the survey in relation to the reference quarter, weighted by the population of agencies obtained from the Istat-Asia (2006) archives. – (2) Municipalities with more than 250,000 residents that include not only the administrative area but also the hinterland, identified on the basis of the local labour systems (see Istat, *I sistemi locali del lavoro 1991*, Rome, 1997). The urban areas identified in this way are those of Turin, Genoa and Milan (North-West), Padua, Verona, Venice, Trieste and Bologna (North-East), Florence and Rome (Centre), Naples, Bari, Catania, Messina and Palermo (South and Islands). – (3) Municipalities with more than 500,000 residents that include not only the administrative area but also the hinterland, identified on the basis of Istat's local labour systems. The metropolitan areas identified in this way are those of Turin, Genoa, Milan, Rome, Naples and Palermo.

Table a2.1

Employment and the labour force in 2008

(thousands of persons and percentage changes)

	Employment					Job seekers	Labour force
	Agriculture	Industry excl. construction	Construction	Services	Total		
Average levels							
Piedmont	68	491	142	1,184	1,885	100	1,985
Valle d'Aosta	2	7	7	40	57	2	59
Lombardy	80	1,209	342	2,720	4,351	168	4,519
Liguria	16	85	48	502	651	37	688
North West	166	1,792	539	4,447	6,943	307	7,251
Trentino-Alto Adige	26	76	42	318	463	13	476
Veneto	61	675	180	1,243	2,159	79	2,238
Friuli Venezia Giulia	13	138	38	332	522	23	545
Emilia-Romagna	79	526	151	1,223	1,980	65	2,045
North-East	180	1,416	411	3,117	5,123	181	5,304
Tuscany	47	358	134	1,039	1,577	84	1,661
Umbria	14	86	35	241	376	19	395
Marche	13	222	44	377	657	32	689
Lazio	41	243	171	1,791	2,246	182	2,428
Centre	115	910	383	3,448	4,857	317	5,174
Centre and North	461	4,118	1,333	11,011	16,923	805	17,729
Abruzzo	23	109	48	338	518	36	554
Molise	9	20	13	72	114	11	126
Campania	75	252	156	1,197	1,681	242	1,923
Puglia	109	202	125	851	1,287	169	1,455
Basilicata	15	32	21	127	196	24	220
Calabria	54	47	61	432	595	82	677
Sicily	111	138	151	1,081	1,480	237	1,717
Sardinia	38	66	62	445	611	85	696
South and Islands	434	867	637	4,543	6,482	886	7,368
Italy	895	4,985	1,970	15,555	23,405	1,692	25,097
Percentage changes on 2007							
Piedmont	3.2	-5.3	1.2	4.1	1.2	21.9	2.1
Valle d'Aosta	3.4	1.4	1.4	0.0	0.5	3.1	0.6
Lombardy	9.1	-1.7	6.5	1.5	1.1	10.1	1.4
Liguria	-1.2	-5.2	1.3	1.2	0.2	12.2	0.8
North West	5.6	-2.9	4.5	2.1	1.0	13.9	1.5
Trentino-Alto Adige	6.0	3.8	-1.9	2.0	2.1	4.7	2.2
Veneto	-17.0	4.1	2.2	1.8	1.9	8.0	2.1
Friuli Venezia Giulia	-0.5	-1.3	0.0	0.4	-0.1	26.3	0.8
Emilia-Romagna	2.9	-3.6	2.4	3.4	1.3	13.5	1.7
North East	-4.7	0.6	1.6	2.3	1.5	11.8	1.8
Tuscany	-6.8	4.5	-3.1	2.0	1.8	20.1	2.6
Umbria	33.6	0.4	8.4	1.0	2.4	8.5	2.7
Marche	1.4	8.1	-13.5	-1.6	0.6	12.8	1.1
Lazio	-13.9	-2.5	2.6	2.3	1.4	20.7	2.6
Centre	-5.2	3.0	-1.1	1.6	1.5	18.9	2.4
Centre and North	-1.4	-0.4	2.0	2.0	1.3	15.3	1.9
Abruzzo	12.9	-4.5	1.2	5.6	3.2	9.1	3.5
Molise	7.4	-0.7	12.6	-0.2	1.6	15.3	2.7
Campania	4.3	-3.8	-8.8	-1.4	-2.2	11.2	-0.7
Puglia	-4.1	-6.8	5.7	1.9	0.3	4.5	0.7
Basilicata	-6.0	-3.5	-4.2	3.1	0.4	18.5	2.1
Calabria	-17.6	-2.5	-4.6	2.1	-1.2	7.5	-0.2
Sicily	-8.7	-4.2	2.7	0.4	-0.6	6.9	0.4
Sardinia	-1.2	-8.6	-7.6	2.3	-0.3	26.6	2.3
South and Islands	-4.8	-4.9	-1.7	1.0	-0.5	9.8	0.6
Italy	-3.1	-1.2	0.7	1.7	0.8	12.3	1.5

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

Table a2.2

Total employment: 1993-2008 (1)

(thousands of persons)

	1993	1995	1998	2002	2004	2006	2007	2008
Men and women								
Piedmont	1,689	1,667	1,652	1,752	1,796	1,851	1,863	1,885
Valle d'Aosta	54	53	54	57	56	56	57	57
Lombardy	3,700	3,660	3,737	3,983	4,152	4,273	4,305	4,351
Liguria	630	603	617	636	607	637	649	651
North West	6,074	5,984	6,061	6,427	6,609	6,817	6,874	6,943
Trentino-Alto Adige	393	389	410	429	438	447	453	463
Veneto	1,786	1,780	1,840	1,953	2,042	2,101	2,119	2,159
Friuli Venezia Giulia	473	476	483	511	500	519	522	522
Emilia-Romagna	1,734	1,701	1,726	1,851	1,846	1,918	1,953	1,980
North East	4,385	4,346	4,460	4,745	4,827	4,986	5,047	5,123
Tuscany	1,344	1,326	1,330	1,426	1,488	1,545	1,550	1,577
Umbria	315	305	312	335	340	355	367	376
Marche	562	556	562	601	633	647	654	657
Lazio	1,765	1,702	1,739	1,899	2,076	2,122	2,215	2,246
Centre	3,985	3,890	3,943	4,261	4,537	4,669	4,785	4,857
Centre and North	14,444	14,220	14,464	15,433	15,973	16,472	16,706	16,923
Abruzzo	482	477	481	511	479	498	502	518
Molise	117	109	107	112	109	110	112	114
Campania	1,732	1,632	1,678	1,759	1,761	1,731	1,719	1,681
Puglia	1,243	1,180	1,180	1,279	1,235	1,256	1,284	1,287
Basilicata	187	179	180	189	194	197	195	196
Calabria	614	576	563	591	620	615	602	595
Sicily	1,400	1,330	1,384	1,449	1,439	1,503	1,488	1,480
Sardinia	546	539	554	590	593	608	613	611
South and Islands	6,321	6,021	6,127	6,480	6,431	6,516	6,516	6,482
Italy	20,765	20,240	20,591	21,913	22,404	22,988	23,222	23,405
Femmine								
Piedmont	659	656	666	747	754	787	796	813
Valle d'Aosta	21	21	22	23	24	24	24	25
Lombardy	1,406	1,414	1,477	1,647	1,717	1,777	1,784	1,811
Liguria	246	243	257	278	254	268	280	279
North West	2,333	2,334	2,423	2,695	2,749	2,856	2,884	2,928
Trentino-Alto Adige	140	140	159	166	183	185	189	197
Veneto	637	642	690	772	810	839	849	882
Friuli Venezia Giulia	149	156	167	189	207	216	218	219
Emilia-Romagna	711	704	733	818	802	832	846	860
North East	1,637	1,642	1,748	1,944	2,002	2,071	2,102	2,157
Tuscany	482	492	508	580	619	650	659	674
Umbria	123	119	129	145	143	150	157	163
Marche	207	209	214	246	266	267	272	280
Lazio	612	605	640	748	852	870	902	924
Centre	1,425	1,424	1,492	1,719	1,879	1,935	1,990	2,041
Centre and North	5,395	5,400	5,663	6,358	6,630	6,862	6,976	7,126
Abruzzo	196	190	199	217	186	192	191	205
Molise	41	38	38	40	40	39	42	43
Campania	541	523	539	565	573	561	552	543
Puglia	381	360	363	423	399	395	415	418
Basilicata	60	58	59	63	67	67	67	68
Calabria	190	183	173	192	214	214	208	209
Sicily	391	365	401	455	457	499	491	496
Sardinia	171	167	184	208	218	220	223	232
South and Islands	1,971	1,884	1,956	2,162	2,153	2,187	2,189	2,215
Italy	7,366	7,284	7,618	8,521	8,783	9,049	9,165	9,341

