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Economic developments in the Italian regions in 2006

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For more than twenty years now the Bank of Italy has published reports on economic activity in the Italian regions, drafted by the branches located in the respective regional capitals. In 1997 these reports were joined by this summary report, which is the joint product of the Bank's regional economic research units and the central Economic Research Department and is intended to provide a more general analysis of the regional features of the Italian economy. Over the years the report gradually drew away from its original close link with the regional Notes and gained the attention of researchers, institutions and the public in its own right. Accordingly, we have rethought its approach, which until this year, despite a progressive expansion of the space devoted to longer-term analysis, has been prevalently cyclical.

As now structured, the Report on Economic Developments in the Italian Regions has two sections. The first, given over to cyclical analysis, has been streamlined and supplemented by boxes on specific themes relevant to the year. A section for in-depth studies on special topics has been added. Further, like the regional reports starting this year, in the new configuration the Report also deals with questions of local public finance in order to promote understanding of fiscal federalism. Complete and transparent information enhances citizens' capacity for control, which is essential to realizing the efficiency gains expected from fiscal and administrative decentralization.

The Report was drafted by a working group coordinated by Luigi Cannari, Massimo Omiccioli and Alessandra Staderini (the latter for public finance questions) and comprising Giorgio Albareto, Enrico Beretta, Raffaello Bronzini, Diego Caprara, Amanda Carmignani, Piero Casadio, Emidio Cocozza, Guido de Blasio, Alessandro Fabbrini, Giovanna Messina, Francesco Piersante, and Roberto Rassu. It was edited by Raffaela Bisceglia and Maria Letizia Cingoli. Antonio Accetturo, Luciana Aimone, Chiara Bentivogli, Roberto Cullino, Pasquale Montanaro, Carmine Porello, Silvia del Prete, Giovanni Iuzzolino, Paola Rossi, Giuseppe Saporito, Salvatore Scarpelli, Maria Lucia Stefani and Emilio Vadalà helped in the preparation of boxes and studies on special topics.

ECONOMIC DEVELOPMENTS IN THE ITALIAN REGIONS IN 2006

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SUMMARY

Economic developments by geographical area in 2006

After essentially stagnating for four years, the economy grew in all parts of Italy in 2006, favoured by the expansion of world trade and economic expansion in the euro area. In northern Italy (the regions of the Centre and North) output growth picked up to 2.0 per cent; the pace of growth was slightly faster in the North-East (2.3 per cent) and the North-West (2.0 per cent) than in the Centre (1.8 per cent). As in the previous three years, GDP growth in southern Italy (the regions of the South and Islands) was slower (1.4 per cent). On a per capita basis output growth was slightly greater in southern than northern Italy, where the population increased more substantially owing to immigration both from the rest of the country and from abroad.

The rate of growth in final household consumption increased from 0.5 to 1.8 per cent in northern Italy and from 0.3 to 1.2 per cent in southern Italy. Gross fixed investment also improved in both parts of the country. The expansion in exports of goods accelerated from 5.5 to 9.0 per cent at current prices; growth was just 6.8 per cent in the South and Islands, compared with 13.4 per cent in the Centre, 9.6 per cent in the North-East and 8.5 per cent in the North-West.

In all areas of the country the pick-up in output was sustained above all by the recovery in industry, especially manufacturing. The increase in industrial value added came to 3.1 per cent in the North-East, which was the only area that also recorded growth in 2005 (0.9 per cent). It came to no more than 1.6 per cent in the South and Islands, barely enough to offset the previous year's contraction. In the North-West and the Centre industrial growth (2.4 and 1.8 per cent respectively) did not fully compensate for the year-earlier losses of 3.1 and 2.7 per cent. The upturn in value added extended to the service sector as well, with growth slightly slower than the average for the economy as a whole but essentially uniform throughout the country: slightly higher in the northern regions (1.8 per cent in the North-East and 1.7 per cent in the North-West) and slightly lower elsewhere (1.5 per cent in the Centre and 1.4 per cent in the South and Islands). Employment growth regained strength in 2006 after two years of slowdown. Istat's preliminary regional accounts indicate that full-time equivalent labour input increased by 1.6 per cent overall, gaining nearly 2 per cent in the North-East and North-West and half a point less in the Centre and the South and Islands.

Banking and finance in 2006

Thanks to the economic upturn, the growth of short-term lending to firms accelerated sharply from 0.8 to 9.0 per cent in northern Italy and from 5.8 to 18.1 per cent in southern Italy. Fixed investment and debt restructuring sustained the growth of medium and long-term lending, which gained 13.1 per cent in the northern part of the country and 19.8 per cent in the southern. Overall, corporate lending by banks increased by 18.4 per cent in the South and Islands, as against rises of between 9 and 11 per cent in the other parts of the country. Lending to firms increased by 42 per cent in southern Italy between 2003 and 2006, compared with 22 per cent in the rest of the country. A contributory factor was more favourable credit supply policies on the part of the leading banking groups from northern Italy, which after taking over the main southern banks in the second half of the 1990s had conducted a complicated process of reorganization and revision of lending policy. In more recent years, thanks in part to improved risk management techniques, lending to southern firms by these northern banks registered an accelerated expansion. In 2006 these institutions showed a growth rate nearly double that of other banks.

In 2006 lending to households increased by 8.9 per cent in the North-West and 9.4 per cent in the North-East; growth was significantly faster in the Centre (12.1 per cent) and in the South and Islands (13.2 per cent). In proportion to GDP, household debt is slightly greater in the North-East; in all areas of Italy it is below the average for the main countries of Europe.

Households' financial assets and liabilities

The financial assets of households in southern Italy continue to consist largely in liquid, low-yield instruments. In 2006, shares, bonds and investment fund units made up 29 per cent of these households' portfolios, compared with 48 per cent in northern Italy. The portion accounted for by bank and postal deposits was larger. At the end of the year financial debt per capita came to €9,800 nationwide; the amount was about half as large in southern as in northern Italy. Since 1998 the share of financial liabilities consisting in home mortgages has increased sharply in all parts of the country. At the end of 2006 it was greater in northern than in southern Italy. By contrast, in the South and Islands consumer credit accounted for a larger share of total financial liabilities.

A changing industrial economy

Labour productivity in industry rose by 1.7 per in the North-East and 1.5 per cent in the North-West in 2006. The gains in the Centre and in the South and Islands were much smaller (0.8 and 0.5 per cent respectively). Although productivity growth remains far slower in Italy than in the main euro-area countries, last year's performance still represented an acceleration with respect to the very modest increases of the previous two years and a reversal of the substantial decline recorded between 2000 and 2003.

The increase in productivity, together with the upturn in exports, signals the onset of a restructuring of Italian industry to improve efficiency and competitiveness. Changing technology and heightened competition in the past five years resulted in a more severe selection of firms in the Centre and North, and in the North-West in particular. The winnowing process has been concentrated in the traditional sectors, where international competition is fiercest. The negative net balance between business start-ups and closures in the textiles and clothing, leather and footwear, and wood and furniture sectors accounted for two thirds of the overall diminution in manufacturing. A good part of the decline in the number of firms in southern Italy came in those same sectors.

A Bank of Italy survey of more than 4,000 firms shows that restructuring has been accompanied by qualitative change in the productive fabric. There are signs of firms' repositioning in markets as part of a strategy of bolstering competitive edges, with a growing role assigned to service activities such as R&D, marketing and customer assistance. The process of change involves southern firms as well, albeit to a lesser extent. Since the start of the decade the growth gap between the two parts of Italy has widened, with GDP growth in the southern regions lagging 0.2 percentage points behind, on average. Above all, southern firms producing typical Italian export goods see their position vis-à-vis their competitors as weak.

Recent trends in southern exports

In the first few years of this decade export growth in southern Italy slowed sharply, coming into line with the national average and significantly less than in the underdeveloped regions of Germany or Spain, the two EU countries most resembling Italy in terms of population and geographical income disparities. The per capita exports of the South and Islands in 2005 were only half those of Germany's eastern Länder and less than two thirds of those of Spain's "Objective 1" regions. By comparison with the trend of the 1990s, southern export growth is now concentrated in a smaller number of sectors and provinces. The southern producers of typical Italian export goods, in particular, are feeling the effects of sharpening competition from recently industrialized countries. These sectors' share of total southern exports has decreased, as has the southern share of total Italian exports of these goods.

Italy lags behind the other leading industrial countries in human capital endowment and in the quality of public services. In many service industries entry barriers and regulatory obstacles block the spread of the beneficial effects of competition.

International surveys have found that 15-year-olds in southern Italy have significantly lower levels of academic achievement than their northern peers. Significant disparities are found already among primary school pupils, and the gap tends to widen in lower and upper secondary school. The share of 15-year-olds with very low achievement levels is three times as high in the South and Islands as in the North; in vocational schools, it is four times as high. Students' marks in school correspond only very weakly to their achievement levels as measured in international tests.

The share of university graduates is lower in Italy than in the other industrial countries, although it has risen in the last ten years. There are fewer graduates, proportionally, in engineering and in sciences.

The evolution of local university markets

Since the early 1990s the Italian university system has undergone a number of legislative and regulatory changes that have favoured a broader range of disciplines and their progressively more widespread availability. Following the 1999 reform, the number of first-level university degree courses rose by 35 per cent between the 1998-99 and 2005-06 academic years. The increase involved all geographical areas and all subject areas, with peaks of around 50 per cent in the Centre and the Islands. There has been a substantial increase in the availability of degree courses in the same subjects at different universities within the same region. Data drawn from the Bank of Italy's Survey of Household Income and Wealth can be used to show that during the 1990s the expanding availability of university courses helped stimulate university attendance, especially on the part of lower-middle-income students. The impact on the probability of getting one's degree appears to have been modest. Data since 1999 show that a large part of the increase in overall university attendance involves students having completed secondary school at least three years earlier. However, registration rates for recent secondary school graduates have risen, from 49.1 per cent in 1999 to 58.3 per cent in 2005. The rate of university attendance is rising above all for students from households headed by workers, craftsmen and self-employed workers. By comparison with the two years preceding the reform, drop-out rates between the first and second years of the three-year first-level degree course have risen slightly, above all in the South and Islands.

Regulation of commerce

Many service sectors suffer from entry barriers and regulatory constraints that brake productivity growth. As regards retail trade, Legislative Decree 114/1998 had drastically altered regulations in the direction of liberalization, delegating some powers in this sphere to the regions. In the application of the national measures, many regions instituted direct and indirect constraints on the growth of large retail facilities in particular. Considering this and taking account of the repeated acts of censure by the antitrust authority, Parliament passed Law 248 of 4 August 2006, requiring the regions to adapt by 1 January 2007. By that date only a few had done so. The antitrust authority again ruled against some regional measures that violated the principles of Law 248. Analyses using the Company Accounts Data Service have shown that in the distributive sector entry barriers increase profit margins, curb productivity growth and discourage the introduction of information and communications technology. In the regions where trade is less open to competition, consumers pay higher prices.

Statistical indicators from a variety of sources demonstrate that the quality of many services is worse in southern Italy. Irregular water supply and electricity outages are more frequent, waiting lists for health care are longer, and user satisfaction with local public transport is lower.

The operation of local public transport

Even without specific Community legislation, in the past two decades some large European countries have undertaken reforms to improve the efficiency and quality of local public transport services through competition. Italy introduced a new set of rules in 1997 based on separation between the planning and control functions on the one hand, lodged with the regional and local authorities, and operation of the service, assigned to private entities selected through competitive bids. A survey conducted by the branches of the Bank of Italy has found that at the beginning of 2007 less than half of Italy's provincial capitals had transport services provided by a company selected by public competition; direct assignment of the service and in-house public operation still predominate. By European standards Italian local public transport continues to be characterized by a large number of public providers, low use levels and significant customer dissatisfaction. Lower transport supply in relation to population and slower service are combined with higher government contributions and higher operating costs.

Within the new institutional framework introduced by the reform of Title V of the Constitution, efficient public services and balanced public accounts are subject to the concurrent powers of central and local and regional government.

Tax autonomy in the ordinary statute regions

Since the early 1990s Italy has progressively decentralized powers of taxation. In this framework, a significant indicator is the actual degree of autonomy enjoyed by local authorities in managing the fiscal resources under their jurisdiction. The possibility of utilizing tax powers varies greatly from region to region. The degree of tax autonomy, defined as the additional revenue that a region could generate by using its power to modify tax rates to the full, is higher in the northern than in the southern ordinary statute regions, as a consequence of the highly unequal distribution of tax base.

Public finances in the special statute regions

The lack of a single scheme for the special statute regions and the autonomous provinces has engendered a differentiation of their powers, not only with respect to the ordinary statute regions but also between one another. The differing extent of responsibilities and of available resources is reflected in vastly different levels of per capita spending. The smallest authorities in the North (Valle d'Aosta and the autonomous provinces of Trento and Bolzano) spend at least twice the national average, and the regions of Friuli Venezia Giulia and Sardinia exceed the average by 20 per cent, while Sicily's per capita expenditure is not far from the national average.

ECONOMIC DEVELOPMENTS IN THE ITALIAN REGIONS

1 – ECONOMIC ACTIVITIES

Agriculture

The value added of agriculture, forestry and fisheries contracted by 3.1 per cent in real terms at base prices in 2006, following a decline in 2005. The worst performances were in the North-East and the South and Islands, with falls of 4.8 and 4.1 per cent respectively, while the decrease in the North-West was a more moderate 2.8 per cent. The Centre registered an increase of 1.6 per cent.

Agricultural production diminished for the second year, losing 3.4 per cent after the 3.0 per cent decline of 2005. The decrease involved industrial crops in the regions of the Centre and North and grains in the South and Islands. Grape and olive output also declined. In the livestock sector, which recorded an overall decline, production of meat and milk diminished by 2.6 and 2.5 per cent respectively. The output of fishery activity increased by 2.3 per cent. The growth was most pronounced in the North-East and the Centre.

The contraction for some crops, in particular grains, industrial crops and olives, depended in part on the reform of the Common Agricultural Policy, in its second year of application, which altered the structure of incentives and resulted in a diminution of the area farmed. Whereas in the past subsidies were based on the volume of output, they now consist in a single payment to the farm enterprise independent of the volume of output and based on the subsidies received in the three years from 2000 to 2002 (see the Reports on Tuscany *and* Emilia-Romagna*).*

Industry excluding construction

Real value added at base prices in industry excluding construction increased by 2.5 per cent in 2006, ending five years of contraction. The growth in value added was led by the robust upswing in the transport equipment industry (17.1 per cent) and the strong performance in the rest of the mechanical engineering sector (7.8 per cent in mechanical machinery and equipment, 5.2 per cent in electric and electronic machinery). The negative trend in traditional manufactures continued, although it was attenuated, with a decline of 3.2 per cent in clothing and textiles and 1.4 per cent in hides and leather. Overall, manufacturing value added grew by 3.7 per cent; the contribution of energy, mining and quarrying was negative.

According to Svimez estimates, the industrial upturn, though involving all parts of the country, was sharper in the northern part of Italy (2.7 per cent) than in the southern (1.7 per cent).

The growth in mechanical engineering involved all parts of the country. In the North-West the expansion was sustained by the robust upswing in transport equipment production. According to ANFIA, for the most part the increase in demand for new cars in 2006 benefited domestic makes, whose sales rose by 14.1 per cent while those of foreign automakers were essentially unchanged. The uptrend in the market continued in the first four months of 2007 and the market share of domestic makes, which had fallen to 25 per cent in 2005, rose to 32 per cent. Registrations of Italian cars also rose more than the average in other European countries as well (see the Report on Piedmont*). In the North-East output growth was sustained also by chemical products and man-made fibres. In the regions of the Centre there were signs of a recovery in traditional manufacturing sectors such as hides and leather. In Marche the footwear industry returned to expansion after significant losses of market share in the first part of the decade. The upturn coincides with reorganization on the part of firms within the region in response to intensifying competition from producers in countries with lower labour costs (see the* Report on Marche*). In the South, by contrast, the performance of Italy's traditional export manufacturing sectors was frequently poor (see the* Report on Campania *and that on* Puglia.*)*

Labour productivity in industry excluding construction rose by 1.2 per cent after the very modest gains of the previous two years. The increase was sharper in the Centre and North (1.3 per cent) than in the South and Islands (0.8 per cent).

These productivity gains could reflect the transformation undertaken by the manufacturing sector in response to technological and market change. Intensifying competitive pressures drove many firms out of the market, especially in traditional industries. This winnowing was combined with the beginnings of a market repositioning based on the strategy of strengthening competitive advantages. This restructuring process appears to be less common among southern firms (see Chapter 6 in the Special Topics *section).*

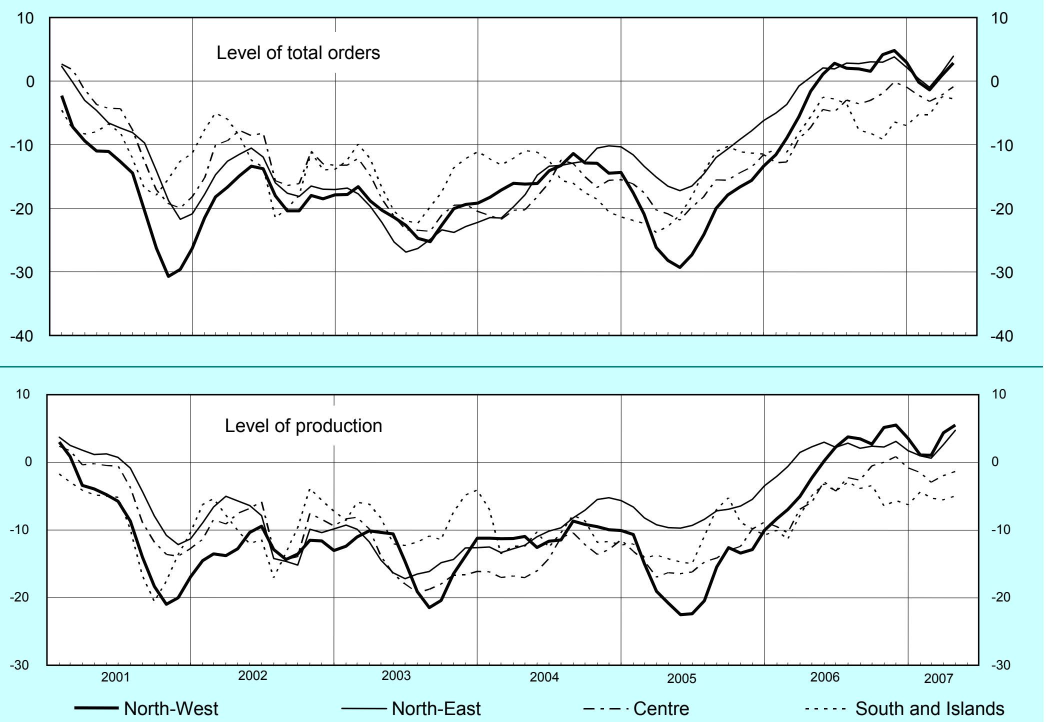
In the Centre and North business assessments of orders and output as found in ISAE's monthly surveys peaked in the last quarter of 2006, worsening again in the first few months of 2007. Output indicators turned upwards again at the start of the second quarter, especially in the Centre and North, regaining their end-2006 levels. In the South and Islands orders and output had both weakened earlier, in the fourth quarter, and in the first quarter of 2007 output stagnated despite a recovery in demand (Figure 1.1).

The Bank of Italy's regular survey of a sample of industrial firms with at least 20 workers found that gross fixed investment contracted by 2.5 per cent at constant prices in 2006, which was better than the firms' investment plans at the start of the year had indicated. The reduction involved all parts of the country. It was most pronounced for firms based in the Centre. However, the decline was less sharp in this part of the country when gauged by the actual location of the investment (Table a1.8).

Figure 1.1

Level of orders and production (1)

(monthly data)



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 answers ("high") and negative ("low") by businesses in ISAE surveys; seasonally adjusted.

EMPLOYMENT IN THE MACHINERY INDUSTRY AND TRADITIONAL MANUFACTURES[1]

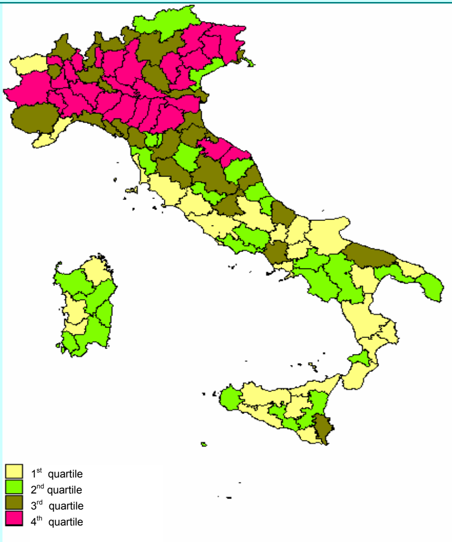
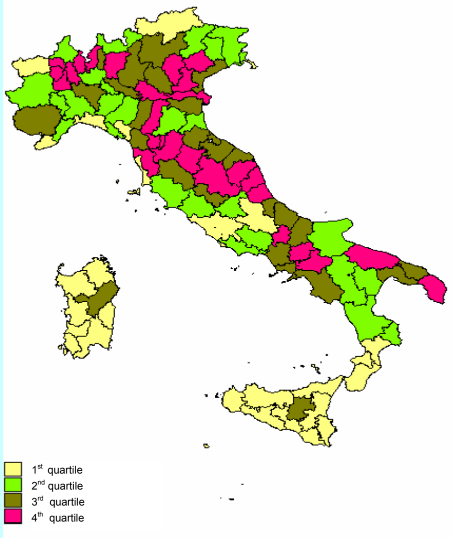
Between 1996 and 2004 total manufacturing employment in Italy fell by 0.5 per cent per year. The decline did not affect the South and Islands, where the number of persons employed grew by 0.6 per cent, and it was less pronounced in the North-East and in the provinces defined as "industrial district" provinces.

In two of Italy's key industrial specialties, namely machinery and traditional manufacturing products, trends diverged. In the former employment grew, though slowly (0.3 per cent), while in the latter it fell (by 2.5 per cent, and 3.4 per cent in the "fashion" segment).

In the North the employment decline in the traditional manufacturing sectors was sharper. The growth in the number of workers in the production of instrumental goods was strongest in the South and Islands, in the Centre and in the main district provinces, including those specializing in traditional manufactures.

Figure R1

Indices of relative specialization, 2004(1)

Machinery	*Fashion* (2)
	

Source: Based on ASIA data – local production units, 2004.
(1) The provinces are divided into quartiles of indices of specialization, calculated as the ratio between the sector's share of total employment in the province and the corresponding share nationwide. (2) The "fashion" sector comprises: textiles, clothing, leather and footwear.

In 2004 the main provinces specializing in machinery production were those of Piedmont, Emilia-Romagna and Lombardy, along with some provinces in Veneto, Friuli Venezia Giulia and Marche (Figure R1 and Table a1.10). The top 20 provinces in terms of number of workers accounted for 66 per cent of the sector's total employment nationwide, compared with 68 per cent in 1996. The main provinces specializing in "fashion" were those of Tuscany, Marche, Piedmont, Lombardy and Veneto and, in the South, Teramo, Lecce, Avellino e Isernia. The top 20 provinces in terms of number of workers accounted for 65 per cent of the sector's total employment nationwide, compared with 64 per cent in 1996.

[1] Analysis based on Census data and the Statistical register of firms' local units (*Registro statistico delle unità locali delle imprese* -- ASIA-*Unità Locali 2004*). The machinery sector is defined as the DK sector of the Ateco classification (Production of machinery and mechanical equipment); the "traditional products" sector comprises textiles, clothing, leather and footwear and other manufactures, consisting largely of the furniture industry (Ateco: DB, DC e DN).

Construction

Real value added growth at base prices in the construction industry accelerated from 0.5 to 1.6 per cent. According to Svimez growth was slightly faster in the Centre and North than in the South and Islands (1.7 against 1.4 per cent). Activity was sustained by housing investment, which increased by 4 per cent, slightly less than in 2005. Non-residential building investment, coming off a year of pronounced contraction, grew by a modest 0.5 per cent.

According to the construction industry association ANCE, the increase in new housing construction was sharpest in the Centre and the South and Islands, more limited in the North. Residential construction investment was also boosted by renovation work.

The take-up of incentives for housing renovation increased appreciably in 2006 (by 8.4 per cent). The growth in subsidized extraordinary maintenance projects came exclusively in the Centre and North, and especially in the North-East (13.4 per cent).

According to the Property Market Observatory instituted by the Agency for Territorial Management, house sales increased by 1.3 per cent in 2006, less than in 2005. The number of sales rose mainly in the North and held more or less steady in the rest of the country. Throughout Italy there was a decline in sales in the second half of the year. House prices also decelerated.

According to Consulente Immobiliare, *prices of new housing units in provincial capitals rose by 5.8 per cent, down from 9.6 per cent in 2005. The price rise in the North, 3.8 per cent, was the smallest since 1999. The increase was larger than average in the Centre (7.9 per cent) and in the South and Islands (6.9 per cent), though here there was a marked slowdown.*

A survey of about 470 construction firms conducted by the Bank of Italy found that public works activity diminished by about 1 percentage point in real terms in 2006 after a 2 per cent contraction in 2005. Activity decreased in the North-West and in the South and Islands, while it increased in the other macro-regions.

The value of the works contracted out in the last two years fell sharply, owing to the decline in the number of contract tenders called for by publicly owned undertakings. The total worth of the works put up for tenders in 2005 and 2006 was 40 per cent less than in 2003 and 2004. The reduction was sharpest in the North-West, owing to the completion of a number of major projects and work done in connection with the 2006 Winter Olympics, and in the South and Islands.

Services

Real value added at base prices rose 1.6 per cent in the sector, up from 1 per cent in 2005. The gain came to slightly more than 2 per cent in wholesale and retail trade, transport and communications, and monetary and financial intermediation, and to nearly 4 per cent for the hotel and restaurant sector. According to advance estimates provided by Istat, value added rose fastest in the North.

According to a survey of service firms with 20 or more workers conducted by the Bank of Italy, non-financial service sales increased by 4.2 per cent in real terms. Growth was fastest in the North-East, slowest in the Centre, and in line with the national average in the North-West and South and Islands.

Wholesale and retail trade. – According to data from the Ministry for Economic Development, retail sales at current prices rose by 1.2 per cent in 2006, up from 0.5 per cent in 2005. The increase was sharper for large-scale retailers (2 per cent), while for smaller ones sales returned to growth (0.9 per cent) after two years of contraction. In the Centre and North sales growth averaged 1.5 per cent. In the South and Islands it was nearly a point lower (0.7 per cent), owing to the weakness of household spending (Table a1.11).

The increase in the number of large-scale retail outlets continued. The diffusion of medium-sized and large outlets is highly uneven geographically. In the South and Islands at the start of 2006 the floor space of hypermarkets was 70 per cent of that of the Centre and North in proportion to population and that of supermarkets 57 per cent (Table a1.12).

In many cases regional rules have limited the development of larger retail outlets, with adverse effects on productivity and consumer prices (see Chapter 8 in the Special Topics *section).*

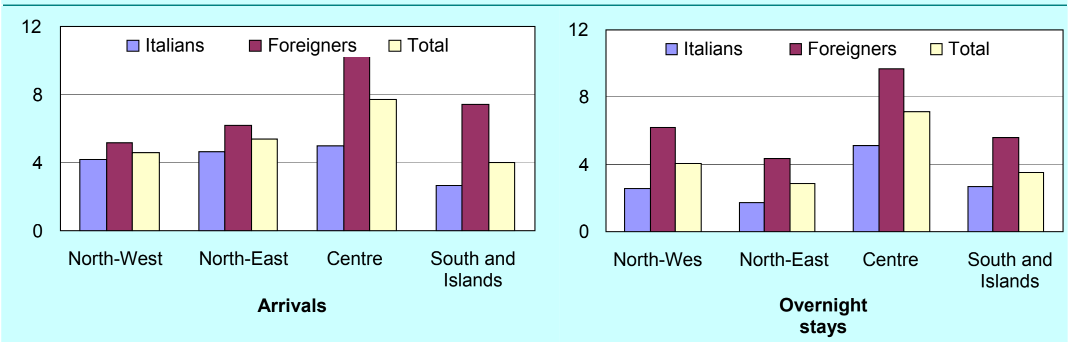
Tourism. – Estimates by the regional statistics offices and tourist promotion agencies indicate that the number of tourists staying at hotels and other facilities in Italy increased by 5.6 per cent in 2006 (compared with 1.6 per cent previous year) and the number of overnight stays by 4.2 per cent (1.8 per cent in 2005). As in 2005, foreign tourism grew faster than domestic, with overnight stays gaining 6.2 per cent (2.8 per cent for Italians). The increase in the flow of tourism was most pronounced in the Centre (Figure 1.2).

There was an appreciable increase in tourism in Piedmont, thanks to the Winter Olympics in Turin (see the Report on Piedmont*). Seaside tourism scored gains mainly in Veneto, Tuscany, Sicily and Sardinia, while there was a considerable increase in tourist flows to the historical cities of Lazio and Veneto. According to a sample survey by the Italian Foreign Exchange Office, the number of overnight stays of non-residents at hotel and similar facilities and private residences increased by 6.7 per cent; their total spending rose by the same amount, the increase being most pronounced in the North-West and the South and Islands.*

Figure 1.2

Arrivals and overnight stays in hotel facilities

(percentage changes on previous year)



Sources: Estimates based on data from regional statistical offices and tourist promotion agencies.

Transportation. – According to data from AISCAT, truck traffic on Italian motorways increased by 2.9 per cent in 2006. Rail freight shipment increased by 2.1 per cent, only partly recouping the 9.3 per cent contraction registered in 2005. The growth was due to domestic shipping, which gained 7.1 per cent. International shipments, where the competition of foreign carriers is more intense, continued to decline.

Domestic rail traffic increased in all parts of the country. The decline in international rail shipments was also fairly uniform, save for the North-East, where Friuli and Veneto recorded substantial increases.

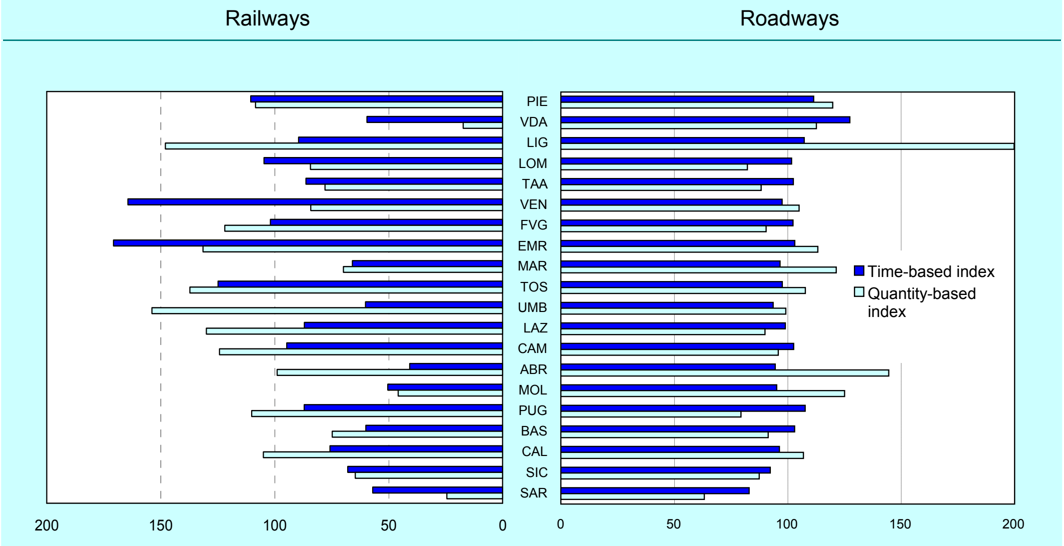
LOCAL RAIL AND ROAD INFRASTRUCTURE

To measure local transportation infrastructure endowment, a commonly used indicator is that of Istituto Tagliacarne, which mainly gauges the quantity of infrastructure physically present in each province (e.g., number of kilometres of railway track and highways). This physical measure may not adequately reflect quality and efficiency factors. For instance, the efficiency of road transport depends on traffic congestion. One way of overcoming these problems is to measure travel time. Using these data, we have constructed road and rail indicators for each region (Figure R2) and compared them with the quantity indicators.

Figure R2

Regional road and rail infrastructural endowment

(indices, Italy = 100)



Sources: Based on data from Istituto Tagliacarne, Trenitalia and Michelin.
For details on the methodology used in developing the time-based index, see G. Messina, “Un nuovo metodo per misurare la dotazione territoriale di infrastrutture di trasporto”, Banca d’Italia, *Temi di discussione* No. 624.

For railways, by comparison with the quantity gauge, the time-based indicator shows greater efficiency in most of the northern regions. The advantage is most pronounced for Emilia-Romagna, Veneto, Piedmont and Lombardy, while Liguria and

Friuli Venezia Giulia show less efficiency than quantity. For the Centre and the South and Islands the efficiency gauge reveals weakness; only the region of Tuscany scores better than the national average (slightly), and all the others are below it.

For road transport too, the time-based indicator shows the better endowment of the northern regions, but for some (Liguria, Emilia Romagna, Piedmont, Veneto) the fact that this indicator is lower than the physical indicator suggests the possible presence of traffic congestion. With the sole exception of Lazio, the efficiency gauge is unfavourable to all the regions of the Centre. Among those of the South and Islands, finally, the relative position of Abruzzo, Molise and Calabria worsens.

According to Assaeroporti data, passengers and freight carried by air increased by 8.7 and 5.6 per cent respectively last year.

The sharpest growth in passenger traffic was in international flights, where the fastest growth rates were recorded by the leading airports (Milan, Rome, Venice) and some smaller structures (e.g. Bergamo and Pisa).

Data from port authorities show that freight handled in the main Italian ports was basically stationary (growth of just 0.2 per cent). Container traffic gained 2.2 per cent, far less than in the ports of other European countries (see box and the *Report on Liguria*).

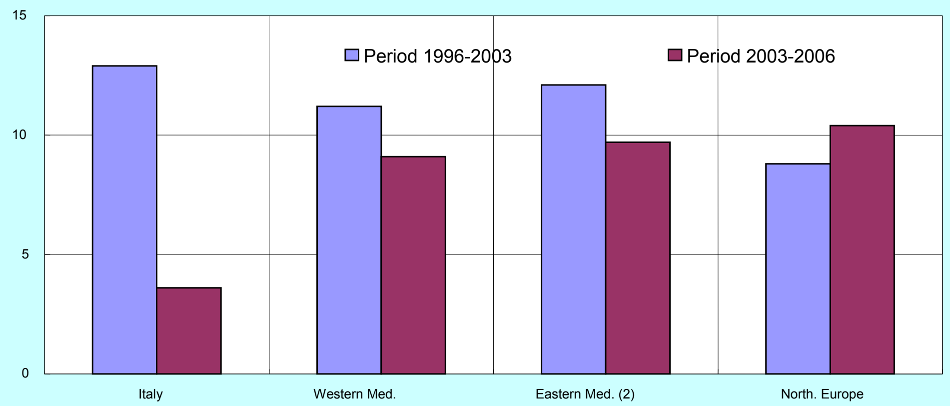
THE EVOLUTION OF ITALIAN SEAPORTS

From 1996 to 2003 container traffic in Italian ports increased by 12.9 per cent per year. The growth was faster than that of port systems in the western and eastern Mediterranean or in northern Europe (Figure R3).

Figure R3

Container traffic, 1996-2006

(average annual percentage changes)



Sources: Assoporti, national port authorities, Port of Hamburg.
(1) The western Mediterranean ports were Algeciras, Valencia, Barcelona and Marseille; the eastern Mediterranean, Port Said, Piraeus, Damietta and Haifa; northern Europe, Rotterdam, Hamburg, Antwerp, Bremen, and Le Havre. - (2) Average for 2003-2005.

In these years, which saw increasing export flows from Asia to Europe and North America, southern European ports, and Italian ports especially, benefited from the increasing popularity of “pendulum” routes, or round trips between Asia and the east coast of North America via the Mediterranean. This is the period in which the trans-shipment ports of Gioia Tauro, Cagliari and Taranto attained full-scale activity, as well as the Voltri terminal in Genoa. Together, these facilities accounted for 80 per cent of the increase in Italian container shipment.

Beginning in 2004, despite the continuing expansion of world trade, the growth of Italian port business slowed down. The annual rate of increase in container movement fell to 3.6 per cent in 2004-06, compared with 9.1 per cent at the Mediterranean ports of France and Spain and 10.4 per cent at the northern European ports.

While one factor in this development was the slowdown in domestic economic growth, the deceleration in container traffic was also due to the insufficient endowment and quality of infrastructure and port services. Only Gioia Tauro, Taranto, Cagliari, Savona, Napoli and Trieste have harbours deep enough for large ships to dock. A number of ports (including those in Liguria, Campania and Friuli) need to expand their working space. Others have undersized dock equipment. Interports and intermodal centres are not always adequate, especially in central and southern Italy. And according to a recent study by the National Economic and Labour Council, in a number of cases there is a good deal of room for improvement in service quality and efficiency.

As for linkage between ports and final destinations, Italy is characterized by the intense use of road transport, with the risk of congestion, at the expense of railways. According to Eurostat, in 2005 90 per cent of land transport in Italy was by road, compared with 79 per cent for the EU-15 and 66 per cent in Germany. That year Italy shipped 1.4 million tons of goods per kilometre of rail line, compared with 1.7 million for the EU-15 and 2.7 million for Germany.

To reinforce the financial independence of the port authorities, the Finance Law for 2007 assigned them all the proceeds of the shipping duties (previously they got only 30 per cent) and also envisaged, under an interministerial decree to be issued, the devolution of a part of duties levied on merchandise in transit, to be used for “the realization of works and services foreseen in their respective port zoning plans and three-year business plans, with the simultaneous termination of State transfers for this purpose”. Additional measures, such as the simplification of the procedure for approving port zoning plans and for initiating investment projects, as well as closer coordination among port authorities within the same geographical area, could help to upgrade port and related facilities.

Exports and foreign direct investment

Against a backdrop of continuing strong growth in world demand and a rising real effective exchange rate, Italian exports of goods and services rose by 5.3 per cent in real terms, the best performance since 2000. Provisional data from Istat showed 9 per cent growth in goods exports at current prices, compared with 5.5 per cent in 2005 (Table a1.13). Growth was fastest in the Centre (13.4 per cent, up from 1.5 per cent) and in the North-East (9.6 per cent, up from 3.7 per cent), slower in the North-West (8.5 per cent, up from 6.6 per cent) and the South and Islands, where growth came to 6.8 per cent (6.6 per cent net of oil products), down from 11.6 per cent in 2005.

In the first quarter of 2007 Italian exports were 13 per cent higher than a year earlier at current prices. Again, the sharpest rises were in the Centre (15.6 per cent) and the North-East (13.8 per cent). The North-West (11.9 per cent) and South and Islands (10.6 per cent) were below the national average.

The export expansion in the regions of the North came thanks above all to metal products and machinery. In the Centre chemicals and transport equipment also contributed. In the South and Islands the largest contribution came from transport equipment, refined petroleum products and chemicals. After the contraction of 2005, exports of typical Italian goods in the "fashion" segment (textiles, clothing, leather and footwear) returned to growth in the Centre and North (5 per cent), while remaining stationary in the South and Islands.

The South and Islands have been affected more severely than the rest of the country by the sharpening competition of the emerging economies. In the 1990s southern exports grew rapidly, especially those of typical Italian products (fashion, furniture and furnishings, jewellery). Between 2001 and 2006 their relative importance diminished both in relation to total southern exports and in relation to national exports of such products.

Italy's share of world exports fell from 2.7 to 2.5 per cent at constant prices in 2006; at current prices the decline was similar, from 3.7 to 3.5 per cent. In all parts of the country exports expanded more slowly than world trade. The North-West and North-East respectively accounted for 1.4 and 1.1 per cent of total world exports at current prices in 2006, the Centre and South and Islands for 0.6 and 0.4 per cent.