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

(1) For years prior to 2004 the data refer to the old quarterly labour force survey, which is not perfectly comparable with the new survey

Main labour market indicators
(percentages of the population aged 15-64)

	Participation rate			Employment rate			Unemployment rate (1)		
	2002 (2)	2007	2008	2002 (2)	2007	2008	2002 (2)	2007	2008
Piedmont	65.8	67.8	68.8	61.5	64.9	65.2	6.5	4.2	5.0
Valle d'Aosta	73.8	70.4	70.2	65.3	68.1	67.9	....	3.2	3.3
Lombardy	66.2	69.2	69.6	63.9	66.7	67.0	3.5	3.4	3.7
Liguria	65.5	67.0	67.5	60.2	63.7	63.8	8.1	4.8	5.4
North West	66.0	68.6	69.2	62.8	66.0	66.2	4.8	3.8	4.2
Trentino-Alto Adige	68.7	70.0	70.6	66.5	68.0	68.6	3.3	2.7	2.8
Veneto	66.2	68.1	68.9	63.2	65.8	66.4	4.5	3.3	3.5
Friuli Venezia Giulia	66.7	67.9	68.2	63.8	65.5	65.3	4.3	3.4	4.3
Emilia-Romagna	70.4	72.4	72.6	68.6	70.3	70.2	2.5	2.9	3.2
North East	68.0	69.8	70.3	65.6	67.6	67.9	3.6	3.1	3.4
Tuscany	66.1	67.7	68.9	63.3	64.8	65.4	4.1	4.3	5.0
Umbria	66.4	67.7	68.7	61.5	64.6	65.4	7.3	4.6	4.8
Marche	66.4	67.7	67.9	63.0	64.8	64.7	5.0	4.2	4.7
Lazio	60.1	63.8	65.1	54.9	59.7	60.2	8.5	6.4	7.5
Centre	63.3	65.8	66.9	59.1	62.3	62.8	6.5	5.3	6.1
Centre and North	66.1	68.1	68.8	62.5	65.4	65.7	4.9	4.0	4.5
Abruzzo	64.7	61.7	63.1	58.6	57.8	59.0	9.4	6.2	6.6
Molise	58.1	58.3	59.6	53.0	53.6	54.1	8.8	8.1	9.1
Campania	54.7	49.3	48.7	45.1	43.7	42.5	17.5	11.2	12.6
Puglia	53.2	52.6	52.9	46.0	46.7	46.7	13.4	11.2	11.6
Basilicata	56.7	54.8	55.8	49.0	49.6	49.6	13.5	9.5	11.1
Calabria	54.4	50.6	50.2	44.4	44.9	44.1	18.0	11.2	12.1
Sicily	54.8	51.3	51.2	43.4	44.6	44.1	20.6	13.0	13.8
Sardinia	60.0	58.6	59.9	51.9	52.8	52.5	13.5	9.9	12.2
South and Islands	55.6	52.4	52.4	46.4	46.5	46.1	16.3	11.0	12.0
Italy	62.1	62.5	63.0	56.7	58.7	58.7	8.6	6.1	6.7
EU -27 countries	68.6	70.5	70.9	62.4	65.4	65.9	8.9	7.1	7.0
EU -27 - 1st quartile	64.7	67.0	67.1	57.6	61.6	62.4	5.0	4.7	5.2
EU -27 3rd quartile	71.7	74.4	74.7	68.4	69.9	70.8	10.3	7.8	7.4

Source: Istat, *Rilevazione sulle forze di lavoro*. See the Methodological section.

(1) Job seekers as a percentage of the labour force; includes persons over 65. – (2) For 2002, data reconstructed by Istat in October 2007 for consistency with the new labour force survey introduced in 2004.

Employment by geographical area and type of employment relationship

(thousands of persons and percentages)

	Employment					Annual percentage changes			
	1995 (1)	2000 (1)	2005	2007	2008	2008 Composi- tion	1995- 2000 (1) (2)	2000-07 (2)	2008
North West									
Self-employment	1,642	1,678	1,747	1,732	1,720	24.8	0.4	0.5	-0.7
Payroll employment	4,354	4,616	4,950	5,141	5,223	75.2	1.2	1.6	1.6
of which: <i>permanent</i>	4,142	4,282	4,508	4,635	4,678	67.4	0.7	1.1	0.9
<i>fixed-term</i>	212	334	442	506	545	7.8	9.5	6.1	7.6
North East									
Self-employment	1,314	1,367	1,317	1,301	1,265	24.7	0.8	-0.7	-2.7
Payroll employment	2,992	3,247	3,562	3,747	3,858	75.3	1.6	2.1	3.0
of which: <i>permanent</i>	2,777	2,961	3,172	3,290	3,381	66.0	1.3	1.5	2.8
<i>fixed-term</i>	214	285	390	457	477	9.3	5.9	7.0	4.4
Centre									
Self-employment	1,174	1,204	1,260	1,279	1,256	25.9	0.5	0.9	-1.8
Payroll employment	2,855	3,050	3,315	3,506	3,601	74.1	1.3	2.0	2.7
of which: <i>permanent</i>	2,692	2,768	2,920	3,046	3,133	64.5	0.6	1.4	2.9
<i>fixed-term</i>	163	282	395	460	468	9.6	11.6	7.2	1.8
Centre and North									
Self-employment	4,130	4,249	4,324	4,312	4,241	25.1	0.6	0.2	-1.6
Payroll employment	10,201	10,913	11,827	12,394	12,682	74.9	1.4	1.8	2.3
of which: <i>permanent</i>	9,611	10,011	10,601	10,971	11,193	66.1	0.8	1.3	2.0
<i>fixed-term</i>	589	901	1,227	1,423	1,489	8.8	8.9	6.7	4.7
South and Islands									
Self-employment	1,692	1,700	1,706	1,743	1,718	26.5	0.1	0.4	-1.4
Payroll employment	4,004	4,218	4,706	4,773	4,764	73.5	1.0	1.8	-0.2
of which: <i>permanent</i>	3,552	3,591	3,906	3,928	3,930	60.6	0.2	1.3	0.1
<i>fixed-term</i>	452	628	800	846	834	12.9	0.1	4.3	-1.4
Italy									
Self-employment	5,821	5,949	6,029	6,055	5,959	25.5	0.4	0.3	-1.6
Payroll employment	14,205	15,131	16,534	17,167	17,446	74.5	1.3	1.8	1.6
of which: <i>permanent</i>	13,163	13,601	14,508	14,898	15,123	64.6	0.7	1.3	1.5
<i>fixed-term</i>	1,041	1,530	2,026	2,269	2,323	9.9	8.0	5.8	2.4

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

(1) The data refer to the old quarterly labour force survey, not perfectly comparable with the continuous survey introduced in 2004. – (2) Average annual percentage change in the period.

Table a2.5

Hours of wage supplementation (1)

(thousands of hours and percentage changes on year-earlier period)

	Thousands of hours		Percentage changes				
	2007	2008	2008				2009
			Q 1	Q 2	Q 3	Q 4	Q 1
North West							
Industry excluding construction	59,814	73,331	0.6	-17.5	17.5	85.4	315.7
of which: <i>basic metals and metal products</i>	31,065	37,956	6.0	-34.8	-6.2	116.0	361.3
<i>traditional products (2)</i>	19,513	22,312	-8.6	-6.1	60.7	20.8	200.7
<i>chemicals</i>	5,856	8,122	-10.1	17.6	26.5	111.8	443.8
<i>other (3)</i>	3,380	4,941	17.4	24.8	-22.9	191.2	173.7
Construction	6,152	8,741	22.4	86.4	44.0	19.6	73.2
Wholesale and retail trade	708	2,696	56.6	238.1	1,224.0	18.4	130.6
Transport and communication	1,402	3,014	106.9	428.1	-41.4	171.9	973.7
Total (4)	68,183	87,801	3.6	0.6	26.7	79.7	296.5
North East							
Industry excluding construction	13,730	22,409	49.5	38.7	51.9	109.9	140.1
of which: <i>basic metals and metal products</i>	5,878	12,355	70.1	38.2	133.2	212.1	175.9
<i>traditional products (2)</i>	5,647	5,693	-10.1	44.3	-11.9	-9.8	95.3
<i>chemicals</i>	621	1,721	670.3	41.1	46.2	246.8	-1.5
<i>other (3)</i>	1,585	2,639	25.3	28.0	71.7	177.4	284.3
Construction	7,787	8,863	-11.1	22.0	36.2	2.3	99.1
Wholesale and retail trade	1,330	496	26.4	239.3	-89.5	13.5	-53.4
Transport and communication	142	613	278.0	1,067.9	1,142.9	146.7	398.0
Total (4)	23,067	32,484	28.6	35.3	23.4	79.8	127.7
Centre							
Industry excluding construction	16,989	23,209	1.1	12.4	75.5	94.5	109.1
of which: <i>basic metals and metal products</i>	6,655	9,994	7.9	-31.1	171.4	214.3	137.4
<i>traditional products (2)</i>	5,453	6,662	29.5	10.1	34.1	19.6	31.6
<i>chemicals</i>	1,845	2,621	-66.0	143.6	18.1	205.4	317.2
<i>other (3)</i>	3,035	3,931	-5.3	32.6	47.5	47.3	106.1
Construction	5,826	6,253	7.8	-14.3	26.2	18.9	57.6
Wholesale and retail trade	582	834	7.4	104.5	-17.7	101.6	63.1
Transport and communication	1,573	1,371	-82.2	-53.5	-4.7	182.6	7,054.2
Total (4)	25,035	31,722	-1.3	2.6	50.6	76.7	155.5
South and Islands							
Industry excluding construction	39,252	48,157	0.2	17.3	17.2	44.2	163.5
of which: <i>basic metals and metal products</i>	19,160	22,563	-8.3	-21.4	20.1	55.7	308.3
<i>traditional products (2)</i>	14,057	19,147	20.8	91.8	9.2	31.8	70.0
<i>chemicals</i>	2,710	3,568	4.4	29.3	234.6	25.1	59.3
<i>other (3)</i>	3,324	2,879	-38.0	-25.0	-8.9	28.8	122.8
Construction	18,687	16,602	-8.2	0.5	-27.1	-12.9	-0.4
Wholesale and retail trade	2,112	3,053	63.0	345.7	51.5	-3.0	54.7
Transport and communication	2,436	2,905	10.7	-2.3	47.7	21.2	29.0
Total (4)	62,871	71,155	-1.2	14.1	9.6	25.2	97.9

Source: INPS.

(1) Includes ordinary and extraordinary Wage Supplementation and the special fund for the building industry. – (2) Includes food products, textiles, clothing, furniture, wood, skin and leather products. – (3) Includes mining, mineral products, paper and printing, electricity and gas, and sundry. – (4) Includes interventions in agriculture and tobacco production.

Table a3.1

Profitability and financial condition of firms by firm size (1)

(weighted averages; percentages)