Table 1.1

Inward and outward foreign direct investment by region (1)
(balance and change in millions of euros)

GEOGRAPHICAL AREA	Foreign direct investment in Italy			Italian direct investment abroad		
	2005	2006	Change	2005	2006	Change
North-West	5,585	8,438	2,853	9,167	16,105	6,938
North-East	1,079	2,085	1,006	1,159	1,181	22
Centre	762	6,317	5,556	2,150	7,056	4,906
South and Islands	172	-448	-621	460	348	-113
Italy (2)	15,128	23,533	8,405	14,555	26,849	12,295

Source: Based on data from UIC.
(1) A positive balance on foreign direct investment in Italy indicates an inflow of capital; on Italian direct investment abroad, an outflow. Excludes real estate investment and investment in or by the Italian banking sector. – (2) The total for Italy includes amounts not broken down by geographical area.

Foreign direct investment in Italy, net of real estate and banking, increased in the Centre and North and decreased in the South and Islands (Table 1.1). The net inflow in the North-West came to 2.1 per cent of the area's GDP, more than the 0.7 per cent registered in the North-East but less than the 2.3 per cent scored by the Centre. In the South and Islands there was a net investment outflow equal to 0.1 per cent of GDP.

Italian direct investment abroad expanded significantly, led by the outflow of capital from the Centre and the North-West. Outward direct investment increased only slightly in the North-East and diminished in the South and Islands; it amounted to 4 per cent of GDP in the North-West, 0.4 per cent in the North-East, 2.6 per cent in the Centre and just 0.1 per cent in the South and Islands.

2 – THE LABOUR MARKET AND REGIONAL DEVELOPMENT POLICY

Employment

The expansion of employment, under way for a decade now, regained strength in 2006 after the slowdown of the two previous years. According to Istat's preliminary regional accounts, labour input as measured by standard labour units (full-time equivalent workers) grew by 1.6 per cent, about the same rate as employment, which includes unregistered and non-resident workers (Figure 2.1). The increase in labour units came to nearly 2 per cent in the North-West and the North-East, half a point less in the Centre and the South and Islands.

Between 2002 and 2006 the number of full-time equivalent workers increased only in the Centre and North, with an average annual gain of 1.1 per cent in the Centre, 0.9 per cent in the North-West and 0.5 per cent in the North-East. In the South and Islands employment stagnated; the growth registered in 2006 only recouped the cumulative losses between 2002 and 2005. In the South and Islands the number of labour units is now equal to its 1991 peak, while in the Centre and North it is 4.5 per cent above the 1991 level.

According to Istat's labour force survey, in 2006 employment increased mainly in wholesale and retail trade and to a lesser extent in other services (Table a2.1). In construction there was a slowdown in employment in the Centre and North and a contraction in the South and Islands. The overall employment increase involved mainly women (2.5 per cent), especially in the South and Islands (3.5 per cent). Men's employment grew significantly only in the Centre (2.7 per cent). The data for the first quarter of 2007 indicate a slowdown in employment, especially in the South and Islands.

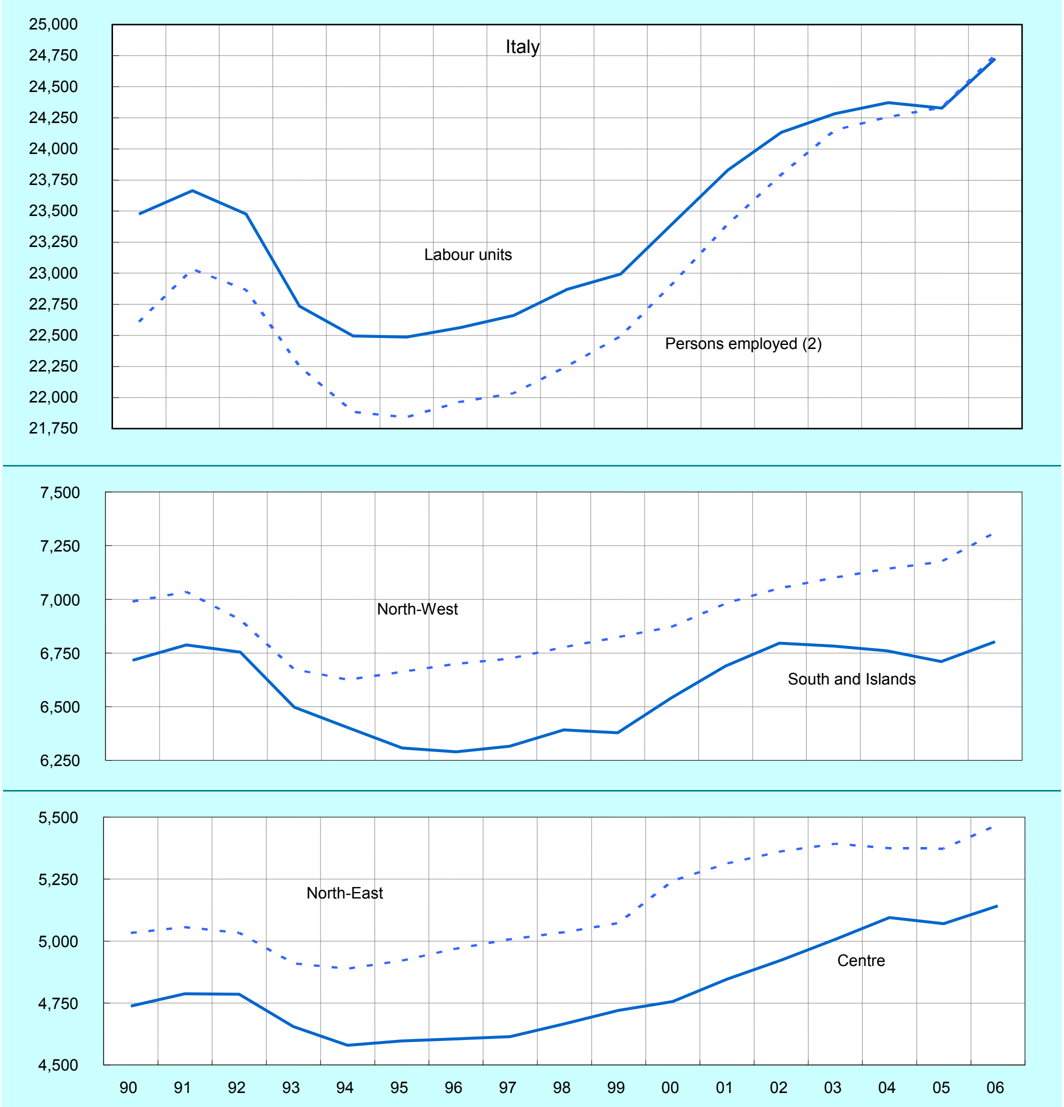
The employment rate. – The employment rate of the population of working age rose by 0.9 percentage points in 2006, from 57.5 to 58.4 per cent (Table a2.3). Growth was higher in the Centre and North, further aggravating geographical disparities. In the South and Islands the rate is under 47 per cent, compared with 66 per cent in the Centre and North, where it is in line with the EU average. Even in the Centre and North, however, the employment rate for young people and for persons older than 55 is below the EU average.

The women's employment rate in the North is 56.4 per cent, in line with the European average. In the Centre it is some 5 points lower, mainly owing to the difficulties in getting work experienced by women under 25. The gap between the South and Islands and the North (or the EU-15 average) is extremely wide, about 25 percentage points. The employment rate for men is higher than the EU-15 average in the North (75.9 per cent) and about equal to it in the Centre (72.9 per cent). In both these areas there is a negative differential for persons older than 55. In the South and Islands the men's employment rate (62.3 per cent) is more than 10 points below the European average; the gap is narrower for the 35-54 age-group.

Figure 2.1

Standard labour units and employment by geographical area (1)

(thousands of standard labour units and of persons employed)



Sources: Istat, *Conti regionali* and *Conti nazionali*. See the methodological notes.
(1) The sum of the number of standard labour units in the various areas is not equal to the national total; the territorial data for 2005 and 2006 are provisional and do not reflect the revisions made only to the nationwide total in the national accounts in April 2007. – (2) Resident and non-resident workers, regular and non-regular, in resident firms. (Source: Istat, *Conti nazionali*).

Types of employment relationship. – The number of self-employed increased by 0.7 per cent in 2006, while that of salary-earners rose by 2.3 per cent, faster in the Centre and North (2.6 per cent) than in the South and Islands (1.5 per cent; Table a2.4). Half the increase in payroll employment was accounted for by fixed-term contracts and one quarter each by full-time and part-time permanent jobs.

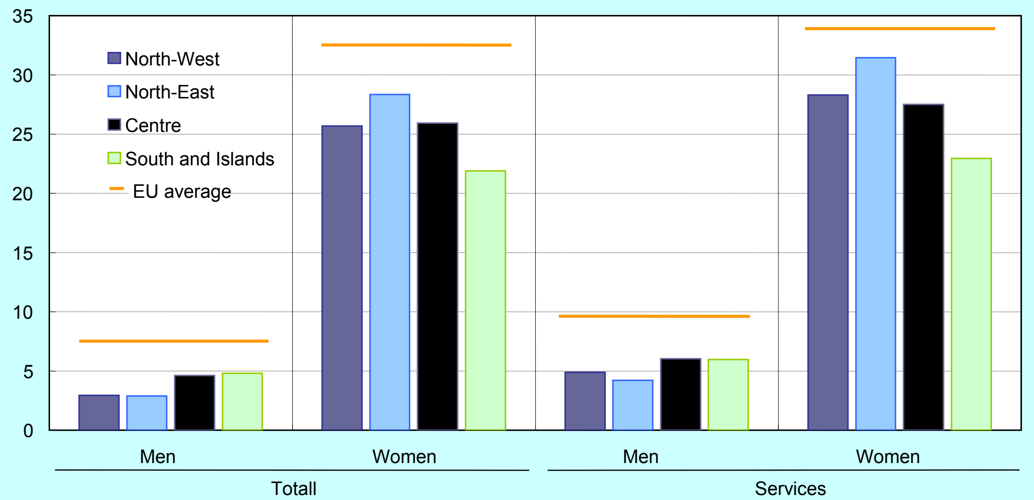
The growth in open-ended jobs was sharper in the North, where it accounted for 60.2 per cent of the overall increase in salaried employment. In the Centre and the South and Islands, by contrast, fixed-term em-

ployment grew faster, accounting for 60.6 and 76.7 per cent, respectively, of total payroll employment growth. The share of fixed-term contracts in the South and Islands rose to 17.9 per cent, nearly 5 percentage points higher than in the Centre and more than 7 points higher than in the North.

Figure 2.2

Part-time workers as share of salaried employment

(percentages)



Sources: Eurostat and Istat, *Rilevazione sulle forze di lavoro*. See Appendix, "Methodological Notes".

The number of part-time employees increased by 6.4 per cent. Their share of the total rose to 26.4 per cent among women, but remains just 4 per cent among men. For women, this ratio ranged between 25 and 28 per cent in the Centre and North, compared with a European average of 32 per cent, but is still just over 20 per cent in the South and Islands (Figure 2.2). In the service sector, which accounts for four fifths of all part-time employees, more than 30 per cent of all female employees in the North-East work part-time, and 28 per cent in the North-West and the Centre, compared with 34 per cent in the European Union as a whole.

Underground employment. – *Istat's regional accounts for 2005 put the number of standard labour units supplied by non-regular workers at 2.9 million. This was 10 per cent less than in 2001, chiefly thanks to the regularization of foreign workers. In 2004 non-regular employment accounted for 19.3 per cent of the total in the South and Islands, as against 10.5 per cent in the Centre and 8.2 per cent in the North. Non-regular work is more common in the South and Islands in all the main sectors of the economy; about half the difference with respect to the Centre and North can be ascribed to the greater importance within the southern economy of agriculture and construction, where off-the-books employment is more common.*

The supply of labour and unemployment

The labour force expanded by 0.9 per cent in 2006, with a gain of 1.6 per cent in the Centre and North and a contraction of 0.7 per cent in the South and Islands.

The national unemployment rate was reduced from 7.8 to 6.9 per cent, the lowest since 1992. In the Centre and North it declined from 4.8 to 4.4 per cent and fell more sharply, by 2 percentage points, in the South and Islands.

In recent years the reduction of the unemployment rate in southern Italy has mainly involved young people. Within this 15-24 age-group, however, above all it is the number of job-seekers that has fallen, because the share attending high school and university has been rising (see Chapter 7 in the *Special Topics* section).

THE QUALITY OF SECONDARY EDUCATION IN ITALY

Educational attainment is lower than the European average in Italy, and in particular in the South and Islands. In 2006 only half the population aged 25-64 had a high school degree (in the South and Islands, 44 per cent), compared with an EU-15 average of over 70 per cent. Since the mid-1990s the schooling lag has been significantly reduced, however, and in 2006 over 90 per cent of young people aged 14-18 were enrolled in secondary school, including in the South and Islands. The number of drop-outs remains high, however, even though it has been halved in all parts of the country in the past decade. The drop-out rate (failure to get the high school diploma) is still 17 per cent in the Centre and North and 25 per cent in the South and Islands, against a Europe-wide average of 14 per cent.

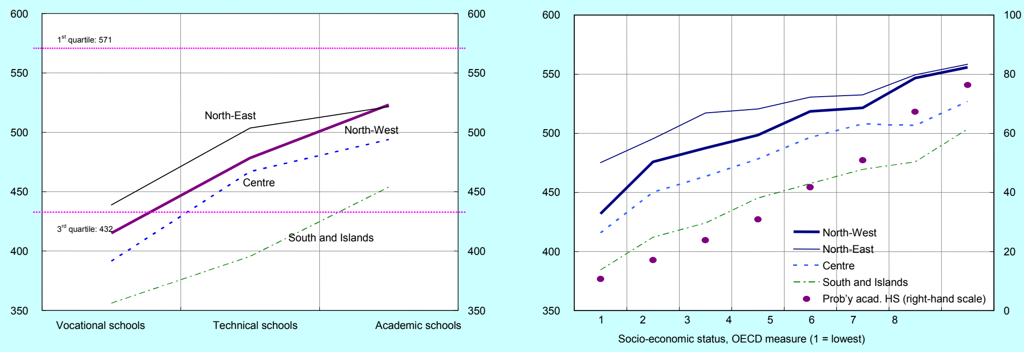
This increase in school attendance has not been accompanied, to date, by satisfactory quality. International comparative studies have found that Italian students are significantly behind their counterparts in the rest of the OECD in achievement levels in mathematics, science and humanities. The gap, which is roughly constant in all subject areas, is especially marked for vocational schools and in the South and Islands. The OECD's PISA study in 2003 found that only the academic high schools of the Centre and North gave 15-year-olds levels of knowledge up to international standards. In the South and Islands educational achievement is 15 per cent lower than in the North. Vocational schools everywhere produce very low scores, often in the bottom quartile of OECD students (432 points; Figure R4).

Only in the North do Italian technical high schools score near the international average and not too far below the level of academic high schools. In the other main countries of Europe the knowledge acquired in technical and vocational schools is not much inferior to that gained in general high schools, the equivalent of Italy's academic high schools. The geographical disparities within Italy do not appear to depend on per capita spending on education, which is fairly even between regions and more or less in line with the European average. A limited effect appears to be ascribable to poorer infrastructure in the South and Islands, in connection with less investment by local authorities. The main determinant of the knowledge gap is the socio-economic status of students' families. The school system appears to be unable to overcome the difficulties of students whose parents are less educated, heightening the risks of being late in completing compulsory schooling and of failure to continue beyond that level. The PISA survey found that 15-year-olds whose parents are in the highest socio-educational group scored 25 per cent higher in mathematics than those from families in the bottom group. In the South and Islands, the difference was more than 30 per cent (Figure R4).

Figure R4

Mathematics scores in PISA test, 2003
(points, OECD average =500; percentages)

A. By type of high school | B. By socio-economic status (1)



Source: Based on data for OECD's PISA test. See Methodological Notes in the Appendix.
(1) "Socio-economic status" is a combined index of parents' employment status and their level of education, income and classical culture.

In Italy, entry into high schools appears to be a highly selective process, with students from the better socio-cultural backgrounds concentrated in academic high schools. Calculations based on the PISA data show that children from the top socio-economic group are seven times as likely to go to an academic high school as those from the bottom group and twice as likely as those from the middle group.

Regional development policies

Public capital expenditure and investment incentives for firms. – According to the territorial public accounts prepared by the Ministry for the Economy and Finance, the capital expenditure of the enlarged public sector (investment and capital transfers) net of financial items amounted to €78 billion in 2005, or 5.5 per cent of GDP; in 2000 it had been €58 billion, or 4.9 per cent. Of this, 32.3 per cent went to the regions of the South and Islands, down from 37.2 per cent in 2000 (Table 2.1). On a per capita basis public capital expenditure in the South and Islands was 87 per cent as high as in the Centre and North, compared with 105 per cent in 2000; in proportion to GDP it was 152 per cent (186 per cent in 2000).

Table 2.1

Per capita capital expenditure of the enlarged public sector
(net of financial items; in euros; at current prices)

REGION	2000	2001	2002	2003	2004	2005
Centre and North	1,003	1,156	1,317	1,341	1,419	1,396
of which : *investment*	*765*	*909*	*1,028*	*1,058*	*1,149*	*1,129*
Transfers	*238*	*246*	*289*	*283*	*269*	*267*
South and Islands	1,049	1,234	1,261	1,211	1,229	1,212
of which : *investment*	*670*	*775*	*775*	*763*	*803*	*805*
transfers	*379*	*459*	*486*	*447*	*426*	*408*
Italy	1,019	1,184	1,297	1,294	1,351	1,331
of which : *investment*	*730*	*861*	*937*	*953*	*1,026*	*1,014*
Transfers	*289*	*323*	*360*	*342*	*325*	*317*
			Transfers as percentage of total			
Centre and North	23.7	21.3	21.9	21.1	19.0	19.1
South and Islands	36.2	37.2	38.5	37.0	34.7	33.6
Italy	28.4	27.3	27.7	26.4	24.0	23.8

Sources: Ministero dell'Economia e delle finanze, *Conti pubblici territoriali* and Istat.

Over the course of the decade the portion of spending consisting in capital transfers (to households, private institutions and private enterprises), which includes incentives to firms, diminished both in the South and Islands (from 36.2 per cent in 2000 to 33.6 per cent in 2005) and in the Centre and North (from 23.7 to 19.1 per cent.

THE EFFECTIVENESS OF INVESTMENT INCENTIVES

Econometric methods have been used to study the impact of Italy's two main programmes of incentives for investment, namely the subsidies under Law 488/1992 and the tax credit provided by Law 388/2000. The two measures differ not only in the procedures for disbursement but also in the eligibility criteria. The tax credit under Law 388 is automatic, while the subsidy through Law 488 is granted by an auction mechanism under predefined rules. This mechanism favoured firms with more capital, more access to credit from banks and other lenders and a larger share of fixed capital. Law 488 proved to be only moderately effective in stimulating investment. The tax credits under Law 388 have been more effective in engendering additional investment. For a limited sample of private and public companies, those benefiting from the tax credit invested more than similar firms located in ineligible areas and more, also, than comparable firms in eligible areas not benefiting from the credit. The main reason for the different effectiveness of the two measures is the selection effect. For the most part, Law 488 favoured the best firms, those with the best investment opportunities, which would have made the same investment, essentially, even without the subsidies. The automatic tax credit, by contrast, apparently benefited smaller firms, whose lack of access to finance is more likely to limit investment. However, the tax credit is poorly suited to the control of public spending.

Unlike Law 488, spending under which is limited to the amounts budgeted, the tax credit is a measure whose cost cannot be precisely determined in advance. It is automatic, which means that the flow of public resources to firms is not under the control of the authorities. Expenditures can be controlled only by forecasting the utilization that potentially eligible firms will make of the facility.

Sample surveys confirm the limited efficacy of incentives. Of about 3,000 industrial firms in the Bank of Italy sample that received public funds in 2005 (subsidies, incentives and other direct and indirect support), more than two thirds would have invested the same amount, in the same projects, even without incentives. The Capitalia survey of small and medium-sized enterprises reaches similar conclusions. Only 15.5 per cent of the firms receiving subsidies in 2006 reported that they were decisive to the investment.

The European Structural Funds. – The 2000-2006 Community Support Framework allocated a total of €46 billion to the economically backward Objective 1 regions of the South and Islands, about half of it funded by EU grants (Table 2.2). In 2006 the flow of payments was €6.4 billion, up from €5.7 billion in 2005.

For the upcoming 2007-2013 Framework, 81.4 per cent of total EU funds will go to the late-developing regions included in the Convergence Objective (for Italy these are Campania, Puglia, Calabria and Sicily) and those with transitory support (Basilicata). About 16 per cent of the total resources will go to regions under the regional competitiveness and jobs objective (including Sardinia, which may enjoy a transitory regime).

All the programmes have cleared the minimum level of certified spending needed to avoid revocation of the European funds. By the end of 2006 the cumulative flow of payments came to 63.1 per cent of planned outlays, to be realized by the end of 2008. By the end of March 2007 disbursements to the areas of the Centre and North with structural problems (Objective 2) totalled €5.1 billion, 71 per cent of planned outlays.

Table 2.2

The Community Support Framework, 2000-2006
(millions of euro and percentages)

PROGRAMME	Planned outlays 2000-06 (1)		Cumulative payments at end year			
	Total cost		2005		2006 (2)	
		of which: Community contribution	Amount	% of total cost	Amount	%of total cost
Multiregional	14,124	7,149	9,008	63.8	11,020	78.0
Regional	31,953	16,809	13,666	42.8	18,074	56.6
of which: *Molise*	*469*	*201*	*250*	*53.2*	*334*	*71.2*
Campania	*7,748*	*4,281*	*3,080*	*39.7*	*4,249*	*54.8*
Puglia	*5,284*	*2,947*	*2,180*	*41.3*	*2,954*	*55.9*
Basilicata	*1,696*	*848*	*722*	*42.6*	*1,033*	*60.9*
Calabria	*4,036*	*2,131*	*2,048*	*50.7*	*2,587*	*64.1*
Sicily	*8,460*	*4,284*	*3,333*	*39.4*	*4,310*	*50.9*
Sardinia	*4,259*	*2,118*	*2,053*	*48.2*	*2,607*	*61.2*
Total	**46,077**	**23,958**	**22,674**	**49.2**	**29,094**	**63.1**

Source: Ministero dell'Economia e delle finanze. The data for planned outlays and actual payments include the share provided by private sector parties.
(1) Projects under the 2000-2006 framework, to be concluded by the end of 2008. – (2) Provisional data, as at 31 December 2006.

The National Strategy Framework 2007-2013 – In March 2007 the new National Strategy Framework for 2007-2013 was finalized to guide regional development policy choices.

The NSF confirms the general approach to regional development consisting in supply-side policies based on evaluation, monitoring and rewards. Drawing on the experience of the past cycle, the NSF calls for revising the groundwork of regional policy strategy: to focus on the ultimate aim of improving citizens' well-being; to fix service objectives by defining indicators and setting binding targets; to tighten selectiveness on priorities and actions; to enhance the role of the capital market, with greater strategic and operational involvement of financial institutions in regional development policy; and to plan projects on an interregional but not national basis. The new strategy framework calls for cutting incentive instruments to no more than 25 or 30 per cent of the total.

An essential innovation is the setting of binding targets for some public services, which are especially inadequate in the regions of the South and Islands.

Various statistical indicators show that the quality of many public services is worse in the South than in the rest of the country. Water supply and electricity outages are more frequent, waiting times for health care are longer, and users are less satisfied with local public transport (Figures 2.3a-2.3c and Table a2.5). There has been improvement in some sectors in the South in recent years (in electricity supply, for instance) but deterioration in others (urban waste disposal and rail transport). Overall, there has been no broad or significant improvement.

Figure 2.3a

Indicators of quality in the ten main public services by region - 2005 (1)

(deviation from national mean)

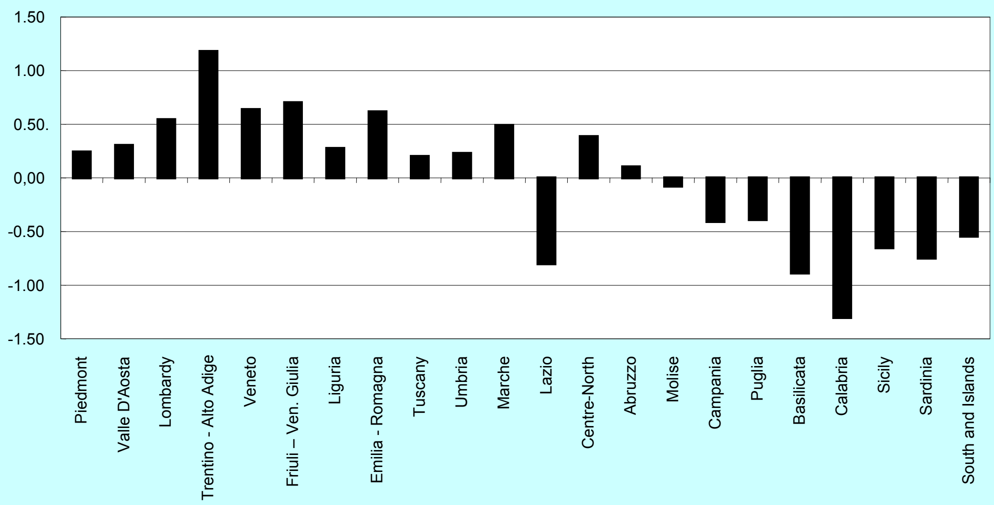


Figure 2.3b

Indicators of quality – 1998

(deviations from national mean)

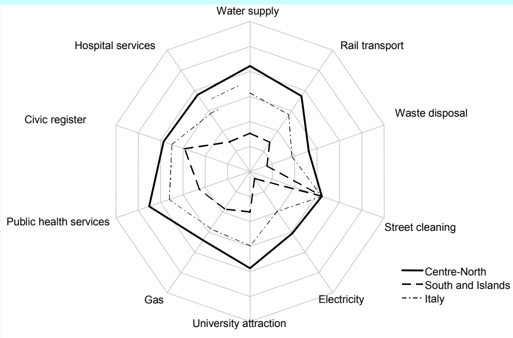
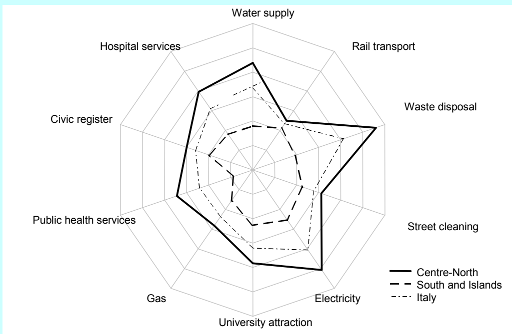


Figure 2.3c

Indicators of quality – 2005

(deviation from national mean)



Source: Based on data from Istat, *Indagini multiscopo,* various years and from the Ministry of Health.

(1) The value for each type of service and region is calculated as the difference from the nationwide average in the years 1998-2005, normalized by the standard deviation. These values are then used to calculated the regional averages given in Figure 2.3a. The services referred to in Figures 2.3b and 2.3c are the same as those considered in Figure 2.3a.

Like most other industrial countries, Italy has begun to liberalize its local public service sector. Since the mid-1990s new legislation has sought to separate the management of these services from the planning and control functions. The introduction of competition and the strengthening of planning and control were intended to improve efficiency. A special study conducted by the Bank of Italy has found that to date the actual implementation of these principles has been partial at best and with large territorial disparities.

The preliminary findings of a survey of provincial capitals indicate that Legislative Decree 422 of 19 November 1997 (the so-called Burlando decree) and successive amendments have not yet had the desired effects. Fewer than half of all municipalities (most of these in the Centre or North) have assigned the local pub-

lic transport service by competitive tender, so direct assignment and in-house services are still prevalent. Where a competitive procedure was used, in most cases the winner proved to be the incumbent. The number of participants was always very low, with very little involvement of foreign competitors. And reductions below the auction base have generally been negligible. Cost savings have often been sought by differentiating contract terms for new as against present employees and by outsourcing, but without altering the overall organization (see Chapter 9 in the Special Topics *section).*

3 – FINANCIAL INTERMEDIARIES

Lending to households and firms

Excluding repos and bad debts, bank lending grew by 11 per cent in 2006, compared with 8.8 per cent in 2005. The expansion, fastest in the South and Islands, was driven by lending to firms; credit to households also grew, albeit more slowly than in 2005. As in the previous year, the medium and long-term component outpaced the short-term component, which nonetheless accelerated sharply with respect to 2005.

Firms. – With the improvement in economic activity, lending to firms picked up to grow by 11.3 per cent, from 6.6 per cent in 2005. Although the increase involved all parts of Italy, it was especially large in the South and Islands (18.4 per cent; Table 3.1).

Between 2003 and 2006 lending to firms based in the South and Islands grew at an average annual rate of 12.5 per cent, compared with 7.1 per cent for lending to firms based in the Centre and North. The bulk of the expansion was due to Campania; Abruzzo, Puglia and Sicily also contributed.

In the last three years lending to firms based in the South and Islands by intermediaries belonging to banking groups based in the rest of Italy accelerated progressively: in 2006 it outstripped that in lending by other banks by a significant margin (20.1 per cent, as against 12.3 per cent). Since acquiring the main banks of the South and Islands in the second half of the 1990s, these groups have carried out large-scale reorganization of the acquired institutions and revised their lending policies, in part through the adoption of credit scoring techniques (see the following box).

THE USE OF STATISTICAL TECHNIQUES IN THE EVALUATION OF FIRMS' CREDITWORTHINESS

In recent years banks have revised their internal procedures for evaluating creditworthiness in order to improve customer selection. A survey conducted on a sample of some 300 Italian banks (see the Methodological Notes in the Appendix) found that use of credit scoring and internal rating of firms was widespread in the banking system.

The new methods of calculation, developed largely between 2003 and 2004, are now used by most banks. Sixty per cent of the intermediaries in the sample, which accounts for nearly 90 per cent of lending, have adopted credit scoring and internal models to evaluate firms (Table B1). Almost all medium-sized and large banks and most small banks now use these methods. The frequency is slightly lower in the North-East, owing to the large presence of mutual banks, but even there the banks that use them account for 85 per cent of lending. In the majority of cases, the procedures have been developed internally or by consortia, especially for rating smaller firms.

Table B1

Diffusion of credit scoring and internal rating methods (1)
(percentages)

	Banks based in:				
	North-West	North-East	Centre	South and Islands	Italy
	Banks using statistical methods (simple frequencies of responses)				
Total sample	62.1	45.6	62.8	67.7	58.9
of which: major, large and medium-sized	*94.4*	*100.0*	*85.7*	*100.0*	*94.6*
small, minor and minuscule	*55.3*	*37.3*	*60.6*	*64.3*	*53.5*
	Banks using statistical methods (simple frequencies of responses, weighted by loans to firms)				
Total sample	91.7	84.7	88.9	88.6	88.8
of which: major, large and medium-sized	*99.9*	*100.0*	*92.9*	*100.0*	*98.3*
small, minor and minuscule	*55.0*	*42.8*	*80.2*	*75.9*	*61.7*

Source: Sample survey of 297 banks. See the Methodological Notes in the Appendix.
(1) Banks were asked: "In evaluating creditworthiness do you also use credit scoring and internal ratings? Indicate the use of such methods for loans to small and medium-sized firms and to large firms."

These techniques have become central in banks' evaluation of borrowers. They are used above all in the decision to lend, where the role they play is very important or even decisive, and they also influence the amount of credit granted, while they carry limited weight in determining the terms and conditions and duration of loans. For banks based in the North-West, they are also important in determining the ancillary guarantees demanded. Statistical methods are frequently used to monitor the evolution of the firm's condition and the state of the credit relationship.

The models mainly incorporate financial statement data and information on the firm's dealings with the banking system or the lending bank. For intermediaries based in the North, the state of the credit relationship is the decisive factor, even outweighing financial statement data, in dealings with medium-sized firms and small business customers. In dealings with large firms, qualitative information on firms' governance and organizational characteristics codified by banks through questionnaires, are also significant. Banks of the North-East assign greater importance to available public information (the bulletin of protested cheques and the interbank register of irregular cheques and payment cards). Information available at group level is still rarely used even by larger banks.

Lending to the building industry and service companies expanded at brisk rates of 15.4 and 13.3 per cent respectively; lending to manufacturing industry accelerated sharply from the previous year to grow by 6.9 per cent.

Table 3.1

Bank lending by area and sector (1)

(percentage changes on previous year)

	General govern-ment	Financial and insur-ance compa-nies	Non-financial corporations (a)		Households		Firms = (a) + (b)				Total
				With fewer than 20 workers	Pro-ducer (b) (3)	Con-sumer (2)		Manufac-turing industry	Con-struc-tion	Services	
North-West											
2005	5.3	1.9	6.2	3.9	7.6	14.9	6.3	0.1	15.0	8.6	7.1
2006	0.4	13.9	11.3	6.3	10.0	8.9	11.2	6.2	14.5	13.7	11.0
North-East											
2005	2.6	19.7	7.5	3.3	7.1	13.7	7.4	3.3	11.3	8.8	9.5
2006	4.3	30.9	9.6	4.0	5.7	9.4	9.2	5.5	13.8	11.7	10.4
Centre											
2005	7.4	15.9	3.1	4.5	6.3	15.4	3.4	2.3	12.6	4.9	7.9
2006	6.4	12.8	10.3	4.7	6.7	12.1	10.1	7.6	14.7	9.6	10.0
Centre and North											
2005	5.6	6.8	5.8	3.8	7.0	14.7	5.9	1.7	13.0	7.7	8.0
2006	4.9	15.8	10.5	5.0	7.6	10.0	10.3	6.2	14.3	12.1	10.6
South and Islands											
2005	13.4	34.6	11.0	7.5	10.8	16.8	11.3	9.5	14.1	12.0	14.1
2006	-3.0	-22.3	19.7	9.5	10.6	13.2	18.4	12.4	21.0	22.3	13.9
Italy											
2005	6.7	7.5	6.4	4.3	7.9	15.1	6.6	2.5	13.2	8.2	8.8
2006	3.7	13.6	11.6	5.6	8.3	10.6	11.3	6.9	15.4	13.3	11.0

Source: Supervisory reports. Data classified by customer location. See the Methodological Notes in the Appendix.
(1) 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. – (2) Includes non-profit institutions serving households and units – (3) Partnerships and sole proprietorships with up to 5 workers.

The increase in lending was greater in the South and Islands than in the Centre and North in all branches of economic activity; the difference was most pronounced for loans to the energy and machinery industries and the entire service sector (Figure 3.1). The high rate of lending to other market services is largely due to real-estate services and to auxiliary, financial and insurance services.

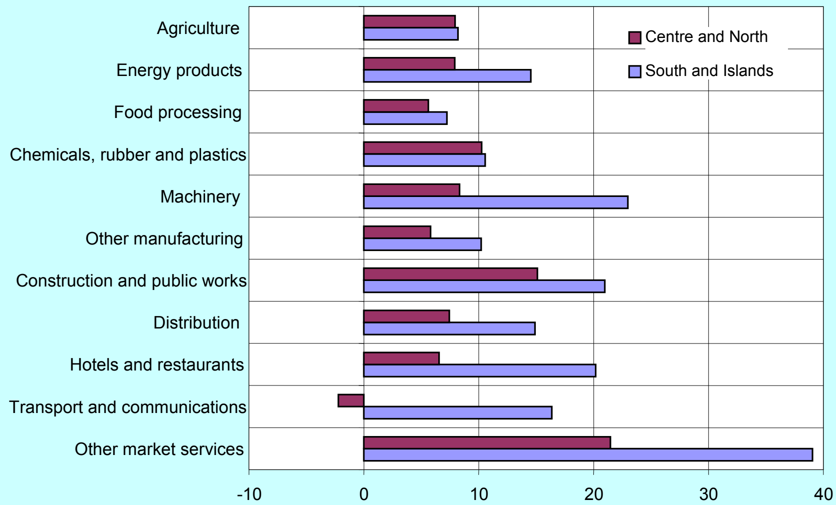
Medium and long-term lending to the productive sector grew by 14 per cent, up from 11.2 per cent in 2005, accelerating in all the macroregions. In contrast with the past, short-term lending registered significant growth (10.2 per cent, as against 1.4 per cent in 2005); an important contribution came from lending to the energy sector and, especially in the South and Islands, services.

The growth in lending to firms was largely due to non-financial corporations with more than 20 workers, whose credit drawings increased by 13.6 per cent. In the South and Islands the increase came to 22.7 per cent, nearly double the average for

Figure 3.1

Bank lending to firms by branch of economic activity

(percentage changes on previous year)



Source: Supervisory reports.

the last three years. Lending to smaller non-financial corporations, artisans and sole proprietorships grew by 7.3 per cent, only slightly above the average for 2003-06; the pace was higher in the South and Islands than in the North and Centre for small firms too, but the difference was less pronounced.

In parallel with the expansion of lending to large firms, credit disbursement by major, large and medium-sized banks grew rapidly. Their loans to the productive sector increased by 13.1 per cent, compared with 6.1 per cent in 2005, explaining almost all of the acceleration in lending to firms last year. Lending by small and minor banks rose by 10.5 per cent, in line with the average for the last three years. Large banks' recovery of market shares was significant in the North-West as well as in the South and Islands.

Leasing credit granted by banks and financial companies grew by 15.4 per cent (Table a3.3), again outpacing total bank lending to firms. The expansion was strongest in the South and Islands (33 per cent), then the Centre.

Factoring credit granted by banks and financial companies, which had remained unchanged in 2005, grew by 10.3 per cent last year; the rate of growth was highest in the South and Islands and the North-East.

Consumer households. – Lending to consumer households increased by 10.6 per cent, compared with 15.1 per cent in 2005. The slowdown involved most of the Italian regions, although it was sharpest in the Centre and North (Table 3.1). The increase in interest rates was a factor in the slowdown, which was also partly due to securitizations of banks' mortgage loans.

According to reports to the Central Credit Register, in the last two years Italian banks transferred mortgage loans they had made to consumer households amounting to more than €16 billion. Adjusting the value of mortgage loans for the effects of the largest securitizations, in 2006 the growth in mortgage lending to consumer households remained high (14.4 per cent), albeit lower than in the previous year (17 per cent). The highest growth rates were again recorded in the South and Islands and in the Centre (16.4 and 15.6 per cent respectively, compared with 13.4 per cent in the North-East and 13.1 per cent in the North-West).

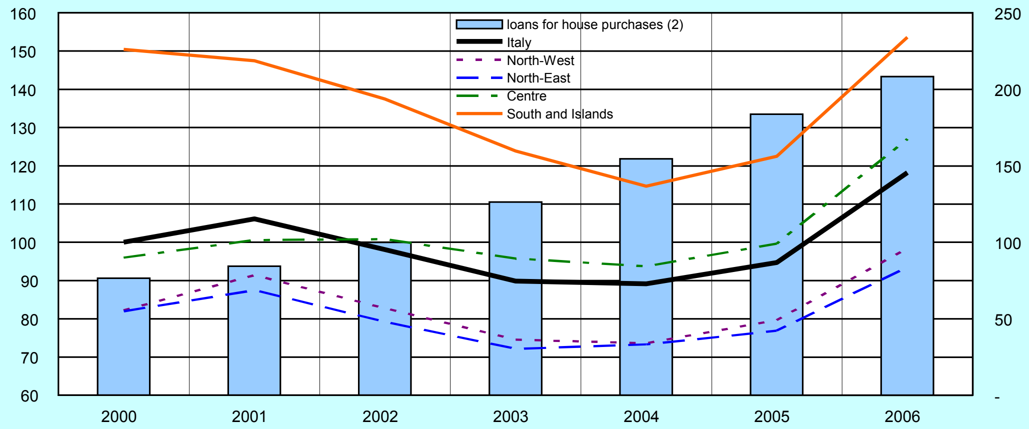
In 2006 households took out about €63 billion worth of loans for house purchases. The rate of growth in new lending declined slightly in the Centre and North, from 13.1 to 11.1 per cent; in the South and Islands it fell by nearly one half, from 25.8 to 14.5 per cent, though it remained above the national average.