SIZE CLASSES (2)	North West		North East		Centre		South and Islands		Italy	
	2004-06	2007	2004-06	2007	2004-06	2007	2004-06	2007	2004-06	2007
<i>Gross operating profit / Assets</i>										
Small	8.1	8.4	7.8	8.1	6.6	6.6	5.5	5.3	7.2	7.4
Medium-sized	8.3	8.7	6.8	7.1	6.6	6.5	6.3	5.8	7.3	7.5
Large	8.0	8.5	7.9	8.1	6.1	6.1	7.8	6.2	7.2	7.4
Total	8.1	8.5	7.5	7.8	6.2	6.2	6.5	5.7	7.2	7.4
<i>Interest expense / Gross operating profit</i>										
Small	20.8	22.9	21.8	24.8	26.5	30.5	29.5	36.0	23.4	26.6
Medium-sized	17.7	20.9	18.5	23.4	25.1	31.5	26.2	35.9	19.9	24.6
Large	21.6	22.9	16.2	19.9	18.4	19.6	20.6	25.2	19.7	21.5
Total	20.7	22.6	18.2	22.1	20.0	22.1	24.8	31.7	20.3	23.0
<i>Leverage (3)</i>										
Small	55.6	56.3	57.5	58.2	58.4	59.6	55.8	58.5	56.7	57.9
Medium-sized	51.9	52.9	45.6	48.0	56.2	58.1	55.0	58.6	50.8	52.8
Large	54.0	52.8	49.3	49.4	45.6	50.0	47.5	45.8	49.6	50.9
Total	53.8	53.4	50.0	51.0	47.7	51.6	52.6	54.0	51.0	52.4
<i>Current assets / Current liabilities</i>										
Small	124.0	124.9	121.8	121.4	119.7	120.2	113.7	113.7	120.7	120.9
Medium-sized	126.4	126.1	140.3	137.5	117.6	116.1	115.7	114.2	127.6	126.1
Large	105.2	103.6	116.2	115.4	117.7	104.2	114.1	105.4	111.9	105.9
Total	113.2	112.4	124.8	123.6	118.0	108.0	114.4	110.9	117.1	113.4
<i>Financial debt / Value added</i>										
Small	120.8	123.7	136.9	137.7	155.8	165.3	158.3	173.7	137.4	142.7
Medium-sized	126.0	130.9	134.5	142.1	151.9	165.8	156.1	179.4	135.9	144.9
Large	188.1	176.4	142.3	143.3	236.1	268.6	143.5	157.3	192.8	198.3
Total	161.4	156.3	138.5	141.4	211.4	237.5	152.5	169.9	167.9	174.4
<i>Bank debt / Financial debt</i>										
Small	73.2	74.8	78.7	79.7	71.5	72.9	66.8	70.0	73.2	74.9
Medium-sized	73.7	76.1	83.5	85.0	79.2	80.4	79.7	82.1	78.3	80.3
Large	35.9	37.1	65.5	66.2	29.3	29.8	74.3	77.0	38.7	39.2
Total	47.8	50.1	74.3	75.5	39.3	39.5	72.9	75.8	52.0	53.3

Source: Based on Company Accounts Data Service data, and Cerved. Closed sample of firms whose accounts are not simplified.

(1) Book value.– (2) The size classification of firms is based on their turnover in the middle year of the analysis. The turnover classes are as follows: for small firms, up to €10 million; for medium-sized firms, from more than €10 million to €50 million; for large firms, more than €50 million. – (3) Ratio of financial debt to the sum of financial debt and shareholders' equity.

Bank lending by sector in 2008 (1)

(percentage changes on previous year)

	General government	Financial and insurance companies	Non-financial corporations (a)		Households		Firms = (a) + (b)			Total	
			Less than 20 workers (2)	Producer (b) (3)	Consumer (4)	Manufacturing industry	Construction	Services			
Piedmont	10.1	-21.1	8.6	2.3	0.8	0.8	7.7	5.8	8.7	10.1	3.3
Valle d'Aosta	-9.9	-45.4	1.6	2.3	0.6	1.0	1.4	2.8	1.7	2.5	0.1
Lombardy	-20.7	6.2	6.3	3.4	-2.5	2.3	5.7	5.2	6.2	5.6	5.0
Liguria	-4.4	-24.7	26.7	6.5	1.1	0.8	23.5	8.7	11.7	29.0	13.7
North West	-2.4	4.1	7.6	3.4	-1.4	1.8	6.9	5.4	7.0	7.6	5.1
Trentino-Alto Adige	-35.3	-4.0	8.4	3.7	1.0	3.7	7.4	8.8	6.0	5.0	5.4
of which: <i>Trento</i>	<i>-18.3</i>	<i>60.6</i>	<i>8.2</i>	<i>6.6</i>	<i>7.7</i>	<i>7.1</i>	<i>6.6</i>	<i>6.4</i>	<i>7.0</i>	<i>6.5</i>	<i>6.6</i>
<i>Bolzano</i>	<i>-42.6</i>	<i>-20.0</i>	<i>8.6</i>	<i>1.9</i>	<i>-1.1</i>	<i>1.6</i>	<i>7.1</i>	<i>13.9</i>	<i>2.7</i>	<i>4.2</i>	<i>3.6</i>
Veneto	-19.4	-8.7	5.5	2.0	2.0	1.7	5.2	2.1	8.7	6.4	3.4
Friuli Venezia Giulia	-0.8	1.3	4.4	2.0	6.4	0.9	4.6	3.9	6.5	2.9	3.1
Emilia-Romagna	6.5	9.8	7.5	1.6	4.7	0.8	7.3	4.4	10.9	8.6	5.9
North East	-8.0	2.8	6.6	2.2	3.2	1.5	6.2	3.6	9.2	6.8	4.6
Tuscany	-4.3	-5.7	6.9	4.3	3.6	1.3	6.5	2.2	8.2	8.1	3.2
Umbria	-0.2	9.7	6.8	4.0	1.4	3.4	6.1	4.7	10.7	5.3	5.1
Marche	-3.3	-25.1	6.7	0.2	-1.2	0.5	5.6	3.8	9.1	6.7	2.1
Lazio	-8.4	..	10.9	9.1	-4.8	-0.5	10.1	15.3	8.0	5.5	5.3
Centre	-7.2	-5.1	9.0	4.3	..	0.4	8.2	5.9	8.4	6.4	4.3
Centre and North	-5.7	2.4	7.6	3.1	0.6	1.3	7.0	4.8	8.1	7.1	4.8
Abruzzo	-9.0	-58.4	9.8	5.4	7.9	0.2	9.5	8.4	12.0	9.9	5.5
Molise	-50.6	12.4	-6.6	-0.1	3.5	6.2	-4.9	0.7	9.6	-14.4	-3.6
Campania	25.2	14.7	4.4	4.5	2.7	-0.5	4.2	0.8	8.6	4.1	3.8
Puglia	-4.0	14.8	7.5	3.5	0.6	4.8	6.1	-1.2	6.0	7.2	5.4
Basilicata	..	49.4	7.5	-0.2	5.1	4.4	7.0	-2.0	16.8	11.2	5.9
Calabria	40.6	45.2	4.0	5.5	1.6	3.6	3.4	6.3	16.8	-2.3	5.6
Sicily	-16.9	9.3	7.9	6.2	-8.5	6.0	4.6	0.9	10.1	3.1	4.3
Sardinia	3.0	24.6	7.6	3.2	1.9	-2.0	6.6	1.8	7.8	7.6	4.0
South and Islands	7.2	11.6	6.5	4.4	-0.2	2.6	5.3	2.1	9.6	4.7	4.5
Italy	-3.1	2.6	7.5	3.3	0.4	1.6	6.9	4.5	8.4	6.8	4.7

(1) End-of-period data based on the residence of the counterparty not adjusted for securitizations. Lending does not include repos and bad debts. The changes are calculated without taking account of the effects of reclassifications, exchange rate variations and other changes not due to transactions. The data do not include the reports of Cassa depositi e prestiti spa. and Poste spa. See the Methodological Notes section. – (2) Limited partnerships and general partnerships with fewer than 20 workers; informal partnerships, de facto companies and sole proprietorships with more than 5 but fewer than 20 workers. –

Ratio of new bad debts to outstanding loans (1)
(percentages)