In 2005 and 2006 the burdensomeness of the purchase of houses – calculated as the product of the level of interest rates and that of house prices, normalized on the basis of per capita disposable income – rose throughout Italy (Figure 3.2). The increase was largest in the Centre and the South and Islands, where house prices rose fastest and the lower level of per capita income made the purchase of houses more onerous.

Figure 3.2

Index of the burdensomeness of the purchases of houses (1)

(indices: Italy 2000=100)



Source: Based on Istat and Prometeia data, Supervisory reports, observations of lending rates and *Il Consulente immobiliare*. See the Methodological Notes in the Appendix.
(1) The index is calculated as the product of the average annual medium and long-term rate on new mortgage loans granted to consumer households and the price index of new residential buildings, in relation to per capita disposable income. – (2) Left-hand scale: billions of euros.

The rise in interest rates prompted an increase in households' demand for fixed-rate mortgages, although more than three quarters of the new loans were still at variable rates. Fixed-rate mortgages are more common in the South and Islands and in the Centre, where they accounted for respectively one third and one quarter of the mortgage loans granted during the year. In these macroregions the spreads with respect to variable-rate mortgages are narrower.

Consumer credit continues to be the most dynamic component of lending to households. New consumer loans granted by banks and financial companies grew by 17.9 per cent in 2006, compared with 19.4 per cent in 2005; the pace was faster in the South and Islands (Table a3.3). The rapid expansion of the past years has increased consumer credit in relation to households' total financial liabilities, especially in the South and Islands (see Chapter 10 in the *Special Topics* section), although the ratio is low by euro-area standards.

Lending conditions. – Lending conditions remained easy. Adjusting only in part to the increase in official rate, interest rates on short-term loans rose by 0.6 percentage points from the end of 2005, to 6.4 per cent. In March 2007 they were up further, to 6.6 per cent (Table a3.8).

The increase was more pronounced in the Centre and North than in the South and Islands, where lending rates are generally higher. In loans to firms, the differential between the two areas, which reflects the greater risk of customers in the South and Islands, narrowed to 1.6 percentage points; adjusting for the different composition of customers by sector and size, the gap would be 1.3 points (1.5 points in 2005).

The average interest rate charged by banks belonging to groups based in the North and Centre on loans to firms in the South and Islands had been 0.3 percentage points higher than that charged by banks based in the South and Islands at the end of 2005. It gradually moved into line with the latter during 2006 and at March 2007 stood at 7.9 per cent. A differential persists in loans to sole proprietorships.

The annual percentage rate of charge on medium and long-term loans to households rose from 3.9 per cent at the end of 2005 to 5.4 per cent in the first quarter of 2007, without significant geographical differences.

Credit risk. – In 2006 the ratio of adjusted new bad debts to total loans outstanding was equal to 0.9 per cent, as in 2005 (Table a3.4). The indicator improved slightly in the regions of the North, except for Friuli-Venezia Giulia; it worsened in most of the regions of the Centre and even more in the South and Islands, where its performance was affected above all by the increase in the risk on loans to firms, especially in the construction industry and the service sector.

According to Central Credit Register data, non-performing positions – comprising loans that are past due and overdraft ceilings that have been breached for more than 180 days, restructured loans, substandard positions and bad debts – amount to 6.2 per cent of total loans. The proportion is 5.3 per cent in the Centre and North and 12.1 per cent in the South and Islands.

The financial position and profitability of firms

According to national accounts data, in 2006 firms' profitability only began to improve in the fourth quarter, in connection with the cyclical recovery; on average for the year, the ratio of gross operating profit to value added fell by 1 percentage point to 35 per cent. The increase in interest rates and debt interrupted the decline under way since 2002 in firms' net interest expense, which rose from 4.5 to 4.9 per cent of value added.

On the basis of information from the Company Accounts Data Service, in the three years 2003-05 the overall profitability of non-financial firms, in terms of ROA, fell to 5.4 per cent, from 5.7 per cent in the previous three years. The decline involved firms in the Centre and North and, in the South and Islands, those with fewer than 250 workers (Table a3.5). Net profitability benefited from the reduction in net interest expense from 21.6 to 18.9 per cent of gross operating profit; the decline involved firms of all sizes and both halves of the country. The unfavourable differential for firms of the South and Islands with respect to those of the Centre and North in the ratio of net interest expense to gross operating profit narrowed from more than 10 to about 4 percentage points.

Firms again held a growing portion of their financial assets in the form of cash and deposits: 12.9 per cent, up from 12.8 per cent in 2005 and 9.5 per cent in 2000.

In the three years 2003-05 firms' liquidity ratio (current assets to current liabilities) rose to 115.2 per cent, from 109.3 per cent in the previous three years. The increase was more pronounced among companies in the Centre and North.

The ratio of liquid balances to sales revenues rose from 3.8 per cent in the five years 1996-2000 to 4.4 per cent in 2001-05 (Table 3.2). Over the same period marketable financial assets, the main alternative form of investing liquid reserves, declined by only 0.2 percentage points as a ratio to sales. The increase in the degree of liquidity of firms based in the Centre and North was primarily determined by the low opportunity cost of holding cash, given the historically low level of market interest rates. It was not influenced by an improvement in operating profitability or self-financing: current profits before financial operations fell from 5.1 to 4.4 per cent of sales, while cash flow was more or less stable. The liquidity of firms in the North and Centre may also have been affected by the increase in medium and long-term liabilities in relation to total financial debt: a larger share of longer-term financial debt is usually accompanied by a build-up of liquid balances to be used, along with traditional short-term borrowing, in managing the cycle of business operations.

According to the financial accounts, Italian firms' leverage at market prices remained stable with respect to the previous year; the increase in financial debt was counterbalanced by that in own funds, thanks in part to the rise in share prices. The increase in recourse to debt capital involved all the main components; it was most marked for short-term bank debt, in connection with the recovery of economic activity.

Table 3.2

The liquidity of firms by geographical area (1)
(weighted averages; percentages)

	Centre and North		South and Islands		Italy	
	1996-2000	2001-2005	1996-2000	2001-2005	1996-2000	2001-2005
Liquid balances/sales	3.7	4.4	4.6	4.5	3.8	4.4
Short-term assets/sales	1.4	1.3	1.1	0.9	1.4	1.2
Memorandum items						
Operating profitability (2)	*5.1*	*4.4*	*3.6*	*3.1*	*5.0*	*4.3*
Cash flow/sales	*7.6*	*7.5*	*6.2*	*5.7*	*7.5*	*7.3*
Medium-long term financial debt/ total financial debt	*27.1*	*33.8*	*30.5*	*28.7*	*27.4*	*33.4*

Source: Based on Company Account Data Service data. See the Methodological Notes in the Appendix.
(1) Book value. – (2) Ratio of current profit before financial operations to sales.

In the three years 2003-05 firms' financial debt, measured by leverage, held steady with respect to the previous three years at about 50.5 per cent; the decline recorded by firms with fewer than 250 workers contrasted with an increase among large companies, whose financial debt levels nevertheless remain lower than those of small and medium-sized firms. In 2005, the latest year for which data are available, construction and service firms were the most heavily indebted, while the leverage of manufacturing companies operating in high-technology sectors was relatively low.

The ratio of bank debt to total financial debt fell by nearly 6 percentage points, thanks to the decline recorded by firms with 250 or more workers in the Centre and North; the role of the banking channel as a source of external finance continued to be largest for small and medium-sized firms and in the South and Islands. The portion of financial debt in the form of bonds rose over the three years from 4.3 to 6 per cent but remained modest, except in the case of large firms located in the Centre and North (10 per cent); borrowing on the bond market is especially low among firms based in the South and Islands, even the largest ones.

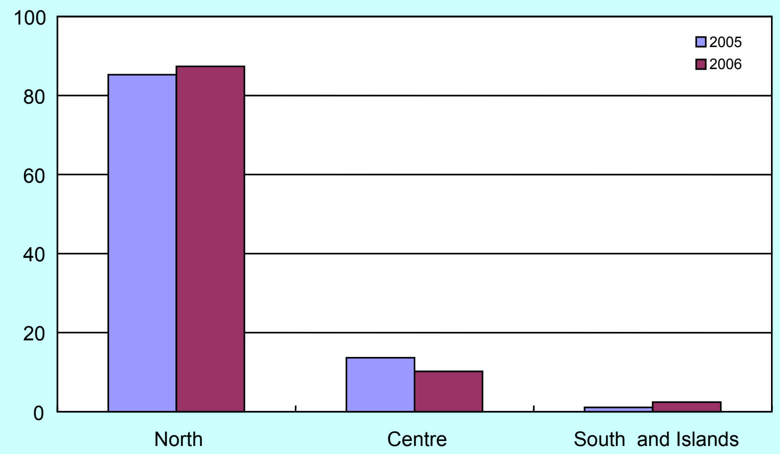
In 2006 the addition to firms' capital and reserves from retained profits and capital increases amounted to about €30 billion, of which €4 billion due to issues of listed shares.

In 2003-05 firms' capital and reserves grew by 22.3 per cent overall compared with the previous three years, and more sharply than that for companies with 50 or more workers and those located in the Centre and North. By contrast, net capital increases other than bonus share issues fell by almost one third: the decline did not involve firms located in the South and Islands with fewer than 250 workers, whose net capital increases rose by more than one quarter.

According to information released by the Italian association of institutional investors in equity capital (Aifi), investment and fund-raising by Italian private equity firms and venture capitalists grew to €3.7 billion and €2.3 billion respectively.

Figure 3.3

Geographical distribution of investment by private equity firms and venture capitalist
(percentages)



Source: Aifi.

Among investments in Italy, the share made in companies located in the South and Islands remained limited (Figure 3.3). In 2006 the share going to firms in the North rose from 85.3 to 87.3 per cent, while that going to firms in the Centre fell from 13.7 to 10.2 per cent. Excluding large and mega deals, average transaction size was also smaller in the South and Islands (€6.8 million, compared with €8.8 million in the Centre and €9.4 million in the North).

Bank fund-raising and asset management

In 2006 banks' domestic fund-raising grew by 6.4 per cent, up from 4.7 per cent in 2005. Deposits increased by 7.6 per cent; bond funding, excluding Euromarket issues, showed renewed growth of 3.4 per cent after stagnating in 2005 (Table a3.6).

Current accounts slowed to growth of 6.4 per cent, from 8.2 per cent, owing in part to the increase in the opportunity cost of holding liquid balances; the average interest rate on current accounts rose by less than half a percentage point over the year, to 1.3 per cent in the fourth quarter (Table a3.8). During the same period the average yield on BOTs rose by 1.2 points; the spread is wider taking account of the difference in tax treatment. By contrast, repos, whose yields adjust rapidly to market conditions, accelerated to growth of 33 per cent, from 3.3 per cent in 2005.

Bonds held by residents grew at a markedly slower pace than Italian banks' total bond issues (11.4 per cent); the share of the latter made on the Euromarket increased (see the Bank's Annual Report for 2006*).*

The growth in fund-raising was largest in the North-West (8.3 per cent), owing in particular to rapid expansion in the deposits held by firms, and the Centre (7.5 per cent), where the deposits of financial and insurance companies also contributed significantly. In the remaining areas the expansion was more modest; in the South and Islands, where post-office savings continue to constitute a substantial share of households' financial assets (see Chapter 10 in the *Special Topics* section), the weak growth in deposits was accompanied by broadly stagnate bond funding.

Between 2000 and 2006 the average annual growth in deposits was faster than that in bonds held by residents (5.7 and 4.7 per cent respectively). The differential was widest in the South and Islands, exceeding 2.5 percentage points. At the end of 2006 bonds made up 28.6 per cent of funds raised from residents in the Centre and North, compared with 19.1 per cent in the South and Islands.

As in the previous three years, in 2006 the growth in the deposits of firms (8.9 per cent) was greater than that in the deposits of households (6.7 per cent). In the last six years the share of deposits held by the productive sector grew by 3.5 percentage points, to 24.7 per cent; it is smaller in the South and Islands than in the Centre and North (21.9 and 25.3 per cent respectively).

The face value of securities held for custody by the banking system rose by 6.2 per cent, compared with 1.1 per cent in 2005. For households, which account for 45 per cent of such investments, the increase was 6.9 per cent.

The growth was higher than average in the North-East and the South and Islands, while it was particularly low in the North-West. In all the macroregions, government securities and corporate bonds increased while shares diminished. Units of collective investment undertakings fell in the North but rose slightly in the Centre and the South and Islands.

Net fund-raising by Italian investment funds and by SICAVs was negative by more than €42 billion, compared with net redemptions of less than €7 billion in 2005. The outflow of savings, which involved all parts of the country and all types of product except flexible funds, was partly offset by fund-raising by foreign funds, including those established or distributed by Italian banks (see Bank's *Annual Report for 2006*). Investments in low-risk assets, insurance companies, pension funds (see Chapter 10 in the *Special Topics* section) and individually managed portfolios also benefited. Total assets managed by banks, investment firms and asset management companies rose by 6.5 per cent at market value (Table a3.7).

The net flow of savings to individually managed portfolios (about €27 billion) originated totally from the North, with a pronounced concentration in the North–East, due largely to transactions of financial companies. Individually managed portfolios are less widespread in the South and Islands than in the rest of the country: at the end of 2006 assets under management at market prices were equal to 9.4 per cent of the face value of banks' direct and indirect fund-raising, compared with 28.4 per cent in the Centre and North.

The structure of the financial system and distribution networks

The consolidation of the Italian banking system continued in 2006. Ten concentrations were begun during the year, including 6 mergers between Italian banks and 4 acquisitions by foreign investors. The banks involved in these transaction accounted for 13.8 per cent of the total assets of banks operating in Italy (see Chapter 15, "*Structure, profitability, capital and risks of intermediaries"*, of the Bank's *Annual Report for 2006*).

The integration of the banking system at European level was boosted by the increase in the number of acquisitions of foreign banks by Italian banking groups (10, up from 4 in 2005) and the growth in Italian banks' presence abroad (see the box: "The internationalization of Italian banks and the entry of foreign banks").

Table 3.3

Banks by legal form and location of administrative office
(number of banks)

Legal form	Centre and North		South and Islands		Italy	
	2005	2006	2005	2006	2005	2006
Limited company banks	215	216	28	28	243	244
Cooperative banks	28	29	8	10	36	39
Mutual banks	332	329	107	107	439	436
Branches of foreign banks	66	74	-	-	66	74
Total	**641**	**648**	**143**	**145**	**784**	**793**

Source: Register of Banks.

The total number of banks rose by 9 (1.1 per cent), more than in 2005 (Table a3.1). In particular, the number of branches of foreign banks increased from 66 to 74, all with administrative offices in the Centre and North; the increase in the number of banks based in the South and Islands came from the start-up of two cooperative banks (Table 3.3).

THE INTERNATIONALIZATION OF ITALIAN BANKS AND THE ENTRY OF FOREIGN BANKS

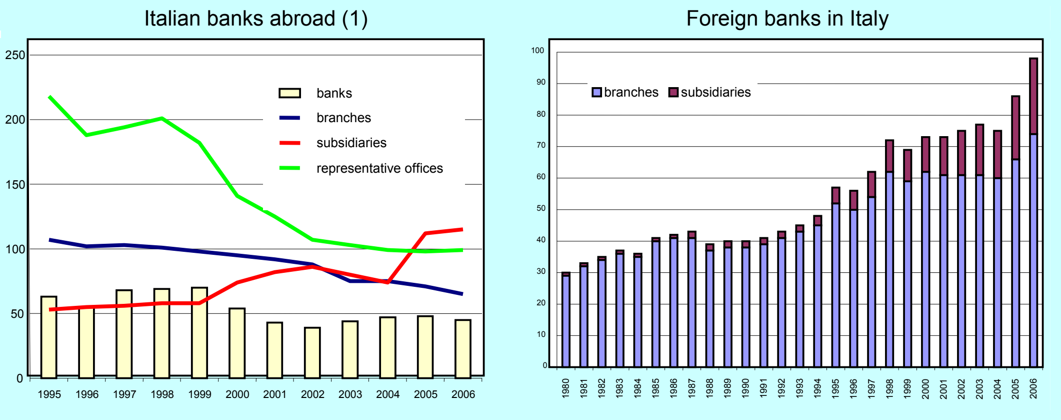
Italian banks abroad. – Following banking deregulation and large-scale consolidation, since the mid-1990s Italian banks' network abroad has undergone rationalization and been concentrated in the areas where Italian firms' productive investment and trade has intensified.

The number of intermediaries with a presence abroad is rather limited (just under 50 in 2005, compared with more than 60 a decade earlier; Figure B5), but the scale of the investments abroad is growing. The phenomenon is concentrated among banks based in the main regions of the Centre and North, such as Lombardy, Piedmont, Emilia-Romagna, Tuscany and Lazio. As to the geographical direction of expansion abroad, between 1995 and 2005 the presence of Italian banks diminished in the areas with the most highly developed financial systems (the United States, Japan) while it grew in Europe, notably through subsidiaries.

The expansion of Italian banks in Central and Eastern Europe is partly correlated with the provision of financial and informational support to firms that are rebasing their marketing and production there. Between 1995 and 2005 the incidence of Central and Eastern Europe in foreign trade (given by the sum of imports and exports over value added) rose in nearly every Italian region, most markedly for Veneto, Emilia-Romagna and Marche. The changes in 1995-2005 in the structure abroad of banks that internationalized in the countries in question correlated positively with those recorded in trade with the same countries, notably for the above-mentioned regions.

Figure B5

Internationalization of the banking system



Source: Based on Bank of Italy data, Register of Banks and Register of Banking Groups.
(1) The data on branches and representative offices are derived from the Register of Banks. Branches abroad are those still operating at the end of each year. Representative offices include those authorized or operating at a date prior to the end of each year; they also include those opened or closed at the end of each year. The criterion for counting subsidiaries is listing in the Register of Banking Groups as of the end of each year.

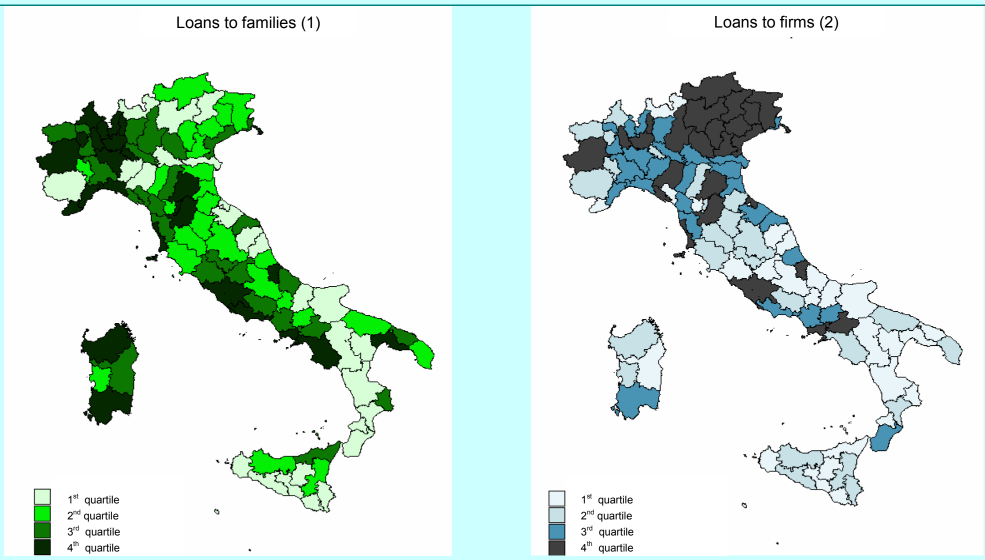
Foreign banks in Italy. – There are 98 foreign banks present in Italy, of which 74 with branches. The number of foreign banks has risen considerably since the mid-1990s (Figure B5). Changes in the mode of entering the Italian market, which has recently seen acquisitions and subsidiaries preferred to the establishment of branches, have been accompanied by a shift in operations towards retail customers. Foreign banks' share of lending to non-bank customers has tripled since the mid-1990s and their share of fund-raising from non-bank customers has also grown, though not as quickly. Lombardy is the leading region in the allocation of loans (some 40 per cent of the total) and in fund-raising (36 per cent), followed by Lazio (see the *Report on Lombardy*).

The growth in foreign banks operations is more evident vis-à-vis households than firms. For fund-raising it has only occurred since 2002, with foreign banks' shares at provincial level showing accentuated dispersion. Foreign banks' lending to households and firms in relation to the resident population and value added also varies markedly among the Italian regions (Figure B6). Lending to households is widespread in all the macroregions. The regions in which it is most widespread are Lombardy, Piedmont, Liguria, Lazio, Campania, Sardinia and, to a lesser extent, Puglia.

Figure B6

Territorial distribution of foreign banks' lending

(loans to customers resident in the provinces; average data for the period 2004-06)



Sources: Supervisory reports and Istat.
(1) Loans per capita. – (2) Loans in relation to value added.

Banks' distribution network continued to expand in 2006. The number of operational bank branches grew by 2.3 per cent overall, compared with 1.8 per cent in 2005. The gain was largest in the Centre (4.9 per cent), followed by the South and Islands (2.5 per cent) and the North (1.9 per cent).

The network of remote access to banking services developed further. The number of POS terminals increased by 7.5 per cent, as against 3.2 per cent in 2005. The expansion was rapid throughout the country. The increase in the number of automated teller machines was also greater than in the previous years, especially in the Centre and North (7.3 per cent, as against 2.1 per cent 2005); in the South and Islands the number of ATMs rose by 4.4 per cent.

The use of telephone and Internet banking and direct electronic access to banking services grew rapidly again in 2006: the number of customers rose by 23.6 per cent, as against 20.1 per cent in 2005, with a slightly higher gain in the North and Centre than in the South and Islands.

Between 2000 and 2006 the use of remote access to banking services through electronic and telephone networks advanced strongly, thanks in part to the spread of new technological instruments and services. The number of customers rose from about 4.6 million to more than 21.5 million nationally, comprising 2.8 million firms, entities and other institutions and 18.7 million households. The average annual growth was 29.4 per cent. The average annual rate of expansion was high in all parts of the country and involved both firms and, above all, households (14.5 and 30.2 per cent respectively). The geographical areas recording the highest annual growth rates were the North-West (34.1 per cent) and the South and Islands (30.1 per cent).

In the period 2000-06 Internet banking showed the strongest expansion, its share of total remote banking customers rising from 24.9 to 49 per cent. Telephone banking grew less rapidly and its share of the total declined from 62.8 to 42 per cent.

4 – LOCAL GOVERNMENT FINANCES

Excluding extraordinary factors, the significant improvement in the public finances in 2006 was fostered above all by the rapid growth in tax revenue and the slowdown in public spending (see the Bank's *Annual Report for 2006*).

The increase in revenue did not have a proportionate impact on local government budgets, owing to the low income-elasticity of many local taxes and the still highly centralized structure of taxation in Italy (see Chapter 11 in the *Special Topics* section).

The growth in tax revenue so far has not even been reflected in the accounts of the special-statute regions, despite some central government taxes having been devolved to them (see Chapter 12 in the Special Topics *section), owing to delays caused by the allocation system.*

Local government tax revenue rose by 3.7 per cent (compared with increase of 11.3 per cent for central government). The growth was mainly due to the regional tax on productive activities (Irap), receipts of which were boosted by the acceleration in economic activity and the higher rates set by some regions in order to cover their health care deficits. The municipal property tax and building permit fees also contributed. Revenue from other local taxes remained at about the previous year's levels, continuing to be affected by the suspension of the right to increase the surtax rates on personal income tax and Irap (except in order to cover deficits in the health sector). Regional personal income surtax receipts declined, in part owing to reliefs granted by some regions.

Except for the health sector, local government entities contributed to curbing the growth in public expenditure. In particular, overall local government intermediate consumption (purchases of goods and services) and investment grew at moderate rates, below that of nominal GDP (Table 4.1).

Overall, local government entities account for 71 per cent of general government intermediate consumption and 78 per cent of general government investment. In particular local health units and municipalities account for about 50 per cent of the former and municipalities for 43 per cent of the latter.

The low rate of growth in local government intermediate consumption in 2006 (2.1 per cent, as against 7.2 per cent in 2005) is mainly attributable to municipalities, whose intermediate consumption actually contracted, while that of local health agencies rose sharply again. The increases recorded for regions and provinces were broadly in line with the growth in nominal GDP.

Table 4.1

Local government intermediate consumption and investment (1)

	Intermediate consumption		Investment	
	2005	2006	2005	2006
	Millions of euros			
Municipalities	20,747	20,283	15,247	15,218
Provinces	3,573	3,701	2,678	2,907
Regions	4,451	4,596	4,749	4,691
Local health agencies	20,072	21,455	2,124	2,176
Local government	**54,250**	**55,398**	**27,174**	**27,420**
	Percentage changes			
Municipalities	4.5	-2.2	-8.4	-0.2
Provinces	7.4	3.6	-5.9	8.6
Regions	8.3	3.3	-1.4	-1.2
Local health agencies	10.0	6.9	3.0	2.4
Local government	**7.2**	**2.1**	**-4.9**	**0.9**

Source: Istat.

(1) Data on an accrual basis, calculated according to the rules of ESA95.

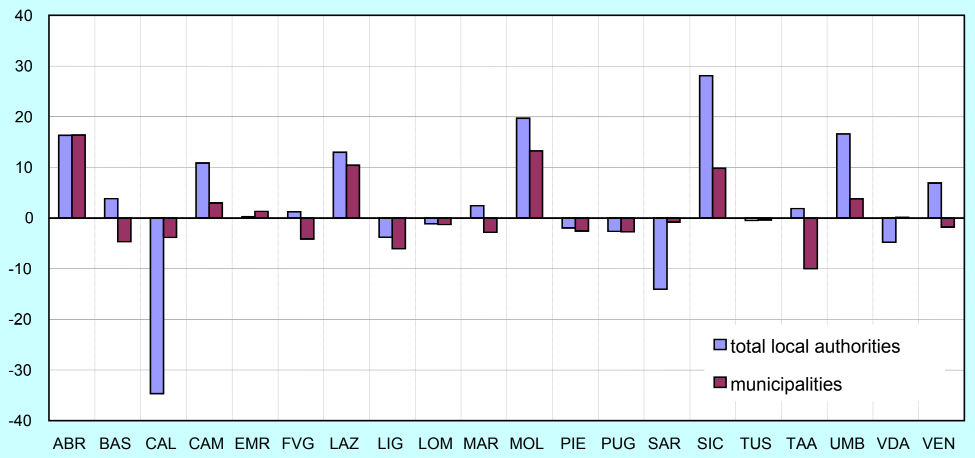
Investment began to recover slowly from the sharp contraction of 2005 but still remained below the level of 2004, a peak year, when the rate of growth exceeded 10 per cent. The trend of investment was influenced by its inclusion, in the two years 2005-06, in the aggregate subject to the constraints of the domestic stability pact. The growth in investment in 2006 was due to local health agencies and provinces; investment by regions and municipalities fell for the second consecutive year. Regional data are available only on a cash basis. In about half of the regions total investment by local authorities remained unchanged from 2005. There were sharp declines in Sardinia and Calabria; the increased recorded in Abruzzo, Umbria, Molise, Lazio, Sicily and Campania were driven by municipalities (Figure 4.1).

According to national accounts data, health care spending continued to outpace GDP in 2006, growing by 5.8 per cent; local health units account for a large share (about 50 per cent) of local government current expenditure and for almost the totality of general government spending on health care. Data at regional level for 2006 can be reconstructed from the accounts of local health units (local health and hospital agencies, teaching hospitals and specialized clinics) reported in the Health Sector Information System. The growth (6 per cent) was fueled by purchases of goods and services and by staff costs reflecting contract renewals. There was a smaller increase in spending for services provided through accredited facilities operating under an agreement.

Figure 4.1

Investment in 2006 (1)

(percentage changes on previous year)



Source: State Accounting Office.
(1) Data from the statements on a cash basis transmitted by local authorities to the Ministry for the Economy and Finance for the preparation of the Quarterly Report on the Borrowing Requirement.

Health expenditure according to the national accounts does not coincide with that shown by the accounts of the health units entered in the Health Sector Information System because it is subject to some adjustments according to the rules of ESA95.

The data at regional level bring out differences of behaviour among regions. In some regions the increases in health expenditure were well below the national average (Campania, Liguria, Tuscany and Molise). In others (Sardinia, the Autonomous Province of Trento, Piedmont, Emilia-Romagna, Abruzzo and Calabria), spending growth was below the national average but outpaced GDP. Among the regions where spending growth was above the national average (Basilicata, Friuli-Venezia Giulia, Lazio, Lombardy, Marche, the Autonomous Province of Bolzano, Puglia, Sicily, Umbria, Valle d'Aosta and Veneto), the increase was sharpest in Lazio. With the exception of the Lazio, the regions that have accumulated health care deficits and are currently in financial difficulty (Campania, Molise, Abruzzo and Liguria) recorded below-average rates of increase in the main items of health expenditure.

The regional data refer to an aggregate of expenditure that includes the main cost items of the accounts of health units entered in the Health Sector Information System as of 1 March 2007 and included in the General Report on the Economic Situation. The items in question are staff costs, total expenditure for assistance from accredited facilities operating under an agreement, and purchases of goods and other services. The aggregate reconstructed here does not include amounts set aside for typical provisions, fee-sharing for care provided on a private basis within public hospitals, interest expense and financial charges, and taxes.

SPECIAL TOPICS

5 – GROWTH AND CHANGES IN THE ECONOMY*

The Italian economy's growth of 1.9 per cent in 2006 interrupted a prolonged stagnation and was the highest in five years, though still below the euro-area average of 2.7 per cent.

Economic activity accelerated in all parts of the country, but growth was weaker in the South and Islands (1.4 per cent) than in the Centre and North (2 per cent). Between 2001 and 2006 GDP growth averaged 0.7 per cent per year in the South and Islands, 0.2 percentage points less than in the Centre and North.

The gap in terms of per capita GDP narrowed slightly owing to a higher rate of increase in the population in the Centre and North, partly the consequence of domestic and international migratory flows. The ratio of the per capita GDP of the South and Islands to that of the Center and North was 58 per cent in 2006, 1 percentage point higher than in 2000.

THE REVISION OF THE REGIONAL ACCOUNTS

In 2007 Istat revised the regional accounts for the period 2000-04 to make them consistent with the new data published in 2006 following the general revision of the national accounts. This involved, among other things, changing over to 2000 as the reference year and bringing the estimates of employment and the economic aggregates into line with population levels consistent with the 2001 census and subsequent estimates.

The revision of the accounts increased GDP at current prices in the reference year by 2.5 per cent in the Centre and North and 1 per cent in the South and Islands; employment as measured by standard labour units was revised down by 0.5 per cent in the Centre and North and up by 0.8 per cent in the South and Islands.

With the revision, the growth of the economy of the South and Islands in the first few years of the decade was recalculated. On the basis of the new data, between 2000 and 2004 the GDP of the South and Islands grew by 0.7 per cent per year, half a point less than the previous estimate, while in the Centre and North average annual GDP growth was now estimated at 0.9 per cent, compared with the previous figure of 0.8 per cent. In both halves of the country the rate of increase in labour units was revised down (Figure B7).

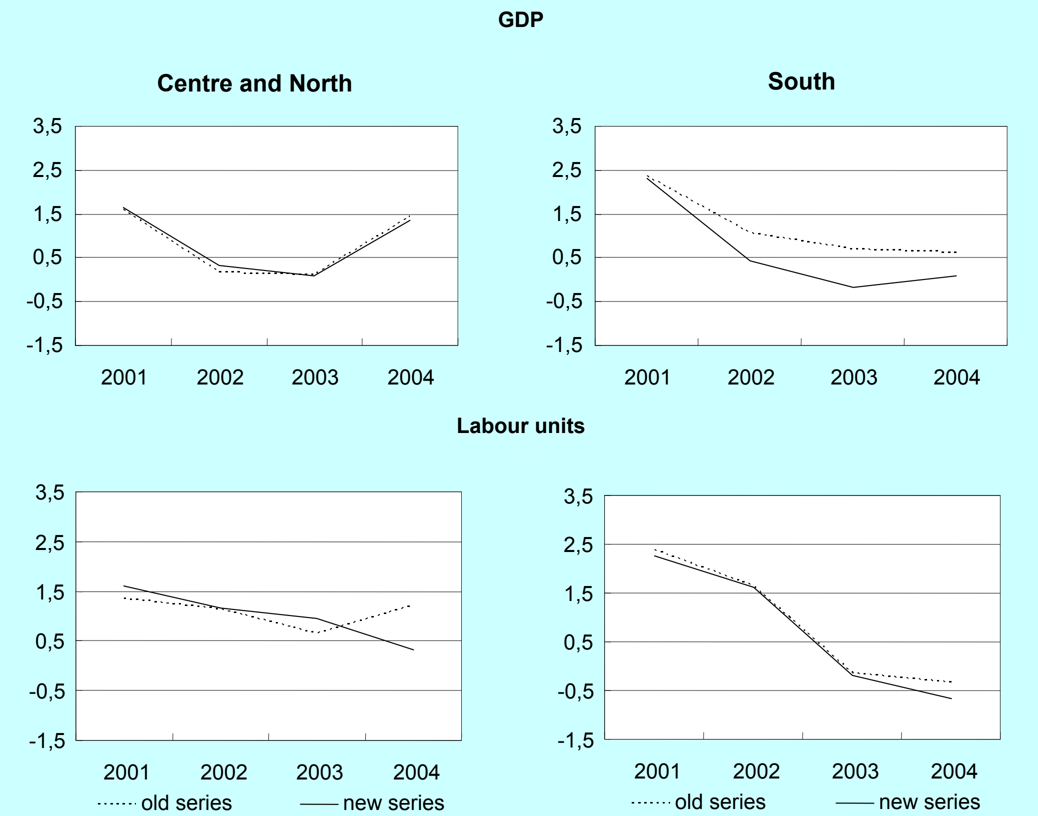
Labour productivity growth in the South and Islands in 2001-04 was also revised down, so that an economy-wide increase of 0.3 per cent per year in real terms gave

* Prepared by E. Cocozza (Bari Branch).

way to a contraction of 0.2 per cent per year. In the Centre and North labour productivity showed a decline of 0.1 per cent per year according to the revised figures, compared with the previous estimate of 0.2 per cent per year.

Figure B7

GDP and labour units
(percentage changes)



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

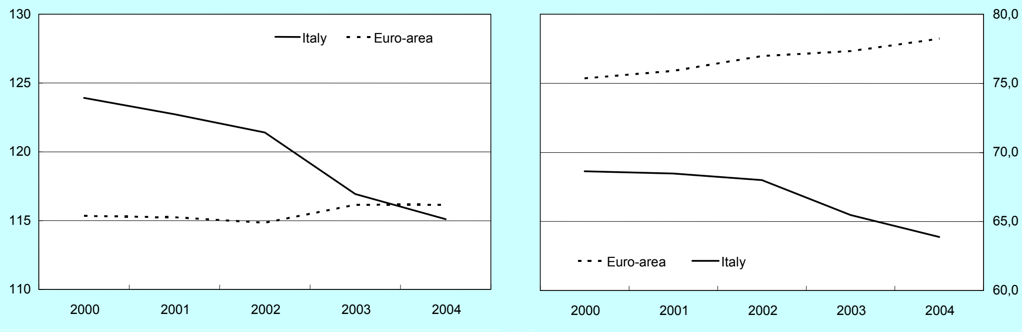
For at least ten years now the Italian economy has been encountering structural problems, which are evident in its loss of competitiveness and the prolonged stagnation of productivity.

The evolution of the Italian regions in the first part of this decade was less favourable than that of other euro-area regions at comparable levels of development. Between 2001 and 2004 per capita GDP, at purchasing power parities, declined significantly in the regions of central and northern Italy in relation to the euro-area average, while it rose slightly in the other regions of the euro area whose level of development was comparable level at the beginning of the period. The relative position of the regions of the South and Islands also worsened; the ratio of their per capita GDP to the euro-area average fell by 5 percentage points, while the corresponding ratio for the other backward regions of the euro area rose by 3 points (Figure 5.1).

Figure 5.1

Per capita GDP in the regions of the euro area (1)

(indices: euro-area average = 100)



Source: Based on Eurostat data. NUTS2 classification.

(1) Per capita output at market prices, adjusted for purchasing power parities. The classification of the regions into two groups is based on euro-area average per capita GDP in 2000. The advanced regions are defined as those whose per capita GDP is at least 93 per cent higher than the euro-area average. This group includes all the regions of central and northern Italy.

The worsening of the position of the Italian regions relative to other, comparable regions of the euro area also reflects the deterioration in productivity in Italy. Over the four years as a whole labour productivity declined both in the Centre and North and in the South and Islands, while it rose on average both in the backward and in the advanced regions elsewhere in the rest of the euro area.

According to registry data from the Chambers of Commerce, between 2001 and 2006 the overall balance between the number of registrations and deletions of manufacturing firms was negative by more than 50,000. In each year an average of 5.3 per cent of the stock of registered firms at the start of the period exited the market. The reduction involved all the macroregions; it was more accentuated in the Centre and North.

The selection process was more stringent in traditional product sectors. The exit rate was 7.6 per cent per year among textile and clothing firms and 6.2 per cent per year in the leather products and footwear sector. These sectors accounted for about one quarter of the total decrease in the number of firms.

In 2006 labour productivity in industry excluding construction increased by 1.3 per cent in the Centre and North and by 0.8 per cent in the South and Islands. The gain in productivity, the recovery of exports and the data on firm demographics are signs of a restructuring of the Italian productive system. A survey conducted by the Bank of Italy provides some indications on firms' repositioning on the market on the basis of strategies aimed at strengthening competitive advantages.

Between 2000 and 2006 more than half of Italian industrial firms changed strategy (Table 5.1). These changes, more often than not associated with better earnings performance, were more widespread in the Centre and North, where 54.4 per cent of firms introduced significant alterations to their strategy in terms of the renewal of product lines, investment in brands and internationalization of production;

12.4 per cent branched out into product sectors other than those in which they operated in 2000. In the South and Islands the proportion of firms that changed strategy was lower (47.3 per cent) and the renewal of product lines and internationalization of production were less common. The percentage of firms that introduced products belonging to sectors other than those in which they operated initially was also lower in the South and Islands.

Table 5.1

Corporate strategies in the period 2000-2006
(percentage shares)

	Centre/North	South/Islands	Total
Firms that changed strategies	54.4	47.3	53.4
Change in range of products	*31.3*	*27.7*	*30.8*
Investment in brand	*15.2*	*16.2*	*15.3*
Internationalization	*7.9*	*3.4*	*7.2*
Firms that introduced new products	12.4	9.5	12.0
Firms that had adopted forms of internationalization in 2000	13.3	5.6	12.2
Firms that had adopted forms of internationalization in 2006	22.1	9.4	20.2

Source: Banca d'Italia, *Indagine sulle imprese industriali e dei servizi*. See the Methodological Notes in the Appendix.

The internationalization of Italian companies through direct investment and cooperation agreements with foreign firms has grown considerably, above all among the largest companies. More than one firm in five in the Centre and North adopt forms of internationalization, double the proportion at the start of the decade; the percentage producing abroad rose from 6 to 9 per cent and that having cooperation agreements with foreign firms from 8.2 to 16.4 per cent. Internationalization is less common among companies of the South and Islands, involving only about one in ten: 2.3 per cent that have transferred production abroad and 7.5 per cent that have cooperation agreements with foreign partners. The factors that influence the decisions to internationalize also differ between the two halve of the country. In particular, lower labour costs are cited as a significant motive by 45.3 per cent of firms with fewer than 50 workers in the Centre and North but only by 21.3 per cent of small firms in the South and Islands.