	2007			2008		
	Total	Firms	Consumer households	Total	Firms	Consumer households
Piedmont	0.9	1.2	0.9	1.3	1.5	0.9
Valle d'Aosta	1.1	1.3	0.8	0.5	0.6	0.5
Lombardy	0.6	0.8	0.9	0.9	1.1	0.9
Liguria	0.8	0.9	0.8	1.0	1.1	0.9
North West	0.7	0.9	0.9	1.0	1.2	0.9
Trentino-Alto Adige	0.8	0.9	0.6	0.8	0.9	0.6
of which: <i>Trento</i>	<i>0.8</i>	<i>0.9</i>	<i>0.6</i>	<i>1.0</i>	<i>1.2</i>	<i>0.6</i>
<i>Bolzano</i>	<i>0.7</i>	<i>0.9</i>	<i>0.5</i>	<i>0.7</i>	<i>0.7</i>	<i>0.7</i>
Veneto	1.0	1.2	0.9	1.4	1.7	0.8
Friuli Venezia Giulia	1.0	1.5	0.6	1.1	1.5	0.6
Emilia-Romagna	0.9	1.1	0.7	1.1	1.4	0.9
North East	1.0	1.2	0.8	1.2	1.4	0.8
Tuscany	0.9	1.3	0.8	1.4	2.1	0.7
Umbria	1.3	1.5	1.0	1.4	1.8	0.7
Marche	1.6	1.8	0.9	2.6	3.6	0.9
Lazio	1.0	1.5	0.9	1.3	1.7	0.8
Centre	1.1	1.5	0.9	1.5	2.0	0.8
Centre and North	0.9	1.1	0.9	1.2	1.5	0.9
Abruzzo	1.5	1.7	1.2	1.5	1.8	0.9
Molise	2.4	3.0	1.0	1.0	1.1	0.8
Campania	1.6	2.0	1.4	1.5	1.9	1.3
Puglia	1.5	2.1	1.0	1.6	2.2	1.0
Basilicata	1.3	1.6	0.9	2.3	3.3	0.8
Calabria	1.7	2.3	1.2	1.8	2.5	1.2
Sicily	1.5	2.1	1.1	1.7	2.4	1.1
Sardinia	1.3	2.0	0.6	1.6	2.4	0.7
South and Islands	1.6	2.0	1.1	1.6	2.2	1.1
Italy	1.0	1.2	0.9	1.2	1.6	0.9

(1) Flow of "adjusted bad debts" as a ratio to loans other than "adjusted bad debts" outstanding at the start of the period (not adjusted for securitizations). Data based the residence of the counterparty; new "adjusted bad debts" are taken from reports to the Central credit register; loans include repos. The data are calculated as averages of the four quarters of the reference year. See the Methodological Notes section.

Short-term bank lending and deposit rates (1)
(percentages)

	Loans (2)			Deposits (3)		
	Dic. 2007	Dic. 2008	Mar. 2009	Dic. 2007	Dic. 2008	Mar. 2009
Piedmont	7.47	7.72	6.63	1.57	1.62	0.84
Valle d'Aosta	8.33	7.76	6.42	1.81	1.84	0.88
Lombardy	6.67	6.71	5.09	1.98	2.06	1.13
Liguria	7.84	8.19	7.15	1.36	1.57	0.93
North West	6.86	6.95	5.43	1.85	1.92	1.06
Trentino-Alto Adige	6.52	6.67	4.90	2.29	2.47	1.46
Veneto	7.03	7.19	5.57	1.77	1.88	1.03
Friuli Venezia Giulia	7.23	7.40	5.30	2.10	2.29	1.04
Emilia-Romagna	6.88	7.04	5.20	1.97	2.14	1.13
North East	6.93	7.08	5.32	1.85	1.92	1.06
Tuscany	7.26	7.32	5.92	1.83	2.00	1.13
Umbria	7.84	7.84	6.43	1.80	2.02	1.07
Marche	7.12	7.46	6.17	1.94	2.00	1.12
Lazio	7.27	7.57	5.36	2.50	2.64	1.32
Centre	7.28	7.48	5.71	2.27	2.42	1.25
Centre and North	6.98	7.12	5.46	1.99	2.11	1.13
Abruzzo	7.90	8.16	6.78	1.76	1.80	1.01
Molise	8.17	8.78	7.73	2.31	2.10	1.07
Campania	8.25	8.56	7.35	1.31	1.36	0.73
Puglia	8.30	8.30	7.08	1.46	1.36	0.84
Basilicata	8.09	8.35	7.13	1.57	1.61	0.96
Calabria	9.36	9.45	8.35	1.31	1.11	0.68
Sicily	8.04	8.33	7.52	1.60	1.60	0.94
Sardinia	7.85	8.09	6.58	1.86	1.98	1.11
South and Islands	8.19	8.43	7.25	1.52	1.51	0.87
Italy	7.14	7.30	5.69	1.91	2.00	1.08

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

(1) Data on transactions in euros, classified by customer location. – (2) Matched loans and revocable loans. – (3) For current accounts only, including those with guaranteed cheque coverage.

Bank fund-raising by regions in 2008 (1)

(end-of-period amounts in millions of euros)

	Consumer households			Firms		
	Deposits		Bonds (3)	Deposits		Bonds (3)
		of which (2): c/c			of which (2): c/c	
Piedmont	50,641	33,792	30,201	15,126	13,529	2,178
Valle d'Aosta	1,452	1,019	554	581	513	54
Lombardy	133,355	93,522	77,102	56,265	50,757	5,576
Liguria	17,632	13,300	10,897	4,846	4,400	953
North West	203,080	141,633	118,754	76,819	69,199	8,762
Trentino-Alto Adige	12,724	8,494	12,387	4,267	3,880	987
of which: <i>Trento</i>	6,509	4,403	5,991	1,906	1,756	399
<i>Bolzano</i>	6,215	4,091	6,396	2,361	2,124	588
Veneto	50,211	33,489	29,495	19,445	17,068	3,141
Friuli Venezia Giulia	12,167	8,873	6,655	5,115	4,681	725
Emilia-Romagna	55,282	34,656	36,451	21,422	18,033	4,380
North East	130,384	85,512	84,989	50,248	43,661	9,233
Tuscany	38,201	28,288	28,121	12,425	11,300	2,923
Umbria	7,649	5,087	4,019	2,561	2,325	409
Marche	17,248	9,198	8,934	4,584	3,683	877
Lazio	70,234	52,019	16,923	31,703	29,409	11,386
Centre	133,331	94,592	57,998	51,274	46,717	15,594
Centre and North	466,796	321,736	261,740	178,342	159,578	33,588
Abruzzo	10,350	5,852	3,808	3,148	2,631	510
Molise	1,729	1,072	544	474	399	56
Campania	35,852	24,156	11,587	10,617	9,264	1,319
Puglia	25,684	15,081	8,863	6,728	5,617	1,026
Basilicata	3,231	1,830	956	832	701	123
Calabria	8,946	5,404	3,001	2,208	1,882	347
Sicily	28,549	17,581	9,757	7,212	6,200	923
Sardinia	9,915	7,014	2,622	3,532	3,234	347
South and Islands	124,255	77,991	41,138	34,752	29,928	4,651
Italy	591,051	399,727	302,878	213,094	189,506	38,239

(1) Data based on the residence of the counterparty net of the deposits of MFIs (banks and other monetary intermediaries). The data do not include those reported by Cassa depositi e prestiti spa or Poste spa. See the Methodological Notes section. – (2) Excludes deposits of central government departments. – (3) Data obtained from information on third-part securities deposited with banks. The values refer to 30 September 2008 since the new reports require a different definition of the aggregate that causes a break in the series at 31 December.

Third parties' securities on deposit (1)

(millions of euros and percentage changes on year-earlier period)

	North West		North East		Centre		South and Islands		Italy	
	Sept. 2008	% change	Sept. 2008	% change	Sept. 2008	% change	Sept. 2008	% change	Sept. 2008	% change
Total										
Securities held for custody and/or administration	439,744	-3.1	243,392	-4.6	248,874	6.3	69,868	2.7	1,001,053	-1.0
of which: Italian government	172,775	-0.2	90,415	-9.6	110,781	2.9	36,564	4.7	410,536	-1.3
Bonds	131,987	8.0	80,254	8.7	74,132	32.2	12,652	34.7	299,026	14.1
Shares	42,943	-5.2	25,777	-2.1	21,959	13.6	4,942	6.1	95,620	0.0
Units of CIUs (2)	56,037	-20.7	26,959	-15.9	21,424	-21.5	13,478	-16.8	117,903	-19.3
Portfolio management	36,819	-18.9	13,444	-25.2	10,591	-26.0	3,318	-31.0	64,171	-22.2
Consumer households										
Securities held for custody and/or administration	215,088	4.3	114,385	3.2	79,144	2.4	61,426	4.5	470,042	3.8
of which: Italian government	95,714	10.0	48,454	5.1	42,849	7.3	33,289	5.6	220,306	7.7
Bonds	55,173	15.3	28,600	22.2	17,447	20.6	11,323	36.8	112,543	19.7
Shares	13,190	4.1	8,251	10.8	3,881	-2.4	3,178	21.5	28,499	6.7
Units of CIUs (2)	41,452	-15.6	22,674	-15.5	11,274	-25.5	11,870	-15.9	87,269	-17.0
Portfolio management	20,556	-25.4	9,707	-26.9	7,072	-20.5	2,842	-32.2	40,178	-25.5

(1) End-of-period data based on the residence of the counterparty and obtained from information on third-party securities deposited with banks. At face value. Excludes debt securities issued by banks. The values refer to 30 September 2008 since the new reports require a different definition of the aggregate that causes a break in the series at 31 December. See the Methodological Notes section. – (2) Collective investment undertakings. Excludes units deposited by customers without an explicit custody contract.

Number of banks and bank branches in operation

(year-end data)

	2006		2007		2008	
	Banks	Branches	Banks	Branches	Banks	Branches
Piedmont	94	2,618	96	2,665	87	2,716
Valle d'Aosta	17	98	16	97	13	96
Lombardy	253	6,247	256	6,453	253	6,715
Liguria	63	959	65	975	64	992
North West	280	9,922	284	10,190	280	10,519
Trentino-Alto Adige	129	941	131	952	131	964
of which: <i>Trento</i>	76	530	78	537	77	548
<i>Bolzano</i>	75	411	76	415	74	416
Veneto	138	3,446	142	3,551	139	3,666
Friuli Venezia Giulia	60	926	62	942	59	964
Emilia-Romagna	139	3,410	137	3,517	137	3,603
North East	330	8,723	329	8,962	332	9,197
Tuscany	122	2,376	122	2,458	117	2,541
Umbria	49	552	49	566	47	572
Marche	79	1,165	81	1,194	77	1,227
Lazio	171	2,584	170	2,693	166	2,785
Centre	266	6,677	267	6,911	264	7,125
Centre and North	660	25,322	668	26,063	665	26,841
Abruzzo	52	672	55	689	55	704
Molise	27	141	29	145	28	147
Campania	90	1,593	94	1,638	90	1,677
Puglia	75	1,396	74	1,425	72	1,462
Basilicata	31	250	34	253	31	256
Calabria	41	530	43	534	38	536
Sicily	75	1,749	79	1,788	72	1,818
Sardinia	32	684	33	690	30	698
South and Islands	217	7,015	228	7,162	223	7,298
Italy	793	32,337	806	33,225	799	34,139

Source: Archives of intermediary identification. See the Methodological Notes section.

METHODOLOGICAL NOTES

GROWTH AND PRODUCTIVE ACTIVITIES

Figg. r1-r2, 3.1,3.2, 7.1-7.3, Tables a1.8-a1.10

Survey of industrial and service firms

The survey of firms in industry excluding construction with at least 20 workers covered 2,980 firms in 2008, of which 1,818 had 50 or more workers. Since 2002 this survey has been flanked by a survey of service firms with at least 20 workers engaged in the following activities: retail and wholesale trade, hotel and restaurant services, transport and communication, and business services. The service sector sample for 2008 included 1,051 firms, of which 660 had 50 or more workers. The participation rate for industrial firms was 77.1 per cent, for service firms 75.8 per cent. For both surveys the interviews are conducted annually by the branches of the Bank of Italy, in February or March for the previous year. The theoretical sample size for each stratum is determined by applying the method known as “optimal allocation to strata” to class size and geographical area, which minimizes the standard error of sample means by oversampling the strata with the greatest variance (in particular, oversampling involves the largest firms and those with legal head office in the South and Islands).

This method of allocation is applied in order to minimize the variance of the estimators of the trends in investment, employment and sales. The extrapolation of the sample data to the entire population is obtained by attributing to each firm a weight that takes account of the ratio between the number of units surveyed and the number of units present in the reference population in that size class, geographical area and sector of economic activity. In presenting the data by geographical area, the firms are classed on the basis of their legal head office. Information on the effective percentage distribution of investment and employment between the areas where plants are located (provided directly from the firms) is also used.

Using the Bank of Italy Remote access to micro Data (BIRD) system, the Bank of Italy allows researchers and economists to carry out calculations using data that has been collected. The system is designed to ensure the confidentiality of individual data, which researchers cannot access directly. Use of the system is subject to the Bank of Italy accepting an application for a username and password. Calculations may not be used for purposes other than those connected with the research project. The documentation on the use of the system is available on the Bank of Italy’s website (www.bancaditalia.it).

Fig. 1.3, Tavv. a1.13,a1.14

Exports (fob) by sector of economic activity

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. The importing region is considered to be the region to which goods are sent for final use or for processing, transformation or repair. For further information, see the “Note metodologiche” section in *Commercio estero e attività internazionali delle imprese*, published by Istat and the Italian Institute for Foreign Trade (ICE).

Fig. 1.5

House prices based on data published by the Territorial Agency's Real-Estate Market Observatory

The data base of the house prices observed by the Territorial Agency's Real-Estate Market Observatory contains semi-annual data on 8,100 Italian municipalities, divided in turn into about 31,000 homogeneous zones (defined on the basis of socio-economic and urban characteristics, the quality of transport, etc.). Data are collected for the main types of buildings (residential, offices, shops, workshops, warehouses, garages, parking spaces, etc.), divided in turn by category (luxury, medium, economic, villas and small houses). The sources used are mainly estate agents under specific collaboration agreements, supplemented to a limited extent by administrative data on transactions. For each area and category a minimum and a maximum price are shown.