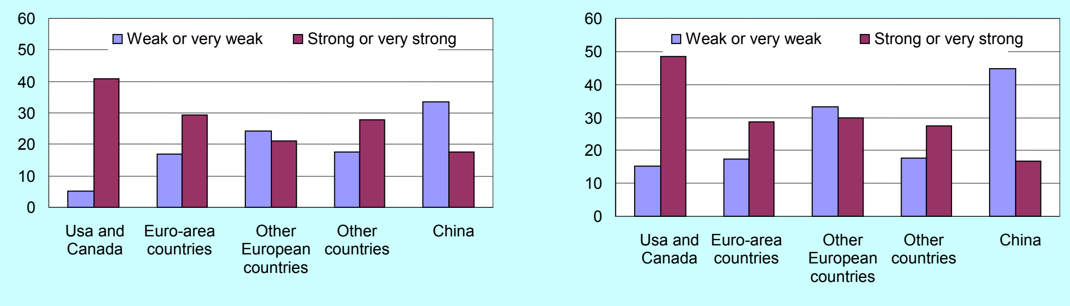
The signs of renewal have been accompanied by generational change, with a reduction in the average age of entrepreneurs and increase in their level of educational attainment. In firms with 50 or more workers, the proportion of entrepreneurs aged 65 or more fell from 38.7 to 23.1 per cent in the Centre and North and from 23.5 to 17.9 per cent in the South and Islands; the proportion of university graduates rose from 25.4 to 46.9 per cent in the Centre and North and from 30.1 to 37 per cent in the South and Islands.

Major changes can also be seen at the organizational level. In both areas the percentage of companies that use corporate resource management systems and employ university graduates rose. Industrial firms of the South and Islands are lagging behind in both respects. Only 16.4 per cent use integrated management software (23.7 per cent in the Centre and North), while just 8.1 per cent of their employees are university graduates (9.6 per cent in the Centre and North).

Overall, firms' assessment of their market strength vis-à-vis their main competitors does not differ greatly between the two halves of Italy, but among companies whose competitors are located in newly industrialized countries and among firms operating in traditional Italian goods sectors the percentage of those that consider their competitive position weak or very weak is higher in the South and Islands than in the Centre and North (Figure 5.2). Compared with a national average of 17.7 per cent, 44.7 per cent of firms in the South and Islands that have competitors in China consider their position weak, as against 33.5 per cent of those in the Centre and North; in the textiles and clothing sector and in leather goods and footwear, 35.4 per cent of firms in the South and Islands consider their position weak or very weak, as against 27.6 per cent in the Centre and North. The greater difficulties of firms based in the South and Islands operating in traditional Italian goods sectors are confirmed by the recent trend of exports (see Chapter 6 in the *Special Topics* section).

Figure 5.2

Firms' assessment of the strength of their position on the market according to location of their foreign competitors
(percentage shares)



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

Overall, 17.9 per cent of firms consider themselves too small compared with their competitors; the proportion is higher among firms of the Centre and North. On the other hand, only just under 10 per cent consider their stock of machinery technologically inadequate, with a higher frequency among firms of the South and Islands; of the latter firms, only one fifth ascribe the problem to insufficient firm size. As a whole, these data indicate that firms, above all those of the Centre and North, see growth as a necessary not so much in order to achieve technological economies of scale but because of the high fixed costs associated with intangible activities upstream and downstream of production (research, marketing and post-sales assistance) that enable firms to compete on world markets and to face the competition of countries where labour costs are low.

6 – RECENT TRENDS IN THE EXPORTS OF THE SOUTH AND ISLANDS *

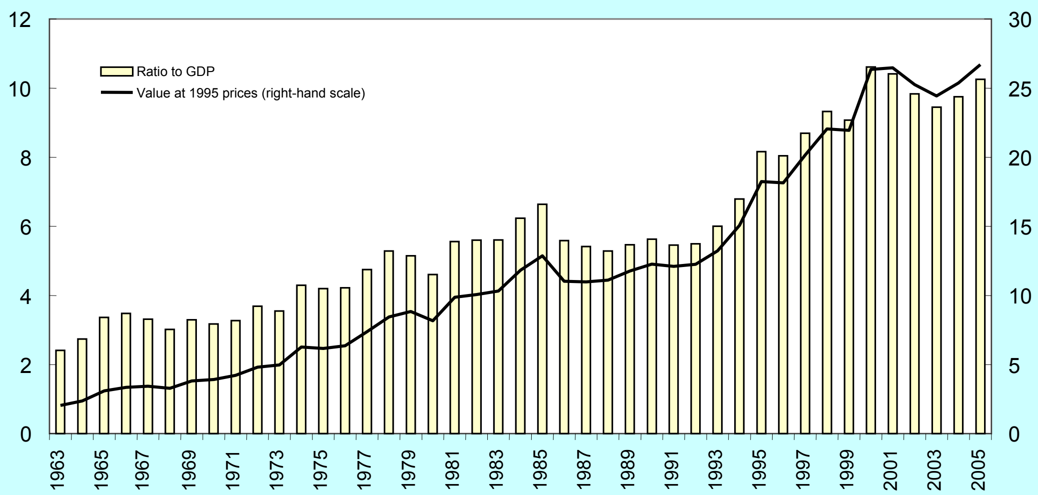
In the first few years of this decade exports originating from the South and Islands grew at about the same rate at those of the rest of Italy, in contrast with their faster growth in the previous decade.

In the 1990s the exports of the South and Islands had expanded rapidly, rising from 5.5 per cent of GDP in 1992 to 10.6 per cent in 2000 (Figure 6.1). Between 1992 and 2000 they outpaced the national average, increasing from 9.7 to 12.4 per cent as a proportion of those of the Centre and North.

Figure 6.1

Exports of the South and Islands

(percentages and billions of euros)



Source: Based on Prometeia data.

The export expansion was geographically widespread. In 70 per cent of the provinces of the South and Islands the growth rate exceeded that of the Centre and North. The area's "export poles" – provinces whose volume of exports in a given product sector is at least double the average for the Italian provinces – rose from just over 70 to 114 in number and from 7.8 to 10.1 per cent of the national total (Table a6.1).

* Prepared by G. Iuzzolino (Naples Branch).

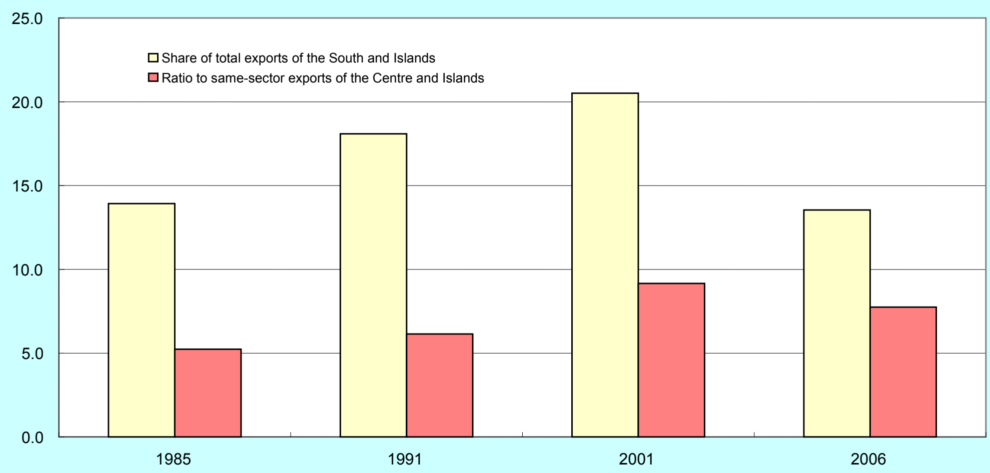
Sectorally, the growth in exports was broadly based[1] but it was most intense in the traditional Italian goods sectors (the fashion system, furniture and furnishings, and jewellery), whose exports rose both in relation to the total exports of the South and Islands and in relation to the exports of the rest of Italy in the same sectors (Figure 6.2).

In the first few years of this decade the expansion came to a halt. The exports of the South and Islands were lower in both volume and value in 2003 than in 2000. They recovered in the following three years, but their average annual growth (3.5 per cent at constant prices and 8.7 per cent at current prices) fell short of the average rates for the 1990s (7.2 and 11.8 per cent, respectively).

Figure 6.2

Exports of the South and Islands in typical Italian goods sectors (1)

(percentages)



Source: Based on Istat data.
(1) Textiles, clothing, leather products and footwear, wood products and furniture, furnishings, and jewellery.

Between 2001 and 2006 the exports of the South and Islands outpaced those of the Centre and North in only 48 of the 114 sectors of economic activity specified in Istat's ATECO classification. The number of export poles fell perceptibly in Sicily and Abruzzo and remained virtually unchanged in the other regions (Table a6.1).

The intensification of competition from the newly industrialized countries had a stronger impact on typical Italian goods sectors in the South and Islands than in the rest of the country: the exports of these sectors declined both as a share of the total exports of the South and Islands and in relation to the rest of the country's exports in the same sectors (Figure 6.2). With the exception of the clothing poles of

[1] Export growth rates were higher in the South and Islands than in the Centre and North in nearly two thirds of the product sectors of Istat's 3-digit ATECO classification.

Naples and Isernia, the main export poles in the typical Italian goods sectors contracted significantly (Table a6.3). The period 2001-06 saw exports fall at average annual rates of nearly 20 per cent for the tanneries of Avellino, 12 and 6 per cent respectively for the furniture poles of Bari and Matera, and 13, 5 and 6 per cent respectively for the footwear poles of Lecce, Bari and Naples.

In the present decade export growth has also been feeble for food products, mechanical machinery and equipment and electronics – below 1 per cent per year at current prices, less than the Centre and North. In the most recent years (since 2004), a good part of the growth of exports at current prices of the South and Islands has come from petrochemical and basic metals, which have been affected by the sharp increase in the prices of their raw materials.

In the middle of the 1990s, the exports of the South and Islands showed relative specialization in 19 of the 32 branches of manufacturing considered (Table a6.2). By 2006 the number had dwindled to 9. Significant among the survivors are petrochemicals, telecommunication equipment, transport equipment, food products and glass products. The other specializations, including the typical Italian goods sectors, have vanished or greatly weakened.

Between 2000 and 2006 the export growth rate of the South and Islands (3.9 per cent per year at current prices; Figure 6.3) was lower than that of the backward regions of Spain (5.5 per cent) and Germany (12.4 per cent), the two EU countries most similar to Italy in income levels and disparities across regions.

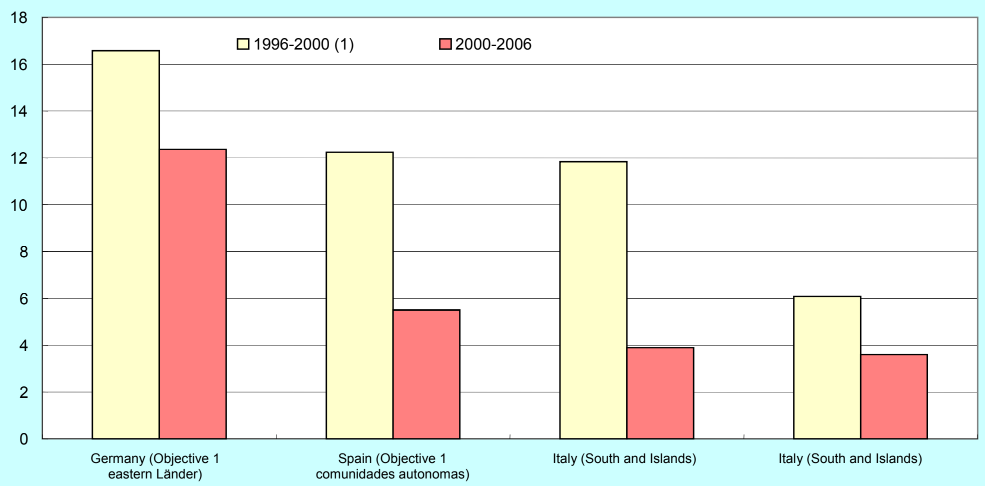
Between 2002 and 2006 the exports at current prices of the South and Islands to the euro area grew at an average annual rate of 3.2 per cent, compared with 6.5 per cent for Spain's Objective 1 regions and 13 per cent for Germany's.[2] Moreover, unlike the Italian South and Islands, the backward regions of Germany and Spain have found important outlet markets outside the euro area. The German regions have taken advantage of their proximity to the new EU member countries, with which they already had trade relations; their exports to the enlargement countries grew by 18 per cent per year during the period in question. The Spanish regions benefited from relations with Latin America, towards which their exports grew at an average annual rate of 19.9 per cent.

[2] The comparison begins with 2002 because the data on Statistisches Bundesamt Deutschland's website for exports of the German regions disaggregated by geographical area of destination date back to that year.

Figure 6.3

Exports by geographical area

(average annual growth rates; current prices)



Sources: Based on data published by Istat, Istituto Espanol de Comercio Exterior and Statistisches Bundesamt Deutschland respectively for Italy, Spain and Germany.
(1) For Germany: 1998-2000.

In 2005 the exports per capita of the South and Islands were half those of the eastern Länder and less than two thirds of Spain's Objective 1 regions. Except for Abruzzo and Sardinia, no region of the South and Islands had exports equal to at least 70 per cent of its value added in agricultural and industry, whereas more than one half of the Spanish regions and nearly all the German ones exceeded this threshold (Table a6.4).

STATISTICAL APPENDIX

Table a6.1

Export poles by geographical area (1)

	1991	1996	2001	2006
North-West	423	439	433	448
North-East	314	378	405	431
Centre	146	153	175	173
South and Islands	75	103	114	98
of which: Abruzzo	*9*	*19*	*22*	*14*
Molise	*0*	*1*	*0*	*1*
Campania	*18*	*31*	*29*	*30*
Puglia	*16*	*22*	*23*	*22*
Basilicata	*0*	*1*	*4*	*3*
Calabria	*2*	*0*	*1*	*2*
Sicily	*19*	*18*	*23*	*15*
Sardinia	*11*	*11*	*12*	*11*
Total Italy	**958**	**1,073**	**1,127**	**1,150**

Source: Based on Istat data.
(1) The export poles are identified by selecting, for each 3-digit ATECO sector, the provinces that export more than double the average of the Italian provinces with exports in the sector.

Table a6.2

Export specialization of the South and Islands by sector (1)
(Balassa indices)

	1991	1996	2001	2006
Food products	2.345	2.226	1.925	1.662
Beverages	1.399	1.313	0.873	0.705
Tobacco	1.388	2.767	2.152	0.979
Textiles	0.301	0.361	0.277	0.320
Clothing	0.744	1.012	0.983	0.886
Leather products	1.888	2.533	1.686	1.081
Footwear	1.281	1.360	0.966	0.711
Wood products	0.518	0.995	0.807	0.609
Furniture	0.748	1.257	1.533	0.987
Paper	0.613	0.651	0.777	0.918
Publishing	0.162	0.165	0.143	0.121
Basic chemicals	1.729	1.338	1.263	1.529
Pharmaceuticals	0.347	0.706	0.789	0.894
Other chemical products	1.385	1.011	0.727	0.559
Refined petroleum products	8.872	7.999	7.596	6.491
Petroleum and coal products	0.006	2.824	2.569	1.968
Rubber products	0.857	1.250	0.937	0.959
Plastic products	0.569	1.075	0.891	0.967
Ceramics	0.329	0.344	0.287	0.242
Glass products	1.825	1.515	1.297	1.470
Other non-metallic products	0.455	0.686	0.746	0.763
Iron and steel	1.593	1.679	0.998	0.963
Nonferrous metals	1.385	1.124	1.089	0.648
Fabricated metal products	0.355	0.507	0.475	0.426
Computers	0.129	0.964	0.493	0.287
Industrial machinery	0.243	0.274	0.337	0.260
Radio and television sets	0.429	1.099	1.698	1.722
Electrical apparatus	0.280	0.657	0.525	0.656
Motor vehicles	1.820	1.705	1.936	1.933
Other transport equipment	2.346	1.685	1.359	1.096
Precision instruments	0.385	0.437	0.285	0.227
Other products of manufacturing	0.213	0.270	0.273	0.269

Source: Based on Istat.
(1) The Balassa index signals specialization if it is greater than 1. Specialization is calculated by comparing the composition of the exports of the South and Islands with the national average.

Table a6.3

Main export poles of traditional Italian goods

(percentage shares and percentage changes)

	Province's share of total Italian exports in the sect				Avg. annual change (1) 20(
	1991	1996	2001	2006	
	Furniture				
Provinces of the South and Islands					
Bari	4.7	8.4	11.2	8.6	-11.8
Matera	0.5	0.6	2.1	2.5	-6.0
Provinces of the Centre and North					
Treviso	7.8	10.0	10.3	12.2	4.3
Milan	11.3	8.8	10.3	11.1	1.3
Udine	15.2	12.9	10.0	9.0	-5.9
Pordenone	6.8	7.1	7.1	7.8	1.2
Como	6.0	5.6	5.1	5.1	0.0
Pesaro Urbino	3.9	5.8	5.5	4.6	-4.8
Vicenza	4.9	4.6	4.5	4.1	-6.5
Padua	3.7	3.4	2.8	2.7	-1.9
Pistoia	3.0	2.6	2.1	2.6	3.1
	Footwear				
Provinces of the South and Islands					
Bari	5.2	4.1	3.1	2.7	-5.2
Lecce	3.2	5.0	4.1	2.5	-13.1
Naples	1.5	2.0	2.3	2.0	-6.2
Provinces of the Centre and North					
Ascoli Piceno	10.6	11.1	12.8	13.8	-0.2
Treviso	8.3	9.2	9.3	12.8	5.5
Macerata	6.9	7.6	8.8	8.1	-2.5
Florence	8.0	7.5	7.9	7.8	-2.7
Verona	8.4	8.5	7.6	6.9	-4.2
Lucca	4.8	5.9	5.4	4.8	-6.0
Venice	3.5	3.9	3.8	4.4	0.3
Padua	4.0	3.5	4.1	4.3	-2.7
Milan	6.0	3.7	3.5	4.1	2.0
Pisa	3.2	3.7	3.6	3.1	-5.1
Arezzo	1.1	1.4	2.5	2.5	-5.4
Forlì-Cesena	1.0	1.0	1.9	2.4	2.9
	Leather				
Provinces of the South and Islands					
Avellino	7.9	15.1	11.5	5.1	-19.9
Provinces of the Centre and North					
Vicenza	36.8	33.5	40.0	40.6	-5.5
Pisa	15.2	18.5	15.3	18.3	-0.3
Verona	3.8	5.0	6.4	4.7	0.0
	Clothing				
Provinces of the South and Islands					
Naples	1.3	1.8	1.9	2.3	5.5
Isernia	0.6	1.6	1.8	2.1	2.7
Provinces of the Centre and North					
Milan	15.4	15.7	12.2	12.0	2.7
Vicenza	6.7	7.4	8.0	8.7	2.0
Treviso	6.3	7.2	7.6	7.3	1.0
Florence	8.4	5.7	5.0	5.7	5.6
Reggio Emilia	2.9	3.3	4.1	5.6	9.8
Modena	3.0	2.7	3.5	4.1	3.4
Como	7.2	6.7	4.9	3.4	-6.0
Bologna	2.6	2.6	2.9	3.2	6.3
Rimini	.	1.1	2.1	2.7	9.1
Bergamo	2.7	3.2	3.4	2.7	-1.7
Verona	3.7	2.9	2.3	2.4	2.6
Mantua	1.0	0.9	1.6	2.2	8.3

Source: Based on Istat data.
(1) At current prices.

Table a6.4

Propensity to export of selected European regions

	Population 2005 (1)	Per capita GDP 2005 (2)	Exports					
			Per capita exports (3)		Exports/GDP (4)		Exports/value added of agriculture and industry (4)	
			2000	2005	2000	2005	2000	2005
Andalucia	7,850	15,942	1.4	1.8	12.1	11.3	61.2	72.0
Asturias	1,077	18,089	1.6	2.3	12.1	12.5	47.3	56.4
Canarias	1,968	18,577	0.5	0.4	3.5	2.3	40.2	32.0
Cantabria	562	20,159	2.7	3.2	18.6	15.7	74.4	72.9
Castilla y Leon	2,511	19,420	3.3	3.6	23.7	18.4	81.3	75.9
Castilla La Mancha	1,895	16,166	1.1	1.4	8.6	8.9	26.3	33.8
Comunidad Valenciana	4,692	18,691	3.7	3.6	25.0	19.3	103.3	101.2
Extremadura	1,084	13,915	0.6	0.9	6.6	6.7	28.4	36.8
Galicia	2,762	16,675	3.0	4.4	25.4	26.3	96.6	120.3
Murcia	1,336	17,188	2.8	3.0	20.9	17.3	80.9	82.6
Total Spanish Objective 1 regions (5)	**25,878**	**17,247**	**2.1**	**2.5**	**16.8**	**14.6**	**72.7**	**78.0**
Brandenburg	2,562	18,758	1.6	2.6	9.5	13.9	50.3	70.3
Mecklenburg Vorpom-	1,713	18,490	1.3	1.7	8.0	9.1	54.9	62.4
Sachsen	4,284	19,875	2.3	4.1	13.8	20.8	73.6	98.0
Sachsen-Anhalt	2,482	19,422	1.5	3.1	8.9	16.0	46.6	73.1
Thuringen	2,345	18,970	1.8	3.4	11.1	17.7	51.4	74.3
Total German Objective 1 regions	**13,387**	**19,242**	**1.8**	**3.2**	**10.9**	**16.6**	**57.8**	**80.4**
Abruzzo	1,302	19,621	4.1	4.8	22.3	24.7	82.8	103.8
Molise	321	17,542	1.5	1.9	10.0	10.8	44.2	54.8
Campania	5,790	15,492	1.4	1.3	10.3	8.4	65.2	65.8
Puglia	4,070	15,919	1.5	1.7	10.7	10.5	54.2	62.8
Basilicata	595	16,885	1.8	1.8	12.4	10.9	48.9	51.8
Calabria	2,007	15,648	0.2	0.2	1.2	1.0	8.8	7.3
Sicily	5,015	16,027	1.1	1.4	8.2	9.0	53.8	63.9
Sardinia	1,653	19,367	1.5	2.3	9.4	11.9	62.6	71.2
Total South and Islands	**20,754**	**16,360**	**1.4**	**1.6**	**10.0**	**9.9**	**57.2**	**64.0**

Sources: Based on data published by Istat, Istituto Espanol de Comercio Exterior and Statistisches Bundesamt Deutschland respectively for Italy, Spain and Germany.
(1) Thousands. – (2) Euros, at current prices. – (3) Thousands of euros. – (4) Percentages. – (5) Total includes Ceuta and Melilla.

7 – THE EVOLUTION OF LOCAL UNIVERSITY MARKETS *

Up until the end of the 1980s, the Italian university system was highly centralized. Both organizational and didactic aspects were regulated by central government uniformly across the country. Subsequent to the passage of Law 168/1989, which established the general principles of university autonomy, the 1990s saw reforms bringing first didactic autonomy, then regulatory autonomy and then, in 1994, financial autonomy.

Pursuant to Ministerial Decree 509/1999, three-year degrees were introduced in the 2000-01 academic year. These short courses give access to subsequent two-year specialist degrees in accordance with the so-called “3+2” formula. Overall, faculties have been given greater operational autonomy, in order to broaden the range of subjects offered and their distribution across the country. The aims of the reform included increasing the number of students, reducing the number of dropouts, and bringing the content of courses closer into line with the needs of local firms and economies. There was also evidence of a preference on the part of Parliament for a future differentiation of roles between many local universities, serving to provide basic education, and a smaller number of centres of excellence.

The structure of the supply of university education has changed considerably, with an increase in the range of courses offered and their distribution across the country. Between the beginning and the end of the 1990s, the number of 4 and 5-year degree courses increased from about 900 to more than 1,300, while the number of courses leading to a diploma rose to almost 1,000. Over the same period the number of cities with university facilities doubled. Following the reform of 1999, the number of first-level degree courses grew by 35 per cent between the 1998-99 and the 2005-06 academic years; the growth occurred in all subjects and geographical areas, with peaks of about 50 per cent in the Centre and in the Islands.

Examination of the evolution of the 14 main subjects[3] in the 20 Italian regions (giving a total of 280 supply segments across the country) shows that at regional level in 2005 the segments still not covered by any university were most frequent in the North-West and the South and Islands (respectively 15 per cent and 10 per cent; Figure 7.1). Between 1998 and 2005 the share of segments not covered by any university or covered by only one fell on average by 10 percentage points and remained prevalent only in the North-West (55 per cent). The presence of courses in the same subject provided by 2 or 3 universities in the same region is most common in the North-East and the Centre. Although less frequent, in the South and Islands it in-

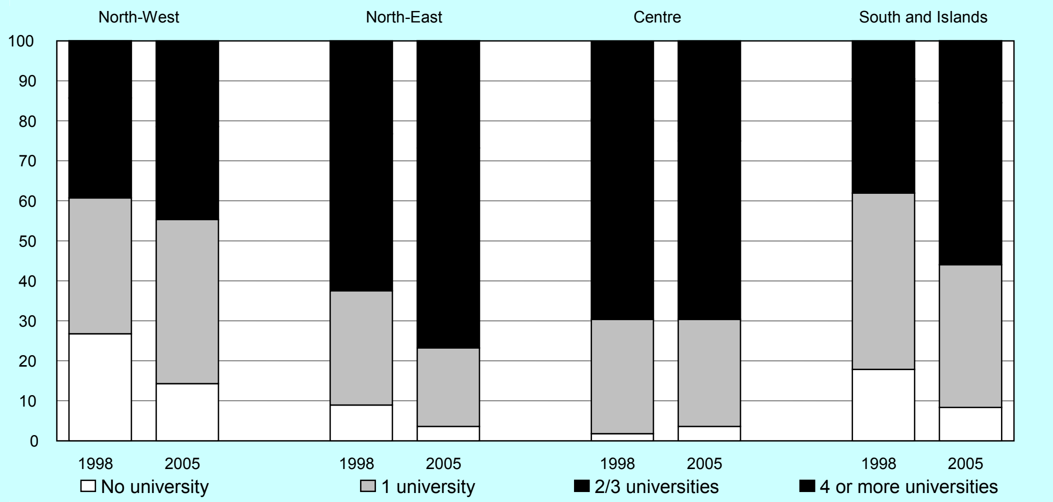
* Prepared by P. Casadio (Economic Research Department) and C. Porello (Bari branch).

3 The subjects of the Istat and Ministry of Universities and Research classification, such as Economics and Statistics, Law, etc. Less important subjects, such as Physical Education and Defence and Security, are excluded.

creased by 10 percentage points. The share of regional segments with courses offered by 4 or more universities is highest (25-26 per cent) in the North-East and the Centre and rose to 15 per cent in the South and Islands.

Figure 7.1

Universities offering first level courses by macroregion and subject (1)
(percentage composition)



Source: Based on Ministry of Universities and Research data.

(1) Fourteen market segments are distinguished in each of the 20 regions on the basis of the Istat and Ministry of Universities and Research classification of subjects. The number of universities offering courses in each subject are then counted. The North-West, North-East and Centre have 56 market segments each (4 regions multiplied by 14 subjects) and the South and Islands have 112 (8 regions

The proliferation of first-level degrees has made the offer of courses more uniform across the country.[4] A model of specialization nonetheless emerges owing to the geographical distribution of polytechnics and the main private universities specializing in Economics and Medicine. The regions in the North are relatively specialized[5] in Economics, Statistics, Sciences and Engineering, subjects more closely linked to production and R&D; the regions in the Centre are relatively specialized in the Humanities, Law and Architecture; and the regions in the South and Islands are relatively specialized in Agrarian studies, Chemistry and Pharmaceuticals. Compared with 1998 the South and Islands have lost their traditional specialization in Law; the relative specializations of the other areas have diminished slightly, drawing closer to the national average. Italy's significant inferiority compared with the other European countries in scientific and technological subjects is entirely due to the regions of the Centre and the South and Islands. Large universities and polytechnics are more common in the regions with the largest cities.

[4] The difference between the distribution of courses by region and the national average has decreased by about one third in the last 8 years; if only public universities are considered, it has halved.

[5] Specialization is defined as the difference between the regional distribution of first-level courses by subject and the corresponding national distribution.

Matriculation rates. – The number of students enrolling in universities fell from the historical peak of 373,000 in 1991 to 277,000 in 1999, partly owing to the demographic contraction. Following the introduction of three-year degrees, the number has again been constantly above 325,000. The overall matriculation rate (matriculants as a percentage of high-school graduates) fell from 79.9 per cent in 1991 to 61.4 per cent in 1999. As of the 1993-94 academic year, there was an upward trend in the number of enrolments of students with technical and vocational school diplomas, who show a growing preference for short courses, three-year diplomas until the academic year 1999-2000 and short degrees subsequently.

Econometric estimates based on the results of the Bank of Italy's survey of household income and wealth show that during the 1990s the probability of a young person with the same individual and family characteristics enrolling at a university increased more where the offer of courses grew most; by contrast no effects are found on the academic results achieved. The increase in the offer of courses appears to have been to the advantage above all of "marginal" students (worker students and older students); the impact on the probability of enrolment is greater for individuals whose parents belong to medium-low classes. The estimates also show that the increase in the probability of enrolment at a university is due more to the increase in the variety of degree courses than to the increased spread of universities across the country.

Information on the period following the 1999 reform shows that a good part of the increase in total matriculants consists of "late matriculants", i.e. persons who had completed their high-school studies at least three years earlier.[6] In 2002 such late matriculants accounted for more than 20 per cent of the total and subsequently they always accounted for more than 17 per cent. Such matriculants have some distinctive features: they come from technical and professional schools, are male and have a medium to low score in their maturity exam. The bulk of these matriculants choose courses in Sociology, Political Sciences, Medicine and Education.

The number of "school-leaver matriculants", i.e. persons who enroll at a university within two years of completing their high-school studies, has increased relatively little, while the overall matriculation rate rose from 49.1 per cent in 1999 to 58.3 per cent in 2005 (Table 7.1). The growth was uniform across the different macroregions and in 2005 the matriculation rates for school-leaver matriculants ranged from 57 per cent in the South and Islands to 60.5 per cent in the North-West. There are pronounced differences across provinces, however, and some parts of Sicily, Calabria and Puglia that in 1998 had particularly low matriculation rates in 2005 had some of the highest (Figure 7.2).

The bulk of the increase in matriculation rates is due to graduates from technical and professional schools: in 1998 they accounted for about one third of the ma-

[6] They are mostly persons aged over 30 who obtain high credits related to the work experience they have accumulated, thanks to the spread from 2001 onwards of advantageous agreements with local authorities, ministries and professional bodies. Universities' autonomy in granting credits has been limited by the decree law issued in October 2006.

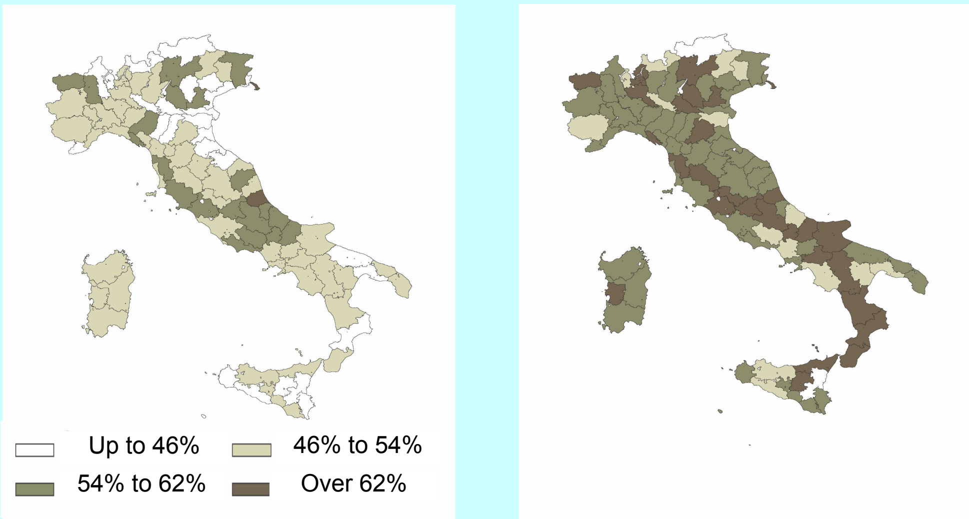
triculants, compared with nearly half in 2005. The probability of enrolment of graduates from classical and scientific *licei* already averaged about 90 per cent in 1998 and had risen further in 2005, with peaks close to 100 per cent in the major cities. For technical schools this probability is currently about 40 per cent (about 10 percentage points more than 7 years ago) with values close to 45 per cent in the North-East and the South and Islands. For graduates from professional schools the matriculation rates, although they have doubled since 1998, are still less than 20 per cent.

Figure 7.2

Matriculation rates of "school-leaver" matriculants (1)

(percentages)

Academic year 1998-1999	Academic year 2005-2006



Sources: Based on Ministry of Education and Ministry of Universities and Research data.

(1) The numerator refers only to students who enrolled within two years of graduating from high school; the denominator to high-school graduates in the calendar year in question.

Matriculation rates also showed larger rises for less well-off students. Comparing the results of Istat's survey of school leavers' study choices in 1998-2001 with those for the period 2001-04 gives a first assessment of the effects of the university reform on matriculation choices.[7] The probability of enrolling at a university did not change significantly for school leavers from high-income families, whereas it increased by 10 percentage points for those whose parents were blue-collar workers, artisans or self-employed.

The spread of new university subjects, including to cities that had previously been without any, contributed between 1999 and 2005 to raising the matriculation rate of school leavers within their province of residence (*local mobility*) from 26 to 30.9 per cent (Table 7.1). This local component is higher in the North-West and the

[7] The two generations of school leavers were faced with very different ranges of courses in the last part of the old legal system (1998-2001) and the start of the new one (2001-2004).

Centre (about 35 per cent), above all due to the provinces of Milan and Rome, which both have values of more than 60 per cent. In the North-East, by contrast, "*medium and short-range*" mobility towards other parts of the province or to bordering regions is high and rising; the causes of the phenomenon include the widespread presence of universities exerting an attractive force and the geographical closeness of medium-sized capital cities. "*Long range*" mobility towards universities located in regions not bordering on those of residence is significant only for students from the South and Islands, for whom it was equal to nearly 10 per cent in 2005. Overall, between 2002 and 2005 nearly 85,000 young school leavers from the South and Islands enrolled at universities in the Centre and North. The main destination regions are Lazio, Emilia-Romagna and Lombardy, and especially the capitals of regions; the subjects chosen are predominantly Economics, Law and Medicine, including courses lasting 5-6 years. This "*long-range*" mobility towards the Centre and North reflects the search for higher-quality studies. The school leavers from the South and Islands who enroll at universities in the Centre and North come from *licei* more frequently than those who continue their studies in the South and Islands. They also tend to go to universities in large cities and to follow courses in subjects that are also chosen by local school leavers who have graduated with above-average marks. The top five universities of the Centre and North in terms of their power to attract school leavers from the South and Islands absorb nearly 50 per cent of the "*long-range*" mobility from this macroregion. In these universities about 53 per cent of matriculants come from *licei*, compared with an average of 45 per cent for the universities in the South and Islands.

Table 7.1

Matriculation rates and geographical mobility of school leavers (1)

(percentages)

STUDENTS' PLACE OF RESIDENCE	Total	By location of the faculty enrolled in: In the same province of residence "local mobility"	In other provinces of the same region "short range"	In bordering regions (2) "medium range"	In other Italian regions "long range"
		1999-2000 academic year			
North-West	49.6	28.8	13.8	5.8	1.2
North-East	48.7	19.8	19.0	8.6	1.2
Centre	51.0	30.7	14.3	4.8	1.2
South and Islands	48.2	24.6	12.1	3.3	8.2
Italy	49.1	26.0	13.9	4.9	4.3
		2005-2006 academic year			
North-West	60.5	34.6	17.5	6.7	1.6
North-East	58.0	23.5	23.0	9.8	1.7
Centre	59.2	35.6	16.7	5.1	1.8
South and Islands	57.0	29.7	13.9	3.6	9.8
Italy	**58.3**	**30.9**	**16.5**	**5.5**	**5.4**

Sources: Based on and Ministry of Universities and Research and Ministry of Education data.

(1) The numerator refers only to students who enrolled within two years of graduating from high school; the denominator to high-school graduates in the calendar year in question. – (2) Sicily and Calabria are considered to be bordering regions and students moving between them as showing "*medium-range*" mobility.

The probability of students abandoning their university studies is highest in the first year. The calculations based on Ministry of Universities and Research data show that the introduction of three-year degrees produced only a temporary reduction in dropouts after the first year. With transfers between old and new-style courses taken into account, the number of students failing to re-enroll for the second year, equal to about 21 per cent until 2000, declined slightly in the 3 following years before returning to its original level. For the new three-year degrees these dropouts have constantly exceeded 20 per cent since 2002, a slightly higher rate than that typical of the earlier three-year university diploma courses and only 3 percentage points lower than that of the old four-year degree courses.[8] After the reform dropout rates have instead fallen significantly for specialist five-year only degrees, by about 6-7 percentage points compared with analogous courses before the reform.

In the two years preceding the reform, the dropout rates of students failing to re-enroll for the second year were about 19 per cent in the Centre and North and 5 points more in the South and Islands. Under the new regime the geographical differences are slightly more pronounced: in the Centre and North the dropout rates remained about 19 per cent, while in the South and Islands they tended to rise to about 25 per cent. This geographical difference does not depend significantly on the subject composition of enrolments.

8 With the same average dropout rate at the end of the first year, the differences by subject appear to have widened for the three-year degrees. There are dropout rates of close to and higher than 25 per cent for the Sciences, Law and Education. There are many fewer dropouts for Architecture, Psychology, Physical Education and Medicine.

8 – THE REGULATION OF RETAIL DISTRIBUTION*

Retail distribution plays a particularly important role in the European economy: in 2005 it contributed 11.5 per cent of the GDP of the 25-country European Union (11.2 per cent of that of the euro area). The figure for Italy was 11.6 per cent.

Table 8.1

Main indicators of retail food shops in Europe
(absolute values)

	Density of outlets (per 10,000 inhabitants)		Workers per outlet		Sales per outlet (,000 euros)	
	Supermarkets (1)	Corner stores (2)	Supermarkets (1)	Corner stores (2)	Supermarkets (1)	Corner stores (2)
			Year 2000			
Germany	3.1	3.7	26.7	4.9	4,233	409
France	5.1	7.5	17.5	2.4	4,744	274
Spain	10.1	33.5	8.1	1.9	1,103	145
Italy	13.3	21.0	4.8	1.7	899	143
Portugal	21.8	29.6	3.9	1.6	404	84
EU 9 (3)	**7.7**	**13.7**	**10.9**	**2.2**	**1,976**	**193**
			Year 2004			
Germany	2.6	3.6	32.3	5.6	5,728	483
France	5.0	7.7	19.6	2.2	5,631	289
Spain	7.5	29.7	11.8	2.1	1,835	185
Italy	10.0	20.2	7.2	1.9	1,454	156
Portugal	17.8	25.5	5.0	1.6	640	103
EU 9 (3)	**6.3**	**12.9**	**13.9**	**2.4**	**2,870**	**226**

Source: Based on Eurostat data.

(1) Corresponds to the Ateco 52.11 class (retail, non-specialized with food products prevalent). – (2) Corresponds to the Ateco 52.2 class (retail, specialized in the sale of food products). – (3) Austria, Belgium, Finland, France, Germany, Ireland, Italy, Spain e Portugal.

At the end of 2004 the number of outlets in relation to the population (Table 8.1) was higher in Italy than the average of a group of 9 European countries,[9] both

* Prepared by L. Aimone (Turin branch).

[9] Austria, Belgium, Finland, France, Ireland, Italy, Germany, Portugal and Spain; for these countries complete Eurostat information is available for the period 2000-04.

for supermarkets and for corner stores.[10] In addition Italian stores were smaller and their productivity lower.

In line with what has happened in Spain and Portugal, which, like Italy, had a higher density of outlets at the end of the last decade, between 2000 and 2004 the number of supermarkets decreased (by 5.9 per cent on average per year, compared with 4.1 per cent for the control group). This was the result of a rationalization of the sector that led to a large fall in the number of small units and increases in the numbers of medium-sized and large units; the sales and numbers of workers in this segment grew faster in Italy than in the control group. By contrast, no significant changes occurred in the corner-store segment.