For the estimation of house prices reference was made to the methodology developed by Cannari and Faiella (see L. Cannari and I. Faiella, "House prices and housing wealth in Italy", presented at the Conference on Household Wealth in Italy, Banca d'Italia, Perugia, October 2007). The benchmark of the index of prices is established for 2002 with a compound estimator using data published by the Territorial Agency's Real-Estate Market Observatory (www.agenziaterritorio.it) and the Consulente Immobiliare (www.consulenteimmobiliare.ilsole24ore.com) extrapolated by means of regression models to the universe of Italian municipalities. The price movements in the years after 2002 are based on data published by the Territorial Agency's Real-Estate Market Observatory; in particular, the mean of the maximum and minimum prices per square metre for the different zones (centre, semi-centre, periphery) is calculated at municipal level. This information is then aggregated at municipal level, weighting the three zones with the weights found in the Bank of Italy's survey on Household Income and Wealth. The prices at municipal level are then aggregated by region, macro-region and the entire territory; the weights used are the number of dwellings observed by Istat in the 2001 Population and Housing Census.

Figure 1.6; Table a1.15

Sample survey on the housing market in Italy

Since January 2009 the Bank of Italy, in cooperation with Tecnoborsa, has conducted a quarterly survey at estate agents. The data are collected by Questlab Srl in the month following the end of each quarter (i.e. in January, April, July and October). The survey questionnaire is made up mainly of qualitative questions concerning transactions, prices and the short-term outlook for the sector. The results of the second survey have been published in June in the Bank of Italy's Supplements to the Statistical Bulletin series (www.bancaditalia.it/statistiche/indcamp/sondaggio_mercato_abitazioni)

Survey on construction and public works

In the period February-April 2009 the Bank of Italy conducted a survey of firms in the building industry with reference to 2008. The results allow the performance of the industry to be followed, including in relation to the construction of public works. The interviews are carried out by the branches of the Bank of Italy. In view of the theoretical sample size, care was taken to oversample the strata with the highest variance, made up of the largest firms and the firms with their headquarters in the South of Italy.

For the purposes of the survey, public works are taken to mean the works financed by the state and local authorities (regions, provinces, etc.) and those of public utility (such as roads, hospitals and schools) even if financed by private-sector entities. The total sample is made up of about 500 firms and temporary groupings of firms, located throughout Italy and whose principal activity is related to the construction of public works.

THE LABOUR MARKET AND THE ECONOMIC CONDITIONS OF HOUSEHOLDS

Figures 2.1, 2.2

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. 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. The Wage Supplementation Fund is 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 estimating the total labour input of the economy, the number of hours of Wage Supplementation benefits is translated into the corresponding number of persons employed (equivalent workers on Wage Supplementation) by dividing it by the contractual working hours.

Tables a2.1-a2.4

The labour force surveys

As of January 2004 Istat’s labour force survey underwent a major overhaul affecting the questionnaire, the timetable and the manner of interviewing households. The data are now collected continuously during the reference quarter instead of in just one week. Consequently, the seasonality of the data has changed. The new questionnaire permits a more accurate identification of both persons in employment and those actively seeking a job. A new network of professional interviewers is now used. They have replaced the persons previously made available by municipalities and are specially trained and benefit from the use of computers. The reference population for the survey, consisting of persons resident and present in Italy, has changed considerably compared with the past, in order to take account of the 2001 Population Census and the effects of the regularization of foreigners between 2003 and 2004. 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. For further information, see the “Glossario” section in the Appendix to the Bank’s Annual Report in Italian. The main changes to the survey are described in the box “La nuova Rilevazione sulle forze di lavoro” in *Bollettino Economico*, no. 39, 2004.

Figure 2.4

The survey on household income and wealth

Since the 1960s the Bank of Italy has conducted a regular sample survey of Italian households’ income and wealth. The sample (consisting, since 1987, of about 8,000 households) is a probabilistic one with two-stage selection. First about 300 of Italy’s 8,100 municipalities are selected. To this end they are grouped into homogeneous strata defined by a combination of region and size (population). The largest cities are all included in the sample; the smaller ones are taken randomly from their respective strata. In the second stage, the names of the households to survey are drawn randomly from the civic registers of the municipalities selected. Starting with the 1989 survey a panel of households has been retained in order to permit analysis of behaviour over time. The estimates are weighted to take account of the differing probability of selection of households stemming from the sampling method and the response process during the survey. The main results of the survey and the methodological details are available in the series of publications Supplementi al Bollettino statistico – Indagini campionarie. The electronic version of the statistical report, the microdata and the documentation on their use are available on the Bank’s website at: <http://www.bancaditalia.it/statistiche/indcamp/bilfait>.

BANKING

Additional information is available in the Note metodologiche section and the *Glossario* section of the Appendix to Relazione annuale della Banca d'Italia (the Bank's annual report in Italian) and the Glossary and the Methodological Appendix to the Bank of Italy's Statistical Bulletin

Figures 4.1, 4.2, 4.5, 4.6, Tables a4.1, a4.2, a4.4, a4.5

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 Law on Banking (Legislative Decree 385/1993). Since 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* ("Customer sectors and segments of economic activity").

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

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

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

Loans: loans disbursed by banks to resident non-banks. The aggregate includes the bill portfolio, current account overdrafts, matched loans (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, repos, advances not settled via current accounts, pledge loans, loans secured by pledge of salaries, loans granted from funds administered for third parties, and other financial investments (traded banker's acceptances, commercial paper, etc.). 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.

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

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

Figures r3, r4, r7, Table a4.2

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) and financial companies for which the amount granted or drawn or the guarantee provided exceeds €75,000 (until December 2008) and €30,000 (from January 2009). Bad debts are covered regardless of the amount.

Definitions of some items:

Overdue loan: a loan is deemed to be overdue when the contractual time limit for repayment or the more favourable time limit the intermediary has granted to the debtor has passed.

Restructured loan: a contract altered or signed as part of a restructuring operation, i.e. an agreement by means of which an intermediary or a pool of intermediaries consents, in view of the deterioration in the financial condition and operating results of the debtor, to changes in the original contractual terms and conditions (such as a rescheduling of the time limits or a reduction of the principal and/or interest) that give rise to a loss.

Substandard loans: claims on borrowers in a temporary situation of objective difficulty whose solution can be expected within a reasonable period of time.

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

Adjusted bad debts: the total loans outstanding when a borrower from the banking system 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 the borrower's exposure towards the banking system or as having overshoots equal to at least 10% of its total loans outstanding;
- d) as a bad debt by at least two banks for amounts equal for each to at least 10% of its total loans outstanding.

Factoring: amounts corresponding to the nominal value of claims involved in factoring transactions with the amounts with and without recourse reported separately; the amounts are reported by both the assignor and the assignee.