Table 8.2

OECD indicators of the regulation of retail distribution
(absolute values)

	Partial indicators (1) - 2003						Total indicator 2003 (2)	Absolute change in indicator 1998-2003
	Inclusion in commercial register	Licenses or permits to begin activity	Specific regulation of large outlets	Protection of incumbents	Regulation of shop opening hours	Price controls (tobacco, pharmaceuticals, gasoline)		
Germany	1.5	3.0	5.0	3.0	5.5	2.0	3.1	0.9
France	1.5	0.0	6.0	6.0	6.0	1.0	3.1	-1.6
Spain	6.0	0.0	3.0	3.0	5.5	3.0	3.4	-0.2
Italy	0.0	4.0	3.0	3.0	3.5	2.0	2.4	-0.5
Portugal	1.5	4.0	0.0	0.0	4.0	4.0	2.2	-0.9

Source: OECD, "*Product market regulation in the non-manufacturing sectors of OECD countries: measurement and highlights", December* 2006.

(1) Each indicator can vary from a minimum of 0 (absence of regulation) to a maximum of 6 (maximum regulation). (2) The total indicator is obtained as the weighted sum of the individual partial indicators.

According to the OECD indicator, between 1998 and 2003 the regulation of retail distribution became less restrictive in Italy thanks to the reforms contained in Legislative Decree 114/1998 (known as the Bersani Decree). This improvement needs to be seen taking into account the application at regional level of the principles contained in the national legislation considered by the OECD.

The Bersani reform. – Legislative Decree 114/1998 delegated part of the legislative powers in this field to the regions after establishing some basic principles aimed at fostering greater liberalization of the sector. For example, the simplification of the tables of goods into just two classes (food and non-food) allowed shopkeepers to supply a broader range of products and greater flexibility in adapting the varieties

[10] Supermarkets are taken to mean larger stores organized primarily on a self-service basis and offering a wider range of products (the Ateco 52.11 class). Corner stores are taken to mean smaller "neighbourhood" shops; in this study only those specialized in food products are considered (Ateco class 52.2).

supplied to the evolution of demand. As regards the opening of new outlets, that of smaller outlets[11] was liberalized. The regulation of medium-sized and large outlets, for which the size limits are established at national level,[12] was delegated to local authorities: municipalities for medium-sized outlets and regions for large outlets, through the creation of a new body (the Conference of Services comprising the region, the province and the municipality).

In implementing the national provisions, many regions introduced direct constraints on the growth of large outlets, for example as regards the maximum number or surface area that could be authorized for new openings.[13] In some cases the scope of the provisions was extended to medium-sized outlets[14] and the non-food sector. The explicit constraints were often supplemented by provisions that indirectly hinder the growth of large outlets.[15] Some regional rules, especially for the non-food sector, have introduced a more detailed classification of goods, similar to that in force before Legislative Decree 114/1998. This has often been accompanied by a different regulation of operating matters such as opening hours[16] and the duration and manner of carrying out promotional sales.

Title V of the Constitution. – Powers of legislating on commerce were completely decentralized in 2001 with the reform of Title V of the Constitution.

This led to an even more restrictive application at regional level, especially as regards large outlets.

The Antitrust Authority has intervened on several occasions with respect to individual regional provisions that it deemed to harm the principle of free competition. It prepared reports on legislation drafted by Lombardy, Veneto, Friuli Venezia Giulia

11 Outlets with less than 150 or 250 square metres depending on the size of the municipality (respectively less or more than 10,000 inhabitants).

12 Medium-sized outlets are those with between 150 and 1,500 square metres in municipalities with less than 10,000 inhabitants and those with between 250 and 2,500 square metres in municipalities with more than 10,000 inhabitants. Large outlets are those with more than 1,500 and 2,500 square metres in the two municipal size classes referred to above.

13 Puglia, Umbria and Calabria imposed very strict quantitative limits. Other regions (Friuli Venezia Giulia, Lazio, Liguria, Sardinia and Sicily) subsequently tightened the initially more permissive constraints they had imposed. Liguria, Marche, Piedmont and Sardinia temporarily suspended the possibility of obtaining authorizations for large outlets.

14 Legislative Decree 114/1998 had assigned the legislative power for medium-sized outlets to municipalities.

15 Additional divisions were introduced in the types of medium-sized and large outlets, which were associated with increasingly restrictive authorization provisions as the size of the outlet increased. In some cases (Friuli Venezia Giulia and the autonomous provinces of Trento and Bolzano) the national size classes fixed for the classification of medium-sized and large outlets were lowered, with the result that smaller outlets fell within the scope of municipalities' authorization power envisaged for medium-sized outlets while the latter became subject to authorization by the Conference of Services.

16 The opening hours established by Parliament (13 hours maximum per day between 07:00 and 22:00) were reduced by Puglia and Sicily to 12 hours per day; nearly all the regions provide for derogations from Sunday closing, although sometimes only in touristy municipalities.

and Sicily.[17] Account was taken of these observations only in some cases and only partially.

The second Bersani reform. – In view of the often anticompetitive development of legislation at regional level and the repeated criticisms of the Antitrust Authority, Parliament intervened again on retail distribution with Law 248/2006,[18] which eliminated the following constraints and prescriptions: 1) entry in registers for eligibility or satisfaction of subjective professional requirements to engage in retail distribution (except for the food sector and for serving food and drinks); 2) minimum distances between outlets of the same type; 3) restrictions on the range of products, except for the distinction between the food and non-food sectors; 4) limits based on market shares; 5) bans on making promotional sales and time and quantity limits on such sales and the need for them to be authorized in advance; and 6) bans on and authorization requirements for on-the-spot consumption of gastronomic products at neighbourhood stores.

According to Law 248/2006, regions and other local authorities were to have adapted their legislation to the new national rules by 1 January 2007. At that date regional provisions were only partially in line with national law, however.[19]

In March 2007 the Antitrust Authority issued its report on Liguria's new consolidated law on commerce, considered not compliant with the principles of competition in some points (reclassification of the types of retail distribution and promotional sales). In the same month the Constitutional Court declared a provision of the law on the retail sector adopted by Umbria in 2005 to be unconstitutional because it discriminated in favour of large-scale retail outlets that already existed in the region and to the detriment of new entrants. In June 2007 the Antitrust Authority again criticized the restrictive application of Law 248/2006 in Veneto and Sicily[20] with respect to the serving of food and drinks and, in the case of Sicily, with reference also

17 For the latter, the Authority specified that "the reference to a notion of relevant market and to a maximum market share" is an evaluation that concerns the protection of competition and therefore a matter for which the State has exclusive legislative power.

18 The aim of the intervention is to ensure compliance with Community principles concerning the protection of competition and with Constitutional principles.

19 In March 2007 only Emilia-Romagna, Lazio, Marche, Tuscany, Piedmont and Puglia had issued provisions or explanatory circulars regarding the application of Law 248/2006. At the end of May Tuscany had reviewed its consolidated law on commerce issued in 2005 and brought it into line with the new national legislation. In March Sicily issued a circular that in some respects confirmed the prevalence of regional provisions over the new national principles, although it eliminated compliance with limits based on market shares that the Antitrust Authority had criticized earlier.

20 With reference to the serving of food and drinks, the Antitrust Authority criticized both Veneto and Sicily and the Resolution of the Ministry for Economic Development of 10 October 2006, which appeared to exclude this activity from the application of the liberalizing principles contained in Law 248/2006. The Authority stressed that in interpreting legislation it was not possible to circumscribe the scope of a national rule, which, in the case in hand, was intended to promote a more competitive setup in the whole retail sector. It also called on Veneto and Sicily to amend their restrictive planning mechanisms, which were not justified by needs of general interest.

to the provisions that excluded the application of Law 248/2006 to the activity of optician and to promotional and end-of-season sales.

The effects. – A recent study by the Antitrust Authority[21] classified the regions according to the degree of their liberalization. On the basis of this classification seven regions are found to have a high degree of competitiveness (Piedmont, Valle d'Aosta, Lombardy, Emilia-Romagna, Marche, Campania and Molise); five a medium degree (Veneto, Tuscany, Abruzzo, Calabria and Basilicata); and seven a low degree (Liguria, Friuli Venezia Giulia, Trentino-Alto Adige, Umbria, Lazio, Puglia and Sicily).[22] The Authority's analysis shows that the regions that liberalized the sector most have benefited from more favourable performances of both productivity and prices.

Further evidence is obtained from econometric exercises that make it possible to identify the effects of regulation by giving consideration also to factors that could influence the economic aggregates independently of legislation. A recent study by the Research Department[23] used the variability of the entry barriers caused by regional regulations while simultaneously taking account of the possible effects of independent factors. The results obtained show that entry barriers benefit the firms already operating in the market, to the detriment of productive efficiency and the spread of new technologies. Moreover, the lower level of efficiency and the higher margin of intermediation lead to consumers paying higher prices.

21 Antitrust Authority, "Qualità della regolazione e *performance* economiche a livello regionale: il caso della distribuzione commerciale in Italia", January 2007.

22 Sardinia was not considered by the Antitrust Authority since its sectoral legislation was passed only in 2006. The classification of the various regions was also carried out before the transposition at regional level of Law 248/2006.

23 F. Schivardi and E. Viviano, "Entry Barriers in Italian Retail Trade", Temi di discussione, no. 616 (February 2007).

9 – LOCAL PUBLIC TRANSPORT*

Developments in legislation. – Formerly in Italy as in other European countries, law in the field of local public transport assigned public entities not only regulatory, planning and monitoring functions but also the direct operation of services. Despite the lack of any specific EU legislative framework, over the past two decades several of the major European countries have embarked on reforms aimed at raising the efficiency and quality of services by introducing competitive mechanisms. In the majority of cases (for example, in France, Sweden and London), these reforms have introduced a system of competition "for the market", whereby competition comes into play when the public service contract is awarded and the winner of the tender operates the service in a monopoly regime for the contract's duration. Less frequently (for example in most parts of the United Kingdom) the service is managed by a number of competing operators acting simultaneously (competition "in the market"). The transition from the old to the new system has everywhere been rather drawn out and gradual, and government agencies have performed a vital role both in preparing and holding public tenders and in service planning and regulation at local level.

From the mid-1990s onwards Italy also began a reform of the sector. It was prompted by the serious financial difficulties of public transport operators, which had been growing steadily worse since the 1970s due to high labour costs and policies holding down tariffs, with deficits subsequently covered by local government bodies. Regulatory changes introduced by Legislative Decree 422/1997 (partially amended by Legislative Decree 400/1999) aimed to modernize and liberalize the sector, including through the introduction of competitive mechanisms for selecting service providers. The principles of the reform were: decentralization of the planning, financing and monitoring functions to the regions and from these to local authorities (based on the principle of subsidiarity); a new rule calling for costs to be gradually covered through price increases; separation between the public entity responsible for planning and monitoring, and the private law entity that provides the service; and finally, the selection of the service provider using competitive procurement procedures.

The gradual nature of these principles' application has often translated into uncertainty over the direction of change, with widespread and repeated recourse to temporary regimes; most recently, the decision to make the holding of public tenders mandatory was delayed by Decree Law 300/2006, ratified by Law 17/2007, until 31 December 2007. The extent to which the legislation has actually been applied has been paid special attention in a statistical survey of urban public transport services in

* Prepared by C. Bentivogli (Bologna Branch) and R. Cullino (Turin Branch).

the provincial capitals, part of a broader research project conducted by the Bank of Italy into local public services.

Concerning the transposition of the new legislative framework, in general the regions have passed laws in compliance with the provisions of Legislative Decree 422/1997, acting also on the basis of the more incisive powers granted them under the 2001 constitutional reform. The picture changes, however, with respect to actual management procedures: at the beginning of 2007 less than half of Italy's provincial capitals had transport services provided by a company selected by public competition, while direct or in-house award remains prevalent; recourse to competitive procurement procedures is widespread only in some regions, predominantly in the Centre and North. There was no public tender held in eight regions.

Table 9.1

Selected characteristics of the procurement procedure for awarding urban public transport service contracts in the provincial capitals
(percentages)

	Award through competitive tenders (1)	
North	Centre	South and Islands
58.7	66.6	11.1
	Previous operator included among successful tenderers (2)	
Yes, all	Yes, in the context of ATI, consortiums etc.	No
58.5	19.5	22.0
	Number of participants	
Fewer than three	Three	More than three
69.6	15.2	15.2
	Number of foreign participants	
None	One	Two or more
86.1	11.1	2.8

Source: Bank of Italy (February-March 2007). Updated to the first quarter of 2007.
(1) Data refer to the total number of responses gathered. No data available for nine municipalities. – (2) Including cases in which the previous operator in question was not the incumbent.

Even when public procurement procedures were followed, in the majority of cases the service contract went to the previous operator, sometimes in partnership with other parties (Table 9.1). There were almost always very few participants (not even three in almost 70 per cent of the cases, and just one in 40 per cent) and scant participation by foreign companies. Reductions with respect to the starting prices were generally negligible (less than 1 per cent in 65 per cent of the tenders). The Antitrust Authority has opened investigations to assess the existence of agreements designed to fix participation in several tenders by stressing the criterion of operators' local pre-eminence.

Participation levels in the public tenders may also have been negatively affected by national legislation governing the transfer of staff from the incumbent to the new operator, which subjects this process to the provisions established by the public entity, maintaining where possible pre-existing employment conditions. These provisions, which have since been made even more restrictive by measures issued by several regions, place substantial limits on the incoming enterprise in relation to staff management.

The international context. – Based on a survey conducted by the sector's trade associations (Asstra and Anav), compared with the average figures for six major European countries, local public transport supply in Italy is highly fragmented – with operators generally confined to a single city – and characterized by a substantial public presence (Table 9.2). In 2003 (the last year in which comparable data are available) the five leading Italian operators served 27 per cent of the market, against an average of 64 per cent in the other six countries examined; public operators served 68 per cent of kilometres travelled, compared with an average of 47 per cent in the other six countries. Italy's performance indicators also fared relatively less well: operating costs per kilometre were around 30 per cent higher, above all due to higher labour costs. Furthermore, 30.7 per cent of the costs were covered by revenue (compared with an average of 52.1 per cent in the other six countries), a reflection of the particularly low tariffs in Italy. Public contributions amounted to 57 per cent more than the combined average in the other countries.

International comparisons show efficiency is higher where liberalization is greater, with the highest levels recorded in Sweden and the United Kingdom. From an institutional perspective, the United Kingdom is distinguished by a smaller presence of the public sector, both in terms of contributions and in the direct management of services. Local public transport in the United Kingdom has lower operating costs, staff costs and hourly charges than in Sweden, and covers a higher percentage of costs (84.2 per cent against 55.4 per cent). On the other hand, the UK supply of services is smaller, investment lower, and the average vehicle age higher.

In Italy, higher costs and lower levels of cost coverage through the prices charged are not accompanied by a larger supply of service and more intensive use of local public transport. The supply of service is lower both quantitatively (number of kilometres per inhabitant) and qualitatively (lower average speed and higher average vehicle age). According to Eurobarometer data, Italy is ranked third last in Europe in terms of urban transport service use (ahead of Cyprus and Slovenia only); 40 per cent of those surveyed in 2005 declared that they had used urban public transport in the previous twelve months, compared with an average of 57 per cent in the EU-25. Some 68 per cent of Italians interviewed said that services are insufficiently attractive to persuade them to use their cars less frequently (against 58 per cent on average in the EU-25). Italian citizens reported the highest level of dissatisfaction over local public transport: in 2004, 40 per cent said the quality of service was inadequate, around double the EU-25 average; compared with two years previously, the percentage of Italians who were unhappy with the service had risen, while the average level of EU dissatisfaction was declining.

Table 9.2

Local public transport indicators in 2003: comparison of international data (1)
(Local public road transport; euro and percentages)

	Italy	United Kingdom	Germany	France	Sweden	Netherlands	Belgium	Average excluding Italy
				Structural indicators				
Concentration (% of first 5)	27	66	37	82	72	49	77	64
km/inhabitant	30.8	41.3	31.8	26.9	56.0	23.5	22.0	33.6
Average speed (km/h)	20.2	24.0	20.7	23.7	27.3	22.6	21.2	23.2
% km public operators	68	5	52	36	24	95	72	47
Investment in upgrades (€*bus)	4,494	1,937	5,868	6,506	11,538	4,809	5,675	6,055
Average age of fleet (years)	9.2	8.4	7.1	7.7	6.8	8.1	7.9	7.7
				Performance indicators				
Operating costs per km	3.5	1.8	4.0	2.9	1.9	2.4	3.0	2.7
Staff costs per km	2.3	0.8	2.1	1.6	1.1	1.7	2.0	1.6
Regular fare price	0.84	1.53	1.89	1.26	1.95	1.60	1.40	1.60
Price of monthly subscriptions in capital cities	30.00	41.33	51.19	45.80	44.02	47.20	32.54	43.68
Revenue from traffic per km	1.08	1.49	2.39	1.14	1.07	0.98	1.00	1.34
Public contributions per km	2.2	0.6	1.5	1.9	0.9	1.5	2.0	1.4
Cost cover ratio (%)	30.7	84.2	60.5	39.2	55.4	40.0	33.1	52.1

Source: Asstra-Anav. “The performance of local public transport in Italy”. *Trasporti Pubblici,* June 2005.
(1) Monthly subscriptions are calculated at purchasing power parities. The cost cover ratio measures the ratio of traffic revenue to operating costs (net of depreciation). The operating costs per km are calculated as the cost of production net of depreciation and allocations to provisions. Investments to upgrade the fleet of vehicles are calculated as the ratio between investments in vehicles and buses owned.

Geographical disparities. - Differences in the degree of implementation of local public transport reform in Italy are accompanied by significant geographical disparities in the sector’s structure, performance and level of demand. According to the last available accounts of infrastructure and transport produced by the Ministry of Transport, in 2003 there were 1,238 enterprises operating local bus services, 2.7 per cent more than in 1996 (Table 9.3). The majority of regions did not report on other forms of consolidation that could have enabled savings in costs to be achieved by creating economies of scale. The number of operators increased above all in the Centre (23.6 per cent), compared with a fall of 6.2 per cent in the North, in all regions except for Piedmont and Lombardy. Companies in the South and Islands were generally smaller than elsewhere; in 2003 the average number of staff was 91.6 in the North, 95.0 in the Centre and 49.9 in the South and Islands, lower than in 1996 in all of the areas. This was accompanied by an increase in the number of micro-firms: the number of enterprises with fewer than 6 workers went from 43.5 to 47.4 per cent of the total. The increase was even more marked in the Centre, where the proportion rose from 37.2 to 51.3 per cent, while in the South and Islands it increased from 45.9 to 48 per cent and in the North from 42.7 to 43.9 per cent. Companies with more than 100 workers continued to account for 10.9 per cent of the sector (18 per cent in the North, 10.2 in the Centre and 7.2 in the South and Islands). The number of staff fell by 6.7 per cent overall, declining in all areas and especially in the North (-8 per cent).

Table 9.3

Local public transport services: supply indicators (1)
(units)

	Number of urban and suburban service companies		Number of buses used		Seat-kms supplied for urban transport (millions)		Passengers on urban transport (millions)	
	1996	2003	1996	2003	1996	2003	1996	2003
North	386	362	6,849	8,114	28,148	29,747	1,214	1,212
Centre	191	236	4,086	5,504	19,300	24,970	924	1,177
South and Islands	628	640	4,227	5,021	15,459	15,572	493	509
Italy	**1,205**	**1,238**	**15,162**	**18,639**	**62,906**	**70,290**	**2,631**	**2,897**

Source: based on data published in *Ministero delle Infrastrutture e dei Trasporti*, *Conto Nazionale delle Infrastrutture e dei Trasporti*.
(1) Bus routes.

In 2003 the supply of seat-kms for local public road transport services was concentrated in the North and Centre (42.3 and 35.5 per cent of the total; Table 9.3). Between 1996 and 2003, both the number of buses and seats supplied rose (by 22.9 and 18.4 per cent respectively); compared with the rest of Italy, growth was most marked in the Centre (with increases of around 30 per cent for both indicators). Meanwhile, the annual distance travelled by buses fell in all areas and accordingly real supply in terms of bus-kms and seat-kms grew less quickly (by 10.4 and 11.7 per cent respectively). The supply of seat-kms grew most in the Centre alongside an increase in passenger numbers, and in the North, which instead recorded a slight decline in passengers.

Table 9.4

Local public transport services: economic indicators (1)
(km and percentages)

	Cost per employee (thousands of euro)		Revenue from traffic per km travelled (euro)		Annual distance travelled per employee (km)		Ratio of traffic revenue/total costs (%)	
	1996	2003	1996	2003	1996	2003	1996	2003
North	37.96	38.20	1.35	1.45	14,982	17,535	38.0	39.3
Centre	38.73	33.30	0.94	1.06	13,907	16.944	24.0	33.7
South and Islands	34.86	34.70	0.69	1.11	11,597	13,600	17.0	27.8
Italy	**37.18**	**35.60**	**1.05**	**1.24**	**13,583**	**16,184**	**27.0**	**34.5**

Source: based on data published in *Ministero delle Infrastrutture e dei Trasporti*, *Conto Nazionale delle Infrastrutture e dei Trasporti*.
(1) Data refer to urban road transport services.

As to the economic results for urban road public transport services, in 2003 an average of 34.5 per cent of costs were covered by revenue from traffic (Table 9.4). Only the North fared better than average (39.3 per cent, against 33.7 per cent in the Centre and 27.8 per cent in the South and Islands). There was some improvement between 1996 and 2003, due to a fall in average costs per kilometre and an increase in the revenue from traffic per kilometre. The sharpest improvement in this indicator was in the South and Islands, where the cost cover ratio stood at 17 per cent in 1996.

On the cost side, the drop in the average cost per kilometre (-6.9 per cent) reflected a decline in the average cost per employee (-4.3 per cent, thanks in part to a specific cut in social security and welfare charges and contributions to the National Health Service between 1998 and 2000), and an increase in kilometres per employee (19.1 per cent). These trends were particularly marked in the Centre, where the average cost per kilometre fell by 21.1 per cent and that per employee by 14 per cent. In the North, instead, the average cost per kilometre rose by 3 per cent, despite there being no change in the average cost and average distance travelled per employee.

In the period in question, revenue from traffic per kilometre grew by a little over 18.4 per cent, thanks to an increase in passengers (10.1 per cent, concentrated in the Centre) and tariffs (18.1 per cent, based on data gathered by Asstra-Anav). The growth was particularly high in the South and Islands (60.6 per cent). However, a significant gap continues to exist between the North, where in 2003 this indicator was equal to €1.45, and the rest of Italy (around €1.1 euro).

Table 9.5

Use of buses, trolley buses and trams by frequency and geographical area (1)
(per 100 users aged 14 and over in the same area)

	1996	2003	2005	
			Total	of which: every day or a few times a week
North-West	26.9	27.3	26.3	13.1
North-East	25.0	23.9	26.6	10.9
Centre	30.5	29.7	31.1	14.8
South	18.6	17.7	16.8	8.0
Islands	16.7	18.0	15.1	7.8
Italy	**24.1**	**23.8**	**23.8**	**11.2**

Source: Istat.
(1) Number of persons aged 14 and over that use buses, trolley buses and trams.

There were also significant geographical disparities in demand. In 2005, 23.8 per cent of persons of at least 14 years of age used buses, trolley buses and trams (less than half did so frequently), with the highest percentage in the Centre (31.1 per cent). The intensity of use of local public transport primarily reflects the size of cities: municipalities of the metropolitan areas account for 63.3 per cent of total use;

cities with over 50,000 inhabitants for 36.7 per cent, and cities with up to 2,000 inhabitants for 6.2 per cent.

Between 2003 and 2005 the proportion of persons of at least 14 years of age using buses, trolley buses and trams, which remained stable overall, declined in the North-West and the South and Islands, and increased in the North-East and Centre (Table 9.5). Regarding urban travel only, the Audimob survey conducted by Isfort indicates a fall in the share of public transport to 10 per cent, the lowest level recorded since 2000. At the same time use of private automobiles rose consistently in urban areas, from 78.9 to 82.8 per cent between 2004 and 2006. In the big cities, in contrast with the trend, the share of local public transport use increased (from 26.7 to 29.3 per cent between 2000 and 2006).

According to Istat's population survey in 2005 the number of citizens declaring themselves very or quite satisfied with the quality of service fluctuated between 34.9 per cent (when asked about ticket prices) and 60.9 per cent (journey times). Satisfaction with the all-round quality of service was highest in the North-East; by contrast the South and Islands reported the highest levels of dissatisfaction. Between 2001 and 2005, there was a decline in the level of satisfaction, with a slight enhancement only as regards improvements in bus stop facilities.

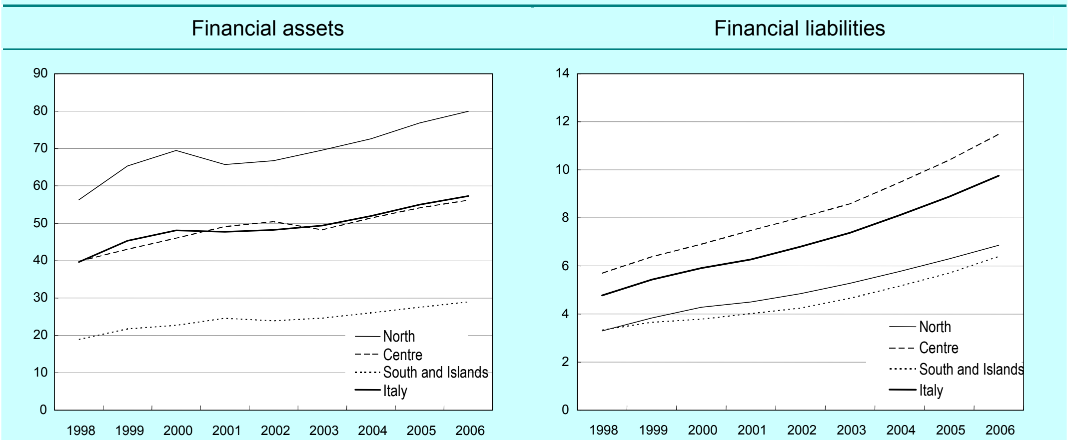
10 – HOUSEHOLDS' FINANCIAL ASSETS AND LIABILITIES *

At the end of 2006 Italian households' net financial wealth amounted to 2.7 times their disposable income.[24] This ratio, unchanged from a year earlier, was high in comparison with the euro-area average, which had stood at about 2 per cent at the end of 2005. Liquidity (cash and deposits) made up 28 per cent of the year-end stock of financial assets, bonds 20 per cent, shares and investment fund units 34 per cent and investments in pension funds and insurance products 18 per cent. Compared with the financial portfolios of households in the other main euro-area countries, those of Italian households contain fewer liquid assets and more bonds, investment fund units and shares (largely of unlisted companies); the percentage of financial wealth invested in pension funds and insurance products is well below the average for the other countries (see Chapter 12, *"The financial condition of households and firms"*, of the Bank's *Annual Report for 2006*).

Figure 10.1

Per capita financial assets and liabilities by geographical area: 1998-2006 (1)

(thousands of current euros)



Source: Based on financial accounts and Istat data.
(1) Provisional estimates for 2006.

At the end of 2006 gross financial wealth per capita amounted to €57,300 as a national average but was distinctly higher in the North (€80,000) than in the Centre (€56,200) and South and Islands (€28,900). The gap between the North and the other geographical areas had narrowed between 1999 and 2001 but has widened again since then (Figure 10.1).[25]

* Prepared by G. Albareto (Economic Research Department).

[24] The household sector comprises consumer households, producer households and non-profit institutions serving households.

[25] The estimates by geographical area up to 2004 given here are only marginally different from those presented in L. Cannari, G. D'Alessio and M. Paiella, "La ricchezza delle famiglie italiane", in L. Cannari and F. Panetta (eds.), *Il sistema finanziario e il Mezzogiorno*, Cacucci Editore, Bari, 2006.

Table 10.1

Composition of households' financial assets by geographical area: main items
(percentages)

	1998	2000	2002	2004	2006 (1)
			North		
Bank deposits	17.6	13.4	15.3	14.2	14.6
Post-office savings	3.4	3.3	4.2	4.5	4.8
Government securities	11.7	6.9	8.5	7.5	5.0
Bonds	9.2	9.0	11.6	13.1	12.1
Shares	22.3	30.1	25.8	25.9	28.5
Investment funds	19.8	20.1	13.8	12.1	10.1
Pension funds	4.9	4.7	5.7	5.5	5.5
Life insurance reserves	4.3	5.6	8.1	10.1	10.9
			Centre		
Bank deposits	22.0	18.9	18.9	19.2	19.9
Post-office savings	6.0	6.3	7.1	8.7	8.0
Government securities	12.9	7.9	9.5	7.4	4.8
Bonds	7.9	7.8	9.8	11.7	10.9
Shares	22.9	29.0	24.1	19.1	21.4
Investment funds	10.3	10.4	9.3	8.4	7.3
Pension funds	5.9	5.8	5.9	7.4	7.7
Life insurance reserves	5.5	7.1	8.4	10.7	11.6
			South and Islands		
Bank deposits	28.5	23.7	23.4	21.4	21.4
Post-office savings	16.5	16.5	19.0	20.2	20.5
Government securities	9.0	6.1	6.9	5.9	4.1
Bonds	7.9	8.5	9.8	9.9	8.4
Shares	9.2	16.7	12.7	12.1	13.5
Investment funds	10.5	9.6	8.1	7.5	7.1
Pension funds	6.3	5.6	5.4	5.7	5.7
Life insurance reserves	5.1	6.4	8.3	10.5	11.4
			Italy		
Bank deposits	20.3	16.2	17.4	16.4	16.8
Post-office savings	6.1	6.1	7.4	8.1	8.2
Government securities	11.4	7.0	8.4	7.2	4.8
Bonds	8.7	8.7	10.9	12.3	11.2
Shares	20.2	27.6	23.1	22.1	24.5
Investment funds	16.4	16.6	11.8	10.6	9.0
Pension funds	5.3	5.1	5.7	5.9	6.0
Life insurance reserves	4.7	6.0	8.2	10.3	11.1

Source: Based on financial accounts data.
(1) Provisional estimates.

The composition of financial wealth in the different geographical areas. – At the end of 2006 the portion of financial wealth invested in shares, bonds and investment fund units was sharply higher in the Centre and North than in the South and Islands (48.2 and 28.9 per cent respectively), while the reverse held true for investment in cash, deposits and post-office savings (Table 10.1). The share of financial wealth held in the form of government securities, pension funds and insurance products was similar in the different areas.

The share of bank deposits in households' financial assets fell in the period 1998-2006. The decline was concentrated in the years 1998-2000 (Table 10.1) and was determined by the components of deposit other than current accounts (certificates of deposit and savings deposits). By contrast, current accounts expanded in all the geographical areas.[26]

Post-office savings grew as a proportion of financial wealth in all the geographical areas. Although post-office current accounts still make up a very small share of households' total financial assets (0.7 per cent in 2006), that share continued to expand in all parts of the country, above all in the South and Islands (1.4 per cent in 2006). The share consisting of other post-office savings (savings accounts and savings certificates) increased and is especially large in the South and Islands. The higher incidence of post-office savings in the South and Islands is in part a reflection of the less extensive presence of bank branches there.[27] According to the Bank of Italy's Survey on Household Income and Wealth, since the first half of the 1990s the demographic characteristics of post-office customers have become more similar to those of bank customers.

Between 1998 and 2006 investment in government securities decreased in all parts of the country while investment in bonds increased, especially in the Centre and North. Investment in foreign shares and bonds grew in all the geographical areas, proving especially popular in the North-West (8.7 per cent of total financial assets at the end of 2006).

The portion of financial wealth invested in shares reflects the performance of share prices; after peaking in 2000, it fell until 2003 and then rose back to exceed the 1998 level (but not that of 2000). These shifts were mainly ascribable to the regions of the North, where equity investment is most widespread; in the North the percentage of shares in households' financial portfolios at the end of 2006 was only slightly below the level it had reached in 2000. In the period 1998-2006 households' holdings of investment fund units declined sharply in all the geographical areas and most markedly in the North, where they fell from 19.8 to 10.1 per cent of total financial assets. A contributory factor was the performance of some types of product, such as bond and money-market funds.

The scant propensity of households in the South and Islands to invest in risky instruments reflects a number of factors: lower-than-average wealth, perceptions of acute uncertainty concerning future income, and lower levels of education, social capital and mutual trust between economic agents. The higher proportion of shares in the portfolios of households in the North primarily reflects the concentration of productive activities in the regions of the Centre and North.

According to the Survey on Household Income and Wealth, in 2004 about 12

[26] On the basis of banks' supervisory reports, the growth in current accounts was mainly due to producer households.
[27] In 2004, 10 per cent of households that had accounts only with the post office resided in municipalities where no bank branch was located.

per cent of employed heads of household had investments in a supplementary private pension fund or a life insurance policy. The households that invested in supplementary retirement savings schemes had higher-than-average levels of wealth and educational attainment.

In the period 1998-2005 the year-end number of pension funds already authorized to operate or being established rose from 87 to 132; the number of members increased by 30 per cent for occupational pension funds and 42 per cent for open pension funds.[28] Nonetheless, the portion of households' financial resources invested in pension funds was only slightly higher in 2006 than in 1998 (6 per cent, compared with 5.3 per cent). The figure was highest in the Centre, which was also the area where pension funds recorded the fastest growth.

Investment in life insurance products expanded markedly, rising from 4.7 to 11.1 per cent of households' total financial assets between 1998 and 2006. The growth was quite even across geographical areas. According to the Survey on Household Income and Wealth, the tendency to take out insurance is highest among high-income households whose head has at least a high-school diploma, holds a managerial position or is self-employed and has investments in shares and investment funds.

Financial liabilities. – The ratio of households' financial liabilities to disposable income rose to 47 per cent in 2006. Italian households' burden of debt is small by international standards: in 2005 the ratio was 43 per cent in Italy, compared with 66 per cent in France, 100 per cent in Germany, 128 per cent in the United States and 148 per cent in the United Kingdom.

Financial debt per capita amounted to €9,800 in 2006. The figure for the South and Islands was almost just half that of the Centre and North; the gap widened in the years from 1998 to 2006 (Figure 10.1). However, it must be borne in mind that only a rather limited part of the population has financial debts: 23.9 per cent of households in the Centre and North and 18.3 per cent of those in the South and Islands in 2004, according to the Survey on Household Income and Wealth.

About 80 per cent of households' financial debt at the end of 2006 consisted of loans. Mortgage loans alone accounted for 44.8 per cent, compared with just 25.7 per cent in 1998; the figure was higher in the Centre (46.3 per cent) and North (48.4 per cent) than in the South and Islands (35.1 per cent; Table 10.2). The increase in this form of borrowing is due mainly to the fall in nominal and real interest rates and to intermediaries' lending policies.

[28] See R. Cesari, G. Grande and F. Panetta, "La previdenza complementare in Italia: caratteristiche, sviluppo e opportunità per i lavoratori", Banca d'Italia, Occasional Papers no. 8, June 2007.

Table 10.2

Composition of households' financial liabilities by geographical area: main items
(percentages)

	1998	2000	2002	2004	2006 (1)
			North		
Mortgages	29.6	38.7	39.6	45.0	48.4
Consumer credit	8.1	8.3	8.7	9.2	10.7
Other loans	36.1	28.6	27.8	23.8	20.9
			Centre		
Mortgages	27.1	36.1	38.6	42.2	46.3
Consumer credit	8.1	9.4	11.7	12.6	13.7
Other loans	39.1	28.9	24.6	21.8	19.3
			South and Islands		
Mortgages	16.6	23.4	26.0	31.9	35.1
Consumer credit	11.6	13.6	16.7	19.1	22.8
Other loans	47.5	37.3	31.5	25.6	21.7
			Italy		
Mortgages	25.7	34.6	36.3	41.4	44.8
Consumer credit	9.0	9.8	11.2	12.2	14.2
Other loans	39.7	30.7	27.9	23.7	20.7

Source: Based on financial accounts data.
(1) Provisional estimates.

Consumer credit's share of households' total financial liabilities rose from 9 to 14.2 per cent in the period 1998-2006. It increased in all parts of the country, especially the South and Islands, where it grew from 11.6 to 22.8 per cent (Table 10.2). There are considerable geographical disparities in recourse to consumer credit, even between provinces belonging to the same area. They reflect differences in the geographical diffusion of large-scale retailing as well as the characteristics of demand.

Other loans – mainly loans to producer households – accounted for 20.7 per cent of total financial liabilities at the end of 2006, compared with 39.7 per cent in 1998. Their share of financial liabilities fell sharply between 1998 and 2006, above all in the South and Islands.

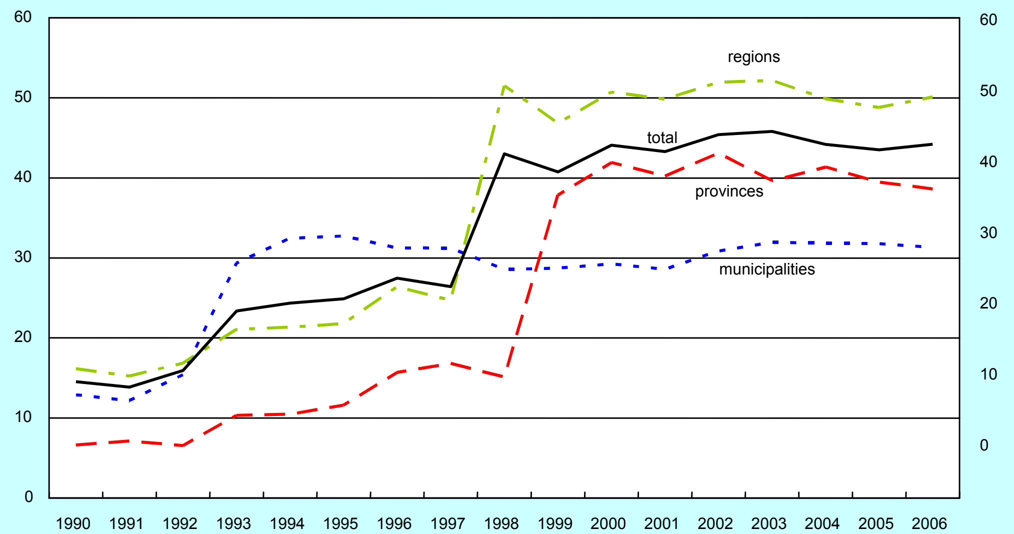
11 – THE AUTONOMOUS TAXING POWER OF THE REGIONS*

Fiscal decentralization

During the last decade the manner of financing local authorities underwent a far-reaching reform known as "fiscal decentralization". The aim was to create more favourable conditions for the consolidation of the public finances by giving the entities most involved in expenditure decisions, especially in the health field, primary responsibility for financing them. Fiscal decentralization has therefore led to the progressive reduction in local government accounts of resources coming from the state and their replacement with forms of financing more closely linked to the fiscal capacity of the territory. Examining the composition of the revenue of regions, provinces and municipalities, it can be seen that in 1990 taxes accounted for less than 15 per cent of the total, while transfers accounted for 75 per cent; in 2006 the share of tax receipts had nearly tripled and was roughly the same as that of public transfers (Figure 11.1).

Figure 11.1

Tax revenue of the local authorities from 1990 to 2006
(percentage shares of total revenue)



Fonte: elaborazioni su dati Istat.

* Prepared by G. Messina (Economic Research Department).

The regions are the local government entities for which decentralized taxes have come to account for the largest share of revenue. The structure of the resources assigned to these entities highlights the preponderant role played by the regional tax on productive activities (IRAP), which was introduced in 1998 and produces about 73 per cent of the total revenue generated by the regions' own taxes. It is followed in decreasing order of importance by the personal income surtax (also introduced in 1998 and accounting for about 13 per cent of the total); the regional automobile taxes (transferred to the regions in 1993 and accounting for about 9 per cent of the total); and other minor taxes (such as the surtax on methane, the special tax for disposing of solid waste in tips; the tax for qualifying to engage in a profession, and that on university enrolment).[29]

The autonomous taxing power of the regions

The need to responsibilize public-sector operators by creating a closer link between spending and the self-financing capacity of local governments requires that the latter be put in a position to balance decisions that imply greater expenditure with measures of the same size regarding the resources available to them. A crucial aspect of fiscal decentralization is thus the autonomous taxing power of an entity, or in other words the possibility it has to apply levies and alter the various parameters that determine the burden imposed by a local tax.

In the case of the regions, autonomous taxing power consists basically in the right to choose the rates for some taxes (IRAP and the personal income surtax) and fix the amount of others (such as the automobile taxes) within the limits established by Parliament. More specifically, the IRAP rate can be raised or lowered by one percentage point with respect to the base level of 4.25% applied in the private sector (with differentiations possible according to the type of economic activity); the personal income surtax rate can be set between 0.9 and 1.4 per cent; while the amount of automobile taxes can be increased up to a maximum of 10% (on an annual basis). Other aspects of local taxation, such as the identification of the persons liable to pay, the determination of the tax base, and the assessment and collection of local taxes are almost entirely the responsibility of central government.

To assess the extent to which the regions have so far used the tax lever, the rates at which IRAP and the personal income surtax are actually applied have been compared with the minimum and maximum rates laid down by Parliament. For each tax the difference between the actual rates and the minimum rates shows the margins of autonomous taxing power already used by the regions, while the difference with respect to the maximum rates shows the margins of autonomous taxing power still available (Figures 11.2 and 11.3). The reconstruction covers the three years 2003-05, when the regions' autonomous taxing power was limited by the provisions that sus-

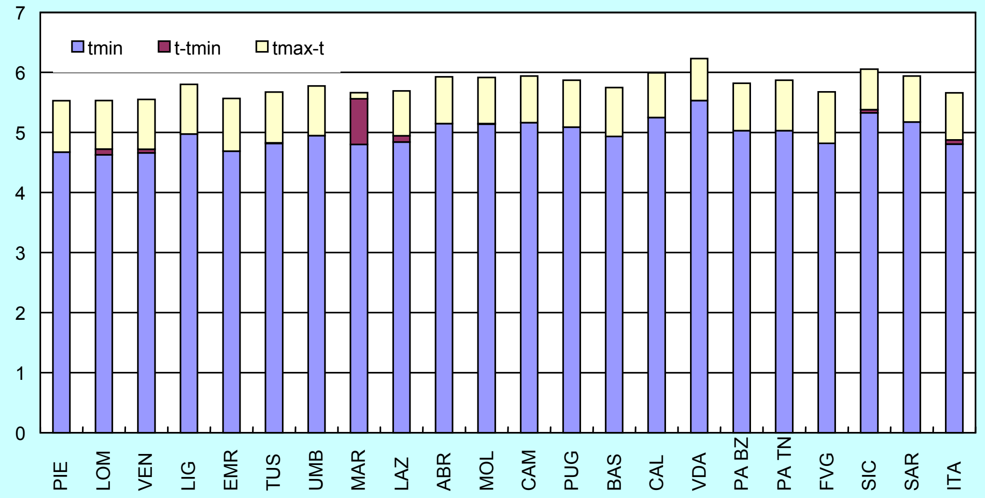
29 The shares are calculated excluding the resources assigned to the special statute regions are deducted from the regions' total tax revenue.

pended the effectiveness of the resolutions to increase rates adopted between September 2002 and September 2006, except for those adopted in 2005 and 2006 to cover healthcare deficits. The scope for autonomy that is the subject of the analysis thus concerns the rate reductions made during the three years and the rate increases not affected by the suspensions because they were made either before September 2002 or in 2005 to cover healthcare deficits.

Figure 11.2

IRAP: margins of autonomous taxing power already used and those still available (1)

(average percentage values for the three years 2003-2005)



Source: Based on Ministry for the Economy and Finance data.

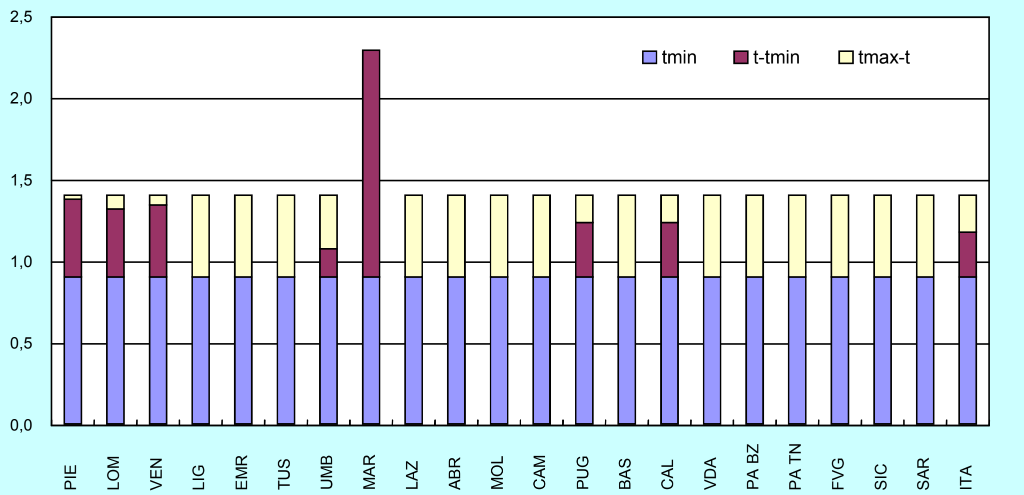
(1) Weighted averages of the rates applied in each sector of economic activity, with weights consisting of the shares of tax base in the latest income tax returns. The margins of autonomous taxing power already used are calculated as the difference between the rates applied in the tax periods considered (*t*) and the minimum rates (t_{min}) calculated starting from the ordinary rates (1.9 per cent for the agricultural sector, 4.25 per cent for the rest of the private sector and 8.5 per cent for the public sector). The margins of autonomous taxing power still available are calculated as the difference between the maximum rates (t_{max}) based on the ordinary rates increased by a percentage point (except for that of the public sector) and those applied in the tax periods considered.

The reconstruction shows that the right to raise IRAP rates was largely unused. In fact only one region (Marche) used almost the entire margin; another six (Lombardy, Veneto, Tuscany, Lazio, Molise and Sicily) made limited rate increases, while the remaining regions applied the ordinary IRAP rates (except for the local governments of Trento and Valle d'Aosta, which made only reductions for some sectors of economic activity). Greater use appears to have been made to managing the personal income surtax rates: seven regions made increases (Piedmont, Lombardy, Veneto, Umbria, Marche, Calabria and Puglia) and two of them (Veneto and Marche) exceeded the legal limit on the basis of a temporary waiver provided for by national law.

Figure 11.3

Personal income surtax: margins of autonomous taxing power already used and those still available (1)

(average percentage values for the three years 2003-2005)



Source: Based on Ministry for the Economy and Finance data.

(1) For the regions that applied increases that differed according to the income bracket, the tax rates are calculated as weighted averages, with weights based on taxpayers' latest income tax returns. The margins of autonomous taxing power already used are calculated as the difference between the rate applied (t) and the minimum rate of 0.9 per cent (t_{min}); the margins of autonomous taxing power still available are calculated as the difference between the maximum rate of 1.4 per cent (t_{max}) and the rate applied.

A synthetic measure of the residual autonomous taxing power of the regions

A quantitative measure of the regions' autonomous taxing power permits an assessment of the volume of resources a region is free to decide to obtain through taxation. To this end an indicator has been constructed that combines the information on a region's total fiscal endowment, summarized by the ratio between tax revenue and current revenue, with an estimate of the higher revenue that would follow from use of the residual scope for increasing the rates of its own taxes. This indicator represents the "flexible" portion of the region's current revenue, i.e. the amount of extra resources that the region could obtain by exploiting its autonomous taxing power to the full.[30]

An exercise carried out on additional regional tax revenue (IRAP, personal income surtax and automobile taxes) shows that the yield flexibility for the regions was about 6 per cent of current revenue in the three years 2003-05 (Table 11.1). The average figure hides a highly differentiated geographical pattern, which is influenced by a distribution of tax bases that is notably disparate across the various parts of the country. The endowment of fiscal resources of the northern ordinary statute regions, in which a large proportion of incomes and productive activities are concentrated, is

[30] For additional methodological details and an application of the indicator restricted to 2003, see G. Messina (2006), "Attualità e prospettive del decentramento fiscale in Italia: quanto spazio per l'autonomia impositiva delle Regioni?", *Economia italiana*, no. 3.

significantly greater than that of the southern ordinary statute regions: owing to the larger IRAP yield, the ratio of taxes to total current revenue is more than 47 per cent for the former and less than half that for the latter.

Table 11.1

Index of regional autonomous taxing power and its components (1)
(average values for the three years 2003-2005)

Regions	T/E	of which: IRAP	ΔT/T	I_{aut}
Piedmont	49.2	*34.5*	14.3	7.0
Valle d'Aosta	8.1	*7.0*	18.6	1.5
Lombardy	65.3	*49.3*	14.8	9.7
PA Bolzano	12.6	*9.8*	20.0	2.5
PA Trento	13.8	*10.5*	20.8	2.9
Veneto	47.0	*32.4*	14.4	6.8
Friuli Venezia Giulia	23.1	*19.4*	23.7	5.5
Liguria	25.5	*17.5*	22.8	5.8
Emilia-Romagna	48.8	*36.5*	22.7	11.1
Tuscany	39.0	*28.0*	22.2	8.7
Umbria	30.9	*20.0*	17.9	5.5
Marche	41.4	*27.7*	-4.8	-2.0
Lazio	76.4	*66.0*	17.4	13.3
Abruzzo	30.1	*19.8*	20.3	6.1
Molise	19.0	*11.9*	20.6	3.9
Campania	18.6	*12.3*	21.0	3.9
Puglia	21.4	*13.0*	14.3	3.1
Basilicata	14.1	*8.9*	21.6	3.0
Calabria	17.9	*10.2*	14.3	2.6
Sicily	10.6	*8.4*	21.2	2.3
Sardinia	11.2	*8.6*	22.8	2.5
Total	**36.6**	***27.4***	**17.0**	**6.2**

Sources: Based on Istat and Ministry for the Economy and Finance data.
(1) T/E = share of current revenue consisting of receipts of IRAP, personal income surtax and automobile taxes; ΔT/T = the change in receipts associated with the maximum permitted increases in tax rates; I_{aut} = the index of autonomous taxing power, corresponding to the product of T/E and ΔT/T.

In the case of the northern ordinary statute regions, the index of autonomous taxing power, at 8.1 per cent, is significantly higher than the average because even small tax rate differences have a sizable effect in terms of receipts. The situation in the ordinary statute regions of central Italy is diversified: Umbria and Marche have values of the index of autonomous taxing power that are below the national average as a consequence of a smaller endowment of fiscal resources in the first case and of the exhaustion of the scope for increasing tax rates in the second. For Tuscany and above all for Lazio, the residual margins of autonomous taxing power are well above the national average (in Lazio's case in view of the large size of IRAP receipts). In the case of the southern ordinary statute regions, the lower level of the index of autonomous taxing power, equal on average to 3.8 per cent, indicates that the scope for obtaining resources through taxation is much smaller, even though there is still room to raise tax rates (only a few of these regions increased their tax rates during the three years considered). Lastly, it is necessary to note the peculiar feature of special statute regions, for which the index of autonomous taxing power is much lower (2.9 per cent on average), because the ratio of tax receipts with a variable tax rate to total current revenue is hardly material. In fact, in relation to the functions delegated under their statutes, these regions possess greater financial resources which they are not free to change since they consist of shares of central government tax revenues (see Chapter 12 in the *Special Topics* section).

12 – THE PUBLIC FINANCES OF THE SPECIAL STATUTE REGIONS*

The statutes of autonomy

The Italian Constitution granted five regions (Valle d'Aosta, Trentino-Alto Adige, Friuli Venezia Giulia, Sicily and Sardinia) "special forms and conditions of autonomy, as laid down in the respective statutes adopted by constitutional law". This autonomy is embodied in more extensive legislative powers than the ordinary statute regions enjoy in the matters specified in each of their statutes, which differ widely from one another for historical and political reasons. Except for that of Friuli Venezia Giulia, all of the statutes were adopted soon after the Constitution and reflect the necessities and pressures of the day.[31]

The lack of a single, all-encompassing approach led to differences in the tasks assigned to the special statute regions and autonomous provinces. These differences have been amplified by subsequent measures extending the scope of the powers of Sardinia, Valle d'Aosta, Friuli Venezia Giulia and the autonomous provinces of Trento and Bolzano.[32]

The special statute regions are assigned tasks concerning economic development and productive activities, territorial and infrastructure management, social and public services and general administration.

Public spending and economic measures

The assignment to the special statute regions of many tasks that in the ordinary statute regions belong to the central government is reflected in higher local government expenditure per capita. Setting the national average equal to 100, local government expenditure per capita is equal to 127 for the special statute regions as a group

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* Prepared by A. Fabbrini (Trieste Branch), F. Piersante (Trento Branch), G. Saporito (Cagliari Branch), S. Scarpelli (Trento Branch), M.L. Stefani (Trento Branch) and E. Vadalà (Palermo branch).

31 In 1972 a revision of the statute of Trentino-Alto Adige subsequently granted particular autonomy to Trento and Bolzano provinces and reduced the role of the region. Since the two autonomous provinces are similar in every respect to the special statute regions, the present analysis does not provide aggregate figures for Trentino-Alto Adige.

32 For example, in the field of education all central government tasks have been transferred to Valle d'Aosta. The autonomous provinces of Trento and Bolzano, which originally did not have any specific powers regarding education, have been assigned responsibility for expenditure for teachers and other school personnel. See I. Dalmonego, *L'ordinamento finanziario e contabile della Provincia autonoma di Trento, degli enti locali e degli enti funzionali*, vols. I and II, Dipartimento Affari finanziari della Provincia autonoma di Trento, 2004. Friuli Venezia Giulia has been entrusted with new tasks concerning the Regional Health Service and the organization and financing of local authorities.

and to 95 for the ordinary statute regions. (Table a12.1).[33] There are pronounced differences among the special statute regions in this regard: the small autonomous units of the North have indicators up to three times higher than the national average, while Sicily, with 102, is basically in line with the national standard. Friuli Venezia Giulia and Sardinia are in an intermediate position, about 20 per cent higher the national average.

Concerning the division between current and capital expenditure, which is useful to understand the impact of public action on the regional economy,[34] in all the special statute regions except Sicily the ratio of capital spending to total expenditure is higher than in the ordinary statute regions. It is especially high in the small autonomous units of the North, where it also reflects the delegation of powers concerning state roads; capital expenditure per capita in Valle d'Aosta is more than six times the national average. In the South and Islands, there is a sharp difference between Sicily and Sardinia, due in part to the role played by transfers from the European Union, which averaged €180 per capita in Sardinia as against €120 in Sicily.[35] Friuli Venezia Giulia holds an intermediate position, with per capita capital expenditure nearly 50 per cent higher than the national average but well below the levels of the other, smaller autonomous units of the North.

As to current expenditure, the small autonomous units of the North have higher indices of per capita expenditure, ranging from 188 in the Province of Trento to 236 in Valle d'Aosta. To begin with, this reflects the different scope of their tasks, and especially the duties in the field of education with which only these territorial units are entrusted. Secondly, it reflects the impossibility for these units, with their relatively small populations, to enjoy economies of scale for some types of expenditure, above all outlays for general administration.[36] Sicily, Sardinia and Friuli Venezia Giulia have comparable levels of per capita current expenditure, more than 10 per cent higher than the national average.

Additional differences between the special statue regions emerge when they are grouped by per capita GDP. Among the regions of the North, whose levels of per capita GDP are similar and higher than those of the South and Islands, Valle d'Aosta's per capita expenditure is higher than that of the two autonomous prov-

33 The data are taken from the territorial public accounts prepared by the Ministry for Economic Development and refer to the average for the years 2001-04.

34 Although the region in which the beneficiary of expenditure resides is not necessarily the same as the disbursing region, it is reasonable to assume that while current public expenditure (even including numerous measures to assist the local economy) is only partially reflected in aggregate regional demand, capital expenditure not only adds to the region's infrastructure endowment but also translates into aggregate demand directly, through purchases of capital goods, or indirectly, through incentives for investment.

35 In the other special statute regions per capita transfers from the EU are lower (less than €60) because the Structural Funds play a smaller role than in the South and Islands. Valle d'Aosta (€150) is an exception, owing to its small population. The data are taken from the general accounts and refer to the average for the years 2001-04.

36 In this regard, see expenditure for operations of regional institutions and general administration in Table 12.2.

inces. In the South and Islands, although Sicily and Sardinia have similar ratios of total expenditure to GDP, the incidence of capital expenditure is higher in Sardinia.

The main objective functions. – Expenditure data from the general accounts can be analyzed to distinguish the differing importance of the main objective functions between the special statute regions,[37] albeit with the limits set by the margin of discretion granted the regions in classifying outlays (Table a12.2).

Spending in favour of the local economy (agriculture, industry, distribution, tourism, etc.) is highest in the small autonomous units of the North (exceeding €3,000 per capita in Valle d'Aosta) and in Sardinia (€700); at the other extreme, Sicily spends less than €300 per capita.

The high level of spending on public works and infrastructure in Valle d'Aosta and in the two autonomous provinces is partly the consequence of the local responsibilities for state roads and the implementation in Trentino-Alto Adige of extraordinary road building plans in the years in question. In education, the regional differences reflect the tasks assigned to Valle d'Aosta and the two autonomous provinces, which also show high-intensity expenditure for income support programmes (social security, labour and training).

Health is the largest single expenditure item for all the special statue regions except Valle d'Aosta. Per capita outlays are higher in the small autonomous units of the North than in Friuli Venezia Giulia, Sicily and Sardinia.[38]

Health care expenditure has the lowest variability among objective functions in per capita terms. This is probably due to the fact that because such expenditure is also entrusted to the ordinary statute regions a system for quantifying expenditure is established at national level in order to guarantee essential standards of assistance throughout the country. The requirement of the health care sector for the ordinary and special statutes as a group is quantified in the Finance Law and then divided among the regions, taking socio-demographic and epidemiological indicators into account. However, the greater financial resources that the special statute regions enjoy by virtue of their greater fiscal capacity, especially those of the North, can lead to per capita expenditure in excess of the levels mandated by the essential assistance standards. In addition, the higher level of per capita health spending in the smaller autonomous units of the North may also reflect the impossibility of exploiting economies of scale.

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37 The data refer to averages for the period 2001-04 and are taken from the general accounts except in the case of Friuli Venezia Giulia, for which the source is the Planning Notes.

38 According to data from the Health Sector Information System, which make possible a homogeneous comparison with the ordinary statute regions, per capita expenditure is higher than the average for the ordinary statute regions in Valle d'Aosta and the provinces of Bolzano and Trento, roughly in line with that level in Friuli Venezia Giulia and lower than it in Sicily and Sardinia.

Financial sources

The lack of a single overarching approach in framing the special statutes is reflected in differences not only in the tasks assigned to the regions but also in their resource endowment. However, correspondence between revenue and spending power has proven imperfect, owing to limited knowledge, at the time the statutes were adopted, of the actual costs of the tasks entrusted to the regions and the best ways to finance them.

The endowment of current resources has been adequate as a whole. The financial equilibrium index is above 100 per cent in all the special statute regions, ranging from a low of 100.2 per cent in Sicily to somewhere in the vicinity of 150 per cent in Valle d'Aosta and the autonomous provinces of Trento and Bolzano, compared with 95 per cent for the ordinary statute regions as a group.[39] An index higher than 100 signals the formation of public saving that can go to finance capital expenditure; these resources may have increased between 2002 and 2004, when special statute regions came under the expenditure growth constraints of the domestic stability pact, which in those years only applied to current spending.[40]

The total amount of current and capital resources (including transfers) managed at local level varies across the six autonomous territories in connection with the different tasks assigned to them, but in all of them it is higher than the average for the ordinary statute regions. Between 2001 and 2004 the ratio of revenue to GDP ranged from a high of 32 per cent of GDP in Valle d'Aosta to a low of 12 per cent in Friuli Venezia Giulia, compared with only 8 per cent in the ordinary statute regions (Figure 12.1).

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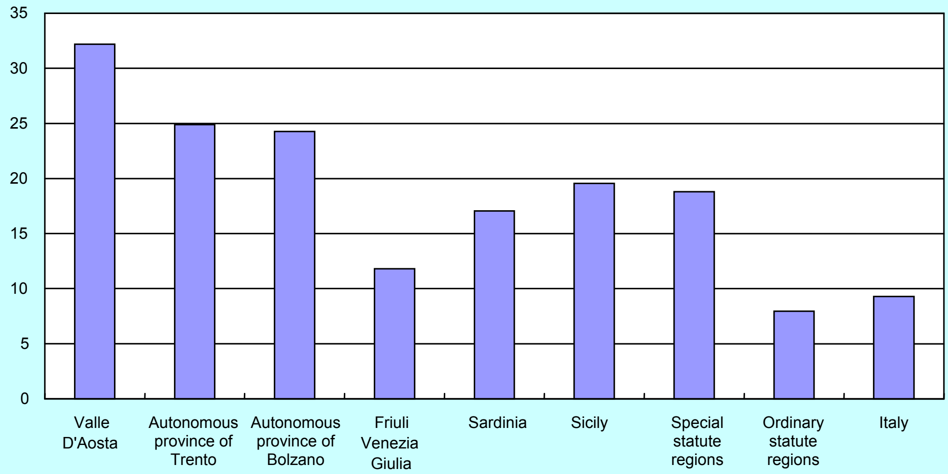
39 The financial equilibrium index is defined here as the percentage ratio of total current revenue to the sum of current expenditure and loan and mortgage amortization payments. In 2001-04 the indices averaged 154.2 per cent in Valle d'Aosta, 151.8 per cent in the Autonomous Province of Trento, 141.7 per cent in the Autonomous Province of Bolzano, 110 per cent in Sardinia, 100.2 per cent in Sicily and 111.9 per cent in Friuli Venezia Giulia.

40 The domestic stability pact, introduced with the decree accompanying the Finance Bill for 1999, governs the contribution of local government entities to Italy's compliance with its Community obligations and to the consequent achievement of the public finance objectives. The special statute regions were not covered by the pact for three fiscal years; their inclusion dated from 2002 under terms and procedures established by agreement between the Government and the presidents of the regional and provincial executive bodies.

Figure 12.1

Revenue of the regions as a percentage of GDP (1)

(averages 2001-2004i)



Source: Based on data published by Issirfa *(Istituto di Studi sui Sistemi Regionali, Federali e sulle Autonomie).*

(1) Revenue on an accrual basis, net of borrowings.

The main categories of revenue consist of the devolution of predetermined shares[41] of central government taxes (revenue shares) collected by or assigned to the regions, the latter's own taxes, their own non-tax revenue, transfers and loans.[42]

Revenue shares, albeit with sizable differences between the percentages devolved and the types of central government taxes referred to, are the main source of financing for the special statute regions (on average 52 per cent of the total; Figure 12.2 and Table a12.3) and the distinguishing element in comparison with the financial structure of the ordinary statute regions. On the one hand devolved revenue has the advantage of being more stable and foreseeable than transfers, thus fostering better planning of expenditure, and on the other of relating budget resources to the performance of the local economy. However, it does not permit full control of the flow of receipts, which is influenced by national fiscal policies as regards tax rates and calculation of the tax base. Except for Friuli Venezia Giulia, whose devolved revenue is calculated on the basis of a given series of central government taxes collected locally, for the other autonomous entities revenue shares extend, with some limitations, to all taxes however named (even if they are not explicitly referred to in the statute), ac-

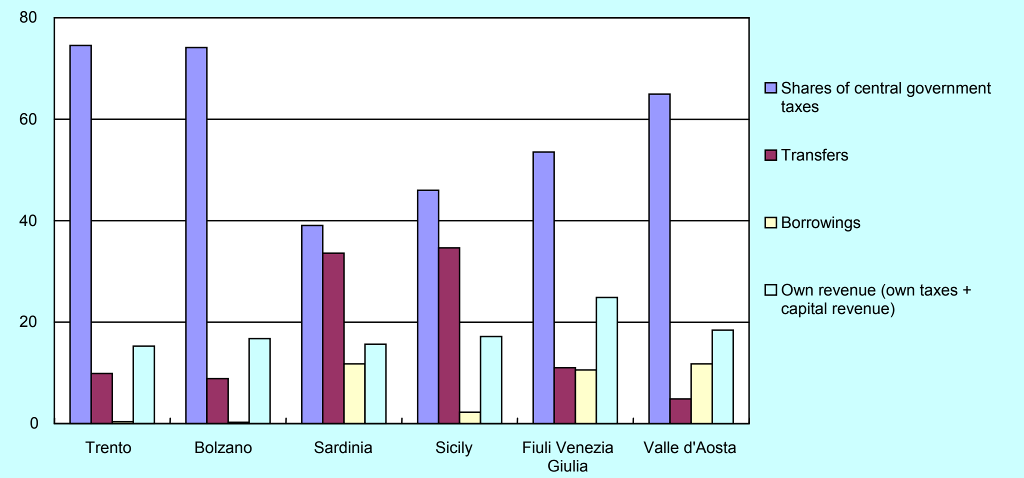
41 In addition to "fixed quota" revenue shares of the size indicated in the statute, the two autonomous provinces benefit from "variable quota" revenue shares, whose size, established only as an upper limit, is periodically negotiated with the Government, to ensure the flexibility necessary to make local revenue match the financial needs for the performance of the decentralized functions.

42 The structure of the sources of the special statute regions' financing is laid down in their individual statutes: for the autonomous provinces, the Valle d'Aosta and Sicily the rules on financing can be changed with a procedure similar to that for constitutional laws, while for Sardinia and Friuli Venezia Giulia an ordinary law is sufficient after the region concerned has been consulted.

cording to a principle of territoriality[43] of the source of the levy (thus also to amounts paid by a region's residents at finance offices located outside the region).

Figure 12.2

Percentage composition of the revenue of the special statute regions
(averages 2001-2004)



Source:: General accounts.

Own revenue, which is divided between own taxes and non-tax revenue, is covered by rules analogous to those applicable to ordinary statute regions.[44]

The main own taxes are the regional tax on productive activities (IRAP), the personal income surtax, the tax on university enrolment, the tax for qualifying to engage in a profession, the tax on regional concessions and those of an environmental nature. These are taxes introduced by state laws that reserved the yield to both the ordinary and the special statute regions. Local authorities are given powers only of an implementing nature and the possibility, within certain limits, to use the fiscal lever by changing the related tax rates (see Chapter 11 in the *Special Topics* section). The special statute regions may also introduce new taxes, a right that has been used only marginally to date.[45]

43 For Sardinia the territoriality principle was introduced following a legislative intervention of 2006.

44 Own revenue other than taxes consists of capital revenue, proceeds from the sale of goods and services, other current revenue, revenue deriving from the disposal of real estate or the collection of claims; on average it is equal to about 5 per cent of the total resources.

45 For example for: 1) a tourist tax introduced in 1976 by the Trentino-Alto Adige region, which subsequently became of provincial responsibility (it was suppressed by the autonomous province of Trento but maintained by that of Bolzano, although only for second homes); an "environmental tax " introduced by Sicily in 2002 but subsequently declared illegitimate; and 3) the taxes introduced by Sardinia in 2006 (the so-called luxury taxes) on certain categories of buildings used as second homes or for tourism, and of aircraft and yachts.

The resources obtainable with own taxes vary considerably across the special statute regions, reflecting above all the different degrees of economic development, especially between the regions of the South and those of the North. An indicator of the differences in fiscal capacity is given by IRAP receipts calculated on the basis of the basic rate in 2004. Compared with a national average of €500, IRAP per capita was €290 in Sicily and €340 in Sardinia, rose to about €600 in Friuli Venezia Giulia and the province of Trento, €680 in the province of Bolzano and €745 in the province of Bolzano and Valle d'Aosta.[46]

The geographical disparities in fiscal capacity are reflected not only in the amount of own tax receipts but also in that of revenue shares, which are already differentiated as a result of the different methods of devolution adopted in the individual regions. In this respect it should be remembered that in the case of the special statute regions the circumstances in which they were born did not permit the a system of sharing that provided for a form of equalization, such as the ordinary statute regions' recent sharing of VAT receipts. In fact provision was made for non-communicating revenue sharing systems under which each region keeps the fiscal resources produced in its territory in addition, for the poorest special statute regions, to receiving supplementary transfers from the State.

Large differences in per capita tax revenue (own taxes and revenue shares) are the result of different fiscal capacities and the different scale of the functions delegated. In fact per capita tax revenue ranges from more than €6,000 for Valle d'Aosta and the provinces of Bolzano and Trento to less than €2,000 for Sicily and Sardinia. In relation to GDP tax revenue is less variable, ranging from 32 per cent for Valle d'Aosta to 10 per cent for Friuli Venezia Giulia and Sardinia.[47]

The different amounts of tax revenue, principally due to the geographical disparities in fiscal capacity are matched by different levels of the State transfers designed to guarantee the regions with less fiscal capacity resources adequate for the functions assigned to them. By contrast, transfers from the European Union are tied more to the financing of specific projects and depend not only on income differentials but also on the technical and managerial ability to activate investment within the region. The importance of transfers is therefore very small in the budgets of Valle d'Aosta (5 per cent of total revenue), Trento and Bolzano (respectively 9 and 10 per cent) and Friuli Venezia Giulia (11 per cent); it rises to more than 30 per cent for Sicily and Sardinia. In addition to the transfers these two regions received in the period in question to offset their limited fiscal capacity (National Solidarity Fund for the former and Rebirth Plan for the latter), they received allocations from the National Health Fund and sector funds, as well as EU transfers, especially in the case of Sardinia.

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46 The data are taken from the resolution of the Interministerial Committee for Economic Planning of 2004 establishing the financing of the borrowing requirement of the health sector.

47 The data refer to the average for 2001-04.

STATISTICAL APPENDIX

Table a12.1

Public expenditure in the special statute regions and autonomous provinces

(indices: 100 = average for Italy; values for the three years 2001-04)

	Local government						General government		Memorandum items:	
	Total expenditure		Current expenditure		Capital expenditure		Total expenditure		GDP per capita (Italy=100)	Population ('000s)
	€ per capita	As a % of GDP	€ per capita	As a % of GDP	€ per capita	As a % of GDP	€ per capita	As a % of GDP		
Valle d'Aosta	321.4	248.1	236.3	180.6	628.4	494.1	174.6	134.0	130.6	121
Trento	240.3	196.8	187.6	153.2	430.6	355.9	134.2	109.8	122.2	482
Bolzano	258.6	198.7	208.9	160.5	437.8	341.2	142.0	109.0	130.5	469
Friuli Venezia Giulia	118.3	106.3	110.6	99.2	145.8	132.4	127.2	114.0	111.6	1,189
Sicily	101.9	159.5	110.2	171.8	71.7	114.7	81.6	127.2	68.5	5,074
Sardinia	123.4	159.5	111.0	143.5	167.9	217.6	98.3	126.8	77.5	1,647
SSRs	*126.6*	*157.6*	*121.4*	*150.8*	*145.1*	*182.4*	*97.9*	*121.8*	*80.3*	*8,982*
OSRs	*95.1*	*91.8*	*96.1*	*92.7*	*91.7*	*88.2*	*100.4*	*96.9*	*103.6*	*49,012*
Italy	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**57,995**

Sources: For expenditure, Ministry for Economic Development (Development Policies Department) – database of the territorial accounts; for GDP and the resident population, Istat – Regional accounts. OSRs: ordinary statute regions; SSRs: special statute regions and autonomous provinces.

Table a12.2

Per capita expenditure by objective function (1)
(averages 2001-04; euros)

Objective functions	Valle d'Aosta	Trento	Bolzano	Friuli Venezia Giulia	Sicily	Sardinia
Health care	1,840	1,730	2,080	1,450	1,450	1,370
Interventions in the economy	3,040	1,120	960	520	280	700
of which: *agriculture and forestry*	*1,030*	*370*	*320*	*90*	*130*	*290*
transport	*260*	*210*	*210*	*190*	*60*	*90*
industry, mining and, energy	*1,250*	*170*	*170*	*100*	*50*	*110*
tourism	*410*	*190*	*100*	*30*	*30*	*50*
retail distribution	*40*	*30*	*40*	*10*	*,,*	*20*
Education	1,010	1,270	1,000	40	50	80
Local finances	850	950	900	390	190	390
Public works – civil engineering	740	680	730	20	50	200
Social security, labour and training	860	900	570	220	210	250
Working of institutional bodies and general administration	1,640	280	1,040	270	290	410
Residential building	90	210	450	120	100	180
Civil protection, town planning and environmental protection	470	260	220	180	100	270
Other	2,000	230	280	290	430	360
Total	**12,540**	**7,640**	**8,220**	**3,500**	**3,130**	**4,200**

Sources: For expenditure, Planning Notes for Friuli Venezia Giulia and General accounts for the other special statute regions and the autonomous provinces; for the population, Istat.

(1) Amounts rounded to the nearest ten euros.

Table a12.3

Revenue shares of the special statute regions in the main central government taxes

	Valle d'Aosta	Trentino-Alto Adige	Autonomous provinces of Trento and Bolzano	Friuli Venezia Giulia	Sicily	Sardinia
Personal income tax	9/10	-	9/10	6/10	10/10	7/10
Corporate income tax	9/10	-	9/10	4,5/10	10/10	7/10
VAT on consumption	9/10	2/10	7/10	8/10	10/10	9/10
VAT on imports	9/10	0.5/10	4/10(1)	-	10/10	-
Taxes on interest and capital income	9/10	-	9/10	-	10/10	7/10
Taxes on government concessions	9/10	-	9/10	-	10/10	9/10
Automobile taxes	9/10	-	Own tax	-	10/10	9/10
Taxes on inheritances and gifts	-	9/10	-	-	10/10	5/10
Stamp duty and registration tax	9/10	-	9/10	-	10/10	9/10
Mortgage taxes	9/10	10/10	-	-	10/10	9/10
Excise taxes	9/10	-	9/10	-	-	9/10
Tax on electricity	9/10	-	10/10	9/10	10/10	9/10
Tax on methane for vehicles	-	-	9/10	-	-	-
Fee for using public water	-	-	9/10	9/10	-	10/10
Tax on tobacco consumption	9/10	-	9/10	9/10	-	9/10
Proceeds of lotto net of winnings	9/10	9/10	-	-	10/10 (3)	7/10
Other taxes however named	-	-	9/10 (2)	-	-	7/10 (4)

Sources: Statutes of the special statute regions and implementing provisions.
(1) There is also a "variable quota" revenue share up to an additional 4/10 of the VAT on imports collected in the region. – (2) Except for the taxes to which Trentino-Alto Adige and other public entities are entitled. – (3) Excise taxes and the receipts from tobacco and lotto are reserved to the State. – (4) Except for taxes to which other public entities are entitled.

APPENDIX

STATISTICAL TABLES

Sectoral composition of value added in 2005 (1)

(percentage shares)

	Agriculture, forestry & fishing	Industry excluding construction	Construction	Wholesale & retail trade, hotels, transport & communication	Financial intermediation; real-estate & business services	Other services	Total	Weight by region (2)
Piedmont	2.0	23.8	5.4	23.9	27.2	17.7	100.0	8.1
Valle d'Aosta	1.4	13.8	11.7	21.3	25.0	26.7	100.0	0.2
Lombardy	1.3	28.0	5.4	22.6	28.8	13.9	100.0	21.2
Liguria	1.7	10.3	5.2	30.9	29.7	22.2	100.0	2.8
North-West	**1.5**	**25.3**	**5.4**	**23.6**	**28.4**	**15.7**	**100.0**	**32.3**
Bolzano	4.6	13.8	7.5	29.8	23.1	21.2	100.0	1.1
Trento	3.3	19.7	6.5	23.7	24.5	22.3	100.0	1.0
Veneto	2.2	28.4	6.4	24.5	24.6	13.7	100.0	9.4
Friuli-Venezia Giulia	2.0	21.8	5.2	23.4	25.3	22.3	100.0	2.3
Emilia-Romagna	2.9	28.5	5.5	21.7	25.8	15.7	100.0	8.6
North-East	**2.7**	**26.7**	**6.0**	**23.5**	**25.1**	**16.1**	**100.0**	**22.4**
Tuscany	2.2	21.7	5.6	25.0	27.0	18.5	100.0	6.7
Umbria	2.9	20.2	7.1	23.9	23.8	22.1	100.0	1.4
Marche	2.3	27.1	5.4	21.5	24.9	18.7	100.0	2.6
Lazio	1.2	10.2	4.3	25.0	32.1	27.1	100.0	11.0
Centre	**1.8**	**16.4**	**5.0**	**24.5**	**29.2**	**23.1**	**100.0**	**21.6**
Centre-North	**1.9**	**23.2**	**5.5**	**23.9**	**27.6**	**17.9**	**100.0**	**76.4**
Abruzzo	3.3	24.0	6.9	22.2	21.3	22.4	100.0	1.8
Molise	4.2	18.4	7.9	19.2	21.1	29.2	100.0	0.4
Campania	3.0	11.7	6.8	25.7	24.0	28.7	100.0	6.2
Puglia	4.7	14.5	8.7	21.0	23.9	27.2	100.0	4.5
Basilicata	6.7	17.6	8.7	20.3	19.2	27.5	100.0	0.7
Calabria	6.2	9.2	6.5	22.7	23.6	31.8	100.0	2.2
Sicily	4.8	11.1	6.7	21.0	23.7	32.6	100.0	5.5
Sardinia	4.0	14.9	7.3	22.0	23.1	28.5	100.0	2.2
South and Islands	**4.3**	**13.4**	**7.3**	**22.6**	**23.4**	**29.1**	**100.0**	**23.5**
Italy	**2.5**	**20.9**	**5.9**	**23.5**	**26.6**	**20.6**	**100.0**	**100.0**

Source: Based on Istat data, *Conti economici regionali*. See the Methodological notes.

(1) Value at previous year prices – (2) The total for Italy does not correspond to the sum of the individual regions or areas owing to geographically unattributed value added.