Additional information is contained in the Methodological Appendix and in the Glossary of the Bank of Italy's Statistical Bulletin.

Figure 4.4, Table a4.3

The survey of bank interest rates

The quarterly sample survey of lending and deposit rates was completely overhauled in March 2004: the number of reporting banks was increased and the form for submitting reports was expanded and amended. The two groups of banks, which include the main Italian credit institutions, are made up of about 250 for lending rates and about 125 for deposit rates (compared with 70 and 60, respectively, in the previous survey).

The information on lending rates is collected separately for each customer. The data refer to loans to non-bank customers and record each position, at the end of the reference quarter, for which the amount granted or drawn reported to the Central Credit Register is at least €75,000. For new fixed-term loans the banks report the amount granted and the annual percentage rate of charge.

For deposit rates the data refer to the terms offered on the current account deposits of non-bank customers outstanding at the end of the quarter.

For further information, see the Methodological Appendix in the Bank of Italy's Statistical Bulletin.

Tables a4.1, a4.6

The archives containing data on intermediaries

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

For additional information, see the Methodological Appendix in the Bank of Italy's Statistical Bulletin.

Figures r5, r6

The use of electronic banking services

The demographic weighting was carried out on the basis of the resident population at 31 December of the reference year using data taken from Istat's "Atlante statistico dei comuni" for 2000 and its "Bilancio demografico" for 2007. The latter data were also used for the assessment in relation to 2008.

The per capita values for firms were calculated on the basis of the number of firms in business at the end of the reference year published by Unioncamere-Movimprese. The weighting for resident households was carried out on the basis of the number of resident households according to Istat's 2001 Census for 2000 and its "Bilancio demografico" for 2007. The latter data were also used for the assessment in relation to 2008.

THE SPECIAL TOPICS

REGIONAL CREDIT DEMAND AND SUPPLY

The survey, conducted by the Bank of Italy's economic research nuclei between February and March 2009, involved the following sample of more than 400 Italian banks.

Composition of the sample by size of bank and geographical area (units)					
Size class	North West	North East	Centre	South and Islands	Total
Medium-sized and large banks	16	10	10	4	40
Small banks	102	120	81	59	362
<i>of which: mutual banks</i>	55	88	50	37	230
Total	118	130	91	63	402

Source: Sample survey of banks..

The questionnaire used drew on the Bank Lending Survey, which has been carried out quarterly at European level since January 2003 by the national central banks of the euro area in collaboration with the ECB and covers the main euro area banks (more than 110). For Italy, the parent banks of nine banking groups participate in the survey, which makes it possible to examine the factors that influence credit demand and supply separately for households and firms. The sample banks are asked to assess the results for the quarter just passed and the outlook for the next. The sample survey referred to here differs from the Bank Lending Survey as regards not only the sample size but also the possibility of obtaining information by geographical area and more details on banks' lending business.

Firms' demand for credit

Figures 9.1a and 9.1c

Index of the expansion/contraction in the demand for credit by sector and geographic area: the index is built by aggregating the responses in the following way: 1 = large expansion, 0.5 = moderate expansion, 0 = basically stable, -0.5 = moderate contraction, -1 = large contraction. Positive (negative) values indicate an expansion (contraction) in the demand for credit.

Figures 9.1b and 9.1d

Index of the expansion/contraction in the demand for credit by cause and size of firm: the index is built by aggregating the responses in the following way: 1 = if the factor indicated made a large contribution to the expansion in the demand, 0.5 = moderate contribution to the expansion, 0 = neutral effect, -0.5 = moderate contribution to the contraction in the demand, -1 = large contribution to the contraction. Positive (negative) values indicate that the factor contributed to the expansion (contraction) of the demand for credit.

Supply of credit to firms

Figures 9.2a, 9.2c and 9.2d

Index of the contraction/ expansion in the supply of credit by sector, geographical area and bank size: the index is built by aggregating the responses in the following way: 1 = large tightening of the supply conditions, 0.5 = moderate tightening, 0 = basically stable, -0.5 = moderate easing, -1 = large easing. Positive (negative) values indicate a tightening (easing) of the supply conditions.

Figure 9.2b

Index of the contraction/ expansion in the supply of credit according to the conditions applied: the index is built by aggregating the responses in the following way: 1 = if the factor indicated made a large contribution to the tightening of the supply, 0.5 = moderate contribution to the tightening, 0 = neutral effect, -0.5 = moderate contribution to the easing of the supply, -1 = large contribution to the easing. Positive (negative) values indicate that the factor contributed to the tightening (easing) of the demand for credit.

REVENUE AND EXPENDITURE DUALISM AMONG THE ITALIAN MUNICIPALITIES

Tables a10.3-a10.4

Italian municipalities' personal income surtax and property tax

The calculations in relation to the personal income surtax are carried out with reference to the information available at 5 February 2009. The rates applied by municipalities for the reference period are taken from the website of the tax authorities, www.finanze.it.

The theoretical revenue is calculated as the product of the rates applied in the reference year and the relevant tax base of each municipality. The tax bases for the years 2005 and 2006 were obtained from the website www.finanzalocale.interno.it (respectively in the section "erogazione del saldo in data 14 dicembre 2007" and "erogazione del saldo in data 24 luglio 2008"). For 2007 and 2008 the values for 2006 were used. To determine the theoretical per capita revenue, the data on the resident population were taken from Istat's "Atlante statistico dei comuni" for 2005 and its "Bilancio demografico" for 2006 and 2007. For 2008 the values for 2007 were used. A similar procedure was followed to estimate municipalities' size.

The data on the ordinary municipal property tax rate and the rate and deductions for principal dwellings were obtained from IFEL (Istituto per la finanza e l'economia locale). For both rates the missing data were reconstructed by allocating the mean of the rates of the two contiguous years, arriving at a total of 8,101 municipalities. The regional rates and mean deductions were weighted using the resident population at 31 December of each year; for 2007 and 2008 the figures for 31 December 2007 were used. Decree Law 93/2008, ratified as Law 126/2008, excludes principal dwellings and the like from the municipal property tax with effect from 2008. The measure does not apply to A1, A8 or A9 category buildings (respectively, luxury dwellings, villas, castles and eminent palaces). Resolution no. 2 adopted in February 2009 by the Ministry for the Economy and Finance set a limit on the types of buildings that could be classed as comparable to principal dwellings (buildings owned by old or disabled people who take up residence in nursing homes and dwellings direct and indirect relations use free of charge), with the exclusion of all the other types of comparability deriving from municipal rules or resolutions. The exemption is expressly provided for by law in the case of buildings of the consort not assigned the former conjugal home, buildings of building cooperatives where the ownership is undivided and the autonomous institutes for low-rent housing.

The data, taken from the Ministry for the Interior (www.finanzalocale.interno.it), are on an accrual basis (assessments for revenue and commitments for expenditure) and have been treated in order to eliminate outliers and correct the erroneous entry of budget items, which notably involved tax revenue and tax transfers. The scaling up to the universe of municipalities was obtained on the basis of the resident population at 31 December of each year, using expansion coefficients calculated for each class of resident population in each region.