Table a1.2

Composition of manufacturing value added in 2004 (1)

(percentage shares)

	Food products, beverages & tobacco products	Textiles & clothing	Leather & leather products	Paper, paper products, printing & publishing	Coke, refined petroleum products, chemicals & pharmaceuticals	Non-metallic mineral products	Basic metals & fabricated metal products	Machinery equipment, electrical apparatus, precision instruments & transport equipment	Wood, rubber & other products of industry	Total manufacturing industry
Piedmont	11.5	8.6	0.3	6.6	5.6	3.8	16.7	35.5	11.4	100.0
Valle d'Aosta	16.1	1.1	0.1	2.4	1.9	3.1	27.9	36.1	11.3	100.0
Lombardy	7.2	8.7	0.9	6.9	11.7	3.0	19.6	30.6	11.3	100.0
Liguria	13.1	1.9	0.1	4.4	10.3	7.0	12.8	40.4	9.9	100.0
North-West	**8.5**	**8.4**	**0.7**	**6.7**	**10.2**	**3.3**	**18.7**	**32.1**	**11.3**	**100.0**
Bolzano	19.6	1.2	0.1	5.4	2.4	5.8	15.1	26.2	24.3	100.0
Trento	11.7	4.8	0.9	12.9	5.6	8.0	12.1	26.8	17.1	100.0
Veneto	7.3	10.1	5.6	5.1	5.4	6.2	17.2	27.7	15.4	100.0
Friuli-Venezia Giulia	7.9	2.4	0.7	5.4	2.4	6.3	19.7	29.9	25.3	100.0
Emilia-Romagna	14.3	6.8	1.7	4.4	5.8	11.1	15.2	32.6	8.2	100.0
North-East	**10.6**	**7.7**	**3.3**	**5.1**	**5.3**	**8.2**	**16.4**	**29.8**	**13.5**	**100.0**
Tuscany	6.9	17.9	11.2	6.6	7.9	6.6	9.7	20.7	12.6	100.0
Umbria	13.6	12.9	0.8	6.0	3.3	13.1	19.3	18.2	12.8	100.0
Marche	6.7	7.6	17.9	4.9	3.2	3.2	13.7	23.5	19.3	100.0
Lazio	11.6	4.1	0.2	14.0	22.4	6.4	8.6	24.2	8.5	100.0
Centre	**8.7**	**11.5**	**8.8**	**8.2**	**10.5**	**6.3**	**11.0**	**22.1**	**12.9**	**100.0**
Centre-North	**9.2**	**8.8**	**3.1**	**6.5**	**8.6**	**5.5**	**16.5**	**29.5**	**12.3**	**100.0**
Abruzzo	11.1	12.3	1.9	6.9	6.2	9.5	13.6	28.9	9.7	100.0
Molise	16.7	12.7	0.6	1.6	7.4	11.1	11.9	28.6	9.4	100.0
Campania	17.6	7.9	4.6	6.7	6.0	6.0	12.8	28.3	10.1	100.0
Puglia	14.3	13.4	4.5	4.3	4.9	7.8	19.5	17.7	13.5	100.0
Basilicata	17.0	6.4	1.8	3.2	4.4	10.1	8.9	29.6	18.7	100.0
Calabria	20.4	9.0	0.7	4.9	8.9	15.0	11.4	17.3	12.4	100.0
Sicily	19.8	3.0	0.2	4.9	17.6	9.8	11.5	21.8	11.4	100.0
Sardinia	21.0	4.4	0.4	4.6	14.2	10.3	14.0	18.9	12.4	100.0
South and Islands	**16.6**	**8.8**	**2.7**	**5.4**	**8.5**	**8.7**	**14.0**	**23.8**	**11.6**	**100.0**
Italy	**10.2**	**8.8**	**3.1**	**6.3**	**8.6**	**6.0**	**16.1**	**28.7**	**12.2**	**100.0**

Source: Based on Istat data, *Conti economici regionali.* See the Methodological notes.
(1) Value at previous year prices

Composition of service value added in 2004 (1)

(percentage shares)

	Retail & wholesale trade & repair services	Hotels & Restaurants	Transport. storage & communica-tion	Financial intermedia-tion	Services to house-holds & business (2)	Public admini-stration (3)	Education	Health & social work	Other community, social & personal services; domestic services	Total services
Piedmont	17.9	4.6	12.3	7.1	33.0	6.4	5.8	7.8	5.0	100.0
Valle d'Aosta	10.4	10.9	8.7	4.5	29.0	16.3	7.4	8.9	4.0	100.0
Lombardy	19.8	4.1	10.5	9.7	33.9	4.5	4.7	6.4	6.2	100.0
Liguria	15.0	7.3	14.6	6.2	29.5	9.5	5.5	7.9	4.4	100.0
North-West	**18.7**	**4.7**	**11.4**	**8.7**	**33.2**	**5.6**	**5.1**	**7.0**	**5.7**	**100.0**
Bolzano	17.6	16.8	8.0	6.5	22.7	10.2	6.5	8.4	3.3	100.0
Trento	14.9	9.8	10.9	6.4	26.6	11.4	5.8	9.9	4.3	100.0
Veneto	19.5	7.3	11.2	7.2	31.0	6.1	5.7	7.2	4.8	100.0
Friuli-Venezia Giulia	16.2	5.9	10.4	7.4	29.0	12.1	6.3	8.2	4.6	100.0
Emilia-Romagna	18.1	6.0	9.9	7.7	33.0	6.1	5.3	7.9	5.9	100.0
North-East	**18.3**	**7.3**	**10.4**	**7.3**	**30.9**	**7.3**	**5.7**	**7.8**	**5.1**	**100.0**
Tuscany	18.3	6.6	9.6	7.1	31.4	7.6	5.9	7.3	6.2	100.0
Umbria	17.6	5.6	9.5	5.6	29.4	9.6	8.0	8.6	6.2	100.0
Marche	17.9	5.7	9.7	6.9	30.3	8.0	7.6	8.5	5.4	100.0
Lazio	14.3	4.1	12.7	6.6	30.6	11.1	6.4	6.3	7.8	100.0
Centre	**16.0**	**5.1**	**11.4**	**6.7**	**30.7**	**9.7**	**6.5**	**6.9**	**7.0**	**100.0**
Centre-North	**17.3**	**5.6**	**11.1**	**7.5**	**32.6**	**7.6**	**5.5**	**7.3**	**5.5**	**100.0**
Abruzzo	16.8	5.3	9.5	5.2	27.8	11.7	9.6	9.4	4.6	100.0
Molise	14.1	4.5	9.9	4.1	25.9	15.5	12.0	9.9	4.0	100.0
Campania	15.6	4.7	12.0	4.3	26.9	10.9	11.2	8.9	5.6	100.0
Puglia	15.1	4.2	10.9	4.7	27.6	12.9	10.7	9.7	4.2	100.0
Basilicata	16.5	4.4	10.2	4.3	23.7	13.2	12.9	10.2	4.5	100.0
Calabria	14.1	4.0	10.9	3.5	26.9	14.7	12.4	9.1	4.5	100.0
Sicily	15.0	3.9	9.1	4.6	25.5	15.1	11.4	9.7	5.7	100.0
Sardinia	14.6	6.0	9.4	4.4	26.4	13.8	10.2	10.3	4.9	100.0
South and Islands	**15.2**	**4.5**	**10.5**	**4.4**	**26.6**	**13.1**	**11.1**	**9.5**	**5.1**	**100.0**
Italy	**17.1**	**5.3**	**11.0**	**6.9**	**30.5**	**8.8**	**7.0**	**7.7**	**5.7**	**100.0**

Source: Based on Istat data, *Conti economici regionali*. See the Methodological notes.
(1) Value at previous year prices. – (2) Includes real-estate, renting and business services. – (3) Includes defence and compulsory social security.

Table a1.4

GDP growth

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

	2001	2002	2003	2004	2005	2006 (1)
Piedmont	0.6	-0.5	0.1	1.7	-1.6	…
Valle d'Aosta	2.2	1.3	1.5	1.2	-0.7	…
Lombardy	2.0	0.9	0.1	0.5	0.6	…
Liguria	2.5	-2.1	-0.2	0.1	0.0	…
North-West	**1.7**	**0.3**	**0.1**	**0.8**	**0.0**	**2.0**
Bolzano	-1.9	-1.3	1.3	2.4	0.6	
Trento	0.5	-0.4	0.4	-0.3	0.3	…
Veneto	0.8	-1.2	1.4	2.3	-0.8	…
Friuli-Venezia Giulia	3.1	-0.5	-1.9	0.0	1.5	…
Emilia-Romagna	1.3	-0.5	-0.4	-0.1	0.7	…
North-East	**1.1**	**-0.8**	**0.3**	**1.0**	**0.1**	**2.3**
Tuscany	2.4	0.5	0.5	0.2	-0.3	…
Umbria	3.0	-1.0	-0.3	1.7	1.1	…
Marche	2.4	2.1	-0.3	1.3	0.0	…
Lazio	2.0	2.7	-0.4	4.4	-0.4	…
Centre	**2.2**	**1.7**	**-0.1**	**2.5**	**-0.2**	**1.8**
Centre-North	**1.7**	**0.3**	**0.1**	**1.3**	**0.0**	**2.0**
Abruzzo	1.0	0.1	-1.7	-2.3	1.2	…
Molise	1.2	0.7	-1.7	1.0	-0.3	…
Campania	3.3	2.0	-0.5	0.3	-1.7	…
Puglia	1.6	-0.5	-1.0	1.1	-0.4	…
Basilicata	-0.3	0.7	-1.3	1.4	0.4	…
Calabria	3.0	-0.3	1.5	1.5	-2.1	…
Sicily	2.7	0.0	-0.1	-0.7	1.5	…
Sardinia	1.8	-0.4	2.9	-0.5	2.2	…
South and Islands	**2.3**	**0.4**	**-0.2**	**0.1**	**-0.1**	**1.4**
Italy	**1.8**	**0.3**	**0.0**	**1.1**	**0.0**	**1.9**

Source: Based on Istat data, *Conti economici regionali.* See the Methodological notes.
(1) Projections based on Istat's *Conti economici territoriali*, percentage changes of volumes at previous-year prices)

GDP per capita growth

(percentage changes and thousands of euros; chain-linked volumes, reference year 2000)

	2001	2002	2003	2004	2005	2005 – chain-linked volumes – reference year 2000 (1)
Piedmont	0.8	-0.7	-0.6	0.5	-2.4	22.8
Valle d’Aosta	1.9	0.6	0.4	0.4	-1.4	27.6
Lombardy	1.6	0.3	-1.0	-1.0	-0.6	27.3
Liguria	3.1	-1.9	-0.4	-0.5	-1.0	21.1
North-West	**1.6**	**-0.1**	**-0.8**	**-0.5**	**-1.1**	**25.4**
Bolzano	-2.4	-2.0	0.3	1.3	-0.6	27.6
Trento	-0.2	-1.4	-0.9	-1.7	-0.8	24.6
Veneto	0.3	-1.9	0.1	0.9	-1.8	24.3
Friuli-Venezia Giulia	2.8	-1.0	-2.5	-0.5	1.1	23.1
Emilia-Romagna	0.8	-1.3	-1.6	-1.6	-0.6	25.7
North-East	**0.6**	**-1.6**	**-0.9**	**-0.3**	**-0.9**	**24.8**
Tuscany	2.3	0.2	-0.5	-0.9	-1.0	22.8
Umbria	2.6	-1.6	-1.6	0.2	-0.1	20.0
Marche	1.9	1.4	-1.5	0.2	-0.8	21.1
Lazio	2.0	2.4	-1.3	3.2	-1.3	25.3
Centre	**2.1**	**1.3**	**-1.1**	**1.3**	**-1.1**	**23.5**
Centre-North	**1.4**	**-0.1**	**-0.9**	**0.1**	**-1.0**	**24.7**
Abruzzo	0.9	-0.4	-2.6	-3.3	0.5	17.3
Molise	1.5	0.8	-1.9	0.9	-0.1	15.5
Campania	3.4	1.8	-1.0	-0.3	-1.9	13.4
Puglia	1.8	-0.5	-1.2	0.6	-0.8	13.8
Basilicata	0.0	0.9	-1.3	1.4	0.7	14.9
Calabria	3.4	0.0	1.5	1.5	-2.0	13.6
Sicily	3.0	0.1	-0.5	-1.1	1.4	13.9
Sardinia	2.1	-0.5	2.5	-0.9	1.9	16.7
South and Islands	**2.5**	**0.4**	**-0.5**	**-0.4**	**-0.3**	**14.2**
Italy	**1.7**	**0.0**	**-0.7**	**0.1**	**-0.8**	**21.0**

Source: Based on Istat data, *Conti economici regionali.* See the Methodological notes.
(1) Thousands of euros.

Labour productivity by sector and geographical area (1)

(percentage changes)

	North-West	North-East	Centre	Centre-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	-1.3	-1.9	-3.7	-2.0	-3.8	-2.2
2004	2.0	3.5	2.7	2.7	0.5	2.5
2005	-2.9	1.5	-0.1	-0.9	-0.2	-0.7
			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	2.0	0.0	0.1	-0.1	0.0
2004	1.8	-1.1	2.1	0.9	1.8	1.2
2005	0.3	-0.6	-5.5	-1.6	-1.7	-1.6
			Non-financial private services (2)			
2001	0.2	-0.5	1.0	0.2	0.0	0.2
2002	-1.0	-3.6	1.2	-1.1	-3.3	-1.6
2003	-0.2	-0.4	-4.7	-1.6	-1.7	-1.5
2004	-0.5	0.3	0.9	0.1	-0.4	0.1
2005	-0.1	-0.7	0.3	-0.1	0.5	0.0
			Non-financial private goods and services (2)			
2001	0.4	-0.2	0.5	0.3	-0.4	0.1
2002	-0.7	-3.2	1.8	-0.7	-2.1	-1.0
2003	-0.2	-0.2	-3.7	-1.2	-0.6	-1.0
2004	-0.3	1.3	1.5	0.7	1.1	0.9
2005	0.6	0.7	0.9	0.7	1.5	1.0

Source: Based on Istat data, *Conti economici regionali*. See the Methodological notes.

(1) Labour productivity is calculated as the ratio between value added at constant prices (chain-linked volumes, reference year 2000) and total full-time equivalent workers

(2) Does not include the following branches of the service sector: money and financial intermediation, real-estate and business activities, general government, education, health care, household services and other social and personal public services.

Table a1.7

Value added in manufacturing in 2000-2004

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

	North-West	North-East	Centre	South and Islands	Italy
			Cumulative percentage changes		
Food products, beverages and tobacco	-3.3	-9.6	-2.6	-8.4	-6.3
Textiles and clothing	-21.1	-16.4	-7.3	-19.0	-17.0
Leather and leather products	-15.7	-10.8	-8.5	-20.6	-11.5
Paper, paper products, printing and publishing	2.4	-7.3	-12.3	4.4	-3.2
Coke, refined petroleum products, chemical and pharmaceuticals	-5.1	0.4	1.2	-14.4	-4.3
Non-metallic mineral products	9.3	-0.9	-5.9	4.8	1.5
Basic metals and fabricated metal products	1.2	6.7	7.2	12.5	4.7
Machinery, electrical apparatus, precision instruments and transport equipment	2.4	-7.1	-10.1	-12.2	-4.0
Wood, rubber and other products of industry	2.3	-4.2	0.9	-4.5	-1.0
Total manufacturing industry	**-1.5**	**-4.9**	**-4.8**	**-6.8**	**-3.8**
			Sectoral contribution to growth		
Food products, beverages and tobacco	-0.3	-1.0	-0.2	-1.3	-0.6
Textiles and clothing	-2.1	-1.4	-0.8	-1.8	-1.7
Leather and leather products	-0.1	-0.3	-0.7	-0.6	-0.3
Paper, paper products, printing and publishing	0.2	-0.4	-1.1	0.2	-0.2
Coke, refined petroleum products, chemical and pharmaceuticals	-0.6	0.0	0.1	-1.6	-0.4
Non-metallic mineral products	0.3	-0.1	-0.4	0.4	0.1
Basic metals and fabricated metal products	0.2	1.0	0.7	1.5	0.7
Machinery, electrical apparatus, precision instruments and transport equipment	0.7	-2.2	-2.4	-3.1	-1.1
Wood, rubber and other products of industry	0.3	-0.6	0.1	-0.5	-0.1
Total manufacturing industry	**-1.5**	**-4.9**	**-4.8**	**-6.8**	**-3.8**
			Geographical contribution to growth		
Food products, beverages and tobacco	-1.1	-3.0	-0.3	-1.9	-6.3
Textiles and clothing	-8.8	-4.1	-1.4	-2.7	-17.0
Leather and leather products	-1.6	-3.4	-3.8	-2.7	-11.5
Paper, paper products, printing and publishing	1.0	-1.8	-2.9	0.5	-3.2
Coke, refined petroleum products, chemical and pharmaceuticals	-2.5	0.1	0.2	-2.4	-4.3
Non-metallic mineral products	2.0	-0.3	-1.1	0.9	1.5
Basic metals and fabricated metal products	0.6	1.9	0.8	1.4	4.7
Machinery, electrical apparatus, precision instruments and transport equipment	1.0	-2.2	-1.3	-1.5	-4.0
Wood, rubber and other products of industry	0.8	-1.4	0.1	-0.6	-1.0
Total manufacturing industry	**-0.6**	**-1.4**	**-0.8**	**-1.0**	**-3.8**

Source: Based on Istat data, *Conti economici regionali.* See the Methodological notes.

Table a1.8

Investment, turnover and employment in firms with 20 or more workers

(percentage changes on previous year at constant prices)

	Location of registered office				Actual location (2)			
	Industry excluding construction		Non-financial private services		Industry excluding construction		Non-financial private services	
	2005	2006	2005	2006	2005	2006	2005	2006
North-West								
Investment (1) (3)	-4.1	-2.4	3.1	16.4	-7.7	-2.8	5.0	20.9
Sales (1) (3)	-0.1	4.0	2.2	4.4	…	…	…	…
Employment	-1.3	-0.7	1.0	0.1	-1.0	-0.7	1.5	0.3
North-East								
Investment (1) (3)	-3.4	-2.0	-1.1	-1.7	-4.1	-2.9	-3.8	-0.8
Sales (1) (3)	1.3	4.6	0.4	5.2	…	…	…	…
Employment	-0.7	0.3	1.5	2.4	-0.8	0.4	1.1	1.8
Centre								
Investment (1) (3)	-5.1	-4.0	3.7	0.7	-0.7	-1.2	6.7	0.9
Sales (1) (3)	-1.4	3.6	1.4	2.7	…	…	…	…
Employment	-0.3	0.4	-0.3	1.7	-1.1	0.2	-0.4	1.6
South and Islands								
Investment (1) (3)	-4.7	-0.6	-1.0	1.8	-0.5	-3.3	6.0	0.6
Sales (1) (3)	0.8	4.4	1.6	4.2	…	…	…	…
Employment	-0.4	-0.3	1.0	-0.7	-0.5	-0.3	0.5	0.0
Italy								
Investment (1) (3)	-4.2	-2.5	1.9	5.4	-4.2	-2.5	1.9	5.4
Sales (1) (3)	0.0	4.1	1.4	4.2	…	…	…	…
Employment	-0.9	-0.2	0.8	0.9	-0.9	-0.2	0.8	0.9

Source: Banca d'Italia, *Indagine sulle imprese industriali e dei servizi*. See the Methodological Notes.
(1) The deflator of investment was calculated as the average of the price changes reported by sample firms. – (2) Investment and employment are classified by geographical area according to actual location; the breakdown of sales by geographical area is estimated on the basis of employment. – (3) "Winsorized" robust averages obtained by reducing the outliers of the distribution of annual changes in investment on the basis of the 5th and 95th percentiles. The method was applied taking account of the proportions polled in each stratum of the sample ("Winsorized Type II estimator").

Table a1.9

Workers per local unit: 1996-2004

(percentage changes on average)

	North-West	North-East	Centre	South and Islands	Italy	Districts	Traditional districts
				Machinery equipment			
Local units	1.3	1.2	1.1	3.1	1.5	1.3	1.3
Workers per local unit	-1.8	-0.6	0.0	-1.0	-1.2	-0.4	-0.9
Workers	-0.6	0.6	1.2	2.0	0.3	0.9	0.4
				Textiles, clothing, leather and footwear			
Local units	-2.8	-2.8	-1.8	-0.3	-2.0	-2.5	-2.1
Workers per local unit	-1.1	-1.1	-1.2	-2.2	-1.5	-1.1	-1.7
Workers	-3.9	-3.9	-3.0	-2.5	-3.4	-3.6	-3.8
				Other manufacturing			
Local units	-1.9	-1.4	-1.4	0.9	-1.1	-1.4	-1.6
Workers per local unit	0.5	0.8	1.1	2.9	0.9	0.8	1.1
Workers	-1.4	-0.6	-0.4	3.9	-0.2	-0.6	-0.5
				Total manufacturing industry			
Local units	-0.3	-0.1	-0.3	0.9	0.1	-0.2	-0.3
Workers per local unit	-1.0	0.0	-0.4	-0.3	-0.6	-0.1	-0.8
Workers	-1.3	-0.1	-0.7	0.6	-0.5	-0.3	-1.1

Source: Based on Istat-ASIA *Unità locali* data.
"Districts" includes the 32 main district provinces, i.e. those with a greater than average degree of district specialization. "Traditional" districts include the 30 main district provinces specializing in traditional products (textiles, clothing and footwear, wood products, other manufactures). The degree of district specialization is defined as the ratio between number of persons employed in the district municipalities of the province (as defined by Sforzi, 1991) and total manufacturing employment in the province. The provinces specializing in traditional manufacturing products are those with a specialization index higher than 1 in the corresponding traditional sector in 1996.

Table a1.10

Index of relative specialization in the machinery and fashion industry (1)

Top 20 provinces specializing in machinery production

Province	1996	Province	2004
Reggio nell'Emilia	2.78	Reggio nell'Emilia	3.11
Novara	2.67	Pordenone	2.87
Pordenone	2.42	Novara	2.74
Modena	2.28	Ancona	2.48
Bologna	2.18	Modena	2.37
Vicenza	2.06	Vicenza	2.10
Ancona	1.99	Varese	1.90
Varese	1.95	Ferrara	1.88
Pavia	1.92	Bologna	1.88
Lecco	1.91	Parma	1.87
Piacenza	1.83	Lecco	1.83
Ferrara	1.81	Pavia	1.81
Treviso	1.72	Treviso	1.78
Brescia	1.69	Brescia	1.71
Parma	1.66	Piacenza	1.68
Bergamo	1.63	Bergamo	1.68
Belluno	1.56	Padova	1.59
Vercelli	1.51	Alessandria	1.50
Alessandria	1.49	Mantua	1.50
Padova	1.41	Cremona	1.49

Top 20 provinces specializing in “fashion” products

Province	1996	Province	2004
Prato	6.72	Prato	8.51
Biella	5.73	Biella	6.96
Ascoli Piceno	4.43	Ascoli Piceno	5.14
Macerata	3.81	Macerata	3.97
Teramo	3.20	Teramo	3.15
Pistoia	2.95	Pistoia	2.92
Pisa	2.71	Pisa	2.87
Lecce	2.56	Mantua	2.67
Como	2.48	Como	2.67
Arezzo	2.41	Vicenza	2.58
Vicenza	2.40	Arezzo	2.46
Rovigo	2.31	Lecce	2.20
Mantua	2.26	Florence	2.17
Varese	2.08	Rovigo	2.10
Treviso	1.98	Varese	2.08
Florence	1.89	Avellino	1.83
Novara	1.79	Vercelli	1.81
Vercelli	1.72	Isernia	1.81
Avellino	1.62	Treviso	1.80
Bergamo	1.58	Novara	1.57

Source: Based on Istat data
(1) ratio between the sector’s share of total employment in the province and the corresponding share nationwide

Table a1.11

Value of retail sales

(percentage changes at current prices)

	2003	2004	2005	2006
Piedmont	1.5	-0.2	0.6	1.3
Valle d'Aosta	0.4	-0.4	0.4	1.4
Lombardy	2.4	0.2	1.0	1.1
Liguria	1.8	-0.3	0.5	1.4
North-West	**2.1**	**0.0**	**0.9**	**1.2**
Trentino-Alto Adige	2.0	-0.5	0.5	1.9
Veneto	1.9	-0.7	0.3	1.9
Friuli-Venezia Giulia	1.6	-0.9	0.0	1.9
Emilia-Romagna	1.6	-0.9	0.1	2.0
North-East	**1.8**	**-0.8**	**0.2**	**1.9**
Tuscany	-0.7	-1.0	-0.1	1.4
Umbria	2.3	0.4	1.4	1.2
Marche	1.0	-0.1	0.8	1.3
Lazio	2.9	0.7	1.7	1.4
Centre	**1.5**	**0.0**	**1.0**	**1.4**
Centre-North	**1.8**	**-0.2**	**0.7**	**1.5**
Abruzzo	2.6	-0.7	0.8	0.5
Molise	1.6	-1.2	0.2	0.6
Campania	2.2	-0.9	0.4	0.7
Puglia	1.9	-1.0	0.3	0.6
Basilicata	1.2	-1.5	-0.1	0.7
Calabria	1.7	-1.1	0.1	0.7
Sicily	0.4	-1.7	-0.5	0.7
Sardinia	1.8	-1.1	0.3	0.6
South and Islands	**1.6**	**-1.2**	**0.1**	**0.7**
Italy	**1.7**	**-0.5**	**0.5**	**1.2**

Source: Ministry of Productive Activities.

Structure of large-scale distribution by region in 2006

(number and square metres)

	Hypermarkets (1)			Department stores (2)			Supermarkets (3)		
	No.	Surface per 1000 inhabs	Work-force	No.	Surface per 1000 inhabs	Work-force	No.	Surface per 1000 inhabs	Work-force
Piedmont	60	70	9,157	54	25	1,463	632	126	10,977
Valle d'Aosta	2	122	491	3	22	32	12	84	261
Lombardy	118	83	21,207	139	31	4,244	1,367	145	32,799
Liguria	5	20	1,338	33	41	808	177	85	4,523
North-West	**185**	**73**	**32,193**	**229**	**31**	**6,547**	**2,188**	**133**	**48,560**
Trentino-Alto Adige	6	20	493	36	41	508	260	203	4,300
Veneto	50	60	6,987	80	38	2,514	1,018	197	15,845
Friuli-Venezia Giulia	15	57	1,477	22	51	843	271	189	4,349
Emilia-Romagna	38	58	8,628	52	31	1,566	663	134	15,753
North-East	**109**	**55**	**17,585**	**190**	**37**	**5,431**	**2,212**	**173**	**40,247**
Tuscany	28	45	5,102	114	45	1,995	460	122	13,128
Umbria	9	54	1,073	36	58	577	186	188	3,031
Marche	21	70	2,655	51	43	664	289	145	3,886
Lazio	21	22	3,960	165	48	3,542	646	108	13,347
Centre	**79**	**39**	**12,790**	**366**	**47**	**6,778**	**1,581**	**124**	**33,392**
Centre-North	**130**	**57**	**20,478**	**618**	**37**	**11,561**	**2,702**	**142**	**53,656**
Abruzzo	13	63	2,283	33	40	520	246	152	3,230
Molise	3	45	326	9	22	69	53	124	595
Campania	11	13	1,663	63	16	1,072	428	53	5,322
Puglia	20	45	3,578	47	11	497	400	67	3,975
Basilicata	3	22	459	4	10	43	44	51	529
Calabria	9	21	703	59	33	797	212	88	2,393
Sicily	11	11	1,800	126	29	1,911	598	95	7,894
Sardinia	16	53	2,689	26	27	594	219	107	3,725
South and Islands	**86**	**27**	**13,501**	**367**	**22**	**5,503**	**2,200**	**81**	**27,663**
Italy	**459**	**47**	**76,069**	**1,152**	**32**	**24,259**	**8,181**	**120**	**149,862**

Source: Ministry of Productive Activities. Data on 1 January 2005.
(1) Retail stores with selling space over 2500 sq. m. divided into sections (food and non-food) each of which has the characteristics of a supermarket and a department store. – (2) Retail stores not selling food with selling space over 400 sq. m. and at least five separate departments, each selling products from different goods categories and mostly for mass consumption. – (3) Retail stores selling food, mainly self-service with payment at a cash desk near the exit, with selling space over 400 sq. m. and a large assortment of widely consumed goods, mostly pre-packaged, as well as some non-food products for daily household use – (4) Space owned or rented by retailers for the sale of goods or provision of services.

Exports (*FOB)* by region in 2006

(percentage changes on previous year at current prices)

	Food, beverages tobacco	Textiles, clothing	Leather, footwear	Paper, printing, publishing	Chemi-cals, rubber, plastics	Non-metal minerals	Basic metals, metal products	Electrical machinery, precision tools	Means of transport	Other manufac-turing, wood, forniture	Coke, oil products, other	Total
Piedmont	8.0	0.7	-8.5	-3.6	10.2	6.8	17.1	9.5	7.6	11.1	11.6	8.4
Valle d'Aosta	20.0	-15.8	-41.9	1.3	-22.5	54.6	27.5	2.8	13.6	-11.5	7.9	19.4
Lombardy	4.5	6.1	10.8	4.7	-0.6	10.9	28.7	8.2	5.2	8.5	26.1	9.0
Liguria	7.3	2.3	12.9	13.4	18.2	-5.9	-3.8	-4.5	-7.5	6.2	-10.5	-1.3
North-West	**6.2**	**4.7**	**7.4**	**1.9**	**1.9**	**8.7**	**26.0**	**8.1**	**6.0**	**9.0**	**10.5**	**8.5**
Trentino-Alto Adige	5.4	-4.6	3.3	-1.3	10.7	8.0	15.3	11.1	9.6	15.9	9.2	8.9
Veneto	8.0	1.7	2.9	9.6	4.3	4.8	19.6	9.2	-0.6	9.5	19.0	7.8
Friuli-Venezia Giulia	8.1	12.1	71.2	-3.5	10.1	3.1	21.6	20.0	8.9	-0.6	37.0	13.9
Emilia-Romagna	10.2	9.2	12.7	28.4	8.0	8.1	27.2	10.2	5.8	12.6	8.3	10.5
North-East	**8.6**	**4.5**	**4.6**	**8.6**	**6.9**	**7.0**	**22.0**	**10.9**	**4.4**	**7.6**	**15.4**	**9.6**
Tuscany	12.7	0.0	6.8	4.7	7.0	0.9	52.9	16.7	27.1	4.4	15.1	12.0
Umbria	3.3	-1.2	14.8	1.5	4.4	12.6	25.6	11.3	14.3	17.5	8.3	13.7
Marche	10.7	10.1	10.8	11.7	100.7	-6.8	18.4	12.3	38.1	4.9	-30.7	21.1
Lazio	2.9	23.7	3.9	-30.0	9.9	4.6	34.6	12.0	3.5	-2.3	12.3	9.5
Centre	**9.3**	**2.7**	**8.3**	**-0.8**	**21.2**	**1.9**	**35.9**	**13.9**	**19.9**	**4.2**	**11.2**	**13.4**
Abruzzo	2.4	-0.8	15.4	-2.4	-9.3	7.0	15.3	9.3	8.8	6.0	39.4	5.5
Molise	-9.2	-2.9	14.6	62.7	11.0	118.2	-66.8	-4.5	154.8	21.7	-53.5	0.8
Campania	7.7	4.9	-0.9	27.4	13.1	-2.5	10.8	27.5	6.4	6.2	6.7	9.9
Puglia	-6.9	-8.5	-3.3	1.4	29.3	8.0	-8.3	5.7	-6.9	-22.5	3.8	-1.6
Basilicata	17.9	33.9	22.9	9.4	29.2	-50.4	42.2	56.6	86.5	-31.4	291.7	55.2
Calabria	28.0	52.0	48.4	3.2	-6.4	16.5	-29.5	-15.2	-19.0	36.9	4.2	2.2
Sicily	6.3	10.6	-14.6	-25.3	6.4	17.3	56.5	-4.3	-26.6	2.3	1.7	2.0
Sardinia	-4.7	11.3	78.8	-27.2	17.0	25.8	32.3	3.2	85.1	-14.1	12.5	13.9
South and Islands	**4.4**	**0.0**	**0.0**	**13.8**	**10.1**	**7.2**	**3.5**	**10.2**	**13.5**	**-14.9**	**6.4**	**6.8**
Italy	**7.1**	**3.9**	**6.1**	**3.8**	**7.2**	**6.7**	**23.8**	**9.9**	**8.4**	**5.3**	**3.8**	**9.0**

Source: Based on Istat data. See the Methodological notes.

Table a1.14

Indices of export specialization by region and sector in 2006 (1)

	Food, beverages tobacco	Textiles, clothing	Leather, footwear	Paper, printing, publish-ing	Chemi-cals, rubber, plastics	Non-metal Minerals	Basic metals, metal products	Electrical machinery, precision tools	Means of transport	Other manu-facturing, wood, forniture	Coke, oil products, other
Piedmont	1.48	0.99	0.17	1.33	0.95	0.48	0.78	0.93	2.27	0.63	0.33
Valle d'Aosta	1.08	0.02	0.07	0.40	0.14	0.25	6.13	0.37	0.57	0.55	0.01
Lombardy	0.68	1.11	0.35	0.96	1.36	0.45	1.48	1.16	0.68	0.77	0.22
Liguria	1.12	0.33	0.16	0.60	1.29	0.92	0.75	0.95	1.11	0.49	2.67
North-West	**0.91**	**1.05**	**0.29**	**1.04**	**1.25**	**0.47**	**1.29**	**1.09**	**1.11**	**0.73**	**0.32**
Trentino-Alto Adige	2.70	0.49	0.43	2.57	0.82	0.91	0.87	0.96	0.95	0.88	1.08
Veneto	0.94	1.31	2.30	1.19	0.54	1.17	0.95	1.12	0.51	1.84	0.36
Friuli-Venezia Giulia	0.77	0.22	0.11	1.22	0.54	0.64	1.45	1.39	0.62	2.92	0.36
Emilia-Romagna	1.25	0.96	0.42	0.43	0.64	3.28	0.68	1.37	1.10	0.52	0.28
North-East	**1.15**	**1.00**	**1.20**	**0.96**	**0.60**	**1.95**	**0.89**	**1.24**	**0.79**	**1.37**	**0.37**
Tuscany	0.99	1.91	3.35	1.81	0.61	1.10	0.71	0.67	0.91	1.72	0.46
Umbria	1.38	1.24	0.56	0.51	0.60	0.83	3.32	0.70	0.36	0.65	0.38
Marche	0.25	0.74	4.41	0.86	1.27	0.22	0.60	1.22	0.35	1.47	0.08
Lazio	0.66	0.43	0.25	0.69	2.83	0.77	0.36	0.69	0.92	0.55	1.85
Centre	**0.77**	**1.26**	**2.68**	**1.25**	**1.28**	**0.81**	**0.77**	**0.80**	**0.75**	**1.32**	**0.70**
Abruzzo	0.81	1.09	0.41	1.01	0.88	1.62	0.59	0.82	2.81	0.72	0.17
Molise	1.15	5.56	1.17	0.13	2.27	0.22	0.06	0.26	0.06	0.35	0.03
Campania	3.24	0.66	1.23	1.90	0.82	0.59	0.47	0.43	2.94	0.39	0.52
Puglia	0.97	0.53	2.07	0.18	1.06	0.42	1.99	0.49	0.65	1.69	1.88
Basilicata	0.17	0.24	0.40	0.37	0.54	0.03	0.15	0.13	6.35	1.64	0.67
Calabria	3.73	0.72	0.09	0.24	1.93	0.62	0.25	0.50	0.25	0.44	3.28
Sicily	0.96	0.04	0.02	0.07	1.09	0.60	0.19	0.26	0.26	0.05	9.54
Sardinia	0.54	0.04	0.01	0.06	1.00	0.12	0.67	0.04	0.12	0.14	10.56
South and Islands	1.40	0.58	0.79	0.70	0.97	0.66	0.71	0.41	1.69	0.65	3.80
Italy	**1.48**	**0.99**	**0.17**	**1.33**	**0.95**	**0.48**	**0.78**	**0.93**	**2.27**	**0.63**	**0.33**

Source: Based on Istat data. See the Methodological notes.
(1) Ratio of sector's share to total regional exports and of sector's share to total exports of Italy.

Employment and the labour force in 2006

(thousands of persons and percentage changes)

	Employment					Job seekers	Labour force
	Agriculture	Industry excluding construction	Construction	Services	Total		
				Average values			
Piedmont	68	525	139	1,119	1,851	78	1,929
Valle d'Aosta	3	7	7	39	56	2	57
Lombardy	70	1,253	330	2,620	4,273	164	4,437
Liguria	14	87	47	488	637	32	669
North-West	**155**	**1,872**	**524**	**4,266**	**6,817**	**276**	**7,093**
Trentino-Alto Adige	26	75	42	305	447	13	460
Veneto	78	635	180	1,208	2,101	88	2,190
Friuli-Venezia Giulia	15	144	32	329	519	19	538
Emilia-Romagna	82	538	137	1,161	1,918	67	1,985
North-East	**201**	**1,392**	**390**	**3,002**	**4,986**	**187**	**5,173**
Tuscany	60	331	122	1,032	1,545	78	1,624
Umbria	13	81	33	228	355	19	374
Marche	17	204	49	376	647	31	678
Lazio	52	255	154	1,660	2,122	173	2,295
Centre	**142**	**871**	**358**	**3,297**	**4,669**	**301**	**4,971**
Centre-North	**498**	**4,135**	**1,272**	**10,566**	**16,472**	**764**	**17,236**
Abruzzo	18	1047	45	331	498	35	533
Molise	7	21	12	69	110	12	122
Campania	83	252	171	1,225	1,731	256	1,987
Puglia	115	213	117	811	1,256	184	1,440
Basilicata	18	32	24	123	197	23	220
Calabria	72	54	64	424	615	91	705
Sicily	134	144	131	1,094	1,503	235	1,737
Sardinia	38	71	63	437	608	74	681
South and Islands	**483**	**891**	**628**	**4,514**	**6,516**	**909**	**7,425**
Italy	**982**	**5,026**	**1,900**	**15,080**	**22,988**	**1,673**	**24,662**
				Percentage changes on 2005			
Piedmont	-3.1	0.1	2.4	1.9	1.2	-13.0	0.6
Valle d'Aosta	2.2	-5.3	-0.4	3.0	1.4	-6.3	1.2
Lombardy	-1.2	-2.1	-2.4	4.6	1.9	-8.1	1.5
Liguria	4.0	4.0	-2.6	3.0	2.7	-15.8	1.6
North-West	**-1.6**	**-1.2**	**-1.2**	**3.7**	**1.8**	**-10.5**	**1.2**
Trentino-Alto Adige	-10.7	-2.4	5.2	3.4	1.6	-9.3	1.3
Veneto	3.6	0.6	1.6	2.5	1.9	-3.1	1.6
Friuli-Venezia Giulia	8.7	2.1	-7.9	4.5	3.1	-12.4	2.4
Emilia-Romagna	-0.6	2.1	0.8	3.0	2.4	-9.7	2.0
North-East	**0.2**	**1.1**	**0.8**	**3.0**	**2.2**	**-7.0**	**1.8**
Tuscany	2.9	-5.1	1.0	5.1	2.4	-6.5	1.9
Umbria	-12.8	4.2	-0.4	3.6	2.7	-15.0	1.6
Marche	-22.3	1.5	-2.1	4.3	2.0	-1.3	1.8
Lazio	64.9	5.2	4.3	-0.2	1.8	-0.7	1.6
Centre	**12.2**	**0.1**	**1.8**	**2.2**	**2.1**	**-3.4**	**1.7**
Centre-North	**2.7**	**0.1**	**0.3**	**3.0**	**2.0**	**-6.9**	**1.6**
Abruzzo	-14.6	-3.2	3.8	3.4	1.2	-17.0	-0.2
Molise	5.5	-3.0	1.2	4.2	2.5	1.2	2.4
Campania	0.3	5.9	-3.1	-0.4	0.2	-15.4	-2.1
Puglia	6.7	-0.1	-3.3	4.0	2.8	-12.1	0.6
Basilicata	-6.3	-1.2	4.6	4.1	2.3	-13.9	0.3
Calabria	-3.8	-1.4	4.5	2.9	1.8	-10.4	0.1
Sicily	18.2	-0.8	-4.0	1.7	2.2	-17.6	-1.0
Sardinia	-0.7	-3.6	-9.1	4.8	1.8	-16.8	-0.6
South and Islands	**4.5**	**0.5**	**-2.4**	**2.1**	**1.6**	**-14.8**	**-0.7**
Italy	**3.6**	**..**	**-0.6**	**2.8**	**1.9**	**-11.4**	**0.9**

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

Total employment: 1993-2006 (1)

(thousands of persons)

	1993	1995	1998	2002	2003	2004	2005	2006
				Men and women				
Piedmont	1,689	1,667	1,652	1,752	1,777	1,796	1,829	1,851
Valle d'Aosta	54	53	54	57	56	56	55	56
Lombardy	3,700	3,660	3,737	3,983	4,086	4,152	4,194	4,273
Liguria	630	603	617	636	608	607	620	637
North-West	**6,074**	**5,984**	**6,061**	**6,427**	**6,528**	**6,609**	**6,697**	**6,817**
Trentino-Alto Adige	393	389	410	429	431	438	440	447
Veneto	1,786	1,780	1,840	1,953	2,027	2,042	2,063	2,101
Friuli-Venezia Giulia	473	476	483	511	504	500	504	519
Emilia-Romagna	1,734	1,701	1,726	1,851	1,870	1,846	1,872	1,918
North-East	**4,385**	**4,346**	**4,460**	**4,745**	**4,832**	**4,827**	**4,879**	**4,986**
Tuscany	1,344	1,326	1,330	1,426	1,484	1,488	1,510	1,545
Umbria	315	305	312	335	330	340	346	355
Marche	562	556	562	601	623	633	635	647
Lazio	1,765	1,702	1,739	1,899	1,990	2,076	2,085	2,122
Centre	**3,985**	**3,890**	**3,943**	**4,261**	**4,427**	**4,537**	**4,575**	**4,669**
Centre-North	**14,444**	**14,220**	**14,464**	**15,433**	**15,787**	**15,973**	**16,152**	**16,472**
Abruzzo	482	477	481	511	495	479	492	498
Molise	117	109	107	112	108	109	107	110
Campania	1,732	1,632	1,678	1,759	1,775	1,761	1,727	1,731
Puglia	1,243	1,180	1,180	1,279	1,243	1,235	1,221	1,256
Basilicata	187	179	180	189	196	194	193	197
Calabria	614	576	563	591	609	620	603	615
Sicily	1,400	1,330	1,384	1,449	1,437	1,439	1,471	1,503
Sardinia	546	539	554	590	591	593	597	608
South and Islands	**6,321**	**6,021**	**6,127**	**6,480**	**6,454**	**6,431**	**6,411**	**6,516**
Italy	**20,765**	**20,240**	**20,591**	**21,913**	**22,241**	**22,404**	**22,563**	**22,988**
				Women				
Piedmont	659	656	666	747	750	754	766	787
Valle d'Aosta	21	21	22	23	25	24	23	24
Lombardy	1,406	1,414	1,477	1,647	1,694	1,717	1,729	1,777
Liguria	246	243	257	278	259	254	257	268
North-West	**2,333**	**2,334**	**2,423**	**2,695**	**2,728**	**2,749**	**2,775**	**2,856**
Trentino-Alto Adige	140	140	159	166	177	183	182	185
Veneto	637	642	690	772	801	810	825	839
Friuli-Venezia Giulia	149	156	167	189	202	207	212	216
Emilia-Romagna	711	704	733	818	819	802	806	832
North-East	**1,637**	**1,642**	**1,748**	**1,944**	**2,000**	**2,002**	**2,025**	**2,071**
Tuscany	482	492	508	580	615	619	634	650
Umbria	123	119	129	145	142	143	142	150
Marche	207	209	214	246	260	266	263	267
Lazio	612	605	640	748	793	852	873	870
Centre	**1,425**	**1,424**	**1,492**	**1,719**	**1,810**	**1,879**	**1,912**	**1,935**
Centre-North	**5,395**	**5,400**	**5,663**	**6,358**	**6,538**	**6,630**	**6,712**	**6,862**
Abruzzo	196	190	199	217	200	186	191	192
Molise	41	38	38	40	38	40	38	39
Campania	541	523	539	565	578	573	548	561
Puglia	381	360	363	423	405	399	372	395
Basilicata	60	58	59	63	67	67	67	67
Calabria	190	183	173	192	203	214	208	214
Sicily	391	365	401	455	458	457	476	499
Sardinia	171	167	184	208	211	218	213	220
South and Islands	**1,971**	**1,884**	**1,956**	**2,162**	**2,159**	**2,153**	**2,113**	**2,187**
Italy	**7,366**	**7,284**	**7,618**	**8,521**	**8,697**	**8,783**	**8,825**	**9,049**

Source: Istat, *Rilevazione continua sulle forze di lavoro*. See the Methodological Notes.
(1) For years prior to 2004 the data refer to the old quarterly labour force survey, not perfectly comparable with the new series.

Main labour market indicators

(percentage ratios to population aged 15-64)

	Participation rate			Employment rate			Unemployment rate (1)		
	2002 (2)	2005	2006	2002 (2)	2005	2006	2002 (2)	2005	2006
Piedmont	66.9	67.2	67.5	62.6	64.0	64.8	6.5	4.7	4.1
Valle d'Aosta	69.0	68.5	69.1	66.1	66.3	67.0	3.6	3.3	3.0
Lombardy	66.5	68.3	69.1	64.2	65.5	66.6	3.5	4.1	3.7
Liguria	69.6	64.8	65.6	64.0	61.0	62.4	8.1	5.8	4.8
North-West	**66.0**	**67.6**	**68.4**	**62.8**	**64.6**	**65.7**	**4.8**	**4.4**	**3.9**
Trentino-Alto Adige	69.9	69.3	69.5	67.6	67.1	67.5	3.3	3.2	2.8
Veneto	65.8	67.4	68.3	62.9	64.6	65.5	4.5	4.2	4.1
Friuli-Venezia Giulia	67.3	65.8	67.2	64.4	63.1	64.7	4.3	4.1	3.5
Emilia-Romagna	71.9	71.1	71.9	70.1	68.4	69.4	2.5	3.8	3.4
North-East	**68.0**	**68.8**	**69.6**	**65.6**	**66.0**	**67.0**	**3.6**	**4.0**	**3.6**
Tuscany	64.7	67.4	68.2	62.0	63.7	64.8	4.1	5.3	4.8
Umbria	67.0	65.6	66.3	62.1	61.6	62.9	7.3	6.1	5.1
Marche	65.6	66.7	67.5	62.3	63.5	64.4	5.0	4.7	4.6
Lazio	59.6	63.3	64.2	54.5	58.4	59.3	8.5	7.7	7.5
Centre	**63.3**	**65.2**	**66.0**	**59.1**	**61.0**	**62.0**	**6.5**	**6.4**	**6.1**
Centre-North	**66.1**	**67.6**	**68.4**	**62.9**	**64.3**	**65.4**	**4.9**	**4.8**	**4.4**
Abruzzo	67.7	62.2	61.7	61.4	57.2	57.6	9.4	7.9	6.5
Molise	59.5	56.8	58.2	54.2	51.1	52.3	8.8	10.1	10.0
Campania	55.5	51.9	50.7	45.8	44.1	44.1	17.5	14.9	12.8
Puglia	54.6	52.1	52.5	47.3	44.4	45.7	13.4	14.6	12.8
Basilicata	55.6	56.2	56.3	48.1	49.2	50.3	13.5	12.3	10.5
Calabria	54.2	52.1	52.4	44.4	44.5	45.6	18.0	14.4	12.9
Sicily	55.7	52.7	52.1	44.2	44.0	45.0	20.6	16.2	13.5
Sardinia	59.5	59.2	58.7	51.5	51.4	52.3	13.5	12.9	10.8
South and Islands	**55.6**	**53.6**	**53.2**	**46.4**	**45.8**	**46.6**	**16.3**	**14.3**	**12.3**
Italy	**62.1**	**62.4**	**62.7**	**56.7**	**57.5**	**58.4**	**8.6**	**7.7**	**6.8**
25-country EU	**69.0**	**70.2**	**70.5**	**62.8**	**63.8**	**64.7**	**8.7**	**8.7**	**7.9**
” ” 1st quartile	**71.6**	**73.4**	**73.8**	**68.2**	**67.8**	**69.0**	**5.0**	**6.2**	**5.5**
” ” 3rd quartile	**64.5**	**66.6**	**66.6**	**57.3**	**57.7**	**60.2**	**10.5**	**9.3**	**8.3**

Source: Istat, *Rilevazione continua sulle forze di lavoro*. See the Methodological Notes.
(1) Percentage ratio of job seekers and labour force; includes people over 65 years of age. – (2) For 2002, data reconstructed by Istat consistent with the new labour force survey introduced in 2004.

Employment by geographical area and type of employment relationship

(thousands of persons and percentage shares)

	Employment					Percentage changes		
	1995 (1)	2000 (1)	2005	2006	2006 Share	1995-2000 (1) (2)	2000-2005 (2)	2006
				North-West				
Self-employment	1,642	1,678	1,747	1,743	25.6	0.4	0.8	-0.2
Payroll employment	4,354	4,616	4,950	5,074	74.4	1.2	1.4	2.5
of which: *permanent*	*4,142*	*4,282*	*4,508*	*4,583*	*67.2*	*0.7*	*1.0*	*1.6*
fixed-term	*212*	*334*	*442*	*491*	*7.2*	*9.5*	*5.8*	*11.1*
				North-East				
Self-employment	1,314	1,367	1,317	1,323	26.5	0.8	-0.7	0.5
Payroll employment	2,992	3,247	3,562	3,663	73.5	1.6	1.9	2.8
of which: *permanent*	*2,777*	*2,961*	*3,172*	*3,234*	*64.9*	*1.3*	*1.4*	*1.9*
fixed-term	*214*	*285*	*390*	*429*	*8.6*	*5.9*	*6.5*	*10.0*
				Centre				
Self-employment	1,174	1,204	1,260	1,268	27.2	0.5	0.9	0.6
Payroll employment	2,855	3,050	3,315	3,401	72.8	1.3	1.7	2.6
of which: *permanent*	*2,692*	*2,768*	*2,920*	*2,954*	*63.3*	*0.6*	*1.1*	*1.2*
fixed-term	*163*	*282*	*395*	*447*	*9.6*	*11.6*	*7.0*	*13.2*
				Centre-North				
Self-employment	4,130	4,249	4,324	4,334	26.3	0.6	0.4	0.2
Payroll employment	10,201	10,913	11,827	12,138	73.7	1.4	1.6	2.6
of which: *permanent*	*9,611*	*10,011*	*10,601*	*10,771*	*65.4*	*0.8*	*1.2*	*1.6*
fixed-term	*589*	*901*	*1,227*	*1,367*	*8.3*	*8.9*	*6.4*	*11.4*
				South and Islands				
Self-employment	1,692	1,700	1,706	1,739	26.7	0.1	0.1	1.9
Payroll employment	4,004	4,218	4,706	4,777	73.3	1.0	2.2	1.5
of which: *permanent*	*3,552*	*3,591*	*3,906*	*3,922*	*60.2*	*0.2*	*1.7*	*0.4*
fixed-term	*452*	*628*	*800*	*855*	*13.1*	*6.8*	*5.0*	*6.9*
				Italy				
Self-employment	5,821	5,949	6,029	6,073	26.4	0.4	0.3	0.7
Payroll employment	14,205	15,131	16,534	16,915	73.6	1.3	1.8	2.3
of which: *permanent*	*13,163*	*13,601*	*14,508*	*14,693*	*63.9*	*0.7*	*1.3*	*1.3*
fixed-term	*1,041*	*1,530*	*2,026*	*2,222*	*9.7*	*8.0*	*5.8*	*9.7*

Source: Istat, *Rilevazione continua sulle forze di lavoro*. See the Methodological Notes.
(1) The data refer to the old quarterly labour force survey, not perfectly comparable with the new series. – (2) Percentage changes in the period.

Table a2.5

Quality of selected public services

(percentages)

	Area	Year 1995	Year 2000	Year 2005
Waste recycling (1)	Centre-North	9.8	20.3	31.8
	South and Islands	0.9	2.4	8.7
Street cleaning (2)	Centre-North	27.4	34.2	35.4
	South and Islands	27.2	31.2	34.6
Gas (dissatisfaction) (3)	Centre-North	..	4.3	5.2
	South and Islands	..	3.8	4.7
Electricity, outages (4)	Centre-North	..	2.8	1.8
	South and Islands	..	5.2	3.7
Water supply, irregularity (5)	Centre-North	8.7	8.3	9.0
	South and Islands	26.7	28.6	23.8
Railways, satisfaction (6)	Centre-North	61.0	55.3	49.6
	South and Islands	53.1	49.5	49.7
University, attraction (7)	Centre-North	..	11.4	10.2
	South and Islands	..	-20.5	-16.6
Health, flight (8)	Centre-North	..	6.0	..
	South and Islands	..	8.1	..
Health, attraction (9)	Centre-North	..	9.4	..
	South and Islands	..	3.7	..
Civic register, queues (10)	Centre-North	..	14.0	17.5
	South and Islands	..	14.5	18.5
Local health units, queues (10)	Centre-North	..	38.4	41.0
	South and Islands	..	50.9	55.5
Post office, queues (10)	Centre-North	..	24.3	27.1
	South and Islands	..	45.6	47.1
Justice, length of trials (11)	Centre-North	..	939	787
	South and Islands	..	1,251	1,121

Sources: Based on data from Istat and Ministero della Salute.
(1) Recycling collection as percentage of total waste collection; source, Istat. – (2) Percentage of households that say dirty streets are a serious or fairly serious problem (the data for 1995 and 2000 refer to 1996 and 1999); source, Istat. – (3) Overall degree of dissatisfaction of users with gas supply service (the data for 2005 refer to 2006); source, Istat. – (4) Frequency of protracted accidental outages; source, Istat. – (5) Percentage of households reporting irregular supply of water; source, Istat. – (6) Degree of user satisfaction; source, Istat. – (7) Index of attraction of universities (percentage ratio of net interregional immigration of students to total study body); source, Istat. – (8) Index of flight from regional health facilities (residents in region discharged from health facilities located in other regions as percentage of total discharges; data for 2001); source, Ministero della Salute. – (9) Index of attraction (non-residents discharged from regional facilities as percentage of total discharges (2001 data); source, Ministero della Salute. – (10) Queues of more than 20 minutes (data for 2000 and 2005 refer respectively to 2001 and 2006); source, Istat. – (11) Duration of ordinary trials in court of first instance, including detached sections, estimated according to the formula: (initial cases pending + end cases pending)*365/(total cases disposed of + new cases).

Table a3.1

Number of banks and bank branches by region

(end-of-year data)

	2004		2005		2006	
	Banks	Branches	Banks	Branches	Banks	Branches
Piedmont	89	2,539	92	2,559	94	2,618
Valle d'Aosta	16	96	16	97	17	98
Lombardy	243	5,939	248	6,068	253	6,247
Liguria	59	914	62	934	63	959
North-West	**272**	**9,488**	**276**	**9,658**	**280**	**9,922**
Trentino-Alto Adige	130	920	131	932	129	941
of which: *Trento*	*74*	*513*	*75*	*524*	*75*	*531*
Bolzano	*74*	*407*	*75*	*408*	*74*	*411*
Veneto	135	3,279	135	3,332	138	3,446
Friuli-Venezia Giulia	55	914	57	913	60	926
Emilia-Romagna	129	3,218	134	3,300	139	3,410
North-East	**319**	**8,331**	**323**	**8,477**	**330**	**8,723**
Tuscany	122	2,258	120	2,297	122	2,376
Umbria	48	531	50	540	49	552
Marche	76	1,071	76	1,121	79	1,165
Lazio	166	2,464	168	2,514	171	2,584
Centre	**261**	**6,324**	**260**	**6,472**	**266**	**6,677**
Centre-North	**647**	**24,143**	**653**	**24,607**	**660**	**25,322**
Abruzzo	51	625	51	646	52	672
Molise	29	140	28	142	27	141
Campania	86	1,548	87	1,559	90	1,593
Puglia	70	1,356	71	1,372	75	1,396
Basilicata	30	241	31	244	31	250
Calabria	40	511	42	522	41	530
Sicily	67	1,710	70	1,729	75	1,749
Sardinia	29	677	30	683	32	684
South and Islands	**210**	**6,808**	**211**	**6,897**	**217**	**7,015**
Italy	**778**	**30,951**	**784**	**31,504**	**793**	**32,337**

Source: Siotec data. See the Methodological notes.

Bank lending by sector in 2006 (1)

(percentage changes on previous year)

	General govern-ment	Financial and insurance companies	Non-financial corporations (a)		Households		Firms = (a) + (b)				Total
				Less than 20 workers (2)	Pro-ducer (b) (3)	Consu-mer		Manufact. excl. construc-tion	Con-struction	Ser-vices	
Piedmont	3.7	-30.9	8.4	6.7	9.7	11.7	8.6	0.8	10.5	11.7	3.8
Valle d'Aosta	-9.0	-12.2	1.8	10.9	5.5	16.3	2.1	9.8	13.8	6.3	4.5
Lombardy	-5.4	20.0	11.9	6.1	9.8	7.2	11.8	7.4	15.8	13.9	12.6
Liguria	7.2	271.4	11.4	4.2	10.7	14.7	11.3	8.3	10.8	14.2	13.7
North-West	**0.4**	**13.9**	**11.3**	**6.3**	**10.0**	**8.9**	**11.2**	**6.2**	**14.5**	**13.7**	**11.0**
Trentino-Alto Adige	-7.9	2.4	10.4	4.8	4.8	3.7	9.7	7.3	12.4	11.5	7.6
of which: Trento	*-15.0*	*-30.4*	*8.1*	*5.3*	*5.5*	*7.5*	*7.8*	*10.6*	*14.1*	*9.2*	*6.3*
Bolzano	*0.5*	*17.9*	*14.3*	*5.8*	*4.8*	*-0.2*	*12.7*	*5.7*	*12.1*	*15.0*	*9.7*
Veneto	11.6	14.3	10.1	3.5	6.7	9.8	9.7	5.4	14.4	12.6	10.0
Friuli-Venezia Giulia	-10.4	::	5.6	3.3	4.7	7.7	5.5	3.5	17.0	3.8	19.0
Emilia-Romagna	6.2	13.1	9.3	3.8	4.9	11.0	8.9	5.6	13.0	12.1	9.7
North-East	**4.3**	**30.9**	**9.6**	**4.0**	**5.7**	**9.4**	**9.2**	**5.5**	**13.8**	**11.7**	**10.4**
Tuscany	30.3	34.0	9.8	3.8	4.6	11.4	9.2	6.2	18.7	10.5	13.0
Umbria	-3.2	-26.1	10.0	7.8	7.1	10.7	9.5	4.8	17.0	10.3	9.2
Marche	19.5	-13.9	10.2	4.1	3.8	7.7	9.1	4.9	14.5	10.8	7.4
Lazio	4.2	-2.4	10.5	5.9	10.9	13.4	10.5	13.9	12.6	8.5	10.3
Centre	**6.4**	**12.8**	**10.3**	**4.7**	**6.7**	**12.1**	**10.1**	**7.6**	**14.7**	**9.6**	**10.0**
Centre-North	**4.9**	**15.8**	**10.5**	**5.0**	**7.6**	**10.0**	**10.3**	**6.2**	**14.3**	**12.1**	**10.6**
Abruzzo	1.2	3.4	25.2	5.3	10.3	11.2	23.1	11.9	25.0	31.3	18.9
Molise	55.1	-25.0	11.4	14.7	6.5	14.0	10.4	13.4	21.5	6.2	12.3
Campania	-22.5	-36.1	25.8	11.1	14.5	16.7	24.4	20.2	24.6	29.0	15.1
Puglia	-1.0	266.8	15.4	9.3	9.0	13.5	13.8	10.6	16.8	14.9	14.1
Basilicata	7.7	104.5	5.6	8.3	8.3	12.1	6.1	-7.5	35.9	8.3	8.4
Calabria	25.7	-67.7	17.2	12.1	9.3	12.8	15.1	6.2	19.7	14.8	5.8
Sicily	21.4	223.7	16.6	9.6	10.2	11.9	15.2	9.4	18.3	16.0	14.9
Sardinia	-2.3	10.7	13.2	8.2	8.5	8.5	12.4	4.9	11.9	22.7	10.5
South and Islands	**-3.0**	**-22.3**	**19.7**	**9.5**	**10.6**	**13.2**	**18.4**	**12.4**	**21.0**	**22.3**	**13.9**
Italy	**3.7**	**13.6**	**11.6**	**5.6**	**8.3**	**10.6**	**11.3**	**6.9**	**15.4**	**13.3**	**11.0**

Source: Supervisory returns. The data are classified by the customer's location. See the Methodological Notes.
(1) Excluding repos and bad debts. Changes do not take account of reclassifications, exchange rate variations and other changes not due to transactions. – (2) Includes private non-profit institutions and units not elsewhere classified. – (3) Partnerships and sole proprietorships with up to 5 workers.

Table a3.3

Leasing, factoring and consumer credit

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

	Consumer credit (1)		Leasing		Factoring	
	2006	% change 2005-06	2006	% change 2005-06	2006	% change 2005-06
Piedmont	6,165	11.1	5,203	13.1	3,159	5.8
Valle d'Aosta	189	17.7	154	29.8	39	53.4
Lombardy	13,507	19.0	23,118	13.7	7,344	-0.2
Liguria	2,146	16.2	1,488	25.0	529	13.6
North-West	**22,007**	**16.4**	**29,963**	**14.2**	**11,070**	**2.1**
Trentino-Alto Adige	776	14.2	1,895	6.7	85	6.9
Veneto	5,284	17.7	9,330	8.1	1,019	27.7
Friuli-Venezia Giulia	1,497	16.4	1,651	2.7	241	14.0
Emilia-Romagna	5,140	18.8	7,667	11.0	1,635	22.5
North-East	**12,697**	**17.7**	**20,543**	**8.6**	**2,980**	**23.0**
Tuscany	5,729	14.5	4,481	19.8	1,764	37.2
Umbria	1,281	12.8	739	17.3	422	3.6
Marche	1,826	16.2	2,718	15.4	178	2.4
Lazio	9,761	14.9	7,844	21.8	3,600	6.2
Centre	**18,597**	**14.7**	**15,782**	**19.9**	**5,964**	**13.4**
Centre-North	**53,300**	**16.1**	**66,289**	**13.7**	**20,014**	**8.1**
Abruzzo	1,922	15.4	881	12.9	409	73.4
Molise	429	18.8	108	27.4	21	-29.4
Campania	8,335	21.5	2,528	43.5	1,598	37.5
Puglia	5,401	20.2	1,445	56.6	260	24.1
Basilicata	702	23.6	126	37.4	34	-27.3
Calabria	2,988	25.3	514	44.7	143	18.6
Sicily	8,930	21.8	1,211	18.7	338	3.2
Sardinia	3,245	17.1	988	16.4	140	-18.5
South and Islands	**31,953**	**20.9**	**7,801**	**33.0**	**2,943**	**27.7**
Italy	**85,294**	**17.9**	**74,090**	**15.4**	**22,957**	**10.3**

Sources: Statistical banking reports and Central Credit Register. Data refer to borrower location. See the Methodological notes.
(1) The national total includes items that cannot be divided geographically.

Table a3.4

Ratio of new bad debts to outstanding loans (1)

(percentages)

	2005			2006		
	Total	Firms	Consumer households	Total	Firms	Consumer households
Piedmont	1.0	1.4	0.6	0.8	1.1	0.7
Valle d'Aosta	1.3	1.6	0.6	0.6	0.8	0.5
Lombardy	0.6	0.9	0.7	0.6	0.8	0.6
Liguria	0.8	1.0	0.6	0.7	0.8	0.7
North-West	**0.7**	**1.0**	**0.6**	**0.6**	**0.9**	**0.7**
Trentino-Alto Adige	0.8	0.9	0.6	0.6	0.7	0.4
of which: *Trento*	*0.5*	*0.6*	*0.4*	*0.4*	*0.4*	*0.3*
Bolzano	*1.0*	*1.2*	*0.7*	*0.8*	*0.9*	*0.5*
Veneto	0.9	1.0	0.6	0.8	1.0	0.7
Friuli-Venezia Giulia	0.5	0.7	0.5	0.8	1.0	0.6
Emilia-Romagna	0.9	1.0	0.8	0.8	1.0	0.7
North-East	**0.8**	**1.0**	**0.7**	**0.8**	**0.9**	**0.6**
Tuscany	1.0	1.4	0.6	0.9	1.2	0.7
Umbria	1.1	1.4	0.6	1.4	1.7	1.0
Marche	1.1	1.4	0.7	1.0	1.2	0.8
Lazio	0.6	0.9	0.8	0.9	1.5	0.9
Centre	**0.8**	**1.2**	**0.7**	**0.9**	**1.4**	**0.9**
Centre-North	**0.8**	**1.0**	**0.7**	**0.8**	**1.0**	**0.7**
Abruzzo	0.9	1.0	0.9	1.6	1.9	1.0
Molise	0.9	1.0	1.0	1.2	1.5	0.8
Campania	1.3	1.8	1.1	1.2	1.5	1.1
Puglia	1.3	1.8	0.8	1.5	1.9	0.8
Basilicata	1.8	2.4	0.7	4.2	6.1	0.9
Calabria	2.0	2.7	1.1	1.7	2.8	1.1
Sicily	1.2	1.6	0.8	1.4	1.9	1.0
Sardinia	0.9	1.4	0.5	1.3	2.0	0.6
South and Islands	**1.3**	**1.7**	**0.9**	**1.5**	**2.0**	**1.0**
Italy	**0.9**	**1.1**	**0.7**	**0.9**	**1.1**	**0.8**

Sources: Supervisory reports and Central Credit Register. See the Methodological Notes.
(1) Data on transactions in euros, classified by customer location. New adjusted bad debts in the last 12 months as a percentage of the stock of loans (excluding adjusted bad debts) outstanding at the end of the preceding year; the stock of loans includes positions smaller than €75,000.

Table a3.5

Financial position and profitability of firms (1)

(weighted averages; percentages)

	Centre-North		South and Islands		Italy	
	2000-02	2003-05	2000-02	2003-05	2000-02	2003-05
			ROA (2)			
1-49 workers	5.7	5.2	5.1	5.0	5.6	5.1
50-249 workers	5.2	4.8	4.3	3.9	5.1	4.7
250 and beyond	6.5	6.1	2.9	4.7	6.3	6.0
Total	**5.8**	**5.5**	**3.9**	**4.4**	**5.7**	**5.4**
			Interest expense/Gross operating profit			
1-49 workers	28.9	23.5	38.9	33.6	29.9	24.6
50-249 workers	23.0	20.8	28.2	26.0	23.5	21.3
250 and beyond	17.3	16.2	28.9	14.4	17.8	16.1
Total	**20.9**	**18.6**	**32.3**	**22.9**	**21.6**	**18.9**
			Leverage (3)			
1-49 workers	60.2	58.1	60.8	57.5	60.3	58.0
50-249 workers	56.4	53.1	52.9	52.7	56.0	53.1
250 and beyond	45.0	46.9	43.7	44.0	44.9	46.7
Total	**50.7**	**50.2**	**51.7**	**51.0**	**50.8**	**50.3**
			Bank debt/Financial debt			
1-49 workers	72.8	75.9	80.1	79.5	73.8	76.3
50-249 workers	68.1	66.4	72.7	75.7	68.5	67.3
250 and beyond	51.6	41.4	66.2	61.3	52.5	42.4
Total	**60.4**	**54.3**	**72.4**	**71.5**	**61.4**	**55.6**
			Bonds/ Financial debt			
1-49 workers	2.1	1.8	1.0	1.1	1.9	1.7
50-249 workers	2.3	2.0	1.0	1.2	2.2	1.9
250 and beyond	7.2	10.3	1.1	2.0	6.8	9.8
Total	**4.7**	**6.4**	**1.0**	**1.4**	**4.3**	**6.0**
			Current assets/Current liabilities			
1-49 workers	112.7	117.5	110.6	114.8	112.5	117.1
50-249 workers	113.9	127.7	112.7	112.7	113.8	126.2
250 and beyond	100.8	106.5	112.9	115.5	101.5	107.1
Total	**109.1**	**115.3**	**111.2**	**113.9**	**109.3**	**115.2**

Based on Company Accounts Data Service data. See the Methodological notes.
(1) Book value. The figures for Italy include data for which information on geographical area and/or dimension is not available. – (2) Ratio of current profit before financial operations to sales. – (3) Ratio of financial debt to the sum of financial debt and shareholders' equity.

Table a3.6

Bank fund-raising by region (1)

(year-end stocks; millions of euros and percentage changes)

	Fund-raising in December 2006				Percentage changes			
		Deposits	of which (2): current accounts	Bonds		Deposits	of which (2): current accounts	Bonds
Piedmont	93,883	65,132	50,838	28,751	9.1	11.4	10.8	4.3
Valle d'Aosta	2,535	2,030	1,623	505	9.3	10.9	9.8	3.5
Lombardy	294,196	207,447	161,516	86,749	8.7	10.3	7.6	4.8
Liguria	29,863	20,498	16,545	9,365	3.0	5.6	4.3	-2.2
North-West	**420,477**	**295,107**	**230,522**	**125,370**	**8.3**	**10.2**	**8.1**	**4.1**
Trentino-Alto Adige	27,547	16,788	12,270	10,760	6.3	5.2	4.3	8.0
of which: Trento	*13,378*	*8,385*	*6,190*	*4,993*	*6.5*	*7.3*	*5.6*	*5.2*
Bolzano	*14,169*	*8,402*	*6,080*	*5,767*	*6.1*	*3.2*	*3.1*	*10.6*
Veneto	92,587	65,259	48,213	27,328	4.1	5.9	4.9	-0.1
Friuli-Venezia Giulia	28,289	18,492	15,029	9,797	3.6	5.5	7.6	0.2
Emilia-Romagna	105,290	70,796	51,690	34,494	4.1	2.9	-0.6	6.6
North-East	**253,713**	**171,334**	**127,202**	**82,379**	**4.3**	**4.6**	**2.8**	**3.7**
Tuscany	74,261	50,341	39,428	23,919	6.3	6.9	6.9	5.3
Umbria	12,888	9,355	6,774	3,533	5.8	5.2	6.2	7.4
Marche	27,313	19,266	12,225	8,048	6.8	8.7	8.0	2.5
Lazio	144,025	120,804	88,331	23,221	8.4	9.9	8.6	1.0
Centre	**258,487**	**199,767**	**146,759**	**58,720**	**7.5**	**8.8**	**8.0**	**3.3**
Centre-North	**932,677**	**666,208**	**504,483**	**266,469**	**7.0**	**8.3**	**6.7**	**3.8**
Abruzzo	16,486	13,195	8,511	3,291	5.9	5.9	5.2	5.9
Molise	2,880	2,386	1,745	494	10.8	11.4	13.6	8.1
Campania	54,355	45,174	32,467	9,180	4.7	5.5	5.4	1.1
Puglia	38,012	30,304	19,541	7,708	3.0	3.4	3.1	1.4
Basilicata	4,747	3,943	2,537	804	5.2	5.5	6.2	3.7
Calabria	13,505	10,874	7,311	2,631	3.5	4.6	4.9	-0.7
Sicily	44,783	35,146	24,070	9,638	2.3	4.0	3.8	-3.4
Sardinia	16,134	13,508	10,403	2,626	5.2	4.9	7.4	6.3
South and Islands	**190,902**	**154,529**	**106,586**	**36,373**	**4.0**	**4.8**	**4.9**	**0.7**
Italy	**1,123,579**	**820,737**	**611,069**	**302,841**	**6.4**	**7.6**	**6.4**	**3.4**

Source: Supervisory reports, classified by customer location. See the Methodological notes.
(1) Net of funds raised from monetary financial institutions (banks and other intermediaries). – (2) Excludes deposits of central government departments.

Table a3.7

Individually managed portfolios (1)

(millions of euros and percentage changes)

	Net flows (2)		End-of-period stocks		
	2005	2006	2005	2006	Var. %
Piedmont	7,258	1,026	64,430	66,851	3.8
Valle d'Aosta	77	10	600	772	28.6
Lombardy	10,946	4,792	198,657	204,731	3.1
Liguria	307	256	8,086	8,116	0.4
North-West	**18,588**	**6,084**	**271,773**	**280,469**	**3.2**
Trentino-Alto Adige	445	65	4,661	4,799	3.0
Veneto	3,477	420	33,740	34,525	2.3
Friuli-Venezia Giulia	2,213	21,313	31,136	55,312	77.6
Emilia-Romagna	1,448	179	34,593	34,521	-0.2
North-East	**7,583**	**21,978**	**104,131**	**129,157**	**24.0**
Tuscany	1,082	-705	22,027	21,294	-3.3
Umbria	-29	-27	3,221	3,162	-1.8
Marche	684	-9	5,455	5,433	-0.4
Lazio	5,515	-869	82,158	82,182	..
Centre	**7,252**	**-1,609**	**112,861**	**112,071**	**-0.7**
Centre-North	**33,423**	**26,452**	**488,765**	**521,696**	**6.7**
Abruzzo	193	101	1,569	1,620	3.3
Molise	12	9	345	347	0.5
Campania	897	324	8,297	8,355	0.7
Puglia	479	83	5,250	5,176	-1.4
Basilicata	45	28	402	434	7.9
Calabria	500	92	2,322	2,525	8.7
Sicily	376	-56	4,278	4,162	-2.7
Sardinia	135	9	1,450	1,457	0.5
South and Islands	**2,637**	**589**	**23,913**	**24,077**	**0.7**
Italy	**36,061**	**27,041**	**512,678**	**545,773**	**6.5**

Source: Supervisory reports. See the Methodological notes.
(1) Data at current value by counterparty's place of residence. – (2) Including transfers of portfolio management business between intermediaries.

Short-term bank lending and deposit rates by region (1)

(percentages)

	Loans (2)			Deposits (3)		
	Dec. 2005	Dec. 2006	Mar. 2007	Dec. 2005	Dec. 2006	Mar. 2007
Piedmont	6.0	6.7	6.8	0.7	1.1	1.2
Valle d'Aosta	7.6	7.7	8.0	0.8	1.2	1.4
Lombardy	5.3	6.0	6.0	0.8	1.3	1.5
Liguria	6.8	7.3	7.4	0.6	0.9	1.0
North-West	**5.5**	**6.2**	**6.2**	**0.8**	**1.3**	**1.4**
Trentino-Alto Adige	4.6	5.5	5.8	1.1	1.7	1.8
Veneto	5.9	6.3	6.5	0.8	1.2	1.3
Friuli-Venezia Giulia	6.0	6.6	6.8	1.0	1.6	1.7
Emilia-Romagna	5.3	6.1	6.3	0.9	1.3	1.5
North-East	**5.5**	**6.2**	**6.3**	**0.9**	**1.3**	**1.4**
Tuscany	5.6	6.4	6.6	0.8	1.3	1.4
Umbria	6.7	7.2	7.4	0.8	1.2	1.4
Marche	5.4	6.3	6.6	0.9	1.4	1.5
Lazio	6.2	6.7	6.8	1.1	1.8	2.0
Centre	**5.9**	**6.6**	**6.7**	**1.0**	**1.6**	**1.8**
Centre-North	**5.6**	**6.3**	**6.4**	**0.9**	**1.4**	**1.5**
Abruzzo	6.7	7.2	7.5	0.9	1.3	1.3
Molise	7.8	8.0	8.2	0.8	1.4	1.6
Campania	7.4	7.5	7.5	0.6	0.9	1.0
Puglia	7.9	7.7	8.0	0.7	1.0	1.1
Basilicata	6.8	7.4	7.7	0.7	1.1	1.2
Calabria	8.8	9.2	9.1	0.6	0.8	0.9
Sicily	7.5	7.5	7.6	0.7	1.2	1.3
Sardinia	7.1	6.7	7.6	0.9	1.3	1.4
South and Islands	**7.5**	**7.5**	**7.7**	**0.7**	**1.1**	**1.2**
Italy	**5.8**	**6.4**	**6.6**	**0.9**	**1.3**	**1.5**

Source: *Rilevazione sui tassi di interesse attivi e passivi.* See the Methodological notes.
(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.

METHODOLOGICAL NOTES

FOREIGN TRADE

Tables a1.13-a1.14

Regional exports (*fob*) by sector

The data on trade with EU countries are obtained using the Intrastat system; those on trade with other countries using customs documentation. The regional data are the result of the aggregation of the data classified by province of origin and destination. The province of origin is that in which goods for export were produced or obtained following the processing, transformation or repair of temporarily imported goods. 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).

THE LABOUR MARKET AND REGIONAL POLICIES

Figure 2.1

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.

Figure 2.2, Tables. a2.1-a2.4

The labour force survey

As of January 2004 Istat's labour force survey has undergone far-reaching changes as regards 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 population used for the survey, consisting of persons resident and present in Italy, has changed considerable 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 R4

Votes in mathematics in the PISA 2003 test

The Program for International Student Assessment (PISA) is carried out at three year intervals by the OECD to assess the mathematical and scientific knowledge and the ability to read and understand non-specialist texts of 15-year-olds who participate in the school systems of the countries involved. The method of assessment adopted allows comparison of the results achieved by students taught in different educational systems and coming from different cultures.

BANKING

Tables 3.1, a3.2, a3.4 and a3.6; Figure 3.1

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). As of 1995 the former special credit institutions have submitted identical reports to those sent by other banks; from the same date the information on the former special credit sections has been included in the reports of their parent institutions. For details on the classification of customers by economic activity, see the Glossary of the Bank of Italy's *Statistical Bulletin* ("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, stock exchange repos, sundry secured loans 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. The data are available half-yearly.

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

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

Table R1

The sample of banks used in regional surveys

The sample of banks used to analyze the spread of statistical and quantitative methods for assessing firms' creditworthiness consists of 297 intermediaries, of which 114 have their registered offices in the North-West, 69 in the North-East, 81 in the Centre and 33 in the South and Islands. The sample accounts for 81 per cent of the total loans to Italian firms.

Tables 3.2 and a3.5

Central Credit Register data

The Company Accounts Data Service Central Credit Register gathers the financial statements of the main Italian companies and stores them in electronic archives. The calculations reported in the tables refer to a sample of about 50,000 non-financial companies for which data are available from 1996 to 2005.

Table. a3.3

Consumer credit, leasing and factoring

The information on banks and financial companies is obtained from the statistical supervisory reports on consumer credit and from the Central Credit Register for leasing and factoring; the financial companies considered are those entered in the special register referred to in Article 107 of the Consolidated Law on Banking that engage (even if not prevalently) in leasing, factoring and consumer credit. Lending does no include bad debts.

The definition of some items:

Consumer credit: this includes loans granted in accordance with Article 121 of the Consolidated Law on Banking to individuals acting for other than business reasons. It includes lending related to the use of credit cards.

Leasing: financial leasing claims consist of the implicit amounts plus, in the case of default by the user, instalments due and not paid and the related accessory costs and expenses. Leasing also includes preleasing costs net of any instalments paid early.

Factoring: factoring claims consist of the advances made against claims that have already arisen or that will arise in the future. Factoring does not include positions that have expired for non-performance, even where the conditions for transfer to bad debts do not exist.

For further information, see the Appendix to the Bank's Annual Report in Italian.

Figure 3.2

Housing prices

For each municipality that is a provincial capital Consulente Immobilare carries out a six-monthly survey of new and fully restructured residential properties in three urban areas (centre, semi-centre and outskirts), starting from the average prices of sales. This information is first aggregated into price indices for individual cities by weighting the three urban areas using the weights found in the Bank of Italy's Survey of Household Income and Wealth. The indices for the provincial capitals are then aggregated by region, macroregion and the country as a whole, weighting the cities using the number of homes found by Istat in the 2001 census of the population and homes.

Table. a3.4

Reports to the Central Credit Register

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

Definitions of some items:

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 (e.g. a rescheduling of the time limits, a reduction of the principal and/or interest) that give rise to a loss.

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 its exposure towards the banking system or as having overshoots equal to or more than 10% of its total loans outstanding;

d) as a bad debt by at least two banks for amounts equal to or more than 10% of its total loans outstanding.

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 Statistical Appendix and in the Glossary of the Bank of Italy's *Statistical Bulletin*.

Table a3.8

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 respectively 70 and 60 in the previous survey).

The information on lending rates is collected separately for each customer. The data refer to loans 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 exceeds €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 sight 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.*

Table. a3.7

Portfolio management

The data refer exclusively to individually managed portfolios, except for portfolios managed by banks, which include all the types of management and those delegated by third parties other than Italian banks. The data on fund-raising include the disposals and acquisitions of individually managed portfolio assets between intermediaries.

For further information, see the "Glossario" section in the Appendix to the Bank's Annual Report in Italian.

Tables. 3.3 and a3.1

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.*

LOCAL GOVERNMENT FINANCES

The regional data refer to an aggregate of expenditure that includes the main cost items of the accounts of health units entered in the Health Sector Information System as of 1 March 2007 and included in the General Report on the Economic Situation. The items in question are staff costs, total expenditure for assistance from accredited facilities operating under an agreement, and purchases of goods and other services. The aggregate reconstructed here does not include amounts set aside for typical provisions, fee-sharing for care provided on a private basis within public hospitals, interest expense and financial charges, and taxes.